



September 29, 2021

Ms. Sarah Vorpahl, Senior Energy Policy Specialist
Mr. Glenn Blackmon, Manager, Energy Policy Office
Ms. Liz Reichart, Senior Energy Policy Specialist
Washington State Department of Commerce
1011 Plum Street SE
P.O. Box 42525
Olympia, WA 98504-2525

Re: A. O. Smith Request to Temporarily Suspend the Requirements of WAC 194-24-180 on Electric Storage Water Heaters

Dear Ms. Vorpahl, Mr. Blackmon, and Ms. Reichart,

A. O. Smith Corporation (“A. O. Smith”), with global headquarters in Milwaukee, Wisconsin, applies technology and energy-efficient solutions to products manufactured and marketed worldwide. Listed on the New York Stock Exchange (NYSE), the company is one of the world’s largest manufacturers of residential and commercial water heating equipment and boilers, as well as a leading manufacturer of water treatment and air purification products.

As you know, WAC 194-24-180 requires that standard electric resistance storage water heaters as well as electric heat pump water heaters (HPWHs) sold and distributed in commerce in the State, carry the March 2018 version of the ANSI/CTA-2045-A communication interface standard (or a standard determined by the Department of Commerce (“Department”) to be “equivalent”); as well as application layer requirements.¹ Accordingly these requirements took effect for HPWHs on January 1, 2021, and will take effect for electric resistance storage water heaters on January 1, 2022.² For the reasons set forth below, A. O. Smith respectfully requests that the Department use its emergency and expedited rulemaking authority³ to temporarily suspend the requirements of WAC 194-24-180 for a period not to exceed 12 months beginning on November 1, 2021. Temporarily suspending these requirements is in the public interest and will ensure that consumers in the State will be able to have either a HPWH or electric resistance storage water heater installed in their home on an emergency 24-hour basis, which constitutes approximately 85% of water heater installations in the State.

¹ WAC 194-24-180 (2)(a-b)

² WAC 194-24-180 (1)

³ RCW 34.05.350 and 34.05.353 respectively

Discussion

A. O. Smith has, and continues to be, a strong supporter of the State’s leadership in adopting the first-ever CTA-2045A hardware and application requirements for electric storage water heaters. Upon enactment of the legislation in 2019 that codified the standards, A. O. Smith immediately began its product and resource planning to meet the ensuing requirements. The State’s recognition of the value that load-managed electric storage water heaters provide both customers and utilities in the State in meeting urgent climate change policy goals is commendable, and A. O. Smith shares that perspective.

However, when our product and resource planning began in the fall of 2019, and leading into the first quarter of 2020, we, like the rest of the world, did not appreciate – nor foresee – the devastating impacts that COVID-19 would reap around the globe, as well as the unprecedented disruption to global supply chains that continue to reverberate. As the Department is no doubt aware, the global sourcing of electric component and microchip sets has forced the idling of manufacturing operations, snarled shipping, and transportation logistics, as well as forced manufacturers to shift their production to products for which they have requisite materials and inventories in hand and stop production of other stock-keeping-units (SKUs) products that are more specialized and rely exclusively on those specialized components.

A. O. Smith, like many global manufacturers, is not immune to these supply chain disruptions and its global procurement teams have been working around the clock daily for months to source components for hundreds of product lines to meet the needs of our customers. While A. O. Smith was optimistic that it may be able to meet the “or equivalent” pathway to meet the statute’s requirements, it has determined that its contemplated pathway will not meet the statute’s requirement that it be “*open and widely available and provide the demand response functions provided using the standards identified in subsection (2)*”.⁴

Notwithstanding these efforts, specialty electronic components and chip sets are in short supply with delivery lead-times that, in certain cases, run into the third quarter of 2022. As a result, short of a temporary suspension of the CTA-2045-A requirements set forth in WAC 194-24-180 to allow global supply chains to catch up with its production demand, A. O. Smith, among other manufacturers will reluctantly be forced to reprioritize allocation of product to markets where demand is the strongest for these specific product categories for the remainder of 2021 and through 2023. While A. O. Smith will do its level best to meet the needs of its customers in the State of Washington as soon as it is able, the supply disruptions that will ensue are not insignificant. Homeowners, as well as small business owners within the plumbing channel will feel the economic impacts of a water heater supply disruption. Moreover, by interrupting the installation of standard HPWHs into State, it will slow the market adoption of a water heating technology that is critical in helping to reduce greenhouse gas emissions.

⁴ WAC 194-24-180 (3)(a)

In summary, A. O. Smith respectfully requests that the Department temporarily suspend the requirements of WAC 194-24-180 for heat pump water heaters beginning on November 1, 2021 through July 1, 2021 and delay for an additional year the requirements of WAC 194-24-180 for electric resistance storage water heaters until January 1, 2023. Suspending and delaying the compliance obligations will result in mitigating financial burdens and opportunity costs for manufacturers who are in the process of navigating the global complexities associated with the COVID-19 pandemic and global supply chain disruptions, as well as ensuring an adequate supply of electric storage water heating equipment ensuring that Washingtonians will be able to have replacement equipment installed in their homes.

A. O. Smith looks forward to working expeditiously with the Department and remains open to sharing additional information that would assist the Department in its decision-making process regarding A. O. Smith's request.

Sincerely,

A handwritten signature in black ink, appearing to read "Joshua C. Greene". The signature is fluid and cursive, with a long horizontal stroke at the end.

Joshua C. Greene
Corporate Vice President, Government and Industry Affairs
A. O. Smith Corporation
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Milwaukee, WI 53224
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cc: Lisa Brown, Ph.D. Director, Washington State Department of Commerce