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Re: Docket Number EERE-2011-BT-STD-0047

Statement by Theodore E. (Rett) Rasmussen III, Vice President

The following are supplementary comments to the written comments submitted August 28, 2011, and verbal comments made during the public meeting on September 1, 2011.

It was evident that that public meeting was merely to check-off a statutory requirement on your way to railroading a flawed and business-killing rule into existence. When confronted with facts and knowledge from gas log industry experts about the market and types of gas log products sold, DOE and Navigant attendees chose to remain absolutely silent, except for a standard, oft-repeated “thank you for your comments.” It was such a waste of both public and private resources for DOE and Navigant to fail to take advantage of this opportunity to dialogue with these experts about the severe consequences that this flawed NOPR would have on the gas log industry, an industry that is comprised almost without exception by small businesses. Such an extreme lack of judgment in the private industry would have been grounds for a severe reprimand, if not dismissal, especially in this current economy. The deficit of creativity and spontaneous thought by DOE and Navigant to change course from an apparent game plan to get the meeting “over with” as soon as possible was absolutely shameful. Shameful and arrogant!

1 KEY ISSUES

In general, what are the key concerns for your company regarding the direct heating equipment rulemaking to amend the definition of “vented hearth heater”?

In general, this rule would kill my 104-year old, five generation family business for absolutely no good reason other than to give NRDC and AEEE a bullet point to put on their website to aid them in fundraising from other like-minded proponents of intrusive government and detractors of free-enterprise.

Vented gas log sets are just that “Decorative” and not Direct Heating Equipment (DHE). In the third exclusion provision, we must declare that vented gas logs are a “decorative appliance” and specifically deny that they are not for use as a “heating appliance.” The contradiction is evident to the most casual observer.

Mr. Kahn had it correct the first time in his FAQs when he specifically excluded vented gas log sets from the April 2010 Rule. Then, by mere decree, you term vented gas logs to be DHE. You can call

a “chicken” a “dog” as much as you want, but it's still a “chicken.” This is double-speak right out of 1984. DOE should be ashamed to try to pull that one over on its citizens.

COMPANY OVERVIEW

Do you have a parent company and/or subsidiary? If so, please provide their name(s).

No.

What is your company’s approximate market share in the vented gas log set marketplace?

Unknown.

**Do you manufacture any other products? If so, what other products do you manufacture?
What percentage of your overall revenue is from vented gas log sets?**

Yes. Gas Grills. Varies.

What are your product line niches and relative strengths in the vented gas log set market?

We offer a wide variety of styles and sizes, and make custom sets for large and unusual fireplaces.

Where are your production facilities located? Please provide production figures for your company's manufacturing at each facility.

Table 2! *Manufacturing locations*

Location	Products	Employees (Production)	Employees (Non-production)	Units/Yr Produced
Whittier, CA	Gas Logs, Gas Grills	35	9	Varies
Tecate, BC, Mexico	Gas Logs	13	2	Varies

HEARTH PRODUCT INFORMATION

How many different vented gas log set products do you offer? Are these grouped into product families or platforms? If so, how many platforms are used?

The combinations are too numerous to count or provide context. Not sure what you mean by “platforms”.

What percentage of your shipments would meet the four design criteria without modification? What percentage of industry shipments would meet the criteria?

Zero percent (0%). Zero percent (0%).

What fractions of your products are certified to ANSI Z21.60, RGA 2-72, and ANSI Z21.84? Are any of your vented gas log sets certified to other safety, construction, or operational standards? What are the costs associated with obtaining and maintaining certification to each of these standards? Is the cost of certification a one-time cost or is there an annual cost associated with certification?

ANSI Z21.60 = approximately 5%; RGA 2-72 = 0%; ANSI Z21.84 = Approximately 50%

No other standards.

Tens of thousands of dollars, depending on the scope of work required. It is not a one time cost. There are yearly listing fees and costs of periodic inspections. There are also recertification costs whenever a change is made to the underlying standard(s).

What fraction of your vented gas log shipments include a thermostat? Is that fraction standard for the industry? Do customers add a thermostat as an accessory after the initial purchase?

We don't track that. Unknown. Yes, they can.

Is there room on the product to legibly indicate that the gas log set is a “Decorative Product: Not For Use As A Heating Appliance”?

No markings are made on the product itself (destroys the decorative effect). All warnings, instructions, etc., are printed on a sticker that is applied to a metal plate that accompanies the log set. More markings will require larger plates.

What is the approximate percentage of total shipments made up by each ignition type? If different from annual shipments, what is the approximate fraction of each ignition type in the installed stock?

Match lighted – approximately 70%
Standing pilot – approximately 22%
Electronic Ignition – approximately 3%

Are there any installation considerations (e.g., aesthetics, space constraints) for the different ignition types?

Yes. Aesthetics, space constraints and safety.

What fraction of your shipments are products that use propane? Are there any unique considerations for those products?

Approximately 25%. All propane sets must be used with a safety control system, due to the nature of propane.

Do shipments of different types of products (e.g., different ignition systems, propane vs. NG) vary significantly by region? Are there specific considerations about equipment installed in different regions (such as differences in building codes, portion of propane installations, hours of operation, lifetime, etc.) that should be accounted for in DOE's analysis?

Yes. Yes - differences in building codes and jurisdictional requirements; portion of propane installations; historical regional preferences in areas without specific jurisdictional requirements.

For your decorative hearth products and vented gas logs equipped a continuous standing pilot, what is the typical or average fuel input rate to the pilot light? How does this compare to the standing pilot lights used by other manufacturers?

560 BTU/hour. Typical.

What do you estimate are the average operating hours of decorative hearth products and vented gas logs? What is the approximate portion of the total operating hours attributable to each season?

Unable to estimate. It's like asking me what is the favorite color. It varies with each individual user and will vary with each region of the country. Too broad of an issue to boil down to a general statement.

In the NOPR analysis, DOE assumed 75% of consumers with a standing pilot leave their standing pilot lit all year, and 25% of consumers leave their pilot lit for half of the year during the heating season and part of the shoulder seasons (i.e., spring and fall). Please comment on these assumptions.

Totally out of touch with reality. These are so far out of the realm that I do not wish to provide them with any hint of validity by commenting further on them.

DOE's projected shipments for hearth products, including gas log sets, are developed using historical shipment data and projected new housing starts. Are there any other factors that should be considered in the shipments projections? Please comment generally on your expectations for future shipments. What fraction of the shipments of hearth products are considered decorative products, and what trends do you expect for decorative hearth products compared to hearth heaters?

The future depends on so many factors, no least of which is government intrusion into the free market and the distortions your NOPR would impart. This is too much of a moving target, economy-wise, to make any comments.

In the NOPR analysis, DOE assumed that the average lifetime for both decorative and gas log sets was 15 years, with a minimum lifetime of 10 years and a maximum lifetime of 30 years. What is the typical or average lifetime for decorative and gas log sets? What would you expect to be the minimum and maximum life of this equipment in the field?

There is no typical or average lifetime. We have no tracking methods in place from which to determine this. Would vary from customer to customer, as there is no typical usage pattern.

MANUFACTURER PRODUCTION COST

DOE is interested in understanding how the four design criteria will affect the manufacturer production cost. In particular, DOE is concerned with how the conversion from one ignition system to another impacts the manufacturer production cost. In the April 2010 final rule for heating products, DOE estimated the manufacturer production costs of residential hearth products. This included an estimate of the manufacturer production cost for vented hearth heaters (i.e., gas fireplaces, gas fireplace inserts, and gas stoves) to go from 64% AFUE to 67% AFUE, which was assumed to be achieved primarily through removing the standing pilot ignition system and converting to the use of an electronic ignition system. In the April 2010 final rule, DOE found that the manufacturer production cost of a standing pilot ignition system is roughly equivalent to the cost of an electronic ignition system for hearth products such as fireplaces, fireplace inserts and gas stoves. DOE assumed that each of the ignition systems were purchased from vendors and then installed by the manufacturer as part of the final assembly. The major components found in each type of ignition system and the assumed component costs are shown in the table below.

Table 3- Cost of Standing Pilot and Electronic Ignition for Gas Hearth Products

Standing Pilot Ignition		Electronic Ignition			
Component	Cost (50,000 Units per year)	Feedback	Component	Cost (50,000 Units per year)	Feedback
3-position standing pilot Thermocouple	\$3.95		Intermittent Pilot Igniter	\$2.82	
	\$2.19		Controller	\$8.42	
Thermopile	\$11.51		3V Power Supply and Wiring Harness	\$12.71	
Piezo Igniter and Sparker	\$1.86		24V Gas Valve, Manual Modulation	\$43.50	
Millivolt Gas Valve, Manual Modulation	\$47.46				
Total	\$66.97		Total	\$67.45	

How does the conversion from a standing pilot ignition system to an electronic ignition system differ for vented gas log sets and how do the costs compare with those estimated above for other gas hearth products? Are additional components necessary for gas log sets, and, if so, what is the approximate cost of those components based on high-volume (i.e., 50,000 units per year) manufacturing?

The costs for gas log sets are much higher. Unknown.

From a preliminary review of parts lists for match lit burners, it appears that these types of gas logs are much less complex and expensive than those with burners that employ standing pilot or electronic ignition systems. How do match-lit ignition systems compare to standing pilot and electronic ignition systems in terms of components?

Fewer.

MARKUPS AND PROFITABILITY

In this section, DOE would like to understand the current markup structure of the industry. The manufacturer markup is a multiplier applied to manufacturer production cost to cover per unit research and development, selling, general, and administrative expenses, and profit. It is NOT a profit margin. The manufacturer production cost multiplied by the manufacturer markup plus the shipping costs covers all costs involved in manufacturing and profit for the product.

DOE estimated a markup of 1.35 for all gas hearth products. Please comment on the accuracy of this figure for vented gas log sets.

Varies with each item. There is no standard.

What factors affect markups for vented gas log set products?

The competitive market.

How would you expect the exclusion criteria to affect markups for gas log set products?

Yes

DISTRIBUTION CHANNELS

What are the main distribution channels for vented gas log sets?

Distributors, Dealers of all types, Builders, Designers, Architects, Internet, Direct to Consumer.

CONVERSION COSTS

DOE's proposed design requirements may cause vented gas log set manufacturers to incur conversion costs DOE considers three types of conversion expenditures:

- **Capital conversion costs -- One-time investments in plant, property, and equipment (PPE) necessitated by the design requirements. These may be incremental changes to existing PPE or the replacement of existing PPE. Included are expenditures on buildings, equipment, and tooling.**

- **Product conversion costs – One-time investments in research, product development, testing, marketing and other costs for redesigning products necessitated by the design requirements.**
- **Stranded assets -- Assets replaced before the end of their useful lives as a direct result of the design requirements.**

Given the capabilities in your manufacturing facilities, would the NOPR design criteria listed at the beginning of this guide be difficult to meet? Please elaborate on the challenges and quantify any capital conversion and product conversion costs with respect to each of the four criteria listed in the beginning of this guide. For example, these may include production line changes, product development efforts, certification costs, and marketing material changes.

It will by much more than we would ever imagine – it always is. I just know that it would be a business killer.

Please comment on any potential stranded assets that may result from meeting the design criteria.

Almost everything we have been doing for the past fifty three years of making vented gas log sets.

For any design changes that would require new production equipment, please describe how much downtime would be required and the impact on your business.

No way of knowing. You are assuming that we would survive such a change, which shows that you, who are not in the business, are much more optimistic than those who are in the business.

IMPACTS ON SMALL BUSINESS

The Small Business Association (SBA) denotes a small business in the “Heating Equipment (except Warm Air Furnaces) Manufacturing” industry as having less than 500 employees, including all employees of the parent company.

Below is a list of small business vented gas log set manufacturers compiled by DOE. Are there any small manufacturers that should be added or removed from this list?

Table 8- *Small Business Manufacturers of Vented Gas Log Sets*

American Gas Log, LLC	Golden Blount, Inc.
Appalacian Stove	Hargrove Manufacturing Corp.
Big Woods Hearth Products	Hearth Products Controls Co.
Buck Stove Corporation	Heatmaster, Inc

Copperfield Chimney Supply	Masonry Fireplace Industries, LLC
Dagan Industries, Inc.	Portland Willamette
Eiklor Flames Inc.	Rasmussen Gas Logs & Grills
Empire Comfort Systems Inc.	Robert H. Peterson Company
firegear LLC	Spark Modern Fires
FMI Products, LLC	Sure Heat Manufacturing
Formation Creation Inc.	World Marketing of America, Inc.

Hearth & Home Technologies, Inc.
 Napoleon Fireplaces
 ProCom
 Monessen

Are there any reasons that a small business might be at a disadvantage relative to a larger business in meeting the design criteria? Please consider such factors as technical expertise, access to capital, bulk purchasing power for materials/components, engineering resources, and any other relevant issues.

Yes. Resources of every kind. This is a business killer for all but the largest companies.

Do large manufacturers tend to offer more products than smaller manufacturers? Do large manufacturers maintain a greater number of product platforms?

Varies. Varies.

To your knowledge, are there any small business manufacturers for which the adoption of the four design criteria would have a particularly severe impact?

Yes. All of them.

Consolidation

Energy conservation standards, such as the design requirements proposed by DOE, can alter the competitive dynamics of the market. This can include prompting companies to enter or exit the market, or to merge. DOE and the Department of Justice are both interested in any potential reduction in competition that would result from the design criteria.

Please comment on industry consolidation and related trends over the last 10 years.

Some companies have gone out of business due to the economic downturn. Some companies have purchased their assets and continued their product.

How would industry competition change as a result of the design requirements proposed by DOE?

You would drive out of business all but the largest of the large.

I have been a member of Rotary International that, like our business, was founded in the early 1900s. Rotarians follow the "Four-Way Test" of the things we think, say or do:

- 1) Is it the TRUTH?
- 2) Is it FAIR to all concerned?
- 3) Will it build GOOD WILL and BETTER FRIENDSHIPS?
- 4) Will it be BENEFICIAL to all concerned.

In my estimation, the proposed rule fails the Four-Way Test in all four respects. There is not one redeeming feature of this NOPR or in altering it to be more accommodating to those who feed their families by making vented gas log sets. This NOPR is nothing more than the heavy hand of government sallying forth into an area of which they know nothing, and trying to impose regulations that will do nothing but kill jobs and businesses, for absolutely no good reason or decrease in gas usage.

In fact, this NOPR will result in more wood burning, which will negatively impact the clean air goals of your EPA counterparts. You come across as nothing but rank amateurs in failure to capture the market for vented gas logs or your impact on the mostly small family businesses that make and sell vented gas log sets.

I respectfully recommend that you immediately halt this rule and dispense with regulating decorative products for which you have no mandate or authority to regulate from The Energy Policy and Conservation Act of 1975 (EPCA) (Pub. L. 94-163)

Please contact me if you have any questions.

Sincerely,

RASMUSSEN IRON WORKS, INC.

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

Rett Rasmussen
Vice President