

December 31, 2018

OAQPS Document Control Officer (C404-02)

OAQPS, U.S. Environmental Protection Agency

Research Triangle Park, North Carolina 27711

ATTN: Docket ID No. EPA-HQ-OAR-2018-0195

Thank you for the opportunity to respond to the proposed rule making. As part of our comments, Blaze King Industries Inc. would like to include a text version of comments provided to EPA in Washington D.C. on December 17, 2018. This is followed by additional data that is relevant to EPA's decision making as pertains to a 2-year sell through for all Step 1 approved wood and pellet heaters.

Verbal Testimony Provided by Chris Neufeld, Vice President Blaze King Industries, Inc.

BLAZE KING INDUSTRIES, INC.

PUBLIC COMMENTS PROVIDED 12/17/2018 WASHINGTON D.C.

Thank you for holding this hearing. Effective communication is a challenge. Communicating the May 15, 2020 deadline to nearly 2000 HPBA member retailers has been a real challenge. But what about the thousands upon thousands of non HPBA retailers that do not have the benefit of emails, newsletters and independent sales representatives. It is my experience most of these retailers did not and still may not know of the pending must sell by date of May 15, 2020.

From my visits to showrooms and retail stores across the country, there are at least 20 wood and pellet heaters on display in each location. With 4,000 or more retailers, that pencils out to 80,000 plus wood and pellet heaters on display, the lions share not being 2020 compliant. Retailers also carry additional stock in the back room or in their warehouses. That means there are 80,000 or more, mostly step one wood and pellet heaters that must be sold in the next 17+ months. **THIS DOES NOT INCLUDE INVENTORIES HELD BY DISTRIBUTORS OR MANUFACTURERS.**

I am here today as a manufacturer, [REDACTED] to argue as clearly as possible a compelling reason why a 2 year sell through is needed. Within the NSPS and within the Proposed Rule we are discussing here today, EPA makes it clear they understand the need we have as manufacturers to prove our products will perform as intended in the real world. On page 13 of this Proposed Rule, it states "Thus, important elements in determining BSER include the costs and environmental impacts on consumers of delaying production while wood heating devices with those systems are designed, tested, field evaluated and certified." I wish to make a point to stress "field evaluated". In 1984, when the state of Oregon implemented the first in the nation requirements to sell certified heaters in that state, 91 manufacturers of wood heaters shoved catalytic elements and other devices into their current products. Unfortunately, with insufficient time to fully "field evaluate" these modified heaters, the majority of the under evaluated heaters are still being used. I doubt they are burning cleanly.

Then in 1988, with the introduction of the first wood heater NSPS, under subsection 60.530 (b) (2), EPA wisely built into the rule the opportunity for manufacturers to build up to 50 wood heaters for research & development. These units, often referred to as beta test units, allow manufacturers to "field evaluate" their

new wood and pellet burning products prior to certification. EPA again included this provision in the 2015 NSPS.

An additional 2 year sell through will provide the time needed by retailers to clear inventories and continue to order as needed Step 1 heaters. Retailers continued support of manufacturers Step 1 products will provide the revenue stream needed by manufacturers for their Step 2 compliant product development. It will also provide an additional 2 years for Field evaluation for Step 2 products in development.

These arguments are not new to EPA. The need for a sell through period was heavily commented on during comment period for the 2015 NSPS. Our company commented on this need as part of our comments as did dozens of other parties.

I would like to reference EPA-HQ-OAR-2009-0734; FRL-9904-05-OAR, that section titled “Summary”. On page 139 of 354, EPA wrote “We believe this provision would have nominal impact on air quality, because the majority of these appliances are already expected to achieve the Step 1 emissions limits”. In fact, the sell through granted in 2015 permitted the continued sale of uncertified pellet heaters and exempt from testing wood heaters until December 31, 2015. What we are asking for is a 2 year sell through for wood and pellet heaters. Heaters that are 100% Step 1 compliant. Heaters that had the benefit of being fully Field Evaluated.

Continuing on page 139, EPA stated, we do not believe that an additional “sold at retail” provision is needed for outdoor and indoor hydronic heaters and forced air furnaces”. Why has EPA’s original position flipped 180 degrees in this Proposed Rule? In fact, the 2 year sell through makes perfect sense for all QQQQ and AAA products that meet Step 1 requirements. These are not exempt heaters. They are heaters that are fully “field evaluated.”

EPA reinforced their thinking in their “Response to Comment on Proposed Rule” dated February 2015., page 208. Again, EPA states “We considered all the comments we received in support and in opposition to allowing for retail sell-through of inventory of heaters manufactured before the compliance deadline. We proposed allowing 6 months for sell-through of inventory for wood stoves and no allowances for hydronic heaters and forced air furnaces. Based on numerous comments from small business manufacturers and small business retailers and some states, we are lengthening the retail sell-through period for subpart AAA from 6 months from the effective date of the final rule to December 31, 2015, approximately 8 months from the expected effective date.

What we are asking for and what we need is the necessary time and continued revenue stream to develop Step 2 compliant heaters that are “field evaluated” so they perform long term as intended, just like our Step 1 heaters.

Blaze King will be providing written comments on this proposed rule. [REDACTED]

[REDACTED] Give the retailers the 2-year sell through and in turn you are giving Blaze King and all the other manufacturers some additional time to build proven heaters.

Meeting Compliance:

Blaze King began as early as December 2009, shortly after the Westar Meeting was held in Portland Oregon, developing a plan for future EPA standards compliance. It was at this meeting EPA announced their intent to align the Federal emissions standards with those of Washington State. Blaze King’s plan included but was not limited [REDACTED]

Blaze King Industries, Inc, spent nearly [REDACTED] in anticipation of the new standards based upon two ongoing observations made by EPA. These expenses included all the above mentioned and test costs associated with rolling our multiple units with passing grades below 2.0 gr/hr.

- 1) There would be no grandfathering of stoves to Step 1
- 2) There would be no cordwood method in time of rule making, so the crib method would be retained

Unfortunately, neither of the two (2) ongoing observations were true or better yet accurate. In fact, EPA did grandfather product into Step 1, simply by using the term “deemed qualified.” Having been told there would not be any grandfathered product, Blaze King Industries undertook immediate action [REDACTED] obtain EPA certification and roll out new products. EPA recognized these products as 2020 compliant and issued artwork for multiple model lines. Blaze King then, at our expense, had vinyl acetate labels produced, distributed on these products across the USA and Canada.

It was with great regret that EPA agreed issuance of the 2020 Voluntary Hang tags was premature because in fact EPA did change the test method, Method 28 to Method 28R. So not only were we required to then recall all the Voluntary Hang Tags issued to us by EPA, but we then realized all the model lines tested prior to March 16, 2015, were in fact, regardless of emissions test results, not eligible for 2020 compliance. Had we known that stoves would be “deemed qualified”, we could have [REDACTED] [REDACTED] meeting anticipated compliance.

Meeting Compliance Again:

It was after March 16, 2015, with the release of the new rule, that Blaze King had to once again undertake new product introduction planning. Blaze King’s in-house lab requirements changed as a result of the changes to Method 28, new product engineering began in haste and field testing was again introduced. Actual Expenses Incurred to Meet Attainment of 2020 Compliance (As of December 15, 2018)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Non-Compliance Effect to Sales

Blaze King dealers across the United States have [REDACTED] their ordering of non-compliant 2020 model lines. Blaze King has two freestanding model lines, the PEJ1006 and KEJ1107 that [REDACTED]. These two, non-compliant for 2020 model lines, [REDACTED] as shown below:

<u>2017</u>	<u>2018</u>	<u>% Change in Units Sold</u>	<u>Certification Gr/Hr</u>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Dealers are not displaying our 2020 compliant models as they dedicate more space on their showroom floors in efforts to sell off non-compliant inventories. Dealers have been discounting all year, many up to 20-30%, an effort to sell off products that do not meet 2020 compliance. This will result in reduced margins and affect them negatively. [REDACTED]

[REDACTED]

An additional supporting data source is being tracked by our company. [REDACTED]

[REDACTED]. Informed dealers are attempting to sell off Step 1 heaters. The lack of a sell through provision in the 2015 NSPS has forced dealers to sell off floor display models. In doing so, we had hoped retailers would then display our Step 2 certified heaters. Instead, dealers bring out from the back room another Step 1 heater. [REDACTED]

[REDACTED]

[REDACTED] It may be assumed by EPA that Step 2 heaters can be brought to market simply by retesting Step 1 heaters that were 2.0 gr/hr or lower. That is obviously not the case. Since the April 2018 approved wood heater list, cited in the NOPR, there were 33 Step 2 cord wood heaters. Six (6) months later, the October 2018 EPA list of approved heaters only show an increase of 14 additional wood stoves. That is an average of just over two (2) new cord wood approved heaters meeting Step 2 compliance per month.

National Product Inventory Concerns:

In the published NPOR, our letter written to Bill Wehrum of EPA, listed our concerns regarding national inventory held by retailers. In order to lend even greater accuracy to those claims made in our letter, Blaze King Industries undertook a series of email broadcasts to our dealers. [REDACTED]

[REDACTED] A portion of the email addressed the pending deadline of May 15, 2020. We specifically asked dealers to confirm how many displays and in stock wood and pellet heaters they had do not meet the 2020 compliance requirements.

A second email was sent on Monday, December 24, 2018, reiterating the need for dealers to provide us quality data for purposes of EPA’s review in consideration of a 2-year sell through extension. It stressed there was no need to list brand names, models or other particulars, simply the total number of wood and pellet heaters in their possession that do not meet EPA’s 2020 compliance.

[REDACTED]

This recent survey of our retailers confirms the numbers presented in the letter to Bill Wehrum.

Name of dealers redacted at the request of dealers.

Blaze King Dealer Survey-Units Not 2020 Compliant

Dealer	Blaze King Dealership Name	Location (State)	Quantity of Non Compliant Units
1	[REDACTED]	IL	30
2	[REDACTED]	PA	12
3	[REDACTED]	VA	34
4	[REDACTED]	MA	10
5	[REDACTED]	NY	14
6	[REDACTED]	CA	12
7	[REDACTED]	MO	56
8	[REDACTED]	AK	3
9	[REDACTED]	NY	1
10	[REDACTED]	NJ	2
11	[REDACTED]	NM	6
12	[REDACTED]	MN	2
13	[REDACTED]	MI	18
14	[REDACTED]	IA	2
15	[REDACTED]	PA	16
16	[REDACTED]	NH	21
17	[REDACTED]	ID	4
18	[REDACTED]	CA	25
19	[REDACTED]	PA	40
20	[REDACTED]	WA	14
21	[REDACTED]	NH	61

22	[REDACTED]	NY	22
23	[REDACTED]	AK	43
24	[REDACTED]	CO	4
25	[REDACTED]	ME	30
26	[REDACTED]	NY	20
27	[REDACTED]	MN	18
28	[REDACTED]	CA	29
29	[REDACTED]	OR	2
30	[REDACTED]	OK	1
31	[REDACTED]	PA	7
32	[REDACTED]	PA	34
33	[REDACTED]	NY	6
34	[REDACTED]	MA	14
35	[REDACTED]	NE	9
36	[REDACTED]	ID	15
37	[REDACTED]	MN	13
38	[REDACTED]	MA	45
39	[REDACTED]	MT	1
40	[REDACTED]	OH	32
41	[REDACTED]	MI	26
42	[REDACTED]	CA	1
43	[REDACTED]	MA	67
44	[REDACTED]	ID	12
45	[REDACTED]	OR	25
46	[REDACTED]	AK	41
47	[REDACTED]	KS	3
48	[REDACTED]	MN	52
49	[REDACTED]	CA	146
50	[REDACTED]	MN	16
51	[REDACTED]	PA	20
52	[REDACTED]	IN	20
53	[REDACTED]	CO	66
54	[REDACTED]	IN	52
55	[REDACTED]	OH	19
56	[REDACTED]	WI	60
61	[REDACTED]	MN	35
62	[REDACTED]	ND	6

1395

Average Retailer Stock of
Non-2020 Compliant Heaters

22.5

National Emissions Inventory

In 2015, EPA proposed an 8 month sell through for heaters that did not meet Step 1 compliance requirements. This included exempt wood heaters and never emissions tested pellet heaters. The rationale for the 8 months was based upon sound reasoning. EPA was not concerned about additional contribution of PM to the environment given most units being sold would meet Step 1 compliance.

For the 2-year sell through of AAA Step 1 products, 100% of these units are certified heaters. Additionally, within the 2-year period, many new 2020 compliant heaters will be brought to market after and be an ever-increasing percentage of sales. This approach will create a layered platform, allowing for continued cash flow necessary for manufacturers to work on their Step 2 product and additionally permit dealers to sell through the products in which they are heavily invested.

How large is the Step 1 National Inventory?

[REDACTED]

Estimated Step 1 Heater x Total US Hearth Products Retailers = **61,290**

Not included in the figure above, are inventories held by another category of commercial owners, that being distributors. [REDACTED]

[REDACTED]

When 16 Months Isn't 16 Months

EPA, in their decision to extend a 6 month sell through to 8 months on Step 1 products acknowledged the nature of seasonality for wood and pellet heaters. While, at the time of filing these comments, there remain 16 months for retailers to reduce inventories. However, within this 16-month time frame, only 11 months are recognized as opportunity to sell months, with the strongest sales occurring in the months of September-December of 2019. March and April are typically two months where dealer Early Buy orders are shipped.

[REDACTED]

In addition to weather, for rural consumers thinking of replacing their old wood or pellet heater or purchasing a new wood or pellet heater, heating oil and propane prices are two strong motivators.

Both heating oil and propane prices remain quite low. This influence has been observed industry wide. In the event both heating oil and propane prices were to remain low in 2019, sales of Step 1 heaters sold at retail would be negatively affected.

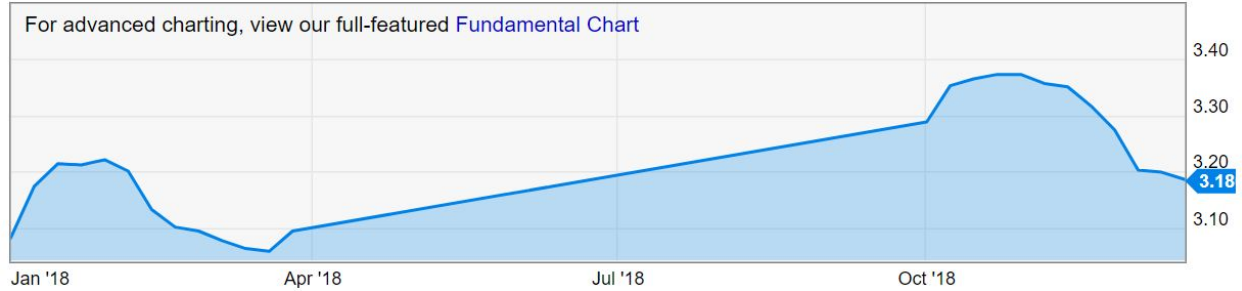
US Residential Heating Oil Price Chart

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5d 1m 3m 6m YTD 1y 5y 10y Max

Export Data Save Image Print Image

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Propane Monthly Price - US Dollars per Gallon

Range 6m 1y 5y 10y 15y 20y 25y 30y

Nov 2017 - Nov 2018: -0.235 (-23.98 %)



Summary

EPA is going to be informed that a sell through for Step 1 heaters will result in significant contributions to PM. In fact, a review of the October 2018 EPA wood heater list shows 578 heaters. 76 of those heaters meet Step 2 compliance. 55 of those remaining units are no longer in production. 24% or 105 models are 4.0-4.5 gr/hr. 32% or 145 models are between 3.0-3.9 gr/hr and 33% or 149 models are 2.1-2.9 gr/hr. Lastly, 48 models or 11% already were tested and certified previously at 2.0 or less gr/hr. As can be observed, there are many more cleaner burning units in the Step 1 inventory. They are not all 4.5 gr/hr!

EPA is going to be informed that manufacturers have had plenty of time to develop Step 2 compliant heaters. [REDACTED]

[REDACTED]. Keeping in mind not all stoves designs, technologies, company resources are equal [REDACTED], sustained cash flow is mandatory to bringing cleaner burning Step 2 models to market.

Clearly, as supported by prior EPA wood heater rule making, a sell through provision should have been provided. Having the last date of manufacture and the last date to sell by the same date was a mistake.

As the national retailer inventory is reduced, those units yet to sell become the more difficult to sell. Typically, these are higher end AAA wood heaters, many imported from Europe. This difficulty results in deeper discounting, less profitability and more financial strain on the retailers' business.

[REDACTED] Blaze King has demonstrated compliance with the 2015 NSPS and remained engaged with every possible opportunity. Blaze King commented during the promulgation as to the need for a sell through period for AAA products in our 2015 NSPS comments.

[REDACTED] We ask EPA to review these comments and those of other interested parties to amend the sell through date of Step 1 AAA heaters from May 15, 2020 to May 15, 2022.