



SUB ZERO GROUP, INC.

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# Memorandum

**To:** David Foster, Senior Advisor, Office of the Secretary of Energy

**CC:** Michael LaFave, Director of Production Workers, SMART Union Workers  
Marc Norberg, Assistant to the General President, SMART Union Workers

**From:** Christopher Jessup, Corporate Compliance Manager, Sub-Zero Group, Inc.

**Date:** June 21, 2016

**Re:** June 15, 2016 Meeting at Department of Energy Forrestal Building in  
Washington, D.C.

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First and foremost, thank you for taking the time to meet with Michael LaFave, Marc Norberg and myself last Wednesday on the subject of the Department's proposed rulemaking for "energy conservation standards for residential conventional ovens". We are extremely grateful for the opportunity to have met face to face so that we could present you with our company's story and explain how the current language of the proposed rulemaking disrupts the current stratification of markets by forcing manufacturers like Sub-Zero/Wolf, who serve small, niche markets focused exclusively on high performance/professional grade consumers, to design out core customer attributes that deliver superior performance, utility and long term reliability that the market expects and demands. We are hopeful that our presentation provided you with a substantive case as to why the standard should reflect the actual market, which includes both "conventional" and "high performance/professional grade" appliances, particularly in the residential oven segment, but also within the gas cooktop segment.

Meeting Summary:

Following the introductions of those present at the meeting (reference end of memorandum), Ms. Sher opened by explain the principles and mechanics of "Ex Parte Communication", specifically as it relates to the Department's ability to communicate on the proposed rulemaking for energy conservation standards for residential conventional cooking



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products (docket number EERE-2014-BT-STD-0005), Mike LaFave provided a brief history of the SMART Union and Sub-Zero/Wolf relationship and as to why we were both thankful for the opportunity to meet with the Department on how troubling the proposed standard is to Sub-Zero/Wolf's ability to serve its niche market and therefore, continue to maintain, let alone grow, the business without the Department offering a separate product class for high performance/professional grade ovens. Mike provided further information about Sub-Zero/Wolf's continual investment in new facilities and equipment to support current and projected growth that is likely to be realized if the standard reflects separate product classes. Mike also shared with the Department that Sub-Zero/Wolf is dedicated to operating exclusively in the U.S., with current operations in both WI and AZ, and that recent investments within the Wolf oven business are slated to add more jobs in the Fitchburg, WI facility. Mike concluded by making a strong comparison between our story and that of the many manufacturers that produce outside of the U.S., many of whom produce the vast majority of their products within the conventional oven product class.

Following Mike's opening comments, I shared with you the design specifics that differentiate a Wolf oven from that as described as "conventional". My presentation covered the following design differences:

- Rack weight and how that changes our efficiency numbers (using facts from our testing);
- Hidden vs Exposed Bake Elements (again with facts/numbers/percentages);
- Wolf's Blue Porcelain, which is not flecked with another color for the purpose of hiding defects. Included the reason for why porcelain protection is so important (talked about reliability and customer satisfaction) and how Wolf uses specific software algorithms to provide the proper protection. Concluded by explaining how the relationship between porcelain protection and energy efficiency are inversely proportional metrics;
- The differences between the Wolf E and M Series ovens, specifically why M is different (top to bottom length vertical convection motors, etc), why it is better in the market and how those design attributes yield an even less efficient product;
- Test results between Wolf wall-ovens and that of a typical "conventional" oven. Underscored how manufacturers of conventional ovens are poised to take a "do nothing" approach to comply with the first round of efficiency levels, whereas, manufacturers of professional grade appliances will be forced to undergo significant redesigns that will require significant development expenses and capital spending while stripping away core customer preferences.

After I presented my case, I received a question from Mr. Cymbalsky seeking clarity in whether Sub-Zero/Wolf had any objection to the standard's reference to "stand-by power". My



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response to that was, "No. We do not have any issues with the stand-by power aspect of the standard, as our products already comply with that for the European market. Our only issue is in trying to efficiently heat up a test block in the center of the oven given all of our product differentiation from conventional ovens."

Lastly, the Department did provide a status update on the proposed rule. We were told that OMB is currently reviewing the revisions that the Department gave them in April and that it is expected that OMB's review will be complete in July 2016. Upon OMB's completion, the Department will then present the public with another proposed rule, where upon the industry will have the opportunity to submit comments prior to a final rule.

Attendance Record:

<b>Department of Energy</b>	<b>SMART Union Workers</b>	<b>Sub-Zero Group, Inc.</b>
David Foster - Senior Advisor, Office of the Secretary	Michael LaFave – Director of Production Workers, SMART Union Workers	Christopher Jessup – Corporate Compliance Manager, Sub-Zero Group, Inc.
Celia Sher - Attorney Advisor, Office of the General Counsel	Marc Norberg – Assistant to the General President, SMART Union Workers	
Dr. Kathleen Hogan - Deputy Assistant Secretary for Energy Efficiency		
John Cymbalsky – Supervisor, Appliance Standards, Building Technologies Program		
Hillary Bright – Economic Development Specialist, Jobs Strategy Council		