



September 29, 2017

To our Valued Distributors:

On January 1, 2018 new U.S. Department of Energy regulations take effect and will require that commercial electric storage water heaters with an input of 12kW or less meet NAECA efficiency standards. As a result, certain configurations of our commercial electric water heaters will change or will no longer be manufactured after December 31, 2017. However, products manufactured prior to this date can still be sold and installed after January 1, 2018.

EDT & PE - Light Service Commercial Electric 66, 80, and 119 gallon models will be offered as a single configuration of 12.2 kW.

PCE - Light Duty Commercial Electric 6, 10, 15 and 19 gallons models will not change.

PCE - Light Duty Commercial Electric 30, 40 and 50 gallon models will continue to be sold with some design changes. As a result, the diameter and height of these models will change to accommodate the extra insulation and other changes required to meet the standard.

PCE - Light Duty Commercial Electric 66, 80 and 119 gallon models will be offered as a single configuration of 12.2kW / 480V.

CSB – Sandblaster® Self-Cleaning Commercial Electric 50, 80 and 119 gallons models with inputs of 12 kW or less will be discontinued. However, models with inputs of 13.5 to 54 kW will continue to be offered and will not change. The Gold Series elements will also be replaced with low watt density stainless steel elements at this same time.

SSE - Premium Heavy-Duty ASME Commercial Electric models with capacities of 6, 10 & 19 gallons will not change. Models with capacities of 30 to 120 gallons and kW inputs of 12 kW or less will be discontinued. However, models with inputs of 15 to 90 kW will continue to be offered and will not change.

The following table summarizes these changes:

MODEL SERIES	GALLON CAPACITY RANGE			Price Impact
	5 to 19 Gallons	30 to 50 Gallons	60 to 119 Gallons	
EDT & PE	N/A	N/A	12.2 kW*	+ 25%
PCE	No Changes	More Insulation - Larger Size	12.2 kW / 480 Volt*	Up to +7%
CSB	N/A	Inputs 12 kW and below will be discontinued*		None
SSE	No Changes	Inputs 12 kW and below will be discontinued*		None

**Can be reconfigured based on field requirements*



With this change, you can expect a price increase of approximately 25% on the EDT & PE Light Service and up to 7% on the PCE Light Duty commercial electrics that are affected by these changes.

Understanding that this may impact your business, we felt it was important to communicate this change now so that you have sufficient time to cover job requirements and inventory needs. The following order guidelines are necessary to help you plan effectively.

ORDER POLICY AND GUIDELINES

- In order to guarantee that we can meet customer demand before the end of December 2017, we need to receive your orders for **immediate shipment** no later than **October 20, 2017**.
- For models that will be discontinued or changed, orders received after October 20, 2017 cannot be guaranteed to be filled with current models or to receive current pricing.
- To insure all customer product requirements are met, A. O. Smith reserves the right to limit orders to your normal monthly purchases.

Updated price sheets will be mailed to you at a later date. Please contact your local Sales Representative, Regional Sales Manager or me if there are any questions.

As always, thank you for your business and continued support.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Margoni".

Jim Margoni
Senior VP, Sales