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Mr. Arthur Rosenfeld
Commissioner and Associate Member, Efficiency Committee

California Energy Commission
Buildings and Appliance Office
1516 Ninth Street MS-25
Sacramento, Ca. 95814-5512

Re: Docket No 07-AAER-3: 2008 Rulemaking Proceeding on Appliance Efficiency Regulations

Dear Mr. Rosenfeld:

The Plasma Display Coalition (PDC) represents the world's best known and most respected manufacturers and marketers of high quality plasma and LCD flat panel televisions. The PDC has been an active participant in the Title 20 regulatory proceedings for the past several months and in the recent California Energy Commission (CEC) workshop held on December 15, 2008.

The Plasma Display Coalition, its members, and the Consumer Electronics (CE) industry have achieved tremendous success with global energy conservation. Through voluntary efforts, TV manufacturers have demonstrated significant results in reducing energy consumption of flat panel HDTV's over the past several years. Just this past year, for example, plasma manufacturers have achieved a 20% reduction in overall power consumption in the 2008 models vs. its 2007 model lineup, through innovation and without regulation. While it is not yet possible to definitively state the energy consumption for future TV models, it is expected most HDTV manufacturers will continue to make electronic chassis design improvements which will further reduce energy while improving picture performance.

It is evident that HDTV manufacturers are <u>already</u> participating and contributing in California's determination to make Title 20 successful and meet near and long term energy reduction goals.

<u>Troubling Conclusions from December Workshop</u>

We understand the Title 20 objective is to reduce energy and carbon emissions, and help California's meet its overall energy needs and requirements. The PDC, its members and the industry share in this effort. It was, however, disturbing to hear Gary Fernstrom, spokesman for public utility PG&E, state his company's goals are to *eliminate* 25% of top energy consuming TV's from the market and "to allow for the replacement of the worst performing 25% with compliant product, so the product and market essentially remain the same". This is simply a wrong and erroneous assumption! You cannot take away the lifeline of a business and simply expect "the market to essentially remain the same"! PG&E and the NRDC, as advisors who have provided substantial input to CEC staff, simply do not understand the product distribution and channel segmentation of the TV industry. The most fully-featured HDTVs, those which Mr. Fernstrom would like to "replace", is a business that is concentrated with the independent specialty retailers, installers and specialty distributors.

In fact, the more fully featured HDTVs account for approximately 10% of the 32 million unit annual industry sales or 3.2 million units, and generally 20% of sales on a revenue basis, a substantial and important sales number. The 3.2 million units are generally merchandised through the distribution base described above and, as the CEC heard in the December 15, 2008 workshop, account for the highest percentage of sales in this channel. The large, more fully featured HDTV, while a smaller part of the overall industry's unit sales, represent substantial sales and profitability in this channel. Further, manufacturers design products, distribution programs, marketing plans and agreements which encourage successful selling to very discerning consumers through this distribution base. To simply expect all of the sales of better performing HDTVs to be replaced with other product in this specialty distribution channel is an erroneous assumption which is counter to good business practice, and threatens the financial and merchandising business model of the independent specialist, installer and distributor.

It is unconscionable that a misinformed utility spokesman is steering the CEC staff in a direction that can be detrimental to independent businesses, commerce, state tax revenue, manufacturers, consumers and the TV industry as their only solution to achieving energy goals. While PG&E may have experienced success with regulating appliances, the TV industry is substantially different in its distribution and product approach to consumers. We believe that "carbon copy" regulations for TV products that mirror regulations of refrigerators or other appliances fail to recognize the differences in the products and expectations of consumers. Rather than outright bans of certain classes of TV products, we'd prefer to work with the CEC to achieve your goals by ensuring that dozens of energy-efficient models are available for the millions of consumers who purchase HDTV sets each year.

This channel of specialty retailers, installers and distributors' business model is quite different than that of a general merchant. They typically select the best performing product from a manufacturer's line-up and generally do not compete with mass merchants, warehouse clubs, appliance and "big box" retailers. Their sustainable advantage in the CE industry is differentiation: merchandising the best performing HDTVs (best in class), service and installation, and are successful in integrating home systems, such as lighting, HVAC control and energy management. To ban potentially 25% of HDTVs from the California market will;

1. Place an important segment and channel of an industry at financial risk in the State of California. This was presented by retailers in the December 15, 2008 workshop;

2. Eliminate the lifeblood of the independent specialist, installer and specialty distributor placing their existence in jeopardy. It must be noted a substantial percentage, as high as 75%, of product sold in the specialty channel is plasma HDTV. Contrary to PG&E belief, plasma, as the HDTV choice of this channel, DOES offer substantially different benefit (utility) as a high performance display device in the home environment. Highest contrast, no motion blur, long life and wide viewing angle are among the distinct plasma advantages offered to consumers by this specialist.

3. Create an out-of-state grey market for the products California consumers' desire, easily shipped into the state by online or brick-and-mortar retailers;

4. Reduce tax revenue as California consumers find means of acquiring advanced product from out of state sources.

In the April 2, 2008 'Analysis of Standards Options for Televisions', PG&E stated they are "not aware of any adverse impact that will be created by the proposed standard". The fact is the PG&E proposals are product and statistics based and gave NO thought or consideration to the impact on independent business, or other economic consequences. The CEC's adoption of regulations proposed by misinformed utilities and consultants, which would ban many HDTVs for the purpose of achieving Title 20 goals, will have substantial negative financial and economic impact, this as discussed in the December workshop.

Industry Recommendation: Promote Replacement Sales and Remove Old TVs

We agree with the PG&E assumption (April 2, 2008 Proposal), "the baseline power draw levels for TVs will be largely dependent on the success of the Version 3.0 Energy Star specification-specifically in terms of how quickly the market gravitates to Energy Star levels". To this end, the TV industry presented at the December workshop a draft proposal, "California DTV Acceleration Plan", intended to <u>accelerate</u> the sale of all new energy efficient flat panel TVs, replace and <u>retire</u> old, more energy consuming CRT's, with consumer and retail incentives in place.

The industry plan goes beyond the PG&E proposal in that it removes old CRTs from the home and places them into the state's recycling program. The PG&E proposal does not address this important matter. It is critical in the digital transition and Title 20 success that the average TV per household is not increased risking the potential of secondary, energy consuming TVs being left in the on-mode with no viewers. This "California DTV Acceleration Plan", in conjunction with other approaches proposed by industry, should exceed the Title 20 goals in a shorter time frame, without damaging business, commerce and state taxes.

During the December workshop, Gary Fernstrom indicated PG&E may not be willing to support such a plan of incentives because they 'believe the PG&E consultant team showed the saturation of CRTs in the market to be reducing to near-zero in a relatively few number of years anyway". This is simply another PG&E wrong assumption and we disagree with this assertion! The facts are simple. With an installed base of more than 35 million cathode ray picture tube televisions in

California, at the more realistic sales rate of 3.8 million per year (not 4.2 million as proposed by PG&E) it will take more than nine years to replace all old tube televisions (and only if the industry proposal is adopted to recycle the old units). Given this fact, PG&E should give serious consideration to redirecting funds and efforts to an acceleration plan which sells 4.8 million to 5 million energy-efficient plasma and LCD HDTVs per year to EXCEED Title 20 goals and expectations. Selling five million units per year under an acceleration plan will shorten the transition to 7 years, stimulate business, and enhance tax revenue.

As indicated above, the PG&E consultant's assumptions of CRT turnover are wrong, therefore any energy savings presented from these inaccurate assumptions are misleading. Using the updated EPA web site which confirms a substantial improvement in energy consumption of all technologies in the 2008 HDTV models, we believe it would be beneficial for the PG&E to recalculate the energy savings under the industry's "California DTV Acceleration Plan". Additionally, given the substantial improvement in overall and average 2008 HTDV energy consumption, we believe the sales of the very highest performance HDTVs, with possible higher energy consumption will be statistically insignificant to the overall data.

Finally, we believe many key stakeholders, including the Consortium for Energy Efficiency (CEE) will support this DTV Acceleration Plan as they launch a Consumer Electronics Initiative. The CEE stated goal, as recapped in the PG&E April 2, 2008 proposal, is to "facilitate efficiency programs in their efforts to increase the sale of energy-efficient consumer electronics products. These efforts will likely lead to incentives for retailers and/or manufacturers to sell high-efficiency TVs and should thus help prepare the market for the proposed Title 20".

We urge the Commission reject the well-intentioned, but misguided PG&E proposal and adopt solutions which do not eliminate HDTVs from the market, exceed Title 20 energy goals, promote California business and commerce, and enhances state tax revenue.

Respectfully submitted;

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