

January 19, 2009

Mr. Arthur H. Rosenfeld
Presiding Member, Efficiency Committee
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, CA 95814

DOCKET	
07-AAER-3	
DATE	<u>JAN 19 2009</u>
RECD.	<u>JAN 20 2009</u>

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

Dear Mr. Rosenfeld:

Thank you for the opportunity to allow members of the California retail community to comment on the California Energy Commission's (CEC) 2008 Rulemaking Proceeding on Appliance Efficiency Regulations, specifically *Draft Efficiency Standards for Televisions* report.

We commend the CEC for its initiatives to reduce energy consumption in California and understand its motivation for the proposed Title 20 standards. California's retail community intends to continue playing an active role in addressing this important issue.

However, we believe a proposed mandated to eliminate certain televisions from the California market will have far-reaching and unintended economic consequences for retailers, the consumers we all serve, and for the State of California. These mandated energy standards will significantly impact California's tax collections and employment opportunities. We also collectively raise a red flag to the devastating economic consequences the proposed energy efficiency standards will have on the consumer electronics retail community, specifically independent electronics specialists, technicians and distributors. We encourage the Commission to fully understand the impact of the proposed regulations, which would eliminate 25% of the televisions off the store shelves.

With continued stakeholder collaboration, we believe an effective energy-saving plan can be designed and implemented to move the marketplace toward the CEC's energy goals without the high risks and consequences associated with a mandate on a television's energy efficiency.

The contributors to this letter represent many concerned members of the California retail community, including independent specialty retailers, technicians, specialty distributors and companies that support this vital channel of the consumer electronics industry.

NEGATIVE IMPACT ON RETAILERS

The California Energy Commission's *Draft Efficiency Standards for Televisions* would have a significant impact on California retailers at all levels. The television and its technological advances are an important driver for a retailer's business model and the installation services many retailers provide.

The proposed regulations would impact independent electronic specialists as well as the distributors that serve this market. Independent specialty retailers tend to be smaller, but are a vital channel for the consumer electronics industry.

Retailers in the technology-based, highly competitive consumer electronics industry already have to stay viable within a market facing annual price declines of 15% - 20% on product. The television is the lifeblood of many retailers, and retailers compete on being able to offer a full range of competitive, high-performance television sets and related products to meet the needs of consumers.

California is a market leader, with many "early adopter" consumers buying cutting-edge consumer electronics products. By eliminating 25% of the television product from the market, the proposed regulation will limit consumer choice and place California-based retailers at a competitive disadvantage in the national marketplace in which we all compete.

Taking away the opportunity to sell the most desirable and more profitable product (generally the larger high-performance television) seriously impacts the revenue and profit levels necessary to sustain a viable business plan in the state of California. Economically, Pacific Gas and Electric Company's proposal will threaten the very existence of numerous California electronics retailers by adding another challenge to an already competitive business model.

Independent Retailers

Independent specialty retailers and technicians receive the majority of their television sales from large high-performance televisions. While small in total industry sales, this segment of the market represents a significant opportunity for profitability for independent specialty retailers and the technicians these firms employ. Televisions often mark the entry point for consumers in this market, and specialty retailers and technicians have the opportunity to suggest complementary products and services and integrate these televisions into the whole-house control systems. According to Parks Associates, an industry research firm, the total U.S. revenues for installed home theaters and multi-room audio systems will grow from \$6 billion in 2007 to more than \$11 billion by 2012. This alone shows the value and importance of high-performance televisions in regards to consumer spending.

National & Regional Distributors

Most independent specialty retailers and technicians receive their product from national and regional distributors. The large, high-performance television drives not only the business model for independent specialty retailers, but also the distributors that support this industry. By eliminating this product the proposed mandate also reduces add-on sales and services important to the retail and distribution business models.

NEGATIVE IMPACT ON CALIFORNIA

If this mandate is implemented, the decrease in television retail sales would result in significantly reduced tax revenue and employment opportunities in California.

California's retail members believe that removing 25% of existing televisions from the market will cause consumers to purchase televisions from neighboring states or online, leading to store closures in California and retail job loss. Retailers believe this mandate will also have a significant impact on the State of California's sales tax collections. Even a narrower regulation impacting a smaller number of televisions would significantly impact the state's tax collections.

Furthermore, the State of California - and the country as a whole - currently finds itself in the midst of a deep recession, and consumers and retailers are suffering in this current economic climate. At the December 2008 workshop, the committee suggested consumers would spend their energy savings elsewhere in stores. While this is an optimistic outlook, consumer confidence numbers indicate otherwise at this time.

Televisions are built for the global market, and if not compliant to sell in the State of California, consumers will take the necessary steps to get the products they desire. Consumers do extensive research before making a consumer electronics purchase decision, using information from magazines, e-magazines, and peers. These products, including high-performance televisions, are easily sold across state lines. By eliminating high-performance televisions from the California market, the proposed regulations will encourage manufacturers to increase their distribution through other channels and would encourage the rapid growth of a gray market.

INDUSTRY ALREADY ADDRESSING ENERGY EFFICIENCY

Along with manufacturers, retailers are already at the forefront to make more energy-efficient consumer products available. More of these products are becoming available on a daily basis, and California retailers are enthusiastically selling energy-efficient products and solutions.

Many retailers are already installing and integrating residential electronic systems such as lighting control, occupancy and motion sensors, automated window treatments, heating, ventilation & air conditioning control, and energy management.

The California retail community firmly believes a voluntary Title 20 regulation that does not eliminate television products from the California retail market is in the best interests of California consumers, the California retail community, and the State of California.

We stand ready to continue to be a part of discussion on this issue and help the State of California to reach its goals of energy efficiency and conservation, while also allowing the consumer electronic retail environment to continue to be competitive within the State of California.

We look forward to continuing to work with the California Energy Commission on this important issue to the State of California and its retail community. Thank you for your time and consideration.

Respectfully submitted,

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