

AB1109 (Huffman)
American Lighting Association (ALA)
Presentation

By,
Dennis Swanson,
Owner and CEO Lamps Plus, Inc.

May 15, 2008

The logo for the American Lighting Association, featuring the text "american lighting association" in white lowercase letters on a dark blue rectangular background. The word "american" is on the top line, "lighting" is on the middle line, and "association" is on the bottom line. There are several small yellow dots scattered around the text, resembling light bulbs or stars.

american
lighting
association

Dennis Swanson

- Past Chairman of the ALA Board of Governors
- Founder/CEO of Lamps Plus – 1976
- Lamps Plus is the Largest Specialty Lighting Company in USA (Headquarters in Chatsworth, CA)
- Top Internet Lighting Retailer.

The logo for the American Lighting Association, featuring the text "american lighting association" in white lowercase letters on a dark blue rectangular background. To the right of the text are five small, glowing yellow circles arranged in a vertical line.

american
lighting
association

ALA Supports Energy Efficiency

- ALA supports AB1109 (Huffman) and has testified in support of the bill before the Energy and Commerce Committee.

The logo for the American Lighting Association is located in the bottom right corner. It consists of a dark blue rectangular background. The text "american lighting association" is written in a white, lowercase, sans-serif font, stacked in three lines. To the right of the text, there are five small, yellow, glowing light bulbs arranged in a vertical line, with the top one slightly offset to the right.

american
lighting
association

ALA Supports Energy Efficiency

- "If we can nudge the market in a positive direction that works for the environment and works for consumers, why not do it?" - Huffman (Sacramento Bee June 17, 2007)

ALA Supports Energy Efficiency

- **Lighting for Tomorrow** is sponsored in part, and organized by, the ALA. Its mission is to increase market availability of energy-efficient lighting fixtures.
- **Practical and Reasonable Methodologies** are needed to see energy conservation goals through to fruition.
- **New Technologies** will be instrumental in lessening energy demands in spite of population growth.
- **Education** is a prime factor in conservation.

The logo for the American Lighting Association is a dark blue rectangle containing the text "american lighting association" in white lowercase letters. The text is arranged in three lines: "american" on the top line, "lighting" on the middle line, and "association" on the bottom line. To the right of the text, there are five small yellow dots of varying sizes arranged in a vertical line, resembling a stylized light bulb or a cluster of stars.

american
lighting
association

ALA's Concern Regarding PG&E's Proposal

Limiting Switches do not create efficiency. They merely limit a product's usefulness.

Our Survey indicates consumers clearly understand this and when the limits are very low as in the PG&E proposal—the government has de facto mandated a CFL solution—and they view it as a serious intrusion into their personal freedom.

The logo for the American Lighting Association is located in the bottom center of the slide. It consists of a dark blue rectangular background. The words "american", "lighting", and "association" are stacked vertically in a white, lowercase, sans-serif font. To the right of the text, there are five small, yellow, glowing light bulbs of varying sizes, arranged in a vertical line.

american
lighting
association

PG&E's Proposal is Inaccurate in its Estimate of Energy Savings

- The PG&E proposal assumes an energy savings on portables without estimating the number of portables that would actually be sold with these devices.
- We project that the number of devices that would actually be sold in California would be less than one half of the 3,700,000 they estimate.
- Consumers are not going to be anxious to replace their current lamps with ones with limiting switches –especially when 80% are against this regulation.

PG&E's Proposal Is Inaccurate in its Estimate of Energy Savings

- Consumers are going to dramatically reduce purchases of portables.
- Large quantities are going to be purchased on the Internet.
- Significant numbers of consumers are going to have the devices removed.
- The Net Result - The actual energy savings would be less than one half of their proposal.

PG&E's Proposal Is inaccurate in its Estimate of Energy Savings

- If you assume that portables consume less than 2% of the electricity in a household (lighting is 18% of the energy bill and portables are 10% of the total) and you would be replacing only 3% of the portable lighting stock in a given year the energy savings would negligible (approximately .0006%). This also assumes that portables would sell at the same rate with the limiting switch which is not a valid assumption.

ALA's Concern Regarding PG&E's Proposal

- Limiting Devices will generate an intense public backlash.
- The results will be nearly identical to a CFL mandate or “Ban the Incandescent Light Bulb.”
- They will add over \$5 per unit retail price.
- Overall selection of portable lighting available to California customers via stores and Internet would drop by 80%.

ALA's Concern Regarding PG&E's Proposal

The Proposed 150 Watt Limiting Switch for floor lamps would save negligible energy.

It would add \$5-\$10 to the retail price.

It would also eliminate 80% of the floor lamp styles from California.

The logo for the American Lighting Association, featuring the text "american lighting association" in white lowercase letters on a dark blue rectangular background. The word "american" is on the top line, "lighting" is on the middle line, and "association" is on the bottom line. There are several small yellow dots scattered around the text, resembling light bulbs or stars.

american
lighting
association

ALA's Concern Regarding PG&E's Proposal

- Potential issues with component failure rates. Added cost of product replacement and safety/fire issues.
- They can and will be removed by motivated consumers as indicated by our survey.

ALA's Concern Regarding PG&E's Proposal

Limiting Switches on new portable lighting would not be compatible with current energy efficient devices e.g. 3-way sockets, dimmers, or touch lamps which give three levels of light.

The logo for the American Lighting Association, featuring the text "american lighting association" in white lowercase letters on a dark blue rectangular background. The word "american" is on the top line, "lighting" is on the middle line, and "association" is on the bottom line. There are several small yellow dots scattered around the text, resembling light bulbs or sparks.

american
lighting
association

ALA's Concern Regarding PG&E's Proposal

- Consumers complain of headaches and eye strain due to reading by fluorescent light. This was a frequent comment on our consumer survey.
- The US EPA website eludes to the dangers of CFLs.
(http://www.americanlightingassoc.com/files/If_a_Fluorescent_Bulb_Breaks.pdf) provided by www.epa.gov
- A new report by NBC News documents the increasing problems of headaches associated with increased CFL use. (NBC May 14, 2008. Dr. Larry Newman of the Headache Institute, Roosevelt Hospital, NY. Mariana Figueiro, Pd.D Lighting Researcher)

ALA's Concern Regarding PG&E's Proposal

- Multiple lighting levels can not currently be accomplished by CFL's, e.g. dimming for nightstand reading lamps, swing arm wall lamps, lowered light levels for viewing T.V., etc.
- **AARP** is expressing concerns regarding the impact on its constituency.
- Infringement on personal freedoms was a primary concern among the respondents to our survey.

ALA's Concern Regarding PG&E's Proposal

- Consumer aggravation and resistance to the PG&E proposal will result in illegal consumer activities which are beyond enforcement capabilities (e.g. Removal of limiting devices, import of banned products, purchasing on the Internet , etc.)
- Results of a recent survey indicate 80% of Californians would oppose the PG&E proposal. Based upon this, a high likelihood exists of consumer backlash that would hurt viable energy proposals.

The logo for the American Lighting Association, featuring the text "american lighting association" in white lowercase letters on a dark blue rectangular background. The word "american" is on the top line, "lighting" is on the middle line, and "association" is on the bottom line. There are several small yellow dots scattered around the text, resembling light bulbs or stars.

american
lighting
association

ALA's Concern Regarding PG&E's Proposal

- California consumer choice of all portable lighting types would be severely limited .

Survey Sent to 40,000 California Consumers

In an effort to save energy statewide, there is proposed regulation before the California Energy Commission mandating that **all table lamps, desk lamps and floor lamps in California be sold with a 35-watt limiting socket.**

This regulation would prevent the sale of any portable lamp using a bulb that consumes over 35 watts of electricity or is not ENERGY STAR[®] rated. A consumer, however, would be able to achieve normal lighting conditions using a compact fluorescent (CFL) that is the equivalent of a 120-watt incandescent light bulb.

Since this legislation would **affect every household**, we would appreciate your opinion.

Would you be in favor or against this proposed change?

In Favor

Against

Comments (optional)

80% of Respondents were against the PG&E Limiting Switch Proposal

- “I believe in saving energy and I have converted almost all of my lighting to the CFL’s, but do not want California to legislate this – this is way too intrusive.”
- “Although I support doing all we can to reduce our electrical consumption, I do not support this type of legislation controlling our purchases.”

80% of Respondents were against the PG&E Limiting Switch Proposal

- “I am an elderly person and need more light when I read.”
- “35 watt bulbs are too dim. Fluorescents don’t work with a dimmer switch. Fluorescents contain mercury.”

80% of Respondents were against the PG&E Limiting Switch Proposal

- “CFL bulbs produce a horrible blue light. Stop telling me what I can do!”
- “CFLs are not even safe to dispose of.”
- “Decisions on how and where to save energy should be left to the individual consumer, as everyone has different needs.”

80% of Respondents were against the PG&E Limiting Switch Proposal

- “This would be an egregious invasion of personal choice and freedom and would begin a slippery slope to allow the state government to begin making mandates in our personal lives. Last time I checked I was a resident of the United States, a free nation.”

The PG&E Limiting Switch Proposal would Fail to Achieve Projected Savings

- The volume of new lamp sales in California would drop dramatically due to the lack of acceptance of this very “Limited” product.
- Products that were sold legally in California would be converted by motivated consumers. A cottage industry of “Lamp Conversion” kits would spring up offline as well as online.
- Significant sales would shift to the Internet or be purchased outside of the state.

The Best Energy Solution

- Achieves the intent of AB1109 (Huffman)
- Is simple for the consumer to understand.
- Would not decimate the consumers' choice of style or function.
- Encourages lawful purchases rather than illegal out of state sales via Internet or transportation.

The Best Energy Solution

- Would not create a consumer backlash regarding freedom of choice, headaches induced by reading with CFLs, and eye strain.
- Would avoid sparking further public concern over a de facto mandate of CFL use and mercury contamination as well as clean up and disposal issues.
- Would avoid consumer frustration over inability to dim CFLs.

The Best Energy Solution

- Will not force California retailers and manufacturers of portable lighting out of business.
- Will not put several thousand people out of work and cost the state hundreds of millions of dollars in economic activity.

Portable Lighting has Unique Characteristics

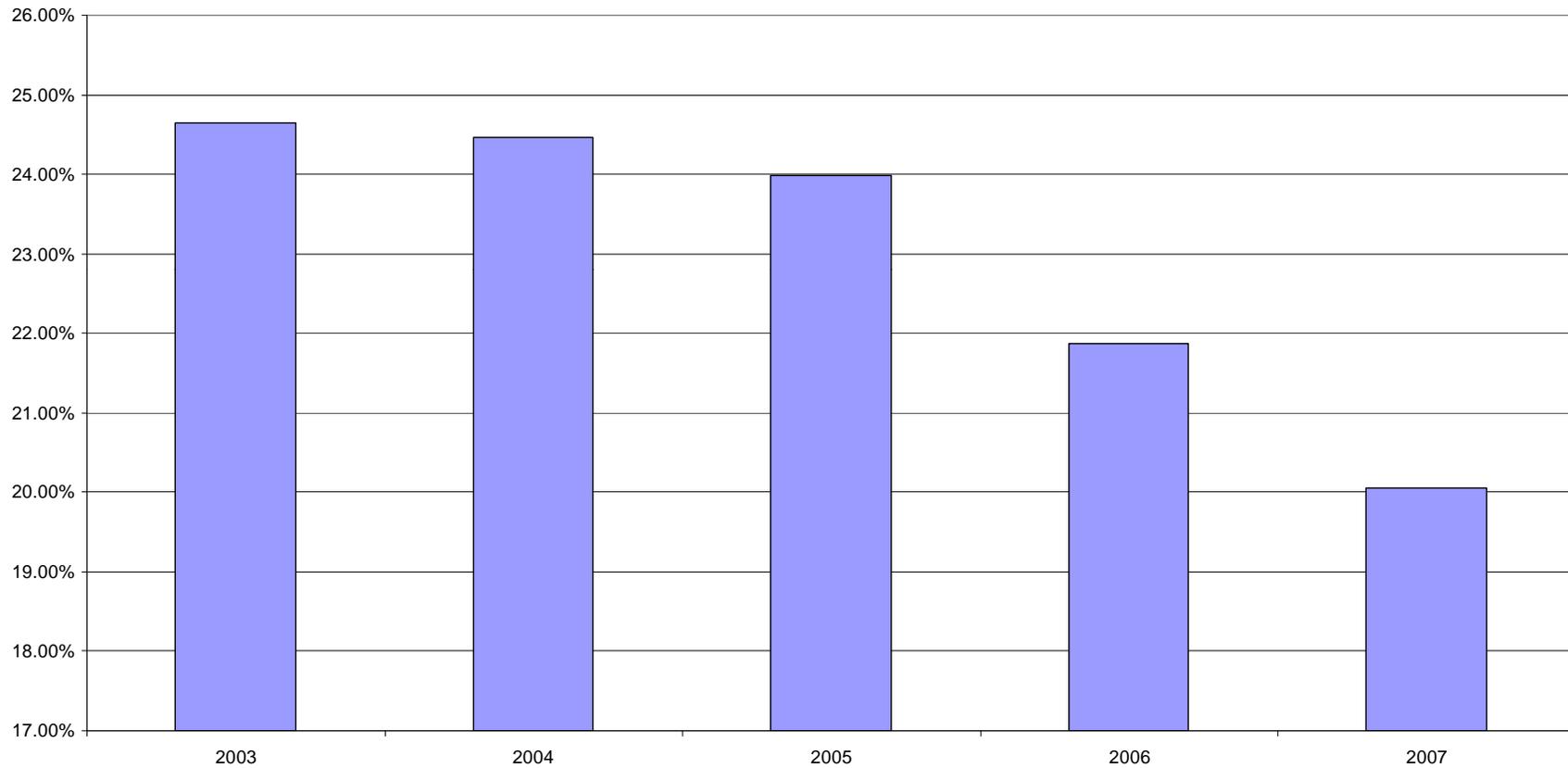
- Styles are highly fragmented- 15,000-30,000 products.
- Most portables utilize the same bulbs. Consumers focus on the lighting task ,design and aesthetic appeal .
- Product is mainly manufactured in China. These sources are facing major financial difficulties and are going bankrupt – as witnessed by a recent Business Week article.
- In today's economy, the decorative lighting industry in the U.S. is in a major recession.

Portable Lighting has Unique Characteristics

- Households are increasingly being illuminated by hard wired fixtures and not portables. Homes currently have close to 45 sockets dedicated to fixtures and only 5 for portables. Portable lighting experts see that trend continuing into the future. The portable lighting business is slowly declining.
- This poses a problem since portables are more efficient at lighting a room as opposed to the proliferation of recessed lighting.

Portable Lighting has Unique Characteristics

Portable Lighting Sales as a % of Total Lighting Sales

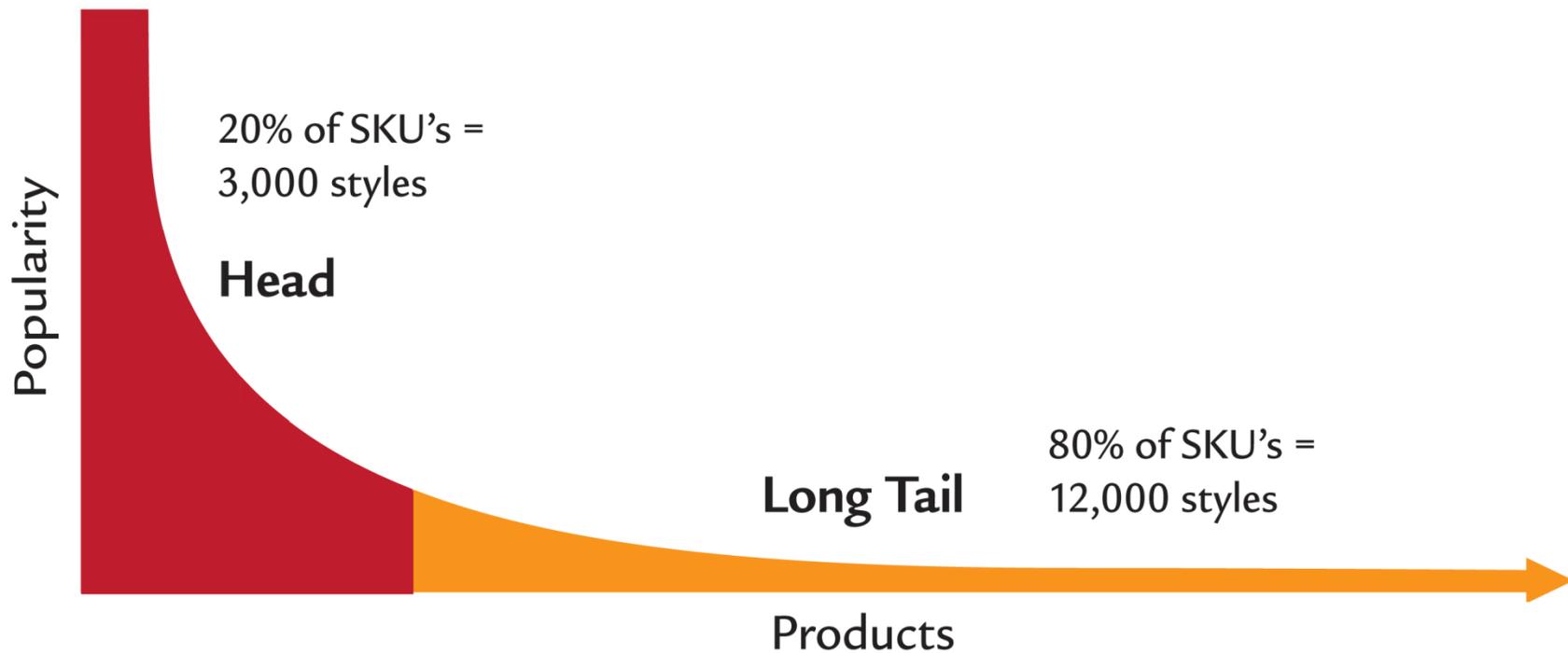


Portable Lighting has Unique Characteristics

- The portable lighting industry is undergoing the “Long Tail” distribution curve phenomenon that is transforming most retail consumer industries. Notable examples are the movie and music industries.
- This is a result of the Internet’s ability to allow a near limitless choice to the consumer. As a result, the consumers are demanding – and are receiving- an almost exponential growth in selection of certain consumer goods categories.

The Long Tail 80/20 Graph

Portable Lighting Marketplace



Portable Lighting Using the 80/20 Rule

- Assuming 3,700,000 portable lighting units are sold in CA/year*. Those sales are comprised of 15,000 unique styles. On average 246 units sold per style.
- However, the most popular 20% of units comprise 80% of sales. $3,700,000 \times 80\% = 2,960,000$. And $15,000 \text{ units} \times 20\% = 3,000$

*Figure taken from the PG&E proposal

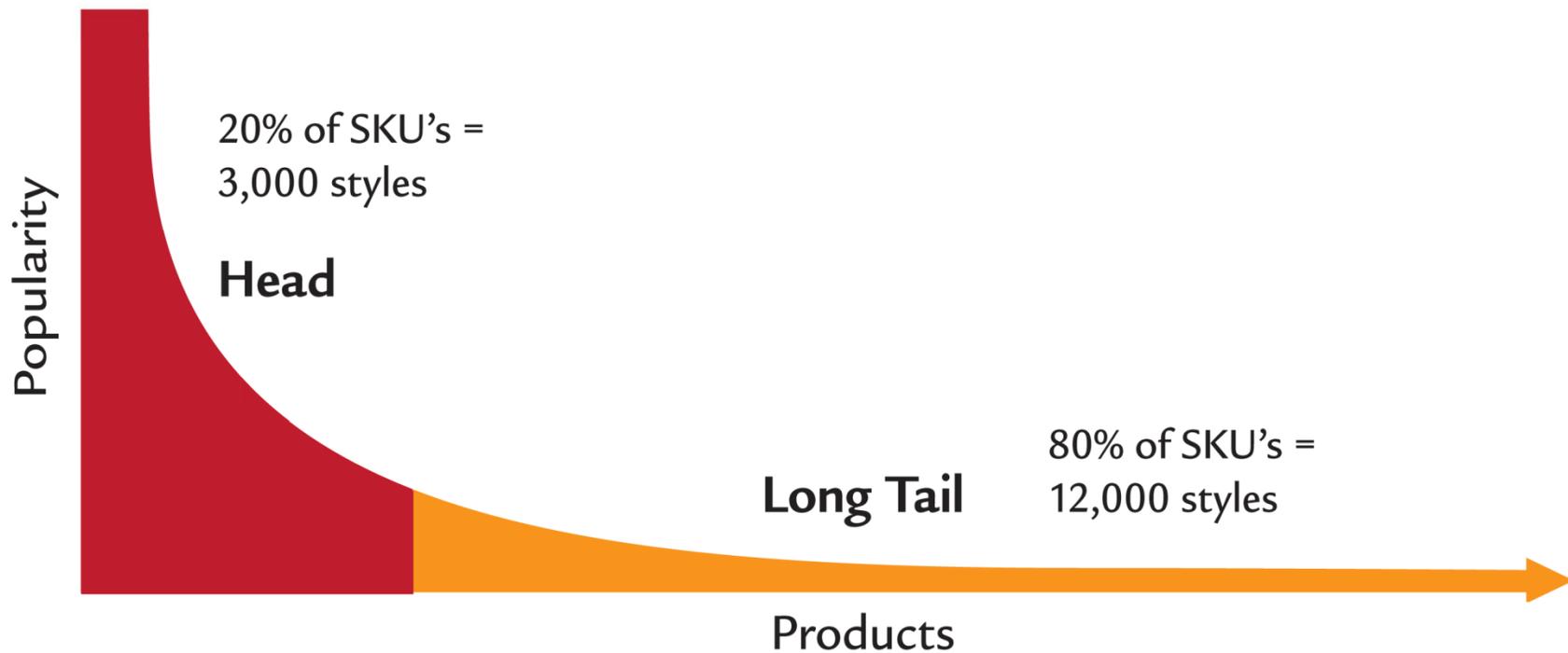


Portable Lighting Using the 80/20 Rule

- Therefore, 80% of portable unit sales are represented by 3,000 styles.
- $2,960,000 \text{ unit sales} / 3,000 \text{ styles} = 987 \text{ unit sales per top style}$

The Long Tail 80/20 Graph

Portable Lighting Marketplace

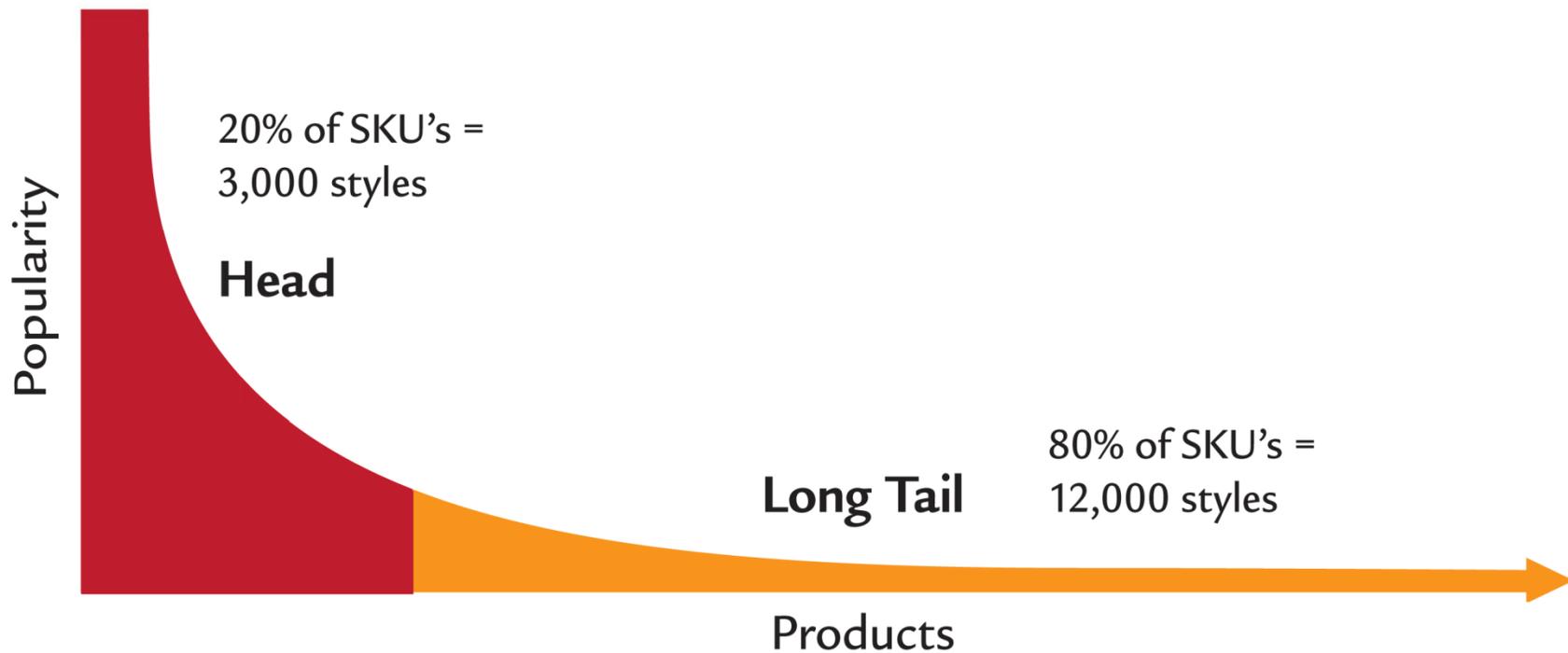


Portable Lighting Using the 80/20 Rule

- The bottom 80% of the styles represent 20% of portable lighting sales.
- This translates to 62 units per style sold for the bottom 80% of the styles! $(3,700,000 \times 20\% = 740,000 / (80\% \times 15,000) = 62)$

The Long Tail 80/20 Graph

Portable Lighting Marketplace

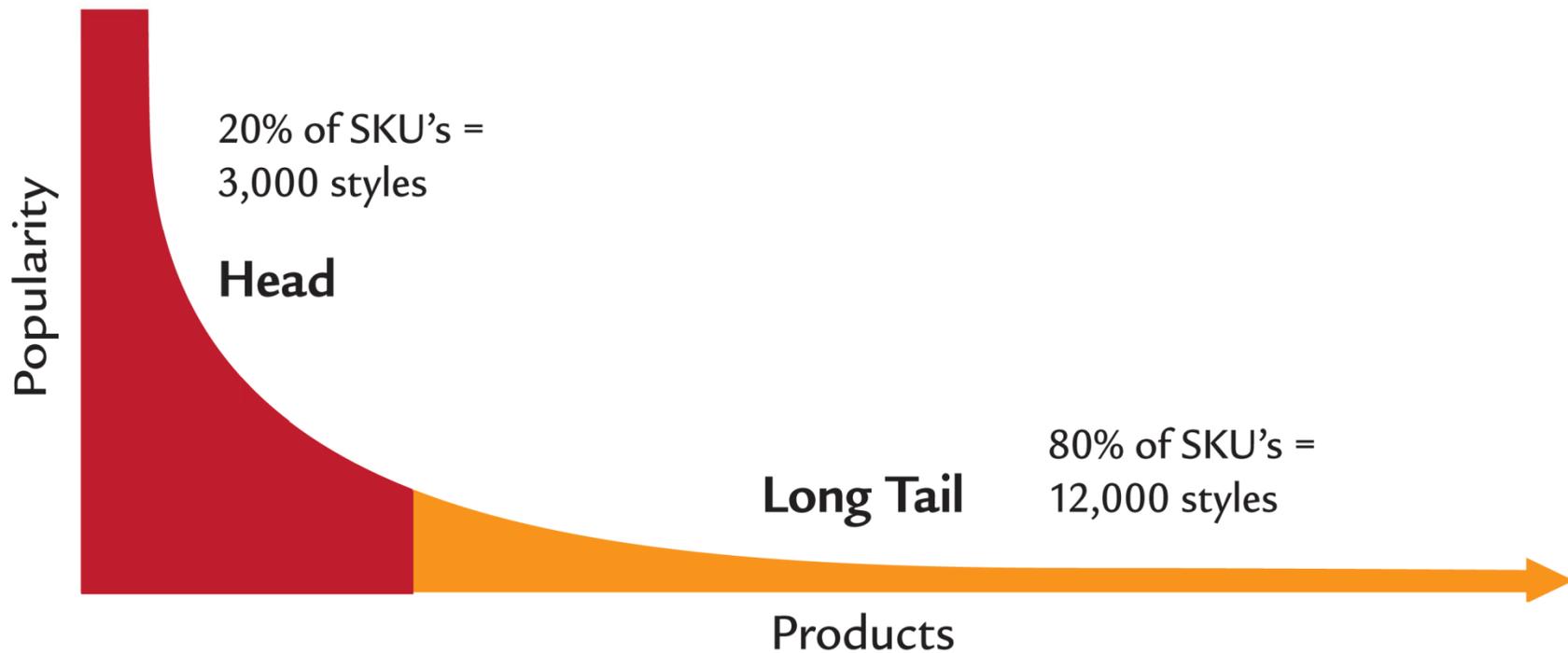


Economically Feasible Production Runs

- Portable lighting manufacturing in China requires minimum manufacturing runs. Assuming a 4x product turn/year, 250 units an order would be a feasible order quantity.(1,000 divided by 4 turns a year)
- Economic feasibility dictates that the bottom 80% of styles can not be specially manufactured for California as their production runs would be 62 units/4 turns = less than 16 per order.

The Long Tail 80/20 Graph

Portable Lighting Marketplace



ALA proposes to use GU-24 sockets on the top selling 20% of the styles.

This represents 80% of the sockets.

- ALA estimates that installing a GU-24 socket to the top 20% styles will result in an energy savings of 75% on 65%-80% of new portable units sold in the state of California.
- **The overall energy savings would be in the range of 49%-60%**

The logo for the American Lighting Association, featuring the text "american lighting association" in white lowercase letters on a dark blue rectangular background. The word "lighting" is positioned between "american" and "association".

american
lighting
association

ALA proposes to use GU-24 sockets on the top selling 20% of the styles.

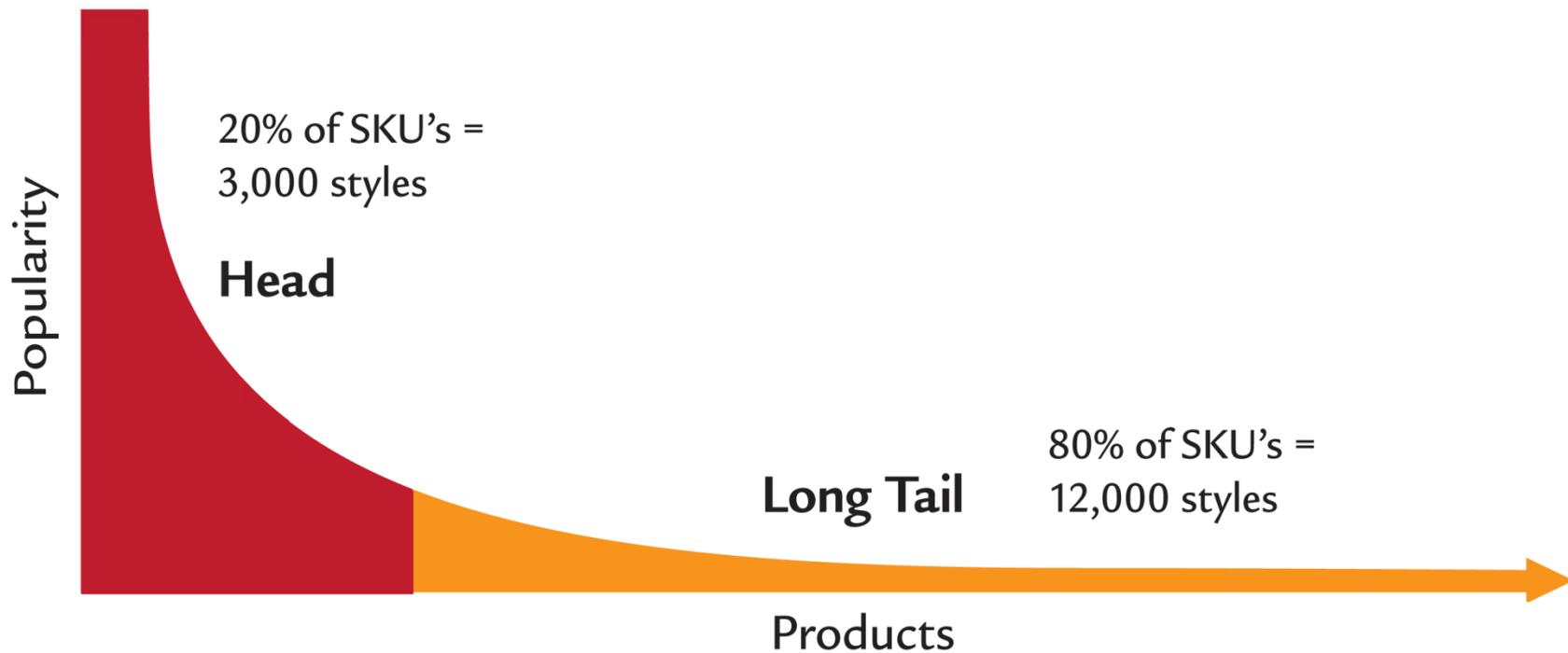
This represents 80% of the sockets

- In addition, all portable manufacturers in the ALA including Lamps Plus are developing cutting edge CFL portable lighting designs that play to the strengths of this light source.
- These designs are being developed for all products-including the “Long Tail” and will be generating additional energy savings as the country converts to more energy efficient light sources.



The Long Tail 80/20 Graph

Portable Lighting Marketplace



ALA Proposal

- ALA Proposal necessitates a minimum of 1,000 units (per item) sold per annum to California consumers.
- Any number less than 1,000 creates an economic barrier to consumers by pricing unit manufacturing costs beyond average consumer affordability. The production runs for a “California only” product would not be possible.

The logo for the American Lighting Association is a dark blue rectangle containing the text "american lighting association" in white, lowercase letters. The text is arranged in three lines: "american" on the top line, "lighting" on the middle line, and "association" on the bottom line. To the right of the text, there are five small, yellow, glowing light bulbs of varying sizes, arranged in a vertical line.

american
lighting
association

The ALA Energy Solution

- Achieves the intent of AB1109 (Huffman)
- Is simple for the consumer to understand.
- Does not decimate the consumers' choice of style or function.
- Encourages lawful purchase rather than illegal out of state sales via Internet or transportation.

The ALA Energy Solution

- Does not create a consumer backlash against freedom of choice, headaches induced by reading with CFLs, and eye strain.
- Avoids sparking further public concern over a de facto mandate of CFL use and mercury contamination and clean up – disposal issues.
- Avoids consumer frustration over inability to dim CFLs.

The ALA Energy Solution

- Will not cost the state hundreds of millions of dollars in lost economic activity and thousands of jobs.
- **Will save energy in the range of 49%-60%**

Additional ALA Proposals

Provide for a volunteer program to convert existing lamps, perhaps subsidized by an incentive program.

Design a rebate program to provide incentives for lighting fixture conversions.

Ultimate Energy Savings

The biggest energy savings can be achieved by extending Title 24 criteria to previously constructed homes (all resale's) as well as newly constructed homes.

In the event a current home is not on the market, energy savings may be achieved by providing incentives to current home owners leading to replacement of light fixtures in favor of more energy efficient units.

This could be funded with tax credits or other government and electrical company funded incentive plans.

The logo for the American Lighting Association is a dark blue rectangle containing the text "american lighting association" in white, lowercase letters. The text is arranged in three lines: "american" on the top line, "lighting" on the middle line, and "association" on the bottom line. To the right of the text, there are five small, yellow, glowing light bulbs of varying sizes, arranged in a vertical line.

american
lighting
association