DEPARTMENT OF FINANCE
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Corrine Fishman
Regulations Manager
Efficiency Division

April 6, 2022

Dear Ms. Fishman:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for efficiency standards for general service linear fluorescent lamps, as required in California Code of Regulations, title 1, section 200(a)(1) for major regulations. Proposed text of the regulations were not submitted, therefore comments are based solely upon the SRIA and other publicly available information.

The proposed regulations would set energy-efficiency standards modeled after existing federal standards for fluorescent lamps sold in California that are currently exempt from federal standards. The new requirements will be fully implemented once enacted in late 2022, as projected in the SRIA. The SRIA assumes that additional manufacturing costs (including testing costs that the SRIA states to be insignificant) will be passed on to buyers, estimated at roughly $30 to $70 per lamp depending on the lamp type and including installation costs. The SRIA projects production of around 55 million non-compliant lamps in 2022, which will need to be replaced with compliant lighting when they burn out. The SRIA estimates first-year costs to individuals and businesses at around $123 million, and first-year benefits including $27.5 million in electricity bill savings and $2.8 million in reduced emissions. The SRIA expects state and local governments to incur annual costs as non-compliant lamps are replaced, estimated at $74,000 and $575,000, respectively. Enforcement costs are not quantified but are stated to be absorbed by existing California Energy Commission staff duties.

Finance generally concurs with the methodology used to estimate the impacts of the proposed regulations, with the following exceptions. First, the SRIA must clearly report quantitative estimates of all private costs and all fiscal impacts, including enforcement costs as well as state and local sales tax revenue changes. The SRIA estimates an annual increase of around $115 million in spending on lamps sold in California, which would increase annual sales tax revenue by about $9.4 million (assuming an average tax rate of 8.2 percent). All annualized statewide aggregated direct costs must be clearly reported in the SRIA. Currently, the SRIA only reports direct replacement and installation costs per lamp and annualized statewide direct benefits are also not provided.

Second, the SRIA must disclose all key assumptions that are material to the analysis and must provide the rationale for those assumptions. The SRIA is currently lacking several disclosures and descriptions of assumptions and data sources, including but not limited to the following issues: 1) The SRIA reports per-unit lamp replacement and installation costs but does not indicate what year those costs represent or how those costs are projected to change over the time frame of the analysis. These are material assumptions given the recent increase in input prices (for example, the U.S. producer price index indicates that glass prices inflation has increased from 1 percent year-over-year in September 2020 to 13.1 percent in February 2022). 2) The SRIA also does not clearly disclose how inflation is incorporated into the analysis, however, both costs and electricity savings may be different under higher assumed inflation rates. The brief qualitative discussion of the implications of higher inflation that is currently included in the SRIA should be expanded to clearly illustrate how costs and benefits are impacted by incorporating the most recent inflation projections at the time of the analysis. 3) The SRIA does not describe the compliance pathways that users are assumed to take when there are more than one compliant lamp option, or whether existing supply chain issues are expected to impact the production and costs of compliant lamps, which could lead to later compliance than the currently assumed full implementation date of late 2022.

These comments are intended to provide sufficient guidance outlining revisions to the impact assessment if a SRIA is required. The SRIA, a summary of Finance's comments, and responses to Finance's comments must be included in the rulemaking file that is available for public comment. Finance understands that the proposed regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

[Signature on File]

Somjita Mitra
Chief Economist

cc: Ms. Dee Dee Myers, Director, Governor's Office of Business and Economic Development
Mr. Kenneth Pogue, Director, Office of Administrative Law
Mr. David Hochschild, Chair, California Energy Commission
Mr. Drew Bohan, Executive Director, California Energy Commission