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Commission Calls for Answers on Renewable Energy Costs and Reliability

The Little Hoover Commission on Tuesday urged the Governor to bring greater clarity on the aggregated costs and consequences of the energy policies being implemented in California. The Commission recommended that the Governor task the appropriate parties to develop a comprehensive and prioritized action plan to attain its energy and environmental goals and minimize costs. The Commission also recommended the state begin the process of modernizing its energy governance structure and enhance consumers' ability to better manage their own energy use and electricity bills.

California is in the midst of a massive transformation in the way electricity is produced and distributed, from a system predominantly powered by fossil fuels to one in which one third of all electricity will come from renewable energy sources. In its report, *Rewiring California: Integrating Agendas for Energy Reform*, the Commission's recommendations focus on ensuring that California succeeds in this transformation. California cannot afford another energy policy failure: The state and California electricity customers still are paying for the billions of dollars lost because of its flawed electricity deregulation and the resulting crisis.

As California implements policies to achieve its ambitious renewable energy goal, the state also is implementing groundbreaking legislation to reduce greenhouse gas emissions, is encouraging the expansion of distributed renewable energy, such as rooftop solar, and is implementing water quality rules that require major retrofitting for 19 coastal power plants, including the state's two nuclear plants.

The Commission raises concerns that, if unaddressed, increase the risk of policy failure:

- In a short period, the state has adopted a series of transformative policy initiatives, any of which taken individually would take years of careful planning to implement. The policies were adopted one at a time without the benefit of a cohesive design. Now they are being implemented simultaneously without an overarching plan.
- The state has not produced a comprehensive assessment of the total cost of implementing this group of policies, inhibiting consumers and businesses in their ability to plan for this new future.
- The state lacks the ability to impose order on the multitude of proceedings that determine how these policies unfold, order which is essential to ensuring the state maximizes progress toward each of its policies goals.

The Commission specifically expresses concerns regarding reliability and the costs of integrating renewable energy onto the grid by the state's self-imposed deadline of 2020.

The Commission was told that in the race to reach the deadline, the investor-owned utilities may have locked in long-term contracts at unnecessarily high prices.

These utilities also have relied heavily on new solar and wind farms – both of which require back-up power when the sun is not shining and the wind is not blowing. These back-up plants add to the overall cost and may detract from the state’s ability to achieve its greenhouse gas reduction goals. Many of these new plants will come online in the next several years and concerns have been expressed that electricity rates will rise as a result. This sets the stage for a potential ratepayer revolt that could dampen support for environmental stewardship policies.

In its report, the Commission commends improvements that have occurred in the past decade: Various state organizations with a role in energy are communicating and collaborating as never before. However, the Commission believes the current structure still lacks accountability.

“Ultimately, the Governor must take ownership and take the lead on bringing greater clarity on the costs and consequences of implementing California’s ambitious energy policies,” Little Hoover Commission Chairman Daniel Hancock said. “Without more careful calibration of these policies, Californians may wind up paying more than necessary for electricity and the state may unnecessarily degrade pristine habitat in its rush to implement its renewable energy goals.”

The unanticipated outage in January 2012 of both operating units at the San Onofre nuclear power plant in Southern California provides both an example of state organizations working together to devise a solution that kept the lights on, but also reveals how supply risks can escalate quickly because of constraints imposed by uncertainty, aging infrastructure and regulations issued by multiple agencies with different regulatory goals. These agencies already are planning for the summer of 2013, this time with fewer options. Any number of events – a prolonged heat wave, increased consumption as the economy improves, a wildfire disrupting transmission, an unexpected outage at another plant, alone or in combination could result in brownouts or blackouts in Southern California next year.

Lives and livelihoods are on the line. In this report, the Commission recommends that:

- ❑ **The Governor, through executive order, should direct the state’s energy organizations to address concerns raised by the Little Hoover Commission in a timely manner, specifically, to assess, how much, in the aggregate, recent major policies related to energy will affect electricity rates and reliability and whether these policies are achieving California’s goals.**
- ❑ **The Governor, through a public process, should establish a comprehensive plan to prioritize current and future energy goals. The plan should identify what actions need to be taken and in what order to maximize progress toward the stated goals.**
- ❑ **The Governor and the Legislature should develop a plan to modernize energy governance. Organizational reform ultimately is essential if the state is to realize its manifold energy and environmental goals and reduce the risk of another profoundly expensive policy failure.**

The Little Hoover Commission is a bipartisan and independent state agency charged with recommending ways to improve the efficiency and effectiveness of state programs. The Commission’s recommendations are submitted to the Governor and the Legislature for their consideration and action. For a copy of the report, visit the Commission’s website: www.lhc.ca.gov.