



New Report Identifies Key Drivers Behind California's Rising Cost of Energy *Coalition Launches to Promote Affordable and Reliable Energy Supply*

August 19, 2013, Los Angeles, CA - In an effort to address growing concerns about costs and unintended consequences of California's energy policies, a consortium of statewide associations, local business groups, elected officials, and industry leaders have formed Californians for Affordable & Reliable Energy (CARE) – a coalition designed to highlight the state's energy challenges and promote the need for a comprehensive state energy plan that prioritizes affordability, reliability and adequate supply.

CARE released a report today, prepared by Navigant Consulting, which examines the underlying cost drivers associated with California's aggressive energy mandates and highlights the unintended consequences that can result from California's complex energy landscape. The report echoes similar findings from policy experts like the Little Hoover Commission emphasizing the risks that California faces from not having a comprehensive energy plan. Our state is currently implementing a broad range of costly and often conflicting regulatory programs and there is little discussion amongst policymakers about the cumulative impact of these actions.

“There is not a single, credible source of analytics and data that can inform companies and policymakers regarding the cumulative costs of these climate change policies and regulations in combination with many other recently approved and/or proposed energy-related policies,” said Patrick Mealoy, Managing Director in the Energy practice at Navigant Consulting, Inc. “The uncertainty about cumulative impacts is a serious challenge for policymakers.”

Navigant examined key cost drivers of three prominent energy programs and issued the following warnings:

- **Renewable Portfolio Standard:** The 33% RPS requirement is leading to increased prices and rates as utilities attempt to incrementally phase in renewable energy to their portfolios—while adjustments already made have created new challenges in the management of providing reliable electric service.
- **Cap and Trade:** Implementation of AB 32 has added to electricity prices attributable to the “carbon component” of energy costs. The impact of these carbon price increases on electricity bills will be felt disproportionately by end consumers.
- **Low Carbon Fuel Standard:** The California Air Resources Board's assumptions that full compliance with the LCFS will result in negligible price increases have been called into question by a number of detailed studies. Additionally, considerable uncertainty lies in the eventual cost impacts and litigation to date regarding the legality of its rules, along with the uncertainty regarding the potential supply of alternative fuels and associated infrastructure required.

According to Navigant, the difference in energy costs between California and its neighboring states impacts business, job creation and local communities. Such effects include increased costs for city or county vehicle fleets, heating and cooling costs for schools, electricity costs at water treatment facilities, and costs for providing other essential public services.

Californians are informed about the state's march towards being an environmental trailblazer as a result of our regulations and policies. Unfortunately, they are uninformed about the associated costs that will be triggered across our economy. The industrial community alone has dropped 17 percent of its electricity demand in the last two decades, in part because of implementing efficiency measures.

Now, consumers are about to get hit with the first big electricity rate increase from the California-only renewable power requirement. It's important to understand that California's environmental policies will consistently increase energy costs in the coming years—even with the most conservative estimates.

“Our businesses and communities need a comprehensive energy policy that balances our environmental goals with real economic considerations,” said Rob Lapsley, president of the California Business Roundtable and member of the CARE coalition. “Because of the threats outlined by the Little Hoover Commission, then by Navigant and other experts, we are asking for the state to develop an energy strategy that can enhance our economic recovery and job outlook before we add additional layers of new energy laws and regulations.”

The CARE coalition has pointed to numerous other studies by academic and policy experts who are concerned about the lack of coordination in California's energy policies. According to the Little Hoover Commission last December, “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 CARE coalition was launched today in Los Angeles with a presentation by both Navigant Consulting and the Little Hoover Commission. Coalition members held a dialogue about how rising energy costs and uncertainty with reliability impacts their various business sectors and regions. They highlighted their desire for policymakers to find the most cost-effective methods for achieving environmental goals – an approach that would incorporate a more comprehensive view of regulations that considers the wide spectrum of direct and indirect costs, benefits to the environment, impacts to jobs, and other related outcomes.

Bob Massman, vice president of Dependable Highway Express, hosted the event at his logistics warehouse facility in Los Angeles. He stated, “Our company is committed to implementing environmentally-sustainable business practices and we have installed the world's largest rooftop solar system on an industrial high-rise. But despite this and similar steps by DHE, we are still very much impacted by the rising costs of electricity and fuel. We are worried about the layers of different mandates, and whether we will be able to afford them, or even comply.”

The California Energy Commission has projected electricity rates to increase between 26 to 42 percent by 2020. The Boston Consulting Group has projected fuel costs to rise between \$0.49 and \$1.83 per gallon by 2020 due to Cap and Trade and LCFS.

“Small businesses are operating on narrow budgets, doing all they can to be successful and contribute positively to California's economy,” said Betty Jo Toccoli, president of California Small Business Association. “But rapidly rising energy costs will be more than some businesses can handle. We need to be thoughtful about the most efficient and cost-effective ways to achieve the state's goals.”

Californians for Affordable & Reliable Energy is a non-partisan coalition advocating for a comprehensive state energy plan on fuels and electricity that prioritizes affordability, reliability and adequate supply. For more information please visit CAREaboutEnergy.org or connect with the coalition on twitter @CAREaboutEnergy.

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