



CALIFORNIA STATE AUDITOR

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FACT SHEET

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The California State Auditor released the following report today:

High Risk

*The California State Auditor Has Designated Electricity Production and Delivery
As a High-Risk Issue*

BACKGROUND

Having suffered rolling blackouts and high prices during the energy crisis of 2000 and 2001, California's electricity sector continues to evolve. Because of ongoing challenges the State faces to ensure a reliable supply of electricity, which is critical to our economy and daily lives, the California State Auditor has added the production and delivery of electricity to its list of issues that pose a high risk to the State of California. The electricity industry is evolving to address problems highlighted by the energy crisis while simultaneously working to increase competition and to support the State's renewable energy targets. As with all issues on the high-risk list, the State Auditor will continue to monitor developments and challenges that affect the reliability and affordability of electricity and may undertake future projects to further evaluate policy changes that potentially affect electricity supplies and rates in California.

KEY REVIEW RESULTS

During our review of the State's ability to produce and deliver electricity in the future, we noted that there are significant challenges in the electricity sector that have potential to negatively influence the supply of electricity, its transmission, and consumer rates, including the following:

- ✓ The State's need to replace or retrofit aging and environmentally harmful power plants may cause significant reductions in electricity supplies. A proposed statewide policy may force certain power plants to close—in fact, between 2015 and 2021, 19 power plants (or 40 percent of the State's generating capacity) will need to be retrofitted, repowered, replaced, or retired to comply with the proposed policy.
- ✓ Ongoing decisions around key air and water environmental policies may substantially reduce electricity supplies from existing power plants and restrict construction and operation of new power plants, particularly in Southern California.
- ✓ As overall electricity supplied by the Department of Water Resources through long-term contracts it entered into during the electricity crisis declines as the contracts expire, there is uncertainty as to whether California's large investor-owned utilities will continue to be in a financial position to procure sufficient energy supplies.
- ✓ Increasing the current target of generating 20 percent of California's total retail sales of electricity from renewable sources, such as wind and solar, is challenging because various obstacles prevent siting and constructing the infrastructure needed to generate and transmit electricity. For example, solar power plants may require an average of at least 500 acres to produce 100 megawatts of electricity. Because these types of plants will likely need to be located far from urban areas, transmitting the electricity the plants would generate to those urban areas that most need it will also pose challenges.
- ✓ Modifications to the market structure and proposed reorganization of certain energy-related programs and functions present additional uncertainties related to the State's ability to formulate strategic energy policies.

