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Media Contacts:

Sepideh Khosrowjahi, Policy Advisor, 415-703-1190, skh@cpuc.ca.gov

Tom Hall, Information Officer, 415-730-2964, tbh@cpuc.ca.gov

DRA Press Room: <http://www.dra.ca.gov/DRA/News/>

DRA Urges More Accountability for \$3 Billion Ratepayer-Funded Energy Efficiency Budget

SAN FRANCISCO, August 24, 2009 – The Division of Ratepayer Advocates (DRA), an independent consumer advocacy division of the California Public Utilities Commission (CPUC), applauds the CPUC’s strategic shift to a more progressive model by its approval of the energy efficiency budgets and plans of California’s largest energy utilities. The portfolio decision will transform the way Californian’s use energy through energy efficiency programs. But despite the improvements articulated in today’s decision there is still a continuing need for stronger mechanisms to ensure transparency and accountability in the utilities’ use of the billions of dollars of ratepayer money that is stake.

DRA’s analysis shows, for instance, that compared with previous energy efficiency program efforts, based on Thursday’s decision California’s investor-owned utility programs have been awarded budget increases of approximately 70 percent compared to their 2006-08 expenditures but would actually deliver significantly reduced commensurate energy savings. This finding is based on the utilities’ own projections. Because the Commission has no methodology in place to demonstrate that its long-term comprehensive programs are viable and cost-effective, ratepayers are investing billions of dollars on faith alone that actual energy savings will result from the programs.

Moreover, even though energy efficiency is first in California’s loading order, over the past year, the CPUC has decreased the amount of energy savings goals for which the utilities are responsible to achieve, by approximately 45 percent.

“It is of grave concern that we are close to doubling budgets for utility-managed programs while dramatically reducing energy savings targets,” said Dana Appling, director of DRA. “California needs



to ramp up energy savings to address climate change, and we need to be wary of ratepayer cost increases, which are not expected to help the state meet its energy goals.”

While DRA strongly supports the Commission’s intention to cap energy efficiency program administrative costs at 10% and to implement audits of those budgets, DRA believes that such oversight of administrative costs must also extend to energy efficiency program costs which are also accounted for in the utilities’ general rate cases.

“If the Commission does not implement a holistic approach to monitoring administrative costs,” said DRA Director Dana Appling, “it will create a loophole that will encourage the utilities to shift administrative costs that surpass the 10 percent cap into general rate cases.”

Such cost-shifting would only serve to create the illusion of greater energy efficiency portfolio cost-effectiveness than actually exists and would waste ratepayer dollars that could otherwise be used to save energy. DRA plans to continue to closely monitor the accountability of ratepayer dollars used for energy efficiency programs.

For more information on DRA, please visit www.dra.ca.gov.

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