

The California State Auditor released the following report today:

California's Alternative Energy and Efficiency Initiatives

Two Programs Are Meeting Some Goals, but Several Improvements Are Needed

BACKGROUND

To help achieve the State's air quality and climate goals, the Legislature authorized the California Solar Initiative (solar initiative) and the Clean Air Vehicle Decal Program (decal program) to encourage the use of solar energy and the use of low-emission vehicles, respectively. The California Public Utilities Commission (commission) oversees the solar initiative's \$2.6 billion incentives program but six program administrators administer it within the service areas of four investor-owned utilities. The program provides incentives to Californians to install solar energy systems. The decal program—which grants carpool lane access to single-occupant vehicles that meet certain emission standards—is administered by the California Air Resources Board (Air Resources Board), the California Department of Motor Vehicles (Motor Vehicles), the California Department of Transportation (Caltrans), and the California Highway Patrol.

KEY FINDINGS

During our evaluation of the solar initiative and the decal program, we noted the following:

- While the commission will likely meet two of its solar initiative goals—installing enough solar energy systems to reach its megawatt goal and to contribute to the sustainability of the State's solar industry without the solar initiative—it may not achieve other goals.
 - ✓ The California Solar Initiative Thermal Program (thermal program) will not accomplish its goals due to low participation.
 - ✓ The solar energy systems have been mostly cost-effective for residential participants but will not be cost-effective for nonresidential participants until 2018.
 - ✓ The commission does not have sufficient data for determining whether the solar initiative provides additional system reliability for the electricity grid or what it contributes to reducing pollution.
- Although the commission established a process for awarding and monitoring grants and has awarded \$33 million for research projects, it has not selected an evaluator to assess whether the program has contributed to the solar initiative's goals as specified in the commission's adopted program plan.
- None of the four agencies that share in administering the decal program measure whether the benefits of the program outweigh its costs or whether the decal program is indeed increasing the number of clean air vehicles on the road.
 - ✓ Motor Vehicles has not performed a cost analysis since 2003 to determine whether its decal fee of \$8 is sufficient to recover the amount it spends to administer the program. Based on our analysis, Motor Vehicles should be charging \$15 per set of decals to cover its costs.
 - ✓ Caltrans determined that although carpool lanes have become increasingly congested during recent years, vehicles with decals do not play a major role in lane slowdowns.
 - ✓ The Air Resources Board has not assessed the decal program's impact on air quality—our review of Motor Vehicles' decal recipient data revealed that some areas that possess a higher number of decals tend to be in areas that have not met air quality standards or have a significant number of carpool lanes.
- While participation in both the solar initiative and the decal program has increased over time, both programs tend to serve Californians with higher incomes.

KEY RECOMMENDATIONS

We made the following recommendations:

- The Legislature should consider whether it wishes to continue to authorize collecting ratepayers' money to fund the thermal program due to low participation in the program and require the Air Resources Board to research whether there is a relationship between decal usage and air quality changes.
- The commission should evaluate the solar initiative's research program before the remaining grant projects are completed and report the measurable benefits of air pollution emissions reductions related to the solar initiative.
- Motor Vehicles should periodically perform a full cost analysis of the decal program and update the fee.

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