California Dreaming
Fallout From a Nightmare

Presentation of Ashley C. Brown
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Mindset at Onset

• The System is Broken/ Our Neighbors Have Lower Rates
• High Rates/Economic Recession
• Long Term Contracts at Above Market Prices
• Heavy Hand of Government/Regulatory Planning
• Nuclear Costs/ Utility Prudence
• Absence of Strong Wholesale Market and Supporting Institutions
Institutional/ Bureaucratic/ Political Setting

Power Trumps Knowledge

- CPUC Initiated Process
- Well Organized Constituent Groups
- Politics Takes Over (Initiative to Legislature and Governor)
- Loss of Clear Policy Direction/ Bargaining Among Interest Groups
Interest Groups’ Primary Objectives

A Parochial Moment

• Utilities: Stranded Asset Recovery
• QFs: Honoring Existing Contracts
• Marketers: Access and Ability to Arbitrage Information Advantage
• Enviros: Benefits Fund/ Support for Efficiency and Renewables
• Industrials: Choice/Freedom to Negotiate
• Small Consumers: Rate Relief
Dynamics of Decision Making

The Interested Leading the Blind

• Every Interest Received Substantial Part of Primary Objective
• Trading Fulfillment of Objectives/ Little Issue by Issue Negotiation
• CPUC Trumped: Little Policy Guidance from Disinterested and Informed Authorities
• Disconnect Between State and Federal Regulation
The Big Sell

Issac Newton Visits Economics: Prices Will Only Go Down

• The Ease of Creating Unreal Expectations/Hell Hath No Fury Like a Consumer Scorned

• Rigged Discounts: Rate Freezes
Political/ Regulatory Fallout

One Couldn’t Help But Notice The Prices

• Who’s Next?
• Slow Restructuring? / Convenient Excuse for Inaction?
• Heightened Jurisdictional Concerns
• Focus on Planning and Siting Issues
Broader Implications/ Policy Questions

A Cosmic Moment

• Can Electricity Be Commoditized? Politically? Socially?

• How Much Should Policy Makers/ Regulators Pay to Stakeholder Consensus?

• Who Is The Ultimate Provider?/ Guarantor of Supply? (not metaphysically)
Broader Implications/ Policy Questions (continued)

A Cosmic Moment

- Are We Confusing Goals (e.g. Efficiency) With Means (e.g. Competition)?
- Do Competitively Derived Rates Automatically Meet The “Just and Reasonable” Test?
- What Incentives Are Really Required?