CARE Californians for Affordable & Reliable Energy

CALIFORNIA ENERGY POLICY: CRISIS THEN, WHAT NOW?

In 1998, the California Legislature passed and the Governor signed into law AB 1890, a bill to restructure the electric utility industry. The California Public Utilities Commission (PUC) promoted the restructuring as a means for California to lead the nation – to create an energy market that would produce lower costs and more choices for consumers. However AB 1890 produced numerous unintended consequences and failed to meet its primary objectives. By 2000, wholesale electricity prices skyrocketed, California's electricity system was experiencing energy shortages and blackouts, and the investor owned utilities were facing bankruptcy.

Fast forward to 2015, the same type of rhetoric is being used to promote new legislation (SB 32 and SB 350) that will set California on a new 2050 energy course. Just like electricity restructuring, the new legislation is based on major assumptions and the bills provide no process for the Legislature to protect Californians from unintended consequences.

CARE implores the Legislature to reject the transfer of authority contained in SB 32 and SB 350 and preserve the Legislature's role in making policy.

Consider the following comparison of AB 1890 and the current legislation:

	1996	2015
	Electricity Restructuring	*Petroleum Reduction and Electricity Mandates*
Legislation	**AB 1890**, The Electric Utility Industry Restructuring Act.	**SB 350**, Clean Energy and Pollution Reduction Act of 2015. **SB 32**, emissions limit.
California Leads the Nation	California's first in the nation – established a market structure however, the implementation was 'ripe' for abuse. Other states enacted elements of California's law but no state used California as the model.	No other state is currently following California's current emission reduction program (AB32). The financial ramifications of AB 32 have not yet been 'experienced' by the California consumer due to the structure of the GHG program. In fact, less than 2% of total GHG obligations (and costs) required under AB 32 have been implemented.[1] Yet California is planning on "doubling down" on AB 32 without knowing the real impacts.
Job Growth, Economic Benefits	Legislation promised residents lower electricity rates, more competition, and better customer service.	Legislation promises lower energy costs, green jobs,[2] and economic growth.

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Californians for Affordable and Reliable Energy (CARE) is a broad-based coalition supported by the California Business Roundtable, small businesses, community groups, local officials, local business organizations, statewide associations, and energy consumers that are calling on policy-makers to ensure that we have a responsible energy plan that protects our state's economy.

Continued	1996	2015
Economic and Fiscal Impact Analysis	Legislation empowered the California Public Utilities Commission with input from the California Energy Commission and the California Environmental Protection Agency to implement the law, analyze and oversee programs, and regulate untested markets. The lack of an objective fiscal and economic analysis and on-going legislative oversight led to the crisis.	Legislation defers to the California Air Resources Board, California Energy Commission and the California Public Utilities Commission to create and implement a new state energy and transportation policies. The transfer of authority to the state agencies creates the same dynamic that occurred in electricity restructuring. In addition, the legislation is based on wholly inadequate analysis of potential job impacts, the potential for higher energy and consumer cost, the loss of revenue to the General Fund and other unintended consequences.
Legislative Oversight	The legislation did not contain a process for evaluating the performance of the market nor were regulatory bodies required to bring major decisions back to the Legislature. One energy expert's analysis of the problems concluded: "All electricity market reform programs have experienced some problems at the outset. Mid-course corrections have almost always been necessary to mitigate market performance problems. When market performance problems emerge, government officials must act quickly and decisively to fix the problems. Ongoing market reforms and regulatory 'mitigation' initiatives designed to remedy serious market performance problems should be an expected feature of the process of creating efficient competitive wholesale electricity markets. If the California and federal regulators had done so in September 2000 when the current problems became crystal clear, they would have reduced significantly the ultimate magnitude of the crisis."[3]	Legislation is so vague that it confers unlimited authority to the California Air Resources Board to regulate energy market and almost the entirety of California's economy.
Result	Enron's market manipulation, rolling blackouts, government paralysis followed by overreaction, $20+ billion budget deficits, taxpayers required to repay debt associated with "recovery bonds," bailout of two major utilities (including PG&E bankruptcy), major reductions in priority state programs,and significant job loss and business failures.	

1. See attached information on the GHG emission reduction programs.
2. See attached report by the Center for Jobs and the Economy.
3. California's Electricity Crisis, Paul Jascow, 2001.

Visit CAREaboutEnergy.org or email info@CAREaboutEnergy.org for more information.