What is Davis Doing?

I. “Stabilization” (short-term solutions)
II. Increasing Supply
III. Decreasing Demand

I. “STABILIZATION”

1. State buys power and subsidizes price for consumers.
2. State buys power grid from utilities.
3. State sells bonds to pay for (1) and (2).

I. Stabilization

1. State buys power and subsidizes price for consumers.
   Utilities in California do not generate all the power they sell to consumers. Unable to charge prices that reflect what they pay for power, these utilities have been unable to pay their suppliers, which has destroyed their credit rating. California itself still has a good credit rating, which it uses to buy the power and pass on to the utilities at a discount.

2. State buys power grid from utilities
   Utilities use the money to pay off their suppliers and get back on their feet. By operating the grid, California gets revenue in the form of transmission fees. But California will also have to pay for much needed expansion of the grid.
I. Stabilization

(3) State sells bonds to pay for (1) and (2)

A bond is an IOU, and the state is selling a lot of them. Relying on bonds means that California can spread out the cost of its energy solutions over time (instead of dipping entirely into this year’s budget, for example).

II. Increasing Supply

(1) Private construction of new plants.

Right now, California has approximately 1,000 plants. 55% of them are over 30 years old.

-- 13 new plants licensed
-- 7 under construction
-- 10 in application review process
-- Waiver and/or relaxation of regulatory barriers (i.e., environmental regulation)

II. Increasing Supply

(2) Public construction of new plants.

Davis seeks to establish a public power authority to enable California itself to build plants, if the private sector does not meet California’s needs.

III. Decreasing Demand

(1) Price increases

Higher prices mean more supply: the more companies can charge Californians for power, the more they will provide to Californians.

-- Residential consumers face 0 – 37% increases. Over half of consumers will not face increase. Those who use more than average bear the brunt.
-- Commercial customers face 22 – 30% rate increases.
III. Decreasing Demand

(2) Conservation (consumer & commercial)

e.g., “20/20 rebate program”—cut consumption by 20% get 20% rate reduction.