



CALIFORNIA ENERGY MARKETS

◆ Friday, April 18, 2003 ◆ No. 716 ◆

BILLBOARD No. 716

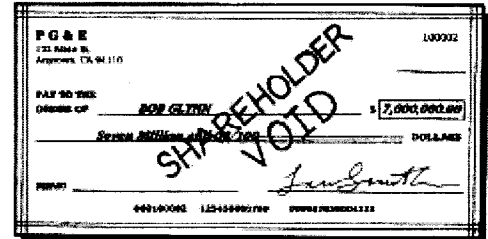
- CPUC** Sends \$16 Million Straight to San Francisco .. [5]
- Malburg** Project Gets CEC OK [6]
- Diablo's** Steam Cracks Might Get Makeover..... [9]
- Generator** Investments Remain Questionable... [12.1]
- ORA Proposes Huge **PG&E** GRC Cuts..... [12.2]
- Steamy **Salton** Sea Held Back [15.2]
- Enron** Schemes Legal, Say Generators.....[17]
- TOU Customers Wanted, Says **Nevada Power** [19]
- NRG** Bankruptcy Decision on Hold [21]
- Interior Wants Public Land for **Geothermal** Development [23]
- Kern River** Pipeline To Start Next Month [24]

Western Price Survey

Falling Water, Rising Prices [10]

[1] PG&E Shareholders Want CEO's Money

Shareholders at Pacific Gas & Electric's annual meeting shouted for chief executive officer Bob Glynn to give up his \$7 million salary and benefits package for the year. Auditors doing double duty, executive bonus bookkeeping and Diablo



Canyon's nuclear waste storage were also on shareholders' minds. *At [20], the lack of dividends can get those "widows and orphans" awfully testy.*

[2] Utilities Roll Up Sleeves on Procurement

Utilities this week filed much-anticipated long-term procurement plans with the California Public Utilities Commission that say the jury is out on whether they will invest in new generation. Before investing in new plants, the commission needs to set rules on cost recovery and resolve other key policy issues, agree the utilities. *At [12], Pacific Gas & Electric presses for a core/non-core market structure.*

[3] Power Projects in the Doldrums Nationwide

News on building new and proposed power plants is not good, as projects continue to fall by the wayside or remain stalled. Much of the problem is attributed to lenders who are holding back on traditional power plant loans but at the same time pouring big bucks into multibillion-dollar liquefied natural gas projects around the globe. Highlighting merchant generators' troubles are two projects in the Golden State proposed by Duke Energy that sit in the California Energy Commission licensing queue. Duke asked that a decision on its Avalon project be delayed but hopes for a tentative ruling on its controversial Morro Bay facility. *Track the electrons, or lack of them, at [14].*

[4] AB 1734 Threatens Community Choice, Favors Utilities, Critics Charge

If AB 1734 passes in its current form, utilities would take over all administration of energy-efficiency programs and cities could be blocked from receiving public-goods charges for demand-side programs, according to critics. Pacific Gas & Electric maintains that the bill aims to improve the timeliness of state regulators' decisions on utilities' efficiency budgets. Though utilities would be responsible for administering all programs, third-party groups would not necessarily be elbowed out, according to PG&E. *At [16], will community aggregation be left in the lurch?*

Regional Roundup

[16] Stakeholders Grapple over Future of Energy-Efficiency Programs (from [4])

A bill pending in the California Legislature would give utilities total control over state energy-efficiency programs and could lead to the demise of community-choice energy aggregation, according to critics.

Language in AB 1734, introduced by the Utilities and Commerce Committee in the Assembly, would require that utilities give their demand-side budgets to state regulators at least six months before spending money on corresponding programs. If the California Public Utilities Commission does not take action on the budgets, they "shall be deemed approved," according to the bill.

For Women's Energy Matters executive director Barbara George, the bill's intentions are not tied to budget timing.

"AB 1734 would kill community-choice energy efficiency, as well as third-party programs under the experimental program at the CPUC," she said.

George charged that utilities are scheming to regain the purse strings for the state's public-goods charge, which is used to fund energy-efficiency programs. Currently, the CPUC requires that 20 percent of demand-side programs be conducted by parties other than the state's investor-owned utilities.

Public-goods funds for energy efficiency total about \$240 million statewide for 2003.

"This allows cities, nonprofits and other groups the opportunity to do some programs without the heavy hand of the utilities controlling them," said George. Under AB 1734, administration of these set-aside programs would shift from the CPUC to utilities.

George added that the bill could thwart the ability of cities and communities to procure power under AB 117, passed during the Legislature's 2002 session. As part of that legislation, a "community choice" aggregator would be able to apply to state regulators to administer demand-side programs for its constituency—and to receive public-goods funding for those efforts proportionate to its customers' contributions.

"For example, San Francisco can apply to the CPUC to get money that comes from city ratepayers into the public-goods charge. That would be about \$7 million or \$8 million," said George. Under AB 117, the CPUC is required to set guidelines for such community-choice activities by July 15 of this year.

In fact, attempts to direct public-goods funds to San Francisco moved forward this week as state regulators voted that the city should get \$16 million for demand-side programs out of the \$240 million total (see story at [13]).

The CPUC formally opposes AB 1734. "This bill would limit actions that the commission has taken and is taking to improve energy-efficiency programs," said CPUC legislative director Alan LoFaso. In addition, bill provisions calling for automatic approval of demand-side budgets "could impair the commission's ability to fulfill its legal requirement to approve cost-effective efficiency programs," he said.

LoFaso agreed that the bill might deter community aggregators from obtaining public-goods funds. "Certainly, the bill conflicts with provisions of AB 117, but it's not clear how that conflict could play out," he said.

Pacific Gas & Electric government relations consultant Kent Kauss said that the primary focus of AB 1734 is to address the fact that, because of delays in CPUC decision-making, program proposals often are not acted upon prior to the beginning of the year to which they apply.

Kauss stressed that the bill would not preclude third-party groups from engaging in energy-efficiency programs. Still, utilities would be overseeing those efforts.

"Those third parties could still do the work, but the programs would be administered by the utilities," he said, adding that passage of AB 1734 would not lead PG&E to shut non-utility groups out of energy-efficiency programs.

"Utilities have always supported the use of third-party groups. PG&E fully supports that," Kauss said. "We use quite a few third-party contractors. And we would still have to get approval for the programs from the PUC."

Kauss was not sure whether AB 1734 would inhibit community-choice aggregators from securing public-goods money for efficiency programs.

"That's more of a legal question. It is codified [in AB 117] that they're allowed to go for these dollars," he said. "It depends on your statutory interpretation."

Approximately \$106 million of the total of \$240 million in demand-side public-goods funds is apportioned to PG&E territory.

Representatives from the Legislature did not return phone calls regarding the bill's ramifications before press time.

"Utilities are going to try every way they can to get that money back," George said, referring to the CPUC's 20 percent set-aside. "This is their first legislative attempt."

George claimed that utilities are also using the CPUC's proceeding on future energy-efficiency policy to argue against third-party programs [R01-08-028].

"Women's Energy Matters wants to see the process of choosing who gets to do programs more competitive," said George. "Utilities tend to spend the maximum amount of money for the minimum amount of energy savings" [Jason Mihos].

'Utilities have always supported third-party contractors.'