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extra edition!

Schwarzenegger “Energy Freedom” Plan a Flashback to AB1890 Freedom for Corporations, Monopoly Captivity for Residents & Most Businesses

SACRAMENTO - In Gov. Arnold Schwarzenegger's nomenclature, reflecting a Bush Administration flavor on Wednesday, “Freedom,” is the word used to characterize his newly outlined plan for California’s shell-chocked electricity system. Proposing to allow only large electricity users to bypass utilities and shop around for the best deal while restoring 95% of California ratepayers under monopoly captivity, once again, the Governor is proposing against state law and policy that California’s monopolies go ahead to buy or build \$ billions worth of new gas-fired power plants and power contracts with unregulated developers, and charge it to their ratepayers' credit, all as part of a scheme to “finance” permitted power plants that no commercial bank is willing to underwrite due to extreme price volatility - but for which California’s serially assaulted ratepayer will, again, suit nicely.

As Orwell said, War is Peace, Hate is Love, and now Captivity is Freedom. The Governor’s call for “Freedom” and “Reserves” is no less than a move to make California dependent on imported foreign gas from the Middle East and other increasingly volatile regions for 20% or more of all natural gas burned in California - a move, unprecedented in the United States, to make keeping the lights on depend on politics in politically unstable regions such as Algeria or Indonesia. Putting ratepayers on the hook for building gas-fired power plants or contracts, the Freedom plan would essentially repeat the market structure under AB1890 that resulted in an Energy Crisis and the largest loss of wealth in California history- unofficially locking ratepayers into monopoly, service.

Portending a looming political battle, Schwarzenegger's plan was announced on the same day that the Finance and Audits Committee of the San Francisco Board of Supervisors approved an "Energy Independence" ordinance for San Francisco to seek a new power provider other than PG&E to serve its communities with electricity and invest aggressively in renewable energy and energy efficiency starting in 2005. With more cities representing millions of Californians already seeking to follow suit with a banner of 40% Green", all pursuant to the state’s 2002 Community Choice law, Schwarzenegger and his advisors from the energy industry claim to support "competition" and green power when in fact they are working to suppress emerging markets that if successful will offer massive benefits to the western grid and eliminate the need for either gas plants or new supplies imported from overseas.

Governor Schwarzenegger's position, while not unexpected, drew applause from business interests and the unregulated power plant owners who during deregulation purchased the utilities' gas-fired power plants from the utilities and built even more under Governor Davis' "power plant" streamlining program. These "merchants," as they used to be called are worried that some of their power contracts with the state of California are expiring, cannot find a buyer, and want at the utility's trough, in effect making ratepayers their bankers.

However, the Republican governor vowed that those remaining with utilities would not bear an additional burden, when in fact his plan ignores and tramples on an existing law (signed the same day as the law that allows the CPUC to lock in ratepayers again) under which over a dozen California cities representing over 10% of the investor-owned utility market are currently seeking an alternative Electric Service Provider to escape utility procurement and generation to aggressively develop renewable energy and efficiency technologies. Bob Finkelstein, executive director of the Utility Reform Network, told the Mercury news that lawmakers promised consumers would be better off when the state first attempted to deregulate the energy market in the late 1990s. In the end, consumers got hit with a 40 percent increase in rates. "The promises made at the outset of these debates don't mean anything," Finkelstein said.

With the Community Choice law now inspiring dozens of California cities to find Energy Independence, some worry of a return of the deal-making that brought about California's electric deregulation in the first place - between Independent Energy Producers and monopoly utilities, with the former supporting the ratepayer bailout of the latter in return for market share..

While in rhetoric Schwarzenegger emphasized many of the policies being pushed by the California Public Utilities Commission and endorsed renewable energy, conservation and so-called "demand-response" programs, what he is delivering in substance is a massive new investment in new gas-fired power plants on the backs of ratepayers that have already virtually bought the monopolies that now seek to re-ensnare them after abrogating their Obligation to Serve, which the state shouldered since 2000 and is now paying for - leading Local Power and others to assert that the utilities, therefore, have no entitlement to re-monopolization.

Second, Governor Schwarzenegger said California needs "More Reserves," which sounds like common sense or fiscal conservatism, when in fact it is a \$ multi-billion handout to monopolies that will potentially block the thousands of megawatts of solar, wind, efficiency and conservation California's cities are now seeking to develop, just not cost-effective - through the Community Choice law.

Schwarzenegger is asking regulators to reverse their critical January 22 decision "creating room for Community Choice," said CPUC Commissioner Geoffrey Brown before the Commission's

unanimous vote on January 22. Commissioners expressed a consensus and unanimously voted to phase-in the utility reserve requirement purchases until 2008, already higher than many states, but also leaving cities like San Francisco, Marin County, Los Angeles County and others, already representing three million people, time to find new suppliers without encountering new Exit Fees. Commissioner Peevey indicated that it was his intention to implement Community Choice, and no intention of blocking them exists on the Commission. Commissioner Wood indicated the Commission would work to resolve any contradictions between utility procurement and Community Choice.

Schwarzenegger asked that the Commission reverse this unanimous vote and move up a deadline for utility companies to have higher energy reserves, saying that would help forestall an energy shortage. In fact there is no need for such a change - the California Energy Commission has repeatedly stated that the only potential "Perfect Storm" shortages are Summer afternoon peak hour shortages, which the CEC agrees cannot be addressed by new gas fired generation, for the simple reason that the two leading causes of the shortages since 2000 were caused by overdependence on gas-fired generation, resulting in (1) manipulation of gas supply which the Attorney General has observed to be outside the CPUC's jurisdiction, (2) federal Clean Air Act shutoff orders, which will only be worsened by added new power plants, and (3) federal pipeline shutdowns through 2008 for methane gas leaks, which are already bad enough to make gas combustion only nominally cleaner than burning oil.

Schwarzenegger also requested that the commission speed up writing rules that would allow and encourage utilities to lock their ratepayers into long-term contracts with suppliers. Utilities claim that such contracts will help utilities keep prices down and stimulate investment in power-plant construction by independent generators, when in fact it will merely block 3 million residents whose local governments are now seeking Energy Independence, such as San Francisco, whose Board of Supervisors Finance Committee yesterday approved an ordinance for the City to switch residents and businesses away from Pacific Gas and Electric procurement to an alternative Electric Service Provider and to build 361 Megawatts of new solar, wind, efficiency and conservation technologies to serve a 650-850 MW metro area.

The irony is that the Governor would say "Freedom" when in fact he would deliver Californians into captivity.

Schwarzenegger said that locking ratepayers into new power plant, fuel contract and long term power contracts will encourage investment in California's energy infrastructure, ensure long-term electricity reliability and reduce the likelihood of blackouts," Schwarzenegger said, ignoring the massive investment in new green power plants and efficiency technologies that San Francisco and other cities are seeking to develop through Community Choice..

Jan Smutny-Jones, executive director of the trade group Independent Energy Producers told the San Jose Mercury News that, once state regulators clear the way for utilities to use long-term contracts, it will give private producers and investors the confidence they seek to build more power plants, reflecting gas industry requests to use ratepayers as bankers again despite the hollowness of the Regulatory Compact after nearly a hundred billion in bailouts to utilities are only nominally worth as much. Claiming to be proponents of "competition," IEP showed its true colors in backing utilities to the hilt on power contracts, balking only at allowing transactions between regulated and unregulated affiliates, because some of its largest members have lucrative power contracts with the state and want to lock monopoly ratepayers into contracts for this capacity and new power plants they would develop using ratepayers as their banker.

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Assembly Speaker Fabian Núñez, D-Los Angeles, also criticized Schwarzenegger's approach. The governor's initial proposal, Núñez said, "takes us down a path well-traveled before and one that created the energy crisis and left consumers vulnerable to profiteering by out-of-state power generators."

For state Sen. Debra Bowen, the Democrat from Redondo Beach who heads the Senate Energy Committee, the governor's plan "appears to be a measured approach," She told the Mercury News that the big unanswered question is whether federal regulators can do their job and monitor wholesale suppliers if the state moves toward a more deregulated market. A recent report by Attorney General Bill Lockyer, also a Democrat, said there is little evidence federal regulators are up to the task. "Let's not have another shotgun marriage," Bowen said, alluding to the ill-fated deregulation plan pushed through the Legislature in 1996. "The price of the last shotgun marriage was pretty high."

Freedom for a few corporations to buy cheap gas-fired generation, or Energy Independence based on green power and efficiency technologies that would protect California's economic sovereignty, its coastline and the world around us that is the question.

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