California's Energy Story

A Chronology 1976-2001

Produced by the Governor's Office of Communications
with assistance from the Governor's Office of Planning and Research,
The California Public Utilities Commission,
and The California Energy Commission
Updated May 4, 2001

Table of Contents

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Updated May 4, 2001

Executive summary 4

Detailed Chronology

- Pre-deregulation years 1976-1990 13
- The road to deregulation 16
- AB 1890 was a bipartisan effort 21
- PUC actions on forward and bilateral contracts 23
- Actions by the Davis Administration 27
- Gov. Davis' calls for FERC action 44
- Governor's Green Energy Team 47

Status of California power plant projects

- Approved projects 49
- Projects under review 51

Data: Energy demand and California population growth 55

Executive summary

California's Energy Story, 1976-2001

Pre-deregulation Years 1976-1990

California's current electricity crunch had its roots in an oversupply of electricity for the state in the mid-1980s. Prior to 1976, the state's public utilities had sole control over the production and distribution of electricity in the regions they served. The utilities owned the power plants and the transmission and distribution lines. The California legislature determined what it saw as a fair profit margin for the utilities and empowered the Public Utilities Commission to plan for long-term power needs and to oversee the utilities' rate structures and operations.

In 1976 California made its first significant break from the public utility monopoly structure.

In 1976 California made its first significant break from the public utility monopoly structure. The state enacted legislation encouraging private energy producers to develop sources of non-fossil fuel generated electric energy (wind, solar and the like) and sources of natural gas independent of the state's public utilities and to require the utilities to provide transmission access for these independent energy producers.

Shortly thereafter, in 1978, President Carter signed the Public Utilities Regulatory Policies Act (PURPA) which encouraged development of electrical generation from non-utility sources – cogeneration, geothermal, wind, biomass and other non-utility generation, commonly called Qualifying Facilities (QFs). The law allowed these independent producers to sell directly to large industrial customers and utilities. The PUC began developing QF standards for California.

By 1984 QF projects totaling more than 10,000 megawatts were either on line or had signed delivery contracts to the utilities. Concerned that the process placed no limits on the amount of QF capacity the utilities would have to buy, the PUC suspended the contract structure. Negotiations between the utilities, the independent energy producers and the PUC began again.

From 1985-1990, the utilities did not propose construction of new power plants in California.

From 1985-1990, the utilities did not propose construction of new power plants in California. Conservation programs and the availability of low-cost surplus power from the Southwest and Pacific Northwest reduced the need for additional utility plant construction. The Southwest had overbuilt its electricity supply system with coal-fired plants to meet a projected energy demand that did not materialize. This created an over-capacity that allowed California utilities to purchase power

for less than 1 cent/KWh.

From 1990-1996 the continuing uncertainty about the future regulatory structure and the need for additional generating capacity slowed additional plant development. During this period the California Energy Commission certified just 12 small power plants. Of these, three were never built. Nine of the plants are now in operation producing a total of 952 megawatts. Negotiations over the price to be paid for electricity from the QFs added to the uncertainty.

From 1990-1996 just nine small power plants were built, producing just 952 megawatts.

In 1992 President Bush signed the Comprehensive National Energy Policy Act which gave transmission grid access to independent power producers, enabling merchant generators operating private, for-profit power plants to sell electricity on the open market. The law also deregulated the natural gas market. This accelerated the pressure for California's electric deregulation.

In this atmosphere, deregulation advocates gained ground, citing the high prices paid by California consumers – particularly large commercial customers – for electricity, which remained well above the cost the utilities paid for generating or purchasing the power. In the years leading up to deregulation California was consistently among the top ten states for home, commercial and industrial retail electricity costs.

The Road to Deregulation

The course toward deregulation really began in 1992 when the PUC issued a policy paper exploring it as an option for California. PUC commissioners went to the United Kingdom to study the deregulation effort there. In February 1993 the PUC issued the *"Yellow Book," California's Electric Services Industry: Perspectives on the Past, Strategies for the Future*. This document provided a comprehensive review of regulatory conditions and future trends facing the electric services industry.

In 1992 when PUC issued a policy paper exploring deregulation as an option for California

In April 1994 the PUC issued its *"Blue Book"* setting guiding principles for deregulation: no cost shifting among customer groups, preservation of the utilities' reasonable opportunity to earn a fair rate of return, continuation of public purpose programs and the continuation of safe, reliable, reasonably-priced, environmentally sensitive electric service.

In August/September 1995 the PUC identified two proposals, a preferred industry structure for a wholesale power pool, and an alternative for consumer choice through direct access. Ultimately the PUC established principles that would lead to

Executive summary

the market separation between grid operations and market makers – the Independent System Operator and the Power Exchange.

In December 1995 the PUC issued its final policy decision requiring utilities to apply at FERC to establish a new market structure (ISO/PX). The decision discussed market power and the need for a level playing field. It required utilities to divest themselves of at least 50 percent of their fossil generating assets, and provided an incentive for additional plant divestiture. In April 1996 the utilities filed applications with FERC to transfer control of the transmission system and establish the ISO and PX.

The PUC established principles that would lead to the market separation between grid operations and market makers.

AB 1890 (Brulte) became the legislative vehicle for deregulation in June 1996. The bill promoted the establishment of a competitive electric generation market and direct access. It authorized stranded cost recovery for utilities, mandated open, non-discriminatory access to transmission and distribution services and supported the creation of the PX and ISO, continued funding for conservation, research and development, and subsidies for renewable energy resource development.

In August 1996 the Legislature passed AB 1890 without a dissenting vote. Governor Wilson signed the bill on September 23. It ratified the PUC's plan for a PX to create a wholesale electricity market, and an ISO to manage operation of the transmission grid. It also called for state-backed bonds to "securitize" stranded costs and secure a promise for a 10-percent rate reduction for residential and other small customers through March 31, 2002 (or earlier if the utility's stranded generation costs had been covered).

In August 1996 the Legislature passed AB 1890 without a dissenting vote, ratifying the PUC's plan for a PX to create a wholesale electricity market, and an ISO.

During the period 1996-1998 the Federal Energy Regulatory Commission (FERC) approved utility transfers of control of transmission systems to the ISO. The PUC began a "roadmap" process to implement direct access and stranded costs recovery with a target date of January 1, 1998. The PUC approved rate reduction bond financing providing utilities with up front funding for a portion of their stranded costs. Direct access began. Customers could opt to leave utility service for direct-access contracts with other suppliers.

There was a hiatus in power plant construction from 1995-1998 as power plant developers and utilities waited to see how the deregulation law would be implemented, and how they would be compensated for construction costs. During that period the utilities sold 18,393 megawatts of generating assets to independent, unregulated companies.

Executive summary

April 1999 – present

The wholesale market price for electricity, which averaged 3.5¢ per KWh in 1999 increased 10-fold in 2000 to 30¢ per KWh, with peak 2000 prices rising to $1.50 per KWh.

Since April 1999, the Energy Commission has approved 13 new major power plant projects with a combined generation capacity of 8,923 megawatts.

Since April 1999, the Energy Commission has approved 13 major new power plant projects with a combined generation capacity of 8,923 megawatts.Eight power plants, with a generation capacity of 5,587 megawatts are now under construction, with 1,903 megawatts expected to be on-line by the end of 2001.

In addition, another eleven major electricity generating projects, totaling 5,578 megawatts of generation and an estimated capital investment of nearly $3.5 billion, are currently being considered for licensing by the Energy Commission. The Commission is also in the process of reviewing summer reliability electrical generation projects which can be on-line by September 30, 2001.

During the summer and fall of 2000 the governor's staff held periodic discussions on the growing cost of electricity and issues surrounding the energy shortage. In early fall members of the governor's senior staff began a series of meetings with the investor owned utilities over settlement of the utilities' lawsuits to recover uncovered costs of wholesale electricity.

It was not until late November 2000 that the utilities, during settlement meetings, broached the possibility that they faced insolvency in early 2001. During November the electricity supply available to the state remained sufficient, though spot wholesale prices began to rise. In December the shortage became significant as an increasing number of power plants were taken down for unscheduled maintenance.

It was not until late November 2000 that the utilities told the Governor's Office they faced insolvency in early 2001.

Wholesale spot prices for electricity skyrocketed in the days immediately after December 8, 2000, the day when FERC ordered Cal ISO to lift its $250/MWh cap. FERC instead imposed a "soft" cap under which any deals exceeding $250/MWh would be subject to refund if they were found to be excessive. On Tuesday, December 12 the peak spot price for power through the PX shot up to $988. This compared to the average electricity price of $30/MWh a year earlier. Also on December 12 natural gas, which had sold at $3 a year prior was selling at $60, a 2,000 percent increase.

Executive summary

AB 1890 was a bipartisan effort

Deregulation legislation passed both houses of the Legislature without a dissenting vote and was signed into law by Governor Pete Wilson.

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"Every time a resident of this state flicks on the electric switch, they pay 40 percent more than residents across the United States," said Governor Wilson, who led an active effort for passage. "The legislation I am signing will end that by ushering in a new era of competition, making California the first state to dismantle its electric monopoly."

PUC actions on forward and bilateral contracts

In December 1995 as deregulation approached, the PUC issued a decision requiring utilities to buy and sell power through the PX, and prohibiting them from purchasing power from sources outside of the PX via so-called bilateral contracts. The utilities had to buy on the PX's spot market because the PX did not offer power at guaranteed prices.

In May of 1999 the PX made the first move to break with this policy. The PX requested and received authority from FERC to allow the utilities to sign contracts through the PX for power in blocks of a month ahead rather than buying spot power each day.

In July 1999 the PUC reversed a 1995 decision and began allowing the utilities to purchase power on contract.

On July 8, 1999 the PUC authorized SCE and PG&E to purchase block forward power through the PX up to approx. 2,000 MW. This was about 1/3 of the utilities' minimum load.

On March 16, 2000 the PUC authorized PG&E and SCE to increase their block forward purchases through the PX up to the level of the "net short." (The Net Short is the additional electricity above that the utilities generate or have under contract.)

On April 25, 2000 FERC approved a request by the PX to allow the utilities to purchase forward contracts for ancillary services (those needed as standby power in case of an outage).

On July 21, 2000 PG&E & Edison filed emergency motions seeking authority to

buy power outside of PX in bilateral contracts for energy, capacity & ancillary services with the same volume limits as the block forwards. Two weeks later, on August 3, the PUC Commission approved the PG&E and Edison July 21 emergency motions to enter into bilateral contracts for full net short requirements.

From August to November 2000 the utilities entered into bilateral contracts for substantial amounts of long-term power.

From August to November the utilities entered into bilateral contracts for substantial amounts of long-term power. During this period the Western Power Trading Forum (the energy marketers' trade organization) consistently opposed granting the utilities the authority to operate in the bilateral and block forward markets.

Edison sought additional authority on November 22, 2000 to enter into bilateral contracts. The utility requested automatic approval of such authority with no additional Commission action. Here, Edison was seeking authority that would have allowed it to enter into the buying and selling of speculative electricity contracts for power beyond that it needed to supply its own customers. On December 29, the PUC's Energy Division denied Edison's request for automatic approval of additional authority, stating that Commission must issue an order following a normal review process. Soon thereafter in January 2001 this issue became moot when the Department of Water Resources began direct purchases of electricity.

January 18-19, 2001 were the last dates that the PX sold market electricity. The PX announced that its operations were winding down.

On March 9, 2001 the PX filed for bankruptcy.

Actions by the Davis Administration

Governor Davis has taken a long series of actions to stabilize the state's electricity structure, enhance energy conservation and bolster electrical generating capacity.

Gov. Davis' Actions to stabilize the state's electricity structure, enhance energy conservation and bolster electrical generating capacity.

Stabilization

Key rate stabilization initiatives include:

- Assembly Bill 1X, signed by the Governor on February 1, which allowed the state to enter into long-term contracts. Its credit worthiness allows the state to purchase electricity at a better price than the utilities.
- An on-line energy auction for generators to submit bids to provide electricity in long-term contracts.

- Agreements with generators for long-term, low cost power contracts for up to 10 years.
- A reduction in the price of power delivered by the suppliers of renewable energy ("qualified facilities") through a negotiated change in contracts.
- Seizure of inexpensive energy contracts of Southern California Edison and Pacific Gas & Electric that otherwise would have been auctioned off.
- A new law making the Independent System Operator truly independent, replacing its stakeholder board with more independent leadership.
- A new law to prohibit utilities from selling off any more of their power plants without further approval of the state.

Gov. Davis signed legislation replacint the Independent System Operator's stakeholder board with more independent leadership.

Conservation

On February 1, 2001, the Governor unveiled a conservation campaign. $404 million in new conservation initiatives will augment the $424 million in existing programs already funded by the Administration.

New initiatives in the Governor's energy efficiency campaign include:

- $75 million for consumer rebates for replacing energy-inefficient appliances.
- $95 million in incentives for businesses that install demand-responsive systems in commercial buildings and reduce commercial lighting.
- $60 million to fund innovative peak-load reduction proposals.
- $50 million to improve energy efficiency in State buildings.
- $50 million for reflective lighting and roofs, improved shading and other measures for commercial buildings.
- $20 million for the first stage of a paid media campaign sponsored by the Dept. of Consumer Affairs to educate consumers about conservation. State agencies will support this effort with 4 million public contacts a month.
- A 20 percent rebate California ratepayers will receive on their summer electric bills if they cut back their electricity use by 20 percent over last summer's levels.

$404 million in new conservation initiatives will augment the $424 million in existing programs already funded by the Administration.

Executive summary

The Governor also signed an executive order requiring all retail establishments to reduce outdoor lighting during non-business hours to a fraction of maximum capability.

Actions by Governor Davis will ensure that all generation measures maintain California's commitment to clean air and the environment.

Generation

Since April 1999, nine new major power plants (eight of which will produce 500 MW or more) have been licensed. Six are under construction.

Under Governor Davis' emergency powers and proposals California will streamline efforts to bring an additional 20,000 MW online by summer 2004. By July 2001, California should have another 5,000 MW in new power generation on line. By summer 2002, that number should increase to 10,000 MW.

Actions by Governor Davis will ensure that all generation measures maintain California's commitment to clean air and the environment. He has appointed a Clean Energy Green team to oversee the permitting and construction process.

Governor Davis has also announced a legislative package to provide incentives to power up more renewable energy, distributed generation and co-generation.

Governor Davis and his Administration have:

- Signed an Executive Order to maximize generating output at existing facilities by allowing increased operating hours and waiving cumbersome timelines for retrofits and restarts (provided additional power is sold at reasonable rates under DWR).
- Created an acceleration bonus for developers who can complete construction and bring plants on line by July 2001.
- Directed State and local agencies to streamline the review and permit process for new baseload facilities that can come on line during peak demand periods in 2002.
- Streamlined review process for siting of new natural gas fired or renewable peaking power plants that can be on line by summer 2001. The first two peaker plant proposals – totaling 225 megawatts – were received by the energy Commission in early March 2001.
- Taken steps toward providing low-interest financing for new peaking facilities and the "re-powering" of existing ones.

Governor Davis has also announced a legislative package to provide incentives to power up more renewable energy, distributed generation and co-generation.

- Encouraged construction of new renewable energy sources through rebates, commercial loan guarantees, and tax credits toward purchase and installation of renewable energy systems.
- Coordinated power plant maintenance schedules through the Independent System Operator to ensure maximum operating capacity.

Governor's Clean Energy Green Team works to streamline the process of siting new power plants.

Governor's Clean Energy Green Team

On September 6, 2000 Governor Davis signed Assembly Bill 970 establishing the Governor's Clean Energy Green Team which works to streamline the process of siting new power plants. The Green Team does this by coordinating the siting and permitting activities of local government, state and federal agencies, developing siting guidance, identify environmental impacts, developing guidance on gas supply, emission offsets and water supply and developing recommendations for low-interest loan programs for renewable energy

The Green Team had the responsibility to "devise strategies for bringing additional fossil fuel and renewable power sources on line in California without compromising laws governing the environment, public health and safety and public participation. In addition, the Governor asked the Green Team "for innovative ways to cut red tape while protecting public health and safety and…for new ideas to finance renewable energy supplies."

California's Energy Story 1976-2001 Detailed Chronology

Pre-deregulation years 1976-1990

In 1978 President Carter signed the Public Utilities Regulatory Policies Act which encouraged development of electrical generation from non-utility sources

1976: California enacted legislation encouraging private energy producers to develop sources of non-fossil fuel generated electric energy (such as solar and wind generation) and sources of natural gas independent of the state's public utilities and to require the utilities to provide transmission access for these independent energy producers.[1]

1978: Congress passed and President Carter signed the Public Utilities Regulatory Policies Act (PURPA) which encouraged development of electrical generation from non-utility sources— cogeneration, geothermal, wind, biomass and other non-utility generation, commonly called Qualifying Facilities (QFs). Under PURPA state regulators were to determine the price private utilities must pay for such power. The law allowed independent producers to sell directly to large industrial customers and utilities.

(This was major break from past law under which regulated utilities retained monopoly control over all generation.)

1978: The California Public Utilities Commission (PUC) began to develop standards under which investor-owned utilities would be required to purchase power from the QFs. Concurrently, the California Energy Commission set a goal to reduce the proportion of the state's electricity generated by oil and natural gas to no more than 33 percent by 1990.

1981: The PUC authorized investor-owned utilities to spend about $50 million annually on conservation programs.

1982: In the face of claims that the utilities were not fairly negotiating with QF proponents, the PUC developed 3 standard contracts with prices based on the short-run "avoided cost" – the cost a utility would pay to purchase or generate the power in the absence of the QF. For purchases based on long-run avoided cost – the cost a utility would incur to build new generation – the PUC required negotiations among stakeholders to develop a standard contract. These 4 contracts became available for QFs such as cogeneration from facilities including lumber mills, food processors, refineries, and oil fields. The standard contracts provided for short-term, as-

available power purchases; short-term, firm power purchases, and an interim long-term contract. The interim long-term contract included fixed prices based on utility fuel price forecasts and 15-30 year terms. A final long-term contract was to be approved by 1985. By the end of 1982, 1,500 megawatts (MW) of QF power was signed up with energy prices tied to short-run costs.

During 1985-90 the PUC's continuing conservation programs and the availability of low-cost surplus power from the Southwest and Pacific Northwest reduced the need for additional utility plant construction.

1983: After negotiations held at the PUC among stakeholders, interim contracts became available for major QFs such as cogeneration from facilities including lumber mills, food processors, refineries, and oil fields. These offered long-term standard contracts with fixed prices and 15-30 year contract terms. Final long-run contract offers were intended to be approved by 1985.

1984: QF projects totaling more than 10,000 MWs had either come on-line or had signed contracts, greatly exceeding expectations.

1985: The PUC suspended the availability of the standard contracts with fixed price components in recognition of the fact that QF development was outstripping the utilities' resource requirements. Absent suspension of the availability of the contracts, the utilities would have had to buy all the power produced by contracting QFs even if the power generated by the QFs was beyond the utilities' need. Negotiations for a final long-term contract continued.

1985-1990: The fossil-fired independent power plant developers with projects 50 MWs or larger that had already signed contracts before the contract availability was suspended applied to the Energy Commission for licenses. The Energy Commission licensed 24 power plants during this period, adding 2,800 MW to the California grid. Many of these were cogeneration units. During this period, no utility-owned power plants were proposed in California. The PUC's continuing conservation programs and the availability of low-cost surplus power from the Southwest and Pacific Northwest reduced the need for additional utility plant construction. The Southwest had overbuilt their electricity supply system with coal-fired plants to meet a projected energy demand that did not materialize. This created an over-capacity that allowed California utilities to purchase power for less than 1 cent/KWh.

From 1990-96 regulatory uncertainty and the growing movement towrd deregulation continued to discourage plant development.

1985-1991: The PUC, through a series of thirteen decisions, developed the terms and conditions of the final long-term contract for QF sales to investor-owned utilities. The PUC demand-side management collaborative brought together state agencies, consumers, and industry stakeholders. The collaborative lead to PUC decisions that increased energy efficiency investments by utilities, providing shareholder incentives for effective demand-side management.

1990-1996: A number of factors continued to discourage new generating plant development. Regulatory uncertainty regarding the specific amount of additional generating capacity needed and the specific methods for implementing the 1991 law contributed to the uncertainty. In early 1992, the PUC ultimately required the investor-owned utilities to open the final long-term contract for bidding to procure up to 1,500 MW from QFs.

1991: California enacted legislation that required that electric generation procurement include a value for the environmental and diversity costs and benefits associated with various generation technologies, or to set aside a specific portion of future capacity need to be met by renewable resources (Statutes of 1991, Ch. 1023).

The road to deregulation

In 1992 President Bush signed the Comprehensive National Energy Policy Act, giving grid access to independent power producers including merchant generators.

1992: President George Bush signed H.R. 776, the Comprehensive National Energy Policy Act, which gave transmission grid access to independent power producers including merchant generators that sought to build plants that would sell electricity on the open market. The legislation also deregulated the natural gas market. This accelerated pressure for California deregulation.

1992: The PUC issued a policy paper exploring deregulation as an option for California. PUC commissioners went to the United Kingdom to study the deregulation effort there.

1993: In February 1993, the PUC issued the *"Yellow Book," California's Electric Services Industry: Perspectives on the Past, Strategies for the Future*. This document provided a comprehensive review of regulatory conditions and future trends facing the electric services industry. The overriding goal was to craft a regulatory approach that recognized the competitive challenges facing the industry while upholding the Commission's responsibilities to ensure safe, reliable, nondiscriminatory electric services. The "Yellow Book" kicked off extensive public comment and a full panel hearing process that culminated in the issuance of the "Blue Book" in 1994.

April 1994: The CPUC issued the *"Blue Book."* This comprehensive review of the electric restructuring posed several issues for comment based on the central premise that command and control regulation was no longer appropriate as generation became subject to increasing competition among energy service providers. The Blue Book established guiding principles: no cost shifting among customer groups, preservation of the utilities' reasonable opportunity to earn a fair rate of return, continuation of public purpose programs and the continuation of safe, reliable, reasonably-priced, environmentally sensitive electric service.

May 1994: Legislative hearings began on the PUC's recommendations.

June 1994: ACR 143 was passed, directing the PUC to issue no interim, final or effective order in specified proceedings relating to the regulation of the electric services industry until it held evidentiary hearings and made spe-

cific reports to the Legislature and the Governor.

1995-1996: Numerous pieces of legislation were introduced to address electric utility deregulation.

In December 1995 the PUC required the utilities to divest themselves of at least 50 percent of their fossil fuel generating assets, and provided an incentive for divestiture.

February 1995: FEREC overruled the PUC and blocked the building of new, cleaner power plants in California. FERC ruled that the PUC's process for setting rates for the alternative generators violated federal law because it ordered utilities to purchase electricity at rates above the cost the utilities would have incurred if they had generated the power themselves. FERC issued a stay effectively suspendidng deadlines for signing of contracts with the alternative generators.

May 1995: The PUC issued a draft policy decision adopting a "Poolco" approach. Poolco included the ISO and the PX in its structure and was comparable to the Pennsylvania, Maryland and New Jersey (PJM pool).

August/September 1995: A PUC ruling identified two proposals: the preferred and alternative proposed policy decisions. The preferred industry structure proposed a wholesale power pool and the alternative recommended consumer choice through direct access. In September 1995, Edison, California Large Energy Consumers Association (CELCA), California Manufacturer's Association (CMA) and Independent Energy Producers (IEP) filed a MOU that recommended a market structure that contained features of both. Comments were received in October 1995 and November 1995. The MOU adopted by CPUC abrogated "Poolco" and established principles that would lead to the current market structure (market separation between grid operations and market makers — ISO and PX).

December 1995: The PUC issued its Final Policy Decision which authorized utilities to apply at FERC to establish a new market structure (ISO/PX). It discussed market power and the need for a level playing field, required utilities to divest themselves of at least 50 percent of their fossil generating assets, and provided an incentive for divestiture. The decision also provided utilities with the opportunity to recover stranded assets through transition costs at a reduced rate of return and proposed a shift in public purpose programs to an independent administrator.

The road to deregulation

In summer1996 the Legislature passed and Governor Wilson signed AB 1890, the electricity restructuring bill that formally deregulated electricity in California.

February 23, 1996: AB 2940 (Brulte) was introduced to confirm the statutory basis for the PUC's order facilitating the state's effort to implement electrical restructuring.

March 1996: The PUC reaffirmed the policy of the Western Power Exchange "Wepex" process to create the ISO and PX and establish a trusteeship to oversee the formation of these entities. This process used a consensus-based approach to implementation and served as a working group to facilitate filings at FERC to establish the ISO and PX.

April 1996: Utilities filed applications with FERC to transfer control of the transmission system and establish the ISO and PX.

May 22, 1996: AB 2940 died on the Assembly Floor.

June 1996: The PUC ordered the utilities to fund trusteeship and proceed at FERC.

June 1996: AB 1890 (Brulte) became the legislative vehicle for deregulation and Governor Wilson and legislative leaders agreed to convene a Conference Committee on Electric Restructuring. AB 1890 generally supported the establishment of a competitive electric generation market; provided direct access; authorized stranded cost recovery for utilities; mandated open, non-discriminatory access to transmission and distribution services; supported the creation of the PX and ISO and continued public purpose programs.

July 1996: The PUC ordered utilities to provide the funding to establish the ISO and PX.

August 28, 1996: AB 1890 Conference Committee on Electric Restructuring released its report.

August - September 1996: The Legislature passed and Governor Wilson signed AB 1890, the electricity restructuring bill authored by Assemblyman Jim Brulte (R-Rancho Cucamonga) and Senator Steve Peace (D-La Mesa). Assembly Bill 1890, reaffirmed the broad outlines of the Decem-

From 1995-1998 the hiatus in power plant construction continued as power plant developers and utilities waited to see how the deregulation law would be implemented

ber 1995 *Final Policy Decision* issued by the PUC. It ratified the PUC's plan for a Power Exchange to create a wholesale electricity market, and an Independent System Operator (ISO) to manage operation of the transmission grid. It also called for state-backed bonds to "securitize" stranded costs and secure a promise for a 10-percent rate reduction for residential and other small customers through March 31, 2002 (or earlier if the utilities had recovered their stranded costs).

October 1996: FERC issued order #888 and #889, the final orders in the mega-NOPR (Notice of Proposed Rulemaking) which firmly established the federal support for formation of the independent system operator competitive wholesale energy markets.

October 1996: FERC approved utility transfers of control of transmission systems to the ISO.

January 1997: The PUC began a "roadmap" process to implement direct access and stranded costs recovery with a target date of January 1, 1998.

September 1997: The PUC approved rate reduction bond financing providing utilities with up front funding for a portion of their stranded costs.

April 1998: Direct access began. Customers could opt to leave utility service for direct-access contracts with other suppliers.

December 1998: The PUC approved SCE's power plant divestitures.

March 1999: The PG&E power plant divestiture approved.

1995-1998: There was a hiatus in power plant construction during this period as power plant developers and utilities waited to see how the deregulation law would be implemented, and how they would be compensated for construction costs. After deregulation the utilities sold 18,393 megawatts of generating assets to independent, unregulated companies.

April 1999 – present: Since April 1999, the Energy Commission has approved 13 new power plant projects with a combined generation capacity of

Since April 1999, the Energy Commission has approved 13 new power plant projects with a combined generation capacity of 8,449 megawatts.

8,449 megawatts. (Of the 13 plants, 1 is the Golden Gate 51 megawatt peaker.) Seven power plants, with a generation capacity of 4,308 megawatts are now under construction, with 2,368 megawatts expected to be on-line by the end of 2001.

In addition, another eleven electricity generating projects, totaling 4,517 megawatts of generation and an estimated capital investment of more than $4.8 billion, have been declared to be data adequate by the Energy Commission and are currently being considered for licensing by the Commission. The Commission is also in the process of reviewing summer reliability electrical generation projects which can be on-line by September 30, 2001.

During the summer and fall of 2000 the governor's staff held periodic discussions on the growing cost of electricity and issues surrounding the energy shortage. In early fall members of the governor's senior staff began a series of meetings with the investor owned utilities over settlement of the utilities' lawsuits to recover uncovered costs of wholesale electricity.

It was not until late November 2000 that the utilities, during settlement meetings, broached the possibility that they faced insolvency in early 2001. During November the electricity supply available to the state remained sufficient, though spot wholesale prices began to rise. In December the shortage became significant as an increasing number of power plants were taken down for unscheduled maintenance.

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July 2000: San Diego Gas and Electric rate freeze ended. Retail power rates in San Diego tripled.

AB 1890 was a bipartisan effort

AB 1890 passed both houses of the Legislature without a dissenting vote and was signed into law by Governor Pete Wilson.

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The *San Diego Union-Tribune* reported on August 28, 1996: "Gov. Pete Wilson has played a key role in crafting the fundamental framework for restructuring California's electricity market as he brokered a political compromise between the two primary special-interest groups that dominate the California Legislature as well as the proceedings at the PUC: large industrial consumers and investor-owned electric utilities. … Assemblyman Jim Brulte, R-Rancho Cucamonga, also has played a major role in the deregulation debate, authoring a comprehensive restructuring bill. … Wilson has received more than $450,000 from large industrial-utility customers during the last 2 1/2 years and almost $120,000 from the state's three investor-owned utilities. Brulte has received more than $175,000 from these concerns."

The *Public Utilities Fortnightly* reported on November 15, 1996: " 'Every time a resident of this state flicks on the electric switch, they pay 40 percent more than residents across the United States,' Governor Wilson proclaimed. 'The legislation I am signing will end that by ushering in a new era of competition, making California the first state to dismantle its electric monopoly.'"

The *San Diego Union-Tribune* reported on September 24, 1996: "At the bill signing here, [Governor Wilson] praised the Legislature for making 'California the first state to dissolve the electric monopoly, a truly historic moment.'" They also reported, " 'While other states have experimented with electrical deregulation on limited scales, California is the first to unleash competition statewide, said Dianne Dienstein of the California Public Utilities Commission. 'Californians need to understand that life is going to be very different come Jan. 1, 1998, and the five years following that as competition begins and is fully implemented,' Dienstein said. 'It will affect everyone in the state.' "

Electric Utility Week reported on September 30, 1996: "California Governor Pete Wilson last week signed what he called 'historic legislation' opening the nation's largest electricity market to competition… He hailed the enactment … as the most significant bi-partisan legislative accomplishment of the year. 'We are shifting the balance of power in California," Wilson said. We've pulled the plug on another outdated monopoly and replaced it with the promise of a new era of competition.'"

AB 1890 was a bipartisan effort

The *Orange County Register* on February 8, 2001, quoted former Governor Wilson: "I take credit, frankly, for having launched deregulation, for being the first in the nation. I was aware at the time I signed the bill that some of the compromises made it less than a perfect piece of free-market legislation. Some mistakes were made, but I signed it because I was convinced we needed to get California launched on deregulation. And I counted on the Legislature and the Public Utilities Commission to remedy whatever flaws that they found." The *Register* added, "Wilson said one of the biggest mistakes was made by his appointees to the PUC, who opposed letting utilities buy power under long-term contracts - the very step the state is now taking to rein in soaring electricity costs."

PUC actions on forward and bilateral contracts

In July 1999 the PUC approved SCE and PG&E requests to purchase PX block forward products up to approx. 2,000 MW.

December 1995: The PUC issued a decision requiring utilities to buy and sell through the Power Exchange (PX). It prohibited the utilities from purchasing power from sources outside of the PX via so-called bilateral contracts.

August 1996: AB 1890 passed, effective January 1997, formally creating the PX.

March 31, 1998: ISO and PX Markets opened.

March 23, 1999: The PX, with support from the PUC filed a request with FERC for authority to offer block forward products, in effect allowing for the utilities to sign contracts for power in blocks of a month ahead rather than buying spot power each day. For instance, using this block forward system the utilities could have purchased 12 monthly blocks and cover a portion of their power needs for a full year ahead.

May 26, 1999: FERC approved the PX's March 23 request to offer block forward products.

July 8, 1999: The PUC approved the SCE and PG&E requests to purchase PX block forward products up to approx. 2,000 MW. This was about 1/3 of the utilities' minimum load. SCE had initially requested authority for bilateral contracts (contracts made outside the structure of the PX). As PUC Energy Division Director Paul Clanon testified on February 7, 2001[2], the PUC rejected this request in deference to the supposedly transparent market structure created in California through deregulation and at the federal level through FERC action.

December 30, 1999: The PX filed at FERC for new block forward products.

January 6, 2000: SCE requested authority to buy new PX products; and to increase volumes to "net short" requirements. (The net short is the additional electricity above that the utilities generate or have under contract.)

January 19, 2000: PG&E made the same request SCE had on January 6 to buy new PX products; and to increase volumes to "net short" requirements

PUC actions on forward and bilateral contracts

In July 2000 the Commission approved Edison and PGE requests for daily and balance-of-month forward contracts up to levels of actual requirements.

March 16, 2000: The Commission approved PGE/SCE authority as requested January 6 and 19

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March 21, 2000: Edison asked for authority to purchase PX forward ancillary services. Ancillary services provide standby power to balance the electrical grid in case of an outage among the generators providing power.

March 30, 2000: PG&E asked for the same authority as Edison had requested on March 21.

April 25, 2000: FERC approved PX Ancillary Services application.

May 2, 2000: The PX filed tariffs for daily and balance-of-month trading.

May 4, 2000: The PUC approved Edison's March 21 request.

May 17, 2000: SCE requested daily & balance-of-month forwards, and higher trading limits, with per se reasonableness of all new PX products.

May 19, 2000: PG&E requested similar authority to Edison's May 17 filing.

June 8, 2000: The Commission approved PG&E's March 30 request.

June 8, 2000: The Commission issued an order permitting, among other things utilities to use exchanges other than PX (overturned by legislature shortly thereafter)

July 6, 2000: Commission approved Edison and PGE May 17 and May 19 requests but did not permit procurement for speculation, at levels above actual requirements

July 10, 2000: SDG&E sought additional authority to buy PX block forward products.

July 21, 2000: PG&E & Edison filed emergency motions seeking authority to buy power outside of PX in bilateral contracts for energy, capacity & ancillary services with the same volume limits as the block forwards.

PUC actions on forward and bilateral contracts

In August 2000 the PUC approved PG&E and Edison emergency motions to enter into bilateral contracts for full net short requirements.

August 3, 2000: The Commission approved SDG&E's July 10 request.

August 3, 2000: The Commission approved PG&E and Edison July 21 emergency motions to enter into bilateral contracts for full net short requirements.

The PUC order granted SCE and PG&E authority to go out and sign bilateral contracts immediately, subject to later reasonableness review by the PUC. The PUC and the utilities never came to a formal agreement over the reasonableness issue, but the utilities quickly began signing bilateral contracts soon thereafter. (PUC confidentiality rules prohibit release of contract details including amounts of forward power purchased.) In its order the PUC noted that "reasonableness reviews will be implemented consistent with market standards."

Also during this period the Western Power Trading Forum (the energy marketers' trade organization) consistently opposed granting the utilities the authority to operate in the bilateral and block forward markets. The WPTF expressed concern over the amount of market power this would grant the utilities.

August 9, 2000: SDG&E filed an emergency motion for authority to sign bilateral contracts.

August 31, 2000: SDG&E received "trial bids" for bilateral contracts.

September 21, 2000: The PUC approved SDG&E's August 9 motion with no provisions for a pre-approval process.

September 22, 2000: Edison presented Commission staff with bilateral contract offers seeking pre-approval. The Commission may not delegate formal authority to its staff, and did not give a response beyond what it had announced in its August 3 order. On October 31, 2000 Edison sent a letter to Wes Franklin, CPUC, stating its understanding that September 22 contracts were deemed pre-approved by Commission inaction.

PUC actions on forward and bilateral contracts

In October and November 2000 the utilities began entering into bilateral and block forward contracts for a significant portion of their net short for 2001.

October 3, 2000: PG&E began entering into bilateral and block forward contracts for a significant portion of their net short for 2001.

October 16, 2000: PG&E sent a letter to PUC President Loretta Lynch requesting clarification or advice regarding the prudence requirements the PUC had placed on the utilities' bilateral contracting. As it did with the Edison letter, the Commission – which traditionally acts on such requests only in formal session – did not respond to PG&E, allowing its August 3 ruling to stand (taking the position that the ruling had already given the utilities necessary authority to contract for power). Subsequently, the Commission reopened the proceeding to clarify its August 3 order.

October 27, 2000: SDG&E began entering into bilateral and block forward contracts for a significant portion of its net short for 2001.

November 15, 2000: Edison began entering into bilateral and block forward contracts for a significant portion of its net short for 2001.

November 22, 2000: Edison sought additional authority to enter into bilateral contracts and requested automatic approval of such authority with no additional Commission action. Here, Edison was seeking authority that would have allowed it to enter into the buying and selling of electricity contracts speculatively.

December 29, 2000: Energy Division Director Paul Clanon denied Edison's November 22 request for automatic approval of additional authority and stated the Commission must issue an order on this request following a normal review process. Soon thereafter in January 2001 this issue became moot when the Department of Water Resources began direct purchases of electricity.

January 18-19, 2001: The last dates that the PX sold market electricity. The PX announced that its operations were winding down.

March 9, 2001: The PX filed for bankruptcy.

Actions by Governor Davis to meet California's energy challenge

In July 2000 Gov. Davis called on federal and state regulators to take swift action to extend the caps on wholesale electric rates in California.

June 14, 2000: Called for emergency reduction of electricity use by all state facilities in the San Francisco Bay area.

June 15, 2000: Called on the California Public Utilities Commission (PUC) and the Electricity Oversight board (EOB) to analyze the conditions that led to electricity shortages in the San Francisco Bay Area. Report was completed, submitted to the Governor and released on August 2. The report by Energy Oversight Board Chairman Michael Kahn and Public Utilities Commission President Loretta Lynch made the following points:

- Sharply higher San Diego prices and Bay Area black-outs warrant major concern.
- The new structure of California's electricity market federalized electricity regulation and limited California's ability to protect California business and consumers.
- State decision-makers must tackle each of four separate components that jointly affect electricity reliability and prices.
  1. Enhance the state of California's ability to protect consumers and hold market players accountable.
  2. Revitalize California's commitment to clean, efficient energy use to improve electric system reliability.
  3. Address wholesale price volatility in an era of electricity shortages.
  4. Manage retail price problems until a market develops and is fully functional.
- Actions must be taken in three time-frames to implement the four recommendations.
  1. Respond to the immediate risk of system crisis;
  2. Act now on options that will improve California's readiness for Summer 2001;
  3. Discuss and decide throughout the next six months longer term options and policy choices that respond to system inadequacies.

July 27, 2000: Called on federal and state regulators to take swift action to extend the caps on wholesale electric rates in California and provide San Diego ratepayers with millions of dollars in refunds.

July 27, 2000: Requested a coordinated state effort urging federal regulators to take immediate steps to reduce power rates.

August 2, 2000: Issued three Executive Orders designed to reduce energy

Actions by Governor Davis to meet California's energy challenge

September 6, 2000 Gov. Davis signed landmark legislation providing short-term relief to San Diego ratepayers.

consumption by state government and speed up the time it takes new power generating facilities to win approval from state agencies.

August 9, 2000: Called on the PUC to establish a two-year plan that would cut electricity rates by nearly half for residential and business customers of San Diego Gas & Electric.

August 9, 2000: Announced an agreement with the California Grocers Association that will save enough electricity to power between 50,000 and 60,000 homes.

August 10, 2000: Wrote a letter to President Clinton urging him to expedite the Federal Energy Regulatory Commission's investigation to determine whether current electric rates in San Diego were unjust.

August 22, 2000: Called on President Clinton to release emergency funds from the Low-Income Home Energy Assistance Program (LIHEAP) to help low-income Californians pay their rapidly rising electricity bills. The President responded with $2.6 million in emergency funds.

September 6, 2000: Signed landmark legislation providing short-term relief to San Diego ratepayers and increasing the long-term power supply for all Californians.

September 30, 2000: Signed a package of bills to expedite the permitting of new power plants, to promote energy efficiency and to encourage the use of renewable energy sources.

November 9, 2000: Testified before FERC challenging its decision to strip California of wholesale price cap protection.

November 14, 2000: Testified before FERC for the second time in a week asking the commission to order refunds to local consumers forced to pay skyrocketing prices and to institute hard price and bid caps.

December 1, 2000: Responded to a draft FERC proposal. In a letter to the federal regulators, the Governor outlined a series of regulatory and legislative actions designed to keep the state's electricity prices at the lowest reasonable cost.

Actions by Governor Davis to meet California's energy challenge

In December 2000 Gov. Davis met with U.S. Federal Reserve Chairman Alan Greenspan and U.S. Secretary of Treasury Laurence Summers discuss California's energy challenge.

December 8, 2000: Called on Congress to investigate FERC's lifting of wholesale price caps in California and warned he would seek to dismantle the current ISO and reconstitute it with a membership accountable to Californians.

December 13, 2000: Met with U.S. Senator Dianne Feinstein, U.S. Energy Secretary Richardson, and FERC Chairman James Hoecker, to request price caps on wholesale power. Also requested an emergency order from Secretary Richardson requiring generators to continue supplying power to California.

December 14, 2000: Announced that Secretary Richardson had granted his request for the emergency order.

December 15, 2000: Called on the Attorney General to investigate the anti-competitive practices of natural gas suppliers that have caused huge price spikes in California.

December 16, 2000: Announced that he would call a special session of the Legislature and reserve $1 billion in his 2001-02 Budget for these purposes:

- Replace the so-called stakeholders on the ISO Board with Californians who are more concerned about the prices consumers and businesses pay for power than they are about the profits their companies make.
- Re-establish the authority for the state to inspect private power plants to assure the coordination of maintenance and operating schedules.
- Provide low-interest financing for new peaking facilities or re-powering old ones to make them cleaner and more efficient in return for committing their power to Californians at guaranteed low rates.

December 19, 2000: Announced the award of $7.1 million in Low Income Energy Assistance Program (LIHEAP) emergency funds to aid low-income households facing continuing, substantial increases in home heating fuel prices.

December 26, 2000: Met with U.S. Federal Reserve Chairman Alan Greenspan and U.S. Secretary of Treasury Laurence Summers in Washington, D.C. to discuss California's energy challenge.

Actions by Governor Davis to meet California's energy challenge

In January 2001 Gov. Davis declared a special session of the California legislature to tackle energy-related legislation.

December 27, 2000: Met with President Bill Clinton to request an extension of the order requiring generators to sell power to California.

January 2, 2001: Announced that he would file a friend of the court brief in support of the lawsuit filed by Southern California Edison against FERC that charged that the federal agency with failing to protect ratepayers from record prices charged by energy generators.

January 3, 2001: Declared a special session of the California legislature to tackle energy-related legislation.

January 4, 2001: Called PUC decision on rates "unfortunately necessary."

January 6, 2001: Announced that the California Energy Commission had licensed its ninth power plant since 1999.

January 8, 2001: Outlined steps in his State of the State address to meet California's energy challenge.

January 10, 2001:December 26, 2000: Met with U.S. Federal Reserve Chairman Alan Greenspan and U.S. Secretary of Treasury Laurence Summers in Washington, D.C. to discuss California's energy challenge.

January 11, 2001: Announced that U.S. Department of Energy Secretary Bill Richardson would extend the department's emergency order requiring generators and marketers to make power available until Wednesday, January 17, 2001.

January 12, 2001: Met with Washington State Governor Gary Locke and Oregon Governor John Kitzhaber to plan joint action of the Pacific Coast states to deal with soaring energy prices.

January 12, 2001: Announced a sweeping plan to reduce California's energy use by at least five percent within one week. Included was a statewide public outreach campaign to promote energy efficiency, including a reduction of energy use by the Department of Water Resources, one of the state's largest users of electricity.

January 13, 2001: Requested that President Clinton use his emergency powers

Actions by Governor Davis to meet California's energy challenge

In January 2001 Gov. Davis ssued an emergency declaration that allowed the state to purchase electricity to keep the lights on in California through the Department of Water Resources.

to keep natural gas flowing to PG&E by using provisions of the Natural Gas Policy Act of 1978 to require out-of-state natural gas producers to continue to supply the utility.

January 17, 2001: Issued an emergency declaration that allowed the state to purchase electricity to keep the lights on in California through the Department of Water Resources.

January 17, 2001: Announced that California had exceeded its goal of reducing its energy use by more than five percent in one week, trimming 511,803 Megawatt hours of electricity use.

January 17, 2001: Requested and received an extension of Secretary Richardson's emergency order requiring generators to continue supply electricity to California's utilities.

January 18, 2001: Named Geoffrey Brown to the Public Utilities Commission.

January 18, 2001: Signed Senate Bills AB 5X, which replaced the existing governing board of the Independent System Operator (ISO), composed of 26 so-called "stakeholders," with a governing board composed of five members appointed by the Governor. These board members must be independent of any ISO market participant to ensure that the ISO Board is comprised of Californians whose primary concerns are affordable prices and reliability of power. The bill also prohibited the ISO from entering into a multi-state entity or regional organization unless such a move is approved by the Electricity Oversight Board (EOB). Also signed AB 6X, which required that public utility-owned generation assets owned by any utility prior to June 1, 1997, remain regulated by the California Public Utilities Commission (PUC) until the PUC authorizes their disposal. The bill further prohibited the sale of any public utility-owned power plant until January 1, 2006.

January 18, 2001: Named four members to the new board of the Independent System Operator (ISO). They include: Chairman Michael Kahn of the Electricity Oversight Board, Secretary of Business, Transportation, and Housing Maria Contreras-Sweet, Carl Guardino of the Silicon Valley Manufacturers Group, and Michael Florio of The Utility Reform Action Network (TURN).

Actions by Governor Davis to meet California's energy challenge

In January 2001 the PUC approved $314 million in funding for California's utilities to implement energy efficiency programs.

January 19, 2001: Signed Senate Bill 7X, legislation he requested that authorizes the Department of Water Resources to buy and sell electric power and appropriates $400 million from the General Fund to DWR for that purpose.

January 19, 2001: Asked Attorney General Bill Lockyer to file a motion with (FERC) to withdraw its order that would have allowed PG&E Corp. to restructure itself in a way that would shield the parent company's profits and shareholders from the utility's debts.

January 22, 2001: Announced the Department of Water Resources (DWR) would conduct Internet-based auction for long term electricity contracts. The contract bids will extend for six months, three years, five years, and ten years respectively.

January 24, 2001: Announced the appointments of Michael Peevey as special advisor to the Governor on energy, David Freeman as advisor to the California Department of Water Resources on long-term contracts, and Frank Zarb as advisor to the Governor on finance and markets.

January 26, 2001: Announced the framework of a rough consensus reached with bipartisan leadership of California's Senate and Assembly, covering plant siting, energy efficiency, negotiations on power pricing, unrecovered costs, and outstanding regulatory issues.

January 29, 2001: Named Michael Peevey, Michael Kahn, and Michael Kramer as California's team to negotiate with the investor-owned utilities in setting the terms and conditions of a public interest in the utilities.

January 31, 2001: In response to Governor Gray Davis' call to increase and promote energy efficiency, the California Public Utilities Commission unanimously approved $314 million in funding for California's utilities to implement their energy efficiency programs in the State.

January 31, 2001: In a move to increase energy efficiency in buildings statewide, Governor Gray Davis announced that the California Building Standards Commission had adopted the nation's toughest energy efficiency regulations.

Actions by Governor Davis to meet California's energy challenge

In February 2001 Gov. Davis outlined an $800-million energy conservation program, including appliance rebates, incentives to reduce commercial lighting and a public media campaign.

February 1, 2001: Outlined an $800-million energy conservation program, including appliance rebates, incentives to reduce commercial lighting and a public media campaign. The Governor also announced he had signed an executive order, in consultation with state and local law enforcement officials, directing reductions in outdoor retail lighting by March 15, 2001.

February 1, 2001: Signed AB1x authorizing the Department of Water Resources (DWR) to purchase the amount of electricity needed to serve California retail customers that utilities cannot provide from the utilities' own resources, and creating a mechanism to recover from the retail customers DWR's costs of such purchases.

February 1, 2001: Through the California Department of Conservation, announced $2 million in grants that will allow Resource Conservation Districts (RCD) around the state to kick-start efforts that ultimately can lead to cleaner water, scenic preservation and improved natural wildlife habitat.

February 2, 2001: Responding to the denial of a court order preventing sale of inexpensive energy contracts by the California Power Exchange, Governor Gray Davis issued an executive order seizing the contracts owned by Southern California Edison in order to preserve their value for California consumers. The contracts represented 925 megawatts from Southern California Edison.

February 5, 2001: Responding to the denial of a court order preventing sale of inexpensive PG&E energy contracts by the California Power Exchange, Governor issued an executive order seizing an option to buy the contracts in order to preserve their value for California ratepayers. Those contracts included up to 500 megawatts from PG&E

February 6, 2001: Announced that the Department of Water Resources had reached agreements on the commercial terms for its first long term supplies for electricity. Authorized by the passage of Assembly Bill 1X on February 1, the contracts represent the first step in the state's effort to secure electricity at reasonable prices.

February 7, 2001: Unveiled his plan to increase generating capacity by boosting output at existing power facilities, accelerating power plant construction,

streamlining the review process for new facilities, and providing incentives for distributed and renewable generation. California will streamline efforts to bring an additional 20,000 megawatts online by July 2004, starting with 5,000 additional megawatts by July 2001 and 5,000 more megawatts by July 2002.

In February 2001 Gov. Davis unveiled a utility recovery plan that included the purchase of their power lines and targeted revenue from the existing rate structure to help pay their back debt.

February 14, 2001: Announced a legislative package to provide incentives to power up more renewable energy, distributed generation and co-generation. The package included:

- $50 million to increase rebates for renewable distributed generation systems smaller than ten kilowatts.
- A 50 percent tax credit for the purchase and installation of renewable distributed generation systems larger than 10 kilowatts and up to 200 kilowatts for large facilities such as apartment complexes and businesses. This was to be carried in SB 17x by Senator Jim Brulte (R-Cucamonga).
- $50 million for a commercial loan guarantee program for renewable power systems, distributed generation and co-generation facilities. This was to be carried in AB 53x by Assemblymember Sarah Reyes (D-Fresno).
- $20 million for retrofit of distributed generation owned by municipal water districts to improve environmental performance. This involves retrofitting diesel and dirty natural gas generators with clean natural gas technology.
- Elimination of the standby charges paid by renewable distributed generation end-use customers to the Investor Owned Utilities. This includes small co-generation facilities and only applies to units that generate less than one megawatt.

February 16, 2001: Unveiled the framework of a recovery plan for the California's investor-owned utilities that included the purchase of their power lines and targeted revenue from the existing rate structure to help pay their back debt.

Benefits of the plan to ratepayers and taxpayers included:

- A significant contribution by the parent companies to their utility subsidiaries to satisfy their creditors and return to financial viability;
- The extension of cost-based rates from the utilities' generating facilities from 5 to 10 years and a ban on their sale;
- Conservation easements on utility-owned land in prime watershed areas; and

Actions by Governor Davis to meet California's energy challenge

In March 2001 Gov. Davis issued an executive order implementing a 20/20 energy conservation rebate to reward consumers who cut back 20 percent from last summer's consumption.

- Dismissal of all pending litigation.

March 13, 2001: Announced that the first two proposals for power plants to provide electricity at peak use times this summer had been received by the California Energy Commission.

- A 90-megawatt plant called the Larkspur Energy Facility would be located in the Otay Mesa area of the City of San Diego.
- The Indigo Energy Facility, a 135-megawatt plant that would be located near an existing wind generating facility in the City of Palm Springs in Riverside County.

March 13, 2001: Issued an executive order implementing a 20/20 energy conservation rebate. He announced that California ratepayers will receive a 20 percent rebate on their summer electric bill if they cut back their electricity use by 20 percent over last summer's levels. The "20/20" program is designed to help the state avoid the likelihood of blackouts this summer and reward consumers who significantly conserve energy.

March 16, 2001: Announced additions to the state's team of experts to help advise the state on implementing its energy strategy. The firms and the state departments for which they are working are:

Department of Water Resources --The firms are assisting a variety of agencies. Under the terms of the contracts, the state may pay as much as $51 million for legal, financial, and communications assistance, including up to $40 million for a media campaign

- Deloitte & Touche Consulting Group — developing and implementing credit risk management policies. It also is providing assistance with long-term settlement and scheduling requirements.
- Electric Power Services LLC — negotiating for long term power acquisition, developing a portfolio of power, coordinating transmission de-bottlenecking and congestion management, and expediting new power supply augmentation.
- Navigant Consulting — assisting with the procurement of power supplies, including procurement methods and processes, assessment of capacity and energy supply procurement requirements, and contract negotiation.
- Richard Ferreira — assisting in drafting bid solicitations and contract

language, and advising on strategies to obtain long term contracts at lower prices.

Department of General Services

- Hawkins, Delafield, and Wood — providing legal counsel on legislative, financing and power supply contract negotiations.
- McGuire & Co. Inc. — providing policy consulting, information dissemination and public affairs guidance for the state's energy conservation outreach efforts.
- Edward Panelli/ JAMS (Judicial Arbitration Media Services) — providing advice regarding pending litigation.
- Wilson, Sonsini, Goodrich & Rosati - legal services including review and advice regarding pending litigation.

Department of Finance

- Ruder-Finn Inc. — providing advice and counsel in maintaining and improving California's credit rating on Wall Street. With the Harbour Group in Washington, D.C., Ruder-Finn is also monitoring federal legislative and executive branch activity.

Department of Consumer Affairs

- Grey Worldwide — working for the Department of Consumer Affairs on a public outreach campaign on conservation.

Resources Agency

- Johnston & Associates - advising the State of California on its dealings with the Federal Energy Regulatory Commission (FERC).

March 20, 2001: Announced that the California Energy Commission has signed 12 grants and contracts totaling almost $9.2 million to install "energy smart" technology in commercial and industrial buildings throughout the state.

March 22, 2001: Announced the licensing of three new power plants that will add 2,076 megawatts to the State's electricity supply - enough power to supply more than two million California homes: the 1,056 megawatt Mountainview Power Plant Project near San Bernardino, the 500 megawatt Western Midway-Sunset Power Project, and the 520 megawatt Blythe Energy Power Plant.

Actions by Governor Davis to meet California's energy challenge

March 27, 2001: Announced that California State agencies were hosting a one-day workshop this week in Southern California to expedite the development of peaker power plants that will produce a thousand megawatts this summer. It brought together representatives of State agencies, investor-owned utilities, turbine manufacturers and suppliers, plant developers, and owners of sites on which temporary peaker plants can be placed.

April 4, 2001: Announced that the first two peaker plants have been licensed under the California Energy Commission's expedited review process. The two power plants, located in Palm Springs and San Diego, will provide a total 225 megawatts of peak use power.

April 5, 2001: Addressed Californians via statewide radio and TV broadcasts on the history of the state's energy crisis and the actions he had taken in the areas of generation, conservation and stabilization. . He noted that he had long been wary of consumer rate increases but had become convinced a carefully structured increase was necessary, saying: "So I'm urging the Public Utilities Commission to adopt a plan that will protect average consumers, reward those who conserve and motivate the biggest users to cut back. Under my proposal, more than half of you won't pay a penny more. For the rest, the average increase will be 26 and a half percent. For many of that group, rates will rise only about 10 percent. The heaviest users will see their rates rise 34 and a half percent on average. That includes business paying their share. This is in addition to the 9 percent surcharge we've all been paying since last winter."

April 6, 2001: Signed SB 43x by Senator Deirdre Alpert (D-Coronado) which extends the 6.5-cent rate freeze signed by the Governor last year to San Diego's large commercial and industrial customers, retroactive to February 7, 2001.

April 6, 2001: Stated regarding PG&E's bankruptcy, "Pacific Gas & Electric Co. has dishonored itself. This action was unnecessary. They've caused undue alarm. PG&E was not pushed into bankruptcy but plunged themselves into bankruptcy for their own strategic advantage - not the best interests of the people of California. In contrast, PG&E's creditors have acted responsibly. They have had faith that this would be worked out through negotiations."

Actions by Governor Davis to meet California's energy challenge

April 9, 2001: Announced an agreement between the Department of Water Resources, Southern California Edison, and Edison International.

The agreement includes the three conditions outlined in the Governor's speech. Edison has agreed to:

- Use its generation assets to provide low-cost regulated power to the state for 10 years;
- Sell their transmission system for $2.76 billion (2.3 times the net book value); and
- Dismiss lawsuits seeking to significantly drive up electricity rates.

In addition, Edison has agreed to:

- Commit the entire output of the Sunrise facility on a fixed price basis for 10 years. Under the agreement, Sunrise must be brought on-line by August 15th of this year or pay a $2-million penalty;
- Grant perpetual conservation easements: 20,600 acres of precious lands related to the Big Creek hydroelectric facility and another 825 acres related to Eastern Sierra;
- Invest $3 billion over five years into capital improvements; and
- Edison's parent company will refund no less than $400 million to Southern California Edison.

In return, the State will allow Edison to issue bonds for a substantial portion of its "net undercollection." The state will buy the net short through December 31, 2002. After that time, SCE will be responsible for covering the net short. The MOU also requires the utility to sell its hydroelectric assets to the state if the transmission sales does not occur within two years "for reasons beyond the parties' control."

April 10, 2001: Sent a letter to the Federal Energy Regulatory Commission (FERC) outlining California's efforts in response to the current energy challenge. The letter was submitted to the FERC during the Western Energy Issues Conference in Boise, Idaho for western state representatives. He commented that: "It has become increasingly clear that the Federal Energy Regulatory Commission's failure to control costs has precipitated an increase in rates to keep our lights on and our economy strong." He added that, "Although we cannot fix 12 years of inaction overnight, we are making real progress in California. It is critical that you fulfill your legal obligation to the people of California and the entire West to assure just and reasonable prices, and impose cost-based wholesale price controls at the earliest possible time."

Actions by Governor Davis to meet California's energy challenge

April 11, 2001: Enacted an energy efficiency and demand reduction program by signing into law SB 5x, by Senator Byron Sher (D-Palo Alto), and AB 29x, by Assemblymember Christine Kehoe (D-San Diego). Together, the two bills provide over $850 million for energy conservation and distributed generation programs designed to save over 2,000 megawatts for the summer of 2001.

April 12, 2001: Announced the licensing of the Hanford Energy Park Project in Kings County, a 99-megawatt natural gas-fired, combined cycle electricity generating facility proposed by the GWF Power Systems.

April 12, 2001: Directed the Energy Commission to use its emergency permitting authority to permit new peaking power plants that can be on-line by September 30, 2001. These peaker facilities can be set up quickly in a relatively small area with minimal field construction.

April 16, 2001: Named S. David Freeman as his chief energy advisor to lead the drive to implement energy conservation programs. Freeman will work with businesses, local governments, and citizens to direct the "20/20" program that offers consumers 20 percent off their summer electric bills if they cut their electricity use by 20 percent from June through September. He also will lead efforts to coordinate the implementation of an $850 million initiative to promote aggressive conservation this summer and beyond. The new laws include programs to promote energy-efficient household appliances; high efficiency lighting in commercial buildings; and agricultural energy efficiency programs.

April 16, 2001: Praised Californians for slashing their electricity use by 9.2 percent in March. According to the California Energy Commission, state businesses and residents reduced electricity demand by 2,967 megawatts in March, up from the 8 percent savings of 2,578 megawatts in February, and the 2,091 megawatts or 6.2 percent reduction in January.

April 16, 2001: Announced the licensing of the Otay Mesa Generating Project, a 510-megawatt power plant proposed for the Otay Mesa area in western San Diego County.

April 18, 2001: Urged the California Energy Commission to approve construction of the Metcalf Energy Center, a proposed 600 megawatt power plant in southern San Jose.

Actions by Governor Davis to meet California's energy challenge

April 16, 2001: Announced a 15/20 conservation award program for San Diego residents. Under the program, San Diegans who reduce their electricity by 15 percent will get a 20 percent rebate on their bills. Elsewhere in the state, ratepayers will have to reduce their electricity bill by 20 percent to receive the rebate. Governor Davis said that San Diego Gas and Electric customers reduced electricity use by about seven percent last summer (residential users 9%, 2.6% small commercial users, 6.0 percent major commercial and industrial). He has set a statewide goal of reducing energy use by 10 percent this summer from last year's levels. The rebate program will begin in monthly billing cycles that begin June 1 and end in September. Rebates for residences and small businesses will be based on a 15 percent reduction in total electricity use. For large businesses, the rebates will be based on a 15 percent reduction in peak load.

April19, 2001: Met with members of California's Congressional delegation to outline his plans for increased power generation, additional energy conservation and long-term stabilization of the states utilities.

In his remarks afterward Gov. Davis noted: " I asked the Congress people to impress upon the Federal Government that they have a responsibility as well to conserve power. The State, during every stage two alert, conserves at least 20 percent. Our 34 million people in March conserved 9.2 percent. So we expect the Federal Government, using our own power grid here in California, to conserve at least 10 percent on a routine basis - and to join the state government in achieving a 20 percent savings every time we're under stage two alert.

"We also agree there has to be a mechanism that reduces the wholesale price of electricity. There has to be a mechanism that reduces the cost of transporting natural gas from our neighboring state into California. And we've agreed to work cooperatively across party lines to find ways we can reduce those costs because we all serve Californians, we're all one state, we're in this together, and party doesn't matter. Finding a solution does matter.

"Finally, we talked about the need to use temporary generation capability during the summer where companies could buy their own generators; hopefully driven by methane or natural gas but diesel during certain circumstances; probably during a stage three alert to minimize the potential for blackouts, to increase the probability that power will go where it's

needed. To homes, businesses, hospitals, police and fire stations in California."

April 16, 2001: Announced he had appointed Ambassador Richard Sklar, an international expert on infrastructure development to lead a task force of internationally recognized engineering and project management firms to help speed the construction of new power plants in California.

April 25, 2001: Announced that two additional summer reliability power plants had been licensed under the California Energy Commission's expedited review process. Both of these single-cycle power plants, located in the City of Colton in San Bernardino County, will provide electricity at peak use times during the summer of 2001. Each project would be a distributed generation facility producing 40 megawatts of electricity by using four, 10-megawatt, simple-cycle gas turbine generators. The facilities are expected to be on-line by August 1, 2001.

April 26, 2001: Announced grants for two high tech companies which have agreed to slash their electricity use when the Independent System Operator (ISO) issues emergency alerts this summer. Sun Microsystems and the Hewlett-Packard Company will receive $306,500 and $422,000, respectively from the California Energy Commission to install smart energy technologies in their buildings. Both companies will shave off a combined 3.2 megawatts during the emergency alerts, enough power for 3,200 homes.

April 26, 2001: Signed three executive orders to increase stabilization, conservation and generation of power in California.

Executive Order D-34-01 -- Cut through red tape to speed up implementation of energy conservation programs outlined in SB 5X and AB 29X.

Executive Order D-33-01-- Extended the conservation rebate of the "20/20" program to the customers in the territory serviced by the San Diego Gas and Electric Company.

Executive Order D-32-01-- Ordered the transfer of funds from the Energy Commission to the Department of Water Resources for implementation of the power plant construction incentive program. Incentives will include:

- $5,000 per megawatt (MW) of average electrical output on the first 100

MW and $2,500 per MW for each MW above 100 MW, if brought on-line by July 1, 2001;

- $4,000 per MW of average electrical output on the first 100 MW and $2,000 per MW for each MW above 100 MW, if brought on-line between July 2, 2001 and August 1, 2001; and
- $3,000 per MW of average electrical output on the first 100 MW and $1,500 per MW for each MW above 100 MW, if brought on-line between August 2, 2001 and August 31, 2001.

April 27, 2001: Announced that energy use in state office buildings dropped by an average of 20 percent during the first two months of 2001. In a survey of state office buildings' utility bills, state government reduced its energy consumption by an average of 19 percent in January 2001, and 21 percent in February 2001, as compared to the same month one year ago. As a result of these conservation measures in the office buildings surveyed to date, which represent over 11 million square feet, taxpayers have saved an estimated $286,000 in utility bills from December through February.

April 27, 2001: Announced that local governments are partnering with the State of California by committing to energy conservation. He announced the state was entering into 225 conservation partnerships with cities, counties, and special districts.

May 2, 2001: Announced the licensing of the fifth summer reliability power plant that has been permitted under the California Energy Commission's expedited emergency review process. The plant is the 50-megawatt King City Peaker Power Plant in Monterey County. The Calpine King City Project, licensed for construction and operation on leased property adjacent to the existing King City Cogeneration facility at 750 Metz Road, expects to begin selling power under contract to the California Department of Water Resources by tsummer 2001.

May 2, 2001: Announced that California's overall energy use dropped by nine percent in April compared to one year ago. California residents and businesses reduced their electricity demand by 2,866 megawatts compared to last year, according to California Energy Commission figures, which include adjustments for weather and economic growth.

May 2, 2001: Met with representatives of Qualifying Facilities to discuss efforts to get their power back on line. The governor commented: "As you know,

this is a gathering of people who are supplying power to the state through either renewable energy resources or cogeneration, commonly known as Qualifying Facilities. You represent about 30 percent about the power that the state buys. It is my hope that today we can work out any problems that still exist with you honoring the contracts that you have with Edison and PG&E and provide us power through out the year, particularly in the summer at affordable rates."

May 2, 2001: Issued an invitation to a dozen electrical generators and marketers to meet with him in Sacramento on May 9 to discuss California's energy crisis.

Invited were the Chief Executive Officers of Enron, AES Corp., Reliant, Dynegy, Duke, Mirant, Williams, Calpine, National Energy Group, Edison/ Mission Energy, Sempra, and El Paso Natural Gas. The agenda included unpaid debts, credit, and the supply of power.

Governor Davis repeatedly called on FERC to do its job

Governor Davis has repeatedly called on the Federal Energy Regulatory Commission to intervene and protect California ratepayers against unjust wholesale prices charged by merchant generators.

Gov. Davis warned FERC that it must ensure that a workably competitive market exists before the state's consumers and economy are subjected to unconstrained market-based prices.

September 12, 2000 : At a FERC hearing in San Diego, Gov. Davis warned FERC that it bears a responsibility to ensure that a workably competitive market exists before the state's consumers and economy are subjected to unconstrained market-based prices.

November 9, 2000: In videotaped testimony before FERC in Washington, D.C., the governor warned that the electricity market envisioned in 1996 had failed to materialize. He said that FERC had found the state's electricity market was dysfunctional, "But you are not willing to do anything about it.

November 14, 2000: In testimony before FERC, Gov. Davis called on the commission to order consumer refunds and wholesale price caps. He said that refunds are due consumers who continue to be gouged by merchant generators. He called on FERC to "put in hard price and bid caps that will protect consumers until such time as the marketplace becomes competitive."

December 1, 2000: In a letter to FERC, Gov. Davis outlined the initiatives he was taking to ensure reliable and affordable electricity to Californians. He told FERC, "If you do your job of protecting consumers by rectifying the wholesale markets, the steps I have to take can be transitional and limited in scope."

December 8, 2000: Gov. Davis reacted to FERC's sudden lifting of wholesale price caps. "This ruling issued in the dark of night without notice to anyone in California is an outrageous assault on the consumers and businesses of Califrnia by a federal agency answerable to no one…" He remarked that California's ISO had sought this ruling without the authorization of its board of directors. He added that he was beginning the process to reconstitute the ISO board.

December 15, 2000: Gov. Davis charged that FERC's imposition of a $150/MWH soft cap on wholesale electricity was an abdication of its responsi-

Governor Davis repeatedly called on FERC to do its job

bility to the people in the West. "They have chosen to ensure unconscionable profits for the pirate generators and power brokers who are gouging California consumers and businesses.

In March 2001, Governors Davis, Locke of Washington and Kitzhaber of Oregon wrote FERC requesting a temporary price cap on the cost of wholesale power.

January 12, 2001: Governors Davis, Gary Locke of Washington and John Kitzhaber of Oregon agreed to joint action to deal with energy shortages and soaring prices. They issued a joint statement calling on the federal government to reassert cost-based price controls in the western marketplace or, at least, effective price caps.

January 19, 2001: Gov. Davis asked Attorney General Bill Lockyer to file a motion with FERC to withdraw its order allowing PG&E to shield parent company profits from the utility's debts. PG&E had filed the motion without notice to the governor or the PUC, precluding state review and participation, Gov. Davis stated.

March 3, 2001: Governors Davis, Locke of Washington and Kitzhaber of Oregon wrote FERC requesting a temporary price cap on the cost of wholesale power. They suggested a cost-based cap allowing generators to recover their costs plus receive a $25/MWH profit. FERC Commissioner had made a similar proposal.

April 10, 2001: Sent a letter to the Federal Energy Regulatory Commission (FERC) outlining California's efforts in response to the current energy challenge. The letter was submitted to the FERC during the Western Energy Issues Conference in Boise, Idaho for western state representatives. He commented that: "It has become increasingly clear that the Federal Energy Regulatory Commission's failure to control costs has precipitated an increase in rates to keep our lights on and our economy strong." He added that, "Although we cannot fix 12 years of inaction overnight, we are making real progress in California. It is critical that you fulfill your legal obligation to the people of California and the entire West to assure just and reasonable prices, and impose cost-based wholesale price controls at the earliest possible time."

April 26, 2001: Issued the following statement on the Federal Energy Regulatory Commission's April 25 order:

Governor Davis repeatedly called on FERC to do its job

In April 2001, Gov. Davis commented, "FERC had a chance to bring meaningful relief to California's outrageous wholesale prices and they blew it."

"FERC had a chance to bring meaningful relief to California's outrageous wholesale prices and they blew it.

"It makes no sense whatsoever to condition the twelve months of relief proposed by the Federal regulators to California's willingness to join a regional organization that under the best of circumstances cannot be functional for another eighteen months.

"Last summer, the Federal government found that wholesale prices were unjust and unreasonable. They have yet to enforce their finding."

Governor's clean energy Green Team

The governor asked the Green Team for innovative ways to cut red tape while protecting public health and safety and for new ideas to finance renewable energy supplies.

On September 6, 2000 Governor Davis signed Assembly Bill 970 establishing the Governor's Clean Energy Green Team to streamline the process of siting new power plants. The Green Team coordinates the siting and permitting activities of local government, state and federal agencies, developing siting guidance, identify environmental impacts, developing guidance on gas supply, emission offsets and water supply and developing recommendations for low-interest loan programs for renewable energy

The Green Team has the responsibility to devise strategies for bringing additional fossil fuel and renewable power sources on line in California without compromising laws governing the environment, public health and safety and public participation. In addition, the Governor asked the Green Team for innovative ways to cut red tape while protecting public health and safety and for new ideas to finance renewable energy supplies.

During its first 90 days the Clean Energy Green Team releasing theses documents.

- December 2000: Financing Programs for Renewable Energy
- December 7, 2000: Energy Facility Licensing Process: Developers Guide of Procedures Staff Report/Draft
- November 2000: Water Supply Information, Staff Paper
- Staff Report: California Natural Gas Analysis and Issues Publication #200-00-006, 1996-2001
- November 30, 2000: Guidance Resources for Power Plants
- December 5, 2000 Energy Projects and Local Land Use Planning

Green Team Chronology

October 2000: Throughout the month of October met with renewable energy producers with projects pending in California. Met with legislative staff to update on Green Team activities.

October 11, 2000: Green Team public meeting held.

Governor's clean energy Green Team

The Green Team coordinates linkages between local planning entities, "peaking" and renewable power plant developers and state entities responsible for regulatory and permitting issues.

October 17, 2000: Presentation on Green Team at the Independent Energy Producers' Conference, Lake Tahoe, CA

November 2000: Throughout the month the Green Team met with renewable energy producers with projects pending in California. Green Team staff resolved outstanding permit issues for a 320 MW plant that will begin operation in July 2001. Met with numerous producers and developers of fossil fuel and renewable power generators.

December 6, 2000: Web Site launched directing potential power plant developers to the proper agencies for responses to questions regarding regulatory processes.

December 12, 2000: Made a presentation to California Foundation on the Environment and the Economy, Palm Springs, CA.

December 2000: Coordinated efforts to resolve air credit issue and succeeded in keeping power generators on line.

January 2001: The Green Team conducted four local government workshops: San Diego (January 12), Fresno (January 19), San Francisco (January 24) and Diamond Bar (January 30) to introduce and coordinate the linkages between local planning entities, "peaking" and renewable power plant developers and state entities responsible for regulatory and permitting issues. All workshops included respective air quality management districts and applicable state and federal agency representatives.

January 16, 2001: The Green Team made a presentation to the Base Commanders Conference, Monterey, CA

February 2001: Conducted ongoing dialogue with governmental agencies to resolve permit issues for 1,280 MW of peaking power and 100 MW of renewable power by summer of 2001.

Status of California power plant projects

In the early 1990s before the State's electricity generation industry was restructured, the California Energy Commission certified 11 power plants. Of these, three were never built due to market conditions. Eight plants are now generating 952 megawatts (MW) of electricity. Additionally, a project approved in 1994 has a 44 MW second phase now under construciton, which is scheduled to be on line by May 2001. No power plant applications were filed with the Energy Commission between 1994 and 1997 because there was so much uncertainty during the restructuring of the electricity industry.

Since April 1999, the Energy Commission has approved 13 major new power plant projects with a combined generation capacity of 8,923 megawatts.Eight power plants, with a generation capacity of 5,587 megawatts are now under construction, with 1,903 megawatts expected to be on-line by the end of 2001.

In addition, another eleven major electricity generating projects, totaling 5,578 megawatts of generation and an estimated capital investment of nearly $3.5 billion, are currently being considered for licensing by the Energy Commission. The Commission is also in the process of reviewing summer reliability electrical generation projects which can be on-line by September 30, 2001.

Baseload Power Plants Recently Approved

Blythe Energy Power Plant — a $300 million, 520-megawatt, natural gas-fired combined cycle power plant will be located on privately owned lands near Interstate 10 and the Blythe Airport, approximately five miles west of the City of Blythe, in eastern Riverside County. The facility is expected to be on-line by March 2003.

Delta Energy Center — a $450 million, 880-megawatt, natural gas-fired, combined cycle facility will be located on an undeveloped 20-acre parcel at the Dow Chemical Company plant, northwest of the adjacent Delta Diablo Sanitation District treatment facility in the City of Pittsburg. The expected completion date for this project is July 2002.

Elk Hills Power Project — a $300 million, 500-megawatt, natural gas-fired, combined cycle, electricity generating facility will be built approximately 25 miles west of the City of Bakersfield in Kern County. The expected completion date for this project is the summer of 2002.

Status of California power plant projects

High Desert Power Project — a $350 million, 720-megawatt natural gas-fueled electricity generation power plant is to be built on a 25-acre site within the northwest corner of the Southern California Logistics Airport, formerly the George Air Force Base, in the City of Victorville, San Bernardino County. The expected completion date for this project is Winter 2002.

La Paloma — a $730 million, 1,048-megawatt natural gas-fired, combined cycle power generating facility is to be constructed 40 miles west of Bakersfield, approximately two miles east of the unincorporated community of McKittrick, Kern County. The expected completion date for this project is November 2001.

Los Medanos Energy Center — formerly known as the Pittsburg District Energy Facility project, this $300 million, 500-megawatt electric generation facility would be located on 12 acres on the northwest corner of property owned by USS-Posco Industries on East 3rd Street in the City of Pittsburg, Contra Costa County. The project should start producing power in July 2001.

Moss Landing Power Plant Project — a $500 million, 1060-megawatt, natural gas-fired combined cycle power plant will be located at the existing Moss Landing Power Project at the intersection of Highway 1 and Dolan Road, east of the community of Moss Landing, near the Moss Landing Harbor in Monterey County. The project is expected to come on-line in June 2002.

Mountainview Power Plant Project — a $550 million, 1056-megawatt gas-fired combined cycle power plant will be built on a 16.3-acre site at the existing San Bernardino power plant, near the corner of San Bernardino Avenue and Mountainview Avenue, in an unincorporated section of San Bernardino County. The new facility should be on-line by April 2003.

Pastoria Energy Facility — a $350 - $450 million, 750-megawatt natural gas-fired, combined cycle generating facility proposed for an undeveloped site at Tejon Ranch. The proposed 30-acre location is adjacent to an existing gravel quarry approximately 30 miles south of Bakersfield, Kern County. The project is expected to be on-line in June 2003.

Sunrise Power Project — a $180 million, 320-megawatt, single-cycle temporary "peaker" power plant that will be constructed in western Kern County, approximately 35 miles southwest of Bakersfield near Derby Acres. As a "peaker" plant, it has been licensed to operate until December 31, 2002.

At that time, the project must be shut down or converted to either a combined cycle or a cogeneration facility. The project should be on-line in time to generate and deliver power for the summers of 2001 and 2002.

Sutter Power Project — a $300 million, 500-megawatt natural gas-fired, combined cycle plant is being built adjacent to the Calpine's Greenleaf Unit No. 1 facility on South Township Road near Yuba City, Sutter County. The project is expected to come on-line August 2001.

Western Midway-Sunset Power Project — a $300 million, 500-megawatt, combined cycle, natural gas-fired electricity generating facility to be located near Derby Acres on a ten-acre site adjacent to the existing 225-megawatt Midway Sunset Cogeneration power plant approximately 40 miles west of Bakersfield, Kern County. It should begin producing electricity by March 2003.

Peaker Plant Approved (Non-Emergency Siting)

United Golden Gate Power Project — a 51-megawatt simple cycle power plant is being built for a site at the San Francisco International Airport in San Mateo County. The plant is owned and operated by El Paso Merchant Energy Company. This "peaker project" was part of a four month licensing process.

NOW ON LINE

Proctor and Gamble Phase 2 — certified in November 1994 as the second phase of the Sacramento Municipal Utility District's (SMUD) Proctor and Gamble Cogeneration project in Sacramento, this 44-megawatt simple cycle plant is now under construction. The first phase of this 171-megawatt, $190 million cogeneration project began producing process steam for Proctor and Gamble's soap-related products manufacturing facility and electricity for use by district customers in March 1997. This second phase "peaker" project is operational as of early April 2001.

Power Plants Presently Under Review

The California Energy Commission is presently reviewing nine major electricity generation projects.

Before a potential power plant of over 50 megawatts can be approved, it must undergo a review to ensure that the project complies with provisions of the War-

Status of California power plant projects

ren-Alquist Act and the California Environmental Quality Act. Issues examined during the year-long proceeding include public health and safety, air and water quality, hazardous materials, environmental impacts, land use, and engineering design.

The siting process breaks roughly into four parts. Once the Energy Commission decides an application is detailed enough to begin study, the staff conducts discovery and analysis before drafting a Preliminary Staff Assessment of the project. Concerns highlighted by this document are then explored in a series of staff workshops in which other agencies, the applicant and the general public can present information. The staff then prepares a Final Staff Assessment, which is typically published about six months into the siting process.

Once the Final Staff Assessment is completed, an Energy Commission Siting Committee takes responsibility for all hearings and related proceedings on the proposed facility. Again, the Energy Commission seeks active public participation. Based on the evidentiary record and public comment, the Committee prepares a Presiding Member's Proposed Decision. Only after additional hearings and public conferences on this document does the Committee formulate its final recommendations. These are considered by the full Commission, which must vote to approve or reject the application at an Energy Commission Business Meeting.

Additional power plant proposals presently being reviewed by the Energy Commission include the following projects, listed with the cities or counties in which they are planned, their anticipated size and cost.

Contra Costa Power Plant — a $300 million, 530-megawatt natural gas-fired, combined cycle facility to be located within the existing Contra Costa Power Plant complex in Contra Costa County, near the City of Antioch.

East Altamont Energy Center — a 1,100 megawatt natural gas-fired facility proposed for Alameda County by Calpine. (More information will be added in April 2001.)

El Segundo Power Redevelopment Project — a $350 - $400 million, 630-megawatt project to expand an existing onsite gas-fired steam plant by replacing two 1950s vintage steam generation units with two combustion turbines and one steam turbine. The new additions consist of combined cycle electric generating facility on the property of the El Segundo Generating Station in El Segundo, Los Angeles County. The 32.8-acre site is located southwest of Los Angeles International Airport adjacent to Santa Monica Bay.

Status of California power plant projects

Huntington Beach Power Station — a $130 million, 450-megawatt AES proposal to retool and operate at the Huntington Beach Power Station which it purchased from Southern California Edison in 1998. The facility is located in the City of Huntington Beach, Orange County. The proposed project will be a natural gas-fired boiler retooling at the existing generating station. The 12-acre site is located at the intersection of Newland Street and the Pacific Coast Highway, about 600 feet east of the Pacific Ocean.

Metcalf Energy Center — a $300 million, 600-megawatt power plant proposed for a site one-half mile west of the Pacific Gas and Electric Company's Metcalf substation, south of San Jose in Santa Clara County.

Morro Bay Power Plant Project — a $650 million proposal by Duke Energy to modernize its existing 1030-megawatt facility in the City of Morro Bay, San Luis Obispo County, and to increase its output by an additional 198 megawatts. The project would replace the currently operating Units 1 and 2, which use 1950's technology, and Units 3 and 4, with 1960's technology, with two new, smaller and more efficient state-of-the-art 600-megawatt combined cycle units. Upon completion, the plant will be capable of producing a total of 1,200 megawatts.

Nueva Azalea Power Plant Project — suspended by the applicant on March 7, 2001.

Otay Mesa Power Project — a $300 million, 510-megawatt generating project proposed for construction on an undeveloped 15-acre site in western San Diego County. The location is approximately 1.5 miles north of the border between Mexico and the U.S.

Pastoria Energy Facility Expansion Project — A $250 million 250 megawatt expansion to the Pastoria Energy Facility approved by the Commission on December 20, 2000. Both projects are on the Tejon Ranch in Kern County.

Potrero Power Plant Project — a $260-$350 million, 540-megawatt natural gas-fired, combined cycle power generating facility proposed for operation adjacent to the existing 360-megawatt Potrero Power Plant in the city and county of San Francisco. If approved, this project is expected to be operational by the summer of 2003.

Rio Linda / Elverta Power Plant Project — is a 560 meagwatt facility in the Rio Linda / Elverta area of Sacramento County. The facility is proposed to

be built on the site of the Sacramento Ethanol and Power Cogeneration Project. SEPCO was a 148 MW natural gas-fired combined cycle power plant and a rice-straw-to-ethanol facility. The original project was approved by the Commission May 24, 1994, but the facility was never built. On April 6, 2000, the Commission ordered termination of the original certification. The facility is proposed to be built in Rio-Linda, Sacramento County, about seven miles east of the Sacramento International Airport.

Three Mountain Power Project — a $300 million, 500-megawatt, natural gas-fired, combined cycle power plant that would be located approximately one mile northeast of Burney and 45 miles east of Redding, in Shasta County.

United Golden Gate Power Project — a $300 million, 570-megawatt, natural gas-fired, combined cycle power plant that would be located near the San Francisco International Airport in San Mateo County.

Small Power Plant Exemptions

Power plants that will generate up to 100-megawatts may be exempt from the 12-month power plant site certification process. The exemption process typically takes six months and involves an environmental review by the Commission.

Approval is granted if the Commission finds that no substantial adverse impact on the environment will result from the construction or operation of the proposed facility. The proposed project must comply, however, with requirements of other permitting agencies.

Hanford Energy Park Project — a $70 million, 99-megawatt natural gas-fired, combined cycle electric generating facility that would be located on a 10-acre site in the Kings Industrial Park on the southern border of the City of Hanford in Kings County. The site is immediately adjacent to an existing cogeneration plant owned by the applicant.

Energy demand and California population growth

The California Energy Commission produces a yearly forecast of long-term electricity demand. Here are the projections the Commission made each year from 1988 to 1996 of what they expected the peak demand in California to be in 2000.

1988 they projected 2000 peak demand to be					56,673 Megawatts
1990	"	"	"	"	58,873 Megawatts
1992	"	"	"	"	58,684 Megawatts
1994	"	"	"	"	55,819 Megawatts
1996	"	"	"	"	55,422 Megawatts

Actual peak demand in the summer of 2000 was 53,500 Megawatts

Population growth and yearly energy consumption growth was greater in other Western states than in California during 1990s

State	% of population growth 1990-2000	% of yearly energy consumption growth 1988-1998
Washington	21.1	0.7
California	**13.8**	**1.2**
Oregon	20.4	1.4
Idaho	28.5	2.2
New Mexico	20.1	3.6
Utah	29.6	3.6
Arizona	40.0	3.7
Nevada	66.3	6.2

[1] Chapter 915, Statutes of 1976
[2] Hearings of the California Assembly Subcommittee on Electrical Oversight, Feb. 7-9, 2001