

**[13] CPUC Earmarks \$16 Million in Efficiency Trade-Offs for Hunters Point (from [5])**

Approving \$240.5 million for energy-efficiency measures this year, the California Public Utilities Commission set aside \$16 million of that pot for the city of San Francisco to engineer dropping enough load to speed the shutdown of the Hunters Point power plant. The unanimous decision April 17 also allows for a financial audit of how the “public-goods surcharge” on ratepayers’ bills is spent but does not dismantle the maintenance and evaluation portion of historical programs.

“We expect the money to be spent, not on patronage jobs or on political hacks” in San Francisco, said commissioner Geoffrey Brown, invoking the city’s well-known political dealings. “This is going to take a lot of grassroots work.”

Commissioner Susan Kennedy, the author of the decision [D03-04-055], said she expects much of the money to be put to use before this summer.

A close commission vote will allow direct-access customers to apply their accounts to relocating sites as long as there are no new sites added and no increase in total direct-access load [D03-04-057].

Commissioner Brown’s version of the new rule was approved 3-2 over commissioner Carl Wood’s alternate. Wood wanted to deny direct-access changes altogether. He cited continued increases in direct-access loads—from 25 percent to 60 percent depending on class—since the commission shut off new accounts in September 2001.

“Any increase comes at the expense of bundled customers,” claimed Wood.

Distributed-generation customers will be exempt from new standby service tariffs until the commission finishes up Southern California Edison’s and Pacific Gas & Electric’s general rate cases—at the end of 2004 [D03-04-060].

However, the exemptions apply only to energy-efficient plants. “I’m concerned that the commission is providing subsidies” for inefficient and polluting plants, said commissioner Loretta Lynch, the author of the decision. The decision applies to plants under 5 MW.

Edison was turned down in its quest to continue telemarketing its services along with subscriptions to newspapers, including the *Los Angeles Times* [Res. E-3793]. Commissioners had expressed concerns about customer privacy and the seeming disconnect between the utility’s business and the telemarketing program, as well as the possible effects of the relationship between Edison and the newspaper on any potential criticism of Edison’s business in the press (see *CEM* No. 685 [12.1]).

The commission also took up the dead-chicken issue. Zacky & Sons Poultry Company requested that its processing facility in the City of Commerce be

billed under an agricultural rate, not a commercial one. The commission decided that because there were no actual chicken coops there, per se, and that the facility is “for the final hours of food digestion and preparation for market” where the birds are “slaughtered, plucked, chilled and boxed,” the agricultural rate should not apply [D03-04-058] [J.A. Savage].

**[14] Sluggish Market Continues to Slow Power Projects (from [3])**

The number of proposed power projects continues to drop at the national level and plant siting in California continues to slow down because of worsening prospects for merchant generators. The new kid on the investment block—liquefied natural gas—may or may not be siphoning away what little capital is still hanging around for power plant development.

Nationwide, power plant building and planning dropped by 28 percent, from 489,000 MW in November 2001 to 354,000 MW in March 2003, according to Henwood Energy Services, a Sacramento-based firm that provides modeling, data and consulting services. New generation across the country was said to have fallen by 38 percent, from 113,000 MW in May 2002 to 70,060 MW last month.

The project building bust, according to Henwood, is not expected to turn around anytime soon. “It appears we are some way from reaching the bottom and years from seeing the November 2001 activity level,” said Mark Henwood, the firm’s chief executive officer.

According to California Energy Commission chair William Keese, traditional power plant building is being undermined by the big push to build LNG plants

around the world. It is “resulting in the major sucking of funds” away from traditional projects, Keese said during an April 16 CEC

business meeting. Lenders are underwriting LNG facilities—said to cost between \$7 billion and \$8 billion—because they are seen as highly profitable, he added.

Henwood director of strategy Mark Foster agreed that lending institutions were following the money but disagreed that LNG activity was the reason lenders soured on merchant energy companies. The problem in California and points west, he said, was that there were too many projects and the state has enough power for the next 10 years.

During the 2000-2001 energy debacle, the CEC’s licensing process was on overdrive, and applications were fast-forwarded to boost electricity supplies. But the ongoing lack of good news on the financial front has continued to drag down licensing on some large projects.

Citing a struggling economy and uncertain market conditions, Duke Energy requested that the CEC once again put off its review of the company’s pending Avenal power project in Kings County [01-AFC-20]. The CEC first agreed to shelve the Avenal proceeding

‘We expect the money not to be spent on political hacks.’

‘There is no apparent urgency.’