Issue 28 **April 2, 2001**

Davis blasts GOP over power crisis

Facing mounting criticism for his handling of the energy crisis, Gov. Gray Davis lashed out at Republicans on Saturday, painting them as architects of the state's failed deregulation strategy and as obstructionists preventing a timely resolution.

In an address to Democrats at their annual state party convention, Davis discussed his energy battle plan for the first time since the state Public Utilities Commission on Tuesday authorized a rate hike averaging 29 percent for PG&E and SCE customers.

Though Davis still refused to acknowledge a rate hike is necessary, he told party activists that if one did become necessary, "I'll fight to protect those least able to pay, reward those who conserve the most, and motivate those who are the biggest guzzlers to cut back."

"He's been attacked by the whole gaggle of Republican geese who want to run against him next year," said Art Torres, who was re-elected as CA Democratic Party chairman on Saturday. "This governor has demonstrated the courage and concentration of sticking to a plan, no matter what the Chicken Littles of the Republican Party say, that's going to benefit the consumers of California."

On Thursday, Assembly Republicans, led by their new leader Dave Cox of Fair Oaks, assailed the administration's handling of the energy situation. The same day, 11 of them filed suit against the governor for failing to disclose details of the state's power buys and long-term contracts.

The governor used his convention speech to fight back.

"The Republicans, who were so enamored with deregulation just five years ago, have become even more enamored with criticizing me as I try to clean up their mess," he said. "They have yet to offer a single constructive, comprehensive solution to the problem they created."

But Republicans aren't the only Davis critics.

State Controller Kathleen Connell has increasingly spoken out against Davis both in her official capacity and as a candidate for Los Angeles mayor. Last week, Connell began running television ads critical of Davis' use of state money for electricity purchases, saying she is "taking on the governor to demand a complete audit."

U.S. Rep. Maxine Waters, D-Los Angeles, was also blunt: "He's been fiddling a little too long while Rome is burning," she said. "Many Democrats are increasingly going to be dissatisfied with the lack of correction and the lack of direction."

She predicted many Democratic candidates will go their own way, "to make sure they don't suffer for his inaction."

The criticism also extends beyond Democratic and Republican party leaders. Several recent polls seem to indicate that Davis' approval ratings have slipped.

Davis pollster Paul Maslin said voters understand that Davis "didn't get them into this mess, but they expect him to get us out of this mess."

Democratic political operative Bob Mulholland said, strategists plan to ensure that the public knows what roles Wilson and Bush have played in the crisis.

"You're going to be hearing the word 'Texas' a lot in the next year," Mulholland said.

California pulls out the stops to attract power plants

California has jettisoned its normal air and water pollution controls in a desperate dash to build enough power plants to keep the lights on this summer.

With little notice, communities could soon find themselves home to small "peaking plants" -- typically natural gas-fired jet engines built on concrete pads that will roar into use when power supplies run low.

Generators that promise to provide power by the end of summer can skip usual environmental restrictions and reviews, win permit approval in days instead of months, and qualify for low-interest state loans and $30 million in bonuses.

Gov. Gray Davis wants to attract enough peaking plants -- which typically produce 50 megawatts or less each -- to gain 1,000 megawatts this summer. That's enough power for roughly 750,000 homes.

Carl Zichella of the Sierra Club said regulators should take time to consider the impact on water and air quality, the state's growing population, and danger from earthquakes.

The American Lung Association of California and others want lawmakers to encourage the use of renewable energy and conservation rather than relax environmental standards to build new power plants.

Power grid managers call Stage 2

State power grid officials called a Stage 2 power alert Monday after electricity imports from the Northwest were hampered by a downed transmission line.

Power plants that would have produced 12,900 megawatts were down for repairs, said Stephanie McCorkle, spokeswoman for the Independent System Operator. One megawatt is roughly enough power for 750 homes.

Another 3,000 megawatts from alternative energy providers who are owed more than $1 billion by two near-broke utilities were also unavailable to grid operators, she said.

Seven towers east of Los Angeles that carry high-voltage transmission lines were knocked down by high winds overnight, McCorkle said. Those lines would have imported another 3,000 megawatts of electricity from the Northwest into California, she said.

Consumers bemoan formula for power-rate hikes

As state regulators prepare to decide in coming weeks who will bear the burden of a massive new electricity-rate hike, a long line is beginning to form of residents, business operators and others seeking a break.

The tiered plan proposed by PUC President Loretta Lynch exempts those who use no more than 130 percent of their "baseline" allotment. But other residents could see increases up to 36 percent, while commercial customers could pay even more.

Homeowners say there's no way they can save that much. Advocates for the poor and elderly are crying foul. Businesses say they're already unfairly burdened.

Utilities haven't yet calculated just how many residents would fall within the 130 percent. Estimates range from 30 to nearly 50 percent.

Baselines are daily figures, and the number of days in monthly billing cycles varies. In addition, the baselines change to account for summer and winter use.

Baselines take into account the various energy needs caused by regional and seasonal climatic differences, but not the size of the home or number of occupants. Some argue that unfairly punishes the poor, who often share housing with large numbers of family and friends to make rent.

"They tend to go over the baseline, not just because they are 'energy hogs,' as Lynch calls them, but just because they have more people in the units," Macias said.

Others have similar worries about the elderly, who tend to live on fixed incomes in older and less-efficient housing, and face greater health risks from extreme temperatures.

Commercial customers, who pay lower rates but would see a proportionately greater increase, also are crying foul.

Grocers are upset because they had cut energy consumption 10 percent at the request of Gov. Gray Davis last year, which means it will be that much harder for them to further lower their electricity bills.

Nursing homes argue they cannot afford the higher rates.

But some consumer advocates argue that exempting various groups will only cripple efforts to reward conservation.

Transmission line memo signals additional rate hike

The state's negotiations to buy power lines from ailing Southern California Edison included a draft proposal that could mean another rate hike for customers, the Los Angeles Times reported Monday.

The newspaper said it obtained a 40-page draft memorandum of understanding, dated last week, that among other things could obligate Edison customers to help pay the utility's massive debt through a "dedicated rate component" -- potentially a rate hike -- even if no power line deal is reached.

The component, which wasn't specified, wouldn't show up in bills for two years, according to the draft.

A spokesman for Gov. Gray Davis said Sunday that the draft memorandum -- one of several floated in the state's ongoing, nearly two-month-old talks with Edison -- already is obsolete.

On Friday, Edison officials described as "very active" talks with the governor's office over the sale of its transmission lines to give the struggling utility a cash infusion. But SCE chief financial officer Ted Craver said a deal was not imminent.

Talks between the state and PG&E are awaiting the outcome of the Edison deal, PG&E spokesman John Nelson said Sunday.

Price caps

Energy Secretary Spencer Abraham on Sunday reiterated the Bush administration's staunch opposition to using price controls to rein in skyrocketing electricity prices in California and elsewhere. Asked on ABC's "This Week" about New York Mayor Rudolph W. Giuliani's request last week for regulatory controls in advance of summer power demands, Abraham said the administration preferred to look for ways to increase supply or decrease demand.

Energy costs and farmers

San Joaquin Valley farmers thought they had found a new source of water to irrigate parched fields, but soaring power costs could keep the tap turned off and idle thousands of acres this growing season.

Budget and power crisis

Billions of dollars in electricity purchases, rate increases that will drain money from the economy and a crumbled stock market are shriveling California's state budget. Even the modest estimates of revenue growth on which Gov. Gray Davis' budget was based are being erased by the power crisis and the stock slide. "The assumption we had in January is no longer a prudent assumption," said Ted Gibson, chief economist at Davis' Department of Finance.

What Others Say

Why did it take so long?

Now that regulators have imposed the biggest electricity rate hike in California history, the question is why didn't they do it last fall when the utilities were pleading for an increase?

The utilities might have been able to get by with a smaller rate increase, arrange what now would be cheap long-term contracts to buy power and do whatever else was needed to save themselves from financial ruin. -*Ed Mendel, SD Union*