# Restructuring in the Rearview Mirror – a 10-Year Retrospective of California's Doomed Experiment with Electric Deregulation.
# Courtroom 22 Coverage of the PG&E Bankruptcy

## Late April 2001 Roundup

### Did PG&E Bankruptcy Drive Prices Higher? Davis Claim in Doubt

When California Governor Gray Davis alleged that power prices paid by the state rose nearly 60 percent following Pacific Gas & Electric's bankruptcy filing, the public had to take the claim at face value.

With the state refusing to provide information about purchases made by the Department of Water Resources, there is no way to independently test Davis' statement that generators and suppliers are charging a "credit penalty" that pushed the daily cost of power bought by DWR from $45 million to $73 million. Davis told legislators that in order for prices to go down, they need to approve his transmission sale deal with Southern California Edison to restore market confidence.

In the void left by the demise of the California Power Exchange, the only relevant source of information on state power purchases has been the California Independent System Operator, though it revealed only part of the story.

However, even that window of information has closed after a daily update of energy prices for power bought on Cal-ISO's imbalance energy markets and via emergency dispatch orders was silenced last week at the direct request of DWR. "We are discussing with the state the release of pricing and timing of release," said a Cal-ISO spokesperson this week.

A review of bilateral energy prices throughout the region indicates that the week of April 9-13 experienced a significant boost in prices at Mid-Columbia, the California/Oregon Border and NP15 hubs. Because of the transmission bottleneck caused by the outage of the DC Intertie, southern hub prices were substantially lower, however.

CALIFORNIA ENERGY MARKETS' Western Price Survey noted the rise last week, as did the Dow Jones Index prices for various Western hubs. This week, though, prices plummeted because the Intertie went back into service Sunday night, Northwest loads diminished, and market activity was light to nonexistent while many utility schedulers were in Reno for a meeting of the Pacific Northwest Power Pool group.

To some power traders, this suggested that other factors were more influential than PG&E's filing and that last week's price hikes were not specifically directed at DWR. Gary Ackerman, executive director of the Western Power Trading Forum, pointed to the continuing problems of drought in the Pacific Northwest setting last week's high prices. "If anything, I think the generators and marketers would take solace in the fact that bankruptcy brings order to an otherwise volatile situation," Ackerman said.

Others also doubted a cause-and-effect linkage, citing Cal-ISO's Stage Two alert early last week and the continued outages by independent producers.

"PG&E's bankruptcy had nothing to do with the prices," a Southwestern utility power scheduler told CEM. "The credit problem has been the same whether the utility is in bankruptcy or teetering on the edge" **[Arthur O'Donnell]**

**Calling All Creditors**

Pacific Gas & Electric will soon begin publishing legal notices to tell all and sundry creditors of their rights to submit claims under Chapter 11 bankruptcy rules, and it will hold a June 7 creditors' meeting in San Francisco to go over claims procedures and other questions. In addition, the utility's attorneys must devise a "special notice list" for active parties in the case, such as major creditors, banks, agents and regulatory agencies. Others may sign up for inclusion on the special list but must contact both the court and PG&E's attorneys to do so.

The notification list could become quite long, and the meeting may have to be relocated to Alcatraz. PG&E documents released this week indicate as many as 10,000 separate creditors may be owed money by the utility. To help process what is expected to be an extremely heavy log of claims, the court authorized PG&E to hire Robert Berger & Associates as its claims processing and notice agent. Also, the company was told to establish an independent Web site to carry filings, motions and notices as a supplement to the court's site (www.canb.uscourts.gov/).

These were the major elements of a case management order issued by Judge Thomas Carlson of the US Bankruptcy Court on April 23.

The case will see a more regular schedule beginning in May, with "omnibus" hearings at least one day per week at which all motions will be addressed. "It shall be the responsibility of the party seeking a hearing on one of these omnibus hearing dates to serve and file papers sufficiently in advance" and to provide notice to all parties of interest according to court rules, stated the order.

The ruling established September 5 as the "claims bar date" for all creditors except governmental agencies, which have an October 3 deadline.

The utility filed a cash-flow forecast this week, stating it has enough cash on hand for the next six months of operations, including payments to qualifying facilities and the state Department of Water Resources. However, the forecast rests on what PG&E called a "critical assumption," that DWR is buying all of the utility's "net short" energy needs and the California Independent System Operator "is no longer attempting to charge PG&E with any costs beyond those attributable to PG&E's own resources." Despite clarification of an order on utility creditworthiness by the Federal Energy Regulatory Commission this month, the issue of utility liability for emergency power purchases not backed by DWR remains unresolved.

PG&E chief executive officer Bob Glynn said the utility cannot complete a proposed reorganization plan until it knows how much it will be billed by Cal-ISO. Glynn has stated he thinks the reorganization process could be worked out within six months, but that it would be a tremendous effort to reach stipulation with all the parties involved. Right now the utility is shooting to have a draft plan to the court by July 5.

PG&E this week asked the court for permission to continue spending money collected through rates for energy-efficiency and public-purpose programs. The utility administers about $153.5 million per year worth of efficiency and low-income-support programs approved by the California Public Utilities Commission.

It currently owes $37.2 million for consumer rebates and to contractors who have done residential efficiency upgrades under the programs, and PG&E said that another $11 million worth of work has been completed but not invoiced. In addition, some $78 million of utility rate collections flow through the California Energy Commission's research and development and renewable energy support programs.

May 14 will be the day for an important showdown between PG&E and the CPUC on the court's jurisdiction over recent regulatory orders affecting PG&E's recovery of energy costs and accounting issues **[Arthur O'Donnell].**

*These articles originally appeared in California Energy Markets, April 20-27, 2001*