THE SACRAMENTO BEE sacbee.com

The Oh Decade: Hangover from energy mess is still on our power bills

Special to The Bee

Published Friday, Jan. 01, 2010

With each monthly utility bill I mail, I breathe thanks for the heat, light and power that the payment represents. Then I submit a silent curse for the mistakes, malfeasance and manipulations that we're still paying for, nearly a decade after the California power crisis began.

I am a Pacific Gas and Electric customer and have been for 26 years now. I don't have any particular animosity against huge, corporate utilities. And I recognize PG&E as an industry leader in terms of contracting for renewable energy and campaigning for federal climate change legislation.

But I just cannot forgive the utility and its regulators for saddling me with an ongoing consumer liability that I cannot completely calculate but see itemized on each monthly bill.

Over the years, these charges have been designated by different names and multiple acronyms: Transition Trust Account (TTA), Energy Surcharge (ES), Regulatory Asset recapture (RA), Energy Cost Recovery Amount (ECRA), and DWR Bond Charges. Don't forget the Ongoing Competition Transition Charge (CTC) that just won't seem to go away, even though the transition to electric industry competition was waylaid and abandoned long ago.

One utility tariff sheet I recently found describes the CTC as "without termination." That's the great irony of the power crisis. It all began with a promise that retail electric competition would result in lower costs.

When they passed the utility restructuring bill, California lawmakers offered consumers a down payment on those promised savings, in the form of a 10 percent discount on electric charges.

That discount, to be applied over four years from the start of the new market, was admittedly a shell game. It was financed by $9.6 billion in rate reduction bonds that California's regulated utility customers would repay with interest over the next 10 years. That was the origin of the TTA charge.

Projected energy cost savings from competitive markets also provided the three big investorowned utilities billions of dollars in reimbursement for their "stranded investments" in power plants, facilities and contracts that ratepayers had previously funded through regulated rates but which were all made part of the CTC.

The utilities even collected big premiums by selling old, nearly obsolete power plants to their new competitors. They happily took the money to build global power empires and launch unregulated enterprises – most of which collapsed in failure along with the competitive market.

For a couple of years, however, the whole deregulation scheme seemed to work. Then power supplies got tight, fuel prices rose and marketers got greedy. Electricity skyrocketed beginning in May 2000 and continued to do so well into 2001.

The utilities danced on the edge of insolvency, and PG&E eventually jumped into bankruptcy court.

The still-young Independent System Operator struggled to keep the lights on, and the Power Exchange fell into chaos.

The ill-prepared Department of Water Resources was pressed into buying power from whoever would sell, at whatever price. In its first six months as emergency power buyer, DWR spent more than $19 billion. The money initially was borrowed from the state treasury, then partly financed with $10 billion in debt. Hence, the DWR bond charge appeared.

And we got stuck with the bill for it all. First, there was an Energy Surcharge (ES) of a penny per kilowatt-hour that all but wiped out that legislated 10 percent discount; additional surcharges rose to as much as a nickel per KWh on household energy use over what is called the "baseline."

Soon followed the Regulatory Asset, which was established by regulators to bail PG&E out of its bankruptcy case. This eventually morphed into the ECRA, which continues to be collected monthly.

Consumers had to read extremely fine print on their bills to follow all the changes to their charges.

In late 2004, the rate discount and surcharges disappeared as line items from the monthly bill, but the costs' impact was subsumed in other fees.

From 2002 through 2005, the costs of paying for the crisis amounted to about 20 percent of my total power bill.

In subsequent years, the crisis charges seemed to abate somewhat, reflecting DWR purchases, lawsuits, contract modifications and about $6.6 billion in federally ordered refunds from power sellers – although Enron stiffed us on its $1.5 billion settlement when its assets evaporated in bankruptcy.

The year 2007 appeared to be a turning point. The recurring CTC plummeted to just pennies per month on my bill, and the TTA charges disappeared by the end of the year as the rate reduction bonds were finally retired. Even the prices that DWR charged for power dropped significantly.

In all, the monthly crisis costs fell to less than 10 percent of my electric bill.

Then, for reasons I cannot discern in 2008 and 2009, the CTC jumped to over $3 per month on my average electric use. Combined with the DWR bonds and ECRA charges, the portion of my power bill devoted to paying down the crisis has returned to over 13.5 percent, as of my latest payment.

No one can tell me when it will end.

There is no place on utility or regulatory Web sites that offers an estimate of how much we have paid, or will pay into the future. From multiple reports and documents, I know that the combined DWR revenue requirement from 2001 through 2010 has been more than $50 billion for the three regulated utilities. The contracts signed in the heat of the crisis are supposed to revert to the utilities starting in 2010, and will mostly expire between 2011 and 2015.

Their residual costs soon will be buried among other generation expenses, or perhaps in the ongoing CTC.

But I also discovered that there remains a $9 billion principal debt and $1.5 billion interest liability from the bonds that DWR issued to pay for its initial power purchases. These bonds are being paid down at a rate of about $800 million per year through the year 2022 – or about $2 per month on my bill.

So, 2022 – some 20 years later – is about the time I expect the last of the costs associated with the California power crisis will finally disappear.

Arthur O'Donnell is executive director of the Center for Resource Solutions, a San Francisco-based environmental organization. During the power crisis he was an independent energy reporter and author of "Soul of the Grid: A Cultural Biography of the California Independent System Operator."