California's Dark Days Lie Ahead
By Mark Boslet and Scott Harris

When a blackout struck Silicon Valley in January, Srekanth Ravi thought his company was prepared. It wasn't. The backup battery that the SonicWall CEO considered "pretty hefty" failed, taking the Internet security company's Web site with it, along with a bank of 500 computers. All told, the company was offline for three vital hours. The disruption taught Ravi a lesson. He now plans to spend $150,000 on a diesel generator and new batteries. Good thing; the worst of the Golden State's chronic power shortage may be yet to come.

Get ready for a summer perfumed by diesel smoke in California and dead salmon in the Pacific Northwest. Man and nature are conspiring in a debacle that could idle factories and short-circuit e-commerce as daily blackouts become a real threat. With a dry winter in the hydroelectricity-producing northwest, power plants well past their prime and a spike in natural-gas prices, electricity supplies could run perilously low as millions of Californians flip on their air conditioners come June. Add to the mix a wholesale power market made dysfunctional by mishandled deregulation, and the electrons are aligned for a summer of misery that could reach up the West Coast to the Canadian border and beyond.

But many California companies remain in denial. The same appears true elsewhere in the U.S.: New York and some New England states teeter only a power surge away from summer shortages and higher prices. Across the country, a scarcity of natural gas has sent prices skyward, hurting credit-strapped utilities in California and prompting New York Sen. Charles Schumer to draft legislation seeking relief from spiraling heating costs.

Meanwhile, 11 Western states linked to California's power grid wait in limbo, wondering just how much of the crisis will spill over to them. Already, the Pacific Northwest has had to drain precious hydropower reservoirs to help California cope with four weeks of near blackout conditions this winter, threatening the viability of its salmon runs. Dick Watson, an analyst for the Northwest Power Planning Council, summed up the summer outlook in two words: "It sucks."

California's Independent System Operator, the agency that manages three-quarters of California's electricity market, estimates the 2001 summertime power shortfall could reach 4,100 megawatts - enough to power 4.1 million homes - should temperatures be hotter than normal. But that forecast hasn't been updated since Nov. 30 - before the dry winter. Doug Larson, executive director of the Western Interstate Power Board, says an ISO staffer recently told him that the projected deficit could be as high as 6,800 megawatts. An ISO spokeswoman declined to comment.

California Gov. Gray Davis has embraced the state energy commission's more optimistic view that an aggressive campaign of power-plant construction, conservation and a relaxation of
pollution standards will achieve a cushion of more than 3,000 megawatts by July 1. At a press conference staged at a power-plant construction site near Sacramento last week, Davis declared, "The time has come to take control of our own energy destiny."

That may be California dreaming. The Golden State desperately needs electricity from out-of-state generators to survive the summer. Projections from Pacific Northwest power producers aren't encouraging. The Bonneville Power Administration, which manages 29 hydroelectric dams in Idaho, Montana, Oregon and Washington, typically ships more than 1,000 megawatts of power to California on hot days. But with dramatically lower rainfall and snowpack this year, reservoirs are so depleted that the Northwest Power Planning Council projects a one-third drop in hydroelectric production in the spring and summer. If that happens, the Northwest may have to compete with California for power from gas-fired plants, further driving up the price of natural gas nationwide. "It's hard to imagine we'll have much to sell," says Bonneville spokesman Ed Mosey.

Recognizing the mounting crisis, the governors of Idaho, Montana, Oregon and Washington are trying to keep power generated in the Northwest from being sent to California. Utah also plans to curtail its exports to the state. "Obviously, this is a problem that has not matured yet," says Utah Gov. Mike Leavitt. "We're only dealing with the early stages of the dilemma."

The economic fallout of continual blackouts in the world's sixth-largest economy could be devastating. Federal Reserve Chairman Alan Greenspan warned last month that prolonged energy troubles could jeopardize the nation's economic health. Two days of blackouts in January alone cost California businesses $1.9 billion in lost productivity, according to the Electric Power Research Institute, an energy industry group. Washington Gov. Gary Locke complains that soaring energy prices have forced businesses and schools in Washington to lay off workers while transferring $1.5 billion in wealth to power generators.

Even minor outages will hobble production, and catastrophic blackouts would ripple throughout the nation's economy. Sunnyvale, Calif.-based SonicWall, for example, provides Internet security to more than 117,000 computer systems that serve businesses, doctors, lawyers, schools and libraries nationwide. Engineers patch the system against a daily assault of viruses, hacks and other attacks. "If our site can't be modified because our systems are down, it's only as good as yesterday's hacks," says CEO Ravi.

Hundreds of companies would find themselves in similar straits. "It is entirely possible to drive the economy off a cliff by not dealing with this problem," warns Severin Borenstein, director of the University of California at Berkeley Energy Institute. "Right now, the summer is looking very, very bad."

Despite that prognosis, many executives are taking a "what, me worry?" stance, at least publicly. Some California companies appear to be shrugging off the dire forecasts, suggesting backup generators will suffice. "It's not material for us, as far as our results are concerned," says a Hewlett-Packard spokesman, echoing a view held by others.
That may be so much whistling in the dark. Execs relying on diesel generators to get them through extended blackouts may be in for a rude surprise. In the San Francisco Bay Area, for instance, regulators limit the operation of larger diesel generators to 200 hours or less a year, depending on the amount of pollution produced. The specter of the Bay Area's 3,000 diesel generators blanketing the region in a sooty, carcinogenic haze already has environmental officials "extremely concerned" about the energy crisis' toll on human health. "High temperatures in the summer will put a drain on the power grid at precisely the time we have high smog levels," says Will Taylor, a spokesman for the Bay Area Air Quality Management District.

Carl Guardino, president of the Silicon Valley Manufacturing Group, thinks CEOs are loath to alarm investors and shareholders, but privately see a major crisis. They have good reason to be worried. Fifty-five percent of California's power plants are more than 30 years old. As plants age, unexpected breakdowns occur, especially when the facilities are pushed to keep up with demand, as many have been lately.

What's to be done? Some experts say extensive blackouts could be averted this summer through a program of aggressive conservation and higher electric prices to dampen consumption. Most of that hardship will fall on businesses, which account for 57 percent of the demand for electricity. Davis has threatened to fine companies $1,000 a day if they fail to curb outdoor lighting. Even so, the ambitious conservation programs called for by Davis may be difficult to achieve by the start of the summer.

Behind the state's power imbalance is a decade in which California built no new power plants. During that time, summer electrical demand grew 2.3 percent annually, spurred by a high-tech boom. Summertime electricity usage in Silicon Valley soared 32 percent from 1994 to 2000 and will grow an additional 5 percent this year. Although new power plants are due to come online, the additions could prove too little too late.

That's because companies such as ONI Systems need the power now. The Silicon Valley optical networking firm is planning its next expansion in North Carolina in part because of the energy crisis. "It's definitely the proverbial straw that broke the camel's back," CEO Hugh Martin says.

Ravi, meanwhile, is grateful that SonicWall recently acquired a Salt Lake City company. "We'll be regionalizing at a much faster pace."

It still seems a little surreal, Ravi says, that Silicon Valley, of all places, would find itself in such a predicament. Back in his hometown of Hyderabad, India, Ravi notes, the power is shut down for two hours each day, like clockwork. Given all the uncertainty in California, he says, Hyderabad's underpowered grid seems oddly reliable.

(magazine) Down on the Server Farm
A Cure for the Blackout Blues


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Auto supplier Internet to add "energy surcharge"

TROY, Mich., Feb 12 (Reuters) - Automotive supplier Internet Corp. (NasdaqNM:INMT - news) said on Monday it will raise prices on all products shipped in North America to offset a recent surge in natural gas prices.

The Troy, Mich.-based manufacturer of cast-metal automotive products said its energy costs have doubled to about 6.8 percent currently from 3.4 percent of sales in January 2000.

Internet said its customers should pass on the costs of its so-called "energy surcharge" to consumers. "Unfortunately the consumers who buy our customers' vehicles ultimately must bear these extraordinary energy costs," said Michael Ryan, Internet's executive vice president of operations. "Internet expects to begin discussions soon with its customers to develop a formula for fair energy-cost 'pass-throughs' that will be based on mutually acceptable market indexs," he added.

The surcharge is expected to be calculated based on the average monthly New York Mercantile Exchange settlement price and the monthly average of tonnage shipped from all Internet plants to each customer.
TheStandard.com
Down on the Server Farm
By Elinor Abreu

It's a chilly late-winter morning as Chris Hardin, global director of operations at Exodus, proudly shows off the company's Santa Clara, Calif., data center. One of about a dozen in the state and 40 worldwide owned by the Web hosting leader, the facility is built to withstand almost anything short of a thermonuclear explosion: The unmarked two-story concrete structure has bulletproof glass, Kevlar-enforced walls, hand-scan access devices, 300 security cameras and a floating seismic floor that will survive an earthquake up to 8.0 on the Richter scale.

Impregnable as it seems, the facility is still vulnerable to California's power crisis. Data centers, also known as server farms, require huge amounts of electricity to keep thousands of computers not only running, but also cooled to 68 degrees. Faced with soaring energy costs, some hosting companies are looking to relocate, while others are investing in their own power plants. And because energy represents 60 percent of a data center's costs, the energy crunch will likely affect the bottom line of Web hosting companies - with the costs eventually passed on to their already beleaguered Internet customers.

Data centers are clustered in Silicon Valley and the northern Virginia tech corridor near Washington, home of America Online. Once a matter of just leasing out server space, Web hosting has become more full-service, making it less vital that server farms be close to their customers. Thus, the business is migrating inland, freeing companies from high-cost locations on the coasts.

A typical server farm uses 10 to 20 megawatts of power per hour - roughly the equivalent of 10,000 to 20,000 homes with every light and appliance turned on, according to Jeff Monroe, VP of design and construction for Metromedia Fiber Network. "On a watts-per-square-foot perspective, data centers are one of the highest energy users in any industry," Monroe adds. "Chip factories, automobile plants all have idle times."

Server farm companies say they can withstand outages because they have built redundant systems and added backup diesel generators. Exodus, for instance, guarantees its customers the standard 99.9 percent network availability. But that guarantee comes with potential hidden charges: Though typical Web hosting contracts run for one to three years, they allow the host to raise or lower prices as market conditions change.

The Santa Clara server farm's electricity comes from municipal utility Silicon Valley Power - which gets only 5 percent of its electricity from the troubled Pacific Gas & Electric and has been spared the rate hikes that have crippled PG&E and Southern California Edison. Nevertheless, Exodus is concerned enough that it's considering building its own natural-gas-run power plant near the Santa Clara facility. Other companies are also looking for their own backups. U.S. DataPort is awaiting permits to build natural-gas-fired plants in Virginia, New York and San Jose, Calif. The Virginia server farm, scheduled to open in early 2002, will cost $1.4 billion to build, including $300 million for the generating plant. And some companies will just go where
the juice is cheap. "If there isn't the infrastructure there to support" data centers, says Monroe, "at some point you've got to put them in other cities."

There's always Utah: With its 40 percent excess generating capacity and the lowest power rates in the country, the Beehive State is starting to look mighty appealing.

(magazine) A Cure for the Blackout Blues
The Hot Money Goes to Energy
Steam heat insulates client's budgets
Downtown firms grateful for system's stable costs.
By John Fritze
Indianapolis Star
February 12, 2001
Like millions of customers nationwide, Emily Wren has watched heating bills soar this winter. It hit her at home, a fact she is resigned to. But when she thinks about what higher natural gas costs could mean to her workplace, she shudders -- with relief. At Indiana University-Purdue University Indianapolis, where Wren is assistant vice chancellor of facilities, officials are able to keep thermostats up this winter without breaking the bank. The secret? The city's 108-year-old steam heating system. More than 200 Downtown businesses, including IUPUI, are saving thousands of dollars this winter by tapping into the city's steam generation plant on Kentucky Avenue, across from Victory Field. It's a big operation -- businesses bought 7.4 billion pounds of steam last year from the expansive system, second in scope only to New York City's. "It's one of the best-kept secrets of the city," said David Toombs, general manager of Citizens Thermal Energy, owner of the plant. Citizens Thermal is part of Citizens Gas & Coke Utility, which bought the plant and an adjacent chilled-water facility, used to provide air conditioning to Downtown buildings, from Indianapolis Power & Light for $162 million last year. "We're really kind of proud of it, especially with the price of everything else going so high," Toombs said. The plant, built in 1893 for $300,000, originally was used to generate electricity for about 1,000 lights. Steam was used to turn the turbines but was a peripheral product. Now the roles are reversed. Steam is the focus, and it is pumped through 24 miles of underground pipes to businesses such as Eli Lilly and Co. and IUPUI, where it's used to heat, humidify and sterilize -- cheaply. "I have personal heating bills that have gone up, but thank God I haven't seen the same increase at the university," said Wren. "That would have been devastating."

The stable cost of steam has meant savings of thousands of dollars this year. A business that pays $63,000 a year for steam would pay more than $70,000 for natural gas, Citizens officials estimated. At the City-Council Building and the Marion County Lockup, where the steam heating bill is expected to be $260,000 this year, the difference is even greater. But homeowners whose bills have spiked aren't likely to find relief in steam. Even if they wanted to make the switch, they probably couldn't. The piping required for steam heat costs from $300 to $700 a foot to install, making the move practical only for large users. That wasn't always the case. In the early 1960s, more than 600 homes in the city used steam heat, according to Electrifying Indianapolis, a history of the Indianapolis Power & Light Co. Many of those homes since have been replaced. The Indianapolis steam system has grown faster than those in Detroit, Chicago and Baltimore primarily because of large, industrial users such as Lilly and IUPUI, which require steam in both winter and summer for sterilization and instant hot water. During the winter, the plant produces roughly 1 million pounds of steam an hour by burning coke oven gas, coal or natural gas. It distributes about the same amount from the city's resource recovery plant -- the trash-burning facility -- on the Southside. The steam is created after water is drawn from the White River and passed through pipes that line the walls of the boilers. As the inferno burns, the water boils and the steam is collected and passed through the boiler again to heat it to 750 degrees.
"It's been very dependable," said Terry Musen, general manager for the 48-floor Bank One tower, which has an average winter heating bill of $30,000 a month. But steam is not without a downside. Its acidity can wear down equipment, and condensation can be a problem. A leak in a pipe can cause a dip in pressure for a lot of customers. "When you have a system that goes back that many years, it's obviously going to require a fair amount of maintenance," said Bill Beck, president of Lakeside Writers' Group, which tracks the history of companies Another shortcoming of the system is that coal is burned to create the steam. Environmentalists generally favor natural gas because it burns cleaner. But with no end in sight to the rising cost of gas, don't look for companies to switch off steam anytime soon, said Jamie Dillard, assistant general manager and a 24-year veteran at the steam plant. "With natural gas so high, we're very competitive," he said. "If gas prices don't come back down to within their historical numbers, we'll be in good shape."
NEW YORK (Reuters) - With a wary eye on rolling blackouts in power-starved California, ice cream maker Ben & Jerry's Homemade Inc. cannot take a chance on losing electricity -- and millions of dollars of sweet inventory -- at its frozen-food distribution warehouse.

The Burlington, Vt.-based unit of Anglo-Dutch consumer products giant Unilever Plc/NV (UNc.AS) for years has protected itself with an insurance policy against electricity outages in an effort to avoid a nightmare scenario in which its Cherry Garcia ice cream mingles with flavors like Chunky Monkey.

Ben & Jerry's is not alone. Insurance and risk-management executives said big corporations are increasingly turning to their companies to hedge against the financial damage of power price increases, extreme weather and blackouts. "Before California, no one was thinking about hedging their risks," said Allan Roopan, vice president of the financial products division of Chubb Financial Solutions, a Chubb Corp. (NYSE:CB - news) unit that offers power hedging and insurance programs. Such hedging has since become more attractive, Roopan told Reuters, with most interest coming from the energy brokerage market.

The California power crisis, with skyrocketing electricity prices and rolling blackouts, is believed to have cost businesses in the state millions, and perhaps billions, of dollars and has taken the two largest utilities there to the edge of bankruptcy. In the rest of the country, power producers, traders and consumers are considering how to protect themselves from a California-type situation, Roopan said. Electricity supplies in New York City are expected to be tight this summer, when power demand for air conditioning peaks. And companies in New York and New England have been showing more interest in protecting themselves from high power prices and losses due to power shortages, Roopan said.

Chubb's insurance programs are tailored to meet the needs of the customer, he said, whether it is a large ice-cream manufacturer afraid of losing inventory or a squeezed power producer forced to buy high-priced power to meet customer needs.

"We're in a position to customize solutions, (with payouts) based on how much revenue is lost," Roopan said. Although interest is rising, officials say the market for outage insurance remains relatively thin. Robert Hartwig, chief economist of the New York-based Insurance Information Institute, said one in four companies buys business interruption insurance, while even fewer get utility coverage. "Most businesses can withstand being down (without power) for an hour or two without any loss of income," Hartwig said, but "if you do deal in perishable commodities, you definitely need this coverage." In light of California and a general movement toward power deregulation in the United States, "the risks are now huge," said Aquila Energy Corp. spokesman Al Butkus. The UtiliCorp United Inc. (NYSE:UCU - news) subsidiary offers hedging programs,
primarily to utilities but also to large power users like aluminum smelters, which pay about half of their material costs in power bills. "(The programs) are sort of like insurance," Butkus said. "Insurance companies pay off in dollars. We don't -- we provide the (natural) gas or the juice in exchange for a premium."

FirstEnergy Corp. (NYSE: FE - news), which operates four utilities sending power to 2.2 million customers in Ohio and Pennsylvania, has bought outage insurance within the last two years after power marketers failed to deliver enough power on hot summer days. The company has since canceled the coverage, after it built new power generation that should make up the shortfall. "It is something we have used to further hedge against risk," a FirstEnergy spokeswoman said, "and it is still an option that is open to us, although we don't feel we need it anymore."
FRESNO, Calif. (AP) - With Valentine's Day just around the corner, California flower growers are heartbroken about sharply higher natural gas prices that have forced many to cut production.

Valentine's Day is the second-biggest day of the year, behind Mother's Day, for California's $366 million cut-flower industry.

"In November, when we began planting for Valentine's Day, my gas bill for this place was about $16,000. Our normal bill is only about $5,000," said Carlos Ortega, owner of Aebi Nursery in Richmond. "We had to cut our gas usage and run our greenhouses cold. We were not able to set up any significant Valentine's production." Ortega normally ships about 10,000 dozen roses for the week leading up to the holiday. This year, because he was unable to heat his flower beds, he expects to sell just a couple of thousand dozen for that week. He was also forced to lay off four of his 11 employees.

But when Valentine's Day arrives Wednesday, sweethearts will not need to worry about running low on flowers or paying a lot more for them, said Rich Matteis of the California State Floral Association. California's growers supply only 18 percent of the nation's cut flowers. Most come from Ecuador, Colombia and other Latin American countries, where production costs are much lower.
CHRONOLOGY - California power crisis

SAN FRANCISCO, Feb 8 (Reuters) - Here are the key events in California's power crisis, which has its origins in a landmark 1996 law that deregulated the state's power markets.

The law prohibited utilities from passing through all increases in wholesale power costs until spring 2002, and barred them from negotiating long-term supply contracts.

March 31, 1998 - California opens its electricity markets to competition after a delay due to computer glitches.

July 1999 - Customers of Sempra Energy (NYSE:SRE - news) unit San Diego Gas and Electric become the first in the nation to pay free market prices without a safety net after price freeze lifted. Rates remain frozen for customers of the state's two other investor-owned utilities, PG&E Corp. (NYSE:PCG - news) unit Pacific Gas and Electric and Edison International (NYSE:EIX - news) subsidiary Southern California Edison (SoCal Edison).

Late spring 2000 - Wholesale power prices start to soar as supplies struggle to keep pace with surging demand linked to a buoyant economy.

June 2000 - San Diego customers get a harsh free market lesson when higher wholesale power prices triple their rates.

June 14 - A localized series of blackouts is ordered in the San Francisco Bay Area due to a power shortage. California lurches through a series of power emergencies during the summer amid soaring demand for air conditioning during heat waves.

Sept. 6 - Calif. Gov. Gray Davis signs into law a rate cap for San Diego Gas and Electric customers after public outcry.

Nov. 17 - SoCal Edison files with state regulators to raise customers rates by 9.9 percent, effective January 1, 2001, to help recover billions of dollars in uncollected power costs.

Nov. 22 - PG&E files to raise rates by 16.5 percent, effective January 1, 2001.

Nov. 29 - Consumers file a $1 billion class action lawsuit accusing 14 energy companies of manipulating prices.

Dec. 4 - California utilities ask consumers to refrain from turning on Christmas lights until after 8 p.m. to save power.

Dec. 7 - The California Independent System Operator (ISO), which operates most of the state's power grid, issues its first ever highest-level Stage Three alert, but rolling blackouts across the state are narrowly averted after the federal government takes emergency action to boost power supplies.

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Dec. 13 - The Clinton administration takes rare action of invoking emergency powers to prevent blackouts in California after a dozen power generators refuse to sell electricity to state utilities due to concerns about credit worthiness.

Dec. 15 - The Federal Energy Regulatory Commission (FERC) orders California utilities to begin negotiating long-term contracts of up to 20 years instead of relying on volatile spot market and rejects calls for a regional wholesale price cap.

Dec. 27 - U.S. natural gas futures hit a record high $10.10 per million Btu, about four times above year-ago prices.

Dec. 28 - Green party leader Ralph Nader says the state's financially strapped utilities should be allowed to fail.

Jan. 4, 2001 - The California Public Utility Commission (PUC) orders independent audits of PG&E and SoCal Edison and approves an average 10 percent increase in retail rates. But action seen as too little, too late on Wall Street.

Jan. 5 - Moody's Investors Service and Standard & Poor's downgrade PG&E and SoCal Edison credit ratings to one level above junk bond ratings. Fitch cuts ratings even lower.

Also, the state treasurer proposes long-term plan to create a new state authority able to issue up to $10 billion in bonds to help utilities build power plants and transmission lines.

Meanwhile, U.S. Energy Secretary Bill Richardson extends through Jan. 10 emergency order mandating that power generators and marketers sell power to California to prevent blackouts.

Jan. 5 - SoCal Edison says it will cut 1,450 jobs, or 13 percent of its workforce, over the next few months, bringing to 1,850 the total number of job cuts for the company since the California power crisis began.

Jan. 8 - In his State of the State address, Gov. Davis calls the state's electricity deregulation a "colossal and dangerous failure". He vows to save the state's two biggest utilities from bankruptcy, proposing a new California power authority and a crackdown on price-gougers.

Jan. 9 - Davis flies to Washington to press his plan with utility executives, federal regulators and the Clinton administration's top economic officials. Washington calls the meeting to prevent reverberations throughout the U.S. economy from California's severe power shortage. PG&E and SoCal Edison have run up some $12 billion in power costs in recent months.

After the meeting, a vaguely-worded statement is issued for ways to solve the crisis, including helping utilities negotiate long-term contracts to buy electricity.

Jan. 10 - PG&E asks Gov. Davis for help to buy natural gas for customers, saying it does not have enough cash coming in to pay its bills. Meanwhile, FERC Chairman James Hoecker, a
- Democrat, announces his resignation, effective January 18.

Jan. 11 - The California ISO says up to two million residents will lose power in an unprecedented series of rolling blackouts, but the state is rescued by emergency help from Canada and the Pacific Northwest.

Jan. 12 - The governors of California, Oregon and Washington urge federal energy officials to impose "effective price controls" to stabilize the western states' chaotic wholesale power market.

Jan. 16 - California declares a statewide Stage Three alert for the third time, citing a severe power shortage, but averts rolling blackouts. Meanwhile, SoCal Edison says it cannot pay some $596 million it owes creditors. The state's top two utilities see their credit ratings cut to low junk status by leading rating agencies, putting them in default of bank loans and credit lines and moving them closer to bankruptcy.

Jan. 17 - Rolling blackouts are ordered statewide for the first time ever in a desperate bid to avoid overloading the state's power grid. Also PG&E says it defaults on $76 million of commercial paper, the second California utility to default.

Jan. 18 - A fresh wave of blackouts hit parts of northern and central California for a second straight day. Some two million Californians have experienced rolling blackouts.

Jan. 19 - President Bill Clinton declares a natural gas supply emergency in California and orders out-of-state suppliers to continue selling gas to PG&E after the utility says several energy firms refuse to sell it gas on credit because of fears they will not be paid.

Also, Republican Curtis Hebert is appointed by President George W. Bush to head the FERC.

Jan. 23 - The Bush administration extends emergency orders forcing out-of-state companies to supply electricity and natural gas to California utilities through Feb. 6, but warns there will be no further extensions. The emergency orders were extended several times by the outgoing Clinton administration.

Jan. 24 - California concludes the state's first-ever electricity "auction." Weighted average of bids is 6.9 cents per kilowatt hours (kWh), or $69 per megawatt hour (MWh).

Jan. 25 - U.S. Federal Reserve Chairman Alan Greenspan says the California energy crisis could undermine economic growth and affect the rest of the economy if not urgently addressed.

Jan. 28 - President George W. Bush says it is up to the state to dig itself out of a self-inflicted hole.

Jan. 29 - Officials say California has already burned through its $400 million energy emergency fund in less than two weeks, forcing the state to begin scrounging for more public money to keep the electricity flowing.
Jan 29 - The California PUC releases results of audit into SoCal Edison that reveals a company hemorrhaging red ink and deep in debt -- but one which, until recently, still managed to disburse billions of dollars in dividends to shareholders.

Jan 30 - PG&E audit reveals that officers were slow to recognize signs pointing toward the energy crisis and did not act to develop steps to conserve cash until only last month.

Feb. 2. Gov. Davis signs a bill to allow the state to sign long-term energy contracts with suppliers and sell up to $10 billion of bonds to buy power.

Feb. 8. - The state treasurer proposes buying the transmission lines from California's two nearly bankrupt utilities. Lawmakers have also mulled taking over the utilities' hydroelectric plants or having the state issue bonds to ease their debt in return for stock warrants.

Also, Gov. Davis orders an expedited approval process for new power plant construction, saying it would help bring 20,000 megawatts of new generation on line by July 2004. He also eased emissions controls on older plants.

Meanwhile, California faces a Stage Three emergency for the 24th consecutive day.
Natural gas customers in Florida will soon be paying an average of $9 more per month. State regulators gave eight natural gas companies the green light to increase rates. Florida's gas companies had a rate increase in December. However, prices have reportedly skyrocketed because of demand during the colder than normal winter.

The latest increase will last through the end of the year. Many electric plants use natural gas. There's no word yet if this will mean that some electric companies will be asking to pass along higher fuel costs to their customers. Florida law allows companies to pass fuel costs directly to consumers without any markup.
By JOHN McELHENNY, Associated Press Writer

BOSTON (AP) - New England will not have enough natural gas to heat homes and generate electricity if more pipelines aren't built before winter 2003, according to a new report.

The region is unlikely to suffer California-style electric outages, the report said, but private companies need to spend hundreds of millions of dollars on new pipelines or else the construction of new power plants that use natural gas will be wasted.

The report was written by the engineering consulting firm Levitan & Associates and was prepared for ISO New England, the independent company that oversees the region's electricity grid.

Most of the region's power plants now rely on nuclear power, coal or oil to produce electricity, but natural gas is rapidly gaining. In 1999, it was used to generate 16 percent of the region's electricity, but by 2005, natural gas will be used to generate 45 percent of the electricity, according to the report.

But the region's existing network of pipelines won't be able to transmit that much natural gas, especially from November to March, when gas is used to produce electricity and to heat people's homes.

"We simply don't have the capacity, starting in 2003 - and it gets worse after that - to keep the plants on line during the peak days of winter," said Stephen G. Whitley, vice president of ISO New England.

New England gets its natural gas through five interstate pipelines that transmit gas from the Gulf Coast of Louisiana and Texas, from western Canada, and from Sable Island, off the coast of Nova Scotia.

Tankers also bring liquefied natural gas from Trinidad into Everett, north of Boston.

About 2,200 miles of natural gas pipelines already exist in New England, but Richard Levitan, president of Levitan & Associates, said another 50 or 100 miles will be needed by 2005 to carry enough natural gas to satisfy regional demand.

Across New England, about 20 new power plants are proposed or under construction, with nearly all of them relying on gas, according to the Conservation Law Foundation.
The competition among those power plants - and the surplus power production potential - are the main reasons why New England won't undergo the same electrical power outages that have plagued California, energy officials said.

Without the gas pipelines, some New England power plants will also be able to burn oil to generate electricity, though Levitan said the pipelines would ensure that consumers wouldn't face "fantastic blowouts" in their electric bills.
Several residents in Starke have just received their electric bill in the mail and are shocked to find out that it has tripled. Some resident's gas bills reached into the thousands. The city says that the gas companies themselves are to blame because they have to pay higher fuel costs. Officials say that the gas companies have increased their rates nearly five times. "The city of Starke has not increased its electric rates," Starke project director Ricky Thompson said. "What has increased is the natural gas cost and therefore we have to pass that on through a fuel adjustment or a cost adjustment."

"This can't be right. I couldn't believe it. It jumped up. It just seemed like it tripled," natural gas customer Melinda Johnson said. "What are you going to do?" Channel 4's Jennifer Waugh said. "Try to pay it. That's the only thing I can do unless I want to be in the dark," Johnson said. The city says customers have used much more gas than usual because of the cold temperatures, and that's why electric bills have increased across the board.
WASHINGTON (Reuters) - Consumer spending kept rising in December, but it was driven largely by costlier services as Americans paid more for electricity and natural gas while they cut purchases of expensive goods like new cars, a Commerce Department report on Thursday showed.

Spending rose 0.3 percent to $6.916 trillion, matching the increases posted in both October and November. Incomes gained by 0.4 percent to $8.46 trillion after rising 0.2 percent in November and dropping 0.2 percent in October. The spending and income figures topped Wall Street economists' forecasts for 0.2 percent gains each, but the only spending that increased was on services, up a sharp 0.9 percent on top of a 0.8 percent rise in November with significant increases for household services like utilities.

Spending on long-lasting durable goods tumbled 1.9 percent -- the sharpest monthly fall since a 2.5 percent drop in May 1999 -- after a 0.9 percent drop in November. Spending on nondurables like food was flat after a 0.1 percent November fall.

The U.S. Federal Reserve (news - web sites), in a statement on Wednesday announcing the second half-percentage-point cut in interest rates this month, expressed concern about eroding consumer and business confidence. Consumer spending is vital to economy's health, fueling about two-thirds of economic activity. There were hints that the job market was becoming less buoyant as 2000 ended, even before many companies, including automakers, began announcing large layoffs.

Commerce said goods-producing companies cut their payroll costs in December by about $8.2 billion after boosting them by $3.9 billion in November. Companies that provide services pushed up their payrolls by $9.9 billion following a $5 billion November increase while government wages and salaries were up $3.3 billion after a $100 million decline in November.

Separately, the Labor Department announced that weekly claims for unemployment benefits increased to 346,000 last week from 314,000 a week earlier. While that suggested some easing in tight labor markets conditions, the closely-watched four-week moving average of claims, considered a better barometer of labor market conditions, fell to 327,000 from the prior week's 335,500. On Friday, the Labor Department is scheduled to issue its report on January employment with Wall Street analysts predicting a rise in the national unemployment rate to 4.1 percent from 4 percent in December as job growth slows.
Blustery conditions returned to Minnesota Thursday, and most of the state can expect another round of plummeting temperatures and biting winds Friday. "This is one of the coldest nights of winter," WCCO 4 News forecaster Paul Douglas said. "Set the alarms early and give those vehicles some time to warm up Friday morning." The frigid conditions even caused a water main to break in Brooklyn Park. A wind chill advisory was issued Thursday for a large part of western Minnesota. Temperatures and wind chills remained stunningly cold over Thursday's lunch hour. Temperatures were at minus 2 degrees in downtown Minneapolis at noon, with wind chills on either side of minus 30.

Temperatures with below zero throughout the Twin Cities Thursday night. Glencoe was at minus 11 degrees by 10 p.m.

Wind chills in the state's northwest section remained in the 55-Below range. Metro area windchills were around minus 20 degrees in central Minnesota Thursday night.

In the Twin Cities, the wind tunnel known as Nicollet Mall was bitterly freezing, with the whipped-up cold air bringing tears to the eyes of the few pedestrians walking the mall.

The overnight low in downtown Minneapolis is expected to drop to minus-12 degrees Thursday. Temperatures in the outer-ring suburbs could hit 20 below. In outlying metro area cities, the temperature could even dip to 30 below.

"The good news is that the core of this air mass is narrow," Douglas said. "By 6 a.m., it should be directly over us. Then, it will retreat to the north."

This blast of cold doesn't only send a shiver through Minnesotans when they step outside, it also sends a shudder through their pocketbooks.

A day after Minnegasco said that a the warm January around the country should lower the cost of natural gas and send heating bills down by nearly $100 for the average customer, the cold added another burden for Minnesotans.

The cold snap should end by Saturday, when the high temperature is forecast to approach the freezing mark. There could also be light snow Saturday.

For the latest news and updates, stay tuned to WCCO 4 News.
Electric Heating Bills Not So
Shocking
Rates Stable This Year, Unlike Natural Gas

People who heat their homes with electric power, instead of gas or oil, have been spared the worst of this winter’s heating-bill sticker shock, News 4 reports.

Colder weather in December has dramatically increased bills for most folks, but those who heat with gas have been hit with a double whammy.

They’re using more gas because of much colder temperatures and paying more for each unit of that fuel. Piedmont Natural Gas customers have seen prices increase from about 79 cents per therm (the standard unit of natural gas) last winter to about $1.19 per therm this year.

Customers of other utilities have seen even higher increases

Electric customers have had it somewhat easier — prices are about the same per kilowatt hour as they were 10 years ago — six to seven cents.

News 4’s Tim Waller reports that people in the heating business are getting lots of calls from people who heat with gas, asking if there’s anything they can do to cut back on the amount of gas they use.

"It’s kind of out of our hands what the gas company charges," Thomas Steadman told News 4. "But we can check everything out and make sure it’s running properly. If it’s not working properly, you do have problems."

The main things Steadman finds are gas-pressure problems that cause burners to burn inefficiently and air leaks in ductwork that let heated air escape before it warms up the home.

Steadman can fix those problems, he said, but one thing he can’t fix is the unusually cold weather that has caused natural gas bills to double this winter.
Wednesday January 17 06:01 PM EST
Gas Prices Going Up
Home Heating Oil Costs To Rise Sharply

The cold winter is about to get colder for thousands of homeowners in New England.

Oil production in the Middle East is being reduced, and it will soon cost much more to heat your home and drive your car.

NewsCenter 5's Rhondella Richardson reports that the price of heating your home with gas is likely going up by 60 percent, and many don't have the cold cash to stay warm.

Consequently the fuel assistance office of the Action for Boston Community Development is a hotbed of activity.

"It's very scary. I don't want my heat shut off because I have a 13-year-old son," Lisa Torrence said.

In November, gas heat was priced at 68 cents a therm. The proposed rate hike for February will put it at $1.39 a thermal unit.

"These are unprecedented rises in gas cost," Michael Connors of Keyspan said. The price is especially high because gas companies have been undercharging until now, he said.

"By the time the new rates go into effect, presumably in February, we will have incurred an under-collection in the area of $170 million," Connor said.

The average gas bill of $1,000 last winter is expected to go to $1,600 this winter.

Oil customers also have reason for concern. OPEC announced Wednesday that it's cutting back production by 5 percent.

"That will translate into higher prices for heating oil, electricity and gasoline," Larry Chretian of Massachusetts Energy said.

Officials are hoping that we don't repeat what happened last spring, when gas prices at the pump approached $2 a gallon.

"If you are working and your income is $34,000 or $35,000 a year and you have four people in your household, you may qualify for benefits, so call," ABCD Vice President John Drew said.
The ABCD fuel assistance hotline is (617) 357-6012.

The gas price rate hike is blamed on the early cold snap this year and the increased demand for gas on the part of plants across the country which recently switched to gas from coal for environmental reasons.

Gas companies will be holding public hearings on the new rates. There's one at the Chelsea Senior Center Wednesday night.