factiva
Dow Jones & Reuters

Business News
Utilities
659 words
3 January 2003
The Oakland Tribune (CA)
English

resume power trading

State ends two-year run of electricity buying

By Daniel Taub

SAN FRANCISCO -- Pacific Gas & Electric, Southern California Edison and San Diego Gas & Electric have hired dozens of power traders and schedulers as they return to the wholesale power market after two years' absence.

California's Department of Water Resources this week completed its two-year stint as electricity buyer for the three largest publicly traded electric utilities in the state, a role it got when deregulation left the utilities paying billions more for power than they could collect from their customers.

The transition marks a step toward normalcy after the state's **energy** crisis in 2000 and 2001, when millions of Califor-

nians were affected by blackouts, analysts and utility officials said.

"Things may get stranger before they get better, but we are gradually returning to a normal world," said **Robert McCullough**, a **Portland**, Ore.-based utility consultant who has studied California's power crisis.

Both PG&E, a unit of PG&E Corp., and Southern California Edison, part of Edison International, had to post security deposits with the California Independent System Operator. The grid operator maintains an hourly power market.

The state's **energy** crisis forced PG&E into bankruptcy in April 2001; it remains under court protection. Southern California Edison had its credit rating cut to below investment grade.

San Diego Gas & Electric didn't have to make a deposit because it has investment-grade credit ratings, said ISO spokeswoman Lorie O'Donley.

The bankruptcy in March 2001 of California's day-ahead power exchange means the utilities are "going to be scheduling a lot more power" than they were two years ago, said Lad Lorenz, vice president of electric and gas procurement at San Diego Gas & Electric, a unit of Sempra **Energy**.

The three power companies will buy 10 percent to 15 percent of their power in the spot markets, said Oscar Hidalgo, spokesman for the water department.

The rest of their needs will be met from the utilities' plants, contracts with renewable-power suppliers, and state contracts. During the **energy** crisis, the water department signed agreements for $43 billion of power when prices were near all-time highs.

The department has since renegotiated contracts with Calpine Corp., Constellation **Energy** Group and other suppliers, and has challenged the terms before the Federal **Energy** Regulatory Commission. The department has reduced the cost of the contracts by $5.1 billion so far, Hidalgo said.

The state contracts will provide their peak supply in 2004, and taper off over the rest of the decade. Power costs are passed on to utility customers.

PG&E doubled the size of its **energy** supply division to 30 people to prepare for the transition, said utility spokesman Ron Low. About 10 to 15 employees in the department will be involved in the buying of electricity, he said.

Southern California Edison, the state's No. 2 electric utility, has increased its procurement staff 40 percent to 102 employees and improved its computer systems, said spokesman Gil Alexander.

"We don't anticipate any difficulties in providing power to our customers as the transition takes place," Alexander said.

At San Diego Gas, the state's No. 3 investor-owned power utility, four employees initially will be involved in the trading of hourly, day-ahead and balance-of-the-month electricity, Lorenz said. Five workers, two hired from the Department of Water Resources, will be responsible for scheduling, he said. The utility is planning to hire five additional schedulers.

Traders and schedulers are easy to find, Lorenz said, after the decline of the **energy**-trading business in the U.S. Thousands of employees have been fired by **energy** traders since Enron Corp. collapsed, with companies such as El Paso Corp., Dynegy Inc. and Williams Cos. cutting back or eliminating power trading.

"There's a wealth of talent that's available," Lorenz said.

Document okld000020030106dz130005r