



NEWS RELEASE

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FERC SETTLEMENT PROCESS TO YIELD REFUNDS TO CALIFORNIA

Attention Now Turns to FERC Commissioners

Washington, D.C. – An \$8.9 billion refund request by California state representatives for wholesale electricity purchases will now be decided by Commissioners at the Federal Energy Regulatory Commission, despite repeated efforts on the part of the California delegation to reach a settlement agreement with power generators and marketers. However, in his oral comments, Chief Presiding Judge Wagner made clear that, while he had not calculated the amount, refunds would be returned to California. Judge Wagner also made clear that the vast majority of the methodology presented by the California delegation would be adopted in his recommendation.

“California's position has been vindicated by Judge Wagner's comments,” said California Independent System Operator (Cal ISO) Chairman Michael Kahn, who led the 20-member delegation. “We began the process defending not only our methodology, but whether any refunds were even due California. On both counts the Judge has made clear -- California's methodology using the FERC June 19 order is sound and will be used, and California **is** entitled to refunds. For the past two weeks the delegation made an overwhelming factual case to refund the \$8.9 billion California ratepayers have been bilked out of by power generators and marketers.”

Demonstrating its flexibility to provide generators multiple forms of compensation in which to settle, on July 2nd the state offered to accept various “currencies”, including a combination of cash; novation of existing long-term power contracts; new power contracts adjusted to a below market rate; and debt relief to reach the \$8.9 billion. Despite these efforts, no settlement could be reached.

“Concerning the suppliers and generators let me add that for fifteen days, Californians waited for their refund request to be taken seriously, and for fifteen days Californians were stonewalled by generators and power marketers who bilked our state of billions of dollars,” added Kahn. “ They offered nothing during these discussions that can remotely be considered a good faith offer. On the final day, in the final hours, the suppliers had the gall to claim they negotiated in good faith. Those present saw through this act and a clear airing of the record will demonstrate their poor behavior.”

For months, California has laid claim to being bilked out of billions of dollars in overcharges by energy marketers and generators. The California Public Utilities Commission on April 4, 2000 filed a complaint asserting abuse and anti-competitive behavior to the FERC. On July 27, 2000, California Governor Gray Davis called on federal and state regulators to extend caps on wholesale rates and provide refunds to San Diego. Governor Davis’ testimony before the U.S. Senate Governmental Affairs Committee on June 20th demanded that California ratepayers be refunded at least \$8.9 billion in refunds.

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"Since last November, when FERC declared the market to be dysfunctional, FERC had the duty to ensure just and reasonable rates and order refunds. Governor Davis, along with many other Californians, has been calling for refunds since that time. Today's comments by Judge Wagner affirm California's call and sets in motion a process to return the billions owed to California," concluded Kahn.

According to the FERC June 19 order, if an agreement could not be reached between the parties, Commissioners will resolve refund issues from October 2000 through May 2001, and help structure new arrangements for California's energy future. The California delegation may also seek redress through the courts as the \$8.9 billion in refunds requested for wholesale electricity purchases between May 2000 and May 2001 may be just the tip of the iceberg in terms of total refunds due.

The California delegation included representatives of the California Attorney General's Office, Public Utilities Commission, California State Legislature, California ISO, California Electricity Oversight Board, Pacific Gas & Electric, San Diego Gas and Electric, Southern California Edison, the County of Los Angeles, the City of San Diego, and the City and County of San Francisco.

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