

## Weekly Energy Status Report

### 1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (Tuesday, 3/16): 44,721 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

### 2. Electricity, Petroleum and Natural Gas Prices

- Weekly Range at Mid-C: \$37.7-40.5 per MWh, Ave. = \$38.8
- Approximate change from previous week \$-1.9 per MWh
- "Normal" price range, before 5/00 \$20-\$40 per MWh
- Petroleum, West Texas Intermediate: \$36.73 per barrel (year ago: \$37.75)
- Seattle gasoline price (3/15) \$1.84 per gallon (year ago \$1.87),
- Natural gas, Sumas Hub: \$4.69 per million British Thermal Units (year ago \$5.45)
- Approximate change from last week. Oil: -0.25 \$ per barrel; Nat. gas: -0.21 \$ per MMBtu

### 3. California Electricity Situation

- CA ISO Alert Status
  - o A stage 1 alert (7% reserve margin) was declared on May 28, 2003.
  - o A stage 2 alert (5% reserve margin) was declared on July 10, 2002.
  - o Most recent rotating blackouts: Tuesday, May 8, 2001
- Energy News Headlines from around the Nation
  - o Delay power deregulation study urges (Sacramento Bee, Mar 16)
  - o Oil hits one year high (NYT, Mar 16)
  - o Kerry pumping up foreign oil as issue (LA Times, Mar 10)

### 4. River and Snowpack Information (Updated: Mar. 10, 2004)

- Observed February stream flow at The Dalles: 81.8% of average,
- Observed February precipitation above The Dalles: 69% of average,
- Observed snow pack, early February: 101% of average,
- Estimated Jan.-July runoff at The Dalles: 92.9 MAF, 87% of normal,
- Federal hydropower generation in February: 7,174 aMW, 1995-2002 average: 10,329 aMW.

### 5. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- **State Agencies:** From Oct thru Dec 2003 electrical usage was 9 % less and natural gas usage was 21.3% less compared to the same period in 2000.

### 6. Power Exchanged: (Updated: Mar. 16, 2004)

- Average flow of power during the last 30 days
  - o California (exported to) 1,492 MW
  - o Canada (exported to) 894 MW
  - o Net power export: 2,386 MW

Tuesday March 16, 2004

## **Delay power deregulation, study urges**

Carrie Peyton Dahlberg – Sac. Bee, *March 16, 2004*

California should wait until 2009 before it tries to experiment again with a partly deregulated electric market, and even then it should tread carefully to avoid repeating past mistakes, a state study advised the Legislature on Monday.

The study by a planning arm of the state Public Utilities Commission was immediately repudiated by PUC President Michael Peevey, who called it "overly timid" and "a disappointment" in his cover letter to legislators.

Peevey vowed to push the full commission to deal with the issue on "an expedited basis," and outlined his hopes to create a new version of a deregulated market much sooner and for many more customers than the staff study envisioned.

"Rarely have I seen such a clear statement from a regulator that he's made up his mind, and damn the facts, or the absence of any facts," said Bob Finkelstein, executive director of The Utility Reform Network (TURN), a consumer advocacy group.

Peevey's stance drew a rousing "good for him!" from Jan Smutny-Jones, head of the Independent Energy Producers Association, a trade group that represents private power generators.

"There's no doubt that there's hard work to be done, but we shouldn't have to wait for 2009 to get things going," he said.

At stake is the future of how California's biggest industries will buy their electricity, and whether they can have the purchase options they want without pushing higher costs and greater reliability problems onto other customers.

TURN and others have warned that reinstating a partial deregulation could lead to higher bills for residential and small business customers of Pacific Gas and Electric Co. and the state's other regulated utilities.

Utilities are also worried that a badly designed plan could have them signing power contracts or building power plants for customers who then disappear, leaving remaining customers stuck with the bill for the sudden excess supply.

The concept has also become intertwined with the increasingly troubling issue of who is going to build the power plants the state is expected to need sometime between 2006 and 2010 to keep up with growing demand.

Several state lawmakers and Gov. Arnold Schwarzenegger have backed the concept that Peevey is also advancing, often called "core/non-core."

The idea, modeled after the way gas is regulated in California today, would be to keep regulated utility prices for a "core" of smaller customers who generally don't want to be bothered with sizing up competitive offers.

Deregulation would be reserved for the "non-core," considered to be large, sophisticated businesses that are willing to take on added risks of finding alternate supplies in exchange for lower prices.

Supporters, including a number of trade and business groups, argue that such a setup would improve their bottom line and boost the state's economic health.

Tuesday March 16, 2004

"A competitive energy market is probably one of the most significant ways the industrial community can reduce their costs these days," said Gino DiCaro of the California Manufacturing and Technology Association.

"Industrial customers saw their rates increase between 50 and 150 percent two years ago," and they have only come down 14 percent since, he said. "It is obvious a competitive market will drive those costs down."

That wasn't obvious at all, though, to those in the PUC's Strategic Planning Division who prepared the new study.

The trouble is, all California utility customers who endured the 2000-01 energy crisis should in fairness keep sharing its ongoing costs, the study said. Those costs include paying off special debt bonds; helping PG&E emerge from bankruptcy; making continuing, above-market payments to a number of independent power plants; and paying for above-market long-term energy contracts lined up by the state during the crisis.

Until the bulk of those long-term contracts begin to expire in 2009, the study said, "the potential for any significant cost savings is minimal."

Some lawmakers and representatives of small consumers fear that while large customers say they want competition, what they're really after is a way to foist those higher costs off on the remaining utility "core" customers as soon as possible.

The 102-page PUC staff report is expected to be far from the last word on the issue. Instead, lawmakers, regulators and others will probably look to it to help frame the ongoing debate. Some have speculated that legislation to outline California's next steps could be passed this year, but others think the issue could take well into 2005 to resolve.

## **Oil Hits One - Year High**

NYT – Reuters, March 16, 2004

Oil prices hit fresh one-year highs on Tuesday as consumers voiced growing concern over the economic repercussions of higher energy costs.

U.S. light crude (CLc1) rose 36 cents to hit a new 12-month peak at \$37.80 per barrel, extending strong gains since last week's Madrid bombings fueled concern about further attacks that could disrupt oil supplies. London Brent crude for May delivery (LCOK4) was down eight cents at \$32.73.

U.S. prices have jumped 4.5 percent this week as suspicions grew that the militant al Qaeda network was linked to the Madrid bombings last week that killed 201 people.

Supply concerns have gained renewed force as oil cartel OPEC, which controls half the world's crude exports, plans to reduce supplies at a time when Chinese demand is rocketing.

Traders are also on edge over the prospects of a summer gasoline supply crunch in the United States, the world's biggest oil consumer, where fuel inventories are running below normal levels.

A survey of analysts expected U.S. government's Energy Information Administration to report on Wednesday that U.S. crude oil supplies rose 1.2 million barrels last week thanks to strong imports, while gasoline stocks fell 500,000 barrels.

Tuesday March 16, 2004

Traders remain concerned that refineries could struggle to build inventories for the peak demand summer season as new environmental regulations restrict supply.

### CONSUMER UNEASE

Many economists argue oil prices above \$30 a barrel can hold back growth, and consumers worldwide are voicing unease.

The head of Germany's export industry association said on Tuesday that oil prices pose a bigger risk to Germany's economic recovery than the euro's exchange rate,

Anton Boerner, president of the BGA exporters' association, said he expected the oil price to reach between \$37-\$38 this year, and that prices may even exceed \$40.

U.S. light crude prices has averaged almost \$35 a barrel so far in 2004, higher than 2003's average price of \$31, which was the highest annual average in more than two decades.

“It's shocking,” said William Ramsay, deputy executive director of the International Energy Agency, which advises 26 industrialized nations on energy policy.

“There is no fundamental reason. Prices are talked up by politics, stock levels and security concerns. I don't think even OPEC likes to see prices at these levels. It's not in their interest,” Ramsay said in Seoul on the sidelines of an oil conference.

OPEC fears world demand will slump after April as rising temperatures after the northern winter reduce demand for heating. The group plans to cut official output quotas to 23.5 million barrels per day from April 1 from 24.5 million bpd.

It has also vowed to cut out production above the self-imposed limits, which Reuters estimated totaled more than 1.5 million bpd in February.

“What is clear is that despite OPEC's extremely high current output levels there is little sign of a large surplus forming in the market just yet,” said Barclays Capital in a report.

## Kerry Pumping Up Foreign Oil as Issue

■With his crowds angry at surging gas prices, the senator wins cheers with vows to cut dependence.

By Maria L. La Ganga, Los Angeles Times Staff Writer

John F. Kerry's campaign had billed the town hall meeting as a summit on the urban economy. But the woman at Medgar Evers College in Brooklyn had something else on her mind: “Sen. Kerry,” she demanded, “what are you going to do about the high price of gasoline?”

“The gas prices are going up, and it's an issue,” acknowledged Kerry, before delivering a popular campaign line: “No young American in uniform should ever be held hostage to America's dependence on oil in the Middle East. ”

The crowd cheered — it always does, and loudly, when the Democratic presidential hopeful delivers his pitch on politics and petroleum.

With self-service unleaded gasoline averaging \$1.74 per gallon nationally — and \$2.11 per gallon in California — Kerry plans to make U.S. dependence on foreign oil a major theme of the general

Tuesday March 16, 2004

election.

The Massachusetts senator has talked for months about America's heavy energy use and what it means for the environment, the economy and national security — all arguments that seem to resonate more as prices rise with little sign of slowing.

As president, Kerry says, he would promote alternative and renewable energy sources so that by 2020, Americans would be getting 20% of their electricity from those fuels. He also says he would create a \$20-billion fund to research new forms of energy.

Democrats think the issue is an area of deep vulnerability for the Bush administration, which has strong ties to the oil and gas industry and led the nation into war with Iraq.

The high price at the pump has been a campaign staple in presidential elections on and off since 1976, when then-President Gerald Ford and his Democratic challenger, Jimmy Carter, grappled with questions about soaring inflation.

This year Democrats have cheered Kerry's proposal that the country pursue alternative sources of energy for environmental and national security reasons. But whether it will be as persuasive with independent and Republican voters remains to be seen.

Kerry isn't proposing any quick solutions that would tamp down the price of gas. But his general message about the U.S. dependency on foreign oil taps into Democrats' suspicions about America's involvement in Iraq, says Stuart Rothenberg, editor of a nonpartisan political newsletter.

Rothenberg thinks Kerry could appeal in the fall to swing voters who feel the pinch of high gas prices.

"The message is right there at the nexus of where economics and war and presidential leadership come together," he said. "It's a good place for Democrats to fight rhetorically."

Republicans, however, say Kerry is being simplistic and negative when he blithely connects blood and oil. And they ask: Why, if he's so worried about foreign energy sources, has he voted against expanded oil exploration within the borders of the United States?

In an e-mail to reporters Tuesday titled "John Kerry: The Raw Deal," the Bush-Cheney campaign noted that Kerry voted against exploratory drilling in Alaska's Arctic National Wildlife Refuge seven times. "John Kerry is relying on gimmicks to conceal his backward policies of higher taxes, more regulation, higher healthcare costs and higher energy costs," Bush campaign spokesman Steve Schmidt said.

Such early and angry sparring between the Bush and Kerry camps portends a long and nasty general election campaign. Kerry spokesman David Wade says the dependence on foreign oil will be a key element of it.

When Kerry declares that he would never send Americans to fight for oil in the Middle East, he says he's highlighting his belief that the nation's dependence on oil in an unstable region puts it in a

Tuesday March 16, 2004

precarious position.

Kerry contends that the Persian Gulf War in 1991 was largely about protecting America's access to oil. While he argues that the war in Iraq is misguided, he voted to give Bush authority to take America into combat. And he doesn't believe the conflict there involves oil.

But there is enough nuance in his argument so that other people see a connection.

"I have a son that's turning 17 next month," said Cynthia Adams of Novato, Calif. "Why should my son go to war for oil? Why aren't there wind farms on every hilltop in the state so we can get away from all this oil?"

During the primary season, voters who heard Kerry speak said the country's dependence on foreign oil was an issue that touched their hearts and their wallets.

Oil is "the basis of Bush's policy toward Iraq," insists Phil Palen, a retired real estate agent who describes himself as an independent and who heard Kerry speak recently in Buffalo. "I'd love to see a commitment of moving toward hydrogen-based fuel. It's not polluting, and you'll never run out of it."

But while some voters think the current combat in Iraq is in part an effort to defend U.S. access to oil, Phyllis Bennis, an oil expert and fellow at the Institute for Policy Studies in Washington, D.C. said, "You have to parse that against the facts.

"We don't get most of our oil from the Middle East. We don't even get most of our foreign oil from the Middle East," she said.

While Kerry regularly points out that Saudi Arabia has 46% of global oil reserves, according to the U.S. Office of Transportation Technologies, that nation is only the No. 2 exporter of oil to America. The top importer? Canada.

Of the top 10 countries from which the United States imports oil, only three are Arab nations.

Neither Kerry's proposals nor the Bush administration's energy policies would end U.S. dependence on foreign oil, says Mark Baxter, director of the Maguire Energy Institute at Southern Methodist University. Even if, as the Democratic candidate suggests, 20% of the nation's electricity could come from alternative sources by 2020, that does not account for the other 80%, Baxter says.

"We will always be dependent on" foreign oil, Baxter said. "We don't like it. We especially don't like it now that oil is \$30 a barrel."

Kerry said in a recent interview that he thought people responded strongly to his message, in part, because they understood that oil was a finite resource and that American security was impaired by reliance on it.

"That black stuff is hurting us," he said. "It hurts our health. It costs us unbelievable security

Tuesday March 16, 2004

disadvantages. It's contributing to global warming. Twenty-five percent of the kids in Harlem have asthma because that's the alternative truck route. We can't live like this."

At a town hall meeting Tuesday in Evanston, Ill., Kerry repeated his spiel about oil and national security, and he was quizzed again about spiking prices at the pump.

Mike Cichowicz, a 50-year-old musician and TV producer, told Kerry that he was worried about the rising price of gasoline.

"What can be done to create a transparency about oil industry's profits that are occurring during this time?" Cichowicz asked. "What can be done, and what would you do as president to reduce the prices so we can all drive again?"

The Bush administration has sought to drill for oil in the Alaska refuge to increase the nation's ability to provide energy domestically.

Kerry has voted against it, citing the negative environmental impact.

"He has time and time again voted against increased oil exploration," said Schmidt, the Bush campaign spokesman. "He's opposed the energy bill didn't even show up to vote on the final passage of the energy bill."

"Why did he vote against" drilling in the refuge? asked Wade, Kerry's spokesman. "Because it was a joke and wouldn't have made a dime's worth of difference to our dependency."

Tuesday March 16, 2004

Crude oil price remain high, keeping gasoline, diesel and jet fuel prices at or near historical highs, and probably puts modest upward pressure on natural gas prices.

