

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

San Diego Gas & Electric Company,

Docket No. EL00-95-031

Complainant

v.

Sellers of Energy and Ancillary Service into
Markets Operated by the California Independent
System Operator Corporation and the California
Power Exchange,

Respondents

Investigation of Practices of the California
Independent System Operator and the California
Power Exchange

Docket Nos. EL00-98-030
EL00-98-033

California Independent System Operator
Corporation

Docket Nos. RT01-85-000
RT01-85-001

Investigation of Wholesale Rates of Public Utility
Sellers of Energy and Ancillary Services in the
Western Systems Coordinating Council

Docket Nos. EL01-68-000
EL01-68-001

Californians for Renewable Energy, Inc.
(CARE)

Docket No. EL01-2-000

Complainant

v.

Independent Energy Producers, Inc. and All Sellers
of Energy and Ancillary Services into the Energy
and Ancillary Services Markets Operated by the
California Independent System Operator Corporation
and the California Power Exchange; All Scheduling
Coordinators Acting on behalf of the Above Sellers;
California Independent System Operator Corporation;
and California Power Exchange Corporation

Respondents

CARE CommentsonEL00 -95-031

CARE provides comment regarding the ensuing energy crises in California, the resulting impacts on the environment, civil rights, and the nation's economy.

CARE provides the attached article from the San Jose Mercury News, which provides uncontrovertable evidence of collusion, corruption, patronage, and secret dealings between Governor Davis the California Department of Water Resources and Calpine Corporation in San Jose.

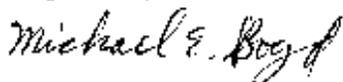
CARE notes that in our original FERC complaint (EL01 -2) listed Calpine as the first generator in the state to test their market power by withholding generation capacity by taking two of their power plants down for scheduled maintenance on June 14, 2000 the hottest day of the year. As many asten people died as a result of the blackout – and power generators were allowed to export power out of state at \$1.30/kwh because the producer controlled ISO board did not declare a stage 3 emergency – even though we had a system emergency. CARE alleges that because FERC failed then and is failing now to do its job of imposing penalties for this illegal exercise of market power by Calpine and the other energy producers that followed suit.

The very fact that you didn't do anything to help us while Calpine was cutting deals behind closed doors with the Governor gave the other energy suppliers to California a Green Light to charge unjust and unreasonable energy prices to California energy consumers and forced the IOUs into bankruptcy.

The abandonment of the people of California by the Federal Energy Regulatory Commission will not stand. CARE has notified you of the illegal long-term contracts negotiated by the Governor, the plethora of natural gas power plants being sited in California's communities of color, and the economic turmoil at the state, national, and international level that has resulted. Now is the time for FERC to act to take control of California's energy markets on the retail and the wholesale side. To do anything less at this point is an abdication of your responsibilities under the Federal Power Act, and an illegal abuse of discretion.

With all due respect, our understanding is that it is you as the administrative agency, and not CARE or other members of the public, that are responsible to conduct a full and fair investigation of matters as to which you have been put on notice by the submission of objectively based, reasonably credible information, such as the information we have been providing you. We also understand that in order to preserve our legal rights to challenge your decision in regard to the issues of discrimination we have to notify you in advance of your decision of the alleged discriminatory practices. It is also our understanding that your failure to act on our notification of such discrimination may be used to establish your intention to discriminate in any ensuing judicial review. This is to formally notify you that your continued participation with the State of California in these discriminatory and illegal practices will be interpreted by CARE as admission that you also have such "intent to discriminate" in this regard.

Respectfully submitted,



Michael E. Boyd 8 -1-01

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Posted at 10:57 p.m. PDT Tuesday, July 31, 2001

Davis advisers' Calpine links hit

Governor,generatorordenyspecialdeal

By [JOHN WOOLFOLK](#) AND [NOAM LEVEY](#)

Mercury News

With Gray Davis' foes heaping criticism on state officials who invested in Calpine, the San Jose company became the focus of questions Tuesday about its warm relationship with the administration during the energy crisis.

For months, the governor has singled out Calpine for praise, making a trip to a Calpine-sponsored festival in San Jose, endorsing the company's controversial San Jose project and traveling around the state to turn on new Calpine plants. Perhaps most significantly, Calpine has won some of the state's most lucrative long-term energy contracts.

But Calpine is one of the nation's most profitable generators, even more so than some of those Davis has denounced.

And state records show that in the first three months of the year, its electricity prices were sometimes higher than those charged by out-of-state generators. The apparent contradictions have fueled grumbling among Calpine's competitors. But revelations that Davis advisers and his own press secretary bought Calpine stock as the state was negotiating with the company are prompting more pointed questions about Calpine's seemingly cozy relationship with the state's chief executive.

Specialdealdenied

``It might help explain why Calpine got the longest contract, why it has so many of the contracts, why it had so much encouragement in terms of getting new plants online," said Doug Heller of the Foundation for Taxpayer and Consumer Rights. ``What we thought was Davis' inability to stand up to the hard sell from the companies may turn out to be more unseemly."

Representatives for Davis and Calpine denied any improper relationship.

``I don't think we got any special deal," said Calpine spokesman Bill Highlander.

``The governor thinks we're a good company because we were the first to bring two major power plants online this summer, and there's no evidence we've done any gouging. The deals are very good for the state and for Californians."

Davis' office said the controversy is being drummed up by the governor's enemies, chiefly Republican Secretary of State Bill Jones, who hopes to challenge Davis in 2002.

``This is about a political witch hunt that Bill Jones is trying to instigate in the press corps," said Davis spokeswoman Hilary McLean.

Jones' dogged pursuit of the issue prompted Friday's firing of four state energy buyers and a consultant who owned Calpine stock. And Jones' complaints led the attorney general, the state Fair Political Practices Commission and the federal Securities and Exchange Commission to investigate.

On Tuesday, Jones urged expansion of those probes to the governor's staff following the revelation this week that Davis spokesman Steve Maviglio bought \$12,000 worth of Calpine stock in June. Jones demanded Maviglio's resignation. ``It is time to critically and thoroughly analyze the multibillion-dollar contracts between the governor and Calpine to determine whether those contracts were negotiated at arm's length," Jones said.

Maviglio said Tuesday that he won't resign, and McLean said the governor wants him to stay.

But while the governor has heaped criticism on out-of-state generators for profiteering, Calpine has run up some of the biggest profits in the industry. Calpine's net income soared more than 180 percent in the first six months of this year, a rate of growth 50 percent higher than North Carolina-based Duke Energy, twice as high as Houston-based Dynegy and three times that of Atlanta-based Mirant. When the state began buying power in January for its financially crippled utilities, Calpine joined generators selling electricity at historically high rates. And the company actually charged more on average for its power through the first three months of the year than Enron or Duke, according to state records.

Exorbitant rates

Calpine's average price per megawatt hour of \$223 was only slightly less than the \$225 charged by Mirant and the \$236 charged by Reliant, two companies Davis has singled out for charging exorbitant rates for power.

But Calpine has worked hard to make friends in the state Capitol, spending about \$320,000 on lobbying in the first half of this year.

During the first three months, Calpine spent \$178,000 on lobbying, far more than other energy companies. Enron spent \$67,000. Reliant Energy and Dynegy each spent less than \$40,000.

Calpine also looked for help from a lobbyist with strong ties to Davis. For the past seven months, Calpine has been working with a firm run by Darius Anderson, a close associate of the governor who served as finance chairman of his 1998 campaign.

Anderson's firm, Platinum Advisors, has done more than \$77,500 worth of business for Calpine this year, state records show. McLean said there was no connection between Anderson's work and the governor's relationship with Calpine. And Calpine's Highlander said the growing instability of the state's market necessitated having a voice in the Capitol.

``As the company continues to grow, what happens in the political arena becomes more important to us," Highlander said.

Throughout the year, Davis has publicly blasted Calpine's competitors, many of them big energy firms based in the Deep South, as ``out-of-state generators" who have been ``ripping us off." At one point, he even called them ``snakes." But he has praised Calpine since February, when the company was the first to sign long-term power contracts that the state sought to curb market prices that were soaring out of control.

Davis said those contracts, totaling \$13.9 billion, were at a ``fair price." ``They have been the most responsible of the generators," Davis said.

Expensive contracts

But the contracts are among several that consumer advocates say will saddle ratepayers with high costs for years, with prices up to \$159 per megawatt-hour. Financial disclosure statements filed last month showed five of 22 state energy buyers and one of about 40 state energy consultants owned stock in Calpine valued anywhere from \$2,000 to \$1 million. One, who acquired stock worth up to \$100,000 in February, quit July 14. Late Friday, the administration fired four traders and a consultant over their Calpine stock.

One of the traders said it would have been impossible for the state's traders to manipulate the electricity market to boost the stock price. And another said he had no conflict of interest because he never bought Calpine power as a trader.

Maviglio's role defended

Davis spokeswoman McLean said the administration fired employees whose holdings posed an apparent conflict of interest. But she said Maviglio's role as a spokesman posed no problem.

Department of Water Resources spokesman Oscar Hidalgo said the extensive deals between the state and the San Jose generator should not be cause for concern. ``We're comfortable with the contracts," Hidalgo said.

``Calpine has a good reputation and has dealt with us in good faith," he said.
``They were offering the products that we needed at the best price. And they were looking at creating new power plants, which was seen as an advantage."

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