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Following smart grid stimulus awards, what is next step?

As much as the power industry learned Tuesday about who will be receiving federal stimulus funding for smart grid projects, there remains a lot to find out about exactly how and when the money will be spent, and what will happen at the 331 applicants that were not on the Department of Energy list of winning projects, let alone the 2,000 or so utilities that did not seek stimulus funding.

"You'll see a variety of response," based on individual utility positions and where they stand on smart grid investments, said Ray Gogel, president and COO of smart grid developer Current Group.

Each utility smart grid project depends on individual circumstances, and for those companies that are not among the 100 receiving \$3.4 billion in stimulus funding for smart grid projects, "everyone will have to make a decision" in the coming weeks and months, said Dan Delurey, executive director of the Demand Response Smart Grid Coalition.

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Southern Company Q3 earnings edge higher as revenue falls

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Southern Company on Wednesday posted slightly higher earnings and sharply lower revenue for the third quarter, but said that there are some hopeful signs regarding the economy in the four-state region where its utility subsidiaries operate.

Southern said that it earned \$790 million, or 99 cents/share, on revenue of \$4.68 billion in the quarter, compared with earnings of \$780.4 million, or \$1.01/share, on revenue of \$5.43 billion in the same period last year.

The corporate parent of four regulated utilities and wholesale generator Southern Power said that significantly cooler-than-average weather and the weak economy reduced its quarterly earnings. Total electricity sales fell 6.1% from the same period last year, to 53.314 million MWh, with retail sales by the four utilities dropping 3.1% to 43.474 million MWh and wholesale sales by the utilities and Southern Power falling 10.3% to 9.840 million MWh.

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PSEG, LIPA back cap-and-trade legislation; seek changes

East Coast utilities that favored past greenhouse gas cap-and-trade legislation Wednesday offered their support for the current bill before the Senate with a few recommendations to reduce its cost to their companies. But energy officials from the Midwest expressed concerns about the legislation moving forward.

"There are many provisions in the bill that my company supports, and some we do not," said Ralph Izzo, chairman, president and CEO of Public Service Enterprise Group in New Jersey. "But we choose not to let perfection be the enemy of the good."

Testifying before the Senate Environment and Public Works Committee, Izzo recommended some improvements to the bill, including a 40% allocation of valuable tradable carbon dioxide allowances to the power sector as opposed to the existing 35% and setting a ceiling and a floor on carbon allowance prices.

Izzo also said utilities would oppose any move to mandate a set aside of their

Reliability

Recession clouds NERC 10-year reliability assessment

The economic recession makes it difficult to assess the reliability issues facing the electric grid going into the next decade, the North American Electric Reliability Corp. said Wednesday, but it is clear that there might not be adequate capacity in the Midwestern US and Western Canada.

Other findings in NERC's 2009 Long-Term Reliability Assessment are a massive surge in renewable generation, natural gas displacing coal as the leading fuel for peak capacity by 2011, and "transformational change" concerning transmission siting, climate legislation, cybersecurity and integration of "variable generation."

"The pace and shape of economic recovery will dramatically influence actual load growth across North America over the ten-year period," NERC said. "Largely unpredictable economic conditions result in a degree of uncertainty in 2009 demand

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Unions

Debate brews in California over unions and power projects

It is an open secret that threats from labor unions to either sign project labor agreements or possibly face roadblocks can complicate efforts to build power projects in California, developers and other critics are saying.

Further, unions this past year successfully lobbied to change a bill to establish a 33% renewable standard and a net metering bill to make the measures more favorable to their workers, critics assert. Changes to the net metering bill restricted more qualified, workers who are not part of the International Brotherhood of Electrical Workers, critics say.

"If you commit to project labor agreements, environmental issues disappear, but if you don't," the California Unions for Reliable Energy raises a host of environmental concerns about power projects, Steve Adams, a city council

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measure the reliability impact that could occur from either a carbon dioxide cap-and-trade regime or a carbon tax.

"It's not something that we studied this time," said Mark Lauby, NERC's director of reliability assessments and performance analysis, in reference to the 10-year outlook. "We haven't put in place" a cap-and-trade or carbon tax "type of scenario at this time."

NERC manager of communications Kelly Ziegler noted on the call that "We do have a report coming out in a couple of months based on the work of our Reliability Impacts of Climate Change Initiatives Task Force that will touch on this."

Lauby said that the report set to be released in the next few months "looks at the technology, assesses the technology and reliability implications" of such things as carbon capture and sequestration technology. The report "kind of looks forward and tries to see, well, in the next 10 years what's possible – the next 20, 30 years, et cetera, and what are the implications of these technologies."

The yet-to-be released report also "tries to develop" an answer to the question of what kinds of scenarios "should we be looking at. What would make the most sense to spend our time and energy on," Lauby noted. "It really kind of puts together the classic four quadrants approach – looking at everything from business as usual all the way into a brave new world and the different implications of that as well."

A more in-depth look at the possible impact of a cap-and-trade program on reliability "would definitely be a separate document," Ziegler said.

NERC officials were asked what would set the wheels in motion for the reliability organization to specifically give an in-depth look at the impact of cap-and-trade.

Ziegler said it would "sort of depend on, from a technical perspective, on the actual scenario that's put before the industry. So it would be something that our technical committees, I believe, would consider going forward and it is something I believe they have put some thought into over the past year."

Ziegler said that the Reliability Impacts of Climate Change Initiatives Task Force may decide to expand "some of its efforts after this initial report does come out."

Legislation pending on Capitol Hill would set up a carbon cap-and-trade system. The House of Representatives passed a bill this summer, while legislation is now being considered in the Senate, although the measures differ in terms of how the system is designed. — *Jason Fordney and Paul Ciampoli*

Debate brews in California ... from page 1

member in Riverside, said recently. CURE represents utility union workers in the power industry.

In late 2007, Adams said, CURE "tried to force us into a project labor agreement" for the city's proposed 95-MW expansion of the 96-MW Riverside Energy Center. Despite the pressure, Riverside reached an agreement allowing non-CURE members to compete for jobs for the expansion project, Adams said.

In a November 2008 filing with the California Energy Commission, solar developer Ausra accused CURE of filing

numerous "irrelevant and unnecessary" data requests with the CEC about Ausra's proposed 177-MW Carrizo Energy Solar Farm. "The group's tactics are well known, and if allowed to proceed unchecked, may well delay the [siting] committee's processing of the application," Ausra said.

But Marc Joseph, an attorney representing CURE, bristles at criticism that CURE uses environmental issues as a weapon to delay projects. "The idea that unions have no stake in environmental protection is just old-fashioned ignorance," Joseph said in a recent interview. "There is only so much water and [pollution] offsets available, so projects using more than are necessary are not in our interests," he said.

Submitting data requests is an accepted part of the CEC's project review process, Joseph said, stressing that the commission required Ausra to comply with CURE's requests. He pointed to a 2004 CEC study, which found that for 35 project applications processed since 1996, overall project review actually took somewhat less time when CURE was involved.

The CEC also found, however, that staff costs to process applications in which CURE intervened increased, on average, by 12% to 15%.

Meanwhile, an executive with another large solar developer who declined to be identified said CURE last winter told the company: "If you are not going to commit to a power labor agreement up front, we're going to have to get in the [CEC permitting] case and raise our issues."

Contractors for the solar project are now planning to sign a project labor agreement. Still, the developer has needed to respond to more than 100 data requests, requiring effort that could potentially delay and drive up costs, the solar executive said.

Some see labor deals as part of cost of doing business

While some project developers bristle at union tactics, others view signing project labor agreements as part of the cost of doing business in an expensive state.

The issue of using union is less critical in California than in the Southeast and Midwest because almost every aspect of doing business in the state is more expensive, said Ed Feo, partner with the Los Angeles law firm Milbank Tweed Hadley & McCloy.

Feo, who represents renewables developers across the country, said developers may be more willing to sign labor agreements in California because it is an overall high-cost environment.

But, he stressed, California utilities in general are more willing to pay higher prices than are utilities in some other areas of the country.

Kevin Dayton, state government affairs director for the Associated Builders and Contractors of California, estimates that project labor agreements can increase construction costs by between 15% and 20%. But Dayton acknowledged that he is unaware of analysis focusing on labor costs associated with power plants.

In the legislative arena, Jose Meija, director of the California State Council of Laborers, said IBEW earlier this year was able to amend a net metering bill to restrict non-IBEW workers trained

specifically to install solar systems from competing for net metering jobs.

The bill, A.B. 560, by Assemblywoman Nancy Skinner, was turned into a two-year bill, meaning it failed to pass this year but can be taken up again next year.

The Legislature "should not be in the business of dictating" which workers are chosen to perform certain tasks within the construction industry, Meija said. The California State Council of Laborers is a state organization representing laborers unions.

Scott Wetch, a Sacramento-based lobbyist who represents IBEW, did not return calls for comment.

Sue Kately, executive director for the California Solar Energy Industries Association, said her group, which opposed changes to the net metering bill, is hopeful about working out differences with the union. She also said that the net metering jobs should be open to non-IBEW workers.

CALSEIA is working with IBEW on setting standard training benchmarks, to help create a trained work force. She noted that IBEW supported S.B. 32, which will expand California's feed-in tariff program.

Governor Arnold Schwarzenegger on October 12 vetoed a bill, S.B. 14, which would have required 33% of the state's electricity to come from renewable resources by 2020. The governor cited as a key flaw the bill's emphasis on in-state renewables, a provision that unions pushed as a means to create jobs.

But CURE's Joseph rejected the notion that the Senate bill would have hindered imports of renewable energy.

Many people pointing fingers "don't seem to have actually read" the final version of S.B. 14, Joseph said. The bill would have allowed delivery of renewable generation at the time of generation "anywhere in the western grid." — *Lisa Weinzimer*
