

Recovery from energy crisis provides lessons on the drought

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Come this Wednesday, California will end any control over a gas-fired power plant at the southeast edge of Fresno, shedding a final vestige of our last really big crisis.

That transaction says something about our current crisis.

Painful though it may be, remember the energy crisis of 2000 and 2001. Energy buccaneers seized control of the newly deregulated electricity market, manipulating the power grid and driving the price of electrons to historic highs, though no one fully grasped the magnitude of the fraud at the time.

Suddenly, Path 15, Enron and Ken Lay became part of the lexicon. Gov. Gray Davis seemed frozen, unable to act. There were rolling blackouts. PG&E plunged into bankruptcy and Southern California Edison teetered, unable to afford the cost of electricity. The nation shook its collective head, wondering about California's latest debacle and doubting its future.

The California Department of Water Resources, the biggest single energy user in the state, stepped in by entering into 58 contracts to [provide power at what seemed an exorbitant cost](#), \$42.8 billion.

"With all due respect, that is what turned it around," [S. David Freeman, who negotiated those deals](#), told me from Washington, D.C., where he is living.

Now 89, Freeman recognizes that California's energy crisis didn't need to be as disruptive as it was. But he believes the deals calmed the market. The state since renegotiated most of the 58 power contracts, shaving the cost by more than \$7 billion.

We will be paying off the bond debt for those contracts until 2022. But the state's direct role in the energy contracts will conclude when Department of Water Resources leaves the Malaga Peaker Plant in the [capable hands of the Kings River Conservation District](#), which is selling it to the Carlyle Group, a large private equity firm.

From the mess, something better emerged. It's not perfect. Nothing ever is. But the California Independent System Operator, which oversees the grid, hasn't declared a Stage 3 alert, the most serious level, since 2001, when there were 38 of them. Southern California Edison shut its massive San Onofre nuclear power plant in 2013. The lights didn't flicker.

"I never dreamed I would see solar power cheaper than oil and gas and coal," Freeman said. "While we didn't visualize exactly why we were doing some of what we did, I think it turned out to be a blessing."

Turn to the drought, a slow-motion crisis and more serious. If species of fish go extinct, or if housing tracts sprout on farm fields, there is no return. But decisions being made today will determine how the state handles future droughts.

Gov. Jerry [Brown is calling for a 25 percent reduction](#) in urban water use. Many suburban lawns will give way to gardens of decomposed granite and native plants. Voters approved the \$7.5 billion water bond to pay for water conservation and recycling, habitat restoration and water storage, perhaps including a new reservoir or two.

Leaders of the Metropolitan Water District, which provides water to Southern California cities, met last week with their counterparts at the Northern California Water Association, which includes Sacramento Valley rice farmers, to discuss [the proposed Sites Reservoir](#) west of the Sacramento River in Glenn and Colusa counties.

MWD General Manager Jeff Kightlinger said he wasn't sure the agency's board would be interested in helping pay for the \$3 billion Sites Reservoir unless the state figures out a new way of moving water around the Delta.

In the next few weeks, Brown likely will release a revision to his \$25 billion twin-tunnel Delta bypass proposal. It likely will be scaled back and perhaps less odious to some Delta and Northern California water interests and environmentalists.

David J. Guy, president of the Northern California Water Association, told me he sees momentum for big projects that was not evident in the past. Brown has the experience and desire to succeed, he said. And then there is the drought.

"The bad side of the drought is that people suffer," he said. A [half-million acres of farmland will be fallowed this year](#), and 17,000 farmworkers will be laid off. "The good side is that it drives policy."

A reservoir and a Delta bypass would be huge undertakings. There are many other smaller steps, like urinals. The [California Energy Commission last week approved](#) new standards intended to save 105 billion gallons of water a year by limiting water output from faucets, toilets and urinals.

The commission was [implementing 2007 legislation by John Laird](#), Brown's resources secretary, who during his six years in the Assembly worked on several water conservation bills, including the one that limited toilet and urinal water use. It was the first update since the drought of the early 1990s.

"The toilet companies hired lobbyists big-time. It was a big fight," recalled Scott Wetch, a lobbyist whose clients include unionized plumbers and pipe fitters.

During his Assembly days, Laird ended a long-running impasse over waterless urinals, which use chemicals to solve the age-old problem of what to do with the stuff. Wetch and plumbers union attorneys long had opposed waterless urinals; they don't require much plumbing.

As part of the compromise, owners of new buildings who want to install waterless urinals must have their buildings fully plumbed, in case some future owner decides to scrap the waterless devices.

Wetch called it an "elegant solution," which had "the pleasant impact" of ensuring the workers he represents would not lose work. The Energy Commission did not take the bold step of requiring more waterless urinals. Commission spokeswoman Amber Pasricha Beck said they might not be "cost effective." Evidently, it'll take another year of drought before California takes that particular plunge.

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