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Press Room



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GOVERNOR DAVIS ANNOUNCES RESTRUCTURED LONG TERM ENERGY CONTRACT WITH WILLIAMS 11/11/2002

Up to \$1.4 Billion Shaved from Existing Contract

SACRAMENTO

Governor Gray Davis today announced that the State of California has restructured its contract with the Williams Companies of Tulsa, Okla., the third largest in the state's portfolio of long term contracts.

The new settlement, to be agreed upon by the California Public Utilities Commission, the Attorney General, and the Electricity Oversight Board, will save the state up to \$1.4 billion from the original \$4.3 billion contract. In addition to cost savings, the state won major concessions in the way power is dispatched to the state's electricity grid, and won an agreement that will require the company to cooperate with the Attorney General's energy investigation. The agreement retains claims for criminal conduct, willful fraud, and does not release the company from claims for refunds by the state's investor-owned utilities.

"This is an important victory for the ratepayers," Gov. Davis said. "The new contract provides us with reliable power delivered at more favorable terms. It also guarantees cooperation in further investigations that may be beneficial in making our case for refunds with the Federal Energy Regulatory Commission."

The new contract, which restructures the last eight years of the 10-year contract, reshapes the way the state will receive electricity from the company. It eliminates 40,000 GWh of "must take energy" - nearly two-thirds of the total under the existing contract. It also eliminates Williams' right to substitute energy from its portfolio and gives the Department of Water Resources full dispatch control over reliability generation.

As part of the transaction, the state will also be entering into a long-term natural gas purchase that locks in current low natural gas prices.

To settle its liability, Williams is paying \$417 million to the state. Of that, \$180 million is given in contract price reductions. In addition, the company is giving up six combustion turbines valued at \$90 million that could be provided to cities such as San Diego and San Francisco to build peaker plants in those counties. The remaining \$147 million will be paid in cash, which will be divided among the Attorneys General and the municipalities, water districts, and utility districts which had filed suit against Williams.

In exchange, the claims of the Attorneys General of California, Oregon, and Washington are settled, as well as the claims of a number of private plaintiffs including Lt. Gov. Cruz Bustamante and Assemblywoman Barbara Matthews (D-Tracy), the City and County of San Francisco, and Santa Clara and Contra Costa counties.

With the successful renegotiation of the Williams contract, the state has now renegotiated 13 contracts at a savings of up to \$5 billion. Previously, the state successfully renegotiated contracts with Calpine, Constellation, Whitewater Energy, Calpeak, GWF, Colton Power, and PG&E Trading. Eight of original 56 contracts have already expired.

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