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NEWS RELEASE

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Firm gives up on Potrero Hill power station

San Francisco, CA --- The bankrupt energy company that owns the power plant on San Francisco's Potrero Hill on Monday suspended plans to build a new facility there, clearing the way for the city to install its energy-generating facility at the site.

Mirant Corp. of Atlanta told the California Energy and Resources Commission in a one-paragraph statement it was suspending plans for new plant on Potrero Hill, a project that had been resisted by the city and local residents. A company spokesperson could not be reached for comment Monday.

Mirant, which counted heavily on power prices rising several years ago, filed for bankruptcy in July and is now \$11.4 billion in debt. Analysts thought the firm would be unable to afford the nearly \$500 million cost of building a new plant to replace an aging generator on Potrero Hill.

Mirant bought the 38-year-old power plant -- one of California's oldest -- in 1999 from Pacific Gas and Electric Co. The company, which came under fire from the state for allegedly manipulating energy prices in 2000-01, purchased the Potrero plant and others in Pittsburg and Antioch from PG&E for a total of \$801 million.

City energy officials said the company had agreed to suspend plans to replace the old power plant after San Francisco offered to buy the property from the firm.

The city plans to build its own power plant there with four smaller, less-polluting generators. The deal is contingent upon state and federal approval for San Francisco's bid to build a plant on roughly the same site, according to Ed Smeloff, assistant general manager for power policy for San Francisco Public Utilities Commission.

"We're getting an option to buy, but only once we obtain a license," said Smeloff, who helped negotiate the deal but would not reveal how much the city agreed to pay for the Mirant property. "They would essentially withdraw their application" in return for selling the land.

State approval for the city-owned plant is not guaranteed, Smeloff said, but it is much more likely with Mirant dropping its bid.

If San Francisco can gain state approval for a publicly owned Potrero plant, the city is more likely accomplish other energy goals such as shutting down an outdated, heavily polluting PG&E-owned plant in Hunters Point.

"This is a big step forward toward the city implementing its electricity plan, for shutting down Hunters Point and cleaning up the air," Smeloff said.

"We're very happy that Mirant has thrown in the towel," said Alan Ramo, director of the Environmental Law and Justice clinic at Golden Gate University.

"Nobody in San Francisco wanted that (plant). We've been fighting against this for many years."

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