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**CALIFORNIA PUBLIC UTILITIES COMMISSION APPROVES DIESEL
CONVERSION INCENTIVE PROGRAM**

Program to Encourage Retirement of Agricultural Diesel Pumps, Switch to Electricity

SAN FRANCISCO – In a unanimous vote today, the California Public Utilities Commission approved a program to encourage farmers who operate diesel irrigation pumps to convert to electricity. The Agricultural Internal Combustion Engine Program (AG-ICE) is a result of a joint effort between the agricultural community, Pacific Gas & Electric (PG&E) and Southern California Edison (SCE) to encourage agribusinesses to permanently retire internal-combustion engines used for irrigation and improve air quality in California's San Joaquin and Sacramento Valleys.

“The AG-ICE program offers a viable alternative for growers facing new regulations on their diesel-driven irrigation equipment,” said Michael Boccadoro, Executive Director of the Agricultural Energy Consumers Association (AECA). “This is a unique opportunity for the agricultural community to help clean up the air without incurring significant additional costs. It really is a win-win program for everybody.”

Through the program, both SCE and PG&E will offer special incentive electricity rates to encourage agricultural customers to convert from internal-combustion engines, mostly diesel-driven, back to electricity. In exchange, the grower must agree to destroy the internal combustion engine, permanently removing the emissions from California's skies.

According to the California Air Resources Board (CARB), there are approximately 5,700 internal-combustion engines in the Sacramento and San Joaquin Valleys used for pumping water for agricultural purposes. These engines contribute up to 33 tons per day of oxides of nitrogen (NO_x), accounting for nearly 23 percent of the total NO_x emissions from stationary fuel combustion sources in the region. In addition, CARB estimates that diesel pumps represent about 31 percent of the reactive organic gases (ROG) from stationary fuel combustion sources in the central California valleys. Both ROGs and NO_x contribute to forming ground-level ozone in the valleys. CARB estimates that through converting these engines to electricity, up to 98% of these emissions can be eliminated.

The AG-ICE program was a result of a major collaboration between air quality regulators, utilities, environmental advocacy groups and the agricultural community.

“AECA did a tremendous job spearheading this effort, and all parties came to the table ready to solve this problem creatively,” said Roger Isom, Executive Vice President of the California Cotton Growers and Ginners Association. “Now as farmers look forward to their fuel options in the next few years, electricity will be a viable alternative, and I think most farmers are eager to convert back to electricity.”

Specifically, the AG-ICE rate will offer a reduced electricity rate for growers who agree to convert. The rate was designed to be competitive with the cost of operating a diesel-engine, preventing increased costs to the farmers. With the exception of a 1.5% rate increase each January, the incentive rate will not be altered, providing growers with long-term rate stability needed to make the investment to switch to electricity. The AG-ICE program also offers enhanced line extension allowances, reducing the up-front costs for growers to connect to the grid and further incentivizing conversion. The program is strictly voluntary.

The AG-ICE program was also designed to be self-sufficient, in that the rates growers pay were designed to be above the cost to the utility to serve the customers. The program was structured so that it would not be subsidized by any other ratepayers.

“The AG-ICE rate will be attractive for most growers,” Isom stated. “We continue to see the input costs rise for farmers, making it tougher to make a living for our family farmers. Now, growers will be able to meet air quality regulations without increased costs. And the best part is that no one else’s rates will increase to operate this program.”

PG&E and SCE will be prepared to accept applications for conversion on August 1, 2005. The program will remain open for new applicants through July 31, 2007. The incentives offered by the AG-ICE program will expire on December 31, 2015.