



The current of the Valley

Connections

Summarizing Regional Energy Issues and News

January 2004



Issue No. 2

Energy Watch

PG&E Bankruptcy

San Francisco, January 5

U.S. Bankruptcy Judge Dennis Montali has confirmed PG&E's reorganization plan. The plan adopts all the key elements of a settlement approved by the California Public Utilities Commission (CPUC) in a 3-2 vote the previous week. Montali had set a January 2 deadline for appeals. PG&E now expects to emerge from bankruptcy before April. The reorganization should lower the utility's electricity rates although the amount and timing is yet to be determined. The deal also locks in retail prices through 2012 to ensure PG&E maintains healthy profit margins and a required credit rating. CPUC board members Loretta Lynch and Carl Wood opposed the reorganization plan, but Montali also rejected a move by the utility and the CPUC to prevent Lynch and Wood from pursuing an appeal.

Facing The Ax

Sacramento, January 9

California Governor Arnold Schwarzenegger's state budget proposes to eliminate the California Consumer Power and Conservation Financing Authority, effective September 30, 2004. The proposal is backed by the Independent Energy Producers Association.

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Four More Cities Voice Power Interest

Four more cities have approved letters of interest to join KRC D Power in further exploring the possibility for Community Choice Aggregation (CCA).

The Corcoran, Lemoore, Parlier and Reedley executed letters of interest to investigate with the Kings River Conservation District financial and other details of how the power program would work.

They joined the City of Kerman in working with KRC D Power. District General Manager David Orth plans to meet over the next several weeks with councils in the remaining nine cities and officials that are surrounded by the 1.2 million acre KRC D.

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Calpine Plant License OK'd

Calpine's San Joaquin Valley Energy Center (SJVEC) proposal to develop a natural gas-fired generating facility in San Joaquin has received approval and its license from the California Energy Commission.

The SJVEC would be a combined-cycle generating facility that would sell electricity in the spot market.

SJVEC is to be located next to the Mendota Wildlife Management Area and within the City of San Joaquin's industrial area

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Community Choice Aggregation

CCA Exit Fee Issues Discussed

San Francisco, January 15

Some of the most crucial pending issues in the possible establishment of Community Choice Aggregation (CCA) were discussed during a workshop on costing issues.

Exit fees, the contribution that would be required to be paid by customers in order to stop receiving electrical energy from traditional utilities, could thwart the Legislature's intent for CCA if they turn out to be too high.

The workshop discussed and heard comments on how the exit fees, more formally known as the cost responsibility surcharge (CRS), should be structured and what, if any, cost elements should be included in the CRS for CCAs that differ from those in the CRS for direct access customers. Also explored were other ways the CRS should differ from that applied to direct access customers.

Exit fees would permit investor-owned utilities to recover costs of certain energy contract commitments. The IOUs want the CRS to permit recovery of a host of costs, with assurance they will be able to recover all costs associated with implementing and facilitating the CCA program.

The workshop also looked at whether CCA customers receive the same CRS exemption offered to baseline residential utility customers and, if so, how that might

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Bee Gives Coverage And Support To CCA

The Fresno Bee has placed the news spotlight directly upon KRCD Power and Community Choice Aggregation and followed it up with ringing editorial support of continuing studies into the plan and its possibilities.

A major front page feature on CCA and KRCD Power, written by reporter Mark Grossi, appeared in the widely-read newspaper's issue of Sunday, January 11.

In its January 14 editorial, the Bee said the concept "bears serious examination."

"The author of the proposal - the Kings River Conservation District - may seem an unlikely source for energy relief, but the district is in a position to deliver, assuming many details are worked out and a number of complications resolved," the editorial said.

The Bee correctly noted that KRCD Power's public agency status and lack of a

profit motive, tied with tax-exempt financing opportunities, would create prospects for lowering energy bills.

"Cities in the area should support the effort to see whether this can work," the Bee editorialized. "Indeed, some already have."

The newspaper added, "This is no spur-of-the-moment plan, and Kings River deserves much credit for bringing it forward so carefully."

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Energy Efficiency

San Francisco, December 18

The CPUC has approved approximately \$509 million in funding for energy-efficiency programs throughout the state. The CPUC will distribute funds to companies, government agencies and organizations to execute energy efficiency programs for residential, commercial and industrial customers in 2004 and 2005. The money would come from Public Goods Charge funds collected from ratepayers during those years. Another \$15 million is to be spent on energy-efficiency programs that are part of their procurement portfolios, based on decisions in the commission's procurement proceeding. About 46 percent of the total funds are to be spent in PG&E's service territory. Some 32 percent will be spent in Southern California Edison Company's territory, about 12 percent in San Diego Gas and Electric Company's territory, and about 10 percent in Southern California Gas Company territory.

DWR Revenue

San Francisco, January 8

The CPUC approved the Department of Water Resources (DWR) 2004 revenue requirement with 2001-2002 "true-ups." The decision by Administrative Law Judge Peter Allen sets interim allocation amounts for SCE, SDG&E and PG&E for 2004 DWR costs. PG&E has 40.5 percent of DWR-supplied energy, SCE has roughly 46.8 percent, and SDG&E has 12.6 percent, according to the allocation method. PG&E will pay about \$1.87 billion, SCE about \$2 billion, and SDG&E about \$550 million.

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KRCD Power also plans meetings with county leaders and some other potential power purchasers.

"We are extremely pleased and gratified by the outpouring of positive expressions of interest that KRCD Power and CCA are receiving from municipal and business leaders in our area," Orth said.

Under AB 117, signed into law in 2002 by Governor Davis, cities and counties are permitted to aggregate electrical energy loads of residents, business and municipal facilities for electricity purchases.

As part of the program, KRCD Power is investigating development of new base-load power generation capacity using gas-fired turbines. Along with providing lower cost public power, such a generating plant would greatly improve the central San Joaquin Valley's electrical energy reliability.

Each agency contacted by KRCD Power is being cautioned that a California Public Utilities Commission rulemaking process that is now under way will ultimately be crucial in helping determining CCA feasibility.

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and is expected to cost between \$400-\$600 million with a 30-50 year operating life.

SJVEC is expected to create over 300 construction jobs and 30 skilled jobs.

KRCD Power is conducting discussions with Calpine on the plant, which is to be located adjacent to a Pacific Gas and Electric's substation.

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Published monthly by KRCD.

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be accomplished? If not, what are the possible implications for CCA viability?

Utilities are interested in what were termed the types of significant transaction costs they may incur in working with CCAs and whether or not such charges should be made by utilities in their tariffs.

Also held was a workshop on information issues for Phase 1 of the CCA rulemaking process. SCE and PG&E provided sample electricity use reports that are mandated by AB 117. Utilities are to do their best to provide CCAs with information on rates, load, meters, the Independent System Operator and energy information.