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Summarizing Regional Energy Issues and News

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Energy Watch

Irrigation District Considers Eminent-Domain Action Against PG&E

The South San Joaquin Irrigation District (SSJID) has taken preliminary steps toward bringing an eminent-domain action against PG&E to claim the utility's assets in the region and its 33,000 electricity customers. SSJID would acquire customers in the cities of Manteca, Ripon and Escalon and nearby unincorporated areas east of the San Francisco Bay Area. SSJID currently supplies water to agricultural customers in the area, and is nearing completion of a treatment plant that will supply wholesale water to those cities. It has 100 megawatts of hydroelectric power under contract with PG&E that expires on December 31, 2004. Currently, SSJID does not supply electricity to any retail customers. SSJID will now begin the process of acquiring the utility's transmission lines and other assets. The first step in the process is for SSJID to inventory PG&E's assets in the area it has identified, come up with an estimated value, and make the utility an offer. If PG&E rejects the offer, the board could then bring eminent-domain action against PG&E in California Superior Court.

CEC Releases Updated Policy Report

The California Energy Commission has released a draft update of its second policy report and has held several public hearings. The new draft singles out Southern California Edison for renewables additions (because of its great wind potential), and concludes that older power plants can provide economic reliability if left on cold standby, rather than mothballed. The report suggests that the current 20 percent renewables

Continued on Back

Construction Launched At Groundbreaking For KRCD Power Malaga Peaking Plant

A ceremony on Friday, October 29, officially launched construction on an important addition to the Fresno area's energy portfolio.

Kings River Conservation District officials broke ground on KRCD Power's 97-megawatt peaking power generation plant located near the community of Malaga that the District believes will quickly become a vital source of electrical energy on days when San Joaquin Valley power supplies are tight. When finished, the plant will provide sufficient energy to meet the needs of some 97,000 homes during periods of peak demand.

"We are thrilled that this project is becoming reality so quickly. KRCD Power can increase its role in adding value and reliability to the Fresno region's electrical energy supply," said David Orth, KRCD General Manager. "This is a small step but an important one that will benefit everyone in Central California."

By June 2005, the plant should be on line, just in time to assist the state's Independent System Operator, which administers California's power grid, in meeting valley energy demands on hot days.

The contractor is already at work on the site. In May 2004, KRCD directors awarded a $35.4 million contract for engineering, procurement and construction of the peaking project to BMZ, a joint venture comprised of two firms, Barton Malow of Michigan and Zachary Construction of Texas.

The project has moved on a "fast-track" basis ever since state officials late in 2002 offered a pair of peaking generating units to KRCD to help combat energy generation shortfalls and related system weaknesses and needs that became evident during California's 2000-01 energy shortage.

KRCD and the California Department of Water Resources (DWR) in December 2002 signed a power purchase agreement for the plant. The two gas-fired units were among six sets received by the State of California under a settlement with Williams Energy. The other four units went to San Francisco.

KRCD Power also operates the Jeff L. Taylor Pine Flat Power Plant, now marking its 20th anniversary. This important 165-megawatt, 3-unit hydroelectric facility at the base of Pine Flat Dam went on line in 1984. Orth said it was KRCD Power's relationship with the DWR in the Pine Flat plant project that convinced the state agency that KRCD Power was best suited to put together a peaking project on a very tight time frame.

Under KRCD's agreement with the state, the DWR is to acquire all energy produced by the plant and pay its fixed and variable costs, including debt service, during the first ten years of operation as long as KRCD meets strict plant availability requirements.

The agreement contains a provision that would permit KRCD Power to fully acquire the project after six years. That could be important if the District and area cities and counties are successful in establishing a Community Choice Aggregation power option for customers. KRCD Power is conducting studies into development of a base-load power plant that would serve cities involved in the Community Choice Aggregation program.

Energy Watch continued

requirement for the state be accelerated further -- urging a green portfolio goal of 33 percent for all utilities and municipal agencies by 2020. A tradable capacity market, endorsed by the report, is another way to squeeze power out of otherwise unused plants. In order to streamline transmission project approvals, the CEC committee proposed that the state initiate a comprehensive transmission planning process as a part of the CAISO current grid management plan. The CEC also said the state should begin a transmission corridor planning process to facilitate right-of-way banking.

CPUC Interconnection Costs Decision Annulled By Court of Appeals

On August 31, 2004, the California Court of Appeals, Second Appellate District decided that the California Public Utilities Commission (CPUC) cannot require transmission providers to pay the up-front costs for connecting generating facilities to the grid. Southern California Edison had filed an appeal of a CPUC decision on interconnection costs to the court last November, after the commission denied rehearing on the matter. The Commission's order directed the utilities, not the generating facility's developer, to finance the necessary transmission upgrades, which would then be recovered in rates. In its appeal to the court, Edison argued that federal preemption barred the CPUC from ordering a cost-recovery methodology. The CPUC contended that within that arena, there was room for the state to wield some authority over transmission. The Court of Appeals' ruling said the CPUC's interpretation that federal authority over transmission allowed it to require utilities to pay up-front costs of system upgrades is incorrect. The court annulled those aspects of the Commission's decision that addressed this requirement. On September 15, the CPUC filed an appeal of the court's decision. This decision could stall plans for new wind generation projects in the Tehachapi's.

KRCD Power
Connections

October 2004 Page 2

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Kings River Conservation District (559) 237-5567
4886 E. Jensen Ave., Fresno, California 93725
www.krcd.org

California Legislation

Signed Legislation

Governor Arnold Schwarzenegger signed SB 1565, which requires the California Energy Commission adopt a strategic plan for the state's transmission grid using existing resources. The plan will identify and recommend actions required to implement investments needed to ensure reliability, relieve congestion and meet future growth in load and generation. The plan will be included in the California Energy Commission's integrated energy policy report due November 1.

The governor also signed AB 2869, which makes it easier for municipal and investor-owned utilities (IOUs) to resolve disputes over customers in fringe areas. Current law prohibits munis and IOUs from selling power to each other's customers without permission. The bill grants an exception when IOUs and munis swap customers via a mutually agreeable condemnation process to resolve a dispute over a fringe area. The Los Angeles Department of Water & Power requested the bill so that those customers it is annexing from Southern California Edison's territory will be exempt from exit fees.

SB 1488 requires the California Public Utilities Commission (CPUC) to "examine its practices" with regards to the confidentiality of information submitted to "ensure that these practices provide for meaningful public participation and open decision making."

The governor signed AB 1684, which extends the CPUC's self-generation incentive program until January 1, 2008. The program, which was established in March 2001, offers $125 million annually in financial assistance for the installation of photovoltaic cells, fuel cells, and certain gas-fired resources up to 1 megawatt in size.

The governor also signed AB 2303, which prohibits utilities that file for bankruptcy from doling out executive bonuses and charging them to ratepayers. In December 2003, PG&E—at that time still in bankruptcy—announced it would pay out $85 million in executive bonuses.

The governor also added comments to his signature of a bill extending the California Energy Commission's emerging renewable technology program. Written as an urgency measure in the last days of the session, AB 135 adds an additional $60 million in funding from the Renewable Resources Trust Fund for the emerging-technology program, which offers incentives for solar and wind generation. The program was scheduled to end on January 1, 2007 but had already run out of money and could not borrow any further into the future under current law. Under AB 135, the program will be able to offer new grants and incentives through 2007.

Vetoed Bills

Governor Arnold Schwarzenegger vetoed SB 920 that would have abolished the state Electricity Oversight Board. He wants to reorganize the Board and other energy agencies in the context of his broader plan to create a more efficient state government, and called the bill "premature."

Schwarzenegger also vetoed SB 1478, the bill that would have accelerated the Renewable Portfolio Standards to 20 percent by 2010. The governor claimed that the California Public Utilities Commission has directed the utilities to meet the accelerated date of compliance during their ongoing procurement planning process without a law stipulating that they do so. The bill omits municipal utilities. The governor stated that the bill "…creates a renewable credit market that has several onerous restrictions… It fails to recognize California's commitment and reliance on an electricity market that includes the entire western region of the country."

AB 2006 was vetoed as well. In his press release, the governor said that the "bill creates a redundant and burdensome energy procurement process that would steer the state back towards monopoly utilities without some of the consumer protections necessary to protect ratepayers."