



*The current of the Valley*

# Connections

Summarizing Regional Energy Issues and News

December 2004



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## Energy Watch

### California Public Utilities Commission

The CPUC has adopted a permanent formula for determining how much the customers of the state's three large investor-owned utilities must pay to cover their costs of long-term power contracts the state signed during the 2000- 2001 energy crisis. The decision allocates market level costs on a "cost-follows-contracts basis" in which utilities pay for the power they use. The remainder of the DWR contract costs, roughly \$7.4 billion, are pooled as "above-market costs" and divided among the three utilities based on the allocation percentages the CPUC uses to calculate each utility's share of DWR's bond repayment costs, which is based on the amount of DWR power they use. Customers of San Diego Gas & Electric will have to pay nearly 10 percent of the above-market costs of the power contracts, while Pacific Gas & Electric ratepayers will pay a little less than 45 percent and Southern California Edison ratepayers will pay a little more than 45 percent, under the decision. That means SDG&E will have to pay more than it has been paying under the interim calculation, about \$733 million more, over the life of the contracts. Edison's share will drop about \$315 million, under the new calculation, while PG&E's will be reduced by about \$418 million.

The CPUC has created a narrow exemption from the cost responsibility surcharge for new municipal utility customers. The decision, by Commission President

## Rain Causes No Significant Construction Delays

Despite unusually wet weather, progress continues at the Malaga Peaking Plant site. The project is on schedule with almost 30 percent of the construction completed.

The contractor, BMZ, has been working at the site since early October. Significant tasks completed in December include both turbine generators being set on their foundations.

The plant is scheduled to be in operation this summer to provide electricity to the region during the hot summer months when energy demand is at its greatest.



*Crews lower one of the generating units into its housing in early December.*

## Community Choice Aggregation

### Decision For Phase 1 Is Issued

On December 16, 2004, the California Public Utilities Commissioners voted unanimously to adopt the proposed decision of ALJ Malcolm in the CCA rulemaking (R.03-10-003), including certain revisions made by the ALJ to the draft proposed decision that was issued on October 29. Generally, the adopted decision should pave the way for successful CCA implementation. Decision highlights:

- CCA's can phase-in their programs at their discretion;
- Implementation costs will be paid by all customers (not just CCAs);
- The CRS must not reflect any avoidable costs, and the utilities must disclose the data underlying the calculations;
- Potential CCAs are entitled to all information they feel is relevant to their investigation of CCA;
- CCAs should generally have the opportunity to take delivery of any portion of the Department of Water Resources or utility contracts for which it pays through a CRS; and
- Interim tariffs will enable CCAs to implement programs beginning in 2005.

One disappointing change was the clarification that the interim CRS of 2.0 cents does not include the DWR bond charge (0.5 cents per kWh) and, for PG&E, the regulatory asset charge (0.6 cents per kWh). When the interim CRS is added into these amounts, the exit fee total is 3.1 cents. However, the interim CRS will be revised within 18 months or sooner if the utilities' forecasts of the CRS are 30 percent less than or greater than the interim amount. The adopted interim CRS should largely be moot because the 2006 CRS is projected to be well below the interim amount.

## CCA, continued

The changes from the ALJ's initial proposed decision include the following:

- Clarifies that this amount is in addition to the DWR bond charges and historic utility cost (the later applies to PG&E customer charges for the PG&E bankruptcy-related "regulatory asset");
- Extends the time for utility compliance filings to 60 days from 30 days;
- Assigns some costs associated with processing of customer opt-outs to CCAs (to be determined in Phase 2);
- Defers the issue of whether customers that switch from the CCA back to the utility should be responsible for incremental procurement/reliability related costs to Phase 2;
- Defers final determination of whether the CRS should be "vintaged" (i.e., different CRS applicable depending on the year the CCA program began operations) to Phase 2;
- Defers final determination of whether and how CCAs should be able to take delivery of power for which it pays through the CRS to Phase 2;
- Defers adoption of the open season proposal for transferring customers to CCA service to Phase 2;
- Determines that CCAs are not required to implement baseline subsidies in their rate structures and directs the utilities to address the impact of the baseline subsidy on their rates in other utility ratemaking proceedings; and
- Adds the requirement that in order to request confidential customer data from the utility, the mayor or chief county administrator must sign a letter attesting that the city or county is investigating or pursuing status as a CCA.

The findings in Phase I continues to make CCA an economically viable program. Phase II is scheduled to begin in January and is expected to be completed in July 2005. KRCD's CCA program cannot be implemented until the rulemaking proceedings are completed.

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## Energy Watch, continued

Michael Peevey, grants an exemption from the CRS for new municipal departing load "of publicly owned utilities that never took service from an IOU." In particular, it adopts a proposal to grant CRS exemptions for new load up to a limit of 150 MW by the year 2012. The cap is only applicable to PG&E and Southern California Edison territories, since no munis have formed in San Diego Gas & Electric's service area. Any publicly owned utility formed as of December 2004 qualifies for a potential CRS exemption for their new load.

### California Energy Commission

CEC staff wants to conduct a comprehensive review of electricity supply, resource and transmission planning efforts by load serving entities (LSEs) in the state. All LSEs with a peak load greater than 200 MW, as well as owners of transmission infrastructure, would be required to submit a detailed 10-year resource plan to the agency by March 1. Staff believes an evaluation of the adequacy of resources should be an explicit goal of the CEC's 2005 Integrated Energy Policy Report. Staff wants to require that each LSE submit a 10-year resource plan "indicating forecasted load and energy obligations and the projected set of resources procured/needed to meet them." The plan should assume a 15 percent to 17 percent summer peak planning reserve margin. Further, CEC staff said the 2005 report requires a needs assessment for the bundled service loads of each investor-owned utility. The report should also include an evaluation of major load and resource planning uncertainties.

### Federal Legislative Updates

On Friday December 10, President Bush nominated Samuel Bodman, a senior Treasury Department official, to be the next U.S. Energy Secretary. Bodman, 66, would replace Spencer Abraham if confirmed by the Senate.

Congress has given the FERC an advantage in its dispute with the California Public Utilities Commission (CPUC) over siting of liquefied natural gas (LNG) facilities. In the \$388 billion 2005 spending bill it passed last weekend, Congress earmarked \$210 million for FERC. It also gave its explicit support to the federal agency's position that it has exclusive jurisdiction over the approval and siting of LNG terminals. The conference report on the spending bill, HR 4818, said that members of Congress "agree on this point and disagree with the position of at least one state government agency that it should be the authority responsible for LNG terminal siting within its boundaries, rather than FERC." The CPUC and FERC dispute centers on the proposal of a Mitsubishi Corp. subsidiary to build an LNG receiving terminal at the Port of Long Beach. The CPUC has insisted that it has a role to play to ensure the facility meets California's safety and environmental standards, and that the developer, Sound Energy Solutions, does not exercise market power in California. FERC has refuted this notion, refused to share siting authority and insisted that California's only role is as a party to FERC's licensing proceeding.

### State Legislative Developments

Debra Bowen (D-Redondo Beach), the California Senate Energy, Utilities and Communications Committee Chair, will relinquish her position in the upcoming legislative session. Incoming Senate President Pro Tem Don Perata (D-Oakland) has selected Martha Escutia (D-Whittier) as the new head of the committee. Elected to the Assembly in 1992 and the Senate in 1998, Escutia most recently served as the chair of the Judiciary Committee. Escutia has a public administration degree from the University of Southern California, and received her law degree from Georgetown University. Before she was elected to the Legislature, she worked as the senior research attorney for the Los Angeles County Superior Court and as vice president of government affairs and public policy at the United Way of Los Angeles. Bowen will likely remain as a member of the committee. She faces term limits in 2006. She has also been appointed to the Rules Committee, according to a November 18 news release. Part of Bowen's responsibilities on the Rules Committee would be to hold confirmation hearings for gubernatorial appointees to the CPUC.