



The current of the Valley

Connections

Summarizing Regional Energy Issues and News

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Energy Watch

PG&E Bankruptcy Bill Moving Slowly

Sacramento, March 21

Discussions have slowed over SB 772, the bill that would provide Pacific Gas & Electric (PG&E) with a dedicated rate component to refinance its regulatory asset, authorized by a bankruptcy settlement with state regulators. The bill is headed for the Assembly Committee on Appropriations, which it must pass to reach the assembly floor. It would then go to the Senate Energy, Utilities and Communications Committee, and on to the Senate floor. The bill, sponsored by Senator Debra Bowen (D-Redondo Beach) passed the Assembly Utilities and Commerce Committee in February.

Edison Gets Nod For Power Deal

Washington, February 25

The Federal Energy Regulatory Commission has approved Southern California Edison Company's proposal to contract for power from the 1,054 MW Mountain View power plant. Under Edison's proposal, approved by the CPUC in December, the utility would sign a 30-year contract with Mountain View Power Company LLC (MVL), which would purchase the rights to the project from InterGen subsidiary Sequoia Generating. MVL would build, own and operate the plant. Edison would pay for gas supplies, hedging and plant dispatch. The agreement would be based on cost, rather than market prices, and would allocate all the power from MVL exclusively to Edison.

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KRCD Board Moves Ahead On Power

Kings River Conservation District directors are convinced that ongoing studies into the feasibility of establishing Community Choice Aggregation (CCA) and new base-load electrical generation should move forward.

During their March meeting, the board gave a green light for KRCD Power to continue working with a consultant and area cities and counties to investigate CCA and new generation possibilities.

Thus far, 13 of the 14 cities surrounded by the KRCD have signaled their interest to work further with KRCD Power on CCA as a means of adding value and reliability to the region's power supply system while reducing costs to consumers. Discussions are under way with the remaining city, Fresno, and are starting with officials in area counties.

"KRCD Power is ahead in meeting the looming electrical energy shortfall," said David Orth, KRCD General Manager. "KRCD is well-positioned to be part of the valley's solution."

"We must continue forward," said Ceil Howe, KRCD Chairman. "The studies show we're out of power by 2008 under good conditions."

Howe said he is gratified "by the real good responses we've had from the local folks."

The reason why is recognition across the region that "someone has to invest in infrastructure. KRCD Power can do it less expensively than anyone else," said Patrick

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Community Choice Aggregation

How Utilities Want To Implement CCA

San Francisco, March 12

California's major investor owned utilities (IOUs) have laid out the way they would like to see Community Choice Aggregation be implemented.

Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas and Electric Company on March 1 presented detailed processes - referred to during a recent workshop as the "strawmen" - intended to implement CCA as outlined by the enabling and governing law, AB 117.

The IOUs told the California Public Utilities Commission that direct access tariffs reflected entirely different business and regulatory objectives than the detailed processes for CCA. The IOUs also commented that the detailed processes could facilitate agreement among parties regarding some or all of its components, but more likely issues raised by the detailed processes could be subject to administrative litigation. In such a legal proceeding, the IOUs might each take different positions from those set forth in the detailed processes.

A day after the IOU presentations, the PUC held a workshop on cost responsibility surcharge (CRS, also known as exit fees) costing issues. Discussed were scenarios provided

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FERC approved Edison's projected \$703 million total initial rate base for MVL, which includes \$84 million for construction costs and a "contingency" fund. FERC did mention it is concerned that Edison could potentially exercise market power if it sold power from MVL at market-based rates into the California ISO's market-particularly if it sold the power below cost.

PG&E Rate Cuts Get CPUC Nod

San Francisco, February 26

The CPUC has decided PG&E can proceed with a \$799 million rate cut. Commission President Michael Peevey and Commissioners Geoffrey Brown and Susan Kennedy voted to approve the decision. Commissioners Loretta Lynch and Carl Wood voted against it. Estimated system-wide reductions include a 4.1 percent rate reduction for residential customers while small business customers are to get a 11.3 percent reduction. The large business reduction is 11.8 percent reduction and agricultural customers' 14.3 percent. Rates were implemented March 1. The CPUC will determine a final rate reduction amount and allocation among customer classes in an upcoming decision.

Many Measures Are Introduced

Sacramento, February 21

The February 20 deadline for new legislation spawned new, energy-related bills in the state Senate and Assembly. A few of the bills make minor changes to existing legislation but most propose substantial changes or additions to state energy policy. The first step for the Assembly bills will be the Assembly Committee on Utilities and Commerce for a vote. The Senate bills will first go to the Senate Energy, Utilities and Commerce Committee.

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Heat Wave Sparks Stage One Emergency

Due to higher than expected loads and loss of resources south of Path 15 a Stage One Electrical Emergency was declared on March 29 by the California Independent System Operator (CAISO).

"Temperatures were running about 10 degrees above forecast in Southern California," said Jim Detmers, Vice President for Operations at the CAISO. "We also had 770 megawatts of power plants trip out of service. When outages coincide with high

loads, we can quickly run out of options. The Stage One Emergency declaration gives us some more alternatives to draw from."

The Stage One Emergency gives the ISO additional authority to require power plants and transmission owners to respond to ISO instructions.

The CAISO is a not-for-profit, public benefit corporation charged with managing the flow of electricity along California's open-market wholesale power grid.

KRCD Board, continued from Page 1

Mealy of Sacramento-based Navigant Consulting.

CCA, as authorized by state law and currently the subject of California Public Utilities Commission rulemaking, would permit a city or county to aggregate purchases of electrical energy from a supplier other than the local investor owned utility although the utilities would continue to own, operate and maintain the distribution system and handle billing and service.

Users could realize rate relief under CCA by purchasing electricity from KRCD Power from a proposed gas-fired, base-load generation plant, preliminary studies show. KRCD is a public agency that lacks a profit motive and qualifies for tax-exempt bond financing.

KRCD Power is in the process of scheduling workshops for local government leaders on financial, technical and legal issues of CCA.

Howe said KRCD Power would continue to develop information. "Right now, I don't see anything that convinces me we should stop," he said.

Community Choice Aggregation, continued

by the Department of Water Resources. Also identified were areas of agreement, remaining issues and recommended next steps. Prepared testimony on CRS issues for CCA is due April 15, 2004.

Still another PUC workshop, on March 12, was held to discuss this "detailed processes strawman," intended as a starting point for discussions to develop a framework for CCA service rulemaking.

During the March 1 workshop, discussion focused on seven main sections in the IOU document. For each section a proposed process flow was given. The seven sections include:

1. CCA Plan and Commission review.
2. CCA Program establishment with utility.
3. Customer notification and opt-out process.
4. Mass transfer of service and follow-up notification process.
5. Customer management after CCA program established.

6. Billing payment and collection processes.
7. CCA termination of program.

San Francisco Launches CCA Bid

San Francisco, February 17

San Francisco Supervisor Tom Ammiano introduced an ordinance that would establish a Community Choice Aggregation program under which the city would purchase power from energy service providers for residents and businesses who decide to leave utility service to participate. Under Ammiano's proposal, the city would solicit bids to supply power to San Franciscans, who consume between 650 MW and 850 MW of power daily. The city also would solicit bids for construction of 360 MW of renewable-generating facilities, including photovoltaic cells, distributed generation, wind turbines and hydrogen-powered generation. A primary objective of the ordinance is to replace power from the city's aging Potrero and Hunters Point plants.