



The current of the Valley

# Connections

Summarizing Regional Energy Issues and News

April 2004



Volume 2, No. 4

## Energy Watch

### Utilities File Long-term Power-Procurement Plans

San Francisco, April 1

The state's three large investor-owned utilities (IOUs) filed revised outlines of their plans this month with the California Public Utilities Commission (CPUC). Forecasting load and gas prices, transmission, figuring out resource-adequacy requirements, incorporating energy efficiency and demand response programs, renewable and non-renewable power supplies, and assessing risk will be at the heart of the IOUs' long-term plans. The utilities will look first at how they can reduce demand through customer energy efficiency and demand response, and distributed generation, as instructed by the CPUC in a January order. They will run their analysis through a variety of scenarios, including the existing direct-access environment, a new environment in which one or more communities break away as community choice aggregators, under a core/non-core market structure with new rules, and other scenarios.

### CPUC Will Begin Proceedings To Review Utilities Long-term Plans

San Francisco, April 4

The CPUC voted on a new procurement proceeding that will review and adopt the utilities' long-term power-procurement and integrated-resource plans. The CPUC will use the Energy Action Plan devised with other state agencies as a

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## CCA Specifics Detailed For City Representatives

Representatives of several cities received detailed data and related information on Community Choice Aggregation (CCA) prospects during a series of April workshops presented by KRC D Power.

The workshops are the latest step in examining the potential for implementing a CCA program under which area cities and counties would elect to purchase electricity from a supplier different than existing utility companies. KRC D Power, which is simultaneously studying means of developing a new base-load generation plant, hopes to be that supplier.

David Orth, KRC D General Manager said the April 28-29 workshops would be

followed up this summer by another round of such sessions that will help cities and their leaders determine later this year whether or not they wish to pursue implementation of CCA.

"We see CCA as a great avenue to involve local agencies in California energy solutions," Orth said. "CCA is a realistic solution."

KRC D Power has been examining means of improving electrical energy reliability, stabilizing prices and enhancing local control since 2001.

"We need to add more generation locally," Orth said. "We must improve the ability to

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## Community Choice Aggregation

### Revision to DWR's Exit Fee Model

The Department of Water Resources made an update to the Cost Responsibility Surcharge (exit fees) model results presented at the March 2, 2004 rule making workshop. The model underlying the revised results contains the following changes:

- Revision to Utility Retained Generation rates based on conversations with the Investor-owned utilities.
- Correction to Historical Procurement Charge rates for PG&E and SCE.
- CCA migration set to 10 percent in all years 2005-2015. To avoid any confusion about the impact of differences in load migration in a given year, the model was revised to illustrate 10 percent cumulative migration in 2005 that continues at the same level for the study period.

### City of Moreno Continues To Sign-Up Energy Customers

The city of Moreno Valley, Calif., has been running a municipal electric utility for two months, currently serving about 100 meters and is adding customers at the rate of 10 a week. Southern California Edison currently has 30,000 customers in the city and the municipal utility has only 100. But, within 15 years, city leaders expect the municipal util-

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## Workshops, continued

move power in and out of the area more freely."

"The importance of the generation benefit can't be overstated," said Patrick Mealy of Navigant Consultants. "A dedicated base load generation plant is what would fuel CCA."

Orth is preparing testimony on the KRCD Power investigation to brief the CPUC.

Randy Shilling, KRCD Finance Director, presented and demonstrated the complex financial model created for KRCD Power by Navigant, including a number of scenarios involving cities participating, power plant size and other factors to show energy cost savings that might result to consumers.

The model is being updated regularly, most recently to reflect a PG&E rate reduction as the utility emerged from bankruptcy.

Mealy said a crucial factor in whether CCA can be cost-effectively implemented is a looming CPUC decision on exit fees as part of a CCA rulemaking process.

A decision is likely within a year and, Mealy cautioned, "will weigh heavily on CCA."

Exit fees are a mechanism to permit a utility to recover its costs from customers leaving the system. "At this point, exit fees are a moving target," Mealy said.

Also participating in the workshops was Shawn Matchim of Navigant. One session was held for representatives from Kerman and Clovis at the Kerman Community Center. Attending the two workshops at KRCD were officials from Fowler, Parlier, Kingsburg, Selma, Sanger, Lemoore, and Corcoran.

## KRCD Power Connections

April 2004

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Published monthly by KRCD.

Prepared by the KRCD Public Information Staff with special assistance from Navigant Consulting Inc.

Cristel L. Tufenkjian, KRCD Public Affairs Officer  
J. Randall McFarland, Public Relations Consultant  
Kings River Conservation District (559) 237-5567  
4886 E. Jensen Ave., Fresno, California 93725

## Energy Watch, continued

guide, and plans to coordinate the new proceeding with proceedings dealing with community choice aggregation, demand response, energy efficiency and the state's renewables portfolio standards, among others.

### Energy Bills Update

SB 1398, introduced by Senator Bill Morrow (R-Oceanside), would require the California Air Resources Board to develop guidelines to permit the installation of distributed generation facilities. It would also exempt distributed generation from regulation by the CPUC, and require utilities, in setting rates and establishing tariffs, to treat customer use of distributed energy resources as an energy-efficiency measure. New amendments to the bill were added March 22. They set a December 31, 2005 deadline for development of guidelines and for determining the criteria for qualification as an ultra-clean and low-emission distributed generation resource. The amendments would also require each electric utility to retain a percentage of ratepayer savings as a shareholder benefit that is equal to the authorized rate of return for the year the savings occur. No customer using distributed generation would be exempt from "reasonable interconnection charges," or from cost recovery surcharges.

SB 1488, by Senator Debra Bowen (D-Redondo Beach), would require the CPUC to make public all information submitted by a utility except by specific order of the commission. The amendment to the bill would authorize the commission to order that cer-

tain categories of information be deemed confidential if the commission finds that the public interest served by not disclosing the information clearly outweighs the public interest served by disclosure. The bill was introduced at a Senate Energy, Utilities and Communications Committee meeting earlier this month, where Bowen said she planned to add the amendment to the bill. PG&E, SCE and SDG&E all opposed the bill, but said they would welcome the amendment and might reconsider their positions on the bill.

SB 772, introduced by Senator Debra Bowen (D-Redondo Beach), would allow PG&E to refinance its ratepayer-funded regulatory asset with bonds backed by a dedicated rate component was approved in the Assembly Committee on Utilities and Commerce. Last minute amendments to the bill left the contentious issue of whether annexed muni customers should pay for the bonds for the CPUC to decide. Given this amendment, PG&E currently supports the bill. The munis had wanted the bill to explicitly exempt their customers in annexed areas of new development from having to pay for the dedicated rate component. On March 22 Bowen had added amendments that would have given munis a DRC bond exemption for "greenfields. PG&E then withdrew its support for the bill. Without the utility's support, the bill would have been moot because the company is not required to seek the dedicated rate component bonds even if the legislation is approved. Because there is an urgency amendment attached to the bill that would make it effective as soon as it is approved, it will require a two-thirds majority to pass on both the Assembly and Senate floors.

## Community Choice Aggregation, continued

ity will have 28,000 to 34,000 customers. The city utility will serve only new residential and commercial developments in Moreno Valley's "greenfield" areas, mostly on the eastern side of the city.

Originally, the city had planned to buy power from the nearby city of Corona, but Edison pressured Corona officials into dropping the offer, he said. Corona backed out of the agreement a week before Moreno Valley was to start operating its utility. The city overcame that problem by securing a contract with Sempra Energy.

Residents for Responsible Utility Service, a group of local residents supported by Edison, has drafted a ballot measure that will be placed on the November ballot if supporters gather enough signatures. The measure would prohibit the municipal utility from using any general fund money to pay for utility expenses, bar the city from charging higher rates than Edison charges, and restrict city officials from taking money out of the utility for other purposes for at least five years and until it establishes a financial reserve equal to 20 percent of its expenses.