



The current of the Valley

# Connections

Summarizing Regional Energy Issues and News

May 2004



Volume 2, No. 5

## Energy Watch

### Governor Gives Views On Power

*Sacramento, April 28*

Governor Schwarzenegger has made known his views on a core/non-core electricity market structure and procurement issues. Schwarzenegger said he favors a core/non-core electricity market structure without safety nets for customers who choose direct access. He also urged the California Public Utilities Commission to step up implementation of energy reserve margins. Schwarzenegger urged the CPUC to work on implementing AB 57, which sets procurement standards for utilities. Schwarzenegger said the CPUC should act to compensate for the retirement of aging power plants while wholesale prices are low and utilities can lock in long-term contracts. He contended the CPUC should accelerate its resource adequacy requirement and work closely with the California Independent System Operator (CAISO) to implement the resource adequacy standards.

### Bills In The California Senate

*Sacramento, May 25*

The California Senate Energy, Utilities and Communication Committee has approved a bill that would increase the state's goals for renewable energy consumption, although senators said they expected detailed amendments to the bill. SB 1478 would up the target date by which renewables are to account for 20 percent of total electricity consumed, from the current 2017 deadline to 2010. However, the bill

Continued on [Back](#)

## KRC D Manager Tells PUC About CCA Proposal

Kings River Conservation District has entered testimony before the California Public Utilities Commission on efforts by KRC D Power and area cities to establish a Community Choice Aggregation (CCA) electrical energy supply program.

"KRC D is actively working to improve the electrical infrastructure in and around its service area in the San Joaquin Valley and views successful implementation of community choice aggregation as an important contributor to our ability to make the substantial infrastructure investments needed for improved reliability, rate stability and lower costs," General Manager David Orth said in his May 7 testimony.

"KRC D desires the establishment of fair and reasonable implementation rules that will foster development of economically viable community choice aggregation programs," he added.

Orth told the CPUC that critical regional energy issues and problems exist in much of the central San Joaquin Valley.

"The region suffers from limited transmission, distribution and generation capacity," Orth said. He noted that KRC D Power has been looking for ways to boost valley power system value since the 2000-01 energy crisis by adding "value to our service area and surrounding cities by creating opportunities to develop additional generation and transmission facilities and by providing better reliability at lower cost."

"As a public agency with access to relatively low cost financing, KRC D can be a low cost supplier of electricity for customers in the region. Investing in new regional generation is consistent with KRC D's objectives of improved reliability at lower cost. In addition, local control and ownership of area generation will increase cost stability during times of fluctuating market rates.

Continued on [Back](#)

## Community Choice Aggregation

### CCA Rulemaking Hearings Rescheduled

*San Francisco, April 26*

The California Public Utilities Commission has revised dates for hearings and testimony on Community Choice Aggregation (CCA). Evidentiary hearings will be held June 3-14. The CPUC will schedule dates for opening and reply briefs at the evidentiary hearings.

### Parties Give Replies On Other CCA Issues

*San Francisco, April 26*

Reply testimony on the cost responsibility surcharge (CRS, also known as exit fees) and other cost issues has been submitted. Some of their comments:

The California Department of Water Resources (DWR) suggests CCAs would be provided an option to "buy-out" their CRS obligation, which would either be the sum of the present

Continued on [Back](#)

## CCA, continued

value of ongoing components of CCA obligations on CRS under a base case scenario adopted by the Commission and a risk premium for possible swings in rates, or a fixed CRS obligation based on current above-market cost estimates of DWR contracts would be calculated and applied to bundled service and migrating customers alike.

Southern California Edison Company (SCE) said DWR's proposals lack sufficient detail and that there is also no justification for bundled service customers to assume all the risks of fluctuations in market prices. Pacific Gas and Electric Company (PG&E) states that the CRS must be determined annually, and buy-outs should not be adopted for the CRS.

SCE, PG&E, and TURN all say a cap on CRS is unnecessary. TURN states that it would provide a false incentive for a city or county to establish a CCA at an earlier date than would really be economic if the full magnitude of the sunk costs that would eventually have to be paid were visible to them.

### Cities Interested In Power

*San Francisco, May 25*

San Francisco officials want to launch an independent citywide electricity procurement system. Under the proposal, the city's Public Utilities Commission and Department of the Environment would draft an implementation plan for a CCA program and collect electrical load data such as residential and non-residential load shapes, and dynamic and static load profiles. Meanwhile the city of Santa Monica announced it was studying the possibility of launching CCA.

## KRCD Power Connections

May 2004

Page 2

Published monthly by KRCD's 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  
[www.krccd.org](http://www.krccd.org)

## Energy Watch, continued

still needs to address the issue of whether renewables portfolio standards should apply to municipal entities (munis), and how tradable renewable energy credits should be defined and used.

### Bills In The State Assembly

*Sacramento, May 25*

AB 2869 would give munis an exception to a law that prevents them from selling electricity to customers of another muni. The exception would apply in cases where customers are affected after a utility completes a mutually agreeable process of condemnation for distribution facilities of another utility, related to a city or county annexation initiated before February 1, 2000. The bill, authored by Lloyd Levine (D-Van Nuys), passed the Utilities Committee and will move to the Assembly floor.

AB 2767 clarifies that the California Department of Water Resources (DWR) has authority to administer contracts it entered into before January 1, 2003. Although the department's authority to enter into contracts has expired, the bill underscores that DWR can still renegotiate existing contracts. The bill, written by Joseph Canciamilla (D-Pittsburg) and Keith Richman (R-Northridge), passed the Utilities Committee May 3.

### CPUC Focuses On Renewables

*San Francisco, May 25*

The CPUC has opened a new rulemaking proceeding to finalize rules to implement the state's renewables portfolio standard (RPS). The CPUC will quantify the amount of renewable generation utilities currently use and decide how much each utility must procure as a portion of their future total generation mix.

## KRCD Intervenes In Rulemaking, continued

Orth said a Pacific Gas and Electric has found the existing electrical system could serve an area peak electricity demand of between 2,940 and 3,500 megawatts depending on various factors, including water availability and dry year hydro conditions at PG&E's Helms Pump Storage Powerhouse. According to PG&E, Orth said, the greater Fresno area load could reach capacity by as early as 2005.

He detailed KRCD Power's work on new base load power plant development, related system improvement possibilities and CCA efforts with 14 cities and three counties but added the CPUC's role in determining "exit fees" will be crucial.

"KRCD believes that if the Commission establishes fair and equitable cost recovery surcharges and transactions fees, KRCD will be able to provide electricity to CCA customers at competitive prices," Orth said.

"The basis for this belief is that KRCD will supply these customers from state-of-the-art generation facilities, financed at an overall cost of capital of approximately 5 to 6 percent. This compares quite favorably to PG&E's tax-effected return on rate base of

approximately 13 percent, which includes return on equity financing and also must account for state and federal taxes," he said. "KRCD's cost of capital is also lower than the typical independent generation developer."

Orth said the CRS ultimately adopted by the Commission "may make it impossible to serve CCA customers at prices competitive with PG&E rates, once the CRS is added to the community choice aggregator's cost of energy. In that event, KRCD would have to re-evaluate all of its options and may be precluded from building new base-load generation in the region."

He told the CPUC that including new procurement costs in the CRS "would make the CRS even more unpredictable. . . . It would also be patently unfair for PG&E to charge CCA customers for PG&E's procurement decisions made after the time when the community choice aggregator assumed all procurement responsibility for its customers."

Orth said that including ongoing liability for PG&E's procurement decisions in the CRS "would frustrate the desire of customers to take control of their energy costs."