



The current of the Valley

Connections

Summarizing Regional Energy Issues and News

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Energy Watch

PG&E Refinances Regulatory Asset

Sacramento, June 7

SB 772, the bill that created a dedicated rate component to refinance Pacific Gas & Electric's regulatory asset, potentially lowering costs to ratepayers by as much as \$1 billion, has been signed by Governor Schwarzenegger on June 7. Because the bill has an urgency clause attached to it, it would become law immediately rather than in January 2005, when most new legislation goes into effect. PG&E's \$2.21 billion regulatory asset was established as part of the settlement agreement with the California Public Utilities Commission that allowed the company to emerge from bankruptcy in April. PG&E has estimated it will still take about six months to get the financing in place for the bonds.

California Settlement Talks Begin

Washington D.C., June 4

On June 4 the Federal Energy Regulatory Commission announced it will host settlement discussions in the California refunds proceeding. The California parties, namely the attorney general, the California Public Utilities Commission, other state agencies and investor-owned utilities, will present "templates" for settlement of the dispute. FERC's notice indicates that the push for settlement was initiated by the California parties—the state attorney general, the California Public Utilities Commission, the Electricity Oversight Board, the Department of Water Resources, Pacific Gas & Electric, Southern California Edison and San Diego Gas & Electric. The settle-

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KRCOD Manager is Cross Examined At Hearings

KRCOD's General Manager Dave Orth was sworn in before Administrative Law Judge Kim Malcom on June 24 as part of the Community Choice Aggregation rulemaking evidentiary hearings.

The purpose of the hearings, which were held from June 2-24, was to allow the intervenors to defend their written testimony and for the Administrative Law Judge to

gather facts about the case. KRCOD intervened in the Rulemaking before the California Public Utilities Commission on April 28.

During Orth's cross examination, the majority of the time was spent responding to questions from PG&E's attorney. "Most of the questions revolved around KRCOD's pro-

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Community Choice Aggregation

CCA Hearings Focus On Exit Fees

San Francisco, June 2

Evidentiary hearings for community-choice aggregation began June 2. More than two dozen witnesses representing investor-owned utilities and local-power proponents will take the stand and answer questions by participating parties. A key point of contention in the proceeding is how much CCA customers should have to pay to leave investor-owned utility service. Some CCA advocates have argued there should be a cap on cost-responsibility surcharges (CRS) owed by CCA customers, just as direct-access customers currently have a CRS cap of \$0.027/KWh. The IOUs maintain that their remaining bundled customers should not have to pay the costs of shifting other customers to CCA programs. The parties are discussing issues including:

- Who assumes the risks of stranded costs.
- Whether aggregators can phase in customers.
- Whether the IOUs should be required to give aggregators confidential information about customers.
- Who should handle phone calls from potential CCA customers.

The California Department of Water Resources, said calculations of the market predict that 10 percent of retail load will migrate to CCA. Witness hearing began on June 2 and will end on June 24.

CPUC President Updates Legislature

Sacramento, June 8

CPUC President Mike Peevey sent a letter to Senator Debra Bowen regarding the status of the CCA rulemaking. Peevey stated that the Commission staff and the parties to the proceeding have been working diligently on the many cost and implementation issues before

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CCA, continued

them. He stated that the CPUC hopes to resolve the issues that are subject to the pending hearings in early Fall 2004 and shortly thereafter address operational issues. The Commission owes the Legislature a report confirming its implementation of the CRS before implementing the CCA program.

City Moves Forward With CCA

Chula Vista, June 8

On May 19, Chula Vista's City Council voted to move forward with business-model recommendations put forth in a feasibility report conducted jointly by Duncan, Weinberg, Genzer & Pembroke, P.C., McCarthy & Berlin, and Navigant Consulting. Chula Vista, currently served by San Diego Gas & Electric, has about 200,000 residents and is expanding rapidly. In 2003, SDG&E collected more than \$100 million from Chula Vista ratepayers, according to city documents, and the city represents 9 percent of the utility's total natural gas and electricity market. Peak demand for the city is about 150 megawatts. The report projects an electricity-only, community-choice aggregation and Greenfield program supplied with contract power would generate annual revenues of \$9.45 million, while a program supplied with local generation would generate annual revenues of \$19.5 million. Chula Vista also selected three independent consulting firms to review the feasibility study's assumptions and findings. On June 8, Chula Vista's City Council directed staff to prepare a resolution that would declare the city's municipal utility a community-choice aggregator, and produce a staffing plan for implementation of the Greenfield development and CCA programs.

KRCD Power Connections

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ment discussions will occur on June 30 at FERC's Washington, D.C. offices. The commission said the talks were not intended to affect or substitute for any settlement talks now in process.

Evidentiary Hearings Begin On Exit Fees

San Francisco, June 2

The California Public Utilities Commission will review a settlement agreement filed by Pacific Gas & Electric, Southern California Edison and The Utility Reform Network that decides responsibility among the state's three large investor-owned utilities for paying the costs of power contracts the state signed during the energy crisis, under a ruling issued on May 27. The commission will hold evidentiary hearings as part of its review of the agreement, which sets amounts each utility should pay to the state Department of Water Resources. The settlement agreement proposes the establishment of a permanent allocation methodology for paying off the DWR contracts that would cover the period from 2004 to the expiration of the last contract in 2013. The settlement agreement divides DWR's annual revenue requirement into three categories: DWR's contract costs, DWR's other power costs, and planned changes in power charge accounts. The settlement proposes to permanently allocate the contract costs to each utility's customers in the same manner that the contracts were physically allocated to each utility's supply portfolio. Each utility would also bear a share of the department's other power costs, with PG&E paying 43.6 percent of those costs, Edison paying 42.6 percent and SDG&E covering 13.8 percent. Evidentiary hearings on the settlement agreement were held June 14 and 15.

Independent System Operator's Top Managers Resign

Sacramento, June

Terry Winter, chief executive officer of the California Independent System Operator since 1999, has resigned his position. Vice President for Corporate and Strategic Affairs, Elena Schmidt, also resigned. Board of Governors Chair Michael Kahn said that while both Winter and Schmidt initiated their departures, the board decided to make the resignations effective immediately. Kahn said that Winter and Schmidt were asked to take on consultant roles with Cal-ISO during the change to a new CEO and while the system operator moves forward with implementing Market Design 2002.

Orth's Cross Examination, continued

posal to enter into long-term contracts to secure financing for a base load plant along with a number of questions about KRCD Power's contract with the Department of Water Resources and related peaking power plant project," Orth stated.

Inquires from PG&E included the length of contract needed to secure financing for the base load plant and the status of discussions with the fourteen cities and their degree of commitment to the CCA program.

"Thirteen of the fourteen cities have formally sent KRCD letters of interest in moving forward with investigations into CCA," Orth said. "We believe long-term contracts from the cities covering 15-20 years would be needed to secure the financing for the generation plant."

The question was also asked about KRCD's position on a cap for the exit Cost

Responsibility Surcharge. "KRCD is not opposed to a cap as long as no costs are shifted among the CCA aggregators." Orth responded.

When questioned about whether the resource mix of a CCA program would be similar to PG&E's or different, Orth responded, "Our resource mix would be different because it wouldn't be dependent on hydropower."

The hearings are part of Phase I of the CCA rulemaking, which is focusing on cost issues. The next step is for all participating parties to file briefs, which are their arguments in the case. Opening briefs from all intervenors are due on July 9. Reply briefs will then be due in two weeks from that date. In August, the judge will have a proposed decision. A final decision on Phase I is expected from the Commission in the fall.