



The current of the Valley

Connections

Summarizing Regional Energy Issues and News

July 2004



Volume 2, No. 7

Energy Watch

CAISO Appoints Interim CEO

Sacramento, June 24

On June 24, the California Independent System Operator Board of Governors appointed Marcie Edwards as interim chief executive officer. Edwards is currently the general manager at Anaheim Public Utilities. Edwards will take an unpaid leave of absence from Anaheim to serve her tenure at CAISO, which is estimated to last three to six months. Before joining Anaheim in 2001, Edwards was assistant general manager of the Los Angeles Department of Water & Power's marketing and customer-service business unit. The CAISO is conducting a national search for a permanent CEO.

Transmission Upgrades Approved

Sacramento, June 18

The Board of Governors of the CAISO unanimously approved several transmission projects at its June 18 meeting. The transmission upgrades, also known as the "Southwest Transmission Expansion Plan," will cost approximately \$148 million and will net ratepayers about \$62 million in benefits due to a reduction in the price of power. The upgrades will also reduce the production cost for the entire Western Interconnect by \$27 million. The plan is to complete the project by the summer of 2006. These upgrades will primarily benefit customers in the Los Angeles and San Diego areas. KRC D continues to strongly believe that generation and transmission improvements continue to be required in the Greater Fresno Area.

Continued on Back

MOU Talks Are Next For CCA Process

All 14 Cities Within KRC D Have Signaled Interest

Kings River Conservation District officials and leaders of the 14 cities surrounded by KRC D are getting set to move to the next level of the Community Choice Aggregation (CCA) process.

During July 29 workshops in Selma's City Hall updating the CCA effort for representatives of the area's cities, KRC D General Manager David Orth said the District would prepare a discussion draft of a memorandum of understanding.

That draft will be circulated electronically for comments within a few weeks before

negotiations take place over MOU terms and provisions.

Two days earlier, the City of Fresno became the 14th city within the KRC D service area to voice its interest in CCA. The Fresno City Council authorized its staff to work on CCA and program alternatives.

Previously, the other 13 cities expressed their interest and most have since been active participants.

Orth said he hopes to have the MOUs before the 14 city councils for consideration by the end of the year.

Continued on Back

Community Choice Aggregation

Many Cities, Counties Are In State's CCA Mix

Selma, July 29

Several other California cities and counties are actively pursuing Community Choice Aggregation. Patrick Mealoy of Navigant Consulting, which is working with the Kings River Conservation District and 14 valley cities on CCA issues, told those attending workshops sponsored by KRC D Power that several CCA investigations are under way in the Pacific Gas and Electric Company service area. They are being conducted in Antioch, Berkeley, Oakley, Oakland, Emeryville, Vallejo, Pleasanton and the counties of San Francisco, Marin and El Dorado. Agencies within Southern California Edison Company's service area that are pursuing CCA include Los Angeles County, Beverly Hills, West Hollywood, Santa Monica and Victorville. Further south, San Diego County, Chula Vista and San Marcos are looking at CCA within the territory served by San Diego Gas and Electric. The 14 cities surrounded by KRC D represent one of the largest group of agencies working on CCA possibilities.

Phase 1 Hearings Come To A Close

San Francisco, July 23

Administrative Law Judge Kim Malcom received final reply testimony on July 23 regarding Phase 1 of the Community Choice Aggregation rulemaking proceedings. Judge Malcom is now developing a draft decision for Phase 1. The California Public Utilities Commission is expected to make a final decision by September.

Clean Energy Initiative Approved

Sacramento, June 29

On June 29, the Western Governors Association unanimously adopted a Clean and Diversified Energy Initiative, a project co-sponsored by California Governor Arnold Schwarzenegger and New Mexico Governor Bill Richardson. The bipartisan policy seeks to establish the region as an energy exporter and stabilize energy costs to states and consumers. By exploiting newer, cleaner energy sources, the association believes it has the capacity to become the "Saudi Arabia of wind and solar energy." The resolution sets a goal of developing 30,000 megawatts of clean energy by 2015 and for states to increase energy efficiency 20 percent by 2020.

Legislation

SB 1478, authored by Senator Byron Sher (D-Palo Alto), moves the state-mandated goal of investor-owned utilities to use renewable power for 20 percent of their electricity sales from 2017 to 2010. The bill also sets up a framework for tradable renewable-energy credits for utilities that cannot build enough renewable generation to meet the goal. The bill, without any amendments, failed on a 6-4 vote at the Assembly Utilities and Commerce Committee regular meeting on Monday, June 21. Committee Chair Sarah Reyes (D-Fresno) called a special meeting Thursday, June 24 to rehear the bill. Two new amendments were added. One amendment calls for the CEC to study ways to give incentives for muni participation in the renewables portfolio standard program. Another amendment requires munis to report their renewables portfolio status to the CEC every year, information they are already required to publish for their customers.

KRCD Power Connections

July 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

KRCD Files Post Hearing Brief At CCA Hearings

On July 8, KRCD filed a post hearing brief with the California Public Utilities Commission (CPUC).

The brief stated that AB 117 was enacted to promote CCA. The legislature did not cynically enact AB 117 hoping that the CPUC would establish rules that make CCA impossible. Rather, the rules should foster CCA. KRCD urged the Commission to establish rules to encourage CCA on terms that are fair and just to both CCA customers and customers that remain with the investor-owned utility.

This need for fair and just rules that avoid cost shifting applies particularly to the cost responsibility surcharge (CRS). In order for CCA to be viable, the rules should require the CRS to be predictable so that those able to provide new generation resources can determine the financial feasibility of doing this with some degree of reliability.

There are three types of costs and parties that should bear these costs:

1. Implementation costs that are reasonably attributable to a community choice aggregator. These are to be recovered from the community choice aggregator;
2. Implementation costs not reasonably attributable to a community choice aggregator. These are to be recovered from ratepayers; and
3. All reasonable transaction-based costs. These are to be recovered from the

CCA Workshops For Cities, continued

Next would come preparation of the cities' applications to the California Public Utilities Commission to establish CCA under which area cities and counties would elect to purchase electricity from a supplier different than existing utility companies. KRCD Power, which is simultaneously studying means of developing a new base-load generation plant, has proposed to be that supplier.

Briefings were provided on all developments in the CCA process, including the CPUC's consideration of rulemaking to implement CCA.

There has been much concern over how the CPUC might establish "exit fees." Those

CCA or CCA customers that are receiving the service.

During the hearings both Southern California Edison and San Diego Gas and Electric have argued that all implementation costs must be paid by CCAs, a position that is inconsistent with AB 117 because it would deny the existence of implementation costs that are not reasonably attributable to a community choice aggregator. Neither utility provided evidence that all implementation costs can be reasonably attributable to any particular CCA.

Another cost discussed in the brief was transaction costs. The basic transactions that electric corporations will be providing to CCAs are not new, as the services of billing, metering, and account establishment have been provided to direct access providers and customers since 1998.

CCAs have not requested any service beyond those existing services, and these existing fees could be used for CCAs, at least for the initial period of CCA implementation. If anything, the "opt-out" nature of CCA and the ability to transfer accounts in large batches out to reduce some of the transaction costs and the existing fees should be sufficient to enable cost recovery by the utilities.

In conclusion, the brief states that CCA can be a valuable component of California's energy landscape and successful implementation will be an important contributor to enable expansion of the state's energy infrastructure.

charges would be a means of permitting a utility to recover its costs from customers leaving the system.

Pacific Gas and Electric Company and Southern California Edison Company both favored the 2002 legislation establishing CCA. They are compelled by law to cooperate in implementing aggregation. However, the utility companies are seeking to maximize exit fees.

"If equitably structured, we do not believe exit fees will be a make or break issue," Orth said. "We can still provide lower cost alternatives than Southern California Edison or Pacific Gas & Electric Company."