



The current of the Valley

Connections

Summarizing Regional Energy Issues and News

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Energy Watch

FERC Approves Path 15

On June 30, The Federal Energy Regulatory Commission (FERC) approved the Path 15 transmission-line upgrade operations and interconnection agreement. PG&E, the Western Area Power Administration (Western) and Trans-Elect filed their agreement with FERC in anticipation that the new 500-kV line would be operational by the end of this year. PG&E will be responsible for coordinating with the CAISO and for the day-to-day operations and maintenance of the line. Western and Trans-Elect have agreed to run and maintain their facilities. Although Path 15 upgrades will improve the movement of energy between northern and southern California, it will not help with the Central Valley's transmission needs.

Renewable-Energy Report Issued

On July 30, the CEC issued its quarterly renewable-energy report to the Legislature. In it, the CEC provided an update on the development of the Western Renewable Energy Generation Information System (WREGIS), gave details on account balances for funding of renewable projects through the commission's various incentive programs, and made note of the high demand for its rebate program for customer-installed renewable-energy systems. WREGIS is an electronic monitoring system intended to ensure that investor-owned utilities follow state procurement rules that include an annual boost of 1 percent to reach the goal of 20 percent of energy from renewable sources by 2017.

Continued on Back

Signed Agreement Clears Path For Plant Construction

Authorities from the California Department of Water Resources (DWR) signed an amended and restated, 10-year purchase power agreement on August 18, clearing the path for KRC D Power to finance and construct a 97-megawatt peaking power plant near the community of Malaga just south of Fresno. (One megawatt supplies energy to approximately 1,000 homes.)

The amended contract assures that the

State's ratepayers and DWR will immediately benefit from the production of low-cost, highly reliable peaking capacity supplied by KRC D Power. "This project promises to be a great help in meeting the Governor's desire to build generation capacity, and we are pleased that he looks at this as part of his energy solution," said KRC D General Manager David Orth.

Continued on Back

Community Choice Aggregation

Disagreements Continue Over Costs and Procedures

The costs for establishing CCA and who should pay them were debated in briefs filed July 23 at the California Public Utilities Commission (CPUC). KRC D discussed in its brief that there are three types of costs: implementation costs attributable to CCA, implementation costs not reasonably attributable to CCA, and reasonable transaction-based costs that are attributable to CCA. The City and County of San Francisco, which adopted an ordinance in May outlining plans to create a CCA, urged the commission to set a cost responsibility surcharge (CRS) for CCAs early in the proceeding, rather than wait, as Pacific Gas & Electric (PG&E) suggests. San Francisco proposed that its planned CCA pay PG&E a CRS on a biannual basis, starting with 1.5 cents per kilowatt-hour for the years 2005 and 2006. San Francisco and PG&E do agree that pilot programs and phased-in CCA service should be allowed, while Southern California Edison (SCE) is against phasing in CCA service. Disagreement also continues over San Francisco's proposal that the CPUC should allow CCA plans to use CCA-specific load profiles. PG&E and SCE argue that relying on such profiles would lead to shifting of CCA costs to Investor-owned utility (IOU) customers, and the commission should use system-average costs to make CCA decisions. All parties have called for the CPUC to set rules for how IOUs should release confidential customer information to CCAs.

The IOUs and the Office of Ratepayer Advocates argued that utilities should not give CCAs confidential customer information—such as name, address and telephone number—until after customers switch to CCA service, unless customers give their consent. San Francisco and other local government representatives agree that CCA customers must pay their fair share of energy crisis-related costs. Calculating those costs, however, is contentious. In Phase II, the commission will consider transactions between CCAs, utilities, and energy customers.

Signed Peaking Plant Agreement, continued

KRCD has a record of energy generation success at the Jeff L. Taylor Pine Flat Power Plant that spans nearly two decades. "We're anxious to get started on this new plant so we can begin providing electricity to as many as 97,000 valley homes as soon as possible," said Orth. "KRCD sees this project as a small but significant step toward bringing additional vitally needed generation capacity into the Greater Fresno Area." All of the new generation will be used to provide energy during the most critical use times in the valley—the hottest and coldest days of the year.

"This action clears the way to complete project financing through the sale of approximately \$60 million of revenue certificates of participation in early October," said Jack Sinor, KRCD's project manager and the District's Assistant General Manager and Chief Engineer. Plans call for the plant to go on-line and begin boosting the valley's power reliability in early Summer 2005.

District board members on May 11 awarded a \$35.467 million contract for engineering, procurement and construction of the peaking project to BMZ, a joint venture comprised of two firms, Barton Malow of Michigan and Zachary Construction of Texas.

"The contractor is beginning preliminary work in order to be ready to begin construction as soon as financing is completed in early October 2004," said Sinor. The peaking plant will include two, state-of-the-art, gas-fired turbine generators. "This will be a highly efficient plant with high reliability," stated Sinor.

Under KRCD's agreement with the State during the 10-year period, DWR is to acquire all energy produced by the plant and pay its fixed and variable costs, including debt service, as long as KRCD meets strict plant availability requirements.

KRCD Power Connections

August 2004

Page 2

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Energy Watch, continued

CEC Approves License For Morro Bay Plant

The CEC unanimously approved a license for Duke Energy's proposed 1,200 megawatt power plant at Morro Bay at a special business meeting on Monday, August 2. Duke noted that it has not yet lined up power contracts for the new plant, pending licensing and environmental approval.

Proposed Agencies Consolidation Could Save \$3.36 Billion

The California Performance Review (CPR), advocated by Governor Schwarzenegger, would restructure the CEC and the California Power Authority. The mammoth report, if approved by legislators and mandated through executive orders, would get rid of 117 state boards and commissions. The CEC would become part of a new State Division of Energy within the new California Infrastructure Department. The reorganization would leave intact the CPUC and its entire rate setting functions. All "non constitutional" powers, however, would be transferred to the state's new energy division. Other state bodies marked for rearrangement or dissolution include: Electricity Oversight Board - the new infrastructure department would take over this agency's duties, including the state's role in energy litigation; Department of Water Resources - its energy contracting functions, as well as oversight and management of the Central Valley water project, would pass to the infrastructure department; Low Income Oversight Board - this agency would be dissolved, and the CPUC should be directly responsible for energy assistance initiatives for low income utility ratepayers. The CPR commission will hold public hearings proposals. The report will then head to the Legislature for discussion. Any issue not resolved by lawmakers or Schwarzenegger's executive orders might end up as a ballot initiative. The proposed energy recommendations expect to save \$3.36 billion in government cost. The entire report is available at <http://www.report.cpr.ca.gov>.

Solar Panel Initiative Would Be Paid By Electricity Surcharge

The "Million Solar Homes Initiative," unveiled Monday, August 2, in draft form before the CEC on photovoltaics, would be subsidized with \$100 million a year in financial incentives paid for by electricity consumers that should have 50 percent of all new homes producing the renewable energy within a decade. Under the draft proposal, which has not yet been formally endorsed by Governor Schwarzenegger, California would provide home builders with financial rebates if they added solar panels to new homes, and would provide some incentives to homeowners seeking to add the energy generators to older houses. The state would fund the incentives by placing an electricity surcharge on customers of privately owned utilities. The surcharge would raise \$1 billion over a decade before being phased out. State officials estimate that such a program could add photovoltaic panels to 40 percent of all new homes by 2010, and 50 percent by 2013. To make sure the goals were met, the program would require builders to add solar panels to 5 percent of homes by 2010 and 50 percent by 2020.

Western Partners With SMUD

The Western Area Power Administration (Western) has selected the Sacramento Municipal Utility District (SMUD) over the California Independent System Operator (CAISO) to host its sub-control operations for the Sierra Nevada region when its current contract with PG&E expires. Under the existing contract, PG&E acts as the interface with CAISO. That contract will expire at the end of the year, and SMUD will take over the duties on January 1, 2005. SMUD's role will be to make certain that the total control area, including Western, has enough power to meet customers' needs. In the event of a shortfall, SMUD and Western would assist each other to make up the difference. The addition of Western to SMUD's control area will expand SMUD's transmission grid and allow SMUD and Western to pool operating reserves. The agreement will also allow SMUD and Western to reduce fees, as well as operating and settlement protocols, by avoiding portions of the CAISO's transmission structure.