



The current of the Valley

Connections

Summarizing Regional Energy Issues and News

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Energy Watch

California Public Utilities Commission

The California Public Utilities Commission (PUC) has approved the 10-year, power-procurement plans of San Diego Gas and Electric Company, Pacific Gas & Electric and Southern California Edison. The decision promotes the use of renewable power, as well as conservation and energy efficiency, and requires the utilities to include the costs of mitigating carbon dioxide emissions for fossil-fueled power plants when evaluating generator bids from solicitations for power supplies. The PUC approved PG&E's plan to acquire 1,200 megawatts (MW) of reserve capacity and new peaking generation in 2008, plus 1,000 MW of new peaking and dispatchable generation in 2010 through competitive solicitations. The decision directed the utilities to procure the maximum amount of renewable energy possible, and to seriously consider renewables in solicitations. Utilities will be required to employ a "carbon adder" to account for carbon and other greenhouse-gas emissions when considering purchases from plants that use natural gas or coal.

Commission President Michael Peevey has issued a ruling asking parties to the PUC's Renewable Portfolio Standard (RPS) proceeding to suggest rules the commission should set to govern "participation in the RPS program" of energy service providers and other utilities that are not currently required to adhere to the state's standard. Peevey has instructed the IOUs to file RPS plans by February 17 that describe how they plan to attain their RPS

Councils Approve Further CCA Investigations

The cities of Kerman, Dinuba and Fresno approved in January to enter into a Memorandum of Understanding (MOU) to cost-share further evaluation of the feasibility of implementing a Community Choice Program with KRC D. Nine more cities and one county will consider the MOU in upcoming meetings in February and March.

Community Choice is different than a traditional public power agency, municipal utility or direct access program. PG&E will still own the wires and deliver the electricity. Consumers will not be involved in purchasing power. Instead, KRC D will build a base-load plant and sell power to the cities and coun-

ties for their residents. Community Choice is an opportunity to reduce energy costs to residents and to increase energy reliability, along with giving local governments more decision-making power over resource planning, rate setting and economic development. The California Public Utilities Commission is in the process of establishing rules and protocols for Community Choice. The proposed decision for the first of two phases was unanimously adopted by the Commissioners. The findings in this decision continue to make Community Choice an economically viable program. Phase II is expected to be completed in July.

Community Choice Aggregation

Phase Two Hearings Have Begun

Phase II of Community Choice Aggregation began with a prehearing conference on January 25 at the California Public Utilities Commission (PUC). Major issues to be addressed in Phase II include: operational issues (metering, billing, settlements, etc.), customer re-entry costs; cost responsibility surcharge (CRS) forecast; Open Season procedures; requirements for the CCA Implementation Plan; and the ability to obtain a portion of the Department of Water Resources or other in-kind power. A schedule was developed that calls for IOU testimony by February 14, 2005, reply testimony by March 2 and hearings April 4-12.

Governor Appoints New Commissioners

Governor Arnold Schwarzenegger appointed Dian Grueneich and Steve Poizner to the PUC, replacing commissioners Loretta Lynch and Carl Wood, whose 6-year terms ended January 1, 2005. The appointments must be confirmed by the state Senate. Grueneich, 52, of Berkeley, is an attorney who heads her own energy and environmental law consulting company, Grueneich Resources Advocates. Grueneich's firm has represented the University of California and the California State University System in direct-access proceedings at the PUC. Grueneich also represented the Local Government Commission in CCA rulemaking proceedings at the PUC. Steve Poizner, 47, is a Los Gatos businessman who made an unsuccessful run for an Assembly seat in the November election. In the 1990s, Poizner founded two technology businesses and sold one of them, a cellular telephone company called SnapTrack. A Republican, he served as a White House Fellow from 2001 to 2002.

Electricity Prices Projected To Decrease In The Short-Term

The Energy Information Administration, in preparing model forecasts for its Annual Energy Outlook 2005, evaluated a wide range of current trends and issues that could have major implications for U.S. energy markets over the 20-year forecast period, from 2005 to 2025. Trends in energy supply and demand are linked with such unpredictable factors as the performance of the U.S. economy overall, advances in technologies related to energy production and consumption, annual changes in weather patterns, and future public policy decisions. Among the most important issues identified as having the potential to affect the complex behavior of the domestic energy economy, oil prices and natural gas supply were considered to be of particular significance in increasing the uncertainty associated with the projections.

According to the Energy Outlook, average delivered electricity prices are projected to decline from 7.4 cents per kilowatthour (2003 dollars) in 2003 to a low of 6.6 cents per kilowatthour in 2011 as a result of an increasingly competitive generation market and a decline in natural gas prices. After 2011, average real electricity prices are projected to increase, reaching 7.3 cents per kilowatthour in 2025.

The Energy Outlook also states that average wellhead prices for natural gas in the United States are projected generally to decrease, from \$4.98 per thousand cubic feet (2003 dollars) in 2003 to \$3.64 per thousand cubic feet in 2010 as the initial availability of new import sources and increased drilling expands available supply. After 2010, wellhead prices are projected to increase gradually to \$4.79 per thousand cubic feet in 2025.

The use of renewable technologies for electricity generation is projected to grow slowly, both because of the relatively low costs of fossil-fired generation and because competitive electricity markets favor less capital-intensive technologies.

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goals in 2005; how they plan to acquire renewables and related transmission facilities between 2005 and 2014; how they would meet the 20 percent RPS under an accelerated deadline of 2010; and how they plan to use repowered renewable facilities, rather than just brand-new ones.

The PUC also approved electricity programs for summer 2005 in its ongoing efforts to ensure electricity supply and reliability for the state. The PUC authorized funding to the utilities to complete advanced metering installations for customers with monthly demand over 200 kilowatts (kW). This will enable those large customers to participate in any of a variety of programs that the PUC approved.

The PUC also authorized funding for a number of programs. Those program highlights include: critical peak pricing; demand bidding; Demand Reserves Partnership (originally a California Power Authority program now administered by PG&E; both a commercial and a residential 20/20 program (PG&E and Southern California Edison provide credit of twenty percent of customers' summer bills for reducing electricity consumption by at least twenty percent); commercial and residential air conditioner cycling and/or smart thermostat programs; education, awareness and outreach, including Flex Your Power, and other similar approaches.

Through authorization of these programs, the PUC estimates that the additional demand response capacity available to the utilities statewide this summer will be approximately 600 megawatts (MW), of which 400 MW is estimated to come from the 20/20 programs.

Path 15 Upgrades Completed

On December 13, 2004, Governor Arnold Schwarzenegger flipped a ceremonial switch to turn on the new Path 15 transmission line. The addition of the new 500-kV, 84-mile power line on Path 15 will relieve the energy bottleneck between southern and northern California, but will not help with the Central Valley's transmission needs. The addition of this third line and other upgrades allows 1,500 MW of additional power to be transmitted across the state. The line was built by a public-private partnership including federal and state government agencies, the Western Area Power Administration, PG&E and Virginia-based Trans-Elect. The project was completed for approximately \$250 million (about 18 percent less than original projections) and ahead of schedule.

At the Path 15 ceremony, Schwarzenegger signed a Green Buildings executive order that sets a goal for state buildings to be 20 percent more energy efficient by 2015 and encourages privately owned buildings to do the same.

State Legislative Developments

In his January 5 State of the State speech, Governor Arnold Schwarzenegger said that conservation alone cannot prevent another energy crisis in California. Schwarzenegger's speech discussed the California Performance Review (CPR), a plan to streamline state agencies and disband some appointed boards. Schwarzenegger wants to eliminate the California Power Authority and the Electricity Oversight Board, along with 86 other government entities. Under the reorganization plan, the California Energy Commission (CEC) would facilitate the consolidation process - combining all energy-related infrastructure agencies under one department. The CPR also concludes that approval of power plant projects should be done by local boards, and that the CEC does not need to approve local projects.

The CPR report asserted that energy conservation, efficiency and peak reduction programs have not achieved their full potential because of the absence of a clear and unified state policy. The CPR's recommendations include adopting a state policy goal for conservation and energy efficiency and shifting a portion of public-goods charge financing from "motivational, grant and buy-down programs to fund energy loan programs such as the Green Bank." The CPR also proposes consolidating the CPUC's Office of Ratepayer Advocates and the Office of Public Advisor to "eliminate conflicts, duplication and excessive costs."

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