



*The current of the Valley*

# Connections

Summarizing Regional Energy Issues and News

March 2005



Volume 3, No. 3

## Energy Watch

### California Independent System Operator Appointments

On March 3, Governor Arnold Schwarzenegger appointed two new members to the CAISO Board of Governors. The new appointees, Elizabeth Lowe and Mason Willrich, will replace Michael Kahn and Mike Florio, whose terms expired on December 31. Lowe, of Danville, served as vice president of Onsite Energy Corporation, and was vice president of western operations for DukeSolutions. Willrich, of Piedmont, was formerly the president and chief executive officer of PG&E Enterprises and has been an independent energy consultant since 1996. Both appointments require state Senate confirmation. The appointments are for 3-year terms effective immediately. Lowe and Willrich participated in their first board meeting on March 31.

### State Legislative Developments

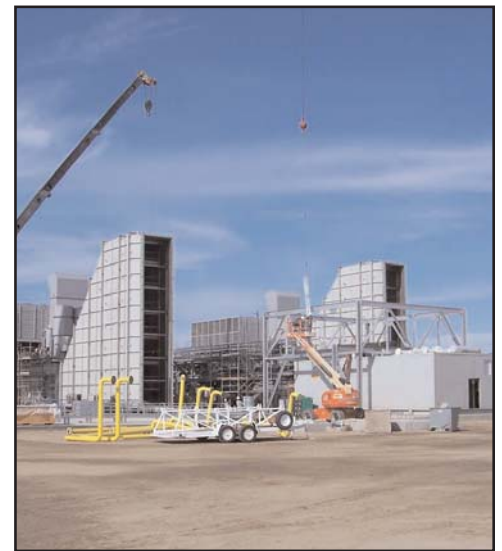
Bill Lockyer has filed the second of two lawsuits against Canadian power marketer Powerex over alleged price gouging. The lawsuit accuses Powerex of manipulating California's energy markets, then overcharging the state for power it bought in 2001. Powerex says it will fight the lawsuit. Powerex says the California Department of Water Resources (DWR) still owes it \$285 million for power purchases in 2000 and 2001. The lawsuit seeks "compensatory damages and restitution of all monetary benefits unjustly received by Powerex from DWR."

The Senate Energy, Utilities and Communications Committee members say that one of their top concerns is whether direct-access electricity providers can be

## Malaga Peaking Plant Approaches Completion As Power Grid Prepares For Summer Heat

Six months into construction, the Malaga Peaking Plant is quickly approaching completion to bring 97 megawatts (1 megawatt provides energy for approximately 1,000 residents) of peaking energy to the local energy grid. "First fire" is scheduled for early summer, at a time when energy demand is at its greatest in this region.

The California Independent System Operator's (ISO) Summer Assessment for 2005 predicts there should be adequate energy supplies to meet a growing demand for power, but reserve margins may narrow substantially if there is an unusual heat wave or other adverse conditions. The ISO, in coordination with state energy agencies and utilities in California, is preparing for summer grid operations for the months of May thru September.



*Malaga Peaking Plant under construction.*

## Community Choice

### Phase 2 CCA Hearings Still On Schedule

With the completion of Phase I of the rulemaking for Community Choice in December 2004, Phase II hearings began immediately in early 2005. The investor-owned utilities (IOUs) filed interim and proposed CCA tariffs in February. Each utility also submitted separate schedule of fees based on its own incremental cost of providing various CCA services including: enrollment and post-enrollment fees, metering and data management services, billings services and transaction fees. KRC D is reviewing the tariffs filed by the IOUs.

The California Public Utilities Commission conducted six workshops on CCA Phase II issues during March. The workshops focused on a number of items related to implementation and operation of CCA Programs including: CCA Open Season, Cost Responsibility Surcharge Vintaging, IOU Tariffs, Implementation Plans, Transfer of In-kind Power.

Next on the schedule is the IOUs testimony due April 18, 2005. Hearings on Phase II issues are expected the last week of May and a final decision will be issued no earlier than this summer. KRC D continues to monitor the rulemaking proceedings and will participate as appropriate to assist in fostering fair rules that allow for the potential implementation of a successful Community Choice Program within our region.

held to the same 15-17 percent reserve requirements that the California Public Utilities Commission (CPUC) has imposed on investor-owned utilities by 2006. Senators Martha Escutia (D-Montebello), Joseph Dunn (D-Garden Grove) and Debra Bowen (D-Redondo Beach) all say they want state officials to investigate the legality of making all electricity service providers (ESPs) comply with the reserve goal. Mona Tierney, director of government affairs for Constellation, told the commission that Constellation believes the CPUC has the authority to impose reserve requirements and they are asserting that authority through the registration process. However, Carolyn McIntyre, regional vice president for Semptra Energy Solutions, disagreed, saying that Semptra would still voluntarily comply. The committee asked Joe Desmond, deputy secretary of energy for the state Resources Agency, to consult with attorneys for the agency and the CPUC in order to give the energy committee a written opinion on the legal basis for enforcing reserve requirements on ESPs. KRCD Power's Community Choice Program has included reserve requirements in its energy portfolio.

### Senate Bills

SB 204: Senator Debra Bowen's (D-Redondo Beach) bill would prohibit anyone from being appointed to the CPUC if they "received a substantial portion of his or her income from any person or corporation subject to commission regulation" in the two years prior to their appointment. The bill would also "prohibit members and employees of the commission from participating personally and substantially in matters in which the person knows that the person, his or her spouse or minor child, partner, any organization he or she serves or has served as an officer, director, trustee, partner, or employee has a direct or indirect financial interest or has had such an interest during the two years prior to his or her appointment as a member of the commission."

SB 441: Senator Nell Soto (D-Ontario) introduced a bill that would exempt residential and small-commercial customers of a utility

who use less than 1,000 kW a month from being required to convert to time-of-use metering and rates. SB 441 applies only to customers who occupy a building that was constructed before January 1, 2005. Soto's bill may conflict with recent activity at the CPUC, where the IOUs are to develop proposals for tariffs that would place all customers with demand of 200 kW or more on time-of-use rates.

SB 1017: In addition to SB 1, the Million Solar Roofs bill introduced earlier this season, Senator Campbell introduced SB 1017 on February 22. The bill would carry out the tax credit side of the Million Solar Roofs plan. Eligible applicants could get 7.5 percent of the "unsubsidized" cost of their solar system. The unsubsidized cost counts the money the customer actually spent, and does not include any rebates or incentives received from state or federal programs. The bill also includes a property-tax provision that prevents property reassessment upon the installation of a solar system.

### Assembly Bills

AB 380: Assembly Speaker Fabian Núñez (D-Los Angeles) introduced a bill that would require the CPUC to "establish resource adequacy requirements to ensure that adequate physical generating capacity, dedicated to serving all load requirements, is available to meet peak demand plus requisite planning and operating reserves." AB 380 would also require the CPUC to enforce resource adequacy requirements "in a nondiscriminatory manner" on all load-serving entities. Núñez said his bill would be the first in a "package of energy-related bills" he will push this session. Next will be a prescription for streamlining the planning and permitting process for electricity transmission projects.

AB 400: Assembly member Mike Gordon (D-El Segundo) introduced a spot bill that would "streamline the process for obtaining an environmental impact report on a project in order to expedite the construction of new renewable energy facilities or repower existing renewable energy facilities." AB 400 is sponsored by the Wind Energy Association.

AB 650: This bill by Assembly member Dave Codgill (R-Modesto) would authorize certain irrigation districts and municipal utility districts to act as community choice aggrega-

tors. The bill would provide procedures for a city, county, or city and county to opt out of a community choice aggregation program proposed by an irrigation district or a municipal utility district. This bill is sponsored by PG&E.

AB 965: Introduced by Lori Saldaña (D-San Diego), this bill would require the California Energy Commission (CEC) to "expand and accelerate development of alternative sources of energy including solar resources." No details are included in the bill, but it could be revamped later.

AB 1190: Assemblyman Joe Canciamilla's (D-Pittsburg) AB 1190 proposes establishing a state energy agency, led by a governor-appointed secretary of energy, which would be responsible for "the planning, development, and implementation of all major aspects of the state energy policy to ensure an adequate, reasonably priced supply of electricity and natural gas." AB 1190 would eliminate the CEC, and the CPUC would be mostly relegated to carrying out the policy decisions of the Energy Agency. Under AB 1190, the governor would be required to submit a plan for "reorganization of the energy regulatory activities of the state," to the Legislature by July 1, 2006.

AB 1547: This bill by Assembly member Lloyd Levine (D-Van Nuys) would enact the "Solar Energy Peak Procurement Act," freeing up money from the CEC's Emerging Renewable Resources Account. The bill exempts that account from the requirement that the CEC come up with an investment plan before March 31, 2006, in order for money to be spent. The money freed up by that move would create a Solar Energy Peak Procurement Fund to subsidize "for all customer classes the installed cost of grid-connected solar systems in the service area of investor-owned utilities." The CEC would be required to award rebates to support the installation of solar power systems starting no later than July 1, 2005 and declining over time before expiring on January 1, 2015. Unallocated CPUC funds that were authorized for demand-side management and interruptible programs, but never used, would also be deposited into the Solar Energy Peak Procurement Fund. Under AB 1547, municipal utilities would be required to establish a solar program consistent with the bill's requirements for IOUs. Meanwhile, residential developers would be required to offer solar systems on new homes built in subdivisions beginning January 1, 2010.

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