



*The current of the Valley*

# Connections

Summarizing Regional Energy Issues and News

April 2005



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## Energy Watch

### PG&E Opens Bidding

PG&E has restarted the bidding process for long-term power-purchase contracts after a false start in November. PG&E's new Request for Offers (RFO), dated March 18, combines the two November RFO's into one document. Initial offers were due April 27; PG&E will select a short list in July, and final offers will be due in September. The utility expects to submit agreements for regulatory approval in December.

The new document seeks to acquire 2,200 megawatts (MW) of power between 2008 and 2010, with a preference for adding peaking capacity in 2008. The new RFO also seeks replacement power for the 135 MW Humboldt Bay power plant in Eureka. With the exception of offers from plants with current qualifying facility status, all offers must be over 25 MW. QF resources must be at least 1 MW. Each offer must be accompanied by a deposit equal to \$5 per kilowatt of the maximum monthly capacity in the proposal.

PG&E also requested that bids for peaking resources contain an option allowing the utility to delay the delivery date for up to two years past 2010.

### California Energy Commission

Governor Arnold Schwarzenegger, on May 2, 2005 appointed Joe Desmond, of Pleasanton, as Chairman of the California Energy Commission (pending Senate con-

## KRC D Power's Community Choice Program Moves Forward Toward Implementation

To date, nine cities and one county have signed a Memorandum of Understanding with KRC D to complete a financial feasibility analysis for implementing a Community Choice Program in their communities. Along with Kings County, the cities participating in the analysis are Fresno, Clovis, Kerman, Selma, Kingsburg, Lemoore, Corcoran, Dinuba, and Reedley. If the financial data shows that Community Choice continues to be feasible, an application will be prepared by those communities that choice to go forward.

The Community Choice Program being advanced by KRC D is different than those proposed in other areas of the State. KRC D's pro-

gram includes the development, construction, and operation of a new and efficient electric power plant. Partnering the ability of cities and counties to execute Community Choice with KRC D's base load power project provides an opportunity to reduce energy costs to residents, promote economic development and to increase energy reliability to the region.

An aggressive timeline has been established for the energy program with approval of a Community Choice application in February 2006 and implementation by June 2006. By July 2009, KRC D's base load plant would be completed and integrated into the Community Choice Portfolio.

## Community Choice

### Phase II CCA Hearings Continue At CPUC

KRC D continues to monitor the California Public Utilities Commission hearings. Most of Phase II has dealt with the technical aspects of implementing a Community Choice Program.

Workshops were held in March discussing vintaging, open season, tariffs, implementation plans, and credits and liability for in-kind power. One of the main deliverables to come out of these workshops was instructions for interested community choice aggregators to submit an implementation plan filing.

Information required in the filing includes the organization structure of the program, rate-setting and other costs to participants, disclosure provisions and due process in setting rates and allocating costs, methods for entering and terminating agreements, rights and responsibilities of program participants, including consumer protection, program termination, and finally description of energy service providers.

Opening testimony was due on April 28. Rebuttal testimony is due May 16, with the first day of hearings currently scheduled for May 25, subject to change. The CPUC has unanimously passed a decision that names energy service providers and community choice aggregators as respondents-along with regulated investor-owned utilities-in the commission's power procurement proceeding. The panel passed another decision 3-0 that implements requirements for affidavits concerning cost responsibility surcharges for direct-access (DA) electricity customers. The requirements were adopted as a means for DA customers to legally verify that they are not exceeding their contractual limits for DA usage.

firmation). Mr. Desmond was previously the deputy secretary for energy at the Resources Agency and the leading energy advisor for the Governor. Prior to that, he was president and chief executive officer of Infotility, Inc., an energy consulting and software development firm for four years. He also served as co-chair of the Silicon Valley Manufacturing Group's Energy Committee from 2001 to 2004 and as a board member of the National Association of Energy Service Companies.

### California Public Utilities Commission

The California Public Utilities Commission (CPUC) announced it has a new director of Governmental Affairs, Delaney Hunter. Governor Arnold Schwarzenegger appointed Hunter, a Republican, on March 16. Hunter left her job as legislative director at the Sacramento lobbying firm Smith, Watts & Company to join the CPUC. She also previously worked as a legislative assistant to former Assemblymember Bill Leonard and worked on the AB 1890 conference committee. Hunter replaces Alan LoFaso, who left the CPUC in October to work for State Senator Carole Migden (D-San Francisco).

Governor Arnold Schwarzenegger appointed John Bohn, of San Francisco, to the CPUC Board. Bohn was sworn in as a Commissioner on May 5. Bohn has served as chairman of GlobalNet Venture Partners, a global financial advising and consulting firm, since 2001. Bohn also served for over seven years as president and chief executive officer of Moody's Investors Service.

### State Legislative Developments

#### Senate Bills

SB 608: Senate Energy, Utilities and Communications Committee Chair Martha

Escutia (D-Montebello) introduced a bill that would rename the CPUC's Office of Ratepayer Advocates the "Division of Ratepayer Advocates". Under SB 608, the CPUC would be required to provide personnel and resources to the division "sufficient to ensure that customer and subscriber interests are effectively represented in all significant forums, including state and federal courts and federal agencies." The bill would authorize the division to compel the disclosure of information from utilities, and any objection to a request by utilities would have to be "decided in writing by the presiding officer of a proceeding."

SB: 951: Another Escutia bill would require that the CPUC's regulations regarding intervenor compensation be "liberally construed to promote participation and would require the commission to award additional compensation for reasonable costs incurred in organizing and publicizing opportunities for participation in commission proceedings."

SB 769: Introduced by Joe Simitian (D-Palo Alto), this bill would enact the Energy Reliability and Affordability Act. The act would be intended "to increase energy reliability and affordability by reducing the demand for energy by residential customers." SB 769 would create the Energy Reliability and Affordability Fund in the State Treasury, which would provide money for residential energy-efficiency incentive programs, like appliance exchanges. The bill does not say where the money in the fund would come from.

SB 1003: Escutia also introduced a bill that would require the California Energy Commission (CEC) to grant disclosure requests for data or information. The bill would require disclosure as long as granting the request would not "result in an unfair competitive disadvantage to the person who submitted the information, unless the public interest served by not disclosing the information clearly outweighs the public interest served by disclosing the information, or unless another applicable provision of law exempts the information from disclosure."

SB 1048: Introduced by Mike Machado (D-Linden), this bill would change the CPUC's criteria for distributed-generation energy resources. The bill would allow "electric generation technology that commences initial operation between May 1, 2001 and December 31, 2010, and has 40 MW or smaller in aggregate capacity." The current definition of distributed generation is limited to 5 MW and under.

#### Assembly Bills

AB 745: Introduced by Sam Blakeslee (R-San Luis Obispo), this bill would allow the CPUC to bring eminent domain actions for the construction of natural gas storage facilities.

AB 974: Assembly Speaker Fabian Núñez introduced a bill that would require the CPUC and the CEC to meet publicly once a month to discuss transmission issues, then report on their progress to the Senate and Assembly energy committees.

AB 1723: A bill introduced by Doug La Malfa (R-Richvale), requires the CEC, as part of its Integrated Energy Policy Report, to perform an assessment of each investor-owned utility's forecast for the amount of load it expects to lose to community choice aggregation and the amount of load that it expects will be served by a direct-access provider.

AB 1704: Introduced by Keith Richman (R-Granada Hills), would create a core/non-core market for electricity purchases. Consumers with an energy demand of 200 kW or greater would be allowed to enter into direct access transactions (choice) for their power supply. In addition, a single customer with multiple meters that have an aggregate demand of 200 kW or above or similar customers with the 200 kW demand threshold would also be allowed direct access. Finally, any customer that wanted a 100 percent "green" product would be granted direct access. Departing customers would be required to pay exit fees and would need to meet the same resource adequacy requirements as the investor-owned utilities.

### KRCD Power Connections

April 2005 [www.krcd.org](http://www.krcd.org) Page 2

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