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Connections

Summarizing Regional Energy Issues and News

May-June 2005 ◆ Volume 3, No. 5

Energy Watch

Governor Seeks To Reorganize Energy Bureaucracy

Governor Arnold Schwarzenegger has released his plan for reorganizing the state's energy oversight bureaucracy. According to the plan, the state's authority for energy policy and all related functions would be combined into one Department of Energy, with an appointed secretary of energy who reports directly to the governor.

The California Energy Commission (CEC) would remain in existence with the energy secretary serving as its chair. The remaining commissioners would serve staggered 4-year terms. Most of the CEC's functions would be absorbed by the new energy department, including developing public interest research on renewable technology, petroleum fuel supply and demand analysis; natural gas supply and electricity demand forecasting; and the Renewable Energy Program.

The department would also take over the California Public Utilities Commission's transmission siting functions, along with natural gas pipeline and storage infrastructure approvals. The CEC would continue to license power plants that are 50 megawatts or larger and develop and approve building and appliance energy-efficiency standards. It would also have licensing authority over new natural gas pipeline proposals, natural gas storage facilities and 200-kV transmission lines operated by the California Independent System Operator.

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Energy Commission Chair Details Governor's Energy Plan For California

At a recent Flex Your Power meeting in Fresno, Joe Desmond, Chair of the California Energy Commission, talked about Governor Arnold Schwarzenegger's 10-point energy plan for California.

The plan is designed to ensure an adequate, stable supply of electricity at reasonable prices and is meant to be a dynamic resource plan that also considers other issues such as transportation and the environment. Desmond stated that the Governor wants to effect meaningful change in the energy sector that can be sustained over a long period of time. The 10-point plan emphasizes:

Adequate Resources – Minimum 15 percent reserve margins for all suppliers by 2006;

Competitive Wholesale Procurement - Transparent process ensures the best value to ratepayers, ensures cost recovery for utilities, and encourages long-term contracts;

Transmission - Encourage investment to reduce congestion, increase grid reliability and establish new transmission corridors. Currently, nearly $1 billion a year is spent to deal with congestion issues;

Rate Relief - Reduce rates for all customers from Federal Energy Regulatory

Community Choice

Community Choice Hearings Completed

The California Public Utilities Commission (CPUC) finished hearings regarding community choice aggregation. During the hearings, attorneys for California's three investor-owned utilities (IOUs) inquired who would regulate community choice aggregators (CCA) and whether consumers would be able to bring grievances with a CCA before the CPUC. IOU attorneys asked whether customers might feel as if they were enrolled in a program without their approval; whether the CPUC should have a role in informing both CCA and bundled customers about the services they will receive; what would happen if the CCA changed its draft implementation plan after submitting it to the CPUC, especially in a way that would have affected a customer's initial decision to remain with utility service or go with the CCA.

IOU attorneys also explored whether a CCA should be responsible for demonstrating resource adequacy requirements. Utilities want the CCA to submit a 5-year load forecast and a binding notice of intent to serve load. The Utility Reform Network (TURN) has suggested that the CCA be held only financially responsible for meeting its operational date and offering service in good faith to customers it identified in a binding notice of intent filed with the CPUC. TURN argues that the load forecast should be developed between the utilities and the CCA, with the California Energy Commission as the final arbiter.

KRCD is preparing to submit a brief about KRCD Power's CCA program to promote a final decision by the CPUC with rules that will make CCA economically feasible to implement. The final decision by the CPUC is expected by the end of the summer.

Governor's Plan, *continued*

Commission refunds and the Department of Water Resources contract renegotiations, implement equitable rate designs;

Natural Gas - Increase in-state gas storage, production and natural gas import capability to ensure adequate supply and stable prices. California currently imports over 85 percent of its natural gas.

Renewable Energy - Accelerate renewable mix of 20 percent by 2010, implement the Million Solar Roofs Initiative, develop policies consistent with the Western Governor's Association Clean and Diversified Energy Resolution of 30,000 megawatts (one megawatt can provide power to 1,000 homes) by 2015;

Energy Efficiency – Promote energy efficiency through various programs including the state's Green Buildings Initiative with a preference to meet load through efficiency such as demand response programs and renewable projects;

Dynamic Pricing and Advanced Metering - Encourage technology, rate designs and consumer behavior to reduce power usage during peak hours. Deploy advanced interval meters to all customers;

Core and Non-core - Allow large customers to choose their electricity supplier;

Research and Development - Invest in emerging technologies that improve the efficiency, effectiveness and environmental impact of energy supplies and infrastructure.

When questioned at the meeting by KRCD General Manager Dave Orth about how CCA fits in the Governor's plan, Chairman Desmond responded with three ways:

1. Assists with resource adequacy.
2. Supports renewable projects.
3. Gives consumers choice.

KRCD Power Connections is now a bimonthly publication discussing energy issues and programs that affect the residents and businesses in the San Joaquin Valley.

KRCD Power Connections

May-June 2005

Published bimonthly by KRCD's public information staff with special assistance from Navigant Consulting Inc.

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Energy Watch, continued

Greenhouse Gas Emission Reduction Targets Announced

On June 1, Governor Arnold Schwarzenegger issued an executive order announcing greenhouse gas (GHG) emission reduction targets for California at the United Nations World Environment Day in San Francisco. The executive order targets a reduction of GHG emissions to 2000 levels by 2010; a reduction of GHG emissions to 1990 levels by 2020; and a reduction of GHG emissions to 80 percent below 1990 levels by 2050.

The California Environmental Protection Agency secretary, currently Dr. Alan Lloyd, will coordinate development and implementation of strategies to achieve the GHG reduction targets in conjunction with the secretary of Business, Transportation and Housing Agency, the secretary of the Department of Food and Agriculture, the secretary of the Resources Agency, the chairperson of the Air Resources Board, the chairperson of the Energy Commission and the president of the Public Utilities Commission.

Ballot Measure Proposes A Re-regulated Electricity Market

A ballot measure that would return the state's electricity markets to a fully regulated structure has gathered enough signatures to get on the special election ballot this fall. The Utility Reform Network (TURN) wrote the initiative, and is backed by the Alliance for a Better California.

The proposed ballot initiative is nearly identical to AB 2006, the bill offered by Assembly Speaker Fabian Núñez (D-Los Angeles) last year. The main difference between the failed legislation and the ballot initiative is that the initiative would ban the reopening of direct access after December 31, 2005. The initiative would authorize cost-based construction and operation of new electric plants. Utilities would be allowed to build the plants themselves, and could also buy power from third-party power plant owners. The renewables portfolio standard goal would be accelerated to 20 percent by 2010. The initiative does not include language regarding Community Choice Aggregation.

Independent power marketers are opposed to the initiative.

California Energy Commission

CEC Commissioners approved a $475,974 Public Interest Energy Research contract extension with the Local Government Commission for additional work on a pilot project to study the feasibility of community choice aggregation plans that seek to expand the use of renewable energy to 40 percent without severe cost increases to ratepayers.

On May 9, the CEC held a workshop on renewable energy potential. Experts reported that transmission and economic hurdles will hamper efforts to achieve the Energy Action Plan goal of 20 percent renewable-resource generation by 2010. Experts reiterated previous findings that the state has untapped stores of solar, wind, geothermal, biomass and small-hydro power capacity to meet future needs by the tens of thousands of megawatts. Utility representatives said that it is nearly impossible to harness renewable sources in a "least cost, best fit" approach that will meet a 2010 deadline.

California Public Utilities Commission

PG&E's residential customers will not share in rate reductions the utility plans to extend to its other customers after June 1 under another resolution the CPUC unanimously adopted May 26. The rate decreases come from a $225 million cut in the bond and power charges PG&E pays the state Department of Water Resources (DWR) this year. In addition to the DWR rate cut, the resolution allows PG&E to implement a $19 million rate increase across all customer classes to cover its Transmission Access Charge Balancing Account Adjustment costs for 2005.