



*The current of the Valley*

# Connections

Summarizing Regional Energy Issues and News

July-August 2005



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## Energy Watch

### Rate Reduction Benefits Limited

The California Public Utilities Commission (CPUC) issued a resolution authorizing a rate adjustment for PG&E. 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. Residential customers will not share in rate reductions the utility plans to extend to its other customers.

### Energy Law Signed

U.S. President George Bush signed into law on Monday August 8 the Energy Policy Act of 2005. The bill is comprehensive legislation designed to encourage energy efficiency and conservation, promote alternative and renewable energy sources, reduce U.S. dependence on foreign sources of energy, increase domestic production, modernize the electricity grid and encourage the expansion of nuclear energy. Opportunities in the area of renewable development included in the energy bill are being examined by KRC D.

### Enron/California Settlement

Enron has agreed to pay up to \$1.5 billion to California parties to settle civil claims that it manipulated the market during the Western energy crisis. The parties to the settlement are Pacific Gas & Electric

## Major Power Line Outage Forces Southern California Transmission Emergency

The loss of a major western transmission line just as California power use was approaching its peak on August 25 forced the California Independent System Operator to issue a Transmission Emergency notice for Southern California only, and to request utilities in the Southland to reduce demand on the system by dropping 900 megawatts of firm load and 800 megawatts of voluntary, interruptible customers.

The corresponding rolling blackouts that occurred locally affected areas in Kings and Tulare counties including the cities of Hanford and Visalia.

The Pacific DC Intertie, a 500-thousand volt transmission line that runs between Southern Oregon and Southern California suddenly and unexpectedly dropped out of service.

The loss of more than 2,800 megawatts of power coming into Southern California, coupled with the area's high demand required a reduction in system load to keep the grid in balance. Loads in southern California were running about 2,000 megawatts higher than anticipated due to temperatures that were up to 14 degrees higher than forecasted.

## Community Choice

### KRC D Intervenes in Phase II of the CCA Rulemaking

KRC D submitted a hearing brief on July 7 to the California Public Utilities Commission (CPUC) to provide input to the rulemaking process on behalf of a local Community Choice (CCA) program. The brief emphasized the self-governing nature of CCA programs, which by law can only be implemented through local governments.

To date there are eleven cities and one county in the region considering a Community Choice program with KRC D as their power supplier. This local CCA program will allow the cities and county to aggregate the loads of their residents, businesses and municipal facilities for electricity purchases. The entities considering this innovative program for their constituents include the cities of Clovis, Corcoran, Dinuba, Fresno, Hanford, Kerman, Kingsburg, Lemoore, Parlier, Reedley, Selma and Kings County.

KRC D urged the Commission to grant due deference to the local decisions made by cities and counties that will ultimately be responsible for implementing CCA programs. The brief further stated that decisions on key elements of the CCA program, such as resource plans, rate design policies, customer communications and protections are appropriately made at the local level. AB 117 does not contemplate the degree of CPUC oversight of CCA programs that the utilities desire. Rather, oversight and accountability are provided by the local CCA provider. It was noted in the brief that the CCA implementation plan will be prepared at the direction of, and adopted by, elected representatives of the community who are themselves answerable to their customers.

## CCA, continued

KRCD's brief also addressed the notification of customers. According to AB117, the responsibility to notify customers during the opt-out period is placed squarely on the CCA provider. KRCD stated that each CCA provider should be free to develop customer notices for communicating with their constituents about the program rather than the utility performing this function. In the Phase I decision, the Commission ruled that CCAs have the option to request utility assistance with notifications.

KRCD also expressed concern that CCA customers could be over-charged for meeting the Renewable Portfolio Standards. Utilities' purchases of renewable energy to meet the Renewable Portfolio Standard should be excluded from the Cost Responsibility Surcharge calculation in order to eliminate the possibility that CCA customers are charged twice for achieving the state's renewable portfolio goals.

In conclusion, the brief states that CCA can be a valuable component of California's energy landscape and successful implementation will be an important contributor to enable expansion of the state's energy infrastructure.

The next step in the proceeding is the issuance of a draft decision addressing implementation of CCA in California. A draft decision is expected before the end of the year.

### Renewables Pilot Project

California Energy Commissioners approved a \$475,974 research contract extension with the Local Government Commission for additional work on a pilot project to study the feasibility of CCA plans that seek to expand the use of renewable energy to 40 percent without severe cost increases to ratepayers.

## KRCD Power Connections

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Kings River Conservation District (559) 237-5567  
4886 E. Jensen Ave., Fresno, CA 93725  
www.krccd.org

## Energy Watch, continued

Company (PG&E), Southern California Edison Company (Edison), San Diego Gas & Electric Company (SDG&E), the state of California, the California Department of Water Resources, the California Electricity Oversight Board, and the attorneys general of Oregon and Washington. The parties will receive a shared allowed unsecured bankruptcy claim of \$875 million against Enron Power Marketing, Inc., and an assignment from Enron of up to \$47.3 million in receivables and cash collateral owing to Enron.

### RPS Bill Passes Committee

The California Assembly Committee on Utilities and Commerce approved in its last session SB 107, by Senator Joe Simitian (D-Palo Alto), which would raise the renewables portfolio standard to 20 percent of electricity from renewable sources by 2010.

### TURN Ballot Initiative Rejected, Then Accepted

On Friday, July 22, a California appellate court blocked TURN's ballot initiative to return the state's electric industry to traditional, cost-based regulation. The court ordered Secretary of State Bruce McPherson to keep Proposition 80 off the special election ballot scheduled for November 8.

The court said the initiative to re-regulate the state's power industry would have had to come in the form of a constitutional amendment, rather than a standard initiative to write a new statute. The initiative as written was only a statutory change, which would need only a simple majority to pass. An initiative to amend the state Constitution requires the support of two-thirds of voters. The California Supreme Court ruled on July 27, however, that voters should get to vote on the ballot initiative.

The unanimous decision overturned the appellate court's decision. The Supreme Court said it is not clear that the initiative, Proposition 80, is unquestionably invalid. The court ruled that the constitutional question should be decided only after the election, should the initiative prevail. The initiative does not include language regarding Community Choice Aggregation.

### More Required in Utilities' Demand Response Applications

In a July 27 order, Administrative Law Judge Cooke consolidated utilities' demand response applications. Cooke ordered the utilities to file additional testimony before the commission approves the 2006-2008 demand-response programs.

In addition to describing the load reduction programs, the CPUC is to change demand-response policies by letting utilities count energy-efficiency programs and lowering demand-response targets so the utilities could clear those hurdles. Cooke said the current applications "provide no framework by which to evaluate the proposed programs. There is no effort to establish whether the programs cost-effectively meet the commission's demand-response objectives or not." She directed utilities to file supplemental testimony before August 26. A proposed decision from the commission would arrive by February 2006.

### Municipal Departing Load Decision

The CPUC recently ruled that municipal electric loads in "stand-alone" situations—those that leave utility service and do not use the utility's transmission or distribution lines—would continue to be exempt from the competitive transition charge, an element of the exit fee or cost responsibility surcharge (CRS).

The commission declined to exempt new municipal departing load, however, from charges incurred to repay bonds that financed long-term power contracts entered into by the Department of Water Resources during the state's energy crisis. The decision does not set a limit on the amount of new municipal departing load or transferred load that could receive an exception to the CRS, provided the entities are named in the PG&E Bypass Report. Entities that are not named in that report would be subject to an 80 MW cap on electric load that would be exempted from the CRS.