



The current of the Valley

Connections

Summarizing Regional Energy Issues and News

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Energy Watch

Governor Names Pfannenstiel to Chair Energy Commission

Governor Arnold Schwarzenegger has named Jackalyn Pfannenstiel as Chair of the California Energy Commission (CEC). Pfannenstiel brings expertise on energy policy and environmental conservation to her leadership position.

Pfannenstiel, of Piedmont, has served as a member of the Energy Commission since 2004. Pfannenstiel has been an energy policy and strategy advisor for energy developers and public agencies since 2001. Previously, she was with PG&E Corporation from 1980 to 2000 where she served as vice president for strategic initiatives, vice president for planning and manager for rates and regulation.

The Governor also appointed Jeffrey Byron as a member of the Commission. Byron, of Los Altos, has been president of Byron Consulting Group since 2002, developing strategic energy solutions for mid- to large-sized firms. He is currently managing, on behalf of the Silicon Valley Leadership Group and Sustainable Silicon Valley, an energy efficiency program to reduce energy use and carbon emissions among businesses and other organizations within the Silicon Valley.

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Long-Term Outlook For Energy Supplies Not Keeping Pace With Increased Demand

While the summer 2006 electricity supplies are expected to be adequate in California to meet growing electricity demand according to the California Energy Commission's (CEC) Summer 2006 Outlook report, long-term reliability of electrical service is still a critical issue. Development of new energy supplies in the state and in the central San Joaquin Valley is not keeping pace with increasing demand.

Since November 2003, the CEC has permitted 11 new power plants totaling 5,750 megawatts (MW) of capacity. Unfortunately, California has 7,318 MW of approved power plant projects that have no current plans to begin construction because they lack the power purchase agreements needed to secure their financing. Meanwhile, statewide electric loads have increased an average 2 percent per year over the last two years (greater than 1,000 MW each year).

The total local energy capacity requirement for the Greater Fresno Area, according to the California Independent System Operator's 2006 Local Capacity Technical Analysis, is 2,837 MW. Local generation (assuming everything is available) results in a 146 MW generation deficiency. As a generation-deficient area, the Greater Fresno Area, as defined by the 6-county area comprised of Merced, Mariposa, Madera, Fresno, Kings and Tulare counties, needs to either construct additional power plants or continue to rely heavily on imports through an increasingly constrained transmission system to meet the growing electricity demands of the residents and businesses in the area.

The Kings River Conservation District (KRC D) and its' Community Choice partners believe an important part of the local energy reliability solution is to build local generation resources, including a regional gas-fired power plant. The first base-load power plant in the region could be built since the commissioning of Pacific Gas and Electric Company's Helm's Plant in 1984 because of the ability of cities and counties to aggregate their loads for the purpose of purchasing electricity through Community Choice married with KRC D's long-time experience in power generation.

Currently, KRC D and its Community Choice partners (the cities of Clovis, Corcoran, Dinuba, Fresno, Hanford, Kerman, Kingsburg, Lemoore, Parlier, Reedley, Sanger, Selma, and Kings County) are working out the agreements and preparing a

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Community Choice Website Launched

With the launching of a new website, www.communitychoice.info, background and updates about Community Choice, an innovative energy program being pursued for this region, are now available online.

The Community Choice website includes information about the regional partners involved, status and timeline of the program, and background information on our local energy conditions.

Triple-Digit Heat Causes First Flex Alert Of The Summer

Triple-digit temperatures statewide, which increased the electricity demand for air conditioning, prompted the California Independent System Operator (CAISO) to call the first Flex Alert of the summer, from June 22 to June 28.

To alleviate strain on the power grid, consumers were urged to set thermostats to 78 degrees when they're at home and 85 degrees or off when they're away; use major appliances after 7 p.m.; and turn off unneeded lights, computers and appliances.

Peak demand on Thursday, June 22, hit 42,355 megawatts, and electricity demand on Monday, June 26, was forecasted to approach the CAISO record peak of 45,431 megawatts, set the previous summer on July 20, 2005.

The closer demand for electricity reaches the state's electricity supply, the greater the risk for electrical emergencies such as blackouts.

Energy Supplies, *cont.*

business plan for implementing Community Choice. Hand-in-hand with this effort, KRCD has begun the Application for Certification process for a 500-megawatt, base-load power plant. It is anticipated that this process will take up to two years. Once the permitting process is complete, it will take approximately two more years to construct the plant for a completion date in 2010.

Since this region faces increasing electricity demand growth, it is critical that there are enough long-term commitments to bring new generation online. This is necessary to meet both future reliability needs and ensure moderate prices.

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Energy Watch

The former chair of CEC, Joe Desmond, has been appointed by the Governor as undersecretary of energy affairs for the state's Resources Agency. Desmond will be spared Senate confirmation, which he was unable to get for a second CEC chairmanship because Senate President Pro Tem Don Perata (D-Oakland) refused to hold a confirmation hearing for the chair.

CPUC Helps California Meet Renewable Power Goals

The California Public Utilities Commission (CPUC) took another step forward in promoting green power by ensuring that California has the necessary transmission infrastructure in place in order to meet its Renewable Portfolio Standard (RPS) goals.

The Commission requires that the state's investor-owned utilities and community choice aggregators obtain 20 percent of their energy from renewable resources by 2010. A major issue in developing renewable energy is financing the new transmission infrastructure needed to access the renewable energy. For example, one of the most promising areas for new renewable power is the Tehachapi area in Southern California, which has over 4,000 megawatts of wind energy potential. However, to access this wind, new transmission lines are needed, at a project cost of up to \$1 billion.

The decision provides a breakthrough in development of new renewables by giving the assurances that investments in new transmission facilities to access areas of known renewable resources will be recovered in customer rates. Absent such assurances, utilities have been hesitant to take the steps necessary to develop new renewable resources. Customers are protected under the decision by careful guidelines that ensure cost recovery will be avail-

able only in clearly defined circumstances that demonstrate the proposed transmission facilities are necessary for renewable development.

Transmission facilities that meet one of the following qualifying criteria are eligible for cost recovery: 1) new high-voltage, bulk-transfer, transmission facilities that are designed to serve multiple RPS-eligible projects; or 2) transmission network upgrades that are required to connect an RPS-eligible resource.

SCE Rate Case Approved

On May 11, the California Public Utilities Commission (CPUC) approved Southern California Edison's (SCE) 2006 general rate case. SCE will receive a \$3.7 billion base revenue requirement for 2006, an increase of \$333 million over 2006 levels. SCE will also receive increases of \$143 million in 2007 and \$293 million in 2008. SCE originally asked for a \$3.9 billion revenue requirement in 2006.

The CPUC's final decision gives SCE \$51 million more than the original proposed decision. Commissioner Geoffrey Brown explained that \$45 million of that extra amount will go toward SCE's results-sharing program, in which employees earn incentives for performing well in areas such as customer service.

The final decision also adds \$1.1 million to replace and repair insulators in the San Joaquin Valley. Another \$2.4 million was added to San Onofre Nuclear Generation Station maintenance expenses and operations, in acknowledgement that SCE's nuclear workforce is aging. Approximately \$2.3 million was added to transmission expenses, which includes activities such as pole and fixture repair and replacing steel towers. SCE will be able to collect the 2006 rates retroactive to January 12, 2006.