



The current of the Valley

Connections

Summarizing Regional Energy Issues and News

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Energy Watch

North American Energy Supply Not Keeping Up With Demand

The adequacy of North America's electricity system will decline unless changes are made soon, Rick Sergel, president and CEO of the North American Electric Reliability Council (NERC) announced in conjunction with the release of NERC's first reliability assessment in October since being named the Electric Reliability Organization (ERO) for the United States.

NERC's 2006 Long-Term Reliability Assessment Report analyzes the adequacy of electricity supply and transmission reliability in North America through 2015 and calls for actions to improve bulk power system reliability.

Demand for electricity is expected to increase over the next 10 years by 19 percent in the U.S. but confirmed power capacity will increase by only 6 percent.

"Our economy and quality of life are more reliant on electricity every day, yet the operation and planning for a reliable and adequate electricity system is becoming increasingly difficult," said Sergel.

The NERC report identifies 22 necessary actions that encompass all areas of the bulk power system including generation, transmission, fuel supply and delivery, and demand response. Specific recommended actions include:

Continued on Back

New Entity Created To Govern Community Choice

A central San Joaquin Valley Community Choice program is one step closer to implementation with the formation of a joint powers authority to act as the governing body.

Kings County and the cities of Corcoran, Dinuba, Lemoore, Hanford, Reedley, Selma, Sanger, and Kingsburg have all taken first steps to join the San Joaquin Valley Power Authority (Authority), a governing body being established to develop and conduct electricity-related programs for Community Choice. The four remaining municipalities—Clovis, Fresno, Kerman, and Parlier—will consider the ordinance to join the Authority by early November.

California Assembly Bill 117 (AB 117), passed in 2002, allows cities and counties to combine the electrical loads of their constituents for bulk electricity purchases. An opt-out structure is provided for customers that choose to continue buying power directly from the investor-owned utility.

The San Joaquin Valley Power Authority's Community Choice program will offer a wide range of benefits including increased energy reliability, cost savings, rate stability and local control over energy supplies including renewables (solar, wind, etc.).

Once all the municipalities have joined the Authority, the first order of business will be to submit the Community Choice Implementation Plan to the California Public Utilities Commission (CPUC) for review and certification. This is anticipated to occur in January 2007.

The implementation plan will address all of the requirements set forth by the CPUC and AB 117 including organizational structure, program implementation, resource plan, rate setting and participant rights and responsibilities.

There will be four phases between start-up and implementation of the program. Phase I of the program will solely involve the participating municipalities' own electrical loads. Phase II

will incorporate large commercial and industrial customers. Phase III will add medium commercial accounts and Phase IV will include all remaining accounts including residents and small businesses. It is anticipated that it will take approximately a year and a half to phase all customers into the program.

In order to meet the energy requirements prior to KRC D's power plant coming online, contracts will be entered into with third-party energy suppliers. After construction is complete on the Community Power Plant in 2010, the energy supply for the program will be a combination of KRC D resources (Community Power Plant and Malaga Peaking Plant) supplemented by third-party agreements and market purchases.

The Authority will set electrical generation rates for customers. These rates have been conservatively estimated to save 5 percent on generation costs.

Proposed Power Plant Progresses

In conjunction with the regional Community Choice program being pursued, KRC D continues pre-permitting activities for the KRC D Community Power Plant. The 500-megawatt, natural gas-fired power plant is being sited south of the Parlier Wastewater Treatment Plant on Bethel Avenue between Manning and Dinuba Avenues.

A large amount of energy being imported into the area through stressed transmission lines creates concerns with the region's electrical reliability. On October 16, the California Independent System Operator dispatched KRC D's Malaga Peaking Plant for immediate startup because of transmission congestion. The proposed Community Power Plant will be part of the solution to this regional energy issue.

Steps Taken To Remove Grid Access Barriers For Renewable Projects

On October 19, the California Independent System Operator Corporation (California ISO) Board of Governors agreed to file a petition for a Declaratory Order with the Federal Energy Regulatory Commission (FERC) on a policy to facilitate financing and construction of transmission facilities necessary for efficient development of renewable energy resources in remote locations.

The ISO proposal is strongly supported by the California Energy Commission and California Public Utilities Commission as a means to help California achieve its ambitious goal of obtaining 20 percent of the electricity provided to California consumers from renewable energy resources by 2010.

Currently, the ISO can approve two categories of transmission project: "network" facilities—those that add to the overall grid or "generation ties"—transmission lines built solely to connect a new generator to the grid. Typically, the cost of network facilities is spread among the loads that benefit from the project while generators pay the full cost for the tie line projects. However, as more and more wind, solar and geothermal generation is developed in California, new transmission projects are needed to access remote locations that have large renewable energy resources, which could be developed in multiple projects over a period of years.

Connecting to the grid is cost prohibitive for smaller generating companies developing renewable power projects in areas with large resource potential, which can be incrementally developed over a period of years. Under such a proposal, the ISO would be able to evaluate and approve transmission facilities sized adequately to enable efficient development and marketing of power generated in a remote region. The cost of the transmission project can be recovered over time from transmission system users, and from generators as they connect to the lines in the future.

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Energy Watch

- Addition of power generation facilities;
- New and upgraded transmission facilities;
- Stronger contracts and other arrangements for the reliable supply and delivery of fuel to power generation facilities;
- More "demand-side" measures such as business and consumer energy-efficiency programs; and
- Addressing aging workforce issues in the electric industry.

"Smart growth of the system requires diverse solutions. A reliable and adequate electricity system depends on a combination of adequate generation and transmission, diversified fuel sources, energy efficiency, demand response, and other industry/customer programs," explains Sergel. "This will require a concerted and cooperative effort by industry, government, and customers," he said.

Legislative Update

SB 107 (Simitian) Renewable Energy: Public Interest Energy Research, Demonstration, and Development Program

Enacted in 2006, SB 107 has further accelerated the Renewable Portfolio Standard so the amount of electricity generated per year from eligible renewable energy resources (wind, solar, etc.) is increased to an amount that equals at least 20 percent of the total electricity sold to retail customers in California per year by December 31, 2010.

The regional Community Choice program proposed by KRCD and 13 municipalities includes a resource strategy consisting of third-party contracts and local projects to meet those objectives.

AB 32 (Nunez) Air Pollution: Greenhouse Gases: California Global Warming Solutions Act of 2006

Enacted in 2006, AB 32 is a major climate change bill to address greenhouse gas issues and global warming. The State Air Resources Board (State Board) is

required to adopt regulations requiring the reporting and verification of statewide greenhouse gas emissions and to monitor and enforce compliance with this program. The State Board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990, to be achieved by 2020.

SB 1368 (Perata) Electricity: Emissions of Greenhouse Gases

Enacted in 2006, SB 1368 prohibits any load-serving entity and any local, publicly owned electric utility from entering into a long-term financial commitment, unless the base-load generation complies with a greenhouse gases emission performance standard (Performance Standard). The California Public Utilities Commission (CPUC) is required to establish a Performance Standard for all base-load generation of load-serving entities by February 1, 2007. The Performance Standard is not to exceed the rate of emissions of greenhouse gases for combined-cycle natural gas, as defined, base-load generation.

The CPUC is authorized to review any long-term financial commitment proposed to be entered into by an electric service provider or community choice aggregator in order to enforce the bill's requirements.

The new greenhouse gases limitations enacted through both AB 32 and SB 1368 may limit the potential power sources that all California utilities will seek to purchase and, more specifically, will prevent the purchase of coal-fired generation by California load-serving entities.

The San Joaquin Valley Community Choice program's current resource plan is not based on coal-fired generation as an alternative power source. The primary resource will be a highly efficient natural, gas-fired power plant, financed, constructed and owned by the Kings River Conservation District, coupled with market purchases of renewable energy resources and other market purchases.