Voter

The League of Women Voters Of Fremont, Newark and Union City

Martin Luther King, Jr. Day, January 16

January, 2006

ENERGY STUDY CONSENSUS MEETING(S)

Saturday, January 21

9:30—2:30

Alameda County Water District Office

43885 South Grimmer Blvd.

Please bring this Voter with you.

Box Lunch at noon. Please RSVP to Ann Crosbie, (510)-557-5469 or e-mail Crosbieclan@comcast.net

Directions: From the intersection of Grimmer and Automall Parkway (Durham) go south for several blocks. The Water District is on the right.

QUESTION;

Will California be able to keep on the lights without bankrupting the rate payers?

If we do not finish on January 21, we will meet at 7:30 PM at Miriam Keller's home on January 23

255 Segovia Place

Fremont

PRESIDENT'S MESSAGE

This month we are going to do our part of updating the LWVC energy position. The method we will use is consensus. Consensus/group discussion is the technique most often used in the League for reaching member agreement. Member agreement emerges from the give-and-take of group interaction and exchange of views. It is a process whereby members come to substantial agreement; it is the sense of what the group supports–not a vote, not a census, not a simple majority and not necessarily unanimity. Consensus is a process that builds agreement rather than polarizing the participants; it involves participants who are representative of the whole membership and ends up with the best decision for all involved, or at least a decision everyone can "live with." It is most appropriate to use consensus when a study item is complex, and especially when it is both complex and controversial.

And because it is complex, we have devoted this entire edition of our Voter to giving you background. Please do yourself a favor and read this Voter carefully from start to finish, then join us on Jan. 21 to work on the consensus questions. If we do not finish on the 21st , we will continue the consensus on Monday, Jan. 23 7:30 pm at the home of Miriam Keller. Call 683-9377 for directions. The energy subject is very complex but we are not here to solve the energy problems but to update our State League position so that we can speak to our legislators about aspects of the issue.

—-Miriam Keller

BOARD BRIEFS

At the December Board Meeting, the Board

- ►agreed to help with the Sikh election on Jan. 8,
- ►heard the Action Committee's report, including an interview with John Dutra who stated that Hetch Hetchy is a state issue which impacts residential and commercial water users, affecting the economy of the entire state,
- ►discussed programs for our public meetings for the next few months,
- ►decided to look into a "Grade the News" workshop, and
- ►chose to join the Alameda County Leagues to produce a forum for Sunshine Week in March and also to partner with the City of Fremont for a Brown Act workshop in Fremont.

MEMBERSHIP

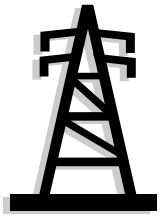
Our Membership Director, Sister Marge Wakelin reports that we have 126 Members.

IN MEMORIUM

Sadly, our member Mary Ellen Costello passed away on Tuesday, December 13. Our condolences to her family.

First in a series of informative articles for an Update of the LWVC Energy Position

KEEPING CALIFORNIA'S LIGHTS ON
The League and Energy



The LWVC recognizes that a full study of Energy would cover more than electricity. However, due to the timeliness and complexity of questions relating to Electrical Energy, and due to limited resources, the delegates at the 2003 Convention instructed that this Update should be restricted to electricity systems in California and their governance.

For one startling moment at LWVC convention 2003, the lights went out all over the auditorium. And for a long hot summer in 2001, the threat of rolling blackouts was part of the daily life of all Californians. And although the West Coast has not had a major multi-state transmission outage since August 1996, the August 2003 blackout of the eastern U.S. and Canada only serves to point up our vulnerability.

All of these warnings point up the crucial need in this new century to find the **best way to secure and deliver an adequate and reliable supply of electricity for our state. This needs to be done in a way that respects the social and natural environment.** New decisions will be made in Sacramento and in our local communities; new sources of energy and new techniques of delivering it will continue to evolve. The League must be in a position bring its principles to bear on public energy policy. Unfortunately, our Energy Position was last updated in 1980—a quarter of century ago! In its day it was a thoughtful position. Today we are critically aware of its limitations.

Our 1980 Position permits us to speak only on :

- **Conservation**
- **Public health and safety**
- **Environmental protection**
- **Renewable sources**
- **Siting of facilities**
- **Tax incentives for conservation and renewables**

This leaves **a number of areas that we have not studied in sufficient depth to be able to comment.** Before 2001 there was little concern in California about a shortage of generation capacity and of transmission facilities. Then came a ***"perfect storm"*** which peaked in 2001—drought in the northwest, extreme heat in the southwest, excessive and unregulated prices of natural gas from out of state, bottlenecks in related markets, unexpectedly high business growth in the technology sector, and a flawed attempt at deregulation. Through this experience we gained a new perspective on energy questions. We now see many additional areas calling for an updated Energy Position. We need to be able to address:

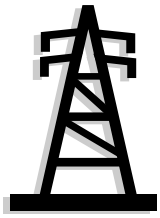
- **Integration of energy policy – from production to transmission to delivery**
- **Re-regulation or de-regulation - or something else**
- **State and federal regulatory conflicts**
- **Differing roles of investor-owned utilities (IOUs) and public utilities**
- **Issues of social equity**
- **Role of the public in planning**
- **Direct access for some users**
- **Distributed energy resources (DER)***
- **Emerging sources of energy--solar, wind, fuel cells and more**

During the coming months we will be producing a series of articles expanding on all of these questions. We hope you will read them thoughtfully and bring **your light** to the League by joining in the Study to Update the LWVC Energy Position.

*Distributed energy resources are small-scale power generation facilities (typically in the range of 3 to 10,000kW) located close to where electricity is used (e.g., a home or business) to provide an alternative to or an enhancement of the traditional electric power system.

Second in a series of informative articles for an Update of the LWVC Energy Position

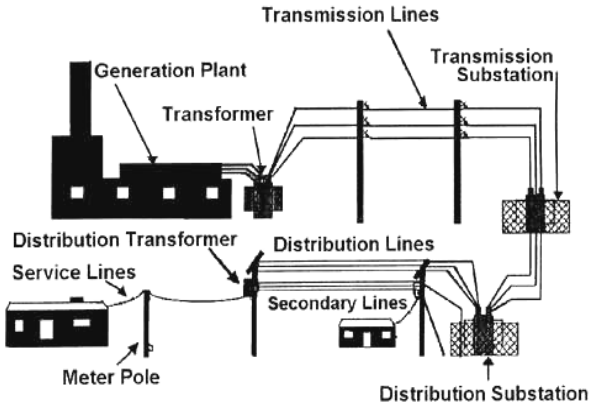
FLIPPING THE SWITCH
The League and Energy



When we flip the light switch, we expect the lights to go on.

We expect **reliability.** To understand this, we must understand the three key elements of our electricity system; it is the operation of these elements that creates our expectation that the lights will come on when we flip the switch.

The three key elements are generation, transmission and distribution, as pictured below. Generation is the creation of electricity. Transmission is the movement of the electricity from generation to a delivery system. The distribution system delivers the electricity to your home so that when you flip the switch, the lights do go on.



Prior to 1996, all these elements were owned and operated by a utility – a vertically integrated monopoly. When you flipped the switch, you sent a signal to the utility to provide you with electricity. The utility had planned ahead for that demand for electricity based on historical trends, and economic and sociological forecasts. It built generating plants, transmission lines, and distribution lines, and operated the whole system. The utility had an **obligation to serve** you, the consumer, with **reliable, reasonably priced** electricity whenever you flipped the switch.

As a major element of its planning the utility had to learn about the usage patterns of all its customers – when households are likely to turn on their air-conditioners, when merchants will switch on their outdoor lights, when major industries will power up their major equipment. From this understanding, the utility developed a 20- year Load Forecast (how much electricity will be used on an hourly basis every day for the next 20 years!) Using this forecast**,** the utility judged what resources it would need to supply the demands of all its customers, including the resources needed to meet the peak demands – generally on hot summer afternoons when business and industry are in full swing and air-conditioners are humming in nearly every home.

These peak demands are met by peaking plants, or "peakers." They run only at peak demand times because they are usually less efficient, thus more expensive to operate. Average demand is provided by what is called base-load generation – big, generally more efficient generators that hum along most of the time.

Californians are served by three investor-owned utilities (IOUs), 21 municipal Utilities (muni's), three rural electric cooperatives (RECs), two federal agencies and 13 irrigation districts in California, all in the electric utility business and all engaged in one, two or all three aspects of the industry. As a consumer, it is good to know that the average retail price per kilowatt hour in 2002 was 13.4 cents, and it is forecasted to be 12.6 cents in 2005.

The format of our state's electric industry changed radically in 1996. Seeking to foster competition, the state legislature passed AB 1890, which proved to be a deeply flawed attempt at "deregulation" by separating the pricing of wholesale and retail generation. Through this bill the Legislature "unbundled" the vertical utility, separating generation from transmission and from the delivery of

power. The hope was to make room for more players in the generation field. Each vertically integrated utility was knocked on its side, and was required to sell off its generation facilities (except for hydro and nuclear facilities).

Generation could now be provided by merchant generators, independent power producers, out-of-state utilities or aggregators (brokers of wholesale generation). Generation greater than 50 MW of capacity is still licensed by the California Energy Commission, but pricing of wholesale power is now monitored by the Federation Energy Regulatory Commission. **Reliability** is no longer the major criterion for the state's electric system, and even the jurisdiction of the CPUC with regard to pricing is limited.

Transmission became the responsibility of a new not-for-profit, quasi-governmental organization known as the California Independent System Operator (CAISO). CAISO has the competency and responsibility to measure congestion along the transmission lines, but there is some contention among the Energy Commission, CAISO and the Public Utilities Commission over the definition of need for new transmission lines, and whose responsibility it is to finance and build them.

The distribution system has remained the responsibility of the utility, and regulatory oversight has stayed with the California Public Utilities Commission. Part of the work of the distribution system is to reduce high-voltage electricity to a voltage safe for use in your home. This is usually done first at a distribution substation in your general area, then at a pole-mounted or perhaps underground transformer very near your home.

Today, generation is owned by a variety of providers but not typically by the distribution utility. Power flows over the transmission grid operated by CAISO. It is delivered to the distribution system operated by your local utility, which delivers it to your home.

With the passage of the deregulation legislation, **reliability** and the utility's **obligation to serve** gave way to power shortages and spiking prices. The "perfect storm" occurred in 2001, as mentioned earlier. It certainly caused most of us to pay heed to a resource we thought to be **reliable.**

As the policy makers and regulators struggle to find a new model which will provide competition and choice and thus lower prices without sacrificing reliability, the League must understand these key elements, their interrelationships, and the policies and their impacts on the electric system. Local League members must **Flip the Switch** and turn the lights on our Energy Policy.

Resources for your use in learning more!
www.ferc.gov – The Federal Energy Regulatory Commission
www.cpuc.ca.gov – The Calif. Public Utilities Commission
www.energy.ca.gov – The Calif. Energy Commission
www.caiso.com/SystemStatus.html - The Calif. Independent System Operator's statewide status of the electric system
www.cmua.org – Calif. Municipal Utilities Association – see Links for more informative sites

Third in a series of informative articles for an update of the LWVC Energy Position

A World of Its Own: Electric Utility Regulation in California

Background: Public utilities bring essential commodities and services to the public – electricity, gas, water, telephones, transportation.

At their beginnings a century and more ago, they enjoyed (some more than others) a period of untrammeled competition. The results included a disorderly, sometimes dangerous and always needless multiplication of pipe lines and overhead pole lines, and demonstrated to the satisfaction of most that public utilities were "natural monopolies."

Legislatures granted them exclusive service territories. Recognizing that this protection from competition could be abused, they also set up regulatory bodies to control utility rates and ensure that they operate in the public interest. A particular benefit, not always generally appreciated, was the ability this gave the utilities to make orderly, long-term plans to serve the public.

The Regulators and the Regulated: Our state is served by three major investor-owned electric utilities: Pacific Gas & Electric (PG&E), Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E). Other electric utilities are owned by municipalities or irrigation districts and not subject to state regulation. Three principal state agencies do the regulating:

The California Public Utilities Commission (CPUC), with both legislative and judicial powers. A principal duty of the five commissioners is to question and analyze detailed applications by the utilities for rate changes and set the final rates that are charged customers.

The California Energy Commission (CEC) (as it is generally known). Its five commissioners must forecast energy needs, license power plants, and promote conservation and alternative energy resources.

The California Independent System Operator (CA ISO), established in 1996 along with the legislation, AB 1890, which "deregulated" the private utilities. AB 1890 required the utilities to commit control of their transmission facilities to the ISO.

In addition, **the Federal Energy Regulatory Commission (FERC)** regulates natural gas and hydropower projects, and interstate transmission of natural gas, oil and electricity.

Electricity Generation: Through nearly all of the 1900s, most of California's electricity was produced in plants owned by the three major investor-owned utilities (IOUs). As their fuel costs increased and as they invested in new facilities, they petitioned the CPUC for adjustments in their rates to recover these costs. For a variety of reasons, by the 1990s electric rates in California were among the highest in the nation. Demand was increasing, power plants were aging and new ones were not being built.

Hoping to bring prices down by encouraging the construction of new plants and by increasing the available fuel supply, the state legislature passed AB 1890, which ended the protected-monopoly status of the three IOUs. They were required to sell most of their largest generating plants. Competition was invited into the market.

The results are well remembered. "Merchant generators" – independent power producers, out-of-state utilities, and power brokers – established a *de facto* oligopoly. They kept prices high. In the 2000-2001 energy crisis they took plants off-line when demand was highest – like hot summer afternoons with massive air-conditioning usage – causing truly outrageous wholesale prices. Legislation now keeps them from doing this. And the CA ISO is developing ways to separate real from contrived price fluctuations, so the legislature or the CPUC can cap prices if manipulation again becomes evident.

In 2002 the legislature passed SB 1389, which requires the CEC to prepare an Integrated Energy Policy Report every two years. The staff is asked to look ahead five to 20 years and judge what California's energy systems should look like, and what we need to do to get there. The LWVC Energy Committee has been working with the CEC staff for more than a year to present a public interest perspective on this.

Incentives – to produce and to conserve – remain the big issues in the area of generation. More than 9,400 MW of new capacity came on line in the last four years, but forecasters warn that without yet more investment in new plants, another power crunch is likely – and within two to six years. The weakened financial status of utilities and merchant generators remains a concern.

Electricity Transmission: Before deregulation, the major California transmission lines were owned and operated by the IOUs. They were responsible for reliability within their service territories, although their lines were (and still are) part of a coordinated 14-

western-state grid. Then AB1890 required the utilities to give control of their transmission facilities to the ISO. Owners of the lines still develop their own expansion plans, but the ISO judges the need and (if a proposed CPUC rule is adopted) the CPUC then defines the transmission routes that best serve the "public convenience and necessity."

Current long- and short-term visions of the CEC, CPUC and CPA are set out in an action plan that supports development of a strategic, long-range plan for transmission. But even as this planning goes forward, a number of areas have transmission constraints, most notably the San Francisco Bay, Tehachapi, Devers and San Diego areas.

Some of the big questions in transmission include how to:

- Ensure system reliability when the public fights grid expansion.
- Ensure reliability when generators are far distant from end users.
- Develop a cost/benefit assessment process that includes merchant generators.
- Factor environmental justice into siting decisions.
- Remedy the present balkanized state of the transmission system.
- Find or establish statewide or regional land-use planning authorities.

Electricity Distribution: Distribution refers to the lower-voltage lines and equipment that deliver power from the high-voltage transmission lines to the consumers. Before AB 1890 all end-users – industrial, commercial and residential – were customers of the IOUs. With the passage of that bill, choice was offered: customers could negotiate **direct access** contracts with other suppliers. The hope – or dream – was that more generation would come into the market and prices would decline. What happened was the "perfect storm" of price increases.

The IOUs at that point had virtually no long-term wholesale contracts in place, and they became more and more dependent on the day-ahead market price for purchased power as set by the ISO through a bidding process. Power outages and financial hemorrhaging of the IOUs followed.

In a desperate attempt to save the situation, then-Governor Davis had the state enter into long-range contracts at the best prices available in an already stressed market. The resulting contracts called for payments to merchant generators of twice the actual cost of generation, for up to 10 years. These contracts account for most of the electricity being distributed to retail customers today (and made a significant contribution to the premature departure of Gov. Davis).

Predictably, as supplies tightened and prices rose, more industrial customers opted out of their utility relationships in favor of **direct access** contracts with merchant generators. This practice was ultimately barred, with about 14 percent of industrial customers left buying directly from non-utility suppliers. They have been required to pay a surcharge of 2.7 cents per kilowatt-hour, which supposedly covers their share of the excess costs incurred by the state's long-term contracts; they continue to use the utility-owned transmission and distribution systems.

Recent Developments: The legislature and the CPUC are considering a new market structure with just two basic customer groups: **Core customers**, residential and small commercial; and **non-core customers,** large commercial and industrial. Non-core customers could negotiate **direct access** contracts with non-utility suppliers, but would lose the guarantee of back-up power from the utilities. And their contracts would have to protect the economic interests of core customers, unable to negotiate with outside suppliers. The CPUC proposals include additional options for both customer classes, including real-time (dynamic) pricing and green (renewable) power options. Governor Schwarzenegger, independent power producers, SCE and the Silicon Valley Manufacturing Group actively support this core/non-core or "hybrid market" approach.

A major worry: Non-core customers are expected to make up 25 to 40 percent of total capacity contracts, which could make it difficult to protect the economic interests of core customers.

Over the past year there have also been legislative efforts to re-regulate – to put the IOUs back into the boxes that were shattered by the 1996 deregulation. This would be difficult if not impossible. The utilities had to sell much of their generating capacity, which is now owned by out-of-state merchant generators, and the wholesale prices charged by these plants are not subject to CPUC control and get only cursory review by the Federal Energy Regulatory Commission.

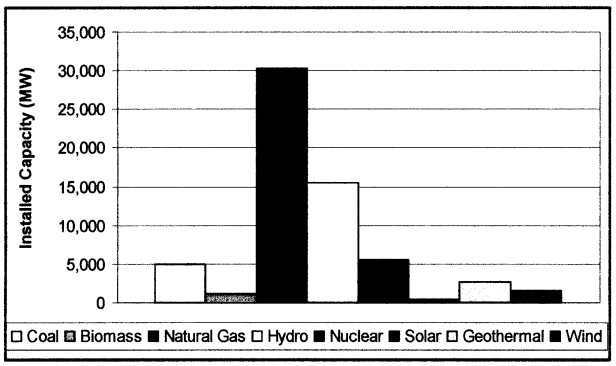
Right now both planning and regulation of the electric industry in California are in a state of flux. Decisions that will restore some stability are vital to stimulating the investments that will build new power plants and re-power existing ones, and vital as well to stimulating investments in energy efficiency and the strengthened power grid that is essential to a reliable state electric system. ■

Designing an Energy Portfolio

The League and Energy

THE ELECTRICITY NEEDS of California are currently met by a mix of about 56,000 MW of in-state capacity and more than 6,200 MW of capacity in nearby states. The latter is largely coal-fired; in-state capacity is diverse, but more than half is natural-gas-fired. And most of the natural gas capacity is owned by independent "**merchant generators**," not regulated by the California Public Utilities Commission. The deregulation legislation of 1996 required utilities to sell much of their generation, so they now own only 42 percent of the total capacity.

Figure 1
Capacity by Fuel/Technology Type



As a result of the financial problems faced by the investor-owned utilities in 2000 and 2001, the California Department of Water Resources (DWR), negotiated long-term contracts with the merchant generators. During the crisis many of these merchant generators had sold into the **wholesale spot market** at exorbitant prices. The prices negotiated by DWR are not exorbitant but they are high, and most contracts run until 2010. Utility customers are paying these costs. Most of the natural gas-fired generation that has come on line in the last several years is being sold into the spot market. The price of power from these plants largely reflects the current market rate. Since these plants are fueled by natural gas, they are affected by natural gas market conditions. Natural gas prices, notably volatile during 2003, have become more stable since, but are notably higher, averaging more than $6 Mmcf.

The Energy Commission attributes the stabilization of spot market prices since 2001 to three factors.

- Energy-efficiency measures by consumers.
- Addition of the 9,400 MW of new capacity, along with an economic downturn.
- Dramatic reductions in the amounts of energy purchased on the spot market.

The future is not bright, however. With the economic recovery now under way, demand is growing faster than supply. Although construction permits have been issued for six large merchant plants with almost 4,000 MW of capacity, none are expected on line before 2006. In addition, drought throughout the West has reduced the amount of hydropower that can be imported from the Northwest. Recognizing the need to plan for peak power demands, the CPUC has set a 15 percent reserve capacity requirement. Assuming a 1.5 percent annual increase in peak demand, (it is currently 3.5 percent in Southern California) capacity requirements in 2030 will amount to 92,000 MW. (Currently 62,000 MW)

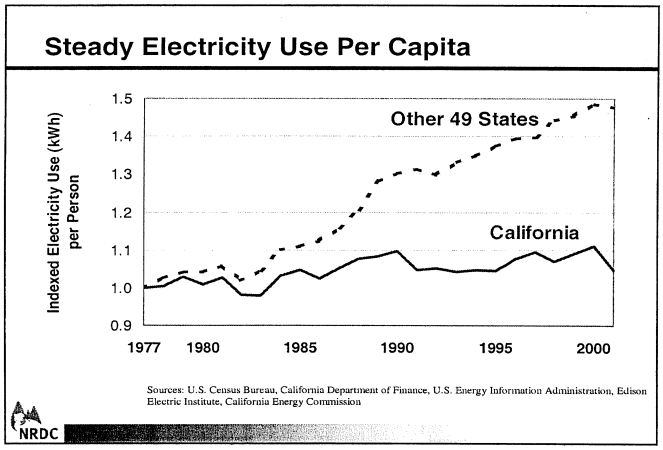
More than 40 percent of the **natural gas-fired generation** in the state was built in the '50s and '60s. These plants are as much as 50 percent less efficient than the new plants, and over the coming decade many of them will be retired or rebuilt; approximately 3,000 MW of capacity was retired just in the past three years. But some of these plants are strategically located near the demand load, and because of increasing congestion of the transmission system, they receive a pricing bonus associated with "**reliability-must-run**" (RMR) contracts. In-state gas production presently meets only 15 percent of California's needs. Out-of-state supplies are adequate throughout this year, but, with growing reliance on natural gas to generate electricity, concerns about the integration of the electricity and natural gas markets continue to mount. Merchant generators, unlike regulated utilities, are not obligated to serve electricity customers; if it is more profitable, they may sell their natural gas into the gas markets, rather than use it to generate electricity. In any case, short-term supply shocks will lead to increases in spot market electric prices. Demand-side management and increased use of renewable resources are the near-term options to dependency on natural gas.

Renewable resources include geothermal, biomass, small hydro, wind and solar. During 2002, the legislature passed SB 1078 which requires the investor-owned utilities to increase investment in renewable energy one percent annually until each utility provides 20 percent of its energy from renewables. Southern California Edison is already meeting this requirement for 2004. PG&E currently is at about 14 percent and San Diego Gas and Electric less than 4 percent. In mid-2004 4,400 MW of renewable capacity was on line. Almost 14,000 MW more will be required by 2030. Because of ecological concerns it is unlikely that more small hydro will be developed. Geothermal and wind resources are considered abundant, but are located at considerable distances from load centers. Wind and solar are intermittent, estimated to be available about 25 percent of the time (often but not always near times of peak demand).

Governor Schwarzenegger has enthusiastically called for more investment in **solar rooftops**. Certainly photovoltaic panels can benefit local homeowners in many parts of the state. However, an average residential roof can only

accommodate 2 kW of panels (less than half of the power needed at peak power periods). About 125,000 new homes are built in California each year, and solar rooftop systems on 15 percent of these would provide 35 to 40 MW of new capacity. Solar panels can be considered a contribution to peaking power capacity, rather than baseload, as it will be available during daylight, when air-conditioners are generally in use.

Both the Energy Commission and the CPUC have made **energy efficiency** their top priority: The goal is to reduce energy use, and decrease peak power demands. For nearly a decade, utility customers have paid on their monthly bills a "public goods charge," and one of the benefits of those monies has been investments in energy efficiency retrofits. The result has been dramatic: Energy use in California is about *half* of per capita use for the nation as a whole.



This past year, the three major utilities have been allowed to include energy efficiency investments in their **capacity procurement planning**. It should be noted, however, that investments in energy efficiency – beneficial in terms of diminishing resources and air pollution – often do not reduce *peak* power demands.

Reductions in peak demands come about largely because of customer response to a definite signal. One such signal may be a radio or television announcement that electricity demands are getting close to capacity, and asking customers to cut back on power use. Some customers, usually larger ones, also negotiate **"interruptible" contracts** with their utilities: In return for favorable prices most of the time, they agree to have their service cut back when reserve margins shrink to a particular point. The present interruptible load is just short of 1,500 MW.

Dynamic pricing is a technique that could allow the state to not invest in 2,000 MW of new capacity over the next 25 years. The League has already had opportunities to speak on behalf of this vision. During the past several years, California has paid to install 22,000 real-time pricing meters at commercial and industrial sites. These meters show customers at 15-minute intervals

the actual cost of power so they may plan their use. The costs currently range from 5 cents per kWh at 2 a.m. to 33 cents per kWh at 4 p.m. on a hot summer day. It is likely that dynamic pricing will become a reality for residential customers before the end of the decade. Each special meter is estimated to cost a little more than $100.

A growing trend is the use of **distributed generation** (DG). This refers to small, localized generation systems, close to the load that they serve. DG enthusiasts point to the avoidance of dependence on the transmission system and the economic opportunities that may be available for facilities to generate their own power apart from the utility grid – especially if they can sell any excess power back to the utility. DG is proving to make good economic sense for facilities that can use solar, wind or biogas. It is not succeeding for those sites that would use natural gas-fired turbines for power generation, because of local air emission requirements.

A major consideration still to be clearly addressed involves issues of **direct access** and "**departing load**." The deregulation legislation of 1996 allowed utility customers to leave their utility and to contract directly with merchant generators for power. A significant number of industrial and large commercial customers did just that at a time when wholesale energy prices looked attractive. But in 2000-2001, when wholesale power prices sky-rocketed, these same customers sought to return to service with the utilities to obtain power at the regulated retail rates. The direct access policy presents a dilemma for utilities, as they likely will have to serve as the default provider if a merchant generator fails.

Late in 2001 the CPUC ruled against any further direct access contracts. About 14 percent of total customer load remained with the merchant generators, and when it became clear that these customers were not sharing in the high-cost, state-negotiated DWR contracts, the CPUC instituted a 2.7¢ per kWh charge on direct access power.

The California electricity system should be flexible enough to take advantage of new technologies and energy sources, and yet be stringent enough to provide economical, reliable service. Integration of the electricity system requires some control over the mix of sources: with the ability to plan for adequate capacity, to promote the use of renewable sources of electricity, and to provide incentives for efficiency and conservation.

FOCUSING OUR THOUGHTS

The League and Energy

Over the past two years the LWVC Energy Update Study Committee has posted a series of four short papers designed to acquaint you with the ways in which the electricity system in California functions, with its weaknesses and strengths, and with the ways in which it is governed.

Now we are approaching the time for discussion and consensus. This fifth paper presents you with a series of thought-provoking questions intended to help you put together values and priorities that have emerged from your study. THESE ARE NOT THE CONSENSUS QUESTIONS. They are intended as aids as you organize your thoughts. A brief background statement precedes each question.

1. *Background:* It was thought that a competitive day-ahead and spot market for power generation would lead to the creation of more energy producers. In fact, the availability of long-term contracts has proved to be a greater inducement to investment. The California Public Utilities Commission (CPUC) has called for an open competitive generation procurement process to be conducted by the investor-owned utilities (IOUs) leading to long-term contracts.

Question: **Do you believe that this will foster a competitive market structure? Can you perceive potential problems that might develop?**

2. *Background:* Direct access to the wholesale energy market (non-utility generation) has been opened to communities and other aggregated consumer groups.

Question: **If your community voted to enroll in the Community Choice Aggregation plan, what would you expect of the service, as compared with the service you currently receive from the investor-owned utility (IOU) in your area? E.g., rates, reliability, green energy sources, conservation programs, other.**

3. *Background:* Since deregulation, and the subsequent failure of the market-based system that followed, decision makers have been struggling with the challenge of designing a new system that combines a healthy electricity industry with the reliability, fairness, and transparency of operation that the public deserves. Introduction of the competitive market into what was previously a regulated monopoly system has resulted in what is called a "hybrid" system with unregulated merchant generators providing much of the state's power.

Question: **Is there some way that reliability, fairness, and transparency of operation can be achieved under a hybrid system? Are there facets of the electricity industry that must be regulated to ensure these ends? In a hybrid system, how can comprehensive integrated long range planning be effectively implemented?**

4. *Background:* In the Energy Action Plan, the California Public Utilities Commission and the California Energy Commission have designated renewable energy sources as second, after efficiency and conservation, on California's list of preferred electricity sources. Utilities contract for power from renewables from many independent generators, generally paying rates that are subsidized by the public goods charge on the utility bill. Due to the distributed location of these sources, additional transmission lines are needed to deliver this power to demand centers, and there is some debate as to who should bear the cost of this new transmission. Some of this new renewable generation will be owned by the utilities, but most will probably be built and owned by independent producers.

Question: **Given that much renewable generation will be procured from a mix of relatively small, non-utility generators, distributed around the state, how should the costs of additional transmission lines be allocated?**

5. *Background:* Municipal utilities provide about 25 percent of the electricity sold in California; much of the power they buy comes from outside the state. "Munis" are not regulated by the CPUC.

Question: **Should municipal utilities be expected to adhere to the same requirements for renewable energy and energy efficiency, reserve capacity and controls on greenhouse gas emissions as the investor-owned utilities? If not, what requirements should be enacted?**

6. *Background:* The role of the public in determining the direction of California's electricity system is taking on increased importance. Consumer response as to choice of servers, demand-side management, and efficiency measures of many kinds is being factored into utilities' resource plans. Photovoltaic installations are encouraged by net-metering, performance-based rates and subsidies. (Subsidies are rebates that are based on the manufacturer's rated system capacity, the kilowatts, not the actual amount of energy produced, the kilowatt-hours. Performance-based rates take into account the amount of energy produced, and the time of day that it is produced, as well as corollary values, such as mitigating environmental impacts and stabilizing the voltage of the distribution system.)

Question: **How important is it to you to have choices in your use of electricity? What programs or techniques would most likely be of interest to you? How would you prefer to pay the initial costs of installation of a new technology? Would you prefer subsidies to rates based on performance?**

7. *Background:* An integrated electricity system requires that all aspects of generation, transmission, and distribution be incorporated into a comprehensive, long-term plan. With the hybrid (regulated/non-regulated) system, statewide integrated planning seems to be evolving, though not all of the energy service providers are interested in participating.

Question: **What measures should be undertaken to achieve integration: executive order, regulatory review, permitting and licensing requirements, etc.? Do you feel that municipal utilities and independent energy service providers should not be required to participate in a statewide integrated planning process?**

8. *Background:* Efficiency is now accepted as an energy resource (producing "negawatts")—in fact, energy-not-needed is the least-cost source of new supply. To facilitate planning and to assure adequate supplies, natural gas and other traditional fuel sources can be bought with long-term contracts.

Question: **How can long-term contracts for resources be used to assure achievement of a certain level of energy efficiency over the long term, so that "negawatts" can be built into a long-term resource-adequacy program?**

9. *Background:* Regulation and rate making for the electricity industry is the responsibility of the CPUC. It is an enormously complex process, in which adjudication plays a major role. As a result, expert, and expensive, legal counsel is required for the public to participate, and it takes months to arrive at decisions.

Question: **Would regulation and rate making be just as well accomplished through public workshops and discussion?**

10. *Background:* Governor Schwarzenegger has proposed that state agencies with roles and responsibilities for energy planning and permitting, operational coordination, and rates and rulemaking be consolidated into a single state Department of Energy. The roles of the current agencies are diverse and depend upon a range of competencies and experience. In the case of the Energy Commission, planning and analysis is the major responsibility. For the CPUC, their rulemakings and rate-setting are largely adjudicatory proceedings. The California Independent System Operator (CAISO) is largely a technical operational entity, with a further role in protecting Californians against future market manipulation. Over the past three years, the existing agencies have instituted a collaborative process that has become manifest in the Energy Action Plan and is leading to a more rational process for transmission siting.

Question: **Is establishing a California Department of Energy the preferred option, or are there other alternatives for fostering effective state governance?**

Consensus Questions

Adopted by the LWVC board of directors July 10, 2005

1. Values: What values should be considered in electric policy decision-making in the coming decade?
   Please indicate which of the following values you consider 1) vital, 2) very important, 3) somewhat important, 4) not very important. (No more than two 1s and two 2s)

	1	2	3	4
a) Reasonable rates	___	___	___	___
b) Customer choice of provider	___	___	___	___
c) Environmental protection	___	___	___	___
d) Reliability of service	___	___	___	___
e) Transparency and efficiency of government	___	___	___	___
f) Social equity and environmental justice	___	___	___	___
g) Encouraging a strong industrial base	___	___	___	___
h) Public participation in the process	___	___	___	___
i) Other [please specify]	___	___	___	___

2. Factors for consideration: In planning for acquisition of new electric resources, what factors merit consideration?
   (Same 1-4 scale, and no more than two 1s and two 2s, as above)

	1	2	3	4
a) The diversity/mix of resources	___	___	___	___
b) Impacts on greenhouse gas emissions	___	___	___	___
c) Level of support for baseload power requirements	___	___	___	___
d) Availability at times of peak power demand	___	___	___	___
e) Dispersed (<10 MW capacity) generation	___	___	___	___
f) In-state vs. out-of-state generation	___	___	___	___
g) Impacts on the transmission grid	___	___	___	___
h) Potential sites for terrorist activity	___	___	___	___
i) Life cycle costs	___	___	___	___
j) Other [please specify]	___	___	___	___

3) Should investor-owned and municipal utilities in the state be expected to adhere to the same standards for renewable resources development, demand-side management procurements, and reserve requirements? Should all independent Load Serving Entities be expected to adhere to the same standards?

4) Since sites for power generation facilities and rights-of-way corridors are part of the statewide energy planning process, can you envision a process that would ensure that land be available for future energy development?
   a) Should land-use planning for future infrastructure development be an essential element in state energy policy?
   b) Should there be a requirement that a pre-CEQA assessment be conducted prior to designation or banking of particular lands?
   c) What roles should the public have in terms of regional energy planning?
   d) What roles and responsibilities should local governments have in regional energy planning?

5) We would like you to consider the impacts of customer choice and direct access on electric system reliability and customer rates. Specifically:
   a) What would you be willing to pay for customer choice?
   b) When direct-access customers leave the regulated utility system, the remaining core customers must pick up additional embedded costs, Should departing customers be required to pay their fair share of embedded costs?
   c) Should an additional charge be imposed on departing customers, recognizing that there could be a negative effect on the integrated system?
   d) What conditions should be imposed on customers that have left the regulated utility system if they wish to return to service by the utility?

6) At present there is some debate regarding the roles of state government in planning, owning, regulating and managing the electric power system.
   a) Given that much of the generation is now owned by out-of–state companies, what roles can and should the state play in the regulation and management of an electricity market?
   b) What could be changed to make planning and regulation a more transparent process?
   c) The League has supported competent regulation at the state level to meet projected state energy needs, as well as to protect health and safety and the environment. What should the state's responsibilities and jurisdiction be in terms of the siting and the rate structures of facilities not owned by the investor-owned utilities, including proposed liquefied natural gas facilities?

7) Would there be advantages in having a single California Energy Agency with responsibility for energy planning, policy, facility permitting, operational integrity and regulation? Please list some advantages and disadvantages. What other alternatives exist if California is to have an effective planning and regulatory process for the energy sector?

8) The water sector—conveyance, treatment, end-use and irrigation pumping—is California's largest consumer of electric power, and the demands of the water sector for on-peak power are expected to double over the coming decade. What specific improvements in conservation, efficiency and forecasting could be carried out by water users to foster more effective use of both our water resources and our energy resources?

Current LWVC Energy position

The current LWVC Energy position was adopted in 1978. It was updated in 1980 to include support for loan guarantees to encourage conservation and the development and use of renewable energy.

Shading indicates positions that may be used at the local and regional level of League.

Position in brief: Support a state energy policy that promotes conservation, fosters the development and use of a variety of renewable energy sources, and considers the impacts of energy development and use on public health and safety and on the environment. State government should provide an efficient, coordinated energy administrative structure and regulatory process and establish state energy policies and minimum standards.

Local government should implement state energy policies and standards based on local conditions, with emphasis on conservation.

Positions:

1. A mix of energy sources with:

    a. emphasis on conservation (energy efficiency), solar energy, geothermal power, and other renewable sources such as bio-conversion and resource recovery;

    b. decreasing reliance on oil and gas.

2. Development and use of energy sources, including the siting of energy facilities, that primarily consider impacts on public health and safety and on the environment. Consideration should also be given to economic factors in evaluation of energy facility sites.

3. State energy policies and regulatory actions that provide for:

    a. state research and development, tax incentives and loan guarantees to individual consumers to encourage conservation and use of renewable energy sources;

    b. state research and development, tax incentives and loan guarantees to encourage conservation by business and industry and to encourage development and use of renewable materials by business and industry.

4. Local government measures that promote energy conservation, especially those related to building codes, transportation, resource recovery and public information.

Issues not addressed by the existing LWVC Energy position

Areas where the Energy Update Study Committee feels the LWVC does not have existing positions

- Consumer rights and protection
- The structure of the energy industry
- The role of market forces
- The status of the California Independent System Operator (CAISO) as a public corporation, thus not subject to open meetings and disclosure requirements
- Federal/state regulatory interrelationships, such as regulation of merchant generators, siting of liquefied natural gas (LNG) facilities, and decisions related to off-shore drilling
- The importance of comprehensive, integrated energy planning
- Implications of direct access/customer choice options
- The interrelationship of the systems of water and energy use and conservation
- The possibility of reducing the reliance on resource-intensive adjudicatory proceedings that are not public-input-friendly
- The merits—and demerits—of having a single state agency handle all the planning, permitting, rule-making, and adjudicatory functions associated with energy.

ACTION COMMITTEE

While many of us were observing the holidays, our faithful observers were watching the workings of the Boards and Commissions that run our cities. Thank you to Betty Foster, Joanne Landers, Pat Lewis, Mary Roulet, Julice Winter, Vesta Wilson, Ellen Culver and Syeda Yunus. There are no holidays from your important duties, and we appreciate all that you do.
—-Marilyn Singer

BAY AREA LEAGUE DAY
Friday, January 27, 2006
9:30 AM—2:30 PM
Registration and refreshments 8:30—9k:30 AM
First Unitarian Church of Oakland
685 14th ST., Oakland

KEYNOTE: "Why the Bay Matters"—Will Travis, Executive Director, Bay Conservation and Development Commission

HISTORY OF BAY ISSUES
"Wildlife of the Bay"—Arthur Feinstein, Audubon California

"Save SF Bay Movement"—Sylvia McLaughlin, Save SF Bay Association

"San Francisco Bay Index"—Grant Davis, The Bay Institute

STEWARDS FOR THE HEALTH OF THE BAY PANEL:
Steve Ritchie, California Coastal Conservancy
Bruce Wolfe, SF Water Quality Control Board

COMMITMENT TO THE FUTURE PANEL:
Russel Hancock, Joint Venture
Jeff Blanchfield, Bay Conservation & Development Commission
Nadine Hitchcock, The California Coastal Conservancy
If you are interested in going, call Kay Emanuele — 792-1645

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Mission Statement

The League of Women Voters of Fremont, Newark, and Union City, a nonpartisan political organization, encourages the informed and active participation of citizens in government, works to increase understanding of major public policy issues, and influences public policy through education and advocacy.

Diversity Policy

LWVFNUC affirms its commitment to reflect the diversity of our communities in our membership and actions. We believe diverse views are important for responsible decision making and seek to work with all people and groups who reflect our community diversity.

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For example, here are two synopses of very current newspaper articles: You can subscribe to get frequent articles from a host of newspapers.

Author calls parent involvement key to effecting change
By Dan Nguyen/Sacramento Bee

Joe Williams has covered education for more than a decade as a reporter for the Milwaukee Journal Sentinel and the New York Daily News. His new book, "Cheating Our Kids: How Politics and Greed Ruin Education," rips the American education system for failing its children and catering to special interest groups

and

Experts to suggest exit exam options
By Laurel Rosenhall/Sacramento Bee

Just six months before the consequences are set to kick in for tens of thousands of students, state education officials have opened the door for a showdown today over the California High School Exit Exam. Jack O'Connell, the state superintendent of public instruction, has invited experts to a 10 a.m. meeting to suggest alternatives for students failing the test. That simple request has sparked a controversy that now pits both O'Connell's supporters and his critics against him - for different reasons. —-Vesta Wilson

QUOTE: Next in importance to freedom and justice is popular education, without which neither freedom nor justice can be permanently maintained. —James A. Garfield (1831-1881)

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Hayward, Channel 28, every Monday at 9:30 PM

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CALENDAR

Fri., Jan 6	Energy Meeting	9:30 AM	Miriam Keller's home
Mon., Jan 9	LWVFNUC Board Meeting	7:15 pm	Joanne Landers home
Fri., Jan. 13	Education Committee	9:30 AM	Miriam Keller's home
Mon., Jan 16	Voter Deadline		
Wed., Jan. 18	Cable Taping	2:00 PM	Comcast Studios
Saturday, Jan 21	Energy Consensus Meeting	9:00AM—2:00PM	Alameda County Water District Office
Mon., Jan 23	Energy Consensus Meeting Continued from Saturday, if necessary	7:30 PM	Miriam Keller's home
Wed,. Jan. 25	Action Committee	9:30 AM	Marilyn Singer's home
Fri., Jan 27	Bay Area League Day	8:30PM—2:30PM	Oakland