

Tenants in the East Complex section of the island will continue to be served by PG&E, Kaspar said.

PG&E plans to file an interconnection agreement with the Federal Energy Regulatory Commission in relation to the port's actions, he added. The proposal would give the Port of Stockton access to wholesale power via PG&E transmission service at the Rough & Ready substation.

On June 11, the Port of Stockton board of commissioners voted 6-0 to support the pending procurement agreement with Sempra, with one member absent. Following the vote, port director Richard Aschieris signed the Sempra pact. The deal went into effect on Friday morning [J. M.].

[15.3] Roseville Lines Up Power Ducks

The city of Roseville approved close to \$1.2 million in contracts dedicated to preparing and moving its 150 MW combined cycle project through the California Energy Commission's licensing process. Enron had folded up its tent in Roseville last November ago and withdrew its proposal to site a facility in the city from the CEC. That project appeared to be going no-where for months prior to that time as well.

"It looks like we have got a project—absent any real problems," said Tom Habashi, Roseville utility director.

On June 4, the city council approved on a 4-0 vote, a \$340,000 contract with Calpine, which will handle the preliminary engineering analysis for the draft CEC application, and a \$310,000 deal with Tetrattech that will be responsible for environmental technical work. Tetrattech will also write the CEC license and handle the application through data adequacy. The agreement also includes a provision for time and materials, not to exceed \$230,000, to ensure that Tetrattech takes the application through the permitting process.

A contract to hire a project manager for 15 months and \$300,000 was also approved. Robert Hren, a former Bechtel employee who recently retired, was chosen for the job. He will earn \$20,000 a month.

The proposed CEC application will be submitted to the city council for a final approval before heading to the commission. Subsequently, the public utility will issue requests for bids on the plant construction, which will use wastewater from the new treatment plant across the road for cooling [Elizabeth McCarthy].

Regional Roundup

[16] DWR's Leaner Revenue-Requirement Numbers Tallied (from [3])

The leaner calculations incorporated into the Department of Water Resources' revised 2003 revenue requirement largely reflects reduced reserve requirements because the state's three investor-owned utilities have resumed their procurement role. DWR's reworked figures, released on June 2, sliced \$1.01 billion from its \$4.64 billion cost forecast issued last August.

Taken into account in its reduced requirement were updated cost data submitted by the investor-owned utilities and the California Large Energy Consumer Association, said DWR in its filing.

The agency highlighted the following changes in the updated power-charge account balances: reduction of the Minimum Operating Expense Available Balance from \$1 billion to \$345 million and reduction in the Operating Reserve Account from \$777 million to \$630 million.

In addition, the department anticipates \$14 million in revenues from direct-access customers and \$539 million in payments from Pacific Gas & Electric for energy sales to the Western Area Power Administration.

DWR also revised its estimate of income from power sales, but that total rises only \$3 million, and ancillary services cost were cut by \$148 million. The department stated that it had originally budgeted \$170 million for ancillary services in 2003, but with the IOUs now responsible for that expense, it has reduced its project to \$22 million.

On the increased-expenses side of the ledger, DWR's filing indicated that \$49 million would be

spent on administrative and general expenses in 2003, a jump of \$21 million over prior estimates.

DWR also calculated that its power-sales projections have dropped by 1.95 million MWh from its August 2002 forecast, primarily because of changes in load and resource assumptions. However, even with the decrease in power sales, DWR increased its total power costs by \$508 million. Hikes in fuel expenses and power contract renegotiations were cited as chief factors for the jump in costs.

According to California Public Utilities Commission spokesperson Terrie Prosper, the commission is expecting a formal filing from DWR by the end of the month [Lulu Weinzimer].

[16.1] Activists Claim Keeping Hunters Point Plant Open is Racist

A coalition of community groups charged that the California Independent System Operator and Pacific Gas & Electric are guilty of environmental racism for keeping the reviled Hunters Point power plant open. The group filed a complaint at the Department of Energy on June 11, alleging that Cal-ISO and PG&E used flawed data to justify the need to keep the utility's 40-year-old facility on line.

"The African American and low-income community of color within San Francisco carry the largest burden of pollution from the energy installation," said Lynne Brown, a Hunters Point resident and member of Community First Coalition. Children and senior citizens of Hunters Point suffer high rates of asthma, and while the residents pay PG&E for its power they also

have to pay the medical bills associated with illnesses caused by the plant's pollution, he said.

The utility and grid operator violated the 1964 Civil Rights Act and DOE regulations 10 CFR section 1040 for setting a more stringent reliability standard for the San Francisco Bay Area, according to the complaint. Liability under the federal laws comes into play when a firm or agency receives federal funds.

The specific allegation states that Cal-ISO's generation standard, which used data provided by PG&E, boosted the need for the plant and delayed its closure. The coalition also took issue with the standard because the Hunters Point community was not consulted when the grid operator established reliability criteria for San Francisco. Cal-ISO's requirement that Hunters Point must stay open is, in part, based on the assumption that a transmission line and two plants would be out of service simultaneously.

Cal-ISO spokesperson Gregg Fishman noted that a unique reliability basis was used because most of the generating units in the region are very old and if two plants are down, 68 percent of the power is lost. Cal-ISO was sympathetic to the community's cause and has been meeting with its members for months, he added. However, Cal-ISO's job was to base its findings on "pure engineering and numbers."

The closure of the plant is contingent on one or more variables, including whether and when the four 45 MW peakers San Francisco received via the Williams settlement get sited, the building of the Jefferson-Martin transmission line and whether Mirant's 540 MW Unit No. 7 at the nearby Potrero Project comes to fruition (see *CEM* No 715 [17]). Given Mirant's dismal financial situation, the outlook for that facility is not looking terribly good (see story at [19]).

Activists pushing to close the plant complained that Cal-ISO keeps raising the bar for closure of the facility and were dismayed by the news that PG&E had retrofit plans for the plant, which they fear will keep the facility running even longer. "They keep adding all sorts of conditions for shutting down the plant," said Barbara George, a member of Women's Energy Matters.

WEM and other activist groups also plan to file an environmental-racism complaint against PG&E and Cal ISO at the Federal Energy Regulatory Commission [*Elizabeth McCarthy*].

[17] Stakeholders Dissect Cal-ISO Proposal to Improve Grid (from [7])

The California Independent System Operator board of governors last week put off considering the agency's plan to complete its redesign, Market Design '02.. The board had anticipated voting on the matter during its June 6 regular meeting but postponed the issue at the request of president and chief executive

officer Terry Winter in order to give stakeholders more time to pore through the system operator's proposal.

The system operator put forward an array of suggested market fixes on May 27, including provisions for forward markets, clearing grid congestion, dealing with transmission rights and inhibiting the exercise of local market power (see *CEM* No. 722 [16]).

Commentary during the Cal-ISO board meeting focused on key elements of the redesign plan, such as how to prevent generators in resource-strapped areas from bidding excessive prices for their much-needed energy. To mitigate this use of local market power, the system operator wants to institute a system similar to that used by the PJM Interconnection on the East Coast.

According to Frank Wolak, chair of Cal-ISO's market surveillance committee, PJM applies market-power controls to supplier bids on a prospective basis—not just reliability must-run units, but all generators deemed capable of exercising undue influence on local prices. Bids are adjusted to fit a generator's variable costs plus a 10 percent adder.

"It can't be overemphasized how important this is to the good performance of PJM markets," Wolak told the board. "If California had that, we could control local market power."

Currently, generators in supply-deficient areas can bid the expected market clearing price, add \$49.99/MWh and still avoid having their bid adjusted by Cal-ISO's automatic mitigation procedure (AMP).

This approach is inappropriate for defeating local market power because there is little or no competition in areas of constrained electricity supplies, Cal-ISO contests. The result is that generators can bid more than one-and-a-half times the going market price before AMP is triggered.

Despite the strong track record of PJM's market-power controls, Cal-ISO is concerned that federal regulators might not grant the grid operator the same abilities. Cal-ISO's backup plan for addressing local market power is to apply an AMP bid-reference price to certain resources that differs from the reference price used for the rest of the system. The price would be cost-based rather than bid-based.

Electricity Oversight Board director Erik Saltmarsh warned Cal-ISO management against providing the Federal Energy Regulatory Commission with both options when the grid operator eventually submits its market-makeover proposal. The board should choose the best approach and then just deal with FERC's response, he said, stressing that the PJM method of controlling local market abuse "provides the best protection for consumers in the marketplace."

In response, Cal-ISO board chair Michael Kahn urged Saltmarsh and all stakeholders to pool their power at the nation's capital to better influence federal treatment of state energy matters. Cal-ISO is constrained by being subject to FERC regulation, he said.

"If you believe something is better and ought to be implemented and that we ought to get what PJM gets, you're much better positioned to argue that than we are," Kahn said.

'They keep adding all sorts of conditions for shutting down the plant.'