



KRCOD News

Fall 2004

The mission of KRCOD is to provide flood protection, achieve a balanced and high quality water supply, and develop power resources on the Kings River for the public good.

Kings River Conservation District has established a speaker's service to discuss the innovative energy solutions that KRCOD Power has been pursuing to address the critical issue of reliability of electrical service for the central San Joaquin Valley.

This half hour program, in PowerPoint and DVD format, highlights KRCOD's activities to increase energy reliability as well as Community Choice Aggregation.

There is no charge for the program and we would be happy to schedule a presentation. If interested, please phone Cristel Tufenkjian at 559-237-5567, ext. 118 or request via email to ctufenkjian@krcod.org.



From left to right: KRCOD Directors Norman Waldner, Alvin Quist, Ceil W. Howe Jr., Assistant General Manager Jack Sinor, General Manager David Orth, BMZ Project Manager Jim Goodwin, Directors Mark McKean, Mike Yoshimoto, Hugh Johns and Giildo Nonini

Work Moving Rapidly On KRCOD Power Plant

Construction has started and builders are wasting no time on the Kings River Conservation District's new 97-megawatt peaking power generation plant near the community of Malaga.

"The foundation has been poured and all the generating equipment is being moved from storage to the site," said KRCOD General Manager David

Orth. "We're very pleased with the progress and excited by the important role KRCOD will soon be playing in helping meet the central San Joaquin Valley's peak energy demands and needs."

Eager construction crews were actually at work on the site even before a brief groundbreaking ceremony was held October 29.

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Proposed CCA Rules Are Favorable To KRCOD

Proposed California Public Utilities Commission (CPUC) rulemaking for Community Choice Aggregation (CCA) appears to be highly complementary to what the Kings River Conservation District and 14 central San Joaquin Valley cities have in mind.

An administrative law judge recently issued the proposed rulemaking, which now must go before the full CPUC, by recognizing that agencies interested in implementing CCA need certainty in cost structures in order to make crucial decisions.

"On the whole, the decision looks fair," said Patrick Mealey of Navigant Consulting, a Sacramento firm working with KRCOD and other agencies on the CCA process. "Frankly, for proponents of CCA, it's hard to imagine this decision being more favorable."

KRCOD General Manager David Orth termed the proposed decision "very positive and supportive of efforts to address resource adequacy in the state." (Please also see General Manager Orth's column on Page 2.)

"The administrative law judge saw that for communities to make decisions about the adequacy of CCA for their communities, they have to know what the numbers are," Orth said.

CCA is a means by which cities and counties are permitted to purchase electricity from a supplier other than the area's electrical utility company and then make that power available to local customers. The utility would continue to own and operate the distribution system and handle all billing.

KRCOD and the 14 cities it surrounds in portions of Fresno, Kings and Tulare counties are currently negotiating a memorandum of understanding to further advance the CCA study process.

To add reliability and affordability to the region's electrical energy resources, KRCOD is also studying development of a base-load, gas-fired power plant.

The proposed rulemaking would set cost responsibility surcharges - the so-called exit

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Ag Discharge Coalition Signups Are Continuing

Landowners and farm operators controlling more than 40 percent of the Kings River Conservation District have now elected to become a member of a Kings River coalition to satisfy a conditional agricultural waste discharge program's requirements.

"Approximately 500,000 acres have been enrolled," said David Orth, KRCD General Manager and Southern San Joaquin Water Quality Coalition Coordinator.

During meetings held throughout the KRCD over the past few months, growers have learned that joining the Kings River coalition is the simplest means of complying with the Central Valley Regional Water Quality Control Board's ag discharge regulatory mandates.

The alternative is to apply for an individual discharger waiver or a waste discharge permit. Either of those two options could cost thousands of dollars and also result in ongoing monitoring and regulatory costs.

There is no cost to growers at this time to join the coalition. The KRCD and Kings River Water Association are sharing monitoring costs.

To learn more about the issue or to obtain the necessary form, go to krcd.org/water/water_quality/ag_discharge.html.

Quist Elected, Others Appointed To New KRCD Board Terms

Veteran KRCD Director Alvin Quist, who returned to the board when appointed to fill a vacancy earlier this year, has been elected to a full term as KRCD's at-large director.

Three other directors are being reappointed after being unopposed for re-election. They include: Division 2 Director Mike M. Yoshimoto; Division 4 Director Mark C. McKean; Division 6 Director Ceil W. Howe Jr.



General Manager's Report David Orth

KRCD Power's Real Progress

For more than two years, we've been telling you about an array of discussions, studies, investigations and related planning directed toward making KRCD part of our region's electrical energy needs solution.

It probably hasn't sounded terribly exciting. Studies and negotiations sometimes seem endless. That's why there is nothing like seeing dirt fly. It's a sure sign that real and tangible progress is being made. How true this is for KRCD Power. Thanks to ground having been broken October 29, KRCD's peaking power facility in Malaga is becoming reality where it counts - on the ground.

And KRCD's other and bigger power project, Community Choice Aggregation continues to advance rapidly. It has received encouraging and supportive words in a proposed California Public Utilities Commission rulemaking.

These efforts are being pushed hard by KRCD as keys to our commitment to improve reliability and stability within the central San Joaquin Valley's electrical energy system by adding affordable generation capacity to the region's grid.

KRCD's peaking power will be available by summer. Plant construction is moving rapidly forward. The facility's two gas-fired turbines and generators are being installed.

The State Department of Water Resources (DWR) made those units available to KRCD less than two years ago. They were among six such units DWR obtained under a settlement with Williams Energy that stemmed from California's energy crisis. DWR made the offer to KRCD because of our District's proven track record in the power business with two decades of smoothly operating the Jeff L. Taylor-Pine Flat Power Plant.

There were many challenges. We had to enter into the original DWR agreement in the last two weeks of 2002. More recently came our pursuit of all the necessary permits, financing and construction contract arrangements - not to mention a new agreement with the DWR, which will buy the peaking plant's output for the next 10 years.

When the plant goes on line several months from now in response to the Fresno region's immense summertime peaking power demands, its 97 megawatts will meet energy needs of some 97,000 homes. That will be a huge help to Pacific Gas and Electric Company and California's Independent System Operator in overcoming our region's supply deficiencies.

Those deficiencies are, unfortunately, all too real. All those studies we have been undertaking make it clear that electrical energy demands of our rapidly growing valley are poised to very soon overtake power supplies. Reliability is at risk.

That is why KRCD is working so determinedly with 14 cities and other agencies to establish Community Choice Aggregation (CCA). CCA permits cities and counties to combine electric loads of residents, businesses and municipal facilities to facilitate purchase and sale of electrical energy.

Our CCA goal is to add value to the electrical system, not to take anything away from anyone. PG&E would continue to own and maintain the lines, deliver energy and handle billing but the energy would come from other sources. Those include a new base-load, gas-fired power plant now being studied as well as sources of renewable energy. As is the case with our new peaking power plant, CCA would add future system reliability we desperately need. The result should be more affordable electricity.

We are delighted that a California Public Utilities Commission administrative law judge (please see Page 1) agrees with our view of how CCA rules should be framed.

Our progress is real. The prospects, for all of us, are exciting.

Kings' Sixth Straight Dry Year Ends

A sixth consecutive below average water runoff year has been completed, only the third time in the Kings River's 106 years of record keeping that such a lengthy dry period has occurred.

The 2003-04 water year that concluded September 30 yielded Kings River runoff totaling 1,051,154 acre feet, said Kings River Watermaster Steve Haugen. That is 62 percent of the Kings' average annual runoff.

"What we did not enjoy in 2003-04 were the very wet springtime conditions that essentially saved the day the year before," Haugen said.

None of the six straight dry years has approached low totals recorded during the critically dry 1987-92 drought but curtailed

surface water availability for irrigation has inevitably resulted in increased groundwater pumping and decreased aquifer recharge, leading to in a falling water table in many areas.

Seven of the past 11 water years and 13 out of the last 21 years have produced Kings River runoff that has failed to reach the annual average, some 1,700,000 acre feet.

The most recent water year compared with Kings River runoff that was 84 percent of average in 2002-03 and 67 percent of average in 2001-02. The 2000-01 runoff was just 58 percent of average.

Kings River runoff for the peak April-through-July period ended up at 57 percent of average, or 699,100 acre-feet, Haugen said.

It's Too Soon To Tell If It Will Be A Wet Year

Early autumn storms that propelled the new water year to a wet start in October have sparked speculation over whether 2004-05 might turn out to be a break from below average conditions.

A study of KRWA's records for the past 50 years that experienced the heaviest precipitation through early November offers no clue of what to expect.

"There have been 10 such years and they are split exactly down the middle," said Kings River Watermaster Steve Haugen. "Five of those years became higher than normal water years and five were below average."

Lightning Incident Destroys Key Power Plant Equipment

An apparent October 24 lightning strike on a transmission line has resulted in damaging a critical piece of equipment at KRCD's Jeff L. Taylor-Pine Flat Power Plant beyond repair.

The "C"-phase potential transformer in the power plant's switchyard at the base of Pine Flat Dam failed in the incident. Also damaged was the adjacent "C"-phase current transformer.

"Both of these instruments are used for revenue metering," said James Richards, KRCD's Director of Operations.

The power plant was not operating at the time and Richards said the damage is already repaired.

Temporary replacement units for the damaged equipment have been borrowed from the Western Area Power Administration. Richards said permanent replacement units must be secured by the fall of 2005.

The incident occurred when lightning apparently struck a major Pacific Gas and Electric Company transmission line that KRCD uses to direct Pine Flat power into the state's energy grid.

Electricity generated at Pine Flat is purchased by the California Department of Water Resources to help power the California Aqueduct's pumping plants.

Upper Kings Water Forum Maps Regional Approach

A new program known as the Upper Kings Water Forum is undertaking a regional approach to seeking ways of meeting a variety of water supply challenges.

The Water Forum was launched earlier this year by the Alta, Consolidated and Fresno irrigation districts and Kings River Conservation District with the assistance of the California Department of Water Resources.

It seeks to put together a locally controlled integrated regional water management plan that would ultimately result in improved water quality, drought protection and water supply reliability.

"Water works in a basin," said Alta Irrigation District General Manager Chris Kapheim. "It makes sense to think of it as a basin-wide component. If you are going to get state funds for water projects, you're going to have to take a regional approach."

Kapheim said November 17 during the third in a series of Upper Kings Water Forum meetings, "Cities, counties and irrigation districts have each been doing their own thing."

Representatives of several cities within or surrounded by the three irrigation districts and KRCD, Fresno County and environ-

mental organizations have been participating along with state and local water officials.

DWR officials point out that a regional approach has many benefits. They include better management of a shared groundwater basin, reduced conflicts and competition, improved water quality, lower total costs for projects and increased system flexibility.

Many issues and objectives have been identified and Forum participants are now beginning to hone options down to specific projects.

The Forum is looking at means to enhance water supplies and make full use of water resources, such as capturing high Kings River flows and making multiple uses of water. Building upon the region's extensive groundwater recharge programs is likely to be a key program strategy, as is taking a 30-year vision.

There will also be emphasis on public education and awareness of conservation and best management practices as well as environmental enhancement possibilities and increased conservation.

KRCD Power Plant, *continued*

The contractor is BMZ, a joint venture comprised of two firms, Barton Malow of Michigan and Zachary Construction of Texas. KRCD in May awarded a \$35.4 million contract to BMZ for engineering, procurement and construction.

KRCD President Ceil W. Howe Jr. termed the peaking plant "a critically important addition to the central San Joaquin Valley's electrical energy portfolio."

The project has moved on a "fast-track" basis ever since state officials late in 2002 offered a pair of peaker generating units to KRCD to help combat energy generation

shortfalls and related system weaknesses and needs that became evident during California's 2000-01 energy shortage.

"In getting this power project to the groundbreaking stage, we've taken less than twenty-four months to accomplish what sometimes takes decades," Howe told the groundbreaking audience.

Orth said the plant should be in operation when next summer's hot weather arrives and creates peak demand for energy. KRCD must have the plant ready to go on line at any time requested by state officials.

"This facility will be a great help in meeting the Governor's desire to build generation capacity," Orth said. "We are very pleased that he looks at this as part of his energy solution."

The Department of Water Resources is to pay the plant's fixed and variable costs, including debt service. California utility customers in the Fresno region will receive reliable, low-cost peaking power.

Under an agreement between the state and KRCD and assuming all the strict operating conditions are met, the plant will belong to KRCD after 10 years. A provision would permit KRCD to purchase the plant after five years, a factor Orth said could be



From left to right: KRCD's Assistant General Manager and Malaga Peaking Plant Project Coordinator Jack Sinor; Project Engineer Max Walenciak, Navigant Consulting; Paul Maxwell, Navigant Consulting and Jim Goodwin, BMZ.

very important in KRCD's efforts to establish a Community Choice Aggregation power program.

"It is a remarkable opportunity for KRCD to advance its objectives of improving electrical energy reliability and price stability," said Orth. "It would be a tremendous complement for the Community Choice Aggregation program of supplying energy on which KRCD Power is working closely with the 14 cities it surrounds."

"This project and the outstanding potential we foresee in Community Choice Aggregation are building on KRCD's 2-decade record of energy generation success at the Jeff L. Taylor-Pine Flat Power Plant," Orth said.



KRCD Board President Ceil W. Howe Jr. addresses the audience at the groundbreaking ceremony.

CCA Proposed Rules, *continued*

charges - for users leaving established utilities in order to receive electricity through CCA providers (cities and counties), at 2.2 cents per kilowatt-hour. That is well below what KRCD's financial studies of CCA had projected.

In addition, the rules would spread costs of implementing CCA upon all of the state's power customers, not just those leaving to be served by CCAs. "We're clearly in the ball game," Orth said.

"We are very pleased that the administrative law judge sees CCA as a key element of California's energy future," Orth said. "She considered our testimony, was supportive of the notion of CCA and agreed with us on several points that will allow our program to move forward and hopefully provide solutions to power supply issues for the greater Fresno area."

Many comments offered by Orth in his CPUC testimony earlier this year were included in the proposed rules.

KRCD News

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