



COMMISSIONERS PRESENT

Jeffrey Byron, Presiding Member

James D. Boyd, Associate Member, Commission Vice Chair

Karen Douglas, Commission Chair

Julia Levin

ADVISORS AND STAFF PRESENT:

Sarah Michael

Laurie ten Hope

Suzanne Korosec

ALSO PRESENT:

Joe Sparano, Western States Petroleum Association

Susan Mara, RTO Advisors

Lara Ettenson, Natural Resources Defense Council

Steven Kelly, Independent Energy Producers

Rochelle Becker, Alliance for Nuclear Responsibility

June Cochran, Mothers For Peace

Simon Baker, California Public Utilities Commission

Manuel Alvarez, Southern California Edison

Robert Anderson, San Diego Gas & Electric

Mark Krausse, Pacific Gas and Electric Company

Todd Strauss, Pacific Gas and Electric Company

Aaron Johnson, Pacific Gas and Electric Company

Bill Keese, via WebEx

# I n d e x

	Page
Introduction	
Suzanne Korosec, IEPR Lead	4
Opening Comments	
Commissioner Jeffrey Byron, Presiding Member	5
Vice Chair Jim Boyd, Associate Member	10
Staff Presentation	
Suzanne Korosec, IEPR Lead	15
Public Comments	
Joe Sparano, Western States Petroleum Association	41
Lara Ettenson, Natural Resources Defense Council	56
Susan Mara, RTO Advisors	70
Steven Kelly, Independent Energy Producers	75
Rochelle Becker, Alliance for Nuclear Responsibility	99
June Cochran, Mothers for Peace	105
Simon Baker, California Public Utilities Commission	108
Manuel Alvarez, Southern California Edison	118
Robert Anderson, SDGE	130
Mark Krausse, PG&E	137
Todd Strauss, PG&E	151
Aaron Johnson, PG&E	170
William Keese (Via WebEx)	175
Adjournment	185
Certificate of Reporter	186

1 P R O C E E D I N G S

2 10:00 A.M.

3 MS. KOROSSEC: Good morning, everyone. I'm Suzanne  
4 Korosec; I lead the Energy Commission's Integrated Energy  
5 Policy Report, or IEPR, unit. Welcome to today's hearing on  
6 the Committee Draft 2009 Integrated Energy Policy Report.  
7 Today is our last IEPR hearing, we've slogged through 35 of  
8 these things, today's number 36 and this is it.

9 COMMISSIONER BOYD: Oh, that's a new low.

10 MS. KOROSSEC: Just a few housekeeping items before  
11 we get started. Our restrooms are out in the atrium,  
12 through the double doors and to your left. There's a snack  
13 room on the second floor, at the top of the stairs in the  
14 atrium, under the white awning.

15 And if we need to evacuate the building for any  
16 kind of emergency, please follow the staff out the door to  
17 the park that's kiddie corner from the building and wait  
18 there for the all-clear signal.

19 Today's hearing is being broadcast through our  
20 WebEx conferencing system and parties should be aware that  
21 we are recording the workshop. We'll make the recording  
22 available on our website a day or so after the workshop,  
23 followed by a transcript within about two weeks.

24 We have a very simple agenda today. Opening  
25 comments; I'll give a brief overview of the main

1 recommendations contained in the report and then we'll move  
2 directly onto public comments.

3           During the public comment period we'll hear first  
4 from those of you that are here in the room and then we'll  
5 open up the lines for those who are listening in on the  
6 WebEx. For those of you in the room, please come up to the  
7 center podium and speak into the microphone there so we can  
8 capture your comments in the transcript and also make sure  
9 that the WebEx participants can hear your comments.

10           And it's also helpful if you can give our court  
11 reporter a business card when you come up to speak, so that  
12 we can make sure that your name and your affiliation are  
13 correct in the transcript.

14           We will also be accepting written comments until  
15 close of business October 28<sup>th</sup>, and we encourage parties to  
16 be as comprehensive as possible in those written comments.

17           And with that, Commissioner Byron, I'll turn it  
18 over to you for opening remarks.

19           COMMISSIONER BYRON: Thank you, Ms. Korosec, and  
20 again I apologize for starting a little bit late this  
21 morning.

22           Good morning, everyone; I'm Jeff Byron and I'm the  
23 Chair -- I should say the Presiding Member of the Integrated  
24 Energy Policy Report Committee.

25           And with me at the dais here this morning is the

1 Associate Member of that Committee, as well as our Vice  
2 Chair, Commissioner Boyd, and with him is his senior  
3 advisory, Ms. Sarah Michaels.

4 To my right is Commissioner Levin, who's joining  
5 us, I'm pleased to see, this morning.

6 And all the way to the far right is my advisor,  
7 Ms. Laurie ten Hope.

8 I hope that we'll have perhaps one more  
9 Commissioner, our Chair, Karen Douglas, joining us soon as  
10 well.

11 A couple of introductory remarks, I want to make  
12 sure that we're all clear on the purpose of what we're doing  
13 here today. We're here to receive public comment on the  
14 Committee's recommendations prior to the release of the  
15 final IEPR, Integrated Energy Policy Report, for the full  
16 Commission consideration on December 2<sup>nd</sup>, at a Business  
17 Meeting in this room.

18 A couple of comments to those that are here this  
19 morning and listening in, we appreciate your participation  
20 very much, that's how this process works.

21 I think you all know that the Legislature requires  
22 this Commission to create this policy report, which we've  
23 been doing for a number of years now.

24 If you'll indulge me for a second, I'm going to  
25 read to you Senate Bill 1389, which requires us to "conduct

1 assessments and forecasts of all aspects of energy, industry  
2 supply, production, transportation, delivery and  
3 distribution, and demand and prices. The Energy Commission  
4 shall use these assessments and forecasts to develop energy  
5 policies that conserve resources, protect the environment,  
6 ensure energy reliability, enhance the State's economy and  
7 protect public health and safety."

8 Ms. Korosec is going to go through more detail in  
9 her presentation, I should say she'll review, at least, the  
10 process we've been going about and your input to that  
11 process is extremely important. And if we haven't exhausted  
12 you yet with all the government processes that we've  
13 conducted here at this agency and others, I certainly am  
14 soliciting your input now, both today verbally, as well as  
15 in writing.

16 We've had a very dedicated staff. I should say  
17 that all of our staff has been working on this IEPR in one  
18 way or another over the past year, but we now have Ms.  
19 Korosec and staff that is dedicated to assisting this  
20 Committee, and that's a relatively new item for us and we're  
21 so pleased that she has pulled together a very good team to  
22 work on this. Only about eight more weeks to go, Ms.  
23 Korosec, and then you can take some vacation.

24 But, you know, I have to tell you that it's not  
25 quite the IEPR that I envisioned when I took on the

1 assignment with this Committee a couple of years ago. We  
2 really wanted to address a number of other issues that we  
3 really -- that we haven't been able to get to. And, of  
4 course, that's partially because things have come up, a  
5 financial crisis for the State, the work that this  
6 Commission's done on the American Recovery and Reinvestment  
7 Act funding efforts. Furloughs, as I think you all know,  
8 have affected this agency as well as others.

9           So we've had to curtail a little bit. Of course,  
10 that's part of the other process I think that we always have  
11 to do when we do our Integrated Energy Policy Report is that  
12 we have to manage what I call IEPR creep. It is an enormous  
13 undertaking to address all these energy issues.

14           But we did get early input and involvement from  
15 the utilities in this State, the stakeholders, and certainly  
16 as I indicated the staff has done an extraordinary job. It  
17 just doesn't quite cover all the topics that we wanted to.

18           And in fact you'll notice that in the notice for  
19 the meeting, on page 2, near the top of the page, we  
20 indicated that there was particular interest in getting  
21 additional information from you today on implementation of  
22 33 percent renewable portfolio standard, the hybrid  
23 electricity market, and improving the electricity  
24 procurement process, topics that Commissioner Boyd and I  
25 feel that we'd like to address in some more detail before

1 the final document goes out.

2 To my fellow Commissioners, I'd like to indicate  
3 that this is certainly your opportunity to provide your  
4 input. Of course, you have up until the time we approve it  
5 to provide any of that input and I want to assure you that  
6 the Committee welcomes your input verbally and written as  
7 well.

8 We've worked tirelessly to produce the document  
9 and make sure it's as comprehensive to the scoping order  
10 that we issued in January as we possibly can.

11 I have a strong interest, and I believe this  
12 Commission should as well, in trying to get this document to  
13 the Governor's office and the Legislature before the year  
14 ends, as required in SB 1389, which also directs all the  
15 government agencies or entities in the State to use this  
16 information and analysis that's in the IEPR to carry out  
17 their energy related responsibilities.

18 We've had excellent participation on the part of  
19 the Public Utilities Commission. Commissioner Boyd and I  
20 have entertained Commissioner Bohn's participation as a  
21 representative from the PUC on a number of our workshops,  
22 and the Independent System Operator has participated as  
23 well.

24 I've taken the charge very seriously that you've  
25 given me in the responsibility to conduct the IEPR hearing

1 process and the creation of this report.

2 This has been a committee draft until now and in a  
3 way I think we're handing it over to the full Commission for  
4 changes and consideration prior to the December 2<sup>nd</sup> meeting,  
5 which will require the full support and approval of the  
6 Commission before it goes out.

7 I think you'll find that this committee will be  
8 very responsive to your input and your comments.

9 With that, I'm going to turn to my Associate  
10 Member, Commissioner Boyd, and ask if he'd like to make any  
11 opening remarks.

12 COMMISSIONER BOYD: Thank you, Commissioner Byron;  
13 you were very comprehensive in your opening remarks,  
14 particularly pointing out the references to the language in  
15 Chapter 568, or SB 1389.

16 This is indeed, well as I view it, the penultimate  
17 2009 IEPR public process, we still have the last public  
18 hearing to be held.

19 And while -- and I would commend Ms. Korosec, who  
20 has been the staff driver for this process, when she  
21 announced this is hearing number 36, and while it seems an  
22 eternity, we didn't even come close to the record  
23 Commissioner Geesman and I set in 2005, of 65 public  
24 hearings. And it's always been a goal of this agency to  
25 never approach that record every again and, Suzanne, you've

1 done a marvelous job.

2 But we've come a long way since 2005 or 2003, the  
3 first one I had the pleasure of chairing, and now I'm back.

4 And I'm not quite going to let go of this, even  
5 though we, the Committee, have allegedly put it out to the  
6 public and the rest of the Commissioners to comment on, I  
7 think you and I deserve, reserve the right to reflect on  
8 what we hear today and recommend even more, perhaps,  
9 additions, corrections, and what have you, as well as input  
10 from our fellow Commissioners.

11 Well, you pretty well highlighted what the law  
12 said about what this is all about. And I'm a survivor of  
13 the electricity crisis and was there as the Legislature, as  
14 frankly, Senator Bowen introduced this bill, which Senator  
15 Share then picked up, which I think was one of the most  
16 positive outcomes of the -- reflecting back on what just  
17 happened to us in California when the electricity crisis  
18 occurred and I thought this was a brilliant piece of  
19 legislation.

20 Now, I keep saying "electricity crisis" because at  
21 the time everybody called it the "energy crisis" but it was  
22 truly an electricity crisis.

23 But the Integrated Energy Policy Report was  
24 suggested because there was a recognition that we needed to  
25 look at all the energy sources, which I like to kind of

1 divide into electricity, natural gas, or as it's becoming,  
2 methane, because we get it from some unnatural sources these  
3 days, as well as transportation fuels.

4           And the genesis of this Commission, if you want to  
5 go back 30 plus years, was a product almost more of the  
6 Middle Eastern oil crises and transportation fuel issues  
7 than it was what most of us mistakenly assumed was the  
8 seemingly insatiable appetite of Californian's for  
9 electricity and the projections of the incredible increased  
10 demands and thus more power plants, including all kinds of  
11 talk about incredible numbers of nuclear plants down the  
12 California coast and what have you.

13           So the Energy Commission's foundation was  
14 predicated on looking at all energy and the IEPR has it  
15 looking at all energy and it really, in a sense, is supposed  
16 to be a recommended State energy plan. I think that's what  
17 was envisioned and that's what we'd like to see out of it.

18           The law provides that the Governor -- we submit it  
19 to the Governor and he has, I believe, 90 days with which to  
20 reflect on and then make recommendations to the Legislature,  
21 and then it's incumbent on the Legislature to consider the  
22 report and any of the Governor's recommendations, and those  
23 areas where policy guidance is recommended to debate whether  
24 or not said policy guidance is needed.

25           And I know you and I have talked to the energy

1 chairs in the Legislature about wanting them to fulfill that  
2 responsibility and helping them fulfill that responsibility  
3 when this is a finished document.

4           So with that underscoring of the extreme  
5 importance of this document, in spite of the boring title  
6 and the long process that's involved, it really is meant to  
7 be a significant vision of where California energy policy  
8 should be going and it's incumbent upon us to remind our  
9 associated energy agencies as well as the Legislature of  
10 that, and I know that we will when we get this process  
11 finished.

12           I don't think either you or I are looking to stay  
13 longer than our current terms on this Commission, anyway.

14           So with that, thank you for the opportunity.

15           COMMISSIONER BYRON: Commissioner, thank you, and  
16 thank you for reminding me we are not done as a Committee,  
17 and also to say thank you very much for your assistance in  
18 all of this over the last really two years, now. So eight  
19 more weeks.

20           I'm going to turn all the way to Commissioner  
21 Levin. Commissioner Levin, would you like to make any  
22 introductory remarks?

23           COMMISSIONER LEVIN: I would like to thank the  
24 Committee and the staff for the -- now, I understand it's a  
25 small number of workshops I'm hearing that led to this draft

1 report. And I want to thank you for being very receptive to  
2 comments so far from my office. I'm not a light editor,  
3 really. And we look forward to staff's presentation today  
4 and especially to the public comment as the first real  
5 unveiling of the draft, I think, the comment from all of  
6 you, from the public, from different stakeholders and other  
7 experts is critical in this juncture. So thank you.

8 COMMISSIONER BYRON: Thank you, Commissioner.  
9 I'll save the stake of all the TV standard comments that we  
10 got from yesterday, I won't go through that again.

11 Chairman Douglas.

12 COMMISSIONER DOUGLAS: Well, good morning,  
13 everybody. And I will be brief, I wanted to make sure that  
14 I thank the IEPR Committee, Commissioners Boyd and Byron,  
15 for your hard work in getting us to this point. This has  
16 been a major effort and time after time I looked for one or  
17 the other of you, only to hear that you were both down in an  
18 IEPR workshop. And I know that this has been a very major  
19 time commitment for you and certainly for staff throughout  
20 the organization.

21 So I have had the opportunity to look through the  
22 draft. I'm very pleased that you brought us to this point  
23 and I look forward to being here with you this morning and  
24 hearing from the public, as well.

25 COMMISSIONER BYRON: Good. Thank you, Madam

1 Chairman.

2           It makes it sound by our comments that we're done,  
3 that it's perfect, and that it's all over. It is not. We  
4 very much need your comments and input.

5           And so I'm going to turn to Ms. Korosec who, I  
6 think, has a pretty comprehensive presentation with regard  
7 to the recommendations in the IEPR and she'll review those  
8 for us.

9           Ms. Korosec, please don't feel like you need to  
10 rush, there's a lot of content to what you have to say.

11           MS. KOROSEC: All right, I'll try to slow down and  
12 not talk like a little bird up here.

13           Commissioner Byron covered much of the background  
14 on the IEPR, but Public Resources Code requires the Energy  
15 Commission to prepare the Energy Policy Report every two  
16 years, that provides integrated assessments of major energy  
17 trends and issues that are facing the electricity, natural  
18 gas, and transportation fuel sectors in California, and to  
19 make recommendations to ensure reliable, secure and diverse  
20 energy supplies.

21           As Commissioner Boyd mentioned, the first IEPR was  
22 issued in 2003. We're now in the fourth two-year cycle of  
23 the IEPR.

24           At this point I would like to acknowledge by name  
25 my IEPR staff, without whom none of this would have

1 happened; Lynette Green, who is our project manager,  
2 managing our WebEx today; Jennifer Williams, who is our IEPR  
3 project author; and Carolyn Walker, who has just recently  
4 joined us as our editor.

5           So with a full staff, hopefully, we'll be able to  
6 continue to whittle away at the number of workshops and make  
7 things a little bit easier for all parties concerned.

8           The Energy Commission's IEPR Committee held  
9 workshops on April 28<sup>th</sup> and June 3<sup>rd</sup>, in 2008, to get input on  
10 what the scope of the 2009 IEPR should be. And based on  
11 that input from the workshops they issued a scoping order in  
12 January, of 2009, that identified a wide range of topics  
13 that would be addressed in the 2009 IEPR.

14           Since January, 2009 the Energy Commission staff  
15 and the IEPR Committee have held, as we've said, 35 public  
16 workshops on the various topics that were identified in the  
17 scoping order. And based on those workshops the Energy  
18 Commission staff prepared numerous supporting documents and  
19 reports that formed the basis for the discussions and  
20 recommendations that are in the draft report.

21           These documents are all available on the IEPR  
22 webpage of the Energy Commission's website, along with the  
23 presentations and transcripts for each of those workshops.

24           As in the 2007 IEPR, the focus on the 2009 IEPR is  
25 on the State's greenhouse gas emission reduction goals and

1 how California can minimize the environmental impacts of  
2 energy production and use, while continuing to ensure that  
3 our citizens have reliable, diverse and economic sources of  
4 energy.

5 I also want to note here that since the draft 2009  
6 IEPR was published several legislative bills have been  
7 either signed or vetoed, and we will be revising the report  
8 to reflect those new developments.

9 Starting with the electricity sector, the State is  
10 facing other environmental issues, in addition to the need  
11 to reduce greenhouse gas emissions, including phasing out  
12 the use of once-through cooling in California's coastal  
13 power plants, dealing with the lack of available emission  
14 credits in the southern part of the State. That's  
15 complicating the goal of retiring or re-powering aging  
16 plants.

17 And resolving the conflict between developing  
18 renewable resources to help meet our GHG reduction goals  
19 against the potential environmental impacts of some of those  
20 renewable resources, as well as the impacts of the  
21 transmission lines needed to bring that electricity from the  
22 resources to the State's load centers.

23 The Energy Commission's staff 2009 electricity  
24 demand forecast indicates that while projections of energy  
25 demand are down relative to the 2007 forecast, because of

1 the recession, we still expect to see overall electricity  
2 consumption to grow by 1.1 percent per year between 2010 and  
3 2018, and for peak demand to grow an average of 1.2 percent  
4 per year over the same period.

5           While the uncertainty about how long it will take  
6 California to recover from the down turn is not clear, the  
7 IEPR Committee directed staff to look at alternative  
8 scenarios of economic growth, using both optimistic and  
9 pessimistic projects. In their analysis, the staff found  
10 relatively small differences between the two scenarios. In  
11 the optimistic scenario, which came from IHS Global Insight,  
12 the annual growth in electricity consumption would increase  
13 from 1.1 percent per year to 1.2 percent, while the annual  
14 growth in peak demand would increase from 1.25 percent to  
15 1.4 percent.

16           Conversely, in the pessimistic scenario, which  
17 came from Economy.com, the growth rate in consumption would  
18 fall to .9 percent and from peak demand to 1.1 percent, so  
19 you can see a relatively narrow band of change there.

20           In terms of electricity supply, the Energy  
21 Commission is experiencing a record high in the number of  
22 power plant applications in house, we have 30 proposed  
23 projects currently under review, totaling more than 13,000  
24 megawatts.

25           There are also six projects already approved by

1 the CEC that are totaling 2,000 megawatts, under  
2 construction.

3 And 13 additional projects of about 6,500  
4 megawatts that are on hold, but could move forward for  
5 construction.

6 Energy efficiency continues to be our top  
7 priority; it's the first in the loading order. The State  
8 has a goal of achieving 100 percent cost-effective energy  
9 efficiency, which will be essential to achieving our  
10 greenhouse gas emission reduction goals, as well as  
11 increasing the reliability of the system, reducing energy  
12 costs for businesses and residential consumers, and reducing  
13 energy dependence.

14 Strategies for meeting the 100 percent cost-  
15 effective energy efficiency target include zero net energy  
16 buildings, with the goal of all new residential construction  
17 to be net zero by 2020 and all new commercial construction  
18 to be net zero by 2030, continuing to set and increase the  
19 stringency of our building and appliance standards, and to  
20 increase the efficiency in the State's stock of existing  
21 buildings.

22 To achieve the State's goals for zero net energy  
23 homes and businesses, the Committee recommends establishing  
24 a statewide task force of state agencies, local governments,  
25 industry, enforcement bodies, and technical experts to

1 address the various issues, and definitions, and the  
2 standards that will be needed to achieve that goal.

3           And because zero net energy buildings will also  
4 require building-based energy supplies, the Committee  
5 recommends expanding the building efficiency standards to  
6 address building scale renewable solutions.

7           To increase the contribution of the building and  
8 appliance standards to meeting the statewide efficiency  
9 goals, the Committee recommends expanding the scope of the  
10 building standards to include high-energy-using commercial  
11 buildings and also expanding the appliance standards to  
12 include consumer electronics, general lighting, irrigation  
13 controls, and refrigeration systems.

14           To improve the efficiency of the State's existing  
15 building stock, the draft IEPR recommends that efficiency  
16 retrofits should be required at point of sale or point of  
17 remodel, with incentives that are designed to minimize the  
18 costs to consumers, to prevent discouraging homeowners from  
19 selling or making improvements to their homes.

20           However, with the signing of Assembly Bill 758,  
21 which requires the Energy Commission to develop an energy  
22 efficiency program for existing residential and commercial  
23 buildings, this recommendation may no longer be necessary  
24 since these kinds of retrofits could conceivably be  
25 addressed within that program.

1           Finally, to address peak demand, the Committee  
2 recommends that all utilities should install meters that can  
3 record hourly consumption, and that utilities also provide  
4 their time-varying electric rate in an open and transparent  
5 manner.

6           The Committee believes that the Energy  
7 Commission's load management standards should require all  
8 utilities to adopt some form of dynamic pricing for  
9 customers that have these advanced meters.

10           I also note here, again, Senate Bill 695, by  
11 Senator Kehoe, sets three dates in law regarding mandatory  
12 or default rates, time-varying pricing without bill  
13 protection is prohibited until -- or excuse me, with or  
14 without bill protection is prohibited until 2013, without  
15 bill protection is prohibited until 2014, and real-time  
16 pricing without bill protection is prohibited until 2020.

17           However, the IEPR policy recommendation will not  
18 need to change as a result of this schedule change since the  
19 underlying reasoning for the recommendation really hasn't  
20 changed, it's just the schedule.

21           Supply side of the equation, California needs to  
22 continue to address barriers to increasing the amount of  
23 renewable energy in the electricity supply mix. Renewable  
24 resources are key to achieving our GHG emission reduction  
25 goals, but there are challenges. These include the

1 uncertainty about our ability to meet our RPS standard  
2 goals, the difficulty with integrating large amounts of  
3 renewables, particularly intermittent renewables, while  
4 maintaining reliability, barriers to the development of  
5 large potential for bioenergy resources, environmental  
6 concerns with developing large-scale solar plants in the  
7 California desert, and the need for developers to have the  
8 financial certainty that they need to develop new renewable  
9 projects in the State.

10 California's currently at 10.6 percent renewables  
11 as of 2008. We'll clearly not be meeting the 2010 goal of  
12 20 percent, although both the investor-owned utilities and  
13 the publicly-owned utilities are showing progress towards  
14 meeting that goal, but we still have a ways to go.

15 And given the Governor's executive order of 33  
16 percent by 2020, we'll need more aggressive efforts to  
17 achieve our targets.

18 Toward that end, the Committee recommends  
19 that -- or actually reiterates the recommendation made in  
20 past IEPRs, that the PUC should be committed to imposing  
21 penalties on the IOUs for noncompliance with the RPS  
22 targets.

23 In increasing the amount of renewable energy, we  
24 need to continue to address integration issues. The  
25 engineering realities of the system require certain

1 operating characteristics for reliability and various  
2 studies regarding the impacts of 33 percent renewables on  
3 the system have been completed, and others are in process,  
4 and these studies have clearly demonstrated the complexity  
5 associated with achieving our RPS goals.

6           The Committee recommends continuing and building  
7 on existing analyses to identify solutions for integrating  
8 more energy efficiency, smart grid infrastructure, and  
9 renewable energy into the system, while addressing potential  
10 over-generation issues and reliability issues.

11           The Committee also supports the analysis that's  
12 being conducted by the California ISO to identify specific  
13 system requirements to integrate high levels of renewables,  
14 as well as research by the Energy Commission's Public  
15 Interest Energy Research Program on the energy storage  
16 systems that can help to integrate intermittent renewable  
17 resources.

18           Governor Schwarzenegger's executive order S-06-06  
19 requires California to meet 20 percent of the RPS with  
20 biopower. However, we're seeing continuing barriers to  
21 achieving that goal.

22           There's large potential for renewable generation  
23 using biomethane at the State's dairies, but the high cost  
24 of emission controls remain a challenge to that.

25           Similarly, new solid fuel biomass facilities also

1 have difficulties receiving air permits, particularly in the  
2 southern part of the State.

3           There's also a lot of uncertainty about the  
4 ability of the existing biomass plants to continue  
5 operating, given the expiration of the public goods charge  
6 funding at the end of 2011.

7           The Committee therefore recommends that the  
8 Bioenergy Action Plan be updated to identify and address  
9 continuing barriers to the development and the deployment of  
10 bioenergy, including air quality permitting, expiring  
11 incentive programs, and how to get private project  
12 financing.

13           The Committee also recommends that the action plan  
14 be expanded to identify issues and potential solutions  
15 related to biogas injection and gas clean up.

16           In addition, the Energy Commission should continue  
17 to explore options to ensure that existing biomass  
18 facilities continue to operate.

19           In increasing the amount of renewable energy in  
20 the system to meet our GHG emission reduction goals, it's  
21 also important to consider the environmental impacts  
22 associated with renewable development.

23           As part of implementing Governor's executive order  
24 S-14-08, the Renewable Energy Action Team, which is composed  
25 of the Energy Commission, the Department of Fish and Game,

1 the Bureau of Land Management, and the U.S. Fish and  
2 Wildlife Service is developing the Desert Renewable Energy  
3 Conservation Plan to identify and establish areas for  
4 potential renewable development, as well as conservation in  
5 the Colorado and Mojave Deserts to minimize the  
6 environmental impacts of the new development.

7           The Committee recommends that the Energy  
8 Commission continue its efforts as part of the Renewable  
9 Energy Action Team to streamline and expedite permitting of  
10 renewable energy projects, while conserving endangered  
11 species and natural communities in those regions through  
12 that plan.

13           Finally, the Committee continues to encourage the  
14 development of feed-in tariffs as a strategy to provide  
15 financial certainty to developers of renewable energy  
16 projects.

17           While some parties have expressed concerns that  
18 feed-in tariffs will be too costly, others have said that  
19 providing clear feed-in tariff guidelines will actually  
20 reduce the time and expense of getting long-term contracts  
21 by allowing the pre-approval of projects that meet these  
22 pre-developed guidelines.

23           The Committee therefore recommends that the PUC  
24 should continue its efforts to implement technology-specific  
25 feed-in tariffs for wholesale distributed generation for

1 projects 20 megawatts or less in size, and that the  
2 Legislature should consider changes in State law to require  
3 utilities or the California ISO to offer the same kind of  
4 tariffs to encourage development and integration of utility-  
5 scale renewables along renewable-rich transmission  
6 corridors.

7 COMMISSIONER BYRON: And Ms. Korosec, we have  
8 another bill that was signed into law that will affect this  
9 section of the IEPR.

10 MS. KOROSEC: Yes, that's correct.

11 Moving onto distributed generation, the Committee  
12 is continuing to emphasize the importance of combined heat  
13 and power technologies in distributed generation,  
14 particularly given the goal of an Air Resources Board's  
15 Climate Change Scoping Plan of 4,000 megawatts of new  
16 combined heat and power facilities to help reduce GHG  
17 emissions.

18 The Energy Commission commissioned a new study of  
19 market potential for these facilities that identified about  
20 2,700 megawatts of CHP market penetration in the base case,  
21 or status quo scenario, mostly from facilities that are  
22 smaller than 20 megawatts and don't typically have excess  
23 power to export to the grid.

24 The study also indicated an additional 3,500  
25 megawatts that could be developed with the appropriate

1 stimulus and incentive efforts.

2           There's also a need to ensure that upgrades to the  
3 State's distribution system that will facilitate the  
4 integration of both renewable and nonrenewable distributed  
5 generation to the grid are made.

6           The Committee recommends that the Energy  
7 Commission and the PUC should open a joint proceeding to  
8 develop a comprehensive understanding of the importance of  
9 distribution system upgrades to support the cost-effective  
10 integration and interoperability, large amounts of DG for  
11 both on-site use and wholesale export.

12           In addition, to help realize the potential GHG  
13 reductions from new CHP facilities, the Committee recommends  
14 that the Energy Commission and ARB should structure programs  
15 to target both large and small systems that are  
16 dispatchable, that are appropriately located, and that have  
17 a load profile that meets utility needs.

18           The two agencies should also establish minimum  
19 efficiency standards, greenhouse gas emission criteria, and  
20 monitoring and reporting mechanisms.

21           The Committee also recommends that the self-  
22 generation incentive program should reinstitute eligibility  
23 for combined heat and power systems with a generating  
24 capacity of five megawatts or less, that meet minimum  
25 performance standards, and incentives should be based on the

1 efficiency and GHG reduction metrics of the systems, rather  
2 than on technology or on fuel type.

3           Finally, the Committee recommends that the Energy  
4 Commission and the PUC should focus their efforts towards  
5 increasing market penetration of technologies that can co-  
6 digest multiple organic waste streams that are available in  
7 the State in renewable combined heat and power facilities.

8           As part of the 2008 IEPR update the Energy  
9 Commission released the Assembly Bill 1632 report, which  
10 evaluated the vulnerability of the State's nuclear plants to  
11 outages due to seismic and plant aging issues.

12           The report also identified other important issues,  
13 like the safety culture at the San Onofre Nuclear Generating  
14 Station, federal policy on long-term nuclear waste disposal,  
15 the cost and benefits of nuclear power in relation to other  
16 resources, and potential conversion from once-through  
17 cooling at the plants to closed-cycle wet cooling.

18           The report made a number of recommendations for  
19 additional studies that the utilities should undertake as  
20 part of their license renewal feasibility studies for the  
21 PUC and directed the utilities to report on the status of  
22 those efforts in the 2009 IEPR.

23           Also, in June of this year the PUC sent letters to  
24 both utilities emphasizing the need to address the issues  
25 that were identified in the AB 1632 report as part of their

1 feasibility studies.

2           Based on information that the utilities submitted  
3 to the Energy Commission as part of the 2009 IEPR, it  
4 appears that they may not be on track to completing those  
5 studies in time for consideration by the IEPR -- excuse me,  
6 by the PUC. Therefore, the Committee recommends that the  
7 utilities should complete these studies prior to filing  
8 their license renewal applications with the PUC and with the  
9 with Nuclear Regulatory Commission.

10           I will note here another legislative bill, Mr.  
11 Blakeslee's Assembly Bill 42, which would have required PG&E  
12 to use 3-D seismic reflection mapping and other advanced  
13 techniques to explore fault zones near Diablo Canyon; this  
14 was vetoed by the Governor. But in his veto message, he  
15 indicated that in light of actions already taken by the PUC  
16 through the general rate case proceeding and also the  
17 direction to use the studies in the AB 1632 report, he felt  
18 that there was no need for further legislative authorization  
19 because the PUC and the Energy Commission have this well in  
20 hand.

21           The Committee also recommends that the PUC should  
22 evaluate the need to set up an independent safety committee  
23 for SONGS, similar to the one in place for the Diablo Canyon  
24 facility.

25           And finally, that the Energy Commission, the PUC,

1 and the ISO should continue to evaluate the reliability  
2 impacts from implementing once-through cooling policy and  
3 regulations for the nuclear plants.

4           Moving onto transmission, the Energy Commission  
5 develops a strategic transmission investment plan as part of  
6 each IEPR that describes the actions that are needed to  
7 plan, permit, construct, operate, and maintain a cost-  
8 effective and reliable transmission system that can respond  
9 to policy challenges like renewable goals and the GHG  
10 emission reduction goals. That plan was released at the end  
11 of September and was the subject of a workshop last week.

12           The Committee supports the recommendations that  
13 were in that report and highlighted a few that they felt  
14 were the top priority recommendations to be included in the  
15 IEPR.

16           These include that the Energy Commission staff  
17 should work with the California Transmission Planning Group  
18 to develop a ten-year, statewide transmission planning  
19 process, and to use the strategic plan proceeding to vet the  
20 resulting plan and to prioritize transmission planning and  
21 permitting for renewable generation.

22           The Energy Commission staff should also work with  
23 the California ISO, the PUC, and the publicly-owned  
24 utilities on a simplified need-assessment process that uses  
25 common assumptions and streamlined decisions.

1           And finally, the Energy Commission should continue  
2 to support the activities in the Renewable Energy  
3 Transmission Initiative and participating in that  
4 stakeholders' group to reach consensus on the appropriate  
5 transmission line segments that should be considered under  
6 the Energy Commission's corridor designation process to  
7 promote renewable energy development.

8           So those are all different pieces of the  
9 electricity system, but the 2008 IEPR also discusses the  
10 needs of the system as a whole in terms of coordinated  
11 policy, planning, and procurement efforts to get rid of the  
12 duplication that we're doing and to ensure that planners and  
13 policymakers really understand how statewide energy policy  
14 goals interact and potentially conflict.

15           There are numerous agencies that are involved in  
16 electricity planning and while there is some coordination,  
17 the Committee believes that much more is needed.

18           The Committee recommends that the Energy  
19 Commission should continue the analyses that were begun in  
20 the 2009 IEPR process towards developing both short-term and  
21 long-term blueprints that lay out the role for different  
22 generating technologies in the future, given State policy  
23 goals for expanding energy efficiency and renewable  
24 resources, and that also address reliability concerns given  
25 the goal of retiring aging power plants and reducing the use

1 of once-through cooling in power plants.

2           The Committee also recommends continuing to work  
3 towards implementing the Joint Energy Agency proposal that  
4 sets a schedule for complying with once-through cooling  
5 mitigation, while addressing reliability concerns.

6           To address the issues surrounding the lack of  
7 emission credits in the South Coast Air Quality Management  
8 District the Committee recommends that the Energy Commission  
9 should work with the South Coast, the ARB, and other  
10 agencies to design new methods to allocate these scarce air  
11 credits to power plants that best meet system and local  
12 needs.

13           Again, there were several bills passed this  
14 session that addressed the emission credits in the South  
15 Coast and we'll be looking at those to see how they impact  
16 the discussions and the recommendations in the IEPR.

17           In addition, the Committee recommends that the  
18 Energy Commission should plan to undertake a need-  
19 conformance process for power plants that we license, that  
20 would rely on need assessments prepared as part of an  
21 integrated planning process, this to help determine our  
22 future power plant needs, and that we should focus our  
23 efforts in both the IEPR and the Strategic Transmission  
24 Investment Plan process on conducting that statewide  
25 integrated planning process in coordination with the PUC and

1 with the California ISO.

2           Finally, the Committee recommends we seek  
3 legislative authority for an explicit need conformance  
4 process for power plants under our jurisdiction, as well as  
5 to have our need assessment conclusions to be used by local  
6 and regional agencies that approve power plants that are  
7 outside of our jurisdiction.

8           Moving on to natural gas sector, we still are  
9 depending heavily on natural gas as an energy source,  
10 particularly for electricity generation, so we need to  
11 ensure that we have reliable supplies and the infrastructure  
12 to deliver those supplies to the State.

13           The Energy Commission's staff forecast of natural  
14 gas demand shows a drop in demand as a result of the  
15 economic conditions, with consumption expected to be about  
16 eight percent lower than in the 2007 forecast by 2018.

17           However, as the economy recovers we expect the  
18 annual rate of growth and consumption to actually be higher  
19 than what was in the 2007 forecast.

20           In the 2007 IEPR we really highlighted the role of  
21 liquefied natural gas as a potential supply source.

22           However, we're seeing technological advancements that are  
23 leading to increased production of natural gas from shale  
24 formations, with estimates of recoverable resources from  
25 shale formations as high as 842 trillion cubic feet, or

1 about a 37-year supply at today's usage rates.

2 This has reduced the priority of LNG as a fuel for  
3 California, although the Committee does not oppose  
4 development of liquefied natural gas facilities as long as  
5 that development is consistent with our interests in  
6 balancing environmental protection, public safety, and local  
7 community concerns.

8 The Committee recommends that California continue  
9 to work with Western States to ensure development of a  
10 natural gas system that has enough capacity in alternative  
11 supply routes to overcome any disruptions in the system, and  
12 that the State support construction of enough pipeline  
13 capacity to California to ensure that we have adequate  
14 supplies.

15 There are environmental concerns that are  
16 associated with shale gas production, and although  
17 California does not have shale formations, so those concerns  
18 don't directly impact our citizens, the Committee does  
19 recommend that the Energy Commission should continue to  
20 monitor the impacts associated with shale gas extraction,  
21 including carbon footprint, the volume of water that's used,  
22 and the risk of ground water contamination and potential  
23 chemical leakages.

24 Moving to the transportation and fuel sector, the  
25 2009 IEPR notes that while this sector produces nearly 40

1 percent of the total GHG emissions in California, the  
2 benefits of reducing our overwhelming dependence on  
3 petroleum as a transportation fuel go far beyond mitigating  
4 climate change. They include reducing the effects of global  
5 demand, geo-political events, declining crude oil refining  
6 capacity and outages, and petroleum infrastructure  
7 challenges on fuel prices and on our energy security.

8           The Energy Commission staff forecasts of gasoline  
9 and diesel fuel demand show reductions in expected demands  
10 similar to what we've seen in the electricity and natural  
11 gas sectors.

12           Average daily gasoline sales in California for the  
13 first four months of 2009 were about 2 percent lower than  
14 the same period in 2008.

15           Similarly, daily diesel fuel sales for the first  
16 three months of 2009 were 7.7 percent lower than the same  
17 period in 2008.

18           We're also seeing a decline in air travel as a  
19 result of the recession, with an 8.9 percent decline in  
20 demand for jet fuel than 2008.

21           However, the staff forecast does show a recovery  
22 from the recession in the early years of the forecast with  
23 the return to historical growth patterns based on economic  
24 and demographic projections.

25           We do see a significant change in the mix of fuel

1 types, though, as the State moves from gasoline and diesel  
2 to alternative and renewable fuels.

3           There are a number of state and federal policies  
4 that are in place that will encourage the use of alternative  
5 and renewable fuels to reduce California's dependence on  
6 petroleum imports and to cut GHG emission. These include  
7 the low-carbon fuel standard, the recent federal waiver  
8 allowing California to set emissions levels under Assembly  
9 Bill 1493, and also federal economy standards that are  
10 higher than in the past.

11           California has also created the Alternative and  
12 Renewable Fuel and Technology Program to provide funding to  
13 stimulate the deployment of low-carbon fuels and advanced  
14 vehicle technologies. And with these policies in place the  
15 Committee believes that we have the basic regulatory tools  
16 and market mechanisms to create a more sustainable  
17 transportation fuel system.

18           However, the Committee does recommend that  
19 California work toward upgrading and modernizing the  
20 existing infrastructure for alternative and renewable fuels  
21 to expand through-put capacity, and that the State should  
22 support the development of alternative and renewable fuels  
23 that can provide immediate GHG reduction benefits, as well  
24 as looking at those fuels that can provide longer-term  
25 benefits towards the 2050 goal.

1           In addition, the Committee recommends that the  
2 State ensure we make best use of California's agricultural,  
3 forest, and municipal waste streams to produce  
4 transportation fuels in a sustainable way.

5           Another area where sustainability is key is in  
6 land use decisions. The 2009 IEPR discusses the importance  
7 of reducing vehicle miles traveled as a key strategy in  
8 reducing GHG emissions. And the IEPR Committee believes  
9 that State agencies need to coordinate more closely to help  
10 local governments to achieve the benefits of sustainable  
11 land use planning both by improving outreach to those  
12 entities to understand the unique problems that they face  
13 before we adopt new State policies, and also by taking into  
14 account and addressing the fiscal realities that local  
15 governments are facing in this recession.

16           The Committee recommends that the State should  
17 provide data and tools to local land use planners to make  
18 informed decisions about energy concerns and climate change,  
19 and also that the State should set up a comprehensive  
20 funding mechanism to support efforts by local and regional  
21 governments to implement land use qualities that contribute  
22 to our statewide GHG emission reduction goals.

23           So I tried to go slow, Commissioner Byron, but I  
24 don't --

25           COMMISSIONER BYRON: Ms. Korosec, you only know

1 one speed. And it's indicative, of course, of the work  
2 you've been doing on the IEPR. But you did cover a lot of  
3 ground here, it's difficult just to keep up and comprehend  
4 the significance of many of these recommendations. But  
5 we'll count on our public comments to do some of that.

6 MS. KOROSEC: Yes, to bring that up.

7 COMMISSIONER BYRON: I'll make one comment just on  
8 your last slide, you know, this Commission continues to use  
9 the term land use, and I'm reminded of a workshop that we  
10 attended earlier this year that this is, perhaps, the wrong  
11 term for us to be using, or I should say it's a critical  
12 issue but we sometimes get ourselves in trouble with local  
13 government, local agencies about our recommendations.

14 MS. KOROSEC: Correct.

15 COMMISSIONER BYRON: And really our role and  
16 interest here is providing tools that assist local  
17 governments and local agencies.

18 MS. KOROSEC: Yeah, that's true.

19 COMMISSIONER BYRON: So we may work on that term a  
20 little bit. Of course, there's many other comments to make,  
21 but this is the time for public comment.

22 MS. KOROSEC: And actually, can I just make a few  
23 comments before people start in with their comments?

24 COMMISSIONER BYRON: Please.

25 MS. KOROSEC: Although I've covered only the top

1 priority recommendations in the report, there are many other  
2 recommendations in the document that the Committee would  
3 like to get your input on.

4           We'd like feedback on whether the parties agree  
5 that the recommendations that we've identified as the  
6 highest priority are indeed the highest priority, or are  
7 there others that should be elevated in importance.

8           We're also seeking input on whether the  
9 recommendations in the report are comprehensive enough to  
10 address the energy issues that the State's facing over the  
11 next few years or if there are important areas that we may  
12 have missed.

13           And third, we'd like you to identify any  
14 recommendations that you see as problematic, along with  
15 suggestions for how to improve or have alternative  
16 recommendations.

17           And finally, as Commissioner Byron mentioned, we  
18 are looking for additional recommendations specifically  
19 related to how to meet the 33 percent goals, how to improve  
20 electricity procurement both for conventional and renewable  
21 resources, and how to make the hybrid market work a little  
22 more effectively.

23           So with that, I think we can move onto the public  
24 comments.

25           COMMISSIONER BYRON: All right. I would like to

1 ask, if you wish to make a comment, please fill out a blue  
2 card and hand it to Ms. Korosec, or the team that's over in  
3 the corner here, with the WebEx. Of course, we give  
4 preference to those present, but we will get to our WebEx  
5 commenters as well.

6 MS. KOROSEC: Correct.

7 COMMISSIONER BYRON: In no particular order,  
8 because I think it would be very difficult to organize this  
9 around the subject matters, I will just go through the  
10 comment cards that I have at this time.

11 However, I am going to let my utility  
12 representatives that are here know that I'm going to  
13 probably ask you to go last. I think that would give you  
14 the benefit of hearing some of the additional public  
15 comment, it will keep you in the room.

16 (Laughter.)

17 COMMISSIONER BYRON: But we certainly want to hear  
18 from you, I'm not diminishing the comments that you're going  
19 to provide at all, I look forward to them.

20 So again, in no particular order, however, I  
21 always enjoy hearing from this gentleman, Mr. Sparano,  
22 President of Western States Petroleum Association, because  
23 he's such a good speaker. I hope you will not intimidate  
24 the commenters that will be following you.

25 MR. SPARANO: Wow.

1           COMMISSIONER BOYD: That's the best ever  
2 introduction you've got.

3           MR. SPARANO: Yeah, that was a real set up, sure,  
4 that was very impressive.

5           This might just serve as a humor moment for the  
6 future speakers here at the podium, so I'll try to do my  
7 best.

8           Good morning, Commissioners Douglas, Byron, Boyd,  
9 Commissioner Levin for the first time, the CEC staff and the  
10 other attendees.

11           For the record, my name is Joe Sparano; I'm  
12 representing the Western States Petroleum Association, where  
13 I serve as its president.

14           WSPA advocates on behalf of 27 energy companies  
15 that operate in the western U.S.

16           Today I was hoping to come before you as I did  
17 during the August 24<sup>th</sup> workshop on the Transportation, Energy  
18 Demand, and Fuel Infrastructure Requirements report and  
19 congratulate the CEC, again, on an IEPR that is complete and  
20 unbiased.

21           But sadly, I find that I cannot do that.

22           My comments today will instead focus on three  
23 frustrations WSPA has with the 2009 IEPR.

24           One of our primary sources of frustration, which  
25 was also identified in previous IEPR proceedings, is that

1 the executive summary and recommendation sections appear  
2 disconnected from the body of the IEPR and the conclusions  
3 of the transportation report.

4 This is important because we all know that each  
5 IEPR is required to provide policy recommendations to ensure  
6 reliable energy supplies, and that the primary sections of  
7 the IEPR that policy and decision makers use are the  
8 executive summary and the recommendations.

9 It appears that these summary sections exhibit a  
10 selective focus and let me expand on this observation.

11 The main portions of the IEPR and the  
12 transportation report identify several deficiencies in  
13 critical petroleum infrastructure, particularly the State's  
14 marine import capacity. If these issues are not addressed,  
15 it could lead to energy supply disruptions, yet there's no  
16 mention of these infrastructure deficiencies in the  
17 executive summary and no recommendations calling for any  
18 State action to deal with the petroleum infrastructure  
19 deficiencies.

20 The report recommends that the State should  
21 modernize and upgrade the existing infrastructure for  
22 alternative and renewable fuels, but nothing is said about  
23 the need to modernize and upgrade the State's petroleum  
24 infrastructure.

25 This is despite the fact, often mentioned in this

1 room by the CEC, that petroleum-based fuels will be the  
2 predominant form of transportation fuels in California for  
3 decades.

4 In short, the CEC report paints a bleak picture of  
5 the ability of the State's petroleum infrastructure to keep  
6 pace with ultimately increasing demands and changing  
7 conditions.

8 While energy efficiency and fuel diversification  
9 are important, we believe the State can't afford to give up  
10 on petroleum use, but that is what seems to have been done  
11 in this IEPR.

12 Our second frustration is that the 2009 IEPR  
13 continues to favor petroleum reduction policies, despite a  
14 recognition that the overall demand for transportation fuels  
15 is expected to continue rising.

16 This favoritism continues also despite recognition  
17 that the introduction of commercial scale replacements of  
18 alternative fuels and vehicles may not be as near term as  
19 some would like, even with significant government financial  
20 incentives.

21 The 2003 IEPR recommended that the State increase  
22 the use of non-petroleum fuels to 20 percent of on-the-road  
23 fuel consumption by 2020.

24 At this time, at the time in 2003, this was  
25 characterized as a fuels diversification goal, rather than a

1 petroleum reduction goal.

2           Also, AB 1007 required a plan to increase  
3 California's production and use of alternative and renewable  
4 fuels. This was characterized as a fuel diversity  
5 initiative and expansion of actions to promote alternative  
6 and renewable fuels.

7           I don't believe there's a State law, executive  
8 order, or policy mandating petroleum reduction. There are  
9 several policy initiatives promoting greenhouse gas emission  
10 reductions, fuel efficiency, and diversity, and there are  
11 State policies promoting reliable and adequate  
12 transportation fuel supplies.

13           But there's no law, executive order, or policy  
14 that says that the State should encourage or even tolerate  
15 the systematic elimination of petroleum fuel supplies at the  
16 expense of the State's economy or consumers.

17           A healthy economy depends on a reliable supply of  
18 transportation fuels, all of them. A reliable supply of  
19 transportation fuels requires the contribution of  
20 efficiency, petroleum-based fuels, plus alternative and  
21 renewable fuels.

22           While we can no longer rely only on petroleum-  
23 based fuels, we also don't have the ability or luxury to  
24 rely only on efficiency measures or alternative and  
25 renewable fuels.

1           We believe the appropriate pathway to fuels  
2 diversification has three segments, efficiency, a healthy  
3 petroleum contribution, and a growing alternative and  
4 renewable fuels component.

5           However, rather than pursuing that three-pronged  
6 approach, the Commission has chosen a petroleum reduction  
7 strategy. This despite recognizing the many uncertainties  
8 associated with achieving adequate future supplies of  
9 alternative and renewable fuels, and this was something that  
10 was so well done in the transportation report that we  
11 discussed on August 24<sup>th</sup>.

12           Nowhere in this report can we find a suggestion  
13 that while taking concerted steps to grow the alternative  
14 and renewable fuels market the State should also promote  
15 adequate supplies of petroleum-based fuels.

16           Our third frustration involves a realistic  
17 possibility of public policy decisions creating  
18 transportation fuel supply problems for California.

19           The CEC does not appear to be actively and  
20 urgently working to chart a specific strategy that will deal  
21 with a very tight demand supply outlook that is embedded in  
22 the Commission's transportation fuels forecast.

23           I hope I'm wrong and that everything works out  
24 well in the future on the transportation fuels front.  
25 Unfortunately, my experience suggests otherwise.

1 Starting on page 32, of the 2009 IEPR, there's a  
2 list of 11 State laws, policies, and executive orders.  
3 According to the text, these are being, and I'll quote,  
4 "implementing to increase the use of renewable and  
5 alternative fuels and vehicles, and accelerate the adoption  
6 of low-carbon fuels through regulatory and funding  
7 mechanisms, as well as to improve the State's  
8 infrastructure."

9 These laws and policy initiatives are in addition  
10 to federal laws and policies, most notably the Federal  
11 Renewable Fuels Standard.

12 With so many policy initiatives driving  
13 alternative fuels, there's a real risk of the State sending  
14 confusing or conflicting messages to the market. As we see  
15 with this final draft report, in responding to so many  
16 alternative fuels initiatives, State agencies are sending  
17 anti-petroleum signals that could seriously impact  
18 transportation fuel supplies before the time at which  
19 alternative fuels can fill the gap.

20 While we have these three frustrations, WSPA also  
21 believes that the carbon capture and storage, or CCS, can be  
22 a key piece of California's program to reduce greenhouse gas  
23 emissions. For this reason we have made it our goal to  
24 advance CCS technology and policy to the point where  
25 statewide, affordable deployment can begin within the next

1 five years.

2           And while there are many hurdles to broad  
3 deployment of CCS, none appears insurmountable.

4           As recently as two weeks ago, WSPA attended a  
5 statewide CCS reception and dinner in San Francisco where  
6 State agencies extolled the benefits of CCS. The agencies  
7 offered their support to make sure California takes the lead  
8 in this aggressive effort, harnessing the scientific talents  
9 and resources of governments and industry.

10           Given this show of agency support, WSPA is  
11 dismayed that mention of CCS is buried in the electricity  
12 section of the CEC 2009 IEPR.

13           In addition, an interagency group formed in August  
14 to develop recommendations on CCS-related policies was  
15 mentioned. We would like to obtain more information on this  
16 group and, more importantly, we would like a place at the  
17 table.

18           We all need to come together to address CCS policy  
19 questions in tandem with technology development and  
20 demonstration of this technology.

21           WSPA stands ready and able, as we have from the  
22 beginning, to keep the momentum going on carbon capture and  
23 storage.

24           Finally, there are previously identified  
25 government imposed barriers that fuel providers encounter

1 trying to do business in California. These barriers include  
2 complicated and difficult permitting process -- processes,  
3 which this agency has taken a strong stand on and done a  
4 terrific job of trying to bring to the attention of  
5 legislators, to no avail I might add, but a fine job  
6 nonetheless, regulatory uncertainties, infrastructure  
7 capacity limitations and individual port policies.

8           The barriers not only restrain petroleum  
9 infrastructure development, but also may impair timely  
10 development of alternative and renewable fuels.

11           The IEPR is clearly the place for an in-depth  
12 discussion of what needs to be done to grow a domestic  
13 alternative and renewable fuel industry, as well as address  
14 factors hindering modernization of the petroleum  
15 infrastructure. But the draft final report avoids the  
16 difficult issues of permitting and local decision-making for  
17 all types of fuels.

18           And it is totally silent on recommendations  
19 addressing the identified and clearly articulated  
20 deficiencies in the State's petroleum infrastructure.

21           There's one additional piece of information I want  
22 to share with you. According to a June 2009 CalTrans report  
23 titled, "2008 California Motor Vehicle Stock, Travel and  
24 Fuel Forecast," CalTrans is forecasting large increases in  
25 Vehicle Miles Traveled, or VMT, vehicle fuel consumption and

1 registered vehicles between now and 2030.

2           On page 1 of their report, CalTrans shows VMT  
3 increasing from over 330 billion vehicle miles in 2008 to  
4 almost 535 billion vehicle miles in 2030. Transportation  
5 fuel consumption, at the same time, increases from over 18  
6 billion gallons in 2008 to more than 28 billion gallons by  
7 2030.

8           Since the IEPR projects gasoline demand to fall  
9 between 13 and a half and 14 and a half billion gallons for  
10 the low- and high-demand cases in 2030, how are increased  
11 efficiency and alternative fuels, alone, going to make up  
12 the difference of a possible 14 billion gallon shortfall in  
13 2030?

14           Our observation is that you may want to have the  
15 staff look at the implications of this CalTrans report as it  
16 relates to your Integrated Energy Policy Report.

17           In closing, I want to mention that the 2009 IEPR  
18 will likely be the last IEPR that I will comment on before  
19 the Commission, you can hold your applause until I'm done,  
20 due to my plan to retire from WSPA early in 2011.

21           I sincerely hoped that before I left the  
22 Association, WSPA's many comments over the past four IEPs  
23 that I've engaged on, giving testimony on about 60  
24 occasions, would have been addressed.

25           Somebody told me this morning, in an e-mail, that

1 I've been here more than Steve Martin appeared on the Johnny  
2 Carson Show over the years. I don't know whether that's an  
3 auspicious achievement or I'm just persistent, I'm not sure  
4 which.

5 COMMISSIONER BYRON: And it's been far more  
6 entertaining than Mr. Martin's appearances.

7 (Laughter.)

8 MR. SPARANO: Entertaining. We'll have to define  
9 entertaining.

10 Unfortunately, I don't believe that those comments  
11 have been taken to heart as well as I would have hoped.

12 According to the staff presentation, the CEC IEPR  
13 policy focus includes minimizing the environmental impacts  
14 of energy production and use, ensuring reliable energy  
15 supplies and energy security, promoting resource diversity  
16 and supporting the economy.

17 To many of us, this policy focus also includes a  
18 responsibility for ensuring that the State's consumers have  
19 reliable, adequate, and affordable transportation fuel  
20 supplies.

21 Sadly, it appears the Commission has not met that  
22 portion of the policy focus and, instead, has continued to  
23 selectively focus on issues such as climate change and  
24 growing green fuels, rather than there will be -- rather  
25 than ensuring that there will be reliable, adequate and

1 affordable transportation fuels of all types for consumers.

2           Again, I hope I'm wrong, but as I transition from  
3 an industry advocate to a more narrower role as simply a  
4 fuel consumer, I have some deep concerns that our State will  
5 experience a fuel supply gap.

6           The State's economic viability and future  
7 potential may not be nearly as secure without a commitment  
8 by the CEC to avoid a fuel supply gap, by supporting all  
9 types of fuel supplies and addressing all of the issues  
10 important to ensuring a robust supply of cleaner burning  
11 fuels.

12           As always, thank you for giving me the time and  
13 showing the patience to hear my comments and I'll be happy  
14 to answer any questions.

15           COMMISSIONER BYRON: Thank you, Mr. Sparano.  
16 Please wait for a moment. And congratulations that you will  
17 be retiring soon. I know you feel very strongly about these  
18 things and I will tell you, now, you'll still be more than  
19 welcome before this Commission in your role as President of  
20 WSPA, or as a private citizen with these similar concerns.

21           So I hope that doesn't deter you from continuing  
22 to remark on these issues.

23           MR. SPARANO: Who knows how I'll come back.

24           (Laughter.)

25           COMMISSIONER BYRON: Let me turn to fellow

1 Commissioners, if they have any questions for you?

2 COMMISSIONER BOYD: I'll just make a comment that  
3 you made some good points. Maybe you scared us with your  
4 compliments last August and we figured we must have done  
5 something wrong, because that was a first.

6 But you made some good points and we'll take a  
7 look at some of these things.

8 COMMISSIONER BYRON: Absolutely.

9 COMMISSIONER BOYD: Consistency with unsolved  
10 problems in past IEPRs is something that we do want to look  
11 at. So thanks, Joe.

12 COMMISSIONER BYRON: I was also struck, too. I  
13 mean, I am concerned when you first mentioned that there is  
14 a disconnect between the executive summary and some of the  
15 recommendations you make. Certainly interested in your  
16 specific written comments on that and where you might  
17 suggest changes.

18 With regard to your concern about your not finding  
19 an unbiased IEPR, I guess I would offer back, Mr. Sparano,  
20 that it is a biased IEPR. It's biased towards energy  
21 efficiency, and towards renewables, and towards alternative  
22 fuels.

23 Notwithstanding, your comments are still  
24 meritorious and we should listen to them. Butt it's the  
25 inconsistencies that certainly got my attention. If we've

1 got inconsistencies, I want you to please call those out  
2 directly for us, page and paragraph, if you would.

3           You know, with regard to carbon capture and  
4 sequestration being buried in the electricity section, I'm  
5 sure no pun intended, that was not --

6           COMMISSIONER DOUGLAS: None whatsoever.

7           COMMISSIONER BYRON: Yeah, that was not our  
8 intent, I think that's where carbon capture sequestration is  
9 felt that will likely first be addressed, and there's a lot  
10 of industry support that's building in that area, but it's  
11 not intended in any way to disguise the fact that your  
12 industry will certainly need to have a seat at the table  
13 when this State and this country moves forward in that area.

14           COMMISSIONER BOYD: Actually, Commissioner Byron,  
15 if I may interrupt?

16           COMMISSIONER BYRON: Sure.

17           COMMISSIONER BOYD: I thought it was a good point.  
18 I mean some of us have spent an awful lot of time on carbon  
19 capture and sequestration lately. And, of course, this  
20 agency is managing the so-called WestCarb program and with  
21 great fanfare many, many months ago we were given a third  
22 installment of money, WestCarb 3, meaning we passed through  
23 the evaluated and pilot phase and now we have a substantial  
24 federal grant of funds to pursue the third major phase of  
25 that program.

1           And quite frankly, it does appear that the  
2 petroleum sector will be the first area to contribute CO2  
3 for underground injection, based on a recent award by DOE in  
4 the ARRA process, to a California refinery, a substantial  
5 amount of money to work with us in sequestering their CO2  
6 and experimenting with deep sealing aquifer injection. So  
7 you might end up being a first, rather than the electricity  
8 sector.

9           We just got the electricity sector on board with  
10 an agreement to look at, in this State now, everybody looks  
11 at it as coal, but we look past coal, so to look at carbon  
12 capture and sequestration as it relates to natural gas in  
13 power plants.

14           But in any event, I felt the point of your spear  
15 on the CCS discussion and I think we can do better than  
16 we've done. So the lay readers or the not-so-lay readers  
17 understand the depth of this agency's involvement in that  
18 subject and the breadth of the work that's going on, so good  
19 point.

20           COMMISSIONER BYRON: One other comment. You know,  
21 we get a real diverse cross-section of input to what we  
22 should address and include in this report, and I'm sure  
23 we're hear some today and in writing as well.

24           A number of constituencies asked that we take up  
25 the issue of the end of oil, that topic, in this IEPR as

1 well, which we refrained from doing, not the least of which  
2 we don't have the staff for taking on a myriad of issues  
3 like this.

4 I'll stop there. Unless there's any other  
5 comments, Mr. Sparano, you get the last say.

6 MR. SPARANO: I just wanted to observe that you  
7 drew a distinction between bias and inconsistencies and  
8 acknowledged that the policies are biased toward  
9 electricity, toward renewable and alternative fuels, and we  
10 all have different opinions and I represent an industry that  
11 doesn't necessarily have the same opinion about our products  
12 as other folks do.

13 The real issue though, and one I've been trying to  
14 get across and have been for 60 or so appearances is we  
15 can't afford to let policy biases work us into a position  
16 where we don't have enough fuel to meet the needs of  
17 California consumers. We've all seen what that looks like  
18 when we didn't have enough electricity to meet consumer  
19 needs.

20 And there is a set of circumstances that could  
21 lead this State down the path of having a gap in supply.  
22 That's what we hope to see this Commission analyze and  
23 ensure for its constituents, the public, that that doesn't  
24 happen.

25 So thank you again for giving me all this time.

1           COMMISSIONER BYRON: Very good. Stated that way I  
2 agree completely.

3           COMMISSIONER DOUGLAS: Well, thank you. And I  
4 just wanted to pay out that maintaining reliability is core,  
5 our mission and one of the staff. So I don't think -- I  
6 think we do take that to heart.

7           MR. SPARANO: Thank you very much.

8           COMMISSIONER BYRON: Thank you. The next  
9 commenter's card that I have here is Ms. Lara Ettenson from  
10 the Natural Resources Defense Council.

11          COMMISSIONER BOYD: Do people know to fill out  
12 blue cards?

13          COMMISSIONER BYRON: Again, I'll ask if you wish  
14 to speak, we very much want to hear from you, please fill  
15 out a blue card.

16          Ms. Ettenson.

17          MS. ETTENSON: Good morning. My name's Lara  
18 Ettenson, with the Natural Resources Defense Council. I  
19 first wanted to thank everybody involved in this monumental  
20 report, as usual, and very pleased to hear that, Suzanne,  
21 you're going to take this on moving forward, look forward to  
22 working with everyone.

23          Our recommendations are also organized by subject  
24 matter and we'll also be submitting written comments in a  
25 few weeks.

1           Just before I start, I know or I understand that  
2 there might have been some extenuating circumstances related  
3 to the organization this time around. I highly recommend  
4 that all future IEPRs have a dedicated energy efficiency  
5 chapter, as they have in the past, so I just want to put  
6 that on the record as something that I would like to see  
7 moving forward.

8           COMMISSIONER BYRON: Does that reflect a bias on  
9 your part?

10          MS. ETTENSON: Not at all.

11          (Laughter.)

12          MS. ETTENSON: So to begin with the demand  
13 forecast, we commend the Commission and staff for the active  
14 role in developing and bringing together key players for the  
15 quite effective working group that I have been monitoring  
16 but, unfortunately, haven't been able to participate in  
17 extensively. And they've been doing a great job in  
18 addressing the complicated issue of delineating energy  
19 efficiency that's imbedded in the demand forecast.

20          So we generally support the steps laid out and  
21 also understand that there's great time constraints, and  
22 there's a very complex process that goes behind it. But we  
23 also encourage the IEPR to include a recommendation that the  
24 natural gas embedded energy efficiency is also on the radar  
25 of the working group and incorporate that into the timeline

1 of determining how that's going to be accounted for moving  
2 forward.

3           With regards to the public-owned utilities, we  
4 commend the staff again for all the hard work on the recent  
5 POU analysis, and also the ongoing willingness of everyone  
6 involved to collaborate on this matter.

7           In particular, we support the related  
8 recommendations but also offer a few additional comments.

9           We commend the progress of the publicly-owned  
10 utilities in advancing their achievements in energy  
11 efficiency, but we continue to be concerned that not all  
12 utilities, including the large and the medium, in addition  
13 to the small utilities, are meeting their target or perhaps  
14 they aren't developing as comprehensive portfolios that can  
15 capture the deep energy savings or to meet the industry  
16 standard metrics that I've commented on extensively before.

17           Therefore we strongly urge in this IEPR that  
18 there's an additional recommendation that staff convene  
19 working groups or a series of working meetings to discuss  
20 not only the successful energy efficiency portfolio and  
21 resource planning approaches, but also that delves actually  
22 into the solutions for overcoming the identified significant  
23 barriers for the POUs.

24           We recognize that there are some great barriers  
25 that they face when they try and plan for energy efficiency

1 to the extent of reaching a hundred percent cost-effective  
2 energy efficiency, and we hope to be an active participant  
3 in such a forum, if that begins.

4 We also support the IEPR recommendations  
5 specifically regarding the evaluation studies and reiterate  
6 the importance that all the POU's should be expected, but not  
7 only encouraged, to have these plans and studies for the  
8 next status report.

9 Again, EM&V is crucial not only for determining  
10 whether utilities are achieving what they've planned, but  
11 also so the resource planners can ensure that energy  
12 efficiency can be depended upon as a resource.

13 We also strongly urge that the final IEPR include  
14 recommendations on the current AB 2021 target-setting  
15 process. Specifically, we urge the Commission to recommend  
16 that the POU's work closely with CEC and key players to  
17 increase consensus around the final targets in advance of  
18 presenting to the Commission.

19 The POU's should also provide details on their  
20 methodology for determining feasible potential when they  
21 submit their AB 2021 ten-year targets, and also include an  
22 estimate of the total net economic benefits that each  
23 utility will achieve from their proposed targets.  
24 Alongside, of course, with the metrics that are standard in  
25 the report.

1           With regards to once-through cooling, we  
2 appreciate the recommendations in the report, that the  
3 Energy Commission continue to work with the PUC, the CPUC,  
4 the California ISO and the State Water Resources Control  
5 Board to implement the joint energy agency once-through  
6 cooling mitigation schedule, while also addressing electric  
7 system reliability concerns.

8           Once-through cooling, or OTC, causes significant  
9 ongoing devastation to our valuable marine resources and  
10 implementation of the OTC policy will help protect and  
11 maintain the ecological, social and economic value of  
12 California's coast and ocean.

13           We also strongly encourage the CEC and related  
14 agencies to push for full and robust implementation of the  
15 Water Board's OTC policy as it is finalized.

16           We note that although the passage of AB 1318 and  
17 SB 827, those bills were intended to address the ongoing  
18 concern of permitting new power plants in the south coast,  
19 NRBC does not view the question of limited permit  
20 availability as resolved by this recently passed  
21 legislation.

22           Moreover, our view is that these bills do not  
23 necessarily meet the requirements set out in the Clean Air  
24 Act and we therefore urge the Commission to reserve any  
25 determination in the final IEPR that this situation has been

1 resolved based on this passed legislation.

2           Instead, we strongly support the Commission's  
3 current recommendation to evaluate the amount of needed air  
4 credits in the south coast, in cooperation with the  
5 appropriate agencies.

6           We also strongly support the IEPR's discussion of  
7 improving coordination of electricity planning across the  
8 numerous State agencies and generally support the  
9 recommended, the related recommendations. We also look  
10 forward to participating in those ongoing matters.

11           With respect to buildings, NRDC is encouraged to  
12 see the emphasis on code compliance and enforcement in the  
13 2009 IEPR and urge the Commission to recommend that  
14 buildings in California be benchmarked, audited and scored  
15 to properly account for the improvements in energy  
16 efficiency across the State.

17           In addition, we support the recommendation that  
18 the CEC should provide tools, education and training for  
19 building officials, so that would help close the compliance  
20 gap.

21           As noted, also in the IEPR, existing buildings are  
22 key strategy to meeting our AB 32 goals. We strongly  
23 support the value of audits and retrofits, but recommend  
24 that the Commission explore other strategies, especially as  
25 noted before, in light of the recently signed AB 758. This

1 will help attain an energy efficiency achievements in the  
2 existing building stock in as many possible ways to ensure  
3 that customers and related industries aren't negatively  
4 affected.

5           We also recommend that, and I believe this is also  
6 in one of the task forces that is recommended to achieve all  
7 cost-effective energy efficiency, but we recommend also to  
8 specifically cull out the milestones needed to achieve such  
9 a goal of a point of sale or AB 758 requirements. And we  
10 also look forward to participating in that proceeding as it  
11 gets underway.

12           With regard to renewable energy, we commend the  
13 staff for the renewable energy recommendations, but also  
14 urge that the Commission limit feed-in tariffs to the three-  
15 to five-megawatt projects, rather than the recommended 20-  
16 megawatt projects. We believe these larger projects can  
17 actually compete and should compete through competitive  
18 solicitations.

19           We also recommend that the feed-in tariffs be set  
20 based on the resource value as opposed to the developer's  
21 cost.

22           While we appreciate the author's meaningful  
23 attention to the environmental impacts in the natural gas  
24 section, we also recommend that the IEPR discussion be  
25 extended to include all impacts of natural gas production,

1 not only those on shale formation.

2 California currently gets little of its gas from  
3 shale and, therefore, we recommend that the IEPR acknowledge  
4 the other impacts as well.

5 Specifically, on the natural gas section, and  
6 we'll provide specific language of this as well, the IEPR  
7 only includes three or a few environmental concerns and we  
8 would like to see that air pollution beyond just GHG  
9 leakages should be included as well. I think that was not  
10 explicitly laid out and we would like to see that in there.

11 In regards to land use, NRDC agrees with the  
12 current recommendations and urges an additional  
13 recommendation that the CEC conduct research and analysis  
14 related specifically to land use and energy.

15 Possible topics that would be useful include, but  
16 aren't limited to, proper performance measures for energy  
17 efficiency in the land use and transportation sector; an  
18 analysis of residential use as an effect or as a function of  
19 density; an analysis of the best unit of geographical  
20 measure that correlates to vehicles' miles traveled.

21 These research efforts are concrete efforts that  
22 the CEC could assist the local and the regional governments  
23 in planning and implementing SB 375, sustainable community  
24 strategies and other land use related energy efficiency  
25 projects.

1           And lastly, with respect to transmission, NRDC  
2 continues to appreciate the emphasis that the Energy  
3 Commission places on removing the barriers to joint  
4 transmission projects, and we are also encouraged to see  
5 land use concerns and environmental concerns are  
6 incorporated into the planning process.

7           We also encourage the Energy Commission to take a  
8 proactive, a more proactive role in planning when possible,  
9 rather than responding to utilities when they engage the  
10 Commission, and when appropriate.

11           While coordination with RETI, the Renewable Energy  
12 Transmission Initiative, and using those results are  
13 essential to achieving consensus on the appropriate lines in  
14 California and related, the Commission should also include a  
15 recommendation to specifically coordinate with BLM on its  
16 solar development program, and it sounds like there's some  
17 of that going on with their Renewable Energy Task Force.

18           With that, I thank you very much for your time and  
19 welcome any questions.

20           COMMISSIONER BYRON: Ms. Ettenson, thank you, we  
21 always get a very thorough review and welcome it from the  
22 NRDC, you cover a myriad of topics in your comments. Look  
23 forward to specific comments and suggestions in your written  
24 comments.

25           I have a question or two. But you know what, I'll

1 defer. Are there any other questions or comments?

2 Commissioner Levin.

3 COMMISSIONER LEVIN: Ms. Ettenson, I also wanted  
4 to thank you for your comments and your whole energy  
5 efficiency staff in general for all of your input throughout  
6 the process, it's been very helpful.

7 And I will say on the suggestion to hold a  
8 workshop on the green barriers, we're absolutely going to  
9 rely on you to help and I will commit to do that workshop,  
10 because we do think that that's a really important step.

11 And I look forward to your written comments on  
12 some of these other issues; you've raised a lot of very  
13 important issues.

14 I do want to ask you, though, in particular if you  
15 could elaborate on why you are recommending the energy  
16 efficiency section be pulled out separately and if that's a  
17 recommendation you would make in other areas as well, or if  
18 there's something in particular about energy efficiency?

19 I'm asking in part because the previous speaker  
20 also talked about concerns about the executive summary not  
21 matching up, the recommendations not matching up.

22 And I just want to make sure that we are  
23 presenting the IEPR in a way that is the most users  
24 friendly. We don't want this to sit on people's shelves; we  
25 want all of you, and other stakeholders, and agencies, and

1 policymakers to use this, so this feedback is really  
2 important, you know, as well as the substantive feedback.

3 MS. ETTENSON: Sure. I think probably the first  
4 reason we're saying that is just to be consistent with the  
5 loading order and to have it culled out, as well as within  
6 each chapter I think is important of bringing the attention  
7 straight to energy efficiency first.

8 And I also do think that as a matter of  
9 organization to go straight to the energy efficiency section  
10 and then see exactly what the things fall under energy  
11 efficiency would be a little more helpful than going through  
12 the entire thing and trying to piece them out.

13 With some of the other sections there are some  
14 references to -- you know, references between where places  
15 were discussed, which I found very helpful, but I still  
16 think that if I were just doing energy efficiency I would  
17 want to go straight to that chapter and see what  
18 recommendations are necessary and see where I should focus  
19 my attention on progress or on my help.

20 So I think it's more just for user friendly. I do  
21 think that all the concerns were addressed throughout, so I  
22 don't find the same inconsistencies in recommendations,  
23 necessarily, I think it's just, again, a user friendly  
24 targeted biased approach, that I like to say.

25 COMMISSIONER LEVIN: Well, thank you again for all

1 of your help.

2 COMMISSIONER BYRON: Commissioner Boyd, any  
3 questions, comments?

4 COMMISSIONER BOYD: No, no thank you. Very  
5 comprehensive and I've got quite a few notes here to pursue.

6 COMMISSIONER BYRON: I do as well. I have a  
7 question.

8 MS. ETTENSON: Sure.

9 COMMISSIONER BYRON: When you were talking about  
10 feed-in tariff limit, which is kind of interesting, clearly  
11 you're not just focused on energy efficiency. You recommend  
12 that we do competitive solicitations for feed-in tariff  
13 projects greater than five megawatts; correct?

14 MS. ETTENSON: Right.

15 COMMISSIONER BYRON: Why?

16 MS. ETTENSON: I think, and I'm not the expert on  
17 this, Peter Miller has been involved in this proceeding, but  
18 I believe that those don't necessarily -- those projects  
19 that are above five megawatts don't necessarily need as much  
20 support and that they could be competitive on the regular  
21 competitive solicitations, nothing special for those above  
22 five megawatts but, rather, that those sizes could compete  
23 and could be successful on their own without feed-in  
24 tariffs.

25 COMMISSIONER BYRON: It just seems arbitrary to

1 me, why five, why not 20, why not one, so I'm just trying to  
2 hone in on that. You obviously feel that's the correct  
3 number.

4 MS. ETTENSON: And I would be happy to elaborate  
5 in specifics in the --

6 COMMISSIONER BYRON: Please do.

7 MS. ETTENSON: Yeah, in the comments.

8 COMMISSIONER BYRON: Okay. I also note the strong  
9 comments, the recommendation around reducing, eliminating  
10 once-through cooling.

11 As you know, this Commission, the PUC, and the ISO  
12 are working closely together to assist the State Water  
13 Resource Control Board.

14 But here's a tough one for you, does the NRDC see  
15 and understand the direct linkage between reducing and  
16 eliminating once-through cooling and the ongoing litigation  
17 your organization has brought in both state and federal  
18 court on the availability of emission credits in the South  
19 Coast Air Quality District?

20 MS. ETTENSON: Yes, I think that we recognize  
21 that --

22 COMMISSIONER BYRON: In other words, you have a  
23 role here is what I'm suggesting.

24 MS. ETTENSON: I, personally, don't have a role  
25 here, but --

1                   COMMISSIONER BYRON: Well, I assume you're  
2 representing NRDC.

3                   MS. ETTENSON: I am representing NRDC. And I do  
4 understand that the litigation has brought to light some of  
5 the concerns with the way that the permits have been  
6 allocated, and I think that it provides us an opportunity  
7 to, and I think this is a recommendation as well, to  
8 reevaluate how things have been doled out down in the South  
9 Coast and improve the methodology so that it takes into  
10 consideration all of the different concerns around once-  
11 through cooling, reliability, permits, CEQA, and the Clean  
12 Air Act as well.

13                  COMMISSIONER BYRON: I'm not sure "doled out" is  
14 the right term.

15                  MS. ETTENSON: Allocated.

16                  COMMISSIONER BYRON: But what I'm trying to get at  
17 is I want to make sure that your organization understands we  
18 are working hard to resolve both these issues and --

19                  MS. ETTENSON: Absolutely and I think --

20                  COMMISSIONER BYRON: -- and your organization and  
21 others that have enjoined these lawsuits have an important  
22 role in helping to, let's say, settle these suits such that  
23 we can get on with this.

24                  MS. ETTENSON: I agree completely and we look  
25 forward to working with you. I think you've been working

1 with a number of our constituents in our Santa Monica  
2 office, and it sounds like there's been some significant  
3 progress on approaching ways of achieving that success that  
4 you speak, so I will get back to those people as well --

5 COMMISSIONER BYRON: All right.

6 MS. ETTENSON: -- to find out the details.

7 COMMISSIONER BYRON: Again, thank you for your  
8 comments, thorough review, look forward to them in writing.  
9 Thank you, Ms. Ettenson.

10 MS. ETTENSON: Thank you so much.

11 COMMISSIONER BYRON: The next card I have is Ms.  
12 Sue Mara, Alliance for Retail Energy Markets.

13 MS. MARA: Thank you Chairman Byron --

14 COMMISSIONER BYRON: Oh, just Commissioner Byron  
15 is fine.

16 MS. MARA: Commissioner Byron, Commissioner Boyd  
17 and Levin, thank you for this opportunity. I spoke in  
18 September as well.

19 And just to let you know, the Alliance for Retail  
20 Energy Markets is an organization of electric service  
21 providers, they serve approximately eight to nine percent of  
22 electricity load in the investor-owned utility service  
23 territory, in competition with the utilities. So they are  
24 providing competitive electricity to retail end-use  
25 customers in California.

1           As I requested last time, and as we submitted  
2 comments on October 2<sup>nd</sup>, I'm here to request that the Energy  
3 Commission include a forecast of direct access expansion of  
4 load during the IEPR planning process or planning period.

5           Right now the demand and electricity estimates are  
6 solely for the utility service areas and don't include any  
7 disaggregation.

8           This is not a new request, it is not a new idea,  
9 we actually started talking to Commission staff about this  
10 last year and we submitted comments in September of last  
11 year asking for this, and providing some guidance about how  
12 such a forecast could be accomplished by the Energy  
13 Commission.

14           Also, the Public Resources Code Number 25302.5(b)  
15 requires the Energy Commission to provide such a forecast as  
16 part of the IEPR, so it is a requirement of the Energy  
17 Commission. Right now there isn't one. And later on I'll  
18 give you a few ideas on how we can get there.

19           Also, it's no longer wishful thinking, as some  
20 might have argued, the Governor did sign SB 695 into law  
21 last weekend, direct access will expand and it will expand  
22 beginning April of next year. So it's no longer a pie-in-  
23 the-sky idea, direct access is going to expand and it needs  
24 to be incorporated into the forecast.

25           And why is that; why do we need to do this?

1 Because if we don't, then the utilities will have to over-  
2 procure because they'll be procuring to a higher load and  
3 that will lead to a requirement or a request by the  
4 utilities for stranded cost recovery, which, as we know, is  
5 a burden on any competitive market.

6 So in order to minimize costs for end-use  
7 customers in California, you need to have some realistic  
8 direct access forecasts as part of the IEPR planning period.

9 What options? Well, I think there's something  
10 reasonable. I don't think you need to change your report,  
11 your report is at a higher level, it deals with important  
12 energy policy issues in California. But it's needed for the  
13 Public Utilities Commission long-term planning process,  
14 which will probably get going, at least as far as the  
15 utilities starting to develop their plans, in the first  
16 quarter of 2010.

17 So there is some time, it doesn't have to be done  
18 in the next two weeks. We did provide comments and we  
19 submitted them on October 2<sup>nd</sup>, that provides more or less a  
20 step-by-step guideline on how you could go about doing a  
21 fairly simple, but reasonable, direct access forecast.

22 So and we're happy to work with you if you have  
23 any questions on those steps that we provided. You could do  
24 something like a supplement of tables, which disaggregate  
25 the utility service area load into the bundle versus direct

1 access, versus public, POU components of the forecast. And  
2 that could be provided, as I said, in the first quarter of  
3 2010 to the Public Utilities Commission and to the public,  
4 and that would provide the needed data to do a reasonable  
5 forecast for us.

6 So I'm happy to answer any questions.

7 COMMISSIONER BYRON: Ms. Mara, I have to admit,  
8 can you remind me, SB 695, who the author of that one is?

9 MS. MARA: Kehoe. That was the one that also  
10 included the restrictions on use of dynamic pricing for  
11 residential consumers.

12 COMMISSIONER BYRON: And I have to admit, I was  
13 not aware or don't remember, which is often the case, that  
14 it included provisions to open up direct access again. So I  
15 don't want to misspeak, having not read it recently as to  
16 what it says. That could be very good news, but it does  
17 present this problem that you're indicating.

18 And certainly, I think like many of the comments  
19 that we're getting here today, we're going to have to deal  
20 with these and figure out what we can do within the  
21 timeframe that's available to us, because we're dealing with  
22 real-time passage of the legislation over the weekend.

23 MS. MARA: Right.

24 COMMISSIONER BYRON: And this one, I think you're  
25 correct, has some effect on forecast.

1           You may also be aware that we have a lot of input  
2 that we're under-forecasting demand here over the long term,  
3 and we've been struggling with a lot of those issues,  
4 embedded energy efficiency, et cetera, so we've conducted  
5 numerous workshops around this demand forecast issue over  
6 the last, during my tenure on this Committee for the last  
7 two years, and prior to that.

8           So that's a good one, I'll alert the staff by my  
9 comments, now, that we're going to need to come to grips  
10 with what we can do to address this comment.

11           I don't have any additional comments or questions.  
12 Commissioners?

13           COMMISSIONER BOYD: No, no further questions.

14           COMMISSIONER BYRON: But I certainly do look  
15 forward to your comments. Please be as explicit as you can  
16 to make sure we understand exactly what you're suggesting.  
17 As you know, there's so many topics in here, but I think I  
18 did grasp it and we'll do what we can.

19           We may also be able to, following the adoption of  
20 this IEPR, if we're not able to revise forecast, which I  
21 suspect may be the case, to indicate that we will certainly  
22 work with the PUC in making sure that we are not over-  
23 projecting needed capacity requirements on the part of the  
24 investor-owned utilities.

25           MS. MARA: Thank you. And just to be clear, I'm

1 not asking you to revise your forecast.

2 COMMISSIONER BYRON: Good.

3 MS. MARA: I'm simply asking you to disaggregate  
4 it --

5 COMMISSIONER BYRON: Yes, I know.

6 MS. MARA: -- into the components.

7 COMMISSIONER BYRON: Yes, and I'm sure you know  
8 exactly how to do that.

9 MS. MARA: Well, I've provided, at least for  
10 direct access, a sort of a step-by-step approach in the  
11 October 2<sup>nd</sup> comments, so we already have that.

12 COMMISSIONER BYRON: Okay, we will look at that  
13 again more carefully.

14 MS. MARA: Okay, thank you.

15 COMMISSIONER BYRON: Now that this legislation is  
16 passed.

17 Thank you, anything else?

18 MS. MARA: That's it.

19 COMMISSIONER BYRON: Thank you.

20 The next commenter that I have a card for, Mr.  
21 Steven Kelly, the Independent Energy Producers.

22 MR. KELLY: Thank you, Commissioners, it's good to  
23 see everybody here.

24 I, too, have been to a lot of IEPR discussion  
25 groups, so this is -- it's good to be back.

1                   COMMISSIONER BYRON:  And I really do appreciate  
2 when you come, we get a very good perspective from a lot of  
3 energy producers that we don't normally, wouldn't have an  
4 opportunity to hear from otherwise, so I think your comments  
5 are extremely important to this Committee.

6                   MR. KELLY:  Well, thank you.  We will be providing  
7 written comments at a more detailed level.

8                   What I'd like to do at this initial point of  
9 commenting on your report is step back a little bit, focus  
10 in on a couple things.

11                   One, I'm going to just give you some initial  
12 comments on a kind of style and format that might help the  
13 report as we move forward and then; two, focus in on what I  
14 think are important policy issues that seem to be -- that  
15 are embedded in the document, namely the issue of grid  
16 reliability and then the issue of need assessment and need  
17 conformance, which are laid out in your report.

18                   And then also, maybe at the end, highlight a  
19 couple of other policy issues that I think are out there  
20 lingering, that I want to comment on before we provide  
21 written comments.

22                   First, related to format and style, and I've been  
23 in front of you a number of times over the years commenting  
24 on the need for this Commission to focus on problem solving  
25 and prioritization of that problem solving.

1           There is a lot of material in this report, 250  
2 pages. There is about 15 plus pages of recommendations at  
3 the end of the document. It's a lot of material.

4           I think what is missing is the ability to  
5 synthesize that or highlight what is relatively more  
6 important or less important than others. And it makes it  
7 difficult for me, as a reader, to appreciate exactly what  
8 you're thinking about as important.

9           In addition to that, I'll just make the  
10 observation that a number of the observations, again, lots  
11 of which I support, are process recommendations, the Energy  
12 Commission should work with this agency on blah, blah, blah,  
13 blah. And that's great and I assume that's happening  
14 anyway.

15           What I would like to see pulled out, from a  
16 stylist perspective, is the actual issues that are problem  
17 solving, designed to fix the problems or the impediments  
18 that you see in front of you as this agency moves to try to  
19 implement State policy. That would be very helpful and  
20 particularly in the executive section, to bring that  
21 prioritization together would be very helpful for readers.  
22 Because as you all know, there's probably very few people  
23 that read all of the 250 pages of this document. Most  
24 people go first to the executive summary and try to identify  
25 what is critical and what are you proposing to do about it,

1 and I think that's kind of missing that.

2           So I do make that, I think I made that  
3 recommendation a couple of years ago, I will repeat it now  
4 that I think it would be helpful for the reader and  
5 policymakers.

6           Now, let me move to a couple of issues that are  
7 kind of at the 40,000-foot level at this point. And let me  
8 speak about grid reliability and this kind of builds off of  
9 my prior comments; grid reliability still remains a key goal  
10 for any energy agency, in my mind, in California and the  
11 Legislature.

12           And while attaining the environmental policies  
13 that we have established in the Legislature or that you're  
14 trying to meet, or the other energy agencies are trying to  
15 meet as they implement their roles, grid reliability is a  
16 critical factor that drives public opinion and should be a  
17 critical factor in driving public policy implementation.  
18 And I don't think it's emphasized enough in this report.

19           For example, and there's a spattering of --

20           COMMISSIONER BYRON: Would you like it to have its  
21 own section?

22           MR. KELLY: I don't think it needs its own  
23 section, but I certainly would bring it up from the last  
24 paragraph in the executive summary up higher. Because it's  
25 in the context of grid reliability and maintaining the

1 lights that you need to wrestle with implementing your once-  
2 through cooling policies, your renewable policies, your  
3 energy efficiency policies and so forth.

4           And I don't believe the public, based on the  
5 comments that I've heard in front of you over the years and  
6 I read in the paper, that people fully appreciate the  
7 difficulty of implementing the various public policy  
8 objectives enacted in statute and maintaining grid  
9 reliability.

10           But I can guarantee you that if grid reliability  
11 is not maintained, then these other policies will fall from  
12 the wayside from the public's anger, as they have trouble  
13 lighting the things that they want to light.

14           So I do think it's an important thing, we all take  
15 it for granted in our business, but this is a document that  
16 is a public document that is supposed to represent the best  
17 thinking from the State's premier planning agency. And to  
18 not have it featured more prominently I think is probably a  
19 mistake tactically.

20           I understand, I've read your document, there's a  
21 lot of places where you address it, but it really isn't in  
22 the executive summary at all except in the last paragraph,  
23 and I would emphasize that more highly.

24           Moving to the front, inform the public about the  
25 importance of that as you wrestle with these more intricate

1 policies that are promulgated by the Legislature and then  
2 make sure that we are planning the system to maintain that  
3 measure of grid reliability so that people can continue to  
4 function as they expect.

5           Secondly, I want to move and talk about the issue  
6 of planning need assessment and need conformance. And I  
7 think "need conformance" is kind of a term of art that is  
8 newly to my eyes, but I saw it embedded in your document.

9           And the recommendation that was embedded in the  
10 document, in a number of places, was that the Commission  
11 should seek legislative authority explicitly providing it  
12 with an explicit need conformance process.

13           And I interpreted that as being a process by which  
14 this agency evaluates generating siting proposals or  
15 transmission siting proposals, if you have that authority,  
16 in light of some determination, someplace, already about a  
17 need assessment. So I view it as kind of an additional  
18 step.

19           And I have two comments about that. First, I  
20 don't believe that the Legislature is the best place to have  
21 the initial discussion about how to structure a program  
22 related to need assessment and need conformance.

23           I would prefer a recommendation that says that  
24 this Commission and the other energy agencies, and I include  
25 CARB now, and the ISO in a dialogue about what it is to

1 address need assessment for purposes of siting new  
2 generation and new transmission.

3 My industry's not particularly interested in  
4 creating new barriers to development of projects, we're also  
5 not interested in facing a myriad of energy agencies that  
6 often apply their own auspices in a manner of duplication to  
7 send signals to the generation community about where, when  
8 and what to build.

9 And that's lacking today is that integrated view  
10 across multiple agencies about how to do this. And I  
11 understand that you have an integrated energy planning  
12 process, you have a lot of narrative in your document about  
13 this planning process.

14 What we're most concerned about is having to face  
15 multiple agencies that are doing the same thing and nobody  
16 deferring to some other entity for purposes of determining  
17 whether a project should move forward or not.

18 And I'll give you a couple of examples about why  
19 it's a problem. In many ways there's almost a chicken and  
20 egg problem in developing projects in California today. In  
21 some processes, siting processes for example, the entities  
22 for which there is approval on the actual siting of a new  
23 generation facility, in addition to applying the CEQA  
24 obligations, will look for a PPA that would come out of a  
25 procurement process for a measure of need or a reflection of

1 need, because it would come through the long-term  
2 procurement decision and, in the case of the IOUs you've got  
3 a PPA now, and somebody has determined that that was  
4 approved and cost, and reasonable.

5           On the other hand it's often the case that in the  
6 RFO process having a siting certification enhances your  
7 opportunity to get a PPA. What we need is some clarity in  
8 the process for developing projects about where -- what  
9 things generators need to move forward in a timely and  
10 efficient manner to develop their projects, and what's the  
11 process going to be so that we don't get second guessed at  
12 the local agencies, or second guessed at this Commission, or  
13 second guessed at the Public Utilities Commission in terms  
14 of when you put those pieces together.

15           And we don't have that right now is my sense and I  
16 think it would be very helpful for this agency to bring  
17 together all the other agencies and the stakeholders in a  
18 dialogue about how to do this, so that we send the proper  
19 signals.

20           Because it's quite frankly, as you know, very  
21 expensive to develop in California, multiple millions of  
22 dollars to go through the CEC siting process. And it isn't  
23 helpful to be at the end of that process and find out that  
24 somebody says well there's -- even though you've passed all  
25 the CEQA requirements from an environmental perspective, a

1 determination is made that you don't have a PPA or you  
2 haven't proven need.

3 Simultaneously, it's very expensive to respond to  
4 the utilities' RFOs in California and it's not particularly  
5 helpful there to not know exactly what you need to get  
6 through that process to achieve a PPA, if that's going to be  
7 a prerequisite for developing projects.

8 So I'm just asking and I would recommend to modify  
9 your recommendation in your report to move off of seeking  
10 legislative authority on something that I think needs to be  
11 vetted a little more fully.

12 And we're here and very interested in  
13 participating in that discussion. We think it would take --  
14 it's a detailed and complicated issue that needs to be well  
15 thought through to make this a more efficient market.

16 COMMISSIONER BYRON: Mr. Kelly, if I may interrupt  
17 just briefly, and of course that dialogue amongst agencies  
18 is and has been going on.

19 But you said -- you, yourself, said that there's  
20 multiple agencies and no single agency is willing to defer,  
21 I believe you said, to a single agency at this time.

22 MR. KELLY: Yes.

23 COMMISSIONER BYRON: So, you know, that dialogue  
24 has been underway for a number of months and I'm just -- I'm  
25 confused as to the disconnect between those two statements

1 on your part.

2 MR. KELLY: Well, it may be -- and I saw a  
3 reference in your document that there was some documentation  
4 circulated amongst the agencies about this issue. I don't  
5 think that ever saw the light of day, at least from a  
6 stakeholder perspective. So that would be helpful to know  
7 what the thinking is.

8 I'm also -- my observation is that nothing had  
9 occurred from the circulation of that document, so I'm  
10 assuming that there was not agreement.

11 I would like, I identified this as a key problem  
12 that we need to fix in order to make it --

13 COMMISSIONER BYRON: Agreed.

14 MR. KELLY: -- more efficient for people to  
15 develop projects in California.

16 COMMISSIONER BYRON: Well, and some of your  
17 assumptions I'm a little concerned about, the assumption  
18 that there's no agreement, you know, that may not be the  
19 correct assumption.

20 There are some other assumptions you mentioned  
21 early on, I just want to highlight that.

22 MR. KELLY: Sure.

23 COMMISSIONER BYRON: And that is, for instance,  
24 the need for a power purchase agreement as an indication of  
25 need or need conformance. Of course, we have a number of

1 applications that come through this Commission without power  
2 purchase agreements --

3 MR. KELLY: Right.

4 COMMISSIONER BYRON: -- and we don't -- we process  
5 them in the same manner.

6 And, of course, there's also examples of those  
7 companies that may get their certification and/or even may  
8 start construction but never get a power purchase agreement  
9 as well. So, you know, there is still a disconnect there  
10 and I'm not sure if you always see that because your member  
11 companies, I suspect, most always go get a power purchase  
12 agreement as a prerequisite.

13 MR. KELLY: Well, that's not true. Actually,  
14 we've got a structure that could provide an opportunity for  
15 what I'll call a "pure merchant play" in California to move  
16 forward and, you know, you site that facility in the context  
17 of your CEQA obligations.

18 COMMISSIONER BYRON: And really, I didn't want to  
19 take everybody's time for a discussion on the particulars,  
20 but just to point out that some of those assumptions may be  
21 causing you to make conclusions that don't encompass all of  
22 the possibilities that are before us.

23 MR. KELLY: That may be well taken and that's  
24 exactly why we need a dialogue that I think is more public  
25 than is occurring today.

1 COMMISSIONER BYRON: Okay, fair enough. Please --

2 COMMISSIONER BOYD: Before we leave this topic and  
3 I know Steven's got more to say, which I really --

4 COMMISSIONER BYRON: And we will give you the  
5 opportunity.

6 COMMISSIONER BOYD: -- and which I do want to  
7 hear. But since we're on this topic, do I take it from the  
8 discussion that's just taken place that you don't feel that  
9 the long-term procurement process takes care of this  
10 concern?

11 MR. KELLY: It's not obvious that it does. If  
12 you -- if an entity had a PPA that was derived from a long-  
13 term procurement proceeding, it's not obvious to me that  
14 this Energy Commission defers to that conclusion that you  
15 have a PPA in hand and, therefore, you're deemed needed.

16 COMMISSIONER BOYD: Well, the question is not what  
17 we do, it's what do you perceive?

18 MR. KELLY: Well, I don't think there is a  
19 consensus yet on this and, hence, my request for a dialogue  
20 on this. It's not abundantly clear to me. Within my  
21 membership I think there's also people, lack of clarity  
22 about what it's going to take to move projects through the  
23 California regulatory structure to get sited.

24 COMMISSIONER BOYD: Okay, thank you.

25 MR. KELLY: And it integrates the ISO-Q issue, it

1 integrates the concept of these PPAs, it integrates the  
2 concept of what do you with the pure merchant play that is  
3 otherwise CEQA compliant?

4 I mean, we've got a greenhouse gas program that's  
5 being implemented now that is basically saying that for the  
6 electric sector they're sectoral emissions will reduce to  
7 1990 levels by 2020. Are there more things that the  
8 electric sector is expected to put up on that, if you can  
9 meet the obligations, if you're committed to buying the  
10 allowances for example, if those are out there, if that's  
11 the program, to match your emissions, is that sufficient?

12 I'm reading the transcripts, I'm following this  
13 and it's not clear to me that there is a consensus here and  
14 I think we certainly need the dialogue on this.

15 COMMISSIONER BOYD: Thank you for that response.  
16 I will be using our transcript of this discussion.

17 COMMISSIONER BYRON: Commissioner Levin?

18 COMMISSIONER LEVIN: I'm sorry because I know we  
19 have interrupted you midstream, but unfortunately --

20 COMMISSIONER BYRON: Oh, I take responsibility for  
21 that.

22 COMMISSIONER LEVIN: Well, I have to leave a  
23 little bit prematurely so I want to get in a question as  
24 well.

25 I'm stuck on one of your first comments that a lot

1 of our recommendations are process oriented rather than  
2 specific policy recommendations, and so I'm going to put the  
3 onus back on you then, you've made a process recommendation  
4 here to have more dialogue led by the energy agencies, not  
5 the legislature and I don't disagree with that, but to  
6 jumpstart that dialogue what specific policy recommendations  
7 would you and your members make, particularly in the area of  
8 the need determination, that would streamline the process,  
9 that would reduce duplication?

10           Because back to your own concern about the IEPR  
11 draft, this is still in the area of process, not results.  
12 And we absolutely share your concerns; we do struggle with  
13 how to do it and how to build a consensus around a more  
14 streamlined, less duplicative process.

15           MR. KELLY: Well, the catalyst for my comments was  
16 the language in the draft IEPR on the need conformance and  
17 the Commission's interest in seeking legislation on need  
18 conformance. Which I think I know what you're talking  
19 about, I don't really know for certain what it is, and  
20 particularly in light of long-term procurement proceeding,  
21 which is designed to integrate your supply and demand  
22 assessments into procurement practices for the utilities, or  
23 the IOUs anyway.

24           We've traditionally looked at that as the process  
25 for at least assessing a measure of need, while additional

1 merchant facilities had an opportunity to come directly to  
2 you and build their facilities and compete in the market, if  
3 they so chose.

4           Now, there isn't a lot of that going on right now  
5 because of a lot of reasons, but there was an opportunity to  
6 do that. It's not clear to me whether that's closed off  
7 now, should it be, or whatever? Do you have to come through  
8 an RFO process to meet the determination of need and, if you  
9 do, is that satisfactory to this Commission in the siting  
10 case?

11           I don't see very much clarity in that regard, it's  
12 kind of cloudy.

13           COMMISSIONER LEVIN: Can I ask one follow-up  
14 question, I'm sorry, I do have to leave.

15           On the transmission permitting process, in  
16 particular, which is an area we're a little more focused on,  
17 you -- well, I don't think you were speaking specifically to  
18 transmission.

19           MR. KELLY: Right.

20           COMMISSIONER LEVIN: I took your comment more  
21 generally that there isn't an integrated planning and need  
22 determination process now.

23           But in the transmission area we do have a  
24 strategic transmission investment plan. And is that, in  
25 your mind, and adequate or a helpful step in the need

1 process, or is it largely ignored; is that the kind of thing  
2 you would be looking to do more broadly; where does that  
3 fall, you know, in terms of helpfulness.

4 MR. KELLY: Well, I mean, to be honest with you, I  
5 don't know if it was ignored, but I haven't read it yet. I  
6 was at the ISO when they were having their symposium and the  
7 ISO's kind of the transmission planning entity. When the  
8 Energy Commission comes out with a strategic transmission  
9 plan and has a workshop the same day that the ISO is having  
10 a symposium on what they're supposed to do, that's a  
11 reflection of a lack of concordance amongst the entities  
12 that are responsible for this.

13 And as far as I can tell, the ISO is kind of the  
14 planning entity.

15 COMMISSIONER BOYD: I was going to ask you, is the  
16 law perfectly clear on that?

17 MR. KELLY: I would like us, even if the law is  
18 not clear, because we all know the law is very seldom clear  
19 on anything, it would be helpful for the agencies and the  
20 ISO to work toward more clarity.

21 I mean one of the things in the last ten years  
22 that was actually very helpful in the energy business was  
23 when the agencies got together and did the joint energy  
24 agency planning that led to the loading order. I mean, that  
25 was a consensus across a myriad of different agencies and

1 interest groups within those agencies to adopt something,  
2 and it actually provided some signals to the marketplace  
3 that were helpful.

4 COMMISSIONER LEVIN: Well, I really appreciate  
5 your candor and I will seriously just turn the table back on  
6 you and say, you're right, we need both process and  
7 substantive policy recommendations, so try to get your  
8 members together and give us the policy recommendations, as  
9 well as the process recommendations you're making.

10 And I apologize for having to leave early, I would  
11 far rather stay here, but other duties call, unfortunately.

12 COMMISSIONER BYRON: Thank you, Commissioner.  
13 Mr. Kelly, please continue.

14 MR. KELLY: Yes, so I won't belabor that point,  
15 we've had a good discussion on that. Let me go to a couple  
16 other planning issues before I cede the floor. And these, I  
17 will say, are secondary planning issues in my initial read  
18 of your document, so I just want to throw them out there as  
19 something that I think you ought to consider.

20 And these may be more in the form of questions.  
21 But one of the things that I think needs to be integrated  
22 into our planning is how California, as a state, can capture  
23 an increasing amount of federal dollars in the energy  
24 sectors and what we need to do to achieve that.

25 You're fairly familiar with the renewable program

1 at the federal level and that renewables need to be  
2 beginning construction by December of 2010. There is a  
3 tremendous amount of federal money at stake on the table  
4 here, all of which benefit California consumers if we can  
5 bring it home.

6           What is it that we can do to make that happen?  
7 Now, I know there's an MOU from the Governor, he announced  
8 it this week, and it's very important and it looked very  
9 promising.

10           But to the planning agency, the Energy Commission,  
11 I would just say to be thinking about what steps we can take  
12 to try to bring back an increasingly larger amount of the  
13 federal money that's available for this infrastructure  
14 development.

15           Secondly, on page 168 there's a statement about  
16 the external forces that continue to exert major influence  
17 over the electric industry, and I would just recommend  
18 adding the role of siting and siting approvals as one of  
19 those four or five issues that you've listed there.

20           And then finally, I just want to bring up the  
21 issue of the feed-in tariff. There's a lot of discussion  
22 about the feed-in tariff, there's a lot of movement in the  
23 feed-in tariff realm, the legislation is passing and so  
24 forth.

25           As a practical matter, what's being talked about

1 is really, at the Public Utilities Commissions is usually a  
2 standard offer contract structure, rather than a feed-in  
3 tariff that was used in Europe.

4 But be that as it may, I have yet to see come out  
5 of the Public Utilities Commission or this Commission a  
6 legal analysis that speaks to whether the role of the feed-  
7 in tariff absent PERPA.

8 And I think that's something you've raised in your  
9 document as something that needs to be addressed, as one of  
10 your recommendations to address the jurisdictional issue on  
11 a feed-in tariff. And I wholeheartedly recommend that you  
12 do that.

13 It would be sad to spend so much time on a feed-in  
14 tariff to find out that under the Federal Power Act it may  
15 or may not be -- whether or not the State has the authority  
16 to actually do that path.

17 Because we're spending a lot of time on that and  
18 it's time well spent as long as it is a path that will have  
19 some sustainability over the years.

20 So I bring that to your attention as well, and  
21 those are the issues that I just wanted to bring to your  
22 attention today and will be providing comments.

23 COMMISSIONER BYRON: Very good, Mr. Kelly. A  
24 couple of quick feedback comments, I think with regard to  
25 the early issues that you raised on how difficult it is to

1 synthesize what's important and bringing forth the key  
2 issues and solutions that this Commission recommends for  
3 addressing those issues, that's what we're attempting to do.

4           And Ms. Korosec, I thought we had and were looking  
5 for comments on what we think are those key recommendations  
6 that we've brought forward. And I certainly welcome your  
7 input.

8           I think we all -- we all have our biases, we  
9 represent organizations. I agree with you completely about  
10 the importance of grid reliability may be not emphasized  
11 enough, acutely aware of how important that is. And your  
12 comment that everything else might fall by the wayside if  
13 that's adequately addressed, I guarantee you if cost is not  
14 adequately addressed everything else falls by the wayside.

15           Fortunately, this Commission doesn't have to deal  
16 with that issue to any great extent.

17           And I would also like to tell you and everyone  
18 else that with regard to your comment on what this  
19 Commission can do to help make sure the State gets access to  
20 the ARRA funding that's available for renewable projects,  
21 we've indeed developed with the State agencies and the  
22 federal agencies a new schedule for applications that come  
23 before this Commission that meet certain, obviously, the  
24 reporting, I should say data requirements, a very aggressive  
25 schedule to complete those prior to that deadline. And in

1 fact, there's going to be workshops to review all of the  
2 renewable projects in this State. I think they're scheduled  
3 for November 3<sup>rd</sup> and 4<sup>th</sup>, that's a new date that I just heard  
4 yesterday so we'll need to confirm that. Those are day-long  
5 schedules with BLM, and Wildlife, Fish and Game, this  
6 Energy, the Governor's office, there will be lots of  
7 participation to indeed track the 40 or so projects in this  
8 State, I believe that's the correct number, that are  
9 renewables, not just under the jurisdiction of this  
10 Commission.

11 So I just wanted to highlight that that's moving  
12 forward as well. But I will give you the last word.

13 MR. KELLY: Can I ask you a question on that  
14 because I read the Governor's MOU with the Bureau of Land,  
15 established by the feds, and there's a best manuals  
16 practices component of that, which is not going to be  
17 finished until 2012 as far as I can tell, I think, or fairly  
18 late in the process in light of this deadline for moving  
19 renewables forward by 2010.

20 COMMISSIONER BYRON: The draft, the best  
21 management practices draft is out. It may take us a little  
22 while to complete it and finalize it, but the draft is  
23 available.

24 MR. KELLY: Yeah, is it -- the deadlines that I  
25 was seeing in that description of that process didn't

1 coincide particularly well with the federal deadlines on  
2 turning dirt for new renewables. Just an observation.

3 COMMISSIONER BYRON: Okay, I'm not sure about  
4 that.

5 MR. KELLY: Okay.

6 COMMISSIONER BYRON: But I believe we are pushing  
7 staff very hard on this, BMPs, best management practices, to  
8 be out and available.

9 And with regard to the ARRA funding, I should tell  
10 you as well that I was in Washington D.C. two weeks ago, I  
11 did meet with Senator Feinstein's office. And although I'm  
12 probably putting her on the spot, her staff indicated that  
13 they would likely introduce legislation that might extend  
14 that deadline.

15 MR. KELLY: Okay.

16 COMMISSIONER BYRON: So we're very hopeful for  
17 that. Of course, it would apply to all states, not just  
18 California.

19 MR. KELLY: Right.

20 COMMISSIONER BYRON: So there is a competition for  
21 these funds and we're keenly aware of that and want to move  
22 these projects forward as quickly as we can.

23 MR. KELLY: Thank you.

24 COMMISSIONER BYRON: Thank you. Let's not --

25 COMMISSIONER BOYD: Well, before you let him go --

1 MR. KELLY: I've got two cars, one truck and --

2 COMMISSIONER BOYD: Mr. Kelly, as always very  
3 insightful comments and I, frankly, always look forward to  
4 your appearances and your comments.

5 And I was particularly pleased that in your  
6 opening comments about grid reliability you laundry listed  
7 some of the many types of strategies that could be used to  
8 meet grid load reliability, not just putting steel in the  
9 ground, i.e. generation. And that's a good point and that  
10 becomes problematic oftentimes as we work on the issues that  
11 you said we need to work jointly on.

12 In the vulcanized energy state of California it is  
13 difficult and as you recall on transmission planning this  
14 Agency, years ago, tried to use the IEPR, which we see as  
15 significant, not enough people do, unfortunately, as a way  
16 to say, look, transmission construction and planning  
17 therefore is incredibly important to California's  
18 electricity future and needs to be addressed.

19 And, therefore, encourage the audiences for this  
20 document to pursue that question. And years passed and  
21 ultimately we did the unthinkable of suggesting, look, this  
22 isn't getting solved, either solve it or, damn it, give it  
23 to us and we'll do it.

24 And of course, as I alluded to the energy  
25 vulcanized State of California that wasn't well received and



1 back. All right, let's go ahead and begin, I should say re-  
2 begin.

3 Excuse me. Good afternoon, Commissioners Byron  
4 and Boyd are back with you, all those folks that are on  
5 WebEx, and we'd like to resume receiving public comments on  
6 our draft Integrated Energy Policy Report.

7 The next card that I have is Ms. Rochelle, I  
8 believe it's Baker [sic], Alliance for Nuclear  
9 Responsibility. Or maybe Becker, I'm sorry.

10 MS. BECKER: The second one will do, thank you.

11 Actually, I'm not going to go into the detail that  
12 everyone else went into today. I had a throat procedure  
13 yesterday and my voice is running out, so I'm going to do  
14 the best that I can before I run out completely.

15 COMMISSIONER BYRON: Thank you for being here.  
16 And you go ahead and take your time and --

17 MS. BECKER: Oh, I will.

18 COMMISSIONER BYRON: Good.

19 MS. BECKER: First of all I'd like to thank  
20 Barbara and Steve McClary at ROW, and Commissioner Boyd, for  
21 the great job they did on the nuclear section of your IEPR  
22 report.

23 COMMISSIONER BYRON: Well, there were many others  
24 involved in that section.

25 MS. BECKER: Well, they're the only names I know,

1 so they can thank the others for me, and I very much  
2 appreciate it.

3 We have started comments, we haven't finished  
4 them. There was a problem getting all the documentation to  
5 us from the filing of the utilities docket, sent us the  
6 testimony from Edison and from PG&E, but they didn't send us  
7 the backup documents, and as we started to read through we  
8 realized that we couldn't do comments without the backup, so  
9 it took a while to get them to us.

10 So we will finish our comments by the 28<sup>th</sup> and have  
11 them in.

12 Also, on AB 42 we understand that the Governor  
13 thinks that everything is just fine for the Commission to go  
14 ahead without AB 42 going forward and I'm really sort of  
15 wondering what the Commission's take on that is. Senator  
16 Blakeslee doesn't really feel that that's the case and I was  
17 wondering if the Commission felt that the Governor's  
18 response was adequate for making sure that those studies are  
19 complete, seismic studies are complete to your standards  
20 without AB 42.

21 COMMISSIONER BYRON: Well, Commissioner Boyd, do  
22 you want to weigh in on what you think the Governor thinks?

23 COMMISSIONER BOYD: Well, I know how I was  
24 interpreting his veto message is we have all the authority  
25 and license we need to proceed, so that was the way I was

1 going to recommend we just proceed. But there seems to be a  
2 difference of opinion on that subject.

3 MS. BECKER: Well, and I'm not positive and --

4 COMMISSIONER BOYD: I just read what -- just read  
5 what Assemblyman Blakeslee said --

6 MS. BECKER: Yes.

7 COMMISSIONER BOYD: -- and he apparently is not a  
8 happy person.

9 COMMISSIONER BYRON: I have not seen the Assembly  
10 Member's response.

11 MS. BECKER: Okay. And secondly, last week  
12 Commissioner Boyd and I were privileged to be at Scripps  
13 Institute where we got to watch the live ocean all day long  
14 during the proceedings, which was kind of nice, but  
15 Commissioner Boyd asked a very important question to both  
16 PG&E and Southern California Edison at that meeting, and  
17 that was do they plan on complying with all of the 1632  
18 studies that you had asked them to do.

19 And Edison's response or Southern California  
20 Edison's response was yes, which was very nice because it  
21 certainly wasn't clear in any other testimony or their  
22 attachments.

23 But PG&E did not agree to do that on that day and  
24 so I was hoping that you could get their consent as well, it  
25 would certainly alleviate some of my concern about making

1 sure that those studies are complete.

2           And third, there's a theme throughout our  
3 comments, which are not complete, but I'm sure the theme  
4 will continue and it somewhat concerns me when I'm reading  
5 through your IEPR report it says that you are encouraging  
6 the utilities to finish their studies, but Edison has  
7 said -- excuse me, when I say "Edison" I just mean SCE.  
8 It's easier to say one word.

9           That they hadn't made it clear that they're going  
10 to complete those studies before they file for a license  
11 renewal and they were fairly clear that they want to file  
12 for a license renewal in 2010 which, at the moment, is three  
13 months away, although I think it's probably the end of 2010.

14           So I would very much like to see, to make sure for  
15 energy planning purposes in general that those studies are  
16 completed, adopted and implemented before the utilities file  
17 for a license renewal.

18           And the reason for that is not only because I  
19 would feel more comfortable and feel like the energy  
20 planning was more secure, but also, you know, we've done it  
21 wrong in the past. You know, we've been the laughing stock  
22 in the country for not doing energy planning. And  
23 ratepayers just can't be charged with more money, more  
24 expenditures to do license renewable applications before the  
25 State knows whether it's in the State's best interest, both

1 on an economic level and a reliability level, to continue to  
2 operate these aging reactors.

3           Pretty much the longest time it's taken so far for  
4 even the most controversial plants to receive license  
5 renewals is four and a half or five years, and it's now 2009  
6 and the earliest date for termination of license for San  
7 Onofre is 2022 and for Diablo Canyon is 2024, 2025. So they  
8 certainly have more time to complete, adopt and implement  
9 the studies you've given them, giving us a much better  
10 picture on whether or not the State should continue to rely  
11 on these aging plants and whether or not the federal  
12 government is actually sincere in its efforts to find a  
13 solution to the on-site storage of radioactive waste.

14           Diablo Canyon, as you know, is within two and a  
15 half miles of two active earthquake faults. And, you know,  
16 the Echo Mountain project is dead and the chair of the NRC  
17 has said it's not urgent to move this waste.

18           Well, it may not be urgent to the chair of the  
19 NRC, who lives in Maryland, but those of us who live in  
20 California find it just a little bit more urgent that those  
21 studies are completed and we know whether or not it's safe  
22 not only to store the waste on-site, but to continue to  
23 produce more radioactive waste and store it on-site for an  
24 additional 20 years.

25           So as I said, the theme for our statement and our

1 comments, and will always continue to be our theme for those  
2 comments, is the recommendations that the studies be  
3 complete, adopted and implemented to ensure that ratepayers  
4 are protected and the State's reliable energy sources are  
5 protected.

6           And then far afield from the nuclear issue, which  
7 I almost never do, but in listening to what happened, the  
8 other speakers today, I was thinking that when they were  
9 talking about shortage of energy supplies, transport  
10 supplies, I've been dealing recently with an aging parent  
11 and noticing that there is a -- several of us in this room  
12 will be, in the next 20 years, probably no longer driving at  
13 all, the Baby Boom Generation.

14           And so I think it's incumbent upon us to make sure  
15 that those seniors not only have transportation, but live in  
16 facilities that are energy independent, thereby reducing the  
17 energy that we use now in 20 years.

18           So I would like to see the fact that there's a  
19 Baby Boom Generation that will not be driving, hopefully,  
20 when they're -- when they shouldn't be driving when they're  
21 older, and probably will be living in more concentrated  
22 areas, and somehow considering that as part of the future  
23 energy planning for the State of California.

24           Because a lot of people do come here and retire,  
25 and don't use their cars to get around anymore.

1 Thank you.

2 COMMISSIONER BOYD: Okay, thank you, Rochelle.

3 COMMISSIONER BYRON: Thank you, Ms. Becker; we  
4 look forward to your written comments.

5 The next card I have is June Cochran, Mothers for  
6 Peace.

7 MS. COCHRAN: Good afternoon, Commissioners.

8 Now, I would like to go through the nuclear plant  
9 safety culture to some extent. The State is concerned -- in  
10 your report you say "the State is concerned with a number of  
11 other issues that may affect the decision on whether the  
12 utilities should pursue plant re-licensing, these including  
13 plans for emergency evacuation from both plants."

14 But you only talk about the evacuation plans. And  
15 the need to reassess emergency planning includes far greater  
16 than just the adequacy of roads.

17 Another outstanding issue, especially at Diablo  
18 Canyon, is meteorological data. PG&E relies on the Midas  
19 System, which currently uses only one meteorological data  
20 collection point.

21 PG&E, the NRC, the DOE, and EPA have agreed that  
22 multiple data points need to be use. And Mothers for Peace  
23 strongly urges the CEC to demand a time table from the  
24 utilities for upgrading the meteorological collection and  
25 plume modeling systems in order to be able to provide better

1 information and protection of the public in the event of a  
2 radiation release.

3           The second comment is on the word "disposal" and  
4 Commissioner Byron seems to be concerned about verbiage with  
5 the land use; we're concerned about the verbiage for  
6 disposal.

7           The term "disposal" as applied to radioactive  
8 waste should be discontinued as the radioactive elements of  
9 which it is comprised will remain somewhere in the biosphere  
10 for at least a quarter of a million years.

11           California has a moratorium on building -- this is  
12 from your report. "California has a moratorium on building  
13 new nuclear plants until a means for the permanent disposal  
14 or reprocessing of spent nuclear fuel has been demonstrated  
15 and approved in the United States. In 1978 the Energy  
16 Commission found that neither of these conditions had been  
17 met."

18           A license -- and this is my comment, license  
19 renewal for either plant would create, in effect, a new  
20 source of spent nuclear fuel beyond those created by the  
21 original licenses. California should pursue the legal  
22 option of ruling out re-licensing on this basis until that  
23 is decided, either on a California or a national level.

24           The next issue is, and it's kind of related, is  
25 although the statement that Diablo Canyon ISFSI is licensed

1 is technically true, the CEC should remain aware that the  
2 license is currently being challenged in the Ninth Circuit  
3 of the U.S. Supreme -- I mean, Court of Appeals, by San Luis  
4 Obispo Mothers for Peace.

5           And then something about once-through cooling, the  
6 environmental impacts of OTC on marine life are immediate,  
7 ongoing and extensive. The CEC and the CPUC should exercise  
8 full authority to bring to the fore these environmental  
9 consequences of OTC.

10           The short-sighted policy of sacrificing the marine  
11 environment to the exploitation of public waters is not in  
12 the public interest.

13           The use of free ocean and estuary water for  
14 cooling purposes has environmental and economic consequences  
15 for many components in the State, in addition to power  
16 generation.

17           The IEPR should take into account issues ranging  
18 from the protection of the marine environment to tourism,  
19 food supply, and economic impact on the fishing industry,  
20 which are all vital around our area especially.

21           And then I just would like to talk about the  
22 seismic problems. Obviously, Diablo Canyon has received  
23 word that there is a new fault out there that needs to be  
24 studied. And when I go to the Independent Safety Committee  
25 meetings these are always brought up, and PG&E always says,

1 well, our people are behind it and we're studying it  
2 thoroughly, et cetera.

3 That concerns me and I noticed in your report  
4 there was one thing where the PG&E said, basically, that  
5 they're doing more meteorological studies and seismic  
6 studies than anybody else, and so they don't need anybody  
7 independent to come in and take stock of that.

8 And I am concerned about the fact that they are  
9 doing their own studies and the CEC is not recommending that  
10 independent studies be done as well.

11 Thank you for your time.

12 COMMISSIONER BYRON: Thank you, Ms. Cochran, for  
13 your comments.

14 The next card I have is Mr. Simon Baker, the  
15 California Public Utilities Commission, Energy Division  
16 Procurement staff.

17 MR. BAKER: Good afternoon and thank you for the  
18 opportunity to comment. I'm Simon Baker, with the Energy  
19 Division's Procurement Section, and I'm making these  
20 comments on behalf of Energy Division staff that have  
21 reviewed the draft IEPR document.

22 We commend the CEC and its staff for preparing  
23 this important draft policy document, which is both  
24 intensive and articulate in its review of the myriad  
25 challenges and opportunities facing California's energy

1 sector today.

2 As Commissioner Byron noted in his opening  
3 remarks, the PUC has been an active participant in the 2009  
4 IEPR and collaborating on issues ranging from demand  
5 forecasting and energy efficiency quantification to a joint  
6 proposal on OTC replacement infrastructure.

7 We're encouraged by these collaborative  
8 initiatives and the degree to which CEC staff, working on  
9 these issues, have consulted with PUC staff and worked  
10 towards common objectives.

11 Because our two agencies' activities are so  
12 intertwined, we see this cooperation as a cornerstone of  
13 successfully fulfilling our individual mandates.

14 PUC staff are still in the process of reviewing  
15 the complete draft IEPR, so we limit our specific comments  
16 at this time to a few targeted issues.

17 We plan to submit more comprehensive written  
18 comments based on a thorough review.

19 On the demand forecast, we acknowledge CEC staff's  
20 considerable efforts to produce reasonable forecasts amidst  
21 great economic uncertainty, to reach out to stakeholders for  
22 input through the Demand Forecasting and Energy Efficiency  
23 Quantification Project working group, and to reflect  
24 parties' input in the revised staff forecast and subsequent  
25 adjustments.

1           In particular, we appreciate CEC staff's  
2 flexibility to incorporate the impacts of the long-delayed  
3 decision 09-09-047, a landmark PUC decision approving the  
4 IOUs' 2010 to 2012 energy efficiency portfolios and an over  
5 three billion dollar commitment to reducing energy in the  
6 State.

7           Finally, with regard to the demand forecast, we  
8 reiterate our request, first submitted in comments on the  
9 draft staff forecast, that the final 2009 IEPR  
10 recommendations reflect a commitment to review and consider  
11 modernization of the CEC's demand forecasting models.

12           In our intense collaboration on demand forecasting  
13 and energy efficiency issues, we have observed that the  
14 CEC's forecasting tools are perhaps unduly data intensive  
15 and insufficiently transparent given the high profile and  
16 ubiquitous use of its forecast in various venues, including  
17 the PUC's long-term procurement proceeding.

18           Now, we recognize that an update to the demand  
19 forecasting tools may require additional staff resource  
20 commitments as well, but like the recommendation that's  
21 being made in the draft IEPR to commit necessary resources  
22 to developing a capability, a staff capability to produce  
23 forecasts of uncommitted energy efficiency, we think that  
24 those resources should be equally committed to the demand  
25 forecast, itself.

1           Moving onto energy efficiency, the first in the  
2 loading order, and we make four points at this time.

3           I previously noted that the IEPR has given due  
4 attention to the issue of incorporating efficiency correctly  
5 in the Energy Commission's demand forecast, and we plan to  
6 continue collaborating on this issue until it's resolved  
7 satisfactorily.

8           Secondly, we welcome the IEPR's focus on  
9 establishing a zero net energy building task force and  
10 anticipate good collaboration with the Energy Commission  
11 here, both in terms of utility programs that can support  
12 moving Title 24 to zero net energy by 2020 for residential  
13 buildings, as well as definitions and other coordination  
14 needs.

15           The PUC is initiating a series of workshops on  
16 commercial buildings' path to zero starting this October,  
17 and Energy Commission staff have been invited to and are  
18 participating in this workshop.

19           This commercial path to zero strategy was  
20 identified in the California's Long-Term Energy Efficiency  
21 Strategic Plan in 2008.

22           Thirdly, we welcome the passage and signing into  
23 law of AB 758, Skinner, calling for Energy Commission  
24 collaboration with the PUC to develop a comprehensive  
25 residential and nonresidential energy efficiency programs

1 and accompanying financing.

2           We are currently collaborating with the Energy  
3 Commission regarding its proposed comprehensive residential  
4 retrofit program to be administered by the Energy Commission  
5 with federal stimulus dollars by working with the investor-  
6 owned utilities to develop a comprehensive prescriptive  
7 residential retrofit program to be filed by the utilities in  
8 December of this year.

9           We plan to lead a series of workshops of financing  
10 issues, culminating with a statewide assessment of options  
11 in late 2010. This would compliment AB 758 as well.

12           Fourthly, we note that the IEPR Committee's  
13 recommendation to create a taskforce to work collaboratively  
14 on the strategies to reach the goal of 100 percent cost-  
15 effective energy efficiency by 2016 is a good one.

16           The PUC is committed, with its adoption in the  
17 strategic plan, to updating this plan periodically. With  
18 its existing statewide strategic plan, endorsed by Energy  
19 Commission Commissioners in 2008, we have an initial roadmap  
20 of actions needed to achieve all cost-effective energy  
21 efficiency in California.

22           The PUC intends to further refine and develop this  
23 plan and roadmap in 2010 through a series of market sector  
24 focused workshops, and we welcome the Energy Commission's  
25 leadership in this effort.

1           Finally, on renewable energy we make two points at  
2 this time. First, in regards to feed-in tariffs, we note  
3 that the PUC has an open proceeding and is moving forward on  
4 this issue. Staff has already submitted two proposals for  
5 how to structure this program and we ask that the final IEPR  
6 recommendations reflect these efforts.

7           Secondly, regarding the recommendation for a joint  
8 proceeding on distributed generation, we agree that  
9 understanding the capabilities of a distribution system to  
10 support high levels of both on-site and wholesale  
11 distributed generation is important. Indeed, the PUC's  
12 long-term procurement proceeding has a dedicated working  
13 group, of mostly utility experts, to address these issues  
14 and that working group is active and ongoing.

15           Rather than address these technical issues in a  
16 formal joint proceeding, we encourage the IEPR Committee to  
17 consider an informal collaborative process along the lines  
18 of this working group process in its final 2009 IEPR  
19 recommendations.

20           And those are the comments that I have at this  
21 time and I'd be happy to take any questions you might have.

22           COMMISSIONER BYRON: Mr. Baker, thank you. Thank  
23 you for being here. I do have some comments, questions I'd  
24 like to get some clarification on.

25           First of all, will we be getting any -- as you

1 continue your review of the IEPR, I can appreciate you  
2 haven't completed it, will we be getting written comments?

3 MR. BAKER: Absolutely. We are planning on  
4 submitting thorough written comments by October 28<sup>th</sup>.

5 COMMISSIONER BYRON: Okay. On distributed  
6 generation, the joint proceeding recommendation, you  
7 indicated that there is something underway and, of course,  
8 we have been collaborating closely on this subject, I've  
9 been briefed recently by staff. And we also did a workshop  
10 last week on AB 1613.

11 I may say this incorrectly, but we're developing  
12 guidelines in response to that legislation. And is that the  
13 joint effort that you're describing?

14 MR. BAKER: So I'm making a distinction here  
15 between the CHP recommendation and the recommendation for a  
16 joint proceeding on DG.

17 COMMISSIONER BYRON: Yes.

18 MR. BAKER: And so my comment is in regards to a  
19 wholesale, we call it the transmission constrained working  
20 group in the long-term procurement proceeding, and it's  
21 looking specifically at issues to -- technical issues  
22 associated with scaling up distributed generation. And so  
23 we offer that that is a useful forum to consider, to  
24 continue evaluating the important issues that have been  
25 raised in the IEPR document in regards to removing barriers

1 and identifying technical issues associated with scaling up  
2 distributed generation.

3 COMMISSIONER BYRON: Okay. Good, we agree and I  
4 think that collaborative effort is going well.

5 I note you also referenced that it's primarily  
6 made up of utility experts at the PUC; correct?

7 MR. BAKER: Yes, but not exclusively. We'd just  
8 note that distribution engineering is a highly technical  
9 field and so we believe it's very important to have, you  
10 know, utility experts at the table when those issues are  
11 being deliberated.

12 COMMISSIONER BYRON: Absolutely. And I hope  
13 you'll also continue to involve our staff. I think we have  
14 a lot of expertise around this area, as well as -- I'm going  
15 back to my comments here -- the workshops that you're going  
16 to begin on commercial net zero energy, I'm glad that you're  
17 soliciting our staff's involvement there, too. That's our  
18 forte here at the Energy Commission and I'm glad to see it's  
19 become the PUC's strong suit as well, particularly with  
20 regard to the recent decision the Commission made on, and  
21 again I'll probably get the name of it wrong, but the three  
22 point X million dollar energy efficiency program that was  
23 passed through your commission, so we applaud your  
24 commission on that. This is one area that I think we can  
25 work together very strongly on and accomplish a great deal.

1           Net zero energy for commercial buildings is going  
2 to be a tough road to hoe, so I personally don't know how  
3 we're going to do that one, and I'd be eager to see the  
4 outcome of your workshops, too.

5           A question for you: were you here earlier this  
6 morning and did you hear Ms. Mara's comments on our desire  
7 to, I hope I don't mischaracterize it, break out direct  
8 access in our forecasting? What are your thoughts on that?

9           MR. BAKER: Yeah, we stand by those comments. The  
10 long-term procurement process does need to have separate  
11 forecasts by load-serving entities, so it is important that  
12 the demand forecast be disaggregated, to use the term that  
13 she used, in some form by -- and the timeframe that she gave  
14 of the first quarter of 2010 is an appropriate time to feed  
15 into the LTPP process.

16           Again, to reemphasize the point that she made,  
17 we're not asking for a revision of the forecast, it's just a  
18 breakdown of the existing forecast into the various load-  
19 serving entities.

20           COMMISSIONER BYRON: I don't know that I can speak  
21 for staff on how difficult or easy that might be, but we  
22 certainly got the message. Thank you for underscoring it.

23           One last thing, we certainly join you, Mr. Baker,  
24 in your commission's support for the passage and the signing  
25 of AB 758, Skinner's bill, we agree that's -- it's wonderful

1 to see that one signed into law, so thank you for bringing  
2 that up.

3 Commissioner Boyd, is there anymore comments?  
4 Otherwise, I'll let Mr. Baker go.

5 COMMISSIONER BOYD: No, that's fine. I'd just  
6 echo the sentiment that we look forward as agencies to  
7 working with each other on all that he's identified as  
8 issues in the energy area.

9 COMMISSIONER BYRON: You now, and Mr. Baker, we --  
10 Commissioner Boyd and I talk about this regularly, we get  
11 good input from commissioners at the PUC with regard to the  
12 IEPR and the IEPR process, we welcome your comments as  
13 staff. But we also have had the benefit of Commissioner  
14 Bohn at a number of our workshops and hearings, and we will  
15 be soliciting direct input from commissioners on any of the  
16 concerns and recommendations they might have in our IEPR as  
17 well. Thank you for being here.

18 MR. BAKER: Thank you for your time.

19 COMMISSIONER BYRON: Okay. I'm torn here, I've  
20 got some more blue cards but, as I said, I'd really like to  
21 give the investor-owned utilities a chance to hear all the  
22 public comments as well.

23 And if there's anyone else present here in the  
24 audience today that would like to speak, I'd like to ask if  
25 you'd come forward now and then we're going to turn to

1 WebEx. So is there anyone else that wish to make public  
2 comment, that's with us here in the room?

3 Seeing none, we just have monitors on the WebEx  
4 today?

5 MS. KOROSSEC: Well, apparently so. We've asked if  
6 anyone would like to make comments and no one has indicated  
7 a desire to do so.

8 COMMISSIONER BYRON: All right, that does not  
9 preclude, we'll give one more shot at it.

10 MS. KOROSSEC: Absolutely, yes.

11 COMMISSIONER BYRON: We'll give one more shot at  
12 it.

13 So I would like to thank the investor-owned  
14 utilities for being patient, I have cards from all three of  
15 our investor-owned utilities.

16 I'd like to begin with Manuel Alvarez, who's been  
17 here very patiently all day, Southern California Edison.

18 MR. ALVAREZ: Thank you, Commissioners, Manuel  
19 Alvarez, Southern California. I think all the utilities  
20 have been here all day, patiently waiting.

21 So I guess I'm also an alumni of a few years of  
22 IEPRs and I think we're getting kind of getting closer to  
23 where we want to be.

24 So with that what I'd like to do is just let you  
25 know that we will be making comments on the report. I have

1 a group of staff who are busily reviewing that document now  
2 and we'll provide you with as much comments as we can. And  
3 what I'd like to do today is basically bring up three  
4 points, some of those you heard today.

5 One dealing with coordination, the second point  
6 would be equal treatment, and then our third point would be  
7 the nuclear, the nuclear section in your report.

8 Under the coordination component, I think you'll  
9 find from the comments you heard today from others, and the  
10 comments you'll hear from me today is that we're making  
11 quite a bit of progress here, but there's actually still a  
12 need for a lot more coordination in this activity.

13 The evolution of the market, the hybrid market  
14 that has come up today has basically been evolving over time  
15 and the linkages between the various decisions are still  
16 kind of fragmented and so that's why you hear a lot about  
17 the coordination that needs to be done.

18 The studies you're undertaking as a joint effort  
19 on the once-through cooling are an indication of that,  
20 there's also the priority reserve issue.

21 And we think we want to participate, we support  
22 your work on those scenario activities and the work with the  
23 Water Board, and we want to be very active in those  
24 activities.

25 We've had some experience in one of your reports

1 on the cost of capital, cost of generation study, where  
2 we're still wrestling with some of the components, some of  
3 the assumptions, some of the analytics there and we're  
4 working with your staff to kind of understand that process  
5 and how those mechanisms work.

6 In your report you talk about the load management  
7 activity. The Commission, as you know, opened the  
8 proceeding about almost a year and a half ago on load  
9 management, but that has somewhat taken a backseat because  
10 of all the activity on the Smart Grid.

11 But we encourage you to kind of continue that  
12 effort and work closely with the CPUC and the ISO on how  
13 you're going to have load management in the system, that's a  
14 very, very important component.

15 The other item is the Smart Grid. We've found at  
16 least in the draft, in our initial review, that there was  
17 actually a void of discussion of Smart Grid. Now, during  
18 the process and the 35 hearings that you had we spent two  
19 days and almost 12 to 14 hours discussing the ramifications  
20 and the implications of a Smart Grid, so we're asking you to  
21 go back and take a look at that record.

22 We offered some recommendations to you here just  
23 recently because of the importance of that area, and we'll  
24 also reinforce that in our written comments, so we're asking  
25 you to go back and take a look at your sections on the Smart

1 Grid and perhaps provide us some policy guidance on where  
2 you think the Smart Grid is going.

3           The final area of coordination deals with the land  
4 use question and we're actually pleased that you're willing  
5 to take that on with the local governments. We've  
6 encouraged that in the past and we encourage you to do so.

7           I would like to caution you, Commissioner Byron,  
8 you talked about the reference to the word "land use." I  
9 think that is an operative word in the area of local  
10 government and state government and I wouldn't abandon that  
11 term as quickly, so I'd caution you a little bit to use  
12 that.

13           And if you look at the history of the Energy  
14 Commission over the years, one of the responsibilities you  
15 take in your siting process is, in fact, the land use  
16 question, so it's an important area that you want to keep on  
17 the agenda between your relationship as the State of  
18 California, and the Energy Commission, and local  
19 governments.

20           The next area deals with equal treatment and  
21 you've heard some of that today, from some of the  
22 participants. And we want to encourage you to -- at least  
23 we tend to support the forward capacity market concept  
24 that's being discussed in the body politic, in terms of the  
25 future of this industry, and we want to encourage you to

1 take, re-take a look at that and perhaps allow some of those  
2 activities to do their functioning and what capacity should  
3 come forth in the future, and what new entrants will come  
4 into the marketplace, and how that market will develop. And  
5 so there has to be room for a forward capacity market in the  
6 State of California.

7           But the area of resource adequacy, you heard a  
8 little bit, you know, that's very important for the  
9 reliability questions that we have to address and we're  
10 encouraged by your comments that you want to take a look  
11 about how the public utilities, the investor-owned utilities  
12 and the publicly-owned utilities in fact deal with resource  
13 adequacy.

14           That's a statewide concern, it's a statewide issue  
15 and the application of how that is done should be done,  
16 applied to a statewide basis.

17           I think also with the issue of energy efficiency,  
18 you heard that comment earlier from the representative of  
19 NRDC in terms of how energy efficiency is undertaken. We  
20 want to encourage you to also kind of treat folks equally on  
21 the measurement and evaluation so that when the energy  
22 efficiency programs are developed and undertaken everybody  
23 understands how they factor into the ultimate supply side  
24 and demand side of the equation that you have to balance in  
25 the long term.

1           And I think the same thing goes with RPS. Those  
2 are also statewide mandates, it's a statewide requirement,  
3 and the requirement that the investor-owned and publicly-  
4 owned utilities in fact are required to meet the same  
5 standard I think is something that you've indicated a  
6 preference for and we encourage you to continue that effort.

7           With respect to the final category that I want to  
8 bring up today and that's the nuclear issue, we want to take  
9 some exception to one of the recommendations you have in the  
10 report about the requirement to require that all the studies  
11 be completed before we do any submission to the CPUC. We  
12 think that's over-restrictive.

13           I think there are opportunities in which we are  
14 undertaking studies, that we have information, findings, and  
15 options that we could make available to decision makers to  
16 actually analyze and begin the analysis that needs to be  
17 done to undertake those activities.

18           Some of those results will be available and I  
19 think at the time that they're available we should be able  
20 to provide that information to the CPUC for their  
21 evaluation, as we request funding to undertake the long-term  
22 licensing requirements.

23           And then I'd like to basically clear up some  
24 confusion that I think is in the report on the nuclear  
25 section, and that's dealing with the submittal of the AB

1 1632 report.

2           Southern California Edison intends to make all  
3 those studies available to you and to any other entity that  
4 we have available to you. If during the course of those  
5 studies we come across information or analysis that we  
6 believe is confidential or deserves some proprietary  
7 protection, I think we want to be free to be able to use  
8 that, to let you know that this information is either  
9 protected because of NRC requirements, or some other  
10 requirements, but other than that I think we're willing to  
11 make that information available, to provide that  
12 information.

13           I think in the report it's not clear, but I want  
14 to make that statement today.

15           Finally, the issues you heard about earlier, the  
16 once-through cooling, I think you'll -- with respect to  
17 SONGS, I think you'll find the difficulties, the  
18 infeasibility of the once-through cooling and the  
19 difficulties that we've had with that problem.

20           Your staff's analysis, that their undertaking was  
21 a joint venture, I think recognizes the issues we've brought  
22 to you before. And historically we've actually tried to  
23 mitigate a lot of that impact and I think the record, the  
24 information that we've done in the past speaks for itself.  
25 So we look forward to working with your staff on that

1 particular issue and actually want to thank you for the  
2 report.

3 COMMISSIONER BYRON: Commissioner Boyd?

4 A couple of questions or comments, Mr. Alvarez.  
5 First of all, I would like to let everyone know that  
6 Southern California Edison has been an excellent participant  
7 in this process. I went down early on to visit with the  
8 executive officers at SCE, as well as the other two  
9 investor-owned utilities to solicit their involvement, and  
10 participation and input into the creation of this policy  
11 report, and Southern California Edison has done an excellent  
12 job.

13 And I can say that to a great extent for the other  
14 utilities as well, but in particular I think we've certainly  
15 seen Southern California step up this cycle.

16 And a perfect example of that are the comments  
17 that were received recently on the Smart Grid, very  
18 thoughtful, very thorough comments. I mentioned this to you  
19 yesterday, as well, you have some really smart people  
20 working in this subject area.

21 But in terms of whether or not it's addressed  
22 adequate in the report we will, of course, look at that.  
23 But please, don't confuse the amount of time we might spend  
24 on a subject with how much time we should spend on it in the  
25 IEPR with regard to recommendations.

1 I think this State is a leader in this area and  
2 Southern California Edison is one of those reasons that the  
3 State is a leader.

4 I do have a couple of quick questions and I  
5 appreciate all your other comments, but a couple of quick  
6 questions.

7 With regard to the nuclear comments, you indicated  
8 you take some exception to the recommendation that all  
9 studies be completed prior to license renewal; what about  
10 the substance of those recommendations?

11 MR. ALVAREZ: Well, the substance of those  
12 recommendations in terms of providing the information to you  
13 as an agency or to the PUC to make the decisions? I guess  
14 I'm not sure I understand.

15 COMMISSIONER BYRON: Do you agree with those  
16 recommendations?

17 MR. ALVAREZ: Well, the information should be  
18 available for decision makers to make those decisions. It's  
19 a matter of sequencing of when the information would be  
20 provided to ultimately decide versus when we would submit an  
21 application.

22 I think we could submit an application to the PUC  
23 for funding prior to completing those studies but,  
24 fundamentally, that information needs to come in ultimately  
25 to make that decision.

1                   COMMISSIONER BYRON: You indicated on the AB 1632  
2 report that you'll make all studies available except those  
3 information that might be deemed confidential by the NRC or  
4 some other means. Of course, this does not build public  
5 confidence when we discuss right up front that some aspects  
6 might be confidential.

7                   Can you give us an example of what might be  
8 considered to be confidential?

9                   MR. ALVAREZ: Well, I really can't at this  
10 particular time. I mean, the commitment would be to make  
11 those information available to you as necessary. But as you  
12 know, some of the information that comes up in the NRC, as  
13 we're looking at some of that data, we're not sure or we  
14 don't confront the confidentiality until that information  
15 gets generated and it's at that point when we have to ask  
16 ourselves is that information that's protected under NRC or  
17 not, and then at times we have to go back and ask them  
18 whether that's the case or not, and then we have to address  
19 how we will deal with that information.

20                   So I think it's a matter of when we come up to  
21 this piece of data or this information that we raise that  
22 issue to ourselves, is this a piece of confidentiality that  
23 we have to be concerned about and then we address it at that  
24 point.

25                   COMMISSIONER BYRON: Okay, any other --

1           COMMISSIONER BOYD: Well, thank you, Manuel, for  
2 that. I guess I just want to say thank you again for the  
3 revelation about making 1632 data available, it was your  
4 vice president last week has indicated, made that commitment  
5 in another somewhat public forum, and so the draft report  
6 wasn't obviously able to reflect that fact and we'll  
7 certainly take that into consideration.

8           And I took your comment about confidentiality,  
9 that's why I didn't raise any question, as meaning we would  
10 get the data; you may want to invoke confidentiality on some  
11 of that. We have laws that allow us to hold things  
12 confidential, so I'm sure we can work those issues out.

13           As always, there may or may not be, you know,  
14 differences of opinion on whether something really is  
15 confidential, deserves to be treated as confidential or not.  
16 But historically we've managed to work those out, sometimes  
17 over a period of years.

18           But not in the nuclear area, I should indicate.

19           And you know we know all about the OTC issue,  
20 particularly Commissioner Byron here, who's been kind of  
21 leading our effort with the Water Board, and as well as with  
22 the three energy agencies who have taken a joint position  
23 with the Water Board. So we look forward to working with  
24 everybody to work that issue out.

25           And we've come a long way, admittedly, on the

1 relationship between this agency and Southern California  
2 Edison since the dark, dark days of the energy crisis, so I  
3 appreciate all of the progress we've made, and the sharing  
4 of information, and what have you, so thank you for your  
5 testimony here.

6 COMMISSIONER BYRON: Yes, thank you very much,  
7 look forward to your written comment. And I'll be  
8 specifically calling your executives and thanking them for  
9 the level of participation.

10 MR. ALVAREZ: Thank you. Just one more item on  
11 the confidentiality, I think Commissioner Byron will attest  
12 at least at this go around we definitely had to resolve some  
13 issues on confidentiality early and got through those  
14 hurdles, and provided the information that was necessary for  
15 the staff to conduct their analysis for you.

16 COMMISSIONER BYRON: We appreciated your  
17 willingness to resolve those.

18 COMMISSIONER BOYD: In record time.

19 COMMISSIONER BYRON: Yes.

20 MR. ALVAREZ: Thank you.

21 COMMISSIONER BYRON: Thank you.

22 The next card I have is Mr. Robert Anderson, I  
23 believe, Director of Resource Planning, San Diego Gas and  
24 Electric.

25 MR. ANDERSON: Good afternoon, I'm Robert

1 Anderson; I'm Director of Resource Planning for SDG&E. I'm  
2 apparently in the process of drawing straws, Todd Strauss  
3 lost, I guess, huh.

4 Our comments today --

5 COMMISSIONER BYRON: It was a fixed game, okay.

6 MR. ANDERSON: Okay.

7 COMMISSIONER BYRON: I have still many cards left.

8 MR. ANDERSON: Okay. My oral comments today will  
9 be fairly short, just to hit a couple highlights. We will  
10 be sending in written comments later on, they'll be a bit  
11 more detailed, pointing out specific areas in the report  
12 that we think ought to get clarified or updated to reflect  
13 something new.

14 I, too, have now been through three IEPRs. I  
15 think the only party that might be disappointed in the fact  
16 that the number of meetings is decreasing is Southwest  
17 Airlines, but I think we can all live with that.

18 COMMISSIONER BYRON: But you know what's happening  
19 is that we're getting more and more participation by WebEx.  
20 Now, we welcome you being here and I really think it's  
21 important enough to have the utility representation, but I  
22 believe we had upwards of 30 people earlier today, also  
23 joining us by WebEx.

24 MR. ANDERSON: And we do monitor a lot of the  
25 meetings from WebEx, so even if our face isn't here during a

1 given hearing it doesn't mean we're not listening, you know,  
2 to what's going on.

3 I'm going to hit on just some high level issues;  
4 some are similar to the comments from Edison, although we  
5 didn't even talk before the meeting.

6 First is an area of equal treatment and my comment  
7 on that is a little bit different than his, and it only asks  
8 that as you go through and do your last reading of the  
9 report we just ask that you look so that to the extent that  
10 you're putting an overall policy that you think is good for  
11 the State, in some cases where I see implementation  
12 suggestions, the only suggestion is there for the investor-  
13 owned utilities.

14 I'm not convinced that all of the public-owned  
15 utilities have a hundred percent implemented that particular  
16 policy.

17 But I think to the extent we want to see if you're  
18 interested in a feed-in tariff up to a given size, in our  
19 view that ought to be good for the whole State, we ought to  
20 see implementation from both the investor-owned utilities  
21 through the PUC, and the public-owned utilities.

22 COMMISSIONER BYRON: Fair enough.

23 MR. ANDERSON: Understand it gets implemented in  
24 different ways, but I think the recommendation ought to be  
25 clear that it applies to all suppliers.

1           Another area that kind of came out as I kind of  
2 went through the report and we've heard a little bit about  
3 it today is this issue of coordination. And at times, I  
4 don't want to put words in your mouth, I almost even sensed  
5 a bit of frustration on your part on the coordination or the  
6 ability to get coordination across the agencies.

7           And all I want to do today is offer that if  
8 there's any way that SDG&E can help participate in any  
9 organization as we try to work to figure out what is the  
10 best way to coordinate across all these organizations, we're  
11 more than willing to support such an effort.

12           We think it's important, we don't like to have to  
13 relitigate issues in front of every different agency, we  
14 don't think it's good use of the State's time or our time.

15           And at the same time we all recognize that certain  
16 agencies do have certain obligations, and expertise, and  
17 jurisdiction that will need to be honored in that process.

18           But if there's anything we can do to help on the  
19 coordination issue, we'd like to offer our support on that.

20           COMMISSIONER BYRON: I'm going to take you up on  
21 that right away. Screw, and I'm just shocked that the  
22 stakeholders in this process aren't screaming already how  
23 thinly we have spread your involvement amongst all these  
24 different energy agencies. We now have the ARB involved in  
25 implementing the Governor's executive order on 33 percent

1 renewables.

2           When I say "scream," what I mean is I don't think  
3 we do this with a thought to what it takes to participate in  
4 all these different processes as well.

5           And I definitely share your interest in trying to  
6 figure out how we better coordinate these activities. We  
7 are trying to reduce the overhead, trying to bring some  
8 regulatory certainty to this.

9           The Governor thought that he would do that with  
10 some legislation around the organization. However, I  
11 believe today will be the last day that that can be  
12 considered and I don't think it's going to happen.

13           MR. ANDERSON: And I'll realize that screams in my  
14 office don't quite make it all the way up here so --

15           COMMISSIONER BYRON: No, but I am surprised when  
16 we don't hear more dissatisfaction expressed about what  
17 we're doing today.

18           MR. ANDERSON: Okay, we will.

19           (Laughter.)

20           MR. ANDERSON: The last thing I'd like to comment  
21 on is --

22           COMMISSIONER BYRON: Wait, what did I ask for.  
23 Please do.

24           MR. ANDERSON: -- is in the area of renewable  
25 power. And I've been in resource planning in and out for

1 about 30 years now, and I think like many others, to me this  
2 has been one of the most frustrating areas that I've ever  
3 had to work in.

4 And our ability to meet these goals, our ability  
5 to get renewable power online and on a timely basis.

6 And so we really appreciate, you know, your  
7 comments in the report about the things we're really seeing  
8 right now are financing issues. I actually think those will  
9 work themselves out in the next year or two and there's not  
10 much we, as a State, can step in and deal with that.  
11 Although, in some places the utilities are actually looking  
12 in, is there a role we can play in that.

13 The permitting of these projects, there's a lot of  
14 work going on to try to streamline that permitting, we're  
15 seeing a lot of projects take a long time to get through  
16 permitting. And in some cases it's just a sheer volume of  
17 projects that are hitting these agencies and there's now way  
18 they can process them, we understand, but anything we can do  
19 to help on the permitting side.

20 And lastly, this agency's always been a big  
21 supporter and we thank you for your support on the need for  
22 transmission.

23 We have a number of projects, they're sitting  
24 there, they're ready to go, they are just waiting for the  
25 transmission in order for them to get built.

1           And so as we know it takes up to eight and ten  
2 years almost, now, to get a transmission from the day you  
3 dream of it until the day you get it in service. And until  
4 we get that transmission really moving, I think we're going  
5 to see a slow build up on renewable power, but we think  
6 we'll get there in time.

7           And we continue to move ahead with our Sunrise  
8 power link which will hopefully free up quite a bit of  
9 renewable power for us and others.

10           The last item I'd like to comment on, on renewable  
11 power, is in the biofuel action plan area. I've commented a  
12 number of times the thing I need is a fully dispatchable  
13 renewable resource and I think the closest I can get to that  
14 is if we look at the potential of creating the biogas,  
15 getting it cleaned up, and injected into basically our  
16 distribution pipeline system.

17           Then any combined cycle plant out there can now  
18 become our fully dispatchable, renewable power plant.

19           So as we look in the biofuel area, let's not just  
20 focus it on creating the biofuel, burning it in a power  
21 plant at that site, but I think we ought to open up our  
22 expansion that maybe the right thing to do let's create the  
23 gas, let's get it cleaned up, let's inject it into the  
24 natural gas system so then it can be used, in essence, by  
25 the rest of the fleet to help manage the integration of

1 renewables. Thank you.

2 COMMISSIONER BOYD: Thank you for that last  
3 comment.

4 COMMISSIONER BYRON: Yes, thank you. Thank you,  
5 very good comments.

6 And a couple of comments in return, transmission  
7 siting issues, as you know, we're working very aggressively  
8 in this area now. In fact, I talked to your senior VP of  
9 transmission, James Avery, just the other day. He's  
10 chairing the joint transmission planning group in  
11 conjunction with publicly-owned utilities and the ISO, and  
12 we will participate and support that process, as we  
13 indicated in our strategic transmission investment plan last  
14 week.

15 But I'm really pleased to see San Diego's  
16 leadership in this area, continuing to take a leadership  
17 role.

18 And the other thing is that I also appreciate the  
19 level of commitment that your utility has shown. I also met  
20 early on this process with your executives, although that  
21 was prior to the approval of Sunrise power link and I have  
22 to say that most of our discussion devolved into  
23 transmission planning and siting.

24 But I guess one last question; any regrets that  
25 you don't operate a nuclear reactor in this State?

1 COMMISSIONER BOYD: The own a piece of --

2 MR. ANDERSON: Yeah, we just paid for 20 percent  
3 of one so --

4 COMMISSIONER BYRON: Uh-huh, all right.

5 MR. ANDERSON: All right.

6 COMMISSIONER BYRON: Mr. Anderson, thank you so  
7 much for being here and your continued participation in the  
8 IEPR process, look forward to your written comments.

9 MR. ANDERSON: Thank you.

10 COMMISSIONER BYRON: I do have some cards  
11 remaining and they are with Pacific Gas and Electric. Mr.  
12 Krausse, you had indicated you would like to lead off for  
13 PG&E.

14 MR. KRAUSSE: Thank you, Presiding Member Byron  
15 and Commissioner Boyd, Mark Krausse on behalf of Pacific Gas  
16 and Electric.

17 We also have here today -- I'm going to go over  
18 the IEPR specific comments, as we're invited, what we'd like  
19 to see change, what our issues are.

20 And then we have Todd Strauss, our senior director  
21 in the renewable policy planning and procurement area, who  
22 can talk about the procurement policy and hybrid market as  
23 the meeting notice requested.

24 And also, Aaron Johnson here to talk about  
25 renewables, the 33 percent, as well.

1 I should start by saying we had a good scream at  
2 lunch. Mr. Strauss pointed out that the resources that are  
3 spent in this, and that the ARRA kind of spread around, I  
4 appreciate acknowledging that, you know, we're now waiting  
5 for the first workshop on the 33 percent RPS at ARB.

6 COMMISSIONER BYRON: Acknowledging that, I think,  
7 is the easy part.

8 MR. KRAUSSE: Yeah, doing something about it is  
9 more difficult.

10 We do share the comments from the other utilities,  
11 although I have to be honest we, at PG&E, used the phrase  
12 level playing field, so I wasn't sure when they said "equal  
13 treatment." But any of these mandates, and particularly in  
14 the renewable area, we think should be applied to the  
15 municipals as well.

16 There are a number of places in the IEPR that  
17 refer to the loading order and talk about distributed  
18 generation, and that certainly is articulated when you look  
19 line by line in the loading order, but in the discussion it  
20 talks about clean distributed generation.

21 And I raise that not as a nit, but sort of to  
22 queue up the conversation about combined heat and power.  
23 And by the way, I know it's been a long week, you said that  
24 we had the 1613 hearings last week, I think it was Monday.

25 COMMISSIONER BYRON: No, no, you're right, it was

1 this week.

2 MR. KRAUSSE: So it has been you've been here  
3 three days.

4 On combined heat and power, I think it was a point  
5 we made at that workshop and continue to urge you, let's not  
6 focus on megawatts alone, let's focus on the GHG reduction.  
7 And that's why it's so important, your efficiency standard  
8 will be a driver in other discussions, whether it's at the  
9 ARB, whether it's at the PUC that efficiency standard under  
10 1613 I think is very important. And so we urge you to set a  
11 meaningful standard there that will result in a real GHG  
12 reduction.

13 On renewables, we actually have, I think, a good  
14 recommendation that could be added in that biogas area, and  
15 that is we've had some meetings at the Governor's office and  
16 elsewhere trying to find the money to do a programmatic EIR  
17 for the biogas and I think there's the other, additional  
18 waste streams into that.

19 If you could sponsor or encourage legislation to  
20 open up PIER dollars for that purpose, I think that's an  
21 excellent opportunity. I think it fits with the renewables  
22 and some of the other things that you do. It was actually  
23 suggested by, I believe, someone from the PUC, just staff,  
24 not a PUC position. But PG&E supports that, I think it  
25 would be very positive.

1           On the recommendations that the PUC be committed  
2 to imposing penalties for noncompliance of the RPS, I would  
3 just suggest that that recommendation is a little misplaced.  
4 The need to ensure compliance would suggest that the  
5 utilities aren't doing everything that they can.

6           And Commissioner Byron, I think, you know, it  
7 would be easy to point out all the siting issues we have,  
8 not only before this Commission, but locally and all those.

9           But I think your remarks in response to Jeff  
10 Harris a few weeks ago, a number of weeks ago now, about  
11 we're not going to fast track CEQA, we're not going to  
12 shortcut CEQA, I mean, that is just one of the many hard  
13 places we're up against here on the RPS. And we wouldn't  
14 ask you to, but you have to acknowledge that enhanced  
15 penalties or, you know, the commitment to penalties seems a  
16 little odd when you recognize that we're all under some  
17 difficult timelines.

18           If it isn't CEQA, it's lawsuits that we get filed  
19 over, you know, noise, visuals, other issues, it's the  
20 Mojave Monument, there are all kinds of things that are  
21 impacting this, the RPS.

22           And I would hope, I don't know that I can say this  
23 but, you know, you're looking -- the IEPR looks at 2010, I  
24 would hope the flexible compliance period shows a little  
25 more sunshine, a little more hope on the horizon for

1 compliance there.

2 COMMISSIONER BYRON: I believe flexible compliance  
3 is a concept that the PUC introduced; correct?

4 MR. KRAUSSE: Correct.

5 COMMISSIONER BYRON: Yeah, and that gives you some  
6 latitude with regard to --

7 MR. KRAUSSE: Right.

8 COMMISSIONER BYRON: -- meeting that, that's not  
9 our requirement, that legislative requirement on the 20  
10 percent by 2010.

11 MR. KRAUSSE: Right and my point in that is we're  
12 doing everything we can, if not by 2010, certainly by the  
13 flexible compliance period, 2013.

14 Let's see, moving to the nuclear plants and I  
15 don't think we're -- we're certainly glad to have a nuclear  
16 plant --

17 COMMISSIONER BYRON: Good.

18 MR. KRAUSSE: -- saving seven million -- saving  
19 seven million metric tons of GHG a year, seven to ten.  
20 Seven, I think, is a conservative estimate if you had the  
21 cleanest replacement, natural gas generation.

22 PG&E's -- on the seismic issue that was raised by  
23 Edison, PG&E's long-term seismic program is an ongoing,  
24 robust, and world-renowned program. We'd be doing -- you  
25 know, safety is the first focus with Diablo Canyon, whether

1 it's in seismic or any other area. We, as you know, I mean  
2 we've described for you in the course of the 1632 workshops  
3 that our very extensive seismic program. You've now added  
4 this 3-D requirement and PG&E will be applying for rate  
5 reimbursement to do those studies, we're not opposed to  
6 doing the studies.

7 I think the issue is, as Edison pointed out, it's  
8 the linkage of a timing requirement that we have to do that  
9 before we file, it's just inappropriate.

10 I mean, seismic safety and nuclear safety are  
11 standing issues regardless of whether we're facing license  
12 renewal, so we would urge you to remove that recommendation.

13 Also in the nuclear area there's some language  
14 about reactor vessel embrittlement. There's a  
15 recommendation saying that the Diablo Canyon Independent  
16 Safety Committee should study this.

17 I think this comes from your sidebar, at page 109,  
18 that discusses the NRC's standard on embrittlement. And as  
19 that sidebar notes, the NRC was considering, apparently, at  
20 the time this was drafted, a different standard, moving from  
21 one in 200,000-year possibility of a crack, to a one in a  
22 million year, but also changing methodology.

23 And under that new, I think it was September 22<sup>nd</sup>  
24 adopted regulation, both units one and two passed their  
25 screening. So I don't think it's appropriate as a

1 recommendation.

2 I also think, you know, it could be that sidebar  
3 could be removed or at least updated to reflect that that  
4 regulation has been adopted.

5 Finally, on once-through cooling, the statement  
6 and, you know, we really don't differ with anything in the  
7 IEPR except this one line that says, "nuclear power plants  
8 are viewed by the State Water Board as larger sources of  
9 biological harm to marine environment than any of the  
10 cooling systems."

11 This is something we apparently missed, although  
12 we did pour over this substitute environmental document. I  
13 think it's fair to characterize that that's what their  
14 document says, but if you look at the data in their  
15 substitute environmental document those numbers of flow and  
16 all show you that 22 percent of the State's water used in  
17 once-through cooling goes through Diablo Canyon. Eight  
18 percent of the entrainment is caused by Diablo Canyon and  
19 one percent of the impingement.

20 So you can't lump the nuclear plants -- I don't  
21 mean to take on our friends at Edison, but I think that's  
22 what the problem is when you characterize that as nuclear  
23 plants.

24 COMMISSIONER BYRON: What's their percentage, Mr.  
25 Krausse?

1 MR. KRAUSSE: I didn't add that up, I really don't  
2 know, honestly. We did the spread sheet just to handle  
3 Diablo Canyon, but I think that's compelling to show you.

4 And by the way, in the draft policy before the  
5 Water Board, they have cost benefit language I think for  
6 that very reason, and that is when your impact is that low  
7 and the cost is some \$4 billion, I mean it just doesn't make  
8 sense on a cost benefit basis.

9 In addition to the year of shutdown -- or pardon  
10 me, 17 months of shutdown at seven million metric tons per  
11 year, it just doesn't make sense. That's for the  
12 replacement power.

13 Those are my remarks. As I say, we have folks  
14 here to respond to your other issues, but if you have any  
15 questions, I'd be glad to answer them.

16 COMMISSIONER BYRON: Well, so a couple of  
17 questions. So will the other individuals who filled out  
18 cards here from PG&E want to speak as well?

19 MR. KRAUSSE: Absolutely, and you and I discussed  
20 this, to address those issues that were noticed in the IEPR.  
21 If you'd rather have them answer questions for time, that's  
22 fine, too. But those issues of procurement, policy, hybrid  
23 market and 33 percent renewable, the first two handled by  
24 Mr. Strauss, the second one by Mr. Johnson, so I'd recommend  
25 in that order.

1                   COMMISSIONER BOYD: Well, they're here. But  
2 before Mr. Krausse steps down then, your -- both yours and  
3 Edison's references to -- particularly yours to the maybe  
4 inappropriate recommendation about requiring the seismic  
5 work to be done in advance of applying for a license versus  
6 some other approach that might involve allowing the license  
7 application and work to proceed while that information is  
8 still flowing in is one, is an issue we'll certainly take  
9 into consideration.

10                   It's going to be taken into consideration however,  
11 at least by me, in light of at least two different things,  
12 the incredibly long period of time between today and when  
13 your licenses actually, you know, expire makes one wonder  
14 why we can't get the seismic stuff done even before you do  
15 apply. But we'll look at what you provide in writing, what  
16 you have provided in writing and whatever else there is in  
17 the way of testimony on that.

18                   The other overriding issue is one of this subject  
19 of seismic concern is a very large boulder we've been  
20 pushing uphill for quite some time and, quite frankly, and  
21 your utility definitely testified quite some time ago that  
22 seismic considerations were more or less off the table in  
23 terms of things the State should worry about, that's an NRC  
24 responsibility.

25                   And we've, you know, we've worked a long way from

1 that position in the meantime, but it's taken pieces of  
2 legislation, an interested Legislator, whether or not he got  
3 his legislation, and the interest of this agency and others,  
4 and our partnership with the PUC on these issues to move us  
5 to where we are today, which is a different position, one of  
6 pledging lots of cooperation, continuation of world record  
7 studies of seismicity and what have you. And that's all  
8 good and we want to continue to move in that direction.

9 I think our responsibility, as a public agency, is  
10 to make sure that if we knew anything and we -- therefore  
11 representing the public, if we knew anything about something  
12 that might prove to be dangerous to that public and didn't  
13 pursue that with some vigor, it would really be a fairly  
14 significant dereliction of duties.

15 And California's a highly seismic place. Every  
16 passing year, as you know, you know, we learn more and the  
17 more we learn the more questions there are to pursue as a  
18 result of that learning.

19 But not to imply that there's anything dangerous  
20 about the nuclear plants, but having just observed in the  
21 press this past week the anniversary of the Loma Prieta  
22 earthquake and the collapse of the Cypress Freeway, which  
23 took out the life of a friend of mine who at that time was  
24 the executive director of the Water Board, makes one always  
25 conscious of being as safe as we possibly can be when it

1 comes to what strange seismic things happen in this State.

2           And believe me, every time I cross the Bay Bridge  
3 and look at that new bridge that it's taken a decade to  
4 build, I hope the big one doesn't come when I'm in the  
5 middle of that bloody bridge instead of on some new bridge,  
6 but that's a different thing.

7           I spent a lot of time at the Department of Water  
8 Resource, and the construction of the State water project  
9 and got very deeply involved in seismic stuff there, so I'm  
10 very conscious of the concerns and the science, or what have  
11 you.

12           So to some degree we'll continue to push the  
13 envelope as hard as we can to make sure that we do all that  
14 we can in the way of seeing that our nuclear facilities are  
15 as seismically safe as possible.

16           And I know they were built with the utmost  
17 concerns about safety but, as I said earlier and we all  
18 admit, we know a lot more today than we knew many years ago  
19 about all kinds of things, and they give us some concern.

20           So we'll certainly take your considerations into  
21 account, we will discuss with our partners at the PUC the  
22 whole licensing process and we'll see where we end up. But  
23 I just want you to hear from me what it is that drives my  
24 interest and concern persistently in this area, and why I  
25 have a strong alliance with Assemblyman Blakeslee on this

1 subject. And don't know why his bill was vetoed, but it  
2 was.

3 COMMISSIONER BYRON: Mr. Krausse, thank you for  
4 your comments. If you would, just a moment, please. You  
5 indicated that the company preference is to not link up  
6 ongoing issues of safety with this provision of holding up a  
7 license renewal application until their completed.

8 MR. KRAUSSE: Correct.

9 COMMISSIONER BYRON: And, golly, I hope I ask this  
10 question correctly. With the recommendations that we've put  
11 in the IEPR with regard to seismic safety and other  
12 recommendations, is there a commitment on the part of PG&E  
13 management to complete those studies and follow those  
14 recommendations?

15 MR. KRAUSSE: Absolutely and I want to -- yes, and  
16 I also want to point out I think the response that Ms.  
17 Becker referred to was because our vice president was  
18 unaware of this timing requirement. I hadn't had a chance  
19 to mention to him before he went in his conference, that  
20 where Commission Boyd posed the question to him. And I  
21 think, as I understood it, the question was posed something  
22 like do you plan to do 3-D in the context of license  
23 renewal?

24 And he just said I can't answer that, or I don't  
25 know, something like that. The idea is the timing is the

1 problem, not complying with the requirements, I think that's  
2 really where we are. And I think we've been consistent  
3 about that in our data responses. I'll check with Barbara,  
4 but I don't know that we've held out on anything else.

5           Certainly, we've made arguments about what context  
6 the information should be considered in and jurisdictional  
7 preemption, arguments, those kinds of things. But right now  
8 we're -- I believe we are substantially complete with the  
9 non-seismic portions of all the other studies, because there  
10 are several, you know, balance and plant studies we call  
11 them.

12           On the seismic study, we're well underway with  
13 what we already had planned. The only issue on 3-D was our  
14 geosciences department felt that it was markedly more money  
15 for very little additional information.

16           Assembly Member Blakeslee disagrees, the IEPR set  
17 forth that we need to do it. That's been answered as far as  
18 we're concerned, we're now intent on seeking PUC funding for  
19 it.

20           So I don't want to be unclear about that, it is  
21 the timing, what we believe is the inappropriate linkage of  
22 the timing thereto.

23           As I say, seismic safety will always be a  
24 consideration regardless of whether we're looking at license  
25 renewal.

1           COMMISSIONER BYRON: Excellent. And can you help  
2 remind all of us, including the audience here, that the  
3 Public Utilities Commission recently underscored this with  
4 PG&E, I believe with Southern California Edison as well;  
5 correct, in a written memo from the president?

6           MR. KRAUSSE: Correct. Exactly, the president  
7 responded, I guess, essentially to our parsing in the 1632  
8 responses, and he basically replied that we need this as  
9 part of the license renewal.

10           I would point out that part of the timing we're  
11 under here and I think it's appropriate is the PUC has  
12 determined that 2011 is our deadline for filing, mid-year  
13 2011, in order to ensure that if we aren't granted license  
14 renewal there will be adequate time to find replacement  
15 power. Twenty-three hundred megawatts, you know, is  
16 considerable to run through an LTPP, an LTRFO, you know,  
17 site here and build. That's going to take some years.

18           COMMISSIONER BYRON: Plus transmission.

19           MR. KRAUSSE: Plus transmission.

20           COMMISSIONER BOYD: But what license renewal date  
21 was that 2011 date predicated on? It's my understanding  
22 that there's been slippage of a couple of years, perhaps,  
23 between what was assumed some time ago and what may be  
24 reality now?

25           MR. KRAUSSE: That's deeper than my understanding.

1 I mean, do you know that our license is -- and the PUC  
2 certainly knew at the time they required that, two, three  
3 years ago in our GRC, that PG&E's license to Diablo Canyons  
4 had been recaptured to push it out to 24 and 25,  
5 respectfully, for the two units. I believe that was part of  
6 their calculation, but I can't answer that specifically.

7 COMMISSIONER BOYD: We'll both pursue the answer  
8 then.

9 MR. KRAUSSE: Okay. Thank you.

10 COMMISSIONER BYRON: Thanks, Mr. Krausse. Just  
11 one moment, please.

12 Okay, we were just discussing whether or not we'd  
13 like to proceed with questions or if you've got some  
14 prepared remarks. I've got two individuals from PG&E, Todd  
15 Strauss and Aaron Johnson. And if you gentlemen have  
16 comments or remarks you'd like to give at this time, we'd  
17 love to hear from you.

18 MR. STRAUSS: Thank you, Commissioner Byron,  
19 Commissioner Boyd. My name is Todd Strauss; I'm a senior  
20 director for energy policy planning and analysis at PG&E. I  
21 work in energy procurement, I work in the planning area and  
22 policy area, as well I worked in the details of procurement,  
23 the nitty-gritty of commercial acquisition and I evaluate  
24 offers as we see them, in various RFOs and various  
25 contracts.

1 I'm here today to respond to your request to talk  
2 about the hybrid market and procurement processes. And in  
3 my prepared remarks I want to focus on two elements, one the  
4 hybrid market, the other on the element of transparency.

5 So with that, with respect to the hybrid market,  
6 we should first note that the hybrid market is a pragmatic  
7 approach to a suite of policy concerns. And so with any  
8 pragmatic approach we should have utilitarian inquiry; how  
9 well is it working, how well is the hybrid market working?

10 And I should offer that that's an empirical  
11 question, so pragmatic, utilitarian, empirical, I'm a  
12 quantitatively oriented guy. But I thought that I'd start  
13 with a philosophical kind of approach that may get the  
14 interest after lunch, at this hour, of those who've ever  
15 suffered through a philosophy course.

16 But let's turn to some numbers. About 70 percent  
17 of the energy that PG&E procures from bundled electric  
18 customers comes from contracts and spot market purchases, so  
19 about 40 percent comes from utility-owned resources. And  
20 we're talking largely hydroelectric resources and Diablo  
21 Canyon, we've talked about that.

22 And these resources have been in the portfolio for  
23 decades, even before the word "portfolio" was even thought  
24 of in the context of generation and procurement. These  
25 resources have no GHG emissions.

1           Anyway, so the 70 percent that comes from  
2 contracts and spot market purchases; is 70 percent a low  
3 number, a high number, is it the right number?

4           The policy question to some extent is what should  
5 the number be?

6           So an approach to answer that is two phases; first  
7 let's condition on the set of installed resources, the stuff  
8 we have in the ground today, okay.

9           Question, are those installed resources used  
10 appropriately? For that you can read for economically,  
11 okay, of course being subject to the constraints of the  
12 grid. And so that question, right, for the market overall  
13 that's -- or at least the part that the IOUs participate in,  
14 that question is very much the focus of the ISO and FERC.  
15 Is the market functioning well, are those resources being  
16 used economically? To some extent the PUC focuses on that  
17 question.

18           Well, narrowly, and a little bit off that  
19 question, with respect to PG&E's portfolio for bundled  
20 electric customers, we are subject to least cost dispatch, a  
21 requirement from the Utilities Commission that says if it's  
22 cheaper to buy it from the market, buy it from the market,  
23 don't run the resources in terms of short-run costs.

24           Okay. So given the set of installed resources,  
25 there's a variety of mechanisms in place to assess are those

1 resources being used appropriately? And the PUC has  
2 oversight through the Energy Resource Recovery Account, we  
3 often know as ERRA, E-R-R-A, to how well we're doing at  
4 least cost dispatch.

5 So here, what about that set of installed  
6 resources? So I want to focus here on utility procurement  
7 of utility resources.

8 In particular, since 2003 what has PG&E done with  
9 procurement of new resources?

10 With respect to renewables we have annual  
11 competitive solicitations, and we have bilateral contracts,  
12 and a variety of channels for procurement of new renewables.  
13 We have about 70 contracts for almost 6,000 megawatts.

14 And Aaron Johnson, the next speaker for PG&E can  
15 speak more to procurement of renewables.

16 We've also executed two requests for offers for  
17 long-term new resources. And so these are new resources  
18 that are operationally flexible, they're largely gas fired,  
19 although there's no requirement they have to be gas fired,  
20 it's important they're operationally flexible for the grid.  
21 And we have seen offers for other types of fuel, including  
22 biofuel.

23 So let me talk a bit about those two requests for  
24 offers, RFOs. In 2005-2006 PG&E executed an RFO and we  
25 executed contracts for about 2,000 megawatts. We executed

1 five power purchase agreements, PPAs, for about 1,500  
2 megawatts. And the PPAs, when a utility contracts with a  
3 third party for the third party's facility to provide energy  
4 capacity and other products.

5           There was an additional contract, a PSA, purchase  
6 and sales agreement, and that's really a contract that  
7 executes the build-on transfer model, whereas a third party  
8 constructs the plant and when the plant's completed turns it  
9 over to the utility for ownership and operation.

10           And the Colusa Plant, which is a combined cycle  
11 power plant, about 600 megawatts, was a contract that  
12 emerged out of that solicitation.

13           In addition, there was another contract for the  
14 Humboldt facility, which is a utility build project we  
15 executed through an EPC contract for about 150 megawatts.  
16 And an EPC contract is an engineering procurement  
17 construction agreement, in which the utility actually  
18 constructs the plant but contracts with a third party to  
19 provide services for the equipment and engineering services.

20           In addition, besides those two RFOs, the utility  
21 procured another power plant, the Gateway Power Plant, which  
22 is a combined cycle power plant, about 500 megawatts. It  
23 resulted in utility ownership. What the utility did was  
24 building and actually completing a partially built power  
25 plant, and the utility did that as part of a settlement of

1 claims arising from the energy crisis, or to defer to  
2 Commissioner Boyd, the electricity crisis.

3           Let me turn to the other RFO, one that we have  
4 just completed and have applications pending before the PUC  
5 right now. It's resulted in three contracts for about 1,500  
6 megawatts, two PPAs for about 900 megawatts, and one PSA for  
7 about 600 megawatts.

8           So you look to see our procurement over that time  
9 period and you can see that there's a definite mix in terms  
10 of procuring new resources, in terms of gas-fired resources,  
11 of utility ownership and also contracts from third parties,  
12 and the preponderance of those resources actually is not  
13 utility ownership, but preponderance comes from contracting  
14 with third parties largely for these PPAs.

15           So we'll turn now from the question of the numbers  
16 to how can the hybrid market be improved, good, focus on the  
17 pragmatics.

18           Well, right now EPC offers are not allowed to be  
19 included to be bidded into a long-term RFO. And including  
20 EPC offers, that is those engineering procurement and  
21 construction agreements, allowing offers for those resources  
22 into RFOs would be an improvement.

23           And this is, in essence, what happened at Humboldt  
24 where, originally, when we were looking out for PPAs and  
25 PSAs and for a variety of reasons it didn't turn out to be

1 feasible for the marketplace to offer those services and we  
2 ended up with an EPC type contract.

3           And my understanding is actually consumer groups,  
4 such as TERM, support allowing EPC contracts into the long-  
5 term RFO, and the reason why is allowing EPC contracts to  
6 bid in increases the competitiveness of the procurement of  
7 new resources. So that's one way to improve the hybrid  
8 market situation.

9           Let me turn now to the issue of transparency;  
10 start off with theoretical and philosophical again. PG&E  
11 recognizes that transparency is a value and an overarching  
12 principle. There should be public disclosure in a  
13 democracy, government agencies have and should have an  
14 impetus for disclosure.

15           And we recognize that regulated utilities  
16 generally have special obligations for disclosure.

17           If we narrow the focus to procurement there's a  
18 customer interest and a public policy interest in low cost,  
19 and there's a legal standard for just and reasonable cost.  
20 And the challenges balancing these two important  
21 considerations, where is the sweet spot in that balance?

22           So let me turn now to the current situation.  
23 First of all, the IOUs disclose lots of information in a  
24 variety of forums. What's the context for me making that  
25 assertion, to some extent?

1           One, I contrast it with the financial markets.  
2 For more than the past year I've been working with folks in  
3 Washington, at the Commodity Futures Trading Commission, the  
4 CFTC, and on Capitol Hill, and other places associated with  
5 the financial derivatives regulation and potential  
6 legislation.

7           And one of the key elements associated with the  
8 financial crisis we've had is no one really had a sense of  
9 what the pie looked like, there was incomplete information  
10 that the regulators had, and there was incomplete disclosure  
11 by a lot of market participants.

12           That is not the case in the California electricity  
13 market. So IOUs disclose lots of information in a variety  
14 of forums. Some procurement information is considered  
15 confidential; there are standards, standards we have set by,  
16 for example, the Public Utilities Commission. Importantly,  
17 there are commercial requirements of our counterparties not  
18 to disclose various information.

19           Now, who has access to such confidential  
20 information? Regulators actually do have access to that  
21 information, and the Procurement Review Group does have  
22 access to that information.

23           What is the Procurement Review Group? It's a  
24 group of non-market participants representing customers and  
25 public interests, and their role is to advise the utility on

1 procurement matters.

2           And regulatory staff in the PUC's energy division  
3 participates as part of the Procurement Review Group. In  
4 fact, CEC staff, Energy Commission staff used to participate  
5 on PG&E's Procurement Review Group, and PG&E welcomes the  
6 renewed participation of CEC staff, should the Commissioners  
7 decide to allow staff to rejoin the PRG.

8           The independent evaluators also have access to  
9 such confidential information. Their role is to monitor the  
10 RFOs in utility procurement and to check, ensure for  
11 fairness and competitiveness. So lots of folks have access  
12 to confidential information.

13           Who may not have access to confidential  
14 information? Market participants.

15           Well, how well is this working? Will more  
16 disclosure, or different disclosure, or different kinds of  
17 disclosure, or disclosure to different stakeholders be  
18 beneficial to the public interest and, if so, what may the  
19 cost impact be to customers?

20           So an example of how these standard of  
21 confidentiality has been -- you know, it's an emerging  
22 standard and it gets applied pragmatically, I point to the  
23 Cost Allocation Mechanism Group. This was established by  
24 the Public Utilities Commission so that representatives of  
25 direct access and other non-bundled customers would have

1 access to confidential information and provide input into  
2 utility procurement of new resources for which such  
3 customers might have to pay for.

4           Again, the question about market participants,  
5 should market participants have access to such confidential  
6 information?

7           Well, the answer I get from market participants I  
8 speak with is overwhelming, yes, access -- all market  
9 participants should have access to all this confidential  
10 information, except for my particular company. Avis wants  
11 Hertz's information, Goldman Sachs wants Morgan Stanley's  
12 information. Every market participant wants a commercial  
13 edge.

14           And the policy question is does that commercial  
15 edge come at the expense of customers?

16           I approach this from the counter intelligence  
17 perspective, do a little role playing. If I were another  
18 market participant how would I use this information to gain  
19 a commercial edge?

20           Then I think back to my role in procurement for  
21 PG&E and I think about that action for that hypothetical  
22 market participant, would it disadvantage PG&E's bundled  
23 electric customers; to what extent?

24           And the policy challenge is to balance those  
25 considerations.

1           So in conclusion I'd like to say that there's  
2 ongoing discussion of these issues in a variety of policy  
3 forums. I do thank you for the opportunity to speak to  
4 these issues here at this IEPR workshop and I welcome your  
5 questions and comments.

6           COMMISSIONER BYRON: Good, thank you Mr. Strauss.  
7           Commissioner?

8           COMMISSIONER BOYD: Thank you, that was  
9 interesting. I guess a question I still have, though, after  
10 this presentation is has there been policy review or  
11 adequate policy review of this evolution of the hybrid  
12 market ever since it began to evolve from the days of the  
13 electricity crisis?

14           And that's really a rhetorical question, not one  
15 that I would expect you to be in a -- to have to answer, but  
16 it still remains to me as a question.

17           And it kind of fits into where I'm sliding next,  
18 which is your category of transparency and your call to us  
19 to rejoin the PRG effort which, frankly, is an effort that  
20 because of the lack of transparency this agency's had great  
21 difficulty with, so there's a bit of irony in the discussion  
22 about transparency and the procurement process.

23           Lastly, a statistic that would really help me and,  
24 again, I doubt you'd have this number, but I'm just  
25 wondering how many generating plants did you buy from

1 merchant generators that were unable to get a PPA from you  
2 and thus had to throw in the towel?

3 This is a concern, another concern of mine as I  
4 watch the hybrid market develop over the years into a trend  
5 towards more and more utility-owned generation. And, of  
6 course, as we all know there's a big difference in the way  
7 the procurement process and contract, length of contract  
8 term between utility-owned generation and what a merchant  
9 plant can get.

10 So the hybrid system, which morphed from the  
11 electricity crisis, has been interesting to watch, I guess  
12 is where I'll leave it.

13 Commissioner, thank you.

14 COMMISSIONER BYRON: Did you want to respond?

15 MR. STRAUSS: Sure, I can take the three parts.  
16 So, you know, as the different systematic review of the  
17 hybrid market as it's evolved and in practice, I'm unaware  
18 of any systematic thorough study of such and I'd welcome  
19 such a study, and I think that there are some particular  
20 folks who might be well positioned to assess that.

21 With respect to the third comment in terms of,  
22 well, how many plants did PG&E procure after a developer was  
23 unable to secure a PPA and threw in the towel?

24 I take it you're referring to the Tesla situation,  
25 but I'm not sure about throwing in the towel there.

1           But, you know, I mean clearly if you look to see  
2 the procurement in an RFO, you know, with respect to the  
3 Procurement Review Group transparency, for those folks who  
4 are participating in the Procurement Review Group, they're  
5 seeing the information.

6           So the question is for folks who are outside the  
7 Procurement Review Group, you know, not seeing the  
8 information.

9           And so with respect to transparency is your  
10 concern that in the Procurement Review Group process  
11 information's not being provided to Procurement Review Group  
12 members or something else?

13           COMMISSIONER BOYD: I think my concern's a little  
14 broader than that in terms of equity within the -- in the  
15 entire -- for the people of the State of California and the  
16 entire process that we're involved in here.

17           MR. STRAUSS: And I think the key element is in  
18 contract procurement, the variety of standards out there.  
19 All right, I mean, we've got a sealed bid process in the way  
20 the U.S. government, you know, often auctions off a number  
21 of things.

22           For new power plants in the State of California  
23 which, you know, each one has a unique set of properties,  
24 there's a lot of particularities to a particular  
25 development, and there's a lot of uniqueness and

1 negotiations in the permitting process, the siting process,  
2 and so forth. The question is how to really provide a  
3 process that, you know, has the elements of fairness and  
4 competitiveness that is what the State seeks. And how to  
5 demonstrate to those who are participating in the process  
6 and to those outside that process that there's fairness and  
7 competitiveness.

8 I agree that's, you know, certainly a central  
9 issue.

10 COMMISSIONER BOYD: Enough said.

11 COMMISSIONER BYRON: Commissioner, thank you. Let  
12 me ask a couple questions. Mr. Strauss, thank you for your  
13 comments.

14 I liked your folksy approach to this. I know you  
15 in a prior life somewhere, I think.

16 Let's see if I can understand the comments, if I  
17 can read my own writing?

18 You asked this question a couple of times, how can  
19 the hybrid market be improved and is it serving us well?

20 And, of course, I couldn't help but note to whose  
21 benefit, to whose satisfaction?

22 I think our stated interests are the same, we're  
23 interested in what clearly benefits customers in the long  
24 run.

25 Can you tell me, does the 2006 procurement

1 decision the PUC did, and I know they've modified it  
2 numerous times, where I believe they stated a 50 percent  
3 hybrid market, 50 percent utility-owned generation, 50  
4 percent independent; does that still stand?

5 MR. STRAUSS: Actually, that was not the  
6 Commission decision, the Commission rejected that. PG&E was  
7 a proponent of that possible outcome, one way to execute the  
8 hybrid market, but the PUC rejected that and does not have  
9 that as policy.

10 COMMISSIONER BYRON: I accept that. I believe I'm  
11 referring back to the press announcement that I remember  
12 reading, that PG&E put out in 2006 on their procurement, and  
13 I think it had something to that effect in it, I think  
14 that's where I picked that up.

15 MR. STRAUSS: Sure, sure, and just to speak to  
16 that, that refers to the RFO where there were 2,000  
17 megawatts procured, you know, of those five contracts, and  
18 four PPAs, one contract for a PSA and one contract for the  
19 EPC at Humboldt.

20 And there, actually, it's a bit less than 50  
21 percent utility ownership in terms of the megawatts.

22 I'll just note that some of the megawatts for the  
23 PPA, some of them were peaking units rather than combined  
24 cycle units. And so if one looks at potential energy  
25 generation rather than sheer megawatts, it's a little bit

1 different. But either case it's less than 50 percent.

2 COMMISSIONER BYRON: All right. And, of course,  
3 you mentioned Colusa, which is PG&E, a utility-owned  
4 generation unit?

5 MR. STRAUSS: That was one of the -- that was the  
6 ownership contract emerging out of that solicitation, that  
7 RFO.

8 COMMISSIONER BYRON: You mentioned Humboldt, which  
9 is PG&E utility-owned generation.

10 MR. STRAUSS: Uh-hum.

11 COMMISSIONER BYRON: You mentioned Gateway,  
12 utility-owned generation.

13 You mentioned Tesla, which was an attempt at PG&E  
14 utility-owned generation.

15 Are there any other applications before the  
16 Commission, now, that will if not currently, it will be  
17 planned utility-owned generation by PG&E?

18 MR. STRAUSS: Yes, I mentioned our 2008-09 long-  
19 term solicitation that we just completed; we have  
20 application for three contracts for new resources. Two of  
21 them are PPA and one of them is a PSA. So the PPAs are  
22 about 900 megawatts and the PSA is a little less than 600  
23 megawatts, and so that's pending right now.

24 COMMISSIONER BYRON: And PSA stands for?

25 MR. STRAUSS: A purchase and sales agreement. So

1 that's the build-on transfer model, where someone else --

2 COMMISSIONER BYRON: Okay. I hadn't heard PSA  
3 since that airline went out of business.

4 So the build-on transfer I understand, so that's  
5 PSA.

6 Are the other two units that you're referring to  
7 units that PG&E is considering acquiring?

8 MR. STRAUSS: No, those are -- one if the Merritt  
9 Marsh Landing project, the other is the Mariposa project.  
10 Both of them have, you know, long-term PPAs.

11 COMMISSIONER BYRON: And this is what I mean by  
12 this Commission, the interests are aligned with regard to  
13 the procurement groups. It's just that the outcome is  
14 troubling because it's not a totally visible or transparent  
15 process.

16 You indicate there's a lot of folks that are  
17 getting access to this confidential information. But I  
18 think we've found that that's not necessarily the case.

19 We are so glad the PUC is participating in this to  
20 a great extent.

21 But in terms of non-market participants, I believe  
22 my intel and, of course, I'm not there and you could correct  
23 me, is primarily one organization that's present at most all  
24 of the PPA meetings.

25 MR. STRAUSS: Actually --

1           COMMISSIONER BYRON: I'm sorry, PRG, Procurement  
2 Review Group.

3           MR. STRAUSS: Sure. The consumer group, the  
4 consumer group, TERN, is very much present. The division of  
5 ratepayer advocates is very much present, and we've had off  
6 and on participant from the union, from concerned  
7 scientists --

8           COMMISSIONER BYRON: Right.

9           MR. STRAUSS: -- the NRDC and so forth.

10          COMMISSIONER BYRON: And are all of those  
11 participants drawing intervenor compensation?

12          MR. STRAUSS: DRA does not --

13          COMMISSIONER BYRON: No, DRA is a government  
14 agency.

15          MR. STRAUSS: Exactly. So the others, I believe,  
16 you know, do try to collect compensation.

17          COMMISSIONER BYRON: And so this is another  
18 obvious concern that this Commission has and we --

19          MR. STRAUSS: I believe that many of the folks who  
20 would be participating in the IEPR process, in the 36  
21 workshops would love to get intervenor compensation for  
22 participating in them.

23          COMMISSIONER BYRON: And they won't be.

24          MR. STRAUSS: Exactly.

25          COMMISSIONER BYRON: But this -- you know, this is

1 something, this is an artifact that's happened as a result  
2 of efforts to allow efforts into the PUC process that's so  
3 difficult, and litigious, and complicated. But this is one  
4 of these things that ends up distorting the process.

5 It would seem to me that the utilities, the  
6 investor-owned utilities have figured out how to use that to  
7 their advantage through these Procurement Review Groups. We  
8 are not quite buying in to the transparency argument.

9 Let's see I think I have one more question.

10 MR. STRAUSS: I just -- I just, you know, data  
11 solicitation has taken a -- each one took about 18 months.

12 COMMISSIONER BYRON: Yeah, why is that?

13 MR. STRAUSS: And there were about 20 meetings  
14 with the PRG over that time to review the offers and end up  
15 and -- you know, we welcome non-market participants,  
16 customer interest groups to participate in that process,  
17 just note it's a time consuming one and it's a challenging  
18 one.

19 COMMISSIONER BYRON: Yes, it is. And that's part  
20 of the reason that we pulled Energy Commission resources.  
21 We don't quite have them to share to that extent and to  
22 participate in this untransparent process, opaque process, I  
23 guess, is the word I'm looking for.

24 You know, I think I'll stop there. I do want to  
25 make sure that I mention that we appreciate very much PG&E's

1 level of participation. The mere fact that you're here  
2 because we put a sentence in our notice around this subject  
3 matter, we appreciate it very much.

4 The fact is that we just haven't been able to get  
5 to all the topics we want to. We did a substantial workshop  
6 on this a year ago.

7 But just having you here and taking the time to  
8 answer these questions and provide your input, very helpful.  
9 We would welcome additional written input on this subject  
10 matter to the extent you can provide it.

11 And I also wanted to mention the level of  
12 commitment that we've gotten at the executive level on down  
13 from PG&E is very much appreciated on this IEPR process.

14 I have one more card to call.

15 MR. STRAUSS: And I would just like to conclude by  
16 saying, you know, we're committed to the ongoing dialogue  
17 around these issues, so thank you for the opportunity.

18 COMMISSIONER BYRON: Thank you. Mr. Johnson, did  
19 you want to make some remarks, please, Aaron Johnson, PG&E?

20 MR. JOHNSON: Thank you, Commissioners.

21 Primarily, I, too, came today because of a  
22 sentence in the notice that there was a desire to discuss  
23 the 33 percent renewable issue. My title at PG&E is  
24 Director Renewable Energy Policy and Strategy, and I really  
25 was here predominantly to answer any questions you had about

1 the 33 percent issue.

2           Since you've given me the mike for a couple  
3 minutes, I will quickly touch on an issue that I think isn't  
4 emphasized in the IEPR, though it is referenced, which is  
5 the now underway effort to implement the Governor's  
6 executive order on the 33 percent standard at the Air  
7 Resources Board.

8           And I'd just like to leave you with a couple of  
9 high level thoughts about that process, as you begin that  
10 process.

11           We worked pretty diligently and I'm still coming  
12 to grips with the fact that a bill that I invested a lot of  
13 my own time into is no longer with us as of Sunday night.  
14 But I think there are some lessons to be drawn from that  
15 process, that are very essential to incorporate into that  
16 ARB process, and to the extent the Commission will be a part  
17 of that process.

18           My overarching concern is that that process should  
19 be what I would say, a light process. Part of PG&E's  
20 support for the 33 percent renewable legislation, which had  
21 a variety of interest on both sides of the ledger, came from  
22 getting some certainty around a 33 percent mandate which has  
23 been, you know, evolving as a policy of the State for a  
24 number of years but is not codified yet, and we'd really  
25 like to see that effort codified.

1           And we believe, you know, that it's likely that  
2 the Legislature will eventually reach an agreement with the  
3 Governor and codify that be it, you know, this coming  
4 legislative session, perhaps in future years.

5           And so our primary concern in approaching that is  
6 that the ARB process not change the rules of the game in the  
7 RPS too much and take us in a different course than where we  
8 are today and then have the Legislature move back on the  
9 course that it's been on with the statutory mandates on the  
10 renewables front.

11           So there are two areas that we think it would be  
12 useful for the ARB to look at getting into and possibly  
13 changing in the renewables spectrum for that implementation  
14 of the executive order.

15           And those are, first off, the eligibility of  
16 resources and really considering something PG&E's been  
17 advocating for, which is really expanding the eligibility of  
18 resources that meet the RPS definition.

19           And to be very specific, you know, we have a great  
20 interest, a well-publicized interest in building a --  
21 potentially partnering with other utilities to build a  
22 significant transmission line up into Canada and possibly  
23 accessing some really phenomenal renewable resources up  
24 there and tapping those not only for California, but the  
25 entire west.

1           And one of the things that really makes that line  
2 economically viable is looking at considering slightly  
3 larger small hydro, that is plants under 50 megawatts. And  
4 that's something we'd like to see considered in the ARB  
5 process or, at the very least studied. And we have been a  
6 proponent in the RPS legislation to have the CEC actually do  
7 a study to look at what the environmental impacts would be  
8 of those slightly larger small hydro facilities.

9           The second key piece to the legislation or to the  
10 implementation of the executive order is also something that  
11 was in the legislation, which is really setting reasonable  
12 targets around how long we need to make the RPS program  
13 succeed.

14           I, for one, am very confident that we're going to  
15 succeed in this effort. I think our ability to meet the  
16 timelines we've set for ourselves and that policymakers have  
17 set for the utilities is going to be a challenge. And as we  
18 look towards 33 percent can we have more of interim  
19 deadlines as we move towards that 33 percent goal that  
20 recognize the lumpy nature, recognize these resources coming  
21 online, and also that recognize some of the siting,  
22 permitting, transmission challenges that face a lot of these  
23 resources and the fact that we need some additional time to  
24 bring those resources online.

25           So those are a couple of thoughts of things that

1 we think would be helpful to see in an ARB process. We will  
2 be an active participant in that process when it begins and  
3 I'd be happy to take any questions you have.

4 We will also submit some additional detailed  
5 comments on the renewables section of the IEPR, but we'll  
6 just submit those in writing.

7 COMMISSIONER BOYD: No questions.

8 COMMISSIONER BYRON: Very good, Mr. Johnson, thank  
9 you very much.

10 I'm going to make one more -- please, go ahead and  
11 have a seat.

12 I'm going to make one more solicitation for any  
13 final public comments and then make a few requests with  
14 regards to specific input that the IEPR Committee is looking  
15 for with regard to the issues that we raised in the notice  
16 on 33 percent renewable portfolio standard, hybrid electric  
17 market, and improving electricity procurement.

18 MS. KOROSSEC: Commissioner Byron?

19 COMMISSIONER BYRON: Yes?

20 MS. KOROSSEC: We do have a commenter on WebEx --

21 COMMISSIONER BYRON: All right.

22 MS. KOROSSEC: -- that would like to speak. That's  
23 Bill Keese. Could you go ahead and open his line?

24 Okay, Bill, your line's open, do you want to ask  
25 your question or make a comment?

1           MR. KEESE: Yes, I've enjoyed your comments today.  
2 I'm going to speak on behalf of a power storage developer  
3 and I've spoken to a number of you, first, Eagle Crest  
4 Energy, who is developing a 1,300 megawatt pump storage  
5 facility east of Indio.

6           And I appreciate the fact that there have  
7 been -- has been movement in the IEPR to recognize storage.  
8 I will note, when you speak of supply and demand, we're in  
9 the process, we'll be coming out with our permit we expect  
10 within the year, but it doesn't show up, necessarily, in  
11 the -- when you look at supply and demand.

12           In the renewables area there is one recommendation  
13 and that is that PIER should continue its research efforts  
14 on the appropriate specifications for storage.

15           In the transmission area there is no reference to  
16 this project, but that's understandable, we have not applied  
17 to the ISO to get in the queue, yet.

18           And the Smart Grid, which I can say on not too  
19 much, bulk storage is going to be a very significant factor  
20 in the Smart Grid. I would say also in coordinated  
21 electricity system planning.

22           We'll be submitting written comments, but what  
23 we'd like to see, to piggy-back on another, we'd like to see  
24 a recommendation about the problems. Because the problems  
25 with integrating renewables, storage is going to be one of

1 the critical problems. And the problem with storage today  
2 is how the system will compensate for the benefits, whether  
3 it's firming renewables, whether it's taking nighttime power  
4 and moving it to daytime, whether it's flash start, whether  
5 it's regulation, whether it's any of those other benefits  
6 there's going to have to be a way to figure out how to  
7 appropriately compensate for that service.

8           So we will submit some specific comments to you.  
9 We thank you for including three or four pages on storage in  
10 the IEPR, we just hope that we can move it from page 185 up  
11 to maybe page 5 or 6.

12           COMMISSIONER BYRON: Do you want your own section?  
13           (Laughter.)

14           MR. KEESE: No, no, there's a comment up on, I  
15 think, page 6 or 7 that storage would be useful. I might  
16 change that word, suggest changing that word to "necessary"  
17 or "extremely important" or something. Storage is not going  
18 to be just useful to the new grid, it seems to us, and most  
19 of the people we're talking to, but critical.

20           You know, we're late in getting you information  
21 and perhaps the fullest iteration of the 2011 IEPR, that you  
22 may not be around for as I hear, but we do want to make sure  
23 that any of the transmission planning that goes forward,  
24 system planning, Smart Grid takes into consideration what  
25 will be there.

1 Pump storage off the, in our case, ten miles from  
2 a main grid line is going to take -- be demand and supply,  
3 but it would be hard to plan a grid without taking into  
4 consideration that that's where it's going to be.

5 COMMISSIONER BYRON: Mr. Keese?

6 MR. KEESE: Now, we do have a timeline here. If  
7 we get our permit, too, in August or September of next year,  
8 it will still be 2016 before we're fully operational.

9 COMMISSIONER BYRON: Mr. Keese, I really appreciate  
10 your coming on with comments with regard to this issue. I  
11 think we should let everyone know, that doesn't, that Mr.  
12 Keese is a former chairman of this Commission and it's so  
13 good to have you still involved in these issues.

14 Mr. Keese did come in and brief me a number of  
15 months ago with regard to this project and I think it's  
16 extremely exciting, has a great deal of potential. I have  
17 discussed it since then with members of the Public Utilities  
18 Commission, as well as the Independent System Operator,  
19 because I think it does fulfill -- it does fill a very  
20 important niche.

21 I accept your comments with regard to how  
22 important this could be to the operation of the grid and the  
23 integration of renewables and we will certainly look at the  
24 IEPR and how we might modify it to address large storage and  
25 the revenue streams that will be necessary to provide the

1 correct incentives and compensation for large storage.

2 MR. KEESE: Thanks. We'll be submitting comments  
3 both in the print by the -- which we'd like them by the 23<sup>rd</sup>  
4 and you by the 28<sup>th</sup>.

5 COMMISSIONER BYRON: Thank you, former chairman  
6 Keese. And with regard to my not being involved in the 2011  
7 IEPR, I believe you understand how all good things come to  
8 an end, my term ends in 2010.

9 Commissioner Boyd?

10 MR. KEESE: Yes.

11 COMMISSIONER BOYD: Hi, Bill, thank you for your  
12 comments. I agree with what Commissioner Byron said about  
13 us taking a look at this. And we may be a little bit guilty  
14 of not calling out enough attention in the IEPR to this  
15 subject, but let me assure you we talk about it internally  
16 an awful lot, and there's an awful lot of talk amongst the  
17 energy agencies about the intermittency issue, about the  
18 various technologies that can be pursued, about pump storage  
19 particularly in relation to wind. It has a -- you know, we  
20 don't need much research, it's a fairly proven thing about  
21 molten salt approaches on some types of solar technologies,  
22 et cetera, et cetera.

23 And so energy storage -- and either about  
24 batteries and other applications, so energy storage is  
25 important to us and maybe we need to take a good look that

1 we acknowledge that.

2 COMMISSIONER BYRON: We will. Thank you.

3 Any additional comments?

4 MS. KOROSEC: We have no more folks on the WebEx  
5 who wish to make any comments.

6 COMMISSIONER BYRON: All right, last chance in the  
7 room?

8 I'd like to provide just a little bit additional  
9 direction with regard to this paragraph that we've added,  
10 and Commissioner Boyd may have some comments as well. And  
11 I'll be candid with you, there's a great deal that goes on  
12 to pull this report together.

13 The siting load case, the travel, the  
14 presentations, there's just so many things pulling at our  
15 time we have not fully addressed all these issues to the  
16 extent we would like.

17 So with regard to the integration of 33 percent  
18 renewables, obviously, things have changed somewhat in the  
19 last week or so with the executive order being implemented  
20 and the Governor's veto of the codification of an RPS for 33  
21 percent, as Mr. Johnson indicated.

22 We would certainly be interested in hearing what  
23 others have to say about the direction that we're headed now  
24 with implementing 33 percent. I think your input could be  
25 very valuable to this Commission and we would certainly

1 consider recommendations for the Governor and the  
2 Legislature around that particular subject, because it's so  
3 important.

4           The second is the -- with regard to procurement  
5 and the hybrid electricity market, we would be interested in  
6 the recommendation or modifications that anyone would care  
7 to suggest that we could make to this process going forward.

8           As I think you all know -- well, let me put it to  
9 you this way, how we address once-through cooling and the  
10 priority reserve issue with regard to available emission  
11 reduction credit in the South Coast Air Quality District,  
12 these issues are clearly tied to procurement and we are  
13 looking for recommendations with regard to how we can break  
14 that, I'll call it a log jam at this point.

15           And the other issue that's come up somewhat here  
16 today around need conformance, you know, that this  
17 Commission has been working with the other energy agencies,  
18 with the Governor's office, and other stakeholders to look  
19 at how the State may have a role that could help break this  
20 once-through cooling priority reserve log jam. And when I  
21 say that I'm just combining the two issues, the retiring of  
22 aging coastal power plants with the permitting of more  
23 efficient power plants that we right now are forbidden from  
24 permitting as a result of no ECRs being available.

25           So I apologize if I'm not being clear, but we are

1 looking for additional input in those areas, and to the  
2 extent stakeholders feel as though they can make some  
3 recommendations, we would certainly be interested in  
4 entertaining them. And that was my primary reason for  
5 adding those components into the notice for this meeting.

6 Commissioner Boyd, before I adjourn the meeting,  
7 would you like to say anything?

8 COMMISSIONER BOYD: I'm not going to add anything  
9 on process and procedure, but I did forget or neglect,  
10 meaning I forgot, to respond to one item that Mark Krausse  
11 brought up from PG&E, I got off on my nuclear and seismic  
12 tangent.

13 Mark mentioned, on the subject of renewables he  
14 talked about, in effect, biogas, and dairy digesters, and  
15 the Regional Water Quality Control Board, but the meetings  
16 in the Governor's office and what have you, and he made a  
17 pitch for -- he joined the long list of people who's made a  
18 pitch to us for PIER funding to help finance the production  
19 of a programmatic EIR, which we are considering.

20 However, I want to point this -- the idea for a  
21 programmatic EIR I believe came from the Regional Water  
22 Quality Control Board, but the bases of these meetings or  
23 the genesis of the meetings was the air quality concerns  
24 relative to biodigester work in the valley, and the fact  
25 that people have trouble getting permits. Those are people

1 who want to generate electricity, not people who want to  
2 inject their gas into the gas grid.

3           And it grew into or retreated back to the long,  
4 long-term problem of water quality problems being the driver  
5 of so much of this and the need of the water folks for  
6 clarity, and thus the idea of doing a programmatic EIR,  
7 which I think is fine.

8           But quite frankly I told that group and I'll say  
9 it in public that that's going to take a long time and it's  
10 going to be very confusing. And the problem we have is we  
11 need to do something right now to break this log jam. And  
12 so, frankly, as the chair of the Governor's Bioenergy  
13 Working Group I am trying to pursue other avenues of finding  
14 shovel-ready projects who have some kind of a problem that  
15 we can perhaps clear up.

16           And I'm aware of several folks who may have even  
17 have contracts with PG&E, who were going to build a European  
18 style above-ground digesters seemed the most promising to  
19 me, but they've run into the financial dilemma, and that's  
20 what we're trying to pursue.

21           And Mark, I may come back and talk to you some  
22 more about that. Because these looked really shovel-ready  
23 and ready to go, and have no water quality problems, and  
24 have no air quality problems because they would be direct  
25 gas injection into the grid.

1           In any event, I'm very keen on that and would like  
2 to pursue that.

3           And whether or not we cough in dollars for a  
4 programmatic EIR is not going to solve this problem on my  
5 watch as a Commissioner, and I don't intend to go for a  
6 third term, so I'll make that a public statement.

7           In any event, I'm sorry I neglected to mention  
8 that. That's all I have, Mr. Chair.

9           COMMISSIONER BYRON: No third term, Commissioner?

10          COMMISSIONER BOYD: No way.

11          COMMISSIONER BYRON: Well --

12          COMMISSIONER BOYD: I'm tired.

13          COMMISSIONER BYRON: There's the saying at the  
14 Commission that if you serve a second term it's because  
15 you're really valued, but a third term means you can't find  
16 a job.

17          (Laughter.)

18          COMMISSIONER BOYD: I don't want another job,  
19 either.

20          COMMISSIONER BYRON: Commissioner, we really  
21 did -- your service to this Commission is extraordinary.  
22 I'd like to personally thank you for your involvement in the  
23 IEPR work that we're doing and certainly need your utmost  
24 help here over the course of the next few months.

25          COMMISSIONER BOYD: Well, you're very welcome.

1 You're a very good chairman. I still don't know if you're  
2 guilty, though, of roping me back into the IEPR. I did my  
3 three tours of duty and thought that was the end of any  
4 enlistment, or even if you're drafting me --

5 COMMISSIONER BYRON: No.

6 COMMISSIONER BOYD: And Mr. Keese, the former  
7 chairman, is originally guilty.

8 COMMISSIONER BYRON: Okay. Most of all I'd like  
9 to thank all of you here today, very patient, your input is  
10 extremely important, look forward to written comments. I  
11 know it takes time, but I can assure you they will be  
12 carefully considered and evaluated.

13 And if you want to scream in your comments, we  
14 would understand, also.

15 I've taken a lot away from today's meeting. What  
16 I mean is I've gotten a lot of good input and suggestions.  
17 I'd like Ms. Korosec to take a second and review for us the  
18 schedule for receiving those written comments and just take  
19 a minute, if you will, and then we'll just close the  
20 meeting.

21 MS. KOROSEC: Okay, yes. Just a reminder that  
22 written comments are due by 5:00 p.m., on October 28<sup>th</sup>, our  
23 next steps will be to review those comments and to revise  
24 the report, which is expected to be released mid-November,  
25 for adoption on December 2<sup>nd</sup>.

