

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, JUNE 13, 2001

10:08 A.M.

Reported by:
Valorie Phillips
Contract No. 150-99-002

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William Keese, Chairman

Michal Moore

Robert A. Laurie

Robert Pernel

Arthur Rosenfeld

James Boyd, Ex Officio

STAFF PRESENT

Steve Larson

William Chamberlain

Bob Eller

Marc Pryor

Bob Haussler

Peter Villanueva

Mignon Marks

Manwar Masri

Tim Tutt

Ann Peterson

Tim Olson

Elaine Sison-Lebrilla

Mark Jones

David Hatfield

Dora Yen

James Reede

D. Stephen Williams

PUBLIC ADVISER

Priscilla Ross

ALSO PRESENT

Dale E. Mespl
RAMCO

Josie Lopez-Calderon

Michael Meacham
City of Chula Vista

Daniel Spear
San Diego Air Pollution Control District

Mary Griffin
Kern Audubon Society

Michael J. Carroll, Attorney
Latham and Watkins

Scott A. Galati, Attorney
Grattan and Galati

Robert R. Hren
InterGen North America

Steven Kelly
Independent Energy Producers Association

Jean Pierre Batmale
RealEnergy

Keri Smith
PowerLight Corporation

Peter O'Donnell
Blue Energy

Nancy Rader
California Wind Energy Association

Pete Price
Small Wind Turbine Committee of the
American Wind Energy Association

ALSO PRESENT

Dave Konwinski
Onsite Power Systems

Bob Judd
California Biomass Alliance

Bob Lucas
International Fuel Cells
Division of United Technologies

Manuel Alvarez
Southern California Edison Company

Dan Jacobson
California Public Interest Research Group

James A. Westbrook
Westbrook Environmental, Inc.

Bruce E. Blowey
Magnolia Power Project

Melanie McCutchan

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

2 10:08 a.m.

3 CHAIRMAN KEESE: I call this meeting of
4 the Energy Commission to order. Commissioner
5 Rosenfeld, would you lead us in the Pledge,
6 please.

7 (Whereupon, the Pledge of Allegiance was
8 recited in unison.)

9 CHAIRMAN KEESE: Thank you. We call
10 this meeting to order. We will first take up the
11 consent calendar. Do I have a motion on the
12 consent calendar?

13 COMMISSIONER MOORE: Move consent.

14 COMMISSIONER ROSENFELD: Second.

15 CHAIRMAN KEESE: Motion, Commissioner
16 Moore; second, Commissioner Rosenfeld.

17 COMMISSIONER MOORE: You might want to
18 ask if anyone, just dawned on me there may be
19 people who want to address this on the change of
20 ownership.

21 CHAIRMAN KEESE: Do we have anybody who
22 wishes to address the issue of the Pastoria Energy
23 Facility? Pardon?

24 MS. GRIFFIN: Mary Griffin, Kern
25 Audubon.

1 CHAIRMAN KEESE: All right. What we
2 have is one item, the Pastoria Energy Facility.
3 Consideration and possible approval of a petition
4 for a change of ownership. And you'd like to say?
5 Please identify yourself and make your comment.

6 MS. GRIFFIN: Mary Griffin, Kern Audubon
7 Society. And I didn't receive a copy of the
8 agenda, therefore I couldn't pull it up on mine.

9 Kern Audubon was an intervenor in the
10 Pastoria Project. And we feel that there were
11 several issues that haven't been addressed. And
12 in some cases, completely overlooked.

13 CHAIRMAN KEESE: The issue before us is
14 a change of ownership.

15 MS. GRIFFIN: Um-hum.

16 CHAIRMAN KEESE: Are you objecting to
17 the change of ownership?

18 MS. GRIFFIN: No.

19 CHAIRMAN KEESE: Okay.

20 COMMISSIONER MOORE: Mr. Chairman, they,
21 I believe, are letting us know that they will be
22 active in the next phase, and it would be
23 appropriate to hear from them, of course, in the
24 hearings. Commissioner Laurie, I believe, is ably
25 chairing that next phase. And it would be

1 appropriate to make sure that they get the
2 notification.

3 CHAIRMAN KEESE: Thank you. You have
4 our website?

5 MS. GRIFFIN: Yes, I do.

6 CHAIRMAN KEESE: Well, staff will make
7 sure that activities regarding Pastoria are on the
8 website. We will confirm that.

9 This issue is a change of ownership. I
10 have a motion and a second. All in favor?

11 (Ayes.)

12 CHAIRMAN KEESE: Opposed? Adopted five
13 to nothing.

14 COMMISSIONER MOORE: Let me just note,
15 Mr. Chairman, that anybody can ask for special
16 notice. So, if a person has an interest in a
17 particular case, make sure they send a note to the
18 Public Adviser's office asking for special notice.
19 So I wouldn't expect anybody to check our website
20 everyday.

21 So, it would be our obligation, once
22 they notice the Public Adviser's office, to keep
23 them apprised.

24 CHAIRMAN KEESE: Thank you. Before we
25 get started, we have items 31, 32 to 33 on an

1 additional agenda.

2 Item 31 we're putting over until the
3 25th, our meeting on June 25th. I would like a
4 motion to add to the agenda items 32 and 33, the
5 Magnolia Power Plant.

6 COMMISSIONER LAURIE: Mr. Chairman, I
7 move to move the Calpine Project to the 25th. And
8 to add items 32 and 33 on the Magnolia Power Plant
9 project to this agenda.

10 COMMISSIONER ROSENFELD: Second.

11 CHAIRMAN KEESE: Motion by Commissioner
12 Moore; second by Commissioner Rosenfeld. All in
13 favor?

14 (Ayes.)

15 CHAIRMAN KEESE: Opposed?

16 (No response.)

17 CHAIRMAN KEESE: With that, we will now
18 take up the Chula Vista Peaker Generating Station.
19 Consideration and possible adoption of the
20 Committee's Proposed Decision for the Chula Vista
21 Peaker Generating Station Project.

22 This was an item that was on our last
23 meeting, and was continued to this meeting.

24 COMMISSIONER LAURIE: I call on Mr.
25 Eller, Mr. Chairman.

1 CHAIRMAN KEESE: Mr. Eller.

2 MR. ELLER: Good morning, Commissioners,
3 Bob Eller, Commission Staff.

4 Last night and in front of you this
5 morning is a package, three packages actually.
6 One is the staff supplemental assessment filed
7 last evening, responding to the comments of the
8 City of Chula Vista.

9 That contains a cumulative air analysis
10 of criteria pollutants prepared by the San Diego
11 Air Pollution Control District.

12 Two additional packages were received
13 this morning from the District. A revision to
14 that cumulative assessment dated June 13th from
15 Daniel Spear, who I believe may be on the
16 teleconference. Mr. Spear, are you there?

17 MR. SPEAR: Yes, I am.

18 MR. ELLER: Thank you. Also is a
19 cumulative health risk from the Otay Mesa Turbine
20 Projects prepared by the District on June 12th.

21 I would look to the Commission on how
22 they want me to proceed with the response to the
23 comments. If they want me to go through them in
24 detail or if they would like me to respond to
25 questions.

1 CHAIRMAN KEESE: Commissioner Laurie,
2 are you familiar with these?

3 COMMISSIONER LAURIE: I'm familiar with
4 it from the standpoint of having received the
5 information this morning. Certainly familiar with
6 the issues, and I have reviewed the information
7 that has been submitted.

8 I'd be interested in any additional
9 public input at this time before I offer a
10 recommendation, Mr. Chairman.

11 CHAIRMAN KEESE: Do we have anybody in
12 the audience who cares to comment on this? Why
13 don't we hear the applicant. Applicant, do you
14 have any comments at this time?

15 MR. MESPLER: Dale Mespl, representing
16 RAMCO. The only comment I have is condition
17 number two that staff has suggested. I just need
18 a clarification that the construction of the sound
19 wall would occur prior to turbine firing, rather
20 than start of construction.

21 MR. ELLER: That was staff's intent, and
22 we would certainly accept that change.

23 CHAIRMAN KEESE: Thank you. Do we have
24 anybody in the audience who wishes to speak to
25 this issue? Do we have anybody on the phone who

1 wishes to speak to this issue? Chula Vista.

2 MR. MEACHAM: Mr. Chair and
3 Commissioners, the City of Chula Vista has not
4 received, to the best of my knowledge, comment
5 from the CEC Staff.

6 And we do have for you, which we greatly
7 appreciate the efforts by the Public Adviser's
8 office. They have been great throughout the whole
9 process. This morning and last night, in
10 particular, working with us on this short notice
11 to try to get you the maps.

12 Our intent was providing you the maps
13 was in response to some of the comments that were
14 made on Monday of not being in Chula Vista,
15 perhaps not being -- what we did was develop a
16 map, ourselves, that showed the sites from the
17 statistics provided by the San Diego Air Pollution
18 Control District so that you could see where they
19 recently proposed and/or approved peaker plants
20 and baseload plants in San Diego County are
21 located.

22 And then the map demonstrates that there
23 are two existing -- two baseload plants, and five,
24 with a potential sixth, proposed peaker plants in
25 an area that represents 5 percent or less of the

1 County's total mass.

2 And also some population maps which we
3 based on the CEC's own statistical basis, rather
4 should be San Diego's statistical basis, but on
5 the criteria set forth by the CEC on population
6 and ethnicity. And we took the major ethnic
7 populations in the County and used the same
8 statistical base to develop maps that -- makes
9 available through their internet mapping system,
10 to show that the concentrations of these
11 populations are, in fact, in the affected area.

12 CHAIRMAN KEESE: Thank you. The
13 Commissioners do have this in front of them, and
14 I'm sure staff does, also.

15 MR. ELLER: Yes, we do.

16 MR. MEACHAM: One other thing that might
17 be helpful since we did not receive CEC Staff
18 comments, staff could at least summarize those
19 comments for us.

20 CHAIRMAN KEESE: You're one step ahead
21 of me here. I was going to ask staff if they
22 would summarize their comments.

23 MR. ELLER: The comments were posted to
24 our website last night approximately 8:00 p.m.
25 They are available there now if they would like to

1 download them and read them.

2 Generally, staff did not find the
3 comments of the City of Chula Vista persuasive.
4 We have examined the cumulative air impacts and
5 the District has provided us analysis of
6 cumulative health risks and impacts.

7 That analysis shows that the
8 installation of the RAMCO facility, Chula Vista
9 II, the other facilities in the area, the Otay
10 Mesa Generating facility, the Larkspur facility
11 and the upcoming CalPeak facility do not result in
12 an exceedance of applicable California and federal
13 ambient air quality standards.

14 They performed a cumulative health risk
15 analysis yesterday. It shows they can combine
16 cancer risk from those same projects, at most 1.18
17 per million. And the District's regulatory level
18 of concern for cancer is a maximum lifetime cancer
19 risk of 1 per million for individual projects, or
20 10 per million for an individual project with best
21 available control technologies installed, which
22 the facilities in question do.

23 They assumed in that analysis, and I
24 think it's important to note, that the distillate
25 fuel for operations at Larkspur are 680 hours per

1 year.

2 With regard to the City of Chula Vista's
3 comments on natural gas consumption, they asserted
4 that the project will use two to three times as
5 much natural gas as the Otay Mesa Plant to
6 generate a comparable amount of electricity.

7 Staff believes that the City's
8 comparison of the Chula Vista II project's fuel
9 efficiency to the Otay Mesa project is invalid.
10 The Otay project is a large facility, which
11 operates as a baseload plant. It's intended to
12 operate for long periods of time at full load.

13 The Chula Vista II project is a much
14 smaller facility and is intended to operate as a
15 peaker. As such it can be called on to start up
16 quickly and operate for a few hours, and then shut
17 down as system conditions warrant.

18 There was a comment about environmental
19 impact inequities. In a discussion of the trend
20 of relaxation of the issues relating to NOx
21 standards, we pointed out in our comments that the
22 NOx relaxation for this summer is part of the
23 Governor's order, and was developed by the Air
24 Resources Board, the federal EPA, and the local
25 Districts.

1 The City believes that the proposed
2 Chula Vista II facility is not in compliance with
3 applicable state laws, ordinances, regulations and
4 standards, and that the Commission must make a
5 finding of public convenience and necessity before
6 approving this project.

7 Staff believes that the area the project
8 is being developed in is zoned appropriately and
9 is available for development without an override
10 public finding.

11 We have examined the additional
12 requirements the City wished to impose if the
13 Commission wished to proceed with the project.
14 Condition one was all conditions adopted by the
15 agency for phase I will be incorporated and
16 adopted for phase II.

17 Staff believes that the implementation
18 of the special use conditions placed on the Chula
19 Vista I project by the City are appropriate for
20 the Chula Vista II project. And proposed a
21 modification to land use 1 to incorporate that
22 request.

23 On condition 2, the sound wall that is
24 built on the south side of the property, the City
25 has asked that that be built around the entire

1 perimeter of the site. Staff agrees, and has
2 offered an additional condition, noise 5, which we
3 just modified to allow the sound wall to be
4 erected before the turbine startup.

5 Condition 3, the term of the CEC
6 approval should be limited to three years. If
7 approved for a longer period than three years, the
8 NOx emissions must be reduced to 2 ppm. Staff
9 does not believe the project life should be
10 limited to three years, or that a 2 ppm NOx
11 emission limit is warranted.

12 Condition 4, the City would like the
13 applicant to be required to make a significant
14 contribution to local renewable energy projects or
15 mobile air emission retrofit funding to at least
16 partially mitigate adverse air impacts. And they
17 require that if the applicant violates 2001
18 emission standards and is not required to pay a
19 penalty to the APCD or comparable authority, then
20 the applicant shall pay the penalty amount to the
21 City of Chula Vista for Chula Vista and South Bay
22 regional air pollution mitigation projects.

23 Staff does not believe the City is
24 providing justification which would warrant the
25 imposition of the above conditions, nor are we

1 aware of impacts at this time. The project will
2 receive a valid air permit from the San Diego Air
3 Pollution Control District, which specifies the
4 mitigation required to offset any project impacts.

5 Condition 5, the City has requested that
6 selective catalytic reduction equipment be
7 installed at the earliest possible date, June 1,
8 2002 date is too relaxed a standard.

9 Staff believes the applicant intends to
10 install SCR as soon as possible, but not later
11 than June 1, 2002.

12 And finally, condition 6, the City would
13 like any future applications of this type, by
14 RAMCO or any other entity, to be processed locally
15 or at least in a more extensive CEC process that
16 includes a more complete CEQA review and public
17 process.

18 Staff believes that this comment is
19 beyond the scope of the project currently before
20 the Commission; and in fact, is in conflict with
21 Public Resources Code section 25500 and the
22 Governor's Emergency Orders.

23 Staff believes that all of the impacts
24 of the project have been mitigated and recommends
25 Commission adoption.

1 CHAIRMAN KEESE: Thank you, Mr. Eller.
2 Mr. Chamberlain.

3 MR. CHAMBERLAIN: Mr. Chairman, for the
4 sake of the record, --

5 CHAIRMAN KEESE: Legal counsel.

6 MR. CHAMBERLAIN: Legal counsel, but I'm
7 going to offer you a piece of information that has
8 come to my attention.

9 In response to the City of Chula Vista's
10 concern about the amount of natural gas that this
11 facility would use, I'm referring to a publication
12 known as "Gas Turbine World 2000/2001 Handbook"
13 which shows that the heat rate for a facility like
14 the Otay Mesa facility would be in the range of
15 6000 to 6500 Btus per kilowatt hour.

16 The heat rate for the equipment that is
17 being installed here, the FTA twin pack, is
18 reported at approximately 8900 Btus per kilowatt
19 hour in simple cycle mode. Not two to three times
20 the usage.

21 And I would indicate that 8900 Btus per
22 kilowatt hour is substantially below the heat rate
23 of the South Bay facilities.

24 Therefore, having this facility
25 available would reduce the amount of use of the

1 South Bay facilities which tend to be dirtier.
2 And which are the facilities that often have to go
3 to diesel firing with the lack of availability of
4 facilities of this type.

5 CHAIRMAN KEESE: Thank you.
6 Commissioner Laurie? All right, is there anybody
7 else on the phone who cares to comment on this
8 issue?

9 Commissioner Laurie.

10 COMMISSIONER LAURIE: Thank you, Mr.
11 Chairman. I recognize --

12 CHAIRMAN KEESE: I think we want to
13 hear --

14 MS. ROSS: I'm sorry, can I interrupt
15 you for just a minute? I do want to acknowledge
16 that a letter was received from Bob Filner, a
17 Member of Congress, --

18 CHAIRMAN KEESE: Yeah, that's fine.

19 MS. ROSS: Do you have a copy of it?

20 CHAIRMAN KEESE: The Commissioners have
21 a letter from Congressman Filner. I will
22 summarize it.

23 It is imperative that the cumulative
24 impacts of all these generating plants be
25 considered. He is opposed to the project. Thank

1 you.

2 Commissioner Laurie.

3 COMMISSIONER LAURIE: Mr. Chairman,
4 thank you. I am sensitive to the fact that the
5 public, and I include a municipal jurisdiction in
6 the definition of the public, may feel threatened
7 by the emergency procedure.

8 And I understand that, and I respect
9 that. And I certainly cannot speak to every
10 project that may come to us in the future. I am
11 satisfied that in this project the impacts have
12 been very adequately identified, and the impacts
13 have been adequately mitigated.

14 Recognizing that this is a shortened
15 timeframe, I think the projects do need to fit in
16 within a particular category of areas identified
17 as having insignificant impacts pretty much going
18 in, which was the idea behind the 21-day process
19 to begin with.

20 So, as to this project, I am satisfied
21 that the record and the evidence indicates that
22 impacts have been identified, and impacts have
23 been adequately mitigated.

24 With that, Mr. Chairman, and with the
25 proposed modifications offered by staff this

1 morning, I would move to approve the project with
2 terms and conditions as attached in the proposed
3 decision as modified by Mr. Eller's memorandum of
4 June 12, 2001.

5 COMMISSIONER PERNELL: Second.

6 CHAIRMAN KEESE: Motion by Commissioner
7 Laurie; second, Commissioner Pernell.

8 All in favor?

9 (Ayes.)

10 CHAIRMAN KEESE: Opposed? Adopted five
11 to nothing. Thank you, gentlemen. Hope you can
12 start construction this afternoon.

13 Item 2, LaJolla Energy Development has
14 been moved -- the Baldwin Energy Facility has been
15 moved to the 6/22 special business meeting.
16 That's a week from Friday. Baldwin Energy has
17 been moved.

18 COMMISSIONER PERNELL: Is that the same
19 time, Mr. Chairman?

20 COMMISSIONER LAURIE: I think it's the
21 25th --

22 CHAIRMAN KEESE: I believe that hearing
23 is going to be held at 9:00 in the morning. And
24 for Commissioners' benefits, I believe we're
25 planning four hours. It is 10?

1 COMMISSIONER LAURIE: No, it's at 9:00.
2 Well, we'll have to change the notice.

3 COMMISSIONER PERNELL: All right, I --

4 CHAIRMAN KEESE: It will be at 9:00.
5 We're putting it over until the 22nd at 9:00 a.m.

6 Item 3 -- did you want to make a comment
7 on that?

8 COMMISSIONER PERNELL: I would just say
9 that if the notice, at least for the community and
10 the affected parties, indicates 10:00, then we
11 need to change that, if in fact we're going to
12 meet at 9:00.

13 CHAIRMAN KEESE: Staff has heard that
14 suggestion.

15 Item 3, Ocotillo Energy Project, Phase
16 I. Consideration of the Executive Director's Data
17 Adequacy Recommendation for the Ocotillo Energy
18 Project, Phase I.

19 MR. PRYOR: Good morning, my name is
20 Marc Pryor, I'm with the Siting Division. And I'm
21 the Project Manager for the Ocotillo Phase I.

22 The applicant has come in with a four-
23 month proposal requiring a 15-day data adequacy
24 determination. The proposal would be, the first
25 phase would be a 456 megawatt simple cycle gas

1 fired facility.

2 Our recommendation that was filed the
3 other day included air quality, noise, visual,
4 water inadequacies. Since that time we've had a
5 meeting with the applicant. They have provided
6 more information. And we believe that the only
7 two technical areas that are short are in air
8 quality and water resources.

9 We believe that we will be getting a
10 letter of completeness from the -- indicating
11 completeness from the Air Quality Management
12 District that actually does not say it's complete
13 shortly.

14 We expect to get a letter from the
15 Regional Board that says that the application to
16 them is complete. We have not received either one
17 of those.

18 We do believe that the issues can be
19 addressed in a timely fashion, and we would
20 recommend having this placed on the business
21 meeting for the 22nd.

22 COMMISSIONER PERNELL: I'm sorry, I
23 didn't hear that?

24 CHAIRMAN KEESE: So I believe what I've
25 heard is a recommendation of inadequacy and a

1 suggestion that staff believes the inadequacies
2 will be cured and would suggest that this be put
3 over to the meeting on the 22nd.

4 Applicant?

5 MR. CARROLL: Mike Carroll, Latham and
6 Watkins, on behalf of the applicant.

7 With respect to the two issues, I'll
8 take up the water resources issue first. We are
9 also under the understanding that a letter of
10 completeness is on its way from the Regional Water
11 Quality Control Board. And, in fact, we
12 understand that verbally the staff of the Regional
13 Water Quality Control Board, Mr. Neal Crowl, has
14 indicated that they have adequate information to
15 move forward.

16 So, with respect to that issue we
17 believe that there is a verbal confirmation that
18 the Regional Water Quality Control Board is
19 satisfied, and that we're simply waiting for the
20 letter to arrive over the fax line.

21 With respect to air quality, our
22 understanding from conversations with the South
23 Coast District is that their primary question with
24 respect to the application was the appropriate
25 BACT level for NOx, and whether that should be at

1 9 as proposed by the applicant, or 5.

2 Our firm belief is that equipment of
3 this type with exhaust temperature at this level
4 cannot be equipped with SCR and cannot meet a 5
5 ppm NOx level. And that is why we had proposed 9
6 ppm. That's consistent with a recent decision of
7 the Commission in the Sunrise project, which had
8 similar equipment.

9 We appreciate that there is an issue
10 there where we have a difference of opinion that
11 we need to discuss. Our concern is whether or not
12 that rises to a level of data adequacy.

13 In fact, we think the fact that we have
14 now identified the issue and had some discussions
15 about it would indicate that there is sufficient
16 data for the District to evaluate the application.
17 Otherwise, frankly, we wouldn't realize that the
18 issue is there.

19 We are somewhat frankly frustrated with
20 South Coast District. This issue arose last week.
21 Sent a detailed email message to the District
22 indicating why we proposed what we did, offering
23 to meet with them. I received no response.

24 I followed up with an email on Wednesday
25 of the same effect to the junior level person, the

1 mid level person and Dr. Wallerstein, the
2 Executive Director. I received no response.

3 Yesterday I left three messages with the
4 junior level person and the mid level person by
5 phone. And a message to Dr. Wallerstein by phone.
6 Received no response.

7 I finally got in my car, drove out to
8 the agency and planted myself in the lobby and
9 notified them that I was down there. And that I
10 wasn't leaving until we had an opportunity to
11 discuss this.

12 At about ten minutes after three
13 somebody called and they said you can come up, but
14 we have another meeting that starts at 3:00, which
15 was ten minutes prior, so you don't have a lot of
16 time.

17 So, you know, given that we had two
18 weeks to try to address any issues that they had
19 here, you know, we don't feel that we've gotten
20 the sort of responsiveness that's demanded in the
21 current situation. And we're deeply frustrated by
22 that.

23 And we would urge the Commission to deem
24 this application adequate so that we can move
25 forward to discuss whatever technical issues they

1 have. But, again, we don't feel that what's been
2 identified to us rises to the level of data
3 adequacy. And we think there's the need to put
4 some pressure on the agency to resolve the issue
5 in the form of a deadline for preparing a DOC.

6 CHAIRMAN KEESE: Thank you, Mr. Carroll.
7 Mr. Pryor. I would hope you've had better luck
8 with the agency. Have they indicated to you that
9 they will be getting you documentation?

10 MR. PRYOR: Mr. Haussler just received a
11 letter that was faxed.

12 CHAIRMAN KEESE: Pardon?

13 MR. HAUSSLER: Yeah, we've been in
14 discussions with both the Colorado River Regional
15 Water Quality Control Board on adequacy. We
16 received word from their staff yesterday that they
17 would be considering the information received by
18 the regional board adequate. We got that
19 confirmed this morning with their management. So
20 we're okay with the Regional Water Quality Control
21 Board.

22 We've also been in discussions with
23 South Coast Air Quality Management District, and
24 we just were faxed a letter that was delivered.

25 The District has six items at issue in

1 their letter which relate to manufacturer's
2 information on the GE F Class turbine. And the
3 information necessary to provide for various
4 inputs and outputs of that turbine. Emissions
5 information for commissioning as well as startup.
6 Turbine manufacturer's warranty.

7 The administrative manual information
8 concerning federal EPA's compliance assurance
9 monitoring regulations. A warranty from the
10 manufacturer that the BACT proposed by the
11 applicant can be met by the turbine.

12 And it says that the AQMD is in the
13 process of discussing the NOx CO BACT issue with
14 representatives of CARB and USEPA.

15 CHAIRMAN KEESE: Mr. Pryor, let's call
16 it staff generally, I had heard an indication here
17 that you were confident that these documents would
18 be -- that the needs here would be satisfied so
19 that we could go forward on the 22nd, which is in
20 nine days.

21 Applicant has indicated that they've had
22 a hard time relating, and they want a deadline.
23 Are you suggesting that you have confidence, from
24 what you've just suggested, do you have confidence
25 that we would be ready to go on the 22nd? Or are

1 you changing your mind and saying we're adequate
2 today? Or --

3 MR. HAUSSLER: What I would say is that
4 in today's conversations with South Coast they
5 indicated a reluctance to move forward because of
6 the 35-day preliminary determination of compliance
7 requirements for the four-month project schedule,
8 as well as the 65-day, without having this
9 information at the beginning of their analysis.

10 What we're saying is that, yes, we think
11 that on the 22nd that South Coast District,
12 contingent upon applicant's provision for the
13 information they've requested, will be willing to
14 move forward at that time.

15 And so staff would recommend, as Marc
16 has indicated, to hold it over until that point.

17 CHAIRMAN KEESE: Applicant.

18 MR. CARROLL: I am told by our technical
19 consultant, who's whispering over my shoulder
20 here, that all of the items that were just listed
21 are indeed in the AFC. And I recognize it's
22 difficult for us to make that demonstration in
23 this forum. We don't want to start parsing
24 through a several hundred page document.

25 But we believe that all of the items

1 that were just listed, which frankly are things we
2 can get very quickly, I mean I heard things like
3 information from a vendor, from the vendor's
4 manual. I mean these are not, in my view,
5 critical pieces of information. Our view is that
6 they're already in there, and perhaps we just need
7 to point them to the right place. If they're not,
8 they're certainly things we can produce within a
9 matter of days. And we would hate to see this
10 project, which is on a very tight timeline,
11 delayed even a matter of nine days.

12 MR. HAUSSLER: Well, I guess I would
13 respond that, you know, I just gave you an
14 excerpt. And there's a bit more information here
15 that is included. I don't know if we want to get
16 into that detail right now.

17 CHAIRMAN KEESE: I don't think we're
18 going to be able to get into that detail.
19 Commissioner Pernell.

20 COMMISSIONER PERNELL: Mr. Chairman, if
21 you have the information and can identify it,
22 could it be done by the end of this meeting? And
23 maybe we can put this off and you can go get the
24 information? Staff can be satisfied?

25 Can't happen, then --

1 CHAIRMAN KEESE: Well, let's ask staff,
2 because staff -- I hear --

3 COMMISSIONER PERNELL: Well, the
4 applicant is saying that they can't do it by the
5 time we get done with this meeting, so --

6 MR. HREN: If I could address that. Bob
7 Hren, Vice President, Ocotillo Energy. What I'm
8 hearing from our consultant is all the information
9 is in the AFC with one exception, which is the
10 manufacturer's guarantee, or the manufacturer's
11 warranty of meeting certain emission levels, which
12 is not in there. It can be produced rather
13 quickly, but all the information representing what
14 that guarantee is exists in the AFC.

15 MR. CARROLL: In other words, the data
16 is there, but we don't have a document from the
17 vendor, which we probably would not be able to
18 produce during the course of this meeting. But
19 the data is there.

20 COMMISSIONER MOORE: Mr. Chairman, I
21 might suggest that Commissioner Pernell has a good
22 point, and perhaps at the very least it would be
23 worth letting them go offline and see if they can
24 resolve their differences -- and we have a fairly
25 long meeting today -- and have them come back and

1 report in.

2 If they can't resolve them, then we know
3 what the potential outcome is.

4 CHAIRMAN KEESE: Okay.

5 MR. HAUSSLER: The only thing I'd offer
6 here is that, you know, as you understand, this is
7 the determination the District would be making,
8 not the staff, in terms of the information they
9 need.

10 We're certainly willing to go offline
11 and talk with the applicant about the specifics of
12 the letter which the applicant has not yet seen.

13 CHAIRMAN KEESE: All right, we have an
14 extensive agenda today and we have -- you are
15 making the point that the District doesn't have
16 what they have asked for.

17 The applicant has suggested the District
18 has been somewhat stonewalling them in
19 participating. Why don't the two of you talk
20 together and we'll take this item up at 11:30
21 again.

22 MR. CARROLL: Thank you.

23 CHAIRMAN KEESE: Just have a discussion
24 and we'll see what you come back with at 11:30.

25 COMMISSIONER MOORE: Mr. Chairman, can I

1 take you back one item if we may, before you take
2 up the next agenda item? On the Baldwin Hills.

3 I believe I misunderstood you when you
4 said that we were putting Baldwin over to --
5 apparently it's over to the 22nd, and not the
6 25th.

7 CHAIRMAN KEESE: The 22nd.

8 COMMISSIONER MOORE: Okay, that was my
9 misunderstanding. So, any requests that I made
10 for moving up the time from 10:00 to 9:00 really
11 is moot. I thought it was we were talking about
12 the 25th where we were going to be in conflict
13 with the Lancaster proposal coming up.

14 So, it was my error --

15 CHAIRMAN KEESE: It's over till the
16 22nd, and staff has advised me that --

17 COMMISSIONER MOORE: That 10:00 is --

18 CHAIRMAN KEESE: -- the notice to 10,000
19 people said 10:00; it will be at 10:00 on the
20 22nd.

21 COMMISSIONER MOORE: That's right. And
22 that's my error and I apologize.

23 CHAIRMAN KEESE: Clarified, the 22nd at
24 10:00 a.m.

25 Item 5, Resources Agency. Possible

1 approval of Interagency Agreement 500-00-027 for
2 \$50,000 to establish and implement the California
3 Climate Action Registry.

4 COMMISSIONER LAURIE: Move the
5 recommendation, Mr. Chairman.

6 COMMISSIONER PERNELL: Second.

7 CHAIRMAN KEESE: Motion, Commissioner
8 Laurie. Second, Commissioner Pernell. Any
9 comment?

10 All in favor?

11 (Ayes.)

12 CHAIRMAN KEESE: Opposed? Adopted.

13 Item 6, Perform 2001, has been moved to
14 the agenda of the business meeting on the 27th of
15 June.

16 Item 7, Health and Welfare Agency Data
17 Center. Possible approval of interagency
18 agreement 200-01-001 for \$126,000 to perform data
19 processing services necessary to meet CALSTARTS
20 accounting system requirements.

21 MR. JONES: Good morning, Mr. Chairman
22 and Commissioners, I'm Mark Jones from the
23 Commission's accounting office.

24 Just a few brief comments on this
25 contract. This proposed contract with HWDC will

1 provide the Commission with CALSTARS system
2 support for the next three years. This agreement
3 replaces a three-year agreement with HWDC which
4 expires this June 30th.

5 CALSTARS is a statewide accounting
6 system that is currently being used by almost all
7 state agencies in California under the guidance of
8 the Department of Finance. And we have been on
9 CALSTARS since 1995.

10 The estimated cost of being on CALSTARS
11 for the next three years is \$126,000. This figure
12 is an estimate received from the Department of
13 Finance based on our past usage and future
14 projected requirements.

15 So in light of these facts I'm
16 requesting approval of this contract to cover the
17 next three years of CALSTARS costs. Thank you.

18 CHAIRMAN KEESE: Thank you.

19 COMMISSIONER PERNELL: Mr. Chairman, I
20 would move staff's recommendation.

21 CHAIRMAN KEESE: Motion by Commissioner
22 Pernell.

23 COMMISSIONER LAURIE: Second.

24 CHAIRMAN KEESE: Second by Commissioner
25 Laurie. Any comments?

1 All in favor?

2 (Ayes.)

3 CHAIRMAN KEESE: Opposed? Adopted five
4 to nothing.

5 COMMISSIONER PERNELL: Thank you.

6 CHAIRMAN KEESE: Thank you. Item 8,
7 State Consumer Services Agency. Possible approval
8 of interagency agreement 500-00-026 for \$50,000 to
9 fund the fiscal and economic analysis of
10 sustainable building features and practices.

11 COMMISSIONER LAURIE: Move the
12 recommendation, Mr. Chairman.

13 COMMISSIONER ROSENFELD: Second.

14 CHAIRMAN KEESE: Motion by Commissioner
15 Laurie; second by Commissioner Rosenfeld. Any
16 comments?

17 COMMISSIONER PERNELL: Great
18 presentation.

19 CHAIRMAN KEESE: All in favor?

20 (Ayes.)

21 CHAIRMAN KEESE: Opposed? Adopted five
22 to nothing.

23 COMMISSIONER MOORE: That's what you get
24 when you come out of a Commissioners' office is
25 practice on how to get the delivery down.

1 COMMISSIONER LAURIE: No respect, Mr.
2 Williams.

3 (Laughter.)

4 CHAIRMAN KEESE: Item 9, Li Yin Ji,
5 China Federation of Industrial Economics.
6 Possible approval of a memorandum of understanding
7 number 500-00-028 with the China Federation of
8 Industrial Economics to promote the use of energy
9 efficiency technologies and cogeneration systems
10 in China's commercial and industrial sectors.

11 COMMISSIONER LAURIE: Mr. Chairman, you
12 do not have the MOU in front of you. And copies
13 are being made. And it's inappropriate for you to
14 act without looking at what you're seeking to act
15 upon.

16 So, with Mr. Olson's pleasure, at such
17 time as we're able to bring that before you in a
18 matter of minutes, I'll ask that it be heard. So,
19 I'd ask --

20 CHAIRMAN KEESE: We'll take this item up
21 as close to 11:25 as possible. Item 9 is over.

22 Item 10, Energy Cooperative Development
23 Workplan. Possible approval of an energy
24 development program grant award for \$32,688 to the
25 Southern California Tribal Chairmen's Association.

1 I would point out this is an already
2 approved contract. And this is technical
3 amendments. Deals with energy tools for reducing
4 electricity usage. I believe this is essentially
5 a technical item.

6 Do I have a motion?

7 COMMISSIONER ROSENFELD: So moved.

8 CHAIRMAN KEESE: Motion, Commissioner
9 Rosenfeld.

10 COMMISSIONER MOORE: Second.

11 CHAIRMAN KEESE: Second, Commissioner
12 Moore. Any conversations?

13 All in favor?

14 (Ayes.)

15 CHAIRMAN KEESE: Opposed? Adopted five
16 to nothing.

17 Items 11 and 12 we will take up
18 together.

19 Item 11, A.D. Little Program Resources,
20 Inc. Possible approval of contract 500-98-013,
21 amendment 1, to extend the contract by one year to
22 September 27, 2002.

23 Item 12, Science Applications
24 International Cooperation, let's hope it's
25 Corporation. Possible approval of contract

1 500-98-012, amendment 1, to extend the contract
2 one year to September 27, 2002.

3 COMMISSIONER ROSENFELD: So moved.

4 CHAIRMAN KEESE: Motion, Commissioner
5 Rosenfeld.

6 COMMISSIONER MOORE: Second the motion.

7 CHAIRMAN KEESE: Second, Commissioner
8 Moore.

9 COMMISSIONER PERNELL: On the question?

10 CHAIRMAN KEESE: Commissioner Pernell
11 has a question.

12 COMMISSIONER PERNELL: Are there any
13 funds involved here?

14 CHAIRMAN KEESE: No.

15 COMMISSIONER PERNELL: Just a straight
16 extension with no additional costs?

17 CHAIRMAN KEESE: That is correct.

18 COMMISSIONER ROSENFELD: -- should have
19 said so.

20 COMMISSIONER PERNELL: Thank you.

21 CHAIRMAN KEESE: All in favor?

22 (Ayes.)

23 CHAIRMAN KEESE: Opposed? Adopted five
24 to nothing. 11 and 12 are approved.

25 Items 13, 14 and 15 will be taken up

1 together.

2 Item 13, Bay Area Air Quality Management
3 District. Possible approval of contract 500-97-
4 015, amendment 4, to extend the contract one year
5 to June 30, 2002.

6 Item 14, Sacramento Metropolitan Air
7 Quality Management District. Possible approval of
8 contract 500-97-016, amendment 3, to extend the
9 contract one year to June 30, 2002.

10 And item 15, San Diego County Air
11 Pollution Control District. Possible approval of
12 contract 500-97-017, amendment 4, to extend the
13 contract one year to June 30, 2002.

14 And I'm assuming that I can read in here
15 that at no cost, no additional funding.

16 MR. VILLANUEVA: Yes, no cost.

17 CHAIRMAN KEESE: And the reason is that
18 we've had difficulty getting the postal vehicles
19 delivered?

20 MR. VILLANUEVA: On time, yes, exactly.
21 The expected delivery date is around October 2001.

22 CHAIRMAN KEESE: Expected delivery date
23 is October 2001?

24 MR. VILLANUEVA: Yes.

25 COMMISSIONER MOORE: Is that because

1 Commissioner Pernell was putting too many
2 restrictions on the design of the vehicles?

3 (Laughter.)

4 CHAIRMAN KEESE: I think he got involved
5 in every aspect of the design, as I hear.

6 COMMISSIONER MOORE: That's what I was
7 afraid of.

8 CHAIRMAN KEESE: And he's hinged his
9 whole career on whether these postal vehicles
10 work.

11 COMMISSIONER PERNELL: Then I'm in
12 trouble.

13 (Laughter.)

14 CHAIRMAN KEESE: We have a motion?

15 COMMISSIONER PERNELL: I would move it,
16 Mr. Chairman.

17 CHAIRMAN KEESE: Commissioner Pernell.

18 COMMISSIONER ROSENFELD: Second.

19 CHAIRMAN KEESE: Second, Commissioner
20 Rosenfeld.

21 All in favor?

22 (Ayes.)

23 CHAIRMAN KEESE: Opposed? Items 13, 14
24 and 15 are adopted.

25 COMMISSIONER PERNELL: Thank you.

1 CHAIRMAN KEESE: Item 16, University of
2 California, Irvine. Possible approval of
3 interagency agreement 500-00-025 for \$269,224 to
4 co-fund experimental studies to develop ultra-low
5 emissions combustion systems for power generation.

6 Good morning.

7 MR. HATFIELD: Good morning,
8 Commissioners. I'm Dave Hatfield with the
9 Research and Development Office.

10 This is an experimental work done
11 totally in the lab, and totally on test rigs and
12 experimental apparatus to investigate the effect
13 of jet mixing in a rich/quick/lean combustor rig.

14 And the potential future applications
15 are to natural gas fired gas turbines with the
16 hope that we can mitigate both NOx and CO
17 emissions without costly post-treatment.

18 It's very experimental, very basic at
19 this point, and has no immediate commercial or
20 hardware applications.

21 CHAIRMAN KEESE: Thank you.
22 Commissioner Rosenfeld.

23 COMMISSIONER ROSENFELD: I move the --

24 CHAIRMAN KEESE: We have a motion,
25 Commissioner Rosenfeld.

1 COMMISSIONER LAURIE: Second.

2 CHAIRMAN KEESE: Second, Commissioner
3 Laurie. All in favor?

4 (Ayes.)

5 CHAIRMAN KEESE: Opposed? Adopted, five
6 to nothing. Thank you.

7 Item 17, University of California,
8 Davis. Possible approval of interagency agreement
9 500-00-029 for \$315,426 to help establish and
10 administer a California Wind Energy Consortium.

11 MS. YEN: Hi.

12 CHAIRMAN KEESE: Good morning.

13 MS. YEN: Good morning. My name is Dora
14 Yen, and I'm in the Renewables R&D Group under
15 George Simons.

16 There is a correction to the agenda;
17 we're actually asking for \$375,000 for this
18 initial --

19 CHAIRMAN KEESE: Give us that number for
20 the --

21 MS. YEN: \$375,000.

22 CHAIRMAN KEESE: 3-7-5-4-2-6?

23 MS. YEN: Correct. We're seeking
24 approval of this interagency agreement with the
25 University of California at Davis to administer

1 the activities of the California Wind Energy
2 Consortium.

3 And the Consortium will be a
4 collaborative forum for wind energy experts from
5 industry, state, federal, environmental agencies
6 to discuss and coordinate wind energy development
7 efforts here in the State of California directed
8 specifically for the state.

9 Through the Consortium the wind energy
10 expertise will be available for the Commission
11 Staff for helping to review and evaluate current
12 industry use as well as to provide support on
13 strategic and programmatic targets.

14 The Consortium will also provide a
15 series of specific deliverables. They will be
16 case-based -- or scenario-based whitepapers that
17 will be adjusting wind resource optimization,
18 management issues, looking at transmission,
19 peaking capacities and also distributed
20 generation, as well as helping to plan for and
21 support an anemometer load program. We're hoping
22 to bring back that into our program to actually
23 help us validate our wind resource maps, and also
24 to support the small and medium wind developers
25 that are coming on line now.

1 COMMISSIONER MOORE: Mr. Chairman.

2 CHAIRMAN KEESE: Commissioner Moore.

3 COMMISSIONER MOORE: This is a good
4 project, and one that I hope will also avail
5 itself of some of the wind generation maps that we
6 did earlier here in the Commission. And, in fact,
7 I'm aware of a set of documents that were produced
8 for ENRON, I believe, by ZANT early on, literally
9 a set of almost point-by-point maps that were done
10 back in the Tehachapis for their potential.

11 So, it seems to me that -- and some of
12 that data, by the way, is available through the
13 physics department down at UC Santa Barbara,
14 because one of the principal investigators, I
15 think, is how it originated there.

16 But I'm just pointing out that it's not
17 all original research that we have to do. There's
18 some combination of existing materials out there.
19 And when it's completed my sense is we will have
20 probably the richest database in the United States
21 of this kind of resource.

22 And it can only help the renewable
23 program in terms of targeting some of our
24 assistance in the future.

25 So, I strongly support this. I'm going

1 to defer to the Presiding Member on the RD&D
2 Committee on this for a motion, but I just want to
3 say this is a valuable contribution to our
4 knowledge of the resource, and where it can be
5 most effectively utilized in the future.

6 CHAIRMAN KEESE: Commissioner Rosenfeld.

7 COMMISSIONER ROSENFELD: Move.

8 COMMISSIONER MOORE: I second.

9 CHAIRMAN KEESE: Commissioner Moore
10 seconds. Any further conversation?

11 All in favor?

12 (Ayes.)

13 CHAIRMAN KEESE: Opposed? Adopted, five
14 to nothing. Thank you.

15 COMMISSIONER PERNELL: Great
16 presentation.

17 CHAIRMAN KEESE: Item 18, Department of
18 Finance. Possible approval of interagency
19 agreement 200-98-006, amendment 1, for \$360,000 to
20 add additional funding and extend the term of the
21 contract. This contract provides professional
22 services to perform an independent audit of the
23 Renewable Resource Trust Fund pursuant to SB 90.

24 Do I have a motion?

25 COMMISSIONER MOORE: I'd move for

1 approval, Mr. Chairman.

2 COMMISSIONER PERNELL: Second.

3 COMMISSIONER LAURIE: Second.

4 CHAIRMAN KEESE: Motion, Commissioner
5 Moore. Second, Commissioner Laurie.

6 COMMISSIONER MOORE: On the motion, Mr.
7 Chairman, I'd just point out that the last series
8 of audits that we've gotten, the program has done
9 very very well, and that I wish to commend not
10 only the Department of Finance folks, but also the
11 staff, because this is done.

12 It scored very high. It's a mark and a
13 credit to the people that are maintaining the
14 records on this.

15 CHAIRMAN KEESE: Thank you, Commissioner
16 Moore. A motion and a second.

17 All in favor?

18 (Ayes.)

19 CHAIRMAN KEESE: Opposed? Adopted five
20 to nothing. Thank you.

21 Item 19, environmental performance
22 report. Possible adoption of a report concerning
23 the environmental and socioeconomic impacts of
24 California's electric generation facilities as
25 required by SB 110.

1 COMMISSIONER LAURIE: Mr. Chairman, if I
2 may?

3 CHAIRMAN KEESE: Commissioner Laurie.

4 COMMISSIONER LAURIE: You recall SB 110
5 is very comprehensive, did a number of things,
6 including doing away with the needs requirement in
7 our licensing process.

8 But another thing it did was direct us
9 to submit to the Legislature prior to July 1,
10 2001, an analysis of the environmental impacts of
11 generation. And that's the report that you have
12 before you today.

13 Mignon Marks is the Project Manager. I
14 believe -- well, much of staff has been involved,
15 most of your advisors have participated in siting
16 committee meetings where this project has been
17 discussed.

18 I would ask Ms. Marks to take perhaps
19 five minutes with your pleasure, Mr. Chairman, to
20 summarize that report and then offer it up to you,
21 if that's satisfactory to the Chair.

22 CHAIRMAN KEESE: Sounds wonderful. Ms.
23 Marks.

24 MS. MARKS: Hi, yes, a five-minute
25 presentation to talk about the purpose of the

1 report, the scope, and then summarize the major
2 findings.

3 The purpose was to analyze the
4 environmental performance and socioeconomic
5 impacts of California's electric generating
6 facilities.

7 The purpose of the study was to
8 determine the following three matters: trends and
9 current status in environmental performance;
10 geographic distribution of both environmental and
11 socioeconomic effects; and third, whether new
12 electric generating facilities will displace the
13 existing electric generating facilities which may
14 be less efficient and more polluting.

15 So, this report is a biennial report.
16 This is the first of a biennial reporting series.
17 And this --

18 COMMISSIONER LAURIE: The biennial
19 report is required by statute, is that right?

20 MS. MARKS: By statute, yes. And so
21 this is the first one. The next one will be due
22 in 2003.

23 This initial study focused only on in-
24 state electric generating facilities. We did not
25 evaluate the environmental impacts of out-of-state

1 facilities, even though about 20 percent of our
2 electricity does come from these other facilities.

3 COMMISSIONER LAURIE: Or international,
4 such as North Baja.

5 MS. MARKS: Yes, very good. And we also
6 didn't evaluate the impacts of electric
7 transmission systems or the fuel processing
8 process. We just kind of focused on existing in-
9 state electric generating facilities.

10 Furthermore, we focused this initial
11 report on California's large thermal and old
12 fossil fired facilities, the oil and gas fired
13 generation. Although the report does include
14 quite a lot of detail on the environmental effects
15 of hydroelectric facilities, as well.

16 So the two major findings of the report
17 were that the efficiency and environmental
18 performance of the state's electric generation
19 system has been improving. And second, that the
20 socioeconomic benefits significantly outweigh the
21 perceived drawbacks, particularly when viewed from
22 a regional or statewide perspective.

23 The efficiency and environmental
24 performance improvements are a consequence of the
25 four major actions that have been undertaken since

1 the 1970s. Deployment of nonpolluting renewable
2 energy technologies; fuel switching from oil to
3 natural gas fired, fossil fired plants; the
4 adoption of advanced gas turbine technology and
5 combined cycle applications that we're seeing
6 today; and also greater effectiveness and
7 deployment of air pollution control technologies
8 in these facilities.

9 There's a concern that the current
10 electricity crisis might suspend or reverse this
11 positive trend, and we expect to address that in
12 the next version of the report, or the next
13 iteration of the report, but it's just too soon to
14 evaluate the consequences of that right now.

15 In terms of our findings regarding
16 socioeconomic benefits, the two biggies are the
17 electric generating facilities provision of
18 critical electric service that supports our
19 economy and our lifestyle here in California, as
20 well as the significant state and local tax
21 revenue that these facilities might generate.

22 I think that might be my three-minute
23 limit. So let me just kind of move on to my
24 conclusions here.

25 That I do have -- can give you

1 additional detail about the findings in terms of
2 air quality impacts and water resource impacts and
3 biological resource impacts, as well as more
4 details into the findings of socioeconomic impacts
5 if you'd like.

6 CHAIRMAN KEESE: Pursuant to your
7 instructions, I believe all the Commissioners have
8 read your report already.

9 MS. MARKS: Okay, good. Very good,
10 thank you. In conclusion I wanted to mention that
11 we have distributed this report for external as
12 well as extensive internal review. And received
13 feedback from the Air Resources Board and major
14 air districts, and the Water Resources Control
15 Board and Fish and Game and other environmental
16 organizations.

17 And have incorporated their comments to
18 the extent that we can. And where we weren't able
19 to, we've noted that into our recommendation
20 section for possibility of being addressed in
21 future reports.

22 CHAIRMAN KEESE: Thank you.

23 COMMISSIONER LAURIE: Thank you, Mignon.
24 Mr. Chairman, I think the value of this report is
25 not necessarily today, but rather as a resource

1 document for not only future licensing, but future
2 policy recommendations out of the Energy
3 Commission.

4 I think the team took a very amorphous
5 set of instructions out of the Legislature and
6 turned it into a very valuable report. And I want
7 to offer my congratulations for a job well done in
8 regards to that.

9 And move the recommendation to adopt the
10 report, Mr. Chairman.

11 CHAIRMAN KEESE: Motion by Commissioner
12 Laurie.

13 COMMISSIONER ROSENFELD: Second.

14 CHAIRMAN KEESE: Second by Commissioner
15 Rosenfeld. Further comments?

16 COMMISSIONER PERNELL: Mr. Chairman, on
17 the question.

18 CHAIRMAN KEESE: Commissioner Pernell.

19 COMMISSIONER PERNELL: This is not a
20 question just a comment. And that is that I know
21 Ms. Marks has been working very hard on this,
22 along with her team. And I, too, want to
23 congratulate you for a product that took awhile,
24 and you have been interacting with my office all
25 the time on this, so I really want to thank you

1 for that. And I think it's a job well done, and
2 please congratulate your entire team on behalf of
3 the Commission.

4 MS. MARKS: Thank you very much.

5 CHAIRMAN KEESE: Thank you. We have a
6 motion and a second.

7 All in favor?

8 (Ayes.)

9 CHAIRMAN KEESE: Opposed? Adopted five
10 to nothing. Thank you.

11 COMMISSIONER LAURIE: Mr. Chairman, I'd
12 like to note for the record those who directly
13 assisted Ms. Marks, of course, Mr. Tooker had
14 reviewing authority; Mr. Gilbreath and Mr. Rose
15 out of the cartography unit, Mr. Abelson and Ms.
16 Parkhurst, but then, of course, our contractor,
17 Aspen, Suzanne Finney, Ms. Lee and Ms.
18 Morganstern.

19 Again, I think they took a very
20 difficult set of directions and produced a report
21 that is more than satisfactory. And I'm grateful
22 for that. Thank you.

23 MS. MARKS: Thank you very much.

24 COMMISSIONER PERNELL: Thank you.

25 CHAIRMAN KEESE: Thank you. All the

1 Commissioners join in your comments.

2 Item 20, Renewables Investment Plan.
3 Possible adoption of investing in renewable
4 electricity generation in California, the
5 renewables investment plan required by Senate Bill
6 1194 and Assembly Bill 995.

7 COMMISSIONER MOORE: Mr. Chairman. It
8 is with a great deal of pleasure that I introduce
9 to you the renewables investment plan. I have a
10 few opening comments, and then I would like to
11 turn to Mr. Masri to summarize some of the changes
12 that we've made.

13 I want to start by pointing out that we
14 began this work following AB-1890, the renewable
15 energy operation began in January 1998. Been in
16 operation now three and a half years. And in
17 terms of the new facilities that we've sponsored,
18 1000 megawatts of plant projects and 180 megawatts
19 of those are on line today.

20 The existing facilities continue to
21 operate, and I note, and I believe all of you know
22 this by now, that Edison has apparently reached an
23 accord with some of the alternative generators
24 either last night or this morning, so that's a
25 step in the right direction.

1 We have a fragile industry that deserves
2 protection. And I hope that this will put the
3 floor back under some of the market that's been
4 destabilized.

5 There's been a declining trend in
6 renewables investment. And we believe that we've
7 helped to reverse that over this period.

8 The distributed generation demand is
9 increasing in absolutely unprecedented amounts, at
10 least in terms of the market, although we did
11 forecast much of this in our original documents.

12 And almost all of the residential
13 customers that are buying power in the direct
14 access market are participating in our customer
15 credit program.

16 We believe, and I think we can say
17 without hesitation, that this is the most
18 successful project of its type in the whole world,
19 not just the United States. There is no other
20 country, there's no other entity that has
21 undertaken a market-based program similar to this
22 at all, let alone found the kind of success that
23 we have with it.

24 And to that end I say that our staff,
25 our tremendously capable staff deserve all the

1 credit for this. And they have proved it, I
2 think, with the document that you have in front of
3 you, which is the next step, the step that will
4 take us the next ten years into the future. And,
5 I believe, solidify the market-based role of
6 renewables in contributing to the California
7 energy system.

8 There is a move afoot to try and bring
9 an RPS system to the state. I have no idea
10 whether that will find legislative support or not.
11 The people who advocate that, of course, are going
12 to have to make a case as to why they need
13 something in addition to what we've done. I'm not
14 sure that -- I had a conversation with Pat Wood
15 this morning about the Texas system, and certainly
16 they're not ahead of us in terms of what they're
17 able to put on the ground. So I don't know
18 whether it's a race or not, but if it is, I
19 suspect we may win it.

20 The market-based system works, which is
21 not to put down the RPS in other states, but
22 frankly, we've showed that we can do it without
23 it. And I believe that our system will prove to
24 legislators and to the public at large that it can
25 do it without having some kind of a mandate that,

1 in fact, we can work with the market to produce
2 what we need.

3 This new program is performance based.
4 It's based on the idea that the market works and
5 will continue to work. Gas prices falling today
6 suggest that the market is capable of working when
7 some of the right signals are given.

8 It's economically efficient. And best
9 of all, from Mr. Masri's point of view, it's
10 simple to administer. It takes a minimum of
11 staff. And I might point out that although I
12 often give kudos to our staff for working as hard
13 as anyone on the whole planet collectively, they
14 do administer this product with fewer manhours per
15 output in terms of total staff load than any other
16 program that I know of in state government.

17 So they not only work hard, but they do
18 it very very efficiently. We have transparent and
19 flexible rules. We have very very few cases where
20 people come to us and say we don't understand what
21 you meant.

22 Our guidelines are a model and they have
23 been exhibited and used in other state agencies,
24 including our sister agency across the Bay, to
25 illustrate ways to implement a program. And I

1 think we can be very very proud of that.

2 As you've seen earlier, the state
3 auditors report on energy deregulation, which was
4 published in May of this year, concluded that the
5 renewable energy program funds are maximized by
6 the built-in program flexibility, and our ability
7 to shift funds back and forth as needed during the
8 market period.

9 Our investment plan that you see today
10 builds on that success. It balances conflicting
11 interests. There is no way that we have enough
12 money to satisfy every need that is out there.
13 And as a consequence, the likelihood is that
14 you'll hear from folks who will plea for more
15 money. No question about it. There are people
16 that deserve more money, and we've had to draw as
17 judicious a line between those competing demands
18 as possible.

19 And, of course, that's a role of a
20 public official, is to try and use scarce and dear
21 funds and make sure that they go the maximum
22 distance possible.

23 So, in our opinion, what we've offered
24 you is the best balance that we can do. Clearly,
25 every group would like to have more money, but in

1 fact, you have to keep in mind that we have a
2 limited pot of money here. And that should you
3 accede to any one group beyond what we've
4 recommended in this plan, you will disenfranchise
5 some other group.

6 So, keep in mind that this is a delicate
7 balance. We have made every possible effort to be
8 as fair as we can, and spread the money as
9 effectively through each technology as possible.
10 And many many many manhours have gone in to try
11 and understand the guts of these technologies, and
12 the underpinnings of all the claims that are made
13 about efficiency or the role of any given
14 technology in the market.

15 And this represents our best judgment as
16 to how to achieve that balance. We need to keep
17 our focus, our aim on that very long-term goal of
18 a fully competitive and self-sustaining renewable
19 energy market.

20 It's one reason why we resisted the RPS.
21 We don't want a weakened market. We don't want
22 something that can't stand on its own. And we're
23 very proud of the fact that in the future the
24 renewables industry in California is proving that
25 it does not need those subsidies. That, in fact,

1 it can compete on a market basis.

2 And I don't want to go to the place
3 where we weaken them so that ten years from now if
4 the market stumbles, they stumble along with it.
5 And, as a consequence, we've taken strong steps to
6 wean our industry from the subsidies, and frankly,
7 we feel that it works. And more than that, you
8 don't have to depend on my claim. You can look at
9 market performance and see that it, in fact,
10 works.

11 And, finally, this plan is intended to
12 build in a lot of flexibility for response to
13 changing market conditions. So, we've learned
14 from three and a half years of attention to how
15 the market is working to where we need to build in
16 flexibility; where the Commission, itself, needs
17 to be able to change guidelines so as to be able
18 to respond to changes in demand or changes in
19 market conditions.

20 And I think that the guidelines that are
21 emerging out of this prove that.

22 Mr. Masri, if I could turn to you. We
23 have been listening to some of the groups that
24 have come in and talked to us, listened very
25 carefully. And taken their comments to heart.

1 And are proposing some adjustments to
2 what you have in the document before you. And Mr.
3 Masri will offer those to you.

4 We believe that with those adjustments
5 we will have successfully addressed the major
6 concerns of the industry players, and hopefully
7 fine tune this so that at this point it's capable
8 of being adopted, and then capable of responding
9 to changes as the market begins to emerge.

10 Mr. Masri.

11 MR. MASRI: Thank you, Commissioner
12 Moore. The staff has made out or sent an email
13 last week, June 6th, inviting all stakeholders to
14 give us feedback on the investment plan that we
15 had made a week before.

16 And since then the staff has confirmed
17 either via teleconference or in person with
18 stakeholders representing different aspects of
19 this program, we've heard the issues raised, and
20 we wrote up these issues up for the Committee, the
21 Electricity and Natural Gas Committee overseeing
22 this investment plan.

23 And the Committee offers the following
24 changes in response to some of these issues raised
25 by these parties. These are described in the

1 handout that's available up front on the table.
2 And, Commissioners, you have in your hands,
3 entitled Proposed Revisions to Commission Draft
4 Renewables Investment Plan.

5 And I'll just briefly cover what those
6 are, and would be happy to answer questions about
7 those as we go.

8 The first change on page ES-1, executive
9 summary, clarifies the targets. SB-1194 requires
10 investment plan to contain numerical targets for
11 renewable energy in California.

12 And the clarification we're making here,
13 and you'll see that in several places in these
14 changes, is that we're not claiming that the plan
15 is going to get all those renewables. We are part
16 of many factors and other programs that are going
17 on to encourage renewables.

18 Although obviously we are a very major
19 portion of those factors that are pushing
20 renewables in the state to a competitiveness in
21 the long term.

22 The second change on page ES-3.
23 Currently the SB-90 allocates the first \$16.2
24 million of any leftover funds, rollover funds from
25 this program into the emerging account.

1 And since then, since that provision was
2 put in place several changes have occurred that
3 are important and bear on whether the Committee is
4 recommending to implement this provision or not.

5 For example, SB-29X added \$30 million to
6 the distributed generation program. However, it
7 limited the money to small systems, 10 kilowatts
8 or less. This change here would fill part of the
9 need for the large systems that are not getting
10 any 29X money by recommending that out of \$16
11 million, that \$.2 million that was marked for
12 rollover into the emerging account, \$6 million
13 that be added to the emerging and specifically
14 targeted to large systems. We believe there is a
15 need for that.

16 The second change on ES-4 addresses the
17 wind, the size of small wind eligible for funding
18 from the emerging account from the current 30
19 kilowatts in the investment plan to 50. The
20 feedback we got from these small wind industry is
21 that really there are no 30 kilowatts machines on
22 the market today. 50 is the one that's the next
23 generation. And so this change will accommodate
24 technological change.

25 However, there is this CPUC program that

1 was born out of AB-970 that would provide
2 assistance to large renewable distributed
3 generation. And so the second part of that change
4 is to seek flexibility that when that program is
5 finalized that we can then go back and make
6 adjustments in our eligibility to be consistent
7 with the PUC program.

8 The next change on page ES-5 target
9 section again clarifies the target; that this
10 reflects the impact and it's not the exclusive
11 impact of the plan --

12 CHAIRMAN KEESE: Mr. Masri, I do note
13 that the next series, there's a next series that
14 are basically word changes, editorial changes.
15 So, on the editorials, let's skip those and move
16 to the substantive ones.

17 MR. MASRI: Okay. I will try and do
18 that. I'll use my subjective judgment which those
19 are.

20 CHAIRMAN KEESE: Probably page 3 --

21 MR. MASRI: Page 2, those are minor
22 changes, thank you. And on page 3, it repeats
23 really what we talked about, the \$6 million --

24 CHAIRMAN KEESE: I think the next one is
25 page 20, first paragraph.

1 MR. MASRI: I'm sorry?

2 CHAIRMAN KEESE: I think the next major
3 change is --

4 MR. MASRI: Yes.

5 CHAIRMAN KEESE: -- page 20,
6 paragraph --

7 MR. MASRI: And we already, in fact,
8 addressed that, which is just to clarify that the
9 29X is only limited to small systems, 29X money.

10 And I think we described the next change
11 on page 25 already, which is the small wind size.

12 Small change on page 27. And, again,
13 we're clarifying that the target is really an
14 overall target.

15 Same for page 28. And on page 33, in
16 there we're saying that in the current program if
17 an existing facility decides to repower and bid in
18 the new account, there's a requirement that they
19 repay all the payments they received from the
20 existing account.

21 We believe that's discouraging
22 repowering. Repowering is a very good policy
23 goal, and the Committee is recommending that those
24 projects that choose to cease to be existing will
25 become new, do not have to repay their existing

1 incentive once they've qualified for the new. But
2 they will not be, of course, drawing money from
3 both accounts at the same time.

4 We also clarifying, this is intended in
5 the plan, but it's clarified based on some input
6 from some stakeholders, that if a portion of a
7 facility repowers and becomes eligible for the
8 new, the remaining portion of the existing remains
9 eligible for existing incentive as long as it's
10 not eligible for the new.

11 We are clarifying that wind does
12 contribute to peak, on page 40. And the next
13 change on page 62 pertains to the fuel cells
14 findings. Let me clarify one thing for the
15 Commissioners' benefit here, that we're required
16 here in the Energy Commission, per SB-1194 and AB-
17 995, to make three findings in the affirmative
18 before we allocate any money to fossil fuel cells.

19 We are making the findings in the
20 affirmative for all three criteria. For one
21 specific fuel cell technology in cogeneration
22 application. That's already in the plan.

23 And so what you see changes here are
24 really clarify and respond to some of the
25 suggestions we heard from stakeholders about

1 basically saying the same thing in a more positive
2 manner.

3 And on page 68, again for the fuel
4 cells, we're saying we will monitor what happens
5 at the PUC, because what we're saying here for
6 fossil fuel cell, they are in cogeneration
7 applications, that yes, they do meet the criteria.
8 One of the criteria is the need for financial
9 assistance.

10 The Committee made the finding in
11 December that fuel cells meet all the criteria,
12 therefore recommended that cogeneration fuel cells
13 be allocated money. Since then the PUC program
14 has come around that makes fossil fuel cells
15 explicitly eligible for funding, and at a much
16 higher total money available than we have here.

17 And so we're saying that although the
18 three criteria are met for eligibility, the need
19 for assistance is now filled by the PUC program.
20 And that on page 68 we say the Commission will
21 monitor these programs and see if the assistance
22 will be sufficient or not.

23 We do have flexibility that Commissioner
24 Moore referred to, to change, if in fact that
25 program, for example, does not materialize or does

1 not provide sufficient incentive.

2 CHAIRMAN KEESE: Mr. Masri, I do have
3 some language that was presented to me that
4 evidently, as a substitute for the last sentence
5 on that page, which might make people more
6 comfortable.

7 Would this be the appropriate time for
8 me to --

9 MR. MASRI: I think so.

10 CHAIRMAN KEESE: The last sentence is:
11 Given these programs, these technologies do not
12 require further public assistance. There was a
13 failure to understand completely what that
14 sentence meant.

15 But the sense I understand it, from the
16 staff and the Committee, is if the Public
17 Utilities Commission funds these programs then we
18 don't have to.

19 So the language that was submitted here
20 to me: Assuming the CPUC funds become available,
21 the Commission believes the CPUC funds should be
22 the first source of funding for fuel cell
23 technologies.

24 COMMISSIONER MOORE: Well, Mr. Chairman,
25 I'm not sure that gets us where we want to go.

1 Right now, the investment plan really does try and
2 make it clear that these technologies, in fact,
3 given the current circumstances, are taken care
4 of, to leave the -- there's enough flexibility in
5 the rules so that if there was a failure at the
6 PUC, the Commission could go back and take this up
7 at a later date.

8 That flexibility is part of what I was
9 speaking of, and is built in.

10 But for current conditions, just to
11 give -- because we have a lot of parties that
12 we're trying to make sure are satisfied in this,
13 given current conditions I'm not sure we need that
14 language.

15 Maybe we can take that up again at the
16 very very end, and maybe we can let Mr. Masri see
17 that language while other people -- because I know
18 you have a number of speakers who would like to
19 address us, maybe we can ask him to --

20 CHAIRMAN KEESE: We have six speakers.

21 COMMISSIONER MOORE: -- to look at that
22 while other people are speaking.

23 CHAIRMAN KEESE: Sure.

24 COMMISSIONER MOORE: I'll give it to
25 Tim.

1 MR. MASRI: I think this --

2 COMMISSIONER MOORE: So you may --

3 MR. MASRI: -- really concludes -- I'm
4 sorry.

5 COMMISSIONER MOORE: Go ahead, Marwan.

6 MR. MASRI: -- concludes my description
7 of the major changes we're proposing. The
8 specific wording in changes are, as I mentioned,
9 available. And if you have any questions about
10 that I'll be happy to answer them.

11 If you'd like me to give you an overview
12 of what's in the investment plan, I'll be happy to
13 do that, as well.

14 CHAIRMAN KEESE: Do the Commissioners
15 wish an overview of the investment plan, or are we
16 reasonably comfortable with it?

17 COMMISSIONER LAURIE: I'm familiar with
18 it, Mr. Chairman.

19 COMMISSIONER PERNELL: Mr. Chairman, I
20 just have one question, and it's probably because
21 I didn't hear this right.

22 Is it your recommendation that there's a
23 possibility of changing, of moving or adding an
24 additional \$4 million to the larger PV, or was it
25 a different figure?

1 MR. MASRI: \$6 million, I think, --

2 COMMISSIONER PERNELL: Six?

3 MR. MASRI: Yes.

4 COMMISSIONER PERNELL: Okay. Thank you.

5 MR. MASRI: You're welcome.

6 CHAIRMAN KEESE: Okay, why don't we
7 start off with Mr. Kelly, Steve Kelly.

8 MR. KELLY: Thank you, Commissioners.
9 Steven Kelly, Independent Energy Producers.

10 One, I want to applaud the staff on
11 developing a document that, as was indicated
12 earlier, has the flexibility to evolve as we move
13 forward in the future as the market changes, as
14 the dynamics in California change. I think that's
15 critically important that we build that in now so
16 that we can adjust this and adapt to things.

17 Because there's certainly a lot of
18 uncertainties about how renewables are being
19 treated in California at this point in time.

20 My second comment, there's two points in
21 the report that deal with very important issues,
22 but I think they deal with them in terms of kind
23 of delaying a decision on them. And I want to ask
24 the question whether we can somehow deal with them
25 and incorporate them in this report before it goes

1 to the Legislature.

2 My concern is that this report needs to
3 go to the Legislature to be blessed. They will do
4 that, hopefully; and then it will become effective
5 probably January 1. I would like to deal with
6 these two outstanding issues prior to that so that
7 we don't lose a year.

8 The two issues that I'm concerned about,
9 as I understand the report, we've kind of delayed
10 dealing with the methodology for determining the
11 annual adjustment of the public benefits charge.
12 The methodology for calculating whether the \$135
13 million would be increased on an annual basis.

14 And I would like or recommend that we
15 deal with that in this report so that when the
16 Legislature blesses this report they also bless
17 that methodology so we can move forward
18 immediately to use that.

19 Secondly, the Legislature had asked, and
20 I think this report addresses the concept of a
21 state purchase plan; requirement, anyway, for
22 renewables. But does not, as far as I could tell,
23 make a specific recommendation on that.

24 And I would urge that we do move to make
25 a recommendation on the state purchase, and also

1 recommend that the state do step -- that the
2 state, as a purchasing entity, step up and make a
3 significant contribution in terms of purchasing
4 renewables in the marketplace.

5 The level of that purchase is something
6 that probably needs to be determined very quickly,
7 should be determined very quickly. If we could I
8 would like to wrap it into this report and see if
9 the Legislature is amenable to that kind of
10 solution, because it does provide a lot of
11 benefits to the state, as a whole, from an
12 environmental and from a fuel reliability
13 perspective, that needs to be addressed now. And
14 the state is a good entity or a good candidate for
15 stepping up and doing that. So, --

16 COMMISSIONER MOORE: Mr. Chairman, on
17 the second point that Mr. Kelly raises, I'm
18 perfectly amenable to trying to incorporate some
19 language.

20 It seems to me a very short policy
21 statement would suffice to address that. And I
22 would be very very supportive of doing that.

23 In fact, we mentioned it on many many
24 occasions in our previous papers. So, the second
25 point, at least for me, is an easy one to adopt.

1 CHAIRMAN KEESE: Simplify for us, tell
2 us what is the statement basically that we're
3 encouraging the state to consider.

4 COMMISSIONER MOORE: The statement would
5 be that the State of California should be a
6 purchaser of renewable energy. That they should
7 emphasize renewable energy in their overall
8 portfolio and are encouraged to add that
9 diversification and element whenever possible.

10 I think it could be something as simple
11 as that.

12 MR. KELLY: I think so. The state can
13 set an example, and particularly when we're in a
14 situation with the Department of Water Resources
15 on behalf of the state is buying the net short.
16 And is really the only procurer of energy now.

17 We'd like to see them step up and buy
18 renewable resources and make a concerted effort to
19 do that.

20 COMMISSIONER MOORE: Mr. Chairman, the
21 question I have goes back to Mr. Kelly, about the
22 annual adjustment for the customer credit inflow.
23 I don't even know how to address that.

24 I mean if the money comes in we set
25 targets that are roughly percentage based. We're

1 targeting trying to get a percentage of the total
2 spent.

3 If the money, for instance, flowed in
4 and it was \$138 million, some number like that, it
5 seems to me that the process would just adjust to
6 it accordingly. I don't know, but I'm open to
7 hearing that, how we might fail given the current
8 mechanism, and what language you might suggest to
9 allow us to expand the flexibility to accommodate
10 that.

11 MR. KELLY: Well, I read the law to
12 actually ask you to look at a methodology or a
13 mechanism that would adjust that number based on
14 certain things happening in the energy markets.
15 And you've described what those were.

16 But I would like to see us move to
17 actually make a specific recommendation. So that,
18 in the future, if those things are hit, then the
19 numbers are adjusted.

20 The way it works now it's in the PUC, I
21 think the way the -- the factor determining the
22 annual collection is somehow embedded in the PUC's
23 processes. So I'm not sure how we get from here
24 over to there and make sure that --

25 CHAIRMAN KEESE: Let me clarify. The

1 original bill gave us \$135 million a year. The
2 extension --

3 MR. KELLY: AB-1890, right.

4 CHAIRMAN KEESE: -- continues at \$135
5 million a year. You're suggesting we should have
6 a statement in here that indicates either that
7 that number should go up, or --

8 MR. KELLY: I believe there was some
9 legislative direction --

10 CHAIRMAN KEESE: -- help me here.

11 MR. KELLY: -- that asked you to look at
12 how you might adjust that number, that revenue
13 flow, to reflect what was happening in the energy
14 markets. Increased energy consumption in the
15 market as a whole.

16 And while we talk about it in the
17 report, I don't know that we recommend a
18 methodology for doing that. And I think in the
19 absence of doing that, the whole issue may be
20 dropped.

21 CHAIRMAN KEESE: Well, let me --
22 recognizing the struggle it was to extend this
23 item for ten years, or five and five, depending on
24 how you want to look at it, and recognizing that
25 the Legislature chose to pick the same numbers as

1 they had in the past, and recognizing that they
2 told us we have to come up with a program and have
3 it approved first, I would suggest that that's a
4 great idea for next year.

5 For us to come in in our report on how
6 we're going to allocate the funds and suggest that
7 they should be increased before we've gotten the
8 allocation approved, I think is -- might be
9 getting ahead of ourselves.

10 MR. MASRI: If I may clarify, Mr.
11 Chairman, on this point. Our understanding, and
12 maybe Steven can clarify for us what he's talking
13 about a little bit more, what the bill requires,
14 it doesn't really require the Commission states
15 that the \$135 million per year shall be adjusted,
16 based on the lower of the GDP deflator, as an
17 index of inflation, or the growth of electricity
18 demand, whichever is less.

19 It's already set in there, and it's not
20 a methodology we need to come up with. It's
21 already stated in there.

22 CHAIRMAN KEESE: Does that satisfy you?

23 MR. KELLY: So you're comfortable -- I
24 guess the question I have is are we all
25 collectively comfortable that if the factors

1 described by the Legislature are adjusted such
2 that the money might increase to \$136 million,
3 that that will happen.

4 It's not clear to me that it will
5 automatically happen.

6 MR. TUTT: If I may, Mr. Chairman, this
7 is Tim Tutt, renewable energy program.

8 And at the beginning of the SB-90
9 program we faced a similar issue where the Public
10 Utilities Commission was collecting the funds and
11 was to be transferring them to the Energy
12 Commission.

13 There was a proceeding where all the
14 utilities that were subject to collecting the
15 funds and the Energy Commission got together and
16 came to an agreement as to how the funds should be
17 collected, and how they should be sent on on a
18 quarterly basis to the Energy Commission.

19 And I would presume that we would have
20 to do something similar when this plan is adopted
21 by the Legislature. That would have to be a
22 proceeding at the Public Utilities Commission
23 where this was worked out in some detail.

24 CHAIRMAN KEESE: At that time -- after
25 that time. Commissioner Moore, are you --

1 COMMISSIONER MOORE: I believe Mr. Kelly
2 is asking the question for our own protection, and
3 I accept it in that spirit. And I think that
4 we're there, we've got the protection that we
5 need.

6 But I certainly appreciate the comment.
7 And I'm more than willing, as I said, to
8 incorporate the second comment in our provisions.

9 CHAIRMAN KEESE: Right, but we're going
10 to try to adopt this today, correct?

11 COMMISSIONER MOORE: Yes, oh,
12 absolutely. So we'll --

13 CHAIRMAN KEESE: So it would certainly
14 be nice if we had language in front of us before
15 we finish up here. But we have another seven or
16 eight speakers?

17 COMMISSIONER MOORE: Mr. Masri was
18 taking notes and perfecting the language even as
19 we spoke.

20 CHAIRMAN KEESE: Thank you. Thank you,
21 Mr. Kelly.

22 MR. KELLY: Thank you.

23 CHAIRMAN KEESE: J.P. Batmale.

24 MR. BATMALE: My name is J.P. Batmale;
25 I'm with RealEnergy. We found the report of the

1 plan very comprehensive. We only had an issue
2 with one area, and that was partially addressed in
3 the amendments to it.

4 If I could, we submitted this to the
5 docket yesterday. I don't know if you received
6 it, but it is up in front, the docket office has
7 it now.

8 It's a letter, and I'll just read from
9 part of that: We urge the Commission and staff to
10 reconsider its position regarding the
11 disqualification of eligibility of natural gas
12 powered fuel cells from receiving funds.

13 A coalition of interests worked very
14 hard through some working group sessions to pass
15 the legislation AB-995 that authorizes a portion
16 of the CEC's investment plan.

17 Inherent in those sessions and a key
18 component of formulating industry support was the
19 inclusion of natural gas powered fuel cells. Both
20 the NRDC, Natural Resources Defense Council, and
21 the Distributed Power Coalition of America were
22 very hard to insure the inclusion of nonrenewable
23 powered fuel cells in this funding legislation.

24 I won't belabor the point and go on and
25 read the whole letter, but RealEnergy is a

1 distributed generation company; we're a little
2 power company.

3 And we do not have any fuel cell
4 projects coming on line. I guess where our
5 interest is, is that we want to present to our
6 clients the full range of generation options that
7 are available. And natural gas powered fuel cells
8 we see as the most cost effective and efficient
9 way to bring renewables onto the market.

10 And we hope that the Commission and
11 staff will reconsider its position in that area.

12 CHAIRMAN KEESE: Thank you. I think
13 that's the -- a portion of your comment addresses
14 what Mr. Masri did before in the language he's
15 working on.

16 COMMISSIONER MOORE: Yes, Mr. Chairman,
17 let me just say, we consider fuel cells a very
18 promising technology in the future, and if we
19 thought for one second the PUC wasn't going to
20 come up with the money to support this, it would
21 have found its way into this report.

22 But we're very confident that that money
23 will be forthcoming, and this technology, which is
24 very promising for the future, is protected.

25 CHAIRMAN KEESE: Keri Smith.

1 MS. SMITH: Good morning, Commissioners.
2 Thank you for this opportunity to comment on the
3 investment plan. I'm with PowerLight Corporation,
4 and we're the largest designer and manufacturer
5 and installer of PV systems in the State of
6 California.

7 And we'd first like to thank the
8 Commission for the very efficient management of
9 the PV buydown program over the last couple of
10 years. It's allowed the PV industry to make great
11 strides in the State of California. And we're
12 appreciative of staff's hard work in making this
13 possible.

14 We've increased by about 40 to 50
15 percent in the last year alone. And PowerLight
16 Corporation has installed one megawatt of PV in
17 the State of California in this last year.

18 We expect to install about 10 megawatts
19 of PV in the next six months to 12 months, given
20 continued CEC buydown funding. We have these
21 projects lined up, and with a very high
22 probability of success.

23 However, we're very concerned with the
24 recommendation in the current investment plan to
25 not roll over the \$16.2 million into the emerging

1 account.

2 And I appreciate the comments this
3 morning that indicated that the Commission would
4 be willing to entertain \$6 million into the
5 account, and above 30 kilowatt system size.

6 However, I do like to point out that
7 about \$2.5 million in buydown will bring you about
8 a megawatt of PV. So, \$6 million in buydown money
9 will bring about 2 megawatts of additional PV on
10 line.

11 If we were to roll over the entire \$16.2
12 million into this account, we could bring another
13 8 megawatts on line in PV. And PowerLight is very
14 confident that we could, in fact, achieve this
15 result in the very near future.

16 And we've been very busy in terms of
17 ramping up staff, production capacity and buying
18 PV to meet the growing demand in the State of
19 California.

20 I'd also like to thank the staff for
21 considering moving funds between residential and
22 commercially sized systems, because we do believe
23 that the commercial system size makes the most
24 efficient use of state funds, and can bring the
25 most amount of PV on line in the quickest amount

1 of time possible.

2 And I'd just like to read a statement
3 that was in AB-29 by the Legislature which says:
4 To allow reasonable flexibility to shift funds
5 among program categories in order to achieve the
6 maximum feasible amount of energy conservation,
7 peak load reduction, and energy efficiency by the
8 earliest feasible date.

9 We believe that PV is an important way
10 to achieve peak load reduction in California; it's
11 a natural peaker. PV performs best when the sun
12 is shining and when peak loads are highest.

13 So we respectfully request and urge the
14 Commission to roll over the entire \$16.2 million
15 into the emerging account, as was directed, or as
16 was committed in the 1997 policy report. And to
17 allow the flexibility between the small and large
18 systems so that we can make the most efficient use
19 of this fund.

20 And also to remind the Commission that
21 while this is a very small amount of money,
22 relative to the total budget that we're talking
23 about in California to address the energy crisis,
24 it's a very large amount of money to the PV
25 industry, and is critical to sustaining the

1 progress that we've made over the last year. And
2 hopefully we can continue to have the success that
3 we've had over the next several years.

4 Any questions?

5 CHAIRMAN KEESE: No, but I don't that we
6 have any questions --

7 COMMISSIONER PERNELL: I have one
8 question.

9 CHAIRMAN KEESE: Commissioner Pernell.

10 COMMISSIONER PERNELL: You indicated
11 that over the next six to 12 months you're going
12 to do 10 megawatts of PV?

13 MS. SMITH: We expect to do that if we
14 have continued buydown money.

15 And we also are very concerned that the
16 buydown money that has been promised by the PUC
17 will not be available to meet this demand.

18 We do know that the San Diego Gas and
19 Electric program is about to be up and running
20 because they are no longer constrained by AB-1890,
21 so they can raise their rates. But because
22 they're such a small utility, there's only \$4
23 million available in that fund relative to the
24 total \$40 million that's expected to be available
25 for large system buydown. So, and that program

1 also is not yet running.

2 So, yes, we do expect to be able to
3 bring 10 megawatts on. Those are in the pike
4 right now, we call it the funnel at our company.
5 But they are also, the financing is dependent on
6 this state inventive money.

7 COMMISSIONER PERNELL: Thank you.

8 CHAIRMAN KEESE: Thank you. Staff,
9 comment?

10 MS. SMITH: Thank you very much.

11 MR. MASRI: Just a couple of things. I
12 mentioned 29X already allocated \$30 million for
13 the emerging account. And Keri just mentioned a
14 few other factors, also, that fit into this
15 recommendation, besides 29X, already adding more
16 than that to the emerging.

17 One is the variability of the PUC
18 funding. It's \$40 million per year, per -- about
19 \$20 million per year. And also the fact that we
20 still have, we're proposing over large amounts of
21 unspent money in this emerging account for this
22 year. Roughly about \$40 million.

23 So, --

24 CHAIRMAN KEESE: Which would be
25 available for wherever the demand is?

1 MR. MASRI: For the funding -- if you
2 rolled over, in addition to the allocation
3 proposed in this investment plan.

4 CHAIRMAN KEESE: Thank you.

5 MR. MASRI: And it be -- at the time the
6 16.2 are put in place four years ago, there was
7 anticipation that the allocation would be over-
8 subscribed. And therefore there may be need for
9 more money.

10 And the fact that today is that that's
11 not the case.

12 MS. SMITH: May I please respond?

13 CHAIRMAN KEESE: Briefly.

14 MS. SMITH: Thank you. We've met with
15 Commission Staff about the existing buydown money,
16 and while there is quite a substantial amount in
17 the fund today, staff has indicated, based on
18 current trends, that that fund would be completely
19 allocated and dispersed by December of this year.

20 And that's not including the \$16.2
21 million that we're discussing today, or the 6. So
22 based on staff's own analysis, they expect this
23 fund to be completely expended.

24 And what happens after that is the next
25 year's funding level then drops to \$20 million.

1 So it goes from \$70 million today, this year,
2 which is extremely helpful to the industry, to \$20
3 million in the year 2002.

4 And that's a very dramatic drop in
5 funding and our industries have ramped up very
6 aggressively in order to meet the demand in
7 California today. And going from, it's almost a
8 36 percent drop in funding in a six month period,
9 which could be very harmful to our industry and
10 stressful.

11 And we've built up the infrastructure.
12 We want to keep it going. We don't want to be in
13 a position of having to turn down customers who
14 are just now beginning to understand that there is
15 this buydown money available. And we think that
16 we could make very good use of the funding were it
17 sustained for another several years.

18 COMMISSIONER PERNELL: Mr. Chairman, --

19 MR. TUTT: Briefly respond. There might
20 be some scenarios where the money in the emerging
21 fund could be expended by the end of the year.

22 There are other scenarios, and I believe
23 that the staff does believe that there will be
24 funds left over in the most likely scenario by the
25 end of the year.

1 It's true that the \$20 million
2 allocation from this program and the rest from
3 2002 on would be less than is likely to be spent
4 this year or allocated this year. And that's
5 where the CPUC program becomes key.

6 There's at least \$40 million per year in
7 that program for the next four years. Obviously
8 if the CPUC program has to be monitored to make
9 sure that the funds become available, and that if
10 they're not available then the industry may need
11 additional support to stay on the growth curve
12 that they're on.

13 CHAIRMAN KEESE: Thank you. But I
14 gather staff is supportive of everything to keep
15 the industry on their growth curve?

16 MR. TUTT: Yes.

17 MS. SMITH: And, again, the PUC has
18 directed the utilities to expend this money, but
19 there was a filing yesterday, PG&E says because
20 they are in bankruptcy, without raising their
21 tariffs they cannot fund this program.

22 So I've been advised to not count on
23 that money.

24 CHAIRMAN KEESE: Well, thank you.

25 COMMISSIONER PERNELL: Mr. Chairman, I

1 just want to make one comment, and that is, and
2 we've certainly talked about this, that in -- I
3 mean my vision is to see PV not being supported by
4 any subsidy.

5 And at some point we want to get to
6 that. And I understand your concern that there
7 might not be enough funds or subsidies for PV, but
8 you've got to understand, and certainly you
9 realize that the subsidies for PV have ratcheted
10 up over the years, and not down.

11 So, at some point we want to have -- I'm
12 viewing this as a market transformation for PV.
13 And I'm sure your company and their board of
14 directors are looking at a future time when there
15 won't be a subsidy because that's going to come.
16 And they need to be prepared for it.

17 And the last comment is if you are --
18 you're very effective, so I'm sure you can be as
19 effective with the PUC and insuring that they step
20 up and help your industry, as well.

21 MS. SMITH: We're making every effort
22 with the PUC. I'd just close in saying that our
23 industry is at a turning point, or as some
24 futurists call it, the tipping point. And we're
25 at such a special and unique point in history with

1 the energy crisis and the technical improvements
2 and public awareness of PV, that we feel that with
3 this minimal investment on the part of the state
4 that we can make a big difference in providing
5 clean distributed generation for the State of
6 California.

7 CHAIRMAN KEESE: Thank you. Mr.
8 O'Donnell. Peter O'Donnell.

9 MR. O'DONNELL: Good morning,
10 Commissioners. My name is Peter O'Donnell; I'm
11 the CEO of Blue Energy California in San
12 Francisco.

13 I'm not here for appropriations today,
14 it's more of an educational mission. And to ask
15 specifically for language.

16 We are developing a project to introduce
17 a new category of renewable energy here in
18 California. This has been called wet wind, or
19 salt water hydro. This formally is what we would
20 like for you to refer to as tidal and river
21 current hydro.

22 I have gotten the document to you all, I
23 believe. I do have briefing books, or have
24 dropped them off. And I'm simply asking that this
25 category be included in the definition of

1 renewable, which is currently the definition for
2 renewable hydro is under 30 megawatts.

3 Our project had Point San Pablo for the
4 City of Richmond, scales to between 70 and 100
5 megawatts. So, by definition, we're not
6 considered a renewable.

7 I would like for you to consider making
8 that change in language. This will be assigned to
9 the private sector, that we are considered worth
10 investing in, so we can go forward with this
11 project. With a goal of bringing 70 to 100
12 megawatts onto the grid in the next 12 to 18
13 months.

14 COMMISSIONER MOORE: Mr. Chairman, I'm
15 not sure that we can entertain this kind of a
16 definition change at this time, but I assure you
17 that the techniques that we've used to change the
18 guidelines in the past will accommodate us looking
19 at this and taking it up in the form of workshop
20 or potential change to the guidelines in the
21 future.

22 It wasn't intended -- no one intended to
23 slight this industry at all during this process.
24 So it wasn't an intended oversight. But in the
25 legislation that authorized this program to go

1 forward, it simply wasn't called out.

2 So the Committee can take this up at a
3 future time. It's certainly worthy of attention,
4 and I know the PIER program has been looking at at
5 least one project that would use current energy.
6 So it seems to me this is appropriate and that we
7 would take it up at a different time under a
8 future revision to our guidelines.

9 MR. O'DONNELL: Very good. Anything I
10 can do at anytime to accelerate that, please let
11 me know.

12 CHAIRMAN KEESE: Communication with
13 staff.

14 COMMISSIONER MOORE: Nice proposal --

15 MR. O'DONNELL: Thank you very much.

16 CHAIRMAN KEESE: Thank you, Mr.
17 O'Donnell. Nancy Rader.

18 MS. RADER: Thank you, good morning,
19 Commissioners. My name is Nancy Rader,
20 representing the California Wind Energy
21 Association. We're an association of some of the
22 smaller wind companies in the state that
23 collectively own or operate about a quarter of the
24 state's wind capacity.

25 I submitted written comments on Monday,

1 so I'll abbreviate my comments today. But I do
2 want the Commission to understand the remaining
3 concerns we have with the investment plans so that
4 you understand them and that we might have a
5 chance to address them before we go back into the
6 legislative process.

7 In our view the investment plan is a
8 significant improvement over the December plan.
9 But we believe that the plan does not provide an
10 adequate safety net for existing projects, because
11 the funds do not insure that production from these
12 projects will be maintained and enhanced, which is
13 the goal of the program.

14 To provide that safety net will require
15 two modifications to the plan. First, the target
16 price for wind needs to be adjusted each year for
17 inflation. And second, the initial allocation
18 needs to be increased from 5 to 9 percent of total
19 funds.

20 By making a one-time adjustment for
21 inflation in the target price, the plan recognizes
22 the fact that the costs of operating a wind
23 project rise with inflation. But the plan fails
24 to adjust the target prices each year over the
25 five-year course of the plan on the premise that

1 productivity improvements will compensate for the
2 lack of inflation adjustment.

3 But that premise is not supported with
4 specifics or evidence, and is inconsistent with
5 the reality of operating these facilities.

6 Since the industry got its start 20
7 years ago there's been a great deal of learning
8 and operating costs have indeed fallen. But
9 there's only so much that you can do with existing
10 facilities. So the effect of failing to index the
11 target price with inflation is simply to fail to
12 fully recover the operating costs of these
13 facilities.

14 When that inflation adjustment is made
15 and using the Energy Commission's latest market
16 price forecasts modified to take into account wet
17 hydro years, the models we've submitted to the
18 Committee show that 9 percent of funds will be
19 needed to meet the target price over the next five
20 years. That's significantly less than the 13
21 percent that was allocated for existing wind in
22 the SB-90 funds, and far less on a per kilowatt
23 hour basis given the increase in wind production
24 that the SB-90 program fostered.

25 So we request that the allocation to

1 existing wind be increased to 9 percent to provide
2 an adequate safety net, and to give the wind
3 industry the confidence it needs to invest in
4 expensive capital repairs in this time of great
5 market uncertainty.

6 If market prices end up near or above
7 the target price the money can be reallocated to
8 other programs, but as we've seen just this past
9 week there's no assurance that market prices are
10 going to remain high.

11 We suggest that these additional funds
12 come from the customer credit, customer education
13 or the emerging resources programs. We have never
14 believed that the customer credit program was an
15 efficient way to use public funds, or to promote
16 renewable energy, simply because only a tiny
17 fraction of those funds ever reach renewable
18 energy generators, which is where the rubber meets
19 the road.

20 But we find the plan used for the 10
21 percent of the customer credit funds to be
22 particularly inappropriate because those funds
23 will support customers who have already chosen to
24 purchase renewable energy, and who have already
25 received the customer credit for up to four years.

1 The point of this program was to
2 introduce customers to the green market. Surely
3 four years of experience with green products is
4 enough.

5 Further, the company supplying these
6 consumers are not actively marketing because
7 absent legislative change there is no retail
8 market.

9 The fact that the Committee's plan
10 contains no numerical target for the customer
11 credit fund is evidence that this program does not
12 contribute to meeting the state's goal of
13 increasing the quantity of renewable energy in the
14 near term.

15 We also feel that the emerging account
16 is over funded given its track record, and we are
17 particularly opposed to the notion that 15 percent
18 of emerging program funds could be spent to
19 subsidize in-state manufacturing facilities, which
20 would do nothing to promote the state's goal of
21 increasing renewable energy production in this
22 state.

23 Finally, with regard to the new
24 resources program, we have two comments. First,
25 we support the proposed revisions before you to

1 make specific rule changes to encourage the
2 repowering of these facilities with new
3 technology, and we appreciate staff's change on
4 those points.

5 And second, we are opposed to opening up
6 the new resources program to out-of-state
7 facilities other than those with a direct line
8 tying into the state's grid.

9 The investment plan notes that the state
10 has 15,000 megawatts of renewable energy
11 development potential, as compared to the new
12 resources program target of 3000 megawatts.
13 Clearly, we need not look out of state to meet the
14 target.

15 Californians will receive more
16 reliability, environmental and local economic
17 benefits from in-state facilities and the
18 Legislature has clearly indicated its interest in
19 using these funds within the state.

20 Thank you very much for listening, and
21 I'd be happy to answer any questions.

22 CHAIRMAN KEESE: Thank you. Mr. Masri,
23 do you have any particular comments?

24 MR. MASRI: Yes, just overall comment
25 first that we -- these issues that were raised

1 today were presented to the Committee, and I think
2 the change you see before you is what the
3 Committee's proposing to respond to this.

4 I do however want the record to be clear
5 and accurate. And I think Ms. Rader was not very
6 accurate in saying there is no retail market. The
7 retail market today, we are funding it, it's
8 participating in our program, was 200,000
9 customers, peak, last April. We still have today
10 100,000 customers part of the program. The
11 marketers are still actively signing people up on
12 limited basis.

13 And so it is not true that the market
14 isn't there. The market is there. And the
15 customers who sign up for this program basically
16 on good faith that the credit is available. And
17 this is to continue, not to turn our backs on
18 customers who sign in good faith with the
19 expectation of this credit.

20 Sure, they were receiving credits for
21 four years. So were the generators who were
22 receiving incentive for four years. And are
23 intended to continue. Should we then cut them off
24 because it's been four years?

25 So I think this is important, retail

1 market is still here. It has shrunk because of
2 the overall problem in the electricity market, and
3 not because of what's happening in people's
4 willingness to buy green power.

5 The out-of-state is conditioned upon
6 guaranteed contracts to sell into California for
7 the new account. Need to be clear about that.

8 The targets, there's no customer credit
9 targets because it's an indirect contribution to
10 the targets that in there. Because people buy
11 green from their providers. They don't generate
12 power directly.

13 And the inflation adjustment were
14 already addressed in the plan, but specifically
15 that really it does also raise the revenue to the
16 projects, and we want to put pressure on projects
17 to be more productive and more competitive by not
18 raising the target price over time with inflation
19 and the fact that the pressure is there for
20 increased productivity and effectiveness. I think
21 it's a good pressure to have on there.

22 As far as the allocation for existing
23 wind and existing in particular, in general, we
24 have experience from the prior program that wind,
25 that Nancy is speaking about, had a target of 3.5

1 cents. We have now raised it to 3.8 cents. But
2 even under that low target price.

3 And we think the allocation today, if we
4 compare it to what we actually paid out to wind,
5 in an era of low prices in the past program, would
6 be sufficient. If, in fact, it turns out to be
7 not, and if the Commission were referred to this
8 deal that just was announced with Edison, to offer
9 5.37 cents for existing, if, in fact, that
10 becomes, which is maybe a template for other
11 agreements, then all we need to pay, we wouldn't
12 pay wind anything based on that agreement.

13 It's above the target already, even if
14 it's inflated. And for the others, for biomass
15 and solar thermal we may be paying 2 mills a
16 kilowatt hour.

17 So we think the funding is adequate
18 based on our experience to date.

19 CHAIRMAN KEESE: Thank you. Mr. Price,
20 Pete Price.

21 MR. PRICE: Thank you, Mr. Chairman.
22 Pete Price representing the Small Wind Turbine
23 Committee of the American Wind Energy Association.

24 We appreciate many of the changes that
25 have been made, and frankly I'm here to speak to

1 one issue. And I apologize because I did not
2 arrive before this item had begun. It's my
3 understanding that in the latest proposed changes
4 that staff has once again recommended that the cap
5 for small wind, this is in the emerging account,
6 be raised again from 30, which was the previous
7 proposal, back to 50.

8 I'm happy to save everyone some time and
9 say thank you, if that's what the Commission plans
10 to do. Or I can say --

11 MR. MASRI: That is correct.

12 CHAIRMAN KEESE: That was it.

13 MR. PRICE: Thank you very much.
14 Appreciate it.

15 CHAIRMAN KEESE: Thank you. Wonderful.
16 We've got four more to go.

17 Dave Konwinski.

18 MR. KONWINSKI: Thank you for the time.
19 I'm with Onsite Power Systems. And I again
20 commend the staff on a great report, well thought
21 out.

22 The one comment we looked at is seeing
23 how the industry has changed over the last couple
24 years, example the auction program you had the
25 first time was okay; the second time it was a

1 smashing success.

2 We're looking at the emerging technology
3 side of it. And there's a lot of technologies
4 coming out. And we think that that side should
5 possibly get more attention.

6 Either, maybe not this late in the game,
7 but more funding to that side. Or give it the
8 ability to cross over if you have hybrid systems
9 using existing and emerging technologies. Or
10 allow the Commission to eventually move it from
11 emerging into existing technology accounts.

12 Because the wind and the solar getting
13 the 20 percent, even kind of holding pretty steady
14 taking the amount of money they have, and carry
15 over into this year. But the emerging account is
16 growing, and I think there's a lot more
17 application going to be hitting that. And I think
18 it should be looked at to where that more money
19 can be allocated into that side of the funding.

20 CHAIRMAN KEESE: And I would just say,
21 to reiterate some suggestion earlier, we're
22 halfway through the implementation of an extension
23 of this program for ten years.

24 There are some issues that will
25 undoubtedly come up over that ten-year period, and

1 Commissioner Moore has already suggested a
2 workshop to deal with one of them. I think this
3 is an appropriate subject to be discussed.

4 MR. KONWINSKI: Thank you.

5 CHAIRMAN KEESE: Thank you. Mr. Judd.

6 MR. JUDD: Thank you, Mr. Chairman and
7 Members, my name is Bob Judd on behalf of the
8 California Biomass Energy Alliance.

9 A couple of very quick comments, and one
10 forward prospective, even though the Commissioners
11 will not choose to act on it today.

12 I'd like to address the question that
13 Nancy Rader raised, and that is an inflation
14 adjustor for the target price in existing.

15 It's an undeniable fact that the costs
16 at existing facilities continue to rise over time.
17 We're paying higher labor costs; we're paying
18 higher costs for supplies; higher costs for
19 services; higher costs for fuel in the case of the
20 biomass industry.

21 If these aren't recognized in the target
22 price by an adjustment according to whatever the
23 appropriate index might be, in fact you get
24 attrition or dilution of the target price value.

25 So we argue strongly that it's a

1 rational choice to have an inflation adjustor on
2 the target price.

3 We don't, unfortunately, agree with the
4 staff's argument that we don't want an inflation
5 adjustor because if you put one in plants will
6 become inefficient. As a matter of fact, these
7 plants make their money on efficiency. They are
8 all highly efficient and integrated, and cannot
9 afford to be otherwise.

10 You cannot squeeze more efficiency out
11 of the way the plants in our industry, and I
12 assume in others, are operated by this false, so I
13 would strongly encourage you to add an inflation
14 adjustor to the target price.

15 Without going into detail we are rather
16 amazed that from multiple sources of funding,
17 including various at the Commission, itself, that
18 emerging technology, which adds very few megawatts
19 to the system, is going to receive substantially
20 more funding than the existing renewables are.

21 We could lose ten times the amount of
22 electricity from current biomass generation in the
23 next year than emerging would be able to replace,
24 given the way this program is currently shaped.
25 We think that's out of balance. We recognize that

1 you may not address that here today.

2 On the new technology sector with the
3 prospect of an RPS in the legislative wind at this
4 point, we suggest that the Commission consider
5 language that would anticipate an RPS and address
6 the question of double-dip between the two
7 programs.

8 That is, if an RPS or similar program
9 were to arise, do parties who participate in that
10 have access at the same time to these funds. That
11 remains unaddressed in here.

12 With regard to the biomass power
13 facilities, themselves, I need to note, and I
14 believe a minor clarification is needed in the
15 language that all of our facilities that
16 participate in the current time limited ag biomass
17 grant program at Department of Trade and Commerce,
18 none of them is 100 percent agricultural fuel in
19 their generation of electricity.

20 It varies from 30 percent to 60 percent,
21 maybe 70 percent in some cases. It needs to be
22 clear in this report that for the generation that
23 is not attributable to qualified ag biomass, that
24 is that may come from urban wood waste, or from
25 forest-derived materials, that fraction that is

1 not ag biomass is eligible for support under this
2 program.

3 You shouldn't, in other words, be
4 penalized out of this program by participating
5 partially in another program.

6 My final comment is this. Since the
7 development of AB-1890 through SB-980 into AB-995,
8 and this year into SB-47X, the administration has
9 recognized that biomass energy is somewhat
10 different by its nature from other renewable
11 technologies.

12 Largely because it buys its fuel. It
13 has distinctive benefits. It's got special needs.
14 It's got higher costs.

15 The collection and utilization of the
16 fuel that we use is the genesis of the public
17 benefits that we uniquely provide. The Department
18 of Energy recently estimated the benefits above
19 and beyond the electricity of the biomass industry
20 as 11.4 cents per kilowatt hour of electricity.
21 The environmental quantified monetized benefits at
22 11.4 cents per kilowatt hour when this independent
23 analysis was done.

24 These benefits are unrecognized. And
25 importantly, uncompensated in the Energy

1 Commission investment plan. The plan seems to
2 make the presumption that price is the only
3 measure of value, when in fact, it isn't.

4 There are other values such as clean
5 air, rural employment, reduced risk of forest fire
6 that need to be valued that are not reflected in
7 here if the Commission wants to meet it's 12
8 percent target for existing renewables over time.

9 CHAIRMAN KEESE: Mr. Judd, I'll just say
10 at this point that I agree with you categorically.
11 However, we have a program that is paid by
12 electric ratepayers, and it's tied to electricity.

13 As you know, I personally pushed that
14 agenda, that there are a lot of societal benefits
15 to biomass that we must start recognizing. But to
16 suggest that we're going to look at each
17 technology that produces electricity and adopt a
18 societal benefit standard, I don't think that's
19 something that we can do through this program.

20 MR. JUDD: Well, I prefaced my remarks,
21 it is something that our industry needs to have
22 addressed if we are to maintain our current output
23 over time --

24 CHAIRMAN KEESE: I absolutely, I agree
25 with you.

1 MR. JUDD: And perhaps in other quarters
2 we'll talk about a fuel adjusted program on that.

3 I wanted to go on record with it at this
4 time.

5 Thank you for your attention.

6 CHAIRMAN KEESE: Thank you. Mr. Lucas.

7 MR. MASRI: May I just make one quick
8 comment, Mr. Chairman. The emerging account is
9 not receiving substantially or even more than the
10 existing.

11 The allocation for emerging account is
12 15 percent; for existing it's 20 percent. Just to
13 clarify Mr. Judd's comment that the existing is
14 getting substantially less than emerging.

15 CHAIRMAN KEESE: Thank you.

16 MR. LUCAS: Thank you very much. My
17 name is Bob Lucas. I'm representing International
18 Fuel Cells, a Division of United Technologies.

19 International Fuel Cells has been making
20 fuel cells for many years, providing them for the
21 space program and has had a commercially available
22 200 kilowatt unit available for about the last ten
23 years, which has gone through several design
24 revisions over that time.

25 And I would like to say up front that we

1 appreciate the work that's gone into this report,
2 and the balancing of objectives that needs to be
3 taken, and the different types of decisions that
4 need to be made.

5 I would like to point out, however, that
6 as we come into the meeting today we do face an
7 apparent reversal of recommendation from the
8 report that was available in December, as regards
9 to the funding or eligibility of funding for
10 natural gas fired fuel cells in a cogeneration
11 mode.

12 In the December draft report it was
13 recommended that natural gas fired fuel cells used
14 in a cogeneration mode would be eligible for
15 funding as they met the statutory criteria.

16 This report, as it was circulated about
17 approximately a week ago, actually says the
18 reverse.

19 We were trying to seek some clarity as
20 to why that was the case, and we were informed
21 that the determinations that natural gas fired
22 fuel cells used in a cogeneration mode meet the
23 three criteria specified in statute as been
24 affirmed. Which is the eligibility criteria for
25 funding under this program.

1 However, apparently the costs of the
2 newly available funds under the Public Utilities
3 Commission adopted program, a decision was made
4 that the funding priorities should, for funding of
5 this type of technology, should first occur at the
6 Public Utilities Commission rather than the Energy
7 Commission.

8 We don't quarrel with the final
9 conclusion that was reached here. What we have
10 been seeking, since this report is going back to
11 the Legislature, and the legislature is the entity
12 that drafted that specific criteria for
13 eligibility of funding of this technology under
14 this program, that the report be as clear as
15 possible in expressing this condition.

16 And as we initially entered the process
17 this week to engage in this discussion with staff,
18 we found that there was room for some
19 clarification, and we appreciate the revisions
20 that were suggested and read by Mr. Masri just a
21 little while ago.

22 We do feel that the additional
23 suggestion that was made by Chairman Keese, also a
24 little while ago, is an added clarification that
25 is consistent with what has been said. And we

1 think that it is an important element to add this
2 clarity that we're seeking.

3 There are two issues on the table here
4 with regard to the funding of this type of
5 technology. One is available funds, and the other
6 is eligibility, itself.

7 We can understand that from the
8 standpoint of available funds that you would like
9 to direct this first to the Public Utilities
10 Commission, which, incidentally, has not yet
11 funded the program, although they are expected to
12 do so.

13 But we would like to make it clear that
14 in meeting the statutorily directed criteria that
15 this technology is eligible for this funding in
16 the event that these other funds do not become
17 available or prove to be insufficient.

18 The statement --

19 CHAIRMAN KEESE: Mr. Lucas, --

20 MR. LUCAS: Yes.

21 CHAIRMAN KEESE: -- let's just ask.

22 Because when I read the language I thought that
23 staff had agreed to that language already. Was
24 there -- do you have better language or anything
25 that -- or are you sticking with your old

1 language, or what is your recommendation?

2 MR. TUTT: I think we can work out some
3 language that is better than our recommendation,
4 but I'm not sure that we're comfortable with the
5 exact language suggested.

6 CHAIRMAN KEESE: Fine.

7 MR. TUTT: We can work it out.

8 COMMISSIONER MOORE: Well, we'll have to
9 work it out in the next few minutes.

10 CHAIRMAN KEESE: Yeah, we'll have to
11 work it out in the next few minutes, as we do with
12 the other one, but --

13 COMMISSIONER MOORE: In fact, that gives
14 you approximately five minutes to come up with
15 something.

16 CHAIRMAN KEESE: Because I think you're
17 agreeing with what Mr. Lucas is saying. You've
18 made the three findings that make these eligible.
19 And then that's the one decision, so you've made
20 the three decisions which in the legislation makes
21 this eligible.

22 Then you said, but since the PUC's going
23 to fund it, we choose not to at this time.

24 MR. MASRI: That's correct, and we say
25 we will monitor --

1 CHAIRMAN KEESE: All you got to do is
2 say that.

3 MR. MASRI: -- the PUC programs, whether
4 they provide enough funding or not. And, again,
5 the flexibility that Commissioner Moore referred
6 to allows this Commission to say if that, in fact,
7 the funding did not --

8 CHAIRMAN KEESE: Doesn't happen, then
9 you --

10 MR. MASRI: -- materialize or is not
11 sufficient --

12 CHAIRMAN KEESE: -- and I heard Mr.
13 Lucas saying that that's okay with him.

14 MR. MASRI: I'd like to suggest that Mr.
15 Tutt here and Mr. Lucas get out there and try and
16 work out some language.

17 CHAIRMAN KEESE: That's exactly what I'd
18 like to see.

19 MR. BOYD: Mr. Chairman, I'd like to
20 endorse and embrace what's being discussed here,
21 particularly in light of the fact just within the
22 last couple weeks the private/public partnership
23 of the state consortium to encourage stationary
24 source fuel cell activity had its first meeting.
25 The PUC is a member of that group.

1 So I think we should say some warm and
2 fuzzy words about the future of fuel cells, and
3 the expectation that the PUC would embrace the
4 funding thereof, et cetera, et cetera.

5 COMMISSIONER MOORE: I thought I already
6 did, but I may say a few more in my wrap-up.

7 CHAIRMAN KEESE: Okay.

8 MR. LUCAS: Thank you.

9 CHAIRMAN KEESE: Thank you. Anybody in
10 the back row there that feels inclined to speak?
11 Mr. Alvarez. When you sent it up here and put a
12 lot of question marks on it, you see, I don't know
13 what to say.

14 MR. ALVAREZ: I didn't put the question
15 marks.

16 (Laughter.)

17 MR. ALVAREZ: The question marks must
18 have gotten on there before. Manuel Alvarez,
19 Southern California Edison. I'll be brief since
20 we're now in the afternoon on this item.

21 Edison appreciates the opportunity to
22 speak to the Commission. It wants to reinforce
23 three points that we made earlier in this process
24 as we continued.

25 Edison supports the CEC's effort to bill

1 in this past programs. We think they've been
2 successful, and we're looking forward to
3 additional success.

4 Edison recommends that projects
5 receiving renewable funding, which, as you pointed
6 out, are collected from California ratepayers,
7 should be required to sell their power into
8 California. And this recommendation is consistent
9 with effort to increase generation supply within
10 the State of California.

11 The third point I'd like to bring out is
12 Southern California Edison supports the emphasis
13 on providing support for new renewable generation,
14 as opposed to existing facilities.

15 The second point that I brought up to
16 your attention on in-state sales of power, I want
17 to bring out two items to your attention that I
18 think are going to be a bit problematic when you
19 try to implement the program, dealing with the
20 renewable fund.

21 The first item you mention in the
22 renewable fund, on-site generation. I want to
23 bring to the Commission's attention basically the
24 entire program and regulatory apparatus that's
25 being created at the Public Utilities Commission

1 as we speak today on distributed generation.

2 On-site generation will, in fact, have
3 to interface with that program to some degree, and
4 all the decisions and all the requirements of that
5 program have yet to be decided.

6 So, I'm asking the Commission to be
7 cognizant of their funding activity in that area,
8 to be consistent with that regulatory apparatus
9 once established.

10 The second item I want to bring to your
11 attention on the renewable fund is the addition of
12 projects that are connected to the Western Systems
13 Coordinating Council for renewable projects.

14 That fundamental question basically
15 brings the in-state/out-of-state question before
16 the state, and while the Commission recognizes
17 that if it's asking for a guaranteed contract to
18 sell their output to California loads, those
19 specific words are quite loaded in terms of what
20 they really mean, what the guarantee consists of,
21 what the contracts look like, will the contracts
22 have to be developed here at the Energy
23 Commission, would they be developed at the Public
24 Utilities Commission. Would those contracts have
25 to be developed with other state regulatory

1 entities, or the federal government.

2 And then ultimately what the
3 implications output to California loads really
4 mean, we're aware of what's going on in that
5 short, with the California Department of Water
6 Resources procuring that power. Is there a
7 requirement that you sell part of the Department
8 of Water Resources, some other entity involved
9 there.

10 So these are issues I think you're going
11 to have to wrestle with as you try to implement
12 this program. I wanted to bring those to your
13 attention. And I look forward to addressing those
14 kinds of matters as we proceed to implement.

15 And I'd just like to reinforce we do
16 support the program and we're asking for your
17 support today. Thank you.

18 CHAIRMAN KEESE: Thank you. Mr.
19 Jacobson, Dan Jacobson.

20 MR. JACOBSON: Thank you very much, Mr.
21 Chairman. My name is Dan Jacobson with the
22 California Public Interest Research Group,
23 CalPIRG.

24 I'll also be very brief today, just
25 saying that we strongly support the

1 recommendations that are made in this report, and
2 think this report goes a long way to bring clean
3 energy to the State of California, which is
4 obviously much needed.

5 I would just echo the points that were
6 made by a couple of folks that I think this is a
7 critical time, that this is, in essence, a tipping
8 point, and anything that we can do to help both
9 the existing and the new renewable companies come
10 on line as quickly as possible will help us out
11 significantly.

12 And then I would also just emphasize
13 that there is a bill in the State Legislature that
14 will deal with RPS that we think would also help
15 encourage clean energy here in the State of
16 California. And hope that's something that you
17 all can support, too.

18 Thank you very much.

19 CHAIRMAN KEESE: Thank you. Anybody
20 else in the audience we haven't heard from yet?
21 Anybody on the phone?

22 That's the end of my witnesses.

23 Commissioner Moore, I know that we have two issues
24 in front of us for language, one --

25 COMMISSIONER MOORE: We actually have --

1 CHAIRMAN KEESE: -- is at least the -- I
2 have on my list, the state purchases.

3 COMMISSIONER MOORE: State purchases.
4 We actually have three. Mr. Tutt is out
5 negotiating I think that probably the one sentence
6 that will cap the --

7 CHAIRMAN KEESE: On fuel cells.

8 COMMISSIONER MOORE: -- fuel cell issue.
9 And then we have the double-dipping issue, the
10 language that might prevent double-dipping that
11 Mr. Judd brought up.

12 And if there is an RPS, and of course
13 we're all aware that there has been some talk of
14 that kind of an addition in a bill, so I'm going
15 to defer to my counsel on that to give me a
16 sentence that would give us some help on trying to
17 prevent double-dipping, or at least acknowledge
18 that we would like to stop it.

19 On the --

20 CHAIRMAN KEESE: Commissioner Moore,
21 that's a -- my thought, that's a big bite to take
22 at this moment. I would -- if there is
23 legislation in, the legislation might well prevent
24 double-dipping.

25 For us to preemptively --

1 COMMISSIONER MOORE: I stand corrected.

2 I withdraw --

3 CHAIRMAN KEESE: If your Committee wants
4 to come up with a recommendation I'll look at it,
5 but --

6 COMMISSIONER MOORE: We will. We will.
7 I take what Mr. Judd was saying very very
8 seriously, and frankly, on that issue all I can do
9 is reiterate what the Chairman was saying about
10 the role of biomass. We've been saying this for
11 at least three and a half years, that we don't
12 have a good pricing mechanism to indicate the
13 value of what they contribute to the overall
14 economy. And it's significant.

15 Frankly, it seems to me that's a mission
16 that's worth pursuing on behalf of a lot of
17 different state agencies, including Water
18 Resources, Conservation, the Recycling Board, et
19 cetera.

20 CHAIRMAN KEESE: As soon as Mr. Boyd is
21 done with his urgent responsibilities now I'm sure
22 he's going to carry forward that --

23 COMMISSIONER MOORE: He can take those
24 on.

25 CHAIRMAN KEESE: -- he's going to carry

1 forward that --

2 COMMISSIONER MOORE: Let me, just for
3 your interest, on the question of the state
4 purchase. Here's the sentence that I came up with
5 that pretty much parallels what Mr. Kelly sent in.

6 I said: Renewable energy is an
7 important element of the state's energy portfolio.
8 The Commission recommends that the State of
9 California make the purchase of renewable energy a
10 priority for meeting future electricity needs.

11 Let me translate that for you on behalf
12 of my counsel who has suggested language that we
13 put in. So now I'll translate what I just said
14 into something that we probably ought to adopt in
15 the report.

16 Page 31, second paragraph: Because of
17 the institutional and legal barriers of a state-
18 mandated purchase of renewable generation, the
19 Commission does not believe it is reasonable at
20 this time to mandate state purchase of renewable
21 energy." Keyword, mandate.

22 "However, to the extent practical to do
23 so, the Commission strongly encourages state
24 entities to purchase renewable generation. The
25 Commission believes a better course at this time

1 is to explore alternative energies."

2 And his second addition to the second
3 paragraph, page 31: As part of the ongoing
4 monitoring efforts, the Commission will evaluate
5 whether state-mandated purchases are appropriate
6 in the future, and will make recommendations
7 accordingly in its biennial reports to the
8 Legislature. The first of these biennial reports
9 is due to the Legislature in March 2002."

10 So you can see that I was liberally
11 translated, and thank god I'm backed up by legal
12 counsel of this caliber. So, Mr. Herrera, thank
13 you for making what I said translate into English.

14 CHAIRMAN KEESE: Mr. Boyd, did --

15 COMMISSIONER MOORE: I offer that as an
16 amendment to our report --

17 CHAIRMAN KEESE: Everybody okay here?

18 COMMISSIONER MOORE: -- and with that,
19 and let me ask Mr. Tutt if he's got a language
20 change on the fuel cell.

21 MR. TUTT: Yes, we do have a language
22 change on the fuel cell.

23 If you look at our proposed amendments,
24 there are a couple of changes. On the top of page
25 6 of the amendments it says page 62, third

1 paragraph.

2 We are striking the last line of that
3 paragraph which reads: Given those programs these
4 technologies do not require further public
5 assistance."

6 And we would replace that with the
7 following language: The Commission believes that
8 when the CPUC funds become available they should
9 be the first source of funding for nonrenewable
10 fuel cell technologies in a cogeneration mode.
11 Consequently, the Commission allocates no further
12 assistance from RECEA funds at this time."

13 "The Commission will monitor these other
14 programs to determine whether the support provided
15 to the specified technologies is sufficient. And
16 if not, will recommend funding for these
17 technologies in the future."

18 COMMISSIONER MOORE: Mr. Chairman, I
19 would incorporate the two language revisions --

20 MR. TUTT: Excuse me, one other part to
21 that. Add after the "consequently", it should
22 say: Consequently though eligible for funding,
23 the Commission allocates no further assistance
24 from RECEA funds at this time."

25 COMMISSIONER MOORE: That acknowledges

1 that they've met the three conditions.

2 Mr. Chairman, I accept those two
3 language revisions. Mr. Herrera's language, which
4 I'll give to the Secretariat for record, and the
5 change that Mr. Tutt just read into the record, as
6 well as the proposed revisions that were
7 summarized by Mr. Masri in his presentation.

8 And I offer you that as a motion for
9 approval of the renewable energy investment plan.

10 CHAIRMAN KEESE: Motion by Commissioner
11 Moore.

12 COMMISSIONER ROSENFELD: Second.

13 CHAIRMAN KEESE: Second by Commissioner
14 Rosenfeld. Any comments?

15 All in favor?

16 (Ayes.)

17 CHAIRMAN KEESE: Opposed? Adopted five
18 to nothing.

19 Thank you all for your comments. They
20 were appreciated. The staff has good guidance.

21 Item 21, renewables energy program --
22 well, let's see, --

23 COMMISSIONER MOORE: I believe this is
24 going to be very rapid, Mr. Chairman.

25 CHAIRMAN KEESE: All right. Renewables

1 energy program consumer education subaccount.
2 Possible approval of five grants totaling \$620,000
3 from the renewable resource trust fund.

4 COMMISSIONER MOORE: And Ann can
5 introduce this. This was competitive and
6 extremely competitive, and frankly we think we've
7 gotten the absolute best bang for the buck.

8 If you could summarize in about two
9 sentences, Ann.

10 MS. PETERSON: Two sentences, okay.
11 Good afternoon, I'm coming to you today requesting
12 approval for five grant agreements totaling
13 \$620,000.

14 As Commissioner Moore stated, we went
15 through a competitive process, received 54
16 proposals, scored them and evaluated them. Took
17 them to the policy committee and we're coming
18 today to recommend the five highest scoring grant
19 applicants to receive funding.

20 And these includes educators for the
21 environment, Scott Allen Cronk; the Rarus
22 Institute; American Wind Energy Association and
23 the Local Government Commission.

24 I have more information if you're
25 interested in hearing more, but today we --

1 CHAIRMAN KEESE: Well, I think I heard
2 Commissioner Moore move this item, is that --

3 COMMISSIONER MOORE: He did.

4 CHAIRMAN KEESE: Commissioner Moore
5 moved.

6 COMMISSIONER PERNELL: Second.

7 CHAIRMAN KEESE: Commissioner Pernell,
8 seconded.

9 COMMISSIONER LAURIE: Question, Mr.
10 Chairman.

11 CHAIRMAN KEESE: Commissioner Laurie.

12 COMMISSIONER LAURIE: Do any of these
13 programs get Commissioner Moore on national
14 television?

15 (Laughter.)

16 COMMISSIONER MOORE: I hope not.

17 MS. PETERSON: Am I supposed to answer
18 that?

19 (Laughter.)

20 COMMISSIONER MOORE: No, no, in fact
21 that's quicksand.

22 CHAIRMAN KEESE: Depends which one you
23 want to have as a friend.

24 COMMISSIONER MOORE: That's absolute
25 quicksand.

1 CHAIRMAN KEESE: All in favor?

2 (Ayes.)

3 CHAIRMAN KEESE: Opposed? Adopted five
4 to nothing. Thank you.

5 COMMISSIONER MOORE: Mr. Chairman, if
6 you'll indulge me, let me just say how proud I am
7 of my staff for the efforts that they expended on
8 getting this plan out. It's a tortuous route to
9 get something with this many actors and this many
10 interests together, and they did it in absolutely
11 stellar fashion. I'm so proud of them.

12 CHAIRMAN KEESE: I join you, I'm sure we
13 all join you. It is a great negotiating feat.

14 MS. PETERSON: Since Marwan isn't here
15 I'll say thank you on behalf of staff.

16 CHAIRMAN KEESE: Okay. We are going to
17 go back to Mr. Tutt's item, since it's 11:25 now,
18 or close to that.

19 The Commissioners have in front of them
20 the MOU --

21 COMMISSIONER LAURIE: Mr. Chairman, let
22 me quickly explain what this is. We have done
23 this kind of thing before. In particular you have
24 seen --

25 CHAIRMAN KEESE: Item 9.

1 COMMISSIONER LAURIE: -- earlier drafts
2 of this particular document a couple times over
3 the last couple months.

4 Very quickly, it's part of the business
5 development program. Foreign countries like to
6 have a lot more formalistic structure than we do.
7 Therefore, these MOUs give foreign countries an
8 opportunity and a foundation upon which they feel
9 freer to conduct business with the kind of folks
10 that we work with in our programs.

11 That is, our program is not geared to
12 the large companies, but rather the middle and
13 small size companies.

14 In particular, the CFIE is, like most
15 entities in China, it's a combination of
16 government and private industry, kind of like
17 government-sponsored national chamber of commerce.

18 The verbiage of it being a non-binding
19 MOU is a little misnomer. It is a binding MOU.
20 The MOU doesn't bind us to do anything that we, as
21 a matter of discretion, choose not to do.
22 Basically it provides for an exchange of
23 information and technologies to the extent that in
24 our discretion we desire to do so.

25 So, an MOU, by definition, is binding.

1 The question is it doesn't bind us to do anything
2 that, in our discretion, we choose not to do.

3 COMMISSIONER MOORE: So it binds us to
4 use our discretion?

5 COMMISSIONER LAURIE: It binds us to
6 consider utilizing, we aren't even bound to use
7 our discretion.

8 (Laughter.)

9 COMMISSIONER LAURIE: But what it does
10 indicate is that we take our consideration
11 seriously when it comes to doing business with
12 especially China, that Mr. Olson's office has
13 developed a very good relationship with, and has
14 resulted in very significant business ties.

15 CFIE asked for the MOU. I recommend
16 that we respond in a positive fashion.

17 Mr. Olson, did you want to take a moment
18 and expand on that at all?

19 MR. OLSON: Yes. One thing I'd like to
20 do is introduce Brenda Sturdivant. Her name is on
21 the item for the business meeting. But I thought
22 it was a little unfair since she did not draft the
23 MOU. She's going to manage part of this contract
24 in the future, so didn't want her having to
25 respond to all the questions, since she had not

1 much in context on this.

2 Commissioner Laurie, I think, is exactly
3 right on the objective and the outcome, expected
4 outcome from this kind of document.

5 China is, for us, in our analysis, one
6 of the top two countries in the world that we
7 think the best prospects for export sales occur.
8 Mexico is the other.

9 And we've done activities in China over
10 the last two and a half years. There are
11 definitely mutual benefits in the agreement.
12 There's mutual benefits, and we're seeing some of
13 that paying off even prior to this agreement being
14 signed.

15 The CFIE is an extraordinary
16 organization in that it's an association of over
17 500 other associations. And it reflects the kind
18 of targeted sectors that we had concentrated on,
19 municipalities and virtually every industrial
20 sector in China, including some hotels and
21 commercial businesses, too.

22 And so these are the candidate sites for
23 energy efficiency, cogeneration improvements. And
24 we expect benefits in terms of California firms
25 being involved in projects there.

1 From the China standpoint, probably the
2 number one benefit we see is improvement in
3 environmental problems there. Given that it's a
4 75 percent coal using country, and we're
5 concentrating on end-use technologies that -- or
6 options to coal that will produce some benefits
7 from their side.

8 CHAIRMAN KEESE: Thank you.

9 COMMISSIONER LAURIE: I'd be pleased to
10 respond to any questions, Mr. Chairman. I would
11 move the MOU.

12 COMMISSIONER MOORE: Second the motion.

13 CHAIRMAN KEESE: Motion, Commissioner
14 Laurie; second, Commissioner Moore.

15 All in favor?

16 (Ayes.)

17 CHAIRMAN KEESE: Opposed? Done.

18 COMMISSIONER LAURIE: Thank you.

19 CHAIRMAN KEESE: Thank you.

20 COMMISSIONER LAURIE: And thank you,
21 Brenda.

22 CHAIRMAN KEESE: We're now going to take
23 up very briefly, I trust, Ocotillo. And the
24 question is do we have consensus here.

25 MR. HAUSSLER: Mr. Chairman,

1 Commissioners, we had an opportunity to meet. We
2 have some consensus in some items that the
3 District has raised, that apparently the District
4 does have the information as an appendix in our
5 AFC.

6 There are other areas which still remain
7 unprovided at this point.

8 CHAIRMAN KEESE: So staff is still
9 recommending inadequacy and bring it back on the
10 22nd?

11 MR. HAUSSLER: That's correct.

12 CHAIRMAN KEESE: Is there anyone here
13 who chooses to disagree with that position?

14 MR. BOYD: Mr. Chairman, I don't
15 disagree. I'd just like to comment that should
16 that be the outcome I would suggest that your
17 Executive Director, Mr. Larson, interact with the
18 Air Resources Board to interact in turn with the
19 South Coast District.

20 In concert with all the other activities
21 we have going on a daily basis, we should be able
22 to build a fire under getting some decision --

23 CHAIRMAN KEESE: Yes, I would --

24 MR. BOYD: I don't want to come down
25 hard on the South Coast District. They've been

1 working hard, I don't want to comment on whether
2 they're foot-dragging or not on this particular
3 issue.

4 We do have a vehicle for making high
5 level contact and we'll exercise that, I trust.

6 COMMISSIONER MOORE: Mr. Chairman, I
7 second that. It seems to me it was very
8 disconcerting to hear the applicant say that they
9 literally had to go in and sit on the doorstep of
10 the Air District to get some response.

11 COMMISSIONER PERNELL: Mr. Chairman, I'd
12 just like to thank staff and the applicant for
13 going out trying to resolve this issue as we
14 continue our business meeting. I think that shows
15 a level of cooperation and it's certainly welcome
16 here at the Commission.

17 CHAIRMAN KEESE: Okay, well, regretfully
18 do I have -- do we need a motion to put this over,
19 or can we just put it over.

20 COMMISSIONER LAURIE: Yes.

21 CHAIRMAN KEESE: Motion, Commissioner
22 Laurie.

23 COMMISSIONER PERNELL: Second.

24 COMMISSIONER ROSENFELD: Second.

25 CHAIRMAN KEESE: Second, everybody,

1 Commissioner Rosenfeld.

2 All in favor?

3 (Ayes.)

4 CHAIRMAN KEESE: It's put over till the
5 22nd. Sorry, best we can do.

6 MR. CARROLL: We appreciate it. We
7 appreciate the opportunity to go out and try to
8 work it out. Thank you very much.

9 CHAIRMAN KEESE: Thank you. Item 22,
10 alternative fuel grants. Possible approval of
11 sixteen alternative fuel infrastructure grants for
12 \$2,918,951 that Commissioner Moore and I have
13 reviewed extensively.

14 Commissioner Moore.

15 COMMISSIONER MOORE: Motion.

16 CHAIRMAN KEESE: Motion by Commissioner
17 Moore.

18 COMMISSIONER ROSENFELD: Second.

19 CHAIRMAN KEESE: Second by Commissioner
20 Rosenfeld. Do we have any questions? A
21 significant number of infrastructure grants.

22 COMMISSIONER MOORE: We need the
23 infrastructure.

24 CHAIRMAN KEESE: All in favor?

25 (Ayes.)

1 CHAIRMAN KEESE: Opposed? Beautiful.
2 Timing is everything. Get late on the agenda.

3 Item 23, low emission school bus
4 program. Possible approval of a resolution to
5 authorize the Executive Director to execute
6 agreements between the Energy Commission and
7 various school districts that have been awarded
8 funding under the low emissions school bus
9 program.

10 COMMISSIONER LAURIE: Move the
11 recommendation, Mr. Chairman.

12 CHAIRMAN KEESE: ARB money. Motion,
13 Commissioner Laurie.

14 COMMISSIONER PERNELL: Second.

15 CHAIRMAN KEESE: Second, Commissioner
16 Pernell.

17 COMMISSIONER LAURIE: Unless, is this
18 your program?

19 CHAIRMAN KEESE: All in favor?

20 (Ayes.)

21 CHAIRMAN KEESE: Opposed?

22 COMMISSIONER PERNELL: No, we're fine,
23 we're okay.

24 CHAIRMAN KEESE: Adopted, five to
25 nothing.

1 Item 24, geothermal program. Possible
2 approval of Public Interest Energy Research grants
3 totaling up to \$2 million for geothermal projects
4 resulting from the geothermal target solicitation.

5 To clarify, these are PIER funds. This
6 is not the geothermal part, which we will take up
7 later.

8 MS. SISON-LEBRILLA: That's correct, --
9 CHAIRMAN KEESE: Real quickly.

10 MS. SISON-LEBRILLA: For your approval
11 we have three PIER research and development grants
12 totaling \$1,928,464. Each of these grants have
13 proposed special conditions which I won't go into.

14 They were covered in our Committee. And
15 typical, these are verification of permits and
16 agreements and matched funds.

17 The first one is to Mammoth Pacific,
18 Limited Partnership, for the evaporative cooling
19 of geothermal power plants with recycled water, \$1
20 million.

21 Lawrence Livermore National
22 Laboratories, coproduction of silica and metals
23 from geothermal fluids, \$669,683.

24 And to Stanford University for the
25 improving energy recovery at the Geysers

1 Geothermal Field by delineation of in situ
2 saturation for \$258,781.

3 CHAIRMAN KEESE: Do I have a motion?

4 COMMISSIONER ROSENFELD: Moved.

5 CHAIRMAN KEESE: Motion, Commissioner
6 Rosenfeld.

7 COMMISSIONER MOORE: Second.

8 CHAIRMAN KEESE: Second, Commissioner
9 Moore.

10 All in favor?

11 (Ayes.)

12 CHAIRMAN KEESE: Opposed? Adopted five
13 to nothing.

14 We have no minutes in front of us.

15 We'll go --

16 COMMISSIONER MOORE: You have items 32
17 and 33, Mr. Chairman.

18 CHAIRMAN KEESE: We're going to go to --
19 we have put over item 31, the Calpine King City
20 project.

21 We will go to item 32, Magnolia Power
22 Plant project. Possible approval of the Executive
23 Director's data adequacy recommendation for the
24 Magnolia Power Plant.

25 MR. REEDE: Good afternoon, Chairman

1 Keese and Members of the Commission. My name is
2 James Reede and I'm the Energy Facility Siting
3 Project Manager assigned to the Magnolia Power
4 Plant application, as supplied by the Southern
5 California Public Power Authority.

6 We have completed our data adequacy
7 review of the AFC that was submitted May 18th, and
8 we've determined that the application for
9 certification does not meet -- it does not contain
10 all the information required to recommend
11 adequacy.

12 Of the 23 technical areas reviewed, 12
13 were inadequate relating to the 12-month process.
14 The applicant also concurrently had requested an
15 expedited six-month process. We performed that
16 data adequacy review and of the 23 technical
17 areas, we determined that eight were inadequate.

18 Because the six-month process is a 12-
19 plus, we looked at three particular areas as
20 causing perhaps a hurdle for them supplying a
21 supplement in a fairly quick manner.

22 Those areas are air quality, water
23 resources and transmissions systems engineering.
24 Understanding that there were major deficiencies
25 in those three areas, we see that we won't be

1 coming back to you in the next two weeks, sir.

2 In the area of transmission system
3 engineering, since the Southern California Edison
4 representative is here, we have been having a
5 problem getting that information from them so that
6 the applicant can complete their package, and
7 subsequently complete their supplement.

8 CHAIRMAN KEESE: Thank you. Let's hear
9 from the applicant.

10 MR. GALATI: Scott Galati on behalf of
11 the applicant, SCPPA. Mr. Chair, Members of the
12 Commission, we agree with and understand the data
13 adequacy recommendations. We're going to be
14 working with staff very hard over the next few
15 weeks.

16 Mr. Reede has facilitated those
17 discussions and has been very helpful. And we
18 hope to be able to come back to you very soon.
19 Can't give you a date right now when we think that
20 will be done. But we hope to come back to you
21 very soon, ask for a six-month recommendation for
22 this very important public power project.

23 CHAIRMAN KEESE: Thank you, sir.

24 COMMISSIONER LAURIE: Who is the
25 Southern California Power Authority?

1 MR. GALATI: I'll introduce Bruce Blowey
2 on my left. He's the Project Manager for
3 Magnolia. And he can introduce who the members of
4 Southern California Public Power Authority are.

5 MR. BLOWEY: There are 11 municipalities
6 in Southern California Public Power Authority,
7 including Los Angeles, Burbank, Colton, Anaheim,
8 Riverside, Imperial Irrigation District,
9 Pasadena --

10 COMMISSIONER LAURIE: Designed for the
11 purpose of creating generation?

12 MR. BLOWEY: Yes. They were created to
13 provide for transmission or generation. They're
14 primarily a financing arm for these public
15 municipalities.

16 And we can bring a consortium together
17 of any number, any one or more of those
18 municipalities together to fund a project. In
19 this case, there's five of the members that are
20 involved.

21 COMMISSIONER LAURIE: Very well, thank
22 you.

23 CHAIRMAN KEESE: Thank you.
24 Editorially, I'm going to ask that I'd like to see
25 our agenda henceforth indicate when we have these

1 projects in front of us whether they're 21-day
2 projects, four-month projects, six-month projects
3 or 12-month projects, so that --

4 MR. REEDE: Yes, sir.

5 CHAIRMAN KEESE: -- we can sort
6 ourselves out here.

7 COMMISSIONER MOORE: Good idea.

8 CHAIRMAN KEESE: All right, Mr. Alvarez
9 would like to say something.

10 MR. ALVAREZ: Yes, Manuel Alvarez,
11 Southern California. You noted about the Southern
12 California Edison interconnection, or the --

13 MR. REEDE: The interconnection study
14 has not been signed off nor provided to the Public
15 Power Authority, and that was one of the --

16 CHAIRMAN KEESE: And it'll be done by
17 tonight.

18 MR. REEDE: -- deficiencies.

19 MR. ALVAREZ: Well, I'll find out
20 exactly where it's at. But I guess my initial
21 impression was this project was in the City of
22 Burbank.

23 MR. BLOWEY: Yes.

24 MR. ALVAREZ: Right, isn't it?

25 MR. BLOWEY: Yes, it is, in Burbank.

1 MR. ALVAREZ: Okay, so it's -- after the
2 first point of interconnection within the City,
3 outside the City's parameters to the Edison system
4 that's concerned --

5 CHAIRMAN KEESE: Maybe we can take this
6 up afterwards?

7 MR. ALVAREZ: We'll deal with it later.

8 MR. REEDE: Yes.

9 CHAIRMAN KEESE: Yes.

10 MR. REEDE: Oh, one final note, Chairman
11 Keese, we have not been provided the letter
12 documenting the completeness review from the South
13 Coast Air Quality Management District, even though
14 verbally they told me it was incomplete.

15 That letter was originally scheduled to
16 be to us by May 31st per the Governor's executive
17 orders. Right now they're saying that they would
18 get us a letter of incompleteness within the next
19 two weeks.

20 CHAIRMAN KEESE: That is a footnote, an
21 asterisk that our Executive Director just included
22 in another phone call he's going to be making. So
23 I'm sure he'll take up both issues at the same
24 time.

25 MR. REEDE: Might I add if he's going

1 to -- well, I'll speak to him later.

2 CHAIRMAN KEESE: Thank you. Do I have a
3 motion?

4 COMMISSIONER MOORE: Move to find the
5 project inadequate.

6 CHAIRMAN KEESE: Commissioner Moore.

7 COMMISSIONER PERNELL: Second.

8 CHAIRMAN KEESE: Second by Commissioner
9 Pernell to find this data inadequate and come back
10 at a future date.

11 All in favor?

12 (Ayes.)

13 CHAIRMAN KEESE: Opposed?

14 Any public comments at this time?

15 Executive Director's report? Counsel?

16 MR. CHAMBERLAIN: Yes, Mr. Chairman. I
17 believe I have need for a brief closed session
18 with the Commission to discuss potential
19 litigation.

20 CHAIRMAN KEESE: Thank you. We're going
21 to go into -- this meeting's adjourned, subject to
22 meeting in --

23 COMMISSIONER LAURIE: We were going to
24 have an extended.

25 CHAIRMAN KEESE: You're going to have an

1 extended?

2 MR. CHAMBERLAIN: If the Commission is
3 still interested we can have also an informal
4 meeting after the executive meeting.

5 The informal meeting would be to deal
6 with a PIER report, or with a report from a
7 division chief about what's going on in his
8 operations.

9 In terms of the issues you're talking
10 about that relates to the litigation we're talking
11 about.

12 CHAIRMAN KEESE: All right, we're going
13 to go into executive session. And then --

14 COMMISSIONER LAURIE: Can we have that
15 in your office?

16 CHAIRMAN KEESE: We can have that in my
17 office. And then we may adjourn to the third
18 floor for some informal discussions with staff.

19 Subject to that, we're adjourned.

20 (Whereupon, at 12:40 p.m., the business
21 meeting was adjourned.)

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CERTIFICATE OF REPORTER

I, VALORIE PHILLIPS, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Business Meeting; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of June, 2001.

VALORIE PHILLIPS

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