

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)
_____)

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

WEDNESDAY, SEPTEMBER 25, 2002
10:15 A.M.

Reported by:
James A. Ramos
Contract No. 150-01-006

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairman

James D. Boyd

John L. Geesman

Margaret J. Kim, Ex Officio

STAFF PRESENT

William Chamberlain, Chief Counsel

Betty McCann, Secretariat

Robert Therkelsen

Bob Worl

Nancy Tronaas

Tim Tutt

Joseph Wang

Peter Ward

PUBLIC ADVISER

Roberta Mendonca

ALSO PRESENT

Vincent J. Signorotti
Director of Real Estate Assets
CalEnergy Operating Corporation

Howard Wenger, Vice President
AstroPower

Judy Ledford, President
Renewable Energy Concepts, Inc.

Vincent Schwant, Senior Project Manager
Sacramento Municipal Utility District

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P R O C E E D I N G S

10:15 a.m.

CHAIRMAN KEESE: Call this meeting of the Energy Commission to order. Mr. Boyd, would you lead us in the Pledge, please.

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

CHAIRMAN KEESE: What you see is what you get. We have three Commission Members today. I will say, well, let's take up the consent calendar first. Do I have a motion?

COMMISSIONER GEESMAN: So moved.

COMMISSIONER BOYD: Second.

CHAIRMAN KEESE: A motion and a second on the consent calendar.

I will note that under item b. we have not yet received the contract back from Caltrans, so the item b. will be contingent upon the receipt of those funds.

I will also note that with respect to item d. this contract is sole-source, competitively bid, and subject to executive order D5502, and the Commission will obtain all the necessary approvals.

With that, all in favor?

1 (Ayes.)

2 CHAIRMAN KEESE: Opposed? Adopted three
3 to nothing. Mr. Flores has advised us that none
4 of the other items we take up today are subject to
5 the Governor's Executive Order for different
6 reasons.

7 Item 2, Salton Sea Unit #6 Geothermal
8 Power Project, 02-AFC-02. Commission
9 consideration of the Executive Director's data
10 adequacy recommendation for the Salton Sea
11 project. Good morning.

12 MR. WORL: Good morning, Commissioners.
13 My name is Bob Worl; I'm the Project Manager
14 assigned to the Salton Sea Unit 6 Geothermal
15 Project.

16 On July 29th of this year CE Obsidian
17 Energy filed an application for certification with
18 the Energy Commission for the Salton Sea Unit 6
19 Geothermal Power Plant in unincorporated Imperial
20 County.

21 The applicant originally requested the
22 project be reviewed as a six-month project, but on
23 August 28th the Commission found the project to be
24 data inadequate for both the six- and 12-month
25 process.

1 Since that time the applicant has
2 presented supplemental material to the Commission
3 which, after review, staff finds data adequate for
4 the 12-month review process. And the applicant
5 has now requested that the Commission review the
6 project as a 12-month project.

7 The proposed project is planned as a 185
8 net megawatt facility located about three-quarters
9 of a mile south of the Sonny Bono National
10 Wildlife Refuge, and about 1000 feet from the
11 southeastern shore of the Salton Sea.

12 They would propose to extract steam from
13 geothermal brine to drive a three-stage turbine
14 providing electrical energy to the Imperial
15 Irrigation District's grid through two points of
16 interconnection, which would require approximately
17 31 miles of transmission line.

18 Geothermal brine will be extracted from
19 a series of production wells, transported via
20 pipelines to the production facilities and the
21 power generation facility, which will be located
22 on an 80-acre tract of land owned by an affiliate
23 company of the applicant.

24 After the brine is used to produce
25 steam, it will be diluted by adding water, and

1 returned to the ground via a series of injection
2 wells.

3 Cooling for the power facility will be
4 through a ten-cell counterflow -- two ten-cell
5 counterflow towers. And they will primarily
6 utilize water that's residual from the steam
7 extraction process for the cooling towers.

8 Water for potable and other plant uses
9 comes from a 500-foot proposed pipeline connecting
10 to an existing Imperial Irrigation District
11 canal. The design indicates that an
12 average of 293 acrefeet per year of IID water is
13 projected as needed for the project.

14 The proposed project site is currently
15 irrigated agricultural land, and is listed in the
16 Imperial County general plan as agricultural land
17 with a geothermal overlay. The area surrounding
18 the project currently has several smaller
19 geothermal power production facilities. And so
20 this will be adding to that.

21 Geothermal power projects are permitted
22 differently than fossil fuel thermal power plants
23 under the Warren Alquist Act. The permitting
24 authority for the production and injection
25 geothermal wells is retained by the Department of

1 Conservation Division of Oil, Gas and Geothermal
2 Resources. And the authority to permit the well
3 pads and the pipelines is retained by local
4 jurisdiction, in this case Imperial County.

5 We've been in contact with both agencies
6 and they plan to participate in the ongoing
7 process and to utilize our staff assessment as
8 their CEQA document in their respective permitting
9 processes.

10 In order to bypass the notice of
11 intention process, the applicant must demonstrate
12 that the site's capable of providing geothermal
13 resources in commercial quantities. The applicant
14 has presented material in the AFC addressing that
15 subject. And our engineering staff and the staff
16 of the Division of Oil, Gas and Geothermal
17 Resources are reviewing the information.

18 Under the siting regs the Committee
19 assigned to the project should hold a public
20 hearing on this issue as soon as possible after
21 the AFC is accepted to determine whether to grant
22 the exemption of the NOI process. Staff
23 recommends that this hearing be held no later than
24 the site visit and informational hearing that
25 would be scheduled.

1 With that information as background, I
2 ask that the Commission consider the Executive
3 Director's recommendation that the Salton Sea Unit
4 6 AFC be found data adequate for the 12-month
5 process.

6 CHAIRMAN KEESE: Thank you. Any
7 questions up here? Does applicant have anything
8 in particular to add?

9 MR. SIGNOROTTI: Good morning. My name
10 is Vince Signorotti, and on behalf of CE Obsidian
11 Energy we are pleased that the CEC Staff has
12 recommended a data adequacy determination for
13 Salton Sea Unit 6.

14 We enthusiastically encourage you to
15 approve this recommendation. This is an important
16 milestone in the Salton Sea project. It
17 represents a goal that could not be achieved
18 except for the hard work and professionalism and
19 dedication of CEC Staff.

20 While we are gratified to have reached
21 this point in the permitting process, I believe
22 all parties recognize that there's still much hard
23 work ahead of us. And with that in mind it should
24 be noted that we look forward to building, on a
25 positive working relationship we've developed with

1 CEC personnel as we move ahead and complete the
2 review and certification of this application.

3 Moreover, you have our unqualified
4 assurance that we will continue to be responsive
5 to the needs of the Committee, along with our full
6 and complete cooperation.

7 We believe your action will send a
8 signal to companies like mine that California is
9 serious in encouraging construction of more
10 renewable, indigenous and environmentally
11 responsible power plants. There may be another
12 1000 megawatts of geothermal energy in Imperial
13 County. And if approved, this project could
14 result in further economic development in Imperial
15 County and perhaps elsewhere in the state.

16 Finally I should note that California's
17 dedication to green energy has been bolstered by
18 Governor Davis' recent signature of two bills.
19 One establishing a renewable portfolio standard
20 for California; and a second to implement the
21 Energy Commission's renewable investment plan.

22 We hope that the construction of Salton
23 Sea Unit 6 will contribute to the state's effort
24 to increase reliance on renewable energy, thus
25 providing California with cleaner electricity, a

1 more diverse fuel portfolio, greater use of the
2 state's indigenous resources and greater price
3 stability.

4 That concludes my prepared remarks.
5 We'd be happy to answer any questions. Thank you.

6 CHAIRMAN KEESE: Thank you. Any
7 questions? Do we have any public comment on this
8 item?

9 Thank you.

10 COMMISSIONER GEESMAN: Mr. Chairman, I
11 would move that we accept the Executive Director's
12 recommendation.

13 CHAIRMAN KEESE: Motion by Commissioner
14 Geesman.

15 COMMISSIONER BOYD: Second.

16 CHAIRMAN KEESE: Second by Commissioner
17 Boyd.

18 All in favor?

19 (Ayes.)

20 CHAIRMAN KEESE: Adopted three to
21 nothing.

22 Mr. Boyd, we have three people here.
23 Would you like to handle item 3, the Salton Sea
24 Unit #6 Geothermal Power Project appointment of
25 Committee?

1 COMMISSIONER BOYD: Well, I'd like to
2 move that the Committee consist of Commissioners
3 Keese and Geesman, and that Commissioner Keese
4 chair the Committee.

5 CHAIRMAN KEESE: Motion by Commissioner
6 Boyd.

7 COMMISSIONER GEESMAN: I will second
8 that.

9 CHAIRMAN KEESE: Second by Commissioner
10 Geesman.

11 All in favor?

12 (Ayes.)

13 CHAIRMAN KEESE: Opposed? Adopted.

14 COMMISSIONER BOYD: Thank you, I escaped
15 the bullet.

16 (Laughter.)

17 COMMISSIONER GEESMAN: You held the gun.

18 CHAIRMAN KEESE: Well, we had two people
19 who weren't here.

20 Item 4, La Paloma Generating Project.

21 Possible approval of a petition to modify air
22 quality condition of certification AQ7 to allow
23 either propane or natural gas to be used during
24 addition of the combustion turbine generators.

25 MS. TRONAAS: Good morning.

1 CHAIRMAN KEESE: Good morning.

2 MS. TRONAAS: I'm Nancy Tronaas; I am
3 the Compliance Project Manager assigned to the La
4 Paloma project.

5 This petition, this amendment will allow
6 the La Paloma Generating Company to have greater
7 flexibility during the commissioning process by
8 using either propane or natural gas due to the
9 difficulties that they experienced using natural
10 gas with their Alstom turbines, combustion turbine
11 generators.

12 Staff has analyzed this proposed
13 modification and determined there will be no
14 environmental impacts. It will require one change
15 to air quality condition of certification. And we
16 did not receive any comments on this modification,
17 and we're recommending approval.

18 CHAIRMAN KEESE: Thank you. Any
19 questions here? You said no negative
20 environmental impacts?

21 MS. TRONAAS: No negative environmental
22 impacts, correct.

23 CHAIRMAN KEESE: Thank you. The item is
24 before us.

25 COMMISSIONER BOYD: Mr. Chairman, I'd

1 like to move the staff recommendation.

2 COMMISSIONER GEESMAN: Second.

3 CHAIRMAN KEESE: Motion by Commissioner
4 Boyd; second by Commissioner Geesman.

5 All in favor?

6 (Ayes.)

7 CHAIRMAN KEESE: Opposed? Adopted three
8 to nothing.

9 Item 5, emerging renewable resources
10 account. Possible approval of staff proposed
11 guidebook changes to reallocate \$13 million from
12 the existing account to the emerging renewable
13 resources account. Along with additional changes.

14 Good morning. We have a number of
15 people interested in this issue. Can we get a
16 clear explanation of what we're doing?

17 MR. TUTT: I will certainly try,
18 Chairman Keese. Good morning. Thank you,
19 Commissioners, Chairman Keese. My name is Tim
20 Tutt; I'm the Technical Director of the renewable
21 energy program.

22 We are bringing forward to you today
23 some changes to our renewable energy program that
24 have been approved by the Renewable Committee.

25 The changes are -- there are a few

1 changes that the notice describes them. I'll go
2 over them very briefly. The first change is a
3 transfer, a reallocation of \$13 million from the
4 existing account in the renewable energy program
5 to the emerging account. We are making this
6 change because staff firmly believes there is no
7 need for the funds in the existing account at this
8 point in time, and that there is a clear need in
9 the emerging account for the remainder of this
10 year to allow us to continue providing incentives
11 rebates to emerging account stakeholders.

12 Other changes that we're proposing are
13 mainly to the emerging account. We are proposing
14 a change to the guidebook to implement the solar
15 schools program. This is pursuant to an
16 interagency agreement that we have with the
17 California Power Authority. The funding from this
18 program starts off at \$1.25 million, but it could
19 grow because it comes from settlements of energy
20 contracts through the Attorney General's Office.

21 The other changes that we're proposing
22 is to change how we calculate our incentives for
23 the municipal utility portion of our program.
24 Historically the emerging buy-down program, the
25 renewable energy program has not had a significant

1 component in municipal service areas, municipal
2 utility service areas. However, AB-29X provided
3 some funds from the general fund for the emerging
4 renewable resources buy-down program for smaller
5 PV systems. And since those funds came from the
6 general fund, \$8 million of those funds were
7 allocated specifically to cover the customers in
8 municipal service areas.

9 We have had a program in place there
10 since December of last year. And we are making
11 changes to that program to help it work better as
12 we move forward.

13 We also are making a variety of
14 nonsubstantive and smaller changes in the emerging
15 program to help the application paperwork go
16 faster, to ease the application process for new
17 construction facilities in new home developments,
18 so on.

19 I have some errata that we will be
20 incorporating into the document that you approve
21 today hopefully, possible approval. The errata
22 covers mainly changes to the municipal service
23 area program, although we also have received
24 comments on some possible changes to the schools
25 program which we will be considering as we move

1 forward in making further changes in the program
2 in the future.

3 So our ability to consider them today,
4 we believe that we need to think about them a
5 little more, but we're comfortable with many of
6 the comments that we've received in that area.

7 For the municipal service area program,
8 the errata clarified it when we talked about a
9 municipal service area incentive that we would be
10 taking into account; that that really refers to a
11 buy-down rebate or a cash incentive from those
12 utilities.

13 And there's also a change to how much of
14 a parking structure, or patio cover structure we
15 will provide rebate for. We said in the guidebook
16 changes that it would be a maximum of \$1 -- of a
17 half a dollar a watt cost eligible for a rebate.
18 And we wanted to clarify that that's a material
19 cost that we're talking about, not -- costs for
20 those changes.

21 In addition, for new construction
22 facility or new home developments, we are
23 clarifying that rather than having the building
24 permit and a utility interconnection agreement,
25 that that is a building permit or a utility

1 interconnection agreement that we are requiring
2 for that part of the program. It can be one or
3 the other. Both of them suffice for our purposes.

4 Mr. Chairman, Commissioners, you've
5 received comments on other issues before you on
6 this item about transferring the \$13 million, and
7 whether it should be transferred, or where it
8 should be transferred. I'm happy to discuss those
9 issues with you now or if you wish I could wait
10 for parties who have comments, and then respond.

11 COMMISSIONER GEESMAN: I think we ought
12 to let the parties respond. I do have one
13 question, though, --

14 CHAIRMAN KEESE: Commissioner Geesman.

15 COMMISSIONER GEESMAN: -- Mr. Tutt. You
16 mentioned future changes to the schools program,
17 and things that you wanted additional time to
18 think through before locking down into final
19 wording.

20 Would that include the timing of the
21 Department of Education's approval, or sign-off on
22 these applications?

23 MR. TUTT: Certainly it could. We have
24 set up a process where, as it's part of the
25 agreement with CPA, that there are educational

1 requirements and energy efficiency requirements
2 for the systems under that program. And we want
3 to make that work.

4 So, if we can adjust the timing of those
5 requirements so that it's easier for the
6 stakeholders, while at the same time satisfying
7 public purpose, we will take that into account and
8 we will work on that.

9 COMMISSIONER GEESMAN: Well, I think we
10 ought to hear from the parties, then.

11 COMMISSIONER BOYD: Mr. Chairman, might
12 I ask a question?

13 CHAIRMAN KEESE: Thank you.
14 Commissioner Boyd.

15 COMMISSIONER BOYD: Mr. Tutt, I think
16 elaborating a little bit more on what Commissioner
17 Geesman just referenced, your statement that you
18 would take suggestions submitted into
19 consideration in the future, I presume,
20 particularly in reference to the last question,
21 makes reference to the document we have before us
22 from the Renewable Energy Concepts, Incorporated.
23 Is that what you had in mind?

24 MR. TUTT: Commissioner Boyd, that and a
25 couple of other documents that we had received

1 referring to the schools program. We do have a
2 flexible renewable energy program. We do listen
3 to stakeholders and make sure the program is
4 working for them, as well as in the public
5 interest.

6 And, you know, we have the ability to
7 come back to you and request further changes. We
8 would anticipate doing that in cases where we
9 firmly believe that it's in the public interest.

10 COMMISSIONER BOYD: Thank you.

11 CHAIRMAN KEESE: Thank you. First we'll
12 call on Judy Ledford.

13 MS. LEDFORD: Hi, I'm Judy Ledford,
14 President of Renewable Energy Concepts. And as we
15 were just talking about, the written comment that
16 we just submitted, we've been looking at this in
17 our school program and some of the requirements.
18 And I basically think that requiring a curriculum
19 upfront and the energy upgrades upfront, before
20 the money is even secured for the school seems a
21 bit too soon to do that.

22 The school has to commit to the time
23 investment and the money investment before they're
24 even guaranteed that they'll get a system. And so
25 that doesn't really seem to make sense to me.

1 Also, I wanted to make a comment. I've
2 heard that there's been consideration of reducing
3 the rebate levels for next year. And I just
4 wanted to express our recommendation that that not
5 be done.

6 There has been an influx of solar
7 modules into the market this year, which has
8 caused a reduction in price. Which we believe to
9 be a temporary reduction. And we'd hate to see
10 the program rebate levels go down, and then have
11 the systems not be very accessible to people. And
12 we don't want to see the program crippled that
13 way.

14 So, that's our recommendation. That's
15 all I have to say.

16 CHAIRMAN KEESE: Thank you. So, let me
17 clarify. On your -- the written changes I have in
18 front of me, are you willing -- I believe I heard
19 staff suggest they'd like to consider these and
20 come back with amendments.

21 MS. LEDFORD: Yes.

22 CHAIRMAN KEESE: Is that acceptable?

23 MS. LEDFORD: Yes, definitely.

24 CHAIRMAN KEESE: And then the second
25 item you brought up is not before us today, but --

1 MS. LEDFORD: Right.

2 CHAIRMAN KEESE: -- you're just --

3 MS. LEDFORD: I just want you guys to
4 know what our views are --

5 CHAIRMAN KEESE: -- giving advanced
6 notice that if there's a recommendation to lower
7 the rebate levels you'll have something to say
8 about that?

9 MS. LEDFORD: Opposed, opposed to that
10 right now, just because of the way the market is.
11 And the economy is pretty bad right now. So,
12 anything we can do to help encourage these
13 systems.

14 CHAIRMAN KEESE: Great. Thank you.
15 Vince Schwant.

16 MR. SCHWANT: Vincent Schwant; I'm
17 Senior Project Manager in the photovoltaics
18 program for the Sacramento Municipal Utility
19 District.

20 We would just like to support the
21 proposed changes to the guidebook, including the
22 errata. Those do help clarify a couple issues for
23 us.

24 In particular, the two issues that Mr.
25 Tutt mentioned, the amendments that are being

1 proposed today would, to the use of AB-29X moneys
2 to help support the sale of photovoltaic systems
3 in the service territories of municipal utilities,
4 we definitely support the proposed changes.

5 These would allow munis to use their
6 public goods money in concert with the CEC-
7 provided money to increase sales in muni
8 territories. So we think this is an important
9 change.

10 And also the changes that have been made
11 to make it easier for new homebuilders to utilize
12 the buy-down program. We have one of the more
13 aggressive programs with new homebuilders, and so
14 a number of these changes are ones that we worked
15 with staff on to just try to make the process
16 earlier -- I'm sorry, easier, given the
17 difficulties of dealing with big homebuilders.

18 So, we just want to support the changes
19 and the proposed errata. Thank you.

20 CHAIRMAN KEESE: Thank you. That's the
21 extent of the blue cards I have in front of me.
22 Do we have anyone else who'd like to speak on this
23 issue in the audience? Come forward, please;
24 identify yourself.

25 MR. WENGER: Hi. Howard Wenger with

1 AstroPower. I'm a Vice President with AstroPower.
2 We're a solar power company and photovoltaic
3 manufacturer.

4 Here to just express our sincere support
5 for the proposed changes, and our gratitude for
6 continuing this program. Really here to support
7 the transfer of the funds; that's the primary
8 thing.

9 This program six years ago, and I'll be
10 brief, when it started was really a pilot, an
11 experiment. And it's amazing to look back at the
12 progress that's been made in the six years time.

13 You have a robust market that has been
14 created as a result of this program. Consumers,
15 homeowners, businesses, government facilities can
16 all buy solar power systems now throughout the
17 state, any city by a local qualified contractor.
18 So it has indeed delivered. It's created jobs.
19 And there's a robust market.

20 Any interruptions to this program -- and
21 we've seen that now, all of a sudden the money got
22 dried up for a period of time -- is extremely
23 disruptive now to the industry. And this has
24 become a core part of the photovoltaic industry,
25 revolving around this program.

1 And the State of California's program,
2 the buy-down program, along with the other pieces
3 of policy, net metering and so forth, are being
4 emulated across the country. In New York, New
5 Jersey, Pennsylvania, Delaware, Arizona, Florida,
6 Illinois, Rhode Island, Connecticut, North
7 Carolina, Washington, and there's more. And they
8 all came after this program.

9 So, all eyes are on you. And we want to
10 thank the Commission for your vision, and the
11 staff's really good work. And we support all of
12 the changes. Thank you.

13 CHAIRMAN KEESE: Thank you. Do we have
14 any other speakers? Seeing none, --

15 COMMISSIONER BOYD: Mr. Chairman, while
16 you're still on the subject of public testimony,
17 although they're not here to represent themselves,
18 the Independent Energy Producers did submit
19 comments for the record. And so they are in the
20 record.

21 And they're fairly strong comments that
22 bother me quite a bit, quite frankly. And I'd
23 like Mr. Tutt to just reiterate some of his
24 opening remarks and maybe elaborate on them with
25 regard to the transfer of the funds, and as to

1 whether or not these funds, the transfer of these
2 funds would indeed put in jeopardy the existing
3 account or existing account projects as is alleged
4 in this testimony.

5 It's my understanding that's not the
6 case. I think the record ought to be clear on
7 this point before we move on, though.

8 CHAIRMAN KEESE: Mr. Tutt.

9 MR. TUTT: I would be pleased to. We
10 are here transferring \$13 million from the
11 existing account. These funds had already been
12 allocated out of the existing account a few years
13 ago, or a couple years ago, to try to support new
14 renewable facilities in the context of the energy
15 crisis in California.

16 We transferred the money out at that
17 time because the money was clearly not going to be
18 needed to support the existing account as part of
19 the SB-90 program.

20 We have, with the existing account, paid
21 all the incentives that we had expected to or are
22 required to pay under the SB-90 program which
23 ended in 2001.

24 This is a new -- these funds are still
25 SB-19 funds; they're not part of the new AB-995

1 funds that started coming in 2002, we don't have
2 authority to spend yet until January 1st of next
3 year.

4 The allocation for the existing account
5 under the new program we believe is sufficient to
6 sustain the incentive payments for the existing
7 account from 2002 forward. We've run scenarios
8 and believe that given the changes in eligibility
9 being long-term contracts that many existing
10 facilities have, any kind of way we would change
11 the account that we will have sufficient funds
12 going forward to satisfy all the incentive
13 payments using just the allocation that's
14 available from in the investment plan, the AB-995
15 funds 2002 forward.

16 So I think there is no need for these
17 funds in the existing account, no clear need that
18 we can determine.

19 There is -- IEP also recommended that we
20 transfer potentially the funds to the new account
21 to support the new state policy of the renewable
22 portfolio standard which will be in place next
23 year, where the IOUs will be required to purchase
24 up to or 1 percent of their sales from renewable
25 power, an additional 1 percent every year until

1 they reach 20 percent.

2 We, at this time, don't see that this
3 \$13 million is needed at the beginning of that new
4 program. The program isn't in place yet. We do
5 have approximately \$150 million in SB-90
6 incentives still allocated to the new account.
7 Those incentives are for projects that have not
8 come online yet, but they hold awards from our
9 auctions.

10 Those projects, should they come online
11 as part of the RPS, would arguably take their
12 awards with them and be part of the new account,
13 or of the RPS, of the public goods funds
14 supporting that.

15 We also have allocated from the new 995
16 money, which starting coming in in 2002, 51.5
17 percent of the funds, according to SB-1038, for
18 the new account of the RPS type systems. And
19 that, over 2002 and 2003, is approximately another
20 \$140 million, \$150 million that is allocated to
21 the new account there.

22 So, in total there's somewhere between
23 \$280 million to \$300 million already in the new
24 account ready to provide incentives over a period
25 of ten years from now for new projects that start

1 coming online in 2003 and 2004.

2 And then there's additional amounts that
3 will come in, you know, 51.5 percent of \$135
4 million every year out through the end of the
5 funding period.

6 So we don't see that there's a need for
7 the \$13 million in the new account at this point
8 in time.

9 IEP also suggested that we could borrow
10 the funds from next year's funding as opposed to
11 reallocating the funds at this point in time. We
12 have -- our legal counsel, Gabe Herrera, asserts
13 that we do not have the authority to borrow funds
14 from next year at this point in time. We will be
15 able to borrow funds in January from one account
16 to another as the need arises, but we cannot
17 borrow funds now with the promise of paying back
18 next year with the new AB-995 funds.

19 So those avenues are -- we feel that the
20 strongest need for this money is in the emerging
21 account where there has been strong demand over
22 the last two years for the incentives that we
23 provide. There is such strong demand that despite
24 additional money that has been put into that
25 program, we are currently out of funds.

1 And there is a gap of three to four
2 months to January before we could allocate new
3 funds to this program. It's a gap, and we don't
4 want to see the industry suffer or have to deal
5 with. And we feel it's quite reasonable to
6 allocate the \$13 million to cover as much of that
7 gap as we can.

8 CHAIRMAN KEESE: Thank you. Mr. Boyd.

9 COMMISSIONER BOYD: So basically you're
10 saying that their allegation that this transfer of
11 \$13 million would deny this to the grid-connected
12 entities and do damage is just not founded?

13 MR. TUTT: Everyone's entitled to their
14 opinion. Staff does not believe that it's well
15 founded at this point in time.

16 COMMISSIONER GEESMAN: Mr. Chairman.

17 CHAIRMAN KEESE: Mr. Geesman.

18 COMMISSIONER GEESMAN: I spoke to Mr.
19 Kelly several days ago and he told me that they
20 would be filing these written comments. And I did
21 have the benefit of his verbal summary of them.

22 And I think Mr. Tutt has responded to the
23 gist of them quite well.

24 I would add a couple of things. And I
25 think that IEP's concern may, in fact, be best

1 seen as a potential problem several years out, but
2 not one that is immediately upon us.

3 In my judgment this is, I guess it's not
4 literally the first reallocation or reprogramming,
5 but it's certainly the largest one in the short
6 time that I've been on the Commission. I think
7 we're going to be doing this again and again and
8 again.

9 Our challenge here is to build and
10 maintain a certain momentum in several different
11 industries to accomplish some very aggressive
12 goals. The Legislature has explicitly recognized
13 the need for reallocating and reprogramming money.
14 The federal level they used to call this fine
15 tuning until that became a discredited concept.

16 But we're going to do this again and
17 again and again. And I think that people that are
18 the beneficiaries of these funds or the
19 anticipated beneficiaries of these funds need to
20 recognize that there is not a vested right to any
21 of these funds when we establish the initial
22 budgets.

23 As it related to what I think is a
24 genuine concern on IEP's part that at some point
25 in future years the finite nature of these funds

1 are quite likely to prove limiting. I think Mr.
2 Keese and I both heard a very constructive
3 suggestion by John Fielder, Southern California
4 Edison Company, at a conference we were at earlier
5 this week, where policymakers are going to have to
6 think about raising the public goods charge if, in
7 fact, the commitment remains to accomplishing
8 these goals.

9 I think that would be premature now to
10 put forward, given the high level of rates that
11 customers are paying for their electrical service,
12 but as those rates come down in the future, I
13 think we need to give some real serious
14 consideration to how do we set the magnitude of
15 the public goods charge. And how important is it
16 that we accomplish the goals that the Governor and
17 Legislature have now set for this program.

18 Thank you.

19 COMMISSIONER BOYD: Mr. Chairman.

20 CHAIRMAN KEESE: Mr. Boyd.

21 COMMISSIONER BOYD: I'd just like to
22 second the comments of Commissioner Geesman. And
23 since he and I now constitute the Renewables
24 Committee, I just want to echo his comments and to
25 indicate that we look forward to working with the

1 affected communities in the future with regard to
2 this program.

3 The IEP testimony came very close to
4 causing me to take umbrage with it, but I won't go
5 quite that far. The references that this industry
6 has been overlooked by the California energy
7 agencies during the energy crisis was a little
8 strong. There's been a lot of us who have been
9 very strong proponents of the industry.

10 And the testimony does correctly
11 identify a lot of major hurdles that were laid out
12 for the industry as the state scrambled to work
13 its way, and still is trying to work its way out
14 of the dilemma that was created in this state.
15 But I don't think they've been overlooked, and I
16 know it's not the intent of this agency to do harm
17 to any of the various residents and the various
18 accounts of this program.

19 So, I want to assure them, I really want
20 to assure their members because they may be doing
21 a disservice to the members of their organization
22 with this very strong language about the damage
23 that's being done, because there isn't damage
24 being done. And the greatest fear is fear itself,
25 could foster a feeling that there's an issue here

1 that really isn't that strong an issue. And we
2 need to work on that.

3 But there is a receptive audience here
4 and there's been a very positive program. And
5 let's knock down the idea that problems are being
6 created, and let's try to move the ball forward
7 down the field rather than worry about some of the
8 issues that have been alleged.

9 So, with that, I'll content myself with
10 looking to the future.

11 CHAIRMAN KEESE: Thank you. Do we have
12 anybody else in the audience?

13 Seeing none, do I have a motion?

14 COMMISSIONER GEESMAN: So moved.

15 COMMISSIONER BOYD: Second.

16 CHAIRMAN KEESE: Motion, Commissioner
17 Geesman; second, Boyd.

18 All in favor?

19 (Ayes.)

20 CHAIRMAN KEESE: Opposed? Adopted three
21 to nothing. Thank you, everybody.

22 Item 6, local jurisdiction energy
23 assistance loan account. Possible approval of an
24 \$8000 loan to the City of Ione. It's not on the
25 consent because of the waiver of the 25 percent

1 match fund. Do I have a motion?

2 COMMISSIONER GEESMAN: So moved.

3 COMMISSIONER BOYD: Second.

4 CHAIRMAN KEESE: Motion, Commissioner
5 Geesman; second, Commissioner Boyd.

6 All in favor?

7 (Ayes.)

8 CHAIRMAN KEESE: Approved three to
9 nothing. Thank you.

10 Item 7, Energy Conservation Assistance
11 Act Account. Possible approval of a loan to Los
12 Angeles Community College District Pierce College
13 for \$1,208,375 to install six 60-kilowatt natural-
14 gas-fired microturbine cogeneration systems in a
15 159 kilowatt solar project.

16 We'll let you talk on this one.

17 MR. WANG: Good morning, Commissioners.
18 My name is Joseph Wang and I'm the Project Manager
19 from Nonresidential Buildings Office.

20 L.A. Community College District Pierce
21 College submitted a \$1.2 million loan application
22 to install several energy efficiency projects at
23 the campus.

24 They want to install six 60-kW
25 microturbine cogeneration systems to supplement

1 their central plant operation; and a 159 kW
2 photovoltaic solar project. And then also to
3 retrofit the existing four 70 kW microturbine with
4 heat exchangers to heat the swimming pool and
5 making a cogeneration project, also.

6 The College has also received over \$1.9
7 million buy-down repays from LADWP and SoCalGas
8 Companies. These projects will save the college
9 campus over \$142,000 a year and have a payback
10 period of 8.5 years.

11 And staff has reviewed these projects
12 and recommends the approval of this loan.

13 CHAIRMAN KEESE: Thank you. Any
14 questions? Do I have a motion?

15 COMMISSIONER GEESMAN: So moved.

16 COMMISSIONER BOYD: Moved.

17 CHAIRMAN KEESE: Moved by both. Moved
18 by Commissioner Boyd; seconded by Commissioner
19 Geesman.

20 All in favor?

21 (Ayes.)

22 CHAIRMAN KEESE: Opposed? Adopted three
23 to nothing. Thank you.

24 Item 8, Clean Cities Grant Solicitation.
25 Possible approval of eight grant agreements

1 totaling \$790,000 with project applicants that
2 have been awarded grant funds under the 2002
3 Department of Energy Clean Cities Grant
4 Solicitation. A pass through?

5 MR. WARD: Yes. Good morning,
6 Commissioners.

7 CHAIRMAN KEESE: Good morning.

8 MR. WARD: This is requesting approval
9 to enter into eight specific agreements with the
10 successful applicants of a most recent DOE clean
11 cities solicitation.

12 They consist of two clean cities
13 coordinator cost share positions, three vehicle
14 CNG projects, and three infrastructure projects,
15 including LNG, LPG and LNG/CNG projects.

16 We're hopeful that next year we will be
17 even more successful. We had eight of the 11
18 projects submitted funded this year. And I've
19 heard informally that next year the amount
20 available for the clean cities program will be
21 roughly double what it was this year. So we're
22 hoping to achieve at least the same percentage
23 that we've had in the last, but probably more
24 money for California.

25 CHAIRMAN KEESE: Thank you. Any

1 questions? Do I have a motion?

2 COMMISSIONER GEESMAN: So moved.

3 COMMISSIONER BOYD: Second.

4 CHAIRMAN KEESE: Motion by Commissioner
5 Geesman; second by Commissioner Boyd.

6 All in favor?

7 (Ayes.)

8 CHAIRMAN KEESE: Opposed? Adopted three
9 to nothing.

10 COMMISSIONER BOYD: Good job, Peter.

11 MR. WARD: Thank you.

12 CHAIRMAN KEESE: Item 9, Granite
13 Financial Solutions. Possible approval of
14 contract 700-02-001 for \$74,999 to provide
15 temporary secretarial services to directly support
16 the Energy Facility Licensing Program, which, I'm
17 sure, needs it.

18 Anybody want to hear about this one?

19 COMMISSIONER GEESMAN: I don't think we
20 need to.

21 CHAIRMAN KEESE: Do I have a motion?

22 COMMISSIONER GEESMAN: So moved.

23 CHAIRMAN KEESE: Motion, Commissioner
24 Geesman.

25 COMMISSIONER BOYD: Second.

1 CHAIRMAN KEESE: Second, Commissioner

2 Boyd.

3 We still don't need to hear.

4 All in favor?

5 (Ayes.)

6 CHAIRMAN KEESE: Opposed? Adopted three
7 to nothing.

8 We have before us the approval of the
9 minutes of September 9, 2002, which brings us
10 current for the year 2000. Do I have a motion?

11 COMMISSIONER GEESMAN: So moved.

12 CHAIRMAN KEESE: Motion, Commissioner
13 Geesman.

14 COMMISSIONER BOYD: Second.

15 CHAIRMAN KEESE: Second, Commissioner
16 Boyd.

17 All in favor?

18 (Ayes.)

19 CHAIRMAN KEESE: Opposed? Adopted three
20 to nothing.

21 Oversight?

22 COMMISSIONER BOYD: Mr. Chairman.

23 CHAIRMAN KEESE: Commissioner Boyd.

24 COMMISSIONER BOYD: At the last meeting
25 I reported on my activities with the Power

1 Authority's effort to set a reserve margin figure
2 for their future planning. And indicated that
3 they would be having another meeting, which was
4 held last Friday.

5 Again, I attended that meeting; was
6 extended the courtesies of the Power Authority to
7 sit with them throughout their entire meeting.

8 And I'd just like to report on the
9 actions that they've taken. They received a staff
10 recommendation for a 22 percent reserve margin
11 above dependable capacity, and that issue was
12 discussed.

13 In that recommendation they proposed
14 that 25 to 50 percent of this 22 percent be made
15 up by demand response or DSM programs, which was a
16 very interesting recommendation.

17 At that meeting, or the day of the
18 meeting, our staff submitted a very thorough and
19 in-depth technical report on our findings on the
20 subject, which will be the subject of additional
21 discussion between our staff and their staff,
22 showing our findings with regard to future
23 generation and future possible reserve levels in
24 the state. And there will be some debate on that,
25 I'm sure.

1 The Power Authority is presuming to make
2 a decision that their October 11th meeting on this
3 subject. And I know yesterday Chairman Freeman
4 attempted to set up a meeting with us on short
5 notice, which we couldn't accommodate, to further
6 discussion on this. I know there will be
7 additional discussions.

8 So more to follow on that item.

9 And while I have the microphone, just
10 let me mention a couple other events that took
11 place at that meeting, or issues that came up.

12 The members of the Power Authority,
13 particularly Director McPeak, were fairly effusive
14 in their praise of the staff of this Commission
15 and the cooperative programs that are underway
16 that involve the staff of the two agencies. And
17 actually the one issue, the demand response effort
18 that's underway between ourselves, the Power
19 Authority and the Public Utilities Commission,
20 which Director McPeak is chairing, she was quite
21 complimentary of the contributions of the staff,
22 and complimentary of the whole concept of the
23 cooperative collaborative efforts of the multiple
24 agencies to problem solving.

25 And in that vein there was a second

1 discussion about their recent public workshop on
2 the subject of distributed generation. And once
3 again I reminded the Power Authority of this
4 body's extensive work on the subject of DG and the
5 strategic plan that had been prepared.

6 And there was quite a bit of discussion
7 about who's got the lead and who should direct
8 things. And the one thing we agreed on mutually
9 at that point was the fact that further workshops
10 ought to be done on a joint and collaborative
11 basis, i.e., the Power Authority will not go out
12 and have the individual workshops on the subject.

13 So I think a dialogue and a working
14 atmosphere relative to distributed generation will
15 be undertaken and begun with the Power Authority.
16 And hopefully we can mutually bring into that fold
17 the Public Utilities Commission and have a
18 cooperative approach to resolving that issue to
19 the benefit of this industry and to the state.

20 So I think our new found much closer
21 working relationship with the Power Authority is
22 bearing fruit for both agencies. And I hope we
23 can continue it in the future.

24 So, I will at least be attending one
25 more meeting at their invitation, their meeting of

1 October 11th. But maybe we can start a trend of
2 cooperation and even joint hearings on various
3 subjects.

4 CHAIRMAN KEESE: Thank you. Chief
5 Counsel's report.

6 MR. CHAMBERLAIN: Yes, Mr. Chairman; I'm
7 very pleased to report that as I left to come up
8 here I heard that an effort to adopt new appliance
9 efficiency standards, which had been somewhat
10 stalled at the Office of Administrative Law,
11 appears now to be on a successful track.

12 We have some paperwork changes to
13 satisfy some technical concerns of the Office of
14 Administrative Law, but we understand they will be
15 approving those changes.

16 And I'd like to particularly thank the
17 efforts of Jonathan Bles in getting the Office of
18 Administrative Law on board with those.

19 CHAIRMAN KEESE: Thank you. Executive
20 Director's report.

21 MR. THERKELSEN: This is Bob Therkelsen
22 sitting in for Steve Larson. I really don't have
23 anything to report to you. Steve is still
24 wandering around in the wilds of China. We
25 haven't heard anything from him, so we assume that

1 he's alive and well, and will be returning on the
2 first full week in October.

3 CHAIRMAN KEESE: And we hope he brings
4 Commissioner Rosenfeld with him.

5 (Laughter.)

6 MR. THERKELSEN: Or vice versa.

7 COMMISSIONER BOYD: I hope they're
8 enjoying their vacation.

9 CHAIRMAN KEESE: Public Adviser's
10 report.

11 MS. MENDONCA: Thank you, Chairman
12 Keese. Nothing specific at this time.

13 CHAIRMAN KEESE: Public comment?
14 Hearing none, this meeting is adjourned.

15 Thank you.

16 (Whereupon, at 11:01 a.m., the business
17 meeting was adjourned.)

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CERTIFICATE OF REPORTER

I, JAMES A. RAMOS, 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 26th day of September, 2002.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345