

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

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

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

WEDNESDAY, APRIL 16, 2003

10:04 A.M.

Reported by:
Peter Petty
Contract No. 150-01-006

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairperson

Robert Pernell

Arthur H. Rosenfeld

John L. Geesman

James D. Boyd

Margaret J. Kim, Ex Officio

STAFF PRESENT

Robert Therkelsen, Executive Director

William Chamberlain, Chief Counsel

Betty McCann, Secretariat

Joseph Wang

Ron Wetherall

Don Aumann

Mark Rawson

PUBLIC ADVISER

Roberta Mendonca

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P R O C E E D I N G S

10:04 a.m.

CHAIRMAN KEESE: Call this meeting of the Energy Commission to order. Commissioner Rosenfeld, will you lead us in the Pledge, please.

(Whereupon the Pledge of Allegiance was recited by all.)

CHAIRMAN KEESE: Thank you and welcome. Consent calendar, do I have a motion?

COMMISSIONER ROSENFELD: I move.

CHAIRMAN KEESE: Motion, Commissioner Rosenfeld.

COMMISSIONER PERNELL: Second.

CHAIRMAN KEESE: Second, Commissioner Pernell. All in favor?

(Ayes.)

CHAIRMAN KEESE: Opposed? Adopted five to nothing.

Item 2, Energy Conservation Assistance Act Account. Possible approval of a loan to the Marin County Department of Public Works for -- I will edit this number -- \$233,120 to install an 89 kilowatt photovoltaic solar system.

COMMISSIONER PERNELL: Mr. Chairman.

CHAIRMAN KEESE: Commissioner Pernell.

1 COMMISSIONER PERNELL: I would just
2 mention for the Committee that this is the first
3 loan on our new bonding authority, and Mr. Wang is
4 available to answer any questions.

5 CHAIRMAN KEESE: I think, Mr. Wang, you
6 should explain to us the details of the change in
7 dollar amount. Mr. Wang.

8 MR. WANG: Yes, Commissioners. My name
9 is Joseph Wang and I'm from the nonresidential
10 buildings office. I'm the CEC Project Manager for
11 this loan.

12 Recently CEC issued a new ECAA bond
13 financing program notice to the public. Because
14 of the new guidelines of the bond financing
15 program it allows the CEC to fund projects up to
16 ten-year payback, and also at 3.95 percent
17 interest rate.

18 As a result of the guideline changes the
19 County also requested the loan amount be increased
20 from \$198,152 to \$233,120. And the new payback is
21 ten years. The interest rate will be 3.95 percent
22 instead of 4 percent.

23 And this project is expected to save
24 over \$23,300 a year. And staff has reviewed this
25 project and recommended the approval of the loan.

1 CHAIRMAN KEESE: Thank you. Just as an
2 item of interest, do you know is there a figure at
3 which our bonds went out?

4 MR. WANG: Yes. The total bond fund
5 issued was \$27.9 million with premium coming back
6 to the Commission the total was over \$28.5 million
7 at 3.8, a little bit over 3.8 percent. But with
8 all of administrative charges, it allows the CEC
9 to charge 3.95 percent.

10 CHAIRMAN KEESE: Thank you. Any other
11 questions here? Do I have a motion?

12 COMMISSIONER PERNELL: Mr. Chairman, I
13 would move.

14 CHAIRMAN KEESE: Motion, Commissioner
15 Pernell.

16 COMMISSIONER ROSENFELD: I second.

17 CHAIRMAN KEESE: Second, Commissioner
18 Rosenfeld. All in favor?

19 (Ayes.)

20 CHAIRMAN KEESE: Opposed? Adopted five
21 to nothing, thank you.

22 Net System Power Report. Possible
23 approval of the 2002 net system power report for
24 use in the power content label required by 1305.

25 MR. WETHERALL: Good morning,

1 Commissioners.

2 COMMISSIONER PERNELL: Good morning.

3 MR. WETHERALL: This is an annual report
4 that's produced each year, and if you turn to --
5 I'm sorry, I'm Ron Wetherall from the electricity
6 analysis office. Not used to doing this.

7 Okay, this year's net system power
8 numbers, the numbers used on the power content
9 label will be coal is 13 percent; large hydro 23
10 percent; natural gas 43 percent; nuclear 11
11 percent; eligible renewable 9 percent; other zero.

12 And these numbers have been computed by
13 staff and reviewed. And we're looking for
14 adoption. Any questions?

15 CHAIRMAN KEESE: Anybody --

16 COMMISSIONER BOYD: -- have been
17 tortured by staff over and over again.

18 CHAIRMAN KEESE: Anybody care to make a
19 comment --

20 COMMISSIONER PERNELL: I just got --

21 CHAIRMAN KEESE: -- on this issue?

22 COMMISSIONER PERNELL: -- one question,
23 Mr. Chairman. All of our energy resources fall
24 into these categories that you have? Coal, large
25 hydro, and natural gas, et cetera?

1 MR. WETHERALL: Yes, sir, that's what
2 the -- those ones are broken out, but the other
3 category catches things like distillates and other
4 things that the well refineries use to produce
5 their own power. The power that's not for sale.

6 COMMISSIONER PERNELL: So would that be
7 things like distributed gen? Or is distributed
8 gen in here anywhere?

9 MR. WETHERALL: To the extent that it's
10 metered, it would be in there. If it's not
11 metered, if it's just strictly self generation it
12 would not be there because it's not considered
13 available for retail sale.

14 If it's a situation where it is metered
15 and available, if there's a surplus, then, yes, it
16 would be counted.

17 COMMISSIONER PERNELL: Okay. Thank you,
18 Mr. Chairman.

19 CHAIRMAN KEESE: Mr. Wetherall, is
20 the -- if one were comparing -- this is an
21 obligatory report that we must issue.

22 MR. WETHERALL: That is correct.

23 CHAIRMAN KEESE: And if one is comparing
24 this report to that of the last two years, is
25 there a difference between the reports?

1 MR. WETHERALL: Yeah, this year the
2 report includes gross system power. We had the
3 Southern California Edison this year claimed all
4 of their sales as specific purchases; and as a
5 result the remaining net system power numbers is
6 now a much smaller proportion than it has been in
7 past years.

8 So this year we decided to include gross
9 system power. And if you look on page 4, table 3,
10 there is a table there which shows how the net
11 system power is derived. You start off with gross
12 system power, which is the first column on the
13 left; subtract all the specific purchase claims by
14 fuel type. Subtract out self generation by fuel
15 type. And you get net system power.

16 And the last column shows the
17 percentages and the second-to-the-last column
18 shows the energy in gigawatt hours.

19 CHAIRMAN KEESE: And so those are the
20 numbers that we are reporting this year?

21 MR. WETHERALL: That is correct.

22 CHAIRMAN KEESE: I would just, on the
23 record, suggest that I believe the purpose of this
24 report has been skewed, and that it is -- we are
25 obliged to make this report; we are obligated to

1 publish this report; we are obligated to give it
2 to the utilities and others for purposes. But I
3 believe that this report has outlived its
4 usefulness and I think it's going to be important
5 that we attempt either to rectify it or eliminate
6 it.

7 COMMISSIONER BOYD: Mr. Chairman.

8 CHAIRMAN KEESE: Commissioner Boyd.

9 COMMISSIONER BOYD: As you just
10 indicated, because this report was vetted in the
11 Electricity and Natural Gas Committee on which you
12 and I serve, plus it was vetted in the Renewables
13 Committee, which is chaired by Commissioner
14 Geesman and which I also serve.

15 My earlier attempt at humor about these
16 numbers being tortured was a product of these
17 kinds of discussions in both Committees, that we
18 have a legal obligation to report this information
19 to inform, quote-unquote, the public.

20 And as you indicated, because of the
21 kinds of reporting requirements there are, and
22 because the electricity world has changed, it's
23 probably true we're not really helping the public
24 understand things that much.

25 The gross system power comes a little

1 closer to telling really what's going on. But, as
2 we've discussed, we just have multiple time, we
3 need to seek some legislative changes so we can
4 properly report to the public the kind of
5 information that better informs them on, you know,
6 what comes out of my plug when I plug in the
7 appliance, et cetera, et cetera. And not get into
8 the nitty gritty nuances of the specific power or
9 not, et cetera, et cetera, et cetera.

10 So you're entirely right in indicating
11 we need to work on this work. But both Committees
12 concluded that we have no choice but to do the
13 best we can.

14 So, based on that, I'd make a motion --

15 PRESIDING MEMBER GEESMAN: Second.

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

18 I will say that the legislature was
19 certainly well intended, and it was well received
20 at the time, but I believe circumstances have
21 changed. And if we want to accomplish the
22 purposes of the original legislation, it has to
23 come in a different form.

24 Any other comments?

25 All in favor?

1 (Ayes.)

2 CHAIRMAN KEESE: Opposed? Adopted five
3 to nothing. Thank you, Mr. Wetherall. To be
4 continued.

5 Item 4, Architectural Energy
6 Corporation. Possible approval of contract 500-
7 01-041, amendment 1, to shift \$199,951 from --
8 we'll stop with the shift.

9 MR. AUMANN: Commissioner, CEC Staff and
10 members of the public, good morning; I am Don
11 Aumann, a member of the PIER buildings team.

12 Today we are presenting a contract
13 amendment to shift \$199,951 from Architectural
14 Energy Corporation to Lawrence Berkeley National
15 Laboratory. There's no change in the contract
16 scope or budget or schedule.

17 These organizations are the two parties
18 in an existing \$5.2 million two-party contract.
19 We are seeking to shift the already allocated
20 money because AEC's subcontractor would not accept
21 the Commission's contract terms and conditions;
22 and LBNL can achieve the same objective, which is
23 to produce a high performance light fixture using
24 light emitting diodes, or LEDs.

25 Because both organizations are on the

1 same contract with the Commission an amendment is
2 required for this money shift.

3 CEC Staff recommends approval of this
4 contract amendment and the R&D Committee has
5 reviewed this project and recommend its approval,
6 as well.

7 Are there any questions?

8 CHAIRMAN KEESE: Thank you. Questions?

9 COMMISSIONER ROSENFELD: I move the --

10 CHAIRMAN KEESE: Motion, Commissioner
11 Rosenfeld.

12 PRESIDING MEMBER GEESMAN: Second.

13 CHAIRMAN KEESE: Second, Commissioner
14 Geesman. All in favor?

15 (Ayes.)

16 CHAIRMAN KEESE: Opposed? Thank you.

17 Item 5, Navigant Consulting. Possible
18 approval of contract 500-02-019 for \$894,684 for a
19 three-year sole source contract for distributed
20 energy resource technology research and
21 assessments.

22 We have an opinion from Mr. Flores that
23 while this is a sole source contract, it is exempt
24 from the Governor's executive order, and it's
25 appropriate that we take it up at this time.

1 Mr. Rawson.

2 MR. RAWSON: Good morning; my name's
3 Mark Rawson. I'm the Program Manager for the
4 PIER's distributed energy resource integration
5 research program.

6 The program that I manage focuses on
7 issues related to the use of distributed
8 generation as part of the larger interconnected
9 electricity grid.

10 Over the last two years, this is a new
11 program area that we've developed. We've created
12 a focus markets connected R&D program. We've
13 gotten actual reviews through PIER technical
14 reviews, as well as from outside organizations
15 such as DOE. As well, the program is aligned with
16 Commission policies.

17 In the development of this program
18 Navigant Consulting has been instrumental in
19 assisting us in providing expertise needed to
20 conduct analyses and assessments that we use to
21 formulate our research program and to implement
22 our research program.

23 Over the next three-year period we are
24 proposing to use Navigant in this continuing role
25 through this sole source agreement for \$894,000 to

1 help us complete our technology roadmap, to update
2 our research plan, to help us develop and execute
3 our implementation plan, help us develop and
4 conduct annual evaluations of our research program
5 and our research projects.

6 They also help coordinate an external
7 advisory committee that we put together to get
8 input on our program to make sure that we're
9 aligned with issues that experts outside the
10 Commission have identified are important.

11 We are seeking your approval for this
12 sole-source agreement to provide us for three
13 years of support in our program.

14 Are there any questions?

15 CHAIRMAN KEESE: Thank you. Any
16 questions here?

17 PRESIDING MEMBER GEESMAN: I'd move the
18 contract.

19 CHAIRMAN KEESE: Motion, Commissioner
20 Geesman.

21 COMMISSIONER ROSENFELD: I second.

22 CHAIRMAN KEESE: Second, Commissioner
23 Rosenfeld.

24 COMMISSIONER BOYD: Quick question if I
25 might.

1 CHAIRMAN KEESE: Commissioner Boyd.

2 COMMISSIONER BOYD: I'm just wondering
3 how long has Navigant been working with us on this
4 activity?

5 MR. RAWSON: On this specific program
6 they've been involved since we started putting the
7 program together in the beginning of 2001.

8 They have been providing expertise to
9 the PIER program for several years now in my
10 program area, as well as the other six program
11 areas, in different levels and different scopes of
12 activities.

13 COMMISSIONER BOYD: Thank you.

14 CHAIRMAN KEESE: We have a motion and a
15 second. All in favor?

16 (Ayes.)

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

19 MR. RAWSON: Thank you.

20 CHAIRMAN KEESE: Minutes, we have the
21 minutes from April 2, 2003. Do I have a motion?

22 COMMISSIONER ROSENFELD: I move the
23 minutes.

24 CHAIRMAN KEESE: Motion, Commissioner
25 Rosenfeld.

1 COMMISSIONER PERNELL: Second.

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

4 (Ayes.)

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

7 Committee and Oversight. I will just
8 mention very briefly that I returned from an LNG
9 conference in Houston on Monday and Tuesday. And
10 as I've observed before, the amount of money going
11 into LNG on an international scale results in a
12 major sucking of funds.

13 The projects which take \$3- or \$4-
14 billion to develop the field, a billion dollars
15 for the tankers, \$2 billion for the liquefaction
16 and \$1 billion for the degassification, the
17 projects, themselves, take \$7- or \$8-billion to
18 accomplish.

19 And there are many many projects
20 starting worldwide. And it is taking a tremendous
21 amount of money out of energy funds worldwide.
22 With what is seen by the international community
23 as a great opportunity for profitable ventures.

24 I'll mention that Japan has 24 receiving
25 terminals for natural gas, six of them in Tokyo

1 Harbor. And is increasing the volumes of natural
2 gas that they are importing. It's becoming a --
3 there are 50 tankers, I believe, on order to start
4 hauling more natural gas.

5 I will attempt to give you a brief
6 report on some of the facts that came out at this
7 conference, but it emphasizes where the resources
8 are going, which is something that the developers
9 in California and the United States have told us
10 there's a reason why they don't have money for
11 power plants, and that it's going to LNG.

12 Anything else under Committee and
13 oversight?

14 Chief Counsel's report.

15 MR. CHAMBERLAIN: Yes, Mr. Chairman, I
16 need a brief, closed session with the Commission
17 for a couple of litigation matters.

18 CHAIRMAN KEESE: We will have an
19 executive session after this is over on litigation
20 matters and on personnel matters, both.

21 Executive Director's report.

22 MR. THERKELSEN: Good morning,
23 Commissioners. Three items for you today. First
24 of all, I think you're all aware that Senate Bill
25 888 by Senator Dunn has been released. Thom Kelly

1 is the point person for the staff, and pulling
2 together a team to look at that bill, and put
3 together some comments on that.

4 The second item is the energy action
5 plan. Drafts of that are being circulated for
6 review. The steering committee has been working
7 on a revised draft. And right now it is
8 tentatively on the agenda of the PUC for tomorrow.
9 I don't know whether that actually will happen or
10 not, because the draft has not completed its
11 reviews. And also it's tentatively on the agenda
12 for the Power Authority on the 18th, but again
13 that's something that may not occur.

14 The third thing that I have for you is a
15 sort of update on the budget. Right now, as you
16 know, our next budget hearing is on May 1st before
17 the Senate. The Assembly and Budget Staff came
18 out with their recommendations on our budget on
19 the Assembly side.

20 The hearing that we had in April with
21 them earlier was only an informational hearing.
22 They're actually considering an adoption hearing
23 for our budget sometime in mid May.

24 Right now the Committee Staff
25 recommendation is to reduce the PURPA reserve

1 account from 3.3 million next year down to 1.3
2 million, so they will divert 2 million of that
3 toward the general fund.

4 And they're also currently proposing
5 suspension, is the word they used, of the PIER
6 program for next year. And then they would divert
7 the \$68 million from that program to the general
8 fund next year.

9 But we are trying to work with the
10 Committee Staff to understand the nature of their
11 proposal; what is driving it; what the interests
12 and concerns are there, so we can get a better
13 understanding not only of their interests, but
14 what possible options may exist. And we'll keep
15 you informed on that.

16 COMMISSIONER PERNELL: This is the
17 Assembly budget proposal?

18 MR. THERKELSEN: This is the Assembly
19 Budget Committee Staff proposal. This will be
20 acted on by the Assembly Budget Committee sometime
21 in probably mid to late May.

22 COMMISSIONER BOYD: Mr. Therkelsen, is
23 there any legal question about the ability of the
24 Legislature to direct ratepayer funds into the
25 general fund, in effect?

1 MR. THERKELSEN: There are clearly legal
2 questions. Some members, in fact, at the Assembly
3 Budget Committee hearing, one member of the
4 committee raised that question, whether it was
5 appropriate to take fees that were designated for
6 one purpose and divert them to another purpose.
7 He raised that concern. And I know other
8 Legislative Members have that similar concern.

9 That being said, the Legislature, in the
10 past, has diverted money from accounts to the
11 general fund.

12 PRESIDING MEMBER GEESMAN: Mr. Chairman.

13 CHAIRMAN KEESE: Commissioner Geesman.

14 PRESIDING MEMBER GEESMAN: Bob, back
15 with respect to SB-888, because that cuts across
16 so many activities of the Commission, I would
17 encourage you to run the review of it through the
18 multiple committees that we have.

19 I know in the renewables area, quite a
20 bit of concern as to whether the bill would impede
21 the state's abilities to accomplish its renewable
22 goals. And I'm sure the other committees also
23 have competing concerns, as well.

24 I think that the bill, itself, is
25 sufficiently sweeping that we really do owe the

1 author and various co-authors a pretty well-
2 considered, deliberative response to it; ought not
3 to feel any need to rush into taking a position on
4 it.

5 MR. THERKELSEN: No, I hear your
6 concerns and share those. One reason that I gave
7 that assignment to Mr. Kelly was because of his
8 broad overview position, to make sure we got
9 everything included, and we'll share that with all
10 the committees because it does impact virtually
11 all of our programs.

12 CHAIRMAN KEESE: Thank you.
13 Commissioner Rosenfeld.

14 COMMISSIONER ROSENFELD: I would just
15 add to that, of course, that the ad hoc Demand
16 Response Committee, which is Commissioner Pernell
17 and me, has considered it. So you've got all five
18 Commissioners --

19 MR. THERKELSEN: The other thing it
20 clearly affects is our integrated energy policy
21 report, in terms of the relationship to that
22 report, with planning carried out by energy
23 agencies within the state. That's another area of
24 concern.

25 COMMISSIONER PERNELL: Just as a, I

1 guess everybody's got an opinion on this one --

2 (Laughter.)

3 COMMISSIONER PERNELL: Mr. Kelly has,
4 I've spoken to him and he is compiling the various
5 divisions' analyses, and will have some
6 preliminary things as early as tomorrow. At least
7 he's indicated.

8 The other thing I would mention is that
9 we -- to you, is that we should stay aggressive on
10 this, because the bill might change as it goes
11 through the process. So, just to echo what my
12 colleagues have said, we really need to pay
13 attention to it and be as timely as possible with
14 the analysis.

15 MR. THERKELSEN: We will do that.

16 COMMISSIONER BOYD: Mr. Chairman.

17 CHAIRMAN KEESE: Commissioner Boyd.

18 COMMISSIONER BOYD: I'd like to get back
19 to something, Bob, you said just a tad earlier
20 about the energy action plan nearing completion.
21 And we've all participated and watched it with
22 interest.

23 I detected some concerns on the part of
24 people associated with the integrated energy
25 policy report about perceived, I'm not sure

1 they're real, but perceived conflicts between that
2 plan and our response, responsibilities for the
3 integrated energy policy report.

4 So, it's just an advisory to make sure
5 that we double check those issues, and if we're
6 comfortable with the integrated -- the energy
7 action plan, that we reassure our staff that we're
8 not losing any of our seemingly newfound
9 responsibilities already.

10 CHAIRMAN KEESE: I'll just indicate that
11 the parties responsible for attempting to craft a
12 document that everybody can sign are of the
13 opinion that the action plan that should jump-
14 start the IEPR process, and recognize that they
15 cannot possibly do what IEPR is doing, but it'll
16 pick up some of the easier things that the IEPR
17 will cover, and try to get the agencies working
18 together in a coordinated fashion.

19 I believe in this way we will get
20 coordinated input to the IEPR. So I believe that
21 the action plan is going to be nothing but helpful
22 in getting all the parties together who have to be
23 together if we're going to have a successful IEPR.

24 COMMISSIONER BOYD: Well, I agree with
25 you, Mr. Chairman. It's just, you know, when we

1 gather around the bonfire and make these tentative
2 agreements then everybody retreats back to their
3 cave and gets very tribal about it.

4 So, things --

5 CHAIRMAN KEESE: Well, --

6 COMMISSIONER BOYD: -- getting a

7 little --

8 CHAIRMAN KEESE: Well, the --

9 COMMISSIONER BOYD: -- keep smoothing it
10 out.

11 CHAIRMAN KEESE: -- the input we keep
12 receiving is positive, so I will try to convey
13 this to staff and Mr. Therkelsen can --

14 MR. THERKELSEN: I will say one thing on
15 that. We had conversations between Executive
16 Directors of the three agencies about the action
17 plan, and there, at the request of the steering
18 committee, is a paragraph in there emphasizing the
19 role of the integrated energy policy report in
20 terms of planning for California and its use by
21 the other agencies.

22 And we've used that discussion to re-
23 emphasize the critical need for the agencies to
24 participate in the IEPR, and I think they have
25 heard that sufficient times that they're taking it

1 seriously.

2 CHAIRMAN KEESE: Thank you. Public
3 Adviser's report.

4 MS. MENDONCA: Thank you, Chairman
5 Keese, Commissioners. I have nothing in
6 particular at this time.

7 CHAIRMAN KEESE: Public comment at this
8 time? Seeing none, we will go into executive
9 session in my office. And subsequent to that,
10 adjourn.

11 Thank you.

12 (Whereupon, at 10:30 a.m., subsequent to
13 executive session, the meeting was
14 adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, 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 21st day of April, 2003.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345