

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

FRIDAY, APRIL 9, 2004  
10:03 A.M.

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

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairman

Arthur Rosenfeld

James D. Boyd

John L. Geesman

STAFF PRESENT

Robert Therkelsen, Executive Director

William Chamberlain, Chief Counsel

Betty McCann, Secretariat

Jonathan Blees

Nancy Tronaas

Tony Wong

Ron Wetherall

Tim Tutt

John Beyer

Valentino Tiangco

Randy Roesser

## I N D E X

	Page
Proceedings	1
Items	
1 Consent Calendar	1
2 Modesto Electric Generation Station	2
3 Kern River Cogeneration Project	3
4 Alameda County	5
5 Net System Power Report	7
6 Emerging Renewables Program	11
7 Solar Turbines Incorporated	12
8 University of California, Davis	15
9 CSUS Foundation	17
10 California Department of Forestry and Fire Protection	18
11 Minutes	19
12 Commission Committee and Oversight	19
13 Legislative Director's Report	20
14 Chief Counsel's Report	20
15 Executive Director's Report	21
16 Public Adviser's Report	23
17 Public Comment	23
Executive Session	23
Adjournment	23
Certificate of Reporter	24

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

10:03 a.m.

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

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

CHAIRMAN KEESE: Thank you. We'll call to order this meeting of April 7th, delayed until today; notice was given.

Mr. Blevins, who had joined us in the past, has been appointed Chief Deputy Director of the Department of Toxic Substances Control. And is no longer a member of the California Energy Commission.

Item 1 is the consent calendar. Do I have a motion.

COMMISSIONER ROSENFELD: I so move.

CHAIRMAN KEESE: Motion, Rosenfeld.

COMMISSIONER GEESMAN: Second.

CHAIRMAN KEESE: Second, Geesman.

All in favor.

(Ayes.)

CHAIRMAN KEESE: Opposed? Adopted four

1 to nothing.

2 Item 2, Modesto Electric Generation  
3 Station. Consideration of a request for  
4 reconsideration of Commission's small power plant  
5 exemption decision for the Modesto Irrigation  
6 District's Modesto Electric Generation Station.

7 Mr. Blee.

8 MR. BLEES: Thank you, Mr. Chairman.  
9 The Commission approved a small power plant  
10 exemption for the Modesto Generation Station and a  
11 petition for reconsideration has been submitted by  
12 one of the intervenors in the case, Robert Sarvey.

13 We recommend that the Commission vote  
14 today to grant reconsideration, which is not a  
15 judgment on the substantive merits of the  
16 petition, but merely an indication that the  
17 Commission will take another look at the decision;  
18 and then to consider the substantive merits at a  
19 future business meeting.

20 CHAIRMAN KEESE: Thank you, Mr. Blee.  
21 I would entertain a motion that we grant the  
22 motion and set this matter for hearing on May 5th.

23 COMMISSIONER GEESMAN: So moved.

24 CHAIRMAN KEESE: Motion, Commissioner  
25 Geesman.

1 COMMISSIONER BOYD: Second.

2 CHAIRMAN KEESE: Second, Commissioner  
3 Boyd. Any other discussion?

4 All in favor?

5 (Ayes.)

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

8 Item 3, Kern River Cogeneration Project.  
9 Possible approval of a petition to allow two of  
10 the four existing cogeneration units to operate  
11 either in simple cycle or cogeneration mode.

12 MS. TRONAAS: Good morning and thank  
13 you. I'm Nancy Tronaas. I'm the Compliance  
14 Project Manager for the Kern River Cogeneration  
15 project.

16 This petition does request that the  
17 project be allowed to operate two of their four  
18 combustion turbines in simple cycle mode or  
19 cogeneration mode. This request is due to a  
20 change in the market conditions and to be able to  
21 respond to more demand for summertime peaking  
22 generation, as well as reduced demand for steam in  
23 the steam fields -- adjacent oil fields, I should  
24 say.

25 The request for modification is

1 consistent with the permits from both the San  
2 Joaquin Valley Air Pollution Control District and  
3 the USEPA. There will be no increase in  
4 emissions, and there possibly will be a decrease  
5 in the long term -- could be a reduction in the  
6 long-term emissions due to the operating  
7 characteristics when in simple cycle mode.

8 There will be no physical construction  
9 required to switch to simple cycle mode. There  
10 will be no additional unmitigated environmental  
11 impacts. And the project will remain in  
12 compliance with all LORS, laws, ordinances,  
13 regulations and standards.

14 We have not received any comments from  
15 the public or public agencies on this petition.  
16 Staff believes the findings of 1769 can be made.  
17 And we recommend approval of this petition.

18 CHAIRMAN KEESE: Thank you.

19 COMMISSIONER GEESMAN: Mr. Chairman, I  
20 would move approval.

21 CHAIRMAN KEESE: Motion, Commissioner  
22 Geesman.

23 COMMISSIONER BOYD: I'll second the  
24 motion.

25 CHAIRMAN KEESE: Second, Commissioner

1 Boyd. Further conversation?

2 All in favor?

3 (Ayes.)

4 CHAIRMAN KEESE: Opposed? Adopted four  
5 to nothing. Thank you.

6 MS. TRONAAS: Thank you.

7 CHAIRMAN KEESE: Item 4, Alameda County.  
8 Possible approval of a loan to Alameda County for  
9 \$2,564,600 to install an 1112 kilowatt  
10 photovoltaic solar system at six county  
11 facilities. Simple payback of ten years. Good  
12 morning.

13 MR. WONG: Good morning, Commissioners.  
14 I am Tony Wong with the energy efficiency  
15 division. I'm here for Joseph Wang.

16 I'm requesting the Commission approve a  
17 local jurisdiction energy assistance loan for the  
18 County of Alameda to install six photovoltaic  
19 system in six county facilities.

20 There would be five power and light  
21 rooftop system. And there's one sun-tracking  
22 system at the Fremont Hall of Justice parking lot.  
23 And the proposed project is estimated to save the  
24 county about a quarter-million dollars a year.

25 And the proposed project will result in

1 a ten-year payback based on the CEC loaned amount.  
2 And we believe the project will meet all the  
3 technical and feasibility criteria required by the  
4 program.

5 The efficiency division approved the  
6 staff request, and would like to move this for the  
7 full Commission approval today.

8 After the approval of this loan there  
9 will be about \$290,000 left in the local  
10 jurisdiction energy assistance account.

11 I'd be happy to answer any questions you  
12 have.

13 CHAIRMAN KEESE: Thank you. Is this the  
14 largest PV project we've had in front of us?

15 MR. WONG: Yeah, this probably the  
16 largest one we fund for one project. Our loans  
17 account for one-third of the total project cost.  
18 And PG&E incentive account for half of the cost.  
19 And the county will pay for one-sixth of the  
20 project cost.

21 CHAIRMAN KEESE: Thank you. Do I have a  
22 motion?

23 COMMISSIONER GEESMAN: Mr. Chairman, I  
24 would move approval.

25 CHAIRMAN KEESE: Motion, Commissioner

1 Geesman.

2 COMMISSIONER ROSENFELD: Second.

3 CHAIRMAN KEESE: Second, Commissioner  
4 Rosenfeld.

5 All in favor?

6 (Ayes.)

7 CHAIRMAN KEESE: Opposed? Approved four  
8 to nothing. Thank you.

9 MR. WONG: Thank you.

10 CHAIRMAN KEESE: Item 5, Net System  
11 Power Report. Consideration and possible adoption  
12 of the 2003 Net System Power Report for use in the  
13 power content label required by SB-1305.

14 MR. WETHERALL: Good morning,  
15 Commissioners. My name is Ron Wetherall. I work  
16 in the electricity analysis office.

17 This morning we are here to talk about  
18 the Net System power calculation. The Net System  
19 power calculation represents a mix of fuel types  
20 in the pool of generic power available for sale in  
21 California. It's found in the power content  
22 label.

23 For the 2003 Net System power the fuel  
24 breakout is as follows: coal 16 percent; large  
25 hydroelectric 21 percent; natural gas 44 percent;

1 nuclear 10 percent; eligible renewables 9 percent;  
2 for a total of 100 percent.

3 Are there any questions?

4 CHAIRMAN KEESE: Any questions here?

5 COMMISSIONER GEESMAN: A comment, Mr.  
6 Chairman.

7 CHAIRMAN KEESE: Commissioner Geesman.

8 COMMISSIONER GEESMAN: I make the same  
9 comment that the Renewables Committee made last  
10 year when we utilized the same methodology. This  
11 is rapidly becoming a number of questionable  
12 relevance given some of the accounting conventions  
13 that go into determining who is net and who is  
14 gross.

15 The Committee last year found the gross  
16 system power numbers to be of greater interest to  
17 the public. Our statute, though, requires us to  
18 make these calculations, and for this calculation  
19 to actually be embodied in labels.

20 The Legislature started some  
21 clarification of the matter last year, but the  
22 bill did not ultimately go forward. Hopefully  
23 this is something that will be statutorily changed  
24 so that the information conveyed is of a little  
25 bit more usefulness to the public.

1 I'd call your attention to page 3 of the  
2 report, on 2003 gross system power, and would  
3 submit to you that the percentages there are  
4 likely to be of greater relevance and importance  
5 to the public in evaluating what types of energy  
6 sources California relies upon. Then were the  
7 number, as we calculate them under our statutory  
8 formula, for Net System power.

9 With that I would move adoption of the  
10 report.

11 CHAIRMAN KEESE: Motion, Commissioner  
12 Geesman.

13 COMMISSIONER BOYD: I'll second the  
14 motion and just concur 100 percent with  
15 Commissioner Geesman's comments, as the other  
16 member of the Renewables Committee. This is an  
17 exercise in futility almost, but the law says we  
18 have to do it.

19 CHAIRMAN KEESE: That's a second by  
20 Commissioner Boyd.

21 All in favor?

22 (Ayes.)

23 CHAIRMAN KEESE: Opposed? Adopted four  
24 to nothing. This was discussed briefly in  
25 Legislative Committee; and, yes, we would concur

1 that we would like to see implementation of what  
2 we tried to start last year.

3 COMMISSIONER BOYD: Mr. Chairman, if I  
4 might just make a quick passing comment before we  
5 close the book down on these pages.

6 I would like to make note therefore of  
7 the chart, the table that Commissioner Geesman  
8 referenced on page 3, the gross system power and  
9 the coal figure. It's fairly substantial. And  
10 those of us who interact with various communities  
11 of interest in the state hear about this quite a  
12 bit. That California needs to be cognizant of the  
13 coal by wire that it gets as it considers  
14 environmental issues, and as it considers its  
15 procurement future.

16 So I just want to kind of put that on  
17 the record as something that is of concern to a  
18 fairly large number of people in a state that  
19 prides itself on a lot of very positive things,  
20 this is still an issue and needs to be looked at  
21 further.

22 And with that, thank you.

23 COMMISSIONER GEESMAN: Well, and I would  
24 also add that in our Integrated Energy Policy  
25 Report last November we recommended that CO2

1 calculations be incorporated into the procurement  
2 process. And I'm hopeful that the state's able to  
3 make some progress on that in the near term.

4 CHAIRMAN KEESE: Thank you. Thank you,  
5 Mr. Wetherall.

6 Item 6, Emerging Renewables Program.  
7 Possible approval to transfer \$10 million in  
8 interest earnings on funds in the Renewable  
9 Resource Trust Fund to the Emerging Renewables  
10 Program.

11 MR. TUTT: Good morning, Chairman Keese,  
12 Commissioners. My name is Tim Tutt; I'm the  
13 Technical Director of the renewable energy  
14 program.

15 The item before you is a request for  
16 Commission approval to transfer \$10 million in  
17 interest on the renewable resources trust fund for  
18 the purposes of augmenting the emerging renewables  
19 program.

20 The emerging renewables program is the  
21 part of the renewable energy program that funds  
22 small PV systems on homes and businesses. There's  
23 been an incredible demand in the program over the  
24 last two years, and the funding that had been  
25 allocated for the program is running out faster

1 than anticipated.

2 And we're taking an initial step to add  
3 funds to the program to help to make it last  
4 longer than it currently would be expected to last  
5 if demand continues as we've seen in the past  
6 couple years.

7 So I urge your approval of the request.

8 CHAIRMAN KEESE: Thank you. Do we have  
9 a motion?

10 COMMISSIONER GEESMAN: So moved, Mr.  
11 Chairman.

12 COMMISSIONER BOYD: I'll second.

13 CHAIRMAN KEESE: Motion, Commissioner  
14 Geesman; second, Commissioner Boyd. Any further  
15 discussion?

16 All in favor?

17 (Ayes.)

18 CHAIRMAN KEESE: Opposed? Adopted four  
19 to nothing.

20 MR. TUTT: Thank you.

21 CHAIRMAN KEESE: Thank you. Item 7,  
22 Solar Turbines Incorporated. Possible approval of  
23 committing \$500,000 of PIER funds for a sole  
24 source contract with Solar Turbines to cofund a  
25 field demonstration of the 4.6 megawatt Mercury 50

1 gas turbine.

2 MR. BEYER: Good morning, Commissioners;  
3 I'm John Beyer in the PIER program.

4 This item is the first commercial  
5 demonstration of Solar Turbines' Mercury 50 gas  
6 turbine. It's a 4.6 megawatt turbine to be  
7 demonstrated at the Veterans Administration  
8 Hospital in San Diego in a combined heating and  
9 power situation.

10 This turbine has been developed since  
11 1995 with significant funding from the Department  
12 of Energy to Solar Turbines.

13 It's very high efficiency and very low  
14 emissions, without using any special after-  
15 treatment or catalytic combustion processes. So  
16 it has a lot of novel technologies, which is why  
17 we are interested in supporting this first  
18 commercial demonstration.

19 It has an efficiency of 38.5 percent  
20 compared with about 32 percent for almost all  
21 other turbines in this size range.

22 There is a unique aspect to the actual  
23 terms and conditions that we've established for  
24 this. We've determined the exact royalty  
25 calculations consistent with our terms and

1 conditions, but in this case the specific royalty  
2 provisions to be paid when Solar Turbines sells  
3 these turbines in the future. So, we've done that  
4 upfront. That's incorporated in the terms and  
5 conditions so that we don't have to come back and  
6 revisit this at a later date after the contract is  
7 ended, which is more conventional.

8 So, we feel this is an advantage and  
9 benefit to have this settled upfront. And it's  
10 consistent with, and approved by, the R&D  
11 Committee, the specific terms of those royalty  
12 provisions.

13 CHAIRMAN KEESE: Thank you; 38.5  
14 percent, is that with the cooling --

15 MR. BEYER: That's in simple cycle.

16 CHAIRMAN KEESE: That's --

17 MR. BEYER: That's simply cycle  
18 efficiency. Then when it's used in a combined  
19 heat and power situation, now the system  
20 efficiency goes way up; that can be as high as 86  
21 percent.

22 CHAIRMAN KEESE: Thank you.

23 MR. BEYER: Um-hum.

24 CHAIRMAN KEESE: You answered my --  
25 anticipated the rest of my question. That's the

1 answer.

2 COMMISSIONER GEESMAN: I'll move  
3 approval.

4 COMMISSIONER ROSENFELD: Second.

5 CHAIRMAN KEESE: Motion, Commissioner  
6 Geesman; second, Commissioner Rosenfeld. Further  
7 discussion?

8 All in favor?

9 (Ayes.)

10 CHAIRMAN KEESE: Opposed? Adopted four  
11 to nothing. Thank you.

12 COMMISSIONER BOYD: I shudder when I see  
13 somebody in the power generation using the title  
14 of their project, the subject Mercury, but that's  
15 a side issue.

16 (Laughter.)

17 MR. BEYER: Well, and the name of the  
18 company is Solar Turbines. This is not a solar  
19 device, and it doesn't contain mercury. So.

20 (Laughter.)

21 CHAIRMAN KEESE: Item 8, University of  
22 California, Davis. Possible approval of work  
23 authorization MR-029 not to exceed \$995,763, under  
24 the PIER research agreement 500-02-004. As you  
25 note, this is a work authorization on a previously

1 authorized funding. Mr. Tiangco.

2 MR. TIANGCO: Good morning; my name's  
3 Valentino Tiangco; I am the Senior Technical Lead  
4 for biomass, PIER renewables program.

5 I'm here to ask approval of this work  
6 authorization under the PIER research agreement  
7 with UC Davis to develop and demonstrate an  
8 anaerobic phase solids digester system that will  
9 demonstrate handling of high solids greater than  
10 10 percent (indiscernible) organic waste, such as  
11 green waste and food waste, that would require  
12 fewer handling equipment, less energy to operate;  
13 and requires more volume of digester, less capital  
14 costs, and produce biogas of higher methane  
15 content.

16 The team, which is composed of UC Davis,  
17 Onsite Power, Norcal Waste and Grand Central  
18 Recycling, will develop and demonstrate three ton  
19 per day pilot, generating 20 kilowatt and 25 tons  
20 per day APS digester system that will generate 450  
21 kilowatt.

22 Both of them would be grid  
23 interconnected. The staff recommends approval of  
24 this project. I'll be happy to answer your  
25 questions.

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

3 COMMISSIONER ROSENFELD: I move.

4 CHAIRMAN KEESE: Motion, Commissioner  
5 Rosenfeld.

6 COMMISSIONER GEESMAN: Second.

7 CHAIRMAN KEESE: Second, Commissioner  
8 Geesman.

9 All in favor?

10 (Ayes.)

11 CHAIRMAN KEESE: Opposed? Adopted four  
12 to nothing. Thank you.

13 MR. TIANGCO: Thank you.

14 CHAIRMAN KEESE: Item 9, CSUS  
15 Foundation. Possible approval of contract 200-96-  
16 010, amendment 5, for \$2,400,000, which will add  
17 authority of \$800,000 from special funds for each  
18 fiscal year '5, '6 and '7.

19 COMMISSIONER GEESMAN: So moved.

20 MR. ROESSER: Good morning, I'm Randy  
21 Roesser from the Commission's budget office.

22 CHAIRMAN KEESE: Did we have a motion?

23 MR. ROESSER: I'm sorry, I --

24 COMMISSIONER GEESMAN: We did.

25 MR. ROESSER: Okay.

1 CHAIRMAN KEESE: Motion, Commissioner  
2 Geesman.

3 MR. ROESSER: Okay.

4 COMMISSIONER BOYD: I'll second the  
5 motion.

6 CHAIRMAN KEESE: Second, Commissioner  
7 Boyd.

8 COMMISSIONER GEESMAN: Very compelling  
9 presentation, I might add.

10 (Laughter.)

11 MR. ROESSER: Thank you.

12 CHAIRMAN KEESE: Any questions?

13 All in favor.

14 (Ayes.)

15 CHAIRMAN KEESE: Opposed? Adopted four  
16 to nothing. Thank you.

17 COMMISSIONER BOYD: Good work.

18 CHAIRMAN KEESE: California Department  
19 of Forestry and Fire Protection. Possible  
20 approval of contract 200-03-008 for \$40,057.44 for  
21 the services of an Assistant Secretary for Energy  
22 Matters (pending freeze exemption approval).

23 COMMISSIONER GEESMAN: I'll move this  
24 one, as well.

25 CHAIRMAN KEESE: Motion, Commissioner

1 Geesman.

2 COMMISSIONER ROSENFELD: Second.

3 COMMISSIONER BOYD: Second.

4 CHAIRMAN KEESE: Second, everybody.

5 Second, Commissioner Rosenfeld.

6 All in favor?

7 (Ayes.)

8 CHAIRMAN KEESE: Opposed? Adopted four  
9 to nothing. Thank you.

10 MR. ROESSER: Thanks very much.

11 CHAIRMAN KEESE: Minutes of March 17th  
12 business meeting.

13 COMMISSIONER BOYD: So moved.

14 CHAIRMAN KEESE: Motion, Commissioner  
15 Boyd.

16 COMMISSIONER GEESMAN: Second.

17 CHAIRMAN KEESE: Second, Commissioner  
18 Geesman.

19 All in favor?

20 (Ayes.)

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

23 Commission Committee and Oversight.

24 There's been a lot of action this week, but I  
25 think that what we'll wind up doing is circulating

1 by email the different proposals that were put  
2 forward in different forms.

3 Legislative Director's report. I  
4 believe the Legislature Director is --

5 MR. THERKELSEN: The Legislative  
6 Director is on vacation today.

7 CHAIRMAN KEESE: -- is on vacation  
8 today. As is the Legislature. So we'll pass on  
9 that.

10 I will mention that in the future the  
11 Legislative Committee will be meeting on Wednesday  
12 mornings before Commission meetings, and in  
13 conjunction with a more rapid timeframe that the  
14 Administration is asking us to respond to  
15 legislation on.

16 After our meetings we will be bringing  
17 to you the items for your approval or  
18 consideration at each meeting.

19 Chief Counsel's report.

20 MR. CHAMBERLAIN: Yes, Mr. Chairman.  
21 The only thing I have this morning is a request  
22 for a closed session. I sent you a memo about it  
23 earlier this week.

24 CHAIRMAN KEESE: Thank you. You will  
25 have an executive session after this on a

1 litigation matter.

2 Executive Director's report.

3 MR. THERKELSEN: Good morning,  
4 Commissioners. I only have one brief item.  
5 Yesterday a contingent of staff and I went down to  
6 the Public Utilities Commission to talk to them  
7 about working relationships, long-term  
8 relationships in terms of the IEPR and the PUC's  
9 procurement proceedings.

10 The goal of that meeting was just sort  
11 of a kickoff, but we'll be trying to work to an  
12 understanding of the relationship between our IEPR  
13 documents and the needs of the PUC long term, and  
14 how that relates to their procurement and their  
15 other proceedings.

16 We want to work out some details in  
17 terms of, again, what they need from us, and what  
18 we need from them; what the flow of products and  
19 processes will be between the two organizations.

20 The meeting went very well. We agreed  
21 to sit down in more detailed to work out what this  
22 cycle might look like, what kind of needs there  
23 may be, and then that is something that I will be  
24 bringing back to you to keep you informed of  
25 what's going on and provide your direction to me

1 as we continue that process.

2 But it was very positive. We're doing  
3 the same kind of thing with the Independent System  
4 Operator; and sometime we'll put together this  
5 whole process and how it is supposed to work in  
6 the long term.

7 CHAIRMAN KEESE: Thank you.

8 COMMISSIONER BOYD: Mr. Chairman.

9 CHAIRMAN KEESE: Commissioner Boyd.

10 COMMISSIONER BOYD: If I might, a  
11 question of Mr. Therkelsen, or maybe just a  
12 comment. You heard earlier comments from  
13 Commissioner Geesman and I about two issues that  
14 are very relevant to both the IEPR and the  
15 procurement process:

16 A) the coal environmental concern; and  
17 B) almost equally, if not more, important the IEPR  
18 recommendation about CO2 and climate change.

19 And having just come along with  
20 Commissioner Rosenfeld from a several-day  
21 discussion of climate change symposium sponsored  
22 in part by this organization, that subject was  
23 discussed at length. And by people on a national  
24 level.

25 So, I'm hopeful in the process that you

1 just outlined that these are on the table and  
2 these will be considered, particularly in light of  
3 the fact their a piece of our -- particularly CO2  
4 is a piece of our IEPR recommendation.

5 MR. THERKELSEN: That's correct, they  
6 will be on the table. That's a detail we haven't  
7 gotten into yet, but that's something that we will  
8 get into. We also need to have further  
9 discussions within our own organization of how  
10 we're going to grapple with this issue in the 2005  
11 IEPR to make sure that we've got it appropriately  
12 placed there, as well.

13 CHAIRMAN KEESE: Thank you. Public  
14 Adviser's report. Seeing none, public comment.

15 Seeing none, this meeting is adjourned  
16 subject to meeting in executive session in my  
17 office with legal counsel.

18 (Whereupon, at 10:26 a.m., the business  
19 meeting was adjourned into executive  
20 session.)

21 --o0o--

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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 10th day of April, 2004.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345