

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the matter of:)
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 Business Meeting)
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_____)

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

WEDNESDAY, JUNE 30, 2004
10:00 A.M.

Reported by:
Michael Mac Iver
Contract Number 150-01-006

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

James Boyd

Jackalyne Pfannenstiel

William J. Keese

Arthur H. Rosenfeld

John L. Geesman

STAFF PRESENT

William Chamberlain, Chief Counsel

Robert Therkelsen, Chief Deputy Director

Betty McCann, Secretariat

Jack Caswell

Kerry Willis

Todd Lieberg

Dale Trenchel

Tony Brasil

David Rubens

Elizabeth Shirakh

Tom Kelly

PUBLIC ADVISOR

Margret Kim

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

PROCEEDINGS

1
2 CHAIRMAN KEESE: Call this meeting of the
3 Energy Commission to order.

4 Mr. Rosenfeld, lead us in the pledge.

5 (Thereupon, the Pledge of Allegiance was
6 recited in unison.)

7 CHAIRMAN KEESE: Thank you.

8 Item 1. Calpine Corporation. Possible
9 approval of a petition from Calpine to amend the
10 Sutter Energy Center Decision. The proposed minor
11 modification to condition AQ-32(11) would change
12 the current one-hour hourly limit on carbon
13 monoxide emissions during start-up to a three-hour
14 rolling average.

15 MR. CASWELL: My name is Jack Caswell, the
16 project manager here at the Energy Commission.
17 I'm subbing for Steve Munro.

18 CHAIRMAN KEESE: Okay.

19 MR. CASWELL: On May 24th, 2004, the Calpine
20 Corporation filed a petition requesting a minor
21 amendment to conditions of certification, AQ-32,
22 for the Sutter Energy Power Project located within
23 the Feather River Air Pollution Control District.

24 The Sutter project is a 540-megawatt natural
25 gas fired combined cycle power plant located near

1 Yuba City. The project was certified by the
2 Energy Commission on April 14th, 1999, and began
3 commercial operation on July 2nd, 2001.

4 Calpine has been unable to consistently
5 comply with the hourly CO emission limits during
6 the cold start-ups of the Sutter project turbines.
7 The proposed minor modification will change the
8 method for calculating the limit of carbon
9 monoxide emissions during start-up from a one-hour
10 base to a three-hour rolling average. The
11 emission limits for this project will not change.
12 The proposed amendment will allow operational
13 flexibility that is needed for the cold start-ups.

14 The revised start-up emission calculation
15 will be consistent with the method used during
16 normal plant operations, which is also a three-
17 hour rolling average.

18 Since the regional ambient air quality
19 managements are well below the state and federal
20 standards, staff concludes that there will be no
21 significant air quality impact changes from
22 granting the petition.

23 As part of this amendment process, staff held
24 discussions with the Feather River Air Pollution
25 Control District and it was indicated that the

1 requested amendment changes to the air district
2 permit will be granted.

3 Staff published a Notice of Receipt for the
4 amendment and the amendment analysis on June 4th,
5 2004. No public comments were received.

6 Staff believes that the proposed language for
7 the amendment retains the intent of the original
8 Commission decision in conditions of certification
9 and recommends that the Commission approve the
10 Calpine petition.

11 CHAIRMAN KEESE: Thank you very much.

12 COMMISSIONER GEESMAN: Mr. Chairman.

13 CHAIRMAN KEESE: Commissioner Geesman.

14 COMMISSIONER GEESMAN: The Siting Committee
15 reviewed this matter and concurred with the
16 staff's recommendation. So I would move that we
17 adopt the staff's recommendation.

18 CHAIRMAN KEESE: Motion, Commissioner
19 Geesman.

20 COMMISSIONER BOYD: I'll second.

21 CHAIRMAN KEESE: Second, Commissioner Boyd.

22 Any discussion?

23 All in favor?

24 (Ayes.)

25 CHAIRMAN KEESE: Opposed?

1 Adopted five to nothing.

2 Is it my understanding that we may see other
3 ones like this?

4 MR. CASWELL: That's correct.

5 CHAIRMAN KEESE: This is operational.

6 MR. CASWELL: This relates mainly to cold
7 start-ups for these different power plants. I
8 believe one is coming already and several are on
9 the agenda now.

10 COMMISSIONER BOYD: Is it unique to this
11 unit?

12 MR. CASWELL: It is not. It happens to be--
13 I have technical staff here that can discuss
14 details of this, but I understand it's an
15 operational something that was oversight and it
16 was not information during the siting process.
17 And it has to do with the reaction of the catalyst
18 during the cold start-ups. And of course it has
19 to heat up.

20 COMMISSIONER BOYD: Or they don't work.

21 MR. CASWELL: It doesn't work when it's been
22 shut down and it's cool and it requires --
23 depending on their operational procedures and the
24 equipment, it will vary depending on each project.

25 CHAIRMAN KEESE: Thank you. We will try to

1 figure out some way to handle future cases, future
2 ones that mirror this one.

3 Item 2. United Golden Gate Power Company,
4 LLC. Consideration and possible approval for
5 issuance of a Commission Order to terminate AFC
6 proceedings for United Golden Gate Phase II AFC,
7 Docket Number 01-AFC-3.

8 MS. WILLIS: Good morning. My name is Kerry
9 Willis, staff counsel. And the item you have
10 before you involved an application for
11 certification for the United Golden Gate Power
12 Company's Phase II project. It was filed in 2001
13 and staff found the project to be data inadequate.

14 In May of 2001, at a business meeting, the
15 Commission adopted staff's recommendation, and
16 since that time there hasn't been any further
17 action on the project. Therefore, staff filed a
18 motion in May to have the project's AFC
19 proceedings terminated and the docket closed.

20 The Siting Committee issued an order on May
21 27th, a mid-term order, issuing such an order
22 terminating the proceedings. Our regulations
23 require that we come before the full Commission
24 and the Commission adopt that Siting Committee
25 order.

1 CHAIRMAN KEESE: Has there been any response
2 to the action?

3 MR. WILLIS: We haven't heard anything and we
4 did attempt to contact -- we contacted the
5 consultant. The consultant did say the project
6 basically was no longer being pursued.

7 CHAIRMAN KEESE: Is there anyone in the
8 audience interested in this issue?

9 We have staff's recommendation.

10 COMMISSIONER GEESMAN: You have the
11 Committee's recommendation as well, Mr. Chairman.
12 I would move that.

13 CHAIRMAN KEESE: Motion, Commissioner
14 Geesman.

15 COMMISSIONER BOYD: Second.

16 CHAIRMAN KEESE: Second, Commissioner Boyd.
17 All in favor?

18 (Ayes.)

19 CHAIRMAN KEESE: Opposed?

20 Adopted five to nothing.

21 Thank you.

22 Item 3. New Renewable Resources Account.
23 Possible approval of transfer of funding awards
24 from the New Renewable Resources Account for the
25 Windland, Inc., and Windridge LLC, wind project to

1 Oasis Power Partners.

2 COMMISSIONER PFANNENSTIEL: Mr. Chairman, I
3 will recuse myself from discussion or decision on
4 this item.

5 CHAIRMAN KEESE: Thank you.

6 MR. LIEBERG: Good morning, Commissioners.
7 Susan Korosec is the project manager. She was
8 called for jury duty this week and ask that I fill
9 in for her.

10 CHAIRMAN KEESE: That's two for two.

11 MR. LIEBERG: And three, four, five, and six,
12 I'll be filling in for her on all of those.

13 For the record, my name is Todd Lieberg and I
14 do work in the Renewables Program here at the
15 Commission.

16 Item Number 3 is a simple change of ownership
17 request for the two projects known as Windland and
18 Windridge. Windland is a 19.8 megawatt wind
19 facility from the first new account auction.
20 Windridge is a 30-megawatt wind project from the
21 second new account auction. Both projects have
22 been acquired by Oasis Power Partners and they
23 plan to develop both projects as a single project.

24 For new account purposes, we will keep the
25 awards separate and pay them separately. But

1 Oasis has submitted the appropriate documents to
2 support the change of ownership. The Legal Office
3 has approved them, and the Renewables Committee
4 has approved them. Right now I'm asking you for a
5 full Commission approval of the change of
6 ownership.

7 CHAIRMAN KEESE: Mr. Geesman, do we have a
8 motion?

9 COMMISSIONER GEESMAN: I move the
10 recommendation.

11 CHAIRMAN KEESE: Motion, Geesman.

12 COMMISSIONER BOYD: Second.

13 CHAIRMAN KEESE: Second, Boyd.

14 All in favor?

15 (Ayes.)

16 CHAIRMAN KEESE: Opposed?

17 Adopted five to nothing.

18 Item 4. Oasis Power Partners LLC. Possible
19 approval of the Renewables Committee decision on
20 the request by Oasis Power Partners LLC for on-
21 line date extension and changes to the awards.

22 COMMISSIONER PFANNENSTIEL: Mr. Chairman, I
23 will recuse myself from this one also.

24 MR. LIEBERG: Legal counsel suggested we do
25 two separate items, one is the change of

1 ownership --

2 CHAIRMAN KEESE: Record that last vote as
3 four to nothing, please.

4 MR. LIEBERG: Now that the change of
5 ownership has been approved, the Oasis Power
6 projects Windland and Windridge are asking for an
7 amendment to an extension that was granted to them
8 in 2002. Both wind projects were expected to be
9 on line by January 1st of 2002. The second
10 auction, the Windridge portion, was specifically
11 supposed to come on line during the summer of 2001
12 to help with the energy crisis. If they were not,
13 there was a series of penalties that would be
14 imposed upon them.

15 Following the auctions, the law that governs
16 our program was changed to allow projects that
17 were not on line by January 1st, 2002, to petition
18 the Commission for an extension of their on-line
19 date and the amount of time they can collect their
20 awards, if there were circumstances beyond the
21 developer's control.

22 Both projects have previously had extensions
23 granted by the full Commission until December 31st
24 of 2002. Now that there is a new project owner,
25 they are asking for an amendment to that original

1 extension. Specifically, the Windland project
2 would like the on-line date extended from December
3 31st of '03, until December 31st of '04, and the
4 Committee has agreed with the recommendation or
5 that proposal.

6 Windland would also like what they have
7 termed a 120-day grace period where if they're not
8 on-line by that December 31st, '04 date, the award
9 will not be cancelled immediately, as long as they
10 can demonstrate that they are diligently pursuing
11 construction. Again, the Committee has agreed
12 with that decision.

13 A third item that Windland is asking for is
14 an extension of the five-year date when they can
15 collect their award. Originally, it was until
16 December 31st of 2008, which is five years after
17 the original extension. Now, they're asking for
18 five years beyond the December 31st, 2004. Again,
19 the Renewables Committee recommends this.

20 And the fourth item that the Windland portion
21 is asking for is a day-by-day extension of the on-
22 line date for every day that Congress does not
23 pass the federal production tax credit. The
24 Renewables Committee does not recommend this.
25 They have granted their December 31st, '04, date.

1 On the Windridge portion of the project, a
2 very similar request, move the date out from
3 December 31st, '03, to December 31st, '04. Again
4 the Committee recommends that. Another 120-day
5 grace period tied to the ability or the pursuance
6 of construction. Again, the Committee recommends
7 that. Similarly, the day-by-day exemption tied to
8 the FPTC, the Committee does not recommend that.

9 And then fourth, the Windridge portion is a
10 second auction, so there are a series of penalties
11 associated with that project. The Windridge
12 portion would like their award reinstated to full
13 value or, absent that, a change in the mechanism
14 in which the penalty is assessed. The Committee
15 does not concur with that, they do not recommend
16 that. Projects from that auction have already
17 come on line and they are being penalized as the
18 guidebooks indicate. So a change now would be
19 somewhat unfair to projects previously on line.

20 Therefore, I ask that the full Commission
21 approve the Renewables Committee's
22 recommendations.

23 CHAIRMAN KEESE: Thank you.

24 Commissioner Geesman?

25 COMMISSIONER GEESMAN: Mr. Chairman, I will

1 move the recommendation and also indicate that the
2 Committee felt somewhat constrained by the advice
3 of legal counsel on our ability to afford greater
4 flexibility to these two projects.

5 And with respect to the Windridge project, we
6 were constrained in the extension of the outer
7 deadline. We did, in fact, recommend that the
8 project proponent be allowed to reconfigure its
9 project or expand the number of turbines in the
10 project so as to potentially qualify for the full
11 award. That's a similar practice to what the
12 Commission adopted earlier in the Highwinds
13 project in Solano County. But I would move the
14 recommendation.

15 CHAIRMAN KEESE: Motion, Commissioner
16 Geesman.

17 COMMISSIONER BOYD: Second.

18 CHAIRMAN KEESE: Second, Commissioner Boyd.

19 Anybody here to testify in this issue?

20 All in favor?

21 (Ayes.)

22 CHAIRMAN KEESE: Opposed?

23 Adopted four to nothing with one abstention.

24 Item 5. New Renewable Resource Account.

25 Possible approval of transfer of funding award

1 from the New Renewable Resources Account for the
2 Ox Mountain Landfill Gas Project from Gas Recovery
3 Systems, Inc., to Comcor Energy.

4 MR. LIEBERG: This item is very similar to
5 Item Number 3.

6 CHAIRMAN KEESE: I believe that's probably
7 enough.

8 COMMISSIONER GEESMAN: I'll move the
9 recommendation.

10 CHAIRMAN KEESE: Motion, Commissioner
11 Geesman.

12 COMMISSIONER PFANNENSTIEL: I'll second.

13 CHAIRMAN KEESE: Second, Commissioner
14 Pfannenstiel.

15 All in favor?

16 (Ayes.)

17 CHAIRMAN KEESE: Opposed?

18 Adopted five to nothing.

19 Item 6. Comcor Energy, LLC. Possible
20 approval of the Renewables Committee decision on
21 Comcor Energy LLC's petition for Extension of on-
22 line date to December 31st, 2005.

23 MR. LIEBERG: The previous projects that were
24 not on-line by December 31st were allowed to
25 petition the Committee for extensions. Many

1 projects have come before the Commission and had
2 their project's on-line date extended. Ox
3 Mountain, because of the change of ownership
4 situation, has waited until now to request this
5 extension. They are requesting an extension until
6 December 31st of 2005. Because there were
7 circumstances beyond their control, the Renewables
8 Committee has recommended this and I ask for your
9 concurrence on that.

10 CHAIRMAN KEESE: Thank you.

11 COMMISSIONER GEESMAN: I'll move the
12 recommendation.

13 CHAIRMAN KEESE: Motion, Commissioner
14 Geesman.

15 COMMISSIONER PFANNENSTIEL: Second.

16 CHAIRMAN KEESE: Second, Commissioner
17 Pfannenstiel.

18 Ms. Falren, do you feel the need to comment?

19 MS. FALREN: Briefly.

20 My name is Diane Falren and I represent the
21 project Ox Mountain. And I wanted to express our
22 appreciation to this Commission and to the
23 Commission staff, and I wanted to acknowledge the
24 Commission staff for the way they have handled
25 these New Renewable Account matters. The New

1 Renewable Account first auction, which this
2 project participated in and won the award was
3 really a pioneer effort in the renewables area,
4 and this is one of those projects that has been
5 hanging on by its fingernails waiting for the
6 market to open up. So this is quite propitious to
7 have a vote today as we stand on the brink of the
8 new RPS solicitations. So we're very hopeful that
9 we will have the project on line. And again,
10 thanks.

11 CHAIRMAN KEESE: Thank you.

12 All in favor?

13 (Ayes.)

14 Opposed?

15 Adopted five to nothing.

16 And thank you for clearing up a rather
17 complex proposal there.

18 Item 7. The Emerging Renewables Program
19 Guidebook. Possible approval of revisions to the
20 Emerging Renewables Program Guidebook to improve
21 program efficiency, further clarify application
22 and payment requirements, revise administrative
23 procedures, and include Bear Valley Electric
24 customers.

25 MR. TRENSCHEL: Good morning. My name is

1 Dale Trenchel. I'm substituting for Tim Tutt
2 this morning. He's not on jury duty, as far as I
3 know, just traveling.

4 Just a brief history of what's before you.
5 We had a first draft of revisions to the Emerging
6 Renewables Program Guidebook that was released
7 April 22nd of this year. The Renewables Committee
8 held a workshop on May 3rd to receive public
9 comment on that draft, and what you have before
10 you today is the final draft of that document
11 which reflects some of the public comments we
12 received at that time.

13 So we're asking for the full Commission to
14 approve the revisions contained in that version
15 and that they would become effective July 1 of
16 this year.

17 CHAIRMAN KEESE: Thank you.

18 We have some witnesses.

19 MR. BANDRO: I have some copies, here is some
20 background information.

21 Thank you and good morning. Basically what I
22 wanted to do was just comment on this section for
23 inverters.

24 I'm Sam Bandro from S&A America. Under
25 Section E, page 2, under inverters. We're not

1 quite sure why all the changes were struck and why
2 some of the original power levels were struck and
3 the criteria for evaluating inverter efficiency.
4 So I've put together on some suggestions and how
5 to look at efficiency and inverters. Because the
6 efficiency of inverters times the efficiency of
7 solar modules is a big part of what the CEC rebate
8 program is.

9 And we're concerned right now there are no
10 industry standards. What we're suggesting is a
11 third-party verification of the inverter
12 efficiency standards, and we'd like to recommend
13 that, and a protocol and procedures for testing
14 inverters. That's basically what this paper is
15 all about.

16 CHAIRMAN KEESE: Okay. My question would be
17 this. Is staff or the Committee aware of this
18 issue? Staff, have you been aware of this issue
19 before now?

20 MR. TRENSCHEL: I have not been personally.
21 Tony.

22 MR. BRASIL: No. The concept I guess isn't
23 an entirely new idea, but it's something that we
24 haven't pursued in any other way. We do collect
25 the information from the manufacturers directly,

1 and so this issue is then presented essentially
2 today.

3 And we did have a meeting after the workshop
4 to discuss a number of inverter-related topics,
5 but didn't feel that we were prepared to at this
6 particular time to make the changes in the
7 guidelines that could obviously affect the entire
8 industry adversely. And so this kind of matter we
9 think would be best addressed in a potential
10 future change in the guidebook. But we have to
11 investigate it further on how to actually do this
12 and what the implications are.

13 CHAIRMAN KEESE: I hesitate to do staff or
14 Committee work here in front of the Commission.
15 Is that acceptable?

16 MR. BANDRO: Absolutely. Absolutely.

17 CHAIRMAN KEESE: You have introduced the
18 issue and they will bring it up as they move
19 along.

20 MR. BANDRO: Okay. Thank you.

21 CHAIRMAN KEESE: Thank you.

22 Cecilia Aqualon.

23 MS. AQUALON: Good morning, Chairman and
24 Commissioners. My name is Cecilia Aqualon, and
25 I'm here representing the California Solar Energy

1 Association. I work the Kyocera Solar and one of
2 the top three manufacturers of PV projects.

3 And I'm bringing up a change in number 4,
4 it's the reservation process, and basically
5 respectfully request the Commission that you keep
6 the nine-month reservation window for retrofits
7 for the time being and also that a two- or three-
8 month extension be given to customers that are
9 holding current reservations under the 320
10 rebates.

11 The reason I'm asking this is because you may
12 be aware that there are a lot of shortages of
13 products worldwide. The German market just came
14 on, nobody expected it, at the beginning of the
15 year. And in addition to the German market,
16 there's other markets worldwide that have just
17 come on line and they're really swallowing up
18 products.

19 The manufacturers have planned to increase
20 production this year, mainly for the Japanese
21 market, and possibly for the California market,
22 because we see a tremendous growth. However,
23 Germany came in overnight with an incredible
24 program and other countries as well. The growth
25 here has been also unexpected. And we tried to

1 increase the production, but the time and the
2 amount of product, just demand is not keeping up.
3 We are not keeping up with demand is the basic
4 point.

5 And the reason why we're asking for this
6 extension, this one-time extension, is because we
7 are addressing this issue. My company is about to
8 produce modules in North America for the first
9 time. We are opening a factory with a sales
10 office and engineering in San Diego so we can
11 begin supplying modules and making modules for the
12 U.S. market, mainly in California obviously. And
13 we know Sharp and Sanyo and other manufacturers,
14 they're also building their capacity.

15 So we are definitely doing the best we can,
16 but unfortunately when we -- you know, with
17 business we plan and we see a market, and if we
18 don't see a market in the future, it's hard for us
19 to over produce just in case. And unfortunately
20 what we over produced just in case last year was
21 not enough for the demand.

22 So I respectfully request that for now anyway
23 you keep the nine-month reservation window and you
24 allow extensions. We get a lot of angry
25 complaints from customers threatening to sue

1 because we can't get them the product.

2 CHAIRMAN KEESE: Staff.

3 MR. BRASIL: The situation in the market is a
4 relatively recent change. The proposal for the
5 six-month reservation period was recommended I
6 guess before this situation became apparent. It's
7 our understanding there's roughly a two-month
8 delay in getting product right now. The
9 reservation period, the current reservation
10 period, the shortest one is nine months. So I
11 don't know if -- that should be sufficient time
12 even with the two-month delay to still finish the
13 projects.

14 I might say that part of the recommendation
15 for the six-month reservation was also to make it
16 consistent with when the rebates dropped, so that
17 if a customer was not able to finish a project,
18 they would only face the 20-cent drop in the
19 rebate, if they had to reapply. If we give nine-
20 month reservations, they could possibly face a two
21 rebate drop if they don't get done by that
22 expiration date. So they could face a bigger
23 penalty not being able to reapply for the amount
24 in between.

25 CHAIRMAN KEESE: Not being very familiar with

1 this program, you're suggesting that the time of
2 installation is what determines the rebate, rather
3 than the time of granting the reservation?

4 MR. BRASIL: No. I'm saying the reservation
5 period ensures a certain amount of funding,
6 currently it's a nine-month timeframe to actually
7 start --

8 CHAIRMAN KEESE: So currently when you make a
9 reservation, you don't get the same rate for nine
10 months?

11 MR. BRASIL: Exactly.

12 CHAIRMAN KEESE: And then I assume that
13 changed to six months?

14 MR. BRASIL: Correct.

15 CHAIRMAN KEESE: And since we have limited
16 funds, is that the thinking of the Committee?

17 COMMISSIONER GEESMAN: The Committee's belief
18 is that this is a program based on tough love as
19 it relates to the industry, and we recognize that
20 if one manufacturer is having difficulty meeting
21 its orders in a timely fashion, that will probably
22 tilt retailers to rely on other manufacturers.
23 That's the way business works. If, in fact, this
24 proves to be an industrywide insurmountable
25 problem, we will see this in a few months and

1 we'll be able to come back to you with a different
2 recommendation. But at this point in time, the
3 Committee's preference would be to proceed with
4 the staff recommendation.

5 CHAIRMAN KEESE: And then when would you
6 start issuing the six-months?

7 MR. BRASIL: The six-month reservations would
8 start for applications received tomorrow going
9 forward. So we have nearly a thousand currently
10 and are expecting about another thousand today, so
11 none of these would be affected.

12 CHAIRMAN KEESE: So you would be still
13 putting 2,000 out on a nine-months. I mean we're
14 probably going to crack the industry?

15 MR. BRASIL: Potentially, yes.

16 CHAIRMAN KEESE: Okay. And then probably use
17 quite a bit of our funding?

18 MR. BRASIL: That's correct. And we're
19 currently facing funding issues and we're going to
20 try to address those. It's a variable topic, but
21 the funding could be exhausted by the end of the
22 year. And we added quite a bit of funding in the
23 most recent months.

24 MS. AQUALON: Well, I am here representing
25 the manufacturers, so it's not for say my company.

1 CHAIRMAN KEESE: That's correct. And what I
2 heard from staff was that this is a relatively new
3 phenomenon and from the Committee, that the
4 Committee is willing to look at this and see if
5 this is a problem over the next few months, but is
6 not suggesting that we make a change here at this
7 time.

8 MS. AQUALON: Thank you, I appreciate it.

9 CHAIRMAN KEESE: Anyone else in the audience
10 on this issue?

11 Do I have a motion?

12 COMMISSIONER GEESMAN: So moved, Mr.
13 Chairman.

14 CHAIRMAN KEESE: Motion, Commissioner
15 Geesman.

16 COMMISSIONER PFANNENSTIEL: Second.

17 CHAIRMAN KEESE: Second, Commissioner
18 Pfannenstiel.

19 All in favor?

20 (Ayes.)

21 CHAIRMAN KEESE: Opposed?

22 Adopted five to nothing.

23 Thank you everyone.

24 Item 8. City of Placerville. Possible
25 approval of a loan to the City of Placerville for

1 \$54,500. This project consists of retrofitting
2 113 existing inefficient fluorescent fixtures with
3 energy efficient devices.

4 MR. RUBENS: Good morning, Commissioners. I
5 am David Rubens. I'm not on jury duty or away.

6 The City of Placerville has requested
7 financing to install 113 energy efficiency light
8 fixtures and controls for their parking facility.
9 The light fixtures will be the new induction-type
10 lights. These lamps have no filaments and last
11 five to eight years longer than fluorescent lamps.
12 The expected life is a hundred thousand hours or
13 23 years if the lights are run 12 hours a day.

14 Here's an example of one of the induction
15 lamps. This happens to be a Phillips and it would
16 be in a shoe box-type fixture. These type of
17 lamps have been around for five to six years. If
18 Virginia would like to plug it in, we can give you
19 an idea of what it looks like. This is only a 55-
20 watt lamp and it puts out 3,500 lumens. And it
21 takes a little -- it's not all the way up yet, it
22 takes a couple of minutes to come up to full
23 brightness.

24 In addition to long life, this project will
25 annually save about 60,000 kilowatt hours or the

1 equivalent of \$8,142 in reduced energy costs.
2 This results in a simple payback of 8.9 years.
3 Additionally, this project reduces the peak
4 electric load of 9 KW.

5 The City plans to complete the project by
6 September 30th of 2004. The Energy Commission
7 staff has determined that the loan request is
8 technically justified and meets the requirements
9 for the loan under the ECAA program. This program
10 requires repayment of this loan, interest and
11 principle, within 15 years. This is equivalent to
12 the project having a simple payback of ten years
13 or less. The project under consideration is 8.9
14 years. If the loan is approved today, this will
15 be the first induction lamp funded project under
16 our program. The project has been approved by the
17 Efficiency Committee, and as a result the staff
18 recommends approval to the City of Placerville.

19 COMMISSIONER PFANNENSTIEL: Mr. Chairman, I
20 move approval.

21 CHAIRMAN KEESE: Motion, Pfannenstiel.

22 COMMISSIONER ROSENFELD: Second.

23 CHAIRMAN KEESE: Second, Rosenfeld.

24 All in favor?

25 (Ayes.)

1 CHAIRMAN KEESE: Opposed?

2 Adopted five to nothing.

3 MR. RUBENS: Thank you.

4 CHAIRMAN KEESE: Item 9. Los Angeles Unified
5 School District. Possible approval of a loan to
6 the Los Angeles Unified School District for
7 \$73,412 to install energy efficient lighting and
8 lighting controls.

9 MS. SHIRAKH: Good morning. My name is
10 Elizabeth Shirakh.

11 Today for your consideration we have a
12 proposed loan for \$73,412 with the Los Angeles
13 Unified School District to install energy
14 efficient lighting. Two schools, Mendelson and
15 Holmes Elementary Schools, will install energy
16 efficient CA fluorescent lamps and electronic
17 ballast and install lighting controls. The
18 project is estimated to save the district about
19 \$14,781 annually and have a simple payback of five
20 years.

21 Commission staff has reviewed the project and
22 believes that it's both technically and
23 economically feasible, meets the loan program
24 requirements, and recommends approval of the loan.

25 The funding for the loan will come from the

1 Energy Conservation Assistance Act, ECAA, and/or
2 bonds funds. And the interest rate is 3.95
3 percent.

4 This item was approved by the Efficiency
5 Committee on June 10th. Thank you.

6 COMMISSIONER PFANNENSTIEL: Move approval.

7 COMMISSIONER ROSENFELD: Second.

8 COMMISSIONER BOYD: I would like to ask
9 Commissioner Rosenfeld the question, since we just
10 had a demonstration of what may become best
11 available technology. Is this a viable
12 technology, IV fluorescent lamps?

13 COMMISSIONER ROSENFELD: I think the
14 production facilities will take over.

15 COMMISSIONER BOYD: All right.

16 COMMISSIONER ROSENFELD: I might say
17 historically that first of those induction lamps
18 was put on the market by General Electric and
19 failed in like 1978. So it's taken a while for
20 that technology to take.

21 COMMISSIONER BOYD: Placerville is the pilot
22 program for the world.

23 CHAIRMAN KEESE: Okay. Did we take the vote?

24 COMMISSIONER BOYD: Not yet.

25 CHAIRMAN KEESE: Commissioner Geesman.

1 COMMISSIONER GEESMAN: This is the second
2 largest school district in the world, I believe.
3 It's a rather small loan from this Commission.
4 Are there not other opportunities for energy
5 efficiency improvements in the Los Angeles Unified
6 School District?

7 MS. SHIRAKH: Actually, the Los Angeles
8 Unified School District is looking at lighting,
9 and like you said, they have a huge, huge
10 district. They're going through a phase first
11 looking at various schools. This is the second
12 loan that the Commission has considered.

13 We did a first loan with them in December of
14 2003 for \$1,362,000, that covered 15 schools. And
15 as they make progress on the first loans, we're
16 processing the next loan. So we have a few more
17 actually in the queue.

18 COMMISSIONER GEESMAN: I would hope, because
19 I know that they have received from their voters
20 authorization for very, very substantial general
21 obligation bonds for both new school construction
22 and the rehabilitation of existing schools, that
23 the district does not feel constrained in its
24 energy efficiency improvements to our relatively
25 meager program. And I think that they would be

1 certainly on our favorable side if they
2 demonstrated the way in which they incorporate
3 energy efficiency into those other expenditures of
4 their general obligation bond funds.

5 I think there's enormous potential in that
6 district, and if these projects have five-year
7 paybacks, you know, they're getting a pretty low
8 interest rate on their general obligation bonds,
9 and I certainly hope that they incorporate energy
10 efficiency into their school rehabilitation. Our
11 program should not be the only source that they
12 look to for these important investments.

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

15 (Ayes.)

16 CHAIRMAN KEESE: Opposed?

17 Adopted five to nothing.

18 Item 10. Energy Conservation Assistance
19 Account. Possible approval of three loans for
20 photovoltaic systems for three K-12 school
21 districts. All three districts have received
22 funding through the Energy Commission's Solar
23 Schools Program and the Emerging Renewables
24 Program.

25 MS. SHIRAKH: Good morning.

1 CHAIRMAN KEESE: Is this a ditto?

2 MS. SHIRAKH: These are loans through our
3 Energy Efficiency Program, correct. If you would
4 like to hear some information, I would be happy to
5 share that with you.

6 CHAIRMAN KEESE: Would you like to hear more
7 information or would you like to move it?

8 COMMISSIONER PFANNENSTIEL: Well, I think
9 these three are different than the ones we heard.
10 These three are PVs, so maybe you can mention all
11 three together.

12 MS. SHIRAKH: Okay. As the Commissioner
13 mentioned, these are for PVs, not lighting. All
14 three schools had approved rebate reservations
15 through the Commission's Emerging Renewables
16 Program and Solar Schools Program. And the loan
17 request will cover the remaining project costs,
18 about 21 percent, needed to complete the
19 installations.

20 Red Bluff Joint Union High School District
21 has requested \$49,500 to install a 30 KW
22 photovoltaic system at Red Bluff High School.
23 This project is estimated to save the district
24 about \$6,223 annually with a simple payback of
25 eight years based on the loan amount.

1 Second, Petaluma Joint Union High School
2 District has requested \$34,020 to install a 20 KW
3 photovoltaic system at Petaluma High School. The
4 total project costs are \$162,020, and this project
5 is estimated to save the district about \$4,447
6 annually and have a simple payback 6.6 years based
7 on the loan amount.

8 And finally, Larkspur School District has
9 requested \$50,220 to install a 30 KW system at
10 Hall Middle School. The project is estimated to
11 save the district about \$6,369 annually and have a
12 simple payback of 7.9 years based on the loan
13 amount.

14 COMMISSIONER ROSENFELD: Thank you. Liz, I'm
15 still confused about the double counting though.

16 MS. SHIRAKH: I'm sorry.

17 COMMISSIONER ROSENFELD: I'm still confused
18 about what seems to be double counting. Are they
19 getting two different rebates, both from the CEC?
20 Can you explain what the other one is?

21 Ms. SHIRAKH: Yes. They are receiving two
22 rebates, \$3.20 per watt, one for the Emerging
23 Renewables Program, and also from the Solar School
24 Program. So that would be a total of \$6.40 a
25 watt. We're requesting to provide them the

1 difference through the loan. The rebate amount
2 that they will be receiving covers about 69
3 percent of the costs to install these. So they
4 are requesting the difference, the different
5 project costs that come from the loan.

6 Did that help to explain? Maybe not.

7 COMMISSIONER ROSENFELD: So the whole thing
8 is a loan, the whole thing is like ten dollars a
9 watt?

10 MS. SHIRAKH: I'm sorry?

11 COMMISSIONER ROSENFELD: The whole expense is
12 like ten dollars a watt?

13 MS. SHIRAKH: It comes to eight dollars a
14 watt.

15 COMMISSIONER ROSENFELD: And that's entirely
16 a loan, the schools aren't putting up?

17 MS. SHIRAKH: No. We'll be providing about
18 \$1.65 a watt through the loan program and the
19 Emerging Renewables rebate will cover \$6.40 a
20 watt.

21 COMMISSIONER ROSENFELD: Okay.

22 COMMISSIONER BOYD: It's a combination of
23 grant and loan?

24 MS. SHIRAKH: Correct.

25 COMMISSIONER GEESMAN: And the \$6.40 is a

1 grant?

2 MS. SHIRAKH: Correct.

3 COMMISSIONER ROSENFELD: All right. Thank
4 you.

5 COMMISSIONER PFANNENSTIEL: Move approval.

6 CHAIRMAN KEESE: Motion, Pfannenstiel.

7 COMMISSIONER ROSENFELD: Second.

8 CHAIRMAN KEESE: Second, Rosenfeld.

9 Any further conversation?

10 All in favor?

11 (Ayes.)

12 CHAIRMAN KEESE: Opposed?

13 Adopted five to nothing.

14 MS. SHIRAKH: Thank you.

15 CHAIRMAN KEESE: Item 11 is off the calendar.

16 Item 12, minutes.

17 Do I have a motion on the minutes?

18 COMMISSIONER ROSENFELD: I move the minutes.

19 CHAIRMAN KEESE: Motion, Rosenfeld.

20 COMMISSIONER PFANNENSTIEL: Second.

21 CHAIRMAN KEESE: Second, Pfannenstiel.

22 All in favor?

23 (Ayes.)

24 CHAIRMAN KEESE: Opposed?

25 Adopted five to nothing.

1 COMMISSIONER GEESMAN: Can I be recorded as
2 abstaining from the June 2nd portion of that
3 motion since I wasn't here.

4 COMMISSIONER BOYD: Nor was I.

5 CHAIRMAN KEESE: Okay. We've got two people
6 that would like to be off. So the minutes of June
7 16 are approved five to nothing and the June 2nd
8 are approved three to nothing.

9 CHAIRMAN KEESE: Item 13. Commission
10 Committee and Oversight.

11 Under this item, although we could have done
12 it under Item 11 also, the Commission has put over
13 action on the Morro Bay Power Plant, we have
14 ongoing with other agencies. And the Committee on
15 Morro Bay would specifically like to ask the
16 Executive Director and staff to immediately begin
17 discussions with the Coastal Commission and BCDC
18 on the role of those agencies in the Energy
19 Commission's siting process going forward, not
20 dealing with this siting case, but for the future
21 cases that may come and come. And we would like
22 to request that you start that immediately.

23 EXECUTIVE DIRECTOR THERKELSEN: Good morning,
24 Commissioners, Bob Therkelsen.

25 We actually before the energy crisis took

1 over our world, we had started developing MOUs
2 with other state agencies. We had one developed
3 for the Department of Fish and Game, the
4 Department of Toxic Substance Control, and the
5 State Water Board.

6 Actually the Coastal Commission, BCDC, and
7 there were a couple of other agencies who were on
8 our list as well. That work got terminated when
9 we ran into the energy crisis. It is something
10 that we would be more than happy to pick up again
11 and develop those working relationships and
12 understanding what the processes are and the roles
13 of the agencies in siting cases.

14 COMMISSIONER BOYD: Mr. Chairman, I would
15 recommend the priority be given to the Coastal
16 Commission and the Water Board. As we discovered
17 in recent cases, there are lots of concerns and
18 questions about the process and the timing of the
19 process.

20 EXECUTIVE DIRECTOR THERKELSEN: That's fine.
21 As I mentioned, we actually did negotiate a MOU
22 with the State Board. The State Board in doing
23 that was representing the regional boards. We had
24 the challenge in terms of that MOU being fully
25 implemented in various cases. In some regional

1 areas it's been easier than it has been in others.
2 But we will revisit that issue after we deal with
3 the Coastal Commission.

4 COMMISSIONER GEESMAN: Mr. Chairman.

5 CHAIRMAN KEESE: Commissioner Geesman.

6 COMMISSIONER GEESMAN: To the extent that
7 it's helpful and to the extent that we can avoid
8 ex parte contact on any of the pieces in front of
9 the Commission, the Siting Committee would be
10 happy to provide whatever assistance we can on
11 this.

12 CHAIRMAN KEESE: Thank you.

13 EXECUTIVE DIRECTOR THERKELSEN: As consistent
14 with how things were done before, basically the
15 staff worked, if you will, independent of any case
16 with the other agencies and then brought their
17 recommendations back to the Siting Committee to
18 consider. So we're happy to work in that process.

19 CHAIRMAN KEESE: Thank you.

20 Are we going to take something else up under
21 this subject?

22 EXECUTIVE DIRECTOR THERKELSEN: Yes. At the
23 Energy Action Plan meeting last week there was a
24 request by President Peevey of the PUC that each
25 of the agencies consider a core/non-core paper

1 that he distributed at that meeting. President
2 Peevey indicated that the PUC would be taking
3 action on this at their July 8th meeting. It does
4 turn out that it is Item Number 90 on their
5 agenda, you are very fortunate we don't have that
6 long of an agenda, but it is Item Number 90. But
7 it is not one correct option or for discussion.

8 Consistent with our comment at that meeting,
9 we just said we would have a short discussion
10 today on the core/non-core paper. I realize it's
11 something that you have not had an opportunity to
12 fully digest, the staff has not had an opportunity
13 to fully digest it, since we just got it recently.

14 But I've asked Tom Kelly to give a brief
15 overview of the paper, and, you know, receive any
16 comments that you may have. And we will be doing
17 a more detailed analysis of this later one.

18 Mr. Kelly.

19 ASSISTANT EXECUTIVE DIRECTOR KELLY: Good
20 morning.

21 As Bob said, we haven't had a lot of time to
22 look at this, and, in fact, we don't have a large
23 cadre of staff devoted to core/non-core issues.
24 So we're trying to look at this in the light of
25 other things that we're doing, so we're not able

1 to give you a final answer, we're not able to
2 amass a lot of data and point you in a certain
3 direction this is the right way to go. And you'll
4 be in the position you often find yourselves in
5 with having to make decisions without the full
6 knowledge of all the information that should be
7 available certainly isn't going to be available.

8 Regardless of his looking at these issues,
9 they seem to fall into a common set of core
10 issues, and the devil is in the details when it
11 comes to working them out. It's easy to say that
12 there is a solution. We figure there is a
13 solution somewhere, it's not always easy to bring
14 it about. But for some of the common issues that
15 we're facing, one is customer choice, should there
16 be customer choice or should there not be customer
17 choice? Do you want to have parties able to go
18 off and find their own power or do you want them
19 to be part of the system?

20 Those who would like to have a tighter
21 regulated system would like to see less customer
22 choice and those who tend towards competition
23 would like to see more customer choice in general.
24 We're all concerned about the cost shipping issue.
25 Most everybody that talks about it wants to be

1 sure that there is no burden shifted from one
2 party to other parties when they take an action
3 within the system. So that's an issue and a
4 concept they try to adjust.

5 Resource adequacy is important today, even
6 without knowing exactly what it is. People will
7 say, sure, we want resource adequacy. So whatever
8 proposal has to ensure that resources are going to
9 be there. The issue about when to start is
10 important. Some people would like to start
11 immediately, some people would start later. How
12 long the departing load would stay out. Are they
13 committed to stay out for one year, two years,
14 five years.

15 Utilities would like to see five years,
16 others would like to say, no, you should be able
17 to do it within a year, because what's going to
18 change much in a year anyway. What the size
19 requirements might be for those who would like to
20 depart the load, should it be greater than 500
21 kilowatts, should it be less than 500 kilowatts?
22 Some suggest down to 200. Some have suggested
23 even higher.

24 And the last one that I will talk about is
25 sort of an equity issue. Equitability for a lot

1 of programs. Do we want to make our policy
2 programs fit departing load. Should they be
3 subject to the same kind of policy issues and
4 decisions that we have for those who remain I.V.
5 customers.

6 So those are sort of a range of issues that
7 all the parties are discussing and different
8 proposals come in on one side or the other or in
9 the middle of all of those.

10 A few months back the PUC staff put out a
11 proposal that essentially said they would like to
12 start with 500 kilowatts and above, just the
13 largest customers, and make it optional. They
14 could opt to go out or opt to stay in it, it was
15 their choice. And they were concerned about cost
16 shifting and burden shifting, so they recommended
17 that the load could depart as late or as early as
18 2009 after the DWR contracts expired. And they
19 didn't want to have to deal with that issue, so a
20 way to do it is just when they're gone, then you
21 can start looking forward and having the load
22 depart at that point.

23 And then they didn't address the issue of how
24 long this load could be departed or what kind of
25 notice it needs to give when it comes back in. It

1 also didn't put out any details as to exactly what
2 the cost would be for leaving, coming back, in
3 fixed cost of load sharing, cost sharing for the
4 different loads.

5 So President Peevey came out with another
6 proposal after that, the latest version of which
7 we saw at the Energy Action Plan meeting. It was
8 different even from the version that was on the
9 web posted just the day before. So it's in a
10 process or was in a process of evolution.

11 And what he's done is a faster direction and
12 a smaller size availability for departing load.
13 He says that it could happen as soon as one year
14 after the legislature decides that it's okay to do
15 it. Right now the PUC can't do it because the
16 legislature has froze all the departing load, so
17 you can't do that anymore. So once they release
18 that, then he says a year later they could put it
19 in place. Above 500 kilowatts, he would recommend
20 that it be mandatory departing load, and that
21 there are conditions under which it could come
22 back in to core customers. But just assume that
23 if you're 500 and above, you're gone.

24 He agrees that no cost shifting should occur,
25 and that's a big if by anybody's proposal of

1 actually making it so that there is no cost
2 shifting is a monumental task and I'm glad that we
3 don't have to do it here as a staff.

4 Then he has recommended a two-year exit term,
5 not a five-year that the utility wanted, but two
6 years to get it back down to more likely that
7 somebody would be willing to lead. And none of
8 the proposals that we have seen so far and none
9 that we've heard discussed talk about resource
10 adequacy in a way that brings the details to the
11 front.

12 Some of the things that we're concerned about
13 for those are cost issues for the small load that
14 might lead to small load serving entities, if they
15 are required to have reserve margins, it could be
16 that reserve margin expense is greater for them in
17 the small than it is for the large utility who has
18 a large mass of power plants and options at its
19 disposal.

20 It's not even clear the reserves should be
21 the same for the departing load or the load-
22 serving entity. As for an IOU, IOU has many
23 plants, any one of which is relatively small in
24 the system. But if you have a load-serving entity
25 that has a large plant, you also put the

1 requirement on that, but they have to cover for
2 the failure of the largest plant, which utilities
3 can easily do, but a small company may not be able
4 to do.

5 So does RPS apply to a customer who's left
6 our system in essence?

7 COMMISSIONER GEESMAN: It does under current
8 statute, it's to be blind to all ESPs.

9 ASSISTANT EXECUTIVE DIRECTOR KELLY: It's
10 interesting how one of the issues we've talked
11 about but haven't actually seen resolved is how
12 much control the PUC has over all those load-
13 serving entities, for example, the ones from
14 Arizona that might want to serve power here. It's
15 not easy to actually make things happen. Although
16 the will may be there and you may agree on the
17 principles, actually doing it requires quite a bit
18 of thought and quite a bit of details.

19 So those are things that are not in any of
20 the proposals that we've seen right now, and the
21 Peevey proposal that we were specifically asked to
22 discuss here doesn't answer those questions. It
23 says that they are very tough questions and need
24 to be handled in the future, but assures us that
25 the PUC will handle those in future proceedings.

1 CHAIRMAN KEESE: Thank you. I think, you
2 know, President Peevey didn't directly ask whether
3 we could endorse this proposal, but I think he
4 hinted that that's what he would like to see. As
5 was indicated, it's on their agenda for
6 discussion. It's on our agenda for discussion
7 only. I think everybody has it here, we will send
8 it to the appropriate committee, and vet it
9 through the process. And then we'll see how
10 people feel about it.

11 So I guess input from everybody would be
12 appreciated. It's more a generic issue really
13 than it is a committee issue. So we'll send it to
14 committee, but if everybody would take a look at
15 it that would be great.

16 COMMISSIONER GEESMAN: Well, I'd like to say
17 something right now, Mr. Chairman.

18 CHAIRMAN KEESE: Okay. Mr. Geesman.

19 COMMISSIONER GEESMAN: I think that both you
20 and Commissioner Boyd should feel a particular
21 satisfaction on this matter, because --

22 AUDIENCE MEMBER: We're having trouble
23 hearing you, John.

24 COMMISSIONER GEESMAN: I was saying that I
25 think both the Chairman and Commissioner Boyd

1 should feel a particular satisfaction in this
2 matter, because when the year 2003 IEPR Committee
3 placed it in the recommended IEPR that you brought
4 before the full Commission, I think it breathed
5 new life into this concept. The Commission
6 unanimously endorsed your recommendation, and I
7 think the PUC responded to it in good faith.

8 I was disappointed by the PUC staff paper. I
9 don't feel that it adequately addressed the issues
10 that the IEPR had presented to it, and I think
11 Commissioner Peevey's proposal significantly
12 improved upon the staff proposal.

13 I was the only one of us able to attend the
14 en banc meeting at the PUC in April that
15 considered both proposals and heard testimony, and
16 which I think has formed the basis of the
17 revisions that Commissioner Peevey had placed in
18 his proposal.

19 There are two issues raised in that that have
20 been of particular concern to our programs. One
21 contains language that he has tightened up in his
22 revised proposal where he says moving toward
23 realtime pricing and other tariff designs that
24 allow rates to fluctuate with costs is a principle
25 necessary for a functional core/non-core market

1 structure.

2 And I agree with that, I think we have some
3 very big challenges in front of us toward the end
4 of this year about further pushing the State into
5 a realtime pricing or a dynamic pricing of load.
6 And I believe his proposal acknowledges the
7 importance of that.

8 The second issue is I think a little more
9 difficult concern, and it is how you pay for the
10 DWR contracts. Out of administrative simplicity,
11 his proposal mentions the possibility of creating
12 a fixed charge obligation on all customers. And
13 Cheryl Carter from NRDC at the en banc meeting
14 pointed out that that would represent a radical
15 departure from prior PUC policy that has preferred
16 to see those types of obligations borne by the
17 customers on a volumetric basis, because of the
18 beneficial signal for energy conservation. And I
19 think our commission historically has always
20 preferred to see things addressed on a volumetric
21 basis, rather than a fixed charge. I think that's
22 an issue that the PUC is going to have to grapple
23 with.

24 But I believe his proposal as he has modified
25 it represents a continuing improvement in this

1 matter. When it comes before us for an actual
2 consideration, I'm prepared to endorse it. I
3 think he's moved the debate forward very
4 significantly. And at least personally, I never
5 considered this a viable market structure until my
6 friends at TURN recommended it at the height of
7 the energy crisis in December or January
8 2000/2001.

9 I tried to ask them several times why they
10 have backed away from it, and I have to confess
11 the feeling that they have been somewhat deadbeat
12 dads in refusing to acknowledge their parentage of
13 this particular proposal.

14 But I still think it's a good one and I think
15 Commissioner Peevey's made a significant
16 contribution in the proposal that he's made.

17 CHAIRMAN KEESE: Thank you.

18 COMMISSIONER BOYD: Mr. Chairman.

19 CHAIRMAN KEESE: Commissioner Boyd.

20 COMMISSIONER BOYD: I appreciate John
21 recognizing and I thank John for recognizing that
22 it was included in the IEPR, that thought crossed
23 my mind right away when Tom was talking about
24 this, because we did broach -- so it's parentage
25 has some roots in this agency.

1 I know both Commissioners Rosenfeld and
2 Geesman missed the Energy Action Plan discussion,
3 but perhaps their staffs have prompted them up on
4 the fact that although not on the agenda for the
5 meeting, we ended up having quite a spirited
6 discussion of realtime pricing and dynamic pricing
7 at that meeting, and spurred by our initial
8 discussion of energy forecasts for the immediate
9 future or just for the future period and how we
10 were treating some deficiency and efficiency
11 measures and what have you.

12 In any event, it was a spirited discussion,
13 to say the least. And I think President Peevey
14 soaked up quite a bit of input on that subject.
15 But I do agree that it is something that
16 definitely needs to be recognized in this and I'm
17 sure the Electricity Committee with pore over
18 this, I'm sure they'll look into it, the items you
19 referenced and some of the other issues we've
20 included in the IEPR that perhaps need to be
21 looked at in our future electric structure.

22 So I appreciate the fact that they're brought
23 up to the whole body, produce a commission
24 document, and we do rely on the various committees
25 to take a look at their particular pieces. And I

1 look forward to us having some input on this
2 discussion.

3 CHAIRMAN KEESE: Commissioner Pfannenstiel.

4 COMMISSIONER PFANNENSTIEL: I just now am
5 browsing through this document and I haven't seen
6 it prior to this morning. But two of the
7 principles that Commissioner Peevey points out are
8 cost causation and national rate design, both in
9 the category of the devil being in the detail,
10 because they will be more difficult to do than to
11 say. But both of those if enacted in a rational
12 way I think bring our closing to where we want to
13 be, both in deck and pricing, and a core/non-core
14 market that is one that we can both understand and
15 support. So I think that they are very positive
16 steps.

17 CHAIRMAN KEESE: Thank you.

18 Anything else under Commission Committee and
19 Oversight?

20 Thank you, Mr. Kelly.

21 COMMISSIONER BOYD: Commissioner.

22 CHAIRMAN KEESE: Commissioner Boyd.

23 COMMISSIONER BOYD: I am reminded by the
24 discussion of the Energy Action Plan meeting that
25 what seemed like a small issue came up for you

1 late in the day with the testimony of a couple of
2 representatives of different advocacy and
3 environmental groups who made a very strange long
4 connection between discussions of efficiency and
5 our gas policy in this state and with a subset
6 being LNG, a very long route between concerns
7 about us embracing the need for more gas and in
8 particular maybe that LNG would play a part in
9 that need. And the state therefore investing its
10 funds in that effort at the expense of efficiency
11 and the conservation and the renewables program,
12 which Commissioner or President Peevey properly
13 pointed out seemed like a strange connection.

14 But nonetheless, since that meeting, that
15 issue has come up several times in just a few
16 days. The environmental community in particular
17 has made this connection and that is almost a
18 mantra with them.

19 Yesterday, on very short notice, I accepted
20 an invitation to go down to Southern California
21 and meet with a very large group of environmental
22 community representatives who would be involved
23 most directly in any discussion of LNG. At this
24 meeting they received presentations on at least
25 three of the projects. And then I was asked to

1 give a presentation on the Energy Commission's
2 views on the subject, as were a few others. And
3 then I had quite an interesting discussion towards
4 the end of the day on the subject.

5 I would just say that I think, without
6 advocating frankly for LNG, other than mentioning
7 that the IEPR points out that this is something
8 deserving consideration and pointing out the
9 supply-and-demand analyses that we have done in
10 great detail. I think that to me says a far
11 greater appreciation for the overall subject of
12 the importance of at least gas in our future and
13 the connectivity or lack of connectivity between
14 certain features in the various points along the
15 way between our energy programs, our efficiency
16 programs, the renewables portfolio standards, and
17 what have you.

18 So I went down to the meeting puzzled in the
19 morning as to invest my time and came back pretty
20 late last night after Southwest had all kinds of
21 plane problems. I've never been to three gates at
22 LAX before. But in any event, I'm feeling pretty
23 good that at least the public education and just
24 the the roundtable process have served this
25 organization well.

1 They felt quite good about getting input from
2 the Commission in a very objective way and look
3 forward to more of that.

4 So in any event, a little piece of progress
5 occurred.

6 CHAIRMAN KEESE: Thank you. Chief Counsel's
7 Report.

8 CHIEF COUNSEL CHAMBERLAIN: Yes, Mr.
9 Chairman, related to your direction to staff
10 regarding MOUs and other agencies, I had a
11 conversation this morning with Lori Oakum of the
12 State Water Resources Control Board. She is
13 meeting with Duke Energy this morning concerning
14 their -- they owe the Regional Board some
15 additional information apparently related to their
16 desire to have the NPDES permit fully in
17 compliance with the new regulations that are
18 coming out for existing facilities, and so they're
19 working that out. This apparently has contributed
20 to the uncertainty as to when the Regional Board
21 would be able to act on the NPDES permit. And I
22 asked her for some documentation on that and she
23 agreed to send me a memo. So when I get that, I
24 will pass it on to the rest of you.

25 She also indicated that from the Regional

1 Board's perspective, they would love to see our
2 decision sort of as a marker in the ground so that
3 they know that when they put their notice out and
4 their proposed decision out that the ground won't
5 change underneath them. Of course we would like
6 to see the NPDES permit for the very same reason
7 come in to be a marker in the ground that we can
8 rely on. This is a problem for both agencies and
9 we're just going to have to work our way through
10 it.

11 CHAIRMAN KEESE: It's a problem for the
12 Committee.

13 COMMISSIONER GEESMAN: Haven't we addressed
14 that though in the MOU that Mr. Therkelsen
15 referred to?

16 CHIEF COUNSEL CHAMBERLAIN: I don't recall.

17 EXECUTIVE DIRECTOR THERKELSEN: We'll need to
18 look at that.

19 COMMISSIONER GEESMAN: I believe that it
20 calls for the state to come into our ground.

21 CHIEF COUNSEL CHAMBERLAIN: This may be one
22 of the things, as he mentioned, the state board
23 entered into that MOU on behalf of the Regional
24 Board, but the regional boards are really separate
25 government entities.

1 CHAIRMAN KEESE: And in our discussions with
2 Mr. Fay, our hearing officer, the Regional Board
3 intends to use our decision as their environmental
4 document, which pretty much puts that in front of
5 their decisionmaking process.

6 CHIEF COUNSEL CHAMBERLAIN: And their
7 rationale for that is not illogical, based on the
8 State guidelines for CEQA.

9 COMMISSIONER GEESMAN: Well, then perhaps our
10 MOU should be revisited to better reflect some of
11 these real-world concerns. But at the same time,
12 I think we have an ongoing interest into closely
13 timing the two decisions in order to make clear
14 that it's a single permit.

15 EXECUTIVE DIRECTOR THERKELSEN: Part of the
16 earlier discussion on the MOUs in terms of the
17 importance of visiting the one with the State
18 Board, I took to be just that, we need to revisit
19 with the State Board the success rate of that MOU,
20 talk about where we've had problems, what can be
21 done to correct it, and what kind of enforcement
22 or buy in or whatever we can get from the Regional
23 boards. Because clearly the intent has been
24 spelled out, but it hasn't always been met.

25 CHIEF COUNSEL CHAMBERLAIN: That's all.

1 CHAIRMAN KEESE: Executive Director's report.

2 EXECUTIVE DIRECTOR THERKELSEN: Two quick
3 items for you, Commissioners.

4 We submitted, as you know, some time ago to
5 the resources agency our VCP concepts for fiscal
6 year '05/'06. And it focused basically on two
7 areas, on enhancing our assessment capability
8 throughout the Commission in transportation,
9 natural gas, and electricity, and reinforcing our
10 research and development capability.

11 To that list of VCP concepts, we recently
12 added a new one to reflect an intentional decision
13 by the PUC to direct natural gas R&D in our
14 direction. And so it asked for some additional
15 positions and authority to spend money for that
16 program as well.

17 We have a meeting tomorrow with the Resources
18 Agency to discuss the VCPs. One of the questions
19 they're going to have for us is you're asking the
20 Energy Commission for a significant number of
21 positions in light of the budget circumstances.
22 And our response to that is, yes, we are. We've
23 lost over 93 positions in the last 12 years, we do
24 need to recover some of that capability to be able
25 to respond to issues this state is going to be

1 facing in the energy world in the next several
2 years. And that's the request and we will go
3 forward. I will report back to you what the
4 results of that meeting are, and we should know
5 more about that next week.

6 The other item is the California Performance
7 Review. The report was supposed to be released
8 today, I understand that will be delayed until
9 after there is a decision on the budget,
10 presumably next week. When that is released, I
11 will give to you and to the staff a quick report
12 in terms of what that means to the Commission,
13 what the implications are.

14 So until we have any details, stay tuned.

15 CHAIRMAN KEESE: Thank you.

16 Legislative? I don't believe we have a
17 report today.

18 Public Advisor's report?

19 PUBLIC ADVISOR KIM: I have nothing.

20 CHAIRMAN KEESE: Public comment?

21 Seeing none, this meeting is adjourned.

22 (Thereupon the Business Meeting of the
23 California Energy Commission was adjourned at
24 11:11 a.m. on June 30, 2004.)

25

1 CERTIFICATE OF SHORTHAND REPORTER

2 I, MICHAEL J. MAC IVER, a Shorthand
3 Reporter, do hereby certify that I am a
4 disinterested person herein; that I reported the
5 foregoing California Energy Commission proceedings
6 in shorthand writing; that I thereafter caused my
7 shorthand writing to be transcribed into
8 typewriting.

9 I further certify that I am not of
10 counsel or attorney for any of the parties to said
11 California Energy Commission proceedings, or in
12 any way interested in the outcome of said
13 California Energy Commission proceedings.

14 IN WITNESS WHEREOF, I have hereunto set
15 my hand this 13th day of July 2004.

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21 Michael J. Mac Iver

22 Shorthand Reporter
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