

BUSINESS MEETING  
BEFORE THE  
CALIFORNIA ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

In the Matter of:            )  
  )  
Business Meeting            )  
  )  
\_\_\_\_\_                          )

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

WEDNESDAY, NOVEMBER 17, 2004  
10:04 A.M.

Reported by:  
Alan Meade  
Contract No. 150-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairman

Arthur Rosenfeld

James D. Boyd

John L. Geesman

Jackalyne Pfannenstiel

STAFF and CONSULTANTS PRESENT

Robert Therkelsen, Executive Director

William Chamberlain, Chief Counsel

Randy Roesser

Gina Barkalow

Steve Williams

PUBLIC ADVISER

Nicholas O. Bartsch

ALSO PRESENT

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

## I N D E X

	Page
Proceedings	1
Items	1
1 Consent Calendar	1
2 Electricity Rate Surcharge	1
3 U.S. Department of Energy and Bob Lawrence and Associates - postponed	6
4 University of California Office of the President	6
5 Rensselaer Polytechnic Institute	8
6 Minutes	9
7 Commission Committee and Oversight	9
8 Chief Counsel's Report	9
9 Executive Director's Report	9
10 Legislative Director's Report	15
11 Public Adviser's Report	16
12 Public Comment	16
Adjournment	16
Certificate of Reporter	17

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

10:04 a.m.

CHAIRMAN KEESE: Good morning. We'll call this meeting of the Energy Commission to order. We'll recite the Pledge.

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

CHAIRMAN KEESE: Good morning, everyone. Staff has asked me to drag this meeting on a long time so you can go out and buy a lot of things at the bake sale, but I think we'll do it a little differently.

Consent calendar, do I have a motion.

COMMISSIONER ROSENFELD: So moved.

CHAIRMAN KEESE: Motion, Rosenfeld.

COMMISSIONER GEESMAN: Second.

CHAIRMAN KEESE: Second, Geesman.

All in favor?

(Ayes.)

CHAIRMAN KEESE: Opposed? Adopted five to nothing.

Item 2, Electricity Rate Surcharge.

Consideration and possible approval of the electricity surcharge rate for 2005. Mr. Roesser.

MR. ROESSER: I'm Randy Roesser from the

1 Commission's budget office. The item I'm bringing  
2 today asking for your approval is to lower the  
3 ERPA surcharge rate from the current 2004 level of  
4 three-tenths a mill on electricity consumed in  
5 California down to twenty-two-hundredths of a  
6 mill.

7 The effect of that reduction is  
8 approximately 27 percent reduction in cost to  
9 electricity consumers throughout California. The  
10 reduction is appropriate after our analysis of the  
11 needs of the fund to support the activities at the  
12 Energy Commission and several other agencies that  
13 are supported by the ERPA fund.

14 CHAIRMAN KEESE: Commissioner Geesman.

15 COMMISSIONER GEESMAN: This matter was  
16 discussed at some length in the Management and  
17 Budget Committee and I would move the  
18 recommendation.

19 CHAIRMAN KEESE: Thank you, --

20 COMMISSIONER BOYD: I'll second the  
21 recommendation.

22 CHAIRMAN KEESE: Motion, Geesman;  
23 second, Boyd.

24 All in favor?

25 (Ayes.)

1           CHAIRMAN KEESE:  Opposed?  Five to  
2           nothing.  I would like to point out that  
3           historically the amount was two mills until we  
4           raised it to three.  Because of circumstances, we  
5           have gone back to 2.2, and as Commissioner Geesman  
6           said, that puts us in the appropriate area.

7           Mr. Roesser, would you just mention a  
8           little something about the Power Authority?

9           MR. ROESSER:  Certainly.  Beginning with  
10          the Budget Act of 2002 the California Energy  
11          Commission has provided several million dollars of  
12          support to the California Power Authority.

13          With the Budget Act of 2002 the  
14          renewables account here loaned \$8.9 million to the  
15          CPA for them to fund approved 02/03 expenditures  
16          and to repay 2001/2002 general fund startup loans  
17          that the CPA had received.

18          During that same year the Budget Act  
19          directed that the CPA would return 1 million of  
20          the 8.9 back to the renewables fund, which it did,  
21          for a net loan amount of 7.9 million in 2002/2003.

22          Further, the budget language stated that  
23          the CPA would repay the loan as possible during  
24          fiscal year 03/04, and any outstanding balance to  
25          the renewables fund of that original loan at June

1 30th of 2003.

2 Then the ERPA account here at the  
3 Commission would repay renewables. And that debt  
4 would then become a debt of the CPA to the ERPA  
5 fund, not the renewables.

6 So, what actually happened was the \$8.9  
7 million went out in 2002/2003. A million came  
8 back for the 7.9 net contribution to the CPA loan.  
9 During fiscal year 03/04 the ERPA fund loaned the  
10 CPA 3.255 million to make a partial repayment to  
11 renewables, which did occur.

12 The ERPA fund also loaned another \$2.91  
13 million out of the fund to the CPA to fund their  
14 operating costs for fiscal year 03/04.

15 So, at June 30, 2004, per the 2002  
16 Budget Act language, the outstanding loan that CPA  
17 owed to the renewables account of 4.645 million  
18 was transferred out of ERPA and into the  
19 renewables account.

20 So the renewables fund here at the  
21 Commission has now received all its money back;  
22 it's whole. But the net effect is the ERPA fund  
23 still has an outstanding debt from the CPA of  
24 \$10.81 million as we stand today.

25 Now, the last bit of information here is

1 I think everyone realizes that the CPA is winding  
2 down its operations. And as part of the close out  
3 in the current year what the Department of Finance  
4 will do as they close out the CPA, any remaining  
5 funds that are left in their accounts over there  
6 that are not tied to any other encumbrances or  
7 future expenditures will be returned to the ERPA  
8 fund.

9 Currently that estimate runs from  
10 anywhere we've heard from 750,000 to a couple  
11 million dollars. That number is not yet  
12 determined.

13 So when all is said and done my  
14 estimation is that the ERPA fund will still be  
15 owed by CPA the neighborhood of \$7 to \$10 million.

16 CHAIRMAN KEESE: Thank you. The item  
17 that I wanted to get on the table is that there  
18 may be some additional resources coming back to us  
19 that we may have to deal with again in our  
20 budgeting activities before next year.

21 COMMISSIONER BOYD: Mr. Chairman.

22 CHAIRMAN KEESE: Commissioner Boyd.

23 COMMISSIONER BOYD: I recognize this is  
24 not a very sexy subject for the public at large,  
25 but I'm just wondering if we might not advise the

1 Executive Director to perhaps be able to point out  
2 to the public some way that here's a state agency  
3 that actually lowered something. And state  
4 agencies aren't usually looked at that way, and so  
5 it may be worth a publicity shot, an action today,  
6 to actually lower a cost to the ratepayers of  
7 California.

8 MR. THERKELSEN: We'll see if we can put  
9 something like that together.

10 CHAIRMAN KEESE: Thank you. Item 3 has  
11 been put over. Item 4, University of California  
12 Office of the President. Possible approval of  
13 work authorization MR-035 not to exceed \$443,927  
14 for six awards under the PIER environmental area  
15 2004 environmental exploratory grant program.  
16 Good morning.

17 MS. BARKALOW: Good morning, hi, my name  
18 is Gina Barkalow and I'm with the PIER  
19 environmental area. I have my counterpart, Ed  
20 Vine, here from the California Institute for  
21 Energy and the Environment.

22 I'm here today to request approval for a  
23 work authorization on the master research  
24 agreement to cover six projects under the  
25 environmental exploratory grant program.

1           This is a competitive solicitation  
2 program designed to bring new research ideas into  
3 the PIER environmental area. And we received 42  
4 proposals that went through screening, technical  
5 and programmatic reviews. And we came up with the  
6 top six, and we're requesting approval for these  
7 six projects today.

8           This program is administered by the  
9 University of California CIEE.

10           CHAIRMAN KEESE: Commissioner Rosenfeld,  
11 do you have a --

12           COMMISSIONER ROSENFELD: I have no  
13 questions.

14           COMMISSIONER GEESMAN: Mr. Chairman,  
15 I'll move the item.

16           CHAIRMAN KEESE: Okay.

17           COMMISSIONER ROSENFELD: Second.

18           CHAIRMAN KEESE: Motion, Geesman;  
19 second, Rosenfeld.

20           All in favor?

21           (Ayes.)

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

24           MS. BARKALOW: Thank you.

25           CHAIRMAN KEESE: Thank you. Item 5,

1 Rensselaer Polytechnic Institute. Possible  
2 approval of contract 500-04-010 with Rensselaer  
3 Polytechnic Institute for \$150,000 to participate  
4 in the Lighting Research Center Partnership  
5 program at \$50,000 per year for three years. Mr.  
6 Williams.

7 MR. WILLIAMS: Good morning, Chairman,  
8 good morning, Commissioners. My name is Steve  
9 Williams and I'm a senior supervisor with the PIER  
10 program.

11 We're requesting your approval this  
12 morning of a three-year contract with Rensselaer.  
13 This is to fund our collaboration with them and 30  
14 other partners in the national lighting research  
15 center.

16 This is a three-year contract, \$50,000  
17 each year. We do have the option of reviewing the  
18 contract each year and canceling at any yearly  
19 point.

20 This has been reviewed by the R&D  
21 Committee and we're requesting your approval.

22 CHAIRMAN KEESE: Thank you.

23 COMMISSIONER ROSENFELD: I so move.

24 CHAIRMAN KEESE: Motion, Rosenfeld.

25 COMMISSIONER GEESMAN: Second.

1                   CHAIRMAN KEESE:   Second, Geesman.  Any  
2                   questions?

3                   All in favor?

4                   (Ayes.)

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

7                   Minutes.  We have the minutes from the  
8                   November 3, 1004 business meeting.

9                   COMMISSIONER BOYD:  Move adoption.

10                  CHAIRMAN KEESE:  Motion, Boyd.

11                  COMMISSIONER ROSENFELD:  Second.

12                  CHAIRMAN KEESE:  Second, Rosenfeld.

13                  All in favor?

14                  (Ayes.)

15                  CHAIRMAN KEESE:  Opposed?

16                  Commission Committee and Oversight.

17                  I'll ask Mr. Therkelsen to take up one item later.

18                  Anybody else?

19                  Chief Counsel's report.

20                  MR. CHAMBERLAIN:  Nothing to report this  
21                  morning.

22                  CHAIRMAN KEESE:  Executive Director's  
23                  report.

24                  MR. THERKELSEN:  Good morning,

25                  Commissioners.  Yesterday afternoon Bill Keese and

1 I, along with representatives from other energy  
2 agencies and the ISO provided a briefing to the  
3 Governor on the 2005 electricity situation.

4 As you know from our 2004 Energy Report  
5 California, particularly southern California, is  
6 faced with the prospect of having very low  
7 reserves during the summer because of supply/  
8 demand imbalances down there. And the agencies  
9 presented to the Governor that situation as laid  
10 out in our report. And also identified actions  
11 that we have been working on over the last couple  
12 of months to be able to respond to that.

13 The intent of those responses are to be  
14 able to shore up plants that may be retiring, as  
15 well as to get new generation online; to be able  
16 to take actions to enhance the interruptible  
17 programs that are available throughout the state  
18 and other actions focused on energy efficiency and  
19 conservation measures, as well.

20 The conclusion of the meeting was not  
21 only the Governor is now aware of that situation  
22 and the actions of the agencies, but we will  
23 continue to work on implementing those actions and  
24 monitoring the situation and providing the  
25 Governor's Office regular reports on how we're

1 progressing on that.

2 CHAIRMAN KEESE: Thank you.

3 Commissioner Geesman.

4 COMMISSIONER GEESMAN: What role do you  
5 see dynamic pricing tariffs playing for the large  
6 customers in southern California?

7 MR. THERKELSEN: One of the items that  
8 the agencies have identified as one that should be  
9 implemented for next summer is implementing a  
10 tariff in terms of the large industrial customers  
11 that have meters already installed.

12 COMMISSIONER ROSENFELD: Not just  
13 industrial. Lots of meters in commercial  
14 buildings, too.

15 MR. THERKELSEN: Okay. That is an item  
16 that is on the list to be done. And we will be  
17 monitoring to make sure to see if there actually  
18 is a tariff put in place to respond to that.

19 COMMISSIONER GEESMAN: I really think in  
20 light of the Southern California Edison Company's  
21 endorsement of that approach that we should push  
22 that as a priority. I think it's a significant  
23 step on Edison's part to embrace that. And I  
24 think their support would suggest that it's  
25 something that likely could be implemented pretty

1 smoothly and pretty quickly.

2 And as you know, the '04 IEPR update  
3 found it very substantial potential capacity  
4 gained from those kinds of tariffs.

5 MR. THERKELSEN: And I think it's  
6 something that would be very appropriate to  
7 discuss at the December 7th joint meeting we're  
8 having on the Energy Action Plan, as well.

9 COMMISSIONER PFANNENSTIEL: Was there a  
10 process laid out for that to happen, or is it just  
11 in monitoring sort of after the fact? I think my  
12 concern is that if something like that is going to  
13 happen it needs to happen soon so that these new  
14 tariffs would be in place in time for customers to  
15 start to be able to react to them by the summer.

16 MR. THERKELSEN: At this point in time  
17 it is an item on the list. The PUC is obviously  
18 the lead of that since they have the ability to  
19 implement that tariff. It's something then that  
20 they will be taking up. And I think it's  
21 obligatory on our part to make sure that we  
22 monitor that and encourage that to actually occur.

23 COMMISSIONER BOYD: Bob, you and I have  
24 had this discussion about what the agenda might be  
25 for the December 7th meeting, but in light of the

1 discussion that has taken place here, and you said  
2 it would be an appropriate item, I'm wondering if  
3 I can't get a sense from all the Commissioners  
4 here that we would like to express our sentiment  
5 unanimately that it should be an item, that it  
6 should be part of the progress planned discussion  
7 that takes place so you are armed with that  
8 sentiment when you negotiate the agenda.

9 So, if my fellow Commissioners --

10 COMMISSIONER GEESMAN: I certainly feel  
11 that way.

12 COMMISSIONER BOYD: -- agree --

13 COMMISSIONER PFANNENSTIEL: Yes, very  
14 good idea.

15 CHAIRMAN KEESE: I sense a concurrence.

16 MR. THERKELSEN: Okay, good.

17 COMMISSIONER ROSENFELD: I'd like to  
18 make one other remark, Mr. Chairman, to Bob. We  
19 have a tentative offer, that is when the meters  
20 were installed they were put on time-of-use  
21 pricing. That was a good thing.

22 And there is a critical peak pricing  
23 tariff offer, but the trouble is it's voluntary  
24 and it's not financially as interesting as  
25 interruptibles.

1           So the real issue is not so much that we  
2           concoct a tariff, but we discuss the matter  
3           whether that tariff should be devolved with people  
4           who claim hardships to be able to opt out, which  
5           is very very different from the present situation  
6           where the utility account managers have to try to  
7           convince buildings to sign up.

8           So, it's the opt-out versus opt-in issue  
9           that's really, I'd love to see discussed in  
10          public.

11          MR. THERKELSEN: This is -- the December  
12          7th event is hosted by the PUC this time. And I  
13          will go ahead and communicate your request to  
14          Steve Larson, since he's the one who will be  
15          putting together the agenda for that event.

16          CHAIRMAN KEESE: Thank you. Let me just  
17          give an overall of the meeting because the  
18          entities had been meeting for some time. That's  
19          the PUC, the Energy Commission and the ISO and  
20          others involved in this issue.

21          And have used our base work in  
22          identifying what the situation is for next year,  
23          which is now fully agreed to by the ISO. So we  
24          come in with quite a firm view of what next summer  
25          could be in southern California.

1           The supporting documentation of  
2 strategies and actions that would be necessary to  
3 meet that essentially require all of those actions  
4 to take place. We did not discuss the individual  
5 actions in our meeting with the Governor's Office,  
6 but they're all on the list. The list is  
7 concurred with by all the entities who are  
8 participating.

9           So it is everyone's assumption that we  
10 must move forward on all those fronts. The fact  
11 that we did not take up a specific item for  
12 adoption in the presence of the Governor should  
13 not indicate that we'll not be moving forward on  
14 all of them.

15           So, I think it would be a very good idea  
16 to convey to the December 7th meeting a little bit  
17 more fleshed-out description of what the different  
18 strategies are.

19           COMMISSIONER BOYD: I certainly didn't  
20 question anybody's faith, but trust but verify is  
21 kind of what I --

22           CHAIRMAN KEESE: Okay. We do not have a  
23 Leg Director's report. I think you're aware of  
24 the proposals going forward.

25           Public Adviser.

1 MR. BARTSCH: Nick Bartsch, Mr.  
2 Chairman, standing in for Margret Kim, the Public  
3 Adviser. Nothing to report.

4 CHAIRMAN KEESE: Thank you. Do we have  
5 any public comment at this time?

6 Seeing none, let me just mention that  
7 really block out your schedule please for the  
8 December 12th meeting.

9 COMMISSIONER PFANNENSTIEL: December  
10 15th.

11 CHAIRMAN KEESE: December 15th, I'm  
12 sorry, December 15th meeting. That meeting may  
13 not end.

14 (Laughter.)

15 CHAIRMAN KEESE: I'd keep as much of  
16 your day free as you can. This is going to be a  
17 little different than today's meeting.

18 Thank you. With that, this meeting is  
19 adjourned.

20 (Whereupon, at 10:20 a.m., the business  
21 meeting was adjourned.)

22 --o0o--

23

24

25

## CERTIFICATE OF REPORTER

I, ALAN MEADE, 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 22nd day of November, 2004.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345