

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, FEBRUARY 28, 2007

10:03 A.M.

Reported by:
Peter Petty
Contract Number: 150-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

Arthur H. Rosenfeld

James D. Boyd

John L. Geesman

Jeffrey D. Byron

STAFF and CONTRACTORS PRESENT

B.B. Blevins, Executive Director

William Chamberlain, Chief Counsel

Michael Smith, Legislative Director

Harriet Kallymeyn, Secretariat

Mike Trujillo

Tav Commins

William Glassley

Marla Mueller

Brian Ellis

James Reede, Jr.

Jonathan Blee

Mignon Marks

PUBLIC ADVISER

Nick Bartsch

ALSO PRESENT

Jerry Jordan

California Municipal Utilities Association

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

2 10:03 a.m.

3 CHAIRPERSON PFANNENSTIEL: Good morning.
4 This is the Energy Commission business meeting for
5 February 28th. Please join me in the Pledge of
6 Allegiance.

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

9 CHAIRPERSON PFANNENSTIEL: We have a
10 couple of changes to the published agenda. Item
11 1.d is moved off of the consent calendar and will
12 be taken up separately.

13 And item 6 is pulled off of the calendar
14 for this week.

15 I realize I got started before the
16 Executive Director is here, so I'm assuming that
17 he will --

18 COMMISSIONER ROSENFELD: Here he comes.

19 CHAIRPERSON PFANNENSTIEL: -- find his
20 way in. No, --

21 COMMISSIONER BOYD: No, he's standing
22 out in the atrium.

23 CHAIRPERSON PFANNENSTIEL: All right,
24 well, let's begin.

25 The consent calendar, is there a motion?

1 COMMISSIONER ROSENFELD: I move the rest
2 of the consent calendar.

3 COMMISSIONER GEESMAN: Second.

4 CHAIRPERSON PFANNENSTIEL: In favor?

5 (Ayes.)

6 CHAIRPERSON PFANNENSTIEL: The consent
7 calendar items 1.a, b and c are approved.

8 Item 1.d, formerly on the consent
9 calendar. Possible approval of amendment one to
10 contract 600-04-017 with Smither's Scientific,
11 Incorporated, to eliminate task six and modify the
12 scope of work and deliverable due dates. To speak
13 to this, yes. Good morning.

14 MR. TRUJILLO: Good morning to the cast
15 of thousands here. This particular item is
16 actually a correction. It seems like it didn't
17 get corrected even on the --

18 COMMISSIONER BOYD: Mike, do you want to
19 introduce yourself for the record.

20 MR. TRUJILLO: Mike Trujillo --

21 CHAIRPERSON PFANNENSTIEL: And would you
22 make sure your mike is on.

23 MR. TRUJILLO: I think it is.

24 CHAIRPERSON PFANNENSTIEL: Okay.

25 COMMISSIONER BOYD: But you have to put

1 it right in front of you, otherwise it doesn't --

2 MR. TRUJILLO: Does that sound better?

3 COMMISSIONER BOYD: Yes.

4 MR. TRUJILLO: Okay.

5 CHAIRPERSON PFANNENSTIEL: Thank you.

6 MR. TRUJILLO: The particular item was a
7 correction from a previous business meeting, and
8 was requested by DGS to clarify that this is
9 really a reduction in the cost of the program of
10 about \$46,000. And one of the items has been
11 dropped.

12 The reason for the elimination of task
13 six is that we had some equipment failure earlier
14 in the program that stopped testing for about 12
15 weeks. We were unable to complete it at that
16 point if we continued. We asked for an extension
17 from Waste Management Board because they are cost-
18 sharing the funding with us.

19 There's a constraint on the length of
20 funding we could have; it ends May 15th. Because
21 of that we had to look at the on-road testing.
22 This is a 7200-mile test of two vehicles. And
23 we'd look at a total of eight tires.

24 And with those constraints we were
25 unable to, with any assurance, be able to say that

1 we'd be able to complete that testing in the
2 timeframe and draw a conclusion from those four
3 tires to say, you know, how it relates to safety,
4 how it relates to durability.

5 With those concerns it was chosen at
6 that time to go ahead and eliminate that and
7 possibly pick it up at a later date to verify the
8 safety aspect of it.

9 This really should read the reduction of
10 the program with reduction on task six. We are
11 receiving some of the data from Smithers, and we
12 are on schedule for the new timeframe. And it
13 does look like the portion that we need will be
14 completed.

15 CHAIRPERSON PFANNENSTIEL: Completed by,
16 I think I saw --

17 MR. TRUJILLO: May 15th.

18 CHAIRPERSON PFANNENSTIEL: May 15th.

19 Thank you. Are there questions?

20 COMMISSIONER BOYD: Madam Chair, I'd
21 move approval of this item, but I would say that
22 this project has been besieged with problems since
23 the beginning. I recall it painfully well. The
24 initial contract was delayed by internal state
25 contracting procedures; then they had the

1 equipment incident which was represented as a
2 fire. And now we've had to go through the hoops
3 twice to amend the contract in accordance with the
4 correct procedures.

5 And unfortunately this project is under
6 somewhat of a microscope to measure how
7 effectively we, as an agency, carry out
8 transportation-related issues. And it was one of
9 the bellwether projects with regard to improving
10 efficiency of vehicles.

11 So the fact that it has slipped and slid
12 so far behind schedule is uncomfortable for us.
13 But nonetheless it has just been predominately
14 problems beyond our control.

15 It's been before the Transportation
16 Committee many times. Commissioner Geesman will
17 remember the project when he was on the Committee.
18 Now Commissioner Byron has to deal with it, along
19 with me.

20 So, in any event, a long motion to
21 approve.

22 CHAIRPERSON PFANNENSTIEL: Is there a
23 second?

24 COMMISSIONER BYRON: I'll second it.

25 CHAIRPERSON PFANNENSTIEL: In favor?

1 (Ayes.)

2 CHAIRPERSON PFANNENSTIEL: Thank you.

3 MR. TRUJILLO: Thank you.

4 CHAIRPERSON PFANNENSTIEL: Approved.

5 Item 2, possible approval of contract 400-06-013
6 for \$50,000 with California Commissioning
7 Collaborative to renew the Energy Commission's
8 membership for one year. Good morning.

9 MR. COMMINS: Good morning; my name is
10 Tav Commins. I'm with the buildings and
11 appliances office.

12 Staff is seeking approval to renew the
13 Energy Commission's contract with the --
14 membership with the California Commissioning
15 Collaborative. The cost of this membership is
16 \$50,000.

17 The California Commissioning
18 Collaborative was formed in the year 2000 and is
19 currently retains both federal and California
20 nonprofit status.

21 The Collaborative is made up of all the
22 major California utilities, the U.S. Department of
23 Energy, various state agencies and commissioning
24 providers.

25 The Collaborative promotes education,

1 training, stronger building codes, practices
2 commissioning standards and encourages the
3 expansion of the practice of commissioning in
4 California new construction and retrofit markets.

5 Building commissioning is the systematic
6 process of making sure that the systems are
7 installed correctly and actually working. And
8 save both energy and increase comfort and indoor
9 air quality.

10 The Collaborative has developed a
11 workplan to promote commissioning in California;
12 and this workplan is funded by members of the
13 Collaborative. This Collaborative is the only
14 organization conducting this type of work. If the
15 contract is not approved the Commission will lose
16 its Board position. And by retaining this
17 position we continue our oversight of the
18 Collaborative and can decide what projects and
19 where the money for the tasks that the
20 Collaborative is working on, where this money
21 goes. That's it.

22 CHAIRPERSON PFANNENSTIEL: Are there
23 questions or discussion?

24 Is there a motion?

25 COMMISSIONER ROSENFELD: I move the item.

1 COMMISSIONER GEESMAN: I'll second.

2 CHAIRPERSON PFANNENSTIEL: All in favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: It's
5 approved, thank you.

6 MR. COMMINS: Thank you.

7 CHAIRPERSON PFANNENSTIEL: Item 3,
8 possible approval of contract 500-06-033 for
9 \$450,000 with the U.S. Department of Energy -
10 Lawrence Livermore Laboratory for technical
11 oversight of data collection, distribution and
12 evaluation of statewide geothermal resources.

13 Good morning.

14 MR. GLASSLEY: Good morning. My name is
15 Bill Glassley. I'm with the energy generation
16 research office.

17 We seek approval for the contract with
18 Lawrence Livermore National Laboratory for
19 technical oversight of the California Geothermal
20 Energy Collaborative.

21 The Collaborative was established a
22 couple of years ago, and it has become the
23 principal venue within the state for state
24 stakeholders to discuss research results, research
25 needs within the geothermal community.

1 It's been extremely successful, however
2 the landscape, as far as the geothermal community
3 is concerned, has changed dramatically over the
4 last couple of years.

5 One of the things that has come up on
6 the horizon is the U.S. Geological Survey is
7 undertaking a national reassessment of geothermal
8 resources and because California is the principal,
9 the largest gorilla on the block when it comes to
10 geothermal energy within the U.S., much of its
11 effort is focusing on the California resources.

12 In addition, there has been new
13 technological development with respect to binary
14 generation from geothermal but it's extended to
15 much lower temperatures than previously, the
16 ability to generate power from geothermal
17 resources.

18 And finally, there's been a number of
19 technological advances that have taken place
20 within the direct use community.

21 All of these have increased the need for
22 strong technical and scientific leadership and
23 oversight within the Collaborative. As a result
24 of a number of discussions with stakeholders
25 within the Collaborative, we have decided that it

1 would make sense to move to have a contract with
2 Lawrence Livermore National Laboratory to provide
3 that technical oversight.

4 The principal products of this effort
5 would -- there are a variety of things, but the
6 principal things would be an evaluation of the
7 USGS resources assessment for the state; trying to
8 understand what the implications are of that new
9 resource assessment.

10 The development of a geothermal
11 resources development plan for the state.
12 Something we currently do not have. And finally,
13 access to the data, both generated by the USGS,
14 but as a result of the evaluation of their
15 assessment that would be put on the CGEC website
16 to make it much accessible for those who are
17 interested in geothermal opportunities; those who
18 want to understand what power generation status is
19 within the state right now, and those who want to
20 understand what the pending applications are.

21 CHAIRPERSON PFANNENSTIEL: Thank you.
22 Are there questions or discussion?

23 COMMISSIONER GEESMAN: I'll move the
24 item. We addressed this in the R&D Committee
25 earlier.

1 COMMISSIONER ROSENFELD: I will second.

2 CHAIRPERSON PFANNENSTIEL: All in favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: Approved.

5 MR. GLASSLEY: Thank you.

6 CHAIRPERSON PFANNENSTIEL: Item 4,
7 possible approval of contract 500-06-026 for
8 \$60,000 with the Center for Clean Air Policy, to
9 renew the Energy Commission's membership for three
10 years. Good morning, Ms. Mueller.

11 MS. MUELLER: Good morning. I'm Marla
12 Mueller and I work in the PIER environment
13 program.

14 This is a request for approval for
15 membership with the Center for Clean Air Policy
16 for three years and \$60,000.

17 Membership includes a seat on the Board
18 of Directors. Commissioner Boyd has been filling
19 this role for the Commission for the last few
20 years. The Commission also receives the benefit
21 of participating in regularly scheduled workshops
22 and meetings on climate change and air quality.

23 At the state's roundtable, various
24 states with activities related to climate change
25 share their current directions and efforts to

1 address the issues of greenhouse gas emissions and
2 potential impacts of climate change.

3 World renown experts are brought in to
4 make presentations and speak on a range of climate
5 change and air policy topics.

6 In addition, membership fosters dialogue
7 with policy- and decision-making leaders in other
8 states, the federal government and foreign
9 countries. No other form provides such direct
10 access to other state programs and personnel
11 focused on these topics.

12 This opportunity to share ideas and
13 experience is very important to further strengthen
14 the state's role as lead in the United States on
15 climate change.

16 Thank you for your consideration.

17 CHAIRPERSON PFANNENSTIEL: Thank you,
18 Ms. Mueller. I just have one question. Trying to
19 figure out the -- the funding is 36 months going
20 forward, or is it past? I'm looking at the write-
21 up and it was a little confusing in how the
22 funding was done.

23 MS. MUELLER: It's going forward.

24 CHAIRPERSON PFANNENSTIEL: So it's for
25 the next 36 months?

1 MS. MUELLER: For the next 36 months,
2 yes.

3 CHAIRPERSON PFANNENSTIEL: Other
4 questions?

5 COMMISSIONER ROSENFELD: This came
6 before the R&D Committee and Commissioner Geesman
7 and I have heard it, and I move the item.

8 COMMISSIONER GEESMAN: Second.

9 CHAIRPERSON PFANNENSTIEL: All in favor?
10 (Ayes.)

11 CHAIRPERSON PFANNENSTIEL: It's
12 approved. Thank you.

13 COMMISSIONER BOYD: Thank you, Marla,
14 and thank you for your good work on this. And I
15 would just add that the Center was extremely
16 helpful to us during the time that we had our
17 clean air -- our Climate Advisory Committee.
18 They're still working with us on some of the
19 short-term measures. And they have hired a
20 Sacramento-based employee by the name of Suzanne
21 Reed, who used to sit up here sometime in the
22 past. So, they have a very strong presence here
23 in Sacramento. And I expect them to continue to
24 be helpful to us. They're particularly keen on
25 the subject of growth management. And I think we

1 will engage in some dialogue on that subject with
2 them. So, thank you for approving this
3 membership. And, Marla, thank you for your work.

4 CHAIRPERSON PFANNENSTIEL: Thanks, Jim.

5 Item 5, possible approval of contract
6 500-06-032 for \$75,000, National Oceanic and
7 Atmospheric Administration, to perform
8 supplemental research activities and specialized
9 laboratory work for two PIER greenhouse gas
10 monitoring projects under contract number 500-06-
11 019 and 500-06-006. Good morning.

12 MR. ELLIS: Good morning, Commissioners.
13 I'm Brian Ellis from the PIER environmental
14 office. I'm seeking approval for this project in
15 which NOAA will perform supplementary research
16 activities. Really, this project goes hand-in-
17 hand with another project just beginning with GTI
18 in which GTI will be demonstrating a new and
19 revolutionary instrument that can measure in real
20 time the isotopic composition of methane in
21 ambient air.

22 And this has potentially fantastic
23 applications for improving California's greenhouse
24 gas inventory by identifying the source of the
25 methane that is measured in the air.

1 So, since this is kind of a very new
2 unproven technology there's a need for a true
3 third party to validate the instrument. And
4 that's why we had to create this separate
5 contract.

6 So, in this project NOAA will -- NOAA
7 being the National Oceanic and Atmospheric
8 Administration -- will provide sampling equipment;
9 they'll create a protocol for the field testing
10 and the comparison of data between NOAA's flask
11 samples and the GTI instrument. They'll validate
12 the capabilities of the instrument by analyzing
13 the flasks for the same methane carbon isotope
14 ratio, and then comparing the results.

15 They'll also perform additional lab
16 analyses that will increase the scientific value
17 of the work for future methane measure and
18 applications which we would envision ARB taking on
19 say in AB-32.

20 So that basically involves analyzing the
21 samples for additional gases, like trace gases
22 that help identify and narrow down the sources.

23 LBNL is the other project that will be
24 assisted by this contract. And this support is in
25 a much smaller part than what would be given to

1 the GTI project, but basically to revisit that
2 project, the LBNL project's goal is to begin a
3 monitoring effort in California to quantify non-
4 CO2 greenhouse gases, including methane, in
5 California.

6 This project's also just beginning, but
7 there's identified -- or there's been identified
8 need to have additional trace gas analysis similar
9 to what would be done for the other projects, that
10 will help identify sources. So NOAA will perform
11 this analysis on a subset of air samples taken by
12 LBNL over a one-year period.

13 Thanks for your consideration.

14 CHAIRPERSON PFANNENSTIEL: Are there
15 questions or discussion?

16 COMMISSIONER BOYD: Question.

17 CHAIRPERSON PFANNENSTIEL: Yes,
18 Commissioner Boyd.

19 COMMISSIONER BOYD: Now that the
20 responsibility for the greenhouse gas inventory
21 has been transferred to the Air Resources Board
22 are they -- do we have a liaison with them or a
23 dialogue going with them on this research project?
24 They're very well aware of it?

25 MR. ELLIS: Definitely. We have a

1 meeting that we've scheduled with them every two
2 months to update them on the progress of these
3 projects.

4 COMMISSIONER BOYD: Very good, thank
5 you.

6 COMMISSIONER ROSENFELD: This comes to
7 you through the R&D Committee, so I move the item.

8 COMMISSIONER GEESMAN: Second.

9 CHAIRPERSON PFANNENSTIEL: All in favor?
10 (Ayes.)

11 CHAIRPERSON PFANNENSTIEL: It's
12 approved, thank you.

13 MR. ELLIS: Thank you.

14 CHAIRPERSON PFANNENSTIEL: As I noted,
15 item 6 has been removed from the agenda.

16 Item 7, public hearing and possible
17 adoption of revisions and amendments to the Energy
18 Commission's rules of practice and procedure and
19 power plant site certification regulations. Dr.
20 Reede.

21 DR. REEDE: Good morning, Chairman
22 Pfannenstiel. My name is Dr. James Reede and I'm
23 the Project Manager assigned to the proposed
24 rulemaking for adoption of the rules of practice
25 and procedures and site certification regulations.

1 Today we are holding a public hearing
2 which is the culminating action prior to adoption
3 by vote of the Commission whether to adopt the
4 proposed regulations.

5 I have some obligatory language for the
6 Office of Administrative Law that needs to be in
7 the transcript and I'll go through that very
8 quickly.

9 On August 29, 2006, the Energy
10 Commission Staff issued their proposed revisions
11 to the regulations. On September 20, 2006, the
12 Siting Committee held a workshop to receive
13 comments from interested parties. Written
14 comments were due on October 16th; and subsequent
15 to those comments staff issued a response to
16 comments on November 3, 2006.

17 On November 13th the Siting Committee
18 held an additional workshop to receive additional
19 oral comments. On December 29, 2006, publication
20 of a notice of proposed action in the California
21 Administrative Notice Register began the formal
22 rulemaking for the adoption of the amendments to
23 the Energy Commission's rules of practice and
24 procedure and power plant site certifications.

25 Publication of the notice began a 40-day

1 comment period which ended February 12, 2007. Two
2 comments were received, one of which was a no-
3 comment letter from Stanislaus County. Response
4 to that one comment was filed by Energy Commission
5 Staff on February 14, 2007.

6 A notice of proposed change was sent to
7 interested parties on February 13, 2007, to notify
8 of substantial and sufficiently related changes
9 being proposed that were within the scope of the
10 published notice of proposed action as originally
11 proposed.

12 Again, two comments were received within
13 that 15-day comment period, neither of which
14 addressed the notice of proposed change, but can
15 be responded to during this hearing if the
16 Committee so desires, but will be responded to in
17 the final statement of reasons that will be filed
18 with the Office of Administrative Law.

19 A public hearing was held January 17th
20 to receive comments from interested parties, and
21 this is the second and final public hearing for
22 those proposed amendments to the rules of practice
23 and procedure.

24 Thank you.

25 CHAIRPERSON PFANNENSTIEL: Thank you,

1 Dr. Reede. Are there questions or discussion?

2 Commissioner Geesman.

3 COMMISSIONER GEESMAN: I think it might
4 be useful to go into the comments that were
5 received and what the staff response is to them.

6 DR. REEDE: Yes, sir. The first comment
7 that was received during the 45-day comment period
8 was in regards to a noise issue. It was submitted
9 by URS Corporation. And basically it stated thank
10 you for the opportunity to comment.

11 They want to substitute the words
12 "ambient noise" for "background noise." And staff
13 disagreed with the particular comment because
14 ambient noise is different from background noise.
15 And by changing it to ambient it would have
16 allowed noise levels in excess of what we
17 currently allow under CEQA. And since we cannot
18 reduce environmental mitigation in a rulemaking
19 proceeding such as this, we had to disagree with
20 the comment, but we did respond to it.

21 The next two comments that were received
22 during the notice of proposed change 15-day
23 comment period, one was from Semptra Energy and the
24 other was from the City of Huntington Park.

25 the City of Huntington Park has

1 requested that we make a policy change regarding
2 the licensing of electric generating facilities in
3 heavily polluted areas; that we preclude the
4 permitting of electric generating facilities in
5 any area where the area of impact would be defined
6 as a nonattainment area; and that electric
7 generating facilities be required to develop
8 mitigation within a three-mile radius of the
9 proposed site.

10 These particular policy issues are not
11 germane to the rulemaking, nor were they received
12 in a timely manner.

13 The final was a comment letter from
14 Semptra Energy which was received yesterday in
15 which Semptra Energy congratulated the Commission's
16 and Commission Staff's efforts to revise the
17 siting regulation. And it touched on another
18 issue regarding their previous comments that were
19 on a number of other matters that were not within
20 the purview of the rulemaking proceeding.

21 Staff has chosen to answer those
22 particular questions in the final statement of
23 reasons even though they're not relevant to our
24 proceeding. They were policy issues and they do
25 not fall under the umbrella of our rulemaking.

1 Those are the comments received.

2 CHAIRPERSON PFANNENSTIEL: Is that
3 sufficient, Commissioner Geesman?

4 COMMISSIONER GEESMAN: Madam Chair, I'm
5 prepared to proceed with a motion. Before
6 offering such a motion, though, I do want to
7 commend -- Dr. Reede is reminding me that we need
8 to have public comment --

9 DR. REEDE: Since it is a public
10 hearing.

11 COMMISSIONER GEESMAN: -- which --

12 CHAIRPERSON PFANNENSTIEL: There is
13 opportunity for public comment. Is there anyone
14 here who chooses to speak to us on this matter?

15 Thank you, Dr. Reede.

16 Commissioner Geesman, you were saying?

17 COMMISSIONER GEESMAN: Before I was so
18 rudely interrupted --

19 (Laughter.)

20 COMMISSIONER GEESMAN: -- I was going to
21 congratulate Dr. Reede and the staff for their
22 close attentiveness to the comments that we've
23 received throughout this process. I doubt that
24 there is anyone, other than perhaps the Siting
25 Committee, completely satisfied with the decisions

1 that we made.

2 There were a lot of proposed rules put
3 in front of the Siting Committee. We sorted
4 through what we thought was workable and what we
5 thought was not. We had extraordinarily good
6 engagement from the group of stakeholders directly
7 affected by our regs. And certainly elicited
8 quite a bit of effort in contribution from them.

9 I'm aware of the fact that that never
10 comes cheaply, but I do think that we have
11 benefitted greatly, as a Commission, from the
12 effort put in by the various stakeholders. And I
13 think the staff's performance on this has been
14 exemplary. Extremely responsive to different
15 suggestions and criticisms.

16 And I think we've got a very good
17 package put together. And Dr. Reede has
18 shepherded this through our process. And I would
19 characterize it as a considerable success that
20 we're in front of you today with this package of
21 recommendations.

22 CHAIRPERSON PFANNENSTIEL: Thank you.
23 That clearly is good news. Further discussion?
24 Yes, Commissioner Byron.

25 COMMISSIONER BYRON: I'd like to second

1 it, but before I do I'd also like to comment,
2 being the other member of the Siting Committee. I
3 understand this rulemaking has been underway for
4 probably about two years, and so I really
5 appreciate your holding off on the majority of
6 that until I arrived on the Commission.

7 (Laughter.)

8 DR. REEDE: I didn't start it till May.

9 COMMISSIONER BYRON: But I can tell you
10 that it was a very well done process. I'd like to
11 also compliment the staff on really setting the
12 standard for me and how we will proceed over the
13 next number of years on these kinds of issues.
14 Particularly under the direction of Dr. Reede's
15 leadership on this project. It was very well
16 done.

17 And I, too, would like to add my thanks
18 to all the participants in the public workshops.
19 It was an extraordinary effort on their parts, as
20 well. But I'd be remiss if I didn't mention, as
21 well, what a pleasure that it's been to work with
22 Commissioner Geesman and his staff on this. I'll
23 tell you, Commissioner Geesman's thoroughness and
24 objectiveness and demanding standards are nothing
25 short of extraordinary. John, it's been a

1 pleasure to work with you on this one.

2 COMMISSIONER GEESMAN: Thank you.

3 COMMISSIONER BYRON: So I second.

4 CHAIRPERSON PFANNENSTIEL: Further
5 comments, discussion, questions?

6 It has been moved and seconded.

7 All in favor?

8 (Ayes.)

9 CHAIRPERSON PFANNENSTIEL: Did we
10 fulfill our obligations? Dr. Reede?

11 DR. REEDE: Just slightly.

12 CHAIRPERSON PFANNENSTIEL: Not really --

13 DR. REEDE: You have to adopt certain --
14 you have to make certain findings and adopt those
15 findings that are in the order.

16 CHAIRPERSON PFANNENSTIEL: Was that not
17 what we just did? The findings, as put in front
18 of us in the written material?

19 DR. REEDE: Okay.

20 CHAIRPERSON PFANNENSTIEL: That's
21 correct?

22 DR. REEDE: Yeah, that's it.

23 CHAIRPERSON PFANNENSTIEL: Thank you.
24 Thank you for your good work on this.

25 DR. REEDE: And the vote -- did I hear

1 it? Okay. Thank you.

2 CHAIRPERSON PFANNENSTIEL: Thanks. Item
3 8, possible adoption of an order instituting
4 informational proceeding to collaborate with the
5 California Public Utilities Commission to craft
6 and possibly adopt a set of recommendations to
7 California Air Resources Board for the electricity
8 sector on the implementation of AB-32, which
9 requires CARB to adopt a GHG emissions cap on all
10 major sources including the electricity and
11 natural gas sectors to reduce statewide emissions
12 of GHGs to 1990 levels. Mr. Blees.

13 MR. BLEES: Thank you, Chairman
14 Pfannenstiel and Commissioners. First of all, I
15 apologize for not being Lisa. That's one of my
16 many defects.

17 (Laughter.)

18 MR. BLEES: As you noted, Assembly Bill
19 32, which was enacted last year, requires the
20 California Air Resources Board to adopt a
21 greenhouse gas cap for all major emission sources
22 including those in the electricity and natural gas
23 sectors. And the goal is to reduce California's
24 overall greenhouse gas emissions to 1990 levels.

25 The California Public Utilities

1 Commission wants to work collaboratively with you,
2 with the Energy Commission, to craft
3 recommendations concerning the electricity and
4 natural gas emissions for submittal to the Air
5 Board.

6 And the order before you today would
7 begin an Energy Commission informational
8 proceeding as the formal mechanism to implement
9 this desire to collaboration with the CPUC.

10 The order also assigns a Committee
11 composed of the Chairman and Commissioner Byron to
12 act on behalf of the Commission in this matter,
13 and to bring joint agency recommendations back
14 here for your final approval. Thank you.

15 CHAIRPERSON PFANNENSTIEL: Thank you,
16 Mr. Bles. This is a procedural movement on our
17 collaboration with the Public Utilities
18 Commission. They have a proceeding opened and we
19 are not sharing their proceeding, but we're
20 sharing the work of their proceeding. We have
21 ours; they have theirs.

22 The schedule will be -- I don't know
23 that they have yet set a schedule of hearings, but
24 we'll work with them. We will participate
25 actively in all of their hearings, both at the

1 Commission level and at the staff level.

2 So, when that proceeding is completed we
3 then bring the results back to our Commission for
4 approval.

5 Questions, discussion?

6 COMMISSIONER BOYD: Madam Chair, --

7 CHAIRPERSON PFANNENSTIEL: Yes.

8 COMMISSIONER BOYD: -- just a comment.

9 I noticed in the draft order it makes reference to
10 our now departed Public Adviser, Margret Kim. I
11 suggest maybe we just insert the word office or
12 something there, Public Adviser's Office --

13 CHAIRPERSON PFANNENSTIEL: That's a good
14 point.

15 COMMISSIONER BOYD: -- until such time
16 as the Commission appoints a new Public Adviser.

17 CHAIRPERSON PFANNENSTIEL: Good. Then
18 with that modification, is there a motion?

19 COMMISSIONER GEESMAN: I'll move it.

20 COMMISSIONER BOYD: Second.

21 CHAIRPERSON PFANNENSTIEL: All in favor?

22 (Ayes.)

23 CHAIRPERSON PFANNENSTIEL: Thank you.

24 Yes, Commissioner Byron.

25 COMMISSIONER BYRON: Madam Chair, I look

1 forward to serving with you on this important
2 Committee. I'm committed, and I wanted to go on
3 the record as saying that I'm committed to working
4 closely with the PUC in adopting this joint
5 recommendation to the ARB, that meets the
6 requirements of AB-32 for the electric power
7 sector. And hopefully we'll create an exemplary
8 standard for the rest of the United States, as
9 well.

10 CHAIRPERSON PFANNENSTIEL: I believe we
11 will. Thank you. Thank you, Mr. Blee.

12 Item 9, possible adoption of forms and
13 instructions for publicly owned utilities
14 submitting retail price forecast data. This
15 publication represents a formal request to
16 California's major publicly owned utilities for
17 selective cost and sales data needed to prepare a
18 ten-year forecast of electricity prices for the
19 2007 Integrated Energy Policy Report. Good
20 morning, Ms. Marks.

21 MS. MARKS: Good morning; I work in the
22 Energy Commission's electricity analysis office in
23 the unit that's responsible for preparing a ten-
24 year forecast of retail electricity prices.

25 This forecast is used by the Energy

1 Commission's demand analysis office as an input to
2 its electricity demand model and is therefore an
3 important activity within the Energy Commission's
4 2007 IEPR workplan.

5 The forecast is also used in performing
6 cost/benefit analyses of energy efficiency
7 measures and distributed generation.

8 The Energy Commission Staff believes
9 that receiving financial data directly from
10 publicly owned utilities is necessary for
11 preparing a forecast of average retail electricity
12 prices, and for understanding the key drivers of
13 POU's future electricity costs.

14 Without this information we wouldn't be
15 able to prepare a forecast of average retail
16 prices for each POU's residential, commercial,
17 industrial and agricultural customers, as is
18 required by our demand forecast.

19 With respect to the scope, the forms and
20 instructions presented to you this morning will be
21 used to collect financial data from California's
22 13 largest publicly owned utilities only. And I
23 have a list here if you would like to know who
24 those 13 are. I'd be happy to read you the names.

25 In addition to the proposed Commission

1 report, the body of work called forms and
2 instructions also includes an Excel workbook
3 containing four forms.

4 The retail price forms and instructions
5 follow the Energy Commission's data request to
6 support a forecast for the electricity demand, and
7 a data request for utility resource plans. And in
8 our instructions we tell the publicly owned
9 utilities to base their cost projections on the
10 demand and the supply forms, forecast information
11 that they have already submitted to the Energy
12 Commission.

13 As a brief chronology then of the public
14 participation that's gone on in developing these
15 forms and instructions, the ones that are
16 presented to you today are a product of
17 collaboration between Energy Commission Staff and
18 the staffs of POUs' financial, budget and rates
19 department.

20 Beginning in late December I contacted
21 finance directors of POUs through email to inform
22 them of our plans to initiate this data collection
23 effort, and to ask them to designate someone on
24 their staff who we would work with in the future
25 data collection.

1 We approached finance directors because
2 we felt they would have access to the cost data we
3 needed. I also worked with the finance manager of
4 the Southern California Public Power Authority to
5 create awareness and interest among the five
6 municipal utility finance directors that are
7 members of SCPPA's finance committee.

8 On January 5th we served notice of the
9 staff workshop to everyone that was on the Energy
10 Commission's IEPR list. And then we also sent
11 emails on January the 8th to everyone on the same
12 list informing them that the draft forms and
13 instructions had been posted o the Energy
14 Commission's website.

15 On January the 10th I then sent also
16 directly copies of the workshop notice and draft
17 forms and instructions to each POU finance
18 director or the contact person that they had
19 designated for me. As well as rate analysts that
20 I knew were active in California's municipal rate
21 group.

22 I encouraged each of them to attend our
23 workshop or to listen in if they couldn't
24 physically come, and to provide us their comments
25 and suggested improvements. And we also allowed

1 them to submit written comments by January the
2 19th.

3 And on January 16th we held our staff
4 workshop on forms and instructions that was
5 attended by representatives from four of these
6 municipal publicly owned utilities. I also gave a
7 presentation on our forms and instructions on the
8 19th of January at the California Municipal Rates
9 Group Conference that was being held this time in
10 Sacramento.

11 I received many helpful suggestions from
12 attendees that included representatives from
13 Burbank, Glendale, Los Angeles Department of Water
14 and Power, Riverside, Roseville, MID, SMUD and
15 Turlock Irrigation District on how to improve the
16 forms' designs; and also I continued to have
17 conversations and email exchanges with these
18 folks.

19 By the end of -- well, actually by the
20 beginning of this week I'd received comments and
21 review and comment from 10 of the 13 POU's on our
22 list.

23 On February the 13th the Energy
24 Commission's business meeting notice included
25 information about this business meeting and had my

1 name as a contact. And then we also posted the
2 current version of the forms and instructions on
3 the Commission's website on February the 22nd.

4 The feedback I received has been very
5 constructive. POU comments have helped to fine-
6 tune and clarify the information that we're
7 requesting. I have prepared for you, if you would
8 like, a list of the changes that have been made
9 since the original version was posted in January.

10 I've also received some last-minute
11 suggested changes that I'd like to also
12 incorporate if you do approve these. Two of the
13 publicly owned utilities noted that we needed to
14 add hydroelectric pump storage and nuclear
15 generation back into the list of utility-owned
16 generation. And also another person from a POU
17 mentioned that we had a couple of errors in our
18 NAECS code listings for form 2.

19 So, including these three changes, I ask
20 for your approval of these forms and instructions.
21 And with your approval, the date for filing data
22 would be March the 30th of 2007. So, thank you
23 for your consideration.

24 CHAIRPERSON PFANNENSTIEL: Thank you,
25 Mignon. I know that we have some people who would

1 like to speak to this subject, but first are there
2 questions or discussions here? Commissioner
3 Boyd -- Byron.

4 COMMISSIONER BYRON: Just one
5 clarification, if I may, Mignon. The earlier list
6 that you referred to of changes that were made, I
7 think we saw that list earlier, correct? Am I
8 correct on that?

9 MS. MARKS: No, you are not. I think
10 that you saw the list of changes that had been
11 made to the investor-owned utility and the ESP
12 supply forms, but not to the publicly owned
13 utility forms.

14 COMMISSIONER BYRON: Okay, do you have a
15 copy of --

16 MS. MARKS: Yes.

17 COMMISSIONER BYRON: -- that that you
18 could provide?

19 MS. MARKS: Yes, I do.

20 CHAIRPERSON PFANNENSTIEL: Other
21 questions?

22 COMMISSIONER BYRON: Thank you.

23 CHAIRPERSON PFANNENSTIEL: Commissioner
24 Geesman.

25 (Pause.)

1 COMMISSIONER GEESMAN: Mignon, does the
2 error in the NAECS codes extend to the investor-
3 owned utilities forms and instructions, as well?

4 MS. MARKS: Yes. Yes, I'm going to have
5 to send some -- just some clarifications. I've
6 already had -- actually I've already had a
7 conversation with SDG&E about it. But I just need
8 to close the loop with PG&E and --

9 COMMISSIONER GEESMAN: Edison?

10 MS. MARKS: -- SCE, as well.

11 COMMISSIONER GEESMAN: Okay.

12 CHAIRPERSON PFANNENSTIEL: Other
13 questions for Mignon? Anybody else who'd like to
14 speak on this?

15 MR. JORDAN: Thank you; Jerry Jordan
16 with the California Municipal Utilities
17 Association.

18 We do have some concerns about these
19 forms that come from the managers of our
20 utilities. I want to start by saying, though,
21 that we have spent a good part of the last year
22 working with the Energy Commission Staff on a
23 variety of things including the resource adequacy
24 forms; and including a very large effort in time
25 and money, producing a system that reported to you

1 the SB-1037 requirements on energy efficiency all
2 in the same format that you're used to getting.

3 So, I don't want this to sound like
4 we're not willing to be cooperative with the
5 Energy Commission. There are some policy issues
6 related to the forecasting of electricity rates
7 that cause our managers some concern.

8 Most of this document seems to be
9 designed to produce utility-specific forecasts of
10 electric rates. Doing that for publicly owned
11 utilities that are governed by elected boards
12 would be akin to the Energy Commission Staff
13 predicting what your siting regulations were going
14 to be amended in 2015 by a future Energy
15 Commission. Nobody at the management level wants
16 to get out in front of their elected officials on
17 those issues.

18 A case in point from the forms is form
19 1B which requires a forecast of revenue
20 allocations by customer class going out to 2018.
21 These are policy decisions that are made by city
22 councils and other elected boards, how those
23 allocations are done. It is not going to be
24 possible for them to predict what a future city
25 council might do in terms of resource allocation.

1 We're also very concerned that when you
2 produce these reports that you have a forecast out
3 there that says the City of Burbank rates in 2014
4 will be X. That could have severe political
5 implications with their city council, as I said.
6 But it could also have severe implications in
7 terms of does this development in any one of these
8 utilities. And we don't think that's useful.

9 There was an occurrence a few years ago
10 with this kind of information developed by the
11 Energy Commission that led to an Edison Electric
12 Institute propaganda piece indicating that
13 municipal utility rates would exceed IOU rates in
14 California by 2010, and quoting the Energy
15 Commission. This is the kind of mis-use that we
16 don't want to see done.

17 In a general sense we are also getting
18 very concerned about the large amount of
19 information that's being requested in response to
20 a number of pieces of legislation. What we would
21 like to be able to do is sit down with the Energy
22 Commission in a group that includes managers, and
23 talk about developing one set of forms with one
24 filing date every year so that we could give you
25 all the information.

1 I think some of the level of detail here
2 is pretty excessive. For instance, forecasting
3 what our office furniture purchases are going to
4 be, or what our tools in the garage purchases are
5 going to be seems to be a level of detail that we
6 ought not need to go to.

7 We would like to develop information
8 that is a one-time, one-year, that fits
9 everything. Some of this information that's being
10 requested in these forms I think the Energy
11 Commission has filed under other proceedings. And
12 so for us to have to do this more than once seems
13 like it's excessive. Thank you.

14 CHAIRPERSON PFANNENSTIEL: Thank you,
15 Mr. Jordan. Mignon, do you want to respond to a
16 couple of the specific issues on the revenue
17 allocation, for example, and some of the others?

18 MS. MARKS: Well, we were -- I think
19 that the way that we've done it in the past is
20 we've assumed that the current revenue allocation
21 method will be continued into the future. And if
22 the municipal utilities wanted to continue to use
23 that approach, that would be fine. They don't
24 have to guess what their city councils are going
25 to do.

1 CHAIRPERSON PFANNENSTIEL: And do you
2 feel that you have gone over these forms in terms
3 of the content, whether it's too detailed or too
4 specific or too often or too far into the future
5 in your public discussion with the publicly owned
6 utilities?

7 MS. MARKS: The level of detail
8 definitely was a subject of discussion. I would
9 like to make a comment about our asking them to
10 request a forecast of their furniture
11 expenditures, we used the FERC uniform system of
12 accounts, which many municipal utilities use to
13 track expenses.

14 And so in our definitions, for example,
15 general and administrative expenses are different
16 kinds of capital outlay. I put what those
17 definitions were from the FERC uniform system of
18 accounts merely to illustrate to the municipal
19 utilities what kinds of data would be involved in
20 that aggregated cost category. I'm not asking for
21 an individual forecast of furniture purchases.

22 CHAIRPERSON PFANNENSTIEL: I don't think
23 we thought you were.

24 MS. MARKS: Okay. Thank you.

25 CHAIRPERSON PFANNENSTIEL: Thanks for

1 clarifying that. I'm not going to comment on
2 whether we think the Legislature gave us too much
3 authority to collect data from the publicly owned
4 utilities. That is what it is.

5 And for this purpose we're collecting it
6 for the Integrated Energy Policy Report, which is
7 incredibly valuable to us, to the Legislature, to
8 the Administration. And I think that from my
9 perspective, at least, the work that you've done
10 with the stakeholders, and specifically with these
11 13 municipally owned utilities, I think is the
12 value on which this lies. So, thank you for that
13 work.

14 Were there questions or discussion?

15 Yes, Commissioner Geesman.

16 COMMISSIONER GEESMAN: I'll move the
17 item.

18 CHAIRPERSON PFANNENSTIEL: Is there a
19 second?

20 COMMISSIONER BOYD: I'll second.

21 CHAIRPERSON PFANNENSTIEL: All in favor?

22 (Ayes.)

23 CHAIRPERSON PFANNENSTIEL: It's
24 approved, thank you.

25 MS. MARKS: Thank you.

1 CHAIRPERSON PFANNENSTIEL: We'll take up
2 approval of the minutes of the February 14th
3 business meeting. Is there a motion?

4 COMMISSIONER ROSENFELD: I'll move the
5 minutes.

6 COMMISSIONER BOYD: Second.

7 CHAIRPERSON PFANNENSTIEL: And I note
8 that I need to abstain since I wasn't at that
9 meeting.

10 All in favor?

11 (Ayes.)

12 CHAIRPERSON PFANNENSTIEL: And my
13 abstention noted.

14 Commission Committee presentations or
15 discussion? Any discussion from the
16 Commissioners?

17 COMMISSIONER BOYD: Madam Chair, I'm
18 reminded we have workshop scheduled this Friday,
19 which this organization has lots of workshops.
20 This is under the Transportation Committee. This
21 has to do with fulfilling our responsibilities
22 under AB-1007, and it's a workshop on the
23 consultant's draft report on full fuel cycle
24 analysis, which we had commissioned quite some
25 time ago.

1 That subject matter has recently been
2 elevated significantly in importance in that the
3 Governor has announced his low-carbon fuel
4 standard effort. And the low-carbon fuel standard
5 is entirely dependent, if not heavily dependent,
6 on this piece of work; and the work of this
7 Commission on that subject.

8 So, I expect what could have been an
9 interesting workshop will now become a extremely
10 interesting workshop, and very well attended.

11 So, I'd just note that for you all and
12 for the record.

13 CHAIRPERSON PFANNENSTIEL: Thank you,
14 Commissioner Boyd.

15 Chief Counsel's report, Mr. Chamberlain.

16 MR. CHAMBERLAIN: Thank you, Madam
17 Chair. The management of the legal office, in
18 anticipation of an increased siting load, as well
19 as additional legal work from some of the
20 legislation that's been passed last year, is
21 focused right now on staffing up. We have two
22 vacancies and we are interviewing candidates.

23 It occurred to me that I should indicate
24 that fortunately it appears that we're seeing
25 quite a number of good candidates. And I recall

1 that at the last meeting we mentioned the fact
2 that the Commission will be looking at possibly
3 recommending to the Governor the appointment of a
4 Public Adviser.

5 And I would simply offer you, if you're
6 interested, I don't know how you want to proceed
7 with that, but if you are interested I would be
8 happy to let you know if there are candidates that
9 we think would be good. But we only have two
10 positions.

11 CHAIRPERSON PFANNENSTIEL: Thank you,
12 Mr. Chamberlain. That would be valuable; we'll do
13 that.

14 Mr. Blevins, Executive Director's
15 report.

16 EXECUTIVE DIRECTOR BLEVINS: Thank you,
17 Madam Chairman. First, for the record, I want to
18 indicate that I have requested an executive closed
19 session today for a personnel matter.

20 Second, briefly, I just want to note
21 that Mr. Jordan's comment was not lost on me in
22 terms of at least examining, you know, the
23 reporting cycles and the potential for us asking
24 for redundant information relative to the
25 different reports that we require the public

1 utilities to file.

2 So, I think that examination does have
3 some merit and we can see, in fact, if we can sit
4 down and work towards something that's a little
5 bit more predictable and a little bit more regular
6 for their purposes. Obviously, we're all
7 struggling with resource issues here, and that
8 would be the goal.

9 CHAIRPERSON PFANNENSTIEL: Yes,
10 Commissioner Geesman.

11 COMMISSIONER GEESMAN: When would you
12 envision doing that?

13 EXECUTIVE DIRECTOR BLEVINS: I'm just
14 thinking about it right now. I mean it's
15 something probably we would try to -- I guess what
16 I'd want to do is look at some of expected
17 reporting, the specific data reporting cycles and
18 see if there's a moment there, a window that would
19 afford an opportunity to call a little bit of a
20 timeout, not disrupt schedules, and examine the
21 issue.

22 COMMISSIONER GEESMAN: If we asked you
23 to come back to us with some recommendations when
24 would a reasonable time for you coming back be?

25 EXECUTIVE DIRECTOR BLEVINS: Well, on

1 something like this, in terms of, I think, talking
2 about the legislative budget process here that
3 we're engaged in, eight weeks.

4 COMMISSIONER GEESMAN: I think it would
5 be helpful if two months from now you came back to
6 us, having had some discussions with the Municipal
7 Utilities Association as to whether there are any
8 opportunities to consolidate our request.

9 EXECUTIVE DIRECTOR BLEVINS: Sure, we'll
10 do that.

11 CHAIRPERSON PFANNENSTIEL: Very good
12 idea.

13 EXECUTIVE DIRECTOR BLEVINS: And I'm
14 going to defer the latest budget and LAO
15 information to Mr. Smith's report.

16 COMMISSIONER BOYD: Madam Chair.

17 CHAIRPERSON PFANNENSTIEL: Yes,
18 Commissioner Boyd.

19 COMMISSIONER BOYD: One question in my
20 mind of Mr. Blevins. The discussion about the
21 forms discussion just held, which I think is an
22 excellent suggestion, reminds me of a discussion
23 in this forum quite some time ago about the PIIRA
24 forms and all the discussions we had with the
25 industries affected by those forms, and the long

1 difficult path we traveled to reach agreement on
2 that.

3 It does seem to me the Commission
4 indicated in its final approval of those forms
5 that after some period of time we would revisit
6 some of the information and data and forms to
7 ascertain whether, indeed, we needed everything we
8 had asked for; or whether any changes might be
9 appropriate.

10 So I would ask you to take a look at
11 that and factor that into your workload of forms
12 reviews.

13 EXECUTIVE DIRECTOR BLEVINS:
14 Commissioner Boyd, we'll obviously do that on an
15 ongoing basis. You may have not been present;
16 there was actually a business meeting at the end
17 of last year in which staff came forward and gave
18 a six-month update and presentation.

19 But we can, I mean, again, that's --

20 COMMISSIONER BOYD: You're right, I
21 wasn't present.

22 EXECUTIVE DIRECTOR BLEVINS: But
23 nevertheless, maybe we need to comment and give
24 you the specifics of that at this point.

25 COMMISSIONER BOYD: Thank you.

1 EXECUTIVE DIRECTOR BLEVINS: Thank you.

2 CHAIRPERSON PFANNENSTIEL: Thank you.

3 Legislative Director's report, Mr. Smith.

4 MR. SMITH: Good morning, Chairman,
5 Commissioners. Let me first start as a segue from
6 Mr. Blevins' comments on the budget hearings, and
7 we start with the LAO information.

8 We have hearings that will be scheduled,
9 that were tentatively scheduled for the late
10 March, April timeframe. I kind of hesitate to
11 give you the dates because knowing as soon as I do
12 I'll get back to my desk and there will be email
13 that the dates have changed. So, --

14 CHAIRPERSON PFANNENSTIEL: That's okay;
15 you can --

16 MR. SMITH: -- I think suffice that --

17 CHAIRPERSON PFANNENSTIEL: -- trust us
18 with the dates.

19 MR. SMITH: -- timeframe. The LAO
20 recently released its report, and there's some
21 interesting findings you may have already -- may
22 already be aware of some of them.

23 They do make a finding on Department of
24 Finance's BCP proposal, a \$5.1 million proposal
25 for a biomass generator in the Tahoe basin. This

1 would be done under the auspices of the Tahoe
2 Conservancy.

3 And the LAO makes a comment that perhaps
4 that project should be under the stewardship of
5 the Energy Commission. And perhaps rather than
6 funded out of Prop 84 funds, perhaps the
7 Legislature should look at funding that project
8 out of either PIER or renewable funding.

9 There's also a comment by the LAO on
10 what we've come to call the Williams settlement
11 money. And the associated BCP that the Commission
12 had submitted in order to administer those funds,
13 should they come to the Energy Commission.
14 There's a total of about \$69 million in the
15 Williams settlement all together. The first
16 installment is approximately \$22- or \$23 million
17 that would come the next fiscal year should the
18 Attorney General's decision prevail.

19 The LAO has commented that perhaps the
20 Legislature should give direction on the
21 disposition of those funds. And perhaps they
22 should find their way to the UCs. Oddly enough,
23 or coincidentally, Assemblymember Levine has
24 introduced a bill very similar to his AB-2756 last
25 year which would do that very thing; that would

1 direct the funds to the UCs in an account to be
2 appropriated by the Legislature.

3 Also there's a comment by the LAO on the
4 renewable energy program, and specifically the
5 large projected SEP balance. And they do comment
6 that the Energy Commission's recommendations in
7 its 2006 Energy Report update have considerable
8 merit. And that the Legislature should consider
9 strongly those recommendations in defining
10 mechanisms to reduce that balance, but also help
11 achieve the near-term goal.

12 And, in fact, they go on to mention that
13 they recommend that the Legislature conduct joint
14 policy and budget hearings on the state's progress
15 in meeting the RPS. And specifically focusing on
16 the Commission's proposal for improving the
17 effectiveness of the SEP's program.

18 As you well know there's already been at
19 least one hearing by the Senate Energy Committee
20 on the progress of the RPS. The Assembly
21 Utilities and Commerce Committee has a
22 corresponding hearing scheduled for March 19th to
23 examine the progress of the state in achieving the
24 near-term RPS goals.

25 With respect to specific legislation,

1 this past Friday, February 23rd, was the deadline
2 for the introduction of all bills. And all of a
3 sudden things have gotten very very interesting.

4 Where I was reporting previously on a
5 handful of bills that we were tracking and
6 following, we're now sifting through just about
7 200 total bills that have some relationship to
8 energy. Fifteen of those have some direct
9 relationship to the Energy Commission's functions;
10 137 of those are Assembly bills and 61 are Senate
11 bills. Just an interesting statistic.

12 So, we are now in the process of sorting
13 through those; identifying priorities; and trying
14 to get analyses underway for those high priority
15 bills.

16 But given the substantial amount of
17 bills that we are now confronted with, setting
18 priorities and balancing them with staff workload
19 issues is going to be a very delicate balancing
20 act. And over the next week or so I will
21 certainly seek the counsel of the Legislative
22 Committee in walking through these priorities and
23 helping set those priorities so we can give proper
24 direction to staff on the most key bills that we
25 need to be looking at.

1 There are a few interesting bills I just
2 want to highlight. SB-719 by Devore,
3 interestingly enough is titled the zero carbon
4 dioxide emission electrical generation act, which
5 effectively lifts the ban on construction and
6 operation of new nuclear facilities in California.

7 SB-1036 by Senator Perata addresses the
8 RPS SEP payments issue that our 2006 Energy Report
9 update goes into great detail; and, in fact, this
10 bill adopts a proposal whereby the SEP moneys
11 would be returned to the utilities, eliminating
12 the Commission's responsibility in administering
13 the SEP payments.

14 SB-871 by Kehoe would reinstate the six-
15 month AFC siting process, which sunsetted January
16 '07. SB-660, also by Perata, interestingly enough
17 is a spot bill dealing with RPS and SEP payments.
18 But in the press release last week or earlier this
19 week there was mention about language dealing with
20 a climate change coordinating council being set up
21 in the Resources Agency to coordinate climate
22 change activities within that agency.

23 So, we're following that one very
24 closely, particularly with its relationship to our
25 climate change functions, as well as the SEP and

1 RPS issues that are contained in SB-1036

2 Interestingly enough, we are now seeing
3 interest in energy and land use planning issues.
4 In our 2006 Energy Report that was certainly
5 highlighted and we are going into greater detail
6 in that in the '07 report.

7 SB-375 by Steinberg looks at land use
8 planning and the relationship to vehicle miles
9 traveled. And AB-665 by freshman Assemblymember
10 Desaulnier deals with setting a growth management
11 act. Spot bills, there's not a whole lot of meat
12 there to look at yet, but this one may prove very
13 interesting in terms of the relationship between
14 state responsibility and local jurisdiction
15 responsibilities in land use planning.

16 Upcoming hearings. I just want to
17 quickly mention that February 20th there was a
18 hearing in the Assembly Water Parks and Wildlife
19 Committee, a committee that we don't normally --
20 are normally accustomed to in our legislative
21 activities. But they had a hearing on climate
22 change and the effects on the state's water
23 systems.

24 And Martha Krebs from our research
25 program gave a presentation on a recently updated

1 report the Energy Commission did on the
2 relationship between water and energy in
3 California. It was quite well received, and gave
4 us some very good exposure to a committee and
5 Legislative Members that we normally wouldn't
6 otherwise have.

7 I've reminded in the past, but it's
8 certainly worth reminding here, that the Assembly
9 Utility and Commerce Committee is holding a series
10 of hearings on Monday. There was a hearing on
11 the -- as they call it, state agency energy agency
12 tutorial for the Utilities and Commerce Committee.
13 The PUC and the Energy Commission will be
14 presenting, in fact, the Executive Directors for
15 the two agencies will be presenting on the basic
16 functions of the Energy Commission and the PUC.

17 March 12th is a hearing on the summer
18 2007 outlook. And March 19th, as I mentioned
19 earlier, is the Utilities and Commerce Committee
20 on the status of the RPS.

21 We heard just very recently, although I
22 have no information other than what I'm going to
23 tell you, on March 13th tentatively the Senate
24 Energy Committee will be holding a hearing on
25 long-term electricity forecasts and planning. And

1 they have asked us to provide some information in
2 advance of that hearing; and asked if we would
3 testify at that hearing. As I get more
4 information from the consultants for that
5 committee I will certainly keep the Commissioners
6 informed.

7 And also, just a reminder that LNG
8 hearings, the Assembly Utilities and Commerce, as
9 well as Senator Simitian, have been making noises
10 about having LNG hearings. They've been scheduled
11 once before, but have been postponed. But there's
12 been no new dates. But I just want to keep that
13 on your radar screens.

14 And lastly, with respect to hearings, we
15 have heard that there may be, in the upcoming
16 weeks, whatever that means, there may be a hearing
17 on nuclear energy. And as I get more information
18 on that I will certainly pass that along.

19 And then lastly I just want --

20 CHAIRPERSON PFANNENSTIEL: Excuse me,
21 Mike. Commissioner Geesman had a question.

22 COMMISSIONER GEESMAN: Actually, I'll
23 let you finish up.

24 MR. SMITH: Okay. I only want to wrap
25 up with mention that we've had a number of

1 meetings, meet-and-greet meetings, if you will,
2 with members of the Legislature; most recently
3 with Commissioner Boyd has been meeting with
4 Assemblymembers Desaulnier, Huffman and DeLeon to
5 discuss alternative fuels.

6 We've been at a series of meetings
7 with -- Chairman, with you and Commissioner
8 Geesman, on the 2006 update; and we are going to
9 continue scheduling those hearings. We're going
10 to try and cover each of the members of the
11 Assembly Utilities and Commerce and Senate Energy
12 Committees. So I think keeping those people
13 informed will be very critical.

14 And we have also been meeting with
15 Assemblymember Huffman's Staff on carbon
16 sequestration legislation, as well as carbon fuel
17 tax legislation.

18 We have also met with Assemblymember
19 Blakeslee's Staff on budget issues. He's on the
20 Assembly Sub-3 Committee. And that actually went
21 very very well, where we were able to meet with
22 his staff, along with Randy Roesser from our
23 budgets office. And we're going to schedule
24 additional meetings with budget committee members,
25 subcommittee members in advance of the hearings in

1 March and April.

2 We have also met with Assemblymember
3 Blakeslee directly on the AB-1925 report, which
4 was enacted last year, which requires the Energy
5 Commission to prepare a report by this November
6 for inclusion in the '07 IEPR on carbon
7 sequestration strategies.

8 And the issue there has been we've been
9 trying to push that date out, and they've been
10 willing to push the date out because much of the
11 research through the WESCARB project will not be
12 ready until the 2009, 2010 timeframe.

13 And then lastly, at the request of the
14 Siting Committee, we did meet with Assemblymember
15 Blakeslee on AB-1632, the scope of the report
16 required on baseload generation vulnerability.
17 And I think that -- they'll report on the results
18 of that in the next Siting Committee meeting.

19 And that basically covers my report.
20 Commissioner Geesman?

21 COMMISSIONER GEESMAN: My comment's
22 really more directed to B.B. than to you, Mike,
23 but 200 bills is a pretty substantial workload.
24 And I know that staff has a lot of work that
25 they're already doing.

1 But I, for one, would really put in a
2 plug for the importance of the legislative
3 analysis that the staff is asked to perform. I
4 know, stop somebody in the halls and ask how high
5 a priority to put on the need for new legislation
6 and that would probably be probably 99 on a list
7 of 100.

8 But this is a pretty pluralistic
9 environment in Sacramento. And a lot of times the
10 best ideas don't necessarily come from here. And
11 I think, like everybody else, we have a certain
12 not-invented-here bias against ideas that we
13 aren't necessarily personally associated with.

14 But I would encourage you to send a
15 pretty clear message to the staff that this is as
16 fertile a time as California's ever faced on
17 energy matters, and we really do need to place a
18 priority on evaluating the various legislative
19 proposals that are made.

20 We've got a pretty good track record of
21 trying to steer ideas that we think are not very
22 good ones into a more constructive approach. But
23 the foundation for that really lies in the staff
24 analysis.

25 COMMISSIONER BOYD: Madam Chair.

1 CHAIRPERSON PFANNENSTIEL: Commissioner
2 Boyd.

3 COMMISSIONER BOYD: Mike's presentation,
4 interest of the Legislature and bills and what-
5 have-you, particularly his references to the RPS
6 and LNG remind me of another little factoid that
7 emanates from my reading of the full fuel cycle
8 analysis draft report that may become valuable to
9 us or may have an effect on our activities.

10 I know that the authors of the report,
11 in their analysis, predicated some of the analyses
12 on fulfillment of the RPS requirement when it came
13 to electricity's role as a transportation fuel.
14 And assumed LNG in California in order that
15 California have sufficient natural gas to meet its
16 projected needs.

17 Those are pretty important facts when it
18 comes to some of the things we know about the
19 status of RPS and LNG and what-have-you. So, it
20 just reinforces the idea that the
21 interconnectivity or the fact this is all one
22 giant energy system, and the dependence. We may
23 need to take note of or utilize that fact in
24 discussions with the Legislature about seemingly
25 unrelated issues that suddenly become very

1 related.

2 So I just mention this in this forum,
3 not having an opportunity to have forums like this
4 that often.

5 CHAIRPERSON PFANNENSTIEL: Thank you.

6 Further discussion? Thank you, Mike.

7 Public Adviser report. Is there a
8 report from the office?

9 MR. BARTSCH: Madam Chair,
10 Commissioners, Nick Bartsch, Public Adviser's
11 Office. We do not have anything new to report at
12 this time.

13 CHAIRPERSON PFANNENSTIEL: Thank you,
14 Nick. Any further public comment to come before
15 the Commission this morning?

16 Hearing none we will reconvene for a
17 closed session on a personnel matter in my office.
18 Thank you.

19 (Whereupon, at 11:13 a.m, the business
20 meeting was adjourned into Executive
21 Session.)

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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 1st day of March, 2007.

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