

BUSINESS MEETING  
BEFORE THE  
CALIFORNIA ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

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

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

WEDNESDAY, OCTOBER 31, 2007

10:00 A.M.

Reported by:  
John Cota  
Contract Number: 150-07-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

James D. Boyd

Jeffrey D. Byron

John L. Geesman

STAFF and CONTRACTORS PRESENT

B.B. Blevins, Executive Director

Barbara Byron

Jack Caswell

William Chamberlain, Chief Counsel

Harriet Kallemeyn, Secretariat

Madeleine Meade

Tim Olson

James W. Reede, Jr., EdD

Rosella Shapiro

Mike Smith

ALSO PRESENT

John A McKinsey, Stoel Rives, LLP, representing  
Carlsbad Energy Center

Tim E. Hemig, Carlsbad Energy Center

Alicia Torre, Bright Source Energy

Barbara Fry, California Air Resources Board

Paul Wuebben, South Coast Air Quality Management  
District

Michael L. Eaves, California Natural Gas Vehicle  
Coalition

Todd Campbell, Clean Energy Fuels

Joe Sparano, Western States Petroleum Association

Jamie Knapp, J Knapp Communications,  
on behalf of the Environmental Coalition

Catherine Dunwoody

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

2 10:02 a.m.

3 CHAIRPERSON PFANNENSTIEL: I had to  
4 unmask because I was hyperventilating under all  
5 that. Please join me in the Pledge of Allegiance.

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

8 CHAIRPERSON PFANNENSTIEL: Happy  
9 Halloween and welcome to the Special Business  
10 Meeting of the Energy Commission.

11 (Whereupon Commissioner Geesman  
12 donned a gorilla mask.)

13 COMMISSIONER GEESMAN: Those of you that  
14 have encouraged me to seek reappointment should  
15 realize what you would be getting into.

16 (Laughter.)

17 CHAIRPERSON PFANNENSTIEL: We only have  
18 four Commissioners but we kind of, you know, will  
19 add some in today I think.

20 The consent calendar.

21 I should mention before we begin we have  
22 two additional agenda items, which I believe are  
23 outside. One is on the consent calendar, the  
24 other is an item on the renewables report, which  
25 we'll take up after Item 5 so we can put the

1 alternative transportation fuel plan last on the  
2 regular agenda.

3 But there is an additional consent item,  
4 which everybody should have. Before we vote on  
5 the consent calendar let me just make an  
6 observation that all three of the items are for  
7 sponsorship or co-sponsorship of events that are  
8 either happening practically as we speak or coming  
9 up very soon and I think that that's probably not  
10 a very good governance way of doing things. I  
11 think we need a little more time to consider  
12 whether we want these items to be approved.

13 However, we do have three items on the  
14 consent calendar. Is there a motion on the  
15 consent calendar?

16 COMMISSIONER BOYD: Move approval.

17 COMMISSIONER GEESMAN: Second.

18 CHAIRPERSON PFANNENSTIEL: The consent  
19 calendar is approved.

20 Item 2, the Carlsbad Energy Center.  
21 Possible adoption of the Executive Director's data  
22 adequacy recommendations for the Carlsbad Energy  
23 Center. Dr. Reede.

24 DR. REEDE: Good morning, Chairman  
25 Pfannenstiel and Commissioners. I just had to

1 comment on Commissioner Geesman's mask. I thought  
2 he was under the understanding that they were  
3 going to use fresh water for cooling so I thought  
4 he was trying to make an impression.

5 However, on September 14, 2007 the  
6 Carlsbad Energy Center application for  
7 certification was submitted and staff determined  
8 during the initial data adequacy review that it  
9 did not meet all the requirements for the 12 month  
10 process. Specifically the AFC was deficient in 9  
11 of 23 areas.

12 Staff has subsequently reviewed the  
13 supplemental information submitted on October 24,  
14 2007 and believes the AFC now meets above-listed  
15 requirements in all nine of the previously  
16 deficient technical disciplines.

17 Staff has determined that the AFC with  
18 Supplement A now contains all the information  
19 required by the California Code of Regulations  
20 Title 20, Section 1704, including Appendix B, for  
21 the 12 month AFC process.

22 By the way I forgot to introduce myself.  
23 My name is Dr. James Reede. I am the energy  
24 facility siting project manager assigned to the  
25 Carlsbad Energy Center.

1           The proposed Carlsbad Energy Center  
2 project is a 558 megawatt gas-fired, combined  
3 cycle power plant proposed for a brownfield site  
4 on the same property as the existing Encina power  
5 station in the City of Carlsbad, San Diego County.

6           The Carlsbad facility will be using air-  
7 cooled or dry-cool technology for turbine cooling,  
8 which will avoid the need for connection to the  
9 Encina facility's seawater once-through cooling  
10 structures. Three existing 1950s units using  
11 once-through cooling at the Encina power station  
12 will be shut down if the project is granted a  
13 license by the Commission.

14           Both the Carlsbad project and the Encina  
15 power station are owned by NRG Energy,  
16 Incorporated.

17           We have received written comments from  
18 several agencies. The San Diego Air Pollution  
19 Control District has indicated that the air permit  
20 application submitted September 17, 2007 is  
21 complete. The California Coastal Commission has  
22 indicated by letter that they will not be  
23 participating in the Energy Commission's review of  
24 the Carlsbad Energy Center project AFC. And the  
25 City of Carlsbad has supplied comments which will

1 be addressed during discovery and staff analysis.  
2 The State Lands Commission has informed us that  
3 they will be submitting a letter, however we have  
4 not received it.

5 Staff requests that the Commission,  
6 number one, find the AFC data adequate; and number  
7 two, appoint a committee. Thank you.

8 CHAIRPERSON PFANNENSTIEL: Thank you,  
9 Dr. Reede. Any comments from the applicant?

10 MR. MCKINSEY: Thank you, Chairman  
11 Pfannenstiel and Commissioner Geesman and other  
12 Commissioners. I'm still a little shocked from  
13 your earlier visage.

14 My name is John McKinsey from Stoel  
15 Rives, legal counsel for the project, I think you  
16 all know me. And I think you may also all know  
17 Tim Hemig from NRG who is here to say a few  
18 comments about this project.

19 MR. HEMIG: Good morning, Happy  
20 Halloween. My name is Tim Hemig. As John  
21 indicated I am vice president of the Carlsbad  
22 Energy Center and it is my pleasure to be project  
23 manager for the Carlsbad Energy Center project.

24 I want to thank the Commission and staff  
25 today for your attention in moving forward on this

1 exciting project. I think Dr. Reede described the  
2 project very well.

3 Let me just add that we believe it is a  
4 vital project serving the needs and interests of  
5 California and the local community alike with its  
6 558 megawatts of much-needed, energy-efficient,  
7 fast response capacity in the San Diego load  
8 basin.

9 And as we have been recently reminded,  
10 in-basin power generation increases the  
11 reliability of the grid, very pointedly last week  
12 in San Diego County with the devastating fires  
13 that we suffered through as well as some of the  
14 extreme, hot summer days of the last couple of  
15 years.

16 The project also has its peaking-style  
17 capacity but with very excellent efficiency,  
18 burning about 30 percent less natural gas than  
19 some of the other similar, peaking power plants.

20 And also bring new jobs and increase  
21 revenues for the community.

22 And Dr. Reede described what we believe  
23 are the substantial environmental benefits as well  
24 with air cooling and also the retirement of three  
25 of the five boilers, steam boilers at the existing

1 Encina power plant and the retirement of the once-  
2 through cooling associated with those three  
3 boilers. It also has state-of-the-art air  
4 emission control, fast-starting features and burns  
5 only the clean, natural gas.

6 Carlsbad Energy Center also compliments  
7 the City of Carlsbad's long-term vision in the  
8 South Carlsbad Coastal Redevelopment Plan, which  
9 calls for reducing beachfront industrial use at  
10 this coastal property.

11 So we are very committed and are working  
12 closely with the City of Carlsbad, the Energy  
13 Commission staff and the Commission itself and all  
14 the community to complete the permitting of this  
15 important, valuable project in a timely and  
16 mutually beneficial manner. Thank you and I can  
17 address any questions you may have.

18 CHAIRPERSON PFANNENSTIEL: Thank you.  
19 Are there questions from the Commission? Yes,  
20 Commissioner Geesman.

21 COMMISSIONER GEESMAN: I am prepared to  
22 move our approval of the Executive Director's  
23 recommendation but before we get to that I wanted  
24 to follow up on Dr. Reede's mention of the Coastal  
25 Commission's decision not to participate in the

1 process.

2 Mr. Blevins had shared with me a piece  
3 of correspondence that he and Peter Douglas had  
4 exchanged regarding the Coastal Commission's  
5 intended non-participation in several of our cases  
6 along the coast and within the coastal zone, all  
7 based on projects that had elected to no longer  
8 use once-through cooling.

9 And if I can characterize the letter,  
10 Peter Douglas' indication was that it was the  
11 impact from once-through cooling facilities that  
12 had really driven their concerns and what they  
13 felt was the primary environmental impact from  
14 these projects in the coastal zone. And I wonder  
15 if Mr. Blevins would elaborate a bit on where we  
16 stand with the Coastal Commission now in terms of  
17 their participation in these coastal siting  
18 projects.

19 MR. BLEVINS: First, you have  
20 characterized the letter exactly the way it was  
21 presented and there have been discussions with the  
22 Coastal Commission. While they are not -- you  
23 know, they are going to stand by their letter.  
24 They do recognize that they have technical  
25 assistance that is valuable to our Commission

1 staff and they have agreed to work with us  
2 technically as we endeavor to deliver the findings  
3 that are expected on coastal issues for those  
4 projects.

5 Currently there is a letter being  
6 drafted for my signature back to Mr. Douglas to  
7 indicate that we appreciate the fact that they are  
8 -- we understand the resource constraints they are  
9 facing and we appreciate they are willing to  
10 continue to assist us in reviewing, again, the  
11 coastal aspects of these power plants.

12 COMMISSIONER GEESMAN: We have spent a  
13 lot of months and a lot of years frankly  
14 litigating these issues within our own cases and  
15 hopefully the future coastal projects will go a  
16 lot more quickly than the last ones have.

17 I would move that we accept the  
18 Executive Director's recommendation on data.

19 COMMISSIONER BOYD: I'll second.

20 CHAIRPERSON PFANNENSTIEL: All in favor?

21 (Ayes.)

22 CHAIRPERSON PFANNENSTIEL: It has been  
23 approved.

24 And then the appointment of a committee.  
25 I nominate a committee of Commissioner Boyd as the

1 Presiding and Commissioner Geesman as the  
2 Associate Member. Do we have a motion for that  
3 committee?

4 COMMISSIONER BYRON: I'll be glad to  
5 move that item.

6 CHAIRPERSON PFANNENSTIEL: All right,  
7 and I'll second it. All in favor of the  
8 committee?

9 (Ayes.)

10 CHAIRPERSON PFANNENSTIEL: So that  
11 committee is established, thank you very much,  
12 gentleman.

13 Item 3 is Ivanpah Solar Electric  
14 Generating System. Possible adoption of the  
15 Executive Director's data adequacy recommendation  
16 for Solar Partners I, II, IV, VIII, LLC  
17 Application for Certification of the Ivanpah Solar  
18 Electric Generating System. Good morning,  
19 Mr. Caswell.

20 MR. CASWELL: Good morning. I am Jack  
21 Caswell, the Commission's project manager assigned  
22 to the Ivanpah Solar Electric Generation System  
23 project application review.

24 At the October 10 Business Meeting the  
25 Executive Director's recommendation was one of

1       inadequacy for the application of this project.  
2       However, supplemental filings have been provided  
3       by the applicant, Solar Partners, LLC, and they  
4       staff is now recommending that the project now be  
5       considered adequate and ready for a joint agency  
6       review.

7                   I would like to mention that I say joint  
8       agency review. The Energy Commission staff and  
9       the Bureau of Land Management are working together  
10      to develop a joint document. The Bureau of Land  
11      Management manages the lands proposed for this  
12      project and they will be conducting the  
13      responsibilities related to the National  
14      Environmental Policy Act review and the Energy  
15      Commission staff, of course, will be doing the  
16      California Environmental Quality Act review  
17      responsibilities.

18                   This joint agency review and subsequent  
19      NEPA/CEQA document process is intended to reduce  
20      duplication of agency efforts and to streamline  
21      the federal and state agency environmental review  
22      process. We do have an MOU with BLM and we are  
23      developing relationships with their staff and  
24      their management and it looks really, really  
25      positive. I just left last week for meetings with

1       them.

2                   At this point the staff would like to  
3       ask the Commission recommend this project as  
4       adequate and assign a committee to the process.  
5       Thank you.

6                   CHAIRPERSON PFANNENSTIEL:   Thank you.  
7       Is this the first time we have done an MOU of this  
8       sort with BLM for this kind of review?

9                   MR. CASWELL:   We have worked with BLM  
10      but not with an MOU, is my understanding.  This is  
11      the first development of an MOU with BLM.

12                  CHAIRPERSON PFANNENSTIEL:   Applicant,  
13      discussion.

14                  MS. TORRE:   Good morning.  My name is  
15      Alicia Torre and I am the project manager for  
16      Bright Source Energy for the four projects before  
17      you that make up the Ivanpah Solar Electric  
18      Generating System.

19                  I want to thank staff for the  
20      recommendation for data adequacy.  Jack has  
21      covered some of the things I wanted to thank staff  
22      for but we are extremely grateful for the  
23      proactive and thoughtful work that has been done  
24      on a couple of levels, both in working with the  
25      BLM on a memorandum of understanding and how the

1 joint process would work and also Jack spending so  
2 much time, so much significant time with a new  
3 project manager for the BLM, which I think kicks  
4 us all off in a smooth and great direction. So we  
5 are very grateful for all those efforts and thank  
6 you for covering them.

7 We look forward to working with the  
8 joint agency review. We will be as timely as we  
9 can be. We think this is a very important project  
10 to help California meet its renewable energy goals  
11 and we look forward to the next year.

12 I would like to introduce -- No.

13 CHAIRPERSON PFANNENSTIEL: Thank you.  
14 Any questions, Commissioners?

15 COMMISSIONER GEESMAN: I will move  
16 approval of the staff recommendation. This is the  
17 first of many solar projects. It is the first of  
18 presumably many joint efforts with BLM and we'll  
19 unavoidably learn a lot from it. Hopefully at the  
20 end of that process we will all consider it to  
21 have been successfully conducted. But there is a  
22 lot, there is a lot at stake here. I certainly  
23 wish all of you well.

24 CHAIRPERSON PFANNENSTIEL: Yes,  
25 Commissioner Byron.

1                   COMMISSIONER BYRON: I will second the  
2 item but I will also add, I understand it has been  
3 a long time since we've had a concentrating solar  
4 project at the Commission. I too am hopeful that  
5 this will be the first of many.

6                   I suspect the staff will be doing a very  
7 thorough job on some of the key issues around land  
8 use and such. We are very excited about this and  
9 the projects that we expect to come forward  
10 following it. I agree with Commissioner Geesman  
11 this will be a very important project.

12                   COMMISSIONER BOYD: I agree with my  
13 fellow Commissioners but I did look at a map last  
14 night of where this is. You couldn't get much  
15 closer to Nevada and still be in our jurisdiction,  
16 nor much closer to the middle of nowhere, which  
17 probably -- In any event, knowing what is coming  
18 shortly I was wondering, how does one get there,  
19 but we'll worry about that later.

20                   CHAIRPERSON PFANNENSTIEL: We have a  
21 motion and second for approval of the Executive  
22 Director's adequacy recommendation. All in favor?

23                   (Ayes.)

24                   CHAIRPERSON PFANNENSTIEL: That's  
25 approved. I would appoint a committee of

1 Commissioner Byron presiding, Commissioner Boyd  
2 associate. Is there a motion for that committee?

3 COMMISSIONER GEESMAN: So moved.

4 CHAIRPERSON PFANNENSTIEL: Is there a  
5 second? I'll second that I guess. In favor?

6 (Ayes.)

7 CHAIRPERSON PFANNENSTIEL: The committee  
8 is appointed, thank you all.

9 Item 4, possible approval of Contact RMB  
10 150-07-005 with the Western Governors' Association  
11 to receive \$204,003 from the WGA to support  
12 California's preparation for federal nuclear waste  
13 shipments for the Waste Isolation Pilot Project in  
14 New Mexico. Ms. Byron, good morning.

15 MS. BYRON: Good morning, Chairman  
16 Pfannenstiel and Commissioners. Items 4 and 5 are  
17 related and I would request that they be  
18 considered together.

19 I am Barbara Byron, nuclear policy  
20 advisor at the Energy Commission. Item 4 is the  
21 proposed reimbursement contract with the Western  
22 Governor's Association for California agencies to  
23 continue ongoing work to prepare shipment routes  
24 in California for federal nuclear waste shipments  
25 to the waste isolation pilot plant in New Mexico.

1           Item 5 is a reimbursement contract with  
2           the Office of Emergency Services to pass through a  
3           major portion of these WGA funds to the Office of  
4           Emergency Services so they can purchase radiation  
5           detection instruments and conduct training along  
6           shipment routes in California.

7           And I would like to request your  
8           approval of both of these contracts. Thank you.

9           CHAIRPERSON PFANNENSTIEL: Thanks  
10          Barbara. I should read the second one into the  
11          record then. It's possible approval of Contract  
12          150-007-007R, \$177,303 with the Governor's Office  
13          of Emergency Services to fund state emergency  
14          response preparation for federal nuclear waste  
15          shipments in California to the Waste Isolation  
16          Pilot Project in New Mexico.

17          Are there questions of Barbara, first?  
18          Questions from the Commission?

19          Is there a motion on Item 4?

20          COMMISSIONER BOYD: I'll move approval  
21          and I guess I will ask a question. I just got --  
22          I didn't ask this before Barbara, but the \$3.  
23          \$204,003. Did they sweep some change off the  
24          table or something?

25          MS. BYRON: I apologize about that.

1 That was the amount that WGA has --

2 COMMISSIONER BOYD: I was just kind of  
3 curious.

4 MS. BYRON: They have a formula --

5 COMMISSIONER BOYD: Anyway, I move  
6 approval, enough said.

7 COMMISSIONER GEESMAN: Second.

8 CHAIRPERSON PFANNENSTIEL: And this is  
9 for both 4 and 5?

10 COMMISSIONER BOYD: Indeed.

11 CHAIRPERSON PFANNENSTIEL: All in favor?

12 (Ayes.)

13 CHAIRPERSON PFANNENSTIEL: They are both  
14 approved.

15 MS. BYRON: Thank you.

16 CHAIRPERSON PFANNENSTIEL: Thank you,  
17 Barbara.

18 Item 7 -- Item 6, which is the addition  
19 to the agenda, which is the possible approval of  
20 Renewable Energy Program 2007 Annual Report to the  
21 Legislature and its associated appendix. Good  
22 morning.

23 MS. MEADE: Good morning, I am Madeleine  
24 Meade with the Renewable Energy Program and I am  
25 the project manager on the annual report.

1                    Since 1998 the Renewable Energy Program  
2                    has been reporting to the Legislature on program  
3                    activities and expenditures. These have taken the  
4                    form of quarterly, annual and biennial reports.

5                    In 2004 legislation consolidated these  
6                    reports into a single, annual report which is due  
7                    to the Legislature each November 1 and reports on  
8                    the program on a fiscal year basis.

9                    This year's reporting period is July 1,  
10                   2006 through June 30, 2007. The legislative  
11                   directive regarding what is to be addressed in the  
12                   annual report is specific.

13                   The report discusses the allocation of  
14                   Renewable Resource Trust Fund dollars and any  
15                   reallocations among the REP program elements,  
16                   information on cash flow, expenditures and  
17                   encumbrances, transfers and repayments, summaries  
18                   of program activities and results, projects and  
19                   funding awards, allocation of interest earned on  
20                   the Renewable Resource Trust Fund, voluntary  
21                   contributions to the trust fund made by utility  
22                   customers. Additionally the report includes a  
23                   discussion of program activities associated with  
24                   achieving renewable portfolio standard targets.

25                   There is also a new requirement that the

1 report identify the types and quantities of  
2 biomass fuels receiving funds from the existing  
3 Renewable Facilities Program and their impacts on  
4 improving air quality. This is aligned with  
5 revisions to the existing program structure that  
6 came about due to the enactment of Senate Bill  
7 1250 late last year.

8 Beginning in calendar year 2007  
9 facilities must reapply for existing program  
10 funding on an annual basis and have their  
11 applications reviewed and numerous factors  
12 evaluated.

13 Because existing program funding award  
14 notices for calendar year 2007 were not issued  
15 until the '07/08 fiscal year it precludes that  
16 information from being included in this year's  
17 annual report because it doesn't fall within the  
18 reporting period. However, that information will  
19 be included in subsequent annual reports. So  
20 consequently the 2007 annual report includes only  
21 information on facilities eligible for existing  
22 program as of December 31, 2006.

23 Lastly, the report's appendix itemizes  
24 the various projects, contracts and grants that  
25 have been funded by the Renewable Energy Program

1 along with their status and award amounts. Thank  
2 you.

3 CHAIRPERSON PFANNENSTIEL: Thank you.  
4 Are there questions about the renewable report?  
5 Commissioner Geesman.

6 COMMISSIONER GEESMAN: I am prepared to  
7 move approval of it.

8 CHAIRPERSON PFANNENSTIEL: Is there a  
9 second?

10 COMMISSIONER BOYD: I'll second it.

11 COMMISSIONER BYRON: Madame Chair.

12 CHAIRPERSON PFANNENSTIEL: Yes,  
13 Commissioner Byron.

14 COMMISSIONER BYRON: I apologize, I am  
15 going to have to abstain from this. I did not see  
16 that it was on the agenda and I failed to review  
17 it so I am going to have to abstain from this.

18 CHAIRPERSON PFANNENSTIEL: That's fine,  
19 okay, thank you.

20 Moved and seconded. All in favor?

21 (Ayes.)

22 CHAIRPERSON PFANNENSTIEL: Approved.

23 Thank you.

24 MS. MEADE: Thank you.

25 CHAIRPERSON PFANNENSTIEL: All right,

1 the item listed as number 6 but Item 7 for our  
2 consideration, possible adoption of the State Plan  
3 to Increase the Use of Alternative Transportation  
4 Fuels in California in response to Assembly Bill  
5 1007. This report describes actions and  
6 conditions needed to increase use of alternative  
7 fuels to reduce petroleum use, curb greenhouse  
8 gases and increase California biofuels production.  
9 Mr. Olson.

10 MR. OLSON: I would like to make just a  
11 short presentation to introduce this, given all --

12 CHAIRPERSON PFANNENSTIEL: Tim, you need  
13 to turn down the lights. Thank you.

14 COMMISSIONER BOYD: Madame Chair, I  
15 would like to make a few opening remarks before  
16 Mr. Olson begins his presentation, if you don't  
17 mind.

18 CHAIRPERSON PFANNENSTIEL: Of course,  
19 Commissioner Boyd.

20 COMMISSIONER BOYD: And I'll have to  
21 apologize for not having a mask today. I was  
22 actually going to apologize to the audience and my  
23 fellow commissioners for ruining their Halloween  
24 and not allowing them to come in costume but that  
25 didn't stop them. (Laughter.)

1                   Perhaps while not masked nonetheless I  
2 think I and Commissioner Byron bring an item that  
3 likely will be labeled trick or treat by some  
4 people in the audience so you might hear those  
5 words today. And I notice Rosella is  
6 appropriately dressed to represent the staff on a  
7 day like today, the wicked witch of the west,  
8 south, north, east, I am not sure which.

9                   In any event, as chairman of --

10                   MS. SHAPIRO (FROM THE AUDIENCE): I'm  
11 the Hamburglar, Jim (laughter).

12                   COMMISSIONER BOYD: I'm sorry, the hat  
13 is not pointed enough to be the -- I am not going  
14 to live that one down. You don't know Rosella  
15 like some of us do. I'll pay for this for at  
16 least three months.

17                   As Chairman of the Transportation Policy  
18 Committee I am particularly pleased, especially  
19 pleased to submit the state's alternative fuels  
20 plan for consideration by the full Commission  
21 today. I should really say the Committee and the  
22 staff and the ARB working together are pleased to  
23 see this finally brought before the Commission for  
24 approval.

25                   The Committee, which of course is

1 Commissioner Byron and myself, is proposing a  
2 Commission resolution which has been distributed  
3 to all of you and is available to the members of  
4 the audience on the table in the lobby along with  
5 all traditional materials. The resolution does  
6 outline our recommendations for Commission  
7 direction to the staff on the next important steps  
8 in carrying out this plan.

9 As many know, AB 1007 required the  
10 Energy Commission in partnership with the Air  
11 Resources Board to prepare this plan, which is  
12 intended to increase the use of alternative  
13 transportation fuels. And that for a host of  
14 reasons, not the least of which of course is  
15 energy security, air quality, greenhouse gas  
16 reductions but of course it trickles on through  
17 our entire economy, our environmental and energy  
18 structures.

19 The Committee's final draft of the plan  
20 responds to specific requirements of AB 1007 which  
21 called for a full fuel cycle analysis, which is  
22 not a foreign subject but is something that we  
23 have probably not engaged in in this depth in  
24 years and proved to be an extremely interesting if  
25 not controversial exercise.

1           The law also recommended, asked us to  
2           recommend alternative fuel goals for 2012, 2017  
3           and 2022 and asked for recommended policies and  
4           measures from the two agencies.

5           In adopting the plan today, should you  
6           so choose, the Energy Commission in my opinion  
7           will be underscoring the importance of alternative  
8           transportation fuels and satisfying multiple state  
9           policy objectives. I want to reiterate those.

10           First, reducing our state's petroleum  
11           dependance, first called for in a joint report of  
12           these same two agencies in 2003, AB 2076, and then  
13           explored in-depth by this agency in its first-ever  
14           Integrated Energy Policy Report and expanded and  
15           ultimately the idea of reducing the state's  
16           petroleum dependance was echoed by our Governor.

17           Secondly, promoting the sustainable  
18           production and use of biofuels using California's  
19           urban forestry and agricultural waste materials.  
20           Again, a subject of multiple Integrated Energy  
21           Policy Reports, directions from and ultimately the  
22           approval by the Governor of an action plan and the  
23           issuance of a Governor's Executive Order.

24           Thirdly, curbing greenhouse gas  
25           emissions as directed by the Governor and the

1 California Legislature with the passage of AB 32  
2 and with the Governor's Executive Order.

3 And lastly what is usually first, or the  
4 longest historic objective, improving our state's  
5 air quality through the introduction of  
6 alternative fuels, less-polluting fuels, lower  
7 carbon fuels.

8 The plan should not be viewed as a  
9 static document, and I want to underscore that,  
10 but rather as part of a continuum. The plan will  
11 require updating and refinement of the underlying  
12 analyses and assumptions to reflect changes in the  
13 market for alternative fuels, which almost seems  
14 to change weekly.

15 Changes in the economics of fuels  
16 productions and their use and to fill data gaps  
17 and support further work needed for the full fuel  
18 cycle comparison of the fuel and vehicle  
19 combinations which are a key element of the plan,  
20 and which frankly have proven to be quite a  
21 scientific and technical undertaking with  
22 continuous debate.

23 On June 27 of this year this Commission  
24 adopted the Full Fuel Cycle Analysis submitted to  
25 the ARB for its use in establishing the state's

1 first ever low-carbon fuel standard. And of  
2 course all the work done on that analysis was used  
3 by the University of California professors in the  
4 work they have done for the Air Resources Board on  
5 that subject.

6 The Committee recommends that the staff  
7 working with its ARB partners continually update  
8 all the analyses undertaking and underlying the  
9 plan and do that at fairly regular intervals,  
10 especially since the Full Fuel Cycle Analysis is  
11 so integral to not only the low-carbon fuel  
12 standard but I think everything we do in the  
13 future in the transportation fuels area, if not  
14 the fuels area related to energy production and  
15 use.

16 The plan should not be viewed as the  
17 end-all in itself and by itself but rather as part  
18 of a concentrated state effort to reduce our use  
19 of petroleum and to transition to alternative  
20 transportation fuels, which effort will require  
21 periodic updating.

22 Many of the stakeholders who  
23 participated in the plan development continue to  
24 bring forward areas where they believe improvement  
25 is needed to reflect the cost and the benefits of

1 each particular fuel and vehicle combination. And  
2 while staff made a concerted and a continuous  
3 effort to seek stakeholder input some issues  
4 remain and some are worthy of mention.

5           Precise estimates of needed state and  
6 federal research development, demonstration and  
7 deployment costs are needed to advance the  
8 transportation technologies, and for example  
9 electric drivetrain or hydrogen, were not  
10 available and still being debated.

11           The role of the technical appendices,  
12 both the economic analysis and the so-called story  
13 line documents, which will be issued as separate  
14 staff reports. This information was used  
15 extensively in formulating the plan. But this  
16 material is not being proposed by the Committee  
17 for Commission adoption today. These separate  
18 story lines represent fuel and technology pathways  
19 to markets for individual fuels but do not predict  
20 the results of fuel-on-fuel competition. We still  
21 rely heavily on the market and the ever-changing  
22 market.

23           The Committee chose not to incorporate  
24 wholesale additional material from the story lines  
25 into the plan itself but rather used this detailed

1 information as foundational analysis for the  
2 recommended alternative fuel goals. Debate  
3 continues on the appropriateness of the cost-  
4 effective methodology used which was that  
5 methodology adopted by Cal-EPA for use by the  
6 climate action team in analyzing greenhouse gas  
7 reduction strategies. And undoubtedly that is  
8 going to be an issue that needs to be further  
9 resolved.

10 The so-called moderate case examples  
11 outlined in the plan have been misconstrued and  
12 misunderstood by many as they continue to be  
13 debated. Let me make clear that these examples  
14 were not intended to be predictions of future  
15 market penetration or expressions of policy  
16 preference for a single fuel or technology. We  
17 are not picking winners, as promised in the  
18 beginning, but rather we are advocating a  
19 diversified portfolio of transportation fuels.

20 These case examples were posed as  
21 scenarios to demonstrate that some combination of  
22 alternative fuels is needed to achieve the  
23 recommended goals for 2012, 2017 and 2022. And I  
24 would note that nearly all alternative fuels are  
25 ten percent lower in carbon intensity than

1 petroleum.

2           As the plan concludes, the low-carbon  
3 fuel standard alone cannot achieve the state's  
4 multiple policy objectives reducing petroleum  
5 dependance, increasing in-state production of  
6 biofuels and curbing greenhouse gas emissions.  
7 Substantial private investment and state and  
8 federal incentives will be needed to complement  
9 the low carbon fuel standard and to meet our  
10 reducing our dependance on petroleum objectives.

11           Furthermore this plan recognizes the  
12 need for market incentives to bridge the gap  
13 between mandated, fuel-specific actions and other  
14 policy measures in achieving the state policy  
15 objectives. Fortunately with the Governor's  
16 signing of Assembly Bill 118 the Energy Commission  
17 and the ARB will receive funds for the needed  
18 state incentive funding and for all the other  
19 activities that this blueprint lays out for the  
20 future.

21           The Committee is recommending that the  
22 staff move quickly to move the advisory body which  
23 is called for in the legislation. The advisory  
24 body will provide advice and input to the  
25 Commission for a more detailed investment plan for

1 directing our share of this incentive funding to  
2 alternative fuels and vehicles.

3 Finally, this plan was developed through  
4 an open and public planning process which involved  
5 over 50 meetings between our staffs, the staffs of  
6 both agencies that is, and key stakeholders, and  
7 six public workshops.

8 And in moving adoption of this plan  
9 today the Committee asks the 2007 Integrated  
10 Energy Policy Report Committee to integrate the  
11 plan's key findings and conclusions into the final  
12 version of the Energy Commission's Integrated  
13 Energy Policy Report.

14 I apologize for the long statement but  
15 this was a herculean effort on the part of these  
16 two agency's staff. A lot of clarification and  
17 additional work was needed. Now I think my fellow  
18 commissioner who put so much of his time into this  
19 would like to make a few comments and then, Tim,  
20 you will get your chance.

21 COMMISSIONER BYRON: Yes, I am familiar  
22 with this item. As the Associate Member of the  
23 Transportation Policy Committee I second  
24 Commissioner Boyd's comments and ask for my  
25 colleagues' support of the State Alternative Fuels

1 Plan before the Commission today.

2 I am also sorry that we were delayed in  
3 bringing this to the Commission. It was a  
4 challenging undertaking. Commissioner Boyd has  
5 done an excellent job of guiding us through the  
6 development of this plan. Along with the ARB we  
7 have completed our responsibilities under AB 1007.

8 The plan includes a Full Fuel Cycle  
9 Analysis specific and attainable fuel goals for  
10 2012, 2017 and 2022, as well as recommended  
11 policies and programs to achieve these goals.  
12 This plan lays the foundation for the nation/state  
13 of California, the eighth largest economy in the  
14 world, to transition away from our long dependence  
15 upon petroleum.

16 My sincere thanks to the staff,  
17 particularly Tim Olson, of the transportation  
18 division, and our own advisors for their excellent  
19 work. Although I have never met Assembly Member  
20 Pavley I would certainly like to commend her for  
21 her foresight as well as the Assembly and the  
22 Governor in passing this bill.

23 I want to acknowledge the contributions  
24 of the many stakeholders to the development of  
25 this plan. Your comments and participation have

1 significantly improved the document. You have  
2 also outlined areas where we need to fine-tune our  
3 analytical work going forward.

4           However, a plan is no more than that.  
5 Alone it does not predict the future nor change  
6 it. As our proposed resolution indicates, we  
7 intend to update the plan biennially as part of  
8 the Integrated Energy Policy Report and I would  
9 ask that stakeholders continue to work with us to  
10 improve the document through future revisions.

11           I do want to call out specifically our  
12 partnership with the Air Resources Board and thank  
13 them for their close coordination in this process.  
14 It is essential that the two agencies continue to  
15 work in tandem for us to achieve our alternative  
16 fuel goals and I think we have gotten off to an  
17 excellent start.

18           With the passage of AB 118 we have a  
19 unique opportunity to truly make a difference in  
20 our state's transportation future. It is  
21 absolutely essential that all the stakeholders  
22 remain engaged as we work to define and achieve  
23 the future of alternative fuels in California.

24           We are committed to an open process with  
25 ample opportunities for public participation and

1 with adoption of this plan our work is just  
2 beginning. I look forward to what we can  
3 collectively accomplish to transition away from  
4 petroleum to alternative transportation fuels.

5 I would note, however, that nearly every  
6 stakeholder is to some extent dissatisfied in one  
7 way or another with some aspect of this report. I  
8 would also note that there is an absence of  
9 comments from stakeholders, I should say from any  
10 alternative fuel constituent that feels they have  
11 been given sufficient coverage or promotion in  
12 this plan.

13 Nevertheless, perhaps because of that, I  
14 endorse this report as an objective and evenhanded  
15 alternative transportation fuels plan that will  
16 guide us at the Commission and our Legislature and  
17 our Governor in the steps that need to be taken to  
18 meet our goals.

19 CHAIRPERSON PFANNENSTIEL: Thank you,  
20 Commissioners. Tim, why don't you do an  
21 introduction and then there may be some more  
22 further discussion.

23 MR. OLSON: Thank you, Commissioners. I  
24 am going to go through this a little faster than I  
25 planned. I just want to make a point here.

1 Commissioner Boyd did a very good job describing  
2 all the different policy legislative contexts.

3 The key conclusion for us is that as we  
4 go forward developing actions programs that we  
5 have to look at those actions in terms of how do  
6 they address all of these policy goals, all of  
7 these objectives. There may be instances where  
8 there are in the future single programs that  
9 address single policy objectives but we think this  
10 is a change for the future, that it has got to be  
11 a multiple approach.

12 I just want to recap what the  
13 legislation required. It required the development  
14 of a plan stemming from the petroleum reduction  
15 goals that were created by, adopted by both the  
16 Energy Commission and the Air Board in 2003, part  
17 of that AB 2076 report.

18 So this idea was, okay, now give us the  
19 plan of how you're going to do that. It also told  
20 us to emphasize how to reduce environmental  
21 impacts. Look at the full fuel cycle approach.  
22 It also identified economic impacts that we were  
23 asked to evaluate in the course of implementing  
24 this plan. And consider consumer benefits and  
25 recommend a series of policies which you see in

1 the report and summarized in the resolution.

2 What were those documents? Well the  
3 main plan you're adopting is this first bullet  
4 here but there were several companion documents  
5 that Commissioner Boyd referred to, scenario story  
6 lines, economic analysis. You see the whole list  
7 here. These are incorporated as companion  
8 documents or by reference as Commissioner Boyd and  
9 Commissioner Byron mentioned, feeder documents  
10 into the analysis.

11 What is the plan if you summarize it in  
12 a short -- well, it's kind of a multi-year  
13 development growth and evolution of a mix of  
14 different fuels and technologies. To kind of  
15 summarize the early years, we expect to see  
16 domination of fuel blends in the early years going  
17 from E5.7 to E10 ethanol, B20 biodiesel. We  
18 expect to see this continual growth in the market  
19 niches which tend to be off-road, heavy-duty,  
20 specialized taxi fleets, refuse trucks. It covers  
21 a whole range of alternative fuels.

22 We expect to see in the first five years  
23 a pretty significant construction of biofuel  
24 production plants, trying to address that need.  
25 We expect anywhere from 30 to 60 new plants have

1 to be constructed to meet these goals.

2 We expect to see the expanded  
3 introduction of the new vehicle technologies.  
4 They are being introduced now. This is an  
5 expansion of the plug-in hybrids, the FFVs, the  
6 hydrogen fuel cells.

7 Going into the middle years we are  
8 seeing that by 2020 full compliance with the low-  
9 carbon fuel standard. Still to be determined,  
10 what is eligible and what is going to comply. We  
11 see the fuel blends possibly expanding into the  
12 bio-hydrocarbons. It still needs to be proven.

13 We see a need for technology advances  
14 that will lower costs in the vehicles. What we  
15 call the small market niches we think can be  
16 expanding pretty significantly so they are no  
17 longer niches but they are big contributors to  
18 petroleum reduction goals.

19 We think in this midterm that  
20 hybridization will be a big factor in virtually  
21 all vehicles. Whether it actually happens or not,  
22 that's another story.

23 We see the biofuel production  
24 transitioning from what we have today, waste  
25 green, some row crop, more towards cellulosic feed

1 stocks in that mid-term.

2 And then the long-term really is the  
3 maturity development where the alterative fuels  
4 compete in the marketplace, where the fuel and  
5 infrastructure is built out where it is needed and  
6 we start seeing some of the benefits of the land  
7 use planning and the fuel efficiency efforts that  
8 would complement this.

9 Some of the key factors we've considered  
10 and this to just kind of sum them up. We use the  
11 assumption that there would be sustained, high  
12 gasoline and diesel fuel price increases. We used  
13 the EIA high price forecast and did a 20 percent  
14 high and low from that. That's a key assumption.

15 We think that there have to be several  
16 technology advances occurring. These are the  
17 assumptions we're seeing, battery technology, on-  
18 board storage, whether it's a battery or a fuel  
19 tank for gaseous fuel improvements, hybridization  
20 improvements, efficiency in the vehicles.

21 We expect that a factor in maximizing  
22 biofuels, that production in California has to be  
23 environmentally acceptable. Looking at things  
24 like water impacts, land conversion costs and  
25 impacts.

1           We also think that the deployment, the  
2           accessible fuel infrastructure is going to be,  
3           needs to meet the 20 percent market penetration.  
4           That's about 2,000 stations where dedicated  
5           stations are needed. So CNG, LNG, hydrogen, E85  
6           stations. That has to be in that range. And that  
7           it is complemented with the home refueling, home  
8           charging for natural gas hydrogen electricity.

9           We also estimate that at least a \$100  
10          billion market investment has to occur here. It  
11          could easily be double or triple that by the year  
12          2050. But it is not inconsistent with historical  
13          investments in this area when you look at what  
14          existing players are doing now.

15          We think that the changing industry  
16          participants will be an expansion of the  
17          alternative fuel industry. What I call re-  
18          invention of the automaker industry. Probably  
19          some pretty significant efforts from municipal and  
20          investor-owned utilities, either in their service  
21          territories or even through shareholder  
22          investments in some of the technology available.

23          Consumer acceptance. We spent a lot of  
24          time in the report describing what we think are  
25          how consumers look at the cost of these vehicles.

1 And as we mentioned before there is this kind of  
2 phenomenon right now where many of the alternative  
3 fuels are cheaper in cost compared to gasoline and  
4 diesel. But of course the vehicle differential  
5 cost is higher for the alternatives. We see that,  
6 those two items as the key things for consumers in  
7 their decision-making.

8 And then of course factored in all of  
9 this is continued use of that Full Fuel Cycle  
10 Analysis for all of our analytical work. Those  
11 are the key factors.

12 Just summing up again the key government  
13 actions. You've got to have that full  
14 implementation of the low-carbon fuel standard  
15 regulations. We also -- every stakeholder group  
16 felt that the extension of the federal tax credit  
17 subsidies/incentives, which many expire in 2009/  
18 2010, need to be extended. Many of them were  
19 saying around eight to ten years, some were saying  
20 twenty. That's a thing that has to happen.

21 And that has to be coupled with the  
22 state government incentives. Commissioner Boyd  
23 mentioned the AB 118. We were estimating  
24 independently from 118 that it would be about a  
25 need for about \$100 million a year for 15 years.

1 AB 118 is close to \$200 million for seven and a  
2 half years. So maybe reaching the same point in  
3 different ways, accelerating what we were  
4 expecting here.

5 Quite a few comments about very  
6 significant education training outreach. These  
7 need to be targeted, they need to be looked at  
8 very carefully to make sure they're effective.  
9 But there's a lot of misunderstanding, a lot of  
10 poor understanding of what the attributes and  
11 costs are of these various options.

12 And then there are several actions  
13 specific to each of the fuels and technologies.

14 So what we do get out of this? Well, we  
15 are not going to have any slippage on the criteria  
16 air pollutants. We think we can see future  
17 reductions and improvements in water, soil, other  
18 environmental impacts.

19 We will meet the petroleum -- With this  
20 moderate growth development that we are  
21 anticipating we will meet the petroleum reduction  
22 goals from 2003. In the resolution there are  
23 interim goals that are described that help get to  
24 that point, they describe how we are going to get  
25 to those points.

1           And we will fulfill the state in-state  
2 biofuel production goals with this plan but we  
3 will partially meet through alternative fuels the  
4 greenhouse gas emission reduction targets if you  
5 consider it proportional that transportation is 40  
6 percent of the total greenhouse gas emissions in  
7 the state.

8           With this plan we are going to be  
9 anywhere from two-thirds to three-quarters of the  
10 way. It requires other things, land use planning,  
11 other efficiency improvements. And that is kind  
12 of a summary of what we expect out of this plan  
13 and hoping that you will approve this resolution.

14           I think one other thing I'd like to  
15 recommend is -- There is a comment from the Air  
16 Resources Board, I think they would like to make a  
17 comment before we go on to any comments, public  
18 comments.

19           CHAIRPERSON PFANNENSTIEL: Yes,  
20 absolutely, thank you, Tim. Air Resources Board?

21           COMMISSIONER BYRON: Tim, one quick  
22 question while Ms. Fry is coming up. Maybe it is  
23 stated in here, and if it is you can point me to  
24 it and state it again, but I want to make sure  
25 that it is clear here and in the report that there

1 is no backsliding on emissions as a result of this  
2 plan.

3 MR. OLSON: Correct, there is no  
4 backsliding on criteria air pollution emissions or  
5 any of the other soil, water, toxic existing laws  
6 and regulations. And in fact we think we will see  
7 reduction with this plan of those air pollution  
8 impacts.

9 COMMISSIONER BYRON: Thank you.

10 MR. OLSON: I would like to introduce  
11 Barbara Fry from the Air Resources Board.

12 MS. FRY: Good morning, Commissioners.  
13 As he indicated I am Barbara Fry and I am chief of  
14 the Measures Assessment Branch with the Air  
15 Resources Board.

16 And I wanted to take this opportunity to  
17 thank you. We have worked extensively with your  
18 staff in developing this analysis. The Full Fuel  
19 Cycle Analysis will be critical in our development  
20 of the low-carbon fuel standard.

21 I would like to thank all of your staff  
22 as they -- all their commitment and hard work in  
23 developing this plan. We urge you to adopt it  
24 today. It will be instrumental in our development  
25 of the low-carbon fuel standard and we continue to

1 work with you in developing that. So thank you.

2 CHAIRPERSON PFANNENSTIEL: Thank you and  
3 thank you for being here.

4 Commissioner Geesman, did you have a  
5 question?

6 COMMISSIONER GEESMAN: I wanted to try  
7 to get some clarity on the goals for alternative  
8 fuels that are in the report and I find them at  
9 page seven of the Executive Summary. It's the  
10 first numbered paragraph under the heading, Fuels.  
11 It says 9 percent in 2012, 11 percent in 2017, 26  
12 percent in 2022. Those are percents of what?

13 MR. OLSON: Those are, those are the  
14 contributions from alternative fuel penetration in  
15 on-road, off-road and -- both the on-road and off-  
16 road sectors of California for transportation  
17 demand expectations in those sectors.

18 It differs slightly from the 2003 AB  
19 2076 report in which we said only on-road. Those  
20 original goals were only on-road transportation.  
21 These are a combination of on-road and off-road.

22 COMMISSIONER GEESMAN: So would this be  
23 characterized as covering all transportation fuel  
24 usage?

25 MR. OLSON: Not covering, not all the

1 rail, not aviation and not marine.

2 COMMISSIONER GEESMAN: So no rail, no  
3 aviation, no marine.

4 MR. OLSON: No marine.

5 COMMISSIONER GEESMAN: Is this  
6 denominator clearly defined in the report  
7 somewhere that I haven't found?

8 MR. OLSON: I think it is. It is in the  
9 range of over this time frame a range of 16  
10 billion gallons of gasoline equivalent up to about  
11 22.

12 COMMISSIONER GEESMAN: I am not as  
13 concerned with the numbers as I am with the words  
14 because this is going to become your report card,  
15 our report card.

16 MR. OLSON: We'll have to double-check  
17 that.

18 COMMISSIONER GEESMAN: Okay.

19 MR. OLSON: I think it is somewhere in  
20 here. I'm not sure where it is, though.

21 COMMISSIONER GEESMAN: Where I am most  
22 concerned with it is in the resolution that will  
23 be adopted. The second bullet in the resolve  
24 clause speaks of establishing targets which  
25 increase the use of, and then it repeats the

1       percents that are drawn from the report. But as I  
2       read that, that would be increasing our current  
3       use by nine percent by 2012. And I think you have  
4       just described a much more aggressive goal than  
5       simply a nine percent expansion of our current use  
6       of alternative fuel.

7                 MR. OLSON: Maybe the clarification  
8       would be --

9                 COMMISSIONER GEESMAN: We can make the  
10       clarification off-line. I just want to emphasize  
11       a need to understand what's in, what's out, how is  
12       the denominator calculated, and then we can come  
13       up with the appropriate wordsmithing before we  
14       adopt the resolution. But you have told me on-  
15       road and off-road, no rail, no air, no marine.

16                MR. OLSON: Right, correct.

17                COMMISSIONER GEESMAN: Thank you.

18                CHAIRPERSON PFANNENSTIEL: And further,  
19       that the percentage is as a percentage of all of  
20       the fuel used for those purposes.

21                MR. OLSON: Right.

22                CHAIRPERSON PFANNENSTIEL: All the  
23       gasoline equivalent used for that purpose.

24                MR. OLSON: Gasoline and diesel.

25                COMMISSIONER BOYD: I appreciate

1 Commissioner Geesman's comments and his catching  
2 that. Those of us who have lived with it too  
3 closely may have overlooked this. But this is to  
4 supplant traditional fuels by these percentages in  
5 these time frames.

6 COMMISSIONER GEESMAN: And we're talking  
7 the energy content of traditional fuels as opposed  
8 to the volume?

9 COMMISSIONER BOYD: On the so-called  
10 gasoline equivalent basis.

11 COMMISSIONER GEESMAN: Okay, thank you.

12 CHAIRPERSON PFANNENSTIEL: And I think  
13 before we consider adopting the resolution we need  
14 to make sure that that is clarified within the  
15 language.

16 I have a number of parties who have  
17 asked to speak on this. But I think that before  
18 we do that I'd just like to offer a couple of  
19 observations. First I want to thank the staff,  
20 congratulate and thank the staff. This has been a  
21 ferocious slug of work and I think it was more  
22 than any of us really bargained for.

23 When the legislation was first passed I  
24 was the Associate Member of the Transportation  
25 Fuels Committee with Commissioner Boyd and we

1 looked at it the time and thought it would be a  
2 challenge and that it was going to require a lot  
3 of work. But frankly we way underestimated how  
4 large a challenge and how much work was going to  
5 be needed. So for all of those on the staff who  
6 plugged through this, and this is both the Energy  
7 Commission staff and the ARB staff. I know that  
8 just getting that relationship to work as smoothly  
9 as it did was not easy.

10 I wanted to thank also all the  
11 stakeholders because I know that this was a  
12 process, a very public process with a lot of  
13 people providing valuable input. I actually want  
14 to thank the Air Resources Board, Mary Nichols  
15 there now and her predecessors, whom I know worked  
16 very hard to make sure that we could get a joint  
17 plan presented.

18 And of course the Committee that is  
19 bringing this forward at this point, Commissioners  
20 Boyd and Byron have put a lot of their own extra  
21 effort into bringing forward a plan for  
22 consideration by this Commission.

23 I know it doesn't answer all of our  
24 questions and in fact there are a lot of places  
25 that we sort of wish that there was more there.

1 But it does, in fact, tell us, give us a lot of  
2 guidance in terms of what is possible in  
3 transportation fuels. And it gives us an idea of  
4 what's needed in order to achieve these goals,  
5 what expectations we have in terms of cost and  
6 technology, and it gives us a general road map on  
7 how to proceed. And I think those are all  
8 incredibly valuable for us.

9 The analysis that underlies this will  
10 form the basis for our further work in this area,  
11 including input to the Integrated Energy Policy  
12 Report, which is going on simultaneously in terms  
13 of the development of those policy  
14 recommendations.

15 So thank you all. Good job. I think  
16 that the most negative thing I would say about it  
17 is that there is a lot more work to be done but I  
18 think we all knew that.

19 So with that why don't I open then to  
20 the various blue cards I have, I have a large  
21 number of them. I will go through them in the  
22 order that I received them. Paul Wuebben from the  
23 South Coast Air Quality Management District.

24 MR. WUEBBEN: Good morning,  
25 Commissioners. I am Paul Wuebben, Clean Fuels

1       Officer of the South Coast Air District. I would  
2       first like to say that in honor of Halloween I  
3       considered dressing up in the scariest possible  
4       costume so I decided to come dressed as a  
5       regulator. I've got my friend Joe back there.

6                COMMISSIONER BOYD: Your reputation  
7       precedes you.

8                MR. WUEBBEN: In any case I would also  
9       like to just preface my remarks by noting an  
10       article in today's Wall Street Journal that asks  
11       the question, why oil may not stop at \$100. And  
12       one of the core facts noted in there is that 70  
13       percent of the fields globally that supply crude  
14       oil are over 30 years old. So I think that just  
15       further underscores the great importance for the  
16       plan before you today.

17               We definitely want to indicate up front  
18       and very clearly our strong support and  
19       endorsement for the plan. We consider it, as  
20       previously stated, a very important step and that  
21       we really commend your staff for doing a lot of  
22       work. It is a comprehensive analysis that they  
23       have undertaken. And recognizing that there are  
24       still a lot of questions that inevitably entail in  
25       this arena that we still believe that the policy

1 recommendations and analysis are a very important  
2 step forward.

3 We also want to definitely acknowledge  
4 the efforts that were made to modify the report.  
5 To bring up with higher profile and in fact  
6 clarify and state clearly the importance of air  
7 quality. That there are numerous references now  
8 in the report. We consider that to be very  
9 constructive and appropriate.

10 We also appreciate the modifications  
11 that were made in clarifying in one of the  
12 examples taking out a reference to E15, for  
13 example, and that that's not specifically  
14 envisioned. I think that is a very useful  
15 clarification given that there are efforts to  
16 promote that for the legacy fleet and we do have  
17 some serious concerns about that into the current,  
18 predictive model for context.

19 I would like to then just make four  
20 brief comments about issues kind of going forward  
21 here. First is relating to plug-in hybrids. We  
22 think that commercialization of the plug-in  
23 hybrids is going to be a very important  
24 technology. Clearly we have already entered the  
25 hybrid era and building on that hybrid era through

1 plug-in technology offers really impressive  
2 opportunities to establish the renewable power  
3 segment of electricity generation finally flowing  
4 in a large portion into the transportation  
5 segment.

6 We do think that the ARB and CEC should  
7 actively solicit OEM development and production in  
8 that area. Perhaps to paraphrase a suggestion  
9 that was made at the October 24 workshop, perhaps  
10 what is needed is not just a simple trade mission  
11 but an emergency trade mission, as I've mentioned  
12 to one of the Commissioners.

13 The second area of comment --

14 COMMISSIONER BOYD: Paul, you forgot to  
15 say trade mission to where.

16 MR. WUEBBEN: Well, to Detroit. Or to  
17 any OEM, so that could be as broad a basis as  
18 you'd like.

19 Our second issue really or just a  
20 suggestion is that in Table 1 of the plan, which  
21 we think will attract a lot of focus relative to  
22 the amount of investment needed. We would still  
23 suggest that going forward that you indicate that  
24 that table was not considered to be a formal,  
25 proposed level of funding, what your preferred

1 funding levels were, nor that does not indicate  
2 the absolute or relative level of funding relative  
3 to the various alternative fuels.

4 A third area is with respect to electric  
5 technologies. Clearly this is an important  
6 evolving area. We just wanted to reiterate the  
7 important areas of advanced metering, recycling  
8 facilities and Tier 1 battery production  
9 facilities as well as just OEM. I think that the  
10 report focuses on OEM but doesn't address this  
11 Tier 1 kind of complementary area. Recognizing  
12 the international competitive struggles frankly  
13 that US manufacturing faces to bring on California  
14 or US-based lithium battery production, for  
15 example.

16 Lastly we would strongly urge that the  
17 CEC and ARB actively solicit OEMs to expand or  
18 restart their natural gas vehicle programs in both  
19 the light duty and the heavy duty segment. We  
20 have done a lot as you have to prime the pump over  
21 the last ten years. We think that has achieved a  
22 remarkable amount of fleet utilization of natural  
23 gas and the vehicles have been optimized. They  
24 continue for the last eight years to offer the  
25 lowest NOx of any certified engine.

1                   But that pipeline needs to be primed and  
2                   expanded in the light-duty area. I think this is  
3                   an area that Europe unfortunately does lead the US  
4                   relative to the amount of light-duty natural gas  
5                   vehicles available.

6                   So with that we just want to reiterate  
7                   that we definitely want to thank you and  
8                   appreciate the efforts made to reflect our  
9                   concerns in the document. We certainly reiterate  
10                  our strong commitment to work cooperatively with  
11                  both agencies to implement and build upon the  
12                  plan. So thanks very much for this opportunity.

13                  CHAIRPERSON PFANNENSTIEL: Thank you.  
14                  Commissioner Geesman, did you have a question?

15                  COMMISSIONER GEESMAN: Paul, I don't  
16                  know if this falls in your area, South Coast, or  
17                  not, but in terms of your comment on plug-in  
18                  hybrids. Commissioner Boyd and I stumbled across  
19                  plug-in hybrids some number of years ago when  
20                  nobody else was aware of plug-in hybrids.

21                  If you do in fact have a large  
22                  penetration of that technology in the South Coast,  
23                  and if in fact were successful in bringing on as  
24                  much renewable generation as we hope to, you're  
25                  still likely to have a fairly considerable need

1 for quick-start, gas-fired generation because of  
2 all of the intermittency that we will have brought  
3 onto the electric system.

4 The ISO has been insistent for local  
5 reliability reasons that half of all electric  
6 generation serving Southern California be within  
7 the Southern California basin. How do you see  
8 that fitting into the District's future plans for  
9 thermal generation?

10 MR. WUEBBEN: Well, we certainly  
11 recognize the baseline ISO obligations. But at  
12 the same time we don't think necessarily there has  
13 been enough work focused on hybridizing, the kind  
14 of plants that we talked about, in fact you  
15 approved today. One of the important object  
16 lesson going forward are that kind of benchmark in  
17 the sand.

18 Hybridizing in the sense that you  
19 utilize your scarce natural gas resources to the  
20 degree which you need to for those periods of the  
21 day where the wind or the sun isn't shining and  
22 you're dispatching. You know, your  
23 dispatchability is modeled really more on a  
24 hybridized model similar to the existing SEGS, the  
25 solar energy generating systems.

1           We understand that historically there  
2           was a PURPA limit that limited that hybridization  
3           to about 25 percent of the gas input. Perhaps,  
4           you know, with the dispatching requirements that  
5           needs to be moved up to 40. Who knows, I don't  
6           know, and you can't ad hoc define that. But I  
7           think that areas to further optimize that  
8           integration of renewables with maximizing their  
9           dispatchability using these hybrid models I think  
10          is an area that needs to be looked at.

11           And we think that that along with time  
12          of use incentives, and that I think is reflected  
13          in our comment letter. This time of rate  
14          incentive that could be placed on the vehicle side  
15          could further rationalize some of those pricing  
16          incentives, if you will, for some of the  
17          generation peak loading, et cetera.

18           CHAIRPERSON PFANNENSTIEL: Thank you.  
19          Are there questions? Thank you for being here.

20           Michael Eaves from the Natural Gas  
21          Vehicle Coalition.

22           MR. EAVES: Good morning, Commissioners.  
23          My name is Michael Eaves, I am with the California  
24          Natural Gas Vehicle Coalition. I really  
25          appreciate this opportunity to make comments as

1 you move forward to adopt this report.

2 I really appreciated Commissioner Boyd's  
3 and Commissioner Byron's comments. This report  
4 isn't all that it could be for all the  
5 participants but it is certainly a lot farther  
6 along than we ever envisioned being maybe a year  
7 ago.

8 We would support adopting this plan as  
9 written. Maybe not as a final report but really  
10 as Commissioner Boyd said, as a first step in  
11 developing a really long-term, comprehensive  
12 alternative fuel plan for the state.

13 I read with interest the recommendations  
14 in the resolution, especially the last section  
15 where it directs staff to look at this on a  
16 biennial basis, refine the economic analysis over  
17 time, continue to collect and get data to improve  
18 the forecast.

19 So I think that, you know, that it is  
20 appropriate that we move forward and we adopt this  
21 and get on to the next stages of looking at how to  
22 implement criteria for the AB 118, you know,  
23 funding.

24 I guess the economic analysis is one of  
25 the areas that I thought maybe was most deficient.

1       There's a lot of things from the natural gas  
2       perspective that are in there but when we got to  
3       the light-duty, natural gas vehicles we were  
4       surprised that the economics wouldn't drive a  
5       higher forecast for market penetration in lieu of  
6       the fact that consumers could achieve \$1.50 a  
7       gallon savings on fuel.

8                 But it is not just the economics of  
9       natural gas. Similarly it is difficult to  
10       understand on the economic model how it predicts  
11       large penetration of fuel cell vehicles when the  
12       incremental price of fuel cell vehicles is in the  
13       tens of thousands of dollars out, you know, for  
14       30-plus years.

15                So I think that that's kind of two  
16       examples of where the economics have to be  
17       tightened up. The market is going to make its  
18       decision on where it goes and it is probably going  
19       to make its decision based on some economic  
20       factors and it is important that those get  
21       resolved.

22                And I do like the recommendation in here  
23       that we improve, that the Commission improve its  
24       analytical ability. I think on the economic side  
25       that is going to be kind of key in the future.

1                   Last week I suggested a state trade  
2 mission to Detroit that got a lot of laughs. And  
3 possibly because you thought that we were going to  
4 be asking Detroit for natural gas. That asking  
5 Detroit for natural gas vehicles seemed a rather  
6 absurd request.

7                   I really wasn't implying that we ask  
8 them anything but really sell them as the state of  
9 California. I think you might be able to sell  
10 OEMs on natural gas vehicles as the state of  
11 California if you tell them that they can achieve  
12 immediately a 30 percent reduction in greenhouse  
13 gases, not by redesigning their SUVs, making them  
14 smaller, making their engines more efficient, but  
15 simply by displacing the fuel that they have in it  
16 from gasoline to natural gas.

17                   Tell them that they can earn credits  
18 towards CARB's 2016 implementation of their  
19 greenhouse gas regulations which target 30 percent  
20 reduction. Maybe they'd get early credits just  
21 the same way as ATPZEVs do under the ZEV program.

22                   That the OEMs have access potentially to  
23 state funds for purchase incentives for vehicles.  
24 That they will be able to provide the consumers in  
25 California the same vehicle utility that they have

1       today and allow customers to save at least \$1.50 a  
2       gallon on fuel savings if they have things like  
3       home refueling at their homes. Also that the  
4       state has incentives to expand infrastructure and  
5       provide incentives for home refueling.

6                 And that there are state policies in  
7       effect that require the state fleet to purchase  
8       and use alternative fuels. I think with those  
9       selling points I think that maybe a mission to  
10      Detroit could be more successful than just asking.

11                I think the coalition looks forward to  
12      working with the Commission and the state to  
13      achieve the goals of petroleum displacement. We  
14      look forward to working on the next elements of  
15      this, defining the criteria for how we come up  
16      with a plan for 118 monies and the California NGV  
17      Coalition is offering our support to do that.

18                So thanks for giving me a chance to make  
19      these comments this morning and be a part of this  
20      process for well over a year. Thank you.

21                CHAIRPERSON PFANNENSTIEL: Thank you.  
22      Todd -- I'm sorry.

23                COMMISSIONER BOYD: If I might make a  
24      comment or two, Mike. Laughter does not always  
25      mean absurdity. Sometimes, you know, we just need

1 a novel suggestion in this room to brighten our  
2 day a little bit. I remember the laughter of the  
3 day and it wasn't meant to dismiss the idea. It  
4 was such a novel idea that actually makes some  
5 sense, quite frankly.

6 And that really ties into your  
7 discussion of economics. And I am quite the  
8 student of behavioral economics, which does  
9 ultimately alter outcomes but are awfully hard to  
10 deal with in a pure economic analysis. Which is  
11 why the full-fledged economic analysis is but that  
12 on its surface and is a satellite report of the  
13 whole package. And if we were to be driven  
14 totally by economics I think the recommendations  
15 would be even different than you see them today.  
16 We recognize the ability to influence some folks.

17 But you're right, the economic  
18 evaluations are dictated by whether vehicles are  
19 present and light-duty vehicles aren't present.  
20 Detroit isn't building them. And you're right,  
21 hopefully maybe they'll see there is some value.  
22 And you are not wrong in the idea of trying to  
23 convince them that the pull is there, they just  
24 need to provide the rest of the equation and some  
25 promise that there will be vehicles available.

1           I thank you for your comments and for  
2           having faith and hopefully recognizing that we  
3           have faith in the technology that you represent.  
4           I'm sure Catherine Dunwoody will have something to  
5           say about fuel cells a little later but in any  
6           event, thanks.

7           MR. EAVES: Thank you. We've already  
8           talked to Tim about trying to revise and bolster  
9           the information on economics to make this even a  
10          stronger plan moving forward. Thanks.

11          CHAIRPERSON PFANNENSTIEL: Todd  
12          Campbell, Clean Energy Fuels.

13          MR. CAMPBELL: Good morning, Madame  
14          Chair and honorable members of the Commission. My  
15          name is Todd Campbell; I am the director of public  
16          policy for Clean Energy.

17          As you know Clean Energy has been  
18          extremely supportive of the Governor's and the  
19          Legislature's very active role in implementing AB  
20          32, the low-carbon fuel standard, as well as even  
21          the recently adopted AB 118 program funds. We are  
22          all looking very much forward to seeing those  
23          funds advance California's ability to reduce  
24          greenhouse gases, criteria pollutants and the  
25          overall economic and energy health of the state.

1           Clean Energy would also like to commend  
2           the Energy Commission and the Air Resources Board  
3           for their herculean efforts in putting together a  
4           plan that is fairly comprehensive under a very  
5           short time frame. And we understand how difficult  
6           of a job that is.

7           And clearly, I'm sure there will be a  
8           lot of stakeholders that have critiques and  
9           comments. We, of course, are one of those. We  
10          have a slight critique in terms of our penetration  
11          and we think that that is partially due to the  
12          constraints and the deadlines, but also maybe we  
13          haven't done a good enough job in terms of  
14          conveying what we see for our own industry in  
15          terms of penetrating not only California's market  
16          but the market throughout the United States.

17          As you know, and we repeat this often,  
18          people are very proud of it, natural gas vehicles  
19          are very clean in all applications. We have  
20          achieved ATPZEV standards. We have achieved 2010  
21          heavy-duty standards which are critical, critical  
22          achievements, not only for air quality but also  
23          for driving the industry and demonstrating that it  
24          is attainable to achieve such clean standards.

25          Natural gas, of course, is also

1 domestic. There are proven reserves of 77 years  
2 and we have done estimates where you could place  
3 three million vehicles on the road and actually  
4 only consume less than one percent of current use.  
5 That's big. Because that demonstrates that not  
6 only is natural gas a source that you can count on  
7 but it is a source that could wean off our  
8 dependance on foreign oil supplies.

9 We also believe that natural gas is very  
10 cheap. At our retail stations we are selling it  
11 for \$2.44 for a gasoline gallon equivalent. If  
12 you were doing a fill it's \$1.25 roughly at  
13 today's prices. And that provides consumers with  
14 a real opportunity to wean themselves off of our  
15 foreign oil dependance but also save some money  
16 and also help buy down the incremental costs that  
17 are often associated with any vehicle that is an  
18 alternative to oil.

19 Then finally, natural gas is supported.  
20 Clean Energy has invested over \$55 million, for  
21 example, to support the ports' efforts to clean up  
22 those ports. With our Boron plant we will produce  
23 a maximum capacity of 240,000 gallons per day to  
24 support the clean air efforts down there.

25 Second of all we have also entered into

1 additional agreements with Spectrum Energy, which  
2 is building another plan on the California/Arizona  
3 border which will supply us with another 45,000  
4 gallons per day. And that is all an effort just  
5 to support the ports.

6 As you know we are very actively  
7 involved throughout the state in many markets  
8 trying to not only provide an alternative but  
9 provide support for many of the state's policy  
10 goals.

11 And this has also created strong  
12 interest not only from OEMs but also from  
13 supporting companies that support OEMs like  
14 Kenworth and Freightliner and on and on down the  
15 line.

16 We do understand with the development of  
17 the report there was some inter-agency debate in  
18 terms of our ability to penetrate the market. We  
19 can understand that. I think some of the issues  
20 that that were cited were vehicle costs, one was  
21 that diesel was cleaning itself up. You know,  
22 reducing some of the air quality benefits. And  
23 also lack of OEMs.

24 And I would say that the problem  
25 actually is a shortfall of policy and that's what

1 today this process is changing. AB 1007 in my  
2 view is one of the first policies that will drive  
3 an alternative fuel market. And that is why this  
4 document is so critical.

5 Some have said, what does the AB 1007  
6 report really matter? It matters, as you know  
7 being a former elected official. Legislators look  
8 to you for your guidance. And I see what you put  
9 down on paper, and the staff has worked very hard  
10 to put down on paper, as guiding principles that  
11 legislators will depend upon. That the Governor  
12 will depend upon. And so that is why Clean Energy  
13 treats this report with the seriousness that it  
14 does.

15 But I would say in response to some of  
16 the doubts that are being looked at for natural  
17 gas vehicle penetration, look to Europe. We have  
18 presented -- and I will submit these for the  
19 records as well. From the gas report it shows  
20 just from 2004 to 2005 we went from worldwide 4.1  
21 to 5 million natural gas vehicles. That is  
22 extremely intense growth for an industry. That  
23 shows that the world is looking for other  
24 alternatives that not only meet their energy needs  
25 but also combat some of their air quality

1 problems.

2           And I think it would be very wise, of  
3 course, for not only the United States but  
4 California in particular, because we are often the  
5 stick that stirs the drink. We need to invest  
6 more and provide more opportunities. Not just for  
7 natural gas vehicles but for low-carbon fuel  
8 opportunities.

9           I would also like to say that there is a  
10 preponderance of evidence of OEMs that are  
11 participating in the natural gas vehicle industry.  
12 This is a brochure from Daimler-Chrysler touting  
13 their E Class Mercedes Benz. This one is the  
14 Chrysler Sprinter, which actually comes in  
15 biodiesel, natural gas and propane. You have the  
16 B Class Mercedes Benz.

17           And this document as well as the other  
18 document, and I'll submit these to the Commission,  
19 it clearly shows that Citroen, Fiat, Ford,  
20 Mercedes Benz, Opel, Peugeot, Volkswagen, Audi,  
21 Renault and Chrysler as well as Volvo are all  
22 participants in creating OEM light-duty vehicle  
23 product for their markets where policy exists.

24           So when I look at this report I see this  
25 is a critical turning point that could help expand

1 the light duty vehicle market. And I am raising  
2 this because in the report that is before you we  
3 have been flat-lined in the light-duty vehicle  
4 market until 2050. And I just don't think that  
5 that reflects reality.

6 In terms of diesel cleaning up. It is  
7 true but the wells are running dry. And I think  
8 Mr. Wuebben very accurately brought up a Wall  
9 Street Journal article today that should concern  
10 us all. We are facing another rate cut today by  
11 the fed chairman because of the record oil prices  
12 that touched \$93.53 yesterday.

13 You have to ask yourself, is it wise to  
14 continue to depend on countries like Iran and  
15 Venezuela and Nigeria. We would like them to be  
16 more stable but we don't have everything in our  
17 power, obviously, to do that.

18 So I would say that we need to look and  
19 to strive to support these markets for low-carbon  
20 fuels and not just relying on hybrid electric  
21 platforms. I think we need to find ways to marry  
22 those, to pair those.

23 Furthermore as a former mayor of Burbank  
24 who supported hydrogen by being one of the five  
25 cities that put in hydrogen stations in the South

1 Coast Air Basin, I personally love the idea of  
2 hydrogen fuel cells. I also was as a former  
3 policy director for the Coalition for Clean Air,  
4 one of the key people that put in the zero  
5 emission bus requirement for the transit bus rule.

6 Unfortunately it is just not a  
7 technology that is there yet and the report  
8 demonstrates that hydrogen fuel cells or hydrogen  
9 vehicles will take over natural gas vehicles by  
10 2020. I just don't -- Even though I would like to  
11 believe that we could advance the technology that  
12 quickly I just don't believe that that is reality.

13 And in fact by demonstrating that kind  
14 of a perception or viewpoint I actually think  
15 we're going to hinder the development of hydrogen  
16 development because we see a very close link  
17 between natural gas and hydrogen. We have been  
18 working on very many projects where we are  
19 blending the two fuels together. And we are also  
20 being approached by many OEMs to actually work  
21 with them on their stations. Which they are  
22 finding that their other energy partners are  
23 unwilling to do.

24 So we see the ability to show a light-  
25 duty vehicle market that has growth behind it. It

1 is critical not just to expand the natural gas  
2 vehicle market but to expand a hydrogen market  
3 that promises even greater benefits down the line.

4 Even further, biomethane, which is  
5 mentioned but not really analyzed in this report,  
6 can provide extremely significant benefits in  
7 terms of greenhouse gases. Some predict even up  
8 to 200 percent. To me that is one of the best  
9 biofuels out there if we can wean that energy  
10 source from ag feed lots, from landfills, from  
11 sewer treatment plants.

12 So my message today is, we really need  
13 to make sure that we are focusing both on blending  
14 and non-blending fuels. I am looking at -- Well I  
15 would say respectfully urge this Commission to  
16 support the Energy Commission's and the Air  
17 Resources Board's initial beliefs -- well, that  
18 there are some initial beliefs in our industry,  
19 maybe some debate, but certainly adopt the revised  
20 numbers that we submitted to you on October 24.

21 Quite frankly we think they're  
22 conservative. I'll give you a reason why. Just  
23 looking at the ports alone we look to displace,  
24 you know, 150 million gallons there alone. So  
25 when you're looking at the total picture of

1 refuse, transit, school bus, taxi, drayage, all  
2 the markets that we participate in very  
3 aggressively with the economics behind us, we  
4 really think we are going to make significant  
5 penetration in this market with our without the  
6 reflection of the numbers in the report. But we  
7 think it is important for policy-makers to see  
8 that, that it is reflected in there.

9 I also would say that we need to signal  
10 to the OEMs that you see a natural gas light-duty  
11 vehicle market as a viable and necessary market.  
12 And that's why the flat-lining of the light-duty  
13 vehicle market is problematic for us.

14 So with that I just want to say we are  
15 very appreciative of the Energy Commission's and  
16 the Air Resources Board's work on this report. It  
17 was a very onerous task. We think the staff is  
18 very reasonable. We also see the power of policy.  
19 One of the examples I brought here is a letter  
20 from Kenworth that says that they are willing to  
21 put LNG drayage trucks on their factory floor and  
22 meet the 5,000 vehicle target in the next five  
23 years by the ports of LA and Long Beach. They  
24 just need the policy signals.

25 So I leave you with a request of sending

1 the policy signal. Let's get us off of high-  
2 carbon fuels and start blending our markets to  
3 lower carbon fuels that really can help us get to  
4 our AB 32 goals. Thank you.

5 CHAIRPERSON PFANNENSTIEL: Thank you.  
6 Joe Sparano, Western States Petroleum Association.

7 MR. SPARANO: Good morning,  
8 Commissioners and Happy Halloween. My name is Joe  
9 Sparano; I am the president of the Western States  
10 Petroleum Association. What I'll say might be a  
11 little different than Todd but probably not a  
12 whole lot since we both deal in products that are  
13 fossil fuel-based.

14 I want to talk very briefly about the  
15 process. I made some comments last week that  
16 expressed our concern about the process. And I  
17 won't go over them, I just want to illustrate why  
18 we are so concerned.

19 It may seem like a small point to others  
20 but as I spoke last week Commissioner Byron very  
21 responsibly asked me if I had more comments and if  
22 I would get them in by five o'clock and my answer  
23 was no. As I was speaking there were more sheets  
24 hitting the website with additional parts of the  
25 report.

1           It's really hard for stakeholders --  
2       we've got a few people at least who are active in  
3       analyzing the hundreds of pages we get. There are  
4       many of the stakeholders who don't have that  
5       opportunity or the breadth of resources.

6           So I think it is really important, even  
7       though I know you are pressed for time and I  
8       understand what a tremendous effort this involved,  
9       it really would be good if we could figure out a  
10      way together, and we're happy to work with you, to  
11      get at least more than three or four days to  
12      review some of this pretty technical, complicated  
13      material. You might find out that we actually  
14      give you information that you find useful.

15          So I think that could be said for a lot  
16      of the stakeholders who have had this trouble with  
17      the same thing that we have struggled with. But  
18      enough about process.

19          I do have a few general comments. I  
20      think we all need to be careful during the  
21      implementation of the plan, which I have no doubt  
22      will be adopted, because it tries to satisfy  
23      multiple state goals. And I think that was  
24      repeated several times today.

25          It would be really good if all these

1 goals for fuel diversity are met. Our members in  
2 fact will be the ones who will or are already  
3 producing and using many of the products that have  
4 been talked about this morning. So there is not a  
5 disconnect or an inconsistency there with how we  
6 feel about diversity of fuels.

7 But it does seem unlikely that all of  
8 these goals, as diverse as they are, can be met at  
9 the same time or to the same degree of  
10 effectiveness and I wanted to express our concern  
11 about that for your consideration. I think it is  
12 important that government, this panel, be open to  
13 utilizing additional stakeholder input. I think  
14 there is going to be a great need to balance  
15 tradeoffs that are going to have to be made as the  
16 policies that are advocated here are formulated  
17 and implemented.

18 We are really concerned about what  
19 happens if the plan doesn't go forward as it has  
20 been mapped out. And I know Commissioner Boyd was  
21 very careful in his opening remarks to say that  
22 there are opportunities that will be exercised to  
23 look at what is going on and to make course  
24 corrections. We appreciate that and I'll have a  
25 brief comment at the end. But regardless of that

1 willingness which we appreciate, we are concerned.

2 We are also concerned about providing  
3 billions of dollars of incentives for alternative  
4 and renewable fuels that may not make it to prime  
5 time. I think in the end we are talking over the  
6 course of the 2020 and 2030 original goals just a  
7 tremendous amount of market penetration which will  
8 require mass marketing of the vehicles that we use  
9 as transportation fuel.

10 And it isn't that we don't want it to  
11 happen. That would be ridiculous because as I  
12 said our members are part and parcel of the  
13 research and development and in some cases already  
14 deploying some of these fuels. We'll still make  
15 our base fuels and we'll make lots more of these  
16 newer fuels. But it is a concern to us about how  
17 quickly mass market penetration takes place and  
18 how quickly vehicle makers can get on the  
19 bandwagon and join with California in what we are  
20 doing.

21 And the last thing we want to see, and I  
22 think the last thing that you want to see, is a  
23 disruption somehow in the supply of transportation  
24 energy that might cause economic harm both to the  
25 state and to our consumers.

1           I now will get to the normal part of my  
2        comments and I think it bears repeating. We still  
3        believe very strongly that forcing petroleum  
4        reduction as a way to meet the alternative fuel  
5        policy directive and improve the state's energy  
6        security is wrong. We believe that adding diverse  
7        fuels that are scientifically sound, cost-  
8        effective and technologically feasible to already  
9        cleaner burning, conventional transportation fuels  
10       is the smartest way to go.

11           I don't know any empirical formula that  
12        you can use that will make the answer very  
13        different if you add really good, new fuels that  
14        meet those tests. And without mandates is our  
15        position as you know, to an already cleaner  
16        burning set of fuels that certainly over time can  
17        be made more cleaner burning.

18           And if you do the calculation the other  
19        way and eliminate some of the base product I think  
20        you run the risk, just my thinking and the  
21        thinking of our industry, that there is a great  
22        risk that we will end up needing every drop, every  
23        molecule of every fuel that ends up working  
24        including the base fuels we have now in order to  
25        meet future demand and to not allow California's

1 economy to backslide.

2 Certainly we are not going to  
3 participate in anything that allows the  
4 environmental gains that have been made to  
5 backslide, as Commissioner Geesman thoughtfully  
6 pointed out this morning.

7 But it is a big concern and I think it  
8 bears saying. And I'll just, I'll stop on the  
9 comment there other than to say, what would be  
10 wrong with embracing all fuels and making them all  
11 as cost-effective and clean burning as possible?

12 And that is violently different than  
13 what has been developed here. The clear notion of  
14 satisfying AB 2076 which said, reduce the growth  
15 in petroleum demand. Growth in petroleum demand  
16 has been translated into, eliminate a bunch of the  
17 products. I just don't think that is great public  
18 policy, regardless of what one thinks about which  
19 fuels ought to end up at the top of the heap.

20 COMMISSIONER GEESMAN: How do you feel  
21 about our military entanglements in the Middle  
22 East as great public policy?

23 MR. SPARANO: That is not the subject  
24 here, John, come on.

25 COMMISSIONER GEESMAN: How can we avoid

1       that?

2                   MR. SPARANO: Well, you know, the Middle  
3       East is a really complex, geopolitical situation.  
4       It has something to do with oil but it also has  
5       something to do with Israel, it has something to  
6       do with the factions that have been fighting for  
7       thousands of years before we showed up.

8                   COMMISSIONER GEESMAN: Let's stay  
9       focused on the something that it has to do with  
10      oil.

11                  MR. SPARANO: Well oil, the Middle East  
12      clearly is the center of huge petroleum resources.  
13      But if you like Canada more than the Middle East,  
14      and I don't see us in any incursions there or any  
15      activity there. Canada has 178 billion barrels of  
16      tar sands crude that are now calculated as their  
17      reserve base, making them second only to Saudi  
18      Arabia.

19                  And the initial study by the professors  
20      who are working on the low-carbon fuel standard  
21      looks at making it difficult if not impossible to  
22      use those fuels. So pick your place. I don't run  
23      national policy nor do you. And I think the  
24      response of, what about the Middle East, when I am  
25      talking about just trying to work collaboratively

1 and use all the fuels we have, doesn't cut it.

2 COMMISSIONER GEESMAN: Well I'm in favor  
3 of collaboration, I am also in favor of market  
4 forces. But I think market forces have gotten us  
5 into some predicaments which government has felt  
6 compelled to use other than market forces to get  
7 us out of. And the Middle East is a primary  
8 example of what I think is driving national policy  
9 from the President on down away from petroleum as  
10 transportation feed stock.

11 I understand why your members don't like  
12 that. I wouldn't like it either if I were in that  
13 business. But it is something that I think we all  
14 need to adapt to.

15 MR. SPARANO: You might be right, I  
16 don't have public policy expertise in world  
17 affairs. But I do know that the activity going on  
18 in the Middle East is way more complicated than a  
19 barrel of oil. Way more complicated than that.  
20 And to make them, to put the barrel of oil in the  
21 spotlight serves to point out that there are  
22 national policies but I don't think it really  
23 describes what is happening there.

24 And I wanted to finish up by remembering  
25 that after all these new fuels, after all the data

1 is examined and the proposed actions on these new  
2 fuels are being implemented, which they will, you  
3 are still going to be the energy agency and it is  
4 still going to be a main responsibility to ensure  
5 that the California consumers have reliable,  
6 affordable and adequate transportation fuels.

7 And we are concerned that the way this  
8 process moves forward will be very critical in  
9 ensuring that that goal be met. We would like to  
10 work as closely with you as possible to ensure  
11 that.

12 And to finish up, I want to recommend  
13 that instead of the biennial looks at the IEPRs  
14 which are done now and which could certainly  
15 incorporate a look at this transportation,  
16 alternative transportation fuel plan, that you  
17 have your staff look annually at the impacts on  
18 supply.

19 I think that may be, if there is  
20 anything that will make this difficult to  
21 implement successfully, it will be the impacts on  
22 supply. And some of them borne out of an area  
23 where we never fight about, which is  
24 infrastructure. And infrastructure is a challenge  
25 right now as your agency has said so adequately

1 and accurately for the petroleum-based fuels that  
2 we have.

3 We're talking about a whole, new,  
4 different infrastructure that needs lands,  
5 permits, interest and funding. And all of that is  
6 very complicated and in any event can make  
7 achieving this plan a big challenge. And we hope  
8 that you will work with us to point that out and  
9 work with the local agencies who may have a  
10 different perspective on what constitutes the  
11 right infrastructure in their backyards.

12 So I thank you once again for allowing  
13 me to speak and would be happy to answer any other  
14 questions.

15 CHAIRPERSON PFANNENSTIEL: Thank you,  
16 Joe.

17 COMMISSIONER BOYD: I might make a  
18 comment or two. On the latter point, battered and  
19 bruised as we may be, we have stood with you to  
20 discuss and debate the infrastructure issue over  
21 the past several years. As the energy agency as  
22 you point out, we have recognized our  
23 responsibilities in multiple arenas.

24 You can easily put 2076 aside since that  
25 is such an aggravating statement to folks in the

1       petroleum industry and you can set aside the  
2       debate on what is going on in the Middle East.  
3       But as you pointed out and it has been pointed  
4       out, it is now national policy and state policy to  
5       reduce our dependance on petroleum.

6                 And given that what choice do we have  
7       but the three avenues we're pursuing, only one of  
8       which is being debated today. Pursuant to a host  
9       of other policy goals we are trying to incent the  
10      introduction of some, various alternative fuels.

11                And we have already said, there are no  
12      silver bullets, there are no winners. We want a  
13      mixed portfolio, let the marketplace dictate. And  
14      the staff has taken a picture, be it good or bad,  
15      of where things are right now. And as you've  
16      heard some people think it is not a good picture.

17                The other legs of our stool or the other  
18      tips of our spear include vehicle technologies.  
19      The introduction of new vehicle technologies. Not  
20      only to accommodate these fuels but to improve the  
21      efficiency of the transportation system. And  
22      thirdly it is the whole arena of the mass movement  
23      of people, the reduction of VMT, the improvement  
24      of land use and transportation planning, the  
25      facilitation of walkable cities.

1           Call it what you want, it is this whole  
2 arena that the public is very reluctant to adopt  
3 and accept but it is going to have to. And I  
4 think it is beginning to be evident, in order to  
5 address these very issues of needing to reduce our  
6 dependance, needing to cut down greenhouse gases,  
7 needing to continue to pursue clean air, and  
8 needing to address the sheer congestion that we  
9 face by the burgeoning numbers of motor vehicles  
10 and what have you.

11           One of these days the auto industry will  
12 undoubtedly be in here complaining about land use  
13 and transportation planning because it might cut  
14 down the market for the sales of motor vehicles in  
15 general. But, I mean, as you said, we are the  
16 energy agency. That is our responsibility, that  
17 is what we are about and we are trying to take a  
18 look at the whole system.

19           With regard to why we're doing this  
20 today and not later in November as you referenced.  
21 We were supposed to do this in June. We are doing  
22 it today because we did afford all the  
23 stakeholders a lot more time as best we could.

24           But we have an Integrated Energy Policy  
25 Report that is required to be submitted. Our

1 objective here is to make sure that the actions we  
2 take in this arena get reflected in that strategy  
3 document, which is due to the Governor and the  
4 Legislature in the month of November. So I think  
5 we stretched this out to the last possible moment.

6 And with regard to materials falling out  
7 of the sky at the last minute and not having time  
8 to deal with that. You've heard all day about how  
9 tough this process has been. Commissioner Byron  
10 and I find ourselves in the position of not seeing  
11 material until after that workshop and that  
12 material is not reflected in this final report so  
13 it cuts both ways.

14 We will continue our partnership with  
15 you and all the other folks. And as the oil  
16 industry becomes more of an energy industry, which  
17 you have pointed out is happening, it makes it  
18 better for all of us.

19 MR. SPARANO: I appreciate your comments  
20 and I really appreciate the work the Commission  
21 has done on infrastructure. We seem to stand  
22 almost alone and together on that one issue.  
23 Unfortunately I don't think any of us has seen  
24 much reaction from the local venues who, while  
25 concerning our industry because of existing

1 infrastructure and the need for more, I think  
2 should be a great concern to this panel and to the  
3 staff that has done all this hard work to put  
4 together the report.

5 As you go to implement it, it is going  
6 to rear its head again and somehow, as  
7 Commissioner Geesman expressed on July 12 when I  
8 testified before you in Los Angeles, the state  
9 needs to have some oversight of what is going on.

10 I think you run the risk of having this  
11 program which we appreciate, this Alternative  
12 Transportation Fuels Plan, run the risk of not  
13 succeeding because of infrastructure or by itself.  
14 Leave alone the economics, leave alone the costs,  
15 leave alone the market penetration. Just the  
16 notion of having enough infrastructure to embrace  
17 and use all of these different fuels is going to  
18 be a big challenge.

19 We don't object to fuel diversity, it is  
20 in our core message. Our members are out there  
21 spending billions of dollars to achieve that  
22 diversity. What we don't think is reasonable or  
23 wise is to take away good fuel for the idea of  
24 diversity, but rather add as much as you want to  
25 it but let's keep using what works and make it

1 cleaner.

2 So in response to your comments, and I  
3 know they are thoughtful and reasoned, I want to  
4 again express my appreciation for you letting me  
5 articulate our position.

6 COMMISSIONER GEESMAN: And I would  
7 remind you that in the 15 or 16 quarters since we  
8 adopted the AB 2076 report, and I am not  
9 suggesting that correlation is causation, but in  
10 those 15 to 16 quarters your industry has had its  
11 most profitable period in history.

12 MR. SPARANO: And the point is?

13 COMMISSIONER GEESMAN: Just contemplate  
14 it, Joe. We are not that bad.

15 MR. SPARANO: I'll leave that one alone,  
16 Commissioner. I did like your mask.

17 CHAIRPERSON PFANNENSTIEL: Thank you.  
18 Jamie Knapp.

19 MS. KNAPP: Good morning, Commissioners.  
20 I am Jamie Knapp, J Knapp Communications. I  
21 coordinate the Environmental Coalition, the  
22 coalition of organizations that have been working  
23 on this plan for the last two years.

24 I don't represent any one of them but I  
25 am here today to offer a few brief comments on

1       behalf of the following groups, the American Lung  
2       Association of California, the Center for Energy  
3       Efficiency and Renewable Technologies or CEERT,  
4       the Coalition for Clean Air, Energy Independence  
5       Now, Friends of the Earth, the Natural Resources  
6       Defense Council and the Union of Concerned  
7       Scientists. And there are many others that have  
8       weighed in periodically over the last couple of  
9       years.

10               First we would like to formally  
11       acknowledge staff for their dedication and hard  
12       work. Both the CEC and the ARB staff. We know  
13       this has been a long process and especially under  
14       significant timeline crunch and deadline crunch.

15               Once the process really did get going  
16       about a year ago we know that staff worked very  
17       hard to engage the stakeholders and we very much  
18       appreciate that. Our groups have attended these  
19       meetings. As you know we have been here, we have  
20       commented along the way. We have provided written  
21       comments, sometimes jointly, sometimes  
22       individually, and throughout the process.

23               As Chairwoman Pfannenstiel said earlier  
24       today, you had said that this report forms the  
25       basis for future work. I think those were your

1 words. And that is really why we have watched so  
2 very closely. Because we recognize that this is  
3 an important foundational report.

4 Last week after the Committee Draft  
5 Report -- I'm sorry, earlier this month when it  
6 was released many of our groups submitted some  
7 comments. And we appreciate in looking through  
8 the addendum and errata and the additions that  
9 have come out we see that many of them have been  
10 incorporated and we thank you for that and we  
11 thank staff for that.

12 There are still some aspects of this  
13 final report that our groups, we have some  
14 questions about. You have heard many similar  
15 comments and questions earlier today. I am  
16 confident that we will continue to engage with  
17 staff to answer these questions and address these  
18 ongoing issues.

19 The final document really only has been  
20 available for a few days. I think it came out on  
21 Friday but I didn't know that until Monday or  
22 Tuesday. So we really haven't closely looked to  
23 see exactly which piece of the errata -- have all  
24 the erratas been incorporated into the document.  
25 Has the additional document, what happened to that

1 proposed additions document. Is that in here. We  
2 are still trying to figure out all these moving  
3 pieces.

4 But that said, there has been a little  
5 bit of a problem with the lack of review time. It  
6 has been a recurring theme throughout the process.  
7 But we know that this is a learning process and  
8 that staff will work to build in more review time  
9 as the process continues forward.

10 And I guess I think that is the -- the  
11 most important message here is that we know there  
12 is going to be more work. We know this is the  
13 beginning, not the end. That the AB 1007 work is  
14 a work in progress. At some point you've got to  
15 call it done. We recognize that, we understand  
16 that. And we are committed to working with you.

17 Moving forward on AB 118, hopefully with  
18 a little more time built in for review. We want  
19 to ensure that it is very successful. That  
20 alternative fuels are successful in California and  
21 that clean, alternative fuels have a fair shot in  
22 California.

23 Alternative fuels do need to be  
24 environmentally sustainable. And to us that  
25 means, as you have identified both in the

1 resolution and in the report, that means reducing  
2 our dependance on petroleum, cutting greenhouse  
3 gas emissions, meeting or even better yet  
4 exceeding our health quality standards, our  
5 health-based air quality standards.

6 Reducing toxins in the environment and  
7 at the same time not having any other negative  
8 effects on our land, on our water, on our food  
9 crops or any other living system. So that's our  
10 primary concern and we look forward to continuing  
11 the discussion. I thank you.

12 CHAIRPERSON PFANNENSTIEL: Thank you  
13 very much. The last blue card that I have is  
14 Catherine Dunwoody from the California Fuel Cell  
15 Partnership.

16 MS. DUNWOODY: Good morning,  
17 Commissioners. I am Catherine Dunwoody, Executive  
18 Director of the California Fuel Cell Partnership.  
19 But I want to clarify that my comments that I have  
20 submitted through this process and the ones I make  
21 today are my own comments and not representative  
22 of our organization or any of its members.

23 First of all I want to apologize for not  
24 being able to participate in the October 24  
25 workshop. We were finishing up our steering team

1 meeting and I was unable to be here. But I have  
2 provided comments at both the recent deadlines,  
3 the October 12 and October 19 deadlines.

4 And I want to recognize and appreciate  
5 the opportunity to work with the staff on this. I  
6 just met with one staff person yesterday and  
7 reviewed many of those comments and I appreciate  
8 the responsiveness to that. Although I haven't  
9 seen -- those were largely to do with the story  
10 lines and we haven't seen revisions there.

11 I know this has been a very significant  
12 effort, a very challenging project. I think the  
13 staff have done a great job to be able to take in  
14 comments and address them. I have to say I am  
15 disappointed that I have not seen the result of  
16 some of the comments I made on October 12 and I  
17 really tried to be very helpful and constructive  
18 by providing specific suggestions with paragraph  
19 numbers and page numbers and a lot of specificity  
20 there. I didn't want to just come in and be  
21 critical of the report because I think it is  
22 important to be helpful and try to suggest  
23 alternative language and specific changes.

24 I have heard from staff that these may  
25 have been overlooked in the editing process. I

1 just mostly here want to understand if there is  
2 going to be an opportunity to clean up the  
3 document that you have before you today in a  
4 fairly near term time frame as opposed to two  
5 years from now. So we just urge that we have an  
6 opportunity to further clean up with the comments  
7 that have been submitted.

8 As I mentioned in my written comments  
9 earlier this month, I can't comment on the  
10 economic analysis. It was brought up earlier  
11 today. I didn't have time to look into that in  
12 detail, although there's others in the fuel cell  
13 vehicle community who have provided comments and I  
14 know that staff has taken those into  
15 consideration.

16 I appreciate the opportunity to help the  
17 staff better understand the opportunities and the  
18 challenges with fuel cell vehicles and hydrogen.  
19 I want to echo comments that I heard Todd Campbell  
20 make earlier that I think it is really important  
21 for the Energy Commission to build on synergies  
22 between these different alternative fuels.

23 I think it is very important to move  
24 beyond the competition between fuels. I think  
25 that there are many, many synergies and

1 opportunities where success in one arena will  
2 breed further success in other arenas. And I  
3 think that that is a theme I'd really like to see  
4 the Energy Commission carry forward as you work  
5 further on this project.

6 So with that, thank you very much.

7 CHAIRPERSON PFANNENSTIEL: Thank you  
8 very much.

9 Are there others here who would like to  
10 provide comments on the report, the proposed  
11 report?

12 If not then we have in front of us a  
13 resolution that has been circulated. Commissioner  
14 Boyd, did you have revisions to make in the  
15 resolution?

16 COMMISSIONER BOYD: A couple of  
17 comments. Commissioner Geesman and I have talked  
18 about a modification that I'm going to ask him to  
19 clarify. I believe he separately discussed this  
20 with Commissioner Byron so all three of us didn't  
21 violate the law and talk about it together.

22 And just while I have the microphone I  
23 just want to express my appreciation to the staff,  
24 to the stakeholders, to the ARB, Barbara Fry  
25 representing lots of staff people from the ARB.

1 But Barbara and Bob Fletcher in particular I'd  
2 like to point out as really having worked very  
3 hard with our staff and very much appreciate what  
4 they have done. Others, Dean Simeroth, Mike  
5 Scheible, have been in and out of this.

6 As the Chairwoman already indicated,  
7 Chairman Sawyer of the ARB while he was Chairman  
8 really worked very hard with Commissioner Byron  
9 and I on this. Chairwoman Nichols has continued  
10 that effort in discussions she has had with us and  
11 meetings that we have attended with her so we much  
12 appreciate, and I think the taxpayers appreciate  
13 the extreme cooperation between two state agencies  
14 that are evidenced in this document.

15 And at an appropriate time I would  
16 certainly like to move Commission adoption of the  
17 plan and a proposed Commission resolution. And I  
18 will hold that for after Commissioner Geesman  
19 makes his suggested amendments.

20 CHAIRPERSON PFANNENSTIEL: Commissioner  
21 Geesman.

22 COMMISSIONER GEESMAN: What I would  
23 suggest is that the second bullet under the  
24 resolve clause be replaced by the following:  
25 Establishes targets on a gallon of gasoline

1 equivalent for the use of alternative fuels in the  
2 on-road and off-road transportation sector,  
3 parentheses, excluding air, marine and rail, close  
4 parentheses, including but not limited to  
5 electricity, natural gas, propane, hydrogen,  
6 ethanol, renewable diesel and biodiesel of 9  
7 percent by 2012, 11 percent by 2017 and 26 percent  
8 by 2022. And I believe that accurately captures  
9 what is expressed in the Executive Summary of the  
10 report and what was verbally described by Tim in  
11 his presentation.

12 COMMISSIONER BOYD: And I for one  
13 certainly accept that as a positive amendment to  
14 the resolution.

15 CHAIRPERSON PFANNENSTIEL: Commissioner  
16 Byron.

17 COMMISSIONER BYRON: I concur. It  
18 addresses all three items that we discussed  
19 earlier.

20 CHAIRPERSON PFANNENSTIEL: With that,  
21 Commissioner Boyd do you want to introduce the  
22 resolution?

23 COMMISSIONER BOYD: Well I would like to  
24 move approval of the plan and of the resolution  
25 you have before you as amended.

1                   COMMISSIONER BYRON: Thank you. I would  
2 like to second.

3                   CHAIRPERSON PFANNENSTIEL: All in favor?  
4                   (Ayes.)

5                   CHAIRPERSON PFANNENSTIEL: It is  
6 approved. Thank you to the Committee and to the  
7 staff, good job.

8                   Continuing on the agenda. Minutes,  
9 approval of the Minutes of the October 10, 2007  
10 Business Meeting. Commissioner Geesman, I assume  
11 you need to abstain.

12                   COMMISSIONER BOYD: Move approval.

13                   COMMISSIONER BYRON: Second.

14                   CHAIRPERSON PFANNENSTIEL: All in favor?  
15                   (Ayes.)

16                   CHAIRPERSON PFANNENSTIEL: The minutes  
17 are approved.

18                   Commission Presentations? Nothing?

19                   Chief Counsel Report. Mr. Chamberlain.

20                   MR. CHAMBERLAIN: Very briefly, Madame  
21 Chairman. Last week the County of Alameda filed a  
22 petition for a writ of mandate in the California  
23 Supreme Court related to the Russell City case and  
24 our response will be due early next week. We will  
25 be filing that response in the Supreme Court on

1 Monday. That is all that I have to report today.

2 CHAIRPERSON PFANNENSTIEL: Thank you.

3 Executive Director report?

4 MR. BLEVINS: No report. No report,

5 Madame Chairman.

6 CHAIRPERSON PFANNENSTIEL: Yes.

7 COMMISSIONER GEESMAN: B.B., I think it  
8 was about two weeks ago Steve Greenlee, who covers  
9 the Commission for California Energy Markets, had  
10 a column describing the electronic outreach  
11 Internet policies of various governmental agencies  
12 and quite strongly elaborating upon and putting  
13 forward a recommendation that former FERC  
14 Commissioner Nora Brownell has personally  
15 championed here the last couple of years.

16 And that is that agencies like the  
17 Energy Commission create an RSS capability, which  
18 is an acronym for Real Simple Syndication, where  
19 we actually push certain of our material to  
20 someone's email address or website. It is a way  
21 someone could sign up for one of our distribution  
22 lists and be immediately provided with updates on  
23 that subject rather than continuously checking a  
24 list serve.

25 And I would request that you and your IT

1 department explore the prospects of us doing that  
2 and come back to us at some subsequent business  
3 meeting and determine whether it is a good idea  
4 and an economically realistic idea or not.

5 MR. BLEVINS: We'll do that.

6 COMMISSIONER GEESMAN: Good.

7 CHAIRPERSON PFANNENSTIEL: Thank you.

8 Leg Director report, Mike.

9 MR. SMITH: Good morning Chairman,  
10 Commissioners. I was unavailable at the last  
11 Business Meeting, which would have been the first  
12 Business Meeting after not only the end of session  
13 but the signing, vetoing and otherwise passing  
14 into law of legislation.

15 Let me just comment that I think it was  
16 a banner session for the Energy Commission and for  
17 that a banner session for the state of California  
18 in general. I think there were some key landmark  
19 legislation that was passed that will move  
20 California and the Energy Commission forward  
21 soundly and strongly into the future. AB 118 was  
22 one such piece of legislation that has been talked  
23 about in the previous agenda item.

24 I am not going to go through each one of  
25 these but just suffice to say that I think the

1 Energy Commission now has some substantial and  
2 significant new authority in the areas of  
3 transportation, in our appliance and building  
4 standards and in the area of distributed  
5 generation and combined heat and power. All areas  
6 that the Energy Commission for a number of years  
7 has been advocating changes and all these changes  
8 are now reflected in this legislation.

9 So I am ecstatic about the outcome of  
10 this session. I am very proud of the performance  
11 of my staff in working with our deputy directors  
12 and our program people and the Governor's Office  
13 and Resources Agency and key legislative offices  
14 to make all this happen. So I think it has been a  
15 terrific session, hard-fought in some situations,  
16 but the outcome is tremendous for not only the  
17 Energy Commission but California.

18 I do want to point out that there are at  
19 the end of last session and moving into this  
20 session, there are a number of two-year bills that  
21 we have to be cognizant of and aware of and ready  
22 to react to once the session begins in January.

23 And again I am not going to go into  
24 detail on each and every one of those but just  
25 again to suffice to say that certainly in the area

1 of CO2 reduction and carbon sequestration we are  
2 going to likely see legislation that will be  
3 reactivated in that area.

4 I also want to point out with respect to  
5 carbon sequestration. A bill was passed last  
6 year, AB 1925, that requires the Energy Commission  
7 to prepare a report on various aspects of carbon  
8 sequestration in order to ensure its -- move it  
9 into a commercial activity.

10 The Energy Commission will be adopting  
11 as part of the Integrated Energy Policy Report for  
12 2007 a preliminary report for that effort in that  
13 legislative requirement. I do want to point out  
14 that we have an obligation once the WestCarb  
15 research project is completed to finalize that  
16 document, which will likely be in the 2010 time  
17 frame. But that is going to be an important  
18 milestone, an important task to undertake. And I  
19 just wanted to point out that that is an  
20 obligation that we have made to ensure that it  
21 happens.

22 In the area of building standards.  
23 Again, an area that is gaining energy efficiency  
24 standards in general. But building standards in  
25 this case are getting a lot of attention as a

1 vehicle and tool to move us toward AB 32 targets.  
2 We likely might see legislation that sets up long-  
3 term targets for our building standards so we need  
4 to keep an eye on that.

5 In the area of siting, jurisdictional  
6 siting. A lot of interest in expanding our  
7 authority to include other renewable technologies,  
8 PV in particular. We also may see some effort to  
9 shorten our siting process to perhaps a six-month  
10 period for renewable projects. That may cause  
11 some concern for us just given the nature of  
12 renewable projects and the type of assessment that  
13 is needed in these areas. But we need to be very  
14 diligent in reacting to that legislation.

15 We will very likely see at least two  
16 pieces of legislation that will give us either  
17 expanded authority to collect refinery and  
18 petroleum market data. And we worked very closely  
19 with the Speaker's office and Assembly Member  
20 Feuer's office last year as well as  
21 representatives from the oil industry to hammer  
22 out and finalize language that we all were  
23 comfortable with and would give us appropriate  
24 authority to move forward in that area. So we  
25 will likely see very early in the session efforts

1 to move those bills forward.

2 And lastly the Energy Commission may  
3 find itself in the business of assessing  
4 distribution systems for IOUs as well as municipal  
5 utilities. That would be an entirely new endeavor  
6 for us and a new authority. But we need to be,  
7 need to be aware that those bills are on the  
8 horizon and may very well come back up early in  
9 the session. So unless there is any questions  
10 that concludes my report.

11 COMMISSIONER GEESMAN: I had one  
12 question, Mike. Your reference to potential long-  
13 term building standard targets. Is that the zero  
14 net energy home type of proposal that the PUC has  
15 made?

16 MR. SMITH: Yes, it's very much akin.  
17 Last session Assembly Member Lieber had a bill, AB  
18 1065, which set, attempted to set standards --  
19 excuse me, targets for building standards going  
20 out to 2040 I believe. The effort was to try to  
21 get down to a zero net energy home.

22 COMMISSIONER GEESMAN: Thank you.

23 MR. SMITH: Sure.

24 COMMISSIONER BOYD: Chair, if I might.

25 CHAIRPERSON PFANNENSTIEL: Yes.

1                   COMMISSIONER BOYD:  First Mike, just as  
2                   a member of the Legislative Committee along with  
3                   the Chairman let me commend you and your staff for  
4                   the work you've done this year.  As you've said it  
5                   has ben an interesting and tough year.

6                   You might want to mention one of the  
7                   hearings that we were on tap to handle, the  
8                   nuclear energy hearing, got cancelled, or maybe I  
9                   am mentioning it now.  It was to be last week or  
10                  the week before last.  I'm losing track.  Anyway,  
11                  it was to be in Oceanside.  Senator Kehoe wanted a  
12                  hearing on nuclear energy.  She had asked this  
13                  agency, she had asked me to kick it off and  
14                  conclude it.  So we had a very big role in this.

15                  Unfortunately due to the fires the day  
16                  before they wisely cancelled the hearing and I  
17                  haven't heard anything about whether there is any  
18                  thought of rescheduling that hearing.  Have you  
19                  heard anything?

20                  MR. SMITH:  We have not.  we intend to  
21                  get back in touch with the Senator's staff to try  
22                  and find out if it is going to be rescheduled in  
23                  the future.

24                  On the subject of hearings let me point  
25                  out that come November 14 the Assembly Utilities

1 and Commerce Committee will be having, convening a  
2 hearing on the oversight of the Energy Commission.  
3 As of yet we are still working with committee  
4 staff to understand the areas that they want to  
5 focus on, if any, so that we can prepare ourselves  
6 and for you to prepare yourselves in testifying  
7 before them. So we will continue to keep you  
8 apprised of that and work closely with your  
9 offices.

10 COMMISSIONER BOYD: Thank you. And I  
11 hate to protract this meeting any longer but I  
12 have got to bring up AB 118. We've mentioned all  
13 the positives about it today.

14 But as I said in the workshop in this  
15 room a couple of weeks ago, I was and remain  
16 bitterly disappointed about what a nasty,  
17 contentious piece of legislation that was in terms  
18 of the process of getting it through the  
19 Legislature and approved. So I really do salute  
20 the Governor for signing the bill in the face of  
21 ridiculous editorials and incorrect editorials in  
22 the LA Times.

23 But I am just disappointed in a lot of  
24 the language on the floor of the Senate those  
25 closing hours about this agency and what we might

1 do and what we would do if we were given these  
2 funds. Of course we're purposefully encumbered  
3 with an advisory committee in response to those, a  
4 lot of the concerns about what we might do with  
5 funds. So obviously we have to do our homework.

6 And I am equally disappointed by the  
7 instant discussions about clean-up legislation. I  
8 don't think the ink had dried before people were  
9 calling for clean-up legislation. I don't know  
10 what they want to clean up but obviously we'll be  
11 having those dialogues. We'll see what's desired  
12 and what the concerns are.

13 It has been a tough road to get to this  
14 additional funding for the kind of work the Energy  
15 Commission has done historically long before I  
16 ever got here and I just hope the Commission is  
17 allowed to carry it out long after I am gone from  
18 this Commission. So we'll see. Thanks.

19 CHAIRPERSON PFANNENSTIEL: I understand  
20 there is no report from the Public Adviser's  
21 Office. Any further public comment? We'll be  
22 adjourned.

23 (Whereupon, at 12:17 p.m., the  
24 business meeting was adjourned.)

25 --o0o--

## CERTIFICATE OF REPORTER

I, JOHN COTA, 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 9th day of November, 2007.

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