BUSINESS MEETING

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)
_____)

CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

WEDNESDAY, APRIL 16, 2008

10:00 A.M.

Reported by:
Deborah Baker
Contract Number: 150-07-001

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

James D. Boyd, Vice Chairperson

Arthur H. Rosenfeld

Jeffrey D. Byron

Karen Douglas

STAFF and CONTRACTORS PRESENT

Melissa Jones, Executive Director

Claudia Chandler, Chief Deputy Executive Director

Jonathan Blees, Assistant Chief Counsel

Marni Weber, Legislative Manager

Harriet Kallemeyn, Secretariat

Christopher Meyer

Norma Bourassa

Mike McCormack

Michael Lozano

Chris Graillat

Felicia Miller

Rachel Salazar

Jennifer Allen

Suzanne Korosec

Daryl Metz

Al Alvarado

Thom Kelly

Art Soinski

ALSO PRESENT

Jane Luckhardt, Attorney
Downey, Brand Attorneys, LLP

Jim Rexroad
Macquarie Cook Power, Inc.

Allan Thompson, Attorney

Taylor Miller, Senior Environmental Counsel
San Diego Gas and Electric Company
Sempra Utilities

Kathy Treleven
Pacific Gas and Electric Company

Manual Alvarez
Southern California Edison Company

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

2 10:00 a.m.

3 CHAIRPERSON PFANNENSTIEL: Good morning.

4 This is the Energy Commission business meeting of

5 April 16th. Please join me in the Pledge of

6 Allegiance.

7 (Whereupon, the Pledge of Allegiance was

8 recited in unison.)

9 CHAIRPERSON PFANNENSTIEL: One change to

10 the agenda as published, item number 5 has been

11 moved to the May 7th business meeting.

12 With that, the consent calendar; is

13 there a motion to approve the consent calendar?

14 COMMISSIONER ROSENFELD: I move the

15 consent calendar.

16 COMMISSIONER BOYD: Second.

17 CHAIRPERSON PFANNENSTIEL: In favor?

18 (Ayes.)

19 CHAIRPERSON PFANNENSTIEL: Item number

20 2.a., possible approval of the Executive

21 Director's data adequacy recommendation on Avenal

22 Power Center LLC's application for certification

23 of Avenal Energy. Good morning.

24 MR. MEYER: Good morning, Commissioners.

25 Christopher Meyer; I'm the Siting PM for the

1 Avenal project.
2 Avenal Power Center, LLC, filed the
3 application on February 22nd, and has subsequently
4 filed a supplement to the AFC which staff received
5 on March 28th and reviewed. And has made a
6 recommendation of data adequacy for the Avenal
7 project.
8 CHAIRPERSON PFANNENSTIEL: Thank you.
9 Discussion or questions? Is there a motion to
10 approve the Executive Director's recommendation of
11 data adequacy?
12 COMMISSIONER BYRON: I'll move the item.
13 COMMISSIONER DOUGLAS: I'll second.
14 CHAIRPERSON PFANNENSTIEL: In favor?
15 (Ayes.)
16 CHAIRPERSON PFANNENSTIEL: It has been
17 approved. The Committee that I am proposing is
18 Commissioner Byron, presiding; and Commissioner
19 Rosenfeld as second.
20 Is there a motion for that Committee?
21 COMMISSIONER BOYD: So moved.
22 COMMISSIONER ROSENFELD: Second.
23 CHAIRPERSON PFANNENSTIEL: All in favor?
24 (Ayes.)
25 CHAIRPERSON PFANNENSTIEL: Thank you,

all.

MR. MEYER: Thank you very much.

CHAIRPERSON PFANNENSTIEL: Applicant, any comments or issues to raise?

MR. REXROAD: No. This is Jim Rexroad with Avenal Power Center. Thank you very much for the decision made today.

CHAIRPERSON PFANNENSTIEL: Thank you.

Item 3.a., possible acceptance for the City of Riverside's application for small power plant exemption for Riverside Energy Resource Center's Units 3 and 4, a gas-fired peaking project with a capacity of approximately 95 megawatts. Good morning.

MS. MILLER: Good morning. I'm Felicia Miller, Staff's Project Manager. And with me is Debra Dyer, Staff Counsel.

On March 19th the City of Riverside filed a small power plant exemption application seeking an exemption from the California Energy Commission's licensing requirements.

The City of Riverside is proposing to construct a 95 megawatt electrical generation power plant to provide summer peaking capacity and reliability to the City's electric system.

1 The project is an expansion of an
2 existing 96 megawatt peaking facility exempted by
3 the Commission in 2004, which began operation in
4 June of 2006.
5 The project will consist of two simple
6 cycle LM6000 PC Sprint turbine generators; use of
7 reclaimed water from the adjacent regional quality
8 control plant. Interconnections for gas, water
9 and electric transmission are already located on
10 the site. And the project is scheduled to
11 commence commercial operation in the summer of
12 2009.
13 At this time we're requesting a
14 Committee be assigned to the project.
15 CHAIRPERSON PFANNENSTIEL: Thank you.
16 Before we decide to accept the application, would
17 you remind us of the criteria necessary for the
18 Commission to be able to grant the exemption?
19 MS. MILLER: The project needs to be
20 under 100 megawatts; and the project is exempt
21 from licensing from the Commission. So we are
22 looking at providing an environmental document to
23 the applicant which they can take forth to the
24 City for the appropriate license.
25 CHAIRPERSON PFANNENSTIEL: And we would

grant that because there are no environmental --

MS. MILLER: Environmental.

CHAIRPERSON PFANNENSTIEL: -- issues --

MS. MILLER: Correct.

CHAIRPERSON PFANNENSTIEL: -- identified?

MS. MILLER: Correct.

CHAIRPERSON PFANNENSTIEL: So the Commission, in order to grant the exemption, has to be able to make that finding?

MS. MILLER: That's true.

CHAIRPERSON PFANNENSTIEL: Thank you. Any other questions --

COMMISSIONER BOYD: Yes, please. Should we be worrying that we're getting increments of just under 100 megawatts here, at a site that's growing in size. I don't want to accuse the City of Riverside of purposely sliding under our 100-megawatt level, but this is, you know, this is -- well, this is 3 and 4. But to me it's like the second increment of 90-something megawatts.

I just wondered if we could have an explanation of what led to the decision for need of another expansion, again slightly under 100 megawatts.

1 MR. THOMPSON: If I may, Mr.
2 Commissioner. My name is Allan Thompson; I
3 represent the City of Riverside.
4 We looked at that issue long and hard
5 before coming to the Commission for this. And
6 there are two or three major reasons why this
7 appeared on the horizon for the City of Riverside
8 faster than they would have liked.
9 One was the heat storm that we all
10 remember of a couple years ago, where the peak
11 loads for the City for that year, instead of
12 traveling on a 3 to 4 percent above the previous
13 year level which they had experienced, all of a
14 sudden we're in the neighborhood of 12 to 15
15 percent.
16 The second is the fires that hit Los
17 Angeles and San Diego last year. One of the fires
18 burned the single interconnection point with
19 Southern California Edison. And the City realized
20 how vulnerable their citizens were with that
21 single point that could be disrupted.
22 The third is that there is an overall
23 transmission upgrade project that is being
24 conducted with Southern California Edison Company
25 which has been delayed at least two years to date,

1 which puts it out beyond the timeframe when the
2 City of Riverside can provide its own needs.
3 So, it's really those three things that
4 came together and moved this project -- well, made
5 it appear on the horizon and then moved it up to
6 where we're coming to you now.
7 COMMISSIONER BOYD: Okay, thank you.
8 CHAIRPERSON PFANNENSTIEL: So, Mr.
9 Thompson, then following up on that, when we
10 granted the exemption, when we went through the
11 process to grant the exemption for the first two
12 units, there was not an intention at that time to
13 consider expansion to a larger plant?
14 MR. THOMPSON: That is correct. In
15 fact, the Commission actually looked at that issue
16 because it was raised by one of the intervenors.
17 And there were some preliminary drawings that
18 looked at more than two units on the site that
19 were drafted in order to locate interconnection
20 points with natural gas and other, I guess it
21 would be natural gas and the water line. So that
22 in the event of future expansion those would not
23 have to be duplicated. And that was really just
24 prudent engineering practice.
25 Other than that, the staff

1 investigation, I think and the Commission ruled
2 that there was no intent to develop other units at
3 the time we came before this Commission for the
4 first two units.
5 CHAIRPERSON PFANNENSTIEL: We were
6 convinced that there was not an intent to develop
7 another two units. And now to see these next two
8 units coming back before us shortly thereafter is
9 sort of a surprise.
10 MR. THOMPSON: Well, I understand, and
11 it was a surprise to us, too. One of the things
12 that has surprised the City of Riverside is the
13 increase in capacity requirements in peak periods
14 without the concomitant increase in the number of
15 meters.
16 And the City did some -- over the past
17 three or four years. And the City did some
18 investigation and interestingly enough what they
19 found was that the addition of things like plasma
20 tv's and other household items that are on all the
21 time has added significantly to the City's
22 capacity requirements without many additional
23 meters. And so that was -- I guess I should have
24 listed that as another part of the surprise.
25 But at the time 1 and 2 came before the

1 Commission the City was actually looking at some
2 combined cycle alternatives, but really didn't
3 think they'd have to do much because the
4 interconnection point with Edison would be
5 expanded, and other sources of energy would be
6 available to the City at the end of this decade.
7 COMMISSIONER BOYD: I would presume that
8 response bothers Commissioner Rosenfeld. And it
9 concerns me that we may lose our title as the per
10 capita consumption, electric consumption winner of
11 all the 50 states, but --
12 CHAIRPERSON PFANNENSTIEL: That's all
13 right, Jim, everybody is buying --
14 COMMISSIONER BOYD: I was going to
15 say --
16 (Laughter.)
17 COMMISSIONER BOYD: -- it's not just
18 Riverside. They just get to be held up as the
19 example.
20 COMMISSIONER ROSENFELD: And we are
21 going to address tv's in standards.
22 COMMISSIONER BOYD: Right.
23 MR. THOMPSON: I apologize to all the
24 sports fans out there that --
25 CHAIRPERSON PFANNENSTIEL: Yes,

1 Commissioner Byron.
2 MR. THOMPSON: -- may suffer without
3 these wonderful tv's.
4 CHAIRPERSON PFANNENSTIEL: I don't think
5 the sports contests actually matter whether or not
6 you're watching them on tv.
7 Commissioner Byron.
8 COMMISSIONER BYRON: If I may, Mr.
9 Blees, as I recall SPPE, doesn't that also move to
10 an AFC if -- a full AFC if there's significant
11 opposition?
12 MR. BLEES: No.
13 (Laughter.)
14 COMMISSIONER BYRON: There is something,
15 though, that --
16 CHAIRPERSON PFANNENSTIEL: Yes, it's not
17 opposition, it's finding of environmental issue --
18 COMMISSIONER BOYD: Yeah.
19 CHAIRPERSON PFANNENSTIEL: -- is that
20 not the case?
21 COMMISSIONER BOYD: Correct.
22 MR. BLEES: Let me read the statutory
23 language: The Commission may exempt from the AFC
24 process if the Commission finds that no
25 substantial adverse impact on the environment or

1 energy resources would result from the
2 construction or operation of the proposed
3 facility."
4 No substantial averse impact on energy
5 resources or on the environment.
6 COMMISSIONER BYRON: Thank you.
7 MR. BLEES: And the Commission has
8 consistently interpreted the no substantial
9 adverse impact on the environment criterion to be
10 equivalent to the finding that any agency has to
11 make if it's going to adopt a negative declaration
12 as opposed to proceeding to a full EIR.
13 CHAIRPERSON PFANNENSTIEL: Thank you.
14 Any other comments on this before we --
15 COMMISSIONER DOUGLAS: I have a
16 question, just a followup question. Would that
17 include a mitigated negative declaration, or are
18 you talking about really a negative declaration?
19 MR. BLEES: We have not squarely
20 addressed that question here. The Commission has
21 approved SPPEs for which the project, as
22 originally proposed, did have a significant
23 adverse impact, but which during the process the
24 applicant agreed to include mitigation measures
25 that reduced those impacts to below a level of

1 significance. The Commission did approve the
2 SPPE.
3 As I recall we have never actually
4 expressly addressed the issue that you raised.
5 MR. THOMPSON: And if I may?
6 CHAIRPERSON PFANNENSTIEL: Yes.
7 MR. THOMPSON: We looked at this issue
8 pretty hard, as well. And traditionally, at least
9 in the cases that I've had that have come before
10 this agency, the environmental consultant analyzes
11 a section, pick one, biology. And then lists
12 potential mitigation measures in the back without
13 adopting them on behalf of the applicant.
14 The first thing that staff does, of
15 course, is say, well, yes, you're going to do
16 those things. And then let's look at some other
17 things.
18 What we did here is adopt, as part of
19 the project, the mitigation measures that would
20 have been suggested by each of the individual
21 resource sections so that the project, as
22 proposed, has with it numerous mitigation measures
23 in each of the sections designed to mitigate any
24 adverse impacts that the individual resource
25 individuals determined could be there.

1 COMMISSIONER BOYD: In other words, the
2 applicant did their homework.
3 CHAIRPERSON PFANNENSTIEL: Right. I do
4 remember from the prior SPPE at Riverside that we
5 felt, the Committee at that time, felt that there
6 needed to be a fairly low bar for deciding that
7 there were environmental issues such that it did
8 have to go through a full AFC process. And felt
9 that, in fact, the applicant achieved convincing
10 the Committee that there were no significant
11 environmental impacts.
12 But, as I remember going through that
13 process, it's a difficult process to demonstrate
14 that there really are no significant environmental
15 impacts.
16 With that discussion is there a motion
17 to accept the applicant?
18 COMMISSIONER BYRON: I'll move it as an
19 SPPE application.
20 COMMISSIONER ROSENFELD: Second.
21 CHAIRPERSON PFANNENSTIEL: In favor?
22 (Ayes.)
23 CHAIRPERSON PFANNENSTIEL: I would
24 nominate the following committee of Commissioner
25 Douglas presiding, and Commissioner Boyd as

1 associate. Is there a motion?
2 COMMISSIONER DOUGLAS: So moved.
3 COMMISSIONER ROSENFELD: Second.
4 CHAIRPERSON PFANNENSTIEL: In favor?
5 (Ayes.)
6 CHAIRPERSON PFANNENSTIEL: Got it, thank
7 you.
8 COMMISSIONER BOYD: We never volunteer,
9 Karen.
10 (Laughter.)
11 CHAIRPERSON PFANNENSTIEL: There you go.
12 Thank you, thank you, all.
13 Item 4, possible approval of contract
14 400-07-030 for $3,681,000 with KEMA, Incorporated,
15 to provide technical assistance to the renewable
16 energy program. Good morning.
17 MS. SALAZAR: Good morning,
18 Commissioners. My name is Rachel Salazar; I'm the
19 Contract Manager in the renewable energy office.
20 We are looking for approval today for a
21 three-year contract for technical support from
22 KEMA, Incorporated. This contract totals 3.681
23 million. And we estimate a start date pending
24 DGS's approval sometime early May, and probably
25 end April 2011.

1 We held an RFP earlier this year. We
2 did receive three bids. And KEMA was the
3 successful bidder. They have been our tech
4 support contractor the last two contracts.
5 And this is going to be a work-
6 authorization driven contract, meaning that the
7 work is performed on an as-needed basis. Examples
8 of work that we anticipate doing in this contract
9 include program evaluation, technical and economic
10 analysis of renewable technologies. Including
11 analysis on -- tariffs. And possibly some market
12 research under the consumer education program.
13 Funding for this contract is primarily
14 out of the renewable resource trust fund. And it
15 does include a placeholder of 905,000 for other
16 monies that may become available during the term
17 of the contract.
18 CHAIRPERSON PFANNENSTIEL: Thank you.
19 Questions? Is there a motion?
20 COMMISSIONER BYRON: I'll move it.
21 COMMISSIONER BOYD: I'll second.
22 CHAIRPERSON PFANNENSTIEL: In favor?
23 (Ayes.)
24 CHAIRPERSON PFANNENSTIEL: It's
25 approved, thank you.

1 MS. SALAZAR: Thanks.
2 CHAIRPERSON PFANNENSTIEL: Item 6,
3 possible approval of an award of $501,437 to Gas
4 Technology Institute for GTI's proposal in
5 response to 2006 advanced generation CHP system
6 grant solicitation.
7 MS. ALLEN: Good morning, Chairman
8 Pfannenstiel, Commissioners. We're seeking
9 approval for an award of $501,437 to Gas
10 Technology Institute. They are the last of the
11 awards that will be given under a 2006 grant
12 solicitation that was done for combined heat and
13 power systems.
14 And they will be developing an ultra low
15 NOx combustor to go with a gas turbine and a
16 boiler that is a package unit. And if the
17 preliminary indications are that this can reduce
18 the NOx for the system down to approximately half
19 of what is currently being produced now.
20 And the other thing that is ideal with
21 this is that it's an integrated system; so it will
22 be sold as a package unit. We're starting out
23 with a 70 kW unit, but eventually it will go up.
24 The proposal is that they would eventually move
25 this into the 200 kW range.

1 And they have a large group of partners
2 including Ingersol-Rand, that will be matching
3 this amount with almost $700,000.
4 And that is the project that we'd like
5 to continue to go forward with, with a grant.
6 CHAIRPERSON PFANNENSTIEL: Thank you.
7 Are there questions? Yes, Commissioner Byron.
8 COMMISSIONER BYRON: Ms. Allen, I noted
9 that solar turbines was the first rank proposal
10 and they declined the award. Can you tell me the
11 nature of the reason for their decline?
12 MS. ALLEN: I may have to defer to Dr.
13 Soinski, I mean, because I do not know the answer
14 to that.
15 DR. SOINSKI: Good morning,
16 Commissioners. My name is Art Soinski; I'm the
17 Team Lead in environmentally preferred advanced
18 generation.
19 This is -- Solar Turbines has been a
20 contractor or a subcontractor on a few previous
21 PIER awards. And we were very surprised when they
22 declined this grant award to them. In fact, we'd
23 actually prepared the complete package, and it was
24 on Solar Turbine's desk.
25 It's been difficult to get details on

1 exactly what happened. Our understanding is there
2 has been a significant change in the management at
3 Caterpillar, which owns Solar Turbines. And also
4 there's been changes in the legal staff and the
5 technical management staff at Solar Turbines.
6 In fact, the vice president of research,
7 who we worked with very closely, retired,
8 unexpectedly I might say, because of these changes
9 that were going on internally.
10 So, it seems to be a change in the legal
11 management of the company, the corporate
12 management and oversight. And I think also the
13 market right now for gas turbines, they have a
14 large backlog. And the engineering staff has been
15 diverted to actually supporting the existing
16 product line and the commercial business. And
17 there's been a de-emphasis of research,
18 development and demonstration.
19 So I've gotten this, you know, from a
20 series of conversations with past and current
21 employees at Solar. But I honestly, you know,
22 have no confirmation that there's any one of these
23 specific issues that has arisen.
24 COMMISSIONER BYRON: So, thank you for
25 that answer. But you don't know if it had

1 anything to do with the terms and conditions of
2 our contract?
3 DR. SOINSKI: Well, they actually did
4 claim that it had to do with intellectual property
5 and royalty provisions, which are two of the more
6 contentious issues that especially larger
7 corporations have had with PIER awards.
8 And that's an issue, in fact, which we
9 discussed before the R&D Committee when
10 Commissioner Geesman was still here, because I
11 wanted to get his perspective on what should be
12 done from a lawyer who had had a lot of experience
13 with this and with the whole PIER program and the
14 RD&D Committee.
15 And the legal office is looking at those
16 terms. But it's my understanding that they're
17 pretty much swamped with a lot of other
18 activities, and this is not the highest priority
19 item for their consideration at this time.
20 COMMISSIONER BYRON: All right, thank
21 you. I don't want to over --
22 COMMISSIONER ROSENFELD: Commissioner
23 Byron, we are aware that some bidders consider
24 this to be a pain in the neck. And we -- Jim Boyd
25 and I have it on our agenda to look at the whole

1 question of whether or not we are putting in terms
2 which are dissuading bidders.
3 So, it's very much on our agenda, and
4 Art agrees.
5 COMMISSIONER BYRON: Well, thank you.
6 I'm glad that it is, but I don't want to detract
7 from the award that you've put before us, as well,
8 here today. And I assume that GRI is more than
9 qualified to conduct the work.
10 DR. SOINSKI: Oh, yes. They did pass;
11 it's just that we ran out of money before we could
12 fund them as part of the first group of awards.
13 And then when Solar Turbines declined, it freed up
14 funds which we could then use to fund GTI.
15 COMMISSIONER BYRON: Thank you.
16 CHAIRPERSON PFANNENSTIEL: Thank you.
17 Is there a motion to approve the award?
18 COMMISSIONER ROSENFELD: I move the
19 item.
20 COMMISSIONER BOYD: Second.
21 CHAIRPERSON PFANNENSTIEL: In favor?
22 (Ayes.)
23 DR. SOINSKI: Thank you.
24 CHAIRPERSON PFANNENSTIEL: Thank you.
25 Item 7, possible approval of an OIIP, an order

1 instituting information proceeding, to gather and
2 assess information for preparation of the 2008
3 Integrated Energy Policy Report update, and the
4 2009 IEPR, as required by the Public Resources
5 Code sections 25302(a) and 25302(d). Good
6 morning, Ms. Korosec.
7 MS. KOROSEC: Good morning,
8 Commissioners. With me today is Kerry Willis;
9 she's the assigned attorney for the IEPR
10 proceeding. We're very glad to have her on our
11 team.
12 Today the item, we're asking for
13 approval as an OIIP which delegates authority to
14 the IEPR Committee to collect the data necessary
15 for the development of the 2008 IEPR update, and
16 the 2009 IEPR. And also delegates authority to
17 develop those reports to the IEPR Committee, which
18 is composed of Commissioner Byron and yourself,
19 Chairman Pfannenstiel.
20 We will be developing the 2008 and 2009
21 reports concurrently. I just want to give a brief
22 overview of the schedule and the process.
23 We're going to hold the first scoping
24 hearing on April 28th. The Committee identified,
25 in the notice for that hearing, six topics for the

1 2008 IEPR update. These include evaluating what's
2 needed for California's electricity system to
3 support a 33 percent renewable level by 2020, more
4 clearly identifying the amount of energy
5 efficiency that's embedded in the Energy
6 Commission's demand forecast.
7 Developing a common portfolio analysis
8 methodology with the objective of influencing the
9 long-term procurement plans submitted by utilities
10 at the PUC. Summarizing the joint PUC/Energy
11 Commission decision expected in August of this
12 year of the AB-32 proceeding on auctioning and
13 allocation of allowances. And also identifying
14 any outstanding questions after that decision is
15 adopted that should be pursued in the 2009 IEPR.
16 Assessing nuclear power plant
17 vulnerability as directed by Assembly Bill 1632.
18 And evaluating the CPUC's self-generation
19 incentive program as required by Assembly Bill
20 2778.
21 The Committee anticipates holding
22 workshops and hearings during June and July of
23 this year on the 08 update; having a draft report
24 by September; and adopting in early November of
25 this year.

1 For the 2009 IEPR we'll cover the broad
2 requirements that are in Senate Bill 1389. The
3 Committee has asked, in the notice for the April
4 28th workshop, for parties to identify any other
5 areas of focus that they feel are needed.
6 The Committee is going to look at the
7 results of that workshop and develop a more
8 detailed list of topics and questions, and hold a
9 second scoping hearing in early June covering only
10 the 09 IEPR.
11 We'll be holding workshops on the 09
12 IEPR during the first half of that year, and
13 expect to adopt in November of that year.
14 So, I'm asking for approval for the
15 OIIP, and I'd be happy to answer any questions you
16 may have.
17 CHAIRPERSON PFANNENSTIEL: Thank you,
18 Suzanne. Are there questions?
19 COMMISSIONER BYRON: If I may.
20 CHAIRPERSON PFANNENSTIEL: Yes,
21 Commissioner Byron.
22 COMMISSIONER BYRON: Just some remarks
23 before I move it. I've come to realize this is an
24 extremely important part of what the Energy
25 Commission does.

1 And my predecessors have set a very high
2 bar with the IEPR. So I'm glad to see that the
3 Chairman is my Associate Member, as we go forward.
4 I would hate to do this without you.
5 And the plan here is to focus on those
6 issues that we're required to do in this interim
7 IEPR, as well as some key issues we've identified.
8 And the scope just seems to keep getting bigger
9 all the time.
10 That's why I'm also extremely pleased
11 that we now have Suzanne Korosec managing this
12 work.
13 CHAIRPERSON PFANNENSTIEL: Here, here.
14 COMMISSIONER BYRON: Yes, very much.
15 And look forward to all the additional cooperation
16 and effort on the part of the staff to support her
17 in completing this task.
18 So, having said all that, I would like
19 to move this item.
20 CHAIRPERSON PFANNENSTIEL: Thank you,
21 Commissioner Byron. Is there a second?
22 COMMISSIONER ROSENFELD: Second.
23 CHAIRPERSON PFANNENSTIEL: All in favor?
24 (Ayes.)
25 CHAIRPERSON PFANNENSTIEL: You have your

1 OIIP, Suzanne.

2 MS. KOROSEC: Thank you very much.

3 CHAIRPERSON PFANNENSTIEL: Item 8,

4 possible approval of the 2007 net system power

5 report as required by the power content disclosure

6 program. Good morning.

7 MR. METZ: Good morning. I'm Daryl Metz

8 with the electricity analysis office, with Al

9 Alvarado, Manager of the office. The net system

10 power report, I'm here to ask for possible

11 approval of the 2007 net system power report as

12 required by the power content disclosure program.

13 The Energy Commission is required to

14 annually report net system power as part of this

15 program. Net system power is the mix of

16 electricity for which there's no identifiable tie

17 between the California load-serving entities and

18 any particular electric generator. Hence, no

19 identifiable energy source.

20 These would include natural gas, hydro,

21 nuclear, biofuels, solar, wind, coal and

22 geothermal. It should not be confused with total

23 system power, or the overall mix for California.

24 Retail suppliers are required to

25 disclose the mix of energy sources used to

1 generate electricity in quarterly statements to
2 customers. They use the net system power mix in
3 these calculations to impute the types of energy
4 sources to the portion of power that they cannot
5 tie to specific sources.
6 This year there were several changes to
7 the report. First, we had more explanation of
8 what net system power is and how it was
9 calculated.
10 Second, we made a distinction between
11 power that was produced out of state and owned by
12 California utilities or California entities and
13 imported into the state, so that now imports
14 accurately reflect the geographic boundaries of
15 the state.
16 Several plants that were located out of
17 the state were counted as California generation.
18 They are used here, but they were reported -- now
19 they're reported in the import category.
20 Thirdly, we used specific claims by
21 California utilities, reports of purchases from
22 out-of-state power to better characterize the mix
23 of power, of imported power.
24 Claims of specific purchases by
25 California utilities were removed from the

1 regional inventories. The regional mix, excluding
2 those purchases, was calculated, and that mix was
3 used to assign the fuel mix, or I should say
4 energy source mix to nonspecified imports for that
5 region.
6 And hopefully these changes will make
7 less confusion about what net system power is, and
8 make it, in general, more consistent with the ARB
9 inventory of imports.
10 With that, I hope you'll consider this
11 for adoption.
12 CHAIRPERSON PFANNENSTIEL: Thank you.
13 Somebody'd like to speak on this. Why don't we do
14 that, take those comments now.
15 MR. MILLER: Thank you. I'm Taylor
16 Miller with Sempra Energies, speaking on behalf of
17 SDG&E today. We submitted a comment letter, been
18 in communication with Mr. Alvarado the last few
19 days concerning what I would just say is a
20 transitional issue between the power content label
21 approach required by legislation from 1998, and
22 the newer world of AB-32.
23 The concern we have is I don't think
24 there's any dispute about it between us and staff,
25 and incidentally we support the report and believe

1 the report is certainly a good step in the right
2 direction to add specificity and more accuracy to
3 reporting.
4 On page 10 of the report the statement
5 is made that a new analytical approach for imports
6 is necessary to more accurately characterize how
7 different types of generation facilities are
8 likely to participate in the regional electricity
9 markets.
10 This is fairly esoteric stuff and I
11 don't pretend to be able to get into it in detail,
12 but the bottomline is that we feel that the net
13 system power calculation -- let me put this more
14 accurately. The unspecified imports component of
15 the net system power calculation does give a
16 different result in assessing the GHG, greenhouse
17 gas emission aspects of imports than does the ARB-
18 adopted reporting methodology.
19 And my belief and expectation is that
20 this problem will be worked out with no problem
21 for the 2008 net system power report. And we're
22 certainly happy to cooperate with staff to do
23 that.
24 Our suggestion is that if you turn to
25 page 12 of the report there's two findings listed.

1 We would recommend having one additional finding
2 just so that there is no confusion about what the
3 import -- excuse me, what the implication of the
4 net system power calculation is in the context of
5 greenhouse gases.
6 I'm not sure if you have our comment
7 letter there with you, but we would suggest that
8 the finding be added, the net system power fuel
9 use does not establish a representative greenhouse
10 gas profile of electricity imports. The power
11 content label should not be used to estimate a
12 utility's greenhouse gas emissions associated with
13 this generation and power purchases.
14 And we have found in various contexts
15 that the public does have some confusion about
16 this. As you may know, SDG&E -- well, you
17 probably don't know -- has been a member of the
18 California Climate Action Registry for several
19 years and has reported its emissions to the
20 Registry.
21 And we are actually one of the lower
22 overall carbon footprint utilities in the state.
23 So we do find that we get some misunderstanding of
24 the nature of our whole system emissions when the
25 power content label is referred to by the public.

1 So, with that, I'll end. I know these
2 reports are difficult to change at the last
3 minute. And if this cannot be comfortably done
4 today, that's fine. We think it might be useful
5 if that's not -- decision to request staff to work
6 with ARB and CCAR to maybe provide some sort of
7 written statement, of a semi-official nature, from
8 the Commission to those other agencies that then
9 can be referred to by SDG&E or other utilities
10 when they're dealing with this issue in other
11 contexts.
12 So, I know this was a five-minute item,
13 and I've already gone beyond that, so.
14 CHAIRPERSON PFANNENSTIEL: Thank you.
15 Commissioner Byron, question?
16 COMMISSIONER BYRON: No, Mr. Miller, by
17 all means, we appreciate your comments. And we
18 appreciate that you got them to us as quickly as
19 you did. This report, we have struggled with in
20 our Electricity and Natural Gas Committee. And I
21 think predecessors have struggled with it, as
22 well. Nowhere near as much as probably the staff
23 has.
24 It certainly started out as a great
25 idea, by the legislative requirement. And I would

1 like to end our production of this report. But my
2 staff reminds me that's not my job. It's the
3 Legislature's job to make those decisions.
4 But the meaningfulness of this report
5 has declined, and it's become extremely difficult
6 to try and make this sow's ear into a silk purse.
7 I think the staff's done a very good job in trying
8 to do that. And I think your recommendation for a
9 revised finding is a good one.
10 However, I did ask the staff if it made
11 sense consistently with the report that we've
12 produced. And the staff has indicated an
13 alternative finding that I'd like to propose
14 instead. And I'll read that in a moment.
15 But, I think, given the limitations of
16 the data that's available to us, and the timeframe
17 by which this data comes in and the report's made
18 available, it's extremely difficult. And we've
19 put a lot of pressure on those like yourself to
20 provide comments. So please, don't apologize for
21 your comments being at the late date and the need
22 to make any changes. Like I said, we appreciate
23 them very much, because we didn't give you much
24 time.
25 Having said all that, I would like to

1 suggest an alternative finding, too. In fact, Mr.
2 Alvarado, if I may ask, the suggested language
3 that you provided me, is that to replace the
4 existing finding, too?
5 MR. ALVARADO: No, it would be in
6 addition to the findings, so it would be a third
7 finding.
8 COMMISSIONER BYRON: Okay.
9 CHAIRPERSON PFANNENSTIEL: So it would
10 be in lieu of the San Diego-proposed finding?
11 MR. ALVARADO: Right.
12 COMMISSIONER BYRON: Yeah, so it would
13 be a third finding in the report on page 12, if I
14 may read it, as suggested finding:
15 The net system power fuel used does not
16 establish a representative greenhouse gas profile
17 of electricity imports. The power content label
18 should not be used to estimate a utility's
19 greenhouse gas emissions associated with its
20 generation and power purchases.
21 And, Mr. Alvarado, would you like to
22 comment or add anything with regard to the reason
23 you've suggested this finding?
24 MR. ALVARADO: Well, actually it is the
25 recommendation from San Diego Gas and Electric.

1 And upon reviewing their letter, we do think it's
2 appropriate. The report does already identify
3 problems associated with the methodologies for
4 estimating the resource mix. And I think this
5 recommended language really just is an extension
6 of the problems we've already identified.
7 COMMISSIONER BYRON: Good. So, Mr.
8 Miller, I assume then you would find that finding
9 acceptable?
10 MR. MILLER: I can't argue with adoption
11 of the language I proposed, no.
12 COMMISSIONER BYRON: Well, it is
13 slightly --
14 (Laughter.)
15 COMMISSIONER BYRON: -- different, I
16 noted. And I was not aware that the discussion
17 had taken place, so, good.
18 MR. MILLER: Yeah, I think that's fine.
19 Thank you very much. We certainly appreciate your
20 consideration of our recommendation.
21 COMMISSIONER BYRON: So, Madam Chair,
22 I'd like to propose that addition. I suspect
23 maybe other Commissioners have something they may
24 want to discuss, as well.
25 CHAIRPERSON PFANNENSTIEL: I think they

1 may have other comments.
2 COMMISSIONER BOYD: Yes.
3 CHAIRPERSON PFANNENSTIEL: I also see
4 Kathy Treleven from PG&E would like to make a
5 comment. So, why don't you come up and make a
6 comment. Then we'll see what further discussion
7 ensues.
8 MS. TRELEVEN: Hi, this is Kathy
9 Treleven from PG&E. I'm one of the people who
10 shepherds our power content label from the
11 procurement people through the communications
12 folks.
13 And I just wanted to make two comments.
14 First of all, I've had a hard time explaining net
15 system power to folks. And this is the best
16 description of both what it is, and the problems
17 associated with it, that I've seen in a long time.
18 And it will be very helpful to me in my work.
19 And secondly, although I support the
20 concerns of SDG&E and the same concerns that are
21 reflected in this report, I wanted to raise a
22 slightly different issue. And that is there's
23 also just the cosmetic concern with the net system
24 power. That's a lot simpler problem to solve than
25 all of the associated issues that come in with

1 imports and greenhouse gas.
2 And PG&E is very interested in working
3 to clean that up soon, perhaps through
4 legislation. And we look forward to working with
5 anyone who would like to do that.
6 Clearly a better comparitor would be
7 what used to be called the gross system power; I
8 think it's now called total system power. Wanted
9 to -- comment on that.
10 CHAIRPERSON PFANNENSTIEL: Thank you,
11 Kathy.
12 COMMISSIONER BYRON: Yes, thank you.
13 CHAIRPERSON PFANNENSTIEL: I see Manny
14 can't resist putting in the Edison comment.
15 MR. ALVAREZ: Manuel Alvarez, Southern
16 California Edison. I guess I'm just -- lend our
17 support to the proposal. But I guess I won't be
18 as kind as other folks. I mean I think we all
19 recognize that this document and this net system
20 power is an artifact of a different era. So I
21 don't think we can make it into a silk purse.
22 So I would definitely suggest that you -
23 - adopt it, so, (inaudible).
24 CHAIRPERSON PFANNENSTIEL: Thank you,
25 but I would suggest that the utilities who have

1 made an expressed concern, and clearly a concern
2 that we all share because we tried to write the
3 report accordingly, could take the lead in going
4 to the Legislature and getting it repealed, so
5 that we don't all have to go through this exercise
6 every year.
7 MR. ALVAREZ: Actually, that's --
8 CHAIRPERSON PFANNENSTIEL: So when
9 you're thinking of your next year's legislative
10 agenda, it might be something you would put on it.
11 MR. ALVARADO: Right, I'll take that up
12 and I'll have my discussion with San Diego and
13 PG&E.
14 COMMISSIONER BYRON: We'd welcome that
15 help, and we will certainly cooperate on that.
16 MR. ALVARADO: Thank you.
17 CHAIRPERSON PFANNENSTIEL: Are there
18 other questions or concerns about this --
19 COMMISSIONER BOYD: Just a comment.
20 This report has been a problem for the entire
21 duration of my tenure on this agency.
22 (Laughter.)
23 COMMISSIONER BOYD: And I support the
24 last witness' comment. We have tried and failed
25 to put this report to rest forever. And I would

1 just join the Chairwoman in indicating that, you
2 know, we would really appreciate you all getting
3 together and carrying this burden to the
4 Legislature. We can't seem to get any chits spent
5 on it, so we keep cranking out the report, trying
6 to make it better. And it's never going to be
7 able to make it all the way.
8 So, I would just support -- once again
9 we're in a position of trying to make it
10 understandable, making it better. I commend the
11 staff. I do think that the SDG&E recommendation
12 that Commissioner Byron referenced is advisable.
13 But, Mr. Alvarado, I wanted to ask you a
14 question, because in response you wrote us all an
15 email on this subject first saying that the staff
16 would support the San Diego language.
17 But you also -- San Diego raised the
18 issue of the reporting decision that was made
19 sometime ago, and in language in there that I'm
20 going to quote, in that particular report we said,
21 quote, "This interim default emission factor
22 should be replaced with that is derived from a
23 common set of rules that will be developed by the
24 Governor's Western Climate Initiative." And you
25 cite page 42 of the decision.

1 Would it add value to this already
2 confused report to even make reference to that
3 language as facilitating a possible solution to
4 this issue over the long run? Or not?
5 You referenced it as further evidence of
6 the problems that this report gives all of us and
7 a lot of folks. I just wondered -- my office was
8 wondering if it would help to add that language
9 even; or a citation to that report and the
10 language in that report.
11 MS. CHANDLER: If I could respond. We
12 could note that in the text of the report, but I'm
13 not sure that it raises to the level of a finding.
14 If that would be okay?
15 COMMISSIONER BOYD: It's not a -- you're
16 correct, it's not a finding. I think referencing
17 in the text just gives people some guidance that
18 the issue is also being addressed in yet another
19 forum, one that ultimately may provide the right
20 kind of data that everybody will be using to try
21 to describe the situation.
22 MS. CHANDLER: I think we can do that.
23 COMMISSIONER BOYD: Well, with the
24 permission of my fellow Commissioners, when we do
25 make our motion.

1 CHAIRPERSON PFANNENSTIEL: Further
2 questions, discussion?
3 I would comment on behalf of the
4 Renewables Committee, we also struggled with
5 making this report meaningful. And I think that
6 this year I actually think that the write-up is
7 better because it's very clear in terms of what it
8 is and what it isn't.
9 And, you know, even with the ultimate
10 suggestion that we eliminate the requirement of
11 producing the report, at least I think it's going
12 to be less confusing this year than perhaps in the
13 past.
14 With that, and with the two changes that
15 have been proposed here, the additional finding,
16 as proposed by Commissioner Byron, and the
17 additional words in the text as proposed by
18 Commissioner Boyd, is there a motion to approve
19 the report with changes?
20 COMMISSIONER BYRON: I'll make that
21 motion.
22 COMMISSIONER BOYD: I'll second it.
23 CHAIRPERSON PFANNENSTIEL: All in favor?
24 (Ayes.)
25 CHAIRPERSON PFANNENSTIEL: Thank you

very much.

COMMISSIONER BYRON: Madam Chair, I'd also like to thank the staff. I think they've done a very good job on this. However, I'd certainly like to see their skills and resources applied to something more useful. And I'm sure they would, as well.

COMMISSIONER BOYD: Than trying to make gold out of lead.

CHAIRPERSON PFANNENSTIEL: Item 9, possible approval of the 2007 PIER annual report to the Legislature. Mr. Kelly.

MR. KELLY: My name is Thom Kelly. Previously policy wonk, now Deputy Director for the R&D division.

And I am extremely pleased today to provide to you the draft, proposed final draft of the annual report on the PIER program.

This version is somewhat different from previous versions. We've taken into account suggestions for improvement. Some people have called it flak, on what we've done for some self-serving, intensely dense report, and not what the Legislative Staff and others have desired to be seen.

1 So, we took a novel approach this year
2 and didn't go back to previous reports. We went
3 back to the legislation, PRC 25620.8, to ask what
4 it was that we were being asked to provide.
5 And I'll call your attention to five
6 things. One of those things is the introduction
7 on page 1. The first paragraph sets out what we
8 were asked for, the names of the award recipients,
9 how much money we spent, what was the title of the
10 projects we funded, what were the costs of the
11 projects and benefits and successes.
12 And so it's listed. The appendix is
13 many pages listed by category each one of the
14 projects that we funded from January 1st to
15 December 31st. So we're as exhaustive as we could
16 be in terms of providing that information.
17 Part of my new job is increasing the
18 transparency of the program. And this is one way
19 we're doing it, by saying in what I hope is
20 readable English, the kinds of things that people
21 would like to hear. If there's a problem with it,
22 for future improvement let me know. I feel some
23 ownership to making sure that it's right.
24 The second item I'd like to call your
25 attention to is the number of pages. It's only 25

1 pages. In previous reports it's been over 100
2 pages. And we've boiled it down to the
3 essentials. And I think that makes it a lot
4 easier for people to read that we intend to have
5 read it.
6 A third thing I want to call your
7 attention to is the pie chart on page 3. This is
8 a major departure. In the past we included for
9 historical reasons figure 1 pie chart; it's the
10 way we used to report things, which is by
11 organizational unit within the Commission, which
12 didn't find a lot of traction outside the Energy
13 Commission. And it was tough to understand inside
14 the Commission.
15 So, we changed it to what SB-1250 asked
16 us for. And the categories on figure 2, the pie
17 chart, are around from the noon hour clockwise,
18 the same categories that 1250 asked us to report
19 on. So we did it by that way.
20 There's been a lot of interest, also,
21 even though 1250 didn't specifically ask for it,
22 in buildings. How much of our research is going
23 to improving the building envelope in the state.
24 And we've called that out in figure 2 as a
25 separate little item that shows a significant

1 portion of our funds are going to improve
2 buildings in the state.
3 The fourth thing I'll call your
4 attention to is sort of all of one chapter,
5 starting on page 14, which has to do with costs
6 and benefits. How we assure costs and benefits.
7 And we're taking a lot of steps to improve.
8 And I'll skip to the bottom line. We
9 have a contract with KEMA that is starting to
10 develop a standardized methodological approach
11 that we can use to apply to not only PIER R&D, but
12 all kinds of R&D programs.
13 And I'm hoping for $504,000 is not going
14 to be the final answer, but it's going to lead us
15 towards the final answer. We're going to apply it
16 in 2008.
17 We've already started working on the
18 2008 annual report, and that's the last thing I
19 want to call your attention to on page 22. This
20 is in the appendix, which some people will not
21 read because it's really back in the appendix.
22 But we have a table that for 2007 we
23 weren't able to quantify. It shows some of the
24 technologies that we've been working on funding
25 that gets its way into the building standards. It

1 affects Title 24.
2 And staff have begun to estimate those
3 impacts of these technologies, although it's a
4 little bit tough to get them to put their name to
5 a number because it's so difficult to estimate.
6 Partly because the energy savings that are
7 calculated for building standards typically are
8 used on the prescriptive part. You got to have so
9 much insulation in ceilings and so much in the
10 walls and so forth.
11 But beyond that we have the building
12 envelope within which you can operate many
13 different kinds of technologies and combinations
14 to increase the energy efficiency of the
15 buildings, both residential and commercial.
16 And most of our technologies fall into
17 that kind of category. They're an innovative way
18 of using it, not the prescriptive way.
19 But even with that professional judgment
20 thus far for staff, what they are willing to state
21 is that probably between 5 and 10 percent of the
22 energy savings resulting from the building
23 standards can be attributed to these technologies
24 that we have listed in table A-1.
25 Now, when I take the total savings for

1 the building standards over the lifetime of the
2 standards, and say for the tenth year, and
3 assuming the 5 percent level, which is a more
4 conservative level that I think most of the
5 building staff would be a lot more comfortable
6 with, it comes out to about 280 gigawatt hours per
7 year by the tenth year.
8 And, of course, that increases every
9 year beyond as new buildings are built. And that
10 translates further to 140,000 metric tons of CO2,
11 which is not put into the atmosphere anywhere
12 else, sequestered. So those are pretty
13 impressive.
14 When we calculate over the lifetime of
15 the buildings and the building standard lifetime,
16 it turns out to save consumers 92.7, which sounds
17 really precise for this sort of expert judgment.
18 But it calculates to $92.7 million. And that's
19 significant.
20 So that will appear in the 2008 annual
21 report when we finally settle on a better number.
22 So I ask that you please adopt this so we can send
23 it to the Legislature.
24 CHAIRPERSON PFANNENSTIEL: Thank you,
25 Mr. Kelly. I have a couple observations and a

1 couple questions.
2 My first observation is you're entirely,
3 you're exactly right, this is a vast improvement
4 over past reports. It's clearer; it's more
5 concise; it's more direct. I think it's more
6 objective and I really appreciate the effort that
7 was put into this. I was able to really
8 understand what's going on here, for the most
9 part.
10 So, let me ask my questions. First, you
11 mentioned that you re-designed this report to be
12 more responsive to the legislation and the
13 legislative staff input. Did you -- have you
14 previewed this with them? I know that there was a
15 lot of interest on the part of the legislative
16 staff over the past year, including from last
17 year's report to now, and a lot of dissatisfaction
18 expressed.
19 Do we know this is what they were
20 looking for?
21 MR. KELLY: Not specifically, no. What
22 this reflects, though, is what we've learned from
23 our various budget and policy meetings with the
24 legislative staff in the last five months. So
25 everything that they raised, all the issues --

1 like the buildings interest, everything they
2 raised we included here.
3 Some of the things which -- did I say
4 right off the bat we did not share this with them
5 yet? We haven't shared it. This is our first
6 shot at trying to honor that.
7 But, we understand that they asked for
8 more information about how our programs are going;
9 what direction we're going; what strategically how
10 does this fit into the strategy going forward.
11 And we have not revised our strategic
12 plan, which this report actually doesn't ask for a
13 strategic plan, but it would like to have more
14 information about how this fits towards the
15 strategic plan.
16 Since the Legislature has not approved
17 the previous strategic plan, the 2006 plan, we
18 didn't want to wait for showing progress towards
19 their new goals.
20 One of the questions, one of the reasons
21 that they have a concern about what direction
22 we're going strategically was because previous
23 reports didn't -- you couldn't figure that out.
24 It didn't appear to respond.
25 So, by re-ordering our priorities and

1 reporting it according to the way they asked us to
2 do, we're showing that we're moving in the
3 strategic way that they've asked for.
4 We're proposing to do a -- prepare a new
5 strategic plan that we hope they will find more to
6 their liking in the next fiscal year. We're
7 putting it into our workplan process, to see how
8 it all fits.
9 After that I expect them to be then
10 complaining about the particulars of the work --
11 or show concern about particular parts of the
12 strategic plan, as opposed to not having one.
13 Which is the biggest single complaint I expect
14 they would have against the annual report.
15 CHAIRPERSON PFANNENSTIEL: I think I
16 would suggest that when this report is adopted and
17 is public, that you spend some time sitting down
18 with the legislative staff people who expressed
19 interest and seeing if it meets their needs, or if
20 there are changes that should be made the next
21 time.
22 MR. KELLY: We'll do it.
23 CHAIRPERSON PFANNENSTIEL: My second
24 question, again maybe more in the way of a
25 suggestion. You changed your presentation from

1 figure 1 to figure 2 with two different pies,
2 which, of course, then makes it hard to track from
3 figure 1 to figure 2 and find out what's happening
4 with the different programs. And I couldn't find
5 anywhere in here that it tells me.
6 So, maybe we need some translation of
7 what's happened, you know, definitionally we see
8 what's happened, but we haven't seen what's
9 happened in terms of the allocations to different
10 programs. That might be an interesting piece of
11 information.
12 MR. KELLY: We can put that together.
13 The reason it wasn't done for this is because it
14 turns out to be extremely time consuming. Because
15 the organizational -- as you know, we have a
16 project tracking system that is incredibly
17 detailed. But it does not have flags or
18 indicators to show how that information relates to
19 the new direction.
20 So, of the some 500 contracts or so that
21 we would be looking at, and subsequent work
22 authorizations and agreements, people have to go
23 back, the contract managers have to go back. And
24 even if the contracts have already been completed
25 and closed out, we'd have to go back in, open them

1 up and go through each and every one to find out
2 how much it's going to be. And that's, in some
3 cases it'll take a day of contract to do.
4 So I decided for this report that I
5 wouldn't --
6 CHAIRPERSON PFANNENSTIEL: Well, maybe
7 there's a --
8 MR. KELLY: -- have that happen.
9 CHAIRPERSON PFANNENSTIEL: -- some
10 shorthand way of tracking that kind of
11 information.
12 MR. KELLY: We can approximate the ones,
13 I think, probably like a 90 percent -- I'm pulling
14 that out of the air, but I think we can get a
15 pretty close thing, and we'll provide that.
16 CHAIRPERSON PFANNENSTIEL: And then the
17 other question you have presented, I think clearly
18 and factually, just where the dollars went. But
19 there's no indication at any level of how the
20 decisions were made to allocate x percent to
21 buildings, for example, or x percent to something
22 else.
23 I think to some of those it's based on a
24 strategic plan, to some extent it's based on R&D
25 Committee input. I think in some of those it's

1 probably legislative requirements that we address.
2 And so just to give the readers, and frankly
3 myself, I'm not on the R&D Committee, a sense of
4 how the decisions were made to allocate these
5 monies would be useful.
6 MR. KELLY: Are you suggesting that --
7 we'll do that for --
8 CHAIRPERSON PFANNENSTIEL: No, I'm not
9 suggesting you change this report. I'm not --
10 these are not suggestions to change what's in
11 front of us today, but rather supplemental
12 information to the Commission or perhaps future
13 reports.
14 Other questions or comments?
15 COMMISSIONER BOYD: A quick comment.
16 I've read every iteration of this report
17 throughout preparing to bring this forward, and I
18 would agree, Mr. Kelly, you've done a good job and
19 the staff has done a good job of making it a
20 better product. More understandable to the
21 somewhat lay audience who will read it.
22 We did have the discussion the Chairman
23 just broached about following the dollars. I
24 realize that's quite complicated. I've read this
25 very thoroughly in the past, and would commend you

1 for the good job.
2 I think, as indicated, it should track a
3 strategic plan that we're yet to develop a new one
4 for. And that strategic plan presumably, and
5 maybe -- and to some degree the current one,
6 although I didn't really participate in it,
7 reflects the Integrated Energy Policy Report which
8 is our strategic plan for the organization. And
9 we are our own best client for all this research.
10 So, I think you've gone a long way
11 towards bridging that. And I think, as indicated,
12 as we do this report next year and in concert with
13 having a new strategic plan that would track the
14 IEPR, we'd be able to explain that even more
15 thoroughly to the interested stakeholders.
16 And I agree a hundred percent with the
17 Chairman's suggestion that as soon as this is done
18 and out the door, that you schedule time with the
19 legislative staff who expressed so much interest,
20 and walk them through it; and as indicated, openly
21 solicit their input to help us with future
22 reports.
23 Because basically it's meeting a need
24 that they feel they have to understand our
25 program. And we need to comply with that. So

1 that was my only comment.
2 CHAIRPERSON PFANNENSTIEL: Other
3 comments, questions? Is there a motion?
4 COMMISSIONER ROSENFELD: I'm ready to
5 move the item. I want to echo Commissioner
6 Pfannenstiel's and Commissioner Boyd's comments.
7 I think that I've been through every iteration of
8 this. It's a lot easier to deal with 25 pages
9 than 100 pages. And maybe you can get it down to
10 20 the next time.
11 Anyway, I move the item.
12 COMMISSIONER BYRON: Madam Chair.
13 CHAIRPERSON PFANNENSTIEL: Yes,
14 Commissioner Byron.
15 COMMISSIONER BYRON: I, too, think it's
16 a vast improvement. I learned a great deal
17 reading this report. However, I'm also learning
18 we do a lot of good things here at the Commission,
19 and I think PIER does a lot of good work.
20 And as I'm learning from Commissioner
21 Douglas in a number of our recent meetings with
22 legislators on another issue, the message and
23 communication of it is extremely important. So I
24 also concur with Commissioner Boyd's
25 recommendation with regard to spending some time

1 with the legislative staff communicating these
2 things to them.
3 So I will second it. I think policy
4 wonk does good here. This is a good improvement
5 on this report.
6 CHAIRPERSON PFANNENSTIEL: It has been
7 moved and seconded.
8 All in favor?
9 (Ayes.)
10 CHAIRPERSON PFANNENSTIEL: Thank you,
11 Thom.
12 COMMISSIONER BOYD: Thom, I trust the
13 appendix is going to raise lots of questions.
14 CHAIRPERSON PFANNENSTIEL: No doubt.
15 Approval of minutes from the April 2nd meeting.
16 COMMISSIONER BOYD: Move approval.
17 COMMISSIONER ROSENFELD: I abstain.
18 COMMISSIONER DOUGLAS: Second.
19 CHAIRPERSON PFANNENSTIEL: In favor?
20 (Ayes.)
21 CHAIRPERSON PFANNENSTIEL: Thank you.
22 Commission presentations. Let me -- I
23 think that Commissioner Boyd has a presentation he
24 wants to offer us.
25 But let me just make a note that next

1 week, Monday and Tuesday, April 21st and 22nd, the
2 AB-32 Committee, AB-32 electricity structure
3 Committee, which is Commissioner Byron and myself,
4 will be participating in a joint workshop with the
5 PUC in San Francisco. Two days to discuss where
6 we are now on the electric industry rules under
7 AB-32.
8 We have a document that has been under
9 preparation still. I don't know that it has been
10 posted yet. That is a next phase document
11 describing some options for allocation of
12 allowances, allocations and options.
13 That should be posted shortly, and that
14 will form, I believe, the basis for the workshop
15 on the 21st.
16 Then on the 22nd there will be
17 presentations by the consultant, E3, on the model
18 that they have put together.
19 Commissioner Byron and I will be there,
20 I'll only be there on Monday, I don't know whether
21 he'll be there both days.
22 COMMISSIONER BYRON: If the second day
23 is still on I plan to be there for both.
24 CHAIRPERSON PFANNENSTIEL: I believe it
25 is. And other PUC Commissioners, I'm not sure who

will be there. But certainly other of the Energy Commissioners are welcome to attend, also.

Commissioner Boyd, we have something there.

COMMISSIONER BOYD: Thank you. Yes, that futuristic device sitting on the rim there is -- at our last meeting I did mention that the previous weekend I'd had the pleasure of representing the Commission at the first annual award ceremony of the Aspen Institute, which had their first ever environmental forum in concert with National Geographic Magazine and a lot of high-powered corporate sponsors.

And the Energy Commission -- they had four categories of awards: to an individual, to firms and to government. And the Energy Commission was the government recipient of this award, which was given really for our solar program, but most specifically the million solar roofs activity that we're involved in.

But I said when they shipped the trophy I would display it for you all. And they did ship it. And here it is. It was crafted by a sculptor who happens to be one of the Fellows of the Aspen Institute, who tried to convey the rather

1 futuristic look of things. I think it's very
2 attractive.
3 In any event, I want to just show this,
4 present this to the staff and the Commissioners
5 for what I think was a very deserving and welcome
6 recognition for the hard work.
7 And I would say that through the course
8 of my time there, not only in this field, but in
9 lots of the fields that the Energy Commission
10 works, if not all of them, there were many people
11 who -- we are well recognized and very highly
12 complimented by folks from all the various
13 environmental communities and individuals.
14 Some senior, very senior national
15 environmentalists and people who care about the
16 planet were in attendance. and took note of the
17 work of the California Energy Commission.
18 So I think the Commission can be quite
19 proud and hopefully the Executive Director can see
20 that we get some form of notoriety for this. And
21 I'm sure -- I think there were some nice press
22 releases issued and what-have-you.
23 But, it is yours, Melissa, to display in
24 the display case that I'm still waiting after six
25 years to see constructed. Because I've brought

1 back other plaques and awards and I have no idea
2 where they've ended up.
3 (Laughter.)
4 EXECUTIVE DIRECTOR JONES: So I need to
5 have a cabinet.
6 (Laughter.)
7 COMMISSIONER BOYD: I would strongly --
8 EXECUTIVE DIRECTOR JONES: I've got it
9 on my list to do.
10 CHAIRPERSON PFANNENSTIEL: Thank you,
11 Jim. Thank you for representing us, and thanks
12 for bringing it back to us.
13 Any other Commissioner comments?
14 Chief Counsel report, Mr. Blees.
15 MR. BLEES: Nothing today, thank you.
16 CHAIRPERSON PFANNENSTIEL: That's good
17 news, thank you.
18 Executive Director report.
19 EXECUTIVE DIRECTOR JONES: In the
20 interest of brevity, nothing to report.
21 CHAIRPERSON PFANNENSTIEL: Thank you.
22 Leg Director. Marni.
23 LEGISLATIVE MANAGER WEBER: Good
24 morning, Chairman and Commissioners. I'm going
25 to have a really brief report, just to bring you

1 up to speed on what's happening in the Legislature
2 right now.
3 We are currently participating in budget
4 hearings. We had one this morning. We have the
5 Senate the week of the 28th. And as you bring up
6 the AB-32 issue, they are going to have a separate
7 hearing on AB-32 that will combine all the
8 different departments to discuss the BCPs and the
9 coordination of AB-32 activities.
10 This Friday is the deadline for fiscal
11 bills to get out of committees, so we should --
12 we're seeing a flurry of bills in committees, and
13 we'll see a lot of bills hitting the
14 appropriations committee in the next couple of
15 weeks.
16 Just a note. The Assembly has made a
17 statement that any bill that has costs associated
18 with it over $50,000 will be held on suspense. So
19 we won't see a lot of bills moving out of the
20 Assembly for a time, probably until after the
21 budget has been settled.
22 And that's my report for today.
23 CHAIRPERSON PFANNENSTIEL: Thank you,
24 Marni.
25 LEGISLATIVE MANAGER WEBER: You're

1 welcome.
2 CHAIRPERSON PFANNENSTIEL: Public
3 Adviser report.
4 MS. SPEAKER: (inaudible).
5 CHAIRPERSON PFANNENSTIEL: Nothing to
6 report, thank you.
7 Public comment. I see Jane Luckhardt
8 representing Eastshore Energy.
9 MS. LUCKHARDT: Yeah, and I'm really
10 here to talk about schedule and schedule delays in
11 permitting. Eastshore just happens to be my
12 poster child example.
13 But, you know, there have been a lot of
14 delays that a lot of my clients are seeing in
15 permitting of projects. And I would be the first
16 to admit that many of the delays have been caused
17 by the projects, themselves.
18 But there are instances, and there are
19 projects where there have not been project-caused
20 delays. Where the project proponents have not
21 changed the project. Where the other commenting
22 agencies, such as air districts, be it Fish and
23 Wildlife, Fish and Game, or any of the other
24 agencies we typically seek comment on projects,
25 show up and take an extended period of time to

1 conduct their review, which then delays the Energy
2 Commission process.
3 But, you know, I have a couple of
4 projects that don't have either of those issues,
5 and yet they are suffering delays. And those
6 delays have real cost impacts. They have real
7 cost impacts to the consumers.
8 I am being told that project developers
9 are seeing up to 30 percent and greater increases
10 in costs to prime movers, so the turbine costs are
11 going up, not just the balance of equipment costs.
12 They are seeing increases in costs based
13 on the falling dollar that is adding to these
14 additional costs if they're buying equipment that
15 is based in euros or a different currency.
16 Also delays if they are in a contract
17 situation with the utility will often carry with
18 them liquidated damages charges. And although not
19 all of these costs can be passed on to the
20 consumers, many of these contracts are being
21 renegotiated, re-evaluated, and the costs do carry
22 on to the consumers.
23 And I find it of great concern that when
24 we're looking at especially gas-fired generation
25 we are adding additional unnecessary costs onto

1 the charge and the consumer-related ultimate fees
2 for our gas-fired generation. We have and will be
3 spending, as California's consumers, quite a bit
4 more for the additional solar generation that
5 we're all trying to get permitted and online. Not
6 only to meet the RPS requirements, but also the
7 greenhouse gas requirements.
8 With additional wind generation we have
9 balancing issues that come along with the wind
10 generation and over-generation at night.
11 All of these things add to the general
12 cost that consumers will be paying. And not only
13 that, it makes it very very difficult for
14 developers to understand how long it will take to
15 get through the process.
16 When they're negotiating with a utility,
17 if they are a contracted entity and it's a
18 contracted project, they need to have some general
19 idea of how long it's going to take to get through
20 the Energy Commission process.
21 Now, I've been telling my clients for
22 quite awhile that it's not going to be a year.
23 And usually they have some float around that. But
24 they don't have endless float, no one does.
25 Especially with very tight online dates, such as

1 the PG&E contracts.
2 And I do bring to your attention simply
3 because yesterday we received a notice from
4 Commissioner Byron's Office and the Committee on
5 the Eastshore project that that decision will be
6 delayed by another 30 days.
7 That timeframe for preparing the
8 decision, we looked at some numbers from like the
9 last reply brief filed to a proposed decision in
10 some other projects, and we looked at override
11 decisions. I looked at Metcalf, and the time
12 period is double what it was in Metcalf.
13 And this is a project that was deemed
14 data adequate in November of 2006. The project
15 has not changed since it was originally filed.
16 And the applicant was simply one day late in data
17 responses. There were no other agency- or project
18 proponent-driven delays.
19 I am seeing the same sort of concerns,
20 although not quite to as great an extent, on Chula
21 Vista, on MMC's Chula Vista project, where we had
22 some delays. And the PSA has now slipped a week,
23 and another week, and another week. They would
24 like to get that project, if it is to be approved
25 by this Commission, online for summer of '09. If

that project continues to slip and slip and slip then those dates fall out, as well.

Summer peak is what is generally considered key for these projects. And the San Diego region is one that has shown a need for additional generation, additional local generation especially, to support the decommissioning of the existing South Bay Power Plant.

And so I just come before to say, you know, to plead with you guys to make some effort on the projects that aren't changing, you know, on the projects where they're not being delayed, to really look at the schedule; and really look at what we can do to try and keep the projects within a reasonable timeframe. Or provide information to developers about how long you really think it's going to take, so that folks truly understand what the timeframes are.

You know, I know the staff is working very very hard; I've worked with a lot of them. A lot of them are very dedicated individuals. And they just have more to do than they can do. But we all need to know what the realistic timeframes are so that we can do appropriate project planning and contingencies.

1 CHAIRPERSON PFANNENSTIEL: Thank you,
2 Jane. I'm going to make a couple comments and
3 then I'm going to ask the Executive Director to
4 offer some thoughts on this, and perhaps some next
5 steps on it.
6 The first comment I would make is it's
7 obvious to everybody at the Commission, and maybe
8 not so obvious to others, and that's we have
9 something like 20 active cases going on right now.
10 And that's an enormous workload for our staff.
11 And we've tried to gear up to it. And we know,
12 because those of us sitting up here are
13 participating in those cases. And so we are
14 trying to gear to a higher level workload, but
15 it's really -- it is a big deal.
16 The second point I would make is that
17 Commissioner Geesman's number that he always used
18 to use about the number of megawatts that have
19 been licensed but not built, I think really has
20 set some, almost some cynicism within the state
21 about power plants that there are a lot of these
22 that are being licensed that are just never going
23 to get built.
24 And so pushing on our staff to meet
25 timeframes, and then have the license end up not

1 being valuable because it's never being used, is
2 something that's gone on for several years in
3 California. Certainly when I came to the
4 Commission a little over four years ago, we had
5 few cases in front of us, but we had a lot of
6 cases that we had really, you know, worked really
7 hard to get approved, that never got built. And
8 they were some of my first ones that I worked on,
9 never got built.
10 So some of the project developers, I
11 think, need to take a little responsibility for
12 knowing when they really need to -- when they're
13 really crying wolf about needing to get these
14 things licensed to meet a certain deadline, and
15 when they just want to pocket the license for some
16 future value.
17 The third point I'd make is you gave two
18 reasons that you saw for delays that you could see
19 as being legitimate. One is project changing, and
20 certainly that would be a delay. And the second
21 is other agency review.
22 A third I'd ask you to take a look at,
23 which I think is really also very legitimate, is
24 public outrage or public reaction. And that
25 seemed to be the case in Eastshore where there was

1 just a lot of public that came in and needed
2 some -- we needed to make sure that the process
3 allowed for them.
4 Now, maybe that, in the developer's
5 standpoint, in the applicant's standpoint, is not
6 a legitimate delay. But I think from a public
7 agency standpoint, we need to allow some
8 additional public review if that is a big problem.
9 With that, let me ask the Executive
10 Director to see if there are any either
11 observations or suggestions for improvement.
12 EXECUTIVE DIRECTOR JONES: I guess first
13 of all I'd probably like to sit down with Jane and
14 get an idea of which projects she's speaking of
15 because we had an audit that was done right before
16 the end of the year that looked at our power plant
17 siting process; and concluded that the vast
18 majority of any delays were due to factors that
19 were outside of our control.
20 So if there are changing circumstances
21 that are occurring where they're now starting to
22 be, because we have such a high workload -- we've
23 got 21 cases inhouse right now -- then we need to
24 look at how we can better manage those. And I
25 will go back to the staff and try to get a

1 timeline and a plan for the processing of the
2 plants to make sure that we're not in any way
3 delaying the process in terms of completing the
4 preliminary staff assessments and the final staff
5 assessments, and the milestones along the way.
6 So, I'd like to come back to you with a
7 recommendation.
8 CHAIRPERSON PFANNENSTIEL: We will
9 expect that. And maybe this will be a subject for
10 the Siting Committee agenda to take a look at,
11 whether there's some process changes that are
12 indicated.
13 EXECUTIVE DIRECTOR JONES: I'd be happy
14 to do that.
15 MS. LUCKHARDT: I think in the case of
16 Eastshore, I would be happy to go over that
17 schedule with anyone. And that's why I used
18 Metcalf, which also had a very large group of
19 people opposed to it, as an example.
20 Because, unfortunately, Eastshore got
21 caught in staffing and funding issues that I think
22 the Commission had with consultants at one time.
23 And there were a variety of things that delayed
24 items such as the PSA for months.
25 So there were plenty of delays that were

1 not driven either by the public participation, but
2 were more driven by, I think at that time it was
3 funding issues.
4 CHAIRPERSON PFANNENSTIEL: All right,
5 well, we will take a look at that --
6 MS. LUCKHARDT: And, you know, and I'm
7 not saying that there are --
8 CHAIRPERSON PFANNENSTIEL: -- thank you.
9 MS. LUCKHARDT: -- easy answers to this,
10 or that everyone isn't working hard. Only that we
11 need to have -- we need to understand what folks
12 are getting into and what realistic timeframes are
13 going forward.
14 CHAIRPERSON PFANNENSTIEL: Okay, thank
15 you.
16 Are there other public comment?
17 Two quick announcements before we
18 adjourn. One is that our next business meeting
19 will, in fact, be next Wednesday rather than the
20 usual two weeks. We're trying to get back to our
21 regular schedule, which would have a meeting next
22 week.
23 And second, I'm going to call a
24 hopefully short closed session to discuss a
25 personnel matter in my office.

1 Thank you. We'll be adjourned.
2 (Whereupon, at 11:40 a.m., the business
3 meeting was adjourned into closed
4 session.)
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CERTIFICATE OF REPORTER

I, DEBORAH BAKER, 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 23rd day of April, 2008.