

BUSINESS MEETING  
BEFORE THE  
CALIFORNIA ENERGY COMMISSION

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

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

WEDNESDAY, August 26, 2009  
10:00 A.M.

Reported by:  
Peter Petty CER\*\*D-493

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## COMMISSIONERS PRESENT

Karen Douglas, Chair

James D. Boyd, Vice Chair

Jeffrey D. Byron

Julia A. Levin

## STAFF PRESENT

Claudia Chandler, Assistant Executive Director

Bill Chamberlain, Chief Counsel

Loreen McMahon, Public Advisor's Office

Harriett Kallemeyn, Secretariat

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Eileen Allen	2, 3, 4, 5
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Richard Ratliff	5
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Mike Smith	6, 7, 8, 13, 15
Virginia Lew	9
Gary Flamm	10
Panama Bartholomy	11
Adam Gottlieb	13
Jim McKinney	15
Gary	15
Charles Smith	15

Also Present (\* via WebEx)

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Greggory Wheatland, Esq., Ellison, Schneider & Harris	2
Gregory Skannal, Hydrogen Energy	3
Maria De Lourdes Jimenez-Price, SMUD	4
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Scott Galati, Esq., Galati & Blek, LLP	5
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AUGUST 26, 2009

10:04 a.m.

CHAIRPERSON DOUGLAS: Welcome to the California Energy Commission Business Meeting of August 26<sup>th</sup>, 2009.

Please join me in the Pledge.

(Whereupon, the Pledge of Allegiance was received in unison.)

CHAIRPERSON DOUGLAS: Again, good morning. We will start with Item 1, the Consent Calendar.

COMMISSIONER BOYD: I move the consent calendar.

COMMISSIONER BYRON: Second.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

Item 1 is approved.

Item 2. Mariposa Energy Project, 09-AFC-03). We do not appear to have staff yet. We will pause a moment and wait until staff arrives.

COMMISSIONER BYRON: You did not miss the Pledge of Allegiance, did you?

MS. CHANDLER: We were pledging in there.

CHAIRPERSON DOUGLAS: Very good. Ms. Allen.

MS. ALLEN: Good morning, CHAIRPERSON Douglas.

CHAIRPERSON DOUGLAS: So please begin with Item A, possible approval of the Executive Director's data adequacy recommendation for the Mariposa Energy Project.

1 MS. ALLEN: Good morning, CHAIRPERSON Douglas and  
2 Commissioners. I am Eileen Allen. I am the Manager of the  
3 Siting and Compliance Office. On June 15<sup>th</sup>, 2009, the  
4 Commission received an application for certification from  
5 Mariposa Energy to construct and operate the Mariposa  
6 Energy Project. This project would be a natural gas-fired  
7 simple-cycle peaking facility with a proposed generating  
8 capacity of 200 megawatts. The proposed project site is in  
9 northeastern Alameda County, approximately seven miles  
10 northeast of Tracy, 7 miles east of Livermore, and  
11 approximately 2.5 miles west of the community of Mountain  
12 House in San Joaquin County. This project is very close to  
13 the Alameda County - San Joaquin County boundary. This  
14 application was reviewed for data adequacy and, on July  
15 29<sup>th</sup>, the Energy Commission found the AFC inadequate and  
16 adopted a list of deficiencies in eight areas. The  
17 Applicant provided supplemental information on July 31<sup>st</sup> in  
18 order for the AFC to be reviewed by the staff for adequacy.  
19 We have completed the data adequacy review and we ask that  
20 you find the project data adequate and appoint a committee  
21 to oversee the Mariposa Project in that all of the data  
22 adequacy deficiencies have been addressed.

23 CHAIRPERSON DOUGLAS: Thank you, Ms. Allen. Can  
24 we hear from the Applicant?

25 MR. WHEATLAND: Good morning, I am Gregg

1 Wheatland, attorney for the Applicant. I would like to  
2 thank the staff for its recommendation here this morning.  
3 We have an excellent project and we are very excited about  
4 working with the staff and the Commission in this  
5 proceeding. Thank you.

6 CHAIRPERSON DOUGLAS: Okay. Is there a motion on  
7 the data adequacy recommendation?

8 COMMISSIONER BYRON: Madam Chair, I move that we  
9 accept staff's recommendation on behalf of the city for the  
10 Mariposa Energy Center.

11 VICE CHAIR BOYD: I will second.

12 CHAIRPERSON DOUGLAS: All in favor?

13 (Ayes.)

14 That item is approved and we moved on to Item B.  
15 Possible appointment of a Siting Committee for the Mariposa  
16 Energy Project. And my recommendation is Commissioner  
17 Levin presiding, Commissioner Byron, Associate.

18 VICE CHAIR BOYD: Move approval.

19 COMMISSIONER BYRON: You make it difficult to get  
20 a second. Well, despite the fact that it is in or near the  
21 town of Byron, I have no relationship to that City, so I  
22 feel comfortable moving this item -- or seconding this  
23 item.

24 CHAIRPERSON DOUGLAS: All in favor?

25 (Ayes.)

1           That item is approved.

2           MR. WHEATLAND: Thank you.

3           CHAIRPERSON DOUGLAS: Item 3. Hydrogen Energy  
4 California, 08-AFC-8. Item 3A, possible approval of the  
5 Executive Director's data adequacy recommendation for  
6 Hydrogen Energy California project, a nominal 350 MW power  
7 generating facility proposed in the Elk Hills region of  
8 western Kern County. Ms. Allen.

9           MS. ALLEN: I have already introduced myself on  
10 the preceding item. On May 28<sup>th</sup> of this year, Hydrogen  
11 Energy International filed an application for  
12 certification, seeking approval from the Commission to  
13 construct and operate the proposed Hydrogen Energy  
14 California project. The Hydrogen Energy California project  
15 is a nominal 335-megawatt power generating facility  
16 proposed in the Elk Hills region of western Kern County,  
17 near the community of Tuttmann. Technically, it has a 250-  
18 megawatt net base load capacity plus 100-megawatts of  
19 simple-cycle peaking power. The project will be fueled by  
20 petroleum coke or coal, and includes capture of  
21 approximately 90 percent of the carbon dioxide produced for  
22 enhanced oil recovery and sequestration.

23           On July 15<sup>th</sup>, 2009, the Commission determined that  
24 the hydrogen energy project did not meet all of the data  
25 adequacy requirements and specifically the AFC was

1 deficient in four of the 23 technical areas -- air quality,  
2 biological resources, cultural resources, and transmission  
3 system design. On July 13<sup>th</sup>, Hydrogen Energy filed an AFC  
4 Data Adequacy Supplement for the staff's review, we  
5 reviewed all four of the technical areas, and believe the  
6 project is now data adequate. Staff's evaluation of the  
7 Supplement was submitted to the Executive Director with the  
8 recommendation before you. We are recommending that you  
9 accept the Hydrogen Energy California project with the  
10 supplemental information, as complete, and appointing  
11 Siting Committee to preside over the data adequacy and data  
12 analysis phase of the project.

13 CHAIRPERSON DOUGLAS: Thank you. Could we hear  
14 from the Applicant?

15 MR. SKANNAL: Good morning, Chair Douglas and  
16 Commissioners. My name is Gregory Skannal, S-k-a-n-n-a-l,  
17 and I am the Manager for Health Safety, Security and  
18 Environment, and I am responsible for the permitting of the  
19 project. I also have with me Dale Shileikis, S-h-i-l-e-i-  
20 k-i-s, he is the Project Manager with URS. Again, good  
21 morning. We look forward to working with the staff and the  
22 Commissioners in this wonderful project that we are  
23 developing. We thank you for the approval, the  
24 recommendation for the approval, and we look forward to the  
25 Commissioners approving that recommendation.

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1           CHAIRPERSON DOUGLAS: Thank you. Are there  
2 questions or comments?

3           VICE CHAIR BOYD: I have a question of either Ms.  
4 Allen or the Applicant. Ms. Allen, in your summary of the  
5 project, you said it would be fueled by coke or coal. The  
6 staff memo to the Commissioners says the project would be  
7 gas-fired petroleum coke (or blend petroleum coke and coal,  
8 as needed). Is that the intent? Because a statement that  
9 says coke or coal could send shudders through some people.  
10 And I just want to clarify the record on what is intended  
11 here.

12           MS. ALLEN: Our understanding from the Applicant  
13 is that it could be burning petroleum coke for the most  
14 part, but that coal is also a possible fuel. So staff will  
15 be evaluating both options.

16           MR. SKANNAL: Commissioner Boyd, it is a blend,  
17 so we can run up to 100 percent pet coke, or a blend of  
18 petroleum coke and coal.

19           VICE CHAIR BOYD: Okay, I will let the Siting  
20 Committee dig deeper into that, but you set the record a  
21 little more straight.

22           COMMISSIONER BYRON: If I may, Ms. Allen, I think  
23 you also said 350-megawatts, but the gross -- but it was at  
24 390? Is that correct? That is what is in the literature  
25 -- 390-megawatts?

1 MR. SKANNAL: Yes.

2 COMMISSIONER BYRON: Okay. I remember or hearing  
3 about this project long before I was with this Commission.  
4 When did we first see press regarding this project?

5 MR. SKANNAL: Around -- I believe it was February  
6 2007.

7 COMMISSIONER BYRON: Oh, I think I remember  
8 reading even further back than that. But have you  
9 generally been associated with it that long?

10 MR. SKANNAL: Yes, again, I think what you are  
11 referring to, there was a Carson project --

12 COMMISSIONER BYRON: Yes.

13 MR. SKANNAL: -- that was the earlier project.  
14 And so that project no longer exists, and the new project  
15 is the Hydrogen Energy California, that is the one in the  
16 western Kern County area.

17 COMMISSIONER BYRON: Well, we are certainly  
18 intrigued by the technology and I was intrigued when I  
19 first read it, and even more so now being on this  
20 Commission, but it does present some, I am sure, new and  
21 interesting challenges for this Commission and review,  
22 although, just like the solar projects that started coming  
23 in a couple of years ago, they also presented some  
24 challenges for us and that we are dealing with. And I said  
25 this a couple years ago, on the first solar project -- and

1 I will say it now -- gentlemen, I hope you are being  
2 extremely responsive to staff requests for data and they  
3 are going to do a very thorough job on this on behalf of  
4 the State of California, and we will not be cutting you any  
5 slack, despite the new technology. We are keen and  
6 interested in the sequestration aspect of this, but as  
7 Commissioner Boyd points out, it will have other challenges  
8 here in California. So good luck, but we are certainly  
9 eager to see and learn more about this project.

10 VICE CHAIR BOYD: You are right, Commissioner  
11 Byron, this is the successor to the much heralded Carson  
12 project that was -- well, interestingly, I have never seen  
13 a project that had barely been dreamed up have such a  
14 ribbon cutting ceremony as the project that took place in  
15 Carson with the Governor and everyone else, but it did not  
16 survive, and this is the successor and, indeed, it will be  
17 an interesting project to deal with. I should say no more  
18 since we, as a Commission, have to deal with that and  
19 adjudicate the whole issue.

20 MR. SKANNAL: Commissioners, you have my  
21 commitment that we will be very responsive to the staff. I  
22 think we have a good record to this date of working  
23 cooperatively and being very responsive, and that will  
24 continue.

25 COMMISSIONER BYRON: Good. Thank you very much.

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1           VICE CHAIR BOYD: I see the staff shaking their  
2 heads positively.

3           COMMISSIONER BYRON: I am prepared to move the  
4 item, accepting staff's recommendation on approval for data  
5 adequacy on the Hydrogen Energy California project.

6           VICE CHAIR BOYD: I will second the motion.

7           CHAIRPERSON DOUGLAS: All in favor?

8           (Ayes.)

9           That item is approved.

10           Moving on to 3B, possible appointment of a Siting  
11 Committee for the Hydrogen Energy California project. And  
12 the recommendation is Commissioner Boyd presiding,  
13 Commissioner Byron, associate.

14           COMMISSIONER LEVIN: I will move that item.

15           COMMISSIONER BYRON: And it is not in the City of  
16 Byron, but I will second it.

17           CHAIRPERSON DOUGLAS: All in favor?

18           (Ayes.)

19           Thank you. The item is approved.

20           Item 4. Campbell Co-Generation Project, 93-AFC-  
21 3C, possible approval of Sacramento Power Authority's  
22 petition to modify the air quality conditions for the  
23 Campbell Co-Generation Project. Ms. Allen.

24           MS. ALLEN: This is an amendment to the  
25 Commission's existing license for the Sacramento Power

1 Authority's Campbell Co-Generation project. The facility  
2 that the Commission licensed is a 172-megawatt co-  
3 generation power plant within the City of Sacramento. It  
4 is owned and operated by the Sacramento Municipal Utility  
5 District. The Commission certified it on November 30<sup>th</sup>,  
6 1994. The facility uses a combine cycle power block,  
7 including natural gas-fired combustion turbine generators,  
8 incorporating NO<sub>x</sub> combustors, heat recovery steam generator,  
9 and a separate steam generator. Natural gas is supplied by  
10 Sacramento Municipal Utility District, which I will refer  
11 to from here on as SMUD. The Sacramento Power Authority is  
12 an affiliate of SMUD.

13 Summarizing the petition, the petition by the  
14 Sacramento Power Authority is to add air quality Conditions  
15 of Certification, providing for a new commissioning period  
16 which had been necessitated by the replacement of the  
17 control and operating system for the gas turbine and duct  
18 burner equipment. The petition seeks to modify Conditions  
19 of Certification Air Quality 11, Air Quality 15, and Air  
20 Quality 19, to indicate that shutdowns are not subject to  
21 these emission limit conditions, and to make some non-  
22 substantive changes for consistency. It also seeks to  
23 delete the hourly mass emission limits in Condition of  
24 Certification Air Quality 11, applicable to the gas turbine  
25 alone, and retain the current hourly mass emission limit

1 for the combined gas turbine duct burner, in accordance  
2 with the current Sacramento Metropolitan Air Quality  
3 Management District Operating Permit. It further seeks to  
4 modify Condition of Certification Air Quality 31 to provide  
5 a 60-day turnaround time for submitting annual air  
6 emissions source testing results, in accordance with the  
7 current Air District's Operating Permit, and make other  
8 non-substantive changes for consistency. There is also a  
9 proposed addition of new re-commissioning items associated  
10 with the change in the control and operating system and the  
11 re-commissioning process, those would be Conditions of  
12 Certification AQS 1 and AQCM 1 through AQCM 12. The  
13 petition finally seeks to delete existing Conditions of  
14 Certification that are obsolete now and renumber conditions  
15 for consistency with current air district permits.

16           The staff analysis has concluded that changes  
17 requested by Sacramento Power Authority and SMUD would  
18 confirm with applicable federal, state and air district air  
19 qualities laws, ordinances, regulations, and standards, and  
20 the amended project would not cause significant air quality  
21 impacts, provided that the recommended conditions are  
22 included as provided in the analysis. We have also  
23 concluded that the reliability of the facility will improve  
24 with replacement of the current obsolete system. Staff is  
25 also proposing the addition of new re-commissioning

1 Conditions of Certification AQS 1 and AQCM 1 through AQCM  
2 12, the deletion of the existing conditions that are  
3 obsolete, and the renumbering of the conditions. I have a  
4 minor correction to note on staff's analysis regarding the  
5 modified AGSC 4. On page 17 of staff's analysis, Part B,  
6 it states that the owner or operator shall provide the Air  
7 Pollution Control Officer 60 days' prior notice of an  
8 emission performance test. This should be 30 days instead  
9 of 60 days. The verification also states the project owner  
10 shall notify the district and perform the source test  
11 described above and submit to the district and the  
12 Commission the results of the source test within 30 days  
13 from the completion of the test. Instead, SMUD has noted  
14 that this should be 60 days. So we inadvertently reversed  
15 the time on that.

16 Staff's findings are that this Petition meets all  
17 the filing criteria within the California Code of  
18 Regulation concerning post-certification project  
19 modifications, the modifications will not change the  
20 findings in the Energy Commission's final decision, it will  
21 remain in compliance with all applicable laws, ordinances,  
22 regulations, and standards. We believe it will be  
23 beneficial to the project owner since the current system is  
24 obsolete, and with replacement parts no longer available,  
25 and the changes made will reflect the current terms of the

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1 air district permit. Staff recommends modifying a number  
2 of the Air Quality Conditions of Certification, as I have  
3 noted, as well as adding additional Conditions of  
4 Certifications specific to the re-commissioning period.

5 This has been a rather technical item that I have  
6 presented, so thank you for bearing with me on all the  
7 detail. We are available for questions.

8 CHAIRPERSON DOUGLAS: Thank you. Can we now hear  
9 from the Applicant?

10 MS. JIMENEZ-PRICE: Sure. My name is Lourdes  
11 Jimenez-Price, and I am --

12 COMMISSIONER BYRON: Excuse me. Would you make  
13 sure your microphone is on and bring it closer to you?  
14 Thank you.

15 MS. JIMENEZ-PRICE: Will do. Sorry about that.  
16 My name is Lourdes Jimenez-Price and I am counsel for the  
17 Applicant, the Sacramento Power Authority. Good morning,  
18 Commissioners and staff. I want to thank staff for the  
19 review of our application and also for your analysis and  
20 findings. And we concur with staff's findings and are  
21 hopeful that the Commission will consider the approval of  
22 this petition.

23 COMMISSIONER BYRON: Is there any difficulty with  
24 -- I just want to make sure I understood what Ms. Allen  
25 said -- you accept and agree to the different -- the change

1 on the 30 to 60 days that she mentioned?

2 MS. JIMENEZ-PRICE: We do. It was actually made  
3 at our request.

4 COMMISSIONER BYRON: Okay, that is what I  
5 thought. Well, we did review with the Siting Committee at  
6 length. This is another interesting project for me. I was  
7 aware of this project at Campbell Soup many years ago, and  
8 I am glad to see that you are upgrading the project. It  
9 looks as though staff has done a thorough analysis on this  
10 application -- I should say this amendment -- so I would  
11 recommend approval, so I will move the item.

12 VICE CHAIR BOYD: I will second the item as  
13 amended and subject to all the conditions the staff put  
14 forth to us with respect to its meeting all of the LORS and  
15 not exacerbating any air quality problems. And I would  
16 also say that, quite frankly, we have a very positive view  
17 of SMUD and their activities, so that certainly bodes well  
18 for the proposal as made.

19 CHAIRPERSON DOUGLAS: Commissioners, before I  
20 call the question, we have one member of the public who  
21 would like to comment on this item, Mr. Birdsall with Aspen  
22 Environmental, and he is on the phone.

23 MR. BIRDSALL: I do not know if I am on active --

24 CHAIRPERSON DOUGLAS: It certainly is.

25 MR. BIRDSALL: Oh, thank you. This is Brewster

1 Birdsall of Aspen Environmental Group, and I am sorry, I am  
2 not here to comment on the analysis, I am the staff that  
3 prepared the analysis and I am available to the  
4 Commissioners for questions. That is all.

5 CHAIRPERSON DOUGLAS: Thank you for clarifying  
6 that. Very well, I have a motion and a second. All in  
7 favor?

8 (Ayes.)

9 That item is approved.

10 COMMISSIONER BYRON: And before you move on, I do  
11 not mean to put the Applicant on the spot here, but I would  
12 be interested if some time in the future, maybe touring the  
13 facility and maybe it would be best after the construction  
14 took place, but whatever is convenient. And you do not  
15 have to respond, maybe you do not want me there, but I am  
16 interested in seeing it.

17 MR. GOULD: Good morning, my name is Ross Gould.  
18 I am Superintendent of Thermal Generation at SMUD. This is  
19 one of the assets in my portfolio and I personally would be  
20 happy to take you on a tour of the facility any time that  
21 you would like.

22 COMMISSIONER BYRON: Good, thank you. We will be  
23 in touch.

24 MS. ALLEN: The staff is pleased to hear that  
25 Campbell Soup activity continues on, continues to be a fuel

1 efficient power facility.

2           VICE CHAIR BOYD: Frankly, this is an example of  
3 the kind of distributed generation and co-generation that  
4 this agency is very supportive of, so all the positive  
5 comments you are hearing are in that vein, in addition to  
6 the reputation of the project. I may join you on that  
7 tour.

8           COMMISSIONER BYRON: Uh oh. Commissioner Levin  
9 also expressed interest, so now we have trouble.

10          VICE CHAIR BOYD: I will defer to my --

11          COMMISSIONER BYRON: Commissioners get together  
12 in large groups.

13          CHAIRPERSON DOUGLAS: Except here. Very well.  
14 Moving on to Item 5. I wanted to make a couple brief  
15 comments before we start Item 5. We are reviewing a  
16 possible amendment to Gateway Energy Project, and I will  
17 read that into the record so that we are there.

18                 Item 5, Gateway Energy Project, 00-AFC-1C.  
19 Possible approval of Pacific Gas and Electric Company's May  
20 7, 2009, petition to the Gateway Generating Station,  
21 requesting modifications to certain Air Quality conditions  
22 of certification to include the installation of a diesel-  
23 fueled fire pump.

24                 The Siting Committee received a complaint about  
25 -- alleging that PG&E had been operating this facility

1 without having obtained necessary approvals, they also made  
2 a number of other allegations. I wanted to mention or  
3 state upfront that the Siting Committee has opened a  
4 proceeding to address that complaint. We have held an  
5 evidentiary hearing, we have set a briefing schedule, and  
6 we expect briefs submitted to the Committee within 60 days,  
7 with the evidentiary held, which was on August 5. So I  
8 wanted to start this item by acknowledging that this  
9 proceeding is ongoing, but I believe that we can address  
10 the amendment requests on its merits and without prejudice  
11 in the Siting Committee's potential actions or decisions in  
12 this other proceeding. And with that introduction, Ms.  
13 Allen, could you please present the proposed amendment?

14 MS. ALLEN: PG&E has petitioned the Commission  
15 with its proposed amendment to the Gateway Generating  
16 Facility. This is a 530-megawatt project which was  
17 certified by the Energy Commission on May 30<sup>th</sup>, 2001.  
18 Construction of the facility started late in 2001 and was  
19 suspended in February of '02, due to financial difficulties  
20 of the owner, Mirant Delta, LLC. A new owner, PG&E, re-  
21 started construction in February of '07, and the facility  
22 began operating the construction of approximately 99  
23 percent complete on January 4<sup>th</sup> of this year. The facility  
24 is located just east of the City of Antioch in Contra Costa  
25 County. The current amendment request would modify several

1 air quality conditions -- air quality definitions and  
2 conditions of certification. The major items in this  
3 amendment request are to replace the permitted natural gas-  
4 fired pre-heater with a smaller dew point heater, and  
5 increase the allowable daily hours of operation, to replace  
6 an electric motor driven fire water pump with a 300-  
7 kilowatt diesel engine driven fire water pump, and to  
8 revise the facility's PM10 emission limit to reflect the  
9 permitted use of dry cooling through an air-cooled  
10 condenser, instead of the original decision's wet cooling  
11 tower. That change to dry cooling was handled in a  
12 separate amendment that was approved by the Commission on  
13 August 1<sup>st</sup>, 2007. So we are just dealing with a minor item  
14 as a result of the change to dry cooling here. Those are  
15 the major items in the amendment request.

16 Moving to a summary of the staff analysis, we  
17 concluded that the changes requested by PG&E will cause no  
18 significant air quality or public health impacts because  
19 there would be no increase to daily and annual emission  
20 limits that would result from the proposed modifications.  
21 Staff reviewed the PG&E and the district health risk  
22 assessments for the proposed diesel engine and the addition  
23 of the diesel engine to the project, and overall facility,  
24 and concluded that the result was a combined project  
25 incremental cancer risk that is well below staff's

1 significance level. The proposed change, along with the  
2 implementation of staff's proposed changes to the existing  
3 air quality definitions and Conditions of Certification,  
4 which are outlined in the staff analysis, would bring the  
5 project license into agreement with the project as  
6 currently built, and the final district permit when issued.  
7 Staff has proposed a number of other minor numerous changes  
8 to the existing Air Quality Conditions of Certification,  
9 which are listed in your briefing material on this item.  
10 It is a very extensive list and they are all minor changes  
11 from thereon, so I am not going to list them here, but we  
12 are available to answer questions on them.

13           Highlights of the public review process are that,  
14 as of August 5<sup>th</sup> of this year, no comments have been  
15 received on the amendment item itself. Comments have been  
16 received separately on the complaint, which Commissioner  
17 Douglas addressed, and then the staff did receive two  
18 requests for hard copies of the analysis, which we sent  
19 out.

20           Concurrent with the staff activity, the air  
21 district has notified us that it may fine PG&E for  
22 installing the diesel fire pump prior to approval.  
23 Mitigating circumstances are that PG&E reported this and  
24 stopped its use upon realizing the violation, and it had  
25 installed the pump upon the request and requirement of the

1 Contra Costa Fire District, so we are noting that those are  
2 the facts associated with the installation of the fire  
3 pump. Staff is working with the Air District to ensure  
4 overall conformity with the District rules.

5 Staff's findings are that the Petition meets all  
6 of the filing criteria of Title 20, Section 1769,  
7 concerning post-certification project modifications. It  
8 would not change the findings in the Energy Commission's  
9 final decision. Project would remain in compliance with  
10 all applicable LORS. The proposed change in staff's view  
11 would be beneficial to the public because the project  
12 permit would reflect the project as currently built. And  
13 finally, the change is based on information that was not  
14 available to the parties prior to Commission certification  
15 in 2001 because the project was redesigned by PG&E after  
16 its original start by Mirant.

17 Staff recommendation for this amendment is that  
18 you approve the petition and the revisions to the  
19 Conditions of Certification as presented in the attached  
20 Staff Analysis and Proposed Order. We are available for  
21 questions.

22 CHAIRPERSON DOUGLAS: Thank you. Can we now hear  
23 from the Applicant?

24 MR. GALATI: Yes, Madam Chair, Commission, Scott  
25 Galati, counsel to PG&E.

1 MR. RUBENSTEIN: Gary Rubenstein at Sierra  
2 Research, Air Quality Consultants for PG&E.

3 MR. GALATI: We have reviewed staff's analysis of  
4 our petition. We agree with the Conditions of  
5 Certification that they propose, both the changes that we  
6 requested and the additional conditions, and we ask that  
7 you recommend approval.

8 COMMISSIONER BYRON: Madam Chair, may I ask a  
9 question?

10 CHAIRPERSON DOUGLAS: Absolutely.

11 COMMISSIONER BYRON: Actually, it is two. Our  
12 chief counsel, Mr. Chamberlain, I just want to make sure  
13 that this decision that we take today does not have any  
14 influence upon the ongoing complaint that is before the  
15 siting committee, or I should say, before the full  
16 Commission, at this time.

17 MR. CHAMBERLAIN: I cannot say that it would not  
18 have an influence. It would not preclude any appropriate  
19 remedy that that complaint might result in.

20 COMMISSIONER BYRON: Thank you. And you answered  
21 a better question, but thank you.

22 CHAIRPERSON DOUGLAS: Before we ask questions,  
23 Commissioners, we have three members of the public who  
24 would like to comment. I suggest that we give them that  
25 opportunity. I believe they are all on the phone. Before

1 calling their names, I would like to ask, and this is  
2 standard process here, the commenters to keep their  
3 comments to two minutes and try to avoid duplication, or  
4 repetition, if it is possible, to coordinate. The first  
5 caller I have is Lucas Williams. Could you please identify  
6 yourself and your affiliation for the record?

7 MR. WILLIAMS: Good morning. This is Lucas  
8 Williams. I am a fellow at the Environmental Law and  
9 Justice Clinic. So, first, I would like to point out that  
10 we did submit comments, we had a comment on behalf of ACORN  
11 on this amendment that we submitted August 13<sup>th</sup>.

12 COMMISSIONER BYRON: Is there anything we can do  
13 to turn the volume down?

14 MR. WILLIAMS: I will step away from the phone.  
15 Sorry about that.

16 COMMISSIONER BYRON: Well, we still want to hear  
17 from you. It is not you, it is the machine which is quite  
18 loud here in the room. So just give us a second and go  
19 ahead and try again.

20 MR. WILLIAMS: Sir, how is the volume now?

21 CHAIRPERSON DOUGLAS: It is quite loud. Why  
22 don't you give us 30 seconds and we will let you know when  
23 we have this problem resolved. Please try again. Mr.  
24 Williams?

25 MR. WILLIAMS: How is this?

1           CHAIRPERSON DOUGLAS: Much better.

2           MR. WILLIAMS: Great. So, again, first I just  
3 want to point out that we did submit written comments on  
4 behalf of ACORN on this amendment. Those comments were  
5 submitted on August 13<sup>th</sup>. The comments detailed the reason  
6 the Commission should deny this amendment. And in light of  
7 those comments, I will keep my comments today brief. PG&E  
8 has constructed and operated a facility that does not  
9 comply with the Conditions of Certification, and now at  
10 this late stage it asks the Commission to approve those  
11 changes. The Commission should reject PG&E's backwards  
12 approach to compliance with the Warren-Alquist Act and  
13 Commission siting regulations. But most significantly for  
14 the proceeding today, this proposed amendment will not  
15 bring PG&E into compliance with the applicable air quality  
16 laws. Among other failures to comply with air quality  
17 laws, this facility is operating without a current valid  
18 prevention of significant Puriation (phonetic) Permit under  
19 the Federal Clean Air Act. As a result, the proposed  
20 emission limits do not reflect the most effective pollution  
21 control technology. The amendment, therefore, will not  
22 bring PG&E into conformance with the applicable laws,  
23 ordinances, regulations and standards as required by the  
24 Warren-Alquist Act. In summary, the Commission should  
25 reject PG&E's attempt to amend the certification after it

1 has already implemented the very changes it is seeking  
2 approval for, and should first, at a minimum, require PG&E  
3 to come into compliance with the applicable air quality  
4 laws. I thank the Commission for the opportunity to  
5 provide these comments.

6 CHAIRPERSON DOUGLAS: Thank you, Mr. Williams. I  
7 am sure that your comments may, in fact, spar questions for  
8 staff, but why don't we -- if Commissioners are in  
9 agreement -- hear from the other two commenters. Rob  
10 Simpson, are you there?

11 MR. SIMPSON: Yes, I am.

12 CHAIRPERSON DOUGLAS: Please introduce yourself  
13 for the record and make your comment.

14 MR. SIMPSON: Oh, good morning. This is Rob  
15 Simpson. I am representing CARE. CARE has been an  
16 intervener in this process from the beginning, I believe.  
17 I heard the introduction, but I got disconnected a couple  
18 of times, but the introduction said that there have been no  
19 comments. I did, in fact, file comments on the amendment  
20 with the complaint, so I would like to have those  
21 considered. Then, in the complaint proceeding, it was  
22 disclosed, and you received evidence that there are no air  
23 permits for this facility, there is no valid ATC, there is  
24 no PSD permit, there is no permit to operate, there is no  
25 Title 4 or Title 5 permit. EPA is in enforcement

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1 proceedings regarding this facility's non-compliance. I do  
2 not think that the Commission, in light of the interest of  
3 this, that there is no -- Sandy Crockett (phonetic) admitted  
4 at the complaint proceeding that there are in fact no  
5 current valid permits, so I do not think the Commission  
6 could make the finding that the project would be in  
7 compliance with all applicable laws. I do want to clarify  
8 that I am, pursuant to a 17693 of the Warren-Alquist Act, I  
9 am objecting to this amendment and pursuant to A2 of that  
10 section, that this must be processed to the formal  
11 amendment to this decision and must be approved by the full  
12 Commission at a Business Meeting, based on its objection.  
13 I also believe it is inappropriate to approve the amendment  
14 without adjudication of the pending complaint. On page 2  
15 of the staff report, it states that the project setting has  
16 not changed, and it offers Air Quality Table 1 that says  
17 that has been [inaudible] for a Federal P and 2.5. Was not  
18 in the payment for Federal PM 2.5 standards. And so the  
19 staff purported it is incorrect on that item, so it should  
20 be reconsidered. So those are my comments. Thank you.

21 CHAIRPERSON DOUGLAS: Thank you very much. And  
22 finally, Michael Boyd, are you on the line?

23 MR. BOYD: Yes, ma'am. I am here.

24 CHAIRPERSON DOUGLAS: All right, please --

25 MR. BOYD: I am Mike Boyd, President of CARE. I

1 want to duplicate what Rob said. I also would like to  
2 incorporate for the record on behalf of CARE, the comments  
3 of ACORN, that they submitted, as well. My comments are  
4 that I do not believe that the Commission has authority to  
5 approve this amendment because you have knowledge and have  
6 known for a significant amount of time that this facility  
7 is operating without a federal permit. And because of  
8 that, if you do decide to approve this, I wish to let you  
9 know that I am going to give you a notice that under the  
10 Clean Air Act, to take you guys to federal court for  
11 violating the Clean Air Act by giving them the permit to  
12 operate when, clearly, they do not have their federal  
13 permit. That is all I have to say. Thank you.

14 CHAIRPERSON DOUGLAS: Questions from  
15 Commissioners.

16 VICE CHAIR BOYD: Well, I would like to hear from  
17 our attorney again with regard to -- and the Applicant,  
18 frankly -- with regard to these allegations that there is  
19 no valid permit, that there are no valid permits in  
20 existence. That point was not made.

21 COMMISSIONER LEVIN: I think the question was  
22 whether the attorney and the applicant can respond -- I had  
23 the same question, but actually I would ask staff first to  
24 respond about the air quality issue and federal law.

25 MR. LAYTON: This is Matt Layton.

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1           VICE CHAIR BOYD: Get close. All of a sudden the  
2 system is going berserk.

3           MR. LAYTON: I will not speak to the legal issue,  
4 but the air permit, that it was a determination of  
5 compliance issue by the Air District, which in turn became  
6 an authority to construct. At a certain point in time,  
7 that authority to construct does become a permit to  
8 operate. Those permits are part of the district process,  
9 however, our Conditions of Certification are what we are  
10 talking about and what we are amending today.

11           COMMISSIONER LEVIN: Could you elaborate a little  
12 more on that, please, what the distinction was that you are  
13 making?

14           MR. LAYTON: Again, our Conditions of  
15 Certification are what you issue as the license that  
16 controls the operation of that facility.

17           COMMISSIONER LEVIN: So on the Air Quality  
18 Permit, staff's finding is that there is a federal air  
19 quality permit that is valid today?

20           MR. LAYTON: We did not make a finding about the  
21 federal permit.

22           CHAIRPERSON DOUGLAS: Commissioner, the matter --  
23 maybe our Chief Counsel would like to say something.

24           MR. CHAMBERLAIN: I think there may be some  
25 confusion here over the fact that there are certain laws

1 that this Commission incorporates within its certification,  
2 those are state and local and regional laws, and federal  
3 laws to the extent permitted by federal law. The  
4 Prevention of Significant Deterioration Permit is a federal  
5 permit which is delegated to the Bay Area Air Quality  
6 Management District. They stand in the shoes of the  
7 Environmental Protection Agency of the United States. And  
8 so we really have no jurisdiction over the federal permit  
9 and do not incorporate it into our own permit. I believe  
10 the threat to take us to court for violating a law because  
11 we give a state permit is not correct. This agency would  
12 not be in violation, PG&E may be in violation if they do  
13 not have a valid federal permit, but these are two separate  
14 roads. And what we have to focus on here is the state road  
15 that we travel.

16 COMMISSIONER BYRON: Good.

17 COMMISSIONER LEVIN: Can I ask for further  
18 clarification? Because it sounded like at the beginning  
19 they were saying the federal permit is actually issued by  
20 the Air Quality Management District, but then at the end  
21 you said it is not our responsibility, whether or not there  
22 is a federal permit issue --

23 MR. CHAMBERLAIN: I am sorry, it is the Bay Area  
24 Air Quality Management District.

25 COMMISSIONER LEVIN: And we are satisfied that

1 they have done what they need to do at this point?

2 MR. CHAMBERLAIN: I have no knowledge as to  
3 whether they have done what they need to do. That is  
4 between the Applicant and the Bay Area Air Quality  
5 Management District.

6 CHAIRPERSON DOUGLAS: But the issue -- some of  
7 the substantive issues that have been raised are before the  
8 Siting Committee, and the proceedings, so what we are  
9 looking at today is narrowly focusing on the state permit  
10 and the amendments that have been proposed, without  
11 prejudicing what the Siting Committee may find in terms of  
12 some of these larger issues in the adjudicatory proceeding.  
13 I see that one of our attorneys, Mr. Ratliff, is standing  
14 at the podium looking like he may like to make a comment,  
15 and I also have one more public commenter on the phone, so  
16 after Mr. Ratliff, we will go back to the phone if we  
17 could.

18 MR. RATLIFF: Yeah, Commissioners -- yes, Richard  
19 Ratliff, staff counsel. I think both the General Counsel  
20 and the CHAIRPERSON, I think, summarized it correctly, that  
21 the federal permit is issued by the Bay Area District.  
22 When it issues that permit, it is a federal permit, issued  
23 by the District under a delegation agreement by which it  
24 is, to use the term the EPA itself uses, it stands in the  
25 shoes of EPA when it issues that permit. So it is a

1 strictly federal permit. Typically, that permit is issued  
2 after the conclusion of our state permitting process. When  
3 we issue our permit, we make a finding that the project  
4 complies with all the laws and ordinances that are relevant  
5 to the project. In this case, of course, we did make a  
6 finding that it complied with all LORS. The Applicant in  
7 this case, which at that time was Mirant, I believe, did  
8 apply for and receive a federal PSD permit and initiated  
9 construction of the project and discontinued it  
10 subsequently. When PG&E took over the project it was, as I  
11 understand it, I have the impression the permit was valid.  
12 And by the Bay Area District's rules, it was able to  
13 continue construction and it completed the project and  
14 began to operate it. More recently, for reasons that I  
15 will not go into, the Bay District has been meticulously  
16 examining its PSD authority rules to make sure that it is  
17 being, you know, [inaudible] about how it issues PSD  
18 permits. In doing so, it realized that there is a  
19 disagreement between its rules about lapses between  
20 initiating and continuing the construction, and those of  
21 EPA's -- those that are federal requirements. And due to  
22 that, they asked EPA to clarify whether or not the time --  
23 whether or not the permit was in fact still valid, given  
24 the length of time there was no construction on the  
25 project. For that reason, EPA initiated an enforcement

1 proceeding, and that proceeding is ongoing at the present  
2 time to determine whether or not some sanction would be  
3 appropriate for the project. The 60-day Notice of Intent  
4 letters that Mr. Boyd and others have filed in this  
5 regarding the PSD permit, are filed with EPA, and are with  
6 regard to lawsuits against EPA for failure to enforce the  
7 Clean Air Act, and certainly those Citizen Act provisions  
8 are ones that are available recourse for those who believe  
9 the law has not been enforced correctly. I believe I have  
10 given you the gist of the situation here. I do not know if  
11 the Applicant wanted to comment on that, but that is the  
12 situation as I understand it.

13 COMMISSIONER BYRON: Thank you.

14 CHAIRPERSON DOUGLAS: Thank you.

15 MR. GALATI: I want to first start by saying --

16 CHAIRPERSON DOUGLAS: Mr. Galati, we wanted to  
17 get just all the potential issues from commenters on the  
18 table. We will turn to the phone one more time and then we  
19 would like to hear from you. Mr. Sarvey?

20 MR. SARVEY: Good morning, Commissioners. This  
21 is Bob Sarvey. I have filed comments on this amendment and  
22 the Energy Commission relies on the Bay Area Air District  
23 to issue the FDOC, which is required by the Warren-Alquist  
24 Act to approve the project. In this particular case, the  
25 diesel fire pump was not part of the FDOC process and they

1 are now seeking that authority to construct for the diesel  
2 fire pump. The fact is, the Energy Commission should  
3 probably wait until the Authority to Construct at issue,  
4 that is essentially the FDOC for the entire project, would  
5 be incomplete without the Authority to Construct for the  
6 fire pump, so this project probably is not fully -- it does  
7 not have all its permits necessary for the Commission to go  
8 ahead and approve the amendment at this point. That would  
9 be the position that I would take on that. Thank you.

10 CHAIRPERSON DOUGLAS: Thank you. Now, Mr.  
11 Galati.

12 MR. GALATI: Yes, I first want to state that PG&E  
13 believes that it has all appropriate permits and the first  
14 thing we want to say is there is a state issued air permit,  
15 there is a federal NSR review permit, then there is also a  
16 separate federal PSD permit, so there are sort of three  
17 things that deal with air quality. In this particular  
18 case, the Bay Area Air Quality Management District was  
19 delegated from the EPA the ability to issue the two that  
20 they normally issue, which is the state and the federal NSR  
21 permit, and the PSD permit. And the sole issue, which I  
22 believe is appropriate for the complaint proceeding, not  
23 this proceeding, is how does that PSD permit affect and is  
24 there non-compliance with it, and you know that I filed  
25 some motions on those grounds on what is the appropriate

1 authority. But it is important to note that we got an  
2 FDOC, we had an Authority to Construct from the Bay Area,  
3 which is the two permits I am talking about, and the  
4 Authority to Construct was extended, that we have complied  
5 with that Authority to Construct, the Authority to  
6 Construct acts as a permit to operate for a certain amount  
7 of time, it has been, through the Bay Area, extended  
8 through a Compliance Agreement to continue to be the permit  
9 to operate, and that is currently what we are operating  
10 under, a valid permit. The last comment by Mr. Sarvey  
11 about the fire pump requiring an FDOC and an Authority to  
12 Construct, it is very common for this Commission to have  
13 the -- it is very common for the District to wait for this  
14 Commission's action to be done, so that they can use it for  
15 CEQA compliance of issuing an Authority to Construct, and I  
16 believe that is what is going to occur in this case, is the  
17 fire pump Authority to Construct is intended -- the Bay  
18 Area is intentionally waiting for the Commission staff  
19 analysis and the Commission action to be done. And I am  
20 going to turn it over to Mr. Rubenstein to fill in the huge  
21 blanks I am sure I left.

22 MR. RUBENSTEIN: Thank you, CHAIRPERSON Douglas.  
23 I do not want to get into too much the issues from the  
24 enforcement proceeding, about the compliance proceeding,  
25 but I would be happy to address those questions. I just

1 want to reinforce what Mr. Galati just said. As I am sure  
2 you are aware from other amendment cases that it is quite  
3 normal for this Commission to act in advance of local air  
4 districts. I have seen that reversed on occasion, unusual  
5 circumstances, but typically the Commission will act first  
6 and then the local air district will amend its permit in  
7 order to address the proper sequence under CEQA. And that  
8 is all I really have to add. Mr. Ratliff, I thought, did  
9 an excellent job of summarizing the issues with respect to  
10 that permit status.

11 MR. GALATI: We would like to just bring it back  
12 to what we are asking you to approve today. We are asking  
13 you to approve the fire pump amendment in your decision, to  
14 allow the fire pump, which was at the request of the local  
15 Fire Marshal. And if that had been known during the  
16 original licensing procedure, that is probably what you  
17 would have approved at that time, under the same analysis.  
18 The second thing that we are asking you to approve is the  
19 dew point heater which, as staff analysis shows, results in  
20 an emissions reduction. And then everything else that we  
21 are asking you to approve are clean-ups, amendments to the  
22 conditions that have no effect, but, for example, there are  
23 some places where it still says "Contra Costa 8," there are  
24 places where it says we still have to measure the total  
25 emissions of the wet cooling tower, that was not taken out,

1 and many of the amendments that are in this petition deal  
2 with that. The only two substantive ones are to do with  
3 the fire pump, and the staff analysis shows that there are  
4 impacts and the project will comply with LORS for those two  
5 pieces.

6 COMMISSIONER LEVIN: I just have a couple more  
7 questions, actually mostly for our staff and counsel. For  
8 the staff, I just want to be sure there have been public  
9 comments filed, that those do make it into the record. It  
10 sounds like both ACORN and CARE -- CARE, I think -- has  
11 filed comments. Have we received those? Will they end up  
12 in the record?

13 MR. YASNY: This is Ron Yasny, Compliance Project  
14 Manager. I do believe that there were comments that were  
15 docketed and they were not sent to me, they were docketed  
16 and I interpreted those to be comments towards the  
17 complaint, and so they are already docketed, unless there  
18 is something else that I am unaware of.

19 COMMISSIONER LEVIN: Did the comments specify  
20 which docket number, or if that was open to interpretation,  
21 and the filers actually intended them to be filed in this  
22 proceeding? I just want to make sure that the public  
23 comments are received and recorded where the filer  
24 intended. If it was not clear -- if they specified the  
25 other docket number, that is a different story.

1           MR. YASNY: It is the proper docket number, but  
2 anything that is docketed refers to the project docket  
3 number, but while this amendment was going on, the  
4 complainants were filing comments and briefings, and so  
5 that is -- the way I interpreted that was that the comments  
6 were towards the complaint. And so any comments that were  
7 made are already docketed and part of public record.

8           COMMISSIONER LEVIN: Okay. And then I would like  
9 to go back to our General Counsel's comment earlier in  
10 response to Commissioner Byron's question, I believe. When  
11 you say that our decision here could influence, but not  
12 prejudice, the enforcement proceeding, could you clarify,  
13 please, what you mean by "influence?"

14           MR. CHAMBERLAIN: Well, I believe what you have  
15 before you is a determination whether it is appropriate to  
16 make these changes in the dew point heater --

17           MR. GALATI: Dew point heater and the fire pump  
18 and the clean-up changes.

19           MR. CHAMBERLAIN: And the fire pump. Or whether  
20 they would have significant adverse environmental effects.  
21 If you decide that it is appropriate to grant a license for  
22 those changes, then that obviously would affect any  
23 violations going forward because they would no longer be in  
24 violation. If you decided that it was not appropriate to  
25 do that, then they would still be in violation for the fact

1 that they had done something that was not appropriately  
2 permitted. But it does not change the fact that they made  
3 these changes without getting your approval to begin with.  
4 So the complaint proceeding still has that on its docket,  
5 it is not affected by this determination today.

6 COMMISSIONER LEVIN: Just one final comment, I am  
7 sorry. And I do appreciate that the Applicant has come  
8 forward, has noticed the violation and has taken steps to  
9 address it, and these are both efficiency and safety  
10 measures. Personally, I do support the staff's  
11 recommendation. I am troubled that there was a violation  
12 and I do think -- I wanted to be sure that we do not fail  
13 to address that, or prejudice in a way that we cannot, but  
14 I do think that our report issue is that you are dealing  
15 with safety and efficiency issues, so I will shut up now.

16 MR. GALATI: Commissioner Levin, if I could just  
17 address that, because the Commission's authority under the  
18 complaint allows fines, and the fines are calculated by a  
19 certain number of days of non-compliance. I guess that it  
20 is possible that if you approve today, that if you were to  
21 calculate a fine, if you were to find non-compliance, that  
22 there would be a cap on the fine because you have approved  
23 it today. I would note, however, there is already a  
24 monetary cap, and so I do not think it would change if the  
25 Commission found in the complaint proceeding that a fine

1 was appropriate. I do not think today's action would  
2 change the amount you were capable of doing at the upper  
3 end, so, again, I wanted to -- and it is in no way  
4 conceding in any way, shape or form, that PG&E deserves a  
5 fine, because I do not believe they do. And we will  
6 continue to handle that in the complaint proceeding, but I  
7 do not see your decision today influencing. I really think  
8 that you should focus on the fact that a diesel fire pump  
9 is what the Fire Marshal wanted, there are no impacts, and  
10 the dew point heater reduces emissions so there are less  
11 impacts.

12 COMMISSIONER BYRON: Mr. Galati, it seems you  
13 have thought about this potential cap on a fine. Have you  
14 calculated what that cap is?

15 MR. GALATI: Uh, yes.

16 COMMISSIONER BYRON: Thank you. We will probably  
17 bring this up -- we may potentially bring this up in the  
18 proceeding.

19 MR. GALATI: I certainly hope not.

20 VICE CHAIR BOYD: Madam Chair, this is an unusual  
21 situation. And I am going to jump in here where maybe the  
22 Chair of the Siting Committee would normally on any  
23 amendment to our approval of a power plant application and  
24 the conditions of -- the procedural conditions that affect  
25 the construction and operation of such a power plant.

1           COMMISSIONER BYRON: Be my guest, Commissioner.

2           VICE CHAIR BOYD: But since this is subject to

3 continuing enforcement potential action by the Siting

4 Committee, I am going to take this opportunity to

5 ultimately make a motion, but a few comments I want to

6 make. I mean, I came into this knowing there was a

7 separate enforcement action underway and that materials had

8 been submitted to this agency and docketed for purposes of

9 that Siting Committee potential enforcement investigation.

10 I am going to move approval of what I consider to be these

11 procedural amendments on the conditions, and I think

12 Commissioner Levin and I are thinking exactly the same

13 thing, with the understanding and the condition that the

14 action today is really separate from the enforcement

15 actions pending because the actions we are approving -- or

16 I am going to recommend approval -- are 1) compliance with

17 the desires of a fire district, a Fire Marshall, with

18 regard to a fire pump, and an important but somewhat benign

19 with regard to overall activities of a power plant, a piece

20 of equipment, and the second piece of equipment, a heater

21 change that everybody agrees is a positive change

22 environmentally, efficiency-wise and otherwise. But my

23 motion will also be predicated on the understanding that we

24 intend no prejudice by an action we may take with regard to

25 the pending investigation and potential enforcement actions

1 by this agency, by the Bay Area District for itself, or in  
2 the shoes of the EPA, or even by USEPA, should they enter  
3 the arena. These are somewhat -- in my mind -- separate  
4 and different, and not necessarily forgivable activities,  
5 but nonetheless, they are highly procedural. And what we  
6 are proposing to do is, I think, in the name of government  
7 efficiency, an action that indeed would exhibit no  
8 prejudice towards the case, and I am sure PG&E will be most  
9 generous in its settlement with you, Commissioner Byron.  
10 In any event, I am therefore moving approval of the staff  
11 recommendation, with the understandings and conditions that  
12 I just laid out with regard to no prejudice with respect to  
13 other actions, and approval on the basis that these are  
14 fairly minor changes to equipment added to the project, and  
15 of a number of procedural changes that are name changes, in  
16 effect, as a result of the change in ownership of the  
17 project. A lengthy motion, but it stands as a motion.

18 COMMISSIONER LEVIN: Seconded, I think.

19 VICE CHAIR BOYD: You are the lawyers.

20 COMMISSIONER BYRON: Yeah. I would like to make  
21 clear -- thank you, Commissioners, for the motion. I would  
22 like to make clear that the Siting Committee is taking this  
23 very seriously and my commitment to the Complainants, who I  
24 assume are still on the line, is that we will continue to  
25 evaluate the complaint, in spite of any threats for

1 potential additional lawsuits, we will take this very  
2 seriously, and I am so pleased that the CHAIRPERSON is on  
3 my Siting Committee because her legal expertise has been  
4 extremely helpful in sorting this all out. I welcome the  
5 motion to approve Item 5.

6 CHAIRPERSON DOUGLAS: Thank you. We have a  
7 motion and a second. All in favor?

8 (Ayes.)

9 The item is approved.

10 MR. GALATI: Thank you.

11 CHAIRPERSON DOUGLAS: Item 6. Clean Energy Fuels  
12 Corporation, possible approval of an amendment to grant  
13 FED-03-007 to Clean Energy Fuels Corporation to change the  
14 location of this public access compressed natural gas  
15 fueling station. Mr. Smith?

16 MR. SMITH: Good morning, Commissioners. My name  
17 is Michael Smith. I am the Deputy Director for Fuels --

18 VICE CHAIR BOYD: Pull the mic up close.

19 MR. SMITH: -- and Transportation Hearing. Is  
20 that -- I can hear myself now, so that must be a good sign.

21 VICE CHAIR BOYD: And now we can hear you.

22 MR. SMITH: Okay. The item before you is a  
23 simple location change that was necessitated by a street  
24 widening project in the City of Laguna --

25 VICE CHAIR BOYD: Mission Viejo --

1 MR. SMITH: No, actually it started in Mission  
2 Viejo, but the current location is in the City of Laguna  
3 Niguel, and because of the street widening project, the  
4 Applicant -- or the grant recipient, rather, Clean Energy  
5 Systems, needed to find a new location, and they have in  
6 the City of San Juan Capistrano. The necessary  
7 documentation for vehicle numbers and fuel throughput and  
8 cost, and so on, has been forwarded to DOE. We expect  
9 approval by DOE shortly. And we expect that the project  
10 will be completed by the end of this calendar year. So we  
11 are moving quickly to wrap this up, but we just simply need  
12 to make this locational change in the terms and conditions  
13 of the grant, which require this no-cost amendment to come  
14 back before the Commission. So we request your approval.

15 VICE CHAIR BOYD: I move approval.

16 COMMISSIONER BYRON: Second.

17 CHAIRPERSON DOUGLAS: All in favor?

18 (Ayes.)

19 This item is approved.

20 Item 7. Department of Mental Health. Possible  
21 approval of a \$1.6 million loan to the Department of Mental  
22 Health to fix leaks and damaged pipes in the stream  
23 distribution line at Metropolitan State Hospital. Mr.  
24 Smith.

25 MR. SMITH: This is the latest in a series of

1 loans through our ECAA Program, and it is a 3 percent loan  
2 to the Department of Mental Health. I will point out that  
3 the \$160,000 savings to the Department comes about not only  
4 through energy savings, but also reduced water and chemical  
5 replacement costs in the system. As a result of the energy  
6 savings, the amount of carbon dioxide emissions is reduced  
7 by just over 1,100 tons annually, so it is a rather  
8 significant savings. The entire amount, the \$1.6 million,  
9 is being funded through our ECAA program and this has been  
10 brought to both the Efficiency Committee and the Ad Hoc  
11 Committee for approval.

12 COMMISSIONER LEVIN: Do the carbon savings that  
13 you were talking about include the carbon savings from the  
14 water savings, or just from the electricity?

15 MR. SMITH: Just from the energy, I believe.

16 COMMISSIONER LEVIN: We did consider this in the  
17 Efficiency Committee and this is a really important loan,  
18 and the savings for all reasons have added benefits to  
19 California. So I would move the item.

20 COMMISSIONER BYRON: Second.

21 CHAIRPERSON DOUGLAS: All in favor?

22 (Ayes.)

23 That item is approved.

24 Item 8. California Department of Corrections and  
25 Rehabilitation. Possible approval of the \$650,000 loan to

1 the California Department of Corrections and Rehabilitation  
2 to retrofit the lighting system at the California  
3 Rehabilitation Center in Norco. Mr. Smith.

4 MR. SMITH: Thank you. Again, this is a loan  
5 through our ECAA program and, again, it also is at 3  
6 percent. The electricity savings as a result of the  
7 improved lighting efficiency will reduce carbon dioxide  
8 emissions by about 600 tons per year. The total cost of  
9 the project is being split between the \$650,000 loan from  
10 the Energy Commission and about -- not about, exactly --  
11 \$180,000 in rebates from Southern California Edison. So we  
12 have a total project payback in approximately 4.3 years.  
13 And this, too, has been approved by both the Efficiency and  
14 Ad Hoc Committees.

15 COMMISSIONER LEVIN: I would move this item and I  
16 wish we could solve all of the prison and corrections  
17 issues so easily.

18 COMMISSIONER BYRON: Yes, I am glad our task is  
19 to save energy and reduce waste and not release prisoners.  
20 I second the item.

21 CHAIRPERSON DOUGLAS: All in favor?

22 (Ayes.)

23 That item is approved.

24 MR. SMITH: Thank you.

25 CHAIRPERSON DOUGLAS: Item 9. University of

1 California Irvine. Possible approval of an amount not to  
2 exceed \$124,985 for work authorization MRA-02-082 with the  
3 University of California Irvine, under Agreement 500-02-  
4 004. Ms. Lew.

5 MS. LEW: Good morning, CHAIRPERSON Douglas and  
6 Commissioners. My name is Virginia Lew of the Energy  
7 Efficiency Research Office. The purpose of this work  
8 authorization is to evaluate the role of very small  
9 particles on the following of membrane filters used in  
10 water to wastewater treatment facilities. Limited data  
11 suggests that very small particles have more of an impact  
12 on following membranes than large particles. And as the  
13 membranes become fouled, it takes more energy to push the  
14 water through the membranes. U.C. Irvine will be  
15 collecting water samples from three wastewater treatment  
16 plants in Southern California. They will be analyzing the  
17 incoming and outgoing concentrations of these small  
18 particles, and then evaluating the effects of these small  
19 particles on a variety of different types of membranes.  
20 They will also be estimating the amount of energy reduction  
21 associated with improving membrane performance, as well as  
22 identifying mitigation measures associated with the water  
23 treatment process that can reduce fouling. As water  
24 related energy use annually accounts for 19 percent of the  
25 state's electricity consumption and 30 percent of the non-

1 power plant natural gas consumption, this project supports  
2 the state's Integrated Energy Policy research goals of  
3 conducting research to identify ways to improve the energy  
4 and efficiency of water waste treatment processes. This  
5 project has been approved by the R&D Committee and staff  
6 recommends approval of the project.

7 CHAIRPERSON DOUGLAS: Questions or comments.

8 VICE CHAIR BOYD: I move approval of the item  
9 and, as indicated, it came through the R&D Committee, and I  
10 certainly am supportive of its potential to be more  
11 efficient and save energy, and the water energy nexus is a  
12 big issue in California and we probably should point out  
13 this project in some form or another to the citizens and  
14 other stakeholders of the state.

15 COMMISSIONER BYRON: Are you suggesting we have a  
16 press release on this research project?

17 VICE CHAIR BOYD: Well, I am certainly suggesting  
18 we look into that idea.

19 COMMISSIONER BYRON: You know, not being on the  
20 R&D Committee, and when I see these items come through,  
21 this place never ceases to amaze me, the cutting edge  
22 research that we do, and this looks very intriguing, great  
23 potential not just in California, as well. So I would  
24 certainly second the item.

25 CHAIRPERSON DOUGLAS: All in favor?

1 (Ayes.)

2 Thank you. That item is approved.

3 Item 10. L'Monte Information Services, Inc.  
4 Possible approval of Purchase Order 09-409.00-004 for  
5 \$60,000 with L'Monte Information Services, Inc., for  
6 business analyst support to determine hardware/software  
7 technical requirements for the Home Energy Rating System.  
8 Mr. Flamm.

9 MR. FLAMM: Good morning. This item is for  
10 approval of this purchase order. This has to do with  
11 document retention, as required in the 2008 Standards. We  
12 already have HERS raters creating documents in 2005, and  
13 that requirement has been advanced and there is a concern  
14 that we have documents that are permanent and consistent  
15 for enforcement with the Standards. So there is a  
16 requirement for a document retention that is consistent,  
17 and staff needs a consultant to help us develop the  
18 hardware and software for that project. Now, I would like  
19 to point out that this project will not affect the  
20 implementation date of the standards, although staff  
21 intends that this will be taken care of by the 1<sup>st</sup>, if it is  
22 not, there are alternate options for us; for example, we  
23 may keep physical copies of the documents until we have the  
24 software and hardware rating. Thank you.

25 COMMISSIONER LEVIN: The Energy Efficiency

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1 Committee has looked at this and we think this is an  
2 important step forward. The HERS Program is a really  
3 critical pathway to AB 32 implementation and so I strongly  
4 support this item.

5 CHAIRPERSON DOUGLAS: Is that a motion?

6 COMMISSIONER LEVIN: Yes, it is a motion to  
7 approve.

8 VICE CHAIR BOYD: Second.

9 CHAIRPERSON DOUGLAS: All in favor?

10 (Ayes.)

11 The item is approved.

12 MR. FLAMM: Thank you.

13 CHAIRPERSON DOUGLAS: Item 11. Employment  
14 Training Panel. Possible approval of Contract 180-09-002  
15 for \$5 million with the Employment Training Panel to  
16 provide workforce development apprenticeship and pre-  
17 apprenticeship training under the Clean Energy Workforce  
18 Training Program. Mr. Bartholomy.

19 MR. BARTHOLOMY: Thank you, CHAIRPERSON,  
20 Commissioners. Good morning. Sorry I was not here for the  
21 television cameras. I am here today asking for your  
22 approval of an inter-agency agreement between the  
23 Commission and the Employment Training Panel for \$5 million  
24 of American Recovery and Reinvestment Act funds from the  
25 State Energy Program. These funds will be used to fund

1 training programs in water and energy efficiency, as well  
2 as clean energy generation, distribution, and transmission  
3 for both distributed scale, as well as utility scale  
4 renewable energy generation. This will be overseen by a  
5 group of Energy Commission staff that will help the  
6 Employment Training Panel develop the contracts with the  
7 employers, and the multiple employers will provide this  
8 training to their employees, and we look forward to a long  
9 relationship with the Employment Training Panel to deliver  
10 this kind of training in California. I will be open to any  
11 of your questions at this point. I would just note that  
12 this did go through our Ad Hoc Committee with Commissioner  
13 Levin sitting in for Commissioner Rosenfeld.

14 CHAIRPERSON DOUGLAS: Questions, comments?

15 VICE CHAIR BOYD: I have a comment, more a  
16 suggestion to Ms. Chandler. Here is another item worthy of  
17 notoriety, however, I heard the water nexus raised again,  
18 so you get a twofer if you want to do something in terms of  
19 pointing out the water and energy activities of this  
20 agency.

21 MS. CHANDLER: Thank you, Vice Chair. We are  
22 working closely with the Governor's Office on this because  
23 it is very possible that this is the largest award of clean  
24 job training program in the nation, and so it will make a  
25 very large splash as a result. So we are working closely

1 with them.

2 COMMISSIONER BYRON: There is the water nexus  
3 again.

4 VICE CHAIR BOYD: Well, I was just going to say  
5 we can take the water nexus, they can have the employment  
6 and all that --

7 MS. CHANDLER: I should also note that, regarding  
8 the other awards that we have made at the business meeting,  
9 we do news releases on those. We work closely with the  
10 local jurisdictions and the Legislative members to make  
11 sure that they are aware of this, and that these items get  
12 placed in the local newspapers. So we are very vigilant on  
13 the good work that we do here at the Energy Commission.

14 COMMISSIONER BYRON: Uh, Mr. Bartholomy, I know  
15 that you have been working on these issues very diligently  
16 on behalf of your Commissioner's office and it would seem  
17 that the Chairman is trying to employ half the state of  
18 California with all the efforts going forward. This is  
19 going to train upwards of 1,600 people or more in some  
20 pretty broad areas. Have you got jobs for all these  
21 people?

22 MR. BARTHOLOMY: That is an excellent question,  
23 and it is one that comes up continually about linking  
24 training programs to actual jobs that are out there in the  
25 field, and so part of the underlying framework of our Clean

1 Energy Workforce Training Program, the full program that  
2 the Chief Deputy just discussed, is a linkage and  
3 preference given to providing funding to those training  
4 organizations that have a partnership with either  
5 organizations or entities that are actually employing these  
6 sorts of technologies. So we will be giving preference to  
7 those, for instance, renewable energy companies that are  
8 actually going to be building here in California. This  
9 contract is for only incumbent workers, the Employment  
10 Training Panel only provides training for incumbent  
11 workers, so this would be organizations that already have  
12 plans to build in California, or retrofit in California,  
13 and these will be providing them with funds to train their  
14 employees to be ready to perform that work.

15 COMMISSIONER BYRON: Good. Thank you. I do not  
16 know where we are on this item, but I would be happy to  
17 move approval.

18 CHAIRPERSON DOUGLAS: I think that is exactly  
19 where we are on this item.

20 COMMISSIONER BYRON: And thank you, Mr.  
21 Bartholomy.

22 COMMISSIONER LEVIN: Second.

23 CHAIRPERSON DOUGLAS: All in favor?

24 (Ayes.)

25 This item is approved.

1 MR. BARTHOLOMY: Thank you.

2 CHAIRPERSON DOUGLAS: Item 12. Minutes.  
3 Approval of the August 12, 2009 Business Meeting Minutes.

4 VICE CHAIR BOYD: May I ask a question of our  
5 Chief Counsel? The Minutes reflect the fact that I was a  
6 little late getting into the meeting on just a couple of  
7 items. I am presuming it is appropriate to vote on full  
8 Minutes since I was here for a majority, rather than  
9 abstaining like we do when we are not here at all?

10 MR. CHAMBERLAIN: Yes. You can vote.

11 VICE CHAIR BOYD: Thank you.

12 COMMISSIONER BYRON: I move approval of the  
13 Minutes.

14 COMMISSIONER LEVIN: Second.

15 CHAIRPERSON DOUGLAS: All in favor?

16 (Ayes.)

17 Unanimous approval of the Minutes.

18 Item 13. Commission Committee Presentations and  
19 Discussion. A discussion by Commissioners regarding  
20 Committee Oversight matters may be held. Is there  
21 discussion?

22 VICE CHAIR BOYD: Well, I have a question, seeing  
23 Mr. Smith in the audience. We were advised that, at 7:30  
24 Pacific Time, the Vice President and Secretary Chu were  
25 going to make some significant announcements in Washington

1 that we presume to be about the Clean Cities Awards. It  
2 being past the hour of 7:30, do we know anything as it  
3 relates to awards to California, since we -- Mike is  
4 anxiously looking around the room for help here.

5 MR. SMITH: We do. We have seen the list of  
6 awards and it looks like California received five. I  
7 cannot remember the total dollars that California is  
8 receiving, it was something -- I am not even going to  
9 guess. Three of those projects came through the Energy  
10 Commission for match year funding, and we are preparing  
11 materials now to brief the Commissioners on these awards by  
12 DOE, and particularly the ones that came through for our  
13 match year funding because we want to move quickly in  
14 finalizing the terms and conditions and the amounts of the  
15 agreements, and move these projects quickly into the  
16 marketplace.

17 VICE CHAIR BOYD: Good, thank you.

18 CHAIRPERSON DOUGLAS: Commissioner Byron. Oh --

19 MR. GOTTLIEB: Commissioners, due to the passing  
20 of Senator Ted Kennedy, the Vice President and Secretary  
21 Chu declined to give more details than what might -- they  
22 passed on any formal press announcement.

23 VICE CHAIR BOYD: And you are for the record,  
24 sir?

25 MR. GOTTLIEB: I am sorry. For the record, I am

1 Adam Gottlieb with the Media Communications Office.

2 CHAIRPERSON DOUGLAS: Commissioner.

3 COMMISSIONER BYRON: If you are done with that  
4 item, Commissioner, I just wanted to bring up something.

5 The Chairman sent around to us, I believe yesterday, I call  
6 it to all of you to take a look at *Science Magazine* this  
7 week's issue -- or this month's issue, it is dated August  
8 14<sup>th</sup>, it has an interesting article on leading the  
9 efficiency gap and it features none other than our own  
10 Commissioner Rosenfeld, among many others, and I note that  
11 this gentleman continues to always have such good press. I  
12 think it shows -- it is an example to me that being a kind  
13 gentleman is the right approach to getting your message  
14 across. Commissioner Rosenfeld always -- let me back up a  
15 moment -- he and I are often here in the evening as the two  
16 bachelors in town, if you will, and go out to dinner. He  
17 never gets off point with regard to energy efficiency. All  
18 through dinner, that is all he talks about. And it is just  
19 a touching article, it is good technically, but I think you  
20 will appreciate -- I do not want to give away the ending --  
21 but the gentleman certainly conveys a message, and has all  
22 his life. I note he is not here today, taking a little  
23 time off, but even when he is not here, he still influences  
24 this place, and I just wanted to call this article to your  
25 attention. Thank you for sending it to us.

1           CHAIRPERSON DOUGLAS: Thank you. Other comments  
2 by Commissioners? We will go on to Item 14, Chief  
3 Counsel's Report.

4           MR. CHAMBERLAIN: Thank you, Madam Chairman.  
5 Yesterday afternoon, I circulated a memo explaining the  
6 need for a brief closed session with respect to a  
7 litigation item.

8           CHAIRPERSON DOUGLAS: Very well. Thank you.  
9 Item 15. Executive Director's Report.

10          MS. CHANDLER: Good morning. I have two items  
11 that I would like to report on. The first will be a status  
12 on where we are with the American Reinvestment and Recovery  
13 Act Programs here at the Commission. The second item will  
14 be about one of my favorites, which is the Superior  
15 Accomplish Awards, and the Sustained Superior  
16 Accomplishment Awards.

17          Some business first. Our last ARRA workshop will  
18 take place on Friday, August 28<sup>th</sup>, in Los Angeles, where we  
19 will go over the Block Grant Program, the State Energy  
20 Program, very very briefly the Energy Star Appliance Rebate  
21 Program, and the Energy Assistance Plan for Enhancement,  
22 and Assurance Plan for Enhancement. The meeting will be  
23 opened by the Assembly Utilities and Commerce Chairman,  
24 Assemblyman Fuentes, and he will be welcoming staff and  
25 making the opening remarks. As you probably are aware, the

1 Energy Efficiency Conservation Block Grant Guidelines were  
2 posted earlier this month. We will be hearing those  
3 bringing this forward for adoption on September 23<sup>rd</sup> at the  
4 Business Meeting. The State Energy Plan Final Guidelines  
5 will be posted this Friday, and they will be up, then, for  
6 adoption on the September 30<sup>th</sup> Business Meeting. So we are  
7 proceeding very close to the schedule that we laid out over  
8 eight weeks ago, or 10 weeks ago. The staff will be  
9 working, our Energy Efficiency Block Grant folks, are going  
10 to be holding regional workshops with local jurisdictions  
11 on an appointment basis to help them fill out the  
12 application for the Block Grant Awards. We have not yet  
13 received the acknowledgement from DOE of the awards, and  
14 that is okay with us because, once the awards are provided  
15 to us by the Department of Energy, we have six months to  
16 get those out to the local jurisdictions, so we are very  
17 focused on that, that is one of our first priorities in  
18 terms of making sure that their applications are done  
19 correctly, they have all their I's dotted, their T's  
20 crossed, so we can make those awards to them. We are  
21 dealing with over 300 local jurisdictions, many of them who  
22 are very small, some of them who have never worked with us  
23 before, so we are very focused on this, making it right the  
24 first time.

25           Regarding the Energy Star Appliance Rebate

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1 Program, last Friday, we were informed by the Department of  
2 Energy that our initial application has been accepted.  
3 Staff is now proceeding to develop the final application  
4 which is due in October. At the same time, staff will be  
5 working on developing the guidelines. We anticipate that  
6 we will be holding workshops on the guidelines and then  
7 bringing them to the full Commission for adoption in the  
8 November-December timeframe.

9           And lastly, staff is developing guidelines for  
10 the \$3.6 million California State Energy Assurance Plan  
11 Enhancement. This is often referred to as Contingency  
12 Planning and Smart Grid, this award occurred earlier this  
13 month, staff is working on the guidelines for this, and  
14 will also be bringing that forward.

15           Also this week, we worked with the state's  
16 California Chief Information Office, the OCIO. The OCIO is  
17 responsible for pulling together all of the  
18 ARRA reporting data that is required by the Federal Office  
19 of Management and Budget and submitting it on the 10<sup>th</sup> of  
20 October. So they did a dry run with all state agencies to  
21 make sure that the data upload will be smooth because this  
22 is the first time the system will be in place, and to make  
23 sure that the data fields that we are responsible for are  
24 complete. So we did that earlier this week, it went well,  
25 and we identified that they did not have one of our

1 programs that we needed to report on in the system, that  
2 has been taken care of. We will be completing that  
3 responsibility. We were required to provide them the data  
4 on 10/2, October 2<sup>nd</sup>, and they will be uploading on 10/10 to  
5 the Office of Budget and Management. So that concludes my  
6 report. Any questions?

7 CHAIRPERSON DOUGLAS: I do have a question. Your  
8 last point brought this up to some degree, but we focused a  
9 lot on our responsibility to develop sound guidelines and  
10 get funding out on the street on time, due to the economy,  
11 and appropriately so, but as you know only too well, there  
12 is an immense layer of accountability along with this.  
13 There are reporting requirements and, in fact, multiple  
14 reporting requirements, and I think it would be helpful if  
15 you briefed the full Commission on your thinking for how we  
16 build the processes and think about how we address this  
17 issue with employees of 300 local governments and also with  
18 recipients of competitive awards.

19 MS. CHANDLER: We did not realize when the money  
20 came to us from the ARRA money the depth of strengths that  
21 are attached to this from the standpoint of transparency,  
22 waste, fraud and abuse. We have learned through meetings  
23 with the Department of Energy, with the Bureau of State  
24 Audits, who has come to visit us on a -- because we have  
25 been identified as an entity agency that will be audited --

1 in working with guidelines that are coming out, it seems  
2 weekly, by the Office of Management and Budget. We felt  
3 that we needed to have a broader understanding as to how we  
4 would approach this going forward in terms of the  
5 independent measurement and evaluation approach; we had  
6 been thinking that, on the one hand, that would be a lot  
7 about energy. Given the information that we received from  
8 the Department of Energy in an earlier meeting with us, and  
9 from the Office of Management and Budget circulars, and the  
10 Bureau of State Audits, we recognized that this money is  
11 coming with a very critical responsibility from the  
12 standpoint of transparency -- audit trails, proper  
13 processes and procedures need to be in place. Staff met  
14 with three very large firms on a market assessment to learn  
15 what they know, one of these firms works right now with  
16 state agencies already moving forward with the RO funding  
17 in their area, Transportation and Health Services, the  
18 second works with the OCIO, and the third works with the  
19 federal government in terms of the ARRA funds. So we were  
20 meeting with them just to get a better understanding about  
21 what might be expected from us, as the prime recipient of  
22 these funds, and a better understanding of what the sub-  
23 recipients will require, and the vendors below them. So in  
24 the course of that, we learned a great deal about the  
25 reporting requirements that we will have to not only meet

1 in terms of the OMB, but also to have in place to be able  
2 to respond to the Department of Energy's request, as well  
3 as OMB's request. So at this point in time, staff in the  
4 programmatic area, and in the financial area, are looking  
5 at developing a statement of work that would encompass this  
6 and, as I like to say to Karen, to keep her out of jail,  
7 but it is very important, it is very critical, it was  
8 stressed to us that the way that the TARP funding went out  
9 last year in the last Administration, and the lack of  
10 accountability from those funds related to the financial  
11 industry will not happen in this Administration, and there  
12 will be very stringent and heavy reporting on any federal  
13 funds, ARRA, and any future ones. So that is what we  
14 learned and will be bringing forward, more information to  
15 the committees on kind of what we are thinking as we begin  
16 to scope this project.

17 COMMISSIONER BYRON: Ms. Chandler, is the scope  
18 of any potential criminal proceeding for malfeasance only  
19 against the Chair?

20 MS. CHANDLER: I am trying to cover your back.  
21 No, it is not. It is actually, as you are probably aware,  
22 we have to report on the top five salaries for any of the  
23 prime and sub-recipients, well, yours are all posted on  
24 SACB.com, so that is not really a problem. But that will  
25 be for --

1 VICE CHAIR BOYD: And they are not spying.

2 MS. CHANDLER: But all sub-recipients, all  
3 recipients of ARRA funds have to post the top five salaries  
4 of their businesses, and then it goes -- and there are 33  
5 fields of reporting requirements for OMB, and then there is  
6 more fields beyond that to make sure that we can meet our  
7 fiduciary responsibilities.

8 CHAIRPERSON DOUGLAS: Commissioners, I asked Ms.  
9 Chandler to go into some detail on this point, first of  
10 all, because we all are aware, need to be aware, that we  
11 have a tremendous responsibility here, and I expect that,  
12 from talking to staff, that this organization will be  
13 honored not once, not twice, but no doubt multiple times by  
14 multiple parties, and so, as Ms. Chandler said, initially  
15 we were thinking that a lot -- or at least some significant  
16 portion of this accountability work would be technical,  
17 would have to do with energy saved, and how do you measure  
18 it, and I believe the staff, as Ms. Chandler indicated,  
19 reached the realization that, yes, we need that, but even  
20 more than that, we need the audit trail, we need the  
21 trainings in place, and we need to train the right people  
22 at the right time in order to ensure that recipients are  
23 able to -- recipient staff, Management, and so on -- are  
24 able to play their respective roles. And so I am pleased  
25 with the way staff has taken this on with not only the

1 pressure to get, of course, the money out the door by  
2 deadlines, and to stimulate the economy, but also in light  
3 of constantly refined federal requirements and new  
4 information, it seems almost weekly, about new things that  
5 we might need to do. So please continue in that vein,  
6 please keep all the Commissioners in the loop and fully  
7 briefed as you move forward with that.

8           COMMISSIONER LEVIN: Madam Chair, can I just add  
9 to that. My incredible thanks and, even more, my  
10 incredible condolences that you all have to spend so much  
11 time and effort on this. I think most people, when they  
12 came to the Energy Commission, did not expect to have to  
13 become experts in audits and crime and fraud prevention,  
14 and things like that. I think the workload -- the burden  
15 on you and other staff -- has got to be just crushing and  
16 we are really grateful that you guys are somehow  
17 miraculously managing to stay on top of it and keep things  
18 moving on multiple tracks at the same time, getting the  
19 money out the door, and already anticipate how we are going  
20 to report on it, and make sure it is all done well, so we  
21 really -- I am enormously impressed and grateful.

22           MS. CHANDLER: Thank you. We have an amazing  
23 team. I mean, it has given me the opportunity to work with  
24 some very dedicated and very committed people, who, as you  
25 know, we are here at nights and weekends, and even Furlough

1 Fridays, because we are going to get the job done. So,  
2 yes.

3 VICE CHAIR BOYD: Never on Furlough Fridays.

4 CHAIRPERSON DOUGLAS: Not in the building.

5 MS. CHANDLER: Actually --

6 CHAIRPERSON DOUGLAS: I am a little embarrassed  
7 to admit that I bumped into Ms. Chandler the last Furlough  
8 Friday in the building. She was thinking about this issue  
9 and here to work on this issue, and I was here to work on  
10 any number of things, but thank you for your work on that.

11 MS. CHANDLER: Thank you.

12 VICE CHAIR BOYD: Commissioner Byron and I are  
13 trying to protect our legal back. I know people work out  
14 of state agencies who are barred by the security people  
15 from even entering their buildings. So we have a nice team  
16 here, including our security people, that welcome us on  
17 weekends and Furlough Fridays.

18 MS. CHANDLER: Well, I need to say, just to set  
19 the record straight, that the Governor's Office also  
20 recognizes the critical mass of the work that we are doing  
21 in both ARRA and the siting cases, so we are one of the few  
22 agencies that have been allowed to, on a preapproval basis,  
23 work on Furlough Fridays, and that is huge because not very  
24 agencies have that approval, but I think they recognize the  
25 importance -- I know they recognize the importance of what

1 we are doing here.

2           VICE CHAIR BOYD: One, if I may, additional  
3 comment that fits in with this discussion. I just want to  
4 ditto all the compliments that the staff has received, and  
5 comment, you know, it is tough working in public service,  
6 you work in a fishbowl full of sharks with the public being  
7 the sharks most of the time. And dealing with this  
8 economic stimulus program has been an incredible workload,  
9 and I know we probably get a few criticisms from outside  
10 people about being slow, or what have you, although I must  
11 admit, I only heard one or two. But DOE today is taking a  
12 little flack, I noticed, in some parts about walking the  
13 same fine line in terms of, you know, being responsible and  
14 executing the fiduciary responsibility for these taxpayer  
15 monies, and having adequate rules, regulations in process,  
16 and yet not getting so hung up that you end up like DOE has  
17 gotten rid of today 245 page-long applications that take  
18 days, if not weeks, to process in an effort to provide said  
19 security. So it is hard to find that meeting ground and we  
20 seem to have done a pretty good job in terms of the eyes of  
21 the public, and there is certainly plenty of auditing  
22 follow-up that we are all learning about. But the staff  
23 has mightily turned out program opportunity notes, notices,  
24 as well as all the paperwork you have to send to the  
25 federal government for applications. So good job done by

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1 all. And it is not something that many people even  
2 recognize, that an energy agency would be so deeply engaged  
3 in, itself, and perhaps we get some notoriety for the  
4 awards that come our way, including the ones that Mike  
5 Smith will figure out what they were, when we get the  
6 information, so just my kudos, as well.

7 MS. CHANDLER: Well, I would be remiss if I did  
8 not acknowledge the Transportation Division staff and the  
9 PIER staff because they are working very hard on trying to  
10 make us be more competitive and more successful in bringing  
11 manufacturing jobs and business to California with those  
12 awards, and I am very focused on the Block Grant and the  
13 SEP, and the ones that are coming to the Energy Commission,  
14 but our team that has been working on the transportation  
15 and on the research and development of PIER are equally  
16 challenged, and got their day jobs and still are committed  
17 to bringing those monies to California. So may we live in  
18 challenging times, huh?

19 COMMISSIONER BYRON: Good, well, Ms. Chandler,  
20 let's get on to the best part of the day. Can we  
21 acknowledge some of those individuals?

22 MS. CHANDLER: Yes, this is the best part of the  
23 day in my experience because I am going to be able to call  
24 forth some very wonderful people. I just want to explain a  
25 little bit, give you some background in what this is. Each

1 year, the Commissioners and the Energy Commission  
2 Management Team work together to identify those employees  
3 that have performed above and beyond their normal work to  
4 accomplish an important challenge or responsibility for the  
5 Energy Commission. We have two types of awards, one award  
6 is the Superior Accomplishment, which recognizes 12 months  
7 of work, something really outstanding, but the second award  
8 is for the sustained superior accomplishment, and the  
9 timeframe on that is for 24 months. My observation has  
10 been, however, for those folks who receive the sustained  
11 superior accomplishment, that their work sustains much  
12 longer than that 24 month period. So first, I am going to  
13 -- we are working this up, and so I am going to call forth  
14 today employees from the Transportation Division and the  
15 Electric Supply Analysis Division, the Office of  
16 Governmental Affairs, and then the Media and Public  
17 Communication Office. So first I would like to call up  
18 Mike Smith, and then we will take his folks first. Mike?  
19 With Mike coming forward, I would like to invite Jim  
20 McKinney to come up. You can stand right at that mic. Jim  
21 McKinney received his award for superior efforts,  
22 abilities, and leadership, which contributed to the first  
23 time in California's energy sector, a set of quantifiable  
24 and defined goals by which to measure a project's  
25 contribution to sustainable environment. In addition, Jim

1 was able to accomplish this effort and meet the program's  
2 mandate and milestones and products. Jim, congratulations.  
3 Would you like to say anything to the Commission?

4 MR. MCKINNEY: I am supposed to say something  
5 here?

6 MS. CHANDLER: If you would like.

7 MR. MCKINNEY: I guess I would just like to say  
8 it was a privilege and a challenge to try to take one  
9 paragraph, maybe one key statute, requiring us to develop  
10 sustainability goals for alternative fuels and renewable  
11 vehicle technologies, and translate that into a working  
12 program through our public proceeding, you know, with the  
13 support and encouragement and sharp elbows from some of our  
14 stakeholders, and I think we did a really good job, and I  
15 think, as Claudia said, I think we are the first government  
16 agency at the state or federal level to really have  
17 operative sustainability criteria, and goals, and program  
18 guidelines for alternative transportation funding awards.  
19 So it is has been, I guess, a privilege and a challenge to  
20 work on this, and it was a team effort all the way around,  
21 and some of those people have since left the Commission.  
22 But thanks very much.

23 COMMISSIONER BYRON: Congratulations. [Applause]

24 MS. CHANDLER: Next I would like to ask Liz  
25 Shirakh to come up. No Liz? She was here. I will go to

1 the next. Joseph Wang. Joseph? Oh, Joseph is on  
2 vacation. Okay. Well, I know Liz was here because her  
3 husband, Maze (phonetic) was here just a while ago to  
4 acknowledge her. I will go ahead and go on to the next  
5 division. And I am looking to make sure that Mr. Occiuzzo  
6 is in the audience, there he is. Mr. Occiuzzo, would you  
7 please come up to the podium? And Ms. Bender, could you  
8 please come up, as well? I have the privilege of awarding  
9 Gary his award and he was quite surprised, so I will say to  
10 Gary and to you all, Gary was nominated for his superior  
11 performance in improving and streamlining data collection  
12 for the Demand Analysis Office. The Energy Commission's  
13 Energy Consumption Data is an integral part of developing  
14 electricity and natural gas demand forecast throughout  
15 California. Gary worked tirelessly to make improvements to  
16 the data collection and analysis process that will serve  
17 DAO for many many years. Gary, would you like to say  
18 something?

19 MR. OCCIUZZO: Only to repeat what I said when I  
20 was surprised. I am fortunate to work with a great group  
21 of people that are at least equally as deserving of this  
22 award, but I am honored and I thank you. [Applause]

23 MS. CHANDLER: Would you like to say something?

24 MS. BENDER: No.

25 MS. CHANDLER: No? Okay. Now, the Office of

1 Governmental Affairs. That would be Charles Smith.

2 Charles? [Applause] And Chris Marxen, your boss, his boss  
3 at the time, could you come up? Charles is a legacy. His  
4 father worked at the Energy Commission and I had the  
5 pleasure of working with his father many years ago. I  
6 remember when he was born. Am I dating myself?

7 VICE CHAIR BOYD: We are raising second  
8 generation employees now.

9 MS. CHANDLER: Charles Smith received an award  
10 for his superior performance for the excellent work he  
11 produced on a daily basis and for his extraordinary  
12 contribution to the administration and Commission's  
13 Legislative proposals related to federal energy stimulus  
14 funding. Charles was required to research, draft, and  
15 coordinate the federal stimulus legislative proposals  
16 related to energy for the Governor's administration.  
17 Charles' unequaled personal effort with this ongoing  
18 project will ultimately result in the Energy Commission  
19 receiving the maximum federal stimulus dollars, which will  
20 pump up much needed jobs in California's economy. Charles?

21 MR. SMITH: Thank you. I really just would like  
22 to thank everyone that I have worked with, whether in OJA  
23 or my new office at Emerging Fuels, or in my older office,  
24 the Demand Analysis Office. And I guess I would just like  
25 to echo what Gary was saying, it has been quite the

1 privilege to work with very knowledgeable people, very  
2 involved people, and, like Gary says, there are so many of  
3 them that probably they deserve the award just as much as I  
4 do. But thank you. [Applause]

5 MR. CHAMBERLAIN: I would just like to add with  
6 respect to Charles that he leads and is lead guitarist for  
7 a rock band that I heard the other day, and you would all  
8 be missing something if you did not come to the CEC picnic.

9 COMMISSIONER BYRON: There is potential for  
10 another award, then.

11 MS. CHANDLER: You know, Bill is all about the  
12 band, you know? He has like negotiated that the band  
13 members get to eat first at the picnic, he has negotiated  
14 the hearing rooms, he has commandeered them. But we love  
15 our bands, and I think you have eight of them now? Is that  
16 right -- six. Six bands. Yes, you will be missing  
17 something if you do not come to the picnic. We have a lot  
18 of talented people at the Energy Commission. The next  
19 office is the Media and Public Communications office, one  
20 that is near and dear to my heart. Susanne Garfield Jones,  
21 the Manager of the Office, is in the Grand Tetons right  
22 now, but I will ask Adam Gottlieb to come forward. In  
23 addition to getting married this Sunday, we are all family  
24 here, right, Adam?

25 MR. GOTTLIEB: And then some.

1 MS. CHANDLER: Adam Gottlieb was recognized for  
2 his exceptional professionalism and personal vigilance in  
3 performing many duties. His technical expertise in  
4 research and development program areas and energy  
5 efficiency, coupled with his knowledge of the media, helped  
6 the Commission gain national recognition for the States,  
7 Buildings and Appliance Efficiency Standards, Climate  
8 Change, and the PIER Program. Many of you know that Adam  
9 is Commissioner Rosenfeld's personal publicist. He is the  
10 advocate and he makes it happen in many cases. So, Adam?

11 MR. GOTTLIEB: As unaccustomed as I am to public  
12 speaking, I am honored to work with a very talented and  
13 creative bunch at the Media Office, and I would not be  
14 standing in front of you today if it was not for the team  
15 work that all of the other recipients have mentioned today.  
16 I am honored and I thank you. [Applause]

17 MS. CHANDLER: Thank you. Amy Morgan. Amy is  
18 sick? Oh, Amy is very shy. Is Liz back? No. I am not  
19 going to let these people off the hook, so we will bring  
20 them back to the next meeting because I feel that what they  
21 have accomplished is so important, that it is worthy of  
22 your acknowledgment and understanding, and I love the  
23 family here, you know, I really love the fact that it is  
24 not just about the people, but it is about the teams. So  
25 with that, I am going to close my presentation, then.

1 VICE CHAIR BOYD: Thank you. Don't we get a  
2 group photo up here with all the Awardees like last time?

3 MS. CHANDLER: You do, you absolutely do. Yes.

4 CHAIRPERSON DOUGLAS: Well, if we could, I guess  
5 let's do the photo quickly, and in the time it takes, then  
6 we still have the Public Advisor's Report and can I see a  
7 hand if there is any public comment? I do not see any  
8 public in the room. Good, so we will -- let's do the  
9 Public Advisor's Report, sorry, before the photo.

10 Item 16. Public Advisor's Report.

11 MS. McMAHON: Good morning, Chairman and  
12 Commissioners. I just have one item to report. During the  
13 next two-week period, there is going to be a site visit and  
14 informational hearing for the Watson Co-Gen Project. That  
15 is going to be on September 3<sup>rd</sup> in Carson.

16 CHAIRPERSON DOUGLAS: Thank you. Let's take our  
17 group photo, then.

18 MS. CHANDLER: I think a group photo would be a  
19 good -- there is kind of smallish group here, so if we  
20 could do that.

21 VICE CHAIR BOYD: We did it last time, so the  
22 precedent has been set.

23 MS. CHANDLER: Okay, great. We have Kevin Kidd  
24 standing in for Adam Gottlieb on this. Kevin, can you see  
25 the Chairman behind --

1 CHAIRPERSON DOUGLAS: You cannot see me? Oh.

2 MS. CHANDLER: So, Jim, maybe if you come around  
3 to the -- yeah, on the end. There we go. And now can you  
4 see Commissioner Levin?

5 VICE CHAIR BOYD: Thank you. Congratulations.

6 MS. CHANDLER: Very nice.

7 CHAIRPERSON DOUGLAS: Thank you. All right, with  
8 that, the meeting is adjourned. We will move on to closed  
9 session.

10 (Whereupon, at 11:55 a.m., the business meeting  
11 was adjourned.)

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## CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Business Meeting; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_\_ day of August, 2009.

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Peter Petty