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STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

BUSINESS MEETING

1516 Ninth Street  
1st Floor Hearing Room  
Sacramento, California

Wednesday, August 10, 1983  
10:20 A.M.

Reported by: Patricia A. Petrilla

Video/Audio Recording Services, Inc.  
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COMMISSIONERS PRESENT

- Charles R. Imbrecht, Chairman
- Arturo Gandara, Vice Chairman
- Russell L. Schweickart, Commissioner
- Karen K. Edson, Commissioner
- Geoffrey D. Commons, Commissioner

HEARING OFFICER

- Garret Shean

EX OFFICIO

- Bill Foley, PUC

STAFF PRESENT

- John Geesman, Executive Director
- Randy Ward, Newly Appointed Executive Director
- Kent Smith
- William Chamberlain, General Counsel
- Garen Griffin
- Steve Cohn
- Chris Tooker
- Mike Jaske
- Susan Bakker
- Elaine Moss
- Thom Kelly
- Dave Morse
- Ted Rauh
- Ron Kukulka

STAFF (Con't.)

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Leon Vann  
Ken Smith  
Ross Deter  
Karen Mathies, Secretary

PUBLIC ADVISER'S OFFICE

Ernesto Perez

ALSO PRESENT

Ron Davis, California Municipal Utilities Association  
Roger Johnson, Los Angeles Department of Water and Power  
Patricia Fleming, San Diego Gas and Electric Company  
Mike Gardner, Southern California Edison Company  
J. P. Baumgartner, Pacific Gas and Electric Company  
Philip Hanser, Sacramento Municipal Utilities District  
George Hannah, Southern California Gas Company

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P R O C E E D I N G S

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3 COMMISSIONER GANDARA: Let's call today's  
4 business meeting to order. It's my understanding that  
5 there's no change in the proposed schedule, so the first  
6 item will be an item that was carried over from the last  
7 business meeting, which is the Commission consideration of  
8 the DeMott Electronics Company's petition.

9 I believe that Mr. Wheatland has an update on  
10 the matter. Mr. Wheatland?

11 MR. WHEATLAND: Yes, thank you. Just this morning  
12 we received a copy of the letter from Mr. Lieberman of  
13 DeMott Electronics withdrawing his petition for a rulemaking.  
14 I've placed a copy of the letter up there for each of the  
15 Commissioners and the staff recommends that the Commission  
16 accept the withdrawal of this petition.

17 COMMISSIONER GANDARA: Is there any objection?  
18 Without objection, it's accepted.

19 With respect to Item 2, this is an agenda item  
20 calendared by the Belridge Committee. If I might call upon  
21 the Presiding Member of that Committee, Commissioner  
22 Schweickart?

23 COMMISSIONER SCHWEICKART: Thank you, Mr.  
24 Chairman. The Committee is pulling this item from the  
25 agenda, from the calendar today, pursuant to having reached

1 agreement with the Applicant on the matter, on the  
2 substantive matter involved -- I shouldn't say the  
3 substantive, the procedural matter involved, in providing  
4 access to documentation relevant to the case.

5 I am distributing to Commissioners today copies  
6 of the agreement reached. In summary, it provides access  
7 to all parties to the siting case, to these documents for  
8 purposes of discovery, and essentially leaves unjoined,  
9 the issue raised and documented in the back-up materials  
10 provided in your business -- in your book.

11 Nevertheless, the action taken by the Committee,  
12 and the agreement reached by the Committee and the Applicant  
13 provides direct access to all parties in the case to the  
14 materials at issue. So as a result, and as part of that  
15 agreement, the Committee is removing this item from the  
16 agenda as being moot.

17 COMMISSIONER GANDARA: Okay. I take it that by --  
18 returning the item, or returning the issue back to the  
19 Committee, you would then -- the Committee would still  
20 receive any comments from any persons that would have any  
21 concerns regarding the Committee's proposed action?

22 COMMISSIONER SCHWEICKART: Yes. There is  
23 certainly lots of room for reasonable people to disagree on  
24 the basic issue here. The action of the Committee is such  
25 as to provide access to the contracts at issue, the

1 contractual agreements at issue here without, in fact, in  
2 any way prejudicing the downstream authority or rights of  
3 any party in the case to further action, including the  
4 Commission.

5 It simply provides access during the period of  
6 discovery ongoing, directly to the documents for all parties  
7 in the case.

8 COMMISSIONER GANDARA: Thank you very much,  
9 Commissioner Schweickart. Again, in the interests of  
10 expediting this meeting, if there is any public interest  
11 on this matter, I believe that they can take the issue up  
12 with the Committee.

13 MR. PEREZ: Vice Chairman Gandara, I would just  
14 like a procedural clarification. That is, Commissioner  
15 Schweickart, is this proposed agreement to be construed  
16 as a Committee order? And the purpose for asking that  
17 clarification is to establish that all Committee orders  
18 are subject to full appeal back to the Commission.

19 COMMISSIONER SCHWEICKART: I think it is. Let me  
20 call on Mr. Shean to handle the procedural matter, that is,  
21 is there any further language which would need to be  
22 added, or further action by the Committee in order for it  
23 to be so considered, I think that is clearly the intent.

24 MR. PEREZ: Okay, thank you.

25 HEARING OFFICER SHEAN: All right. It is subject

1 to appeal to the full Commission under the terms of the  
2 regulations, I think it's 1215, the section.

3 MR. PEREZ: Thank you.

4 COMMISSIONER GANDARA: Okay. Moving on to  
5 Commission Item No. 3, Commission consideration of the  
6 staff proposal to implement the programs being funded by  
7 the Federal Petroleum Violation Escrow Account. Might I  
8 call on Commissioner Edson?

9 COMMISSIONER EDSON: Yes, I'd like to introduce  
10 this item, I'm looking around for the staff that are  
11 supposed to be here to make the presentation.

12 But as the Commission recalls, the State of  
13 California received approximately \$18.9 million in  
14 Petroleum Violation Escrow Account funds from the federal  
15 government earlier this year. The Energy Commission  
16 considered recommendations on the allocations of those  
17 funds on March 23rd and transmitted those recommendations  
18 to the Legislature in a letter dated April 4th.

19 In the final budget, signed by the Governor, the  
20 Commission received funding for five programs: the  
21 Federal Schools and Hospitals Grant Program, the Streetlight  
22 Conversion Program, Traffic Signal Management Program, and  
23 two new programs for the Commission, one a New Rental  
24 Sector Conservation Retrofit Program and a Public/Private  
25 Partnership Program to finance local government and third

1 party finance projects, at least to get those off the  
2 ground.

3           You have in your package today descriptions of  
4 the staff proposals for each of those programs. Again, I  
5 think the only new programs are the rental sector programs  
6 and the public/private partnership programs. What I would  
7 bring up before the Commission, because they need to be  
8 submitted to the Department of Energy as changes to our  
9 SECP program, in those cases where they are under that  
10 category -- they are under that category in all cases  
11 except for schools and hospitals.

12           So what I would like to do is have the staff make  
13 the presentation, focusing particularly on the rental  
14 sector program, and the public/private partnership program,  
15 and ask the Commission to at least approve these general  
16 conceptual program descriptions so that they can be  
17 transmitted to the Department of Energy.

18           I would point out that the descriptions you have  
19 actually include discreet breakdowns between -- within the  
20 Rental Sector Program and the Public/Private Partnership  
21 Program and in categories of activity. I had asked for that  
22 from the staff for my own information. I don't think that  
23 level of detail is necessary for the submittal to DOE at  
24 this stage. We can provide additional detail later on, or  
25 in fact, suggest amendments to this later on.

1 I am still, as the Presiding Member of the Loan  
2 and Grants Committee, working with the staff to try to  
3 refine this program, and would just note that in the --  
4 with respect to the Rental Sector Program, I remain concerned  
5 that the program may be too fragmented, and have asked the  
6 staff to continue to work on the improved integration of  
7 the various components of that program.

8 Let me emphasize that in reviewing these today,  
9 and having this information transmitted, the Department of  
10 Energy does not preclude us from making changes later on,  
11 but it does allow us to meet the Department of Energy  
12 deadlines for continuing to perform under our SECP grant  
13 from the federal government.

14 I notice that I've now talked long enough for  
15 Karen Griffin to arrive, so let me --

16 COMMISSIONER COMMONS: One second, I have a point  
17 of information here. Are we having before us the detailed  
18 adoption, or are we talking about the summary, page 1, on  
19 the overall allocation? I'm not quite following what  
20 you're --

21 COMMISSIONER EDSON: The package of information  
22 in front of you is a package -- not just the issue memo, no.  
23 It is the package that follows the issue memo. What I am  
24 suggesting is that in the case of the rental sector programs,  
25 and the public/private partnership, that we delete in the

1 -- in the descriptions you have in front of you, we delete  
2 the specific amounts that are broken down in categories  
3 simply to defer resolution of that issue to later.

4           COMMISSIONER GANDARA: I had a question along  
5 those lines. In the first sheet following the agenda  
6 summary sheet, are you asking for -- or is the Committee  
7 asking for adoption, therefore a commitment to the person  
8 years, as well as to the allocation of money, and for  
9 example, more specifically, in the Traffic Signal Management,  
10 by Commission approval of this date, would the Commission  
11 be approving the transfer of \$1.4 million allocated to the  
12 Commission to Caltrans?

13           COMMISSIONER EDSON: That money in the budget,  
14 I believe, is actually already transferred to Caltrans.  
15 It has not taken place officially. The staff is continuing  
16 with the management of that program, pending that final  
17 transfer. I don't believe that we have the discretion,  
18 actually, to keep that here.

19           As I recall the budget language, it directs  
20 Caltrans -- it directs the money to flow through the  
21 Commission to Caltrans so that it is in compliance with the  
22 SECP guidelines, but it is not in our budget.

23           COMMISSIONER GANDARA: Well, I guess that's one of  
24 the questions I have. Why does it do that? Why -- there  
25 are Petroleum Violation funds that go directly to other

1 agencies, correct? We're not administering all the funds.

2           COMMISSIONER EDSON: No, the Petroleum Violation  
3 funds can go to a series of eligible programs. OEO manages  
4 some programs, the Energy Extension Service is an  
5 eligible program, and SECP is an eligible program. The  
6 Traffic Signal Management activity is funded under the  
7 SECP grant, and in order to remain in compliance with the  
8 SECP plan, as I understand it, it has to come through our  
9 budget, but Caltrans eventually will be administering this  
10 program.

11           COMMISSIONER GANDARA: Well, are there any  
12 further questions?

13           COMMISSIONER EDSON: In terms of the work plan  
14 question, and I think you asked this, but I don't think I  
15 responded there, I would suggest that we defer the actual  
16 allocation of resources until we get into the work plans  
17 this afternoon. This is the staff's indication of the  
18 resources necessary to administer these programs.

19           COMMISSIONER GANDARA: Well, let me just note  
20 one reservation. The question that I have is that to the  
21 extent that there might be some ambiguity in the budget  
22 language, or in the direction given to us, that to the  
23 extent that Traffic Signal Management could continue to be  
24 operated, you know, out of the Commission, I would have a  
25 preference for that if -- you know, as opposed to this

1 being a commitment, or an acquiescence by us with a  
2 transfer to Caltrans at this point.

3 COMMISSIONER EDSON: Well, maybe Mr. Geesman  
4 can comment. My understanding is that we do not have the  
5 discretion, that the budget actually made the transfer.

6 EXECUTIVE DIRECTOR GEESMAN: That's my under-  
7 standing as well. That at this point, to be obstreperous,  
8 you might be able to block the smooth flow-through of those  
9 funds, but the Legislature has been very clear in stating  
10 they're desirous to have this particular program administered  
11 by Caltrans.

12 COMMISSIONER EDSON: In fact, I believe budget  
13 control language transferred the positions to Caltrans  
14 along with funding for those positions, and directed that  
15 this Traffic Signal Management money also flow through us  
16 to Caltrans. In the budget, I think the Governor blue  
17 penciled the dollars, and that has caused Caltrans to  
18 become a little reluctant about actually accepting our  
19 people. I've also been told that they are now, though more  
20 forthcoming, and the actual transfer of our staff will  
21 take place. So, I don't believe it's a matter of  
22 discretion on our part.

23 COMMISSIONER GANDARA: Well, as you raised here  
24 the issue, I understood there to be some concern that as  
25 long as the authorized PY were there that the transfer

1 would be going smoothly, when there's no authorized PY, the  
2 transfer of responsibility might not go so smoothly. So  
3 I'm wondering if there are required -- say absorbed here  
4 traffic signal management, that is, that there is no  
5 accompanying of PY, that is, they would take the \$1.4  
6 million without any PY's?

7           COMMISSIONER EDSON: Well, I believe they got  
8 positions, but did not get funding for the positions. The  
9 people from our program are expected to actually move into  
10 Caltrans and manage this program.

11           COMMISSIONER GANDARA: Well, again, I have no  
12 intention of trying to, at least, frustrating the clear  
13 legislative intent. All I'm saying is to the extent that  
14 it is something that we still have any choice or discretion  
15 in the matter, that I would have a preference for that  
16 program being administered out of the Energy Commission.

17           COMMISSIONER EDSON: All right, let me express  
18 this slightly different, and that is that by having this  
19 transfer take place, we are actually not only protecting  
20 the individuals who, as chance would have it, are relatively  
21 junior, and probably would be laid off were they to remain  
22 here at the Energy Commission.

23           But we are also establishing the Traffic  
24 Signal Management Program in the agency, which as a general  
25 responsibility, deals with the traffic engineers around the

1 state, and those of course are the people that actually  
2 implement this program.

3 One of the strategies in running this program was  
4 to try to achieve that transfer eventually. I think it is  
5 coming earlier than anyone had envisioned, but it was that  
6 long-range intent that -- one of the reasons I think the  
7 Commission actually contracted with Caltrans for some of  
8 the training activities.

9 COMMISSIONER GANDARA: I'm persuaded, may we  
10 proceed? Commissioner Schweickart?

11 COMMISSIONER SCHWEICKART: Yes. Notwithstanding  
12 the issues of the budget language, and the transfer of  
13 personnel, et cetera, there still remains a question, since  
14 this does pass through, and the Energy Commission has  
15 responsibility for SECP, does this legally necessitate a  
16 vote of the Commission to transfer the funds, or is it, in  
17 fact, legally done by the Budget Act per se?

18 It seems to me that there may be some question of  
19 procedure for the Budget Act to direct Energy Commission  
20 funds itself which come through the Commission from DOE, or  
21 to the Commission from DOE for administration. That gets  
22 into dotting i's and crossing t's, but I think it is a  
23 legitimate question, whether or not we vote on the  
24 transfer of those funds.

25 COMMISSIONER EDSON: Our action today is entirely

1 separate from the transfer of those funds.

2 COMMISSIONER SCHWEICKART: Okay. Whether we  
3 answer it today, or not, I think it needs to be answered.

4 COMMISSIONER EDSON: And I don't think we vote  
5 on the transfer.

6 COMMISSIONER GANDARA: Why don't I ask for public  
7 comment, and maybe we can have a motion that clarifies the  
8 action we're taking today. Okay. Any public comment today?  
9 Staff comments?

10 MS. GRIFFIN: Staff is here to answer any  
11 questions you have on this. I would say on the Traffic  
12 Signal Timing Management that we have a strong plea to the  
13 Commission that action move ahead on the interagency  
14 agreement. We have taken the Traffic Signal Timing as  
15 far as we can without an interagency agreement. We have a  
16 grant opportunity notice, we're all ready to go. But until  
17 there's an agreement, until we know who's going to administer  
18 the money, how it's going to work, we can't go any farther,  
19 and we are getting to the point we are missing the annual  
20 cycle. There are appropriate times in the year, in the  
21 spring and in the fall, to time the signals, the way the  
22 cycle works. We're getting into real problems in that  
23 program, and ask the Commission's assistance to move that  
24 proceeding ahead.

25 COMMISSIONER GANDARA: Let me call on Commissioner

1 Edson, can we have a motion?

2 COMMISSIONER EDSON: I would move that we direct  
3 the staff to transmit the materials in the agenda back-up  
4 to the Department of Energy with the change that I mentioned  
5 earlier, and that is the deletion of specific funding  
6 amounts within the Rental Sector and Public/Private  
7 Partnership write-ups.

8 COMMISSIONER GANDARA: Is there a second?

9 COMMISSIONER COMMONS: I'll second it.

10 COMMISSIONER GANDARA: Is there an objection to  
11 the motion?

12 COMMISSIONER COMMONS: I have one item of discus-  
13 sion on it. When we originally submitted this material to  
14 the Legislature and when we were looking at it as a  
15 Committee, I was originally on that Committee, one of the  
16 things that we were trying to do, we felt that we may not  
17 be able to do, was to have loans rather than grants.

18 I still feel there may be some possibility in  
19 this direction, and I'd like to ask that we review even  
20 further with Department of Energy if there are procedures  
21 for working with state and local governments where we have  
22 programs as to being able to make loans on successful  
23 programs so we can reuse the funds on secondary and other  
24 programs later on; and we have some reason to believe that  
25 that might be possible.

1           The other comment I have is -- and I think it's  
2 very important, and I think it's within the framework of  
3 what the paper draft here is, although it hasn't been  
4 brought out clearly, that our intent is to fund those  
5 programs, and to fund the projects in such a way that we  
6 get an early payback so that we're funding good programs  
7 that are cost-effective, and to the extent feasible, to  
8 leverage our funds, the public dollars with the private  
9 dollars, and I understand those criteria are being  
10 developed now, and are not part of the package that we have  
11 before us.

12           But I think it's important to understand that the  
13 framework for these programs includes those two very key  
14 criteria.

15           COMMISSIONER EDSON: Let me just merely respond  
16 by saying that I think the Committee is continuing to work  
17 with the staff, and will be seeing continued development of  
18 these proposals. I'm happy to circulate those to  
19 Commissioners, and if desired, bring them back before the  
20 Commission.

21           The only other comment is that I think there is  
22 general agreement that the extent to which we can use these  
23 monies as loan funds as opposed to grant funds, we should,  
24 so that we can get increased use out of the money, and I  
25 would encourage the staff to explore that possibility.

1           COMMISSIONER GANDARA: Without objection, then,  
2 the motion is passed.

3           I'm going to put Item 4 over in the interest of  
4 expediting some other items. I would estimate that it would  
5 take us no longer than perhaps five or ten minutes to go  
6 through the rest of the items, and then we can proceed  
7 with Item 4 without keeping staff here for the other items  
8 and feeling less pressured for time.

9           EXECUTIVE DIRECTOR GEESMAN: Mr. Chairman?

10          COMMISSIONER GANDARA: Yes?

11          EXECUTIVE DIRECTOR GEESMAN: Before you go on,  
12 I wonder if I might take the opportunity to introduce for  
13 the benefit of the audience our new Executive Director,  
14 who I think is still here, Randy Ward.

15          (Mr. Ward stands.)

16          COMMISSIONER GANDARA: As was noted in the press  
17 release by the Commission last Friday, Mr. Ward was  
18 selected by the Commission to be its new Executive Director.  
19 I believe Mr. Ward will be here full-time at the Commission  
20 within a couple of weeks?

21          EXECUTIVE DIRECTOR GEESMAN: Yes.

22          COMMISSIONER GANDARA: Thank you.

23          COMMISSIONER SCHWEICKART: I want to know when  
24 he gets paid.

25          COMMISSIONER EDSON: So does he.

1 (Laughter)

2 COMMISSIONER GANDARA: Okay. Item No. 6, is  
3 Mr. Shean here? Well, so much for expediting the -- let's  
4 take Item No. 7. Anybody here for Item 7? Item 8?  
5 Well, how about the consent calendar, do I hear a motion  
6 to move the consent calendar?

7 COMMISSIONER SCHWEICKART: Excuse me, Item 7,  
8 I can present if you wish.

9 COMMISSIONER GANDARA: Yes, why don't we do that.

10 COMMISSIONER SCHWEICKART: All right. Item 7  
11 is the OIH setting the hearings, the formal hearings for  
12 the first element of the Nonresidential Building Standards  
13 to come before the Commission. Let me see, I guess Mr.  
14 Ratliff is not here. The formal rulemaking notice was  
15 issued, I don't have the date, but just recently.

16 We are then within the formal 45-day notice  
17 period on the Nonresidential Building -- the Office Building  
18 Standard, and this order simply sets the date for  
19 Commission hearing during that 45-day period on the  
20 proposed standards.

21 As I think all of you know, even in building  
22 through this point which begins the formal process, there  
23 has been two years of detailed work here in the Commission,  
24 along with a Professional Advisory Committee, and several  
25 technical committees so that a tremendous amount of backup

1 work has been done in order to ensure that the formal  
2 review of the proposed regulations, and adoption by the  
3 Commission moves ahead in a timely and relatively smooth  
4 manner.

5 I don't believe that there is anything within  
6 the OIH which is the least bit controversial, nevertheless,  
7 I feel it's appropriate to call for any comments before I  
8 move the OIH.

9 MR. CHAMBERLAIN: Commissioner Schweickart?

10 COMMISSIONER SCHWEICKART: Yes?

11 MR. CHAMBERLAIN: I was informed by Mr. Blee, who isn't here this week, that there would be a need to  
12 modify the date in the proposed OIH for the hearing from  
13 October 4th, to I believe October 18th.  
14

15 COMMISSIONER SCHWEICKART: Yes. I circled that  
16 myself, and I wondered whether that was correct. So that  
17 I would then -- let me -- at this time, let me move the  
18 OIH amending the October 4th date in Section 4 to October  
19 18th, and also, there is a blank in Section 7, and it's  
20 not clear why that blank exists.

21 COMMISSIONER EDSON: The docket number.

22 COMMISSIONER GANDARA: Might I suggest the --

23 COMMISSIONER SCHWEICKART: All right, let me  
24 simply -- that's clearly ministerial, and it's not clear  
25 why the full docket number was not contained, but let me

1 say, before it's issued, I would amend to fill in the -- on  
2 page 1, and on page 5, the full docket number, and with that,  
3 I'd welcome any questions or public comment.

4 COMMISSIONER GANDARA: Let me just suggest a  
5 change, that is the item -- the inclusion of "or any other  
6 date deemed appropriate by the Committee" so the Committee  
7 has some flexibility on the date. If it needs to be  
8 changed again, we're not constrained by order, the Committee  
9 is not constrained by an order.

10 MR. CHAMBERLAIN: It seems like a reasonable  
11 change.

12 COMMISSIONER GANDARA: Any comments? Any  
13 objection? It's approved without objections.

14 I see Mr. Garret is here -- Mr. Shean, rather.  
15 We'll take Item No. 6, then.

16 HEARING OFFICER SHEAN: Thank you, Commissioners.  
17 The staff filed earlier this year a complaint against the  
18 Hoyt Heater Company alleging a violation of the Appliance  
19 Efficiency Standards for Model 50 HM-EV of their hot water  
20 heaters, and the Commission then authorized conduct of  
21 this proceeding by a Hearing Officer.

22 Following that, the staff and the Respondent,  
23 Hoyt, entered into agreement for the retesting of the  
24 product. As a result of that retesting by BR Laboratories,  
25 which is an approved laboratory by the Commission, such tests

1 showed that the model in question passed the two efficiency  
2 standards that it had not passed previously as alleged by  
3 the staff, that being the recovery efficiency and standby  
4 loss.

5 On the basis of passage of those tests, the staff  
6 has signed a request for dismissal of the action. I've  
7 reviewed the facts of the case. I believe that the dismissal  
8 would be appropriate, and that it should be with prejudice  
9 so that that is not brought back on the same facts and  
10 alleged violations. Essentially, it clears the books on  
11 this case.

12 COMMISSIONER GANDARA: Thank you very much, Mr.  
13 Shean. The -- I understand the package includes the staff  
14 position on this. Is there any other separate staff comment?

15 MR. COHN: No, Commissioner Gandara, we requested  
16 the dismissal and would support a Commission order dismissing  
17 the case today.

18 COMMISSIONER GANDARA: Are there any Commission  
19 questions?

20 COMMISSIONER SCHWEICKART: Yes. I'd like to  
21 understand the nature of the retesting, and the difference  
22 in conclusions between the nonpassage and passage of this  
23 heater vis-a-vis the standards. Are we looking at  
24 differences in testing methodology, are we looking at the  
25 quality of testing by one laboratory compared to another,

1 are we looking at a marginally performing appliance here,  
2 or what are the circumstances by which the staff now  
3 dismisses this case as opposed to pressing forward?

4 MR. COHN: Mr. Schweickart, the -- I think that  
5 this case would fall into the category which you described  
6 as a marginal water heater unit. I think that explains  
7 why the unit did not pass the first time, but did pass the  
8 second time, and in fact, the passage on the second test  
9 was a very close score as far as passage, it was very close  
10 to not passing.

11 COMMISSIONER SCHWEICKART: Was it done by the  
12 same laboratory, for example, the same testing?

13 MR. COHN: That is correct, same testing procedure,  
14 same testing laboratory. I believe, however, that the  
15 Respondent did make a slight correction in its -- or  
16 excuse me, I should say that the model that was originally  
17 tested and did not pass, as I understand it, contained a  
18 faulty device, and I can't exactly describe it -- I'm  
19 looking around for a staff person to describe the details  
20 of that, but apparently that had been corrected.

21 So according to the Applicant, that was not  
22 reflective -- excuse me, the Respondent, that was not  
23 reflective of their product in general. As a side light to  
24 this, the Respondent Hoyt Company is now making a very  
25 similar model for production in Southern California that

1 also meets the NO<sub>x</sub> standards down in Southern California,  
2 and will be phasing out the model which was in question in  
3 this proceeding. The new model passed with a much wider  
4 margin than the older model.

5 COMMISSIONER SCHWEICKART: All right, my main  
6 concern here is that I -- that I'm concerned if this is --  
7 a dismissal in this instance is justified that we examine  
8 our testing procedure so that we do not find such reversals  
9 in the future as a result of inadequacies in our testing  
10 program. If there are none, if there are special  
11 circumstances, I'm quite satisfied with that, but I want to  
12 make sure that we're not dealing with an individual test,  
13 rather than a series of tests, we're not dealing with some  
14 difference between laboratories without further examination  
15 as to the comparability of authorized testing laboratories.

16 I just don't want to encourage a repetition of  
17 bringing a case and then dismissing it without, in fact,  
18 taking some specific action.

19 MR. COHN: In response to that concern, the  
20 difference in test results was not due to an inconsistent  
21 testing procedure, but rather due to the fact that the  
22 product, as I mentioned, was very marginal in both cases,  
23 both when it failed, and both when it passed.

24 I would also note that our original complaint  
25 was actually designed to encourage the Respondent to do

1 a second test, our -- originally, the reason we filed the  
2 complaint to begin with was that after failing to pass the  
3 test, the Respondent did not retest or withdraw certification  
4 as is required under the regulations. So what we requested  
5 in the complaint was that they either retest or withdraw  
6 certification.

7 They did retest, and that's when it passed, and  
8 as I said, was a marginal result, but for purposes of our  
9 standards, that's all that's required.

10 COMMISSIONER GANDARA: Is there any objection --  
11 any other comment, rather? Is there any objection to the  
12 recommendation? It's adopted without objection.

13 Do we have staff here for Item No. 8?

14 MR. TOOKER: Would you like a presentation of  
15 the item?

16 COMMISSIONER SCHWEICKART: Well, if you could just  
17 summarize what the agreement is and the rationale.

18 MR. TOOKER: The proposed agreement is an  
19 agreement between the Interstate Commerce Commission and  
20 the Energy Commission by which the Interstate Commerce  
21 Commission can use our regulatory review process to satisfy  
22 their NEPA requirements for a permit associated with the  
23 rail line associated with the Belridge Project.

24 COMMISSIONER SCHWEICKART: Let me say that my  
25 understanding, Chris, and if you could confirm this, I

1 think that would be helpful, that essentially, we have  
2 made minimum modifications to our CEQA process in order to  
3 meet the requirements of NEPA, and in this sense we're  
4 essentially conserving resources for the federal government  
5 by signing an agreement which allows them to use our work  
6 for meeting the requirements, is that right?

7 MR. TOOKER: Yes, it's a more efficient approach  
8 to dealing with the problem of environmental review.

9 COMMISSIONER GANDARA: One question, why do they  
10 need our agreement, why don't they just take our documents  
11 and judicially notice them -- or administratively notice  
12 them, I guess, in this case.

13 MR. TOOKER: Normally when we work with another  
14 agency in review of a project, we enter into a letter of  
15 agreement, or memorandum of understanding clarifying their  
16 use of our documents.

17 COMMISSIONER GANDARA: Well, I can understand  
18 that, I mean, I don't have any objection to the agreement,  
19 but again, perhaps from legal counsel, why is the agreement  
20 necessary? It's an ICC decision, it's not our decision,  
21 they can use whatever documents we produce.

22 EXECUTIVE DIRECTOR GEESMAN: I think as a  
23 matter of general policy, we've tried to get some certainty  
24 injected into the very front-end of our interaction with  
25 the federal agencies, so it's just something that we've

1 always done in the past. It tends to lock them into a  
2 specified procedure at the very outset with respect to our  
3 documents rather than afford them a great deal of discretion  
4 until the clock has almost run out.

5 COMMISSIONER GANDARA: All right. So this  
6 involves, I guess, some degree of agreement on our part  
7 that they need certain types of documents, or certain  
8 level of documentations that we would, you know, undertake,  
9 we would modify our procedure slightly for their --

10 MR. TOOKER: Right. In this case, basically, it  
11 formalizes our relationship so that they can define their  
12 needs, and we can incorporate those needs, satisfy those  
13 needs in our review, and as was mentioned, we can do this  
14 up front.

15 COMMISSIONER GANDARA: Are there any other  
16 questions? Commissioner Commons?

17 COMMISSIONER COMMONS: What are the person year,  
18 or person months impact of this agreement on the Commission?

19 MR. TOOKER: I don't personally believe that  
20 there is going to be an identifiable impact in terms of  
21 person months, but we are going to be addressing the same  
22 issues that are required under NEPA as we would for our  
23 own process. I don't think there would be any significant  
24 impact.

25 COMMISSIONER GANDARA: Is there any public comments?

1 Is there any objection to the proposed agreement?

2 COMMISSIONER SCHWEICKART: I'll move the proposed  
3 agreement.

4 COMMISSIONER COMMONS: Second.

5 COMMISSIONER GANDARA: No objections, it's  
6 approved.

7 Let me note here that Item No. 9 has been removed  
8 from the calendar as has Item No. 5. Do we have a motion  
9 on the consent calendar, mainly, no cost time extensions.

10 COMMISSIONER EDSON: I'll move the consent  
11 calendar.

12 COMMISSIONER GANDARA: Second.

13 COMMISSIONER SCHWEICKART: For purposes of  
14 discussion, I would indicate, as I've done in writing to  
15 the Chairman, my disagreement with the policy of the  
16 Commission which would place items on the consent calendar  
17 rather than the main calendar of the Commission after  
18 Committee review only.

19 I believe this is an inappropriate action for the  
20 Commission, and would therefore, as a matter of practice,  
21 routinely request items being pulled from the consent  
22 calendar if the practice represented here is continued,  
23 so that the full Commission assumes accountability and  
24 responsibility for the approval of contractual arrangements  
25 above the previously agreed, I believe what, \$1,500 limit?

1 EXECUTIVE DIRECTOR GEESMAN: That's correct.

2 COMMISSIONER SCHWEICKART: And no cost extensions,  
3 et cetera.

4 EXECUTIVE DIRECTOR GEESMAN: That's correct.

5 COMMISSIONER EDSON: Let me note that these are  
6 no cost extensions. I don't believe that these contracts  
7 represent implementation of the contract review procedures  
8 that I know three Commissioners have raised concerns about.

9 EXECUTIVE DIRECTOR GEESMAN: Yeah, I think a  
10 majority have made your position known on that proposed  
11 procedure.

12 COMMISSIONER EDSON: Can I ask you to comment now  
13 on the status of that procedure. As recently as yesterday  
14 I was asked to sign off on a project again, and I was  
15 a little surprised, given the flurry of memos that have  
16 gone between Commissioners and the Executive Office.

17 EXECUTIVE DIRECTOR GEESMAN: Yeah, it surprised  
18 me a little bit as well. The answer I would like to give  
19 you would be, that's something that my successor will look  
20 into Monday morning. I doubt that I can get away with that.  
21 I'll check on where it stands this afternoon. I think that  
22 the position of a majority of you is quite clear, and I  
23 would not expect that policy to have any force or effect  
24 because of that.

25 COMMISSIONER GANDARA: Let me suggest a specific

1 direction. I believe there was a memo requesting that this  
2 item be placed on the agenda for full Commission action,  
3 rather than leave it that nebulous, perhaps we can have  
4 direction to the staff by the Commission today to meet,  
5 you know, individually with the Commissioners, and with the  
6 staff, other people concerned, to have, in fact, a specific  
7 proposal of how to deal with procedures for these contracts.

8 I think there was a Commission concensus that we  
9 wished to have a change in order to expedite some contracts.  
10 I think that there was some differences with the specific  
11 implementation of that, but I think we're all agreed on the  
12 general principal.

13 Commissioner Commons?

14 COMMISSIONER COMMONS: Yeah. I'm not sure we  
15 need to agendize it because if we eliminate from the  
16 proposal that items go on the consent calendar, and they  
17 rather are agendaed as regular items, the only change in  
18 the existing procedure is prior to coming before the  
19 Commission, that the same procedure be used in terms of how  
20 it gets on the agenda, there'd be no change on that.

21 The only thing that would be added is that the  
22 Executive Director's Office submit to a Committee, the  
23 appropriate Committee for review, contracts, and all that  
24 would happen is that the Committee would report in the  
25 course of the agenda on the contract as to any comments

1 that they have.

2 COMMISSIONER GANDARA: Well, we may not need to  
3 calendar it, but I think that there was a request to  
4 calendar it because I think there has been a specific  
5 interpretation that a Commission decision was made, a  
6 joint Commission decision was made, and you know, as I  
7 said before, that is at least one interpretation that needs  
8 to be clarified by full Commission action. It may be that  
9 it can be done without that, if so, I will --

10 COMMISSIONER COMMONS: Mr. Chairman, the only  
11 decision that was made was an order by the Chairman, and  
12 as the Chairman today, you would actually have the authority  
13 to say that the existing order should no longer continue in  
14 practice.

15 COMMISSIONER GANDARA: Well, we'll proceed as  
16 we indicated earlier.

17 EXECUTIVE DIRECTOR GEESMAN: I'll calendar  
18 something.

19 COMMISSIONER SCHWEICKART: Go on the consent  
20 calendar, John.

21 (Laughter)

22 COMMISSIONER GANDARA: Okay. That leaves us  
23 with approval of the minutes. Do I hear a motion to approve  
24 the minutes?

25 COMMISSIONER SCHWEICKART: I'll move -- so move.

1                   COMMISSIONER GANDARA:   Seconded, Commissioner  
2 Commons seconded.   Any objections?   No objections.

3                   Are there any Commission Policy Committee  
4 Reports?   Commissioner Commons?

5                   COMMISSIONER COMMONS:   The Utility Conservation  
6 and Programs Committee had a request from Southern California  
7 Gas Company concerning the RCS Program and the basis on  
8 which they make the comparisons for conservation quantifica-  
9 tion.   The background of their letter was that gas prices  
10 have increased substantially since the time that the  
11 Commission adopted the BR, and that the escalation rate  
12 that had been used in the BR may not be the appropriate  
13 one based on what has happened since that period of time.

14                   The Committee met, and first is, all the utilities  
15 under the RCS Program have the authority now to use the  
16 actual price rather than the price that was in effect at  
17 the time of the adoption of the BR Report which takes care  
18 of the main thrust, I think, of the gas company's request.

19                   In terms of the rate of increase for the  
20 escalation, it would be inappropriate to modify the  
21 escalation rates except through the regular BR Report,  
22 which is also pointed out in the gas company's letter.   But  
23 I think that would take care of the main thrust, and if  
24 there's any further communication that would be desired,  
25 we would be happy to respond.

1           COMMISSIONER GANDARA: Any other Committee  
2 reports? If not, we'll go on to the General Counsel's  
3 Report.

4           COMMISSIONER SCHWEICKART: Do we not have  
5 legislation before us today?

6           COMMISSIONER GANDARA: No, the legislation was  
7 originally requested to be put on the calendar by  
8 Commissioner Commons, and at Commissioner Commons' request,  
9 it will not be discussed, unless somebody else wishes to.

10          COMMISSIONER SCHWEICKART: All right.

11          COMMISSIONER GANDARA: General Counsel's Report?

12          MR. CHAMBERLAIN: I have nothing to report today,  
13 Mr. Chairman.

14          COMMISSIONER GANDARA: Okay. Let me declare my  
15 intention to hear the Executive Director's Report at  
16 2:00 o'clock. That's when we will proceed with the work  
17 plan briefing, okay. So at the moment we're taking care of  
18 -- the reason for that is that I would expect that if we  
19 reconvene at 2:00, we would have a full Commission for the  
20 work plan discussion.

21                 So at this point in time, I'd like to return to  
22 Item No. 4. Commissioner Commons, as Presiding Member of  
23 the CFM Committee, would you take the lead on this?

24          COMMISSIONER COMMONS: In the preparation of the  
25 CFM forms for the Fifth Biennial Report, the Committee used

1 the following criteria: one, continuity with past efforts;  
2 second, cost reduction. In order for an item to be included  
3 in the CFM, it had to meet the following criteria: one, it  
4 had to be needed; and second, it had to be used; third,  
5 utilities and staff, since both are preparing independent  
6 forecasts, were to follow common ground rules.

7 Fourth, in the preparation of the forecasts, all  
8 parties were allowed to develop their own economic assump-  
9 tions and their own methodology, subject, of course, to  
10 tests of reasonableness. However, all are required to  
11 document the assumptions used, and the methodology in a  
12 common manner so that we have a way of making comparison  
13 and analysis.

14 Fifth, emphasis is being placed on areas of  
15 critical policy issues to state energy policy which will  
16 emerge in the BR Committee subsequently, and the two  
17 issues that are most important in this instance that come  
18 out are the impact of oil prices on the resource plans,  
19 and conservation quantification.

20 The order that we have before us concerning the  
21 electric utilities and the gas utilities represents the  
22 first half of the CFM forms, and an order will follow on  
23 the surveys at the September 7th business meeting.

24 In terms of the procedure, what I'd like to do is  
25 first have legal counsel review the legal basis, and

1 summarize, and then ask the Demand and Supply Offices to  
2 comment on the forms and the process, and then to allow  
3 utilities and other interested parties to make their  
4 comments.

5 COMMISSIONER GANDARA: Okay, proceed.

6 MR. COHN: Steve Cohn from the General Counsel's  
7 Office. The item is summarized in the issue memo to the  
8 Executive Director which is contained in the agenda backup  
9 package, indicates that there are two orders for adoption,  
10 one for gas utilities and one for electric utilities. The  
11 electric utility order also has accompanying forms and  
12 instructions for both demand and supply.

13 These orders, and the accompanying forms and  
14 instructions represent the culmination of five workshops  
15 held between April and July in which there was significant  
16 input from both the utilities involved as well as the staff.

17 The electric order is being proposed to implement  
18 Public Resources Code Section 25300, as well as Sections  
19 1341 through 1348 and 1351 through 1353 of the Commission's  
20 data collection regulations. In the statute and the  
21 regulations, specific informational requirements are set  
22 forth.

23 Both Public Resources Code Section 25300 and  
24 Section 1342 of our regulations provide that the information  
25 required should be submitted on forms prescribed by the

1 Commission, in compliance with accompanying instructions.  
2 That is the purpose, then, of the orders before you today,  
3 to adopt these forms and instructions.

4 In addition, the order prescribes an exemption  
5 procedure for small and medium utilities. In this respect,  
6 as well as with respect to the forms and instructions, the  
7 order is almost identical to the orders adopted in the  
8 CFM IV proceeding. The --

9 COMMISSIONER GANDARA: Those were excellent  
10 orders I seem to recall.

11 MR. COHN: Excuse me?

12 (Laughter)

13 COMMISSIONER GANDARA: Go ahead.

14 MR. COHN: Okay. The principal change from the  
15 CFM IV orders is contained in the electricity order, and  
16 I referred to that procedure which allows large utilities  
17 to request modification of submittals that are prescribed  
18 by the adopted forms and instructions.

19 The purpose of this new procedure is to allow  
20 each of the large utilities to submit individualized  
21 reports while still complying with the spirit and intent  
22 of the common forecasting methodology required under Public  
23 Resources Code Section 25301.

24 The order sets forth three criteria for granting  
25 modification requests. One, that material be submitted in a

1 different format, and I would note here that in some cases,  
2 the forms and instructions, by their language themselves,  
3 actually allow for slightly different formats to be used,  
4 and of course, a request for modification would not be  
5 necessary where the forms allow that sort of flexibility.

6           Secondly, time delays may be granted, however,  
7 I would note that the Public Resources Code Section 25300  
8 does specify a March 1st deadline, that would be March 1,  
9 1984, for this CFM cycle, for all the items that are  
10 specified in that section.

11           The third criteria is data being unavailable or  
12 unobtainable. Now this latter item has caused some deal  
13 of confusion, and I'll pass out at this time an amended  
14 page 5 to the electricity order which would delete the  
15 last few lines of the third item.

16           (Document being passed out.)

17           MR. COHN: I've passed out copies to various  
18 representatives of the utilities, and I have extras if  
19 anybody wants one.

20           Aside from the format changes, there are basically  
21 three types of information that the Commission could require  
22 in its forms and instructions. One would be information  
23 specifically mandated by the language of the statute or  
24 the regulations.

25           Secondly, items specifically allowed by the

1 statute, or regulations, that is, a provision which says  
2 the Commission may request a certain piece of information;  
3 and third, other types of information relying on our  
4 residual power to request information from utilities.

5           In the Committee's opinion, the proposed forms are  
6 only of the first and second type, that is, information  
7 which is either explicitly required by the Warren-Alquist  
8 Act, or by our regulations, or the second type, that is,  
9 information which is allowed specifically to be obtained  
10 by the Commission.

11           The purpose of the modification request procedure  
12 is to allow large utilities to request modifications of sub-  
13 mittals for the second type, that is, the information which  
14 is specifically allowed, and to give you an example of the  
15 type of procedure we're talking about here, both the Warren-  
16 Alquist Act, as well as the regulations in Section 1345  
17 require that conservation programs be quantified.

18           However, neither the regulations nor the statute  
19 specify, for example, whether or not the 1975, 1978 and  
20 1983 Residential Building Standards need to be specifically  
21 disaggregated and energy savings given in a separate form  
22 for each of those standards. However, the forms and  
23 instructions do require that sort of disaggregation.

24           This would be the type of thing that would be a  
25 likely candidate for a request for modification because of

1 one utility perhaps explaining that it would be very  
2 difficult, or impractical for that utility to disaggregate  
3 a particular type of information.

4           As to the gas order, the gas order simply  
5 specifies that gas utilities may submit the California Gas  
6 Report which they submit to the PUC to satisfy the require-  
7 ments of Section 1349 of our data collection regulations.  
8 I would reiterate what Commissioner Commons alluded to  
9 earlier, and that is that the requirement of gas surveys  
10 which is specified in Section 1349, subsection (b)(5), will  
11 be set forth in a subsequent order, so that is not in issue  
12 here today.

13           Finally, I'd like to address the principal issue  
14 that's been raised by several of the utilities, either  
15 orally or in writing, and in particular, I believe Edison,  
16 SDG&E, LADWP object in one form or another to the requirement  
17 in the forms and instructions that they do alternative  
18 resource plans to reflect high and low oil price scenarios,  
19 and also demand forecasts to reflect high and low oil  
20 price scenarios.

21           The resource plan requirement is contained in  
22 Form R-21, and the demand forms are in E-8.0 and E-8.1.  
23 Parenthetically, I would note that there were written  
24 comments submitted by the utilities to the earlier version  
25 of the forms and instructions, but they are still

1 applicable, I think, to the revised version dated August  
2 10th, and those are contained in the back-up package for  
3 Item 5, but they are relevant to Item 4 as well.

4           To get back to the issue on the alternative  
5 scenarios, the legal basis for the R-21 forms requiring  
6 alternative resource plans is contained in Section 1346,  
7 Subsection (a)(3) of our regulations where it says, "The  
8 Commission may require alternative resource plans to be  
9 submitted consistent with forms and instructions prescribed  
10 by the Commission."

11           Also in that subsection it requires that each  
12 utility submit resource plans consistent with their own  
13 demand forecasts, and also consistent with the adopted  
14 demand forecast.

15           Also, in Public Resources Code Section 25301, of  
16 course, specifies that utilities are required to use the  
17 common forecasting methodology adopted by the Commission.  
18 They are free, of course, to submit additional materials,  
19 resource plans, demand forecasts based on different  
20 methodologies but that can only be in addition to what we  
21 require rather than in lieu of what the Commission requires.

22           As to the legal authority on the alternative  
23 demand forecast, there, once again, I would point to Public  
24 Resources Code Section 25301 and Section 1352 of the data  
25 collection regulations which provides that the Commission

1 may prescribe forms and instructions for additional data  
2 other than the requirements specifically set forth in  
3 Section 1345.

4           So I don't think there's any question as to the  
5 Commission's legal authority to require the alternative  
6 resource plan submittals to reflect the low and high oil  
7 price scenario. I think the Commission has the discretion  
8 to do that. I would note that I don't think the Commission  
9 is bound by the Warren-Alquist Act to require specific  
10 scenarios, but in order to come up with a demand forecast  
11 that the Commission considers to be well reasoned, I think  
12 that's within the Commission's discretion to obtain this  
13 kind of material.

14           So with that, I'll turn it over to the staff to  
15 explain what the principal differences are between the  
16 electricity forms and instructions for both supply and  
17 demand in this CFM V proceeding as proposed by the  
18 Committee, and the forms and instructions that accompanied  
19 the CFM IV proceeding.

20           COMMISSIONER GANDARA: If you would proceed, and  
21 perhaps try to focus on those issues likely to be of  
22 contention and -- so we can expedite this particular matter.

23           MR. JASKE: Good morning, I'm Mike Jaske with the  
24 Demand Assessment Office, with me is Susan Bakker of the  
25 Systems Assessment Office.

1 I'd like to call your attention to a multi-page  
2 handout called, "Summary of Major Changes From CFM IV to  
3 CFM V Forms and Instructions" dated August 10th. I will  
4 cover the demand portion of that, and Ms. Bakker will cover  
5 the supply portions.

6 As a general introduction, let me try to state  
7 that the lengthy workshop process gone through in this  
8 round of CFM which was considerably more intensive a  
9 process than any of the more recent versions of CFM forms  
10 and instructions, made relatively clear all along that there  
11 were some objections from utilities from new elements of  
12 these forms and instructions, principally on the demand  
13 side, the scenarios based on high and low oil prices, and  
14 also, to some extent, a conservation analysis, and similarly  
15 on the supply side.

16 In response to that, the Commission -- or the  
17 Committee and the staff made some attempt to pare down the  
18 remaining requirements of the forms and instructions so in  
19 several instances, we have dropped material that was formerly  
20 required, and had either been not well received, or was  
21 too burdensome for utilities to comply with. So there's  
22 some balance between increased activity and decreased  
23 activity.

24 Specifically, we have dropped the peak demand  
25 reporting requirements that they be broken down by climate

1 zone. We've dropped the entire sensitivity exercise where  
2 utilities were to do plus or minus 10 percent cases of  
3 electric prices, gas prices, economics, relative to their  
4 baseline, and we've down-scoped the requirements of Section  
5 E-10 which asks that utilities document thoroughly the  
6 basis of the electricity prices that they used in their  
7 demand forecasts.

8           The principal areas where there are significant  
9 increases are in the forms, Sections E-8 and E-9 where we're  
10 requiring that utilities do three things: two scenarios  
11 based on upper and lower scenarios of oil prices, and then  
12 take the staff's input assumptions and use them with the  
13 utilities forecasting methodology to produce yet a third  
14 forecast in addition to their baseline for purposes of  
15 comparing methodological differences and approaches between  
16 utilities submittal and that of staff.

17           This last exercise was used in CFM III and was a  
18 sort of extra requirement that was put on utilities in an  
19 order that was not part of the formal forms and instructions.

20           In the conservation section, there were four items  
21 here to note, and probably item two will be that most  
22 controversial, a rather significant expansion of the  
23 treatment of cost-effectiveness of existing conservation  
24 programs.

25           COMMISSIONER EDSON: I have a question in the

1 conservation area. Among the utility comments was a  
2 question about -- was what appeared to be some misunder-  
3 standing about whether the utilities or the Commission  
4 determine what conservation programs were reasonably expected  
5 to occur. Can you clarify that for me?

6 MR. JASKE: The procedure followed in the last  
7 several rounds of the CFM process have been that indepen-  
8 dently, staff and utilities make that determination as  
9 part -- and submit a baseline forecast accordingly. In  
10 the hearing review process, the CFM or BR Committee,  
11 depending on the naming convention used, reviews those  
12 opinions, and essentially makes its own recommendation to  
13 the Commission as part of its recommendation for an adopted  
14 forecast.

15 These forms and instructions continue that process,  
16 each party is free to make their own definition of  
17 reasonably expected to occur, but in the end, it will be a  
18 Committee recommendation to the full Commission and finally  
19 the full Commission's decision as to what reasonably  
20 expected to occur means. That is basically a policy  
21 decision that is your discretion.

22 COMMISSIONER SCHWEICKART: Mike could -- excuse me.  
23 If I could, could you outline the basis of the -- and the  
24 rationale that supports and call for cost-effectiveness  
25 assessment or determination in the conservation section?

1           MR. JASKE: Yes. The principal basis for that  
2 exercise is to have some basis for understanding in a  
3 quantitative way how conservation -- existing conservation  
4 programs meet a cost-effectiveness test, and therefore,  
5 how that applies -- or that is one component of the  
6 decision of reasonably expected to occur.

7           MR. COHN: Mike, if I may interject, furthermore,  
8 the regulations specify that the demand forecasts shall  
9 contain an estimate of the impact of total cost-effective  
10 conservation potential in the utility planning area on  
11 electricity demand and electricity sales. I think that  
12 provides a further basis.

13           COMMISSIONER EDSON: Are we confident that we,  
14 in the forms and instructions, will get adequate information  
15 to fairly judge all the benefits? For example, in load  
16 management, we're beginning to find the transmission and  
17 distribution benefits in some cases are significant.

18           MR. JASKE: I will have to be frank and confess  
19 that this particular activity which is embodied in Form  
20 E-9.1 is one that most utilities are expressing some  
21 opposition to from the basis of an excessive burden on their  
22 resources, and to a degree, staff is going to have a major  
23 resource constraint as well.

24           So I don't think we're going to be making very  
25 much dramatic forward progress in terms of sort of secondary

1 benefits of the type you mentioned.

2 COMMISSIONER EDSON: So to your knowledge, we're  
3 looking at energy savings only?

4 MR. JASKE: No, principally.

5 COMMISSIONER COMMONS: Let me make a comment on  
6 that. This is probably one of the more difficult areas,  
7 and one of the reasons we've held off the survey element  
8 from the business meeting today, and have made them  
9 separable orders, in essence, is the scope of the surveys  
10 concerning conservation could be impacted by the Commission  
11 decision concerning the conservation quantification issues  
12 as to whether or not we're able to get sufficient informa-  
13 tion without going to surveys.

14 This is one of the items that the staff will assess  
15 from the Commission action today as to whether or not we  
16 get the information that we need, and the impact in terms  
17 of surveys.

18 COMMISSIONER SCHWEICKART: It's not clear to me,  
19 Commissioner Commons, how the Commission -- how you intend  
20 the Commission to speak to that matter. Could you elaborate  
21 just a bit on what the Commission action is which will  
22 provide the signal to the staff on whether or not surveys  
23 are required?

24 COMMISSIONER COMMONS: Well, first of all, the  
25 issue of surveys affects -- this is a continuing process,

1 the CFM process, and you make incremental gains each two  
2 year cycle. The surveys will not help us in this cycle  
3 in terms of improving our forecasting, however, it would  
4 help us in the next cycle.

5 If the utilities have the position, or the  
6 Commission were to accept the position which would not  
7 provide us this information since it is not available, or  
8 is too expensive to obtain at this time, then we would not  
9 want to put the Commission in the situation two years hence,  
10 where the same argument would prevail.

11 Rather what we would do is we would take -- the  
12 Committee would recommend to the Commission in the survey  
13 procedure that we generate this information so that in the  
14 next cycle we will have the information on the conservation  
15 quantification that is necessary in order to do an adequate  
16 job on the forecasts.

17 COMMISSIONER EDSON: My only reservation, or my  
18 reservation here is that I feel that to the extent that we  
19 get into cost-effectiveness, we have the responsibility to  
20 ensure that we're fairly assessing both the costs and the  
21 benefits, and from the material that I've had available for  
22 this agenda item, I do have some questions that perhaps you  
23 can respond.

24 COMMISSIONER COMMONS: I'm sorry, I did not hear  
25 you.

1 COMMISSIONER EDSON: My concern is that --

2 COMMISSIONER SCHWEICKART: Can we turn the gain  
3 down on the mics?

4 COMMISSIONER EDSON: -- to the extent we're  
5 going to be assessing the cost-effectiveness of conservation  
6 programs, it's incumbent on us, I think, to ensure that we  
7 are fairly accounting both the costs and the benefits, and  
8 I wouldn't want to see us shorting on either side.

9 One of my concerns in the load management area,  
10 as just an example, is that by looking only at the energy  
11 savings, we are leaving out significant benefits that  
12 several utilities are finding, and I don't think that  
13 results in a fair comparison of programs with that. I  
14 think ultimately these kinds of results tend to fall into  
15 that arena of evaluations.

16 COMMISSIONER COMMONS: I think that's a valid  
17 question, and I would hope that the utilities would respond  
18 when they make their comments.

19 COMMISSIONER SCHWEICKART: Commissioner Commons,  
20 excuse me, but I -- while I think Commissioner Edson's point  
21 is a valid observation, and certainly something that should  
22 be considered, it's not clear to me that from my previous  
23 question I got an answer.

24 Adopting the proposed orders that you have before  
25 us today seems to miss the issue which you indicated in your

1 comments, in terms of providing a signal to the staff on  
2 whether or not surveys in this round, in the CFM V, are  
3 or are not to be -- you mentioned you had removed the  
4 survey item from Commission consideration today in order  
5 to allow the Commission to provide some signal to the  
6 staff. I frankly don't understand what it is you expect  
7 us to do today.

8 COMMISSIONER GANDARA: Let me comment a little  
9 bit. These are separable items, the Commission forms and  
10 instructions and the surveys. Last year the forms and  
11 instructions were adopted, you know, considerably before  
12 the surveys, and there was really not a linkage here. I  
13 think Commissioner Commons was making some references to  
14 the use of surveys and the potential issuance of those  
15 surveys.

16 But the Commission last year approved both the  
17 forms and instructions and the surveys at different  
18 Commission meetings so that to the extent that it might  
19 help in moving this discussion forward, I think what's  
20 really before us right now is the forms and instructions,  
21 and not the surveys.

22 COMMISSIONER COMMONS: I think Commissioner  
23 Schweickart's question -- I'd like to try to answer it  
24 because I think you asked it because you want an answer.

25 In the conservation quantification as Mr. Cohn

1 identified, there are ways that we could combine various  
2 programs. For example, rather than having RCS and load  
3 management as severable, we could say that these are utility  
4 programs and that they will be looked at as one.

5 Obviously, it's very difficult for us to come  
6 up with any overall policy assessments in terms of the BR  
7 Report, or to look at these if they are put together in  
8 that fashion. If we were to aggregate, and this is one  
9 of the discretionary items obviously before us, is we could  
10 aggregate conservation programs into maybe three categories,  
11 then we would not have conservation quantification which  
12 would help us in assessing specific Commission and state  
13 programs on conservation.

14 If we did not have that detail that was requested  
15 of the utilities, I think the Commission action on that  
16 would be that which would be giving a signal to the staff.

17 COMMISSIONER SCHWEICKART: All right. I think I  
18 understand better, and in that regard I'd like to ask Mike  
19 perhaps now, or perhaps in response to utility comments,  
20 if you would outline the differences again between CFM IV  
21 and V in this area.

22 As I recall, and perhaps Commissioner Gandara  
23 can help as well, the Committee in the CFM IV -- the BR IV  
24 Committee identified with staff input specific programs for  
25 estimation of conservation quantification which were then

1 issued and responded to by the utilities while at the same  
2 time providing utilities the freedom to present it in  
3 alternative levels of aggregation or breakdowns as well.

4           If I am correct in that recollection, could you  
5 outline the changes in the current forms and instructions  
6 in that regard?

7           MR. JASKE: The style of proposing a series of  
8 programs, and then asking that there be energy savings  
9 quantified for each of those programs remains the same.  
10 What is most different is that associated with each of  
11 those programs, the degree of analysis of overall program  
12 cost-effectiveness required, or asked for in these forms  
13 and instructions has escalated considerably.

14           In CFM IV there was a relatively simple tabular  
15 display asked for which divided total program costs by  
16 total program energy savings accumulated over a period of  
17 time to give us a simple indicator of cents per kilowatt-hour  
18 cost of that program. One could then compare that to  
19 generating marginal costs, have some basis for knowing  
20 whether it was cost-effective.

21           These forms and instructions are much more to the  
22 standard practice manual developed at the PUC and ourselves,  
23 and call for much more rigorous and proper means of  
24 calculating cost-effectiveness. So, in that sense, they  
25 are an expansion upon the CFM IV requirements.

1           COMMISSIONER GANDARA:  If I might comment that in  
2 general, the information being requested is of the same  
3 nature, E-9.1 was the form that was required last year.  
4 In general, it was not filled out very well, if at all,  
5 by most of the parties.

6           The changes being proposed would essentially make  
7 this data request far more useful and effective were there  
8 to be a filling out of the form.  Okay.  So, I think you  
9 need to separate the two issues, okay, so that in essence  
10 the recommended changes are an improvement and would be  
11 a far greater utility, and it is my judgment that in fact  
12 we should have had greater responsiveness in the filling  
13 out of E-9.1.  That would have been of great use to the  
14 Committee, and I would expect that -- I think we just lost  
15 -- I would expect that we would indeed have far better  
16 information for this process.

17           So, I believe that's -- I said nothing in  
18 contradiction to Mike -- recollection and assessment, is  
19 this correct, Mr. Jaske?

20           COMMISSIONER SCHWEICKART:  I'm satisfied with the  
21 level of information I've gotten at this point, and I think  
22 it clearly raises an issue on which we've been relatively  
23 silent in the past, namely, the issue of sanctions.  But  
24 that's somewhat of a separate discussion.

25           COMMISSIONER GANDARA:  You can proceed with your

1 presentation, Mr. Jaske, and again, I would ask perhaps  
2 expeditious handling of --

3 MR. JASKE: Yes. I believe, in fact, I need say  
4 nothing more regarding the changes from CFM IV to CFM V.  
5 These are the principal areas for the demand side.

6 MS. BAKKER: For the supply side, we've had  
7 several additions and several deletions of minor importance  
8 and that drew little reaction from the utilities.

9 Basically they involve some rearranging for the  
10 users convenience. Some call it consolidation that simply  
11 saves paper. Some additional environmental data to  
12 facilitate a residuals analysis, and we've deleted two  
13 forms that were essentially not used, and were repetitive,  
14 and we've added an executive summary, and resource planning  
15 strategy discussion, both of which have been offered  
16 voluntarily by utilities in the past, and it's perceived as  
17 an opportunity, I think to show the staff and the Commission  
18 what the utility thinks we should find in our analysis of  
19 the resource plan.

20 Finally, we've added Form R-21 which has been  
21 referred to by Steve Cohn as the results of different  
22 resource planning strategy, based on a different forecast  
23 which is consistent with the demand forms. That one has  
24 had some reaction from utilities in writing and verbally.

25 COMMISSIONER GANDARA: Does that complete the

1 staff testimony?

2 MS. BAKKER: Yes.

3 COMMISSIONER SCHWEICKART: If I could, before the  
4 staff gives way to the utility comments, and John, formally,  
5 I think you should be responding to this, you may want to  
6 defer to Mike and Susan, but I would like to know, does the  
7 staff support the forms and instructions in the form  
8 presented today before the Committee, or does the staff  
9 have independent opinion differing from the Committee  
10 recommendation before us?

11 MR. JASKE: These forms and instructions, after a  
12 long process, are very close to what staff started out with.  
13 There are some differences from the initial staff proposals  
14 back in April, but I believe that in general, there is an  
15 improvement to them.

16 COMMISSIONER SCHWEICKART: Is the staff  
17 recommending any changes --

18 MR. JASKE: No, staff has no specific recommenda-  
19 tion for changes.

20 COMMISSIONER SCHWEICKART: All right, thank you.

21 MS. BAKKER: On the supply side, what we do  
22 believe is that the analysis asked for in the R-21 is an  
23 appropriate one and the staff intends to do it.

24 COMMISSIONER GANDARA: Thank you very much. We  
25 will proceed to utility comments after a slight interruption

1 and deviation. I've been notified by the Public Adviser,  
2 a request for public comment that has some urgency with  
3 respect to the schedule.

4 MR. PEREZ: Yes. As I understand it, apparently  
5 there is an individual from the public that would like to  
6 address you and has an airplane schedule that requires  
7 interrupting this particular item, with the permission of  
8 Commissioner Commons, I'd like to bring that person forward  
9 now if they're in the audience. Is that person present?  
10 He set me up and let me hang.

11 (Laughter)

12 COMMISSIONER GANDARA: Let me note that I'm  
13 aware of the utility reps schedules as well so that this  
14 will not interfere too much with that, I don't believe.  
15 You have a reluctant public, Mr. Perez.

16 (Laughter)

17 COMMISSIONER SCHWEICKART: They may have stepped  
18 out, why don't we just --

19 MR. PEREZ: Maybe we can move on another five  
20 minutes, I can check.

21 COMMISSIONER GANDARA: Okay. I have requests  
22 from four different utility reps here, Mr. Davis representing  
23 CMUE, you wish to comment?

24 MR. DAVIS: Thank you, Commissioner. I have just  
25 been informed that my comments would be more appropriately

1 directed to Item No. 5, so I will withdraw my request at  
2 this time and come back to you at that time.

3 COMMISSIONER GANDARA: Thank you. Mr. Johnson,  
4 LADWP.

5 MR. JOHNSON: For the record, my name is Roger  
6 Johnson, and I'm with the Los Angeles Department of Water  
7 and Power. As a way of introductory statements, I'd like  
8 to say that we have been pleased to participate in the  
9 CFM IV forms and instructions process, and I really have  
10 to apologize today for not having any written comments to  
11 submit to you.

12 Just a way of background is that I was also  
13 a participant in the equivalent CFM I process for forms and  
14 instructions, so I have been following the evolutions of  
15 these for a considerable period of time. As I recall, I  
16 think the only other staff person that I can recognize is  
17 Thom Kelly in the proceedings here.

18 I have perceived that in a couple of areas that  
19 the CFM V has been greatly expanded from the requirements  
20 of the past CFM and also in areas that really wasn't contem-  
21 plated by this Commission over the past CFM, especially the  
22 previous ones, and the intent in which the CFM process was  
23 to be used at the initial outset of the Commission.

24 We have noted that even today we had major  
25 changes in CFM V from CFM IV, and all along, we've been

1 working under the idea that the CFM process would be one that  
2 would be laid out in which, at this point in time, there  
3 wouldn't be any changes in it, we would be able to get it  
4 and work with it more as a business as usual procedure.  
5 I'm finding that that is not the case.

6 I believe that the concerns and the recommendation  
7 that we want to lay before the Commission is universal to  
8 all the utilities, otherwise we wouldn't put them forward  
9 on the table today. I'm also afraid that the recommendations  
10 go counter to the Committee's goals, but I believe from an  
11 approval process, we would like to have them on the table  
12 today to be considered by the Commission.

13 Our primary interest is that the primary goal of  
14 the CFM process is to lead to a forecast adoption and then  
15 an evaluation of a resource plan submitted by the  
16 utilities. Our recommendations simply, in specific form  
17 said that we would like to see the Commission adopt the  
18 current forms and instructions minus forms E-8.0 and E-8.1,  
19 E-9.1, and the cost-effectiveness summary portions of  
20 E-9.2(b) as well as form R-21.

21 Form E-8.0 and 8.1 and R-21 primarily are the  
22 high oil price forecasts and resource plan and the low oil  
23 price forecasts and resource plan, and these are in  
24 addition to what we might call the "basecase forecast" in  
25 the resource plan.

1           Forms E-9.1 and 9.2(b) actually refer to a  
2 cost-effectiveness quantification of conservation programs.  
3 Please don't misunderstand our recommendation. We really  
4 are not taking issue with the fact that these ideas shouldn't  
5 be discussed or studied at some point in time from the  
6 state's perspective, but they may rightfully, and probably  
7 deserve their own separate proceeding or docket.

8           We are not objecting to Forms 8.2 or 8.3 which  
9 are, in effect, the sensitivity tests to be done on the  
10 models themselves. I'd like to go into some of the reasons  
11 for our recommendation.

12           Forms 8.0, 8.1, and R-21 call for really a truly  
13 complete, additional forecast, and an associated resource  
14 plan, and those are in addition to the basecase which we  
15 have been running in previous CFM's. Our understanding of  
16 the Warren-Alquist Act simply calls for a single forecast  
17 and resource plan evaluations, and I refer to Sections  
18 25300, 25300 Subsection (f), 25301, 25305(c) and (d), and  
19 25309.

20           The Commission's own regulations require the  
21 utilities to provide only one forecast and resource plan,  
22 and I refer to Section 1342, 1345, and 1346. No language  
23 in either of these mandates requires or provides for  
24 specifically fully documented forecasts and resource plans.

25           As to the high and low oil price forecasts and

1 resource plans, our evaluation indicates that it will  
2 require a significant commitment of time, money, and  
3 manpower to fill out these specific forms, and this would  
4 be for all utilities.

5 For LADWP in specific, we are looking at an  
6 expenditure of approximately \$30,000 just to have DRI  
7 redo and change the economic assumptions used in the  
8 forecasts based upon the oil and price changes. We  
9 estimate that it probably will be about \$100,000 to do the  
10 forecast additions alone, and a minimum of around \$100,000  
11 to do the resource plan alone.

12 We have got some concern with the oil price  
13 probability methodology that is called for. I understand  
14 that it's like a 15 percent and an 85 percent probability  
15 on the price of oil. Our staff is unaware of any forecasting  
16 methodology that can be used to accurately attach a  
17 probability to a range of oil prices.

18 In this case, I would think that each utility  
19 then would be presenting a different price for oil, and as  
20 a result, the bottom line numbers, as a result of the  
21 evaluations will be also different so we would not have  
22 any commonality in the analysis that would be done by the  
23 utilities.

24 In specific, with regard to R-21, one minor item  
25 in there is that the very first item which is called for

1 deals with conservation. We don't understand why  
2 conservation is being "a resource". If you refer to  
3 Section 25309(b), it specifically refers to conservation  
4 as being a demand reducing item, therefore it needs to  
5 be considered or at least tabularized and summarized in the  
6 demand portion, not in the resource portion.

7           We are also concerned about the meaningfulness  
8 of the results that would be very questionable with regard  
9 to the expense that would be involved for LADWP. Specifically  
10 we refer to BR IV. In the analysis that we did in that  
11 process on a high and low oil scenario, we found that in  
12 the year 2002, we had a difference of 203 megawatts between  
13 the low price scenario and the high price scenario.

14           Simply, at that time, and for that amount of  
15 megawatts, it would require a mere slippage in our scheduled  
16 generic plants that are called for in that time frame.  
17 Obviously, from our perspective, that would not provide a  
18 meaningful input, given the amount of money that would be  
19 required to redocument that information.

20           I would like to read one of the Commission's  
21 regulations in the Biennial Report, and Energy Load  
22 Resources Article, it's Section 1342 which requires or  
23 headlines as the mission of information.

24           It says "Information required by this article  
25 shall be submitted on forms prescribed by the Commission

1 and in compliance with instructions accompanying the forms.  
2 All information submitted shall utilize accepted professional  
3 techniques that are documented based upon standard  
4 statistical and engineering tests and sensitivity analysis,  
5 and have duplicable results."

6           We are afraid that we cannot perform the latter  
7 with regard to the oil price probabilities, and that when  
8 we analyze the 1345 and 1346, that article and sections,  
9 that we do not see the additional requirements for the high  
10 priced scenarios -- the high priced oil forecast and  
11 resource plan, and the low priced oil and resource plan.

12           In regards to the conservation, forms 9.1 in the  
13 documents that were sent to us had a significant change from  
14 the last version of the forms and instructions which had a  
15 June 24th date on it, I believe. This particular form  
16 asks for participant cost, utility cost, and state cost  
17 for each program on a state -- on the state's programs and  
18 the utility programs for the year 1978 to the year 2004.

19           In addition, they are requiring itemized kilowatt-  
20 hours and kilowatts for each program and by years. We also  
21 take a look at the cost-effective summary of 9.2(b). We  
22 believe that the cost-effectiveness of conservation programs  
23 is in a sense closely irrelevant, extraneous, or not  
24 practicable to forecasting the effort of the level of  
25 demand reductions necessary to come up with the primary

1 goal for the CFM process for an improved state forecast.

2           Simply put, we do, and I will reiterate, we  
3 request that the Commission consider the deletion of  
4 sections E -- or Forms E-8.0, 8.1, 9.1, 9.2(b), the cost-  
5 effective summary portion thereof, and Form R-21. I'd like  
6 to respond to any questions that you may have regarding  
7 our recommendations.

8           COMMISSIONER GANDARA: Are there any questions for  
9 Mr. Johnson?

10           COMMISSIONER SCHWEICKART: Yes. Mr. Johnson,  
11 I believe in your general opening remarks, you stated that  
12 the -- in the conservation cost-effectiveness area, that  
13 the requirement, as you saw it, was establishment of the  
14 cost-effectiveness of conservation quantification, not  
15 conservation.

16           MR. JOHNSON: We don't have a problem with trying  
17 to do a good job of quantifying conservation. We think  
18 that is needed, and that's worth the effort to undertake.  
19 It's -- because once you're able to quantify it, you can  
20 then reflect that into the level of demand, but to come up  
21 with a cost-effectiveness for each one of the programs,  
22 and for closely, a 25 year effort, we don't see how that  
23 reflects into the quantification.

24           COMMISSIONER SCHWEICKART: Well, what I would like  
25 to do is reflect back on your opening remarks, which I

1 understood you to say -- in which I understood you to say  
2 that it was your interpretation of the information required,  
3 was one to determine the cost-effectiveness of conservation  
4 quantification, the process. Did I misunderstand you, or  
5 is that --

6 MR. JOHNSON: What I was trying to get at was  
7 that our concern is going through a detailed analysis right  
8 now of the cost-effectiveness of each program on a by-year  
9 basis from 1975 on to the year 2004.

10 COMMISSIONER SCHWEICKART: All right. But your  
11 objection is to the determination, or to, let me say, the  
12 data requirements contained in the forms and instructions  
13 related to the assessment of cost-effectiveness of conser-  
14 vation programs.

15 MR. JOHNSON: Yes. The quantification of  
16 conservation --

17 COMMISSIONER SCHWEICKART: Okay. I think  
18 literally on the record you said your objection was that  
19 it appeared to be assessing the cost-effectiveness of the  
20 quantification process as opposed to the conservation  
21 program, and I wanted to make sure that that was clear.

22 All right, that was literally the only question  
23 I had at this time.

24 COMMISSIONER GANDARA: Any other questions?  
25 I have several questions. Mr. Johnson, the E-9.1 form says

1 that each utility should analyze and quantify its own  
2 listed programs. Wouldn't you have cost-effectiveness  
3 information on your own programs? It says that the Energy  
4 Commission staff will quantify the statewide programs,  
5 but don't you have cost-effectiveness information already  
6 on your own programs?

7 MR. JOHNSON: I would say that that would be  
8 in-house, and that it would have to be brought up, and it  
9 would have to be dug out, and it would have to be then  
10 put together into the forms and instructions that are  
11 listed. But I kind of think that that cost-effectiveness  
12 is really irrelevant to the CFM process of coming up with  
13 a level of demand.

14 COMMISSIONER GANDARA: Isn't cost-effectiveness  
15 a major determinant, or certainly a principal component of  
16 whether conservation is reasonably expected to occur,  
17 would it not?

18 MR. JOHNSON: I would say that we wouldn't have  
19 the program, if we did not believe that if it was of benefit  
20 to our customers for us to be pursuing that, and that we  
21 can attempt to work at a quantification of what those  
22 conservation savings are going to be, but that it almost --

23 COMMISSIONER GANDARA: But based on that statement,  
24 that you wouldn't have a program, if you didn't think it  
25 would be cost-effective to your customer was exactly the

1 basis on which your utility objected to some of the programs  
2 as not being included in RETO, as not worthy of inclusion  
3 in RETO last year, you said that they were not cost-  
4 effective, so therefore, they should not be in RETO. Would  
5 not this kind of information assist that process?

6 MR. JOHNSON: I don't recall right now those  
7 programs for which you're referring to. I recall that  
8 we were --

9 COMMISSIONER GANDARA: Those were the programs  
10 the staff was including in RETO that you did not -- that  
11 you objected to.

12 MR. JOHNSON: I know that we objected to the  
13 ones that we didn't think like -- that would come to  
14 fruition like some of the ones that were in the Legislature  
15 and the like. But right now, at this point in time, I  
16 can't refer to a program that you're citing.

17 COMMISSIONER GANDARA: Last question. You focused  
18 on the substantial additional costs that would be incurred  
19 by LADWP if they were to undertake to fill out these forms  
20 if required to do so. As you know, the staff is an  
21 independent party in these proceedings, so they're not  
22 shy about objecting to the same requirements that are going  
23 to be placed on them. Yet, I would --

24 MR. JOHNSON: I heard Mr. Jaske express that  
25 concern about staff and money as well.

1           COMMISSIONER GANDARA: Yes, they did, but the  
2 final judgment was that they were recommending these  
3 forms for adoption, and I presume that that included  
4 judgment by the staff that they can do it within the  
5 resources allocated to them, which are substantially less  
6 than were available to them last year.

7           Why -- can you explain why the difference in  
8 judgment, then, resulting in --

9           MR. JOHNSON: I cannot. I only can address that  
10 when I asked our people what this effort would mean to them,  
11 and their workloads that they currently have, as what we  
12 require of them to do our normal business routine, to  
13 analyze the effort that would be involved, and the amount  
14 of money that would be expended, this is what they reported  
15 to me, and in relation to the analysis that we did do for  
16 BR IV when we see that we only are going to have a  
17 differential of 203 megawatts for the next 20 years as  
18 regard to the high and low oil price impact on our forecast,  
19 we don't think at this point that \$200,000, or thereabouts,  
20 is a -- if you want to call it a cost-effective way to  
21 analyze that small of a difference.

22           COMMISSIONER GANDARA: I understand that. I  
23 guess the point that I'm making is that in essence, the  
24 staff is saying by their particular, you know, non-  
25 objection, or endorsement of these forms, that they are

1 going to do more with less. Okay, and because the --

2 MR. JOHNSON: Well, the --

3 COMMISSIONER GANDARA: -- and -- excuse me, and  
4 because the requirements have been lessened in the  
5 elimination of a lot of other costs to the staff, as well  
6 as to the utilities. Are you talking about a net cost  
7 differential, are you talking from one point to the other,  
8 are you talking about --

9 MR. JOHNSON: That was -- no, that was a net  
10 cost differential just to do a complete forecast and  
11 resource plan based upon the high and low oil prices.

12 COMMISSIONER GANDARA: So what were the savings  
13 then attributable to the reduction in the requirements by  
14 the proposal of the Committee?

15 MR. JOHNSON: I'm sorry?

16 COMMISSIONER GANDARA: What were the savings  
17 you attribute to the Committee's proposal of deleting the  
18 number of requirements that the CFM IV had that you don't  
19 have the CFM V?

20 MR. JOHNSON: I don't have that assessment.

21 COMMISSIONER GANDARA: So then how would you know  
22 it's the net cost, then?

23 MR. JOHNSON: Oh, I'm sorry. I meant that the net  
24 cost was net additional cost to do those over and above the  
25 basecase. It wasn't a net to do the complete CFM. I'm

1 sorry if I led that away.

2 COMMISSIONER GANDARA: Okay.

3 MR. JOHNSON: We have a -- when we have looked  
4 at this, we have seen that in order to take into account  
5 the high and low scenarios, it has a fundamental impact  
6 throughout the whole economy when you take a look at those  
7 scenarios, and the DRI model which we use has a baseline  
8 assumption built into it. As a result of changing the high  
9 and low oil scenarios, it requires DRI to go in and change  
10 their own models and assumptions, and then to rerun the  
11 programs in order to come out with the numbers.

12 In our response to DRI, this is the number that  
13 they came to us with.

14 COMMISSIONER GANDARA: Are there any other  
15 questions?

16 COMMISSIONER SCHWEICKART: Yes. Mr. Johnson,  
17 absent the high and low oil scenarios, is it your  
18 interpretation that the forms, nevertheless, require a  
19 sensitivity analysis around the basecase for oil price?

20 MR. JOHNSON: The -- we -- I think we did that  
21 in a modified way for the last BR and I think the require-  
22 ments there were different than what they are here today,  
23 and so we were, I believe able to do that almost in-house,  
24 so that the incremental on the scenarios that were run the  
25 last time were not as significant as the ones proposed this

1 time.

2 COMMISSIONER SCHWEICKART: As I recall in your  
3 reading of our regulation, and I can't refer to the section  
4 at this time, one of the things that you read, in fact,  
5 was sensitivity analysis.

6 MR. JOHNSON: Well, we are not objecting to 8.2  
7 and 8.3, which is the sensitivity analysis to be run on the  
8 use of the models, which is a part, and which we think is  
9 something that needs to be done.

10 COMMISSIONER SCHWEICKART: Including sensitivity  
11 analysis of the results of your forecasts with oil price  
12 variations.

13 MR. JOHNSON: This was changes in assumptions  
14 and how they affect the models. It basically takes our  
15 assumption, it takes the staff's assumption, and then we  
16 exchange assumptions and run them in each other's model  
17 just to find out to what extent there is any perpetrations  
18 in the model results themselves that would make one or  
19 the other model not appropriate for use.

20 COMMISSIONER GANDARA: Let me indicate that the  
21 E-8.2 and E-8.3 would basically give you forecasts using  
22 a common set of assumptions, so it is not a sensitivity  
23 analysis of ground key parameters, but rather it gives you  
24 the variability of the model itself, which is another issue,  
25 okay, I mean, certainly the model can introduce some

1 variability.

2 COMMISSIONER SCHWEICKART: Well, nevertheless,  
3 to go from there to a direct sensitivity of the model  
4 results on fuel price input would appear to be, and as I  
5 understand your testimony, Mr. Johnson, would appear to be  
6 within the resources available in-house, is that correct?

7 MR. JOHNSON: At the level of CFM IV.

8 COMMISSIONER SCHWEICKART: Okay, we just split  
9 out --

10 MR. JOHNSON: In a sense, we have done a high/low  
11 for CFM IV, and in a sense it's used the same model that  
12 we have now, and --

13 COMMISSIONER SCHWEICKART: Okay, so it's a  
14 completeness -- the issue here, then, is the completeness  
15 and thoroughness of the differences in your model results  
16 with fuel price variations.

17 MR. JOHNSON: I think it --

18 COMMISSIONER SCHWEICKART: In the one case you're  
19 saying you have DRI go all the way back and change all  
20 the other demographic -- all the other economic variables,  
21 or inputs; in the other case you're saying you run up and  
22 down a few percent on price of in-house, apparently, to  
23 get the sensitivity, perhaps in a narrower range, or I'm  
24 not quite certain what you're saying about the quality of  
25 the result that we would be given.

1 MR. JOHNSON: We believe the quality of the result  
2 would be there without having, as we did with BR IV, and  
3 it would be in a sense, just a -- and we would almost have  
4 a preference for just drawing on what we did for CFM IV.

5 COMMISSIONER SCHWEICKART: In terms of the  
6 methodology?

7 MR. JOHNSON: Yes.

8 COMMISSIONER SCHWEICKART: All right. Well, at  
9 some point, and this may not be the appropriate time, I  
10 certainly would like to understand from the staff, or from  
11 the Committee the -- their rationale in essentially a full  
12 forecast as opposed to a sensitivity analysis on fuel  
13 price and input variables.

14 COMMISSIONER GANDARA: Commissioner Edson? No  
15 questions? If there are no further questions for Mr.  
16 Johnson, then perhaps we should consider either continuing,  
17 a break, --

18 MR. PEREZ: I believe I have my public representa-  
19 tive available now.

20 COMMISSIONER GANDARA: Let's take a break for  
21 the purposes of public comment of yours. Thank you, Mr.  
22 Johnson.

23 MR. GATER: Good morning. For the record --

24 COMMISSIONER GANDARA: Would you identify yourself  
25 for the record, please.

1           MR. GATER: Yes. For the record, my name is  
2 Mr. Later Gater, representing the Commission staff. It's  
3 nice to be here again. Some of you may not have recognized  
4 me, but for this auspicious occasion, I thought I would  
5 conform to the dress code.

6           (Laughter)

7           MR. GATER: This is an auspicious occasion because  
8 it is John Geesman's final business meeting as Executive  
9 Director of the Commission; it's even more auspicious  
10 because John's actually here.

11          (Laughter)

12          MR. GATER: Accordingly, my clients have asked me  
13 to propose the adoption of the following resolution honoring  
14 John for his service to the Commission.

15                 WHEREAS, John Geesman, having decreed the  
16 influence of special interest as the Commission's Executive  
17 Director is now leaving the Commission to join that  
18 guardian of public interest, the First Boston Corporation;

19                 WHEREAS, John apprenticed for his new position in  
20 investment banking by attending the Ronald Doctor Academy  
21 of Creative Economic Analysis --

22          (Laughter)

23          MR. GATER: -- by proposing credit card financing  
24 for the Sun Desert Nuclear Project, and by preparing, and  
25 then barely being able to live within the four successive

1 Commission budgets;

2           WHEREAS, under John's direction, the Commission  
3 staff had shed its image of being a hippy think tank, and  
4 replaced it with that of a well-dressed professional group  
5 of job applicants;

6           (Laughter)

7           MR. GATER: WHEREAS, John took over the staff of  
8 management for an agency with a reputation of having never  
9 sited a power plant, and turned it around so that today the  
10 Commission is widely recognized as having never sited a  
11 major power plant;

12           WHEREAS, John provided the staff with political  
13 realism needed to define the statewide mandatory retrofit  
14 legislation as reasonably expected to occur, to propose  
15 mandatory solar features and triple glazing for new homes  
16 in California, and to suggest that the Public Utilities  
17 Commission reform virtually to every aspect of its regulatory  
18 process;

19           WHEREAS, without John's dogged adherence to  
20 schedules and deadlines, the Commission might never have  
21 discovered the confiscation of its Fourth Biennial Report;

22           (Laughter)

23           MR. GATER: WHEREAS, without John's rhetoric,  
24 the world might have forgotten that James Edwards was a  
25 dentist, and Ronald "aye man" Reagan once said progress is

1 our most important product;

2           WHEREAS, John has viewed the regulation in a way  
3 that gives new meaning to the word "macho" and leaves us  
4 with such phrases as "ya had" and the "PLO" and various  
5 shots of our anatomy;

6           WHEREAS, John founded the Islamic fundamentalist  
7 sect of the consumer and environmental movement, and had  
8 the first person to apply the teachings of "yassir" --  
9 yassir, that's my baby -- Yassir Arafat to the management  
10 of the state agency;

11           WHEREAS, in recent months, John has shown the  
12 same ceaseless effort and devotion to duty that made him  
13 a living legend in the Boalt Hall School of Law; and

14           WHEREAS, John has taken the time out of his busy  
15 schedule to be with us today;

16           THEREFORE IT BE RESOLVED that the Commission  
17 recognizes that John who has been leaving for over a year --

18           (Laughter)

19           MR. GATER: -- is finally leaving, and the  
20 Commission will never be the same without him, but that  
21 most of the damage could be repaired.

22           (Laughter)

23           MR. GATER: Thank you, Commissioners.

24           (Applause)

25           COMMISSIONER GANDARA: Is there any Commissioner

1 comment?

2 COMMISSIONER EDSON: I move it.

3 (Laughter)

4 EXECUTIVE DIRECTOR GEESMAN: I'd better arm myself.

5 COMMISSIONER COMMONS: I have a point of order,  
6 is this not a matter that involves personnel, and should  
7 be discussed in the executive session?

8 (Laughter)

9 COMMISSIONER SCHWEICKART: I think it's appro-  
10 priate that -- not to usurp today's Chairman, but since I  
11 was the Presiding Chairman during most of John's tenure,  
12 that I amend Commissioner Edson's motion to incorporate, or  
13 to substitute, actually, a motion to adopt a slightly  
14 modified resolution which I would, with your -- the  
15 Commission's concurrence would like to read at this time.

16 WHEREAS, John Geesman has served the Commission  
17 as Executive Director since September of 1979;

18 WHEREAS, under his direction, the Commission  
19 staff has reviewed 18 new power plants proposed by  
20 California utilities, including the nation's only synfuel  
21 power plant and the nation's largest solar thermal power  
22 plant;

23 WHEREAS, under his direction, the Commission  
24 staff has produced forecasts of future California energy  
25 demand that are recognized -- excuse me, future forecasts

1 that are recognized as among the most accurate and  
2 sophisticated in the world;

3           WHEREAS, under his direction, the Commission  
4 staff has developed new approaches to energy efficiency  
5 standards for buildings that will save the citizens of  
6 California at least \$20 billion over the next 30 years  
7 while also providing builders more flexibility than  
8 previous standards;

9           WHEREAS, under his direction, the Commission  
10 staff has administered over \$49 million in loans and grants  
11 for a wide variety of alternative energy and energy  
12 conservation projects;

13           WHEREAS, under his direction, the Commission  
14 staff has investigated the feasibility of using pure  
15 alcohol fuels by operating the largest fleet of such cars  
16 in the nation, administered public information programs  
17 such as the Solar Hotline, proposed standards for new  
18 appliances, insulation quality, and energy tax credits, and  
19 proposed major reforms in the regulation of California  
20 utilities;

21           WHEREAS, under his direction, the Commission  
22 staff has developed and proposed a comprehensive energy  
23 policy for the state which, if implemented, will produce  
24 net present value savings of more than \$8,000 for every  
25 citizen in California over the next 20 years; and

1           WHEREAS, in directing a staff of over 450 people,  
2 with a combined budget over four years of \$137 million,  
3 John Geesman has consistently shown leadership, skill, and  
4 devotion to the public interest meeting the highest  
5 standards;

6           THEREFORE BE IT RESOLVED that the Commission  
7 thanks and commends John L. Geesman for his outstanding  
8 service to the People of California.

9           And I'll move that resolution as a substitute to  
10 Commissioner Edson's.

11           COMMISSIONER GANDARA: Commissioner?

12           COMMISSIONER EDSON: I'd just like to comment  
13 that I think the first resolution is much truer to the  
14 spirit of John's tenure.

15           (Laughter)

16           COMMISSIONER SCHWEICKART: I object that it  
17 avoided the term of art, "rabid dog". I think it would  
18 have been appropriate in it.

19           COMMISSIONER GANDARA: Do you accept that as a  
20 friendly substitute motion, or --

21           COMMISSIONER EDSON: Let me ask Mr. Geesman to  
22 comment before --

23           COMMISSIONER SCHWEICKART: As a member of the  
24 public?

25           EXECUTIVE DIRECTOR GEESMAN: Soon to be. I'd just

1 thank all of you for allowing the previous 10 minutes to  
2 have gone unrecorded by transcript, and presumably kept  
3 private from my about to be employers. I'm not certain  
4 if they would approve or disapprove.

5           But without belaboring the obvious, I am quite  
6 gratified by all that has gone on here the last four years,  
7 five years if you count that first year with Ron, and have  
8 established some memories that I think will live with me  
9 for the rest of my life. An extraordinarily supportive  
10 staff, and I think a spirit of friendship and mutual  
11 respect, and in very difficult circumstances with each of  
12 you and your predecessors.

13           I would thank you all for that, and I guess in  
14 particular, Rusty, I'd say that the generosity and openness  
15 with which you exercised authority, or approached your  
16 job did an awful lot to enrich my job, and I think those  
17 of an awful lot of other people here, and I thank you,  
18 specially, for that.

19           I've enjoyed it very much, and hope to stay in  
20 contact with all of you in the future.

21           COMMISSIONER SCHWEICKART: In light of those  
22 comments, I would amend my substitute motion to propose  
23 that the Commission adopt both resolutions.

24           (Laughter)

25           COMMISSIONER GANDARA: Is there a second?

1 COMMISSIONER EDSON: I'll second.

2 COMMISSIONER GANDARA: It's been seconded, I  
3 take it, then, you accept it as a friendly motion. Is  
4 there any discussion? Without objection, then, both  
5 resolutions are hereby adopted. Congratulations, John.

6 (Applause)

7 COMMISSIONER GANDARA: We have a choice here.  
8 We can either continue with the testimony here. We are  
9 going -- as I mentioned before, I had targeted 2:00 o'clock  
10 for a work plan discussion. It appears that this discussion  
11 will take longer than that -- than the time allowed for  
12 that, except for a brief break for lunch, or we can delay  
13 the 2:00 o'clock, which I think would also be fine.

14 So we have a choice between lunch or continuing.  
15 What is the Commission's pleasure on this?

16 COMMISSIONER EDSON: I move we continue.

17 COMMISSIONER SCHWEICKART: I have no strong  
18 feelings. If we do continue, and with the tolerance of  
19 the public, I would certainly like to grab a munchie to  
20 have up here on the stand while people circulate in and out,  
21 other than those testifying, but if you'd like to hold to  
22 the 2:00 o'clock, I have no problem with taking a short  
23 break and then continuing.

24 COMMISSIONER GANDARA: I would like to hold to  
25 2:00 o'clock, because we did have a very lengthy discussion

1 on work plans last time around, and I think it would press  
2 us toward the other end. So I take it from the suggestion  
3 that we have a short break to -- for lunch and then return.

4 Are there any schedules that we should be aware  
5 of that are pressing? Okay. Then I would say let's break  
6 for lunch and reconvene here at 15 til 1:00.

7 (Thereupon the morning session of the business  
8 meeting of the California Energy Resources Conservation and  
9 Development Commission was recessed for lunch at 12:20 p.m.)

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AFTERNOON SESSION

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1  
2  
3 COMMISSIONER GANDARA: Let's reconvene the  
4 business meeting.

5 May I hear from Ms. Fleming, SDG&E? Let me  
6 indicate that Mr. Johnson's presentation seemed to be very  
7 comprehensive and to the extent that some of those comments  
8 might be appropriate for your particular companies, please  
9 go ahead and make the comment but as brief as possible.  
10 If you have significant variation, then certainly you're  
11 free to comment in the way you see fit.

12 Ms. Fleming?

13 MS. FLEMING: Thank you, Commissioner Gandara.  
14 For the record, I'm Patricia Fleming representing San Diego  
15 Gas and Electric. My statement can basically be found in a  
16 letter addressed to Commissioner Commons dated August 5th,  
17 but for those Commissioners who have not received a copy of  
18 that -- Commissioner Gandara, you were copied as the  
19 second member of the CFM Committee -- I would like to just  
20 summarize that letter.

21 What it says is that San Diego Gas and Electric  
22 has some particular problems meeting the requirements for  
23 the high and low demand forecast, together with the  
24 requirements for the associated resource plans specifically  
25 asked for in Forms E-8.1 and R-21.

1           The additional resources necessary to provide this  
2 information, especially in terms of additional manpower,  
3 computer facilities and software, would place overly  
4 burdensome budget constraints on San Diego Gas and Electric.  
5 Moreover, there is some question of whether the additional  
6 requirements of Forms E-8.1 and R-21 are within the intent  
7 of the Warren-Alquist Act.

8           SDG&E therefore questions whether these forms  
9 should be adopted when there is serious doubt regarding  
10 their appropriateness.

11           Now, SDG&E does have a suggestion on how we can  
12 furnish this information to an extent without overly  
13 burdening our staff and our budget constraints that we're  
14 operating under right now.

15           We would like to say that we could present on a  
16 voluntary basis a written narrative describing the methods  
17 by which we might anticipate drastic changes in load growth  
18 and the means we would employ to accommodate such changes.  
19 In this way, the requirements of the Energy Commission could  
20 be satisfied without undue burden on utilities, or  
21 unwarranted expansion of the Biennial Report process.

22           Let me just say again that we are operating under  
23 a management directive to watch our budgets, to operate under  
24 tight budget constraints so that they will therefore benefit  
25 our ratepayers.

1           Your consideration, therefore, of SDG&E's problems  
2 in completing these forms would be appreciated. Thank you  
3 very much.

4           COMMISSIONER GANDARA: Any questions for Ms.  
5 Fleming.

6           COMMISSIONER EDSON: Mr. Johnson attached a  
7 price to the requirement that there be high/low scenario  
8 work. Did your company go to those lengths?

9           MS. FLEMING: No, we did not go to some analysis  
10 like that. It's just that our manager in resource planning  
11 and manager in forecasting knows what budget he probably  
12 will be -- they will probably be working under in the next  
13 fiscal year, and they tell me that they just are not going  
14 to have the personnel or the resources to run several  
15 econometric models, and that sort of thing, and all the  
16 documentation that's required.

17           COMMISSIONER EDSON: Well, then, that raises the  
18 question that Commissioner Gandara asked Mr. Johnson as  
19 well. I think according to a summary that we've been  
20 provided, among the major changes are substantial reductions  
21 in the scope of work that's being asked. To what extent  
22 does that offset the increase that would be imposed by  
23 this request?

24           MS. FLEMING: My understanding of our staff is  
25 they don't feel that it's been reduced that much, and that

1 their requirements are going to be pretty hefty, and that  
2 this would just increase the requirements.

3 COMMISSIONER GANDARA: Any further questions for  
4 Ms. Fleming? Thank you very much, Ms. Fleming.

5 MS. FLEMING: Thank you.

6 COMMISSIONER GANDARA: Mr. Gardner?

7 MR. GARDNER: Good afternoon, Commissioners, I'm  
8 Mike Gardner representing Southern California Edison. I  
9 think the comments that have already been given, I could  
10 fairly safely say "me too" and go sit down, but I'll go  
11 slightly beyond that.

12 As the Committee is well aware, Edison has  
13 participated pretty extensively in the development of the  
14 forms to date, and we've submitted fairly detailed comments,  
15 a copy of the latest version of our comments is included in  
16 the back-up package.

17 I think I'd like to limit my comments today to  
18 what appears to be everybody's favorite forms, R-21, E-8.0  
19 and E-8.1. Those are the forms that give us the greatest  
20 trouble, that we think would cost the most in terms of  
21 dollars and staff time to prepare. We would urge the  
22 Commission to not adopt those forms and impose a requirement  
23 for us to provide that data.

24 The other comments that we had in our written  
25 submittal we still believe in, and would ask your

1 consideration of, but I don't think I'll take up your time  
2 with that today, and with that, I'd be happy to answer any  
3 questions.

4 COMMISSIONER GANDARA: Commissioner Edson?

5 COMMISSIONER EDSON: In your letter, Mr. Gardner,  
6 you suggest that we don't have the authority to request high  
7 and low resource plan comparisons. Can you expand on that?

8 MR. GARDNER: That may be a mischaracterization.  
9 I don't think that I would challenge the Commission's  
10 authority to require that information. I don't think that  
11 the Warren-Alquist Act, or the regulations, either specifi-  
12 cally address high and low forecasts. I don't think there  
13 is a mandate in either the Warren-Alquist Act or the  
14 regulations that those data be acquired but nor is there  
15 anything that would prevent you from acquiring it.

16 COMMISSIONER EDSON: So you then are suggesting  
17 that you're not contesting the legality of the forms,  
18 you're contesting the wisdom of the request.

19 MR. GARDNER: I think that's a fair characterization.

20 COMMISSIONER GANDARA: Any other questions? Let  
21 me ask a question, Mr. Gardner. Southern California Edison  
22 last year was -- in the advocacy of its forecast was in  
23 fact quite responsive and helpful to the Committee in  
24 running through several different sectoral forecasts under  
25 different assumptions, albeit all different scenarios, the

1 different whatever. Those were turned around in fairly  
2 quick order, fairly quick time, and we also during that  
3 process submitted several data requests that were also  
4 fulfilled.

5           Given the fact that there is this ability to  
6 in fact do that, if I am to look at the request that the  
7 additional requirements here of the forms E-8.0, E-8.1 and  
8 R-21, they generally seem to be a formalization and up  
9 front request of something that occurs during the process  
10 most of the time. So what's the difference?

11           MR. GARDNER: I think the difference, Commissioner,  
12 is that our understanding of the requirements of this  
13 year's forms are that it would essentially require prepara-  
14 tion of three complete sets of supply forms. It's not just  
15 fill out Form R-21, a three page form and you're done; it's  
16 provide a whole 'nother supply form.

17           I don't believe that we went into that level of  
18 detail last session. We just question whether it would  
19 be productive. Yes, it can be done, we just don't believe  
20 that it's probably appropriate or really useful either to  
21 the Commission or to ourselves.

22           COMMISSIONER GANDARA: Well, again, you know,  
23 certainly last year the issue was not really would it be  
24 useful to SCE, but it was useful to the Committee and  
25 eventually the Commission, and I think it was useful to SCE

1 to the extent that in fact on one of the issues presented  
2 in the commercial sector, SCE -- the Commission decision  
3 was, in fact, favorable to SCE's forecast in that area, and  
4 you're right, it did require the submittal of three  
5 separate, you know, forms.

6 But having done the work, I mean is the question  
7 merely one of putting that down in a form, or presenting  
8 it verbally and visually, which Mr. Art Canning did fairly  
9 effectively.

10 What I'm trying to get at, is I'm trying to sense,  
11 you know, why there is this sense now that this is substan-  
12 tial added work when in fact, when we've ad hoced it, I  
13 mean, many of these things have been done, and they're  
14 done, and this mainly puts it in a uniform basis which is  
15 fairly consistent with, in fact, the direction the forms  
16 have been going for several years.

17 MR. GARDNER: Commissioner, I would agree that  
18 some of the things that these forms asked for were done  
19 last year, and certainly not with our objections. We do  
20 feel that the requirements of the three forms that we're  
21 objecting to, do go far beyond the level of information  
22 that we provided last year. We felt that last year we  
23 provided some individual segments; we broke out, for  
24 example, the commercial forecast section, but we didn't do  
25 the entire supply forms with three different sets of

1 assumptions, which is essentially what we're being asked to  
2 do this time, and we don't feel that that would be very  
3 productive.

4 COMMISSIONER GANDARA: Thank you very much. Are  
5 there any other comments?

6 COMMISSIONER SCHWEICKART: Yes.

7 COMMISSIONER GANDARA: Commissioner Schweickart?

8 COMMISSIONER SCHWEICKART: In giving an incipient  
9 "me too" to Roger Johnson's testimony, do you include  
10 within that the non-objection to sensitivity presentations  
11 of the Edison forecast with varying fuel prices, or would  
12 you also object to a requirement for sensitivity runs on  
13 the forecast, on your forecast?

14 MR. GARDNER: I think in that area, Commissioner,  
15 that we would stand by our original comments enclosed in  
16 the back-up package.

17 COMMISSIONER SCHWEICKART: Thank you.

18 COMMISSIONER EDSON: If those comments --

19 COMMISSIONER SCHWEICKART: Would you mind telling  
20 me the answer to my question specifically?

21 COMMISSIONER EDSON: Those comments do not  
22 address the attitude of the forms, so I think the presumption  
23 is that they're fine.

24 MR. GARDNER: Yeah, that apparently is one that  
25 our people have not had a substantial problem with.

1           COMMISSIONER SCHWEICKART: So you differentiate  
2 between a sensitivity of your forecast, a variation in oil  
3 prices from a full running of -- or rerun of your forecast  
4 with specific oil price variations.

5           MR. GARDNER: Yes.

6           COMMISSIONER SCHWEICKART: Okay.

7           COMMISSIONER GANDARA: Commissioner Edson, do  
8 you have any questions?

9           COMMISSIONER EDSON: (Shakes head negatively.)

10          COMMISSIONER GANDARA: Commissioner Commons?

11          COMMISSIONER COMMONS: Mr. Gardner, concerning  
12 the R-21 form, there's nowhere in the form, and there's no  
13 intent in the instructions that other than the three forms  
14 be completed. In other words, it is not a full-blown  
15 analysis of three alternative scenarios running through all  
16 of the supply forms, it is only the three forms.

17          MR. GARDNER: Okay. That may be helpful  
18 Commissioner. I am personally, unfortunately, not all that  
19 familiar with the requirements of the forms. That may help  
20 alleviate our concern.

21          COMMISSIONER SCHWEICKART: Better have a position  
22 today.

23                   (Laughter)

24          COMMISSIONER GANDARA: Any further questions or  
25 comments? Going once? Okay, thank you very much, Mr.

1 Gardner. Could we hear from Mr. Baumgartner from PGandE?

2 MR. BAUMGARTNER: Good afternoon, my name is  
3 Peter Baumgartner, for the record, and I represent Pacific  
4 Gas and Electric Company in San Francisco.

5 This is my -- essentially my second go around  
6 with the common forecasting methodology process, and I  
7 want to compliment the Committee and the Commission on the  
8 workshops which were held early enough to resolve many of  
9 the problems, which unfortunately, in BR IV, did not come  
10 up until the late summer, too late to rectify them.

11 If I have to say "me too", PGandE agrees with the  
12 comments of the other utilities with respect to the supply  
13 form R-21. We disagree with learned counsel. We believe  
14 that it is clearly the intent of the regulations to require  
15 a single point forecast, and a supply plan based on that  
16 forecast, and that with possible sensitivity analyses.

17 But a careful examination of Form R-21 requires,  
18 in our opinion, that two complete additional demand fore-  
19 casts, and two complete supply plans be developed. The  
20 instructions say that the forms should summarize the  
21 differences in capacity and energy requirements between the  
22 utilities plan documented on Forms R-1 through 20, and  
23 ones based on the scenarios outlined in E-8 and E-8.1.

24 Well, you can't really do that kind of work  
25 without involving a considerable amount of analysis and in

1 particular, the production of the demand of the additional  
2 supply plans, we believe to be beyond the scope of what is  
3 reasonably required by the Commission's own regulations.

4           Notwithstanding that, however, PGandE's management  
5 agrees that future oil prices represent an uncertainty of  
6 great importance. It's not the only factor of importance,  
7 and this, of course, makes the job of doing the supply plans  
8 more difficult, because we will have to explain why the  
9 supply plans change the way they do, or don't change at all,  
10 based on other factors, such as the company's financial  
11 situation, and the regulatory climates which we might expect  
12 in the future.

13           Nevertheless, on a voluntary basis, the company  
14 is committed to making every effort to supply the information  
15 requested in Form R-21, as well as the other two E forms,  
16 E-8 and E-8.1.

17           To the extent that it's feasible, what the time  
18 frame for that would be, I don't know at this point, however,  
19 it will be sometime after March 1st, but before the end of  
20 the -- of June. I think that concludes my comments. I  
21 don't think there's very much more that I could add to the  
22 debate that's already --

23           COMMISSIONER GANDARA: If I might just clarify  
24 before I take Commissioner comments. I was a bit confused,  
25 you said that you were an added voice to the "me too", but

1 I seem to detect your main concern with R-21.

2 MR. BAUMGARTNER: Our main concern is with the  
3 requirement for the additional demand forecasts, and the  
4 two additional supply plans.

5 COMMISSIONER EDSON: I would note that in the  
6 letter from PGandE, in our back-up package, regarding the  
7 range of demand portion, the 8.0 and 8.1 forms, they  
8 indicate a willingness to supply the information, expressing  
9 more of an inability to assign probabilities to the  
10 alternative forecasts. I'm a little confused as well, I  
11 mean, my --

12 COMMISSIONER COMMONS: Okay. That probability  
13 as -- their comment was to the first draft of the form,  
14 and that probability is not in the final set of forms that  
15 we have before us.

16 COMMISSIONER EDSON: I am a little confused,  
17 though, because this would suggest that that request is  
18 something that you can comply with, and you're also saying  
19 that you probably will be able to comply with R-21 to a  
20 large extent, and yet you're also me-tooing the other  
21 comments.

22 MR. BAUMGARTNER: Well, let's say that the last  
23 part of my comments modified the "me too".

24 COMMISSIONER EDSON: Fine.

25 MR. BAUMGARTNER: Delete "me too".

1           COMMISSIONER GANDARA: Not only his, but he  
2 thinks solidarity forever.

3           MR. BAUMGARTNER: I do sympathize but for the  
4 fact that the company was already concerned about this  
5 problem of oil and its impact on the forecast, I think that  
6 Mr. Johnson correctly characterized it, that there are  
7 considerable costs involved, if they couldn't be justified  
8 on some other basis, then to fill out the forms.

9           We feel that the -- in looking at the costs  
10 involved that the deletion of requirements, and some minor  
11 additions which occur throughout the forms, other than  
12 these -- the subject of discussion here, pretty much are a  
13 wash and were generally negligible anyway.

14           I suppose that in terms of costs, the two  
15 greatest items are the development of the additional supply  
16 plans and the requirements to verify, or to have done the  
17 work to change all the economic assumptions, because we're  
18 not just talking about fuel prices here in terms of  
19 PGandE's own consumption, but rather the change in oil  
20 prices that affects the entire economy of the service area.  
21 That's made plain by the instructions in R-21, and the  
22 other forms 8.0 and 8.1.

23           So, there are costs involved here, but the company  
24 is determined to do the -- thinks of doing the work anyway.

25           COMMISSIONER GANDARA: Perhaps to put some of

1 Mr. Baumgartner's remarks in context, let me mention that  
2 it's as he said, some of these -- the changes in the forms  
3 do address some of the last minute requests that were made  
4 during the last process, so to some extent they're an  
5 improvement.

6 Also, if my memory serves me correctly, I believe  
7 PGandE was the only party that complied with all the forms,  
8 including E-9.1. So that gives you some idea, you know,  
9 with respect to the ability to be able to supply some of  
10 that information.

11 The proposed changes, however, do address one  
12 area which even as fully responsive as PGandE was in  
13 filling out the forms is that the request for the common  
14 set of assumptions, and economic, demographic, and oil  
15 price series, does address the fact that even within the  
16 information supplied by PGandE, there were some inconsis-  
17 tencies, and that basically is what the proposal here does,  
18 put in the consistent basis.

19 Any other questions, comments? Thank you very  
20 much, Mr. --

21 COMMISSIONER SCHWEICKART: Yes. Excuse me.

22 COMMISSIONER GANDARA: I'm sorry.

23 COMMISSIONER SCHWEICKART: Is the major cost in  
24 running the model for the intent, let me say, of 8.0 and 8.1,  
25 the generation of the input -- of a consistent set of input

1 variables associated with the high and low oil prices?

2 Or is it the running of the model?

3 MR. BAUMGARTNER: I don't think it's the running  
4 of the model, no. It's the analysis of the model results  
5 plus the development of the -- of verifying, particularly,  
6 the changes that must be made in the economic assumptions,  
7 as the result of the change in the oil price before it goes  
8 into the model.

9 But just running the model was -- well, we don't  
10 -- we're not going to buy a model just to do this, we'll  
11 use the model we already have, and will be --

12 COMMISSIONER SCHWEICKART: So that if a set of --  
13 if a specific set of input variables were specified as  
14 opposed to you being asked to specify, then simply running  
15 the models would not be burdensome?

16 MR. BAUMGARTNER: Well, I think you'd still --  
17 say for example that the Commission specified, or the  
18 Committee specified a price of plus 10 or plus 20 above  
19 the base price for oil, we would still have to see what  
20 that did to all the other economic assumptions which --

21 COMMISSIONER SCHWEICKART: No, what I'm talking  
22 about is specify a set of specified variables, not just  
23 oil prices.

24 MR. BAUMGARTNER: Well, that would certainly  
25 reduce the -- on the input end it would certainly reduce it,

1 I don't know what it would do on the analysis end, but it  
2 would certainly reduce the --

3 COMMISSIONER SCHWEICKART: Okay. Would you  
4 comment as a professional forecaster on the validity or  
5 value -- the value, relative value of a sensitivity analysis  
6 of the major input variables in your model versus specific  
7 and full point design runs, high and low?

8 MR. BAUMGARTNER: Well, I --

9 COMMISSIONER SCHWEICKART: Let me say, in terms of  
10 enlightenment of the impacts of variations in the input  
11 variables.

12 MR. BAUMGARTNER: I can't comment because I'm not  
13 a professional forecaster, I'm an attorney, and I guess I  
14 called the shots wrong yesterday when Hudson Martin called  
15 me and he could answer the question as to whether he should  
16 come to Sacramento, I said I didn't think we'd get into  
17 technical areas.

18 COMMISSIONER SCHWEICKART: Okay.

19 COMMISSIONER COMMONS: Let me help Peter out  
20 here.

21 COMMISSIONER SCHWEICKART: Do you want to speak  
22 for PGandE, Commissioner Commons?

23 (Laughter)

24 COMMISSIONER COMMONS: I'll just give a piece of  
25 fact. I was given their long-range plan, and they had

1 three cases, and the key item that they varied in the three  
2 cases was price not demand.

3 COMMISSIONER GANDARA: I might add that the only  
4 professional forecaster that has spoken thus far is Mr.  
5 Jaske, and we do have SMUD representatives in the audience,  
6 but they have not asked to comment.

7 MR. HANSER: We'd like to comment.

8 COMMISSIONER GANDARA: Okay, I guess they have  
9 asked to comment. Thank you very much, Mr. Baumgartner.  
10 I believe Hansler --

11 MR. HANSER: Hanser.

12 COMMISSIONER GANDARA: Hanser.

13 MR. HANSER: Good afternoon, my name is Philip  
14 Hanser and I'm with the Sacramento Municipal Utility  
15 District.

16 Let me start out by saying that I'd like to  
17 express a concern that we had relative to the timeliness  
18 with which the new forms were delivered to us, in  
19 particular, we received the new forms on Monday morning,  
20 and we would have appreciated more time to examine the  
21 changes in the forms, in particular, an attempt to give an  
22 assessment of the impact on forms E-9.1 and E-9.2b. That  
23 left us with essentially just two days to look at matters  
24 and hardly enough time to put forward any final comments.

25 I find it particularly troubling because the

1 proceedings so far with CFM have been so open in terms of  
2 trying to address the changes that will be occurring in  
3 the forms and instructions and providing utilities with  
4 sufficient information and sufficient time to make some  
5 sort of a reasoned judgment about what's going on.

6 I guess we would simply reiterate the comments  
7 that have been made with regard to Forms E-8.0, E-8.1, 9.1,  
8 9.2b, and R-21. I have a particular concern for -- in terms  
9 of 9.1 and 9.2b, because at least in my reading of the  
10 forms, there is mention of the CPUC/CEC manual for cost/  
11 benefit analysis, which to the best of my impression is  
12 yet to be approved or finalized, and I have some concerns  
13 about getting involved with a cost-effectiveness analysis  
14 based upon a methodology which the interested parties  
15 have not yet agreed upon.

16 We also have some concerns with regard to some  
17 additional supply forms, in particular, Form R-8, which  
18 requires a listing of fuel consumption, and then capacity  
19 factors by individual plant. We don't quite understand  
20 the necessity of that information, given that we will look  
21 at generic future units. We're not -- it's not clear to  
22 us why we can't treat the plants as by plant type as  
23 opposed to individual units.

24 Further, on forms R-12 through R-16b, there seems  
25 to be implicitly the kind of information that would be

1 required of a cash and -- cash flow and financial analysis.  
2 That's also further reinforced by Form R-19m and we're a  
3 little bit concerned -- it's not clear to us what kind of  
4 modeling effort is going into -- or that data is going to  
5 be used for, and for what purposes.

6           It appears that there's a municipal financial  
7 model being developed by the CEC, and if there is, we'd  
8 certainly like to have some input into that model develop-  
9 ment and its analysis, and so far, we've not been contacted  
10 by anybody.

11           Beyond that, I guess I have no further comments.  
12 One odd question from a forecaster's viewpoint. Again,  
13 everything seems to be stated in 1980 dollars, and all of  
14 my federal statistics are in 1972 dollars, and I would  
15 appreciate it, if possible, for the Commission to consider  
16 the possibility of maintaining the base year that all the  
17 federal statistics are based on, namely, 1972, and making  
18 the change in the base year when the federal statistics  
19 are also changed.

20           COMMISSIONER GANDARA: Commissioner Commons?

21           COMMISSIONER COMMONS: Yes. I want to first  
22 thank you, because I've enjoyed your participation in the  
23 process as an economist and your comments. I will follow-up  
24 why you got this on Monday, and it was turned, I believe,  
25 into the Executive Office a week ago Thursday or Friday, and

1 I will follow-up to find out why there was that delay, and  
2 I have an understanding that you may not have been the  
3 only one, and I want to make sure that it was given to the  
4 Executive Office on Thursday or Friday. I may be mistaken  
5 on that.

6           Concerning the question on 1972 dollars, versus  
7 1980 dollars, I would like to ask Mike Jaske if he would  
8 comment on that.

9           MR. JASKE: There's a variety of sources of  
10 statistics, and it's been the practice in the past to  
11 essentially bring forward and use a base that's a reasonably  
12 current year. It's a matter of convenience, and assists in  
13 our review of the number and the comparison across a  
14 statewide basis, everyone uses the same conventions.

15           If we were to shift to the federal statistics,  
16 as Mr. Hanser suggests, there will then be essentially  
17 privately produced, and non-federal statistics that would  
18 have to be adjusted to that basis. So there really is no  
19 totally common basis to use, and that's why we suggested  
20 what is in the forms and instructions right now.

21           COMMISSIONER COMMONS: That was a point that was  
22 brought up, I believe, by more than one utility, unhappily  
23 it was an issue that was not brought up in the workshop  
24 process itself, and it was not a discussed item.

25           MR. HANSER: Yeah, I would like to comment on that

1 because all of the economic data is in '72 dollars that  
2 the federal government produces, and they use that as a  
3 base year and it's a major operation on their part to  
4 modify the base year. And I -- although it's a simple  
5 difference in arithmetic, it also turns out to have impact  
6 in terms of how they do, for example, seasonal adjustments  
7 and things.

8           So that it would be reasonable for us to be in  
9 line with the federal government in that aspect, and we --  
10 I guess my general impression is that we try to be  
11 cooperative in terms of levels of governmental aggregation.

12           COMMISSIONER COMMONS: Let me ask staff if they  
13 would have an objection if it were done in 1972 dollars.

14           COMMISSIONER SCHWEICKART: I would.

15           COMMISSIONER COMMONS: You would?

16           COMMISSIONER SCHWEICKART: Yes. We are talking  
17 here, ultimately, about a document whose principal purpose  
18 is public policy formation aside from the implications on  
19 power plant siting. Those are certainly -- there we're  
20 dealing with internal Commission operations and utility  
21 and siting cases, and I'm not as concerned there.

22           But to the extent that this document is a major  
23 public policy document, and is intended, hopefully, for  
24 the reading of at least relevant segments of the public,  
25 including business and industry, government people,

1 legislators, administration, et cetera, to read something  
2 in 1972 dollars makes it considerably less relevant, or  
3 takes away the feel of the message being presented. That  
4 might be a simple thing, but it's like saying hello in  
5 French versus hello in German, but if you're talking to a  
6 bunch of Frenchmen, you'd better say it in French.

7           Now, I must say, I don't understand the technical  
8 point you're making, in that it would seem to me to be a  
9 straightforward conversion of 2.13 or whatever the  
10 escalator is, based on CPI, or some other major parameter,  
11 between '72 and '80, or '82 dollars, or whatever. It seems  
12 to me to be a direct and immediate arithmetic conversion,  
13 and not something which, in fact, affects seasonal variations  
14 or anything else.

15           MR. HANSER: Well, let me point out that relative  
16 to the federal statistics, all of those statistics are  
17 given in '72 dollars so that if you're concerned about  
18 informing the public, you're forcing the public to do the  
19 conversion so that if they're going to read a document that  
20 comes out of the federal government, and they ask in real  
21 dollar terms, invariably those real dollar terms will be  
22 in the '72 base year so that the numbers that we quote in  
23 '80 dollars would therefore need to be converted by the  
24 public from '80 dollars back to '72 dollars.

25           COMMISSIONER SCHWEICKART: If they're reading the

1 California Energy Commission Biennial Report related to  
2 California energy policy, not comparing it with Bureau of  
3 Labor Statistics, this, that, or the other thing.

4 MR. HANSER: But all of the income statistics  
5 that are being generated by the federal government, even  
6 for the State of California, are going to have a 1972 base  
7 year, and it's just an additional piece of information the  
8 public has to have to know that the relationship between  
9 '80 and '72.

10 It's a convenience in the sense that any of the  
11 published reports that will come out of any of the private  
12 consulting firms, any of the large-scale macroeconomic  
13 forecasts that will come out of such places as the Center  
14 for the Continuing Study of the California Economy will  
15 use '72 as a base year.

16 '72 simply is the base year that most economic  
17 forecasts are being based upon, not '80, and therefore, it  
18 is an additional burden on the public in the sense that if  
19 they're going to make their comparison relative to how  
20 real dollar valuation is done by other forecasting services,  
21 they'll have to do that conversion.

22 Sure it is simply another piece of arithmetic,  
23 and it was simply a way of ensuring that what we produce  
24 has a kind of consistency across other forecasting services,  
25 whether they're national or California, '72 is at this point

1 a base year.

2 COMMISSIONER GANDARA: If I might suggest that  
3 we're spending more time on an issue that's one of convenience  
4 really, and let me add that as an alternative, and this  
5 really should be left, I think, to the Committee, and then  
6 when the Commission finally adopts it, is that in the  
7 last Electricity Report, we included, I believe, all the  
8 vital statistics as appendices, including these later  
9 series and so forth, and that's the first time that's been  
10 done, and I would think that, you know, Mr. Hanser's  
11 concerns here would not be fully addressed, but you know,  
12 the staff, Committee could include the series between 1972  
13 and '80, and again, it's one step closer, but it's still  
14 not fully what you're interested in.

15 But I think it's really more, at this point in  
16 time, we have other more important issues.

17 MR. HANSER: More pressing matters.

18 COMMISSIONER GANDARA: Are there any other  
19 questions for Mr. Hanser?

20 COMMISSIONER EDSON: Very briefly. In SMUD's  
21 letter to the Committee, you suggest that Form 9.3a is  
22 something that you cannot comply with, you're asking an  
23 exemption for it. That form asks for an estimate of  
24 energy savings from statewide conservation programs.

25 Can you -- I don't think other utilities have

1 raised that particular form as a problem. Can you describe  
2 why that's a concern to you?

3 COMMISSIONER GANDARA: Perhaps while Mr. Hanser  
4 is thinking about this, let me perhaps provide at least  
5 some basis, at least, or the context in which I interpret  
6 some of Mr. Hanser's comments, his concerns over forms  
7 E-8. -- I'm sorry, E-9, the conservation series is that  
8 basically in SMUD's forecasting, they have an econometric  
9 model, and their view, frankly is that price -- they did  
10 not undertake the quantification of the conservation  
11 programs, and based largely -- they attach high importance  
12 to that, based on their view, the price will take care of  
13 that.

14 So the result of that is that while these are  
15 requirements that perhaps would be useful to us, they  
16 certainly are not, you know, of particular value to SMUD.  
17 At this point, if Mr. Hanser -- if I misstate the position  
18 that I think you stated last year, I think that that  
19 distinguishes your econometric modeling, from PGandE's  
20 econometric modeling, or in fact that they do provide that  
21 information, they do quantify it, even though I think  
22 in your modeling, you attach all conservation inducements  
23 mainly to price rather than programs.

24 MR. HANSER: Well, I think that in the past, our  
25 viewpoint has been that we feel perfectly qualified -- we

1 feel better qualified to quantify our own programs and in  
2 fact, in our submittals last year, we did provide quantifi-  
3 cation of our own programs, but that we would feel it would  
4 be much more satisfactory if the CEC would provide  
5 quantification of those statewide programs, and the impacts  
6 which are believed to be specific to SMUD so that it's a  
7 matter of where we feel our relative expertise lies more  
8 than just a difference in the modeling, and I think that  
9 was the thrust of the request for the exemption, that we  
10 felt confident in dealing with the programs that were  
11 utility sponsored, but much less so for the statewide  
12 programs.

13           COMMISSIONER GANDARA: Will SMUD be able to file  
14 a timely submittal this year?

15           MR. HANSER: As timely as we did last year. On  
16 the report card that was issued by the CEC staff, we were  
17 third in line out of five utilities in terms of submittals,  
18 so I -- maybe that ranks us as sort of a "C" in our being  
19 average, or something, but it wasn't any less timely,  
20 seemingly, than other utilities in that same position.

21           COMMISSIONER GANDARA: I think your complete  
22 forecast, I think we received final documentation several  
23 months after adoption of the forecast. You were undertaking  
24 about six or seven scenarios at the time.

25           MR. HANSER: I think that --

1           COMMISSIONER GANDARA: I really raised it not  
2 to go over that, but mainly to raise the issue of what  
3 Commissioner Schweickart really raised earlier, that it may  
4 not be so much the question of what's in the forms, but  
5 really, you know, the Commission's insistence on supplying  
6 the information, and that, you know, the forms as constructed  
7 right now call for an up-front bequest of a lot of ad hoc  
8 requests, some of which, in fact, you provided, which were  
9 very useful for, you know, for sectoral as to regions.

10           MR. HANSER: Well, yeah, I think you have to  
11 distinguish the requests that are made to the demand  
12 forecasts from requests that are made on the supply side.  
13 I think that's one distinction that has to be made, and  
14 I think further, you have to make a distinction relative  
15 to the conservation programs, is their impact on the  
16 forecasts from the cost/benefit analysis of the programs  
17 as a program.

18           I guess I have a very great concern about taking  
19 what is meant to be a -- sort of proceedings about the  
20 forecasts and attaching to it a great deal of other kinds of  
21 questions that, you know, were not initially considered.  
22 It would seem to me more reasonable to separate out the  
23 cost/benefit analysis and perhaps the scenario analysis of  
24 different resource plans as separate aspects from the CFM  
25 process in terms of separating it out from the forecast.

1 Otherwise, it's suddenly turned into a very, very, very  
2 large project as opposed to perhaps a series of projects,  
3 each of which could be considered separately.

4 COMMISSIONER GANDARA: If there are no further  
5 questions for Mr. Hanser, then perhaps we could proceed to  
6 Commission discussion on the issue. Mr. Hannah, I don't  
7 have your card --

8 MR. HANNAH: Sorry, Commissioner.

9 COMMISSIONER GANDARA: -- but you've been inspired.

10 MR. HANNAH: Thank you. George Hannah, Southern  
11 California Gas Company. I just want to express our  
12 appreciation for the cooperation of the Committee and the  
13 staff on this process and to inform the Commission that  
14 yesterday we put in the mail a very large package consisting  
15 of the California Gas Report and associated work papers  
16 which are being -- which are in the mail, in transit now  
17 to Mr. Thom Kelly of your staff.

18 Thank you.

19 COMMISSIONER GANDARA: Thank you very much, Mr.  
20 Hannah.

21 COMMISSIONER SCHWEICKART: All right. I guess  
22 I'd like to kick off the discussion by asking Mike to come  
23 back up, perhaps Susan as well, and while you're coming up,  
24 the principal question I have is the rationale underlying  
25 the requirements of 8.0 and 8.1 in particular.

1           It would seem to me, just to try and shortcut a  
2 little bit here, it would seem to me that at least a portion  
3 and probably a fairly substantial portion of the additional  
4 work represented, at least as I read the document, and it  
5 does seem to correspond by and large with the comments of  
6 the utilities in terms of the technical requirements, it  
7 would seem to me that in essence what we're doing is calling  
8 for a very specific high and low estimate of oil prices,  
9 future oil prices by the utilities in an area where the  
10 Commission's experience is that it's an extremely tenuous  
11 and arbitous -- somewhat arbitrary guess as to what oil  
12 prices are in any case, and to call for a 15 percent  
13 probability, and an 85 percent probability sort of thing  
14 on future oil prices would seem to me to be academic at  
15 best. The end result of it being essentially tripling the  
16 income of DRI to provide a full set of consistent input  
17 variables to the forecasting models.

18           Whereas, from my own perspective, the thing which  
19 is of value to the Commission in promulgating energy policy,  
20 is to provide the reader of the Biennial Report, and for  
21 that matter, ourselves as Commissioners, with a sense of  
22 the -- pardon the use of the wording, but a sense of the  
23 sensitivity of the demand forecast, and particularly the  
24 models being used by the utilities to the major input  
25 variables, the variations in the major input variables, and

1 in particular, fuel price.

2 But it seems to me, that can be gotten from a  
3 sensitivity analysis just as -- that feeling can be gotten  
4 from a sensitivity analysis just as well as it can from a  
5 very specific and full-blown point rerun of the forecasts,  
6 and so if you could comment more specifically to that,  
7 rather than just a generalization, Mike.

8 MR. JASKE: I believe that in fact the intent  
9 expressed in the Committee's forms and instructions is to  
10 go beyond a sensitivity study, rather to go to an analysis  
11 that affords the Commission the opportunity to see what will  
12 happen to energy demand and then consequently what would be  
13 the desired resource plans that follow from very high and  
14 very low oil price trajectories.

15 That -- we had certain narrow range of disagreement  
16 in the last process between ourselves and utilities about  
17 nominal future oil price trajectory, but that there are  
18 now considerably broader views afield, both high and low,  
19 particularly low, relative to them, and should those come  
20 to pass, they can have rather large economic consequences,  
21 and therefore, rather large consequences on energy demand,  
22 and then need rather different resource plans than what  
23 we have seen heretofore.

24 COMMISSIONER SCHWEICKART: All right. Let me  
25 ask another question, and recognizing that there can be

1 considerably -- considerable differences in the capital --  
2 the financial status of utilities, and ratepayer rates,  
3 and all sorts of output factors based on high and low oil  
4 prices, and everything which goes with them, is there any  
5 particular loss, since quite frankly, the estimating of a  
6 high and low scenario is a black art at best, is there any  
7 particular loss in the Commission itself simply specifying  
8 the input variables, perhaps even in terms of -- whether  
9 absolutely, or in terms of 40 percent increase in this and  
10 a 20 percent decrease in that, from your baseline, or  
11 whatever, in order to provide the same thing, and to save  
12 the utilities a substantial amount of money, and perhaps  
13 DRI a little income in obtaining the potential consequence  
14 of dramatically different future price scenarios?

15 MR. JASKE: I think that the reason this particular  
16 approach was selected by the Committee over the one you  
17 suggest is that very reason, that it's very uncertain, and  
18 that it was thought best to make ourselves and the major  
19 utilities in this state come to grips with their own  
20 estimates of what -- of quite high and quite low oil  
21 price scenarios would be, what the relation between those  
22 and economic activity might be, and then find out what is  
23 a proper resource plan to accommodate that level of energy  
24 demand by imposing staff's view, or a consensus view arrived  
25 at at some fashion, would minimize the amount of information

1 we gain by having everyone have to come to grips with this  
2 themselves, since it is still uncertain.

3           COMMISSIONER SCHWEICKART: Well, perhaps I should  
4 address it to the Committee, and I guess I would like to  
5 have Commissioner Commons respond in terms of the perceived  
6 value of this compared with the benefit. Commissioner  
7 Commons happens to be the principal champion of cost-  
8 effectiveness and cost/benefit analysis of just about  
9 everything, and this one appears to me to be of very little  
10 value for a relatively high cost.

11           COMMISSIONER COMMONS: Well, I think there are  
12 two issues that you've raised, and the second issue, let  
13 me address first, because I think it's easier to handle,  
14 and that is the issue as to -- which is raised by some of  
15 the utilities, as well as by yourself, should we use a set  
16 of common assumptions to reduce the economic costs of  
17 putting together a model to test the sensitivity.

18           First of all the Committee, or myself have no  
19 objections if a commonality base were used. I would oppose  
20 forcing the utilities, because it's in direct contradiction  
21 to the whole approach that we used in the workshops, of  
22 telling the utility that you have to use this assumption or  
23 you have to use that assumption.

24           If they, or they and staff wish to reach an  
25 agreement as to a set of common economic data, I would

1 encourage it, I think it would be in the interest and terms  
2 of testing the sensitivity of the forecasts and of the  
3 scenarios, to changes in oil prices as to other alternatives.  
4 But I think it would be inappropriate for us to impose that  
5 because it would be directly in contradiction to the whole  
6 structure, or the format of what we have done.

7           COMMISSIONER SCHWEICKART: Well, let me suggest  
8 that I don't believe that that's the case in that we're  
9 already requiring, as I understand it, the utilities to  
10 run their models on our baseline forecasts. Therefore, we  
11 could establish the high and low bounds and the utilities  
12 could run three runs instead of one run with a Commission  
13 determined set of input assumptions which would have the  
14 added advantage, I might add, of giving a consistent set of  
15 high and low by which the Commission could then also  
16 ascertain the variability in the methodologies, or the  
17 sensitivity of the various methodologies used by the  
18 utilities with a consistent set of inputs.

19           I value, frankly, very little, the particular  
20 guesswork of any of the California utilities to estimate a  
21 high or a low oil forecast compared with the kind of inputs  
22 that are available to the Commission from a variety of  
23 parties in trying to establish a future price, oil price  
24 scenario.

25           So that I don't think that we gain so much from

1 that as we do perhaps, arguably, from seeing the effect on  
2 the bottom line, if you will, from high and low input  
3 scenarios.

4 COMMISSIONER COMMONS: Well, the Committee has  
5 scheduled a workshop in September on economic assumptions  
6 and the intent is to come to an agreement as to what the  
7 economic assumptions are that will be used by the staff.  
8 There is nothing in this order that says to a utility that  
9 they cannot adopt and utilize those set of assumptions in  
10 making their alternatives and doing their sensitivity.

11 But I think as -- it would be inappropriate if  
12 one utility felt that they didn't agree with a set of  
13 assumptions, that in testing, in going through the analysis,  
14 that we should impose that as a matter of principal on  
15 them, because I do think that that is inconsistent with  
16 the approach.

17 I would encourage, and the idea is for us all to  
18 get together and see if we can arrive at something that  
19 can be used, but there's a difference in -- maybe four of  
20 the five utilities will agree, and will use a set of  
21 assumptions, but if there's another utility who feels that  
22 they don't agree with a set of assumptions, I think it's  
23 inappropriate for us as a Commission to order them to  
24 utilize that set of assumptions.

25 The one form that you refer to is essentially a

1 calibration which is to give the Committee and the  
2 Commission an ability to test the models so that we can have  
3 a set of common parameters in evaluating the forecasts,  
4 and that's essentially a calibration tool, rather than  
5 forcing a set of economic assumptions.

6           Before I go to the other issue, I want to give  
7 you an opportunity to comment.

8           COMMISSIONER SCHWEICKART: Well, I appreciate  
9 that. I think it is an important thing, and I think the  
10 major benefit of what I'm suggesting here, from what I can  
11 see, is that the Commission in forming its judgment on  
12 future implications for the California utilities, and in  
13 the siting process, and all the other responsibilities,  
14 in my view would marginally benefit from the results of  
15 what it is you're proposing here.

16           But I would emphasize the marginal benefit, and  
17 it would seem to me, by the nature of the way in which  
18 it's been asked, at relatively high cost to the utilities,  
19 whereas, the Commission controlling the inputs, I would  
20 think, would save on the order, if I take what was presented  
21 today, \$100,000 per utility to contract for a total consistent  
22 set based on their own best guesses at high and low oil  
23 prices from DRI, or some other such economic house.

24           So that the major benefit, I think, to the  
25 Commission is still there without the cost to the utilities.

1           I guess the other thing I'd like to take the  
2 opportunity to do, since you threw the mic back to me, is  
3 ask Mike Jaske to -- as a forecaster here, and representing  
4 the staff, to tell me how you value the benefits to the  
5 staff, vis-a-vis the -- perhaps other options in what's  
6 being discussed here, that is, not trying to represent the  
7 Committee, or the Committee Report, but representing the  
8 staff and your own best judgment.

9           MR. JASKE: Well, let me say two things. We have  
10 some skepticism that the choices made by utilities and/or  
11 the assistance they receive from contractors will, in all  
12 cases be very useful, and some -- that's just based on  
13 our experience with the utilities in the forecasting game  
14 so far.

15           The other point is that the relationship between  
16 oil price and economic activity over the long-run, I think  
17 is a very dubious and uncertain connection, the sort of  
18 effort that was discussed for the Commission in BR IV  
19 regarding the MIT Project, should have made that clear,  
20 and I wouldn't say that there's been tremendous progress  
21 since then, which in my opinion throws things sort of into  
22 a research mode, and argues for some plurality of efforts  
23 rather than a singleness of effort which would be what  
24 you'd get if you have everyone using Commission staff  
25 generated relationship between oil and economic activity.

1           We will do our best shot within the confines of  
2 an existing contract, with CCSCE, but we don't have  
3 additional monies to spend on this topic. Even if there  
4 were additional monies, it's not clear, you know, that it's  
5 a resolvable issue in the time frame that we have.

6           So I think that argues for some multiplicity.  
7 It may come at a high cost, but you're going to learn  
8 something more than if you get only Commission staff  
9 viewpoint.

10           COMMISSIONER GANDARA: Commissioner Edson.

11           COMMISSIONER EDSON: I would just note,  
12 Commissioner Schweickart, that I think Commissioner Commons  
13 agreed with a portion of your suggestion in saying that he  
14 had no objection to giving the utilities the option of  
15 using the staff generated assumptions, but in the event they  
16 wanted to enter into a more pluralistic kind of effort, as  
17 Dr. Jaske is suggesting, they would be able to.

18           I'm a little puzzled by your reaction.

19           COMMISSIONER GANDARA: Yes. Let me add to that  
20 as well. The utility order, as indicated right now, has a  
21 section on large utilities and a request for exemptions  
22 from some of the forms and requirements that we are adopting  
23 or will adopt today, and it says the criteria for granting  
24 modifications include, but are not limited to the following.

25           So I presume that that gives the Committee some

1 latitude, and discretion, and flexibility to be responsive  
2 to utility concerns in some of these areas.

3           On the other hand, it does remain that there is  
4 very specific requests being made that would be the norm,  
5 but for the exemptions, and let me sort of respond to one  
6 of the points that you raised, Commissioner Schweickart, of  
7 the value of this request, compared to the cost, in other  
8 words, the benefits to the costs.

9           I think that there are three different parties  
10 involved here -- well, actually, there are more parties than  
11 that, but it can be categorized into three areas. One is  
12 the staff, and one is the group of utilities, and then the  
13 third party is the Committee, or the Commission, eventually,  
14 and that the question is not only what benefitted what cost,  
15 but what benefit at whose cost, and that the direction that  
16 the Commission took last year, and is likely to take this  
17 year simply because of resource constraints, is this idea  
18 of the institutionalization of the Biennial Report, or the --  
19 and what has, in fact, been more the case, the institution-  
20 alization of the Electricity Report, and translated simply,  
21 what that has meant, and its most obvious manifestation  
22 has been a great reduction in the availability to the  
23 Committee of staff to assist it, that is, in fact, indepen-  
24 dent from the staff for reasons of the ex parte prohibitions  
25 that we have placed around the forecast activity.

1           The result of that is that the cost to the  
2 Committee, without this information, was very, very high  
3 last year, and as you recall, we split the Electricity  
4 Report, and the Biennial Report, but that in fact, many of  
5 the requests that are being made here are indeed, if  
6 fulfilled by the utilities, would reduce the costs  
7 substantially to the Committee, with its very limited staff  
8 to be able to look and have a consistent set of economic  
9 and demographic indicators with oil prices, something that,  
10 in fact, you know, we spotted early on in our process, and  
11 through the requests that the Commission has made of the  
12 staff, there has been, indeed, greater interaction with  
13 CCSE, and the possibilities of indeed being able to have  
14 a consistent set of economic and demographic indicators  
15 with oil prices.

16           So that to me, there is a trade-off here. I  
17 would probably agree that the value to the utility of the  
18 additional work is probably very low, the added value for  
19 the cost. I would venture to say that utilities would say,  
20 nonetheless, that the value of CFM process, for its cost,  
21 no matter what the requirements are, are also very low, and  
22 that they'd rather not do it than do it.

23           I would say that the value to the staff, to the  
24 extent that the staff is placed at this -- you know, the  
25 same demands are being placed on the staff and the utilities,

1 you know, could also, under some circumstances, be very low.  
2 To the extent that the staff does then have to turn around  
3 and provide an evaluation and resource conformance with the  
4 eventual adopted forecast, it does then place them at the  
5 benefit of the information gathered by the Committee.

6 So, I think though it's more of a mixed feeling  
7 there, I do think that we have to keep in mind that no  
8 demand is being placed on the utilities that is not being  
9 placed on the staff.

10 Now, the bottom line, then, is that, what is the  
11 marginal value for the marginal cost to the Committee.  
12 Since you can say, well, it's costless to the Committee,  
13 then the return is very high. But indeed, it is not  
14 costless to the Committee, and the burdens that the  
15 Committee would have to undertake in trying to provide an  
16 evaluation, it's a terribly complex situation.

17 While each utility is responsible for its own  
18 service area, to have a Committee try and evaluate the  
19 competing forecasts of staff and utilities for about eight  
20 different service areas. I don't want to belabor that  
21 point, but I do want to point out that there is -- that  
22 the returns are frankly in the work that the Committee can  
23 do in bringing an informed judgment before the Commission  
24 and that the Commission can then be assured that the best  
25 recommendation possible out of the Committee can then come

1 before the full Commission.

2           So, I don't know if anybody else has any other  
3 comments. If not --

4           COMMISSIONER SCHWEICKART: Well, I guess I  
5 would like to respond. It would seem to me, and though  
6 I'm not certain whether utilities are reluctant to articulate  
7 an additional point or not, but I think it's worth bringing  
8 out because we're going to end up being faced with it if  
9 we move ahead in the direction that's being recommended here,  
10 it seems to me that if utilities are, in fact, required to  
11 develop high, low and intermediate, or nominal full-blown  
12 forecasts based principally on major variations in oil  
13 price, that to some extent, the benefit to the Committee  
14 and the Commission is one of being able to interpolate  
15 to its satisfaction rather than being faced with end  
16 utility forecasts to represent their official position.

17           I would think that we are going to find ourselves  
18 with the inevitable temptation to interpolate to whatever  
19 we feel that the proper future oil price scenario is, and  
20 interpolate in the -- within that range of utility forecasts  
21 that we receive, assuming that they comply with the  
22 requirement, to be confronted by the utilities effectively  
23 telling us that although they complied with the requirements  
24 of the forms and instructions, that they have one forecast,  
25 and that the Commission may not interpolate, because we've

1 required them to provide additional information.

2 Now, I would suggest that we need to think a bit  
3 about whether it is either the intent of the Act, or our  
4 responsibility to then enter into that kind of a battle.

5 COMMISSIONER GANDARA: They did that anyway.  
6 That's -- they say that's their forecast, you know. In  
7 fact, you have a situation where SCE has an econometric  
8 model, and an end-use model, and they submit for the  
9 purposes of discussion and deliberation the results of the  
10 econometric -- I'm sorry, the end-use model so we can have  
11 some comparison with staff.

12 But you know, we go through all of that exercise  
13 with their basic official position being that their forecast  
14 is their output, and their econometric model. That's what  
15 we did last year. So we're always in that situation, I  
16 mean, where there are differentiations made between the  
17 submittal to us, submittal to the PUC, or even differences  
18 between, say for example, in PGandE's submittal.

19 PGandE has -- what was the phrase used, I mean  
20 they have a forecast that they submitted then they -- you  
21 know, of course they have their long-range planning which  
22 is, for the purpose of the forecast, is unofficial, and  
23 then they have -- and there's another alternative there,  
24 I forget the exact phrase that was used last year, but it's  
25 like a shadow forecast, it's a -- you know, that in fact,

1 you know, is known, and is discussed, and the reasons for  
2 consistencies, and so forth, are raised, even differences  
3 between the forecast made at the time of submittal, and the  
4 forecast made toward the end of the decision process, and  
5 for the purposes of forecast, that's their official forecast.

6 So, we're never removed from that situation, and  
7 it is true that the Committee and the Commission is reduced  
8 eventually to its best judgment trying to interpolate, and  
9 what this multiplicity of opportunities provides is, in  
10 fact, to interpolate better, if you will, than the gross  
11 judgment of the Committee.

12 Commissioner Commons?

13 COMMISSIONER COMMONS: Just since the issue has  
14 been raised, I want to make it clear on the record that it  
15 is not the purpose, intent, in any way whatsoever of the  
16 Committee, to have a multiple set of forecasts. Rather the  
17 purpose is the sensitivity analysis of the impact of changes  
18 in price and other economic assumptions on the utility  
19 resource plans in the state, and the overall policy  
20 implications of that to the Commission in developing a  
21 BR report, that have to look at what our policies ought to  
22 be in the areas of conservation, alternative energy  
23 development, and otherwise.

24 And that in the previous cycle, in fact, utilities  
25 did make alternative demand forecasts, both high and low, and

1 they've not been asked to do that in this instance, and  
2 that there is no intent or purpose to repeat of having a  
3 multiplicity of demand forecasts whatsoever.

4           COMMISSIONER GANDARA: Perhaps it would be  
5 appropriate at this point in time to have a motion,  
6 Commissioner Commons, if you have modified any of your  
7 recommendations here, I think, you know, you can indicate  
8 a motion. If not, you can rephrase your -- you can phrase  
9 your motion, but I think we need to move on to reach closure  
10 on this, either by the adoption, adoption, adoption with  
11 amendments, or put it off so we can get on with work plans.

12           COMMISSIONER COMMONS: Well, then, let me move  
13 the order as --

14           MR. COHN: There should be one further correction  
15 on page 3 of the electric order. This deals with medium-  
16 size utility exemptions. There are several items listed  
17 on page 3, and in particular, item two there specifies  
18 certain forms that the medium-size utility can provide in  
19 lieu of a CFM submittal.

20           I want to correct the numbers which are contained  
21 in item two. Instead of Forms R-18, 19 and 20m, it should  
22 read Forms R-17, R-18 and R-19m. R-11 remains the same.

23           COMMISSIONER COMMONS: Let me move the order with  
24 the two modifications, the one that was just made by Mr.  
25 Cohn, and then the revised draft of page 5 which was brought

1 out early in the discussion.

2 COMMISSIONER GANDARA: I'll second that.

3 COMMISSIONER EDSON: I have a question that I  
4 guess I'd direct to the Committee and to the staff. There's  
5 been assertions by several parties that the forms that  
6 we've been focusing on most closely, Forms E-8.0 and E-8.1,  
7 would require entirely separate demand forecasts, and I'd  
8 be interested in hearing comments on that, whether in fact  
9 that is the case. Let me ask Dr. Jaske to --

10 MR. JASKE: Yes, that is the intent, that there  
11 are new economic and demographic assumptions based on a  
12 particular oil price assumption prepared, and that those  
13 are run through demand forecast methodologies so as to  
14 produce both a high and a low electricity demand relative  
15 to the baseline.

16 COMMISSIONER EDSON: Then let me ask the Committee  
17 to comment, because I heard Commissioner Commons say that  
18 that is not the intent.

19 COMMISSIONER COMMONS: We had -- Dr. Jaske, and  
20 myself, and I guess the Committee, through the workshop  
21 process focused on that question, trying to look as to  
22 whether or not we could do straightforward, simple,  
23 sensitivity analysis of say change the price of oil by  
24 10 or 50 percent.

25 It was the overall concensus, in fact, there's no

1 one who disagrees, that if you change the oil price,  
2 there are many other things that happen, that that triggers  
3 a number of changes in the -- both the economic face, and  
4 in the strategy that you would employ, and that to just do  
5 a straight sensitivity analysis without allowing other  
6 changes to occur, would be just not what would happen in  
7 the real world.

8           Obviously, we've just had the experience in this  
9 country with dramatic changes in oil prices, and it's had  
10 significant economic consequences to us, and it's also had  
11 an impact on the demand.

12           So just doing a change or a sensitivity on the  
13 oil price, without allowing it to go through the overall  
14 equations, was felt to be faulty economic analysis.

15           COMMISSIONER GANDARA: Could I ask, you know,  
16 before we proceed further, just ask Dr. Jaske another  
17 question here. The suggestion -- let's assume for the  
18 moment that it's clear that the request would result in  
19 three forecasts, three consistent forecasts, okay?

20           From the work required in the last BR IV, does,  
21 you know, what does that mean? You know, three forecasts,  
22 does it mean triple the work, double the work, 1.5 the  
23 work, 1.2, your informed judgment. Because I think the  
24 suggestion or impression being left here is that if it is  
25 that, that it's three times the work, or twice the work, or

1 whatever.

2 MR. JASKE: I would venture to guess, and it is  
3 a guess, that we're talking about perhaps 50 percent more  
4 work to do two more full analyses. So you do -- you have  
5 three fully internally consistent results for one and a half  
6 times the effort. So the two additional ones come at about  
7 25 percent of the first one, roughly speaking.

8 Depending on how your costs are internalized in  
9 staff versus contract, you know, it may -- costs --  
10 discretionary costs versus staff costs might have  
11 different ratios than that.

12 COMMISSIONER SCHWEICKART: Mike, I assume that  
13 you're talking about literally the extent to which  
14 Commissioner Gandara carried that. I would presume that  
15 there might be a different answer on the supply side, that  
16 is, if the intention as I see it in 9.1b, I believe it is,  
17 9.2b, would be to -- oh, I'm sorry, maybe it's still in --

18 COMMISSIONER EDSON: 21.

19 COMMISSIONER SCHWEICKART: 21, R-21, would be  
20 to carry it through not only the forecast side, but also  
21 the consequent resource plan evaluation, and would you  
22 attribute the same 1.5 factor there?

23 MR. JASKE: In my mind I was thinking through the  
24 whole --

25 COMMISSIONER SCHWEICKART: The total.

1 MR. JASKE: -- the total exercise, and I think  
2 it's -- the principal additional items of effort are the  
3 generating of economic activity indicators of whatever sort  
4 are used by the model, and then the resource plan.

5 As Mr. Baumgartner pointed out, running the  
6 economic variables, once you have them, through the demand  
7 forecasting methodology is not very difficult, and since  
8 we're not asking for anything other than the one page  
9 documentation of those results, there's virtually no  
10 documentation.

11 Similarly, there's no documentation of the supply  
12 side results, except for a simple three, or four, or five  
13 page summary. Documentation is a very large portion of what  
14 is thought of as the CFM submittal, and so you're escaping  
15 almost all of that.

16 COMMISSIONER EDSON: I take it, then, that we'll  
17 need to provide the assumptions that would reduce that  
18 level of effort. Can you estimate what that might be?

19 MR. JASKE: If the Commission were to make  
20 available to utilities a consistent oil price and economic  
21 activity projection, both high and low, I'm guessing that  
22 the demand forecast requirements would then be perhaps only  
23 five percent over and above the baseline. All the costs  
24 would be over on the resource side, and maybe in the 25  
25 percent range on that side.

1           COMMISSIONER SCHWEICKART: Having in some sense  
2 just reviewed the cost side of the issue, I'd like to shift  
3 back a bit to the benefit side of the issue and ask  
4 Commissioner Commons if he could -- in your best judgment,  
5 and recognizing that you haven't been through the process  
6 fully before, nevertheless, give me your concept of  
7 exactly how the Commission would utilize this additional  
8 data.

9           Essentially, in terms of the bottom line, it's a  
10 tripling of the data, in adopting its Electricity Report,  
11 in this cycle.

12           COMMISSIONER COMMONS: Well, you asked a question  
13 that will require a long rather than a short answer, and  
14 you've asked the question twice, and so I will try to  
15 provide you with the answer.

16           We have gained, I think, through the Energy  
17 Commission staff, and eventually we have been working with  
18 the utilities where we have made enormous progress in terms  
19 of getting an understanding of the growth of electricity  
20 demand in the state.

21           When we started off on that path, and I can speak  
22 here because I wasn't part of it, I don't think there was  
23 general acceptance of what we were attempting to do, in  
24 fact, there was strong disagreement. I think as Roger  
25 Johnson pointed out, in the last go around, that in looking

1 at the economic assumptions, and their impact on the overall  
2 demand for electricity that it was just a few hundred  
3 megawatts in the case of Los Angeles, and I think we went  
4 through Southern California Edison, PGandE, and SMUD, and  
5 the other utilities, we'd find out the impact in terms of  
6 resource planning was either moving up by a year, or putting  
7 off by a year the overall need for new facilities.

8           But the issue is not there today. We have a  
9 pretty good understanding there. What we don't know, and  
10 people I have talked to, and the work I have done previously  
11 to here, but I rely much less on that than on the people  
12 in the field that I've talked with is we don't have much  
13 certainty in terms of what the future of oil prices are  
14 in this country.

15           Rather there's a range or a window of reasonable  
16 oil prices that may exist. In talking to some people from  
17 petroleum companies, and I look out 20 years, I'm given  
18 numbers of anywhere from 10 percent under the current price  
19 in 1980 real dollars to 100 percent of the price that we  
20 have today, and saying that there's really very little that  
21 we can do to influence what that window is.

22           If someone were going to say that the price is  
23 going to be \$40, or \$35, or \$45, there's not much to go on  
24 on that, and the hard part or the reality is that in making  
25 our investment decisions, and we're talking approximately

1 \$2 billion a year in the State of California to meet the  
2 incremental need after we take into account retirement  
3 and conservations, that excludes your conservation  
4 investment, that we have an enormous uncertainty as to what  
5 the oil prices will be.

6 Well, if you have that type of uncertainty, and  
7 we can look at the Public Utility Commission's reaction  
8 to the recent drop in oil prices, you have some very  
9 difficult investment decisions to make as to what is the  
10 amount of investment you should make in conservation, what  
11 is the rate of retirement you should have in terms of  
12 existing fuel based power plants? What should be the  
13 investment in R&D? What should be your investment in  
14 alternative energy development?

15 For me to come to any conclusions as we go through  
16 the BR process as to what the policy positions of this  
17 Commission ought to be, given that uncertainty without  
18 having some understanding of the impact of the changes  
19 in price within a reasonable window, in other words, not  
20 the extremes, we're not looking at those cases that are  
21 unlikely to occur, but those cases that are likely to be,  
22 which turns out to be a rather broad window, it would be  
23 very difficult for me at least to say that I think the  
24 policy of this Commission ought to be, because the impact  
25 on the resource plans of the utilities is substantial

1 rather than the not so consequential impact of change in  
2 demand.

3 COMMISSIONER GANDARA: Might I suggest that we  
4 could have done several forecasts in the time we've  
5 discussed this, but that we bring some closure to this,  
6 perhaps.

7 COMMISSIONER SCHWEICKART: Well, I'm prepared to  
8 vote no. If we want to do it without discussion and to  
9 truncate discussion on what to me is our principal  
10 responsibility in the Commission, I frankly feel it's  
11 worth another three minutes, at least, to --

12 COMMISSIONER GANDARA: Perhaps I can get a  
13 sense of the Commission to see if it's close. If it's  
14 two or three minutes, I have no objection, but I presume  
15 we also want to get to work plans, you know, but certainly  
16 I'm not inclined to cut off discussion. Let's take  
17 another two or three minutes and see where we're going.

18 COMMISSIONER SCHWEICKART: Well, let me -- I  
19 appreciate Commissioner Commons' response. I think this  
20 is a serious matter, and I would like -- and Mike is  
21 probably, and a few other people in the room were here  
22 when in Biennial Report II we basically faced this same  
23 issue, not to say history repeats itself, but let me say  
24 this is not the first time we've discussed this.

25 At that time, and much further down in the

1 process I might add, I want to give full credit to raising  
2 the issue early, at that time the Commission was confronted  
3 essentially with adopting a high and low, or a middle, or  
4 nominal demand forecast, or all three, or how to handle it.  
5 I mean, we were essentially at the end point dealing with  
6 the same issue which is being discussed here at the  
7 beginning.

8           After a lot of discussion on it, the Commission  
9 came to the conclusion that as an absolute minimum, it had  
10 to decide on any demand forecast, period, because funda-  
11 mentally, the effect of the demand forecast in terms of  
12 the real world is do we or do we not site a power plant,  
13 period. That is in effect the principal outcome of what  
14 it is we adopt, and we have that obligation.

15           One does not -- and we realize that adopting a  
16 high and low simply threw into an extremely high probability  
17 litigation against any power plant siting if the Commission  
18 were to adopt a high and a low, and leave it at that, or  
19 somehow set a span, because ultimately, you have to make a  
20 decision on these power plants, and you have somebody  
21 saying, well, but the Commission also saw a likelihood of  
22 a very high oil price, or a very low oil price, and that  
23 sort of thing.

24           So, when I asked my question, I was trying to  
25 get right at the very bottom line, that is, while

1 recognizing there's a powerful impact on the capital  
2 involved in power plants, or the reasonability of moving  
3 ahead with building standards, or any of a number of  
4 issues in energy with future oil prices, I operationally  
5 see little advantage to the Commission, either in policy  
6 formulation, or in its fundamental decision-making  
7 responsibility to having documented the wide -- admittedly  
8 wide impact of a very large fluctuations in oil price.

9           We are paid our high salaries to make a hard  
10 decision that says it will be this, and it will be this  
11 for the next two years until we forecast it again.

12           COMMISSIONER GANDARA: Perhaps there's been a  
13 misunderstanding. I don't think -- you know, I think  
14 you're talking about will the Commission adopt a high,  
15 low, and a medium for a most likely case. I don't think  
16 that that's the issue before us. That's not a ripe issue,  
17 and it seems to me that inquiring as to the range of  
18 possibilities doesn't compel us to adopt ranges for  
19 forecasts. I think those are two very separate issues.

20           Nothing that I see in these forms and instructions,  
21 and filling these out would compel us to do that. That's  
22 an issue that's not even before us, and I don't even know  
23 whether there is an intent to do that at this point.

24           Certainly I do not perceive the request for  
25 consistency, and economic and demographic indicators in

1 oil prices, which we didn't have last time, leading us in  
2 that direction. I think I would share the same concerns  
3 that you have. But I think that absent some substantial  
4 showing of something that would dissuade me from the fact  
5 of the comments that you've made with respect to our  
6 siting responsibilities, I share your views completely  
7 there.

8           But this is at the input end, and not the output  
9 end, and perhaps, you know, other Commissioners might  
10 address that, but I don't know whether we sort of been  
11 presuming an end result that at least is not here before  
12 us now. Commissioner Commons?

13           COMMISSIONER COMMONS: Okay. I'm going to --

14           COMMISSIONER SCHWEICKART: I'm going to move an  
15 amendment to the motion, excuse me, I'm sorry. I would  
16 move adoption of the order and the forms and instructions  
17 but for these particular forms in contention, and ask that  
18 the Committee revise them to reflect a lower cost, perhaps  
19 through sensitivity analysis, as opposed to a full-blown  
20 forecast, or let me say triple forecast and assessment on  
21 the supply side to inform the Committee, or the Commission  
22 in moving forward with the Electricity Report.

23           COMMISSIONER GANDARA: Is there a second?

24           CHAIRMAN IMBRECHT: I'll second it.

25           COMMISSIONER GANDARA: Discussion.

1           CHAIRMAN IMBRECHT: Well, I think I obviously  
2 should make my views clear on this. My concern is that  
3 we're creating an added burden for parties to comply and  
4 I think that Commissioner Schweickart has a fairly good  
5 case as to at least a highly debatable issue of whether or  
6 not there's really going to be a demonstrable benefit from  
7 that added burden, and I guess that I would be more  
8 comfortable at this point, and I apologize for not having  
9 been part of the entire discussion, to see some further  
10 review of that impact and the anticipated official results.

11           So for that reason, I will second and support  
12 the motion.

13           COMMISSIONER GANDARA: Any other discussion?

14           COMMISSIONER EDSON: I guess I have to say that  
15 I believe very strongly that the Commission is required to  
16 make a -- adopt a single forecast, and I have not heard  
17 any indication to the contrary from the Committee, and I  
18 frankly would like the -- or for an agreement, and I see  
19 here the Committee comments.

20           COMMISSIONER COMMONS: I tried to make it clear  
21 that the intent of those forms in question had nothing to  
22 do with what the forecast that would be adopted, the  
23 relationship is more to the BR policies and to the plans  
24 that are being developed by the utilities, the resource  
25 plans and our evaluation, that the question of having more

1 than one forecast has never even been discussed or thought  
2 of in terms of the workshops, or the development of the  
3 forms because the legislative intent here is clear. The  
4 need of having a single forecast for purposes of siting is  
5 clear, and in fact, in the last BR process, we actually had  
6 a high and a low demand forecast which we're not having in  
7 this instance.

8           The utility is free under this, and so is staff  
9 free under the forms to not modify demand if they so thought  
10 that was reasonable. But to be point blank and specific in  
11 answer to your question, there will be one forecast that  
12 will be presented by the Committee as a recommendation to  
13 the Commission.

14           COMMISSIONER GANDARA: Any other questions?

15           COMMISSIONER EDSON: Well, I'm a little surprised  
16 by your saying that there was a high and low forecast last  
17 time. My recollection is that there was work done to  
18 assess the impact of different fuel price scenarios, but  
19 to suggest that that was a -- and the Committee itself  
20 directed a different demand forecast.

21           But to suggest that the utilities were asked to  
22 submit high and low forecasts is new to me.

23           COMMISSIONER GANDARA: They were. They were asked  
24 to submit a plus or minus 10 percent scenario. That was  
25 in the forms and instructions adopted by the Commission

1 in CFM IV.

2 COMMISSIONER SCHWEICKART: But let me say, if  
3 I'm not mistaken, Commissioner Gandara, that was not a  
4 result of a full set of -- internally consistent set of  
5 different input variables to the forecast, that was a --  
6 excuse me, a plus or minus 10 percent total demand increase  
7 in terms of the impact on their supply plan.

8 COMMISSIONER GANDARA: That's correct, but you  
9 know, I would say, not being internally consistent is not  
10 a virtue, I would think one of those deficiencies.

11 CHAIRMAN IMBRECHT: May I suggest at this time to  
12 close on this issue, as I think it really comes down to  
13 the point we've all expressed ourselves, and I would  
14 suggest at this time we go to a roll call vote.

15 COMMISSIONER EDSON: I'd like to, before we do  
16 that, simply say that I am willing to go along with the  
17 forms and instructions as they are, provided that the  
18 utilities are given the option of using either the staff  
19 assumptions that are developed for this exercise or their  
20 own.

21 COMMISSIONER GANDARA: Okay. Let's call the roll.

22 SECRETARY MATHIES: Commissioner Commons?

23 COMMISSIONER COMMONS: Aye.

24 COMMISSIONER SCHWEICKART: Excuse me, let me  
25 clarify, the vote is on the amendment?

1           CHAIRMAN IMBRECHT: That's correct, there's a  
2 substitute motion by Commissioner Schweickart.

3           COMMISSIONER COMMONS: Oh, I'm sorry. No.

4           SECRETARY MATHIES: Commissioner Edson?

5           COMMISSIONER EDSON: No.

6           SECRETARY MATHIES: Commissioner Schweickart?

7           COMMISSIONER SCHWEICKART: Yes.

8           SECRETARY MATHIES: Commissioner Gandara?

9           COMMISSIONER GANDARA: No.

10          SECRETARY MATHIES: Aye.

11          COMMISSIONER GANDARA: Call the roll on the  
12 original motion.

13          COMMISSIONER EDSON: I'd like to offer another  
14 substitute motion, and that is that I'd move the forms and  
15 instructions, provided that the utilities are given the  
16 option of using the staff's assumptions for purposes of  
17 developing the high and low forecasts.

18          COMMISSIONER COMMONS: That will be accepted as  
19 a friendly amendment.

20          SECRETARY MATHIES: Commissioner Commons?

21          COMMISSIONER COMMONS: Aye.

22          SECRETARY MATHIES: Commissioner Edson?

23          COMMISSIONER EDSON: Aye.

24          SECRETARY MATHIES: Commissioner Schweickart?

25          COMMISSIONER SCHWEICKART: No.

1 SECRETARY MATHIES: Commissioner Gandara?

2 COMMISSIONER GANDARA: Aye.

3 SECRETARY MATHIES: Chairman Imbrecht?

4 CHAIRMAN IMBRECHT: No.

5 COMMISSIONER GANDARA: Adopted.

6 If I could suggest perhaps a five minute recess  
7 and then we can gather our staff for the work plans.

8 (Brief recess.)

9 CHAIRMAN IMBRECHT: Let's reconvene, and I would  
10 just note in reconvening that I would, of course, like to  
11 be added as an affirmative vote for the resolution for  
12 Mr. Geesman that was taken up earlier on today's agenda.

13 I should also indicate relative to the work plan  
14 discussion that we have presented our calculations of the  
15 impact of the failure to have transition funds provided for  
16 the budget and finance -- or Department of Finance agrees  
17 with our calculations. On a technical basis, it's now  
18 under review at a higher level in the administration, and  
19 I hope to have an answer as quickly as possible. We are  
20 certainly strongly advocating the necessity for such funds  
21 to be provided, and the moment I have a response, it will  
22 be communicated to each of the other Commissioners and  
23 to management here at the Commission.

24 COMMISSIONER COMMONS: Excuse me, before you go on--

25 CHAIRMAN IMBRECHT: Yes?

1           COMMISSIONER COMMONS: As quickly as possible,  
2 can you give me an indication as -- is that one week, one  
3 month, three months?

4           CHAIRMAN IMBRECHT: Certainly it should be -- my  
5 fervent hope is that within one week at the absolute  
6 outside. There is a chance it might even occur today.

7           COMMISSIONER COMMONS: Does that not have --

8           CHAIRMAN IMBRECHT: I can assure you that I have  
9 stressed the absolute urgency of a rapid decision.

10          COMMISSIONER COMMONS: Because to a certain  
11 extent the attitude on the transition funds could have a  
12 significant impact, I feel, on the number of positions in  
13 the work plan that we budget for, and I feel rather  
14 uncomfortable trying to make decisions when we have such  
15 an enormity of variation depending upon that result.

16          CHAIRMAN IMBRECHT: Well, it is my personal view  
17 that we should construct our work plan based upon the  
18 authorized position level of 348, and I have been so  
19 instructed as well, so I think that's the appropriate way  
20 to proceed.

21          COMMISSIONER GANDARA: The assumption we've  
22 proceeded under.

23          CHAIRMAN IMBRECHT: That's right. Okay. Mr.  
24 Smith, you have a presentation for us?

25          MR. SMITH: Last Wednesday, during the continuance

1 of the Executive Director's Report of the last business  
2 meeting, we reviewed a number of issues in the major program  
3 divisions that affect the 1983/84 work plans for the  
4 Commission. We've described, as we just indicated, that  
5 these work plans are targeted to the authorized position  
6 level of 348; that there was projected a deficit in that  
7 the funding for those positions was going to exceed the  
8 \$11,900,000 provided in the budget in its current form.

9 We reviewed the operating expenses, and pointed  
10 out projected shortfall in data processing funds, and then  
11 during the discussion, identified the Commission's option  
12 to make some shifts, or realignments of operating expense  
13 categories, including contract funds that could cover the  
14 deficit.

15 As we went through the plans for the five divisions  
16 there were a number of issues identified. What we want to  
17 do today, with the briefing package that we've provided you,  
18 is to go through the major divisions, highlight the  
19 direction that we believe we received last Wednesday. In  
20 some cases there were questions or issues that still needed  
21 to be resolved, we want to bring those back, hopefully  
22 resolve those today.

23 We're going to extend the discussion to the  
24 Executive Office group, Public Advisor, General Counsel,  
25 Commissioner's offices, the Executive -- remaining Executive

1 Office group, and talk about a couple of allocation resources  
2 there. I want to also describe the process that we're pro-  
3 posing for adjustment to these work plans this year. It  
4 is quite clear that on a quarterly basis, and certainly  
5 at the mid-year point, these work plans are going to  
6 require adjustment, they're going to be different than  
7 what we're describing right now as a result of attrition  
8 in some key staff technical areas that we can't target  
9 right now; and also as a result of the effects of the  
10 seniority based layoff that we're moving toward.

11           COMMISSIONER EDSON: When do you expect to do  
12 that? Before the -- anticipate that you will be back  
13 before the Commission with those adjustments?

14           MR. SMITH: Basically, the process that we're  
15 going to be suggesting is that we build that into a  
16 quarterly review. The first time that we come back would  
17 be in October, at the end of the first quarter, and then  
18 we know that we have a major adjustment to make in January  
19 following the layoff that's targeted now. We talk about  
20 that a little bit more in detail later in the presentation.

21           We'll be asking for concurrence with the basic  
22 allocations that are proposed, the division and office  
23 levels, and concurrence with the basic work plan priorities  
24 that we will have laid out by the end of this presentation.  
25 With that concurrence, we will be able to keep the State

1 Personnel Board on the current track toward the January 1  
2 layoff. They're reviewing -- preparing the analysis of  
3 affirmative action, 3001, now.

4           They require a specific targeting of the positions  
5 that are going to remain at the Commission, and those that  
6 are going to be eliminated as a result of the program  
7 decisions. We've given them a rough working document so  
8 that they can get a head start on the analysis, but indicated  
9 to them that they shouldn't conclude that that's final, or  
10 represents the Commission's view until we have completed  
11 this work plan process. We want to try to keep them on  
12 track.

13           There are some organizational and some specific  
14 issues that may need resolution following this meeting,  
15 but as I say, what we're looking for here is the concurrence  
16 with the basic allocations that are laid out in the package  
17 that you have.

18           COMMISSIONER GANDARA: Excuse me. You mentioned  
19 you provided them with a rough working document. I made a  
20 request to be provided with materials, and I do not recall  
21 seeing that. I think Commissioner Edson was interested in  
22 that as well.

23           MR. SMITH: Yeah, I had learned that you didn't  
24 receive that this morning. I believe that you should either  
25 have received it now, or be in the process of receiving it.

1 Routinely, the personnel documents that we send out, you  
2 should be getting copies of.

3 COMMISSIONER COMMONS: Excuse me, Kent. I just  
4 want to make sure I have the full package here. I don't  
5 seem to have a breakout for the Executive Office. Is there  
6 one?

7 MR. SMITH: The last sheet provides the summary  
8 for the Executive Office group, it should be at the end of  
9 the package.

10 CHAIRMAN IMBRECHT: Yeah, I've got it.

11 MR. SMITH: If you're missing that sheet, we'll  
12 get you a copy of it.

13 CHAIRMAN IMBRECHT: He's got it.

14 MR. SMITH: Okay.

15 CHAIRMAN IMBRECHT: Okay, let's proceed.

16 MR. SMITH: What we wanted to do to begin with  
17 today -- Sandi, do you want to put up that first slide?  
18 This is simply a review of the overall resources, and we've  
19 been through this, and the percentage changed several  
20 times, but this is the base that we're working toward.  
21 Sandi, does that have a total at the bottom, can we slip  
22 that up?

23 We're looking at the 348 authorized positions,  
24 and a display of contract funds of just under \$2 million,  
25 the spread of those. The detail that we'll be providing is

1 going to be within these amounts. We're not proposing  
2 shifts between programs.

3           There is an issue in the categorization of some  
4 tasks between the Assessment Division and Conservation  
5 Division that was in response to a request to try to  
6 minimize the effect of additional Petroleum Violation  
7 Fund work in Conservation Division. As we get into those  
8 proposals, we'll -- presentations, we'll go through that  
9 in more detail.

10           In Administrative Services last week, we indicated  
11 that the Executive Office and division management basically  
12 concurred with the current spread, and indicated that there's  
13 a cost reduction task force effort that involves Administra-  
14 tive Services staff and division staff as well, that are  
15 looking at a number of specific proposals.

16           Some of those proposals can affect the way that  
17 we do business, but the allocation spread that's here, and  
18 the targeting of those 54 positions we believe makes sense  
19 in its current form.

20           There was a request last week to look at an  
21 organizational issue, and that was within the computer  
22 systems support to divisions to see whether or not it  
23 would be advantageous to organizationally move some of  
24 the staff into the divisions to do the work that they're  
25 doing now within Administrative Services. That's one of

1 the organizational issues that's being considered right now.  
2 We don't have a recommendation today. There are several  
3 in that category. We're basically expecting that we'll  
4 be resolving organizational issues over the next several  
5 weeks and working with the new Executive Director on  
6 several of those.

7 COMMISSIONER COMMONS: Excuse me. What is our  
8 process, is he going to make a presentation, do we ask  
9 questions --

10 CHAIRMAN IMBRECHT: Yeah. I think if you have  
11 questions it's probably best to ask them as we proceed.

12 MR. SMITH: In most of the divisions there are  
13 some specific issues or direction that we heard, such as  
14 here in the Assessments Division, and we want to get into  
15 a more detailed discussion but because of the lengthy --

16 CHAIRMAN IMBRECHT: Well, before we go to  
17 Assessments, let's ask, are there any questions relative  
18 to the Administrative Services?

19 COMMISSIONER EDSON: I have one question.

20 CHAIRMAN IMBRECHT: Yes?

21 COMMISSIONER EDSON: Are you confident that we  
22 have enough resources allocated there to responsibly  
23 administer the grants and loans that are outstanding?

24 MR. SMITH: No, I have a very real concern about  
25 our ability to handle the amounts of money that we have out

1 and are responsible for. I believe that the allocation of  
2 resources, within the total of 54 that is available to  
3 Administrative Services are properly arrayed. I wouldn't  
4 propose to make any shifts in that, there are other  
5 responsibilities that they have to carry out. I expect  
6 that we're going to be working with Department of Finance.  
7 We've already indicated a need to have them more closely  
8 involved in providing assistance.

9 We're going to be exploring interagency assistance  
10 in some other ways also.

11 COMMISSIONER EDSON: Good. That is an area that  
12 I think you know that I have a concern about.

13 MR. SMITH: Yeah.

14 CHAIRMAN IMBRECHT: One point that was proffered,  
15 an offer that there was additional assistance that could  
16 be made available from the Resources Agency, and it was  
17 my view that we should accept that offer. So I think that  
18 the appropriate thing is to draft a formal letter for my  
19 signature to go to them requesting that assistance.

20 COMMISSIONER SCHWEICKART: Are there any caveats  
21 on the nature of that assistance?

22 CHAIRMAN IMBRECHT: At this point, none that I'm  
23 aware of, but we may find out, we'll have to wait and see.

24 COMMISSIONER SCHWEICKART: I would urge essentially  
25 temporary assignment or something of that kind to the

1 Commission, as opposed to giving them our work and having  
2 them do it.

3 CHAIRMAN IMBECHT: That is exactly what I  
4 discussed with Mr. Smith, and is what we are going to  
5 propose, yeah.

6 COMMISSIONER COMMONS: I have some questions.  
7 This is the first time, of course, that I have seen anything  
8 from the Administrative Services Division or the Executive.  
9 The other four areas I think we discussed.

10 MR. SMITH: I believe that the Administrative  
11 Service was included in the package for Wednesday.

12 COMMISSIONER COMMONS: Some, all right. On the  
13 Executive Offices, this is the first time --

14 MR. SMITH: That's correct.

15 COMMISSIONER COMMONS: -- that I have seen any  
16 information whatsoever.

17 MR. SMITH: That's correct.

18 COMMISSIONER COMMONS: In the business management  
19 area, we have one person, temporary help, doing proofreading.  
20 How can one person assist us within the whole Commission on  
21 a temporary basis of doing the proofreading on the enormous  
22 amount of things that --

23 MR. SMITH: Let me ask Chris or Elaine.

24 MS. MOSS: Your question was on proofreading?

25 COMMISSIONER COMMONS: Yes.

1 MS. MOSS: Yes, we have a vacancy there currently.

2 COMMISSIONER COMMONS: Is this a function that  
3 we should continue in the Administrative Services Division?  
4 I've put out a number of reports, and I don't know of any  
5 assistance, and how it's allocated, and I can't see how  
6 one person can handle all the reports and publications that  
7 we make.

8 MS. MOSS: Actually the decision goes further  
9 than that, Commissioner. It's a decision about centralized  
10 word processing for the Commission, and this position was  
11 in the word processing unit where the major reports were  
12 produced, and our decision needs to be whether or not to  
13 keep that unit functioning.

14 Currently we have two staff members left out of  
15 a staff of potentially six people.

16 COMMISSIONER COMMONS: That was my next question  
17 was word processing, where we have run into obvious  
18 difficulties, but we are still getting reports out. We  
19 had a complaint today, and I have a hunch now that I know  
20 where the answer is, that word processing couldn't get them  
21 out in time.

22 But going from 2 to actually I guess it's 6.5,  
23 what's your feeling on this?

24 MS. MOSS: Well, the Administrative Services  
25 Division has operated with the word processing center for a

1 number of years, and it has been the centralized point for  
2 all of our major report productions. It's difficult for me  
3 to understand how the Commission could produce something  
4 as important as the Biennial Report without such a unit.

5           We do have Vydec equipment in each of the  
6 divisions that are used, however, we have used that, plus  
7 the word processing center in the past in order to keep  
8 up with the workload. This is something that the Cost  
9 Reduction Task Force does have plans to look at as far as  
10 the centralization, decentralization issue. Even if we  
11 decentralize, we do have to look at staffing again, because  
12 even if we decentralize we will have to bring word  
13 processing technicians into the organization. We currently  
14 do not have a sufficient number.

15           COMMISSIONER COMMONS: We're talking about -- we're  
16 operating currently on two positions and we're going to go  
17 from an organization of 420 down to 348, and we're talking  
18 about increasing this function 2 to 6.5.

19           MS. MOSS: No, actually, the function was  
20 reduced from 10 to 6 in the current budget. We're down to  
21 2 due to attrition. We actually have 6 budgeted positions.

22           COMMISSIONER COMMONS: But we're operating, and  
23 there's some problem.

24           COMMISSIONER SCHWEICKART: We're not operating.

25           COMMISSIONER COMMONS: It's not very good, but

1 we're talking about better than a tripling of this activity.  
2 I'm just looking at the overall allocation, if we need we  
3 6.5 here, or if we need someone else in grants and loans,  
4 in budgets, there's lots of areas that I felt uncomfortable,  
5 and this just seemed a big number here.

6 MR. SMITH: I think the key there, Commissioner,  
7 is in recognizing that for the past several months and in  
8 the prior fiscal year I believe there were 10 --

9 MS. MOSS: That's correct.

10 MR. SMITH: There were 10 in that unit, and it's  
11 being reduced to 6. It's possible that the Cost Reduction  
12 Task Force would come to the conclusion that those 6 should  
13 be disbursed. On the other hand, we'd like them to finish  
14 their work, and decide whether a centralization of that  
15 function, continued centralization makes sense, or whether  
16 or not it should be disbursed into the divisions.

17 CHAIRMAN IMBRECHT: If they're disbursed, I guess  
18 the chances are that they could assume other responsibilities  
19 as well, in the sense of --

20 MS. MOSS: That is -- there's a potential for  
21 that to a certain degree within their classification.

22 CHAIRMAN IMBRECHT: I mean some telephone  
23 answering or something of that nature.

24 MS. MOSS: Yes, there are some constraints to that.

25 MR. SMITH: That's balanced against an equipment

1 constraint. My understanding is that the equipment needs  
2 to move in groups of three machines.

3 MS. MOSS: That's correct.

4 MR. SMITH: So there are a number of things to be  
5 considered, and the cost of handling some of that is what the  
6 group is looking at now.

7 COMMISSIONER COMMONS: All right. Well, I guess  
8 my position on this one would be that we're -- and I'm just  
9 -- 6.5 to me is a wild guess, and any number, I think here  
10 would be -- but I'd like to see it reduced from the 6.5  
11 which is the sum of the word processing plus the proofreading  
12 to 5, which would be essentially one per division.

13 MS. MOSS: The only thing I would point out  
14 Commissioner is that we do have workload statistics that  
15 are very well kept as far as line count, and page count,  
16 as far as workload in that area, and the budgeted level is  
17 based on need, based on actual workload statistics from  
18 the past.

19 CHAIRMAN IMBRECHT: One of the things that I think  
20 might be appropriate as your task force looks at some of  
21 these issues, which of the responsibilities would be most  
22 amenable to having outside personnel assist in our functions.  
23 It strikes me, and this is just a layman's guess, that word  
24 processing is potentially something that it would be  
25 easier to bring someone in when it's basically typing text

1 that is before them, and assembling it as opposed to perhaps  
2 understanding the parameters of our grant and loan program,  
3 and it might be better to try to internalize some of those  
4 responsibilities, and look to the outside to handle some  
5 of the clerical functions that strike me as perhaps more  
6 meaningful for that kind of treatment.

7 MS. MOSS: One of our trade-offs on that  
8 obviously is turn-around time. We have pursued outside  
9 agencies assisting us with word processing and the cost  
10 is greater per page for typed material to contract out,  
11 and the turn around time is quite a bit longer, so those  
12 would be our trade-offs, and those are some of the things  
13 we'll be looking at.

14 CHAIRMAN IMBRECHT: Okay, fine. Yes, Arturo?

15 COMMISSIONER GANDARA: I was about to say, I  
16 feel comfortable approving the allocations as they are,  
17 it's a reduction, salvage what you can, and in October,  
18 let us know how it's working out.

19 COMMISSIONER EDSON: I concur.

20 CHAIRMAN IMBRECHT: I concur with that as well.  
21 Commissioner Commons?

22 COMMISSIONER COMMONS: I think the Governor in  
23 his veto message advocated that we should have an aggressive  
24 outplacement program on the personnel services. Can you  
25 identify for me the number of people that are allocated

1 to this function?

2 MS. MOSS: All right. One of the things that  
3 will be announced by a memo to all staff within the next  
4 day or so is the assignment of Clare Poe to head up the  
5 placement unit in the Personnel Office, and Clare was the  
6 Deputy Division Chief in the Assessments Division and has  
7 been on a leave of absence working toward a masters degree  
8 in counseling. I think Clare's involvement in that unit  
9 is going to be a tremendous benefit for the personnel office  
10 and for the organization because of the technical background  
11 and knowledge of the individuals, and also his interest in  
12 the field.

13 Clare is going to be working half-time, and Clare  
14 and the Executive Office and I are currently in discussions  
15 about staff support for Clare for that unit.

16 COMMISSIONER COMMONS: But I'm looking at the work  
17 plan under personnel services. Where is -- what is the  
18 manpower that is being allocated to this function?

19 MS. MOSS: We had assigned one personnel analyst  
20 to work half-time on the placement unit. Prior to that,  
21 we had assigned one analyst from the contracts unit to work  
22 in that area due to the workload declining in the contracts  
23 area. At this time, both of those people -- one -- the  
24 contracts analyst has left the organization, and the  
25 personnel analyst is leaving in two weeks, so we will not

1 have that staff support.

2 COMMISSIONER COMMONS: Well, I guess what we're  
3 doing here is essentially approving or disproving, and  
4 so the only way to make a change is to make amendments as  
5 we proceed, is that correct, Mr. Chairman?

6 CHAIRMAN IMBRECHT: I think that's fine. Rather  
7 than getting into such a formal process with motions and  
8 so forth at this point, I would just suggest if you have  
9 suggestions, let's just see if there's concensus or not.

10 COMMISSIONER COMMONS: All right. I think that  
11 in following the request of the Governor, and in terms of  
12 the clear perceived need of this service on the part of a  
13 voice, and also to reduce the transition fund requirements  
14 that we should have over the period of July through  
15 December, two persons full-time working in outplacement.

16 MR. SMITH: My suggestion would be -- Clare began  
17 this week, and we're extremely pleased that he's going to  
18 be helping us with that. He's quite well suited to help  
19 with that activity. I would prefer that I get his  
20 recommendation for the kind of staff support. I'd indicated  
21 to him that after he gets a couple of weeks of experience  
22 here, that I'd be looking to him to let me know what the  
23 level of help he needs is, and we can do that within the  
24 existing resources rather than to lock in on the work plan  
25 right now.

1           COMMISSIONER COMMONS: Well, I read this that  
2 there is no persons allocated to it, and I think it's a  
3 terrible disservice to our employees to not include in our  
4 work plan the allocation of at least two people for this  
5 six month period.

6           CHAIRMAN IMBRECHT: I certainly don't want  
7 anyone to be left with the impression that we don't think  
8 it's important to assist in outplacement, but I would  
9 prefer to deal with Mr. Smith's recommendation. Let's find  
10 out what is envisioned by the individual that has been  
11 selected to handle that responsibility.

12          MR. SMITH: We can commit to reporting back as  
13 soon as the next business meeting on the level of staffing.

14          CHAIRMAN IMBRECHT: Well, that's acceptable.

15          COMMISSIONER GANDARA: Let's get one thing clear,  
16 are we talking about adding a line item here, it says .5  
17 PY? Is that what we're talking about? Is that what the  
18 agreement is?

19          COMMISSIONER SCHWEICKART: Or is the 1.5 PY's  
20 that you referred to, Elaine, incorporated within what we  
21 have before us?

22          MS. MOSS: Clare is not incorporated in what is  
23 shown in the work plans, it would be an additional .5.

24          COMMISSIONER SCHWEICKART: I see.

25          COMMISSIONER GANDARA: So, then, we have a total

1 of 7.3 on this item?

2 COMMISSIONER EDSON: Let me comment that we're  
3 looking at, as I understand it, work plans that account for  
4 348 PY and that between now and January, we have a number  
5 above that. I would assume we have a great deal of  
6 flexibility in that number to ensure that we have adequate  
7 resources allocated to this activity.

8 MR. SMITH: That's correct, and that was the  
9 source of the blanket staff, or excess staff would be the  
10 source of the help that we'd add to Clare, based on his  
11 sense of what was needed.

12 COMMISSIONER GANDARA: Well, that notwithstanding,  
13 you know, if we are working with the number of 348, and if  
14 we're talking about adding .5, which I think we're all in  
15 agreement with, I mean almost all in agreement with, and  
16 Commissioner Commons raised the point of where's the line  
17 item, you know, let's put it there and reduce it someplace  
18 else for the purposes of this work plan.

19 CHAIRMAN IMBRECHT: I think what was being  
20 explained was that between -- for this particular function  
21 we can rely upon the excess personnel we have, the difference  
22 between 420 and 348, and so we're not really planning a  
23 permanent function for the entire fiscal year related to  
24 that. At least that was my understanding.

25 MS. MOSS: That's correct.

1 MR. SMITH: Yeah, we're not going to be reducing  
2 any other --

3 COMMISSIONER GANDARA: Well, as long as we relied  
4 on excess personnel, let's put 1 PY in there.

5 MR. SMITH: It's a question of how you display  
6 that. We're carrying out the function, and we're going to  
7 provide Clare with the level of staff that he needs.  
8 We can make a note that --

9 COMMISSIONER GANDARA: I think the 6 PY's is  
10 excessive, and we can't drum up more business than is out  
11 there, but you know one person working full-time between  
12 now and January is half a PY.

13 MR. SMITH: We can document the sense of the  
14 Commission that that should be the level of resource above  
15 .5.

16 COMMISSIONER EDSON: Let me -- I'd just like to  
17 ask, it's really kind of a procedural question. How are  
18 we dealing with that excess staff? Is that displayed in  
19 any of this material?

20 MR. SMITH: It's displayed in the back-up memos  
21 from the divisions. We discussed it specifically with  
22 regard to the Development Division last week. We have  
23 adjusted the work plan and the displays here so that it  
24 precisely totals 348 so that we're dealing with a common  
25 numerical base. We also know, and can address on a

1 division-by-division basis the work to be done with that  
2 further increment.

3 COMMISSIONER EDSON: Well, I think that's what  
4 we're talking about here, and it might be useful to talk  
5 about what level of resources we have that can be allocated  
6 to this function, and to the extent that -- it seems to me  
7 that we should be accounting for those -- that work. Help  
8 me, I --

9 COMMISSIONER GANDARA: Well, the point here --  
10 and let me add to what Commissioner Edson is saying, you  
11 know. We're deciding on work plans for 348 PY and we have  
12 100 -- I guess you mentioned we have 422 people on board,  
13 so we're talking about 22 plus 52, we're talking about an  
14 extra 74 PY.

15 Okay. Assuming they're going to be -- 74 PY  
16 are available for half a year, for six months, we're  
17 talking about an effective 37 PY, okay. So we're talking  
18 about a little more than 10 percent of our authorized  
19 budget, so we're talking about a significant number that's  
20 uncounted.

21 MR. SMITH: I believe we're in a position to  
22 address that increment here on a division-by-division basis.  
23 With regard to Administrative Services, my understanding  
24 that their current staffing is in fact, they do not have  
25 excess staff, they're below their authorized level because

1 of the rate of attrition in administrative areas.

2 COMMISSIONER EDSON: Well, does that mean that  
3 the -- I'm sorry.

4 CHAIRMAN IMBRECHT: I don't think that you do have  
5 37 extra, because at some -- not all of those are going to  
6 be here the entire six months. It's some percentage of  
7 37 that we really don't know, and so the --

8 MR. SMITH: That's correct. One of the major  
9 difficulties that the divisions had was being unable to  
10 anticipate precisely what attrition is going to occur, what  
11 skills are going to be lost, what the rate of attrition is  
12 going to be. We certainly are in a mode where we want the  
13 rate of attrition to be as high as possible.

14 We would like the bulk of the staff, if possible,  
15 to find jobs, and to be placed within just a very few weeks.  
16 Realistically, we expect it's going to take somewhat longer,  
17 but it's very difficult to deal with the work plans for  
18 that increment.

19 COMMISSIONER GANDARA: I don't dispute any --  
20 while that issue here is there are an effective close to 37  
21 PY plus or minus 5 or something. I mean right now there's  
22 effectively an additional 74 people that are going to  
23 be allocated by somebody, so the question is, Commissioner  
24 Commons is saying he prefers to allocate 2 PY over six  
25 months which is an effective 1 PY. I'm saying 1 PY. I mean,

1 I don't care whether it's 2 PY or 1 PY but who is making  
2 the decision on what those 74 people are going to be  
3 doing and effectively, what 37 PY's are going to do, plus  
4 or minus 5.

5 MR. SMITH: As I say, we can address that.  
6 Principally it's an issue in Conservation, lesser in  
7 Development, and to some extent in Siting and Environmental.  
8 On Wednesday, we touched on a number of the projects, and  
9 captured a direction from the Commission in a number of  
10 areas that directed the use of those additional staff for  
11 the time that they're here.

12 We talked about the fact that in the Siting and  
13 Environmental Division that those are the staff that are  
14 going to be working on the environmental reports. We  
15 discussed the use of those in several other divisions, and  
16 as we go through each of these division presentations, we'll  
17 be highlighting that use for you.

18 What we can do is that if there's a specific sense  
19 of the Commission that we should be targeting a portion of  
20 that excess staff for an activity like the outplacement  
21 activity, we'll capture that direction, and then be able  
22 to describe to you as we go through the next few months, or  
23 few weeks, the way in which we've carried out that direction.

24 CHAIRMAN IMBRECHT: Why don't we try to identify  
25 as we go through the various elements, where we think that

1 additional staff support ought to be provided, and then let  
2 the Executive Office prepare a plan as to what portion of  
3 that 37 they anticipate will be available, and allocate it  
4 based upon our consensus.

5 MR. SMITH: We can do that.

6 CHAIRMAN IMBRECHT: So why don't we just say that  
7 you have a consensus right now that we want to put emphasis --

8 COMMISSIONER COMMONS: You may have a consensus,  
9 you don't have unanimous agreement here.

10 CHAIRMAN IMBRECHT: Okay, excuse me. I'm only  
11 trying to get us to move along, and --

12 COMMISSIONER COMMONS: There's nothing more  
13 important to the people in this Commission who are being  
14 laid off than the subject of their getting jobs, and it's  
15 worthy of our discussion and consideration.

16 With a new Executive Director coming in, he has  
17 lots and lots of problems, and things that he has to do, and  
18 I am not willing to throw upon him another thing of coming  
19 up with a plan of how you do this. I would like to see two  
20 people go to work in this office and help people, and not  
21 wait two weeks, or four weeks, or six weeks, or eight weeks,  
22 to help people when I think we owe it to them.

23 COMMISSIONER EDSON: What I suggest that as we  
24 go through this today, we identify the activities in  
25 addition to the 348 here. At the end of the day we can tally

1 it up and see where we are, perhaps make adjustments then,  
2 or perhaps direct the Executive Office to report --

3 CHAIRMAN IMBRECHT: That's exactly what I was  
4 trying to suggest a moment ago, and what I was trying to  
5 suggest, Commissioner Commons, is there's a concensus that  
6 we need to put strong support into personnel outplacement,  
7 and so I think the Executive Office has a clear message from  
8 all five of us that we do not want that responsibility in  
9 any way shortchanged, and to the extent that we have  
10 additional personnel that can be allocated, that is one of  
11 the priority places for them to be allocated.

12 COMMISSIONER COMMONS: I'm sorry. It's not to the  
13 extent that we have excess people to put into that area of  
14 activity, that is more important than many of the activities  
15 that we have --

16 CHAIRMAN IMBRECHT: Then I suggest you make a  
17 motion, that's probably the best way to handle it and we'll  
18 just see whether you have three votes or not.

19 COMMISSIONER COMMONS: Either from the blanket,  
20 or from the 348, whichever the Executive Office would like  
21 to do, we allocate and put to work starting tomorrow,  
22 two persons for the balance of this calendar year to help  
23 on outplacement.

24 COMMISSIONER EDSON: Which equals 1 PY?

25 COMMISSIONER COMMONS: Well, not quite, because we

1 only have five months left.

2 COMMISSIONER EDSON: Let's call it one. I agree  
3 with that.

4 COMMISSIONER GANDARA: I agree.

5 CHAIRMAN IMBRECHT: All right, fine. You've  
6 got three votes, the message is clear. Let's move on to  
7 the Assessments Division.

8 COMMISSIONER SCHWEICKART: The number on this  
9 document that was changed, right?

10 CHAIRMAN IMBRECHT: That's correct.

11 COMMISSIONER EDSON: Right.

12 COMMISSIONER SCHWEICKART: Then I support.

13 CHAIRMAN IMBRECHT: Thom, are you going to make a  
14 presentation, or --

15 MR. KELLY: Yeah, we're just flipping a coin.

16 MR. SMITH: Basically there were several issues  
17 raised with regard to Assessments Division staff last week.  
18 The amount of staff we're dealing with there is 80. A  
19 number of the issues related to the availability of data  
20 processing funds, and Thom will go through the presentation  
21 and a proposed solution to the data processing question as  
22 well.

23 MR. KELLY: The first concerns conservation  
24 quantification and PVEA analysis, and we're going to provide  
25 some resources to the Conservation Division to work on both

1 of those. The resources represent somewhat of a bet on the  
2 come for conservation analysts who have return rights, or  
3 who otherwise will have bumping rights to classes in the  
4 Assessment Division where they will have vacancies and  
5 fill whatever vacancies we have.

6 And to the extent that those people can be  
7 identified for skills matches, both Ted and I will be  
8 looking at those to find matches. Those resources will be  
9 devoted to the PVEA and conservation quantification work.  
10 That way we don't shoot the forecasts in the head, nor do  
11 we have to abandon our work on commercial status technology  
12 evaluation which are the two key alternatives that we face  
13 with skill matches for resources right now.

14 We'll monitor the progress towards that as the  
15 layoff proceeds, and we'll have a good idea probably in  
16 December how those matches will fit.

17 COMMISSIONER EDSON: Well, doesn't that mean,  
18 then, none of that assistance will be provided until  
19 December or January?

20 MR. KELLY: Well, they have, through these blanket  
21 positions that you've been talking about, the ability to  
22 handle that through January 1st. So it's the period  
23 January 1st through June 30 that is the question.

24 COMMISSIONER COMMONS: I'd like to take a step  
25 backwards. It's very difficult to follow what we have here

1 because it's not put in the same format as to what we were  
2 given at the prior meeting. What I'd like to know, what  
3 are the changes in what you're giving us today as to what  
4 we went and discussed at the previous meeting?

5 MR. KELLY: There would be no changes except that  
6 vacancies would not be identified as vacancies. Instead,  
7 of those vacancies, 4.4 PY will be devoted to conservation  
8 quantification and to PVEA.

9 COMMISSIONER COMMONS: No, I'm addressing my  
10 question to Kent. I note in the sheet that I had last  
11 week, item 3108, out-of-state assessment, we had zero, and  
12 in the sheet I have in front of me, we have 1.5, and this  
13 wasn't even an item that was discussed, I believe at the  
14 previous meeting, and I think, wasn't this also an item  
15 that was specifically vetoed by the Governor?

16 MR. SMITH: I understood that that was an item  
17 that was being discussed since the last meeting, and expect  
18 that that was one that we would be addressing this afternoon.  
19 The reason for displaying it is to provide the focus for  
20 that discussion.

21 COMMISSIONER COMMONS: Where did you take that  
22 1.5 from?

23 MR. KELLY: Essentially, that came from three that  
24 we had as flexible staff allocated to various projects within  
25 the Demand Office and the Systems Office.

1           COMMISSIONER COMMONS: Well, we just made a  
2 policy decision this morning concerning those two areas,  
3 that they're -- Dr. Jaske's statement may have some impact  
4 on their work level.

5           MR. KELLY: These resources do not detract from  
6 any of the bodies that are performing, or that would be  
7 performing either resource plan analysis or forecasting.  
8 They're different skills, they're different bodies.

9           COMMISSIONER COMMONS: Okay. In the Department  
10 of Finance's budget, did we have any persons allocated to  
11 pooling and transmission approved by Finance?

12           CHAIRMAN IMBRECHT: Well, I mean --

13           MR. SMITH: Excuse me, one comment here. The  
14 Governor's -- our proposed budget had indicated resources  
15 at the level of about seven and a half for out-of-state  
16 work, transmission line work. Those resources were vetoed  
17 and not added to our budget, but the budget message indicated  
18 that the work is work that should be incorporated within the  
19 existing allocation for the regulatory planning program.

20           CHAIRMAN IMBRECHT: And actually, that was an  
21 augmentation that we had sought when some discussions arose  
22 this spring that was added by the two legislative committees,  
23 and what this would provide is, in effect, the existing  
24 level of resources to be allocated to this work, and that's  
25 something that I would like to suggest that we approve.

1           COMMISSIONER COMMONS: All right. Well, I guess  
2 the appropriate thing to do is to make a motion and not --

3           CHAIRMAN IMBRECHT: All right. I would move to  
4 ratify the display as represented here to allocate the  
5 existing level of resources to this work, which is one and  
6 a half PY.

7           COMMISSIONER GANDARA: What is this display, that  
8 display?

9           CHAIRMAN IMBRECHT: It's the second page here of  
10 the Assessments Division, the paragraph at the bottom  
11 explains it. This would basically be part-time by Gary  
12 Simon and Mark Ziering, as I understand it. It's a matter  
13 which I discussed with some of you.

14           COMMISSIONER GANDARA: Second it.

15           COMMISSIONER COMMONS: My position would be during  
16 the transition period of the next six months that if we --  
17 out of the blanket of some 27 or 34 people, if we wish to  
18 allocate excess staff to doing that work, I wouldn't object.  
19 I don't think I would support.

20           I think the Governor had a clear opportunity here,  
21 and our Chairman had a clear opportunity to discuss with  
22 the Governor the doing of this function and that it would  
23 be inappropriate for us to take our very limited resources  
24 and go into a new program area at this time, unless we  
25 used excess resources.

T.8

1           CHAIRMAN IMBRECHT: I don't think this would  
2 constitute a new program area, it would basically be  
3 continuity of existing workload and I've just indicated  
4 as well that opportunities for discussion during the budget  
5 process were limited because of a general fund focus that  
6 the administration had. This has been discussed with the  
7 Governor's Chief of Staff, however, and he would approve  
8 this decision.

9           COMMISSIONER COMMONS: There is certainly nothing  
10 that inhibits us from going back and asking for an augmenta-  
11 tion for something that is important to California in this  
12 area. I'm also very concerned that when we're talking about  
13 something in the hundreds of millions of dollars, where  
14 our state's utilities have made enormous investments, that  
15 our just doing a little bit in the area might actually  
16 detract rather than add to the work that's being done.

17           I'm concerned in terms of putting a little bit  
18 of resources that we can't do quality work.

19           COMMISSIONER SCHWEICKART: I would like to get  
20 down to making -- if we're going to make judgments, make  
21 judgments on the basis of fact, and the fact that I don't  
22 have before me here, and I wasn't satisfied, perhaps  
23 through my own inattention, but I wasn't satisfied with  
24 the response of where did these people come from, vis-a-vis  
25 what we saw last week, is what are we doing less of in

1 order to allocate 1.5 PY's to this work.

2 COMMISSIONER COMMONS: Well, I can find .5 of  
3 it for you, Commissioner Schweickart. 3104 last time had  
4 energy strategies at 3.5, energy strategies now on  
5 natural coal and gas and coordination are down to 3.

6 COMMISSIONER EDSON: It's not clear to me that  
7 last week's material included no PY for this --

8 COMMISSIONER COMMONS: Yeah, it shows here a --

9 COMMISSIONER EDSON: Well, as I read through  
10 the back-up material, that suggests that we -- the staff  
11 is suggesting that we continue work at the current level.

12 COMMISSIONER COMMONS: Okay, 3108 unhappily  
13 doesn't have a page number, out-of-state assessment lead is  
14 a total of zero.

15 COMMISSIONER EDSON: You're right.

16 CHAIRMAN IMBRECHT: Do you have a response for us?

17 MR. KELLY: Oh, for where the positions come from?

18 CHAIRMAN IMBRECHT: Um-hmm.

19 MR. KELLY: Essentially it's a combination of  
20 things, one being positions that we have already earmarked  
21 to come from other places. There's nothing that's not  
22 going to be done because Gary, for instance, continues to  
23 work on this that wasn't going to be done before. His  
24 position will still be dedicated to it.

25 Another component of the 1.5 is going to be PY

1 that's already been expended this year to work on this  
2 project since we anticipated that it would be requested at  
3 the full level, we have about that many bodies actually  
4 working on it right now, that in January will expire, and  
5 the remaining portion of that, whatever tenths of PY that  
6 represents, will essentially come out of those positions  
7 that we have earmarked for general support.

8 MR. SMITH: At the last meeting on Wednesday, I  
9 believe the number of those general support positions was  
10 3, and there was some discussion of that toward the end of  
11 Wednesday's session, and this resource represents a portion  
12 of those.

13 COMMISSIONER COMMONS: I still don't believe you've  
14 answered either Commissioner Schweickart's question or mine  
15 where the 1.5 -- I've found a half, I haven't found the one.  
16 The other numbers added up to a set number, and these add  
17 up, and so you had to take them away from something.

18 MR. SMITH: Well, within the display. The three  
19 that we had described were part of the 80.

20 CHAIRMAN IMBRECHT: You have general support, and  
21 so it's --

22 MR. KELLY: The three that we described were part  
23 of the 80, there's no -- we're not going back to the 78.5.

24 COMMISSIONER SCHWEICKART: What I'm seeing --  
25 excuse me for adding your numbers, but what I'm seeing is an

1 addition of 2.0 PY's in the systems assessments branch, I  
2 guess, or office. Are you telling me that the total number  
3 in the Assessments Division has increased between last week  
4 and this week?

5 MR. KELLY: No, it is still 80.

6 MR. SMITH: No, 80 last week, 80 today.

7 COMMISSIONER SCHWEICKART: All right. Well, we  
8 have 1.5 additional in out of state assessment and a half  
9 a PY in electricity strategies.

10 COMMISSIONER COMMONS: Less.

11 COMMISSIONER SCHWEICKART: More, and a half less  
12 in energy strategies.

13 MR. KELLY: That's where one of the --

14 COMMISSIONER SCHWEICKART: Okay. So the imbalance  
15 is an additional 1.5, and I haven't found where it cut out  
16 yet, and you're telling me --

17 MR. KELLY: It's a maximum of .5.

18 COMMISSIONER EDSON: Well, the addition comes  
19 out to a difference of 1.5, the addition of 1.5 in systems  
20 assessments element, or program --

21 MR. KELLY: For out-of-state.

22 COMMISSIONER EDSON: Total addition of 1.5. If  
23 we add up the systems assessments numbers from last week  
24 and these, there's a difference of 1.5.

25 MR. KELLY: It should not be for the total of .5

1 difference.

2           COMMISSIONER SCHWEICKART: Well, Thom, I'm sorry,  
3 but if you want to add the numbers, it's 1.5

4           COMMISSIONER COMMONS: All right. I have found  
5 it, I think, the primary difference. If you look at the  
6 demand and trends assessment which was the primary issue  
7 that we discussed early this afternoon and late this morning,  
8 that seems to be where the primary personnel change is from  
9 last week and this week.

10           We have 1.5 on residential, that has been cut to  
11 1.15. We have 2 on commercial, that's been cut to 1.4,  
12 industrial went to 2.25 to 2, and you can follow on down the  
13 list. Every single item under that has been reduced and  
14 reduced substantially. So that means the significant change  
15 in the resource allocation, and our demand and trends  
16 assessment from one area to another, and I guess I would  
17 like to hear Dr. Jaske, or someone in the forecasting area  
18 in terms of if they're aware of this change, and what impact  
19 this would have.

20           MR. KELLY: It appears that the offices that had  
21 those PY in there did not directly allocate them to this,  
22 that the elements did not directly allocate them to that,  
23 that they were allocated in coming up with the 80.

24           CHAIRMAN IMBRECHT: You're confusing me more  
25 with each subsequent answer, Thom.

1 MR. KELLY: The one and half, yes, it's part of  
2 the 80, and there's no work that's described in your  
3 packages that will not get done.

4 MR. SMITH: And the reason for that is last  
5 Wednesday, Thom identified a total of 3 PY worth of effort  
6 that essentially was unallocated, or was assistance to  
7 Commissioners, or was a floating, there were several  
8 terms used late Wednesday afternoon to describe that 3 PY,  
9 and that a portion of that 3 PY that's now specifically  
10 targeted for the continuance of the out-of-state work.

11 COMMISSIONER COMMONS: I'm sorry. This one item  
12 has been reduced from approximately 16 person years, the  
13 independent energy demand assessment, 3201, to approximately  
14 11.4.

15 CHAIRMAN IMBRECHT: This is on page 4 of the  
16 material that you handed us.

17 MR. KELLY: Demand had been reduced.

18 CHAIRMAN IMBRECHT: What Commissioner Commons is  
19 pointing out is that each of the items, residential,  
20 commercial, industrial, et cetera, have all been fractionally  
21 reduced, and the cumulative impact of that is approximately  
22 5 PY.

23 COMMISSIONER COMMONS: All right, now I have found  
24 part of that answer, and part of that answer is in your  
25 surveys, I think you've taken out of that 2.6 of those

1 persons and have designated them to surveys which would  
2 reduce the discrepancy by about half.

3 CHAIRMAN IMBRECHT: I'm going to make a suggestion.

4 MR. KELLY: Yes, we did make some adjustments  
5 because -- here -- I have to keep track of what these are.  
6 We made some adjustments based on the EDP augmentation,  
7 some of the things that were in, what we were planning to  
8 do before, we were not going to do because we didn't have  
9 the EDP sources, and so they didn't appear in that first  
10 column.

11 The way it's set up now is because we expect to  
12 have additional EDP, we're diverting those resources to  
13 use the computer, and that will cause changes to happen in  
14 the subsectors.

15 COMMISSIONER COMMONS: All right. I guess I would  
16 like Dr. Jaske's opinion on whether or not we have adequate  
17 resources in this area, and I'd also like Dave Morse's  
18 opinion on the supply side, if there have been changes  
19 here that are going to make it so he is not able to complete  
20 his task.

21 MR. KELLY: Well, I think we --

22 COMMISSIONER COMMONS: Or before we allocate  
23 resources to areas that we have discretion under Warren-  
24 Alquist, I want to make sure we can meet our fundamental  
25 criteria as stated by the legislature.

1 MR. KELLY: Why don't you step right out.

2 (Laughter)

3 MR. KELLY: Would you like to hear them say  
4 whether or not these proposed changes of the 1.5 PY, for  
5 instance, would effect anything they had planned for this  
6 year?

7 COMMISSIONER COMMONS: I have negotiated with  
8 both of these gentlemen, and I know that they are going to  
9 state how they feel, I'm very comfortable with them.

10 COMMISSIONER EDSON: Let me -- I really have an  
11 objection to this. I think we have a role for the Executive  
12 Office, we have a role for the division chiefs, and to start  
13 circumventing that, especially in this kind of setting,  
14 ever actually, but to start circumventing it here I think  
15 is completely inappropriate.

16 CHAIRMAN IMBRECHT: I would have to agree with  
17 that, because I think there's a large matter which I think  
18 you're in effect asking.

19 I think the point is for me, as a practical matter,  
20 we would then be asking each of the individual program  
21 managers beneath division chiefs to ask whether or not they  
22 agree with the judgment of their superior or not in a public  
23 meeting, and I don't think that's an appropriate situation.

24 COMMISSIONER COMMONS: Then let me retract that,  
25 but let me ask here, then, if we look at the computer

1 resources that we had previously on the demand and assessment,  
2 we had allocated \$205,000. Now your statement is because  
3 of an augmentation of computer resources, we have been  
4 able to reduce the manpower.

5           However, rather than going up from \$205,000, we  
6 have actually declined to \$90,000, at least in the special  
7 accounts and in contracts. Can you give me the comparison  
8 on the computer side, because obviously, in terms of outside  
9 assistance, we've actually gone down.

10           MR. KELLY: May I see the document that you're  
11 referring to?

12           COMMISSIONER COMMONS: Yes.

13           COMMISSIONER SCHWEICKART: You presented it to us  
14 a week ago.

15           MR. KELLY: That's the document.

16           COMMISSIONER SCHWEICKART: Yes, sir, and that's  
17 what we're working from, and unfortunately, what we don't  
18 have before us today is a difference document, because as  
19 I go through this, and we haven't gotten there yet, but you  
20 have added PY's into a number of areas that last week were  
21 zero, and what we're dealing with is half a deck of cards  
22 here.

23           MR. SMITH: Each of those in this presentation  
24 ought to be highlighted and explained to your satisfaction,  
25 that's what we're hopefully going to be able to do here.

1           COMMISSIONER SCHWEICKART: Well, the format in  
2 which this is being presented unfortunately doesn't give us  
3 this ability into what the changes were.

4           CHAIRMAN IMBRECHT: This whole thing -- Thom,  
5 we're going to give you one more try on this, otherwise  
6 I'm going to be -- I'm going to suggest that unless we're  
7 able to get a better presentation, that we might move on  
8 to another division and ask you to reconoiter just a bit,  
9 take a look at what Commissioner Commons is raising unless  
10 you -- do you have an explanation now that's clear or not?

11           MR. KELLY: I'll try.

12           CHAIRMAN IMBRECHT: Okay, last shot, time is  
13 a wasting.

14           MR. KELLY: To do the detail that it would take  
15 to go through this to cover each one of those would take  
16 considerable time. I believe the confusion results from  
17 the fact that Commissioner Commons is looking at the  
18 budgeted amount that's a very short form like this.

19           CHAIRMAN IMBRECHT: That's the same page, yes.

20           MR. KELLY: And comparing that with the kinds of  
21 things we are saying we will and will not do which is  
22 considerably more detailed.

23           COMMISSIONER COMMONS: Thom, I'm looking at the  
24 sheet with the same level of detail on both sheets.

25           MR. KELLY: Yes. This is the budget that is

1 prepared in your original packet.

2 MR. SMITH: Excuse me, Thom, it sounds like  
3 Commissioner Schweickart is correct, and that what you're  
4 going to need is a document that shows you the difference  
5 between what was presented last week, and what, in fact,  
6 we have here this afternoon. I was expecting that we  
7 wouldn't have that degree of change, we obviously do.

8 COMMISSIONER SCHWEICKART: Well, Kent, I think  
9 that's the essence of the issue here, is that last week  
10 we went through this in some detail, we made specific  
11 comments. Our understanding was that what we were going to  
12 see today were the reflection of those comments.

13 MR. SMITH: Were the issues.

14 COMMISSIONER SCHWEICKART: What we're seeing is  
15 considerably greater change than any of us can apparently  
16 identify in formulating with comments.

17 MR. SMITH: That's correct. Are we going to be  
18 able to go through the detail and explain what the  
19 differences are from last week to today?

20 MR. KELLY: There are almost no differences from  
21 last week til today.

22 MR. SMITH: Okay, can you make that clear.

23 MR. KELLY: Now, what the difference is, that  
24 what we are doing in our work plan, which was attached to  
25 the information that you got which was more detailed than

1 this summary sheet --

2 COMMISSIONER SCHWEICKART: But consistent with it  
3 or inconsistent with it?

4 MR. KELLY: Inconsistent with it because though  
5 this is what we estimated at a time a year ago the detail  
6 would be, the detail changed between this time and what we  
7 actually showed it to be our announced time to start  
8 turning the cranks and doing the work.

9 So that's why we provided the additional back-up  
10 sheet which says these things are not going to be exactly  
11 as you saw it because we are smarter today than we were  
12 before, and we have more information, and we know we don't  
13 have computer bucks. So we broke the work out into the  
14 different things that would be done given EDP problems,  
15 given vacancy problems.

16 Taking your direction last week, we said, okay,  
17 let us try to find that EDP bucks so we don't really have  
18 to lose this, and we came up with all right, we'll take the  
19 EDP bucks, we'll spend those EDP bucks to the tune of about  
20 \$155,000, which we indicated before was ball park that we're  
21 going to go for, and that's how we're going to spend the  
22 money.

23 What you have is a lot of information that explains  
24 exactly that we're doing what we said we would do last week.  
25 It is the same thing we are doing, we're not doing anything

1 different except using the personnel to do the EDP tests  
2 that we outlined. That's what we're doing. Now, those  
3 numbers will be different than the budgeted numbers, but  
4 they always are for this project.

5 CHAIRMAN IMBRECHT: Commissioner Gandara?

6 COMMISSIONER GANDARA: Let me review at least  
7 what my memory was of what we did last week. We did go in  
8 detail into these numbers last week, we did direct the  
9 staff to change the numbers. There's no expectation that  
10 they should be the same, we directed the staff to change  
11 the numbers because we basically felt on a number of areas,  
12 like conservation quantification, that they should look at  
13 the issue of either sharing resources for conservation.

14 In the area of EDP, we directed them to look at  
15 whether things could be consolidated and expect changes in  
16 numbers because of that. We directed more -- such general  
17 statements as more work in natural gas, less work in  
18 scenarios, and so forth, so there was an expectation that  
19 we'd go back and adjust these positions.

20 My recollection of the decision that we made with  
21 respect to what started this whole thing was whether the  
22 augmentation that we requested of 3 PY in -- you know, for  
23 Northwest power in particular, was going to be continued,  
24 despite the fact that that particular augmentation was  
25 rejected by the Governor's Office. I think the Commission

1 decision here is that we did not want to take on the  
2 additional load of the augmentation of the 3 PY. The  
3 question before us now is whether the 1.5 PY on out-of-state  
4 power, not Northwest power, is the appropriate amount to  
5 be allocated to our out-of-state power analysis.

6           The question is whether that, in fact, is all that  
7 distinctively different from what was allocated, even without  
8 any augmentation, what was in fact being spent at the rate  
9 during the BR IV process where the Committee identified that  
10 this is an area that we asked people -- in fact, we asked  
11 them to put additional work into it.

12           Now, I've been a -- I have some concerns about  
13 some of the areas that were edited, and so forth, and I've  
14 articulated those, and given that what I see here is a  
15 reflection of a total PY allocation for an entire range of  
16 out-of-state issues to be allocated according to the work  
17 plan that the staff has provided, I find that particularly  
18 surprising.

19           There's a different concern raised by Commissioner  
20 Commons, which is almost a 5 PY reduction in the demand  
21 assessment office, but what we're being told here is that  
22 we expected those -- we expected some adjustments in  
23 accordance with all the other things that we made -- other  
24 changes we directed, but that the work to be achieved has  
25 not been modified. I think we've spent too much time on this

1 myself, and I don't --

2 CHAIRMAN IMBRECHT: All right, Commissioner  
3 Commons.

4 COMMISSIONER COMMONS: All right. Your statement  
5 was that the primary reason for the adjustment is EDP, of  
6 course I was given this data five minutes ago, so I'm working  
7 at a very major disadvantage.

8 MR. KELLY: We did not -- excuse me. We did not  
9 reduce the forecasting by 5 PY because we got EDP funds.  
10 The 5 PY in round figures, occurs because we have approxi-  
11 mately five vacancies, and we reflected -- at one point we  
12 reflected a difference in work because we could not do it.

13 COMMISSIONER COMMONS: In looking -- your specific  
14 statement was that the increase in EDP funds allowed you to  
15 modify the number of personnel. In the information you gave  
16 us last week, the statement is made, can't do because EDP  
17 dollars, 1.2 persons specifically. I am not able to add  
18 up the numbers and come -- and understand, one, where we're  
19 getting the people for the conservation quantification, two,  
20 where we're getting the people for out-of-state power, and  
21 where you've taken the work from.

22 I heard what you said, but going back to the  
23 document that we had last week, I find it very difficult to  
24 track.

25 MR. KELLY: You won't find the out-of-state people

1 coming from anywhere in this element because they were not  
2 in this element.

3 COMMISSIONER COMMONS: We had 80 last week, and we  
4 had a number that added up to 80 broken out in detail. Now  
5 we have a number of 80 which includes a number allocated  
6 to out-of-state power, so they have to come from somewhere.

7 COMMISSIONER GANDARA: Is that as important, where  
8 they come from, as whether the allocated -- just allocated  
9 amounts are appropriated?

10 COMMISSIONER COMMONS: Well, that's what I'm  
11 trying to find out. I can't make an assessment as to whether  
12 they're appropriate, unless I know where they came from,  
13 because then I can make an assessment as to whether or not  
14 we can do the work that was previously allocated.

15 I assume that staff came to us with a recommendation  
16 last week as to the minimum amount of people that they could  
17 allocate to a function and do their task.

18 MR. KELLY: It's allocated at the end, to  
19 management support or something. Okay, here it comes. On  
20 -- our chief budget analyst. On the summary sheet --

21 COMMISSIONER GANDARA: This week's or last week's?

22 MR. JASKE: Last week.

23 COMMISSIONER EDSON: Last week's summary sheet.

24 MR. JASKE: It is item 3299 at the bottom of the  
25 page.

1           CHAIRMAN IMBRECHT: It's 4:00 o'clock, please  
2 let's try to get this resolved, and my patience is growing  
3 very thin.

4           MR. KELLY: Here it is. Here they are, we have  
5 found them. At the very bottom of this page, you will see  
6 3299, that's in the demand assessments, demands and trends  
7 assessments, do you have project number 3299?

8           COMMISSIONER COMMONS: Here it is, 1 PY.

9           MR. KELLY: One PY. There is one in the Systems  
10 Office and one in the Technology Office totalling three.  
11 That's where the 1 PY is coming from.

12           COMMISSIONER COMMONS: All right. So what you're  
13 saying is, then, one item that you're reducing is there will  
14 be no Commissioner support.

15           MR. KELLY: No, one thing we are doing is supporting  
16 Commissioners with this 1.5 PY. That's how we're going to  
17 allocate this particular 1.5 PY of the 3 that we've allocated.

18           COMMISSIONER SCHWEICKART: So you're saying that  
19 that was a generic statement, Commissioner support, and  
20 you're now making it specific, out-of-state power.

21           MR. KELLY: Yes, sir.

22           COMMISSIONER SCHWEICKART: Thank you. I support  
23 it.

24           CHAIRMAN IMBRECHT: Okay. I think we have three  
25 votes in that case.

1           COMMISSIONER COMMONS: All right. Just for the  
2 record, I'll oppose this item in that the Governor's veto  
3 was specific on this item.

4           CHAIRMAN IMBRECHT: All right, excuse me?

5           COMMISSIONER EDSON: I just said that I concurred  
6 with this item.

7           CHAIRMAN IMBRECHT: You concur with the allocations,  
8 so as I understand it, then, we have four affirmative votes  
9 and Commissioner Commons opposes. Okay, moving on to the  
10 next item.

11          MR. KELLY: Much more quickly, I promise.

12          CHAIRMAN IMBRECHT: I hope.

13          MR. SMITH: Let me just -- the policy for a second.  
14 The product of the result that would be extremely helpful  
15 to have with regard to the process that we're in with the  
16 Personnel Board is concurrence with the division numbers,  
17 the 84, Assessment Division, and the basic breakdown of the  
18 management systems, demand, fossil fuels technology office,  
19 the rest of the discussion and the detail is so that there's  
20 some indication of what that work in each of the offices is.

21                 What we hope we can be able to do is to -- with  
22 regard to the discussion last week is to specifically  
23 indicate that -- how we're going to follow the direction that  
24 was received last week. There are some issues to be resolved  
25 today, but that's basically what we're looking for, is

1 concurrence with the 80, and with the five other numbers,  
2 and if we can get that --

3 CHAIRMAN IMBRECHT: It's the front page that you  
4 particular want concurrence on.

5 MR. SMITH: It's the front page that we're looking  
6 for concurrence on. Specific direction we'll document and  
7 ensure it's carried out, but it's concurrence with the  
8 front page that is important.

9 CHAIRMAN IMBRECHT: Are there further questions  
10 from the Commissioners?

11 COMMISSIONER SCHWEICKART: Yes. Mr. Smith, are  
12 there any changes on the front page from last week?

13 MR. SMITH: From last week, there is no change in  
14 the 80, I believe that there is no change in the five numbers  
15 that I referred to is that correct?

16 MR. KELLY: That's right.

17 COMMISSIONER SCHWEICKART: All right. So the  
18 changes that we recommended last week lie within the level  
19 of detail that you are seeking today.

20 MR. SMITH: That's correct.

21 COMMISSIONER SCHWEICKART: Why don't we go home.

22 COMMISSIONER COMMONS: There was one question  
23 raised, though, as to special treatment, as to the vacancies  
24 which may be different than is being done for other divisions  
25 and would affect the overall allocation because of the

1 conservation quantification, so that would be one out-  
2 standing issue.

3 MR. SMITH: Yeah. The reason that we're discussing  
4 in detail some of these activities in the Assessments  
5 Division is because there was specific direction to staff  
6 last week, and we wanted to confirm that we're following  
7 the direction.

8 COMMISSIONER GANDARA: If I might make a suggestion  
9 to my fellow Commissioners here? During this discussion,  
10 I've reviewed the Assessments Division budget. The -- what's  
11 in print is the important part, not the numbers, what's in  
12 print is what we directed the Assessments Division to make  
13 changes with general direction.

14 You know, what comes now before us in print is  
15 the specific implementation of that, you're right, we could  
16 go home, because it's the same within the offices, but for  
17 the fact that I think they want the blessing that indeed,  
18 we're not going to be working on scenarios, we're going to  
19 be working more natural gas and coal, because we asked them  
20 to do more natural gas.

21 So, that's I think, where we are, so we focus on  
22 what's in print. I think we can actually get through  
23 rather quickly.

24 CHAIRMAN IMBRECHT: That's fine with me as well.  
25 The next question I think we will need to ask is do any

1 Commissioners have any addendums they wish to make to any  
2 of these specific breakouts, or explanations that accurately  
3 reflect the direction given last week?

4 COMMISSIONER COMMONS: Well, I would like to go  
5 through each division and find out --

6 CHAIRMAN IMBRECHT: Well, we are going to go  
7 through each division, we're working on Assessments right  
8 now. We're going to find out whether we've got agreement  
9 on Assessments, then we'll go to the next one.

10 MR. KELLY: Do you want me to highlight any of  
11 these, or --

12 CHAIRMAN IMBRECHT: Well, Commissioner --

13 MR. KELLY: There's one I feel obligated to  
14 since it happened during this meeting a few minutes ago,  
15 earlier this morning, it's about the additional economic  
16 and demographic kinds of assumptions that we are to provide  
17 the utilities. To put that in the form that we can  
18 distribute to them, and to make sure we get it all in  
19 ourselves may require an augmentation of our current budget.  
20 We won't know for sure until we meet with the contractor  
21 tomorrow, of \$20 to \$30,000.

22 So of the contracts that we would divert to EDP,  
23 we would recommend diverting all but perhaps that amount,  
24 and that might be the only change that you would see in  
25 these total numbers. But the Executive Office and other

1 divisions are -- along with the Assessment Division are  
2 working to ascertain what minimum EDP operating levels they  
3 can get to and find additional funds. So those are the  
4 only things that I thought I might highlight.

5 CHAIRMAN IMBRECHT: Commissioner Gandara.

6 COMMISSIONER GANDARA: I have one question, okay.  
7 On your second page you indicate that your -- the two  
8 positions formerly working on scenarios should be redirected  
9 to natural gas and coal work. The question I have is twofold,  
10 one, how many people are left working on scenarios, and two,  
11 given the Commission adoption of Form R-21 this morning,  
12 is that -- you know, where will the review of those resource  
13 plans occur?

14 MR. KELLY: As for question number one, we have  
15 1 PY working on the lower case "s" scenarios, the numbers,  
16 correspondence, the quality control, and that sort of thing,  
17 to make sure each unit is using the right numbers, that sort  
18 of thing will take place. The other two will be just  
19 devoted totally to natural gas and coal, about one and a half  
20 to gas and .5 to coal.

21 The second question is the work will be done  
22 according to the budget that we already had prepared.

23 COMMISSIONER GANDARA: Okay, so you were  
24 contemplating in the budget prepared to do R-21, that  
25 coming in, that seems to be a substantial amount of work.

1           MR. KELLY: Well, our direction at this moment  
2 is to prepare our own analysis of resource plans, not  
3 necessarily -- or how resource plans might look under the  
4 new staff scenarios. What we don't have budgeted at the  
5 moment is intensive review of utility resource plans, but  
6 by offering this alternative of ways of looking at the  
7 resource plans, we feel that is perhaps the most effective  
8 review we can do.

9           COMMISSIONER GANDARA: So in essence, the  
10 submittal of R-21's, you know, reduces your need to do some  
11 of the scenarios work we're doing before because essentially  
12 that's been translated to the utility, is that correct?  
13 Do you see the R-21 submittals as scenarios?

14           MR. MORSE: The scenario work was really to fund  
15 energy scenarios. We still will be doing a type of  
16 electricity scenarios with our existing budget. It will  
17 be similar to the work in R-21. We're budgeted to do that.  
18 We're not budgeting to do a detailed assessment of R-21,  
19 that would take some redirection.

20           Again, this is the type of thing that we might  
21 be looking at another three or four months from now as we  
22 see what staff has on board as well, so I don't think you  
23 really have to make a commitment at this point on that.

24           COMMISSIONER GANDARA: I have no further questions.

25           CHAIRMAN IMBRECHT: Commissioner Commons?

1           COMMISSIONER COMMONS: So you're saying as the  
2 Commission action that was taken this morning in terms of  
3 reviewing the resource plans, the high and the low oil  
4 prices, we have zero persons allocated at this time?

5           MR. MORSE: We don't have resources devoted to  
6 perform a detailed assessment of those. We have a -- in  
7 my office have somewhere around 1 PY to assist the resource  
8 plans. So to the extent we've added quite a bit to the  
9 forms, we are under budget on analyzing resource plans.

10           COMMISSIONER COMMONS: I've got a sense of the  
11 other Commissioners, it's going to be difficult to get any  
12 modifications or changes of these allocations, so rather than  
13 lose on the issue, I'm going to propose that in looking at  
14 the October potential revisions that this item be given  
15 consideration since it occurred today and we haven't had the  
16 time to assess it.

17           CHAIRMAN IMBRECHT: That's fine.

18           COMMISSIONER COMMONS: The second item I'd like to  
19 raise is continuation of an item that had been raised at  
20 the last week's meeting and I believe two Commissioners  
21 wanted to hold open the judgment concerning the Center for  
22 Continuing Study of the California Economy, and what would  
23 be lost if we cancelled that contract completely?

24           I think what I'm hearing today is that you may  
25 be concurring that there needs to be some amount of that

1 work continued in order for us to do our performance.  
2 However, that would come out of your EDP budget, is that --  
3 MR. KELLY: That's correct, on both counts.  
4 COMMISSIONER COMMONS: All right. Pursuing that,  
5 we came down from what, \$380,000, what did we use in the  
6 last Biennial Report doing our forecasts?  
7 MR. KELLY: In terms of contracts, or in terms  
8 of EDP?  
9 COMMISSIONER COMMONS: EDP dollars.  
10 MR. KELLY: About \$531,000.  
11 COMMISSIONER COMMONS: All right, and you're  
12 proposing doing it for \$155,000 this time, and we may lose  
13 an additional \$30 or \$40,000.  
14 MR. KELLY: The \$165,000 that we were initially  
15 budgeted plus the \$155 which we were trying to get from  
16 contract slipover, and the additional amount that we're  
17 able to find as staff from other divisions not needing  
18 theirs.  
19 COMMISSIONER COMMONS: All right. If you lose  
20 this \$30 to \$40,000, are you going to be able to do the  
21 work that you have to do under the CFM/BR process?  
22 MR. KELLY: We can do more with more money. I'd  
23 say that even 125, or 135 additional is almost double what  
24 we had going into this review process, so I like to look  
25 at it on the positive side, that we can do quite a lot.

1           COMMISSIONER COMMONS: I'd like to hold that item,  
2 because last week I believe we stated that you would give us  
3 an overall allocation of the computer funds and the rationale,  
4 and I think it would be difficult to look at that in  
5 relationship to this division without looking at it overall  
6 in the Commission, so I'd like to hold that.

7           MR. SMITH: Excuse me, what we're proposing is as  
8 a result of the discussion last week is the shift of  
9 contract funds into EDP. We're not in a position to go  
10 through the entire EDP budget this afternoon item by item.  
11 If you want to reserve judgment on the EDP allocations,  
12 that issue is separable from the position allocation issues  
13 that I would like to have resolved this afternoon.

14           COMMISSIONER COMMONS: I certainly would like to  
15 sever that if that can be done, because your statement to  
16 us was that you would provide it to us.

17           MR. SMITH: If that's the case, I'm sorry that  
18 we didn't follow up.

19           CHAIRMAN IMBRECHT: All right, anything further  
20 on assessments?

21           COMMISSIONER EDSON: Yes, I'm sorry.

22           CHAIRMAN IMBRECHT: Yes, Commissioner Edson?

23           COMMISSIONER EDSON: Two questions, you indicated  
24 the Demand Office write-up that you will be able to do the  
25 transportation forecasting work that you previously thought

1 you would not be able to do.

2 MR. KELLY: He'd rather do that work than lose  
3 both his arms.

4 COMMISSIONER EDSON: Was this work part of the  
5 budget material last week?

6 MR. KELLY: Yes.

7 COMMISSIONER EDSON: And the second question is,  
8 as I understand your material, all the contract dollars  
9 in the Assessments Division are within the Demand Office.  
10 But I don't have contract write-ups, EDP aside, for the  
11 agriculture, or the general assessments work.

12 MR. KELLY: For the ones that we recommended  
13 dropping?

14 COMMISSIONER EDSON: No, these are recommended  
15 for -- in today's presentation, the 30 and 60, and I was  
16 curious what they were, and what contracts are being dropped.

17 MR. KELLY: These are essentially data contracts.  
18 We're requesting data. They were left out of your package  
19 just through a copying error, but they're both data contracts.  
20 We're proposing for our peer review, and depending on how  
21 this economics contract comes out, another \$20 or \$30,000,  
22 \$125,000.

23 We're proposing to take the ag contract, which  
24 was to do modeling work, and clean it up, and prepare all  
25 the data so we can more readily use it, we will hand crank

1 it and divert that \$30,000 to data, so we'd have a total of  
2 \$90,000 going to data just to run the modeling, feed the  
3 modeling, get just the basic information we needed to change  
4 it. That's one of our big improvements for the CFM process.

5 COMMISSIONER EDSON: And what was dropped besides  
6 the peer review and now --

7 MR. KELLY: The Center for Continuing Study,  
8 the economic/demographic, and the ag.

9 COMMISSIONER SCHWEICKART: Let me ask, we're  
10 dropping all work with the center?

11 MR. KELLY: All but perhaps the amount that we  
12 need to ensure adequate scenarios for us and the utilities.

13 COMMISSIONER SCHWEICKART: Well, what in addition  
14 to that did they do last year?

15 MR. KELLY: They prepared the entire forecast,  
16 start to finish with disaggregated numbers, they prepare  
17 all the economics and demographics for us, and we don't  
18 need it this time, because we're in the middle of the  
19 process, and we'll be using the numbers that they generated  
20 in last year's contract.

21 They're going to update all the new economics and  
22 demographics, and they could be here today for all I know,  
23 it's that hot a delivery.

24 COMMISSIONER COMMONS: But LADWP testified earlier  
25 that just to change and have a high and a low price scenario,

1 just putting in the economic assumptions would cause them  
2 with their firm \$100,000.

3 MR. KELLY: Well it certainly wouldn't cost us  
4 anywhere near that. Can we consult?

5 COMMISSIONER GANDARA: The issue here was, that  
6 if you recall, there was an item there for a contract with  
7 CCSE, which was almost the same amount, I think, or pretty  
8 close to the existing contract amount, and I think what was  
9 envisioned was the continuation, and I think it was  
10 targeted last time for a reduction, and some funds are  
11 being released from that. It's not that we're deleting  
12 significant work, or anything like that, but that we're --  
13 I think at the time that it was the Commission's feeling  
14 that the -- that for the additional work being sought that  
15 the contract amounts appear to be on the high side, and  
16 it's being adjusted to what --

17 COMMISSIONER EDSON: Where does that appear in this  
18 material?

19 MR. KELLY: In the EDP write-up.

20 COMMISSIONER EDSON: Oh, so it's part of the EDP?

21 MR. KELLY: It's part of the EDP. I didn't call  
22 out the contracts, but as the next page, you were supposed  
23 to have a set of the new proposed contracts. The only  
24 two that we're proposing to leave in there, and they just  
25 for some reason weren't copied.

1 COMMISSIONER EDSON: No, that's fine.

2 MR. KELLY: We'll be glad to get those to you  
3 just right after this meeting.

4 CHAIRMAN IMBRECHT: Okay. Further questions?  
5 Is there objection to adoption of the Assessments Division  
6 work plan as presented? Hearing none, that will be the  
7 order.

8 Next is conservation. Ted.

9 MR. SMITH: As we pointed out last week, in  
10 Conservation Division there's the most substantial of the  
11 changes to the division programs in terms of reduction.  
12 The staff is basically going from 84 to 42. There are a  
13 number of issues, Ted will go through and highlight those  
14 issues for you.

15 MR. RAUH: I have a brief presentation. I'd like  
16 to begin by quickly indicating the resource shifts that have  
17 occurred for you by highlighting them on the first page  
18 in your package that has the resource summary.

19 Basically there are no shifts in budgeted  
20 positions. There is only one minor shift within the  
21 resources of the Appliance Program. We're dealing with  
22 your desire to have a more aggressive enforcement program.  
23 So minor switches within the three person years will allow  
24 us to engage in a more diligent enforcement and testing  
25 effort.

1           To augment that program with appropriate resources,  
2 we also followed your direction and made one shift in  
3 contract resources under special account from the buildings  
4 element under Building and Appliance Standards Office that  
5 was 365 in the earlier document we provided, it is now  
6 \$240,000. \$100,000 of that money is going to an appliance  
7 testing contract, the write-up is in your package; \$25,000  
8 is augmenting our effort in insulation quality, basically  
9 again, to meet your desire to keep our enforcement activity  
10 at its current level.

11           This additional \$25,000 will provide for the  
12 technical support from the Department of Consumer Affairs  
13 in any adjudicatory or technical dealings that we have to  
14 have with the insulation industry to resolve lapses in  
15 compliance with the standards.

16           So those are the only differences in the division  
17 resource allocations from the similar summary page that  
18 was provided to you a week ago.

19           Now, at this point, I'd like to quickly summarize  
20 the issues, nine issues that were discussed last week. As  
21 I've already indicated, the nonresidential building standards  
22 training activity was reduced per your concensus last week  
23 from \$200,000 to \$100,000, and as I've discussed, the dollars  
24 have been moved into the appliance testing area.

25           Standards monitoring and enforcement, again, as I've

1 indicated, we will be able to maintain the level of enforce-  
2 ment and testing in all three of our standards areas. I've  
3 indicated the increases in contract dollars, and the fact  
4 that one person year has been deployed in the appliance, or  
5 redeployed in the appliance area to assure that we can carry  
6 out an enforcement activity.

7           Insulation standards, I mentioned, we are moving  
8 \$25,000 out of the buildings element to augment DCA to  
9 carry out and provide technical support to the Commission.

10           In terms of staff for PVEA projects, we will  
11 continue to staff those programs within the Conservation  
12 Division for the first six months of the fiscal year,  
13 essentially with overage staff. At the point of layoff,  
14 the Assessments Division will provide permanent staff  
15 positions and bodies to continue those program efforts.

16           With the Tax Credit Hotline, the same issues,  
17 same response, we will carry out the two person year Tax  
18 Credit Hotline this year, the first six months with indi-  
19 genous staff in the division, and then resources will be  
20 evaluated at the six month interval, which I believe has  
21 been planned and urged by the Commission, an appropriate  
22 decision will be made at that point to continue it.

23           Conservation quantification, the discussion last  
24 week indicated the desire for Assessments to pick up this  
25 responsibility. We will continue the responsibility with

1 the staff person on board now doing the work in support of  
2 BR V -- IV, V -- and at the point of layoff, that individual  
3 most likely -- or at least the responsibility will be  
4 assumed by the Assessments Division.

5 In terms of rate case intervention, the concensus  
6 appeared to be the desire for the division not to pursue  
7 any more rate case work, other than what was currently in  
8 the work plans, so we have not changed the work plan, and  
9 will continue the resources recommended last week.

10 In terms of the nonresidential standards development  
11 effort, the issue there principally was to continue the  
12 effort as proposed in the work plan, that the Committee  
13 would work with the staff to identify the future direction  
14 of the program, that we would continue with contracts that  
15 are carried over into this year, and that any excess  
16 overage staff would assure the development and adoption of  
17 the Office Building Standard.

18 Finally, in contingency planning, decision there  
19 was to continue the two person year staffing through the  
20 first six months of this work -- this program year,  
21 reevaluate in December. The work plan itself has had the  
22 minor modification changes to reflect your direction, and  
23 basically, we're ready for your concurrence.

24 CHAIRMAN IMBRECHT: Thank you very much for your  
25 presentation. Are there any questions?

1 COMMISSIONER SCHWEICKART: Yes.

2 CHAIRMAN IMBRECHT: Commissioner Schweickart.

3 COMMISSIONER SCHWEICKART: A minor, but perhaps  
4 in the long-run important omission, Ted, as I recall the  
5 discussion of the Commission, vis-a-vis the hotline, one  
6 thing that was specifically recommended was investigation  
7 of innovative financing on the hotline, with perhaps a  
8 handover to a private entity such as a local government  
9 commission which could, in fact, then charge a fee for  
10 service while providing that service.

11 MR. RAUH: That's correct, that is my omission.  
12 We are doing that as well, but I just glossed over it in  
13 my notes, but we have identified the portion of contract  
14 dollars that I outlined last time, or last week, and are  
15 now in the process of looking at either the option of  
16 students or the option of a contract, and that will be an  
17 ongoing process to try to resolve the issue in that fashion  
18 since we have the resources identified, before the end of  
19 the six month period I described.

20 COMMISSIONER SCHWEICKART: That's all I have.

21 CHAIRMAN IMBRECHT: Fine. Maybe one of the solar  
22 advocacy groups also might be appropriate. Commissioner  
23 Commons?

24 COMMISSIONER EDSON: I would urge caution.

25 CHAIRMAN IMBRECHT: Of that, okay.

1           COMMISSIONER COMMONS: In terms of rate case  
2 participation of the Commission next year, is there a  
3 particular case that we had in mind, or what is the resource  
4 we're allocating?

5           MR. RAUH: The resource was for one RCS interven-  
6 tion, and I believe it was with SC -- the gas company,  
7 thank you.

8           COMMISSIONER COMMONS: Okay, I guess I would like  
9 to -- whatever you want -- do you make an amendment to  
10 change something, or what do you do?

11          CHAIRMAN IMBRECHT: Well, why don't you just  
12 raise it for discussion first, and see if you have concensus.

13          COMMISSIONER COMMONS: Okay. I feel if we're to  
14 continue participation in load management, and RCS, we either  
15 participate in the rate case and make sure -- or work to  
16 see that our program is implemented, and that there's  
17 adequate funding for the programs that we recommend for  
18 the utilities, or we get out of the business.

19          COMMISSIONER EDSON: My recollection is that we  
20 discussed this last week, and thought that our level of  
21 effort should generally be having the -- our General  
22 Counsel's Office sponsor the documents or standards, state  
23 plan in the case of RCS, load management standards in the  
24 case of load management, rather than actually sponsor a  
25 staff witness which requires considerably more resources.

1           COMMISSIONER COMMONS: Well, my feeling then, and  
2 it is today, and this is the last chance to raise it before  
3 October, I'll raise it again, if I'm not successful, is  
4 it is unfair to ask the utilities to participate with us  
5 in developing recommendations on the RCS Program and on  
6 the Load Management Program if we don't go to bat for the  
7 program, and for the needed resources to carry out that  
8 program at the PUC.

9           If we're not going to make that effort, then we  
10 should transfer those activities to the PUC.

11           COMMISSIONER GANDARA: We don't have the latter  
12 option.

13           COMMISSIONER COMMONS: Well, we should then go on  
14 a -- we should take the position and support legislation  
15 that would so transfer those activities. But it's unfair,  
16 I think, to everyone in the state for us to spend a lot of  
17 time and effort and money, and then not present the case.

18           CHAIRMAN IMBRECHT: Well, as I understood it, it  
19 was not a decision not to present the case, but utilize  
20 the General Counsel's Office as a means to ensure and call  
21 to the attention of the Public Utilities Commission a  
22 decision of this Commission relative to a given utility,  
23 and the consideration of their rate case.

24           You know, I think that frankly, the whole subject  
25 of how the PUC treats decisions made by this Commission is a

1 broader topic with far reaching implications, and is  
2 undoubtedly going to be considered in some other forms as  
3 well, and not just the future.

4 Commissioner Gandara?

5 COMMISSIONER GANDARA: I'm aware of Commissioner  
6 Commons' position in this matter, he's mentioned it a  
7 number of times over the year. As I mentioned, I don't  
8 think we have a choice, secondly, we're not mandated to  
9 intervene in areas where we recommend policy. We're  
10 permissive, a discretionary act on our part, and I think  
11 what we're stating is that we want to do that, but at a  
12 level appropriate to our resources, and our rate of success.

13 COMMISSIONER COMMONS: I'm going to take the easy  
14 way out again on this one, reading the sense of the  
15 Commission, but feeling that this is an important issue,  
16 is I'm going to ask that the legal counsel office, which  
17 now has the full brunt of responsibility on that, review  
18 whether or not they feel they need supplemental assistance  
19 in adequately responding to the Commission's needs, and the  
20 PUC needs, and the utility needs in this area, and report  
21 back to us in October.

22 COMMISSIONER GANDARA: Take one second, yes, right?

23 MR. CHAMBERLAIN: We know how many resources we  
24 have, we'll allocate them as you wish.

25 COMMISSIONER EDSON: I have a different question.

1 Do the PY's we have for the Fuel Efficient Traffic Signal  
2 Management Program come out of the 42 so that if that  
3 transfer takes place --

4 MR. RAUH: No. The transfer to Caltrans, as we  
5 understand it, and I can -- in current discussions with  
6 management and staff at Caltrans, there seems to be some  
7 disagreement about how many people they will take. My  
8 most latest discussion with their budget analyst today  
9 indicated a willingness to accept the PVEA program and two  
10 people, but they want to sit down, and I will be sitting  
11 down with them in the next few days to discuss the remainder  
12 of the Liquid Fuels Program.

13 They view that as a permissive act on their part,  
14 and obviously, more negotiations have to take place. If they  
15 do not accept the staff, the staff were cut from our budget,  
16 so they are not in the 42.

17 COMMISSIONER EDSON: Well, as I look at your  
18 Liquid Fuels Office summary, it says that 1.5 people are  
19 allocated to fuel efficient traffic signal management. I  
20 take it, then, that once this transfer occurs, those are  
21 people that are available to allocate elsewhere?

22 MR. RAUH: No, I have to admit some -- are you  
23 looking at the newest document, or the --

24 COMMISSIONER EDSON: Yes, the new documents. It's  
25 four from the back, I think.

1 MR. RAUH: Yeah, that -- numbers have consistently  
2 in my view been 2.0, but those numbers do not -- in terms of  
3 staff, they would go directly to -- we're hoping that the  
4 people with the program will go to Caltrans, everything  
5 above that line would go to Caltrans, which is a total of  
6 four persons.

7 COMMISSIONER EDSON: Oh, I see.

8 MR. SMITH: Yeah, let me clarify one part of the  
9 transfer to Caltrans.

10 MR. RAUH: There's only two people that are in  
11 my work plans.

12 COMMISSIONER EDSON: But let me clarify my  
13 question first. So these are the positions that we think  
14 Caltrans gets.

15 MR. RAUH: That's correct.

16 COMMISSIONER EDSON: My question was -- well, I  
17 guess my next question is, are these people that are not  
18 part of the 42?

19 MR. RAUH: That's correct.

20 COMMISSIONER SCHWEICKART: If we add up these  
21 numbers, Ted, it comes up to 44?

22 MR. RAUH: No, if you add these numbers, I --

23 MR. SMITH: It should add to 42, the four people  
24 that will be transferred to Caltrans are shown on this  
25 first sheet as non-add, the four. We're not proposing to

1 transfer staff resources -- yeah, we're not transferring  
2 PY, we're not transferring positions per se. The intent  
3 of the Legislature is that the work is transferred to Caltrans,  
4 they use their positions and receive, we believe, the four  
5 staff put into those positions.

6 COMMISSIONER EDSON: I understand, I just wanted  
7 to clarify that.

8 MR. RAUH: One of the questions you had earlier,  
9 and at your pleasure, I'd be glad to provide you a summary  
10 of where the 42 extra people in the Conservation Division  
11 if one looks at the difference between last year's budget  
12 of 84, and this year's budget of 42, stand right now, you'd  
13 raised that question with Assessments, I don't know if you're  
14 interested in dealing with that in Conservation or not.

15 COMMISSIONER COMMONS: All right. I note in here  
16 that there's going to be assistance on the PVEA Program from  
17 the Assessments Division. I was not able to find that in  
18 the assessments package. This was also -- I don't remember  
19 us having discussed that item last week on the PVEA. I  
20 remember our talking about the Development Division providing  
21 assistance here, and I'm just wondering where this -- did  
22 this come in the assessment -- the manpower allocation.

23 COMMISSIONER EDSON: We just talked about it.

24 COMMISSIONER COMMONS: The PVEA?

25 COMMISSIONER EDSON: Yes, just a few minutes ago.

1           COMMISSIONER COMMONS: I remember the conservation  
2 quantification.

3           COMMISSIONER EDSON: The discussion was that the  
4 PVEA people in Conservation for the first six months would  
5 come out of their excess staff, and for the remainder, they  
6 would be allocated from Assessments Division's staffing,  
7 and through the bumping process.

8           COMMISSIONER COMMONS: But when they gave the  
9 presentation on Assessments, I don't remember that.

10          COMMISSIONER EDSON: That's when it was discussed.

11          COMMISSIONER COMMONS: Okay, excuse me, then. On  
12 schools and hospitals, we have a lot of information, and  
13 Mr. Messenger's analysis, that was one of the areas where  
14 he felt that the data had been the most difficult. Do we  
15 have manpower allocated to try to get a cost-effectiveness  
16 grant on this very important program?

17          MR. RAUH: No, we had intended this year to try  
18 to do an evaluation of the program, but at 5 PY, or person  
19 years, we really only have enough allocation to carry out  
20 the existing grants and loan programs. We're absorbing in  
21 here an additional loan cycle of PVEA money for the first  
22 six months of the year which initially had been planned as  
23 a time to do an evaluation.

24          So evaluation efforts in this year will be minimal  
25 -- miniscule, and that will be an issue that we'll be raising

1 for additional resources for next year.

2 COMMISSIONER COMMONS: Well, both in the budget  
3 process, and in our October review, I'd like to ask that  
4 you look at this, since we have a large number of dollars  
5 allocated to this function, and it was the one area that  
6 the least certainty was expressed in terms of --

7 CHAIRMAN IMBRECHT: This might be a place where  
8 our floating staff between now and January -- there can be  
9 some attention paid to that issue.

10 COMMISSIONER EDSON: But let me note -- let me  
11 explain what the issue is so that I'm sure that everyone  
12 understands. We know that the projects that come before us  
13 are cost-effective, and we have the engineering design of  
14 those projects, it's a question of billing data, and I  
15 think Mr. Messenger's concern was that we do not have  
16 billing data that allows us to get a real -- I mean, conduct  
17 an analysis of the real world impacts of these projects.

18 COMMISSIONER GANDARA: Let me say I don't object  
19 to the recommendation, but I think we should keep it in  
20 perspective. My recollection of the data was also that the  
21 average cost of kilowatt-hour was .2 cents for that program,  
22 so even if we had 1,000 percent error difference, we're  
23 talking about two cents per kilowatt-hour, and so I think  
24 you know, you have to consider really whether it's worth  
25 investing a lot of people at something that preliminary

1 indicates are that good, and the paybacks --

2 MS. GRIFFIN: I wanted to point out to the  
3 Commission that we are negotiating with DOE and with UC  
4 Berkeley for them to foot an evaluation using all our schools  
5 and hospitals data, and right now it's looking pretty good  
6 that DOE will actually pay to do it, take our data and our  
7 tapes and run it for us at no cost to us.

8 CHAIRMAN IMBRECHT: Okay, fine, excellent.

9 COMMISSIONER SCHWEICKART: Do more of that.

10 CHAIRMAN IMBRECHT: Yes.

11 COMMISSIONER COMMONS: On the nonresidential  
12 building standards, it seems like we're going down two  
13 directions at the same time with very limited resources,  
14 and I'd like to know if the Committee has reviewed this  
15 concept of voluntary standards, and as to whether or not  
16 what is the manpower that's been allocated there, and if  
17 this is in concert with the Committee's recommendation.

18 COMMISSIONER SCHWEICKART: What's presented here  
19 today is in concert with the Committee's recommendation.  
20 The Committee is intending to come back to the Commission  
21 for the FY 84/85 budget, which we'll be getting work on  
22 soon with a recommendation of how to proceed, and we are  
23 considering a variety of options, rather than just a couple  
24 of point specifics, such as incentives.

25 CHAIRMAN IMBRECHT: Okay, anything further? Okay.

1 Is there objection to adoption of the Conservation Division's  
2 work plan? Hearing none, thank you very much Ted.

3 MR. SMITH: In the Development Division, there  
4 were four issues discussed on Wednesday, and I think Ron  
5 is prepared to go through those, the response to those  
6 issues.

7 MR. KUKULKA: Let me address the two major  
8 issues that the Commissioners asked the staff to respond to.  
9 The first was the issue of the termination of the Fleet II  
10 Volkswagen Rabbit Program, and the staff continues to  
11 recommend the termination of that program. In part, the  
12 decision isn't all up to us.

13 First of all, we have to allocate additional  
14 contract dollars and resources in order to continue that  
15 fleet. To respond directly to Commissioner Edson, those  
16 numbers are approximately, between one and a half and 2.7  
17 person years, and something on the order of \$130 to \$225,000  
18 in contract funds.

19 Part of the difficulty, of course, is that that  
20 decision is in part up to the agency that is responsible  
21 for the vehicles, it is General Services, they are on track  
22 right now to end that program, and convert the cars to  
23 gasoline engines, engine powered cars, and the company  
24 that we had essentially doing the work, AES, has gone out  
25 of business, and we have to resurrect that company, essentially,

1 to continue the fleet work. So, essentially our  
2 recommendation continues to hold to terminate that fleet.

3 We will not lose everything, this is just giving  
4 you some guidance, but we have the possibility of redirecting  
5 the \$35,000 that DOE was going to provide for converting  
6 some of those vehicles to gasoline vehicles to providing  
7 funds to test some of the Ford Escorts that is in the  
8 Los Angeles fleet.

9 So we will get some of the wear and performance  
10 data that is being lost with the early termination of this  
11 fleet.

12 COMMISSIONER SCHWEICKART: Did we get any  
13 feedback from DOE on that, Ron?

14 MR. KUKULKA: They indicated they would be  
15 amendable.

16 MR. KEN SMITH: They would be amenable through  
17 certain avenues that they have. We can transfer the money  
18 back and they would reallocate it. They were very  
19 receptive.

20 COMMISSIONER EDSON: It sounds like a program  
21 that should have been terminated regardless of the budget  
22 cuts.

23 MR. KUKULKA: Well, I think had we planned for it  
24 in the budget, we would have headed this off by the item  
25 actually being in the budget, and we could have gotten the

1 RFP on the street earlier, essentially, and set the program  
2 up with adequate staffing and contract dollars. Unfortun-  
3 ately, the dollars aren't there and the money ran out.

4 COMMISSIONER EDSON: If we're going to move on  
5 with the Development Division entirely, I have no other  
6 questions.

7 CHAIRMAN IMBRECHT: Okay. Commissioner Commons?

8 COMMISSIONER COMMONS: Let's see, on the  
9 geothermal, we're not reallocating those funds to the fleet  
10 then are we continuing that contract?

11 MR. KUKULKA: I believe we are not -- I believe  
12 that contract has been removed from this week's agenda and  
13 I don't think there's been a determination of contract  
14 priorities. I think the staff would like to see that  
15 continue, but there's a whole issue of contract priorities  
16 that I don't think have been addressed.

17 COMMISSIONER EDSON: Well, that was exactly what  
18 I wanted to raise, both in regards to that particular  
19 contract, also I regret not raising this last week, but I  
20 don't see any reference to our kind of annual contract with  
21 the Franchise Tax Board, the tax credit data, which I think  
22 has over the years really been essential to our ability to  
23 provide information on the tax credits.

24 MR. KUKULKA: I believe we did not provide for  
25 those funds this year. I recall, although this is really

1 stretching my memory, that last year the staff was  
2 requested to see if Franchise Tax Board would do that  
3 without our funds.

4 COMMISSIONER EDSON: They won't.

5 MR. KUKULKA: And they won't, but nonetheless,  
6 we still did not have funds provided for that function.

7 CHAIRMAN IMBRECHT: Maybe you could bring me up  
8 to skid on that, what are you referring to?

9 COMMISSIONER EDSON: Each year, the Commission  
10 has, for several years, has contracted with Franchise Tax  
11 Board, for data which explains the allocation -- well,  
12 takes the tax credit claims and breaks them down by  
13 technology, and by type of claim.

14 It's data that otherwise the Franchise Tax  
15 Board does not have. It's a special project that they  
16 carry out, a special breakdown of that information that  
17 otherwise is not disaggregated in there.

18 CHAIRMAN IMBRECHT: It allows us to quantify the  
19 impacts of the credit, I see.

20 COMMISSIONER EDSON: That's right. As well  
21 allows us to say that we think the wind -- the tax credit  
22 for wind systems is going to cost X.

23 CHAIRMAN IMBRECHT: I understand.

24 COMMISSIONER EDSON: It's contract money we're  
25 not provided. It's not that the Franchise Tax Board could

1 provide the information, it means that the information  
2 could not be gathered, and no one could provide it.

3 CHAIRMAN IMBRECHT: And what is the cost of that,  
4 minimum cost?

5 MR. KUKULKA: I believe it was on the order of  
6 \$20,000.

7 COMMISSIONER EDSON: I think somewhere between  
8 20 and 50, I don't remember the exact numbers, a relatively  
9 small contract amount.

10 COMMISSIONER GANDARA: I remember the  
11 Commission discussion related to this, and I just was --  
12 this was at least -- it was in -- we discussed it last  
13 during the March change book proposal, and I think the  
14 Commission decided then to again attempt to perhaps more  
15 enlighten the direction from the Tax Board or associated  
16 agencies to request them to provide us that service since  
17 we do seem to provide many services to many other agencies,  
18 but we provide money for other agencies to do services  
19 for us, and so I think what we're going to do on cost of  
20 service -- and I think the conclusion also was that if  
21 they didn't we would threaten to transfer the hotline to  
22 them, or something like that.

23 COMMISSIONER EDSON: Well, let me suggest, at  
24 least from my point of view, that that information is  
25 important, given the level of attention that is given every

1 year to the tax credit issue, I don't think -- in the  
2 Legislature, I think that it's important for that informa-  
3 tion to be available, and I think we're the logical  
4 repository of that data.

5 CHAIRMAN IMBRECHT: Well, is there -- do we have  
6 any source we could identify to potentially fund that?

7 COMMISSIONER EDSON: Well, as Mr. Kukulka said,  
8 they haven't really set their contract priorities yet --

9 MR. KUKULKA: I don't think the Commission has  
10 in general.

11 COMMISSIONER EDSON: Or the Commission has,  
12 maybe I should put it that way.

13 MR. SMITH: Well, yeah, one -- just clarification  
14 on that. It appears that the outstanding issue is the  
15 question of the \$25,000 geothermal account with this as  
16 a potential alternative.

17 The technical assistance contracts that the  
18 division has are being proposed to go forward, if I  
19 understand correctly.

20 MR. KUKULKA: That's correct.

21 MR. SMITH: So the bulk of the contract dollars  
22 are accounted for within the division.

23 CHAIRMAN IMBRECHT: So the only available  
24 potential source would be to shift the \$25,000 for low  
25 temperature geothermal, is that what it was, do you recall?

1 COMMISSIONER COMMONS: Yes.

2 CHAIRMAN IMBRECHT: To contract with FTB.

3 MR. KUKULKA: I guess I would hesitate making a  
4 recommendation right now as to what I would cut in the  
5 way of contracts to fund the FTD contract. There are --  
6 you know, the whole Commission has \$2 million in contract  
7 funds. I'm not sure that -- I think right now I'd want  
8 to identify this \$25,000.

9 CHAIRMAN IMBRECHT: I think you get the message,  
10 clearly, that we think that's an important --

11 MR. KUKULKA: Yes.

12 CHAIRMAN IMBRECHT: -- and you might look for an  
13 appropriate way to fund that and come back with a  
14 recommendation. Is that satisfactory?

15 COMMISSIONER EDSON: Yeah. It sounds like --  
16 I guess I would appreciate some indication of whether we  
17 think we can find the resources.

18 MR. KUKULKA: I think if the Commissioners  
19 directed us to we will.

20 COMMISSIONER EDSON: Fine.

21 COMMISSIONER COMMONS: You have the majority of  
22 everyone supporting this item. Continuing with the tax  
23 credits, Mr. Kukulka, one of my concerns in looking at the  
24 wind tax credit is that they're based on capital, and  
25 there are some of the wind machines that are at 5 percent

1 efficiency, some are at 10 percent efficiency, some have  
2 never operated.

3 Well, logically, what we want to do in supporting  
4 the development of alternative energy is to use tax credits  
5 in such a way that they are effective. There may be means  
6 through agreements with the manufacturers, through our  
7 regulations, or otherwise, that we could have some type of  
8 performance standards as part of the tax credit participation.

9 I think there's a significant number of dollars  
10 here, and it would be a possibility that it would increase  
11 the overall cost-effectiveness of the tax credits. I  
12 don't know whether that's something that you have as part  
13 of your tax credit analysis that will be ongoing this year,  
14 but I'd like to raise it.

15 MR. KUKULKA: That type of analysis is included in  
16 our incentives review and incentives analysis that's done  
17 in the finance and technology bill, we are planning for  
18 it for this year.

19 The other item that I'd like to raise is the  
20 Biomass Program cuts. The Commissioners directed the  
21 staff to look at reallocating resources from the Cogeneration  
22 Program to the Biomass Program so that as to try to maintain  
23 as many of the contracts as we can. The staff is recommend-  
24 ing essentially a transfer, something on the order of 3.75  
25 person years from cogen into biomass, leaving roughly two

1 person years in cogeneration to maintain the contracts in  
2 that program, and we feel that with minimizing resources  
3 across the board in both programs, we'd have sufficient  
4 staff to hold on to the contracts. That's based on our  
5 ability to keep the specialized technical skills that we  
6 have in the program. We'd like to look at this on a  
7 quarter-to-quarter basis whether we can hold on to all  
8 those contracts with those limited resources.

9 COMMISSIONER COMMONS: That's with the exception  
10 of one contract, if I'm not mistaken.

11 MR. VANN: No. With this change, as long as we  
12 hold, we're talking about one particular staff with a  
13 particular skill, as long as that staff -- as we're able  
14 to hold on to that particular staff person, the contracts  
15 aren't in jeopardy. It's if, in fact, we lose that  
16 particular staff person, and we have to go back and reassess  
17 the risks involved in maintaining the contract.

18 COMMISSIONER COMMONS: Isn't there a situation  
19 here where if we allow someone to continue under the contract,  
20 we may be utilizing a resource and having someone perform,  
21 and I think it would not be right to that person, or to  
22 ourselves to, at a subsequent date, have to terminate a  
23 project because of that resource.

24 I want to feel, in your opinion, that you feel  
25 that we will be able to hold that person, and that person

1 has indicated a willingness to stay here, in a chance of  
2 survivorship.

3 MR. KUKULKA: I don't think I can provide a  
4 guarantee for anybody.

5 COMMISSIONER COMMONS: Because you raised that  
6 issue -- I'm not raising the issue. I want you to know  
7 that you are the ones that --

8 MR. KUKULKA: Yes.

9 COMMISSIONER COMMONS: -- raised the issue with  
10 us and with me.

11 MR. KUKULKA: Well, the reason we're not  
12 recommending termination right now, is we don't expect any  
13 funds to be spent on that kind of track for the next  
14 quarter and rather than, I won't say jump the gun, but  
15 rather than decide --

16 COMMISSIONER COMMONS: Fine. Forwarded to  
17 October.

18 MR. KUKULKA: -- at this moment, we'd like to  
19 put it off.

20 CHAIRMAN IMBRECHT: Okay. Any further questions?  
21 (no response) Without objection, we will adopt the work  
22 plan for the Development Division. Thank you Ron.

23 Siting and Environmental. Good afternoon.

24 MR. SMITH: The bulk of the issues in Siting  
25 and Environmental were, in fact, resolved on Wednesday,

1 but we wanted to confirm the actions that we're proposing  
2 to take. Ross.

3 MR. DETER: You'll be happy to know that there  
4 are no changes from last Wednesday.

5 CHAIRMAN IMBRECHT: I'm sure you're happier.

6 MR. DETER: I'm happy also. The -- you recommend  
7 or you concurred last week with us working on and finish-  
8 ing up some products for the Geysers Cumulative Impacts  
9 Reports and for preparing siting regulations.

10 You requested the add-to work plan for that. That's  
11 included in the package that we're submitting to you.

12 You also requested the allocation of \$5,000 of  
13 the \$25,000 expert witness funds to fund the natural  
14 resources diversity data base contract with the Department  
15 of Fish and Game, and that is to gather data to -- natural  
16 resource data up in the Geysers particularly, to work on  
17 those siting cases.

18 We will be preparing a Section 28 and I believe  
19 that we will have our first draft of that completed --  
20 in next week, pursuant toward the schedule we talked about  
21 last Wednesday, for all power plant siting cases that we  
22 expect to come in, but were not included in the budget.

23 We will not be doing any work on transmission  
24 system planning, pursuant to the Governor's vetoing that  
25 item out of the budget.

1           We will be working on some EIR's for the non-  
2 residential building standards, complete that work in the  
3 first part of this fiscal year with staff who we have over  
4 the actual budgeted staff we have, the excess, "excess"  
5 staff and we will work on those as staff is available  
6 later in the year. If we get to the point to where we have  
7 too many regulatory cases in-house and need to do the EIR's,  
8 we will bring that back to your attention.

9           With that, we request approval of our work plans.

10           COMMISSIONER GANDARA: I just have one question.  
11 You indicated that there were several activities that you  
12 were not going to undertake. Their positions are listed.  
13 I guess I'm confused whether they're included in the  
14 summary total.

15           MR. DETER: The work included in the summary  
16 total is only items that were included in the budget and  
17 that we intend to do. We will be doing some additional  
18 discretionary projects the first part of this fiscal year  
19 with staff who is over and above the 49 staff we have  
20 allocated.

21           COMMISSIONER GANDARA: Okay. So in the unbudgeted  
22 project section, you just indicated what the level of  
23 resources --

24           MR. DETER: Basically that's correct.

25           COMMISSIONER GANDARA: Okay. But not an intention

1 to expend those.

2 MR. DETER: That's correct. If we don't have --  
3 if some of the regulatory cases don't come in, then we will  
4 begin adding some of those projects and vice versa, if we  
5 get more cases coming in then we wouldn't work on those  
6 projects at all.

7 MR. SMITH: It's the resources on the first two,  
8 page 32.5 and 16.5 that total the 49.

9 CHAIRMAN IMBRECHT: Any other comments? Go on  
10 without objection. Ross, thank you.

11 MR. DETER: Thank you.

12 CHAIRMAN IMBRECHT: That means we're left then  
13 with the --

14 MR. SMITH: Yes, the remaining item this afternoon  
15 was not discussed on Wednesday, and that is the remaining  
16 resources of the Commission. The portion of 348 authorized  
17 positions that are essentially the remainder of the  
18 executive office group.

19 The overall reduction in that area is close to  
20 40 percent overall. The resource display that we have here  
21 shows the reduction in the Public Adviser's Office from the  
22 current or prior year of 5.8 to four. I don't know whether  
23 there's specific questions with regard to the Public  
24 Adviser's Office. If not, I can move on briefly to a  
25 summary here of the other areas. Okay.

1           COMMISSIONER COMMONS: The overall reduction you  
2 said was 40 percent?

3           MR. SMITH: Approximately, yes. General Counsel's  
4 Office is at 16 positions this year. That --

5           COMMISSIONER COMMONS: Oh, one second. Before  
6 you leave the Public Adviser's Office, they were 5.8 and  
7 we distributed this evenly, and the one place we can't is  
8 Commissioners, because I think that's fixed by statute at  
9 five. That would have reduced the Public Adviser's Office  
10 I believe to less than three, or 3.3.

11           MR. SMITH: That's the way the math works out.  
12 Basically what is reflected here is the targeting of four  
13 was targeting by the Department of Finance and we essentially  
14 have implemented that decision.

15           COMMISSIONER COMMONS: Are all of these Department  
16 of Finance recommendations?

17           MR. SMITH: The blocks of resources, the four the  
18 16 to General Counsel, the 16 for Commissioners, and the  
19 18 for the remaining Executive Office, are the Department  
20 of Finance numbers.

21           There are two issues there that I would like to  
22 highlight. One is the distribution of the resources in  
23 Commissioners' offices, had some discussion of this.

24           The proposal would be that the 16 would provide  
25 for each Commissioner's position, special adviser and

1 a secretarial position. There is an additional position  
2 there. That additional traditionally had been allocated  
3 to the Chairman's Office. We would think that a way of  
4 utilizing that, and I understand that because of the dis-  
5 cussion of this, that this may make some sense, is in backup  
6 for absences and would propose to also extend that backup  
7 to Executive Director's Office, which will be with one  
8 secretary for four professionals under the current budget.

9 CHAIRMAN IMBRECHT: So we'd basically use that  
10 position as a floater for all of us.

11 MR. SMITH: Um-huh, right. Be located in the  
12 Chairman's Office but provide a workload backup, vacation  
13 and sick leave relief.

14 COMMISSIONER COMMONS: I also think it's important  
15 that when a Commissioner's secretary is not present, that  
16 that person be able to handle the Commissioner's telephone  
17 lines, since we no longer have that downstairs.

18 CHAIRMAN IMBRECHT: That's probable. That's what  
19 we're talking about.

20 MR. SMITH: Yes.

21 CHAIRMAN IMBRECHT: That's exactly what we're  
22 talking about.

23 COMMISSIONER COMMONS: Even interim day.

24 CHAIRMAN IMBRECHT: Excuse me? Yes. That's --  
25 no, that would be available for everybody's use, obviously.

1           MR. SMITH: Okay. The other issue I wanted to  
2 highlight with regard to the 18, there's a substantial  
3 reduction in Governmental Affairs, and Communications,  
4 Executive Office, and Secretariat, along with what we had  
5 discussed at the earlier program planning session in June  
6 and for some time in between is the need to maintain a  
7 program planning function or an evaluation function of  
8 policy analytical capability. There have been a variety  
9 of terms used to describe that need.

10           What I have displayed here is a breakout among  
11 the small offices that make up the remaining executive  
12 offices under the direction of the Executive Director, that  
13 shows one variance from the Department of Finance targeting,  
14 and that is the Department of Finance had left eight  
15 positions in Communications. This reflects five in  
16 Communications, with a distribution to program planning  
17 and maintaining Secretariat.

18           What I propose is that that's basically an  
19 organizational issue and would propose that if the  
20 Commission could adopt the four numbers, the 4, the 16,  
21 16 and 18, that it would provide an opportunity then for  
22 us to work with the new Executive Director on the most  
23 effective way of organizing the Executive Office itself  
24 and the remaining support services.

25           CHAIRMAN IMBRECHT: Commissioner Commons.

1           COMMISSIONER COMMONS: We have never made an  
2 allocation of that program planning function to the Executive  
3 Director's Office. This would be the first instance we  
4 did that.

5           MR. SMITH: That's correct.

6           COMMISSIONER COMMONS: I would not object to  
7 having it allocated there. In fact, I think it's appropriate  
8 but I would want to make it clear that I think that's an  
9 extremely important function and that that allocation of  
10 two PY be included.

11          CHAIRMAN IMBRECHT: Okay. I think we're all in  
12 general concurrence on that.

13          COMMISSIONER SCHWEICKART: Let me ask this, since  
14 we are, in essence, created a pseudo line item that doesn't  
15 exist in the budget here, in terms of this function, does  
16 this have any impact on the layoff issues?

17          MR. SMITH: It could. Again, we need to work  
18 through the organizational portion of this. It could  
19 result in the elimination of positions in, for instance,  
20 information officer category, and the retention of analytical  
21 position. We have to work through the detail to be able  
22 to answer that question, and we're starting to do that.

23          COMMISSIONER SCHWEICKART: Well, I would  
24 recommend that as you do that, you certainly consider the --  
25 let me say the formality, or the sanctification of such

1 actions in order to minimize the likelihood of downstream  
2 chaos.

3 MR. SMITH: Yes, absolutely, absolutely.

4 CHAIRMAN IMBRECHT: Any other comments? Okay.  
5 Without objection, we will adopt the four principal  
6 allocations and expect that our new Executive Director  
7 forth, thus as to his intentions for the actual allocations  
8 for the remaining executive offices at the appropriate  
9 time in the future.

10 Okay. I don't believe there's any other business  
11 to come before the Commission. Thank you all -- excuse me.

12 COMMISSIONER GANDARA: Public comment.

13 CHAIRMAN IMBRECHT: Pardon me, we do have public  
14 comment as well.

15 MR. CHAMBERLAIN: Mr. Chairman, I just wanted to  
16 know, did each of you get a copy of the legal office work  
17 plan that we provided.

18 CHAIRMAN IMBRECHT: I have mine, yes.

19 MR. SMITH: The detail is included in each of  
20 the packages.

21 MR. CHAMBERLAIN: Fine. If you have any  
22 questions, I can certainly answer them.

23 CHAIRMAN IMBRECHT: Okay. Any questions for  
24 Mr. Chamberlain? Is there any General Counsel Report  
25 today? You have it? Excuse me, all right, fine. Does

1 any member of the public wish to address the Commission on  
2 any item? Hearing none, the meeting is adjourned. Thank  
3 you very much.

4 (Thereupon the business meeting of the California  
5 Energy Resources Conservation and Development Commission  
6 was adjourned at 5:00 p.m.)

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## 1 REPORTER'S CERTIFICATE

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THIS IS TO CERTIFY that I, Patricia A. Petrilla, Reporter, have duly reported the foregoing proceedings which were had and taken in Sacramento, California, on Wednesday, August 10, 1983, and that the foregoing pages constitute a true, complete and accurate transcription of the aforementioned proceedings.

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

*Patricia A. Petrilla*

Reporter

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Dated this 18th day of August, 1983.