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STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

CALIF. ENERGY COMMISSION

AUG 8 1983

BUSINESS MEETING
CONTINUATION OF EXECUTIVE DIRECTOR'S REPORT
1983/84 EXECUTIVE OFFICE WORK PLAN RECOMMENDATIONS

1516 NINTH STREET
1st FLOOR HEARING ROOM
SACRAMENTO, CALIFORNIA

WEDNESDAY, AUGUST 3, 1983

9:15 A.M.

Reported by:

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COMMISSIONERS PRESENT

- 1
- 2 Arturo Gandara, Vice Chairman
- 3 Russell L. Schweickart, Commissioner
- 4 Karen K. Edson, Commissioner
- 5 Geoffrey D. Commons, Commissioner

STAFF PRESENT

- 6
- 7 Bill Chamberlain, General Counsel
- 8 Kent Smith
- 9 Mark Urban
- 10 Chris Gruzynski
- 11 Connie Tatlock
- 12 Elaine Moss
- 13 Ross Deter
- 14 Bob Therkelson
- 15 Scott Matthews
- 16 Mike Messenger
- 17 Ted Rauh
- 18 Bart Gauger
- 19 Jean Crowder
- 20 Karen Griffin
- 21 Bill Pennington
- 22 Ron Kukulka
- 23 Leon Vann
- 24 Ray Tuvell
- 25 Kenneth Smith

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STAFF PRESENT

- Don Kondoleon
- Sarah Michael
- Mike DeAngelis
- Cynthia Praul
- Thom Kelly
- Mike Jaske

PUBLIC ADVISER'S OFFICE

- Ernesto Perez

ALSO PRESENT

- Pat Fleming, San Diego Gas and Electric Company
- George Hannah, Southern California Gas Company

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3 COMMISSIONER GANDARA: Good morning. Let's call
4 the business meeting to order. As you recall, we continued
5 the business meeting from last Wednesday to today for the
6 purposes of hearing a more detailed Executive Director's
7 Report regarding the impact of the blue penciling on the
8 Commission's budget.

9 Mr. Smith, you have provided us with an agenda
10 for today, and if I might, before we begin with that, I've
11 received from the program planning group this document
12 that's dated July 22nd, which I think it's main purpose
13 really is for the fiscal 84/85 planning year.

14 But since I found it most interesting, I think it
15 would actually be very useful. I don't know if all the
16 Commissioners have had time to read this. Perhaps we might
17 precede the Conservation Division discussion with a short
18 presentation by the program planning group unless the
19 Commissioners feel that that would take --

20 COMMISSIONER SCHWEICKART: My understanding is
21 they're prepared to do that today. Mr. Messenger is
22 sitting there anxiously awaiting his turn, I believe.

23 COMMISSIONER GANDARA: That was part of the plan?

24 MR. SMITH: That was not part of the plan, but if
25 staff is ready to provide a brief review of that, that can

1 be done.

2 COMMISSIONER GANDARA: I think it would be most
3 helpful.

4 MR. SMITH: Okay.

5 COMMISSIONER GANDARA: With that, let's go.

6 MR. SMITH: The purpose of that material from
7 the program planning group was as an introduction to the
8 1984/85 budget issues. We're going to be talking with you
9 about some individual briefings, and leading up to the
10 16th and 17th of this month for a public discussion of
11 those. I would expect that our comments on this material
12 today would be quite brief. But if you would like to touch
13 on that before we go into the Conservation Program, we can
14 do that.

15 COMMISSIONER SCHWEICKART: Let me clarify some-
16 thing. The document I was referring to was a different one
17 from what Commissioner Gandara was referring to. I would
18 like to understand the relationship in the staff's mind
19 between the presentation today, and the meetings on the
20 16th and 17th.

21 MR. SMITH: Okay. The presentation today deals
22 exclusively with work plan issues for 1983/84, current
23 year problems. The meeting on the 16th and 17th is a
24 follow-up on the program planning meeting we had in June
25 and is directed to discussion of issues for the 1984/85.

1 COMMISSIONER SCHWEICKART: However, what we do in
2 84/85 in terms of establishing priorities ought to feed back
3 into what we do over the next quarter in terms of --

4 MR. SMITH: I would hope it would be the other
5 way around, that we would come to some conclusions about
6 the current year, and then that would set the stage for
7 the next budget.

8 COMMISSIONER EDSON: Or suggest that the presenta-
9 tion would be quite useful since decisions we make here may
10 well influence our options for the 84/85 budget..

11 MR. SMITH: We'll build that in prior to the
12 Conservation Program discussion.

13 Basically what we want to do today is to introduce
14 the issues that are going to arise as we attempt to plan
15 the work that's possible following our 30 percent reduction
16 in authorized positions, and substantial reduction in the
17 contract and operating expenses.

18 We've received the first cut of work plans from
19 divisions. We began that as an early start exercise, based
20 on what we believed at the time to be the worst case,
21 expecting that following the Governor's decisions on the
22 budget that there would be additions, and that adjustments
23 to those work plans could be made.

24 In fact, there were no additions, and none of the
25 resources that had been restored by the Legislature, some

1 61 positions, had been left in by the Governor. Those had
2 all been removed so that basically what we had believed was
3 the worst case was the budget that we're working with now
4 for 1983/84.

5 The sequence today is a brief overview of the
6 resources that we have, authorized positions, the number of
7 dollars we have, and the operating expense funding that we
8 have. We'll talk briefly about some issues that had been
9 raised earlier with regard to Administrative Services, and
10 then focus the bulk of the discussion today on the major
11 program areas -- Assessments Division, Conservation,
12 Development Division, Siting and Environmental.

13 As we've done in the past, our intent is to have
14 the detailed discussion of the Executive Offices, communica-
15 tions, governmental affairs, General Counsel, follow the
16 discussion of the major program areas. Those work plans,
17 to some extent, are adjusted depending on the direction in
18 Conservation Program, Development Program, and the like.

19 So we would anticipate a detailed discussion of
20 those at the business meeting on the 10th. Our intent today
21 is to introduce the issues, not necessarily to resolve each
22 of them. We may very well find that some of the issues
23 result in a clear consensus of the Commission, and we can
24 set those aside, it narrows our agenda for the 10th. But
25 we'd also anticipate that there might be some questions that

1 we would want to come back to you with a response to at the
2 business meeting on the 10th.

3 COMMISSIONER GANDARA: Could I make a request for
4 your August 10th presentation, Mr. Smith? We're focusing
5 here, today, mainly on the substantive issues. I guess by
6 the 10th I would appreciate having perhaps a plan from the
7 Executive Office with respect to procedure and implementation
8 of the work plans, and procedures for deviations from the
9 work plans.

10 I guess that it's been my observation that we have
11 been able to tolerate, you know, deviations from the work
12 plans, but I guess in the years that I've been here, we have
13 not had any formal presentation of any changes in work plans
14 from the August -- or presentations that were made.

15 So I think that in the coming year, we're probably
16 going to have far less flexibility to do that, and whatever
17 procedures you might come up with for either a quarterly
18 review, or for a review as needed with respect to changes in
19 work plans from those approved in August would be most
20 helpful.

21 MR. SMITH: Yeah. That's well taken. We anticipate
22 because of attrition of key staff that we can't predict now
23 that we're going to have to alter the plan that we're
24 essentially in the process of formulating now as we move
25 through the year. We won't know precisely what the effects

1 of layoff of low seniority staff are going to be until we
2 get through State Personnel Board hearings. That's likely
3 to be November or December. So the mid-year adjustment
4 certainly is critical. A quarterly check on progress and
5 adjustments to those work plans is quite appropriate.

6 COMMISSIONER GANDARA: That can include sort of
7 budget -- updated budget information, because I recall last
8 year we went for a review I guess at the six month period,
9 and at that time there were some budget issues that had,
10 you know, could have been mitigated had we perhaps had
11 earlier information.

12 So both work plan and budget information at the
13 quarterly reports would be helpful.

14 MR. SMITH: I believe each of you have been
15 provided with a background binder, the black document here.
16 In there you'll find the agenda for today, listings of the
17 program issues for the major divisions, program areas. In
18 each of the sections that are organized by divisions,
19 there's a copy of the transmittal letter from the division
20 management that highlights some issues and concerns in
21 each of those areas, and a summary of the resource alloca-
22 tion spread, consistent with the Governor's budget; and in
23 the four programmatic divisions there's a breakdown by
24 office as well. We will be going through those later today.

25 COMMISSIONER EDSON: It was unclear to me, does

1 this include all contract dollars, this book?

2 MR. SMITH: I believe it does. I believe there
3 should be contract subject identification, and the contract
4 information sheet for each of the proposed contracts.

5 COMMISSIONER EDSON: Yeah, I knew there was
6 something, I wanted to make sure that they put it all in.

7 MR. SMITH: I think as you're aware, the result
8 of the Governor's decisions on the budget were to reduce
9 the Commission's authorized staff to 348. What we have seen
10 is a spread of those resources that by division, today,
11 we're going to be talking about the effects, and what work
12 will be accomplished given a 31 percent reduction in
13 Administrative Services, a smaller reduction in the
14 Assessments Division in terms of the staff, but a serious
15 impact in terms of availability of data processing dollars,
16 that reduction is 5 percent.

17 In the Conservation Division, the most extreme
18 cut, 50 percent of the staff reduced. In Development
19 Division, 28 percent of the staff gone, and in Siting and
20 Environmental Division, 24 percent of the staff gone.

21 Connie, do you want to put that slide up.

22 The Governor's decisions also reduced the
23 personal services funding for the Commission from \$14,000,233
24 provided by the Legislature to a total of \$11,920,000. That
25 reflected a decision to eliminate a million dollars that had

1 been provided in transition funding. It included elimination
2 of \$189,000 that would have been provided for merit salary
3 adjustments. The merit salary --

4 COMMISSIONER SCHWEICKART: What was that, one
5 million for --

6 MR. SMITH: One million dollars had been provided
7 by the Legislature for transition fees, that's essentially
8 to pay the salaries of the staff over and above the number
9 of authorized positions.

10 COMMISSIONER SCHWEICKART: I know what it is, I
11 just want the numbers, \$184,000 for --

12 MR. SMITH: And \$189,000 for merit salary
13 adjustments.

14 COMMISSIONER COMMONS: Excuse me, Kent, what
15 was left, then, for the transition?

16 MR. SMITH: There were no funds left for
17 transition.

18 COMMISSIONER COMMONS: So at 348 positions, since
19 we have not laid off people during the month of July, we
20 are already overstaffed?

21 MR. SMITH: We're in a deficit situation today.

22 COMMISSIONER COMMONS: Was there anything in the
23 veto message concerning transitions?

24 MR. SMITH: Yes. The Governor's language, and
25 let me just quote that -- the Governor indicated that he was

1 eliminating the one million dollars of costs associated with
2 the staff reductions proposed for 1983. He said that he
3 believed that through an aggressive outplacement program,
4 the Commission should be able to mitigate the costs associated
5 with staff reduction. Also said that during the coming year
6 he would review on a statewide basis the status of staff
7 reductions in 1983/84, and the need for assistance to
8 departments faced with those reductions.

9 Then it went on to eliminate control language that
10 would have given Department of Finance control of the \$1
11 million transition funds.

12 We have a very serious problem in the personal
13 services funding amount. As I say, we're in a deficit
14 situation today. We're projecting that given an outplacement
15 program that can bring us within about 20 to 25 staff of
16 the 348, that's basically about 60 people leaving through
17 attrition, that well in excess of \$1,500,000 would be
18 required to pay the salaries of the remaining staff for
19 the last six months of this fiscal year.

20 We're doing an analysis now to pin down that
21 precise deficit figure. Our plan is to transmit that
22 analysis along with a request to the Department of Finance
23 early next week to move forward quickly on a deficiency
24 authorization to permit the Legislature to provide the
25 funds for transition so that we can potentially avoid a

1 worsening of the layoff situation here.

2 John Geesman indicated in all staff meetings last
3 week that a preliminary estimate was that without any
4 relief with regard to transition funds that we could only
5 sustain 285 staff. We believe that that number is probably
6 lower than that, so that we would be looking at an additional
7 layoff of 75 to conceivably 150 staff.

8 We don't believe that that was the Governor's
9 intent. We don't believe that that was the intent of the
10 Department of Finance. We believe that this is an error
11 that needs to be corrected, and we're going to be urging
12 Department of Finance to move as rapidly as possible to
13 correct that error.

14 COMMISSIONER EDSON: When you say -- does
15 outplacement mean layoff?

16 MR. SMITH: Outplacement generally is -- I believe
17 our administrative staff have used it internally here,
18 refers to normal attrition. Finding jobs in the private
19 sector and other state agencies, as well as layoff.

20 COMMISSIONER EDSON: As well as layoff.

21 MR. SMITH: Yeah.

22 COMMISSIONER COMMONS: Can I ask you, how many
23 people in our staff now are working on outplacement as
24 requested by the Governor?

25 MR. SMITH: Elaine?

1 MS. MOSS: We have about half a person year
2 assigned to that currently, and we have plans to bring
3 additional staff in beginning early next week.

4 COMMISSIONER COMMONS: Okay. I had some talks
5 with some people who approached me that would be interested
6 in that. Maybe you should contact me. I think this is
7 clearly very important for the morale of the Commission.
8 It's also requested by the Governor, and I think it's
9 clearly in the interest of the people here in the Commission
10 that we pursue that.

11 MR. SMITH: Very definitely one of our highest
12 priorities in the next four or five months is going to be
13 placement of staff, not only outside state service, and in
14 private industry, but also expecting that our staff can
15 receive assistance from the Department of Finance, from
16 business and transportation agencies, health and welfare
17 agencies, and other agency level staff within the adminis-
18 tration to ensure that vacancies are filled by employees
19 that would otherwise be laid off.

20 We don't have state departments hiring from the
21 outside at the time that the Energy Commission and other
22 agency's staff are heading for a layoff.

23 COMMISSIONER EDSON: Well, Kent, I'm confused by
24 some of the numbers. What's the -- how many staff do we
25 have now?

1 MR. SMITH: Right now we have about 420 staff on
2 board.

3 COMMISSIONER EDSON: Now, you said that we would
4 get down to within 25 of 348 by when?

5 MR. SMITH: By the time -- well, by January 1
6 which is the current date for the layoff to take effect.

7 COMMISSIONER EDSON: So you're saying that when
8 the layoff takes effect, we will have approximately 25
9 people that we'll actually have to lay off.

10 MR. SMITH: That's again -- these are rough
11 estimates, we don't know precisely what the attrition is
12 going to be, but that was the estimate that was being used
13 for our financial projections.

14 COMMISSIONER EDSON: That's fine. Now that
15 assumes that this transition money is restored. If the
16 transition money is not restored, you're saying that we
17 may have to lay off as many as 100, 150 more than that --

18 MR. SMITH: It could be 100 or more on top of that
19 amount if we were to stay within the amount of money that
20 was budgeted. Now, another option that is available is
21 that rather than a deficiency authorization, the adminis-
22 tration could opt for a category transfer of funds within
23 our existing budget.

24 The way that that would have been done in the
25 past would be to shift from contract funds to support staff.

1 Our contract funds this year are less than 50 percent of
2 what they were last year. Last year's contract funds were
3 at about 55 or 60 percent of what they had been the previous
4 year.

5 COMMISSIONER EDSON: Well, how much do we have
6 in contract funds?

7 MR. SMITH: We have just under \$2 million in
8 contract funds. To offset the likely deficit would require
9 three-quarters or more of those contract funds. So
10 basically we would -- if that were an option we were moving
11 toward, we would not be going forward with any but a few
12 unavoidable contracts in the next six months.

13 We believe that early action on a deficiency
14 authorization which the Legislature, during the budget
15 process, had indicated they understood the need for, as
16 they provided the transition funds, Senate Finance, Ways
17 and Means, the Legislative Analyst's Office have been
18 through this, they understand the problem.

19 We would expect that there would be a receptivity
20 there for early action on a deficiency authorization. We
21 don't know whether or not Department of Finance would have
22 the same view.

23 COMMISSIONER GANDARA: For the purposes of today's
24 discussion, are the work plans based on the authorized 348?

25 MR. SMITH: Yes, they're based on 348 authorized

1 positions.

2 COMMISSIONER GANDARA: Okay, well, I had a question
3 there. Perhaps we can get into more detail later, but it
4 seems to me that of the four divisions, three of them seem
5 to have projected their work plans according to the -- you
6 know, the March change book, and the fourth division seems
7 to have assumed that we are going to have people through
8 January 1st, and therefore, the numbers for that division
9 are higher than the authorized numbers. That's a realistic
10 way to do it.

11 So that what it leads me to conclude is that
12 there's some -- there's not a common basis for the work
13 plan comparison, but more than that, that if indeed there
14 are going to be people in excess of the authorized positions
15 in the three other divisions between now and January, what
16 are the work plans for -- I mean, what do the work plans
17 include for those people if based only on the authorized
18 positions?

19 MR. SMITH: Each division addressed the question of
20 excess staff and you're correct in that it was a -- the
21 response of each division was somewhat different. That's
22 one of the questions and one of the issues that will be
23 pinned down prior to asking for Commission ratification of
24 the work plans on the 10th.

25 A general comment here in terms of process. We

1 are a little bit ahead of where we would have been had we
2 waited for the Governor's decisions, but because this budget
3 process for 83/84 was delayed so long, we're slipping fairly
4 far into the year without having those work plans in place.
5 We've had those for about a little over a week to review.

6 This hearing is intended as a preview of what
7 some of the issues are. We know that there are going to
8 be some issues that we normally would have had resolved
9 prior to presenting the work plans to you.

10 COMMISSIONER COMMONS: Excuse me, Kent. I'd like
11 to go back to this \$1.5 million figure. What is our average
12 cost per person?

13 MR. SMITH: Chris?

14 MS. GRUZYNSKI: It's about 35.

15 COMMISSIONER COMMONS: \$35,000? All right, we're
16 going to have to lay off 20 persons in six months at
17 \$35,000, that would mean we'd be overrunning on that side
18 20 persons -- that's actually only 10 person years, that
19 would be \$350,000.

20 If we assume an attrition of 60 persons equally
21 distributed over the six months, that would be 15 person
22 years, and that would only be 15 times 35 would be a little
23 over \$500,000, which would get me to just under \$900,000.
24 Can you explain to me the difference between my rough
25 calculation and a million five?

1 MR. SMITH: I think the best way to do that would
2 be to provide you with a copy of the detailed analysis that
3 our accounting people have done. They've made adjustments
4 for the fact that we have an obligation to pay the value of
5 any outstanding vacation. Those vacation balances were
6 taken into consideration.

7 We have an obligation for some categories of
8 staff to pay compensating time off value. That was taken
9 into consideration. Retirement, and the additional fiscal
10 costs there were built in. We're not prepared right now to
11 go through that analysis in detail, but we'll certainly
12 provide you with a copy of that.

13 COMMISSIONER COMMONS: Well, that can effect some
14 of our operating procedures. For example -- before I get
15 into that -- does that include the merit pay increase
16 situation, the 1.5?

17 MR. SMITH: Right. The Department of Finance
18 eliminated the funding for the merit salary adjustments. The
19 Department of Personnel Administration has indicated that
20 we are bound by the contracts with employee organizations
21 to provide merit salary adjustments so that we will be
22 making merit salary adjustments. There was some confusion
23 on that last week because there were different parts of
24 the administration with different signals.

25 COMMISSIONER COMMONS: On the issue of compensatory

1 time and vacation time, are there any administrative
2 remedies that we can use to reduce that portion of the cost?

3 MR. SMITH: Chris, do you want to comment on that?

4 MS. GRUZYNSKI: None that I know of.

5 COMMISSIONER COMMONS: Do we have an automatic
6 policy of saying that compensatory time carries forever,
7 and do we have any ability to state that when we're faced
8 in a situation of this sort that it be taken?

9 MR. SMITH: We're basically constrained, management
10 is constrained by state administrative rules and state
11 administrative law. One of the things that we are in the
12 process of doing is assigning a work group to go through
13 operating expense, personal services expense items to
14 identify opportunities to reduce costs here at the
15 Commission, and we expect that they're going to be fully
16 exploring all of these possibilities.

17 COMMISSIONER COMMONS: Well, you say we're
18 constrained by personnel rules. Can you be specific on
19 compensatory time off what the rule would be?

20 MR. SMITH: No, I can't be, that's a --

21 COMMISSIONER GANDARA: Perhaps you can get back
22 to Commissioner Commons in more detail on that, because
23 I'm concerned about the full agenda, and you know, I don't
24 wish to cut debate off, or questions, but, you know, we're
25 getting far afield into another area.

1 COMMISSIONER SCHWEICKART: I would suggest as an
2 operating procedure today, though Commissioner Commons'
3 questions certainly deserve being answered, at least for
4 him, that we assume that the numbers being presented by
5 staff, and the analysis done in terms of costs, and budget
6 money required, et cetera, is correct for today. If there
7 are any questions about it, I think individual Commissioners
8 ought to get responses.

9 MR. SMITH: We'll provide each of you with a copy
10 of the detailed analysis, and if there are questions, we can
11 meet with you and resolve those, and like I said, we are
12 going to be exploring all the possibilities to reduce costs.

13 COMMISSIONER COMMONS: Well, before you leave
14 this issue, I think there is one fundamental issue that
15 we need to address. It seems from a work plan point of
16 view we have three alternatives, and I'm addressing this
17 to the other Commissioners.

18 One is to take -- we have two that have been
19 presented by the divisions, which Commissioner Gandara
20 pointed out. One is based on planning of 348 persons and
21 presumably that would show an overload during the first
22 six months, and an underload during the second six months.

23 Second would be to --

24 COMMISSIONER EDSON: Except I think what it shows
25 is an overload in the first six months, and at 348 for the

1 second six months.

2 COMMISSIONER COMMONS: That would be another
3 alternative.

4 COMMISSIONER EDSON: No, I think that's what's
5 the divisions have done, isn't that correct?

6 MR. SMITH: Yes, we'll address that, that question
7 of excess staff in the first two quarters as we go through
8 each of the presentations.

9 COMMISSIONER COMMONS: But I think in terms of
10 my trying to look at the issues and how they affect people,
11 it would help me if we had an understanding of the direction
12 of the Commission in terms of what target we want to plan
13 for given the existing state of uncertainty, and a second
14 alternative would be based on following the Governor's
15 budget as stated, which is essentially the law of the
16 State of California today, and that would mean that we
17 would have to go down to an average of 348 persons, and
18 any transition funds would have to be taken out either in
19 terms of contracts or persons from the second half of the
20 year.

21 The third alternative would be to -- would be
22 really a derivation on that, that is, do we have a two-step
23 layoff process, or a one-step layoff process if we were
24 to reduce. It would be very difficult, at least for me,
25 to try to understand the issues in the work plans if we had --

1 we're coming from different bases in terms of what is that
2 number which Commissioner Schweickart says is the number
3 we're going for, because after reading the work plans, I'm
4 not sure what that number is.

5 MR. SMITH: Well, the number that the work plans
6 are based on, and I believe this is consistent for all of
7 them, is 348. In the case that you mentioned, there was
8 specific planning in recognition of the fact that today
9 there are more staff in that division than would be their
10 portion of the 348.

11 So yes, there's an issue with regard to what
12 additional work might be accomplished in the first two
13 quarters. But I think that it's important for us to have
14 a plan that shows how we're going -- how we would like to
15 carry out the work that can be done with the 348 authorized
16 positions.

17 I think that would be the expectation of the
18 Legislature and the administration.

19 COMMISSIONER GANDARA: Let me suggest, again,
20 another assumption for purposes of today's discussion
21 which I think might meet Commissioner Commons' request
22 here, as well as to get us started on today's presentations.
23 That is that we have been authorized 348 positions, that
24 realistically, we are going to proceed as rapidly as
25 possible towards those 348 positions, recognizing that it's

1 going to take some time, that we make appropriate plans for
2 the utilization of staff beyond those 348 until we get to
3 that point.

4 You know, if we can make that assumption then
5 I think we can proceed with today's discussion.

6 COMMISSIONER SCHWEICKART: Well, I think that the
7 further assumption needed for the presentation of materials
8 to make sense today is that through one mechanism or another,
9 we acquire the additional million and a half dollars
10 required in order to avoid further layoffs below the 348.

11 In combination with the assumptions you outlined,
12 that makes the presentation materials consistent, except
13 for the way in which the staff treated the first two
14 quarters. Now, Commissioner Commons, it seems to me is
15 addressing -- by the way my reference to numbers was not
16 that, it was dollars, and making sure that the staff
17 multiplied correctly, and used the right averages, and all
18 that sort of thing, that's what I'm not interested in going
19 into today.

20 In terms of the overall numbers, and what the
21 Commission should be planning for here in terms of the
22 magnitude of the layoff, the way in which we lay out
23 priorities, it seems, I feel quite strongly that we should
24 move ahead as a Commission, essentially on the basis
25 outlined by Commissioner Gandara, and my list of assumptions

1 for work plan -- for proceeding with the work plans.

2 If we take at face value the signed budget by the
3 Governor of authorizing 348 people, then clearly, that is
4 inconsistent with the funding that has been provided, and
5 that inconsistency then becomes the responsibility of the
6 Governor and the Department of Finance to correct, it does
7 not become, in my view, a responsible act to assume that
8 that was intentional, and that in fact, the intention is
9 to run the Energy Commission down to 200 real people in
10 spite of being authorized 348.

11 If we operate on that assumption and see that as
12 being the way to go, I would consider that to be irrespon-
13 sible, and we can absolutely count on having our authorized
14 PY's dropped to that number. It seems to me that that may
15 be the design of some in this administration, but it is
16 not one which I consider to be responsible either on the
17 part of the administration, or on our -- in terms of our
18 own behavior until we get this cleared up.

19 So I think we should proceed on the 348 assuming
20 that adequate funding will be provided so that we can in
21 fact reduce to that number and only that number until such
22 time as the Legislature decides we ought to have fewer
23 people.

24 COMMISSIONER COMMONS: Well, let me suggest a
25 slight nuance on that. I think we have a responsibility to

1 the administration and to the Legislature to, one, do as
2 Commissioner Gandara is suggesting, which is to go to the
3 348. The programs that are requested for us to fund, I
4 think essentially are related to that 348 number.

5 So it would be very difficult in terms of doing
6 that which we are legislatively required, in fact, the
7 difficulty of today is to determine how we can meet our
8 legislative mandate within the 348 parameter; but that we
9 ask that staff, at a reasonable time in the future, show
10 the impact of the deficiency of \$1.5 million and that if we
11 had to actually achieve that further reduction as to the
12 proposed method, or method alternatives in terms of how
13 we would do that, but in terms of the format of this meeting,
14 and how we develop a work plan which would be submitted to
15 the Governor if we follow the approach that Commissioner
16 Gandara is suggesting, that we add that other document to
17 it as a backup, as to what we would do if we had to.

18 COMMISSIONER GANDARA: I believe that's the
19 document, Mr. Smith said you're preparing now --

20 MR. SMITH: Right.

21 COMMISSIONER GANDARA: -- for the justification
22 for reconsideration, is that correct?

23 MR. SMITH: That's correct, and we'll provide you
24 with copies of it.

25 COMMISSIONER GANDARA: Okay, if we can proceed.

1 MR. SMITH: Okay. One operating expense category
2 I'd like to highlight, and we're going to talk about this
3 more as we get into the division presentations, and that's
4 the amount of money that's provided for data processing.
5 As you can see there, it's, oh, about two-thirds of the way
6 down the column, it's \$504,000.

7 Our average expenditures for data processing in
8 the last two years, and that includes one year when we were
9 in BR hearings, and another year when it was an off Biennial
10 Report year, that amount was just under \$700,000. So we're
11 about \$200,000 short of our actual average expenditures for
12 the last two years to begin with in data processing.

13 We'll be talking about that more, it has a
14 significant effect on the work of the Assessments Division
15 and some of the other divisions. A few of the operating
16 expense categories, printing, communications, postage,
17 general expense, we believe that we can control those costs,
18 and in fact live within the amount, perhaps generate savings
19 that can be used to offset some of the categories.

20 We expect there to be a squeeze on in-state
21 travel. The amount provided is about \$35,000 less than
22 what we've used on the average in the last two years, and
23 we also know that we can expect a problem with regard to
24 payment of the rent on this building, and that's money that's
25 removed by the Department of General Services. That will

1 require that we generate savings in other categories to
2 cover that.

3 We also, as I mentioned, have a group that are
4 looking at cost reduction measures. It may include
5 consolidating the staff within this building at an earlier
6 time than we ordinarily would have, which would have been in
7 the spring following the layoff. We're exploring that. We
8 don't know whether or not that saves money or costs money.

9 COMMISSIONER COMMONS: Are you saying on the
10 appropriate time to raise savings in this area would be
11 our 10th meeting, not today?

12 MR. SMITH: Yes, and we would hope to have at
13 least a preliminary report from the work group looking at
14 these savings opportunities.

15 COMMISSIONER SCHWEICKART: Kent, it would help me
16 in thinking about what we're faced with here to understand
17 what freedoms and what constraints we have in moving money
18 around that has been authorized in the budget.

19 MR. SMITH: Yeah.

20 COMMISSIONER SCHWEICKART: I take it that you're
21 saying if we realize savings in the operating budget, we
22 can shift that to personnel without further approval, or
23 is that required --

24 MR. SMITH: We can shift savings among most of
25 the categories of operating expenses, within operating

1 expense and equipment category. There are some constraints
2 there, out-of-state travel, any shifting there requires
3 Department of Finance approval, equipment requires --

4 COMMISSIONER EDSON: Out or in?

5 MR. SMITH: Excuse me?

6 COMMISSIONER EDSON: Either out or in, or simply
7 in --

8 MR. SMITH: No, out-of-state requires approval.
9 My understanding is in-state we have the ability to shift.

T.2 10 COMMISSIONER COMMONS: You mean if we eliminate
11 out-of-state travel, we could not increase either our data
12 processing or in-state travel?

13 MR. SMITH: It would require Department of Finance
14 approval. I would have a hard time imagining what the
15 reason for denying our request would be, but it does
16 require Department of Finance approval.

17 We also require Department of Finance approval to
18 shift between operating expense and personal services.

19 COMMISSIONER SCHWEICKART: And between different
20 divisions within personal services?

21 MR. SMITH: Within personal services, we are
22 clearly constrained at the program level to shift between
23 Development Program, Conservation Program, so on. With
24 Department of Finance approval, it's possible to shift
25 resources within program elements. An example would be

1 Small Power Producers to Fuels, or to Finance Technology
2 Development.

3 Within program elements we find most of the
4 issues that are being raised today, and those are choices
5 of emphasis on activities, and some specific contract
6 proposals.

7 COMMISSIONER EDSON: Is that to say, then, that
8 we do not have the discretion to transfer program responsi-
9 bilities between elements? For example, we could not say
10 Conservation's been cut by 50 percent, and yet conservation
11 quantification is a very high priority activity, therefore
12 we're going to give that assignment to Assessments.

13 MR. SMITH: Transfer between divisions, if the
14 work that's going on can be categorized within a program,
15 and the example of conservation quantification, you would
16 potentially leave that in the Conservation Program, but ask
17 that the work be done by the Assessments Division.

18 We've had a history of those interdivisional
19 assignments primarily in Siting and Environmental Division
20 providing environmental review documents for building
21 standards, for some of the Development Division programs.

22 COMMISSIONER COMMONS: Let me respond to that. I
23 would think in this instance that conservation quantification
24 has two elements, one is the assessment of conservation
25 programs that we're doing, and second is in the Biennial

1 Report, and in the Electricity Report. I think it would be
2 within our parameters to say that the conservation quantifica-
3 tion element that addresses the BR Report is not part of the
4 Conservation Division, it's part of the Assessments Division,
5 or the Demand Office, whichever office it ought to be, and
6 could be assessed against the Assessments Office in terms
7 of the allocation of the people. That that would be a
8 flexible item rather than inflexible.

9 COMMISSIONER EDSON: I think that's what Kent
10 said, and I wasn't necessarily proposing that, I was trying
11 to find out what kind of flexibility we have.

12 MR. SMITH: If there are no more questions, I'd
13 like to begin with a brief review of the issues within
14 the Administrative Services.

15 COMMISSIONER COMMONS: Just before you do that,
16 I want to make sure that we're all under the same under-
17 standing of the ground rules in which we can operate. One,
18 we can't transfer monies between divisions or people.
19 Within divisions, within the same program element, and a
20 program element would be defined as per the Finance
21 Department as to how they identify program elements within
22 the Commission, that we have the flexibility without
23 Department of Finance approval to shift manpower or funds
24 from one area within that program element to another area
25 within that program element.

1 Third is within the same division, or within the
2 same program area, we have the ability, with Department of
3 Finance approval, to shift people from one program area
4 within the division to another program area and this is
5 all caveated by if there was a specific veto of a specific
6 item, or legislative direction on a specific item, that
7 that would be excluded from that process of our own
8 flexibility.

9 MR. SMITH: I believe we're saying the same
10 thing, that if you think of the divisions as being basically
11 identical with program elements, or with programs,
12 Conservation and Development, that's true. In Assessments
13 and Siting and Environmental, those two divisions are, in
14 fact, part of a single program as far as Department of
15 Finance is concerned. So that when you --

16 COMMISSIONER COMMONS: Which two was that?

17 MR. SMITH: -- when you say that you can't shift
18 within divisions, between divisions, there is an exception
19 there. The regulatory and planning program in the
20 Department of Finance structure for our programs contains
21 the work of Assessments Division and Siting and Environmental
22 Division.

23 COMMISSIONER EDSON: The two divisions least
24 affected.

25 COMMISSIONER COMMONS: Okay. And on contract

1 dollars and people, we did not clarify as to whether or not
2 we can increase contract dollars and decrease the people,
3 or decrease contract dollars and increase people, again
4 with the restriction of within program areas.

5 MR. SMITH: Right. Department of Finance approval
6 would be required for any shift of contract dollars to
7 personal services, or conceivably the reverse.

8 COMMISSIONER COMMONS: Okay, thank you.

9 COMMISSIONER GANDARA: Go ahead, Mr. Smith.

10 MR. SMITH: Chris?

11 MS. GRUZYNSKI: Kent asked me to give a brief
12 overview of the issues in Administrative Services. As we
13 stated in our cover memo to the work plan, the program
14 emphasis in our division will be to ensure an orderly
15 transition to a reduced level of service, and reduced
16 analytical capabilities.

17 The priorities in our division are going to be
18 layoff processing in the placement unit, monitoring the
19 83/84 expenditures, and the development of the 84/85 budget.
20 The major issue in our division is attrition. We are
21 authorized 54 positions, and we are currently at 47.5. So
22 we are below our authorized level currently.

23 Also, the rate of attrition appears to be
24 accelerating, and we're anticipating having between 40 to
25 17 filled positions in our division by January. The most

1 critical loss will be in the area of --

2 COMMISSIONER COMMONS: I'm sorry between 40 and 17?

3 MS. GRUZYNSKI: Pardon me?

4 COMMISSIONER COMMONS: I didn't understand you're
5 expecting to have --

6 MS. GRUZYNSKI: Well, just applying the rate of
7 attrition to the number of staff that we have currently, if
8 that rate continues we could get as low as 17.

9 COMMISSIONER EDSON: What's your budgeted level?

10 MS. GRUZYNSKI: Fifty-four.

11 COMMISSIONER EDSON: Fifty-four.

12 COMMISSIONER SCHWEICKART: But that assumes no
13 one coming in?

14 MS. GRUZYNSKI: Right.

15 COMMISSIONER SCHWEICKART: Which is not realistic,
16 is it?

17 MS. GRUZYNSKI: Well, it would be difficult to
18 have an outside hire during a layoff process.

19 MR. SMITH: One of the issues that affects both
20 Administrative Services and Assessments Division, they both
21 today have vacancies that are within their authorized
22 position levels. It seems certain that given our financial
23 situation, and the situation at the Commission with layoffs,
24 that we would not be going outside the Commission to recruit
25 for those. We definitely, though, would be taking a look at

1 skills available within the Commission, to shift from those
2 areas where there are staff reductions planned, into the
3 areas where we're at our authorized levels.

4 COMMISSIONER SCHWEICKART: But in either case,
5 you would not expect 17 people, whether they're from
6 outside hires, or from inside hires?

7 MS. GRUZYNSKI: Well, we were just using 17 as
8 the most drastic it could become without the opportunity
9 to hire from the outside.

10 MR. SMITH: One of our serious problems that
11 Chris is alluding to is attrition. I think you're aware
12 that our former budget officer was one of our first
13 attritees. The Division Chief of Administrative Services
14 has left. Jim was announced?

15 MS. GRUZYNSKI: Jim Faulkinbury will be leaving
16 in mid-August.

17 MR. SMITH: Jim Faulkinbury, the head of our
18 computer systems office is leaving, and there is a great
19 likelihood that other key staff and managers in Administrative
20 Services may be leaving as well.

21 COMMISSIONER GANDARA: Let me just say, and
22 perhaps we can move off of this as well, that I didn't
23 take this part of the discussion to indicate that you
24 expect 37 vacancies, but rather that you -- it was a comment
25 from the rate of attrition experienced in the first half of

1 the year to the rate of attrition experienced during July,
2 and that even though these positions are going to be filled,
3 that you may have as many as 37 new people in the Division
4 which would lead to certain learning curve problems.

5 MR. SMITH: Yeah.

6 COMMISSIONER SCHWEICKART: New ideas, however.

7 COMMISSIONER GANDARA: Yes, yes. There is an
8 old Zen saying that says that in the minds of a beginner
9 there are many possibilities, in the minds of an expert,
10 there are few.

11 MS. GRUZYNSKI: Obviously, the most critical
12 loss in attrition will be a loss of expertise in the
13 personnel and financial area. We're taking some steps to
14 continue to provide some services and analytical functions
15 with reduced staff, and what we've done is try to set hours
16 when the administrative staff is available to the public
17 and to Commission staff.

18 We're looking at a possible reallocation of
19 personnel within the Commission into the administrative
20 area, if they have any previous expertise or background.
21 An item that we've brought up, and that we're looking at
22 in more detail is discontinuing, or reducing some services
23 or their hours of operation, and this would include EDP,
24 publications, and the library.

25 We're looking at contracting for administrative

1 work. The only area where this appears to be feasible at
2 the moment is the employee assistance program which we're
3 required to have. We're also going to be checking with
4 some of the control agencies on relief from reporting
5 requirements. Apparently Finance has a unit that can give
6 you dispensation from certain reporting requirements if
7 you're understaffed, and we're going to be talking with
8 them about getting that kind of relief.

9 COMMISSIONER GANDARA: Sometime during this budget
10 process we were informed that the Resources Agency had
11 considerable resources available to it in the administrative
12 services area, and that those would be made available to us.
13 Are there any such plans, discussions?

14 MR. SMITH: Yes. That indication was given to
15 us by Deputy Secretary Terry Eagan, and we do plan to be
16 in touch with him.

17 MS. GRUZYNSKI: Did you want me to talk about
18 the Cost Reduction Task Force?

19 MR. SMITH: Yeah, why don't you indicate that.

20 MS. GRUZYNSKI: Okay. The first meeting of the
21 Cost Reduction Task Force is being set for tomorrow and it
22 will include representatives from each of the divisions and
23 Administrative Services. What we plan to do is be a
24 collector for ideas throughout the Commission on reducing
25 operating expenses and to come up with a recommendation, as

1 Kent said, prior to the August -- or at least a preliminary
2 report of the scope of the recommendations and what we're
3 going to be pursuing for the August 10th Commission meeting.

4 COMMISSIONER COMMONS: Let me -- since I won't
5 be at that meeting, let me suggest a ban on out-of-state
6 travel unless approved at a Commission meeting.

7 MS. GRUZYNSKI: That's all I have unless there's
8 any questions.

9 MR. SMITH: It's hard to understate the importance
10 of this task force on cost reductions. We expect that
11 Department of Finance will move rapidly to solve this
12 transition fund deficit problem. On the other hand, as
13 long as there's a potential that we, in fact, are going to
14 have a deficit, and it will affect the number of people
15 laid off, the result of this group's work may very well
16 translate into saving jobs of staff here.

17 COMMISSIONER EDSON: I just have one -- I guess
18 two comments. One is very general, and that is, I think we
19 need to be very careful about leading people to expect that
20 we're going to have these transition funds restored. I
21 don't have -- I don't think we have any reason to believe
22 that we're going to get that million dollars, and any
23 reason to believe that we won't be forced to go below the
24 348. I know that -- I don't enjoy saying that, and I don't
25 say it out of some desire to see us reduced further than that.

1 But I -- given the way this budget was handled
2 by the administration, I don't think there's any indication
3 that they're going to do anything but leave us out there
4 forced to either eliminate our contract activity, or reduce
5 much further the 348.

6 MR. SMITH: I think ultimately, the question that
7 I'm sure none of us can answer is the intent of the adminis-
8 tration and whether or not it's to be taken at face value,
9 that there should be a program level that was approved
10 through the March change book, and that the activities that
11 they had reached should go on, in fact, are intended to go
12 on, or whether or not the intent is to seriously restrict
13 the Commission's ability to carry out that work. I don't
14 know.

15 COMMISSIONER COMMONS: I would like to request that
16 you ask someone from the Department of Finance to address
17 that question and possibly be available on the 10th of
18 August to give us assistance in terms of what they would
19 like us to do on the planning of this issue.

20 MR. SMITH: We'll raise that.

21 COMMISSIONER SCHWEICKART: Let me just say
22 something to follow up on Commissioner Edson's comment, and
23 I think it's -- given the situation, I think, and literally
24 out of courtesy to the people on the staff here who are
25 going to find themselves either out on the street, or

1 potentially out on the street.

2 We're talking here about a decision of the
3 Commission whether or not to fight what is implied by the
4 mismatch here between authorized positions and actual
5 money appropriated to the Commission. We either fight to
6 obtain the reasonable and justifiable transition funds in
7 order to have an orderly reduction to the authorized level
8 of personnel, 348 in which case, recognizing if we lose
9 that fight, we'll lose even more people; or de facto, assume
10 we're not going to get any transition funds, that the
11 irrationality prevails, and thereby cut back right now, and
12 plan to cut back to 200 and some people, and begin laying
13 people off, or planning to lay people off down to that
14 level even though we're authorized 348.

15 That's the question, do we fight it or do we
16 go along with it. If we fight it, the risk is there of
17 losing even more people. Either way, we're dealing with
18 peoples jobs, and the Commission must make a decision on
19 how we approach it. I don't presume that we make that
20 right at the moment.

21 MR. SMITH: I think it's quite clear that the next
22 step, and the assumption that we're operating with right now
23 is that the Department of Finance would intend that there
24 be 348 authorized positions here, and that adequate funding
25 be provided, and that we're going to make certain that they

1 have the same information we do about the effects of the
2 underfunding and would expect that when the Legislature comes
3 back on August 15th, that there would be administration
4 support for relief.

5 We'll know within a very short time whether or not
6 they're willing to do that.

7 COMMISSIONER SCHWEICKART: I think at the moment
8 we all agree on the approach, Kent. I just wanted it
9 explicit on the record what the choice was.

10 MR. SMITH: Sure.

11 COMMISSIONER EDSON: I had one other comment. As
12 I've looked at the summary sheet, the division resource
13 summary at the back, I notice that in several cases you're
14 over -- you have more people in the positions than you're
15 budgeted for, in other cases you're under.

16 I guess, first of all, the question -- I'm asking
17 what's being done to try to adjust those levels, and
18 secondly, I've also heard through the grapevine that, in
19 fact, rather than having two people in the contracts area,
20 only one person is in the contracts area. So it's a question
21 of the extent to which the filled positions reflects what
22 is actually happening now in the division.

23 MS. GRUZYNSKI: The contracts office has two
24 people but one of them is a clerical, and that might be why
25 it's been described as one.

1 COMMISSIONER EDSON: And is it --

2 MS. GRUZYNSKI: And this current -- this spread
3 here doesn't reflect some anticipated attrition that has
4 just come about which would bring a lot of these offices
5 either right at the same, or below their authorized levels.

6 MR. SMITH: Can you run through which of those
7 offices?

8 MS. GRUZYNSKI: No, I don't know them by heart.

9 MR. SMITH: Okay.

10 MS. GRUZYNSKI: But our total staffing is now
11 at 47.5, not 50.5.

12 MR. SMITH: There certainly is an intent, and I
13 believe that the distribution of resources among the offices
14 reflects some shift. I believe that there was a shift in
15 the position from accounting to grants and loans to attempt
16 to maintain a minimum level of coverage there.

17 In some cases we're constrained. There are very
18 few shifts possible between the human resources side and
19 the financial side because of the specific skills and
20 knowledge required in accounting and so on. But where there
21 is a possibility, given that skill mix, very definitely
22 going to be continuing to look at those possibilities as
23 we go through the year.

24 That applies to program divisions as well.

25 COMMISSIONER COMMONS: Well, on this division,

1 just given what Finance approved, does the Executive Office
2 have any comments in terms of are there any areas here
3 where we need more people or less people to operate at the
4 348 level than that which is shown?

5 MR. SMITH: No, we've been over this with the
6 Administrative Service managers, and the Executive Office
7 concurs in this mix. It's very tight, we don't have
8 adequate staff in a number of areas, but this is the most
9 appropriate mix.

10 COMMISSIONER COMMONS: For example, just the
11 little one, contracts, of our contracts, how many people
12 did we have in contracting last year?

13 MS. GRUZYNSKI: We had three -- two analysts and
14 a clerical. We're also anticipating a big reduction in
15 contract activity and if we go with the category transfer,
16 we're even looking at a bigger reduction in contract
17 activity next year. So we're being flexible on how we
18 staff that office until we know exactly what's going to
19 happen.

20 COMMISSIONER COMMONS: I guess a general question
21 would be, you're at 47.5, and we're operating today. Can
22 we operate at that level for the year?

23 MS. GRUZYNSKI: Well, we're operating, but at
24 reduced levels of service. For example, we'll have .5
25 people in the library when the current person that's given

1 notice leaves the staff. So I think there are some things
2 that are going to be occurring that you probably -- that
3 aren't visible yet. The publications unit is winding down
4 drastically, and there's been some response from the public
5 in that area.

6 The transactions analyst in personnel is leaving
7 which will leave that office --

8 COMMISSIONER COMMONS: Well, that's going to be
9 below the 47.5?

10 MS. GRUZYNSKI: No, no, that's within the 47.
11 Some of this is anticipated attrition that hasn't occurred
12 yet but will be occurring within the next two weeks.

13 MR. SMITH: Also in response to your question,
14 the Administrative Services area has something of the
15 characteristics of maintenance. You can defer maintenance,
16 and you don't see the cost of deferred maintenance immediately
17 but the cost is there. The cost of having a lower level
18 of staffing in grants and loans that's required to monitor
19 the amounts of money that we have out in the hands of other
20 people that we're responsible to the state and the federal
21 government for potentially involves a risk to the
22 Commission.

23 The same thing is true in accounting, in any
24 number of these areas. Relatively few number of people in
25 the budget chop may not cause a problem this week or next

1 week, but the results of not having sufficient staff to
2 explore all alternatives to fine tune the analyses is
3 going to be with us, it's going to catch up with us.

4 We're losing one of the key people in that area
5 that has been responsible for fiscal monitoring. We've had
6 a problem in the past. In the last six months there's been
7 substantial improvement, to a great extent as a result of
8 the work of this individual. That person is gone, there
9 are going to be costs, but they're not visible today.

10 COMMISSIONER GANDARA: Let me make one suggestion
11 and perhaps you can address it at the August 10th meeting.
12 With respect to the computer services, I guess I've always
13 been concerned that when you have centralized computer
14 services in your Administrative Services Division, you have
15 programmers, specialized technical people that are providing
16 services in the division, that oftentimes that is more
17 difficult to see as a need than if you have those specialized
18 programming people within the divisions themselves.

19 Is there any possibility of distributing those
20 programmers that are more or less dedicated to particular
21 needs, such as either the Assessments Division, or
22 Conservation Division, or Development, and I'm assuming
23 there that there's that possibility.

24 In line with perhaps one of the cost reduction
25 ideas that you might look at, which I mentioned in the past,

1 is that rather than have a centralized computer service
2 that is sort of used up on demand, you know, first come
3 first served, that you just allocate a computer budget per
4 division, and each division has to meet that budget, and
5 they live within that budget, and I think if the distribu-
6 tion of the computer services people might, in fact, be
7 more useful and more productive and help to control costs.

8 I offer that as a suggestion that you might
9 consider by August 10th. I don't know if it's feasible,
10 or whether it's been considered in the past.

11 I suggest we move on to other issues.

12 MR. SMITH: If there are any other questions in
13 the Administrative area, if there are not I had a request
14 to alter the sequence today, and with your concurrence,
15 we would ask Siting and Environmental to go next.

16 COMMISSIONER COMMONS: Weren't we going to hear
17 from Mr. Messenger before we got into the divisions?

18 COMMISSIONER GANDARA: No, before Conservation.

19 COMMISSIONER COMMONS: Oh, before Conservation,
20 okay.

21 MR. SMITH: Ross? In Siting and Environmental,
22 there are two categories of major issues before us. One
23 we were introduced to at the program planning meetings, and
24 that's the question of peak loading of the division's work,
25 given the fact that the budgeting of staff this year did not

1 provide for the flexibility that's existed in the past.

2 The other major area of issue has to do with the
3 providing of environmental services for nonresidential
4 work, geothermal work. There's some other specific issues
5 here that Ross is going to touch on, but let me let him
6 go ahead.

7 MR. DETER: Okay. Thank you. Very briefly, and
8 I appreciate being changed on the agenda, incidentally, I
9 thank you very much.

10 As you have probably noted in my work plans, I've
11 developed a work plan which is work for the staff that I
12 anticipate to have on board between now and throughout the
13 fiscal year. I assumed a straight line reduction of staff
14 between July 1st and January 1st, assuming getting down to
15 the 49 person budgeted level on January 1st.

16 The second thing you will note in the work plans
17 is that our regulatory case workload increases, or is more
18 in the second half of the fiscal year than it is in the
19 first half. So, since I have had staff in excess of my
20 budget, and work less than the average amount for regulatory
21 cases in the first half of the fiscal year, there are work
22 plans in my package for projects which are "unbudgeted".
23 They were not included in the Governor's budget, but that
24 they are work that extends from this fiscal year, and will
25 allow us to complete work, and also work on other priorities.

1 The other thing is that I made a number of
2 assumptions when I was putting together the work plans, and
3 I assume that the regular siting cases would come in as
4 I perfectly predicted them to. That we would not see any
5 additional cases that I had not projected to come in. That
6 I could perfectly control the types of staff, and the
7 expertise of the staff that would be leaving us, rather than
8 have those staff leave by seniority. Making all those
9 assumptions obviously leads one to a fairly unrealistic
10 set of assumptions, I think.

11 So, I've assumed Murphy's law is at work, which
12 means that anything that goes wrong will go wrong, and
13 there are a number of problems if things do go wrong.

14 We anticipate -- or there may be four additional
15 power plant siting cases coming in in this fiscal year. That
16 includes the Orange County Municipal Solid Waste Project,
17 which is anticipated to come in in the first quarter. We
18 have got notification from the engineering firm doing that
19 work that they will write us a letter telling us that in
20 fact that is going to come in, and we have three other
21 potential projects: A Modesto Biomass Project, a large
22 solar project and the Sacramento County Municipal Solid
23 Waste.

24 If those projects come in, then we develop a peak
25 load problem in the second half of the fiscal year.

1 We have analyzed some solutions to solve that
2 problem, including hiring consultants, et cetera, but
3 basically we need a Section 28. If we can get a Section 28,
4 we will write it up in such a manner that if we get it in
5 time we will be able to save some of the staff that we
6 would otherwise lay off and be able to do the projects.

7 If that doesn't work, we'll have to use the money
8 to hire consultants that will come in and do staff work,
9 essentially, on these siting cases in the future.

10 Secondly, the Governor did not include in his
11 budget staffing to do the transmission system analysis,
12 even though he said in his budget that we could do it with
13 the existing resources. We can't do it with the existing
14 resources, and as a result, we will only be able to work
15 on this project as staff is available to do it.

16 Thirdly, the Governor did not include in his
17 budget resources to prepare EIR's, negative declarations,
18 or other CEQA type documents for any standards that the
19 Commission adopts, for any demonstration projects that the
20 Commission wishes to fund. We will therefore only be able
21 to do that type of CEQA work as staffing is available.

22 Lastly, I guess that -- I've already talked about
23 the power plant siting proposals, but if there is a further
24 reduction below the 49 person year levels, which you've
25 already talked about this morning a little bit, we will be

1 able to do even less, obviously, on the power plant siting
2 cases. It opens up a question of whether or not we can
3 legally meet our mandates, but I think that's something that
4 we need to deal with as we go along.

5 So that's all I want to say in overview. If
6 you've got any questions, I'd be glad to answer them.

7 COMMISSIONER COMMONS: Ross, we were going to
8 be doing -- I think we had a list of nine or ten items that
9 we were going to have a rulemaking proceeding on. Where
10 would that come out on your table of work?

11 MR. DETER: I believe in the package, towards the
12 latter part of it, we've identified, on Table 4, we have
13 identified the projects on which we are going to work on.
14 The regulations, the items that we identified as rulemakings
15 for the power plant siting regulations are included in our
16 power plant siting workload, so they are included in our
17 work plans, and we anticipate -- we believe that we will
18 be able to do that work.

19 MR. SMITH: Ross, I'm not at all sure that that
20 was included, and we ought to provide that information that
21 you're referring to.

22 MR. DETER: Oh, okay, I thought this was the
23 package that was included.

24 COMMISSIONER COMMONS: I have Table 4.

25 COMMISSIONER SCHWEICKART: Table 4?

1 MR. DETER: Yes. In our --

2 COMMISSIONER GANDARA: Before you leave that
3 subject, I have Table 4, what item are we talking about
4 that refers to working on siting regulations?

5 MR. DETER: This is one of the earlier tables in
6 your budget, but our work plan includes projects for these
7 elements, and in our power -- in our regulatory and planning
8 of power plant site certification, the third from the bottom
9 project is siting regulations, and we have budgeted --

10 COMMISSIONER GANDARA: What's that, permit
11 coordination?

12 MR. DETER: No, that table includes the total
13 resources budgeted, see up in the second item on the top,
14 resources budgeted?

15 COMMISSIONER GANDARA: Okay.

16 MR. DETER: That 41.55 is a reflection of these
17 projects. So we assumed that that project was included in
18 our budgeted work plans. The other projects below that
19 are unbudgeted work that we've included in our work plan
20 package.

21 COMMISSIONER COMMONS: You're showing after this
22 month, then, we won't be entering rulemaking, if I remember
23 our schedule, until very late this year. The only manpower
24 you've allocated to a full rulemaking proceeding is 2.25
25 man months in December.

1 MR. DETER: Where do you see that?

2 COMMISSIONER COMMONS: Under siting status,
3 alternative technology, is that the item you're referring to?

4 COMMISSIONER EDSON: I think we're looking at --

5 MR. DETER: That's not the same project, that's a
6 different project.

7 COMMISSIONER COMMONS: Do we have the same Table
8 4 that you have?

9 MR. DETER: Yes. The specific project that
10 you're referring to to do regulations is included in our
11 regulatory workload. It's included in the workload that
12 was budgeted by the Governor in our power plant siting
13 cases. That is shown on -- back up two, back up three
14 pages in your package. It shows Table 1, in the regulatory
15 and planning, power plant certification, third from the
16 bottom project is siting and regulations. We've budgeted
17 .75 person years.

18 COMMISSIONER SCHWEICKART: Ross, I think it would
19 be helpful if we went to Table 4 and you told us what that
20 third column means, "Resources Available*, Unbudgeted
21 Projects". I don't know whether that means that you've
22 got 14.85 additional budgeted PY's that are listed below
23 in areas where there's flexibility, whereas the ones that
24 you have listed in resources budgeted you don't have
25 flexibility. How about giving us --

1 MR. DETER: Basically that's correct. The
2 resources budgeted is those projects for which we do not
3 have control over the time frame, primarily, they're power
4 plant siting applications, they are systems assessment, or
5 BR IV work, and management support. Those elements and
6 projects were included in the Governor's budget.

7 COMMISSIONER SCHWEICKART: So resources budgeted
8 means inflexible, that's what's required, and we're serving
9 outside things.

10 MR. DETER: That's correct.

11 COMMISSIONER SCHWEICKART: Resources available
12 means you've got that many PY's --

13 MR. DETER: Left over.

14 COMMISSIONER SCHWEICKART: -- which the Commission
15 has some control over.

16 MR. DETER: In our division. We anticipate we
17 have in our division leftover for that month.

18 COMMISSIONER SCHWEICKART: Okay. And the -- you
19 start out with 56.4 and you're down to 49 by January in
20 terms of total resources, and that's your straight line
21 decrease from where you are today to the 348 level.

22 MR. DETER: That's correct.

23 COMMISSIONER SCHWEICKART: Okay.

24 COMMISSIONER COMMONS: Let me just make sure I
25 understand this. Looking at April, you have resources of

1 49, and you have resources budgeted of 5.35.

2 MR. DETER: Yes.

3 COMMISSIONER COMMONS: I understood what happened
4 when you had excess and how you allocated it, I don't
5 understand what you do --

6 MR. DETER: The resources budget is based upon
7 the schedules of siting cases. It's based on a generic
8 schedule for each siting case, those are added together.
9 That indicates that we have a peak load problem in April.

10 COMMISSIONER COMMONS: And so that's where you're
11 suggesting that we either go to consultants or do something.

12 MR. DETER: If everything goes perfect, and we
13 actually have siting cases come in as we've developed these
14 work plans for, I believe we can handle that 4.35 person
15 months internally by making some shifts in power plant
16 siting cases, working with the Committee to make some slight
17 changes in power plant siting cases, perhaps some overtime,
18 that sort of thing.

19 We can handle this small of a peak load problem
20 because this is within 10 percent of your estimate anyhow,
21 which is probably in the margin of error of developing
22 work plans anyway. So we don't have a peak load work plan
23 if everything goes correctly, or as we assume.

24 COMMISSIONER COMMONS: I'm going to suggest, Ross,
25 what is going to happen is particularly in the siting area,

1 where we run into the peak problem, the reality is going to
2 be that they're very key people, and they're technical
3 people that are working on this, and we are going to be
4 one, two, or three months slower on some of the cases
5 because we're going to have to pass them down the time
6 because there aren't the people or the resources to do that,
7 and the people and the applicants who come before us should
8 recognize that what we thought might take 12 months is now
9 going to take 13 or 14 months because we don't have the
10 resources to solve the problem.

11 MR. DETER: I don't believe that the Commission
12 can legally do that, but if the Commission can do that,
13 obviously, it would help out my staffing problems.

14 COMMISSIONER GANDARA: A question, Mr. Smith, by
15 August 10th are we going to get more detail on some of these
16 elements, for example, you know, what's encompassed within
17 siting regulations, what siting regulations?

18 MR. SMITH: I believe we can do that.

19 MR. DETER: We have a full set of work plans,
20 we'd be happy to make them available to you.

21 MR. SMITH: Yeah.

22 COMMISSIONER GANDARA: I guess that's my question.

23 MR. SMITH: The material that you received is
24 a summary of essentially a five volume set. Now, there's
25 probably 600, 700 pages in that. If there are any specific

1 requests for more detail, we can provide the materials
2 submitted.

3 COMMISSIONER GANDARA: Okay, fine. Well, for
4 today, at least I'd like to know whether the -- what's
5 included in the siting regulations, this item, the third
6 from the bottom there. What do you have in mind?

7 MR. DETER: Let me pass the baton a little bit
8 here.

9 MR. THERKELSON: The primary things that we're
10 looking at in that are, number one, incorporating the
11 provisions of the Filando bill that was passed a year and a
12 half, two years ago, to update some of the requirements
13 with respect to -- just a minute, let me read from the
14 list -- the Filando bill, improving the data appendices
15 with respect to transmission lines and cogeneration projects,
16 looking at expedited AFC's, currently there's no data
17 appendices for expedited AFC's.

18 Looking at the procedural issues raised in recent
19 siting cases, for example, the need for a data adequacy
20 review period during small power plant exemptions. Looking
21 at emergency regulations, and looking at the question of
22 NOI site banking, and looking at the criteria for delegated
23 siting authority, and a further review of small power plant
24 exemptions.

25 That's the list of things that we're planning on

1 doing. We do have a detailed work plan and we can provide
2 that to you with a schedule and a list of what's going to be
3 done.

4 COMMISSIONER GANDARA: I'd like to see that --

5 MR. THERKELSON: Okay.

6 COMMISSIONER GANDARA: -- because again, let me
7 say that it's my recollection that the Commission moved
8 away from the contingency siting concept on the condition
9 and representation of the division that we would be working
10 on emergency siting regulations and updating the NOI's.

11 MR. THERKELSON: Correct.

12 COMMISSIONER GANDARA: Before it becomes a
13 perennial question, I think that we, you know, should
14 certainly get to that before the next Biennial Report.

15 MR. THERKELSON: Right, we've included those in
16 there.

17 COMMISSIONER COMMONS: What I'd like to request
18 is if this list was done prior to the time of the veto and
19 that staff come back to the Committee prior to coming back
20 to the Commission with your recommendations to deletions
21 from that list based on the budget.

22 COMMISSIONER EDSON: I would just comment that I
23 think some of the activities that are unbudgeted in the
24 coming year are of -- should be looked at in terms of
25 trade-offs between the siting activities. For example, a

1 lot of the EIR work that is required for several of our
2 programs to proceed would be dropped in the latter half of
3 this fiscal year, and I for one consider EIR work on
4 projects that we're funding, nondiscretionary -- that's
5 on the standards work.

6 COMMISSIONER SCHWEICKART: Is that the case --
7 yeah. Are you picking that up, Commissioner Edson, from
8 the EIR clearinghouse line?

9 COMMISSIONER EDSON: No -- well, nonresidential
10 offices, for example, from geothermal grants which become
11 -- very little staffing, nonresidential groceries are
12 completely unbudgeted.

13 COMMISSIONER SCHWEICKART: I see. All right, so
14 when you say nonresidential offices, that's EIR work, Ross?

15 MR. DETER: That's correct.

16 COMMISSIONER SCHWEICKART: Your stuff all in one?

17 MR. DETER: That's correct. Because that work,
18 we anticipate, would fall in the second half of the fiscal
19 year, and because of the siting caseload work at that time
20 we would not have the resources to be able to do that as
21 our priorities currently stand, and of course, we'd be
22 looking to you for directions on priority adjustments.

23 MR. SMITH: That's if the siting cases --

24 MR. DETER: That's if the siting cases stay on
25 the schedule we assumed when we put together these work

1 plans, and assuming we get no new siting cases in:

2 COMMISSIONER EDSON: Are there siting cases that
3 were -- we thought would come in by now that have not come
4 in?

5 MR. THERKELSON: C&H Sugar was supposed to come in
6 August 1st. They've slipped a month and I believe it was
7 Geysers 21 has slipped back to December.

8 COMMISSIONER EDSON: From?

9 MR. THERKELSON: Originally it was supposed to
10 come in in October.

11 COMMISSIONER GANDARA: But I think Commissioner
12 Edson's question is still relevant, I mean, to some extent
13 these are nondiscretionary.

14 MR. DETER: Yes.

15 COMMISSIONER GANDARA: Let's assume, you know,
16 that there is some movement in the nonres standards and
17 you need to have an EIR before you can proceed, not having
18 the EIR, or not doing the work, would essentially preclude
19 any other program advance on that. So it seems to me that
20 it's actually nondiscretionary, that it needs to be fitted
21 in somehow.

22 MR. DETER: If we fit it, it's robbing Peter to
23 pay Paul, it's taking resources from other program areas.

24 COMMISSIONER SCHWEICKART: That's where we are.

25 COMMISSIONER GANDARA: Well, does that mean that

1 you -- you know, I mean certainly the Committee and the
2 Commission has the discretion to adjust the siting case
3 workload, or you know, I believe what, it takes a Commission
4 decision to modify a -- to permit the processing to go
5 along a different schedule than the 12 month schedule, have
6 we done that before?

7 COMMISSIONER SCHWEICKART: I don't believe that
8 the Commission has any option there other than to violate
9 the statutory required times on siting cases.

10 MR. DETER: Right, either -- yes, I believe that
11 is correct.

12 COMMISSIONER COMMONS: Here's an option we
13 clearly have. Some of the rulemaking procedures that are
14 allocated at .75 man months are not mandatory, and let's
15 say that in our work plan deliberations we decide to go
16 ahead with nonresidential building standards for groceries,
17 we can certainly reduce the rulemaking proceedings and
18 increase the EIR to take care of policy decisions made in
19 another division.

20 COMMISSIONER EDSON: Are there --

21 COMMISSIONER COMMONS: Except the only thing that
22 I know of that we had to do on your list was the Filando
23 bill, that's the only thing that is mandatory on the rule-
24 making proceeding.

25 MR. DETER: Pardon me?

1 COMMISSIONER COMMONS: On the rulemaking proceeding
2 the only thing that is mandatory right now for us is to make
3 the adjustments in our rules for the Filando bill.

4 MR. DETER: Yeah, I think that's correct, although
5 the Filando bill has been passed for about a year and we
6 haven't developed any new regulations, but I believe that
7 is correct.

8 COMMISSIONER EDSON: Can you -- as I've looked
9 at your Table 1, could you give me a little explanation of
10 what the utility submittal evaluation is, and what the
11 energy strategy work is?

12 MR. DETER: That is our biennial evaluation of
13 the utility resource plans. The utilities --

14 COMMISSIONER EDSON: An environmental review?

15 MR. DETER: Yes, it's an environmental review on
16 a statewide basis and a regional-wide basis, and basically
17 the environmental review ends up in our Electricity Report
18 and the Biennial Report.

19 COMMISSIONER EDSON: And the same for energy
20 strategies, is that the scenarios work?

21 MR. DETER: Yes.

22 COMMISSIONER EDSON: And the CFM V work, what is
23 that?

24 MR. DETER: That's work we're doing right now to
25 develop the common form methodology, forms and instructions

1 for the next round of the BR, working with the Assessments
2 Division.

3 COMMISSIONER EDSON: I'm a little -- what is it
4 that the Siting Division offers in that area?

5 MR. DETER: Transmission lines, environmental
6 data that relates to the utility, to the generation
7 stations and numerous items along those lines.

8 COMMISSIONER GANDARA: Anything else?

9 MR. DETER: I don't believe so.

10 COMMISSIONER GANDARA: Any other questions from
11 the Commissioners?

12 COMMISSIONER COMMONS: Thank you for a really
13 coherent presentation. I think it identified the issues
14 and certainly was helpful to me.

15 COMMISSIONER EDSON: I do have one final question.
16 I hope to get into this with each of the divisions and it
17 goes to the contracts. What we've been focusing on are
18 the PY allocations. Can you give me a brief summary of the
19 total contract dollars allocated to the division and --

20 MR. DETER: Yes. We have \$25,000 allocated to
21 the division for expert witness work in our regulations.
22 We have already requested that \$5,000 of that be spent on
23 our natural resources diversity data base. That's funds
24 that goes to the Resources Agency, Fish and Game, to allow
25 us access to our natural resources computer data base. It's

1 invaluable in siting cases.

2 The other \$20,000 is for expert witnesses on
3 individual cases, and that's up to \$1,500 per witness. So,
4 for example, on Belridge, we might identify the need for a
5 coal expert, or something along that line.

6 COMMISSIONER EDSON: How much did we spend last
7 year on expert witnesses?

8 MR. DETER: Oh, I guess about \$15,000.

9 COMMISSIONER SCHWEICKART: Let me point out that
10 the need for expert witnesses is probably greater than it
11 was last year.

12 MR. DETER: That's true.

13 COMMISSIONER EDSON: I was going to say that if
14 anything, it's going to increase.

15 MR. DETER: If anything -- as I mentioned earlier,
16 our Section 28, we will include in the Section 28 an
17 option that we actually do the review with the consultant.
18 Very similar, for example, the envirosphere contract that
19 the Development Division has to do the environmental and
20 technical evaluation of their contracts. We may be
21 including in that Section 28 a relatively large amount of
22 money to have a consultant come in and do all of the staff
23 evaluation. So it will be substantially more than this
24 \$20,000 or \$25,000.

25 COMMISSIONER EDSON: I for one am troubled by the

1 idea that we're forced to contract out to carry out
2 regulatory work, and I would certainly consider it a first
3 priority to try to obtain the staff resources necessary
4 for this agency to carry out its statutory responsibilities.

5 MR. DETER: That will be our thrust in the Section
6 28, but you have to recognize that even if we get it
7 approved, and it's too late, the staff may be gone, and you
8 cannot hire new staff in time to do the work itself. So
9 we may be forced.

10 COMMISSIONER EDSON: No, I understand what you're
11 saying.

12 MR. DETER: It doesn't make much economic sense
13 because it costs us about three times the amount for a
14 consultant as it does for a staff person to do the same
15 work.

16 COMMISSIONER EDSON: What is the timing of the
17 preparation of that Section 28 request?

18 MR. DETER: We are in the process of that right
19 now. We hope within -- Scott, when do we hope to have the
20 Section 28 about ready to go?

21 MR. MATTHEWS: Bob just said two weeks.

22 MR. DETER: Two weeks.

23 COMMISSIONER EDSON: Is that Commission time or
24 is that normal time?

25 MR. DETER: I would hope that within two weeks

1 to four weeks.

2 COMMISSIONER EDSON: Does that kind of request
3 come before the Commission in any form?

4 MR. SMITH: If it would affect a Commission
5 decision on a program allocation, yes, it would. A good
6 many of those -- I'm just trying to recall here in the
7 past, I think it has not involved redirections that were
8 part of the Commission decisions, so they have not.

9 Given what we talked about at the beginning of
10 this session, though, with the close tracking of the
11 Commission, I think we would bring this one forward.

12 COMMISSIONER EDSON: Yeah, I was interested in
13 seeing --

14 MR. SMITH: At a minimum for information.

15 COMMISSIONER COMMONS: Well, is it -- what has
16 been the practice in the past on Section 28's? Do they
17 go to the Administrative Committee, do they go to the
18 Commission?

19 MR. SMITH: In the past, if a Section 28 involved
20 resources within the program that had been approved by the
21 Commission it was Executive Office and divisions moving
22 ahead with them. It was only if it was a redirection that
23 it would come to the Commission.

24 COMMISSIONER GANDARA: I don't think there have
25 been any that have come to committees.

1 MR. SMITH: No, I don't believe so.

2 COMMISSIONER SCHWEICKART: Or to the Commission.

3 MR. SMITH: Yeah. There have been very few, in
4 fact, can you think of any in your area?

5 MR. DETER: I don't believe --

6 COMMISSIONER SCHWEICKART: We've only gone forward
7 with a few of them, and as I recall they were done directly
8 from the Executive Office and usually in consultation with
9 the Chairman and the Commission had addressed it in one
10 way or another indirectly.

11 COMMISSIONER GANDARA: Okay, go ahead.

12 MR. DETER: Thank you.

13 MR. SMITH: Our plan here is to stay as close to
14 the schedule as possible. You indicated that you would
15 like to have a presentation from Mike Messenger prior to
16 Conservation. I've learned that it's a presentation of
17 material prepared for the BPA case for Gary Simon, and I
18 wanted to confirm that that's in fact what you had, and the
19 presentation that you wanted to have.

20 COMMISSIONER GANDARA: We have two different items
21 before us. The one that I raised was the July 22nd document,
22 you know, because I thought that it was a very useful
23 document. I read it last night, and I wasn't quite sure
24 whether everybody had the opportunity to do so and I thought
25 that it would be useful if we had that.

1 Upon arrival, I have something else regarding the
2 conservation and Northwest Power issue of interaction and
3 I presume that that probably is more appropriate at the
4 time of the Assessments Division presentation, so that
5 the --

6 MR. SMITH: I haven't had a chance to talk about
7 the nature of the presentation, but if staff is prepared
8 to make a presentation, and you'd like to have it, we can
9 go forward with either of those.

10 COMMISSIONER GANDARA: Well, again, what we have
11 are, I guess, two separate presentations, one appropriate
12 for Assessments Division discussion and one appropriate for
13 Conservation Division discussion, okay.

14 MR. SMITH: Right now I don't know whether Mike
15 is -- is Mike here?

16 MR. MESSENGER: Right here.

17 COMMISSIONER COMMONS: Mike, before you make
18 your presentation, is the document on the Northwest, is
19 that an item that is part of the work plan issue, or is that
20 an item that should be in executive committee session
21 vis-a-vis our participation in it?

22 MR. MESSENGER: The testimony that I prepared was
23 in response to Gary Simon's request, which evidently was
24 also a Commissioner request to discuss the level of
25 conservation that might be achieved, additional conservation

1 to our current programs, and he characterized it to me as
2 a very narrow issue in Assessments Division about priorities.

3 The other document that Arturo is referring to,
4 the "Strategic Review of Conservation Programs" is a
5 document you received maybe 10 days ago, and we planned to
6 focus on that in the August 16th and August 17th meetings,
7 and basically are looking for feedback from the Commission
8 on questions you might have, clarification.

9 MR. SMITH: I guess one question is since the
10 BPA material originated from an executive session, and
11 since we're going to be pursuing that through General
12 Counsel's Office, it might be -- I don't know what the
13 substance of that material is, it might be more appropriate
14 to not discuss that at this point.

15 COMMISSIONER GANDARA: My concern is we're going
16 to be making decisions, or we're going to be hearing, you
17 know, I suppose some recommendations as to identify this
18 as a number one item I guess in Assessments, so we might
19 as well hear the information related to it now, and you
20 know, we don't --

21 MR. SMITH: At this point, I wouldn't have any
22 way of knowing whether or not the information should remain
23 confidential because of the actions being taken.

24 MR. URBAN: Well, as I understand it, this is
25 something that's part of the Assessments Division work plan

1 which comes up later in our agenda, and either I can look
2 at it, or Bill Chamberlain can and make sure there's nothing
3 confidential in it that would compromise our position
4 before we present it if that's the concern.

5 MR. MESSENGER: Fine.

6 COMMISSIONER GANDARA: I've read it, there's
7 nothing confidential in it, in fact, it parallels Chapter 10
8 of the Northwest Power Planning Council with respect to
9 conservation activities.

10 MR. URBAN: I haven't seen the document at all
11 so I have no idea.

12 MR. MESSENGER: With your agreement, we will
13 withhold discussion of the issues relating to the large
14 conservation paper until August 16th and 17th when --

15 COMMISSIONER GANDARA: No, because I thought it
16 was relevant for today's, that that was -- the one that I
17 thought that was very interesting, you know, because what
18 will happen is we'll proceed making discussions on work
19 plans today and August 10th, then August 16th and 17th we
20 will hear a presentation of conservation program evaluations
21 that would be relevant to the work plans that we would be
22 making now.

23 MR. MESSENGER: Okay. Well, I'm acting under
24 Executive Office direction that we're supposed to focus on
25 84/85, and that's -- I work for the staff, that's the way it

1 is.

2 COMMISSIONER EDSON: The staff works for the
3 Commission, Mr. Messenger, and --

4 COMMISSIONER COMMONS: Mike, why do we have
5 this document that's really very interesting on conservation
6 but we don't have something similar on R&D or Assessments?
7 I can understand the difficulty in Assessments because it
8 doesn't quite translate that way, but R&D would.

9 MR. MESSENGER: Well, the reason is that we have
10 perhaps one and a half people working on the entire
11 Commission, and the development of the document is in
12 process, but is not available at this time.

13 COMMISSIONER COMMONS: There is such a document
14 being prepared for R&D?

15 MR. MESSENGER: Right.

16 COMMISSIONER COMMONS: I guess I should address
17 my question to Mr. Smith. Will that be available prior to
18 the August 16th meeting?

19 MR. SMITH: I'm afraid that given the nature of
20 this budget process, and the time constraints, we're not
21 going to have the full program planning information that
22 we would like to have, and I'd have to get together with
23 staff and with division management to be able to be very
24 specific about what's going to be available at which period
25 of time.

1 One of the things we definitely do want to do,
2 the budget instructions for 1984/85 are going to be going
3 out this week, plan to meet with Commissioners either
4 individually or in groups of two to have fairly focused
5 discussions leading up to the hearing on the 16th and 17th.
6 We need to talk more about that.

7 COMMISSIONER EDSON: Are we going to get the
8 presentation or --

9 COMMISSIONER GANDARA: Well, let me put this
10 thing together. Unless there is Commission objection,
11 unless I'm overruled, the way we're proceeding is that we
12 are going to proceed with -- what's next, the Assessments
13 Division?

14 MR. SMITH: What we have proposed is to stay
15 close to schedule and go ahead with Conservation next.

16 COMMISSIONER GANDARA: Okay. If we're going to
17 hear from Conservation next, what I want to hear, what I
18 think the Commission wants to hear, and unless I'm overruled,
19 is a brief presentation based on the July 22nd materials.
20 I find them relevant to the discussion for work plans as
21 well as relevant to the 84/85 budget hearings.

22 MR. SMITH: Are you prepared to do that?

23 MR. MESSENGER: No.

24 MR. SMITH: It's a question of staff preparation,
25 but --

1 COMMISSIONER GANDARA: Please summarize it. We've
2 had these materials until July 22nd, I'm concerned that
3 perhaps not all of us have had time to read them, that the
4 presentation would be useful. I've read them, I'm going
5 to make decisions based on what I've read. I presume that
6 the other Commissioners would like to benefit from any
7 discussion we could have on that.

8 MR. MESSENGER: I have not prepared any formal
9 presentation due to the fact I didn't know I was going to
10 be required to give one. I can answer questions, or walk
11 through the table of contents and sort of highlight issues
12 like I did in the abstract, but I would need more direction
13 from the Commission about which specific issues they would
14 like to bring up in my presentation.

15 MR. SMITH: I'd suggest perhaps as a way of
16 proceeding that we begin the conservation presentation,
17 focus on the issues, have Mike available, and to the extent
18 that there's material that can be drawn from his paper
19 that's relevant to the issues, or if there are issues that
20 should be raised, then we can do that as we move through
21 the presentation.

22 COMMISSIONER GANDARA: Well, let me make my
23 original suggestion again, which I think we're going to do
24 pretty soon, and that is, let's just have Mike give us an
25 overview, since he has an overview of all the different

1 programs, and we have that in mind, and if questions arise
2 during the Conservation Division presentation, then we'll
3 ask more specific questions.

4 But as a direction to you, Mr. Messenger, what
5 I found most interesting was -- and what I think would be
6 useful is in your paper which -- you know, I don't understand
7 what the problem is here, it was signed off by the Executive
8 Office, you have an analysis summary page, and then before
9 you begin the text you have two charts, one, two, three
10 charts related to really what is an overview of the cost
11 magnitude of savings on various programs. You have the
12 1994 annual savings as well as -- in gigawatt hours and
13 in millions of therms, and then you have a conservation
14 program information matrix which, as an introduction, is
15 very useful.

16 I think what that then does is there are far more
17 specific programs that you get into, some of which, like
18 the 1978 building standards, are very useful in terms of
19 why the cost/benefit ratio is different on that one.

20 I don't think we need to get into the detail of
21 the paper as much as the overview, and I think there's a
22 wealth of information in these documents, and I think that
23 that would be useful before we begin the conversation
24 program overview. So, if you would do that.

25 MR. MESSENGER: Okay. Let me just -- I'm going to

1 assume that most of you haven't read this document thoroughly,
2 so I'm going to give you a brief discussion of the method
3 that was used in coming to these numbers, and then a brief
4 discussion of the results.

5 Basically what I did is I went through the 1983
6 Electricity Report and looked at the estimates of benefits.
7 In other words, conservation quantified for 1994, 2002,
8 and tried to synthesize that work with the work of the
9 Conservation Division staff who have estimated the costs of
10 various types of measures, of programs, or whatever, so that
11 I could do cost/benefit analysis and level cost of
12 conservation.

13 So in essence, I'm taking two sources of
14 information and synthesizing them to provide an overview of
15 what the programs appear to achieve from a retrospective
16 base. At later hearings I will try to use this retrospective
17 analysis to make recommendations about the future, but this
18 paper only focuses on the past, so to speak, and makes some
19 brief excursions into the future, but mainly is a discussion
20 of past programs.

21 If we can all turn to the first chart which is
22 called, "The Cost and Magnitude of Savings From CEC Programs
23 For Electricity" --

24 COMMISSIONER GANDARA: As you said before, let's
25 assume that not everybody is familiar with it. I think the

1 analysis summary, could we go through that?

2 MR. MESSENGER: Okay. There's three points.

3 One is that if you take the savings that have been quantified
4 in the BR, and for 1982 and spread those over the number of
5 households, the average household in California is achieving
6 between \$4 and \$5 depending on how you value electricity at
7 peak rates, per month, in 1982, and I think it's interesting
8 to contrast that to the total budget of the Commission
9 that's paid through a surcharge of four cents per month.

10 So that implies to me, just on a very gross level
11 that the Commission's conservation programs have already
12 achieved 100 to 1 paybacks, so to speak.

13 COMMISSIONER EDSON: Was the assumption in that
14 analysis that all of the savings -- I don't know how to
15 put this -- for example, in assessing savings from the '78
16 building standards, were savings attributed to that based
17 on no conservation in a house, versus the conservation
18 required by the '78 standards, and all of that attributed
19 to the standards?

20 MR. MESSENGER: Well, I would refer to Mike Jaske
21 for more detail on the exact methods that they used, but
22 I believe what is done is an incremental approach, and so
23 there's a pre-'75 house, and then they quantify the
24 standards for the 1975 ACD standards, and then they take
25 the increment above that for the 1978 standards, and then

1 they take the increment above that for the 1978 standards,
2 and then they take the increment above that for the 1983
3 building standards.

4 COMMISSIONER EDSON: But the assumption is that
5 none of the savings would have occurred but for the
6 standards?

7 MR. MESSENGER: That's correct.

8 COMMISSIONER EDSON: All of the savings are
9 counted towards the program.

10 MR. MESSENGER: That's correct, in the residential
11 sector. There's a --

12 COMMISSIONER GANDARA: That's the assumption of
13 the model.

14 MR. MESSENGER: You start out with a base line
15 house, and then you just work your way through it, okay.

16 The second major point is that all of the CEC's
17 current conservation programs have benefit/cost ratios
18 greater than one under a wide range of economic and discount
19 assumptions. So at least it appears from my analysis that
20 there are no loser programs, so to speak, programs that
21 we've been funding that have been sort of on the margin,
22 okay.

23 COMMISSIONER COMMONS: Mike, on that, we've just
24 finished going through and looking at two load management
25 cases, and in terms of the actual results coming in, they

1 weren't positive benefit/cost ratios in today's environment.
2 They were demonstration programs, and the actual results
3 in terms of the actual expenditures and benefits weren't
4 positive.

5 MR. MESSENGER: Okay. Well, on that particular
6 program, and in the report I sort of caveated by saying
7 that there's a current analysis going on, underway, but
8 based on the numbers that are in the Electricity Report for
9 energy savings, and peak savings at that time, the programs
10 did have a positive benefit/cost.

11 I am willing to acknowledge that subsequent
12 investigation may have shown that that program is now less
13 than, you know, one to one, if you found that. But based
14 on what was in the Electricity Report, and the data
15 available to me, I still believe that that program has a
16 positive benefit to it.

17 COMMISSIONER EDSON: And as I --

18 MR. MESSENGER: Positive benefit/cost ratio.

19 COMMISSIONER EDSON: I did get a chance to skim
20 some of the -- some of this paper. I have not been through
21 all of it, but as I understand the analysis, you counted
22 as costs both our allocation of resources as well as the
23 private sector's allocation of resources.

24 MR. MESSENGER: That's correct. So it's a
25 cumulative societal total.

1 COMMISSIONER EDSON: So that the load management
2 programs would include the amounts spent by the utilities
3 on implementing our load management standards.

4 MR. MESSENGER: That's correct.

5 COMMISSIONER GANDARA: Well, again, as I said
6 before, I read through it quickly. I believe that you
7 looked at the case, because there has been current concern
8 over the levelization or stability of crude oil prices, as
9 to whether the conservation programs would be cost-
10 effective. Here in your bullet, when you say you used a
11 wide range of discount on fuel escalation rates, is one of
12 the sensitivity cases that you've looked at, it would be
13 at relatively constant fuel?

14 MR. MESSENGER: Yeah, constant fuel, electricity
15 and natural gas prices, and as I said, I used discount
16 rates from three to five percent, real.

17 COMMISSIONER GANDARA: And all conservation
18 programs still had a positive benefit/cost ratio?

19 MR. MESSENGER: That's correct.

20 COMMISSIONER COMMONS: In your table, Mike, are
21 there any programs that you feel less comfortable about the
22 numbers that are presented because of some of the assumptions
23 that are made? Are there other areas that you feel more
24 comfortable? And to complicate the question, going back to
25 Commissioner Edson's statement where many of the benefits

1 may have occurred, despite our activities, how that would
2 affect your --

3 MR. MESSENGER: Okay.

4 COMMISSIONER GANDARA: Excuse me, if I might do
5 this, if you can hold the question until we get to the
6 table itself, because it becomes the third or fourth
7 page of your presentation here, you know, if you could
8 continue with your analysis summary, and then your charts.

9 MR. MESSENGER: Let me just indicate right here
10 that I feel a little bit nervous about upstaging the work
11 plan process. I think there's loads of materials and
12 loads of questions that we could go through, and I don't
13 want to spend a lot of time on this, even though, you know,
14 personally it would probably be gratifying to me.

15 Can we agree on a time limit?

16 COMMISSIONER GANDARA: You're not upstaging any
17 process. This is useful information that the Commission
18 has been asking for for a while.

19 MR. MESSENGER: All right. Okay. Let's go to
20 the third bullet, I'll try to be fast. Most of the programs,
21 as you can see from the table have come in at a cost of
22 less than five cents per kilowatt-hour levelized and I have
23 to say that the only program that I have a little bit of
24 lack of data, or confidence in is my quantification of
25 schools and hospitals.

1 As you can see, that program looks like it's the
2 cheapest by at least an order of magnitude relative to
3 other programs. I've been unable to obtain actual billing
4 data, or that type of an evaluation from the loans that
5 we've put out. I understand there is an analysis of
6 that data going on currently within the Conservation
7 Division, and so I would hedge that.

8 But because it's so cheap, I mean even if our
9 estimates were off by a factor of 5 or a factor of 10, it
10 would still be very cost-effective relative to other
11 programs.

12 The only other program that there's a little bit
13 of uncertainty in my mind about is the 1978 building
14 standards. The reason, I believe, that that cost is so
15 high is because of differences of opinion between Assessments
16 Division and Conservation Division on the effect of the 1978
17 standards in terms of the cost-effective requirement for
18 elective space heating.

19 So I think you have a classical case of people
20 downgrading the benefits on one side, and people making
21 relatively high estimates of the costs, because they think
22 that there's higher benefits. So we may have a mismatch
23 of analytical skills going there, so it may not be a true
24 representation of the program costs because you have one
25 group assuming different sets of operating assumptions than

1 the other did. But for all the other programs, there appears
2 to be congruance between the work that's been done in the
3 demand group, and the work that's been done in conservation.

4 COMMISSIONER EDSON: Can you talk for a minute
5 about what accounts for the very high societal benefit/cost
6 on load management audits? I found that rather surprising
7 relative to other programs.

8 MR. MESSENGER: Well, my feeling, and I'm not --
9 let me back up. These numbers were taken, again, from the
10 Demand Office's quantification of what they think load
11 management audits are achieving currently, and what they
12 will achieve in 1987 and 1994, and I took those numbers as
13 given. I didn't adjust them based on my opinion of the
14 evaluation procedure, or anything like that.

15 I believe that there is a great -- in fact the
16 largest conservation potential is in the commercial sector,
17 and there's a recent staff report by Paul Gertner in Dan
18 Nix's office which elaborates that in some detail. I think
19 that even with relatively low, or it could be characterized
20 as relatively high installation rates, in other words,
21 something like 10 to 30 percent of the time an auditor
22 goes into a commercial building, the building actually
23 does something about it, installs measures, because there's
24 such a large potential there, even if they do a very few
25 measures, they have a very high cost/benefit ratio, and I

1 just think it's a case of the auditor is doing a good job.

2 COMMISSIONER COMMONS: Okay, so you're counting,
3 then, in the benefits there, both power plants or trans-
4 mission lines that don't have to be constructed because
5 we've reduced peak, and energy savings to the commercial
6 establishment from measures taken.

7 MR. MESSENGER: Um-hmm.

8 COMMISSIONER EDSON: Do you know off-hand whether
9 the Demand Office estimates are based on post-audit
10 surveys, or --

11 MR. MESSENGER: They are based on post-audit
12 surveys. A limited amount of data that was supplied to
13 them by PGandE, SoCal, Edison, and I think subsequently
14 by LADWP, and I should also note that they adjusted those
15 savings from gross to net. In other words, they've accounted
16 for price effects in the commercial sector, so the savings
17 for a given set of audits might have been 1,000 gigawatt
18 hours, let's say, and they reduced those to 500 to account
19 for price elasticity over time.

20 COMMISSIONER EDSON: Was it just a straight 50
21 percent reduction?

22 MR. MESSENGER: No, it varies all over the place.
23 It uses a -- again, I'm not sure if I'm correct, but I
24 think it's a .18 price elasticity that's used over time,
25 and the savings are gradually subtracted out of that.

1 Arturo knows more about this because he was involved in
2 the proceeding.

3 COMMISSIONER GANDARA: This is the post-audit
4 data that was obtained at the request, the Committee
5 request in the last BR cycle.

6 MR. MESSENGER: That's correct.

7 COMMISSIONER GANDARA: But that would be, then,
8 what, 19 -- what was the year of that data, 1981 or '82
9 even though it was supplied in '82, it must be --

10 MR. MESSENGER: I'm not sure, I think it's '81,
11 but I --

12 Basically, I think that's it except for the last
13 information matrix. I tried to be as flexible as possible
14 in this presentation in that I didn't presume that certain
15 types of information should be more important than others.
16 I was trying to leave it up to the Commissioners to decide.

17 So I sort of give you a menu, or a smorgasbord
18 of types of information that you might want about the
19 programs but I haven't indicated any prioritization, you
20 know, is societal benefit/cost more important than leverage
21 which is more important than participant shares for low
22 income classes, or whatever.

23 I'd be happy to answer any questions about it, but
24 I think the table sort of speaks for itself. At a later
25 date I hope to forward recommendations to you based on this

1 analysis, after I've received your feedback and review
2 about which particular columns seem to you to be the most
3 relevant, which seem to be not that important, because that
4 would help me in recommending recommendations.

5 COMMISSIONER EDSON: I notice that you have a tax
6 credit portion as the column on electricity savings, and
7 yet it does not appear in gas savings, nor is it on your
8 matrix.

9 MR. MESSENGER: Well, that's basically because
10 the savings were all being attributed, it's from Don
11 Schultz's analysis of tax credits, and the savings were
12 all being attributed to one fuel or the other, so I wasn't
13 able to split out the difference.

14 COMMISSIONER EDSON: So you put them all into
15 electricity, is that it?

16 MR. MESSENGER: The other thing is that I was
17 not able to obtain what I consider sufficient information
18 on things like benefit/costs, because I couldn't -- all of
19 the people that are involved in the administration of tax
20 credits, I wasn't able to work up -- gin up the societal
21 benefit/cost of that, so I omitted it from the table.

22 COMMISSIONER EDSON: Well, we also have very
23 little data on the conservation credit, given that we only
24 have one year's reporting.

25 MR. MESSENGER: That's right, and I didn't want

1 to tiptoe into the mine field of attribution.

2 COMMISSIONER EDSON: But you tiptoed quite
3 aggressively in other areas on attribution.

4 MR. MESSENGER: Well, that's because they -- it's
5 from the demand forecast table, I can hide behind their
6 estimates.

7 COMMISSIONER EDSON: I see.

8 COMMISSIONER GANDARA: I had one other question.
9 With respect to both your charts and your matrix, there are,
10 you know, numbers that are fairly specific. There's --
11 you've indicated some uncertainty in some, and didn't
12 express it in others, and my question is, being familiar
13 with the general analysis of the conservation measures in
14 this area, these are data that are -- that result from
15 our information in California, from our demand forecast
16 submittals, and the question that I have is how do these
17 numbers stack up against what might be national numbers,
18 analyses done by other people, analyses done by other
19 groups? Are they generally -- are there any significant
20 deviations, any surprises?

21 MR. MESSENGER: No, let me just tell you that I
22 did have one other reference point, and that is I tried to
23 review as many publications as possible from the utilities,
24 on their evaluations of their programs, and in general
25 their evaluations of their programs, in terms of benefit/cost

1 ratios seem to coincide with mine.

2 I think there is a concensus at the national
3 level, but I may be wrong, that appliance standards tend to
4 be the most cost-effective thing that you can pursue if
5 you believe that there aren't very high transaction or
6 consumer choice loss costs associated with that.

7 So on a pure economic basis, these results tend
8 to confirm earlier studies that I've seen from DOE on the
9 benefit/cost and savings from appliance standards.

10 COMMISSIONER EDSON: Can you tell me how -- well,
11 how tax credits are handled -- this may be outside of this
12 analysis, but how they are handled in the forecast? Are
13 they reasonably expected to occur?

14 MR. MESSENGER: It's my belief that they're
15 reasonably expected to occur. They are handled as part
16 of a series of programs targeted at the retrofit sector
17 and subjective estimates are made in terms of what fraction
18 of a certain measure -- it's done on a measures basis,
19 penetration in a certain year can be attributed to the tax
20 credits versus either the RCS program, or the ZIP program,
21 or local government ordinances.

22 There are sort of four or five programs that are
23 competing for a share of the credit, let's say, in raising
24 the attic insulation penetration from 40 percent to 60
25 percent, so the demand staff has gone through and said okay,

1 we think 10 percent is due to tax credits, and 20 percent
2 is due to RCS, that sort of thing. So, I'm not sure if those
3 are the correct numbers --

4 COMMISSIONER EDSON: I hope that's not the
5 difference.

6 MR. MESSENGER: No, but that's the approach that's
7 used.

8 COMMISSIONER GANDARA: In your cover memo you
9 indicate, however, that these were based again on our
10 forecasts, and that the recently signed budget would
11 seriously affect many present and future programs, and
12 therefore the savings that you would expect, and therefore
13 some of the benefit/cost ratios, I would imagine, would
14 change somewhat.

15 In any future work that will be coming to us for
16 the 84/85 budget year considerations, are we going to be
17 getting estimates of where those savings are most affected?

18 MR. MESSENGER: I believe so. Again, it depends
19 on the feedback we get from the Commission in terms of what
20 direction we should head, but for example, in the Northwest
21 testimony which we may or may not talk about later, the
22 issue of what programs are still RETO came up, and you know,
23 that's a political decision as well as an economic one.

24 COMMISSIONER GANDARA: The last question I had was
25 I found -- I guess the charts on page 65 and 66 rather

1 interesting, and there you compared the conservation program
2 benefits by sector versus the conservation program costs,
3 so that would be the investment or expenditures, I would
4 imagine by the Commission. Is that correct, is that
5 expenditures by the Commission --

6 MR. MESSENGER: That's correct.

7 COMMISSIONER GANDARA: -- as opposed to capital
8 investment in these areas?

9 MR. MESSENGER: That's correct. It's only
10 Commission expenditures, PY's and contract dollars. I
11 allocated them by sector. It just looked to me like
12 something interesting to do to see if there was a rough
13 parity in it, and there, in fact, was, so it's just a
14 piece of information.

15 COMMISSIONER SCHWEICKART: Mike, I've got a
16 reasonability problem and I'm trying to recall -- as I
17 recall in terms of the total energy use in the society --
18 California anyway, that total energy use residential, and
19 total energy nonresidential was about the same.

20 MR. MESSENGER: In terms of electricity, that's
21 correct.

22 COMMISSIONER SCHWEICKART: Well, total energy.

23 MR. MESSENGER: I'll go along with that, about
24 the same, yeah.

25 COMMISSIONER SCHWEICKART: Ted's shaking his head.

1 MR. RAUH: In looking at the BR IV, it seems to
2 me that the end use utilization in the residential sector
3 of our total energy supply is about 13 -- taking out
4 transportation, is about 13.8 percent compared to around
5 32 percent for nonresidential.

6 MR. MESSENGER: I stand corrected.

7 COMMISSIONER SCHWEICKART: Total energy, 13
8 versus 32, res to nonres?

9 MR. RAUH: That's correct, taking out transporta-
10 tion energy. In other words, if you separate the sectors
11 into just residential, all others, and transportation --
12 yeah commercial and industrial and then --

13 COMMISSIONER SCHWEICKART: Oh, commercial and
14 industrial.

15 MR. RAUH: Right.

16 COMMISSIONER SCHWEICKART: I'm talking commercial.

17 MR. RAUH: Oh, I beg your pardon, I don't know
18 what that number is.

19 MR. MESSENGER: I know that the electricity
20 consumption is --

21 COMMISSIONER SCHWEICKART: Okay, I think that --
22 let's say roughly they're the same. Let me just assume
23 that they're roughly the same. Maybe there's a little
24 more energy in total commercial, I don't know. If I assume
25 that, and I understand that the 1983, or let me say that the

1 new res standards save about 50 percent energy in a home
2 compared with prior requirements, and it's also the same
3 in nonres, that is, we're looking somewhere 45, plus or
4 minus a few percent, in terms of total energy saving as
5 a result of nonres standards, I don't understand why in
6 the resi -- that the peak year savings in your next to the
7 last column in the 1983 res standards is almost 100 kBtu's
8 and nonres is only 15.7.

9 MR. MESSENGER: Well, I can tell you exactly
10 why that is.

11 COMMISSIONER SCHWEICKART: I mean there's some
12 reasonability of mismatch there.

13 MR. MESSENGER: Well, let me explain it. There's
14 two factors. One is the effective date of the nonresidential
15 building standards, which was assumed, I believe, to be
16 1986 for only four building types in the forecasts, okay.

17 COMMISSIONER SCHWEICKART: So it's a degree of
18 penetration by the peak year.

19 MR. MESSENGER: Yes. The Commission only agreed
20 on RETO for four building types, not the universe, so that's
21 the first source of discrepancy, and the second one is, that
22 in its forecast, it assumes that the building standards
23 will go into effect in 1983, and that the nonresidential
24 building standards would go into effect in a phased --
25 over time, 1986, 1987, 1988 for each of the building types,

1 so you don't get as much penetration by 1994 for the
2 nonresidential building standards.

3 So it's my belief that the effect of those two
4 assumptions leads to the discrepancy that you're --

5 COMMISSIONER SCHWEICKART: What is the constraint
6 on -- what years are you working with here? That is, when
7 you say maximum annual savings potential, what is the --

8 MR. MESSENGER: 2002.

9 COMMISSIONER SCHWEICKART: 2002.

10 MR. MESSENGER: So if additional building types
11 were to be considered RETO at some future time, I believe
12 that that would -- the numbers would come into rough
13 equivalence.

14 COMMISSIONER COMMONS: You're saying four out
15 of 15 building types, that's about a third.

16 COMMISSIONER SCHWEICKART: So you assume a third
17 of the building types and that third was phased beginning
18 in 1986?

19 MR. MESSENGER: Correct, that's what the
20 Commission's forecast in '83 -- again, I didn't change these
21 numbers on the basis of my judgment, I just took them from
22 the forecast.

23 COMMISSIONER COMMONS: Mike, why was the
24 nonresidential, the societal simple payback on the '83
25 standards so favorable at 2.3, and the residential standards

1 were not so favorable at 5.9?

2 MR. MESSENGER: It's due to the relatively small
3 incremental cost. In fact, I don't really want to get
4 into this issue --

5 COMMISSIONER SCHWEICKART: I can give you a very
6 simple answer, Mike, and let me get you off the hook on
7 this.

8 MR. MESSENGER: Okay.

9 COMMISSIONER SCHWEICKART: It's because to save
10 the energy in nonresidential, you reduce the first cost
11 of the building. To save the energy in residential, you
12 increase the cost of the building. That's a slightly
13 simplistic but legitimate answer. You knock off lighting
14 is the point in the nonres buildings as your biggest
15 energy savings that reduces the first cost as well as the
16 operating costs.

17 COMMISSIONER GANDARA: If there are no other
18 questions, perhaps we can --

19 COMMISSIONER COMMONS: One small one. Under RCS
20 it shows the societal simple payback as 4-10.

21 MR. MESSENGER: Four to ten.

22 COMMISSIONER COMMONS: That's the only one that
23 you didn't have a specific on, could you explain?

24 MR. MESSENGER: Yes, there's considerable -- I
25 won't call it controversy, but uncertainty in terms of what

1 are the savings per audit, and so in order not to make
2 anyone upset, I tried to take both the upper and the lower
3 bounds of savings per audit estimates that have been
4 forwarded to date both by the utilities and by our own
5 staff. So that's what accounts for the uncertainty in
6 that estimate.

7 If you make a lot of optimistic assumptions, you
8 get four years, if you make pessimistic assumptions, you
9 can get up to ten years.

10 COMMISSIONER EDSON: If we simply use the RCS
11 follow-up survey which has two measures more than some
12 who did not get an audit, where does that put us? I mean,
13 is that one of the --

14 MR. MESSENGER: Yeah. RCS follow-up survey is
15 one of the sources, and I believe it puts you at 4.6, or
16 somewhere around there.

17 COMMISSIONER GANDARA: Thank you very much, Mr.
18 Messenger. I know it was a slight digression, but I
19 think there is a wealth of policy implications in this
20 information as well as in the other document that I read
21 recently on commercial retrofit, and so I presume that
22 that's been out a little bit longer, and that people have
23 been able to read that.

24 But I think it's very useful to get this kind of,
25 you know, analysis and evaluation, you know, prior to us,

1 designing the work plans, and the budgets and so forth.

2 So I very much appreciate that.

3 MR. MESSENGER: Well, I would encourage you
4 if you have any more questions to direct them to our office
5 and we'll be happy to respond.

6 COMMISSIONER GANDARA: Okay. We can proceed,
7 then, with the Conservation Division presentation.

8 MR. SMITH: Ted? In the Conservation Program,
9 and we've touched on some of these things earlier, the
10 major issues, obviously affect the future plans for building
11 standards development in the nonresidential area, and
12 enforcement of existing standards, and the prioritization
13 of activities within the retrofit and energy management
14 office.

15 I think Ted has an introduction, and then will
16 take us through some of those issues. Ted?

17 MR. RAUH: I would just like to start by showing
18 you in a graphic sense where the reduction in the Conserva-
19 tion Division will occur. This chart shows the five elements
20 in color on the right-hand top, building elements green,
21 appliances in purple, utilities systems in orange, yellow
22 liquid fuels, and then division management and clerical
23 support in white.

24 Then across the bottom, the four division offices
25 are arrayed to show you where the reductions in program

1 staff occur. Basically, two things I think need to be
2 pointed out (a) the dramatic reduction in the nonresidential
3 buildings program which has been covered as the first item
4 or issue in the Conservation Division issue list, a substan-
5 tive reduction in technical staff in that area.

6 Secondly, in the Building and Appliance Office,
7 both a reduction in appliance standards staff from five to
8 three, and a 50 percent reduction in staff associated with
9 implementation activities for the nonresidential building
10 standards, the 1983 residential building standards, and
11 our insulation quality standards.

12 Within the REMP office, or our Retrofit and
13 Energy Management Program Office, we see a downward trend
14 which reflects a reduction in building staff there which
15 was accepted by the administration as a move into the
16 building implementation side, but also a program shift
17 which sees RCS move out of the buildings area and into
18 utility systems, reflecting the fact that it is a utility
19 program.

20 Finally, in the Liquid Fuels Program area, the
21 program was completely reduced to only two staff individuals
22 who are responsible to, and responding to the Contingency
23 Planning Committee in completing the Commission's responsi-
24 bilities in contingency planning.

25 Management has been reduced by 50 percent to

1 reflect the 50 percent reduction in the division. The
2 deputy division director, as well as two office managers,
3 and half the clerical work force have been eliminated.
4 That basically shows the distribution of staff in program
5 areas.

6 I think the other downside to this is a skills
7 loss that the division will experience because of the deep
8 cuts. We can anticipate that because of the layoff process,
9 many of the skills in computer analysis, building energy
10 performance analysis, will be lost as a result of these
11 reductions in force.

12 Most of this work has been done by junior level
13 staff, that's -- and of course, as you're aware, those
14 are the people who will leave first.

15 I just wanted to give you an overview, because
16 I think this visually portrays the substantive reduction
17 in capability that we will have to carry out the conservation
18 programs.

19 Really, that's about all I wanted to say inasmuch
20 as the issues that face you in making work plan decisions
21 are articulated in the issue paper that was presented both
22 by -- in the front of this workbook, and in the memo which
23 is covering my presentation of the particular individual
24 office and program work plans.

25 The work plans have been discussed with policy

1 committees, and we've attempted to reflect the changes where
2 possible, that the committees have directed. In essence,
3 the choices are rather tough. We've seen from Mike's
4 paper that a number -- that all of the programs are cost-
5 effective, some, by his analysis, more than others.

6 We would certainly -- we have and continue to
7 support this kind of information generation. We haven't
8 had an opportunity to look at the latest version, however,
9 we participated with Mike in the generation of this draft,
10 and have made a lot of comments.

11 We think that the methodology should be continued,
12 and refined, and the numbers improved, but as it shows,
13 all of the programs that we would be proposing to carry out
14 in a reduced base do meet a number of the criteria
15 presented by Mike here, and the choices of whether to
16 continue the residential building -- nonresidential
17 building standards, the choices of continuing our support
18 to local government and the citizenry of the state, vis-a-vis
19 the PVEA programs which are not funded under this budget,
20 the tax credit hotline which is not funded under this
21 budget, and our ability to continue to effectively oversee
22 utility programs are all -- have all been impacted by the
23 reductions in the division program.

24 We think we've put together a work plan that
25 carries out the mandates of the Commission to the extent

1 that one can with this reduced level of staff. It is not,
2 or does not contain any new, major new program initiatives.
3 Again, our belief in the direction from the administration
4 and from you, but it does carry out minimal levels of
5 support, major choices of course are what the future
6 direction will be in our two regulatory programs, and how
7 to carry out the incentive programs given to us by the
8 Legislature.

9 As an overview, I would like to open it up for
10 questions.

11 COMMISSIONER GANDARA: I have, I guess, one major
12 comment and/or suggestion. Recognizing the constraints
13 of limited resources, and the cutbacks that your division
14 is facing, and given that basically it makes it difficult
15 to begin new initiatives in a number of traditional areas,
16 in standard involvement in addition to the kind of support
17 that would be required from the Environmental Division for
18 assessment and so forth and related legal support, you
19 know, for rulemaking hearings and so forth, and given that
20 we do have an array of efficiencies in a lot of products,
21 many which are above the minimum standards, and that
22 standards do seem to work at increasing the average by
23 eliminating the least efficient.

24 Are there contained within your work plans any
25 initiatives in increasing the penetration of the efficient

1 appliances, or increasing the penetration of conservation
2 measures? As I mentioned earlier that another document
3 that was most interesting to me was the retrofit potential,
4 and in essence, there is still a lot of conservation to
5 be mined which could be considerably advanced, you know,
6 by means other than new standards involving a lot of
7 related interdivision coordination and so forth.

8 My question is, where are we headed, or what do
9 you have plans for in that area, or are we thinking about
10 it, or what?

11 MR. RAUH: Well, we would very definitely like
12 to move in that direction. In terms of any plan for '83/4,
13 in this work plan, there really is not any specific
14 activity to start furthering that objective, other than
15 what we've done tangentially through the residential
16 building standards, creating packages which foster higher
17 efficient marketing of heating and space conditioning
18 equipment; and in the load management area where we have
19 again followed the Committee's -- your Committee and the
20 Load Management Committee's notion of trying to create
21 additional marketing of air conditioning equipment as an
22 adjunct program within the Residential Cycling Program.

23 The appliance staff has been reduced to three
24 in the Governor's budget, and our estimate of the number of
25 petitions, letters, certification, and possible enforcement

1 activity really will not provide, without a redirection
2 from the Commission, any resource to generate programs
3 beyond that. We certainly are looking to 84/85, and my
4 direction to program staff have been to develop programs
5 which carry out the recommendations of the Appliance
6 Standards Committee white paper.

7 So you will see in the 84/5 budget plan, a much
8 more aggressive effort in those areas.

9 COMMISSIONER GANDARA: In the immediate year, one
10 of the items that gave me some concern was in your bullet
11 three, you suggested a decrease in the monitoring effort --
12 monitoring and enforcement effort.

13 It's -- I have the impression, and I think, you
14 know, I saw some data at one point that substantiated that,
15 that with respect to sort of spot checking for compliance,
16 or energy efficient appliances, that in fact what we found
17 was substantial compliance, and where we've found additional
18 problems, however, was, in fact, whether those models
19 met the claimed efficiencies.

20 So that while it would appear to me that facing
21 the realistic reductions that a decrease in the monitoring
22 for -- whether inventory stock is in fact certified or not,
23 that what in fact may require, perhaps even more work, has
24 been our testing program, which has been at least under
25 contract thus far. Do you envision any such split?

1 I was concerned because you were proposing
2 decreases in both the monitoring program and the enforcement
3 program, while it seems to me that from a policy basis, the
4 data indicates that the decrease in the enforcement program,
5 that is, the certification spot checking could be tolerated,
6 that the testing itself would have been most beneficial.

7 MR. RAUH: It's a difficult problem. We do not
8 have contract dollars in the budget, approved by the
9 Legislature and the Governor to carry out the kind of
10 testing program you're describing, and the choice --

11 COMMISSIONER GANDARA: Well, weren't those
12 contract funds approved for testing? I thought they were.

13 MR. RAUH: No, I don't believe --

14 COMMISSIONER GANDARA: For the continuance of
15 the testing program?

16 MR. RAUH: I don't believe we had any -- no, we
17 didn't have any testing funds approved in the budget. I'll
18 check that, but I'm almost positive that we did not.

19 We identified \$50,000 in the buildings area
20 that we have suggested be deployed in innovative methods
21 to facilitate the design and construction of new, more
22 energy efficient commercial and residential structures.
23 There is the potential of those funds being used for a
24 testing contract.

25 The principal reason why we did not recommend it

1 is that we don't have -- we will not have the staff to
2 follow-up on anything we've found. Now, if we couple that
3 with movement of building staff into the appliance area,
4 we would be reinstituting four, perhaps four people, or
5 one more person into the appliance program. The general
6 direction was to leave elements as they were defined by
7 the Department of Finance. So that's the only reason why
8 we didn't make that recommendation.

9 But conceivably, as you point out, if we made
10 any modification between the elements, that is the specific
11 area where we would move contract funds, and a resource,
12 specifically in testing.

13 COMMISSIONER GANDARA: One other comment, you
14 moved slightly in this direction in your last package,
15 building package, but again, another way of achieving the
16 increased penetration of the appliances would be to design
17 a package and include in the point system a home design
18 that does, in fact, include the super-efficient appliances,
19 thereby giving you more flexibility in your glazing, and
20 perhaps your orientation and so forth.

21 Has that been given consideration as a way of
22 merging these two activities, developing one package,
23 including the point system, super-efficient appliances?

24 MR. RAUH: We've talked about it, but at the
25 current time, because of the shorter economic life, and this

1 isn't totally true, but the shorter economic life of some
2 of those appliances, the fact that they can be moved, we
3 have not done anything specifically to do so, but it would
4 certainly be another aspect of hitchhiking on the building
5 standards to improve the penetration of high efficient
6 refrigerators.

7 COMMISSIONER SCHWEICKART: I would suggest that
8 that would be at the cost of lower quality construction of
9 the housing shell unless we changed the budget. In other
10 words, we don't achieve any additional savings, we simply
11 shift it from good design of the structure into better
12 appliances. I would suggest the better mechanism would be
13 to press the PUC to follow through with line extension
14 credits for high quality appliances where you have an
15 additional incentive.

16 MR. RAUH: We have argued that case, as you know,
17 for several years with the PUC.

18 COMMISSIONER GANDARA: Six years.

19 COMMISSIONER COMMONS: On the code assistance,
20 sometimes you talk of 15 telephone calls, and one letter
21 per day, and we have .87 persons, another place we have
22 almost the same amount, but substantially different. What
23 do we have to do here, are there any efficiencies that are
24 to be gained, and what are the allocations?

25 MR. RAUH: Well, in terms of our technical

1 assistance, answering questions, providing interpretation
2 and so forth, we have already taken some actions to
3 streamline the burden on the Commission. One is a
4 \$10,000 contract which the Commission approved with CALBO
5 to try to handle the first eschalon questions on building
6 standards.

7 However, we still must respond to the technical
8 questions, the interpretative questions, and the questions
9 from building officials themselves, and that's principally
10 what our allocation criteria is based on, actual records in
11 the past, seven, eight years of how many calls, how many
12 letters, what types of calls and letters we get, the number
13 of petitions we get for change to our regulations.

14 The nature of the questions and whether they're
15 building related, whether they're nonresidential, or
16 residential, whether they're appliance related, also have
17 an impact on the amount of time and the amount of follow-up
18 that staff must take.

19 In the appliance area, we're principally dealing
20 with manufacturers, sometimes wholesalers, retailers. Not
21 that many direct individual calls.

22 On the building standards side, however, we're
23 dealing with a full panaplea of homeowner/builder, all the
24 way up to major corporations involved in corporate
25 construction.

1 COMMISSIONER COMMONS: We have roughly 10 percent
2 of the resources, and it's actually more than that if you
3 exclude management, just for the item of code assistance.

4 MR. RAUH: Well, we have five people -- actually,
5 let's see 2.7, no that would be 3 people -- we have a
6 little under 4 people specifically in code assistance,
7 so that would be 10 percent, that's correct.

8 We have a large number of -- in relative terms,
9 complex regulations.

10 COMMISSIONER EDSON: How many people -- or are
11 you budgeted now for conservation quantification?

12 MR. RAUH: No, we're not budgeted for specific
13 quantification of conservation. As a part of specific
14 conservation programs, we will be producing assessments
15 which can be used by the Assessments Division to analyze
16 the program effectiveness and penetration of conservation
17 programs.

18 Specifically, in the RCS area, we'll be doing an
19 evaluation. We're of course doing evaluation in the
20 commercial load management program activities of the
21 utilities. We're completing work in the residential
22 cycling program activity. We'll also be doing work on
23 assessing audits, specific audit recommendation and program
24 effectiveness as part of a small commercial assessment.

25 The unfortunate part is that we will not have an

1 individual, or individuals as we have in the past, and we
2 had the express responsibility of coordinating and pulling
3 that information out and putting it in the form that the
4 Assessments Division needs to integrate it into the
5 forecast. Right now that's a void in the division, it's a
6 budgeted item that we had in the past, we had in this last
7 fiscal year, but we do not have it now, so that's a definite
8 resource question.

9 COMMISSIONER EDSON: A question I have for the
10 Executive Office is whether there has been consideration
11 of simply -- rather than taking a -- adding that to the
12 workload of the Conservation Division and displacing the
13 division most severely impacted by these cuts, giving that
14 assignment to the Assessments Division and trying to
15 reduce some of the analytic requirements in conservation.

16 MR. SMITH: That is being considered, we don't
17 have a recommendation today though.

18 COMMISSIONER EDSON: Another couple of questions
19 I have relate to the second bullet on page 2 which go to
20 the PVEA funds and the solar hotline work. My understanding,
21 what I've been told is that the so-called overage staff
22 that is currently working on the Petroleum Violation Escrow
23 Account programs are actually employees that will not be
24 laid off as we enter that phase.

25 It seems to me that must have implications,

1 assuming that some of that work continues beyond January
2 in particular, that that has implications for other
3 programs in the division. Where would the additional
4 reductions be made across those program areas?

5 MR. RAUH: Well, at this point, I do not have a
6 specific contingent plan for that integration, principally
7 for the key reason that I'm hoping as part of this process
8 the Commission will decide either that some of the programs
9 we're doing now, we're doing too much in, and that would
10 obviously identify where it is; or you will determine that
11 those programs need to be carried out with additional
12 resources.

13 As it stands right now, the skill bank of the
14 people that are doing those kinds of programs are generally
15 compatible in the utility systems, and local government
16 aspects of REMP, and they're not as specifically trained
17 in computer analysis for code enforcement.

18 COMMISSIONER EDSON: Well, I would note, though,
19 that one of the key people was removed from the Residential
20 Building Standards Office --

21 MR. RAUH: That's correct.

22 COMMISSIONER EDSON: Which is to suggest that it
23 does also go out of the Retrofit Energy Management Program.

24 MR. RAUH: Yes, that is correct, but key
25 supervisors -- I'm talking now about the skills of program

1 level staff as opposed to management staff. The people that
2 you're referring to, however, have come from the first two
3 offices on the left-hand side.

4 COMMISSIONER EDSON: Which suggests then that
5 among the three people remaining in nonres standards, that
6 there may be some that will be laid off, is that correct?

7 MR. RAUH: Not in that program, no. I think most
8 of the people that will be bumped will either be in the
9 BASO program or in REMP itself.

10 COMMISSIONER EDSON: The --

11 MR. RAUH: I mean it's a little difficult to
12 ascertain specifically, I mean, I've taken --

13 COMMISSIONER EDSON: No, I know.

14 MR. RAUH: You know, I've taken the charts and --

15 COMMISSIONER EDSON: No, I appreciate that, and
16 I think everyone is frustrated by that inability, really,
17 to determine just where the impacts will be felt. But I
18 think the Commission should be aware that there are currently
19 several people, I don't recall the exact numbers, that are
20 working on the oil overcharge programs.

21 The current time line is to try to get as much of
22 that money as possible allocated by the first quarter of
23 next year, but that is work that we received no personnel
24 for in the budget, and yet work that we were obviously
25 required to do by the allocation of those funds. Given

1 that staff that is currently working on that program is
2 staff that is not expected to be bumped in any layoff, that
3 suggests that some of the reductions that are reflected in
4 that chart will be even deeper if that work does proceed.

5 COMMISSIONER SCHWEICKART: Ted, I'd like to
6 pursue Commissioner Edson's line of questioning just a
7 little bit. Can you briefly list the categories of PVEA
8 work that we're doing and the relative benefit/cost ratio,
9 at least in terms of the dollars we can get out in doing
10 conservation work, for the person years put into development?

11 I'm sure that -- for example, I mean what I'm
12 thinking, to be specific, is if we can direct the PVEA
13 funds into certain areas rather than others, we are likely
14 to see less personnel, less staff resource demand to get
15 the same dollars out there doing good conservation work.

16 COMMISSIONER EDSON: Well, let me suggest,
17 Commissioner Schweickart, that the Legislature was quite
18 specific about how the PVEA funds would be spent, and I
19 for one am quite reluctant to see us at this point trying
20 to shift those funds. I simply think that we would be
21 flying in the face of the direction we received, that --
22 those allocations received a great deal of discussion and
23 attention in the Legislature. The administration frankly
24 played a very minor role in determining how that money would
25 be allocated. It was an allocation that was determined by

1 key policy committee chairs, and fiscal committee chairs,
2 and I think we're running a very high risk if we start
3 moving that money around in a shell game trying to minimize
4 some of the other impacts.

5 COMMISSIONER COMMONS: Let me try --

6 COMMISSIONER SCHWEICKART: Well, notwithstanding
7 that, I'd still like to see the data.

8 MR. RAUH: I'd be glad to share it with you. We
9 did do that kind of analysis. I don't have it here, but I
10 can say in just looking at Mike Messenger's document which
11 you discussed earlier, schools, hospitals and streetlights,
12 the streetlight program, take up the lion's share of the
13 money we're talking about.

14 The fourth program, or third program is a local
15 government assistance program that's compatible in format
16 to those programs. If we look at the cost/benefit numbers
17 that Mike prepared for schools and hospitals, we'd see that
18 they're very well leveraged and some of the best activities
19 we should be carrying out.

20 COMMISSIONER SCHWEICKART: Well, that's in terms
21 of TBTU's per dollar invested in the conservation activity.
22 What I'm asking is how much staff is required to get a
23 conservation dollar out in schools and hospitals compared
24 with local government assistance, compared with streetlighting,
25 or whatever.

1 COMMISSIONER EDSON: I think you'd find that in
2 their second column, Commissioner Schweickart, the fraction
3 of division effort over five years.

4 COMMISSIONER SCHWEICKART: Yes, but it doesn't
5 tell me the dollars that were spent, so that I don't have
6 a relative feeling of whether we can get the same number of
7 dollars out there doing conservation work for fewer people
8 by focusing more on one or the other of the programs, nor
9 do I understand the degree to which we do have flexibility
10 or can obtain flexibility, given the legislative -- or the
11 budget decisions that were made.

12 COMMISSIONER EDSON: But I can respond to some of
13 your questions having just been briefed by the staff on
14 the status of the development of PVEA programs, and this
15 will be presented as a separate item at the August 10th
16 business meeting. So not only is it a work plan issue, but
17 it's an issue as it relates to necessary revisions to our
18 SCCP plan.

19 My understanding is, in quick summary, that the
20 augmentation in the schools and hospitals program, which
21 was made under PVEA, will require no additional staffing,
22 will be absorbed in the current staffing level, and in
23 fact, there's no flexibility to shift funds. That is a
24 separate category of federal funding.

25 Under SCCP, as Mr. Rauh described, we have several

1 different activities, one is traffic signal timing. That
2 program is being, we think, who knows, maybe there can be
3 a comment on this as well, but we think being transferred
4 to Caltrans, and the money, I think, by budget control
5 language is definitely transferred to Caltrans, so
6 flexibility in that area does not exist.

7 We have a streetlight conversion activity. Perhaps
8 Ted can help me, I don't recall the number of staff that
9 are required for that. It is slight -- we do have to
10 increase staffing over the current level in that program
11 because it's a different type of program, it's an interest
12 buy-down program as opposed to the direct loan programs, so
13 it does require some additional staffing.

14 MR. RAUH: It's .9.

15 COMMISSIONER EDSON: .9?

16 MR. RAUH: .9.

17 COMMISSIONER EDSON: And the last area is the
18 multi-family retrofit area, which again is a new type of
19 program for the Commission and I believe requires one, or
20 one and a half -- two --

21 MR. RAUH: I believe so, two.

22 COMMISSIONER EDSON: Two people to develop. So
23 at least in terms of a summary of the conservation programs
24 -- the only other PVEA program is the so-called public/
25 private partnership that is administered by the Development

1 Division, another million dollar program, a new allocation,
2 I believe that will require approximately 2 PY, one from
3 the Conservation Division and one from the Development
4 Commission.

5 COMMISSIONER COMMONS: Is that a total of 7 or
6 is that 8, then, including the one from Development?

7 COMMISSIONER EDSON: Well, I think it's a total
8 of about 4.9.

9 MR. RAUH: Yeah, 4.4.

10 COMMISSIONER EDSON: A total of about 5 people.
11 I'm sorry?

12 MR. RAUH: 4.4, I think.

13 COMMISSIONER EDSON: From the Conservation
14 Division?

15 MR. RAUH: No, in the Conservation Division it
16 would be 3.4 in the Conservation Division.

17 COMMISSIONER GANDARA: Mr. Smith, could you
18 refresh my memory, during the budget process there was
19 some discussion as to whether the personnel to administer
20 these funds would come from our -- from the personnel
21 allocations being discussed at the time, or if we had
22 received those funds, since they were going on a separate
23 track, that they would be coming from -- out of a Section
24 28 proposal.

25 MR. SMITH: Right. The result of the legislative

1 budgets process was that those funds, or the staff resources
2 would be provided within the allocation that they had made.
3 Now, that allocation was 61 positions higher than what we
4 have right now, but that was the conclusion of the
5 Legislature's process.

6 COMMISSIONER GANDARA: So you're saying there's
7 no possibility of going for a Section 28 on this one.

8 MR. SMITH: I think there's always a possibility,
9 I really don't know what the likelihood of being successful
10 would be. It probably would not be likely to be successful.

11 COMMISSIONER COMMONS: Mr. Chairman, I'd like to
12 suggest that we take these nine bullet items, and any other
13 major policy items that the other Commissioners perceive,
14 and see if there's areas where we have a consensus. On
15 those areas we have not a consensus, hold those items to
16 the August 10th meeting.

17 I think it would be my feeling that the existing
18 allocation of resources that's proposed in the work plan is
19 not going to wind up occurring in this division, and that
20 there are significant problems, and that it would be better
21 to assist staff in at least identifying those areas where
22 there is a consensus, and identifying those areas where
23 there is still further thought or discussion that needs to
24 be done.

25 COMMISSIONER GANDARA: That's fine by me, if the

1 Commission wishes to do that as well. Does that mean we
2 would go back to Siting and Environmental and go through
3 those bullets as well for the benefit of that division, or
4 is it your feeling that we could do that as well?

5 MR. SMITH: If you'd be willing to do that, that
6 would be helpful to us.

7 COMMISSIONER EDSON: Well, perhaps we could
8 finish with Conservation, then, before we go back.

9 COMMISSIONER GANDARA: Okay, Conservation. The
10 first item should be should the Energy Commission continue
11 work on the development of nonresidential building standards
12 as proposed in the division work plan with standards for
13 offices being completed, and research and analysis for
14 retail buildings beginning in 1983/84.

15 MR. RAUH: If I might make one comment, myself
16 and the program manager, Bill Pennington, have been in
17 contact with a majority of the PAG members, this is the
18 advisory group composed of industry representatives, as to
19 their particular views about this program.

20 Generally there was a concensus, with the exception
21 of some of those who would be specifically regulated, that
22 we should continue and wrap up the office building standards.
23 However, there were a number of ideas expressed about how to
24 go forward with future standards.

25 The principal gist of those ideas was to rely more

1 extensively on either the full advisory group, or segments
2 of the advisory group to perform more of the analysis and
3 make recommendations to the Commission on what ought to be
4 standards for future building types.

5 We don't have anything more to present, but we
6 will be working, and are working with the Building Standards
7 Committee on these various ideas. But I thought you might
8 be interested in at least the input we have from the PAG.

9 COMMISSIONER GANDARA: Okay.

10 COMMISSIONER SCHWEICKART: Let me say that even
11 with any of those ideas, no matter how much of the loading
12 shifts into industry, whether or not -- or let me say,
13 assuming for a moment, that that is even acceptable as a
14 policy alternative for the Commission, the staffing that's
15 provided is marginal at best, and more likely inadequate.

16 So that even the most dramatic offloading of
17 responsibility here is -- would be hardpressing the staff.
18 So I think the answer, in my view, on that first bullet is
19 yes, that we should proceed, and it's going to take a lot
20 of innovation even to proceed.

21 COMMISSIONER GANDARA: Fine, I would be in
22 agreement with that.

23 COMMISSIONER COMMONS: I would want to reserve an
24 opinion on this, depending upon if we have other areas that
25 we have to add people.

1 COMMISSIONER GANDARA: Okay. Just for purposes
2 of clarification, I presume that these division work plans
3 as presented assumed a yes answer to all these questions,
4 right?

5 COMMISSIONER EDSON: No.

6 COMMISSIONER COMMONS: No.

7 COMMISSIONER GANDARA: No, to most of them?

8 COMMISSIONER COMMONS: That's why it's so
9 difficult.

10 COMMISSIONER EDSON: For example, on the
11 petroleum violation escrow account, those are currently --
12 they are unbudgeted current work plans, as well as the tax
13 credit hotline is unbudgeted in the current work plans.

14 COMMISSIONER GANDARA: Okay, so it's mixed.
15 Because the last one is clearly correct, and it appears
16 that the first one is, right?

17 MR. RAUH: Yes, they're mixed. As Commissioner
18 Edson has pointed out, some -- the work plan as it is,
19 continues this program going forward.

20 COMMISSIONER GANDARA: Okay. Well, why don't we
21 do this instead. Why don't you read the bullets, and then
22 indicate whether the assumption in the work plan is a yes
23 or a no answer to it.

24 MR. RAUH: All right.

25 COMMISSIONER GANDARA: And see if that needs to

1 be changed.

2 COMMISSIONER COMMONS: Well, maybe one way that
3 might save time is to take those items that were unbudgeted
4 to see if there's a concensus on adding items, because we
5 only have a problem if we have to subtract.

6 COMMISSIONER EDSON: I would just as soon go
7 through them one at a time to hear whether they're
8 handled.

9 COMMISSIONER GANDARA: Okay.

10 MR. RAUH: The second bullet is concerned with
11 our training activities. It's partially contingent on
12 your response to the first one, inasmuch as we have planned
13 training activities to facilitate the industry moving into
14 efficient nonresidential building design and construction.

15 COMMISSIONER EDSON: Now, is this mainly a
16 contract item, a staffing item, what's the mix?

17 MR. RAUH: It's principally a contracting item.
18 There's \$200,000 associated with it.

19 COMMISSIONER EDSON: What's the breakdown between
20 res and nonres?

21 MR. RAUH: That is all monies devoted to the office
22 standard implementation because we already have three
23 contracts in place this year for residential training, those
24 were the contracts you recently approved that carry over
25 funds from last year.

1 COMMISSIONER SCHWEICKART: I think more important,
2 what's the PY allocation on this bullet? I mean, you're
3 talking pretty small aren't you, contract monitoring?

4 MR. RAUH: Yes, it's basically contract management,
5 so it basically could be the 1.9.

6 COMMISSIONER GANDARA: And your work plans
7 presume a yes with it?

8 MR. RAUH: Yes.

9 COMMISSIONER COMMONS: Does that include other
10 things than office buildings? I believe, wasn't that a
11 contract we recently extended subject to budget funds?

12 MR. RAUH: No. This is specifically for office
13 buildings. The contract you're referring to is the basic
14 analysis contract we have with AREA, Incorporated, and that
15 is implicit in the first bullet and provides the staff the
16 3 person years with the computer and analysis capability
17 to carry forward the additional analysis.

18 COMMISSIONER COMMONS: All right. I'd like to
19 add that contract on the work plan issue for August 10th.

20 COMMISSIONER EDSON: Ted, to what extent is the
21 \$200,000 a training -- literally training various industry
22 groups versus development of simplified calculation tools?

23 MR. RAUH: It is all for training. \$100,000
24 would go to the Building Officials themselves for their
25 development, and the other \$100,000 would go to an industry

1 consortium made up of architects, engineers, industry groups,
2 and we hope to train as many as 15,000 individuals with
3 this contract.

4 COMMISSIONER SCHWEICKART: Ted what page are you
5 on to see that? I can't find it in your --

6 MR. RAUH: The write-up for the contract is the
7 first contract write-up right after the summary. These
8 pages aren't paged, so I have a little more detail than
9 you do, let me see if I can count the number in here.

10 The first program in is the buildings -- is REMP,
11 is the building energy efficiency program, it has one
12 summary sheet that -- excuse me, I'm sorry, the second
13 program in, entitled "Building and Appliance Standards"
14 and the very first contract write-up of 200k describes the
15 contract.

16 COMMISSIONER GANDARA: This write-up says both
17 residential and nonresidential.

18 MR. RAUH: It is my understanding it is for --

19 MR. GAUGER: That's correct, it's all nonres.

20 MR. RAUH: It's all nonres. Probably one of our
21 typical boilerplate contract write-up sheets.

22 COMMISSIONER EDSON: What is your anticipated
23 timing on this contract?

24 MR. RAUH: We have been meeting with these groups
25 now, and inasmuch as we hope to pursue sole source contracts,

1 the release of the contracts would be timed for the spring
2 to coincide with the Commission's adoption of the standards,
3 and the programs themselves --

4 COMMISSIONER EDSON: Hopefully we'll adopt them
5 before spring.

6 MR. RAUH: The timing for the adoption of the
7 nonresidential office standard is December.

8 COMMISSIONER SCHWEICKART: Ted, I don't see on
9 the summary sheet, the page before, where the PY's are
10 located, or associated with that. Is that in technical
11 support, or is it code assistance, or is it documents?

12 MR. RAUH: It's under code assistance.

13 COMMISSIONER SCHWEICKART: Okay. So a portion of
14 the 2.72, then, is to administer those chain contracts?

15 MR. RAUH: That's right, half a person year, to
16 administer these training contracts, with three additional
17 training contracts we have in force now, and the hotline
18 contract for \$10,000, that's what totals this \$365,000.

19 There's also a portion of the nonresidential
20 building standards staff time, part of that 3 person years
21 in that program area that would work in this area,
22 principally in the implementation of the simplified
23 compliance tools.

24 So we have what amounts to --

25 COMMISSIONER SCHWEICKART: A particular element of

1 the simplified compliance tools, or essentially it was
2 the training time.

3 MR. RAUH: No, no, the implementation of them,
4 the training and implementation of them. So we have
5 roughly 1 person year that will be involved in implementation
6 of the standards.

7 COMMISSIONER SCHWEICKART: All right. Now, the
8 assumption is then, that in terms of what you've done in
9 the budget, you have assumed, then, that this will be done
10 in terms of your plans.

11 MR. RAUH: That is correct.

12 COMMISSIONER EDSON: My only comment is that I
13 think the level of funding is quite high in that depending
14 on the timing of the effective date of the standards,
15 perhaps it's reasonable to phase some of this work.

16 COMMISSIONER GANDARA: Well, my other concern is
17 that perhaps it should be subject to the discussion that
18 we had on redirection and recategorization.

19 COMMISSIONER EDSON: Into transition funds
20 essentially.

21 MR. SMITH: Ultimately, that issue will affect
22 at least two-thirds of the contracts if not a greater amount.

23 COMMISSIONER GANDARA: Well, maybe we should just
24 state that as a kind of standing rule for all of these.
25 But if, indeed, it could be phased in, as well, depending

1 I guess on what the required need might be, we heard earlier
2 that -- I guess with respect to the next bullet that you
3 don't have allocated funds. You're going to be checking
4 into this for the testing program for appliances, and it
5 might be that we might shift some funds into the testing.

6 MR. RAUH: Can I assume by the discussion that --
7 well, the contract is for -- is one that's been placed in
8 the hopper. The amount of training has been placed in the
9 hopper, then, in terms of item number two.

10 COMMISSIONER SCHWEICKART: Well, I think, Ted,
11 the point here is that the Commission is about to face the
12 adoption of the office building standards. The issues of
13 implementation of that standard to the relationship of the
14 Building Standards Committee, the implementation dates,
15 the incorporation in Title 24, all of those things are
16 clearly relevant here in terms of whether or not we ought
17 to be assigning people to training.

18 If they're not going to be implemented for a
19 number of years, then that may not be appropriate. On the
20 other hand if we're in conjunction with the Building
21 Standards Commission, going to move forward to some kind
22 of incentive program, or early implementation, we may, in
23 fact, want to go ahead with some training.

24 I think there are some questions which the
25 Commission is going to have to decide here in terms of

1 handling these standards once they're adopted, before we
2 can answer this question, but I think it's certainly an
3 open issue right now in terms of whether it's appropriate
4 to tie up a person year in a -- which is getting to be a
5 significant percentage of your resources on something
6 which may not --

7 MR. RAUH: Three percent, that's right.

8 COMMISSIONER SCHWEICKART: -- result in --

9 COMMISSIONER EDSON: But don't ignore the
10 contract dollars in that either, we're talking about a third
11 of the contract dollars available in the Conservation
12 Division. That's money that might be used to mitigate some
13 of the personnel reductions, might be used to -- if reduced
14 for some reason, as we confront the issues that you
15 mentioned, moved into some other program areas.

16 COMMISSIONER GANDARA: And recognize that there's
17 been a PAG/TAG group, that group that I think has worked
18 fairly effectively in disseminating information and
19 education and implementation, I would think would be
20 useful for that as well. So it's not the same separation
21 and need that there was between the residential standards
22 and the users of that, and the nonresidential standards.

23 COMMISSIONER COMMONS: I think there's also the
24 concept from the Governor's message to us, is that there are
25 other resources in the private sector to do many of the

1 things that we have been doing, and in the area of training
2 in the private sector, this might be an area that the
3 private sector has those resources and could take up some
4 of the slack that has been presented to us.

5 COMMISSIONER EDSON: But I think the --

6 COMMISSIONER COMMONS: I don't think the same is
7 true with the Building Officials, because certainly the
8 local city governments don't have those resources, so my
9 attitude might be slightly different from the monies to
10 help the building code officials assimilate our standards
11 and the need of the private sector to fund their own
12 activities.

13 COMMISSIONER EDSON: I'd just like to comment that
14 my comments are not to suggest that I think training is
15 not -- of the industry groups is not an important activity.
16 I think clearly, the extent to which we've obtained
17 compliance with our standards is very directly tied to the
18 understanding of the standards in the industry. It's
19 really tied more to some of the issues that Commissioner
20 Schweickart was raising, about the timing of the effective
21 date of the nonres standards, and perhaps there are some
22 economies, just in the size of the contracting you may have.

23 MR. RAUH: The third item, then, is --

24 COMMISSIONER GANDARA: Make of that what you will.

25 MR. RAUH: No, I'm -- I think I have the gist.

1 COMMISSIONER COMMONS: We're trying to help you,
2 not hurt you.

3 MR. RAUH: If you hit me enough times, you know.

4 Should the Building and Appliance Standards Office
5 monitor -- office's monitoring/enforcement work be decreased.
6 This is assumed in this work plan. We have basically taken
7 the 3 person years in appliances, and also have reduced the
8 amount of staff time in the buildings area devoted to this
9 activity, but in doing so, we have proposed a slight
10 increase in our HCD contract to take up some of the slack
11 in providing technical assistance to building departments.
12 So that would be a minor change in contract dollars upward
13 for that activity.

14 In the appliance, as I said earlier, what basically
15 drove us was the fact that the element itself was reduced,
16 and we did not try to move up the size of the element.

17 COMMISSIONER COMMONS: How does the Montoya bill
18 affect you on this?

19 MR. RAUH: You mean the bills regarding appliance
20 -- the delay of new standard development, and labeling,
21 and so forth?

22 COMMISSIONER COMMONS: The elimination of one year
23 inventory on distributors and retailers. Does that benefit
24 us or hurt us?

25 MR. RAUH: Well, basically it would be a wash,

1 assuming that we still have a reasonable way, as a result
2 of that bill, to determine when the appliance is actually
3 manufactured, because that will then become the important
4 time frame. Right now the appliance manufactuers do date
5 their equipment, but typically in a fashion that's not
6 readily known to either consumers, or some, and not many
7 commercial establishments.

8 But given the fact that we are not planning to go
9 out and look at things anyway, because we don't have the
10 staff to do it, I guess I'd have to say it doesn't affect
11 us.

12 COMMISSIONER SCHWEICKART: Ted, look, you're
13 asking us here, do we agree with the decrease that you've
14 scheduled. How much of a decrease have you scheduled and
15 what have you got left in this area, I mean, that's what's
16 not obvious to me.

17 MR. RAUH: Basically what we have left is half
18 a person to respond to petitions to standards in the
19 appliance area, half a person to -- a little more than half
20 a person to maintain telephones, letter inquiries, corres-
21 pondence with both petitioners and manufacturers. About
22 a little over a person to --

23 COMMISSIONER SCHWEICKART: Are those two under
24 monitoring and enforcement?

25 MR. RAUH: Well, I'm reading you technical support,

1 code assistance and certification, which is all that will
2 be left in the appliance area.

3 COMMISSIONER SCHWEICKART: All right. But I'm
4 trying to address bullet number three which deals specifically
5 with monitoring and enforcement, and you're asking us do we
6 concur in your reduction, and what I'm trying to understand,
7 I think Commissioner Gandara pointed out --

8 MR. RAUH: Okay. We will not monitor our
9 appliance standards under this proposal.

10 COMMISSIONER SCHWEICKART: And will we continue
11 to do certification testing, spot testing?

12 MR. RAUH: We will certify, but we will do no
13 testing, and the only certifications -- the activities is in
14 effect of developing directories of appliances.

15 COMMISSIONER SCHWEICKART: All right. So you have
16 reduced both the monitoring and the spot checking and testing
17 to zero.

18 MR. RAUH: That's correct. The only spot
19 testing that will occur at this point will be by local
20 building officials for new construction.

21 COMMISSIONER COMMONS: Let me tell you what my
22 position would be. I would not object to that for one
23 year, but I would certainly want to include testing and
24 certification in our budget for 84/85.

25 COMMISSIONER EDSON: You indicated, Ted, that the

1 contract with HCD was being raised, and I see that's a
2 \$120,000 contract as proposed. When is that going to be
3 passed?

4 MR. RAUH: The -- it's been \$100,000, and that
5 basically covers their field testing, field inspections of
6 all types of residential construction and assessments of
7 building departments ability to achieve compliance with
8 our standards. The additional -- so we will have that
9 kind of monitoring activity on the building side.

10 The additional \$20,000 was to have them in the
11 building official's office longer, to take the results of
12 their analysis which traditionally we have been taking, and
13 worked to correct with the building official, this would
14 have HCD do most of that corrective action.

15 COMMISSIONER EDSON: So this -- the contract
16 dollars go only to the building code's enforcement, not at
17 all to mitigate the reductions in appliance --

18 MR. RAUH: That's correct. There is no dollar
19 amount for appliances, and I've heard a number of
20 suggestions that there should be.

21 COMMISSIONER GANDARA: Well, in the big scheme
22 of things, on the insulation testing, is that testing during
23 certification, or prior to certification, or is that testing,
24 spot checking, the same way that we spot check appliances?

25 MR. RAUH: Well, it's actually a spot check

1 approach done by the Department of Consumer Affairs, one
2 of the boards within the Department of Consumer Affairs.
3 We're proposing contract dollars to continue that activity.

4 COMMISSIONER GANDARA: Do -- I mean, are there
5 that many new insulation products that come out to do that,
6 or --

7 MR. RAUH: Well, it's not that there are that
8 many new ones, it's that the bulk of the testing occurs in
9 the cellulose insulation area where the whole quality of
10 the cellulose product is because it's a batch process, can
11 vary, and so what you're basically protecting is public
12 safety here, to the extent that the manufacturers let their
13 quality control slip, you create significant fire hazards.

14 COMMISSIONER SCHWEICKART: Let me just point out
15 that the Commission is about to see an action, or hopefully
16 certify an action of the Committee in this area where we
17 just reached a settlement between the staff and an insulation
18 -- major insulation manufacturer as a result of failure to
19 meet the fire retardant requirements of the Commission's
20 regulations, and significant changes are being made in
21 the production methods of that manufacturer as a result of
22 that.

23 So there is certainly no question that the work
24 that's supported here has an effect. Ironically, it doesn't
25 happen to have an effect on insulation quality, it has an

1 effect on the public health and safety in terms of
2 insulation.

3 COMMISSIONER COMMONS: But in looking at this
4 in terms of the amount of savings, and the overall benefits

5 COMMISSIONER SCHWEICKART: There are no savings,
6 except lives.

7 COMMISSIONER COMMONS: -- it's clear that the
8 appliance standards have much more benefit to us than the
9 insulation, but our ratio is -- we've very, very small in
10 the appliances here, and we're not taking a course on
11 insulation.

12 MR. RAUH: Well, I think I'd argue that the
13 benefit of the insulation quality standard is that it
14 assures that all of our modeling, and all of our forecasting
15 is accurate, because to the extent that we do not enforce
16 these regulations for quality, and large amounts of
17 inferior insulation are installed in the state, the amount
18 of heat saving, cooling, that can be adjudged through our
19 forecasts could be dramatically wrong.

20 Now, in terms of insulation quality, we're only
21 talking about one person year.

22 COMMISSIONER COMMONS: Yeah, but we're only
23 talking about 2.65 for appliances.

24 MR. RAUH: I understand that. I'm just giving you
25 the cost for the insulation quality program. I would say

1 that it's -- that program has been reduced from about one
2 and a half person years down to 1.1, which is the bare
3 minimum. We are required to produce the directory. We
4 do receive petitions in this area. As Commissioner
5 Schweickart indicated, we have taken enforcement actions
6 which result in Commission proceedings, again, a staff
7 commitment in providing analysis, and a number of other
8 actions we have taken in this area have resulted in amicable
9 solutions without the requirement for regulatory or legal
10 actions. Basically, these are activities where the staff,
11 with legal support, have been able to negotiate improvements
12 in the quality of insulation manufacturers on an arm's
13 length basis.

14 COMMISSIONER GANDARA: Ted, again, I guess I would
15 be concerned, again, as stated, you know, I raised the
16 question about the different direction of monitoring and
17 enforcement, but as clarified by Commissioner Schweickart,
18 we're talking about eliminating the monitoring and enforce-
19 ment work, and --

20 COMMISSIONER SCHWEICKART: That's right.

21 COMMISSIONER GANDARA: -- and that's different
22 from a decrease, certainly, and my concern there is that
23 perhaps even that could be feasible for a short period of
24 time until we saw the next fiscal year, and see what
25 happened there.

1 But given the environment that we have of, one,
2 we -- the Commission took the position of supporting the
3 unlimited inventory clearance period under the assumption
4 that we would have a labeling program, all the testimony
5 that we've given to the Legislature indicates that without
6 that labeling program, our enforcement effort would, in
7 fact, increase, not decrease, and yet the most recent
8 position of the manufacturers is not to include a labeling
9 program, and that appears to be a direction of the author
10 as well.

11 So we wound up with the worst of both worlds
12 there. We don't have -- we have unlimited clearance with
13 no labeling. In addition to that, we're also talking about,
14 you know, other changes in the appliance standards area,
15 legislative changes that would basically wind up creating
16 more cause for concern with respect to whether the products
17 that are certified, indeed, do meet the level of efficiency
18 that they claim to be meeting, so that I'm in great
19 sympathy that you can't get blood out of a turnip here,
20 or water out of a stone, or whatever, but in any case,
21 complete elimination is almost an invitation in my mind
22 to disregard, you know, perhaps the seriousness of the
23 standards, and the level of efficiencies that they're
24 claiming to meet.

25 As I said before, I could understand on a policy

1 basis, given the data that I think your division has put
2 together that one could withstand a decrease in the checking
3 for inventory compliance in lieu of increased testing, but
4 to eliminate both, I guess, is troublesome, and so I don't
5 have an answer for you right now except to see what you
6 can do about it, and maybe by August 10th, you can come up
7 with a different mix.

8 MR. RAUH: Yeah, I think that the solution that
9 I've identified to this point has basically been an elimina-
10 tion of some other program to move resources in. Basically
11 what we -- considering the artificial parameter, and
12 assuming that the Commission doesn't want to live with the
13 artificial parameter, there are only three people in
14 appliances, so don't put any more in, then we -- the first
15 choice then is to look at all the other conservation programs
16 within the division and make a choice about what will be
17 eliminated.

18 In building this budget, what I did was look at
19 all of our past history on the number of regulatory
20 proceedings that we're drawn into to administer our regula-
21 tions, and in spreading the three people out, they were all
22 consumed in our standards defense against the federal
23 government, pre-emption, and in the normal petition that
24 have time -- what we have to do, and that's basically when
25 I reached the end of three people, I didn't make any false

1 promises -- oh, I probably made a few, but didn't live up
2 to my past efforts of false promises, let's put it that way.

3 COMMISSIONER GANDARA: Well, let me just say
4 again, I don't have an answer for you, maybe you can address
5 it again by August 10th, but probably being --

6 COMMISSIONER SCHWEICKART: I saw the question.

7 COMMISSIONER GANDARA: The only Commissioner
8 sitting here who has two water heaters that were certified
9 to meet the standards, and in fact are the only water
10 heaters that we've decertified, I'm kind of sensitive to
11 that. I don't know what my remedies are.

12 (Laughter)

13 MR. RAUH: Like a predecessor of yours, Commissioner
14 Doctor who had a solar system that didn't work.

15 COMMISSIONER SCHWEICKART: That's right, but it
16 was expensive though.

17 (Laughter)

18 COMMISSIONER GANDARA: My builder installed mine,
19 I had no choice.

20 COMMISSIONER SCHWEICKART: Ted, I'd like to
21 understand the level of funding from the Commission in the
22 insulation standards testing. Do we fund Department of
23 Consumer Affairs?

24 MR. RAUH: Yes. We have an interagency agreement,
25 we're proposing \$20,000 which will fund a part-time -- a

1 testing program of theirs. They have all the equipment,
2 they know how to do it, and this basically keeps a person
3 employed to conduct these tests.

4 COMMISSIONER SCHWEICKART: All right. How much
5 was in the current year -- how much in the past fiscal
6 year did you have budgeted to appliance spot checking and
7 testing?

8 MR. RAUH: It's normally averaged around \$100,000
9 a year, is that -- yeah, about \$100,000 a year, and each
10 year we've picked a major appliance. We did water heaters,
11 \$100,000 bought us, I think, about 50 water heaters
12 completely tested.

13 COMMISSIONER EDSON: So it's a contract activity?

14 MR. RAUH: Yes, I'm sorry, it's a contract with
15 a nationally renown lab.

16 COMMISSIONER COMMONS: How many people are
17 actually going out in the field doing monitoring work?

18 MR. RAUH: In the past we've conducted the
19 monitoring work by either employing students, or some of
20 our own professional staff. It's been a very low rate of
21 spot checking. Maybe a quarter of a person at the most?
22 About a quarter of a person.

23 COMMISSIONER EDSON: Let me suggest a solution,
24 and that is to make some reduction in the staffing allocated
25 insulation quality standards to pick up some of the

1 appliance enforcement, and robbing from some of the other
2 contracts. We've mentioned one already, and I have some
3 questions about some of the others elsewhere in the division,
4 there may be some room -- I doubt you could find \$10,000,
5 but --

6 COMMISSIONER SCHWEICKART: My own feeling, Ted,
7 is it's important to maintain a presence in the spot
8 checking of appliances.

9 COMMISSIONER COMMONS: I think that's particularly
10 true in light of the removal of our inventory clearance.

11 COMMISSIONER SCHWEICKART: Okay, so we're to
12 bullet four -- five.

13 MR. RAUH: Bullet four, this is where we have
14 reduced the -- okay, we want to reduce that further in
15 the direction that I picked up.

16 The escrow accounts --

17 COMMISSIONER SCHWEICKART: Well, at the moment,
18 none of your numbers support -- this is totally unsupported
19 in the numbers that you've provided us, right?

20 MR. RAUH: We're talking now about number five?

21 COMMISSIONER SCHWEICKART: Number five.

22 MR. RAUH: Yes. So the basic question is --

23 COMMISSIONER COMMONS: I don't think we have a
24 choice here. I think the issue is -- the issue raised by
25 Commissioner Schweickart, and that is the level of manpower,

1 not whether or not we should.

2 COMMISSIONER EDSON: Well, another question I
3 have is whether or not this is an area where there's some
4 flexibility to give assignments to ASD where reductions,
5 although still quite deep, and vacancy problems exist,
6 that the reductions are not as steep as Conservation,
7 whether there could be some allocation of at least
8 administrative responsibilities in that direction. I don't
9 know whether --

10 COMMISSIONER COMMONS: Oh, I see, you're saying
11 this was not a budget allocated issue, it does not
12 necessarily have to be a Conservation Division --

13 COMMISSIONER EDSON: Well, I think some of the
14 activity is very clearly Conservation Division work, and
15 I don't think there's any way to get around that, and I
16 can't speak to the amount of the work that might be more
17 administrative than not.

18 MR. RAUH: We can certainly pursue that activity,
19 you know, the integration of the work. Right now, our
20 intent was to operate these programs in a similar fashion
21 with -- as we do the schools and hospitals which has a
22 very clear demarcation in which the program staff are
23 principally -- principally focus all their attention on the
24 analytic review of the proposals as opposed to anything
25 administrative. Certainly an area that we can look at again.

1 COMMISSIONER COMMONS: Yeah. I think there's a
2 question of fairness when this one division has been cut
3 the most, they should also have to pick up the burden of
4 four, five, six, seven -- I think it was 4.4 --

5 MR. RAUH: 3.4.

6 COMMISSIONER COMMONS: 3.4 persons.

7 MR. RAUH: In this area.

8 COMMISSIONER COMMONS: Staff, and I think the
9 question is a very fair one.

10 COMMISSIONER EDSON: Let me ask Kent. Is there
11 flexibility in an area like this to transfer between
12 elements?

13 MR. SMITH: With regard to the specific tasks,
14 if there were tasks that had to be performed in administering
15 these funds, we would expect that to the extent possible,
16 that those would be picked up by the fiscal side, or
17 administrative services. Now we know that we've got a
18 serious problem there, but there is the opportunity for
19 some task sharing, regardless of which program element the
20 subject matter of each of these petroleum violation account
21 funds falls into.

22 COMMISSIONER EDSON: Well, let me ask the question
23 a little differently. We have a 50 percent reduction in
24 Conservation and a 5 percent reduction in Assessments. This
25 is an unbudgeted activity. Do we have the flexibility to

1 transfer PY's from Assessments to Conservation for this
2 activity?

3 MR. SMITH: Most likely that transfer would be
4 questioned by Department of Finance, it doesn't mean that
5 they wouldn't approve it. We basically --

6 COMMISSIONER SCHWEICKART: Kent, without
7 transferring the people, can't we -- don't we have an
8 option essentially of a temporary assignment of Assessments
9 staff under the direction of the Conservation Division
10 management without any literal PY transfer?

11 MR. SMITH: Yeah, we always have the option of
12 temporary assignments up to 60 days.

13 COMMISSIONER COMMONS: All right. Do we have --
14 another administrative solution, can we assign PVEA to
15 Assessments Division?

16 MR. SMITH: Well, we can assign the work to any
17 division that has the skills and the staff to carry it out.
18 The program characterization of it as far as Department of
19 Finance would be concerned, it depends on the subject of
20 the work. It might very well stay in Conservation programs.

21 COMMISSIONER COMMONS: Don't we have the flexibility
22 of just assigning this whole program to the Assessments
23 Division and now taking it off the budget of Conservation
24 and then maybe subletting part of that work back to
25 Conservation so that rather than Conservation having to take

1 the full brunt of the program, they'd take a part.

2 MR. SMITH: Again, the question here is Department
3 of Finance would be a party to the transaction that would
4 cause that to happen. I don't know precisely what
5 conversations took place with the Department of Finance
6 staff and our staff, and whether or not that would be an
7 issue. Do you have a sense of that, whether or not this
8 work had been specifically categorized as Conservation
9 program work and budgeted with the intent that it would be
10 done in the Conservation Division?

11 COMMISSIONER EDSON: In the Legislature you mean?

12 COMMISSIONER SCHWEICKART: No, the PY's --

13 MR. SMITH: No, with regard to the Department of
14 Finance.

15 COMMISSIONER COMMONS: I think we're free to
16 assign it to whatever division we wish.

17 MR. SMITH: We're talking about proposals that
18 we can make.

19 MR. RAUH: I'd only say that the programs themselves
20 that the bulk of this money is tied to, or augments, were
21 conservation programs, but to the extent that that was --
22 you know, there is that tie, the streetlight money and
23 streetlight program, you know, and that's in conservation.

24 MR. SMITH: Yeah, but by the same token, we have
25 some conservation program work, environmental related work

1 done in the Siting and Environmental, you might do something
2 similar to that here, but there is a question of how it
3 would be interpreted by the Department of Finance, and
4 whether or not that in fact would draw down on resources
5 that you have for other work.

6 COMMISSIONER EDSON: As I recall, there is a
7 specific prohibition on using the oil overcharge money
8 for PY's, is that correct?

9 MR. SMITH: Yeah, that's correct.

10 COMMISSIONER COMMONS: Do we have a concensus,
11 that we would like to try to minimize the impact on the
12 division?

13 COMMISSIONER EDSON: Oh, yeah.

14 COMMISSIONER GANDARA: Yeah.

15 MR. SMITH: Thank you.

16 COMMISSIONER COMMONS: That's what they want to
17 know, and it's something that we have to do.

18 COMMISSIONER GANDARA: Okay. Next bullet?

19 MR. RAUH: The next bullet deals with another
20 program which has a 2 person year price tag. It is the
21 tax credit hotline, a program the Commission has repeatedly
22 directed the division to carry out. Over the last year
23 or two, the resources were specifically reduced in the
24 budget, and we do not have the person years to carry it
25 out now, right now.

1 COMMISSIONER SCHWEICKART: What are the questions
2 that we get?

3 MR. RAUH: We get a large number of questions
4 about the tax credits themselves. We also receive general
5 questions regarding Commission programs. A majority of
6 those are in the development and conservation area. We're
7 attempting to focus the hotline on tax credit related
8 issues by -- but it turns out to be a widely known number
9 for energy information about the Commission's programs.

10 COMMISSIONER SCHWEICKART: Well, what I'm asking
11 is why can't we put some time into identifying the top 10
12 questions asked in solar, the top 10 questions asked in
13 conservation tax credits, put out a document, put a
14 recording on the line that it's available, and get these
15 2 person years off, referring people, you know, or inviting
16 them to leave a telephone number on a recording and send
17 them the documents, or to seek information from their tax
18 consultant, or something.

19 I mean, we're dealing with a tax credit, although
20 it has changed, and I understand that, we're dealing with a
21 tax credit that's been out there for quite a while. Anybody
22 who's going to be picking up -- not anybody, but a lot of
23 people who are going to pick up the credit get some advice
24 anyway. It seems to me that it's a lot of PY's -- I don't
25 know what incremental savings are going to be realized in

1 terms of energy from those PY's, but I suspect that it's
2 not great even though there are 3,000 telephone calls a
3 month. I mean, I'm not denying --

4 COMMISSIONER EDSON: Well, let me -- I have a
5 couple of comments. If we were -- I frankly think there
6 are some categories of programs that we can't judge on the
7 basis of measurable energy savings and public information
8 programs certainly fall into that category. I would
9 certainly hate to think that we're going to eliminate our
10 consumer information activities because we can't measure
11 energy savings.

12 Secondly, we know that the vast majority of
13 calls that come in on that line are on tax credit calls.
14 We also know that right now, although we are responding to
15 in the neighborhood of two to 3,000 calls a month that
16 leaves in the peak period as many as 15,000 calls a month
17 unanswered. Those are people that currently now receive a
18 recording that says, we're so sorry, our lines are all
19 busy.

20 So I think if we were to put a recording on and
21 ask people to leave their name and address, you may in
22 fact be -- it may be a very serious false economy, and you
23 may be devoting more effort to mailing information out than
24 responding verbally over the telephone, and perhaps at
25 greater cost.

1 One of the things that I had asked the staff to
2 do was to investigate whether any of the contract dollars
3 we had -- trying to find a way to minimize the PY allocations
4 in this area, because we are now allocating professional
5 staff to an activity that in the past I think we've been
6 able to carry out with part-time student help, largely.

7 So we're doing it at much greater expense. I
8 would note as well that this activity has been reduced
9 severely over the last several years, and I don't know what
10 the answer to that is.

11 COMMISSIONER COMMONS: Is this a blue lined item,
12 by the way?

13 COMMISSIONER EDSON: No.

14 MR. RAUH: No.

15 COMMISSIONER COMMONS: Why can't we make this --
16 this is primarily an economic benefit to someone who's
17 calling up. Why can't we make it, which I think I mentioned
18 earlier, a pay as you go service, where you have to pay in
19 order to get the information, by just having a standard
20 charge, like if you wanted to get information on sports
21 scores it's a dollar, or 50 cents, and why couldn't we
22 make this a charge line, and receive back sufficient funds
23 to hire a student or contract it out so it's a break even
24 proposition.

25 COMMISSIONER SCHWEICKART: I don't think you can

1 use them. If we get dollars on something like this, it
2 has to go into the general fund, we don't get to use it.

3 MR. SMITH: That's correct.

4 MR. RAUH: It's just like our publications
5 funding. I might just make two additional comments in
6 response to --

7 COMMISSIONER COMMONS: I'll propose it for 84/85
8 that way.

9 COMMISSIONER SCHWEICKART: It's state law.

10 MR. RAUH: In response to your concern about 10
11 asked questions, under the Tax Credit Committee's review
12 now, and soon to be published once the law is straightened
13 out on the tax credit, will be that kind of document. We
14 have had it prepared, it's just not released until the
15 tax credit is settled.

16 In terms of the issue of whether we can use contract
17 dollars, we have identified \$60,000 to come out of a non-
18 utility participation in RCS contract line item at \$80,000
19 to be used for temporary help to carry out this function.
20 It's covered in my cover memo on this work plan discussion.

21 It's really a Commission-wide decision on the use
22 of temporary help. So at this point, subject to these
23 discussions, that money has been identified to the Executive
24 Office, along with the need for temporary help, and other
25 divisions have as well, and it's really a decision that has

1 to be made at the Commission and Executive Office level.

2 MS. CROWDER: I might also add that the Public
3 Information Office is working with the State Franchise
4 Tax Board to prepare some information --

5 COMMISSIONER GANDARA: Nobody heard that.

6 MR. RAUH: She indicated that her office is
7 working with the Franchise Tax Board to develop information
8 on the tax credit as well.

9 COMMISSIONER GANDARA: Well, since we're trying
10 to get a concensus on this, let me say that I think we
11 probably won't have a concensus here, but let me give you
12 at least my views on it. I'm not that close to this
13 particular item, so I certainly would defer to the
14 Committee that works far more closely with this.

15 But again, let me say that I did have a need for
16 this type of information, and what I found very useful was
17 in fact a document that I think is prepared on the energy
18 conservation credit by the staff, and in the back it lists
19 all the measures that you can receive tax credits for and
20 so forth. So, I think that clearly is a helpful step.

21 On the other hand, I think I clearly recognize,
22 as Commissioner Edson said, the necessity for having somebody
23 to talk to, because first of all, the Franchise Tax informa-
24 tion was inadequate, really, to assist me. The Energy
25 Commission information was far more adequate, but using

1 very expensive staff time, aka, Mr. Dave Modisette, we
2 determined that in fact one of those x's should not have
3 been there, and that there is no tax credit for heat pumps.

4 So there is a need to be able to have someone to
5 talk to regarding discrepancies.

6 COMMISSIONER EDSON: Well, I think the Franchise
7 Tax Board defers to the Energy Commission, so I don't think
8 we can assume that if we cut this kind of public information
9 service out it will be picked up there. They simply don't
10 have the energy expertise.

11 I fully concur with the use of contract dollars
12 to bring in much less expensive service, and service where
13 we have more flexibility so we can staff higher during
14 periods of high information line use. I also don't have
15 any serious objection to making these local lines so the
16 caller is actually paying for the telephone call. We are
17 not then incurring the cost of the toll free line.

18 As Commissioner Commons and Commissioner Schweickart
19 have both commented, these are consumers, but consumers who
20 are seeking in many cases, very significant tax benefits
21 theoretically, anyway, they aren't people who are going to
22 be severely impacted by the cost of a long distance telephone
23 call.

24 COMMISSIONER COMMONS: Well, I think this is just
25 an area where a small business would go out and establish

1 themselves, and could provide the technical expertise, and
2 the information, and provide it statewide, and it's not an
3 activity that we as an Energy Commission have to do, because
4 the benefit goes to the person who is calling in and we
5 don't have to replicate the CPA's office, or an attorney's
6 office, when you call and try to get information from a
7 lot of the -- the Franchise or the IRS usually get bad
8 information anyway, and I don't know if we should be holding
9 ourselves out as an attorney.

10 This seems to be an area that clearly a small
11 business could do at rather low cost, and we should refer
12 to it, somebody who's doing it.

13 COMMISSIONER EDSON: Let me just point to the CMA
14 model, the development -- innovative contracts frequently
15 seem to come from the Development Division where they've
16 contracted with CMA for feasibility studies of all the
17 accounts, essentially. Perhaps as Commissioner Commons'
18 suggests, there's a way to have some of the reimbursement
19 features built into contracting with a private group. I
20 don't know.

21 COMMISSIONER COMMONS: 15,000 calls a month at a
22 dollar, that would be a nice gross salary, it would only
23 cost a telephone line, \$180,000 income.

24 COMMISSIONER SCHWEICKART: All you've got to do
25 is collect it from the telephone company when the person

1 puts it into the phone booth.

2 COMMISSIONER GANDARA: Don't they have those kind
3 of lines in New York, I've been reading about those.

4 COMMISSIONER SCHWEICKART: The dirty call lines.

5 COMMISSIONER GANDARA: They collect them sometimes.
6 The next bullet?

7 MR. RAUH: The next bullet is another resource
8 oriented question, and we've discussed it briefly already.
9 It has to do with where quantification efforts in the
10 division, or excuse me, in the Commission for quantification
11 conservation should reside, and I think I've already
12 described the capability of the division in this area under
13 this work plan, and that's basically the issue.

14 COMMISSIONER COMMONS: Do we have a concensus
15 that this should be something done by Assessments, rather
16 than --

17 COMMISSIONER EDSON: That's my feeling, perhaps
18 with people on temporary assignment to conservation, I
19 don't know how that can be worked out administratively.

20 COMMISSIONER COMMONS: That's clearly an activity
21 I think we need to do, but I don't know if I'd want to cut
22 from you for that activity.

23 COMMISSIONER SCHWEICKART: Well, Ted, again, in
24 terms of your numbers, have you included any people there?

25 MR. RAUH: No, there are no people for this kind

1 of work. The only -- as I indicated, where resource shows
2 up to do it is in conducting the line program analysis
3 associated with actual programs. For example, there will
4 be for the Load Management Committee, an assessment of
5 utility, commercial load management plans.

6 But there is no resource to then take that
7 assessment and work with assessments to factor it into the
8 forecast. Should I go on to item 8?

9 COMMISSIONER GANDARA: Yes.

10 MR. RAUH: This is a question that's been raised
11 by several policy committees with respect to the Commission
12 and the Conservation Division specifically working to carry
13 out Commission policy in the CPUC's ratemaking process.
14 The focus here would be on load management, RCS, and one
15 or more general rate cases during the fiscal year, and --

16 COMMISSIONER SCHWEICKART: Do you have -- have
17 you assigned people to it?

18 MR. RAUH: No.

19 COMMISSIONER SCHWEICKART: So, it's currently
20 zero in your proposed budget.

21 MR. RAUH: That's correct. Wait a minute, ah,
22 another lie comes out.

23 MS. GRIFFIN: There is one participation for one
24 RCS case budgeted, but not for both, and I don't believe
25 any load management cases ended up in there.

1 COMMISSIONER EDSON: Does our current budget
2 allow us even to essentially sponsor the state plan in
3 the standards --

4 MS. GRIFFIN: If it's just a sponsoring, then
5 it's generally done by General Counsel's office. It's if
6 we have to do cross testimony or witness, then it comes
7 into conservation.

8 COMMISSIONER COMMONS: Well, after our recent
9 experience with the PUC in the load management case, and
10 the evaluation of those two cases, it's my feeling, either
11 we discontinue laod management and transfer it to the PUC,
12 or we execute our authority and do the proper job, and
13 provide that expertise to the PUC. We either do it or
14 don't do it, but we don't -- it's a pure waste of time for
15 us to analyze and do a good technical job and then not
16 participate and no provide that information to the PUC.

17 We should either cut load management and not do
18 it, or we should provide sufficient manpower so that we can
19 provide that information to the PUC.

20 COMMISSIONER EDSON: I guess my understanding,
21 I don't think we have the discretion simply to transfer it,
22 and as it currently stands, we do have the responsibility.
23 My own feeling is that we're -- first of all, we haven't
24 been particularly effective in -- when we have sponsored
25 these at the PUC, and that we can meet our statutory

1 responsibility by sponsoring our standards, or the state
2 plan into the record so that at least what we are requiring
3 the utilities to perform is represented, but I think
4 beyond that, we're budgeting for activity that has a
5 relatively low payoff, and very high costs in terms of
6 personnel allocations.

7 COMMISSIONER SCHWEICKART: I agree with that.

8 COMMISSIONER GANDARA: I agree with that.

9 MR. RAUH: The next item is should the

10 COMMISSIONER COMMONS: There's a dissenting --
11 there's a dissent on that, and I'll raise the issue again
12 in August.

13 MR. RAUH: The last bulleted item here is a
14 contingency planning. There is proposed in the budget a
15 work plan which would carry out what staff believes to be
16 the program of work and recommendations that the Contingency
17 Planning Committee will be forwarding to the Commission.
18 Of course, that proceeding is not over yet, so some of
19 those recommendations could change, but basically, that's
20 what we've attempted to develop.

21 COMMISSIONER SCHWEICKART: I guess I have a
22 question here of why -- what would happen if we reserve
23 this item?

24 MR. RAUH: Well, I think the Commission has a
25 full record at this point on the importance of both a

1 flexible and competent plan for California, despite the
2 implications of the current oil situation. There have been
3 enough studies done, and simulations done to show that
4 even with the current glut of oil an imbalance could occur.

5 So as an insurance policy, it's very definitely
6 a critical aspect for California's energy security.

7 Secondly, the national government right now is furthering
8 its policy of reliance on the market and --

9 COMMISSIONER SCHWEICKART: No, I don't want--
10 pardon me, but I don't want a substantive discussion on
11 the value of contingency planning. What I'm saying is if
12 you zero the PY's in this area, what would the impact be
13 in terms of the contingency plan. The work has been -- 90
14 percent of the work has been done. The final existence of
15 the plan is, in my opinion, of minimal value even if there's
16 an oil crisis.

17 Having thought it through is what's important,
18 and the work that's been done is important. Two PY's
19 throughout this whole fiscal year, in this area, in my
20 view, is one of the least productive things we can do with
21 people.

22 MR. RAUH: I think -- I won't say that we won't
23 complete the plan, because we're close to completion of the
24 plan, and the existing staff would -- unless we completely
25 redirected them as of this moment, would be available to

1 see the plan completion through, assuming they didn't find
2 jobs elsewhere in the interim. But what we would do, is
3 we would lose the expertise that we've spent so much time
4 developing at the staff level and other than that, and not
5 being able to carry out the recommendations that the plan
6 most likely will include, we would be unable to do those
7 as well.

8 COMMISSIONER GANDARA: Let me -- if I might
9 comment on what wouldn't get done if we zeroed out these
10 two people from the point of view of the Committee. First
11 of all, we wouldn't have a state plan -- we wouldn't have
12 a contingency plan adopted.

13 The relevant question is, does that matter, and
14 I think that's a really good question, because I think
15 that's one of the things that we're wrestling with right
16 now, that if there is both a legislative effort that
17 addresses part of it on the state set aside, there is a
18 contingency plan and presumably, which is developed under
19 the assumption that the Governor would take significant
20 direction, or take cues from the plan.

21 So that presumption, however, is again one of the
22 things that it concerns the Committee at this point. Because
23 apart from the state plan not being adopted, what we would
24 have now, even if what we took as a present plan, you know,
25 it would not be very useful for, I think, this administration,

1 or for, in fact, for anybody dealing with an energy
2 emergency for the following reasons.

3 We just completed the AST-4 exercise, the
4 Allocation System Test 4 as it's called, and I don't know
5 how the Commission has perhaps been involved in these
6 tests in the past, but this was a significant test, because
7 for the first time, the federal government tested its
8 policies, and the contingency plan right now contains two
9 assumptions that did not come about.

10 One assumption was that the federal government
11 would indeed, to enhance the market response, would draw
12 down the Strategic Petroleum Reserve as soon as possible.
13 The other assumption, and more important for California
14 is that the federal government would begin reallocating
15 funds that are collected from the windfall tax as a result
16 of any windfall profits back to the states, either in
17 block grants for mitigation of any particular problems
18 with low income or hardship cases, and in fact, those two
19 things have not occurred.

20 So California finds itself in the situation,
21 in fact, not just California, but all the states, of having
22 to face its own responsibilities with respect to the
23 economic curess that would be created by an energy crisis
24 even though it conceivably, there could be a supply/demand
25 equilibrium.

1 So, the current work on the contingency plan that
2 is being undertaken by staff before you could, in fact,
3 adopt a contingency plan at this point is to incorporate
4 both the results of the AST-4 exercise, which I think
5 contains significant policy implications, to incorporate
6 the work of the final contract that was submitted, that
7 probably was submitted by the MIT group in June, we had a
8 small conference on that, and then basically, since any
9 contingency plan, and it is the perspective that the
10 Commission has taken over the past years, really has to be
11 some kind of concensus plan, otherwise it's going to be
12 set aside, I think there remains significant work that
13 needs to be done with respect to relaying the plan to other
14 state agencies, receiving their responses, updating the
15 plan, otherwise you're going to have a plan that's going
16 to sit on the shelf and it's not going to be used in an
17 emergency.

18 Now, if that would be the case, if that would
19 be the result, I would think that in fact a lot of good
20 work really has gone to waste. It is the closing phase
21 of this particular effort. There does remain the question,
22 however, that in fact, notwithstanding the 2 PY allocation,
23 the people who are expert in this area may in fact leave,
24 and we may in fact be without sufficient personnel to
25 adequately complete this plan.

1 But I would disagree that if we never had an
2 adopted plan, that it would make no difference whatsoever.
3 I don't think the -- I think the whole idea of a contingency
4 plan is to make it work, to achieve that consensus and
5 given that we're going to have, I think extreme difficulty
6 given that there's no federal allocation system any more,
7 given that there -- if, indeed, the policies pursued in
8 AST-4 are to be true, not an early drawdown of the SPR,
9 no reallocation, or quick -- there are no plans for that,
10 the effect, the net effect of the state feedback, the 10
11 states that participate, and who will continue to participate
12 as a result of having expertise available on their staff
13 has been significant, I think, to induce both congressional
14 pressure and to induce pressure within the current federal
15 administration to indeed come up with plans for a
16 federal reallocation of funds and for clear and explicit
17 rules and guidelines for the use of the SPR.

18 I don't think that those effects that we can have
19 through the joint efforts of other states can be minimized
20 really, as to the benefits that they would bring to the
21 State of California.

22 I would note, and there may also be a point of
23 disagreement, but with respect to some of the work that we
24 were able to do on the APR this year, the work that has
25 been done on contingency planning has been most useful and

1 that there was a significant input of the thinking of the
2 contingency planning work into the APR recommendations
3 regarding the need for a comprehensive state plan.

4 So at least from my point of view, I think that
5 this activity represents a reduction from what we had before.
6 It's not a slight reduction, if you recall, it is a very
7 significant reduction from any contingency planning
8 activity we had, as little as seven months ago.

9 So I think it is maintenance work, a minimum
10 level of readiness, and the ability to be able to be of
11 utility to the executive branch and the the Legislature
12 in case of an emergency, and frankly, I think if we ever
13 needed that kind of expertise we need it now.

14 COMMISSIONER COMMONS: How many people are
15 currently working on this area now, Ted?

16 MR. RAUH: There are 2 person years in the
17 Conservation Division.

18 COMMISSIONER COMMONS: How many people are
19 currently working on this activity?

20 MR. RAUH: I believe there is one additional
21 person working for Commissioner Gandara, I believe, or
22 perhaps for PP&E, I'm not sure of the exact relationship.

23 COMMISSIONER GANDARA: There's been, I guess, a
24 carryover of that person from Commissioner Varanini's staff
25 through Commissioner Schweickart's staff, when he was

1 presiding over that committee, I guess to me, and I
2 believe as of yesterday, that was a reassignment made into
3 the Assessments Division, is that correct?

4 MR. SMITH: I don't know that it happened
5 yesterday, but that's pending.

6 I was going to comment that there's also a
7 statutory responsibility to the Commission --

8 COMMISSIONER SCHWEICKART: Statutory responsi-
9 bilities for lots of things are cut, Kent. What we're
10 deciding is what we're going to do, of the things that
11 we're required to do by law.

12 COMMISSIONER COMMONS: My position on this would
13 be if the plan can be brought to us before the layoffs, I
14 would not object to a continuation of the two persons
15 who are currently working on it, bringing it to us. After
16 that period of time, I would like the activity cut to .5
17 or less after January 1st.

18 COMMISSIONER SCHWEICKART: This is an area in
19 which a number of us have had ample opportunity to look,
20 since we've been doing it for so long, and I would suggest
21 that much of the benefit of what the Commission can do
22 can be done without 2 PY's this year, and given the situation
23 we've got, and the priorities we've got.

24 More of what we know the answers now in terms of
25 getting the federal government off the dime. We can apply

1 just as much political pressure in conjunction with the
2 other states without having another update from another
3 simulation, at the end of which we'll have another change
4 in federal policy, or in the world situation, and there
5 will be another change, et cetera, et cetera.

6 The history of this contingency plan development
7 has been a continuing running trying to keep up with what's
8 going on in the world, and we never get there. I really
9 think that we've learned as individuals what the situation
10 is and how we can effect some benefit, and I'm not sure that
11 pressing on for another 2 PY to finalize or update the
12 plan, or modify it again, is really worth it to the people
13 of the state, or the nation for that matter.

14 But I think we can do a lot of work in terms of
15 pressure on the federal government, joining with other
16 states, lobbying, et cetera.

17 COMMISSIONER GANDARA: Well, again, I mean, I
18 would disagree very strongly, and I probably will continue
19 to do so until we get this issue settled, mainly, again,
20 because though it may appear that we can do other things,
21 for the first time in this AST-4 exercise, the National
22 Governments Association staff was involved for the first
23 time --

24 COMMISSIONER SCHWEICKART: No, that's not true.
25 They've been involved in other simulations, and the assumption

1 in many of the simulations has been that the feds have been
2 unresponsive in terms of drawing down the SPR.

3 COMMISSIONER GANDARA: The NGA staff has not been
4 involved in a player previous to this exercise. Senator
5 Percy's staff had never been involved under the Committee
6 for Preparedness, has been involved for the first time,
7 and again, there was consumer groups involved for the first
8 time in this AST-4 exercise.

9 Now, I think that we've all been involved in this
10 to the extent that we have been on Committees, but frankly,
11 I think, up too long ago, this was a black hole, and I
12 would say that I would have very deep concerns given that
13 if we were to move now to eliminate the only institutional
14 memory that we have with respect to having to administer
15 any state program during an emergency like this, and
16 frankly I think that we, within a year or two years will
17 have no Commissioner involvement, many of these kinds of
18 problems that do occur, and I don't think that the
19 questions in fact are indeed all that resolved.

20 Frankly, Commissioner Schweickart, I just
21 received a memo from you regarding a new position on the
22 assignment of suppliers. Now, that is different from the
23 April 1st outcome when we had that meeting, and these
24 things do not get settled that quickly.

25 So, it is precisely for those kinds of contingencies,

1 those kinds of things that come up that I think we need to
2 have a continued presence in this area. But be that as it
3 may, we're not going to reach agreement here, but perhaps
4 other Commissioners would like to express their point of
5 view.

6 COMMISSIONER EDSON: My feeling is that we should,
7 at a minimum, finish the work on the state plan. My
8 impression is that there may be room for some reduction
9 after that, but I can't comment on what it is until I have
10 seen that material. What's the current timing for bringing
11 that plan before the Commission?

12 COMMISSIONER GANDARA: I expect that we will be
13 able to do that perhaps in September. That's the current
14 plan. Frankly, we are under considerable pressure before
15 relevant staff depart.

16 COMMISSIONER SCHWEICKART: Well, that -- that's
17 not 2 PY's.

18 COMMISSIONER EDSON: Are you suggesting that we
19 fill positions in the event current expertise leaves the
20 Commission?

21 COMMISSIONER GANDARA: Pardon me?

22 COMMISSIONER EDSON: Are you suggesting that we
23 rebuild expertise in the event the current experts leave
24 the Commission?

25 COMMISSIONER GANDARA: My feeling is in the area

1 of contingency planning, in the area of readiness and
2 availability that yes, I think that that is a minimum
3 commitment that this Commission should make to be -- have
4 people who are available, who are cognizant of, and who
5 are familiar with the contingency plan to review documents.

6 Frankly, I think that if those people did depart,
7 that we need to do that. There is another element here, and
8 I would like to re-emphasize it. The Governor's powers are
9 very broad under an emergency, and so frankly, several
10 things could occur. We have a state set aside legislation,
11 let's assume that that's passed. And let's assume we have
12 a state energy plan, contingency plan, that's different
13 from that set aside legislation, because after all this is
14 a plan, this is not a rule, a regulation, this is not
15 anything that has to be in conformance with that.

16 Then you have a Governor who would declare an
17 emergency upon the advice and recommendation of the
18 Energy Commission Chairman, or the Commission. Now, first
19 of all, on what basis would there be an ability to do that?

20 Under the contingency plan, you have what you
21 call a verification phase of an emergency. You have no
22 staff available to be able to deal with that verification
23 phase, you have an inability to provide the Commission and
24 the Chairman with decisions, and with the information that
25 he can recommend to the Governor.

1 If the Governor -- you know, let's say he
2 undertook the recommendations and said this is a state of
3 emergency, under his powers, as I understand them right now,
4 he could implement a plan that is different from ours,
5 similar to the Legislature's or different from both.

6 So that in order to have a contingency plan that's
7 effective and viable, it has to be one that changes, and one
8 that changes in accordance with the policymakers, and the
9 actors and the players in that area so that, you know,
10 why would we need the 2 PY in addition to that? It is
11 precisely because once you have the plan adopted, you know,
12 you now need to be able to engage with policymakers who
13 are involved as to whether now that fits the appropriate
14 response that they would be willing to undertake in case
15 of an emergency.

16 Related -- the most important related action to
17 that has to do with the economic effects, the recycling
18 of considerable funds. I shouldn't underestimate that,
19 and just read -- an exercise here. We went through -- the
20 price of oil rose to \$98 a barrel that was being collected
21 by the federal government, it never recycled to the states.

22 COMMISSIONER SCHWEICKART: And it won't if we
23 have a plan.

24 COMMISSIONER GANDARA: The problem is, clearly,
25 that if we would not have had people involved, commenting on

1 that, if we would not have people involved in participating
2 in the exercise, you never would have had the kind of
3 consensus that was developed by the states and by the
4 congressional delegations to be able to insist on a change
5 and/or a response by the federal government. Whether they
6 do that, I don't know. In the absence of that, clearly,
7 we won't have that.

8 I mean, you know, you can't guarantee that you're
9 going to have it with the people, but you can't guarantee
10 you're going to have it without it.

11 COMMISSIONER SCHWEICKART: Commissioner Gandara,
12 we totally concur on the problems and the realities of an
13 oil contingency, and the effect on the states, and the
14 inactivity on the federal government, and all the rest of
15 it. We have no difference whatsoever there.

16 My claim here is that having a plan is not
17 going to make a difference when the flag goes up in terms
18 of its impact. That's -- my question is whether having
19 firemen sitting around keeping a plan updated when we have
20 hundreds of people being laid off, and issues which
21 directly effect the cost or availability of energy, the
22 cost of energy to ratepayers in the state, is a productive
23 thing to do on behalf of the state welfare.

24 We don't have any disagreement that I know of,
25 from a policy point of view, in terms of contingency issues.

1 So in a sense, I think we're arguing the wrong issue here.
2 It's a question of whether or not 2 person years, as when
3 we're cutting back to the degree we are, is the best use of
4 -- in this area is the best use of 2 PY's.

5 But I think we already agreed to disagree at this
6 point.

7 COMMISSIONER GANDARA: I think so too.

8 COMMISSIONER SCHWEICKART: I believe this is one
9 which still needs resolution.

10 COMMISSIONER GANDARA: Well, it does become a
11 question of judgment, and then again it becomes a question
12 of long-term versus the short-term perspective and I would
13 agree, you know, that, you know, if we thought there's not
14 going to be any emergency over the next two months -- you
15 know, but these are not firemen sitting there reading books
16 waiting to see if there's going to be a fire.

17 People are engaged in work, you know, here in
18 this process.

19 COMMISSIONER SCHWEICKART: Work updating a piece
20 of paper that sits on the shelf until the flag goes up,
21 at which point everybody ignores the piece of paper.

22 COMMISSIONER GANDARA: If firemen didn't have maps,
23 how would they get to the fire.

24 COMMISSIONER SCHWEICKART Watch the flames.

25 COMMISSIONER COMMONS: Maybe this whole thing

1 should go to the Governor's Office after it's adopted by
2 us and let him implement it.

3 MR. RAUH: That concludes the formal list of
4 items in the briefing document. In summary, I think the
5 only thing I would raise is the fact that the -- and I
6 think all of you have identified this through the discussion
7 of conservation. Because of the degree of the cuts, the
8 division may suffer more severely in some of these program
9 areas than we're able to project at this point.

10 I think the graphic example is that as of next
11 month, I will only have three clerical positions in the
12 division filled, and seven authorized. This is just --
13 it's not because we are trying to get rid of secretaries,
14 it's just because they have seen the handwriting on the
15 wall, and all have been able to find employment elsewhere.

16 The same kind of skill drain could occur in other
17 critical areas, and we will have management systems set up
18 to advise you if we see any of this particular kind of
19 drain occurring in one of the program areas we've talked
20 about.

21 COMMISSIONER EDSON: Could you do one other thing
22 for me, Ted? Going through the FY 83/84 contracts, would
23 you give a rough idea of what the timing is for each of
24 the contracts?

25 MR. RAUH: In terms of the Nonresidential

1 Standards Office, the advisory group chairman is going
2 forward immediately. The DOE 2.1 data, general version,
3 I think we've already approved, that's a Berkeley Solar
4 Group --

5 MR. PENNINGTON: No, that's not correct.

6 MR. RAUH: Is it the 10th?

7 MR. PENNINGTON: It's the next business meeting.

8 MR. RAUH: I'm sorry, the next -- so it is on
9 the next business meeting agenda, and the technical
10 reviewers would go forward immediately. The efficient
11 office lighting demonstration program is one that we are
12 in the formative stages. We probably see that hitting
13 the Commission in January or February because most likely
14 it will require an RFP. We may be able to do it in another
15 fashion.

16 In terms of the technical assistance training
17 program for -- under BASO, that again would be going forward.
18 As I said earlier, in the fall, with an RFP, or an RFP
19 process for release in January or February to time with
20 the completion of the standards.

21 Advisory Committee, that's already been approved,
22 that's the hotline -- excuse me, the Advisory Committee
23 would go forward, that's a continuation of CALBO which has
24 advised us in our standards for a number of years.

25 COMMISSIONER COMMONS: Question on that. Are we

1 paying travel expenses, or travel expenses plus per diem?

2 MR. GAUGER: All we pay is travel expenses,
3 right, just daily meetings.

4 MR. GAUGER: Right.

5 COMMISSIONER EDSON: I thought that we already
6 acted on that contract.

7 MR. GAUGER: Yes.

8 MR. RAUH: I believe -- yes, I really ought to
9 just have them nod yes as I read the contract, what it is.

10 The hotline, you've already acted on that one.
11 Building standards enforcement, that's an interagency
12 agreement within the next what, couple of weeks, so that
13 will be a continuation of existing agreement. The passive
14 subdivision design is another innovative contract, it
15 will probably be this spring.

16 Insulation testing and other interagency agreements
17 within the next month. Retrofit and Energy Management Office
18 the League of California Cities, Energy Currents, that's a
19 continuation activity, it's a sole source, so I would
20 imagine -- where's Karen -- I'd say within the next 30 to
21 45 days.

22 Nonutility participation in RCS, this would
23 require an RFP, so we're talking about spring, and of course,
24 as I indicated, it's also a candidate for redirection of
25 \$60,000 to perhaps fund temporary help. So it's really in

1 abeyance right now. Local demonstrations of home energy
2 labels, that would be an RFP, so again the spring.

3 Building analysis, that's a contract with LBL,
4 sole source, so I would imagine before December, and RCS
5 measure price development, that's again a sole source
6 within the next 30 to 45 days.

7 COMMISSIONER EDSON: Thank you.

8 COMMISSIONER COMMONS: One bullet which you
9 didn't have, which we came close to discussing was the
10 conservation quantification issue. We do have a memo
11 from Mike Messenger. I think there's two parts of the
12 conservation quantification, one is that related to the
13 BR process, but I think it's also of real importance to
14 the Commission that as we're doing activities in conserva-
15 tion that we do have the conservation quantification as
16 part of the work that we're doing.

17 I didn't know whether that came out in the work
18 plans that you've presented to us.

19 MR. RAUH: We don't have an identified resource
20 pool to do policy analysis or program evaluation. That
21 was explicitly reduced out of this program. We have -- the
22 only economist resource we have at this point has been
23 spread within three of the programs, principally in rent,
24 and that individual is shown as participating in line
25 program activity.

1 COMMISSIONER COMMONS: Well, I'd like to add that
2 to the August 10th, because I think that's insufficient in
3 terms of if we're talking about fundamental area of energy
4 policy in the state that to have inadequate resources in
5 terms of where we ought to be going in terms of conservation
6 issues --

7 COMMISSIONER SCHWEICKART: Commissioner Commons,
8 I think we already talked about this, and I think the
9 general concensus was diverting Assessments Division staff,
10 under the direction of the Conservation Division, to do the
11 conservation quantification work.

12 COMMISSIONER COMMONS: Well, my understanding
13 was --

14 MR. SMITH: That's what we're going to be pursuing.

15 COMMISSIONER COMMONS: -- that we were discussing
16 that in relationship to the BR report and doing the demand
17 forecasts not in relationship to the specific work that's
18 being done within the division. I would feel less comfort-
19 able about Assessments being primarily responsible for
20 assessing programs within the Conservation Division and
21 moving to conservation quantification as related to the BR
22 process, which historically has been done in conservation,
23 over to Assessments.

24 We may have had the same attitude, but we were
25 looking at a different question. I haven't found it works

1 well within the Commission to have programs that --

2 COMMISSIONER SCHWEICKART: Well, is there a
3 shortfall there? That's what I -- it wasn't identified as
4 an area in which the work couldn't be done. That's what
5 I'm not clear on, I guess.

6 MR. RAUH: Well, I think as Commissioner Commons
7 raised it, the issue, yes, it is a shortfall. I described
8 the quantification issue purely in terms of the Biennial
9 Report and forecasting approach, because that's how the
10 issue was cast here. But in terms of being able to do
11 program development or analysis work beyond daily assessments
12 of current programs, as I described earlier, we have no
13 resource.

14 We had resource budgeted in the division in past
15 years. That resource initially, three years ago was in a
16 separate office or unit, it was then dispersed throughout
17 the division, subsequently has been eliminated entirely.

18 MR. SMITH: I think the reference is to the way
19 in which the Commission meets the need for program planning
20 or program development function. At the program planning
21 session in June, I was hearing an expression of interest
22 that there be a centralized capability.

23 The alternative to that is to disperse it into
24 each division.

25 COMMISSIONER COMMONS: There's also the issue

1 within doing a load management program, or doing a nonresi-
2 dential building standard as to there's a lot of economics
3 and cost-effectiveness that is done, and I'm very concerned
4 that that economic ability is not contained within the
5 divisions, even on the programs that we're continuing.

6 MR. RAUH: I would also point out that even with a
7 centralized effort, for example, the effort by Mike
8 Messenger, we expended a large number of staff resources
9 to review his work, and to provide him with the benefit
10 of the specific program knowledge, allocation of costs,
11 and so forth.

12 So even with a centralized program, line divisions
13 are going to have to be able to provide resources to review
14 and assist in the development of any kind of recommendation
15 on program or policy options. It doesn't come for free.

16 COMMISSIONER COMMONS: Well, the technical
17 expertise, if someone is an economist, and he's an economist
18 within the Development Division, he'll start developing
19 expertise in some of the R&D areas. If he's an economist
20 within the Conservation Division, he'll start developing
21 expertise with some of your models, and some of the
22 conservation programs, and he will be more beneficial even
23 to a centralized planning group.

24 Anyway, it's an area I'd like to --

25 MR. SMITH: We will be raising that issue as we

1 deal with the executive office group on the 10th. We
2 wanted to go back to Siting and Environmental. I would
3 suggest our schedule has us breaking for lunch at about
4 noon, we slipped a bit.

5 We can pick up those four or five issues later
6 on in the day if you'd like, we can feedback what we heard --

7 COMMISSIONER GANDARA: Well, you know, actually
8 since those four or five issues aren't going to take a
9 long time, you know, I think we've actually discussed most
10 of them, I mean this is far more specific, so with respect --
11 so why don't we just take care of those and then break for
12 lunch.

13 MR. SMITH: My notes indicated that on the first
14 issue, I had a perception of concurrence, and that was
15 whether or not we should pursue a Section 28 for additional
16 siting cases.

17 The second issue, potential trade-off between
18 Geysers cumulative impact work and updated siting regulations
19 I'm less clear as to the sense.

20 COMMISSIONER GANDARA: We didn't discuss the
21 trade-off specifically, and I'm not sure that we -- that is,
22 we went through the presentation that what was presented
23 resulted in a necessity for a trade-off between them, so
24 this is actually a new issue.

25 MR. SMITH: Bob, do you have a --

1 MR. THERKELSON: Both of those projects are
2 included in the budgeted resources. We will be completing
3 work on the cumulative impacts this year, and we will be
4 completing the work on the regulations. They're both
5 budgeted, included in our work plans, and work that we are
6 going to carry through. I don't see a trade-off issue
7 there myself.

8 COMMISSIONER EDSON: My recollection of the
9 discussion was that there might be room for a trade-off
10 between these activities and some of the mandatory
11 environmental impact analysis.

12 MR. THERKELSON: Correct. These -- both of
13 these two items will be attacked in the first six months
14 where we do have an excess of staff, and for example, the
15 nonresidential building standards on offices will also be
16 dealt with during that time. So I don't, again, see a
17 direct conflict between those projects.

18 Assuming staff attrition going at the rate that
19 we anticipate, we would be able to finish all three of
20 those projects.

21 COMMISSIONER SCHWEICKART: Well, is it a nonissue?

22 COMMISSIONER GANDARA: It's a nonissue, apparently.

23 MR. THERKELSON: Yes.

24 COMMISSIONER EDSON: Well, except that my comment
25 would be that if the choice is whether to budget the work

1 or not budget the work is actually -- that would be
2 mandatory EIR work is more important to budget so we have
3 that capability if the standards slip beyond the six
4 month period, or in the event there are other rounds of --
5 other programs that require that kind of analysis after.

6 MR. THERKELSON: Okay, we will take that under
7 advisement.

8 COMMISSIONER GANDARA: Okay, the next one, I
9 think that -- I don't know what the concensus was. I
10 think my judgment on this was yes.

11 COMMISSIONER SCHWEICKART: Are you on the third
12 or fourth bullet?

13 COMMISSIONER GANDARA: Third bullet.

14 MR. SMITH: Third one, that was should staff be
15 redirected, if necessary, from siting cases to meet our
16 obligations for environmental work on nonresidential
17 standards.

18 COMMISSIONER SCHWEICKART: I think Commissioner
19 Edson was sort of addressing that one.

20 COMMISSIONER EDSON: Yeah, I would say the
21 trade-off in the second bullet is not between those two
22 programs, but is in the third bullet.

23 MR. THERKELSON: The critical time frame for that
24 is going to be the second half of the year, because that
25 is the time when we have the peak in regulatory workload

1 and also, for example, if we start working on nonresidential
2 building standards, on groceries and retail, that that work
3 presumably would happen, as does the second part of the
4 review of the geothermal grant projects.

5 That is where there will be a conflict, and that's
6 -- you know, if the situation arises, I would presume we
7 would need to come back to you for redirection on that.

8 COMMISSIONER GANDARA: Yeah. My feeling is that
9 where we have competing mandates that we try to fulfill
10 both mandates and if it means we fulfill one because we
11 delay it, then we delay it, and so --

12 COMMISSIONER SCHWEICKART: So the answer to
13 number three is yes.

14 COMMISSIONER COMMONS: But we haven't reached an
15 agreement as to how far we're going to take the nonresidential
16 standards, if at all.

17 COMMISSIONER EDSON: That's right.

18 COMMISSIONER GANDARA: Okay, bullet four? I
19 thought the answer to that was no.

20 MR. SMITH: The next one simply pointed out the
21 fact that the resources for the transmission line planning
22 were blue penciled along with a veto message that said that
23 the Commission should be able to absorb that in the
24 regulatory program.

25 COMMISSIONER EDSON: Interesting language.

1 COMMISSIONER COMMONS: Do we have any people
2 working on this activity at the present time?

3 MR. THERKELSON: We have very little effort
4 directed to that at this time because of a combination of
5 no staff available and correct expertise.

6 MR. SMITH: Related in Assessments Division that
7 we'll deal with later with regard to transmission line
8 planning.

9 COMMISSIONER GANDARA: Well, the answer to that
10 one is no.

11 COMMISSIONER SCHWEICKART: And the last one is
12 yes.

13 COMMISSIONER GANDARA: The last one --

14 MR. SMITH: Yes.

15 COMMISSIONER COMMONS: One other question, do
16 you have any people working on out-of-state power issues
17 in your division?

18 MR. THERKELSON: No, we don't. Thank you.

19 COMMISSIONER GANDARA: Okay, what is the
20 Commission's wish?

21 COMMISSIONER EDSON: I think an executive session
22 to discuss the activities which --

23 COMMISSIONER GANDARA: Okay, we shall have a
24 short executive session and we shall return to this
25 business meeting at what time -- 2:30?

1 COMMISSIONER COMMONS: Why don't we get back
2 earlier.

3 COMMISSIONER GANDARA: 2:00 o'clock.

4 (Thereupon the continuation of the business meeting
5 of the California Energy Resources Conservation and
6 Development Commission was recessed for lunch at 1:23 p.m.)

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AFTERNOON SESSION

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COMMISSIONER GANDARA: Since we have a quorum-- started with our, what was it, a 2:00 item?

COMMISSIONER EDSON: Commission-time.

MR. SMITH: The next program area is Development, and as I've mentioned earlier, the size of the reduction in the Development Division issue is about 28 percent, at 96 Staff and current year, they're going to be reduced down to 69 Staff in '83-'84. Ron's going to be dealing with some of the key issues. There are about three or four major issues there, basically relating to kinds of actions that have to be taken to adjust to a lack of Staff availability. There's also a question about potential shifts between the program areas, and a major difficulty in the limitation on the opportunities for those shifts because of the specific skills that you need to carry out a Biomass Program and Alcohol Fuels Program, Solar Program and the like.

COMMISSIONER GANDARA: As we proceed with this, you know, I might have some clarification, or have you address, at the appropriate time, that your opening paragraph in your July 21st memo indicates that you are assuming Staff level reductions of 50 percent by October 1st, and final budget levels achieved by January 1st. As

1 a consequence, total personnel years exceed those actually
2 budgeted and when I look at the division resource summary,
3 the division total is 69, which is the authorized level
4 of March change book, I believe; so, you know, if there
5 are any areas, as you go through the elements, where
6 the total personnel years exceed those budgeted, would
7 you identify them?

8 MR. KUKULKA: In the package that we submitted
9 to the Executive Office, we did that. There's a summary
10 page that actually culled out the person-year level based
11 on those cuts, and also there was spread sheets that
12 indicated both the resultant person-years, as is in the
13 March change, or the Governor's budget, and also what
14 the increment over was. Perhaps we should get those
15 for you--

16 MR. SMITH: Yes, I believe those weren't included
17 in this package. This package was designed to deal with
18 that 348. We can provide those, though.

19 COMMISSIONER GANDARA: Okay, so for the purposes
20 of today's discussion, though, then the first paragraph
21 of your memo is inoperative with respect to the numbers
22 that we see?

23 MR. VANN: No, that's not correct. Our work
24 plan is prepared on the basis of the assumptions that
25 were given in the instructions and the way it calculates

1 out is the total person years expended in Development
2 Division, under that first paragraph assumption is that
3 we will expend 76.7 person years. And, that's how we
4 based our work plan.

5 MR. KUKULKA: So, the activities that we--

6 COMMISSIONER GANDARA: 76.7?

7 MR. VANN: Yes.

8 COMMISSIONER GANDARA: Okay. Well, I don't
9 want to get ahead of your discussion here, but the division
10 resource summary has, as a division total, 69. So, then,
11 what I'm asking is that then for information purposes,
12 as you go to the office elements, the office elements,
13 say, for example, the one in Synthetic Fuels where it
14 says 14, is that 14 based on the final budget authoriza-
15 tion, or is that 14 based on the 76.7?

16 MR. VANN: You've got different sheets than
17 we do. The ones that were submitted for Synthetic Fuels
18 have 16.815. And that's what we based our work plans
19 on. And, that was using the assumption that we -- 50
20 percent of that necessary by October 1st, and obtained
21 the 12 -- the level of 12 as of January 1st.

22 COMMISSIONER GANDARA: Okay, well --

23 MR. SMITH: I believe the addition of that
24 change in the total was an administrative change so that
25 the numbers added to the 348. What should have been

1 included here was a sheet that showed the resource levels
2 expected in the first two quarters. As I say, we can
3 provide that.

4 COMMISSIONER GANDARA: Okay.

5 COMMISSIONER COMMONS: Could you just read
6 the numbers that you have for the five main offices that
7 add up to the 76.7?

8 MR. VANN: Certainly. Synthetic Fuels 16.815;
9 Small Power Producers 26.5; Finance and Technology Develop-
10 ment 13; Biomass Cogen 16.375; and Administration 4.

11 COMMISSIONER COMMONS: Administration 4. How
12 come ours shows 15?

13 MR. VANN: We, in the numbers reflected for
14 the offices, we include there clerical support and the
15 office manager, instead of showing that under management.

16 COMMISSIONER GANDARA: Okay. So, as you proceed
17 with your presentation, you know, I think, probably since
18 we have the numbers for the elements, based on the 69,
19 maybe as we go through, you know, we're going to be hearing
20 your discussion based on the 76.7, right? So, as long
21 as we're consistent, you know, it doesn't matter. Other-
22 wise, we'd be discussing what you're doing from January 1st
23 on.

24 MR. VANN: Right.

25 COMMISSIONER GANDARA: Okay?

1 MR. SMITH: The numbers that are included here are
2 consistent with the numbers that were included for other
3 divisions, and that is that they total the 349.

4 COMMISSIONER GANDARA: Okay.

5 MR. KUKULKA: As Kent indicated, the division
6 is going down some 27 people. Those cuts were taken
7 in the Biomass Program, the Synthetic Fuels Program,
8 the Solar Program, and in Management Support. They've,
9 therefore, had an impact, primarily, in those areas.

10 I'd like to highlight just a few of the significant
11 issues that we are facing because of those cuts. The
12 first, I think, and probably the very most important,
13 is the Biomass Program cuts essentially affect contracts
14 that we currently have outstanding and the best guess
15 we have right now by the Staff is that we may end up
16 terminating as many as four of those contracts because
17 of lack of Staff.

18 COMMISSIONER EDSON: Can you describe what
19 you mean by terminating the contracts? I take it, SB771
20 projects that are funded--

21 MR. KUKULKA: That's correct.

22 COMMISSIONER EDSON: --and have been funded
23 for some time?

24 MR. KUKULKA: That's correct. There are, I
25 believe, four of the projects that were selected have

1 not had significant amounts of money spent thus far,
2 and it is possible to terminate those contracts, to essen-
3 tially pull them back. And, not go forward with them.

4 COMMISSIONER COMMONS: Can you identify those
5 contracts and the dollar amounts, please?

6 MR. KUKULKA: Please?

7 COMMISSIONER COMMONS: Can you identify those
8 four contracts and the dollar amounts?

9 MR. KUKULKA: Yes. They are the following:
10 Fat City Feed Lot, Knudsen & Sons, Reyneveld Dairy,
11 and Harp Corporation.

12 COMMISSIONER COMMONS: Okay, these are all
13 Biomass?

14 MR. KUKULKA: These are all Biomass.

15 COMMISSIONER COMMONS: How many dollars total?

16 MR. VANN: I don't have the dollar totals right
17 at my disposal. We can come up with those--

18 MR. KUKULKA: Maybe you have a guesstimate?

19 MR. TUVELL: The total amount is about \$1.5-million.

20 COMMISSIONER EDSON: What would happen to the
21 money? Just sit?

22 We would take the money -- you're suggesting
23 that we would cancel these contracts and--

24 MR. KUKULKA: Right. The money would revert
25 back to the Commission.

1 COMMISSIONER COMMONS: Well, when we submitted the
2 information to the Legislature, if I'm not incorrect,
3 we stated then that if we weren't given these additional
4 funds, we would not be able to manage the programs and
5 that we, in fact, would cut back on some of the contracts.

6 MR. KUKULKA: That's correct.

7 COMMISSIONER COMMONS: And, so you're coming
8 back to us and saying that what we said to the legislature
9 is correct, and this is what you're proposing we do?

10 MR. KUKULKA: That's correct.

11 COMMISSIONER COMMONS: Okay.

12 MR. KUKULKA: We do have an option, and that
13 is we can essentially supplement the Biomass Program
14 with some internal shifts of Staff within that element
15 by moving resources from the Cogeneration Staff to the
16 Biomass Staff. That's still doesn't get you all the
17 Staff you need in that program to maintain the contracts.
18 Our estimate, at this point, is we might be able to save
19 two of those contracts.

20 COMMISSIONER COMMONS: How many people did
21 we have in the legislature? How many were bluelined
22 from this element, Biomass?

23 MR. KUKULKA: We have 14 and they scratched
24 seven, leaving seven in the program.

25 COMMISSIONER COMMONS: How many are in Cogen now?

1 MR. KUKULKA: Roughly five.

2 COMMISSIONER COMMONS: Just in Cogen?

3 MR. KUKULKA: That's correct.

4 COMMISSIONER COMMONS: Okay.

5 MR. KUKULKA: What we would do if that option
6 was pursued is essentially bring the Cogen Program down
7 to a mere maintenance program, as we have in the Biomass
8 Program. And, have that Staff pick up some of the responsi-
9 bility.

10 COMMISSIONER EDSON: Can you describe the Cogen
11 Program in some detail? I'm not familiar with what is
12 currently going on in that area.

13 MR. KUKULKA: Okay. It's in the --

14 MR. VANN: Currently, the Cogeneration Program
15 has -- the primary function of the program is to maintain
16 our activities with CMA and with the League of Cities.
17 We have major contract effort with those two organizations
18 to perform feasibility studies on selected sites for
19 cogeneration. We have all but eliminated any analysis
20 on advance systems and we are primarily working in the
21 area of conventional cogeneration systems in buildings
22 and industry.

23 COMMISSIONER COMMONS: Out of the five people
24 in Cogen, how many are doing the private-sector projects,
25 how many are dealing with local governments?

1 MR. VANN: Ray?

2 MR. TUVELL: It's really kind of hard to break
3 it down. There's only, when we talk about the CMA and
4 the League of Cities, those are the only programs that
5 are private versus public, specifically.

6 The other areas, anybody can come into.

7 COMMISSIONER COMMONS: Well, what is your opinion
8 on our continuing the Cogen or one or the other of the
9 elements vis-a-vis the trade-off?

10 MR. VANN: Okay. We have an obligation to
11 complete the activities we have begun with both CMA and
12 the League of Cities. They do play into the bonding
13 authority activities in FTD, as well as the CSAC activities
14 for third-party financing.

15 The Biomass Program, to cut contracts that
16 we have already let, and effectively terminate those
17 projects, has not only the programatic impact of you
18 haven't completed sufficient demonstrations to lead to
19 final commercialization, but you also have the problem
20 of having committed to private industry to do certain
21 work, and then bailed out. And, that has a long-term
22 impact.

23 COMMISSIONER COMMONS: Obviously, whichever
24 avenue we take is a difficult one. The question is:
25 Does the Division have a recommendation as to the direction

1 we should take?

2 COMMISSIONER EDSON: Can I get one question
3 answered first?

4 COMMISSIONER COMMONS: Sure.

5 COMMISSIONER EDSON: I still don't know, from
6 what you've told us, what we're doing in cogeneration
7 projects, outside of managing the CMA and League of Cities
8 contracts.

9 MR. VANN: We have been -- with the Cogeneration
10 Program we have a permit-assistance function for private
11 industry--

12 COMMISSIONER EDSON: Staffed at what level?

13 MR. VANN: Pardon me?

14 COMMISSIONER EDSON: Staffed at what level?

15 MR. VANN: Ray?

16 MR. TUVELL: .3.

17 COMMISSIONER COMMONS: .3?

18 MR. KUKULKA: I can read you down a list of
19 activities that we submitted in our work plan to give
20 you some sense of --

21 COMMISSIONER EDSON: Well, I'm looking at the
22 charts, and maybe I'm just looking at the wrong ones,
23 but I don't see something which breaks it down.

24 MR. VANN: Do you have this spread sheet?
25 breaks it down by task? It starts at Resource Assessment,

1 there are five activities, basically.

2 COMMISSIONER EDSON: Under Biomass Cogeneration,
3 I have three pages like that, and the first category
4 you just mentioned is not here.

5 How many pages are in your package on it?

6 MR. VANN: For Cogeneration, alone, there are
7 seven, eight, nine, -- the activities--

8 COMMISSIONER COMMONS: Read down how you break
9 out the 5.75 on--

10 COMMISSIONER EDSON: Yes.

11 COMMISSIONER COMMONS: --Cogeneration. I think
12 that's what we need.

13 COMMISSIONER EDSON: Right.

14 MR. VANN: Oh, you don't have our package.

15 COMMISSIONER COMMONS: That's right.

16 COMMISSIONER EDSON: Well, okay, can you just
17 break out the 5.75--

18 MR. SMITH: The package that was submitted
19 is what, 75 - 100 pages, which you have in your binder,
20 the same as with the other divisions, and that is a summary
21 of the material at the office level.

22 That has been true of each of the divisions.

23 MR. KUKULKA: I can read through these and
24 tell you what they are.

25 All right. The first is small-scale cogeneration

1 market implementation study, essentially is to determine
2 what the market is for small cogen systems. To perhaps
3 1000 megawatts on commercial scale, -- small scale, commer-
4 cial systems. We have .4 person years assigned to that.

5 Fuel cell --

6 COMMISSIONER COMMONS: One second. Is that
7 public or private?

8 MR. KUKULKA: That would be primarily private,
9 but we would also deal with public.

10 The second item was a fuel cell, fuel test
11 evaluation. That's the beginning of essentially the
12 Fuel Cell Program. One of the main interests in fuel
13 cells, since they can be fairly small scale, the ones
14 that are being developed are in the scale of 40 kilowatts
15 to 200 kilowatts. They also generate heat. It's a very
16 good cogeneration application, with very very low emissions.
17 We have four person -- or .4 person years assigned to
18 it.

19 Continuing our work in Bottoming Cycle Analysis,
20 again determining what the marketplace and potential
21 is for bottoming cycle systems, .4 person years.

22 Industrial Process Energy Efficiency, again
23 looking at ways of utilizing ways to -- we have .4 person
24 years.

25 And, then finally, small gas-fired and electrical

1 equipment evaluations. That's essentially looking at--
2 Ray?

3 MR. TUVELL: It's primarily looking at ways
4 that we could get improved energy efficiency by using
5 gas-fired appliances versus electrical.

6 MR. KUKULKA: And, we're proposing that all
7 those --

8 COMMISSIONER COMMONS: Which is that last one?

9 MR. KUKULKA: Please?

10 COMMISSIONER COMMONS: You didn't give the
11 number on that one, please.

12 MR. KUKULKA: .4. We're proposing that all
13 those could possibly be redirected at the Biomass group.

14 COMMISSIONER COMMONS: And, what about the
15 other 3.75?

16 MR. KUKULKA: Okay. We had the American Lignite
17 Project, which we have .2; managing the Continental White-
18 cap Contract, .2; --

19 COMMISSIONER EDSON: What is --

20 MR. KUKULKA: I'm sorry. American Lignite
21 is the bottoming cycle--

22 COMMISSIONER EDSON: No, it was the Continental
23 Whitecap project.

24 MR. KUKULKA: Excuse me, what did I say?

25 MR. TUVELL: That's the organic rankine

1 project that we have money in.

2 COMMISSIONER EDSON: Oh.

3 MR. TUVELL: That project is still ongoing. They
4 owe us a final report and analysis.

5 COMMISSIONER SCHWEICKART: All of the work has been done.
6 They're operational now, I think.

7 MR. KUKULKA: They are.

8 MR. TUVELL: Yeah, they're operational.

9 MR. KUKULKA: I think what's left is the final
10 feasibility study, the final contract and the workshop.

11 COMMISSIONER EDSON: And the P-Y's there?

12 MR. KUKULKA: That's .2.

13 COMMISSIONER EDSON: The rest, I take it, is
14 managing the League of Cities --

15 MR. KUKULKA: Then, there's managing the League
16 of Cities and CMA . We had that at .375 for both.

17 MR. VANN: For each.

18 MR. KUKULKA: Excuse me, for each.

19 COMMISSIONER COMMONS: That's -- for each.

20 MR. KUKULKA: Then we had --

21 COMMISSIONER GANDARA: Those are not near comple-
22 tion at all?

23 MR. KUKULKA: Please?

24 COMMISSIONER GANDARA: Those are not near comple-
25 tion?

1 MR. KUKULKA: No.

2 COMMISSIONER EDSON: No.

3 COMMISSIONER GANDARA: So, that's .275, but
4 for the Continental -- we have three .275's?

5 MR. KUKULKA: Excuse me, .375.

6 COMMISSIONER GANDARA: .375.

7 MR. KUKULKA: For each.

8 COMMISSIONER EDSON: So a total of .75.

9 MR. KUKULKA: Right.

10 And, then third-party financing project
11 assistance, we had .4. Then a continuing effort in providing
12 technical and economic assistance to cogenerators, we
13 have a .3--

14 COMMISSIONER COMMONS: What's that -- what
15 is this one?

16 MR. KUKULKA: Providing technical and economic
17 systems is the work we have continuing in providing direct
18 assistance to potential cogenerators who --

19 COMMISSIONER COMMONS: Is that public or private?

20 MR. TUVELL: Both. Anybody who calls.

21 We had assisting bonding authorities at .2;
22 the majority of the projects coming into the bonding
23 authority have been primarily cogen and small hydro projects.

24 And then we have the preparation of testimony
25 to legislative issue papers and our work in institutional

1 barrier removal at .5; maintaining the cogen tracking
2 system is .2; then we have a whole series of activities
3 which are the Biennial Report, R&D Report, Workshops,
4 Displays, a person-year.

5 COMMISSIONER COMMONS: Ray, do you survive?
6 (Laughter.)

7 MR. TUVELL: I think my position was cut.

8 COMMISSIONER COMMONS: But, as a person, do
9 you --

10 MR. TUVELL: Only because I have some seniority.

11 COMMISSIONER COMMONS: Yeah, no, I mean because,
12 you know, we're talking about doing R&D activities in
13 technically complex ways; if we don't have a person,
14 that affects how I would feel about something like this.

15 COMMISSIONER SCHWEICKART: Everybody is threatened,
16 Geoff.

17 Ray may survive and be a BR analyst, or something,
18 be plunked over there. I mean--

19 MR. SMITH: At this point--

20 COMMISSIONER SCHWEICKART: --job in the Commission--

21 MR. SMITH: Yeah, at this point, there really
22 isn't any way to tell to, with precision, until the Personnel
23 Board finishes its work.

24 COMMISSIONER SCHWEICKART: He's fungible.

25 COMMISSIONER EDSON: Are you suggesting that --

1 COMMISSIONER SCHWEICKART: It's called a civil
2 servant--

3 COMMISSIONER EDSON: --that first group that
4 you read off, to you, the total of 2.4 PY be allocated
5 to Biomass, saving two of the contracts that you had
6 listed?

7 MR. TUVELL: Yes.

8 COMMISSIONER COMMONS: Doesn't -- well, I don't
9 know if we want to -- I'd like to suggest we give them
10 direction to see if they can reduce by roughly half of
11 that going over to Biomass without being more specific
12 today.

13 COMMISSIONER GANDARA: What was the proposal,
14 again?

15 COMMISSIONER COMMONS: That we look at somewhere
16 between 2 and 3, switching from Cogen to Biomass and
17 not be more specific as to what's going to be done. Let's
18 take a look at it --

19 COMMISSIONER GANDARA: Two or three PY?

20 COMMISSIONER COMMONS: Yeah.

21 COMMISSIONER EDSON: Well, I'm willing to say
22 right now that I agree with the Staff that the League
23 of Cities and CMA -- I think, as a general rule, we shouldn't
24 be canceling contracts and pulling money back that we've
25 allocated.

1 MR. KUKULKA: Essentially our proposal is to
2 reduce the cogen effort to essentially maintenance of
3 contracts, and support for the BR, support for the R&D
4 report. And hold it at that minimal level. And, that's
5 somewhere around three person-years reduction.

6 COMMISSIONER COMMONS: Well, we want to get
7 more specific. I would like, before we eliminated some
8 areas, to look at those areas that we're providing assistance
9 to the public sector, where the projects might die. I
10 would like to know a little bit more about the fuel cell
11 work. I'd rather just, without touching the League of
12 Cities or the CMA, which I think we should continue,
13 and the Biennial Report, is just look at a change of
14 roughly two to three, and going to Biomass and get a
15 little more back-up and take a look at it without--

16 COMMISSIONER EDSON: Well, let me just mention
17 as well, that in the -- one of the petroleum violation
18 escrow account projects is one focused on third
19 party financing and it's being managed in the Development
20 Division. As it's currently envisioned by the Staff,
21 it would involve providing very sophisticated technical
22 services to local agencies for development of third-
23 party finance projects, including cogen projects.

24 So, to the extent we go forward with that and
25 curtail those kinds of activities here, I think we would

1 still be offering those services.

2 COMMISSIONER COMMONS: Yeah, I think there's
3 a question on that particular item as to whether that
4 shouldn't come out of the FTD Office, rather than out
5 of the Cogen.

6 COMMISSIONER EDSON: Well, it's --

7 MR. KUKULKA: But, the expertise resides in
8 the Cogen Offices.

9 MR. TUVELL: But, you'd still have the funda-
10 mental problem of dealing with the technology that's
11 proposed, and you need people familiar with the technology
12 to evaluate whether the projects are any good before
13 you even pursue any of the economic financial aspects
14 of it.

15 COMMISSIONER EDSON: I'm just suggesting, if,
16 among our decisions we choose to make some reductions
17 here in the public sector cogen projects, it's the kind
18 of activity, I think, ideally would be picked up with
19 the petroleum violation escrow account work.

20 COMMISSIONER COMMONS: I don't see any conflict
21 here amongst us.

22 MR. SMITH: Okay, are you clear on direction?

23 MR. KUKULKA: I believe it's roughly half of
24 the reductions, in between two and three person years,
25 and we're to provide additional information as to what

1 specifically we cut.

2 COMMISSIONER EDSON: Why is it that two to
3 three PY's are insufficient to manage the four contracts?

4 MR. VANN: There is one reality with the reduc-
5 tions and the layoff. In the case of one of those contracts,
6 specifically, our expertise is out the door. And, there's
7 nothing we can do to prevent that.

8 We are getting to these contracts before construc-
9 tion has started, which is the major capital outlay on
10 the part of the project proponent, as well as ourselves--
11 the state support. That project would still be terminated
12 because there would be nobody on Staff, even if we emptied
13 the Commission, that had the expertise to cover that
14 particular contract.

15 COMMISSIONER EDSON: But, that's one of the
16 four?

17 MR. VANN: And we still lose one more, and
18 I'll have to go to Ray.

19 COMMISSIONER COMMONS: We have no problem here
20 in that the Governor vetoed, since it's staying within
21 that particular element, a switch from cogeneration to
22 biomass would not cause us any problem with finance?

23 MR. SMITH: I don't believe so. I think that's
24 within our ability.

25 COMMISSIONER EDSON: Ray, can you answer why

1 another of the contracts would have to drop out? I was
2 asking why a staffing level of two to three PY would
3 be insufficient to manage the four contracts. Leon mentioned
4 one of the contracts.

5 MR. KUKULKA: I think what we've managed to
6 do is stretch the Staff. We're probably being slightly
7 optimistic when you go from 14 to 7, and have 20 projects
8 out there; I think Ray's probably even being a little
9 optimistic in how many projects we're going to be able
10 to cover with seven people.

11 I'm not sure exactly how he chose that particular
12 contract, probably because it is under construction,
13 but I'd say we were probably not assigning the adequate
14 number of person-hours to each project, even at that
15 reduced level.

16 COMMISSIONER COMMONS: This is a good thing
17 for you to go and take a look at and come back for us
18 on the 10th.

19 MR. KUKULKA: Do you want to respond beyond
20 that at this point?

21 MR. VANN: I'm not exactly sure what the question
22 is.

23 MR. KUKULKA: Why, if we're saving three of
24 the four projects, why are we still losing one.

25 (Pause.)

1 MR. TUVELL: The biggest problem with the final
2 contract is that it's one that, they're actually at the
3 very beginning stages. It's going to require a lot of
4 the Staff resources to assist them. Where, typically,
5 some of the other contracts are more advanced, and it's
6 just a matter of getting somebody to come in with a little
7 technical assistance, they're going to require much more
8 assistance to pull it all together, permitting assistance,
9 economic assistance, as well as technical assistance,
10 to get it pulled off. So, we're going to be pulling
11 from specialized resources among different Staff members
12 to do it.

13 MR. KUKULKA: Again, this is our best estimate
14 at this point, as to how many contracts are going to
15 be affected. We're essentially going from 14 down to
16 seven; we're proposing adding two or three, but it still
17 goes from 14 to nine person-years in order to support
18 20 contracts.

19 MR. TUVELL: The other thing that we're attempting
20 to do here, too, which is real difficult at this point,
21 and that is to make some judgment as to the actual exper-
22 tise that we're going to lose, because we're going to
23 lose certain individuals. And, if we lose certain individuals
24 then that automatically dictates the contracts that I'm
25 going to propose dropping, because I won't have the

1 expertise to go out and assist them.

2 COMMISSIONER EDSON: I'm sorry to keep us stuck
3 on this point, but looking at the two different tables
4 we have, one with the allocation of that 13.75, and the
5 other with the allocation of the current Staff of 16.375,
6 that suggests that if the kind of shift is made that
7 we're talking about between cogeneration and biomass,
8 you'll be back up to either at or very close to the current
9 staffing level.

10 And, if what I understand is correct, and that
11 is that we -- that these four contracts were put out
12 at the existing staffing level, why is it that with that
13 kind of shift, with the exception of this loss of exper-
14 tise that Leon mentioned, that we wouldn't be able to
15 manage the contracts? I --

16 MR. TUVELL: I don't think that we're suggesting--
17 we're not -- apparently there's a --

18 COMMISSIONER EDSON: Well, what I understood
19 was that there were four biomass contracts that the Staff
20 was saying if we didn't make a shift between --

21 MR. TUVELL: Right.

22 COMMISSIONER EDSON: --that were going to have
23 to be dropped, and if we make a shift between cogen and
24 biomass, we can do two of them, two of the four.

25 Now, is that a misunderstanding? And Leon

1 explained that one of the two that we can't do, we can't
2 do regardless of whether we're -- whatever happens, because
3 we won't have the expertise.

4 I'm not understanding why you can't do the
5 third, given that with the shift of resources, we're
6 at a current staffing level.

7 MR. TUVELL: Okay -- apparently, I didn't --
8 I understood the proposal to be to come back with only
9 about half of the Cogen Staff and put them back into
10 Biomass. That would not bring us back to current staffing
11 levels. Current staffing levels are approximately 14
12 in Biomass and 5.75 in Cogen. Okay, we got chopped back
13 seven in Biomass, so now we're starting out with seven. You
14 give us half of what's in Cogen, that bring us back
15 to ten in Biomass, not 14.

16 COMMISSIONER EDSON: Well, I'm just looking
17 at the current staffing level; it's undoubtedly not the
18 '82-'83 budgeted level. That's the confusion.

19 MR. TUVELL: Yeah, there must --

20 COMMISSIONER EDSON: You've had enough attrition,
21 I take it, to take you down to 9.6, as of today, is that
22 right? That's what these numbers would indicate.

23 COMMISSIONER COMMONS: Aren't you saying,
24 Commissioner, that if there is a way we can keep three
25 contracts, you'd like to see that be done?

1 COMMISSIONER EDSON: Yes.

2 MR. TUVELL: I think that we'd have to take
3 a look at the numbers that you're looking at. You have
4 to understand that that 9.6 in Biomass is the reflection
5 of going back to seven PY's in the Governor's budget,
6 but cutting back between now and December of the 14 to
7 the seven, so, over the current fiscal year it's 9.625--

8 COMMISSIONER EDSON: I forgot your regression
9 is of October -- I apologize.

10 MR. TUVELL: It's -- the numbers games that
11 we're playing now are just a mess.

12 COMMISSIONER EDSON: No. I forgot that you
13 were assuming a reduction of half of your PY by October.

14 I think Commissioner Commons summarized my
15 feelings correctly, and that is that if there's any way
16 to hang onto existing contracts that we've put out there,
17 we should, and discretionary activities should be curtailed
18 as necessary--

19 COMMISSIONER COMMONS: That's why I suggested
20 the two to three in the Cogen, depending if there's a
21 way to save the third contract.

22 MR. KUKULKA: The next item is that in the
23 Synthetic Fuels Office, the funding for the continuation
24 of the 40 Volkswagens was not provided for in the Governor's
25 budget, and essentially, that fleet will end up being

1 terminated. We had planned on having 50,000 miles
2 of usage on the vehicles in order to determine durability,
3 and we're-- as well as emissions analysis. Essentially,
4 the cars have 20,000 miles on them. As you know, our
5 contract funding lasted three years. The money expired,
6 so we're coming back, essentially, to continue the contract,
7 to continue testing and providing the technical support
8 for that fleet. It was not provided for, and at this
9 point, we see that fleet being terminated.

10 COMMISSIONER SCHWEICKART: What happens to
11 the cars?

12 MR. KUKULKA: There is a likelihood that General
13 Services will end up not continuing running the cars
14 and we presume that they will end up selling them.

15 MR. KEN SMITH: Some basic numbers on that
16 are that -- is that a 1981 Volkswagen of that nature,
17 with that equipment on it, is worth \$4200 to \$4500, a
18 gasoline equivalent.

19 An engine conversion to put those back into
20 gasoline cars, if the Department of General Services
21 wants to operate them as gasoline cars, is roughly \$3000
22 to \$4000. So, we're talking about, you know, vehicles
23 that are right at scrap value if they, you know, attempt
24 to convert them back to gasoline. Which, once again,
25 is consistent with what we told the legislature today.

1 In order to make these cars useful to General Services,
2 it would cost them as much to convert them back as it
3 would, you know, if you continued to operate them. We
4 also lose \$35,000 -- there's an incorrect thing, I think,
5 that was handed to you. We also lose \$35,000 in DOE
6 money that would have helped with gasoline conversions
7 for control cars.

8 COMMISSIONER COMMONS: Do we see this as the
9 first-step ruling in the administration to eliminate
10 State of California involvement in methanol programs?
11 And, should we be very cautious here?

12 MR. KUKULKA: It is the first area in methanol
13 that's been cut, yes. I don't know that I -- I'm not
14 sure how to read the intent, but it certainly is the
15 first of the program -- or the methanol program that
16 is affected, aside from the person-year cut.

17 COMMISSIONER COMMONS: Are there any investments
18 that we are making during this work plan that would require
19 follow-up investment during the next budget year?

20 MR. VANN: In synthetic fuels?

21 MR. KUKULKA: Primarily, the normal sequence
22 of our involvement in , for example, the fleet program,
23 would be to test several prototypes to see if they meet
24 the criteria of the program. When they do have a small
25 number of pilot prototypes built, do testing on those,

1 and then finally run fleet demonstration where the cars
2 are actually in real use by typical users. The next
3 step in the bus fleet would be that step into the --
4 a demonstration of a number of buses in actual use. So,
5 that would be a continuation next year.

6 COMMISSIONER COMMONS: I guess, Mr. Chairman,
7 I would like to hold this item over because I think it
8 has a substantial integration with the budget issues
9 of next year and what our overall investment level should
10 be in this activity. And, I would be very concerned
11 of our spending limited resources this year, of the like-
12 lihood of funding next year, would make this investment
13 this year wasted.

14 COMMISSIONER GANDARA: Any comments?

15 COMMISSIONER SCHWEICKART: Yeah, I'd like to
16 ask a few questions.

17 Are we presuming here that Fleet 1 will continue?

18 MR. KEN SMITH: Fleet 1 essentially has been
19 completed for a long time, and CalTrans is still operating
20 those vehicles, but without technical support, as those
21 vehicles -- if something goes wrong with them related
22 to the fuel system, I suspect that they will convert
23 them back to gasoline.

24 That's much less serious, that's only four
25 cars at this point. You know, the --

1 COMMISSIONER SCHWEICKART: But, you don't have
2 anything budgeted for Fleet 1 support?

3 MR. KEN SMITH: No. That was not necessary
4 because it was only four cars.

5 COMMISSIONER SCHWEICKART: All right. Why
6 did you select Fleet 2?

7 MR. KEN SMITH: Pardon?

8 COMMISSIONER SCHWEICKART: Why did you select
9 Fleet 2?

10 MR. KEN SMITH: We didn't select--

11 COMMISSIONER SCHWEICKART: Or why not other--

12 MR. KUKULKA: Essentially, it's not our selec-
13 tion. But, the money was not provided for in the Governor's
14 budget. We asked for it, it was provided for in the
15 legislature--

16 MR. KEN SMITH: The legislature added the money
17 back to our budget. Fleet 2 was targeted, along with
18 some limited testing of Fleet 3 cars, because those are
19 the cars that can be manufactured. Fleet 1 cars cannot
20 be manufactured. The conclusion of the Fleet 1 test
21 was that we should not be involved in retrofits, that
22 we should be involved in factory-produced, you know,
23 vehicles that could be produced on the assembly lines.

24 Fleet 2 --

25 COMMISSIONER SCHWEICKART: You're saying --

1 MR. KEN SMITH: --there is a follow-on type of
2 engine by Volkswagen that could be manufactured. That
3 was the value of Fleet 2. One of the problems with Fleet 2,
4 as testified to in the R&D Committee hearings by
5 Professor Pefley, was that we had not been, you know,
6 there were some unanswered questions having to do with
7 emissions on Fleet 2 that needed to be resolved. Those
8 could only be resolved by continued operation to 50,000
9 miles. It's a serious NOx question with those types
10 of vehicles.

11 COMMISSIONER SCHWEICKART: But, this is specifically
12 targeted by the legislature for deletion?

13 MR. KEN SMITH: No.

14 COMMISSIONER EDSON: No.

15 MR. KEN SMITH: It was specifically targeted
16 by the Governor's office for deletion. The legislature
17 agreed with the Staff's analysis, and not with the Depart-
18 ment of Finance's analysis, that it would cost as much,
19 you know, to decommission this fleet as it would to continue
20 its operation.

21 COMMISSIONER EDSON: What funding level is
22 necessary -- minimum funding level is necessary to maintain
23 this program?

24 MR. KEN SMITH: \$235,000 with matching funds
25 from DOE. All of that is lost. We have tentative

1 matching funds from DOE to, you know, continue and character-
2 ize, you know, the emissions data and the durability
3 of, you know, this type of car.

4 COMMISSIONER COMMONS: This is a specifically
5 bluelined item which we have no flexibility on this item.
6 Is that correct?

7 MR. KEN SMITH: That's correct, yes.

8 COMMISSIONER EDSON: Well, that's not true.

9 MR. KEN SMITH: Well, it's not just \$200,000 --
10 it's three Staff, too. We can't do it without the Staff,
11 and we lost the Staff to do this.

12 The Governor's veto message was directed at
13 the development program, as a whole, reducing legislative
14 authorization by 18 Staff. The language that went with
15 it indicated that the Commission, it's no longer necessary
16 for the Energy Commission to actively develop alternative
17 energy technologies because the economic benefits of
18 alternative energy technologies for producing energy
19 are now recognized, and proposed that the University-
20 system and industrial sectors pick up the responsibilities.

21 COMMISSIONER SCHWEICKART: All right, and from
22 that the Staff--

23 MR. KEN SMITH: A very generalized--

24 COMMISSIONER SCHWEICKART: --interpreted that
25 Fleet 2 was cut?

1 MR. KEN SMITH: I believe that the -- well, the
2 Staff interpretation is the result of the discussions
3 with the Department of Finance, and the fact that the
4 discussions at the legislature were very specific, and
5 were very well focused. Following those, the Governor
6 bluepenciled the resources in Synthetic Fuels Office,
7 along with those other resources in Development Program,
8 but the reasons that the Governor gave were quite broad
9 and general.

10 MR. KUKULKA: But, that item, as I understand
11 it, was specifically bluepenciled.

12 MR. KEN SMITH: You're right. It was specifically
13 discussed at the legislature and the resources for it
14 were taken out along with the rest of the Development
15 resources. But, the Governor's veto message deals with
16 a block of 18 Staff and Development Program.

17 MR. KUKULKA: And the money.

18 COMMISSIONER GANDARA: Let me suggest that
19 at this pace, we're not going to get through this Division
20 before the end of the day. So, it's not been quite clear
21 to me whether we've been going through the bullets we
22 went through with the other Divisions, and therefore,
23 giving some degree of direction, if possible, or whether
24 we've been going through, I guess, the overall July 21st
25 memo, or whatever, so--

1 MR. KEN SMITH: Basically, the first issue addressed
2 three of the bullets that were detailed. We're taking
3 a little bit different form, but I think we're providing
4 the direction that we need in order to come back to you
5 on the 10th.

6 COMMISSIONER GANDARA: Well, I've been a little
7 bit confused because I've -- frankly, I've been a little
8 bit confused of what the specific proposed action is
9 going to be, as opposed to proposed to presenting the
10 problems. Perhaps you can review for me what the decision
11 was on the first bullet?

12 MR. KEN SMITH: Well, with regard to the first
13 bullet, right now, that addressed Biomass and Synthetic
14 Fuels Office.

15 What we're discussing right now is the Synthetic
16 Fuels Office portion of that item, which was the translation
17 of the reduced Staff resources, reduced funding to the
18 elimination of Fleet 2.

19 COMMISSIONER GANDARA: Well, --

20 COMMISSIONER COMMONS: Let me try to answer
21 your question, Commissioner Gandara. I think on the
22 first three bullets what we suggested was if there is
23 a way to maintain three of the four contracts in Biomass
24 by reducing Cogeneration by two to three persons, we
25 would attempt to do so. In any event, we'd like to at

34

1 least get two of those projects back.

2 COMMISSIONER GANDARA: Okay, well, to me that's
3 the second bullet, where I thought the Commission decided
4 that there's one of the contracts we can't do anything
5 about; there's three that you can. Let's see what we
6 can do about completing the three. Is that correct?

7 It seems to me that's consistent with the first
8 bullet that would say -- I'm assuming that these are
9 the relevant questions, but the first one said: Should
10 the remaining resources be focused on managing and completing
11 all existing projects?

12 I think we're in agreement that's correct,
13 or that's yes, as opposed to directing toward new initiatives.

14 COMMISSIONER EDSON: What I find confusing
15 is if we say: Yes, we want you to focus on managing
16 and completing existing projects. Does that mean that
17 you can readjust things so that Fleet 2 will not be terminated?

18 MR. VANN: No. In the case of Fleet 2, without
19 the contract dollars to cover the technical support for
20 that fleet, the Department of General Services and
21 Volkswagen will not support the fleet. It will cease
22 to operate. I mean we can't make it operate. It --

23 COMMISSIONER GANDARA: Then, the question is
24 inappropriate, is that correct?

25 MR. VANN: --doesn't really belong to us.

1 COMMISSIONER GANDARA: Okay.

2 COMMISSIONER EDSON: Is it clear that all of
3 \$235,000 is necessary to maintain that fleet? Is there
4 some lower maintenance level that could be --

5 MR. KONDOLEON: No, that's the minimum level.

6 COMMISSIONER GANDARA: Well, it's a problem, we've
7 got three different--

8 MR. KONDOLEON: We've gone through that and that's
9 the bottom line. The fleet will not be able to be operated
10 at anything under that funding level.

11 MR. KUKULKA: The reason for that is the testing
12 for the cars is very expensive. The testing program
13 is very comprehensive --

14 COMMISSIONER EDSON: Could it be phased, so
15 that the testing comes in the next fiscal year?

16 MR. VANN: If you have failures and so on,
17 there's other things that play into it. Some of the
18 spare parts for the vehicles are extremely expensive.

19 COMMISSIONER EDSON: Unless adjustment -- no
20 contract dollars would be allocated. But, if we're at
21 20,000 miles now, and the test is designed to go 50,000,
22 it would seem to me that we wouldn't necessarily reach
23 50,000-mile limit in the '83 fiscal year.

24 MR. VANN: I believe that estimate was based
25 on operating the fleet for an additional two years.

1 MR. KONDOLEON: That's correct.

2 COMMISSIONER EDSON: And, so the question would
3 be, are there portions of the test, or something of that
4 sort that can be delayed in the next fiscal year so that
5 the technical support requirements are less than \$235,000.

6 MR. KUKULKA: Some of the funds would be expended
7 in the subsequent fiscal year, so there could be a reduction.
8 I'm not sure how we would split that out, but, yes, it
9 would be less than -- I'm not sure it would be half,
10 though.

11 COMMISSIONER EDSON: I mean, as I flip through
12 some of the other contracts in Development Division,
13 and it may be the same if I flipped through contracts
14 in other divisions, it may be possible to come up with --
15 but, it's unfortunate. I don't know where there --

16 MR. KUKULKA: But, there's also Staff associated
17 that were cut, as well; it's not just contract dollars.

18 COMMISSIONER SCHWEICKART: How many Staff were
19 assigned to Fleet 2?

20 MR. KONDOLEON: Well, right now we have approxi-
21 mately three.

22 COMMISSIONER SCHWEICKART: Why do you need
23 three people for a fleet that's been operating for a
24 couple of years?

25 MR. KONDOLEON: Well, that was fleet 2 and 3.

1 Basically, we've got a --

2 MR. KUKULKA: That was what we had last year.

3 I don't know what we have this year.

4 MR. KONDOLEON: That's right. Oh, right, well,
5 under the work plan scenarios we have now, we're talking
6 about maybe a half a PY just to decommission the fleet.

7 COMMISSIONER SCHWEICKART: I understand that.
8 What I'm asking clearly is in continuing to operate the
9 fleet, since General Services is the operator, what is it
10 that three persons in the Energy Commission must do to
11 see fleets 2 and 3 through; I mean all they've got to
12 do is drive another 50,000 miles -- another 30,000 miles.

13 MR. VANN: There's the data collection; there's
14 billing issues, these cars are all over the place. General
15 Services has double-billed on occasion, and charged against
16 us, so we have also been tracking the billing operation
17 of the fleet, and then there's the maintenance of the
18 fleet.

19 MR. KONDOLEON: That's right.

20 MR. KUKULKA: I don't think we'd have a staffing
21 level of three in this next year.

22 COMMISSIONER SCHWEICKART: I'll tell you, my
23 feeling is there may be good answers to why three people
24 are needed, but my own gut feeling is keep the fleet
25 going and cut it in half, in terms of the people, and

1 rescope the project, collect data less often, but through
2 the 50,000, whatever. I'd like to understand why we
3 can't go ahead with it by descoping the level of the
4 intensity, but keep them going. I mean the fuel's available,
5 the cars are there, they're operating, it's a matter
6 of making them available for people to drive. And, if
7 General Services is operating the program and Los Angeles
8 County is operating the program, it seems to me we're
9 basically there for an oversight responsibility, anyway.

10 MR. KUKULKA: We would have to scope it out.
11 Our impression, since it was bluepenciled, was that we
12 did not have that option.

13 We're assuming the contract dollars were gone,
14 the person-years were gone, and we did not come up with
15 a total rescoping of the project.

16 COMMISSIONER SCHWEICKART: Well, my sense of
17 it is there is more flexibility in that control language
18 than the Staff may have assumed.

19 MR. SMITH: If it resulted in a shift between
20 program elements, then it requires Department of Finance
21 concurrence.

22 COMMISSIONER EDSON: But, if it's within the
23 Development --

24 MR. SMITH: If it's within the Development
25 Program or if it's within the fuels program element, --

1 MR. KUKULKA: There is no contract dollars
2 in here --

3 MR. KONDOLEON: No. We have, as the priority
4 for the fleet activities, in the office, the ERF fleets
5 are our number-one priority, and we have effectively
6 put all our Staff on getting the ERF's going and the
7 CHP going. And, Fleet 2, there just wasn't enough bodies
8 to keep Fleet 2 running. If we run Fleet 2 just to
9 have the cars operating, there's no real justification
10 for doing that. The data trail on those vehicles to
11 operate them through 50,000 miles is what's of value.
12 If you aren't keeping the data, if you aren't doing the
13 testing, it's a function of what is the maintenance and
14 what's the degradation on emissions as you pile the miles
15 on the vehicles. And, if you don't have the data tracking
16 through the entire life of the car, you can't draw conclu-
17 sions at the end of the program.

18 COMMISSIONER SCHWEICKART: We don't do the
19 testing. ARB's doing testing for us?

20 MR. KEN SMITH: No, ARB will not test for us.
21 ARB does not see this as a priority program. We've had
22 some fairly bad experience down there, and everytime
23 a car is out of service, sitting there, waiting for testing,
24 an agency has to rent another car from General Services,
25 and they have to pay money for that out of their pocket.

1 Now, we were supporting a lot of that stuff, to keep
2 agencies happy. We can't do that anymore. We don't
3 have any money. And, we don't have people up there.
4 I had three people specifically working on Fleet 2, one
5 tracking the cars, and just the day-to-day driveability
6 data forms, and valuable, you know, fleet information
7 that you have to have. A second person was taking care
8 of the cars so that we didn't have malfunctioning of
9 management or of maintenance, and those sorts of things.
10 And there was a third engineer to interface with the
11 technical support people to get testing done. It takes
12 three people to watch those cars. It is a very detailed
13 operation. It's not like the new ERF fleet; very different
14 types of operation.

15 We had to rely on outside testing facilities
16 because the ARB has other priorities. For example, it's
17 very crucial when you take a gas-bag sample to have that
18 gas bag analyzed on a gas chromatograph. If ARB has
19 a higher priority on toxics, and they jerk their personnel
20 off of there to test toxics on their gas chromatograph,
21 we lose the data and the car continues to sit.

22 We simply don't have the resources either in
23 terms of dollars nor people to continue that program
24 running.

25 COMMISSIONER EDSON: Well, as I heard from

1 Mr. Kukulka, you didn't consider whether you could continue
2 the program running because you thought it had been
3 explicitly bluepenciled and that the Division had not
4 yet scoped out the possibility of reducing the amount
5 of analysis that's currently done, and perhaps making
6 other adjustments which would allow the work to go forward.

7 So, I'd be interested in seeing that information.

8 MR. VANN: Why don't we be prepared to address
9 this issue on the 10th, with the caveat that we may still
10 have to recommend that the fleet be dropped.

11 COMMISSIONER EDSON: All right.

12 COMMISSIONER SCHWEICKART: Fine. I think --

13 MR. KEN SMITH: Okay, I would like to point
14 out that this was thoroughly discussed with both advisors
15 on the Fuels Planning Committee. We did, in a very thorough
16 fashion, discuss this issue when the issue was up as
17 a contract.

18 COMMISSIONER SCHWEICKART: Ken, pardon me.
19 Good for you. Now we're dealing with the Commission,
20 and we'd like to see if we can't keep this program going at
21 some kind of reduced staffing level, but to get the durability
22 data into the system. Toward the end of a contract,
23 it seems a little strange that we can't begin to tail
24 off a little of staffing required to get the job done.
25 I understand it would be nice to have more. I understand

1 we want to keep - have to keep hounding the Department
2 of General Services, all the rest of it, and you may
3 not get quite the spiffy data, but I think it's still
4 valuable to keep those cars running.

5 MR. KEN SMITH: I have a meeting with the
6 Department of General Services on Friday to try and
7 give them the disposition of these vehicles. And,
8 our intent, at that time, was to turn over all of the
9 operation of these vehicles, and turn back all of the
10 vehicles to them.

11 COMMISSIONER EDSON: You don't have the authori-
12 zation to do that is my sense of the --

13 MR. KEN SMITH: Okay, well, that's what I'm
14 looking for, is guidance. That this issue --

15 COMMISSIONER SCHWEICKART: Well, I think
16 that your guidance is get them to take more responsibility
17 for the program, but we want to keep it going.

18 COMMISSIONER EDSON: Well, I think the guidance
19 is --

20 MR. KEN SMITH: Okay. They have told us
21 they won't do that, in the past.

22 COMMISSIONER EDSON: I think the guidance
23 is don't turn over the program until the full Commission
24 considers this next week, when we have more information
25 for the Division.

1 MR. KUKULKA: The third item that I was going
2 to bring up was the issue of the solar staffing reductions.
3 That program area has gone from roughly 11 people down
4 to five. That's a major and significant impact to
5 the program. Essentially what's left is a mere maintenance
6 function and maybe not much of that.

7 The primary activities are continuing contracts,
8 and supporting cash-credit petitions, continue the
9 disclosure work, and any other work that might come
10 up, regulations for tax-credit extension or changes.
11 Essentially, it's down to a very basic maintenance
12 function in the program area.

13 COMMISSIONER EDSON: My impression is that
14 you have made about the only choice you've got, and
15 I think that when we've got regulatory responsibility,
16 we're pretty much stuck with it.

17 MR. KUKULKA: Just the only point is that
18 means the PV program goes on the shelf, and --

19 COMMISSIONER EDSON: That's my understanding.

20 COMMISSIONER SCHWEICKART: Except again
21 for continuing on the existing projects--

22 MR. KUKULKA: Right. And there's no contract
23 dollars essentially to do any work in that program.

24 COMMISSIONER COMMONS: Well, I would be very
25 concerned with this Commission totally abdicating the

1 photovoltaics area, which is one of the most promising
2 areas. It's an area where major R&D effort is currently
3 going on and --

4 COMMISSIONER SCHWEICKART: The problem,
5 Commissioner Commons, traditionally here has -- I mean
6 it's been multifold, I mean everybody is excited about
7 photovoltaics. They don't lack for support in the
8 sense of "Atta Boys", anyway, if not dollars.

9 The legislature, itself, has always argued,
10 or at least a portion of the legislature has argued
11 why does the Commission -- or the state need to put
12 dollars in it when there's lot of other activity going,
13 and everybody acknowledges that the whole -- that the
14 real key in photovoltaics is price reduction.

15 While it would be nice to keep going in photo-
16 voltaics, it seems to me that there are --

17 COMMISSIONER COMMONS: Well, what I'd like --

18 COMMISSIONER SCHWEICKART: --there are major
19 controlling elements in the evolution of photovoltaics
20 that the Commission is not going to have a dramatic
21 impact on.

22 COMMISSIONER EDSON: -- me --

23 COMMISSIONER COMMONS: I would like to find
24 out what the five PY. in this area are proposed to
25 be doing and whether or not those are essential or

1 more important functions.

2 MR. KUKULKA: Roughly, if I recall correctly,
3 Sarah, you can correct me if I'm wrong --

4 MS. MICHAEL: Yeah, I can go through very
5 specifically, in the work plan, we have a half a P-Y
6 that will be monitoring contracts, three contracts
7 that we have in the photovoltaics, or two contracts
8 in the photovoltaics area. And, will be doing a number,
9 wrapping up a number of studies that we initiated this
10 year. One is an update of the large photovoltaic installa-
11 tions in California. We'll be doing a summary of the
12 photovoltaic market assessment reports. We'll be managing
13 the SMUD contract that's ongoing, as well as the UC Davis
14 one. And, so there'll be a number of contracts in
15 photovoltaics.

16 Most of the Staff, however, will be assigned
17 to working on our legislative mandates of solar tax
18 credit petitions, of working on solar disclosure, hot
19 water heater disclosure activity, and --

20 COMMISSIONER COMMONS: Can you be specific?
21 That's 4.5.

22 MS. MICHAEL: Pardon me?

23 COMMISSIONER COMMONS: Can you be specific,
24 please, on that 4.5?

25 MR. VANN: These are laid out approximately,

1 and this is very close, --

2 MS. MICHAEL: Um-hum.

3 MR. VANN: Two PY are devoted to maintaining
4 existing contracts in the photovoltaic area and completing
5 the studies that have been ongoing since the beginning
6 of last fiscal year. That's 2.05 -- or 2.15 to be
7 precise.

8 For the other activities which are directed
9 primarily at the solar tax credit and disclosure functions,
10 that's were the balance of Staff is.

11 COMMISSIONER COMMONS: All right, can you --
12 that's approximately 2.85. What are we mandated to
13 do? Is there any way we can do less?

14 COMMISSIONER EDSON: I can respond to some
15 of that. We have responsibility of the tax credit
16 statutes for adopting regulations and determining essentially
17 to those regulations what specific measures qualify,
18 and what requirements there are. There are changes
19 to the tax credits that are pending before the legislature
20 and they've just been extended. If the changes aren't
21 enacted, we will still have to finish a real quick
22 rule-making that will extend the current regulations
23 into -- until the next expiration date.

24 If the changes in the statute are enacted,
25 and it's very likely they will be, there will be additional

1 analytic work attached to that tax credit analysis.

2 In addition, periodically petitions come
3 in on the tax credits, are fairly difficult to anticipate,
4 except you can, based on past experience, guess what
5 the level of activity will be on the average. The
6 solar disclosure work is work that is a follow-on to
7 a tax credit petition that came in this past year,
8 where the Commission was asked to develop minimum performance
9 centers for solar hot water systems, and instead elected
10 to develop a performance disclosure program, and I
11 think that work is probably near completion, if we can
12 get some of the building standards activity completed.
13 But, it should be completed this fall.

14 COMMISSIONER COMMONS: What is the manpower
15 breakout on the performance disclosure program?

16 MS. MICHAEL: One PY.

17 COMMISSIONER COMMONS: All right. I'd like
18 to hold that question on photovoltaics and that performance
19 where I've had complaints from outsiders on that effort
20 to begin with, as to the level of effort. If we should
21 discontinue photovoltaics totally for that program,
22 there's ways of, if I'm not incorrect, for .75 person-years,
23 we're able to make major modifications in our other
24 regulations under the citing procedure. I'm not sure
25 that there aren't ways to curtail the amount of regulations

1 that we have to do on the solar tax to have to utilize
2 a full 2.85 person-years here.

3 COMMISSIONER EDSON: Well, I would just note
4 that there's --

5 COMMISSIONER COMMONS: Also, --

6 COMMISSIONER EDSON: --we're not suggesting
7 that we should completely eliminate photovoltaic work,
8 as the Staff described, over two PY, or it would be
9 allocated in the next fiscal year to ongoing --

10 COMMISSIONER COMMONS: That's not just photo-
11 voltaics,--

12 COMMISSIONER EDSON: --photovoltaics activities.

13 COMMISSIONER COMMONS: --that's photovoltaics
14 and other -- and solar contracts, not just photovoltaic
15 projects.

16 COMMISSIONER SCHWEICKART: There's two existing--

17 MR. VANN: The contracts that are active
18 are photovoltaics.

19 COMMISSIONER SCHWEICKART: I'd like to understand,
20 we're not dealing just with PY's. I mean, what you're
21 really talking about is ongoing PV work versus new
22 initiatives.

23 MR. KUKULKA: That's correct.

24 MR. VANN: That's right.

25 COMMISSIONER SCHWEICKART: Okay, and --

1 MR. VANN: In this fiscal year, also, I'd like to
2 caveat with this fiscal year with that--

3 COMMISSIONER SCHWEICKART: I understand.

4 My question is were the contract -- are the
5 contract dollars available to actually initiate anything
6 new.

7 MR. KUKULKA: These are contracts from last
8 year that we --

9 MR. VANN: They're underway.

10 MR. KUKULKA: --they're underway.

11 COMMISSIONER EDSON: No, are there contract--

12 COMMISSIONER SCHWEICKART: No, no.

13 COMMISSIONER EDSON: --dollars available
14 to do as Commissioner Commons is suggesting?

15 MR. KUKULKA: Oh, no, we don't have any addi-
16 tional contract dollars, except for a small amount
17 of tech support contract dollars for this area.

18 COMMISSIONER SCHWEICKART: So, then, what
19 would you do with additional PY's in photovoltaics?

20 MR. KUKULKA: We're not proposing--

21 COMMISSIONER COMMONS: One thing we have--

22 COMMISSIONER SCHWEICKART: The question we're
23 discussing, Ron, at least, unless I've had my head
24 up somewhere for the last half hour, is -- 15 minutes,
25 anyway, is whether or not we restore some people to

1 photovoltaic work. Why do we want additional people
2 beyond the two that you have allocated, if we don't
3 have any contract dollars available to initiate new
4 initiatives.

5 MR. KUKULKA: The work that would be done
6 would be primarily analysis. We would not essentially
7 have new contracts. The Staff laid out a series of
8 activities and I don't know if I can go over them right
9 now, but a series of pieces of analysis to determine
10 the markets, the potential markets for photovoltaics--

11 COMMISSIONER COMMONS: You have participated
12 in the last few months with, I believe, two workshops
13 in the area of photovoltaics which have been done jointly
14 with utilities and others. Will this activity cease
15 to exist?

16 MR. DeANGELES: Yes.

17 MS. MICHAEL: I would just like to have
18 Mike DeAngeles address an issue that Rusty raised which
19 was that without contract dollars for demonstration,
20 why do we have PV, or until costs come down, why do
21 we have a PV Program, because the costs are so high
22 and I would like to have Mike DeAngeles address that
23 issue, as well as a couple of other areas that he feels
24 that we can be moving ahead in PV's without contract
25 dollars.

1 MR. DeANGELES: Well, we think there are
2 a number of things we can do without contract dollars
3 in the photovoltaics area to address the high first-
4 cost issue, which is correct; the most significant
5 issue that constrains PV development in the State of
6 California.

7 In the past it was much simpler, because
8 what we were trying to do --

9 COMMISSIONER SCHWEICKART: In the whole universe,
10 not just California.

11 MR. DeANGELES: That's correct. But, particularly
12 we would target our activities, of course, to California.

13 In the past --

14 (Laughter.)

15 MR. DeANGELES: --we took a more simplistic
16 approach in that what we were trying to do was to establish
17 some very major demonstration programs, such as SMUD
18 and others, in photovoltaics, that where we would actually
19 be purchasing photovoltaics systems and thereby increasing
20 the demand through state purchases, we'd be increasing
21 the economy's scale of production and driving the cost
22 down.

23 We think there are other activities we can
24 do. The high first-cost issue, for example, we think
25 that we can address for residential buildings and commercial

1 buildings by completing a study that optimizes the
2 cost of the photovoltaic systems by reducing the electricity
3 demands in the building, and thereby reducing the size
4 of the systems.

5 We think we can cut the size of systems by
6 about 50 percent really by designing the buildings
7 properly, which, therefore, is going to reduce the
8 high first-cost by 50 percent through proper building
9 design.

10 That's one activity that we think we can
11 do to address the issue.

12 Another one is third-party financing, where,
13 if we could do some work in the third-party financing
14 area, particularly to try to stimulate third-party
15 financed installations in photovoltaics, we think that
16 we can cause photovoltaic installations out there,
17 which are again going to increase the demand for photovoltaics;
18 by increasing the demand for photovoltaics, that contributes
19 to reducing the cost of photovoltaics.

20 Go ahead.

21 COMMISSIONER SCHWEICKART: Two and 0, have
22 another pitch?

23 COMMISSIONER EDSON: Three and 0. Am I one
24 of the two?

25 COMMISSIONER SCHWEICKART: No. I've seen

1 two balls come by the plate here. Got another pitch?

2 COMMISSIONER EDSON: Oh, I see what you're
3 saying.

4 (Laughter.)

5 MR. DeANGELES: Those are the primary ones.
6 Actually, I do have a third one.

7 (Laughter.)

8 MR. DeANGELES: Since you've asked -- since
9 you've asked.

10 The third one is to address ourselves to
11 some more innovative, large, remote markets for
12 photovoltaics; do some feasibility analyses, both financial
13 and technical, which we think can show cost-effective
14 remote photovoltaic systems, which may convince some
15 people to install photovoltaic systems, particularly
16 for large, remote systems, which are now not -- people
17 don't know much about.

18 COMMISSIONER SCHWEICKART: Okay. Well, my
19 immediate response is that all three of those are lower
20 by a considerable amount on my prior list than, for
21 example, the solar disclosure on existing technologies
22 and the tax credit work. I mean, I think if you're --
23 to be frank about it, a little unrealistic about being
24 able to design buildings better than people who --
25 I mean, it's a great idea to reduce the electricity

1 demand in a nonresidential building or an office building
2 by 50 percent, but to imagine that the Development
3 Staff in Photovoltaics is going to do something about
4 that, when we've got the whole world dealing with non-
5 residential standards, trying to do exactly that, is
6 pretty low, in terms of likelihood.

7 You may benefit from the work that's being
8 done, but I don't think a study on your part for optimiza-
9 tion in reducing the demand of electricity on office
10 buildings is going to be very good.

11 So, I think what you've outlined in terms
12 of photovoltaic work is not going to make all that
13 much difference in terms of the development of
14 photovoltaics, compared with the consumer protection
15 issues and tax credit issues on other solar work.

16 But, that's --

17 COMMISSIONER EDSON: It's not as fun, though.

18 (Laughter.)

19 MR. DeANGELES: Well, I would certainly like
20 to discuss that with you further, because I tend to
21 think that a lot of the work that we're doing in the
22 conservation area is not mainly done to optimize the
23 size of a photovoltaic system. It's done to reduce--

24 COMMISSIONER SCHWEICKART: It isn't, but
25 it is done--

1 MR. DeANGELES: --overall--

2 COMMISSIONER SCHWEICKART: --to reduce the
3 energy demand of the buildings and especially--

4 MR. DeANGELES: --energy demand--

5 COMMISSIONER SCHWEICKART: --electricity.

6 So, --

7 So, my understanding is that you've got two
8 PY's --

9 MR. VANN: Our recommendations have not --

10 COMMISSIONER SCHWEICKART: --going into existing
11 photovoltaic

12 MR. VANN: That's correct.

13 MR. KUKULKA: And 3 PY's essentially to
14 continue the regulatory, disclosure -- positions.

15 COMMISSIONER SCHWEICKART: I vote that you've
16 made the right decision in the first place.

17 COMMISSIONER EDSON: I concur.

18 COMMISSIONER GANDARA: Was there ever an
19 issue about that?

20 COMMISSIONER EDSON: Commissioner Commons--

21 COMMISSIONER SCHWEICKART: Yes, Commissioner Commons
22 was suggesting shifting the people, I think, over
23 to more photovoltaic work, --

24 COMMISSIONER COMMONS: No, I didn't want
25 to drop photovoltaics without going through the dialogue

1 that we went through, --

2 COMMISSIONER SCHWEICKART: Yeah.

3 COMMISSIONER COMMONS: --because I thought
4 it was --

5 COMMISSIONER SCHWEICKART: But, I don't think
6 the issue is drop photovoltaics. It's whether to do
7 new initiative in terms of studies, and I think the
8 answer is not to.

9 COMMISSIONER EDSON: I do have one question
10 about contract dollars in the small power producers,
11 and that is that there's -- can you describe the \$200,000
12 contract? Is that the technical assistance work?

13 And a \$25,000 contract on geothermal resources --
14 can you --

15 MS. MICHAEL: Do you want to discuss that?

16 COMMISSIONER EDSON: Yeah, can you describe
17 what that is?

18 MS. MICHAEL: Okay. That contract is with
19 Cal State University, Sacramento, and it's to go out
20 in initially ten areas of the state and do temperature
21 gradient studies to do the high-risk --

22 MR. VANN: Excuse me. Commissioner, rather
23 than get into the detail of that particular contract,
24 it's included here because we were --

25 COMMISSIONER EDSON: There's something going

1 on here--

2 MR. VANN: --we were asked to stay with March
3 change, given the budget situation in the Commission,
4 it is not a contract that we would have at the highest
5 end of our priority list.

6 COMMISSIONER COMMONS: Which contract is
7 this?

8 COMMISSIONER EDSON: So, but what we need
9 to know is how you would propose to spend it?

10 MR. VANN: Okay, --

11 MR. SMITH: Isn't that one of these issues,
12 as we've discussed in Conservation Division, if one
13 of the options that we'll be discussing on March 10th
14 is the holding of contracts to offset the potential
15 Staff deficit. I think that this might be a candidate
16 for that.

17 MR. VANN: Correct.

18 COMMISSIONER EDSON: Well, this might be
19 a candidate, as well, for contract dollars to try to
20 save Fleet 2.

21 MR. VANN: Certainly, and that would be one
22 of the trade-offs that we would be looking at before
23 we came back to you on August --

24 COMMISSIONER EDSON: My only comment was
25 going to be if we need resource gradient studies, let's

1 go beat the bushes with those local agencies and come in on
2 Bosco funds. We spent a quarter of a million dollars
3 unspent last round, and we might be able to get some of
4 those groups to come in.

5 MS. MICHAEL: To do that, although, I mean, it's
6 such a nickel-and-dime kind of thing that had the -- the
7 funds were available, we could have accomplished a lot
8 with \$25,000 and -- well, with student help.

9 COMMISSIONER EDSON: What about -- just an idea
10 off the top of my head. For something like that, getting a
11 consortium of counties, or getting CSAC to come in and do
12 a -- for a contract under Bosco funds. I don't know if that
13 would be permitted by the statute, but it might be worth
14 looking at. And, in that way, you handle the nickel-and-
15 dime concept.

16 MS. MICHAEL: Um-hmm. No, that's something
17 worth exploring.

18 MR. KUKULKA: I think we've covered most of the
19 major issues. I think that's something that's been flagged
20 before, I'd like to flag again, is that a lot of the
21 programs in the Development Division are very dependent
22 upon the staff skills, and even though we've taken a first
23 cut at the work plans, there could be modifications to
24 what we really can do, based on who's left at the end of
25 the layoff. We have only a certain number of people who

1 have skills, for example, in methane fermentation,
2 automotive engineering; if those skills leave,
3 essentially we don't have much of a program.

4 COMMISSIONER COMMONS: One area I'd like
5 to discuss a little bit is the oil surcharge funds
6 and the \$1-million in the private and public partnership
7 funds in the oil escrow.

8 I guess I have two or three questions in
9 this area. One is, the Conservation Division, I believe,
10 was originally going to have one of the persons in
11 this area, and your division one. Should both come
12 from your division?

13 Second is, where are these funds going to
14 be spent? Do you have any indications, or where are
15 we looking at, and what is the manpower requirement
16 in terms of going forward with this effort? Where
17 are we here?

18 COMMISSIONER EDSON: Commissioner Commons,
19 this is an agenda item for the August 10th business
20 meeting. We have a detailed presentation on proposes
21 uses of the oil overcharge funds.

22 COMMISSIONER COMMONS: Is that going to occur
23 before we discuss the work plan on that day?

24 COMMISSIONER EDSON: Oh, sure, I'm sure we
25 can take it up before the work plans.

1 MR. SMITH: Yes. It's on the agenda so that it
2 can be discussed prior to the Executive Directors discus-
3 sion--

4 COMMISSIONER COMMONS: I have no problem
5 in having that set of questions there. I think the
6 one little question was the aspect as to the Conservation
7 Division one. Earlier we had discussed that. Maybe
8 I'll just throw it back into your ballcourt that there
9 might be two people here and have it done out of Development
10 Division on that one portion of it.

11 COMMISSIONER EDSON: It's just -- the only
12 reason I suggested that deferring this to the 10th
13 might be appropriate is my understanding is the Staff
14 is still working on the final program design and they've
15 one iteration now and may or may be prepared to go
16 into detail.

17 COMMISSIONER COMMONS: Don't need the answers
18 today. Just want to make sure we look at it.

19 The next question I'd have is, we have \$150,000
20 on third-party financing contracts on public/private
21 partnerships. Are sufficient Staff devoted to these
22 particular contracts? And are we going to be able
23 to go forward with those contracts?

24 MS. PRAUL: We do have Staff in the current
25 workplan set aside for those projects. We have about

1 three and a half people to cover those, as well as
2 other work in the Finance and Economics area.

3 COMMISSIONER COMMONS: Okay. And, then I
4 think we had another bullet on our sheet which we should
5 just make sure that the other Commissioners are in
6 concurrence, and that was the last bullet on the first
7 page there, concerning participation in general rate
8 cases, OIR-II proceedings.

9 It appears that they have allocated people
10 to do this. Earlier this morning we had discussed
11 in the area of load management that we did not want
12 to intervene before the PUC and this would be the opposite
13 position, so we shouldn't just pass it by.

14 I'm in concurrence with their proposal--

15 COMMISSIONER EDSON: I'm sorry, where--

16 COMMISSIONER COMMONS: I'm trying to follow
17 the issues bullets, like we did on the other two Divisions--

18 COMMISSIONER EDSON: Yeah, I know, I keep
19 diverting --

20 COMMISSIONER COMMONS: I hope the Assessments
21 Division will follow the --

22 COMMISSIONER GANDARA: The issues bullet
23 in Development Division in the Executive Office Presentation.

24 MR. SMITH: Essentially, this discussion
25 has folded in some of the individual bullets. I have

1 a response on each of the major issues that we needed
2 to have resolved today.

3 COMMISSIONER SCHWEICKART: I guess I would
4 like to talk about that last bullet. It seems to me
5 that with the Energy Commission talent which has gone
6 into private industry, among others, and the rather
7 high level of activity in third-party power production,
8 now, and especially with the extension of the tax credits
9 so that there will continue, at least for awhile, and --
10 in other areas to be, some fairly aggressive private
11 industry support, I really wonder whether the Energy
12 Commission, given the resources it has, is really going
13 to contribute to the issues, in terms of contracts
14 and rate setting, in OIR-II and other proceedings related
15 to energy pricing for third-party production.

16 MR. KUKULKA: I believe there is, and it's
17 not just those people who've gone -- left here and
18 gone into private industry. We have a number of projects
19 that are depending upon -- those that we've funded,
20 like some of our cogen projects and biomass. So, that --
21 I mean, we have a vested interest in those projects,
22 and in going forward and having reasonable rates from
23 the utilities. So, it's not -- I think we have a responsi-
24 bility to continue that effort just because of our
25 projects, if no other reason.

1 In addition to that, I think a number of
2 people on the outside are looking to the Commission
3 to continue to -- those -- that analytical Staff we
4 have left to continue to provide a leadership role
5 in the PURPA activities.

6 COMMISSIONER COMMONS: Let me give one specific,
7 Commissioner Schweickart:

8 When they had the discussion on the OIR-II
9 proceedings, the demand forecast that were suggested
10 were to be those forecast that were developed by Southern
11 California Edison on the fuel prices, which were quite
12 different than the forecast that we developed, and
13 in the Little Hoover testimony that's occurred, there's
14 a question that's being raised as to what is the relation-
15 ship of the work we do in our BR proceedings, and to
16 that which goes on at the Public Utilities Commission.
17 When we're talking about long-term contracts with the
18 PUC having a great emphasis in terms of the two-year
19 period, and our looking at things in a longer range
20 perspective, I think there is a role, in terms of what
21 are the overriding public policy issues as we see them
22 in terms of our BR planning process proceedings, which
23 ought to be introduced from a public policy point of
24 view and to those type of proceedings.

25 I think there's a question as to the extent

1 that we ought to participate. I would tend towards
2 supporting that we do so.

3 Also, in terms of -- if I were to have a
4 position here as a Commission, if I were to go work
5 for an independent power producer, my position might
6 be relative to that which was in my company's interest,
7 not as sitting as a Commissioner on the California
8 Energy Commission.

9 So, the viewpoints of people who have competence
10 may not necessarily represent the viewpoints that we,
11 as Energy Commissioners, ought to represent.

12 There's no one possibly arguing that case.

13 COMMISSIONER GANDARA: I take it your question,
14 Commissioner Schweickart, was kind of an implied no?

15 COMMISSIONER SCHWEICKART: Well, it was that
16 I didn't feel comfortable in just letting it go. I
17 think Commissioner Commons' arguments are legitimate,
18 but for the experience we've had in affecting PUC
19 decisions. And, in terms of our resources, I'm wondering
20 whether we continue to go to the same well with essentially
21 the same effect, in terms of effectiveness of these
22 P-Y's.

23 MR. KUKULKA: Let me just comment that --

24 COMMISSIONER GANDARA: Before --

25 MR. KUKULKA: --these proceedings are a little

1 different than past proceedings, I believe, the way
2 these are being handled right now, is, you know, workshop
3 session different than adjudicatory proceedings that
4 we've had before, and I think there are some -- there's
5 some progress being made.

6 COMMISSIONER SCHWEICKART: And we're effecting
7 it?

8 MS. PRAUL: We can have a significant effect
9 on them, I think, and other than the PURPA forum and
10 the PUC, sort of the same well, I think we can influence
11 decisions outside of that sphere just by working with
12 the municipal governments, because we're really seeing
13 where it's not as easy as everyone thought to just
14 create these projects, that it's relatively complex
15 and sophisticated, and there aren't people out there
16 who are just able to pull the projects off.

17 We do still have a role, very clearly, in
18 advising the municipalities and also the private sector
19 banking community that understands certainly the third-
20 party arrangements and the financing arrangements,
21 but doesn't have the other side of the continuum, as
22 well, in their minds, what the --

23 COMMISSIONER SCHWEICKART: Well, Cindy, I
24 don't have a problem with the last things you're saying,
25 but what we're dealing with here are specifically

1 participation in rate cases.

2 COMMISSIONER EDSON: What resources does
3 the Division propose to allocate to the interventions?

4 MR. KUKULKA: I wasn't proposing rate cases,
5 as much as the PURPA proceedings.

6 COMMISSIONER EDSON: Well, then PUC proceedings;
7 it may be more generic. What level of resources were
8 you proposing?

9 MS. PRAUL: We have a total of about two,
10 two and a half, on the PURPA work, overall. But, that's
11 not going to be an extensive rate case intervention
12 by any means. It's follow-through initially with this
13 negotiating conference, adjudicatory proceedings, which
14 hopefully we'll be concluding towards the end of the
15 year or early next year.

16 We will be doing generic work, also, in the
17 PURPA area, which will be analytic work, not related
18 to interventions at the PUC.

19 COMMISSIONER SCHWEICKART: Well, okay, then
20 it may be that this bullet, to some extent, mischaracterizes
21 the issue.

22 MR. KUKULKA: This isn't my bullet.

23 (Laughter.)

24 MS. PRAUL: I don't know what the bullet
25 is.

1 COMMISSIONER SCHWEICKART: Who speaks for this
2 bullet?

3 (Laughter.)

4 COMMISSIONER GANDARA: well, aside from attribu-
5 tion of the bullet, whatever, let me say that I share
6 some of Commissioner Schweickart's initial thrust,
7 although I really don't know where he is now, but for
8 different reasons, I think that frankly, we probably
9 have been more effective than we have given ourselves
10 credit for. I think the Commission traditionally set
11 higher standards for itself than perhaps other organiza-
12 tions have set for themselves, and I refer, in particular,
13 to a very interesting memo I believe was sent to all
14 the Commissioners from Richard Grix, which was a review
15 of the PUC activities, and I think he discusses, at
16 a relative arm's-length, a review of, in fact, you
17 know, sort of the shifts and trends that the PUC has
18 been -- that their decisions have been moving towards,
19 and frankly, I think if you read that, it appears to
20 be something that we would find agreeable, though we
21 have not essentially prevailed in every issue to the
22 full satisfaction that we have always wanted.

23 I think there's an issue as to whether some
24 of those changes are more paper-movement, or -- there's
25 another issue whether it can be attributable to us,

1 frankly, but the -- overall, I think that we have had
2 more success than we give ourselves credit for.

3 And, for that reason, I think there's some
4 utility in this kind of intervention.

5 COMMISSIONER SCHWEICKART: No pun intended.

6 COMMISSIONER GANDARA: On the other hand,
7 given the status of our current resources, I think
8 the other question is, which is the first one you raised,
9 do we really need to continue activities in this area,
10 in view of the fact, that we may, in fact, be rather
11 constrained. And, with that regard, I, you know, I've
12 always been an advocate, that if we do these things,
13 that we do them in a more full-blown way. I've advocated
14 the R&D and ECAC interventions, and the PURPA proceedings;
15 but, I think, as of this moment, it might do us well
16 to take a breather on this and perhaps utilize these
17 people in other ways. But, I don't think you went
18 that far, but I don't know, that's my feeling at this
19 moment, that perhaps our involvement would be useful,
20 but I don't think it would be critical.

21 COMMISSIONER COMMONS: I think we'll be going
22 right in the face of what the Little Hoover Commission
23 is recommending, and it would be a mistake on the part
24 of the Commission. I think it's also beneficial to
25 the PUC to get our input, and they, you know, just

1 the fact that I haven't been here in previous years
2 when we've had the problem, I don't think we should
3 assume that the PUC currently will continue to operate
4 not listening to our viewpoints, and sometimes we haven't
5 won in the first round, but they've heard our arguments,
6 and the next time around they've adopted them.

7 And, I encourage us to continue here.

8 COMMISSIONER GANDARA: Well, perhaps this
9 is something that needs to be continued to August 10th.
10 I don't detect a consensus here.

11 I mean, I find myself on the edge on this
12 one, and frankly, feeling, for the moment, that perhaps
13 we can look at alternative utilization of the PY's
14 here.

15 MR. KUKULKA: If I can get one more paragraph
16 in--

17 COMMISSIONER GANDARA: Mr. Kukulka.

18 MR. KUKULKA: --and that is that we're going
19 through an internal program review of the Divison that
20 we call issues and actions, and each of the programs
21 identified as, if not the top priority, one of the
22 top priorities, the issue of avoided costs pricing
23 and PURPA rates as being a major obstacle for the movement
24 of these alternative technologies. And, they're all
25 willing to commit resources to help resolve this issue.

1 It's that major and important issue for these technologies.
2 And, maybe we're not committing enough resources to
3 it. Maybe what we ought to do is take a hard look
4 at committing more.

5 COMMISSIONER GANDARA: Okay. I think I'd
6 rather see them be photovoltaics than I would before
7 the PUC, frankly, you know.

8 But, that's another issue.

9 MR. SMITH: Are there any other questions
10 on Development Division, Development Program? If not, --

11 COMMISSIONER EDSON: I --

12 MR. SMITH: The last bullet we haven't even
13 talked about at all.

14 COMMISSIONER EDSON: Before we get --

15 MR. SMITH: Well, basically that's a contract
16 issue, related to the alcohol field. My assumption
17 is as we come back on the 10th, to deal with Fleet 2,
18 we'll deal with that issue, as well.

19 COMMISSIONER SCHWEICKART: Let me just say
20 it's a wierd bullet.

21 COMMISSIONER EDSON: Let me -- let me ask
22 a question about a contract in the Finance and Technology
23 Development area. As I understand it, it's a \$150,000
24 contract for municipal energy project financing, essentially
25 directed to third-party financing of municipal projects.

1 I'm a little surprised, given that we have \$1-million
2 in oil-overcharge funds for that activity, and I was
3 wondering why we would be allocating special account
4 money there, as well.

5 MS. PRAUL: Well, some of the work that's
6 going to be done with that \$150,000 is actually front-
7 end work to get the cities involved in the early end
8 of the third-party financing work, such as is being
9 done with CSAC right now. We're also going to be doing
10 some generic PURPA work that we've identified as real
11 important to the front-end negotiations in the -- we
12 need to be doing them right now for the PURPA work
13 on the third-party contracts.

14 COMMISSIONER EDSON: Couldn't the front-
15 end city work be done out of the oil-overcharge money?

16 MS. PRAUL: Well, that would be ideal, but
17 we've just run through and in doing our -- for example,
18 today's meeting on the oil-overcharge, we're -- in
19 order to get RP's just out and the contract signed,
20 it's going to be something on the order of March. And,
21 I know that's longer than either you or I had envisioned,
22 but that's just the normal amount of time it's going
23 to take to get through control agencies to do the process,
24 and I was apalled, myself, but that's the oil-overcharge
25 RP route that we're looking at, at the moment.

1 We're also going to be doing some generic
2 third-party financing work here, looking at some of
3 the ways to move to the next phase, what's not working
4 with third-party financing, at this point, what are
5 the new ideas. Some -- a small look at incentives
6 and how they are fitting together with third-party
7 financing.

8 MR. KUKULKA: I think the other thing is
9 not all those funds are directed at municipalities,
10 but that was also public, as well as there's a private
11 side of the contract, if I recall the initial contract
12 revenue. It wasn't all directed at municipalities,
13 there was part of it directed at the private sector,
14 as well.

15 MS. PRAUL: There is a \$50,000 contract that
16 is to design, to give technical assistance to the private
17 banks, in developing projects, and evaluating ones
18 that come to them independent of the municipalities.

19 The generic PURPA work and the third-party
20 financing advance work is going to relate to the private
21 sector, as well as the public sector.

22 COMMISSIONER GANDARA: Thank you very much.
23 Let's proceed to hear the Assessments Office. I notice
24 that the Assessments material, as I went through it
25 last night, is lengthy and complex. On the other hand,

1 in your opening pages, you do have six bullets for
2 Assessments. If we could reach Commission consensus,
3 perhaps, on how to proceed with this, --

4 (Laughter.)

5 COMMISSIONER GANDARA: I don't think it's
6 exclusive one way or the other, frankly, but, you know, --

7 MR. SMITH: I think we're prepared to go
8 through those six bullets. Maybe you'd like to begin
9 that way, and as discussion broadens, we can follow
10 and add other issues.

11 COMMISSIONER GANDARA: Okay. If it would
12 help, my answers to the six bullets are yes.

13 COMMISSIONER SCHWEICKART: Oh. Well, let's
14 discuss No. 3, then.

15 COMMISSIONER GANDARA: Oh, yes, yes, no,
16 yes, yes, yes.

17 COMMISSIONER COMMONS: Well, let's take them
18 one at a time.

19 COMMISSIONER SCHWEICKART: Okay.

20 COMMISSIONER COMMONS: Let's take them one
21 at a time.

22 (Laughter.)

23 MR. SMITH: As we mentioned this morning,
24 in the overview, Assessments Division hasn't incurred
25 the same degree of Staff reductions as the other divisions.

1 On the other hand, their programs are clearly more
2 dependent, activities are more dependent on availability
3 of EDP funds. That has a major effect on what can
4 be accomplished.

5 They also have the same problem that we discussed
6 in Administrative Services, and that is even though
7 the positions are authorized, a good many of those
8 positions, and increasingly key positions, are vacant
9 positions. Thom is going to go through some specific
10 issues here, primarily related to the Systems Demand,
11 Fossil Fuels Offices --

12 COMMISSIONER GANDARA: If you could also
13 address, at least what I interpret to be the cumulative
14 effect of some suggestions throughout the day, to essen-
15 tially reassign by another 5 percent of your Staff.

16 MR. SMITH: Excuse me?

17 MR. KELLY: Another 5 percent?

18 COMMISSIONER GANDARA: Didn't we talk about
19 an assignment of 4 or 5 people to Conservation?

20 MR. SMITH: Potentially, yes, that would
21 be one of the --

22 COMMISSIONER GANDARA: Okay.

23 COMMISSIONER SCHWEICKART: In terms of additional
24 work--

25 MR. SMITH: --I wouldn't expect that the

1 Division would be in a position to address that issue
2 now. We would have to work on that for the 10th, yeah.

3 COMMISSIONER GANDARA: Well, if possible,
4 where appropriate.

5 COMMISSIONER SCHWEICKART: Before we get
6 into that, and without wanting to take a lot of time
7 on it, Kent, you highlighted this morning the EDP reduction
8 to 504K from 700K, or something like that--

9 MR. SMITH: Just about that, yes.

10 COMMISSIONER SCHWEICKART: You also mention
11 it again here, in terms of having a particular impact
12 on assessments. I'd like to either now or on the 10th
13 understand that better.

14 MR. SMITH: Yeah, we'll --

15 COMMISSIONER SCHWEICKART: It seems to me
16 that every year we hear we're doing something else
17 to reduce our dependency on Teale or on somebody else.
18 We just made a decision recently to support the data
19 general computer here to relieve the EDP processing
20 and our dependency on contracting it out to other places,
21 so that we seem to continually take steps to reduce
22 the cost of our EDP by having in-house availability
23 to these computers, and yet, notwithstanding the reduction
24 in overall work, somehow you highlighted a reduction
25 to only 500,000 from 700,000, as a major issue. It's

1 not clear --

2 MR. SMITH: That's correct. The Commission
3 has been taking a number of actions to stay ahead of
4 the reduction in available EDP funds. Those reductions
5 each year have been ahead of us.

6 Thom, could you hand me that overhead there.

7 The amount that the Commission had budgeted
8 for data processing in 1981-'82, for instance, was
9 just under \$1-million, \$974,000. There was a second
10 amount for data processing that year of \$445,000. So,
11 we're looking at two years ago the Commission had available
12 somewhere in the neighborhood of \$1,400,000 for EDP
13 work. That was during the development of the Biennial
14 Report and we expected expenditures to be high.

15 That was reduced substantially to less than
16 \$1-million last year and now we're talking about this
17 next cut down.

18 The comparison between the last time we
19 approached a Biennial Report to this year is that we're
20 dealing with potentially about half of the resources
21 we had had previously.

22 Now, there is an internal question and one
23 that we're in the process of addressing, and that's
24 the question of the distribution and the priorities
25 for EDP work of the administrative services use to maintain

1 our management information systems. And, some internal
2 administrative systems.

3 The cost of those versus the cost of some
4 of the forecasting work in the competing uses in development--
5 excuse me, in assessment division. Some tough choices
6 there.

7 We've been reluctant, so far, to cut back
8 on our basic management tools because the emphasis
9 in the past two years has to been to strengthen those.

10 COMMISSIONER COMMONS: In line thereof, so
11 I don't come back to it, since the question's been
12 raised: Thom, what are we spending now on doing the
13 survey processing work?

14 MR. KELLY: What is in our work plan right
15 now to do it?

16 COMMISSIONER COMMONS: What did it cost us,
17 the last go-around?

18 MR. KELLY: I don't have that number right
19 at hand. We spent a couple-hundred-thousand dollars
20 in contracts to have -- to get that done.

21 COMMISSIONER COMMONS: Couldn't we pass this
22 cost back onto the utilities and have them do the computer
23 work, and not just submit the surveys, but submit it
24 in the appropriate format, and with the statistical
25 analysis? Wouldn't that be a way of saving us approximately

1 \$200,000?

2 MR. KELLY: That would save us, right, a
3 couple-hundred-grand initially. We've gone through
4 that as an option and -- or considered that as an option,
5 and it appears to be a bigger option for post-BR-V
6 time frame than it is in current time frame, because
7 we're estimated that they won't be able to get that
8 work done in time for us to do it, for them to have
9 it, for the Staff to have it for this round.

10 In addition, they would probably, almost
11 certainly, rather, have to contract out to do that.
12 And, we'd almost be in a position to ask to make sure
13 there was a consistent treatment of all the data, and
14 we got as much information out as we could, both for
15 Staff needs and for utility needs, that we might fund
16 permanent survey analysis informations at the Commission.

17 COMMISSIONER COMMONS: Well, I believe we
18 have the authority, under the Warren Alquist, to have
19 it done this way in terms of the formatting, is that
20 not correct?

21 MR. KELLY: That's correct.

22 COMMISSIONER COMMONS: And, if I read the
23 Governor's blueline or veto message appropriately,
24 that the resources he is saying are available in the
25 private sector for doing many of the things that we

1 have currently done. And, this may be from a critical
2 path point of view. I would tend to prefer to do that
3 than to give up this Commission doing forecasting,
4 for example, of not doing a residential sector, or
5 not doing analysis of where we're going.

6 It's a large-ticket item.

7 COMMISSIONER GANDARA: If I might, here.

8 MS. FLEMING: Commissioner, --

9 COMMISSIONER GANDARA: We're talking here,
10 at the very minimum, a BR-VI cycle for applicability,
11 so it really doesn't deal with work plans for the following
12 year, which is really more fiscal '84-'85 issues and
13 not--

14 MR. KELLY: Right, it moves to that, yes.

15 MS. FLEMING: I find it incumbent upon me
16 to say something before this discussion goes any further.

17 It is to remind the Commission that especially
18 my company is acting under very tight budget constraints;
19 it comes straight from our Chairman of the Board,
20 Tom Page. So, please take that into consideration
21 before you start deciding that utilities can take on
22 more to fill up the gap that is caused by these budget
23 problems at the Commission.

24 COMMISSIONER GANDARA: Okay, thank you very
25 much. I think, perhaps, it might have been more appropriate

1 if we had proceeded along some conclusions in that
2 line before we did that. But, thank you for your comment,
3 anyway.

4 MR. KELLY: Make the presentation?

5 I'll give you just some background on relative
6 EDP expenditures. For the last BR, we spent roughly
7 \$531,000, which is more than the entire Commission's
8 allotment this year.

9 COMMISSIONER GANDARA: How much was that?

10 MR. KELLY: \$531,000. Now, that is -- that's
11 actual historical dollars in '81 dollars. And, Teale
12 has gone up 20 percent since then, so to pay for that
13 this year, out of this year's dollars, under current
14 operating, we'd need over \$600,000.

15 COMMISSIONER GANDARA: You're just talking
16 about EDP funds?

17 MR. KELLY: I'm just talking about EDP funds.

18 The initial allocation that we've been given
19 is 164.5, which is -- even with some savings, which
20 for us is relatively minor, since most of our forecast
21 is set up on Teale, and over a period of years, could
22 be set up in large measure, I think, on Data General,
23 that is a long time coming and that assumes a dedicated
24 EDP Staff and forecasting Staff working out that transi-
25 tion, so, in effect, it will not occur, and we will

1 be stuck with the Teale requirements.

2 And, I've indicated on our EDP breakdown,
3 I think you have in your package, our first cut estimate
4 of expenditures. The place that 164 starts breaking
5 down is -- these are the best estimates that we in
6 EDP can come up with on some of these, given just expen-
7 ditures that we've used in the past -- the Staff forecast
8 is actually a number that we've estimated initially,
9 when we first put these work plans together, preparing
10 complete baseline set of runs with all the conservation
11 measures and all the different price impacts and the
12 rest of that through all the different runs that we
13 have to make, did not include the fact that we've already
14 spent quite a bit of money in July out of this budget,
15 and didn't include the fact that some of the models
16 that we have right now are in transit, in that they
17 aren't the models we had in the BR-IV, and they're
18 not running, yet, for BR-V, so we'd need some monies
19 to clean that up just so we could push the button to
20 run them.

21 So, there's some uncertainty around those
22 numbers for precision. But, like I say, based on the
23 experience we've had with EDP, we're probably within
24 10 or 15 percent of estimating how much this is going
25 to cost.

1 And, we've estimated something like \$164,'
2 to \$194,000 we need, additionally, to do some basic
3 research we consider vital for the forecast and for
4 conservation breakouts.

5 And, that would give us, if we were to get
6 all of that, it would give us \$300,000 out of \$500,000
7 and that's a whopping amount.

8 COMMISSIONER COMMONS: Now, is this --

9 COMMISSIONER GANDARA: Excuse --

10 COMMISSIONER COMMONS: --all during this
11 current work plan year?

12 MR. KELLY: Yes.

13 COMMISSIONER GANDARA: Let me see if I can
14 try and focus this. I'm sorry, did you finish your
15 question?

16 COMMISSIONER COMMONS: Go ahead.

17 COMMISSIONER GANDARA: Let's see if I can
18 try and focus this. Your submittal starts off with
19 a very heavy emphasis on the EDP problems, and since
20 your division was affected less, it was clear that
21 in the EDP funds we didn't get what we wanted, it's
22 slightly different problems. Yet, the bullets that
23 are up front do not seem to contain that EDP overview,
24 unless, am I to assume that the recommendations you
25 would be making out of these six bullets, would be

1 to make your work in conformance with the reduced EDP
2 budget?

3 Is that correct?

4 MR. KELLY: No. The proposal would be to
5 augment our EDP budget.

6 COMMISSIONER GANDARA: Well, let's see if
7 I can understand correctly here. It would be -- you
8 have -- if the Commission, you know, dropped the out-
9 of-state power because it's not being -- it wasn't
10 funded, if the scenarios work is dropped, if the Commission
11 doesn't expand the demand assessments office, if transporta-
12 tion forecasting is dropped, are you saying that all
13 that would require an increase in EDP budget, as opposed
14 to bringing the EDP -- I mean you're fitting your work
15 to the EDP budget that's available?

16 MR. KELLY: Most of these other items don't
17 affect the EDP question very much. The biggest issue
18 is in the forecasting area.

19 COMMISSIONER GANDARA: So, you're saying
20 there should--

21 COMMISSIONER SCHWEICKART: --scenarios--

22 COMMISSIONER GANDARA: --there should be
23 a seventh bullet, then, here?

24 MR. KELLY: The scenarios work largely takes
25 place outside of EDP.

1 COMMISSIONER GANDARA: Transportation forecasting?

2 MR. KELLY: Transportation forecasting is
3 done wholly on Data General, which requires no Teale
4 EDP funds.

5 COMMISSIONER GANDARA: So, there should be
6 a seventh bullet, then, here, is what you're saying.

7 MR. KELLY: Well, the --

8 COMMISSIONER SCHWEICKART: Um-hum.

9 COMMISSIONER EDSON: Yeah.

10 MR. KELLY: --as I understand it, the issue
11 transcended just this division, and it is in our division--
12 you have our division summary. It is prominently highlighted
13 there as a major issue, and I think it was left out
14 of this to highlight the fact, so the Executive Office
15 could indicate it really is a Commission line problem,
16 but we're the ones most heavily affected.

17 COMMISSIONER EDSON: As I look at your Table 1,
18 which assesses the current amount of EDP allocated
19 to assessments, and then other pieces you would like
20 to see allocated to assessments, I total those up to
21 be 482 and not 350. Am I --

22 COMMISSIONER GANDARA: Well, it could be
23 that -- the 194 could be 164, depending on some scenarios
24 we have internally, and that comes out to about 325.

25 COMMISSIONER EDSON: If you just take the

1 current funds and the funding reallocation and not
2 the additional potential needs?

3 MR. KELLY: Yes.

4 COMMISSIONER EDSON: Well, --

5 MR. KELLY: Because I think the additional
6 potential needs are, for all practical considerations,
7 moot.

8 COMMISSIONER EDSON: Well, I don't think
9 we've heard from the other divisions as what the EDP --
10 of this reallocation of EDP funds would mean to their
11 programs.

12 MR. SMITH: We're planning to address the
13 EDP issue separately, along with some other operating
14 expense issues on the 10th. As I indicate, the basic
15 trade-off, the largest users of EDP internally, are
16 Administrative Services for support of our Management
17 Systems and Assessment Division, and given the current
18 allocations, that probably accounts for about 90 percent
19 of the proposed EDP use. Very small amounts in other
20 divisions. Conservation is probably the next largest--

21 COMMISSIONER GANDARA: Is there a -- Is there
22 a consensus, then, to ask any remaining questions on
23 the EDP issue, and then hold it open till August 10th,
24 when we're going to have, then, sort of, kind of the
25 impact on the other divisions, as well as potential

1 reallocations and so forth?

2 Because, I guess -- from what I hear, I'm
3 not prepared to move into decisions on EDP because
4 I -- I think that there would be effects on the other
5 division issues, from the other division issues.

6 MR. SMITH: The impacts on the other divisions,
7 in the case of Siting and Environmental Development
8 Division and the like, would actually be rather minor.
9 Major impacts are here in Assessments, and we can have
10 a review of what some of those effects are.

11 COMMISSIONER COMMONS: I'd like to --

12 MR. SMITH: As I say, we're dealing within
13 Administrative Services and Assessments with about 90
14 percent of the EDP budget, so --

15 COMMISSIONER EDSON: So, of -- Assessments
16 is getting 164 and Administrative Services is getting
17 what? 300?

18 MR. SMITH: 2' -- 250' was proposed. No,
19 these are preliminary targets based on a proportional
20 distribution of the available money that was based
21 on the actual expenditures in the past two years.

22 COMMISSIONER COMMONS: Well, I could say
23 that the CFM Committee is bringing up on August 10th,
24 also, the CFM order, as was done on the oil surcharge,
25 but I don't want to hide the issues that are lurking

1 there and spring them on the Commissioners at that
2 time, because that CFM order is loaded with issues
3 that affect the allocation of funds because of EDP,
4 and I just don't think we can pass by and try to handle
5 everything on August 10th. August the 10th has so
6 many hours.

7 And, I think we need to raise some of the
8 alternatives and questions. I'm not saying we have
9 to close on it, I don't think we can close on it, but
10 I think there are a lot of issues here that we should
11 discuss and see if we can give any direction or at
12 least identify what the issues are.

13 COMMISSIONER GANDARA: Well, that's why,
14 you know, I would encourage that we finish the question
15 with EDP and then move to the larger issues. I think
16 that the ones that are outlined here are appropriate
17 to deal with. I have a much larger issue that perhaps
18 the Commission might want to consider, and that is
19 that I seem to recall from one of the Little Hoover
20 Commission testimonies, that they asked what the dollar
21 amount and the PY's that we'd spent on the Biennial
22 Report and the Electricity Report happened to be. They asked
23 for major reports and I think our answer was something
24 around the order of 27 PY for the Biennial Report,
25 and over \$1-million. If that's the case, I guess,

1 you know, I would raise as a large issue: Do we want,
2 for the next fiscal year, to drop all activity related
3 to the Biennial Report, have those PY's available
4 for reallocation; and basically this is consistent with
5 what I mentioned earlier: We have competing mandates.
6 You know, we try to fulfill them as best we can, but
7 we delay some, and proceed with others. That clearly
8 is just one option.

9 But, you know, we're talking about a big chunk
10 of PY there. I recall it was additional testimony
11 there were 27 PY for the Electricity Report and I
12 forget what the dollar amount was there. Was it \$700,000-
13 \$750,000?

14 MR. SMITH: I don't recall the dollar amount,
15 but the level of Staff effort is approximately correct.

16 COMMISSIONER GANDARA: Yes, they were talking
17 about, you know, sort of 54 PY there. Realizing that
18 really we can't talk about reallocating that, perhaps
19 we need to proceed on the Electricity Report, the BR--
20 you know, rescheduling might free up, you know, some
21 demands on the EDP budget, and it might be considered
22 as to whether we could live, then, within that budget.

23 On the other hand, the Commission can very
24 well make the judgment that that is an unmodifiable
25 schedule that we need to proceed on, and we might place

1 that at some level of priority, but I think at this
2 point in time, I think that's kind of a large decision,
3 and some of the ones that are highlighted here in this
4 bullet face that, and so we can begin looking at the
5 forest and get away from the trees here.

6 MR. SMITH: A very great concern, given the
7 level of Staff effort within the divisions, and particularly
8 within the Assessment Division, would be our ability
9 to maintain the quality of the analytical work and
10 forecasting work, policy development work that has
11 gone into prior BR's, and in a year where we're stretched,
12 to maintain basic monitoring technical assistance,
13 continue to provide some level of enforcement and standards.

14 COMMISSIONER GANDARA: Well, those 27 PY
15 are allocated throughout the Commission, so that would
16 be freeing up people in Siting and then, you know,
17 in Development, Conservation--

18 MR. SMITH: Basically, it would be a matter
19 of going to some of the Staff in Development Division
20 and asking them to stop the project work and to devote
21 some of their time to doing analytical work, leading
22 to the Biennial Report issues.

23 MR. KELLY: I wouldn't get too closely tied
24 to the 27 PY. for exactness, since I remember the range
25 being open to a matter of interpretation from relatively

1 small amounts of 12 PY all the way up to over 100,
2 depending on how you want to view the work.

3 MR. SMITH: The 27 to 35 range is probably --
4 at least that's the most familiar to me.

5 COMMISSIONER EDSON: My comment, Commissioner
6 Gandara, that I've always been sympathetic to your
7 idea that perhaps we should stagger the Biennial Report
8 and Electricity Report, and this may be the appropriate
9 time to consider that, where we proceed with the work,
10 as scheduled, on the Electricity Report and essentially
11 delay work on the Biennial Report for another year.

12 COMMISSIONER GANDARA: I think Staff has
13 been counting on that.

14 COMMISSIONER COMMONS: Well, --

15 COMMISSIONER GANDARA: And that the allocations--

16 COMMISSIONER COMMONS: --let me --

17 COMMISSIONER GANDARA: -- yes, reflect that.

18 COMMISSIONER SCHWEICKART: Already.

19 COMMISSIONER EDSON: Already, I see.

20 COMMISSIONER COMMONS: Let me raise some
21 other alternatives. We have a gap here that doesn't
22 close without making hard decisions, cutting something.
23 One alternative is for us not to make a Staff forecast.
24 That would obviously free up a lot of EDP time. Another
25 alternative is to only do a partial, one BR cycle,

1 do the commercial/industrial; the next BR cycle, do
2 the residential. And just plug in and use the old
3 numbers.

4 I've already raised the question on the surveys.
5 I notice on the funding reallocation there's \$60,000
6 allocated for the surveys. Maybe that -- maybe that
7 number can be reallocated otherwise.

8 I think there's some major issues in terms
9 of our role in doing the surveys, giving the limited
10 resources that -- within the CFM budget that maybe
11 ought to be asked.

12 I think you're saying, though, if we were
13 to postpone the BR work until next year that that doesn't
14 solve in any way, shape, or form, the EDP program we
15 have. That may address some of the personnel-related
16 problems, but you've already built that in here, anyway.

17 MR. KELLY: That would probably save some
18 EDP, too, I mean I won't -- but, it's largely personnel
19 issues.

20 COMMISSIONER COMMONS: Is the bulk of the
21 EDP money, is in the Electricity Report --

22 COMMISSIONER EDSON: I'm confused. I thought
23 you said a minute ago that the BR work was already
24 delayed until the next fiscal year. So, what savings
25 would there be--

1 MR. KELLY: A large amount of the work is already
2 delayed.

3 COMMISSIONER EDSON: So, what savings would
4 we find? I mean, how can we have savings if you've
5 already delayed the work?

6 MR. KELLY: Some work has been postponed
7 past when we thought it was going to be done into later
8 in this fiscal year. If we slip a BR, for instance,
9 then that lets us put it off into the next fiscal year.

10 COMMISSIONER EDSON: So, it does still appear
11 in the '83-'84 budget?

12 MR. KELLY: There is some in there, yes.

13 COMMISSIONER COMMONS: What if we didn't
14 do Staff forecast? How would that impact us budget-wise?
15 on EDP?

16 MR. KELLY: I think the impact would be more
17 than just budget-wise. That would save us quite a
18 bit of EDP.

19 COMMISSIONER GANDARA: Let me say that I
20 didn't intend to start an avalanche with respect to
21 our entire jurisdiction here.

22 I would make a significant distinction between
23 the Electricity Report and the BR. The -- both documents
24 are very important; both documents are mandated. On
25 the other hand, we should not forget that the core

1 and the bread-and-butter of the Commission happens
2 to be Siting and Forecasting, along with our, you know,
3 conservation -- minimal, you know, our programs in
4 development, but nonetheless, our jurisdictional bread-
5 and-butter is Siting and Forecasting.

6 Our forecasts are very critical to the determina-
7 tion of need, with respect to the site.

8 We can have a forecast that serves those
9 purposes and yet if a BR is delayed, not get us into
10 any particular problems of consideration of need that
11 was not done timely.

12 The other part of it, too, is that we are
13 geared, and we have momentum, and I think there's certain
14 efficiencies in the cycle that we do have for the prepara-
15 tion of the Electricity Report. It's one thing that --
16 well, there are many things that we do well, but it's
17 one thing that we are particularly well at doing that
18 we've got into a good routine, has been the preparation
19 of the forecast. In fact, there may be more false
20 economy to scale, and false economies in copying certain
21 portions of that forecast.

22 I, for one, would feel that we need to maintain
23 that as a minimum level of activity, to have the Staff's
24 independent assessment of what that forecast would
25 be -- the Commission's independent assessment of that.

1 So, while I was suggesting this idea of perhaps
2 delaying the BR even further, because it would free
3 up essentially resources in lots of divisions, I,
4 on the other hand, would be reluctant to give up portions
5 of the electricity report because, in essence, that
6 would free up -- first of all, cut into very critical
7 functions, but essentially free up no more than what
8 we would have in assessments, and frankly, for this --
9 we are budgeted and we do have those things in our
10 work plans.

11 COMMISSIONER EDSON: I agree.

12 COMMISSIONER GANDARA: Okay. So, --

13 MR. KELLY: One of the options in that regard
14 that we had come up with, if we had limited EDP to
15 essentially what we've got here, plus or minus \$50,000,
16 was one Staff forecast, and that forecast on June 1st,
17 which is three months following the intended release
18 of the forecast and would only give the Committee one
19 month to subject that to its own scrutiny, plus cross-
20 examination, in essence, from the utilities and other
21 public input for making a decision on final direction
22 for forecasts at the end of that month, to keep the
23 current Electricity Report scheduled.

24 COMMISSIONER COMMONS: Let me understand
25 this, since I have to make a determination if I'll

1 even continue to sit on the Committee, if we don't
2 have the resources to do a reasonable job, because
3 I, certainly for one, in an area where I have professional
4 experience before coming on here, am clearly unwilling
5 to participate, if we're going to do something second-
6 class. I'm willing not to do something. That causes
7 me no problem, but to do something that is inadequate
8 or of poor quality is better not to do it than to do
9 it.

10 MR. KELLY: If we considered this poor or
11 second-class quality, we would not be proposing it.

12 COMMISSIONER COMMONS: Well, if you were
13 to have your forecast, that is the forecast of the
14 Staff, and the Committee were to get your forecast,
15 and the forecast of the utilities, then what is their
16 ability to take the information of the utilities and
17 to take the information of the Staff, and make an assessment?
18 Are we stuck with the position of having to adopt the
19 Staff forecast, or adopt a utility or utilities forecast
20 without being able to say -- well, we think the information
21 of the utilities in terms of the economic growth of
22 the country makes sense. We think the quantification
23 of the conservation impact of the utility is not as
24 good as the Staff's assessment. Clearly, one utility
25 may make different judgments than another utility about

1 some of the assumptions. If the Committee decided
2 for one reason or not, not to adopt the Staff forecast,
3 there would still be that internal inconsistency and
4 you'd have to make those assumptions consistent. Other-
5 wise, we should, in the CFM, if the intent is to minimize
6 the amount of computer time, is state to all of the
7 utilities and the Staff that the economic assumptions
8 are as follows: And those are the ones that we are
9 going to live with.

10 Otherwise, we're going to be giving the Committee
11 I think, a situation it can't handle. Or do an assessment
12 or forecast.

13 MR. KELLY: There would still be the opportunity
14 to review utility forecasts after March 1st. There
15 would also be the opportunity to compare their inputs
16 with Staff inputs, since we would have prices and economics
17 and that sort of thing already prepared by the Staff.
18 That wouldn't prevent a discussion on theirs taking
19 place, and it could take place as scheduled. What
20 would be the only thing that would slip, and you might
21 save -- you would save some time during that initial
22 utility review phase by having the Staff, then, in
23 June, be asked questions by the different utilities,
24 and the only things then that would be open to question
25 would be changes in methodologies, different models

1 being used than were used formerly, and that sort of
2 thing.

3 But, the discussion would still take place.
4 It would just -- the Staff's discussion would be focused
5 on a week in June instead of spread out over the month
6 of March.

7 COMMISSIONER COMMONS: I believe you would
8 be suggesting, because of the funding reallocation
9 options, that there would be no funding to the Committee
10 for their forecast?

11 MR. KELLY: Any such funding would have to
12 come out of the '84-'85 work plan, yes, and that would
13 cause the Electricity Report, as we have it structured
14 right now, to be changed or delayed.

15 And that -- the Committee would have its
16 option then of adopting a combination of forecasts
17 or creating another forecast. All it would lose is
18 the option to redirect Staff.

19 COMMISSIONER GANDARA: If I could -- we have
20 some people that are going to turn into pumpkins at
21 5:00. So, what I'd like to do is I'd like to move
22 through the issues that we have up front. We spent
23 a lot of time on the EDP problem here that I think
24 has been appropriately recognized. There are a lot
25 of ramifications to it. I don't think you expect,

1 nor can we give you some resolution of any issues here.
2 I think we've become well educated on it.

3 If, you know, -- if, in your judgment, these
4 bullets encompass the range of your concerns, I think
5 that it would be helpful for us, at least, to consider
6 them, and try and move before 5:00 on it.

7 If we can't, well that's another matter,
8 but I would suggest that perhaps you start with the
9 first bullet.

10 MR. KELLY: Okay. I'll call your attention --
11 I was going to go through -- these issues, typically,
12 we have been able to put them within one office's area,
13 because our trade-offs appear to be largely with-in
14 office trade-offs, and so for those things that won't
15 get done, I just urge you to read through our division
16 issues list, which is separated by office, for any
17 things that we're dropping out of the work plan. We
18 tried to highlight those for you so you wouldn't have
19 to go through all the detail of finding them.

20 But, the first concerns the out-of-state
21 power, which is phrased a little differently than the
22 Division would phrase it, in that we would propose
23 that essentially the work on out-of-state power be
24 performed for many reasons. One of which is that the
25 costs appear good, at something less than 3-cents per

1 kilowatt hour. That puts it right in the middle range
2 of Conservation estimates, and if we look at the large
3 savings that accrue, it comes out to be somewhere along
4 12,000, 13,000 kilowatt-hour savings compared to conserva-
5 tion measures that are in the same approximate cost
6 area, which comes out to about 4500 kilowatt hours,
7 which is about a third of what the savings could be
8 from out-of-state power.

9 The other point that I want to make along
10 with that, even though I looked at the relative costs,
11 is that we see the out-of-state power work as being
12 essentially complimentary to conservation and not so
13 much in competition with it, largely since the savings
14 are immediate and large, and conservation savings appear
15 to be small to start with, and build over time, after
16 the out-of-state power loses its impact.

17 In terms of PY, then, we're talking in terms
18 of 12' to 13,000 kilowatt hours of savings, in essence,
19 every year, drawing down avoided costs. And, we're
20 talking 4 PY total for the out-of-state project, not
21 counting transmission lines, which --

22 COMMISSIONER GANDARA: Okay, Mr. Kelly, --

23 MR. KELLY: --is --

24 COMMISSIONER GANDARA: --I'm concerned about
25 the time. I think, in the last Executive Session,

1 we received a very good presentation of the costs and
2 benefits, and I think the issue before the Commission
3 right here is given that this was proposed, this was
4 something represented as a very close interest to the
5 Governor and I guess their assessment was, in fact,
6 that they did not wish to fund this. And, the question
7 for the Commission is: Do we wish to pursue it, despite
8 that.

9 You know, I concur with many of the beneficial
10 aspects that you noted here, but in the interests of
11 trying to move rapidly through these, which I think
12 we can, I think most of us are familiar with this.

13 Are there any Commission comments on the
14 first bullet?

15 COMMISSIONER EDSON: My comment is that I
16 am skeptical that our effort in this area is really
17 going to be the difference of whether or not we're
18 able to get the Northwest Power contracts and that
19 to suggest that our allocation of resources is going
20 to bring a 12' to 13,000 kilowatt-hour per-year benefit
21 to the state, I think is a fairly optimistic assumption.
22 I -- this may be one of those areas where I think it
23 might be wise to consider the reallocation of the re-
24 sources to the conservation activities where we can
25 have more assurance that our efforts will actually

1 pay off in savings.

2 COMMISSIONER SCHWEICKART: I tend to concur
3 with that, as well.

4 COMMISSIONER COMMONS: With the exception
5 that where we have had legal matters in the past, we
6 should continue to pursue California's interest on
7 out-of-state power. I'm not sure it comes out of this
8 Division's activities, but there is certainly support
9 functions that you may have to do in terms of providing
10 economic data. I would not want us to drop our legal
11 activities vis-a-vis Northwest Power issues, where
12 the State of California has major economic interests.

13 But, I think the Governor's blueline has
14 eliminated this item for consideration as a new activity.

15 COMMISSIONER GANDARA: I concur with the
16 other Commissioners on this matter, so I think that
17 the basic direction for this, and, of course, the legal
18 issues are reviewing on a case-by-case basis as we
19 engage in litigation for rate cases.

20 MR. KELLY: So, we essentially drop the P-Y
21 that we had requested in the budget that got bluelined?

22 COMMISSIONER GANDARA: That's correct. And
23 the work.

24 MR. KELLY: And the work.

25 COMMISSIONER GANDARA: Second bullet, given

1 the constraints you've outlined before and consistent
2 with at least my view of perhaps looking at a possible
3 delay of the BR, you're talking about dropping scenario
4 work for the '83-'84, I would concur with that.

5 COMMISSIONER SCHWEICKART: I apologize. I
6 have a hard obligation. I may be back before the meeting's
7 over, but in the event that I don't get back, I'd like
8 to just indicate for bullet two, yes; for bullet three,
9 no; for bullet four, yes; for bullets five and six,
10 maybe. In case anybody cares.

11 COMMISSIONER GANDARA: Okay, so --

12 COMMISSIONER COMMONS: Okay, on the second
13 bullet, I guess all the items that have come up today,
14 so far, anyone who can tell me that this is the way
15 the world is going to be, and we should do our planning
16 on that basis, that person's incorrect, and if we're
17 going to go through doing scenarios or reviewing scenarios
18 or doing a forecast, this is the item we should do.
19 If we don't do it, we should just drop the whole thing,
20 as far as I'm concerned, and I would consider this
21 to be more serious for us to delete this item than
22 to delete doing a Commission forecast.

23 COMMISSIONER EDSON: I couldn't disagree
24 more strongly. I think this is a good candidate for
25 slipping into the next fiscal year.

1 COMMISSIONER GANDARA: Yeah, my feeling on this
2 is that the scenario work is not a statement of how
3 the Commission will view the future, it is a sensitivity
4 case analysis, essentially. It's -- given the fact,
5 as we've discussed before, do not have uncertainty
6 around the forecast, arranged principally because of
7 some legal requirements with respect to conformance
8 with need, that the scenarios work is important, as--
9 in terms of providing us with some policy direction.

10 The proposal, as I see it here, is to essentially
11 defer this during the '83-'84 year, but if we're going
12 to defer the BR, then we can pick it up a bit later.
13 My only caveat to this is if this is being proposed
14 to be dropped because of your original proposal, that
15 we nonetheless spend PY's on out-of-state power, even
16 though we have it -- now that the Commission's decided
17 we're not going to do that, whether those people would
18 be freed up for this work, you know, is another matter,
19 but actually, I think, the last bullet is where you
20 would use them. But, at least for now, I think that
21 there is at least a Commission majority here that says
22 that we can defer the scenarios work for an additional
23 year.

24 COMMISSIONER COMMONS: It says drop, not
25 defer.

1 COMMISSIONER GANDARA: In '83-'84.

2 COMMISSIONER COMMONS: All right, so you're
3 saying, then, that the CFM order that currently is
4 out, which includes scenarios, does that mean that
5 we will drop the scenario work for the utilities?

6 COMMISSIONER GANDARA: That -- the scenario
7 work the Commission does for its own purposes is different
8 from the solicitation of a sensitivity case that we
9 request of the utilities. It is a thinking process
10 that we ask them to go through so we can get an idea
11 of the variability of their independent parameters,
12 if I'm correct.

13 MR. KELLY: Yes.

14 COMMISSIONER GANDARA: So, they're independent.

15 COMMISSIONER COMMONS: Are we saying in terms
16 of this, which is you're saying that there's a majority
17 of three, that we will not be having alternative fore-
18 casts of fuel prices? We will just have one fuel price?

19 COMMISSIONER GANDARA: No, that --

20 COMMISSIONER COMMONS: Redefine what we mean
21 by scenario, then.

22 COMMISSIONER GANDARA: The scenario work
23 that we are discussing here is basically that which
24 we call the current trends and the --

25 MR. KELLY: Accelerated alternatives.

1 COMMISSIONER GANDARA: --accelerated alternatives
2 in the last BR, and what that means is after you get
3 through with your forecast, after, you know, actually
4 the Staff does prepare some scenario work, I think,
5 based on their own forecast, but essentially scenario
6 work is conformed to with the last forecast. We did
7 that the last time around.

8 It essentially says, that if this is what
9 we forecast, then that comes at the end of the process
10 whereby you look at the ranges of fuel prices, which
11 you looked at economic demographic indicators. It,
12 in no way, affects the forecasting process up to that
13 point.

14 It's something follows on.

15 Now, unless I misunderstand--

16 COMMISSIONER COMMONS: Well, maybe you haven't
17 read the draft CFM order which has been circulated
18 to all members of the Commission. But, it does not
19 talk in that language. That may have been what was
20 done two years ago and comments and requests have been
21 solicited by other Committee members and by other
22 Commissioners.

23 What it does talk about this time is that
24 there be a demand forecast based on high and low oil
25 price forecasts; that there is no such thing as one

1 oil price, and that the development of the scenarios
2 and the analysis of the scenarios is not based on best
3 guess as to what the future oil price will be, because
4 there is no such thing as a best guess.

5 The information suggests that there's actually
6 a wide range of oil prices which may lead -- which
7 are reasonable and it's very difficult to say that
8 this particular oil price will be that which occurs.

9 So, are you suggesting in terms of your --
10 the way you're reading the language here, is that we
11 will drop that activity?

12 COMMISSIONER GANDARA: As I understand what
13 you said, what the Commission is discussing here is
14 not related to that.

15 I will read the CFM order, but to my understand-
16 ing of the process, I can't imagine that it will be
17 substantially changed. These are independent -- two
18 independent things we're talking about.

19 COMMISSIONER COMMONS: Is that Commissioner Edson's
20 understanding?

21 COMMISSIONER EDSON: Yes, it is.

22 COMMISSIONER GANDARA: It's Staff's understanding,
23 I think, too.

24 COMMISSIONER COMMONS: Okay. Then, we don't
25 have a disagreement.

1 COMMISSIONER GANDARA: Okay. So, those things
2 are not threatened whatsoever by this.

3 To the next bullet, is should the Demand
4 Office Staffing be increased to augment existing fore-
5 casting capabilities. Is there some elaboration of
6 that?

7 MR. KELLY: We have a number of vacancies,
8 and at the moment we have no hiring ability. And,
9 we have options of sort of having matches -- skill
10 matches in other parts of the Commission apply to this,
11 at least through December. And, the question is: Do
12 we -- is that something that could be entertained? Either
13 hiring or skill matches, and conscription?

14 COMMISSIONER COMMONS: One thing we discussed
15 this morning was the movement from conservation of
16 those persons who are going to be doing the conservation
17 quantification effort into assessments.

18 MR. KELLY: The contact person, or the whole
19 crew?

20 COMMISSIONER GANDARA: It was the other way
21 around.

22 COMMISSIONER EDSON: It was the other way
23 around.

24 COMMISSIONER SCHWEICKART: No, the other
25 way around.

1 COMMISSIONER COMMONS: From the movement of those
2 persons doing conservation quantification--

3 COMMISSIONER EDSON: Would be moved to conserva-
4 tion.

5 COMMISSIONER COMMONS: And charged against
6 conservation?

7 COMMISSIONER SCHWEICKART: No. We're looking
8 at augmenting Conservation Division's capability for
9 conservation quantification by utilizing Assessments
10 personnel.

11 COMMISSIONER COMMONS: Well, okay, -- well,
12 I guess we have a misunderstanding continuing on this
13 per item. The question is: Who does the conservation
14 quantification in the CFM? Is it done out of the Conserva-
15 tion Division, which had no people allocated to it,
16 or is it done out of the Assessments Division, and
17 charged against their people?

18 COMMISSIONER GANDARA: It's done by both at
19 this point. It's my understanding -- is that you all
20 set up the methodology; then you request, as an input,
21 for various conservation measures from the Conservation
22 Division. Okay? And, what was at issue here was given
23 that there was no allocation for conservation quantification
24 work in the Conservation Division at this point, the
25 concern over that that there would be a temporary assignment

1 for the purposes of completing that conservation quanti-
2 fication. Now, you know, in other words, technical
3 assistance, you call it temporary assignment, whatever,
4 you know, to the Conservation Division.

5 Now, --

6 COMMISSIONER COMMONS: So that's an --

7 MR. KELLY: You mean take our -- assign our
8 vacancies over there?

9 COMMISSIONER COMMONS: That's right.

10 COMMISSIONER GANDARA: No. Not assign your
11 vacancies. Assign temporarily some people that would--
12 they don't even have to move offices, as I understand
13 it, they don't even have to move, whatever, but that
14 essentially -- that more of the burden for conservation
15 quantification, okay, would then fall on the Conservation
16 Division.

17 MR. KELLY: But, we would then give up our
18 forecasters to go over -- to do the work?

19 COMMISSIONER GANDARA: No, I don't think
20 that was the intent. That was not the discussion.

21 COMMISSIONER COMMONS: Well, let's --

22 MR. KELLY: Well, we have forecasters and
23 we have vacancies.

24 COMMISSIONER COMMONS: Thom, what was happening
25 this morning when you weren't here, is in looking at

1 the Conservation Division, no persons were allocated
2 in Conservation Division to do conservation quantification
3 as part of the CFM. And, the discussion was that the
4 only people who are able to do that are either in
5 Assessments or Conservation, but the charge would come
6 against your Division.

7 Now, I know you didn't vote for that.

8 MR. KELLY: Well, we have vacancies and we
9 have forecasters. If we don't do forecasting, the
10 conservation quantification will be meaningless.

11 COMMISSIONER COMMONS: Yeah, the intent was
12 not to use your limited Staff resources, which you
13 currently have, but use certain people in Conservation
14 Division who have that capability doing that work.

15 COMMISSIONER SCHWEICKART: No, --

16 COMMISSIONER EDSON: No.

17 COMMISSIONER SCHWEICKART: --that's not the
18 rest of the Commission's sense, at least not the way
19 I heard it.

20 COMMISSIONER COMMONS: Okay.

21 COMMISSIONER SCHWEICKART: The Conservation
22 Division has been cut over 50 percent. The idea was
23 not to cut them by 60 percent and give Assessments
24 a little more, it was to say the work that needs to
25 be done ought to be helped out by the Division that

1 got cut the least. And if that means doing less forecasting,
2 that means doing less forecasting.

3 COMMISSIONER COMMONS: We're saying the same
4 thing.

5 MR. KELLY: Without a forecast your conservation
6 quantification is meaningless. I mean meaningless.
7 There's nothing from which to subtract the conservation.

8 COMMISSIONER SCHWEICKART: All right. Then,
9 we need to understand what, in total, the Division
10 is doing and make a judgment whether conservation quanti-
11 fication needs to be done or not.

12 COMMISSIONER EDSON: I think these were among
13 the issues that Kent suggested should be postponed
14 until the 10th so that --

15 MR. SMITH: That's right, --

16 COMMISSIONER EDSON: --the Assessments Division
17 would have some opportunity to --

18 MR. SMITH: Yeah, we needed an opportunity
19 to talk with Thom, to investigate the mechanics, any
20 problems in the Department of Finance, and provide
21 an opportunity, then, to assess the effect of the --

22 COMMISSIONER GANDARA: The additional informa-
23 tion that you are providing seems to imply conservation
24 quantification work is inseparable from your forecasting
25 work, and that therefore, if you do shift over those

1 people, forecasting would be affected.

2 The impression the Commission had this morning
3 was that that was not the case. That, in fact, that
4 work was separable. Okay.

5 So, the Commission faced the following choice:
6 Okay, since -- do we drop conservation quantification,
7 the decision is no, we continue it.

8 Since Conservation Division is not given
9 the resources to do that, the following two choices
10 exist:

11 One, either you take full responsibility
12 for all the conservation quantification, or, alternatively,
13 you shift over some of your resources so that Conserva-
14 tion Division can do the conservation quantification
15 that would be required.

16 Based on the information given this morning,
17 it was -- I would say it was an assumption that there
18 was a separability between the forecasting need of
19 those people and the conservation quantification that
20 they were performing.

21 Your response seems to indicate no, that
22 it's -- that, in fact, they're one in the same process.
23 They're completely synchronous, and it can't be done.
24 That's the kind of thing that you have to work out
25 that we, frankly, you know, have an assumption that

1 was slightly different, based on today's information.
2 I don't think we need to decide it. That's the reference
3 that I made earlier as to you would respond as we went
4 along as to how you would operate with an additional
5 4- or 5-percent reduction.

6 Okay, the idea was that the Commission wants
7 to continue conservation quantification. What do you
8 do when there are no resources left in the Conservation
9 Division to do it?

10 COMMISSIONER COMMONS: But, also put that
11 in light of the answer to should Demand Assessments
12 Office Staffing be increased. The answer is saying
13 yes.

14 COMMISSIONER GANDARA: Well, --

15 COMMISSIONER EDSON: No.

16 MR. KELLY: I don't hear that.

17 COMMISSIONER GANDARA: This -- now, this
18 is another issue which I think the bullet gives a dif-
19 ferent suggestion. The bullet gives a suggestion to
20 me that you're asking for an increase in Staffing to
21 augment forecasting capabilities just as it reads.

22 Your suggestion, that you made here, is that
23 you're not asking for an augmentation or an increase
24 in the capability, but what you're asking is to fill
25 vacancies. Now, I think that would make a difference

1 to what the Commissioners were considering here.

2 MR. KELLY: Oh, well, that's what we intend
3 to say, is existing forecasting capabilities, which
4 includes a pile of vacancies which cannot now be devoted
5 to forecasting--

6 COMMISSIONER GANDARA: I think the response
7 from the Commission, and I don't want to speak for
8 all of it, would be that, "Fine, fill your vacancies,
9 transfers within the Commission, if we can, you know,
10 but that the Commission did not wish to have additional
11 work done in forecasting that we didn't do before."

12 MR. KELLY: Oh, absolutely. This is --

13 COMMISSIONER GANDARA: Okay? Because, in
14 fact, you're going to fill them, and then you're going
15 to temporarily reassign them, perhaps--

16 MR. KELLY: Well, yes, that was my question--

17 COMMISSIONER GANDARA: --you know, depending
18 on how you work--

19 MR. KELLY: --about the vacancies.

20 COMMISSIONER EDSON: But, I'm assuming you're
21 not talking about filling vacancies from outside?

22 MR. KELLY: No. That is an option that we
23 would put forward, only it would get soundly rebuked.

24 (Laughter.)

25 COMMISSIONER EDSON: I think so.

1 MR. JASKE: Let me try to say that I believe
2 Commissioner Gandara has correctly described the mechanism
3 of transfer of information between Conservation Division
4 and Demand Assessment. And, that is that we have a
5 structure of models which requires certain inputs that
6 are the characterization of conservation programs.
7 And, we now have a capability to characterize -- to
8 quantify conservation programs, at least the major
9 identifiable ones of interest to the Commission, based
10 on inputs we have received in the past. We have
11 been exploring over a period of time with Conservation
12 Division, additional work that they would do to further
13 refine the characterization of those conservation programs.

14 For example: To update our characterization
15 of nonresidential building standards, which is now
16 based on an assumption that certain end-uses are reduced
17 by 40 percent relative to current Title 24, for a select
18 number of building types in a specified time frame
19 that those standards would take effect.

20 Obviously, that assumption is no longer operative
21 and needs, say, the matter of several person-weeks
22 of effort just to bring up to date with where things
23 are, at this minute, on nonres building standards.

24 There is a series of such necessary changes
25 for virtually every conservation program that are

1 desired. Some are essential, such as this one.

2 The people in Demand Forecasting who take
3 that information, put it into the models, run the models,
4 and then, in a sense, quantify the savings from the
5 program, are not the people who can better characterize
6 conservation programs.

7 Those people are Conservation Division specialists
8 dealing with that program.

9 We have the framework for taking their input,
10 and making it be consistent with economic growth, with
11 all the other factors associated with forecasting models.

12 So, even if you were to try to "funge" some
13 Demand Forecasting people over to Conservation Division
14 to help with conservation quantification, that couldn't
15 do the work that's necessary for conservation quantifica-
16 tion. Maybe they could do some other work that those
17 people are now being expected to do, but they, them-
18 selves, would not make any direct contribution to conserva-
19 tion quantification, per se.

20 COMMISSIONER GANDARA: Again, for guidance, --

21 MR. KELLY: And we'll -- yeah, there's --

22 COMMISSIONER GANDARA: --for negotiations
23 between--

24 MR. KELLY: --there's some mechanics that
25 we can work through.

1 COMMISSIONER GANDARA: --you and the two divi-
2 sions, the basic Commission decision is conservation
3 quantification will continue to be done faced with
4 the constraint that do you demand that of the Division
5 that doesn't have resources or do you assume all those
6 responsibilities, that is, some of your people become
7 conservation specialists or some of your forecasting
8 specialists then go over and learn conservation measure
9 quantification.

10 We're open to either suggestion. The fundamental
11 decision made by the Commission is that you should
12 begin to look at that, because the Commission did not
13 wish to drop conservation quantification efforts.

14 COMMISSIONER COMMONS: Let's also put it --
15 that's within the framework of the Electricity Report
16 and the BR. That's no in terms of the internal programs
17 of the --

18 COMMISSIONER GANDARA: Well, --

19 COMMISSIONER COMMONS: --we're only saying
20 it that far.

21 COMMISSIONER GANDARA: --what we're looking
22 at here is principally your forecasting -- I mean,
23 the only reason you receive this information right
24 now is mainly for your forecasting and for the few
25 forecasting applications that you have been doing.

1 MR. JASKE: Yes, there's that one principal
2 application.

3 COMMISSIONER GANDARA: Yeah, so I mean there
4 really is not a BR application of conservation quantification
5 at this point in time.

6 So, if we could move on to the next item.
7 Well, I think the consensus here was, by the way, is,
8 "Yes, indeed, you should, you know, fill the vacancies
9 that you have available and that you remain to work
10 out, you know, who those"--

11 COMMISSIONER SCHWEICKART: I'd like to understand
12 that a little bit. I mean, I would assume that there
13 are lots of places where we ought to be filling vacancies
14 from inside. We've only had it raised in this one
15 context.

16 Why?

17 MR. SMITH: Well, it was also -- yeah, it
18 was also an issue with regard to Administrative Services.
19 There are, in fact, I think the only two areas that
20 the Commission--

21 COMMISSIONER SCHWEICKART: I mean, why would
22 there not be, with people moving out onto the street,
23 if there are vacancies, why would not all vacancies
24 be filled as a routine matter? I mean, why is it even
25 a question? I guess --

COMMISSIONER GANDARA: If I might try that,

1 I seem to recall reading in the Assessment's Division
2 presentation a need for a particular expertise and
3 specialty, and that I don't have the exact request,
4 but I think in your material, you were requesting for
5 permission to recruit outside the Commission for those
6 specialists, and I think what the Commission is saying,
7 we recognize the need for that kind of expertise, but
8 at this point, under the circumstances, it would be
9 a preference for us to do as best we can filling them
10 from within. I think that answers your question, that
11 the -- that doesn't answer his question?

12 MR. KELLY: I think he's interested in why
13 we can't just take a Conservation Division specialist
14 and put it in the forecast, and we are specifically
15 prohibited from doing that because it changes their
16 classification and would affect the layoff process.

17 As it stands now, we'll be laying people
18 off and have vacancies. And we can't fill these from
19 within because--

20 COMMISSIONER EDSON: I see heads shaking
21 no.

22 MR. KELLY: --that's not right.

23 COMMISSIONER SCHWEICKART: Well, --

24 MR. KELLY: No, there's some flexibility.
25 Again, it depends on the classifications. We're not

1 making any permanent personnel changes during this
2 period of time, in fact, haven't for several months,
3 that would affect the outcome of the layoff of that --
4 just --

5 COMMISSIONER SCHWEICKART: All right, well,
6 if the Commission were to say here, in response to
7 the third bullet, "Yes, you should attempt -- you should
8 go ahead and fill those vacancies from inside."

9 MR. KELLY: Um-hum, given the appropriate
10 skills within the Commission we should be--

11 COMMISSIONER SCHWEICKART: Then, are we,
12 in fact, --

13 MR. KELLY: --able to --

14 COMMISSIONER SCHWEICKART: Is embedded in
15 this, are we now for the Assessments Division and the
16 Assessments Division, only, directing a change in Executive
17 Office policy about moving people around?

18 MR. KELLY: No, no, we would apply the same
19 policy--

20 COMMISSIONER SCHWEICKART: Okay, then my
21 question is:--

22 MR. KELLY: --to Administrative Services--

23 COMMISSIONER SCHWEICKART: Why is it being
24 done without anything coming from the Commission today?

25 MR. KELLY: Excuse me?

1 COMMISSIONER SCHWEICKART: Then, my question is:
2 Why isn't it being done without anything coming from
3 the Commission?

4 MR. SMITH: The first thing that we have
5 to determine is where are the areas where, in fact,
6 we have real vacancies; and, that is that we have already
7 lost Staff to the level--the authorized level within
8 that program or office, and then, in fact, have dropped
9 below that.

10 And, to this point, the only -- we've just
11 had the Governor's budget here in those final decisions
12 for a few weeks, the final decisions are going to be
13 dependent on your decisions on the 10th. At that point,
14 then, we'll know, with some precision, whether or not
15 we, in fact, have vacancies, or whether or not the
16 result of a work plan decision was to make a shift
17 of some sort, from one activity to another.

18 In Administrative Services, you have a particularly
19 difficult problem in that you don't have the ability
20 to take energy analysts and make them into accountants.
21 In some other work in Administrative Services, you
22 might very well have the ability to shift Staff and
23 to perform that work for at least -- on a limited term
24 or temporary basis, and that's something we're intending
25 to explore.

1 The first choice, within Administrative Services,
2 you make the shifts. If you don't have the ability
3 to fill the vacancies there, then you can look outside.

4 COMMISSIONER GANDARA: Do you want to hold
5 this over till the 10th?

6 COMMISSIONER SCHWEICKART: Yeah. I don't
7 know how to address this bullet. I mean the bullet
8 seems to be meaningless to me.

9 COMMISSIONER GANDARA: Okay. Let me try
10 one other thing to see if I can get something clarified
11 in my mind.

12 I seem to detect two levels of problem. One
13 level of problem is, can somebody whose skills are
14 say, conservation quantification, in some way, -- can
15 somebody whose skills are in that area now transfer
16 to a unit whose needs are in forecasting, if the actual
17 job requirements are different? Okay, that's one level
18 of question that I think is being addressed.

19 I think there's another level that I'm not
20 quite certain is involved here, and that is there's
21 a bureaucratic labeling problem that says somebody
22 whose skills are transferable, but who's labeled a
23 conservation specialist, cannot work in a unit called
24 a Forecasting Unit. Is there a labeling problem like
25 that?

1 MR. SMITH: On a temporary basis, we can
2 make shifts up to 60 days without those constraints.
3 The difficulty's when you talk about filling a vacancy,
4 the implication is it's filling a vacancy on a permanent
5 or an on-going basis, and that involves personnel trans-
6 action. I believe -- now, I'd need our Personnel Officer
7 here to help me, but I believe that you could do that.
8 Personnel talk "limited term" appointment that would
9 not affect the layoff, so, we could make those shifts--
10 COMMISSIONER COMMONS: Let me ask you this --
11 MR. SMITH: --internally.
12 COMMISSIONER COMMONS: --do we have the authority
13 given the layoff procedure, to make a permanent shift,
14 if there is a vacancy in the Division and the Division
15 identifies a person that they'd like to fill that
16 position and has that capability, so we don't end up
17 with as many mismatches, do we have the ability to
18 do that?
19 MR. SMITH: I couldn't tell you what the
20 State Personnel Board or Department of Personnel Adminis-
21 tration would say. What we have said, as a matter
22 of management policy, is that we would not do it.
23 COMMISSIONER COMMONS: I understand that's
24 what your position has been--
25 MR. SMITH: I would have to get back to you

1 with the other answer.

2 COMMISSIONER COMMONS: Could you get back
3 to us at the next business meeting on that, please?

4 COMMISSIONER GANDARA: That's a good idea.
5 We'll hear about it more on the 10th.

6 Okay, we can move on to the next bullet,
7 which is: Should transportation forecasting be dropped
8 and the Staff be directed to other work?

9 COMMISSIONER COMMONS: Yes.

10 COMMISSIONER GANDARA: Now, what is the problem
11 with Transportation Forecasting?

12 MR. KELLY: It is compounded since this was
13 originally suggested, and one of the problems we had
14 was that, at the time, we did not have sufficient resources,
15 we thought to keep the forecast boat afloat, and we
16 were not going to be able to do a forecast. And --

17 COMMISSIONER GANDARA: This is resources
18 in people or EDP funds--

19 MR. KELLY: Resources in people. I mean,
20 we are at the point right now, the ship can get out
21 of the harbor, and that's it.

22 COMMISSIONER GANDARA: Now, you have vacancies,
23 then?

24 MR. KELLY: We have vacancies in the Forecast.
25 But, in the -- so, we looked around the Commission.

1 First, we looked at our own resources to see if there
2 were internal matches that we could make. The only
3 internal matches we could devote to forecasting were
4 in the Transportation Forecasting work, since most
5 of those people were experienced forecasters.

6 So, we said, "All right, we can drop Transporta-
7 tion Forecasting, except for trying to run the models
8 that we have right now with the new data, because the
9 contracts have just come in, divert those people to
10 Forecasting."

11 Well, that would work for a few months, at
12 best, because the Forecasting Staff, the Transportation
13 Forecasting Staff is essentially going to disappear
14 between now and January. So, what we're going to be
15 faced with is two more vacancies.

16 COMMISSIONER EDSON: They're going to disappear
17 because they're taking new jobs? or because--

18 MR. KELLY: Because they're taking other
19 jobs, or they're going to be fairly well expressed mail.

20 COMMISSIONER GANDARA: Okay, so you're saying
21 that bullet three could be solved by saying yes to
22 bullet four, but it would only be so for a short term?
23 And, so therefore, given those considerations, you're
24 recommending that we drop Transportation Forecasting?

25 MR. KELLY: No, I'm not going to recommend

1 we drop Transportation Forecasting, but to alert you
2 to the problem right now, we're going to have very
3 quickly, two vacancies there, and do you want to drop
4 something else, instead, and keep Transportation Fore-
5 casting alive?

6 COMMISSIONER GANDARA: Well, again, my original
7 question is, since we had, I guess, with a given to
8 the Commission of approximately 4 PY people involved
9 in out-of-state power and the Commission has said that
10 we were not going to pursue that work, does that resolve
11 some problem, then, of being able to use some of those
12 people now for transportation?

13 MR. KELLY: Those people for out-of-state
14 power, three people, never existed.

15 We diverted those from internal sources.
16 Those don't exist. Those were BCP. That was to augment
17 our Staff. We still have -- that doesn't buy us any
18 people.

19 COMMISSIONER EDSON: Well, my understanding,
20 based on an Executive Session presentation last week,
21 is that we have several PY's working on that right
22 now.

23 MR. KELLY: Well, we keep --

24 COMMISSIONER EDSON: And, they must have
25 come from somewhere, and they must be available for

1 allocation somewhere else.

2 MR. KELLY: In the blanket, and January 1,
3 they disappear.

4 COMMISSIONER COMMONS: Well, couldn't those--

5 MR. KELLY: Those are not -- those were budget
6 augmentation, which does not exist.

7 COMMISSIONER COMMONS: Let me ask this question:
8 The petroleum violation work, my understanding, is
9 something that has to be done right now. If we're not
10 going to be continuing with the out-of-state power
11 issue, why shouldn't these people be working on the
12 petroleum violation, which is part of this work plan,
13 anyway?

14 COMMISSIONER EDSON: I'm not sure we've got
15 a skills match.

16 COMMISSIONER COMMONS: Well, I mean, should
17 we not discontinue one activity and -- which we're
18 not continuing, and continue that activity which we've
19 suggested as a policy, we would like to see done, and
20 we have no choice but to do it, anyway.

21 COMMISSIONER GANDARA: I think what we need
22 here is, by August 10th, we need a recommendation from
23 the Division and Executive Offices to, you know, do
24 we drop it, or do we not, and, if so, where do we pick
25 it up, or --

1 MR. KELLY: Um-hum, I'd like --

2 COMMISSIONER GANDARA: --given the changes
3 that we have here, I mean, it's -- I mean, clearly
4 there have been several alternative suggestions here
5 that seem to encounter some problem or other, and rather
6 than us go through all the permutations of what we
7 could do, you know, we need some management recommenda-
8 tions --

9 MR. SMITH: We'll have that on the 10th for
10 you.

11 MR. KELLY: Do I get the sense, then, since
12 we've spent oh, half-a-million-dollars in contracts
13 on getting these models up and running with the data,
14 that you would like for us to investigate alternatives
15 that would preserve the Transportation Forecasting
16 capability?

17 COMMISSIONER GANDARA: Well, my feeling is
18 yes, there's no sense in having developed this kind
19 of capability; it's very interesting work, I've gotten
20 very positive feedback on it. At the same time, since
21 we started off with this idea of slipping the BR some
22 more, the Transportation Forecast is, I guess I under-
23 stand, largely BR-related. That's something that can
24 be more directly, you know, it's certainly not in the
25 Demand Forecast for the, you know, the Electricity Report--

1 MR. KELLY: Well, they're actually both.
2 We're finding our projections, slates through-put,
3 are driven by the transportation forecast almost totally.

4 COMMISSIONER GANDARA: But, not the full
5 range--

6 COMMISSIONER COMMONS: He's proposing, I
7 think, an interesting alternative, is to look at your
8 transportation modeling question between those items
9 that you need to do for the Electricity Report for
10 this work plan and those items that you need for BR
11 for next year.

12 MR. KELLY: They're essentially the same.

13 COMMISSIONER GANDARA: Okay, well, we're
14 not going to solve those for you. We don't know--

15 MR. KELLY: Okay, yeah, we'll -- we'll have
16 a recommendation--

17 COMMISSIONER GANDARA: Give us a recommendation.

18 MR. KELLY: --on the 10th.

19 COMMISSIONER GANDARA: And should some Demand
20 Assessments Office contracts that were approved in
21 the Governor's budget be dropped? Is this a consequence
22 of some other --

23 MR. KELLY: Well, we're looking at it, for
24 us, from a standpoint of Staff not available to go
25 through the contracts and manage the contracts and

1 that sort of thing, to the fact that that is possibly
2 a fungible asset with salary savings, in case we need
3 them.

4 So, our proposal will be roughly to keep
5 \$90,000 of the \$245' in terms of basic data requirements,
6 and drop everything else, such as economics, demographics,
7 follow-on, Ag forecast data, and peer review.

8 COMMISSIONER EDSON: Is this money that is
9 well -- eventually be available for EDP work?

10 MR. SMITH: The contract money, I believe,
11 can be shifted to EDP, within the authority of the
12 Commission.

13 COMMISSIONER GANDARA: I'm persuaded in my
14 lifetime I'm never going to see a peer review, so
15 fine, we might as well drop that.

16 And, you know, the Ag forecast, it wasn't
17 quite clear to me what that was, but I guess I would
18 concur with that.

19 The one I'm not so sure about is the economic
20 and demographic additional work. What is --

21 MR. KELLY: We had some additional follow-
22 on for potentially additional ranges or updates with
23 new forecasts, that sort of thing.

24 COMMISSIONER GANDARA: Is that with CCSCE
25 or--

1 MR. KELLY: They're going to have one set
2 of ranges already under contract for us. This is any
3 follow-on work, such as additional documentation or
4 presentation at hearings, any of the other--

5 COMMISSIONER COMMONS: I'd like to concur
6 with--

7 COMMISSIONER GANDARA: What are the dollars?

8 COMMISSIONER COMMONS: I'd like to concur
9 with your position on the first two, and we're going
10 to be meeting with them before the 10th, I believe,
11 and hold that one contract open.

12 COMMISSIONER GANDARA: What are the dollars
13 involved?

14 MR. KELLY: 125 max. \$125,000.

15 COMMISSIONER GANDARA: The whole contract?
16 For 125 to begin with?

17 COMMISSIONER EDSON: So, what portion of
18 that is affected by your recommendation?

19 MR. KELLY: 125.

20 COMMISSIONER EDSON: The whole --

21 COMMISSIONER GANDARA: No, no, what he's
22 saying is we have \$125K contract and you were holding
23 out the prospect of another 125K for follow-on work?

24 MR. KELLY: For follow-on and beginning BR
25 scenario work for the next round, including the capability

1 to do our own forecasting, effect our own forecasting.
2 One of the things the Committee asked us to do over
3 the last three Committees has been to have the ability
4 for the Committee to change economic assumptions or
5 oil-price assumptions, and that sort of thing, and
6 we wanted to develop the capability to respond to each
7 one of those needs and have it a Commission capability,
8 which is significantly more.

9 And, I think the last two contracts were
10 like for \$195,000. So, this is less than --

11 COMMISSIONER GANDARA: Okay, I would hold
12 that open, as Commissioner Commons says, pending additional
13 information on that, and let's see if we can try and
14 consider whether we can get what we want for less than
15 \$125K, or what it is that are the core needs.

16 COMMISSIONER COMMONS: Is there also a sugges-
17 tion that a portion of these funds, pending the EDP
18 review, might go to augment the EDP review? EDP funds?

19 MR. KELLY: Yes, that's one of the options
20 we're going to be looking at.

21 COMMISSIONER COMMONS: How much have we picked
22 up, excluding the 125, then here?

23 MR. KELLY: Is somebody keeping a tally on
24 what -- in terms of contracts. How much does that--
25 \$155,000.

1 COMMISSIONER COMMONS: So, that gets us a
2 long ways down the road.

3 COMMISSIONER GANDARA: Okay, that leaves
4 us with the last bullet, which: Should the Division
5 increase efforts of natural gas above those planned
6 for '83-'84?

7 I guess my question here is since we're dealing
8 with work plans, -- okay, this is above the '83-'84
9 current work plans? Well, let's make George Hannah
10 nervous and say yes to that.

11 (Laughter.)

12 MR. HANNAH: He's nervous enough, as it is,
13 Commissioner.

14 COMMISSIONER COMMONS: Could you state what --
15 should we -- well, what would you be proposing that
16 we ought to do?

17 MR. KELLY: These are issue papers, additional
18 work on what the natural gas issues would be in trying
19 to set up what long-term projects might be. This is
20 what the resources would be doing instead of scenarios
21 and out-of-state power.

22 COMMISSIONER COMMONS: Could you tell me
23 how many PY --

24 COMMISSIONER EDSON: --in out-of-state power--

25 MR. KELLY: That's three PY.

1 COMMISSIONER COMMONS: But, we don't have
2 three PY,, you said.

3 MR. KELLY: We have three PY in the Division
4 that are flex resources. I'm -- one of those PY is
5 in the lower case S Scenarios. We have two -- we differ-
6 entiate scenarios among upper and lower case; upper
7 case is Commissioners and lower case is Staff.

8 These lower-case S scenarios are essentially
9 numbers consistency, among all the offices, the technology
10 numbers match with the fossil fuels estimates, match
11 with the -- all the different ones. So, we dedicate
12 one to that, which is a component of every scenario.

13 Then, we have the option of saying, for these
14 resources we will either devote them to out-of-state
15 power, or we will devote them to scenarios, or we will
16 devote them to natural gas.

17 We have three PY that we can do that with.

18 COMMISSIONER COMMONS: Okay, but isn't that
19 three PY we said we need for the Conservation Division,
20 the 5 percent?

21 COMMISSIONER GANDARA: Well, --

22 COMMISSIONER EDSON: Maybe --

23 COMMISSIONER COMMONS: Is that the fourth
24 alternative--

25 COMMISSIONER GANDARA: Providing historical

1 perspective, every year we've been saying we want more
2 done in natural gas; we have increasing changes in
3 deregulation proposals. We have new issues that are
4 brought to us in respective fuel-switching, as a result
5 of the different rates of change of prices. We have,
6 even now the new issue, and I would think that you
7 should also be considering the item that we considered
8 before, coal. And, you know, if there's going to be --
9 there's some exchange issues from frankly in the coal
10 and natural gas, particularly in the TEOR, so that
11 I, you know, I don't -- I see this as inescapable,
12 really, if we're going to maintain a capability to
13 comment on this.

14 COMMISSIONER COMMONS: I think we need something
15 specific broken out in terms of to look at, how you're
16 going to allocate one, two, three people.

17 COMMISSIONER GANDARA: Okay, and so a tentative
18 yes with more definition August 10th?

19 MR. KELLY: Fine, we have that in our back-up.
20 We can provide that by the 10th.

21 COMMISSIONER GANDARA: Okay.

22 COMMISSIONER COMMONS: I have a couple--

23 COMMISSIONER EDSON: We're suffering from
24 being at the end of the day, I'm afraid.

25 COMMISSIONER COMMONS: I have a few items

1 that aren't on the dots here, that I'd like to raise.

2 COMMISSIONER GANDARA: I'm not surprised.

3 If we could -- I'm going to turn into a pumpkin
4 pretty soon, myself.

5 COMMISSIONER COMMONS: I did come with them
6 typed up, so they were here before we started.

7 What if we were to eliminate doing the summer-
8 peak capacity forecasts? How many PY's in that effort?
9 And is this something that we have to do? And, is
10 it as important as natural gas or some other activities?

11 MR. KELLY: Yes, point 1.

12 COMMISSIONER COMMONS: Orison terms.

13 MR. KELLY: I think we're starting to get
14 into minutia.

15 COMMISSIONER EDSON: Oh, no, --

16 MR. KELLY: Okay. Right now that amounts
17 to .2 PY..

18 COMMISSIONER COMMONS: How much EDP?

19 MR. KELLY: None.

20 COMMISSIONER COMMONS: None?

21 COMMISSIONER SCHWEICKART: Dave Morse back
22 of the envelopes--

23 MR. KELLY: It's a very big envelope, though.

24 COMMISSIONER SCHWEICKART: A very big envelope.

25 COMMISSIONER GANDARA: It's .2. Okay, if --

1 I consider that a very important activity, from my
2 judgment, it takes substantial effort, alleviates a
3 lot of concern among industry in the summer and all
4 that, but if that only takes .2, that reminded me of
5 another issue, which is that I had requested for some
6 time--

7 COMMISSIONER COMMONS: I'm not --

8 COMMISSIONER GANDARA: --that we look at
9 adding to the Energy Watch, the financial indicators.
10 My feeling and judgment is that that's one of our better
11 publications. It's read quite widely, and that the
12 only thing that seems to be missing from that is some
13 sense of the financial health of the utilities as these
14 particular energy changes that you report are being
15 proposed.

16 I think in your documentation here, you propose
17 eliminating or discontinuing that work, which, as far
18 as I know, frankly had been pursued rather creatively
19 up to this point.

20 I think it can be, you know, at least the
21 last memo I got on it was more comprehensive than I'd
22 had in mind, but I do think that certain indicators
23 are milestones that are past that are very important
24 for the public and the State of California to know
25 about, such as the --

1 COMMISSIONER SCHWEICKART: Selling a book.

2 COMMISSIONER GANDARA: That's right. That's
3 right, and, in fact, the change in the Monney's ratings,
4 and the standards and force ratings of some utilities
5 and so forth.

6 COMMISSIONER SCHWEICKART: Time to tighten
7 up.

8 COMMISSIONER GANDARA: So --

9 COMMISSIONER COMMONS: My next one is --

10 COMMISSIONER GANDARA: -- I -- I guess my
11 question is that if the whole summer peak watch takes
12 this .2 PY, then what I'm talking about, I don't think,
13 would really even take that much, unless --

14 MR. KELLY: Well, that's the best estimate
15 of the staff that came up with those creative ideas,
16 among all the others, and costed it out at .2 PY.

17 COMMISSIONER EDSON: So, you're saying that
18 the work that Commissioner Gandara is proposing is
19 also .2 PY?

20 MR. KELLY: Yes.

21 COMMISSIONER GANDARA: Well, I don't understand
22 that, because I'd like to see you look at that again,
23 because I could see how it would take some initial
24 investment time, but once it's sort of routinized into
25 the Energy Watch, I don't think that it would --

1 MR. KELLY: Well, you're probably looking
2 at -- you're probably thinking about the resources
3 that we have spent in the past, which is what I'm talking
4 about. When I say .2, that's all we've got budgeted
5 left to do that this year, the summer peak.

6 That's all we have; that's all we're spending
7 on it. In the past we have spent .5 total, including
8 the reports, and the reports are what we're going to
9 drop this time.

10 COMMISSIONER GANDARA: Well, again, perhaps
11 this might be a bit of a --

12 MR. KELLY: Maybe that puts it in perspective.

13 COMMISSIONER GANDARA: --this might be a
14 bit of a surprise to the Commissioners that we don't
15 need to reach a decision here, but just-- I wanted
16 to just apprise the Commission that there, in fact,
17 have been, I think, fairly positive movement toward
18 including some financial indicators in the Energy Watch,
19 and that the current proposal would eliminate that,
20 and maybe by August 10th, we can have some -- an additional
21 look at it, and you'd be prepared to make a decision
22 on that.

23 I, for one, think it would be a very useful
24 addition.

25 MR. SMITH: I guess I'm hard-pressed to be

1 able to translate what you were describing as taking
2 existing information and adding it to an existing report,
3 is translating to a resource issue. I think that's --
4 we'll talk with Staff about that.

5 COMMISSIONER COMMONS: Thom, this is not
6 one that you have to get back to us today on, but one
7 thing I'd like you to look at is the use of students
8 in the Demand Office, and what impact that would have
9 on your PY, and if there would be efficiencies, and
10 possibly using some of the contract-dollar savings
11 that we've been looking at in doing that.

12 I think, in the past, the office has been
13 very successful in terms of the use of students, and
14 it could be a substantial cost savings, and I'd like
15 to know if that would free up PY, if there's a way
16 we can do that efficiently.

17 MR. KELLY: If there's a way to get EDP funds
18 through contracts, we'd much prefer that.

19 COMMISSIONER COMMONS: Well, there may be
20 a way to accomplish both.

21 MR. KELLY: In that case, --

22 MR. SMITH: We've -- yeah, basically we have
23 5.9 person-years of effort that's available as temporary
24 help. The cost of that is included in the total personal
25 services fund in the 11.9-million; we're under-funded.

1 We certainly -- we don't have the ability to go beyond
2 that amount. We can take a look at the allocation
3 of the 5.9 within the Commission.

4 COMMISSIONER COMMONS: Well, I guess my question
5 would be then, to you, Kent, is if we were to reduce
6 the contract level below that which we were authorized,
7 what would be Department of Finance's reaction to using
8 those funds for temporary help?

9 MR. SMITH: Basically, they would treat that
10 as the same -- the same as the shift of contract funds
11 to other personal services, salaries. There are two
12 basic groups that we displayed this morning--one is
13 personal services and salary, temporary help, overtime,
14 and then there's the other group, which is the remaining
15 part of our operating expenses. Shifts between those
16 two categories are a significant problem.

17 COMMISSIONER COMMONS: All right, that's --
18 the end of my questions.

19 COMMISSIONER SCHWEICKART: If there's nothing
20 more we stand adjourned.

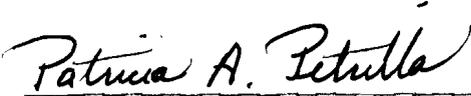
21 COMMISSIONER GANDARA: This meeting is continued
22 to Friday at 9:00 a.m. for Executive Session.

23 (Thereupon the hearing before the California
24 Energy Resources Conservation and Development Commission
25 was adjourned at 5:43 p.m.)

REPORTER'S CERTIFICATE

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3 THIS IS TO CERTIFY that I, Patricia Petrilla,
4 Reporter, have duly reported the foregoing proceedings
5 which were held and taken in Sacramento, California,
6 on Wednesday, August 3, 1983, and that the foregoing
7 pages constitute a true, complete and accurate tran-
8 scription of the aforementioned proceedings.

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

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15 Reporter
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