STATE OF CALIFORNIA

ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

CALIF. ENERGY COMMISSION

JUL 15 1983

BUSINESS MEETING

1516 NINTH STREET

1st FLOOR HEARING ROOM

SACRAMENTO, CALIFORNIA

WEDNESDAY, JULY 13, 1983

10:05 A.M.

Reported by: Patricia A. Petrilla

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1 COMMISSIONERS PRESENT

2 Charles R. Imbrecht, Chairman

3 Karen K. Edson, Commissioner

4 Geoffrey D. Commons, Commissioner

5 STAFF PRESENT

6 John Geesman, Executive Director

7 Mark Urban

8 Gregg Wheatland

9 Bart Gauger

10 Ken Smith

11 Chris Ellison

12 Cindy Sullivan

13 Gene Mallette

14 Karen Mathies, Secretary

15 PUBLIC ADVISOR'S OFFICE

16 Ernesto Perez

17 ALSO PRESENT

18 Everett Southam, California State University, Chico

19 Ronald Borge, California State University, Chico

20 Dushan Hrovat, Hooper, Olmsted & Hrovat

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22

23

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

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3 CHAIRMAN IMBRECHT: We'll call the meeting to
4 order. We have a quorum present. Commissioner Gandara is
5 representing the Commission in Washington, and Commissioner
6 Schweickart is absent on vacation.

7 (Agenda Item No. 1, under separate cover.)

8 CHAIRMAN IMBRECHT: Moving along to Item No. 2,
9 which is Commission consideration and possible action of a
10 resolution authorizing the Executive Director to enter into
11 a memorandum of understanding with the State Department of
12 Housing and Community Development on behalf of the
13 Commission to provide plan checking services when requested
14 by owners and builders where no local building department
15 has jurisdiction. Yes.

16 MR. GAUGER: Yes, Commissioners, Bart Gauger,
17 Manager of the Building Standards Office. I would point out
18 that this is a service that the Energy Commission is required
19 by Section 25402 of the Public Resources Code to provide.

20 We have had a memorandum of understanding with
21 the Department of Housing and Community Development since
22 1979. This simply authorizes the Executive Director to
23 renew that memorandum.

24 CHAIRMAN IMBRECHT: Thank you. Are there any
25 questions? Is there anyone that wishes to be heard on this

1 matter? Is there objection to a unanimous roll call
2 adopting the memorandum of understanding? Hearing none,
3 that will be the order.
4 The third item on the agenda is a contract with
5 the California State University and College System for
6 $200,000 to demonstrate the technical and economic feasibi-
7 lity of using synthetic fuels in heavy-duty, off-road
8 equipment vehicles. Mr. Smith, would you like to present
9 this contract to the Commission?
10 MR. SMITH: I think you're aware that this is a
11 contract which is in our proposed 83/84 budget. The contract
12 was put in our budget in this legislative session. We had
13 previously planned to do a project in this area using
14 leftover money from the SB 620 account, but felt that there
15 needed to be actually money from the following physical
16 year to do this.
17 The purpose of the contract is to demonstrate the
18 technical and economic feasibility of using fuel methanol
19 in tractors and other heavy-duty off-road equipment. Now,
20 let me clarify, we're not talking about four-wheel drive
21 vehicles. Off-road here means heavy-duty equipment.
22 The Legislature, as I mentioned, through the
23 budget process this year, put the money into the CEC budget
24 and asked us to cooperate with Chico State in performing
25 this contract. There are representatives from Chico State

in the audience if you should have specific questions of Chico State.

The benefits of this technology are to reduce reliance on the construction, forestry and agricultural industries with this type of vehicle, to reduce their vulnerability to petroleum shortfalls. We've shown that methanol is an ideal fuel in other areas. This is a new end-use market that looks very attractive.

Some of the organizations highly interested in this technology are the Farm Bureau, the Ag Council, and various other state college things, and we would like to set up an Advisory Council so that everybody is aware of this demonstration.

The major tasks that we will undertake in this demonstration are to actually use a Komatsu and a Ford methanol-fueled tractor for 1,000 hours in actual farm operation. They'll be out plowing fields, doing what you would normally do with another tractor.

These tractors will be put on exhibit at three farm shows throughout California, one in Colusa, one in Tulare, and one in Fresno. This is to expose the technology, and the benefits of the technology to farmers and the general public.

We also intend to conduct technical workshops covering engine design and tractor performance at Chico State

1 and on Joe Garone Farms, who is the host for the Komatsu
2 Tractor down in the Bakersfield area.
3 There will be a final report prepared to document
4 the results and performance of this tractor.
5 This is an early prototype demonstration of this
6 technology. We are certainly not as far along in this
7 technology as we are, for example, with our methanol fleet
8 cars.
9 The major participants in this demonstration are
10 California State University at Chico; Ford Motor Company,
11 including the factory headquarters, Ford tractor operations,
12 and the local dealer Lassen Equipment Company in Chico.
13 Komatsu of America and their parent company in Japan are
14 producing the Komatsu tractor, and they will be cooperating
15 in Bakersfield with Harrison Equipment Company. Joe Garone
16 Farms was selected from a number of farms who expressed
17 interest to us in the state to demonstrate the Komatsu
18 tractor. We also chose Chico State from that same
19 solicitation as a host site.
20 The cost sharing in this project, I think is
21 worth noting. Ford has invested over a million dollars in
22 this technology. They are adapting technology that they
23 have used for ethyl alcohol, or ethanol in Brazil to come
24 into this demonstration with a methanol tractor.
25 Komatsu has on their own invested some $800,000 in

1 this technology to get to this point. So the $200,000 that
2 the state is investing is leveraging a lot of previous R&D
3 effort put on by the industry.
4 California State University of Chico is also
5 putting up $50,000 in in-kind services, and in actual outlays
6 from their various programs. As I mentioned, our contribution
7 is $200,000 to this project, so we have a rather, I think,
8 impressive leverage ratio on this.
9 CHAIRMAN IMBRECHT: Let me just ask, the difference
10 between Ford and Komatsu is -- are they different sized
11 tractors, or are there more tractors in the Ford demonstra-
12 tion, what's the --
13 MR. SMITH: No, there's one tractor from each
14 manufacturer. The Ford tractor is a rubber tired tractor
15 that has 52 horsepower at the drawbar, or at the power take-
16 off point. The Komatsu tractor is a track laying vehicle
17 that has 80 horsepower at the power take-off. They're
18 different technologies, both of them commonly used in
19 California.
20 The Komatsu tractor is based on a diesel engine
21 technology. The Ford tractor is based on a spark ignition,
22 like an automobile engine technology. So we actually have
23 two different technologies. Track laying vehicles are
24 typically used in operations such as rice farms, in grape
25 vineyards where you don't want to disturb or compact the

1 soil as much. Rubber tired tractors are used in orchard
2 operations, and in small type farming type situations. So
3 we have, I think, two ideal types of tractors being offered
4 here.
5 COMMISSIONER EDSON: So what accounts for the
6 difference?
7 MR. SMITH: Well, Ford has made a major effort,
8 and has been in the game a little bit longer than Komatsu,
9 in that they have made a major effort in Brazil to develop
10 an ethanol tractor.
11 COMMISSIONER EDSON: Well, then, what portion of
12 the cost share is cost share that is entirely separate
13 from this particular project?
14 MR. SMITH: I don't think you can separate them.
15 I don't think it's fair to separate them because had they
16 not done the work in Brazil, and had not done this technology,
17 we would not have the demonstration. I don't think that
18 they're separable.
19 CHAIRMAN IMBRECHT: But the question is, what is
20 the basis for the suggestion that there's a million and a
21 half --
22 MR. SMITH: They spent that much money developing
23 this technology.
24 COMMISSIONER EDSON: In Brazil?
25 MR. SMITH: No, in this country, developing a

1 tractor for Brazil. The money was spent at Ford Tractor
2 operations in the Detroit area.
3 COMMISSIONER EDSON: Well, my only comment is that
4 I think it is a little misleading to suggest that all of
5 that expenditure is a cost share with this project.
6 MR. SMITH: Well, I don't agree with that, because
7 we couldn't do the project if it were not -- you know, if
8 this had not been extended. We simply --
9 COMMISSIONER EDSON: That's fine.
10 CHAIRMAN IMBRECHT: Okay. Let me -- I'm sorry,
11 Commissioner Commons?
12 COMMISSIONER COMMONS: Go ahead.
13 CHAIRMAN IMBRECHT: Well, I just wanted to ask
14 quickly, in terms of these demonstrations, or the exhibitions,
15 I should say, do you contemplate that occurring after the
16 1,000 hours have been accrued so that you can say something
17 relevant to the farmers who are going to see it, or is that
18 going to occur in the course of the test period?
19 MR. SMITH: I think that -- it is after that? It
20 is after the --
21 CHAIRMAN IMBRECHT: I see, it's after they've
22 been run?
23 MR. SMITH: Yes. Both of the workshops are after
24 we have run the 1,000 hours on the tractors.
25 CHAIRMAN IMBRECHT: Okay. Considering that's the

1 case, I would think you might want to try to even spread
2 it more geographically, uniformly, in terms of exhibition.
3 There are many other major agricultural areas in the state
4 aside from what are represented in those very limited
5 locales, they're basically still the Central Valley, and
6 you might want to think about if, indeed, the results are
7 justifiable, I think it's of sufficient interest to the
8 agricultural community.
9 Commissioner Commons?
10 MR. SMITH: Yes. We'll take that in advisement.
11 COMMISSIONER COMMONS: You mentioned an Advisory
12 Council?
13 MR. SMITH: Yes.
14 COMMISSIONER COMMONS: Are there any costs involved
15 in that Advisory Council?
16 MR. SMITH: We would have to ask people to perform
17 that, you know, on their own, you know, on their own benefit.
18 There are obviously costs in terms of staff time, you know,
19 to send out notices, because I think those would come
20 typically out of the cost shared account that Cal State
21 Chico is providing, and out of, you know, our own in-house
22 ability to mail, or notify people.
23 COMMISSIONER COMMONS: Is the Fuels Quality
24 Committee aware of the Advisory Council, have they reviewed
25 that?

1 MR. SMITH: They have not.

2 COMMISSIONER COMMONS: In terms of this is the
3 first I have heard of that, and in terms of the contract
4 itself, I would like to suggest that that particular aspect
5 of the program be discussed with the Committee, and that
6 that's not something I would consider before us, or otherwise.

7 Why $25,000 research?

8 MR. SMITH: That's based on experience from other
9 workshops that the Division has done in the agricultural
10 area, specifically in the Biomass Program. We think that
11 that's a typical demand for this type of activity. Once
12 you've produced -- once you meet the threshold of producing
13 brochures, the incremental cost of the next 1,000 is much
14 lower than, you know, going to a new printing.

15 COMMISSIONER COMMONS: So you're not thinking of a
16 workshop like we have here on our CFM where we may have
17 25 or 30 persons, you're talking about a demonstration at
18 a major fair where there might be a lot of people coming
19 who would want to have a copy of this research?

20 MR. SMITH: That's correct. Especially at the
21 energy fairs, we would expect large participation, and that,
22 once again, is based on Chico's experience, and our own
23 experience in going to these fairs. The workshops would
24 probably be more limited than the actual demonstrations at
25 the various fairs.

1 COMMISSIONER COMMONS: I just attended a convention
2 where we had a booth, and we did not have adequate literature
3 to distribute, so your point might be well taken here.
4 Can you describe the $50,000 in in-kind services
5 by Chico?
6 MR. SMITH: I would prefer to have them describe
7 that. Cindy, do you want to speak to that, the specifics
8 of that?
9 COMMISSIONER COMMONS: Let me call them afterwards,
10 and let me ask, why are we paying -- if Ford is contributing
11 $1,500,000, and Komatsu $800,000, why are we having vehicle
12 rental with Ford and Komatsu, and why is there such a
13 substantial difference?
14 MR. SMITH: That is -- those are the negotiated
15 prices with the two companies, and once again, we negotiated
16 very hard on this subject to see what, you know, they were
17 willing to put up out of their own pocket. If I recall,
18 and correct me if I'm wrong, Cindy, is -- I recall that the
19 direct contribution that Ford is making with regard to this
20 $58,000 specifically for this project is a one-to-one match.
21 They're putting up an equal amount of money, approximately --
22 MS. SULLIVAN: It's even more than that. They're
23 putting up about $100,000 in this actual --
24 MR. SMITH: The direct contribution --
25 CHAIRMAN IMBRECHT: How much is Komatsu putting up?

1 MR. SMITH: Komatsu is putting up substantially
2 more.
3 MS. SULLIVAN: Right, Komatsu is putting about
4 $200,00 of their own money for this demonstration.
5 MR. SMITH: There's a bigger leverage with
6 Komatsu, they --
7 CHAIRMAN IMBRECHT: I think I'm going -- who
8 negotiated this?
9 MR. SMITH: The staff and I.
10 CHAIRMAN IMBRECHT: I'll suggest somebody to be
11 our new trade negotiator with Japan, you guys seem to have
12 struck a pretty hard bargain with them, relative to our
13 own manufacturers. Okay. Are there further questions?
14 Let me understand, Mr. Smith, this is --
15 COMMISSIONER COMMONS: Mr. Chairman, I'd like to
16 have him describe a little bit about what are the Chico
17 services.
18 CHAIRMAN IMBRECHT: Okay. Let me just ask one
19 further clarifying technical matter. This is for 83/4
20 fiscal year, contingent upon appropriate action by the
21 Legislature and the Governor relative to these dollars or
22 funds being available.
23 MR. SMITH: That's correct.
24 CHAIRMAN IMBRECHT: Do we need to make some
25 reference to that fact in the order?

1 MS. ELLISON: That's a standard clause that we
2 include in all the new contracts before the budget's been
3 passed, the contingency clause.
4 CHAIRMAN IMBRECHT: So even though we adopt this
5 resolution as it's before us --
6 MS. ELLISON: Right, the contract would be written
7 up to say that it would be contingent upon funding in the
8 1983/84 budget.
9 CHAIRMAN IMBRECHT: Fine, okay. Why don't you
10 address Commissioner Commons' concerns about Chico.
11 MR. SMITH: Dr. Southam, would you like to --
12 this is Dr. Everett Southam, and Ron Borge from Chico State.
13 DR. SOUTHAM: I think, sir, your question was
14 related to our contribution of in-kind activities. Most of
15 those are in the form of personnel and facility. We will
16 be hosting a news conference early on, at the beginning of
17 this event, and then we will be conducting the -- providing
18 the operator, the laborer, the daily maintenance, research,
19 numbers as far as fuel consumption, tractor activity, kinds
20 of work, workloads, kinds of implements, and the manpower
21 for the research data analysis and distribution, as well
22 as then hosting the equipment show booth, or -- for the
23 publicity and distribution of these brochures.
24 By the way, in that 25,000 brochures, we're talking
25 about equipment shows that have 60,000, 100,000 or 150,000

1 type of farmers attending these three day events, and so we
2 think we've got to have an adequate number to be available
3 there, which will -- then advertise, and be followed by
4 the technical workshop, where then probably smaller numbers
5 would come, specific interest types would come.
6 So we'll be using both facility and manpower.
7 COMMISSIONER COMMONS: Do you have an approved
8 budget item in the amount of $50,000, or some amount from
9 the university?
10 DR. SOUTHAM: No, these figures are an accumulation
11 of the personnel, and facility that will be invested into
12 it, but it's not specifically set aside as an appropriation.
13 COMMISSIONER COMMONS: Do you not need such
14 approval?
15 DR. SOUTHAM: No.
16 COMMISSIONER COMMONS: In reading the budget that
17 I have in front of me, it shows that we would be paying for
18 such items as booth assembly, and removal, coordinator,
19 supervisor, maintenance service, some of the items that
20 you say you're providing in-kind seem to be some of the
21 items that are included in our budget figure to you.
22 DR. SOUTHAM: We included in that budget -- we're
23 requesting in that budget an assistance with some of those
24 items, but the budget figures that are in there certainly
25 will not achieve, you know, the amount of involvement in

1 total; it probably will be less than half. We figure we're
2 matching at least on a half and half if not more than that,
3 that we're putting in.
4 COMMISSIONER COMMONS: Is the University aware of
5 this proposed contract, and do they support it?
6 DR. SOUTHAM: Oh, absolutely. President Wilson
7 has had personal communications with the Legislature back
8 during the budget sessions, and we've spoken personally,
9 frequently on the issue, and from him down through the
10 dean, and the department chair, everybody that's involved
11 with it is excited about its potential.
12 COMMISSIONER COMMONS: So you think it could have
13 some benefit to the university in some of its other activities
14 to research information and data?
15 DR. SOUTHAM: Oh, absolutely. One of the big
16 things, of course, our mission is education, and this is
17 new technology, and so our students would have exposure to
18 new technology in this development, and that's the best kind
19 of education you can get. If we can send students out with
20 a four year degree that they're exposed to the cutting edge
21 of information, rather than like most of our equipment that's
22 many years old, and you get a four year degree, and they're
23 10 years obsolete in technology.
24 So we're delighted to have the educational exposure
25 to new technology, in addition to the -- perhaps some

1 resulting publications and professional development that
2 would come after the results are in and finalized.
3 CHAIRMAN IMBRECHT: Commissioner Commons, it's
4 the year of the schools, so we have to --
5 Let me -- I've got one last question. The
6 equipment is actually going to be used at Joe Garone Farms
7 and on your own fields at Chico State, is that the
8 situation?
9 DR. SOUTHAM: Yes. The way it's designed, the
10 crawler tractor will be at the Garone Farms in Bakersfield,
11 and the wheel tractor will be at the University farm in
12 Chico.
13 CHAIRMAN IMBRECHT: Okay. As to the Garone Farms,
14 that's a private institution.
15 DR. SOUTHAM: Yes.
16 CHAIRMAN IMBRECHT: Are they simply getting the
17 benefit of 1,000 of free tractor use, or are they --
18 DR. SOUTHAM: Well, I'm sure there's some benefit
19 to them, and they're willing to cooperate.
20 CHAIRMAN IMBRECHT: But are they contributing --
21 DR. SOUTHAM: But they are supplying, again, in
22 some measure, the same kinds of things as far as collection
23 of the raw data on a daily basis, maintenance of the daily
24 performance consumption logs, they're providing the operator
25 on the tractor, and these kinds of things. So, we've met

1 with them, and spelled out, you know, a rather lengthy list
2 of duties.
3 CHAIRMAN IMBRECHT: But I mean, they're getting an
4 offset for fuel, they would expend on another tractor for --
5 DR. SOUTHAM: Yes.
6 CHAIRMAN IMBRECHT: It seems to me that that is a
7 fairly substantial benefit to provide any farmer in the
8 state. I'm sure there are many other farmers that would
9 equally like to have 1,000 hours of free tractor time, in
10 effect.
11 MR. SMITH: Could I speak to that?
12 CHAIRMAN IMBRECHT: Please.
13 MR. SMITH: We sent out a program opportunity
14 notice to all the farm organizations through all -- you know,
15 to as many farmers as we could. We also sent -- you know,
16 made notice of this through major farm publications. We
17 have a full documentation of that program opportunity notice.
18 It was done in conjunction with the Contracts Office and
19 worked out procedurally that way, so we feel that we have
20 really gone out of our way to make this, you know, available
21 to as many farmers as possible.
22 CHAIRMAN IMBRECHT: How many applicants did you
23 have?
24 MR. SMITH: I don't recall the specific number. We
25 had a number of interested parties respond to the program

1 opportunity notice, I would have --

2 CHAIRMAN IMBRECHT: Can't you even ball park it?

3 Less than 50, more than 50?

4 MR. BORGE: I remember a figure of over 1,000 at

5 the initial take, when we got involved in it.

6 DR. SOUTHAM: We was one of those applicants.

7 MR. SMITH: They were one of the applicants. Do

8 you recall the exact?

9 MS. SULLIVAN: I don't remember the exact number.

10 MR. SMITH: It was a number, and we whittled it

11 down to four finalists, and at that point went out and --

12 CHAIRMAN IMBRECHT: Do you think they're expending

13 enough in the way of time to justify the benefit?

14 MR. SMITH: I do, and I think it's risky on a new

15 technology where you may have all sorts of problems and

16 breakdowns, you know, for someone to donate their land to

17 do this. He still has to have a 100 percent back-up tractor

18 for this, and I feel that if we were a little bit farther

19 along in the technology, a little bit more comfortable with

20 it, then, you know, we should ask them to pay for fuel costs,

21 or some differential.

22 But we felt that this technology was so new, that

23 you know, we needed a substantial carrot, if you would, to

24 get the participation. Certainly, we did get the participa-

25 tion if Mr. Borge's figures are right, that we got 1,000

1 respondents. I don't remember that number, but you'll
2 recall that we've been working on this for a couple of years,
3 and the responses came in almost 18 months ago, as I recall,
4 to be involved in this program.
5 COMMISSIONER COMMONS: It does suggest we could
6 have gotten some gas.
7 MR. BORGE: Both tractor companies --
8 CHAIRMAN IMBRECHT: I think so. The demand
9 suggests to me that we maybe could have gotten some offset
10 on the fuel costs, but in any case, I think we're past
11 that point. Do I hear a motion from the Commission? Is
12 there anyone else that wishes to be heard on this matter?
13 COMMISSIONER EDSON: I'll move the contract.
14 CHAIRMAN IMBRECHT: I have a motion from Commissioner
15 Edson. Second, is there an objection to a unanimous roll
16 call in approving the contract? Hearing none, that will be
17 the order.
18 Okay. Next is a contract with CALBO which is the
19 building official organization, for $10,000 to provide
20 partial funding for an information network in the form of a
21 telephone hotline. This is relative to the implementation
22 of residential building standards.
23 Let me just ask, is there anyone that wishes to
24 speak in opposition to this contract? Is there objection on
25 the Commission to a unanimous roll call? Hearing none, that

1 will be the order.

2 On the consent calendar, does anyone wish to

3 remove any items from the consent calendar?

4 COMMISSIONER EDSON: I have a couple of questions

5 on the subject.

6 CHAIRMAN IMBRECHT: All right, fine. Commissioner

7 Edson with questions on the consent calendar.

8 MR. GAUGER: Just a second, let me get Gene.

9 COMMISSIONER EDSON: I have a question about each

10 of them, something that I found absent from the back-up

11 material was just how close these developments come to

12 requirements of the standards, once the staff recommendation

13 is taken into account? What percent of the budget -- where

14 are we in terms of the percent of the budget with these

15 two developments?

16 MR. MALLETTE: We did not analyze as to what

17 percentage of the budget each of these applications have.

18 MR. GAUGER: But it is very close, I think --

19 COMMISSIONER EDSON: Is that within five percent?

20 MR. MALLETTE: Intuition is 10 to 15 percent.

21 MR. GAUGER: I don't recall the specific glazing

22 areas, but that's one of the areas in which we've tended

23 to exempt people, and it would be a small percentage.

24 COMMISSIONER EDSON: Only one other question. In

25 going from -- I was curious why the staff apparently did not

1 consider an R-13 as an alternative to the R-19 wall
2 insulation requirement.
3 MR. MALLETTE: Good question. We -- the RO-13
4 batt is available on the West Coast, however, it's not used
5 in most applications. It's mainly made and used back east
6 or the Midwest. We are seeing some R-13 applications out
7 here, but very few. That probably was out of mind, we
8 really didn't think about R-13 when we made the analysis.
9 COMMISSIONER EDSON: Is there a problem in
10 amending the first -- I think it is the first exemption,
11 Hooper, Olmsted & -- I'm not going to attempt it -- amending
12 that to say rather than R-11 it's R-13 in the walls.
13 MR. GAUGER: No, the staff wouldn't have any
14 problem with that.
15 COMMISSIONER EDSON: I would support the two
16 exemptions with that amendment.
17 CHAIRMAN IMBRECHT: How is the claimant going to
18 respond to that, are they still going to -- that's a consent
19 item, let's make that change now.
20 MR. HROVAT: I'm Dushan Hrovat, I'm from the
21 architect's office, and I believe the client might have
22 a reservation if you're going to R-13, because I don't know
23 about availability, and jobability in construction.
24 COMMISSIONER EDSON: And what was the last, the
25 second thing?

1 MR. HROVAT: Jobs in construction, I don't know
2 availability on R-13 on the market.
3 COMMISSIONER EDSON: I know that we've had
4 previous comments from the manufacturers that R-13 is
5 available. Do you have a comment, Mr. Gauger?
6 MR. GAUGER: Yeah, I would agree that the
7 manufacturers had testified to the availability in California.
8 I think the only question might be a delivery time, where
9 your standard supplier may not have it on hand. A slight
10 delay while they ordered it is the only --
11 CHAIRMAN IMBRECHT: I'll let you contemplate that
12 for a moment, Commissioner Edson. Commissioner Commons?
13 COMMISSIONER COMMONS: A few questions. What is
14 the procedure we're following in terms of the review of
15 these exemptions? Does it go to the Committee? Has the
16 Residential Building Standards Committee reviewed your
17 recommendations?
18 MR. GAUGER: Typically, there's not a specific
19 review. They are forwarded to the Committee, but we do not
20 always have a specific review with the Committee. In areas
21 where there have been specific concerns raised by the builder,
22 or where the negotiations with the builder might indicate
23 problems, we have discussed them with the Committee.
24 COMMISSIONER COMMONS: What is the cost impact of
25 this exemption to the builder for the two?

1 MR. GAUGER: You mean in materials costs, or are
2 we referring to about -- basically, there is no design cost
3 to the builder for this.
4 COMMISSIONER COMMONS: Per unit, what is the
5 differential that this is going to cost the builder --
6 COMMISSIONER EDSON: I would note it would save
7 the builder money since we are allowing them to build below
8 the existing standard.
9 COMMISSIONER COMMONS: No, I understand, that's
10 what I'm trying to find out.
11 COMMISSIONER EDSON: Oh, how much they'll be
12 saving.
13 CHAIRMAN IMBRECHT: How much money would the
14 builder -- let me, is it not one of the premises that there
15 has to be substantial economic burden unless the exemption
16 were granted, so what have you determined to be the burden
17 in this case?
18 MR. GAUGER: The burden considered there is not
19 the cost of compliance, but the additional cost above what
20 was anticipated when the standards were set, the cost of
21 redesigning, new permit applications if you have to go back.
22 The cost of complying to the standards is not a consideration
23 in the exemption.
24 COMMISSIONER COMMONS: For example, when we're
25 talking about insulation, there's no redesign questions,

1 there's no problem of going back to inspectors, it's only a
2 question of amount of energy and capital, is it not?
3 MR. MALLETTE: That's correct.
4 COMMISSIONER EDSON: Well, in the case of R-19,
5 there is a requirement that normally you would use two by
6 six in the wall --
7 MR. GAUGER: Right. That would require redesign
8 in order to comply, you'd either have to change your room
9 sizes, or change the total size of the building in order
10 to accommodate the larger studs.
11 COMMISSIONER COMMONS: Well, let me tell you what
12 I'm driving at. One of my concerns is that the exemption
13 process costs the same amount for a small builder as a
14 large builder. If I'm building three homes, or if I'm
15 building 300 homes, the amount of effort to come to us for
16 an exemption is the same, and I'm very concerned in terms
17 of our granting exemptions, except where there is substantial
18 burden, that there could be unfair competition on the small
19 builder in the process, and I guess I'm not happy with this
20 type of item being on the consent calendar. I guess I'd
21 also be not happy if the exemption request was not reviewed
22 by the Residential Building Standards Committee to make
23 sure it met the exemption requirements that the Commission
24 has set.
25 MR. URBAN: I'm going to respond to the second

1 part of that as to the review process, because that's set
2 forth in our regulations, and it provides that the Executive
3 Director does the report, the staff recommendation, that
4 comes directly to the Commission at its next regularly
5 scheduled business meeting.
6 COMMISSIONER COMMONS: I guess I would ask the
7 Executive Director if he has reviewed the burden in both
8 of these cases.
9 EXECUTIVE DIRECTOR GEESMAN: I'm not personally
10 familiar with the numbers myself, but my office went over
11 each report, and concurred in the recommendation from the
12 staff. The reason for the procedure that's embodied in our
13 regulations was to afford timely relief to builders seeking
14 exemptions, that's why we don't go.
15 COMMISSIONER COMMONS: That procedure is fine as
16 far as I would be concerned. I would just want to make
17 sure here that we did not have any economic discrimination
18 against small buildings because the exemption process can
19 be very difficult and time consuming, and that burden just
20 is reviewed by your office in each case.
21 EXECUTIVE DIRECTOR GEESMAN: Yes. There's not
22 been anything brought to my attention that would indicate
23 that that's a problem.
24 CHAIRMAN IMBRECHT: My sense is that any close
25 issues relative to the exemption process, vis-a-vis precedent

1 established by the Commission over several years are brought
2 to the Commission, and certainly not on the consent calendar,
3 where the builder clearly meets the criteria, the staff
4 under those circumstances, put it on the consent, but if
5 you can recall where there's any justifiable policy decision
6 relevant to that, that's been brought to the Commission for
7 an actual hearing on the matter, and as I review this, and
8 I guess I sense from Commissioner Edson's comments as well,
9 that similar conclusion, although she would have preferred
10 that the insulation in the walls be different, and I'm
11 curious if you'd have a -- if you'd care to offer a motion.
12 COMMISSIONER EDSON: I would move the first claim
13 of exemption with an amendment that raises the wall insulation
14 from R-11 to R-13. The second exemption as recommended by
15 staff.
16 CHAIRMAN IMBRECHT: I heard the motion. Staff,
17 do you have further comment? Yes.
18 EXECUTIVE DIRECTOR GEESMAN: The concern that I
19 would raise in addition to the obvious one that we have
20 worked with, with the applicant, in establishing the R-11
21 level. One of the findings embodied in the back-up memo
22 to this item, the very last page, page 6, paragraph 4,
23 indicate that compliance with the R-19 requirement in package
24 B of the standards would require redesign and reapproval.
25 It's not clear to me, and I don't know if the

1 staff at this point knows that going to an R-13 would require
2 a re-approval or not.
3 COMMISSIONER EDSON: Well, we have had testimony
4 that R-13 can be used with two by four walls. I think the
5 R-19 redesign requirement is related to two by six.
6 MR. GAUGER: That's correct, there is a physical
7 change in the wall that has to take place to go to R-19.
8 CHAIRMAN IMBRECHT: In which case it requires
9 an approval.
10 MR. GAUGER: R-13 is actually a change in the
11 density of the material rather than a change in the thickness
12 of it.
13 EXECUTIVE DIRECTOR GEESMAN: And that would not
14 require re-approval.
15 MR. GAUGER: So, it should not require it. The
16 design -- a new requirement would only be if you had to
17 change the building design.
18 CHAIRMAN IMBRECHT: Okay, the motion is before us,
19 do I hear a second? Fine, I'll second the motion. Is there
20 objection to a unanimous roll call? The two exemptions with
21 the one amendment, R-11 to R-13 as to the first, the Ashland
22 Village Apartments matter is approved unanimously.
23 I don't see any minutes in our book for approval.
24 Having none, that item is stricken from the agenda.
25 Commissioner Commons, I believe has a Commission

1 Policy Committee Report from the R&D Committee.

2 COMMISSIONER COMMONS: What I wanted to do was to
3 bring the Commission up to date on the process or the
4 procedures on the OIR-II hearings that have been going on
5 in San Francisco with the PUC.

6 The purpose of these hearings is prior to the time
7 that they institute formal hearings to have long-term
8 contracts on the purchase of alternative fuels by the
9 electric utilities is they're trying to have some interim
10 standards during the next six months to maybe as much as
11 18 months to two years, and what they've tried to do is to
12 bring together members of utilities, independant power
13 producers, PURPA language qualifying facilities, and see
14 if there can be a concensus as to how they should proceed
15 during this interim period.

16 Three different options were looked at: short-run
17 marginal costs to the utility, the generation resource plan,
18 and a proxy for coal plant. In terms of trying to come up
19 with a short-term option, it was generally felt that the
20 complications in looking at a coal plant proxy were so great
21 that it would not be able -- or not be feasible in the
22 short-run, and that the short-run marginal cost of the
23 utility would be the preferred method during the short-term.

24 There were three methods of looking at short-run
25 marginal costs of the utilities that have been considered.

1 One was the forecast of the energy prices for 10 years
2 within actual energy prices used after 10 years. These are
3 generally 30 year contracts.
4 The second was the same as the above, with there
5 being levelized cost of energy used over the first 10 years,
6 and discount used, because you'll have more than the
7 average cost of energy during the first 10 years. This would
8 help the independent power producers with their capital
9 costs in the front-end.
10 Then the third was the same, but with a 25 percent
11 bonus over the first three years -- first 10 years. The
12 utilities are preparing draft contracts, and there will be a
13 prehearing conference on July 22nd at the Public Utilities
14 Commission. The draft contracts will focus on the short-run
15 marginal costs, and the first two alternatives, that is, the
16 forecast of energy prices for 10 years, and the same with the
17 levelized over that period of time.
18 One of the concerns that I want to raise for
19 Commission consideration is what manner we may wish to
20 participate, and if so, how we would want to do so. We have
21 one problem, is this will be the last business meeting
22 prior to the time of that hearing.
23 In reviewing our draft testimony of our Chairman,
24 Mr. Imbrecht, before the Little Hoover Commission, one of
25 the major points that he has raised, and I think that's been

1 raised in this forum previously, is the consistency of our
2 energy forecasts and our price forecasts with those used
3 in ratemaking proceedings by the Public Utilities Commission.
4 It is my understanding in these draft forecasts,
5 in this 6 to 18 month procedure, the price forecasts will
6 be those used by Southern California Edison, and will be
7 adjusted to be compatible with the actual marginal costs of
8 PGandE, and San Diego Gas and Electric.
9 The Southern California Edison forecasts on prices
10 are lower than ours, and from our perspective, appear to be
11 very close to a constant in terms of real dollars. Our
12 Biennial Report which was adopted prior to the time I think
13 two of the three of us here, was based, of course, on a time
14 when oil prices were higher than today, and if our oil
15 price forecasts were used, there may be some justification
16 or question as to whether they should be modified.
17 But my concern is that if we're doing energy
18 forecasts, and we're looking at long-term planning, and that
19 is our province, why would we be having prices set for the
20 development of alternative resources, using an alternative
21 pricing package, one which has not gone through the scrutiny
22 of public hearings and testimony, what is the purpose of our
23 going through the whole CFM Electricity Report.
24 What I would like to propose is that the staff from
25 the Development Division, in combination with the Assessments

1 Division, which I believe may have some other comments or
2 areas that they would like to do, is prepare draft testimony
3 to be submitted before this hearing, so that that testimony,
4 since I believe that there are two committees that are
5 involved, the Intergovernmental Affairs, and the R&D
6 Committee, that it go before the Presiding Member of each,
7 and unless there's an objection from either one, that that
8 testimony then be allowed to be submitted into evidence.
9 CHAIRMAN IMBRECHT: Could you reveal for me again,
10 Commissioner Commons, the time frame?
11 COMMISSIONER COMMONS: The prehearing conference is
12 July 22nd.
13 CHAIRMAN IMBRECHT: Okay. One thing I would just
14 say, quite frankly, I do believe we should be involved in
15 those proceedings. One of the issues raised by the Little
16 Hoover Commission, and which I think is quite properly a
17 concern is that they wanted to know the extent to which
18 either this Commission or the Public Utilities Commission
19 in contrast have taken all reasonable steps to ensure that
20 their work product is properly before the other body for
21 consideration. Frankly, considering the work we've done in
22 the area, it does seem appropriate to me to ensure that our
23 views are presented and heard before the Public Utilities
24 Commission.
25 In fact, I think ultimately, there may need to be

1 some further addressing of that entire question, but at a
2 minimum, we should exercise all of our options available.
3 Is there objection to Commissioner Commons' suggestion?
4 EXECUTIVE DIRECTOR GEESMAN: Comment?
5 CHAIRMAN IMBRECHT: Yes.
6 EXECUTIVE DIRECTOR GEESMAN: Without getting into
7 which Committee you actually referred to, I did want to
8 point out that the Fuels Policy Committee has previously
9 expressed an interest in the staff's work on fuel prices,
10 so I think that there may be an interest there in their
11 taking a look at any adjustments to our fuel price forecasts.
12 CHAIRMAN IMBRECHT: Well, if we bring them in too,
13 then that will ensure that we'll have a majority of the
14 Commission approving the testimony before it's --
15 COMMISSIONER EDSON: Why don't we circulate it
16 to all Commissioners, since those three committees happen
17 to exclude me.
18 COMMISSIONER COMMONS: Well, what I'd like to do
19 is set up a procedure where if there is a majority of the
20 Commissioners that are willing to set off, then we can
21 introduce it as testimony.
22 CHAIRMAN IMBRECHT: Let me put it this way, I
23 think probably the easiest way -- I'll make a suggestion.
24 Let's circulate it to all Commissioners and ask that they
25 submit their comments to me as Chair and Presiding Member

1 of the Intergovernmental Relations, aspect of Governmental
2 Relations, and based upon whether or not I receive support
3 from the majority, I'll certify it to the staff for
4 presentation.
5 COMMISSIONER COMMONS: And Mr. Chairman, I believe
6 you will be on vacation at that time, and I assume that
7 you'll --
8 CHAIRMAN IMBRECHT: No, if the deadline is July
9 22nd, I'm --
10 COMMISSIONER COMMONS: You're still here?
11 CHAIRMAN IMBRECHT: Yes, July 23rd is the -- I'm
12 going to preside over our hearing in Santa Barbara on the
13 22nd, so --
14 MR. WHEATLAND: July 22nd is the date of the
15 prehearing conference, but it will not be necessary to have
16 the testimony prepared and filed by that date. It will
17 only be necessary to advise them on the position that we
18 plan to take in the proceeding so there will be an oppor-
19 tunity beyond the 22nd in which to complete the testimony
20 and file it.
21 CHAIRMAN IMBRECHT: Fine. Commissioner Gandara
22 can exercise his responsibilities in my absence, in the
23 event that's necessary.
24 Okay. Are there any further Committee reports?
25 I'll just indicate that on behalf of the Government Relations

1 Committee, we have moved on a couple of items which we've
2 circulated for support or signature by the members of the
3 Commission. The bulk of the matters still remaining will
4 be pending in August, and so we will be submitting a full
5 report to the Commission for consideration of formal
6 positions on legislation at that time.
7 General Counsel?
8 MR. URBAN: We just have a brief report. There
9 are oral arguments today in San Francisco before the
10 District Court of Appeals on our transmission line juris-
11 diction case with the PUC. That, unfortunately, the
12 Legislature was not able to resolve that issue over the last
13 couple of years, so it's proceeding now to the courts to
14 decide.
15 COMMISSIONER EDSON: How old is that case?
16 MR. URBAN: Oh, boy, three years.
17 CHAIRMAN IMBRECHT: Okay. Executive Director?
18 EXECUTIVE DIRECTOR GEESMAN: The State Personnel
19 Board has indicated that they don't really want to have any
20 discussions with us about layoff until after we have a
21 budget, and they know what magnitude of problem we're
22 talking about. So we've gone into a period of abeyance
23 on all those issues.
24 CHAIRMAN IMBRECHT: Okay. Is there any member of
25 the public that has anything they wish to present to the

Commission? Okay. Hearing none, we'll perhaps set a record and adjourn the meeting at 11:41. Thank you.

(Thereupon the business meeting of the California Energy Resources Conservation and Development Commission was adjourned at 11:41 a.m.)

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1 REPORTER'S CERTIFICATE

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3 THIS IS TO CERTIFY that I, Patricia A. Petrilla,
4 Reporter, have duly reported the foregoing proceedings which
5 were had and taken in Sacramento, California, on Wednesday,
6 July 13, 1983, and that the foregoing pages constitute a
7 true, complete and accurate transcription of the afore-
8 mentioned proceedings.
9 I further certify that I am not of counsel or
10 attorney for any of the parties to said hearing, nor in any
11 way interested in the outcome of said hearing.
12
13 Patricia A. Petrilla
14 Reporter
15 Dated this 14th day of July, 1983.
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