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STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

BUSINESS MEETING

1516 NINTH STREET
1st FLOOR HEARING ROOM
SACRAMENTO, CALIFORNIA

WEDNESDAY, JUNE 29, 1983
10:25 A.M.

Reported by: Patricia A. Petrilla

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COMMISSIONERS PRESENT

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

STAFF PRESENT

Kent Smith
William Chamberlain
Gary Fay
Gregg Wheatland
Bart Gauger
Terri Gray
Wendell Bakken
Susan McGowan
Ken Smith
Jerry Wiens
Chris Ellison
Sarah Michael
Ralph Chandler
John Schade
Bill Pennington
Luree Stetson
Ross Deter
Burnet D. Brown
Mark Ziering

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STAFF PRESENT (Con't.)

John Wilson
Dave Morse
Chris Elms
Marti Walton

PUBLIC ADVISOR'S OFFICE

Ernesto Perez
Gary Heath

OTHERS PRESENT

Peggy Gardels, City of Santa Monica
Larry Mount, Southern California Edison
Margo Wells, Southern California Edison
Erwin Lutz, Southern California Gas Company
Joseph J. Carbone, Beverage-Air
Carl Butz, Department of Economic and Business Development
John Worsley, Director, Building Standards Commission

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P R O C E E D I N G S

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3 CHAIRMAN IMBRECHT: Okay. We'll call the meeting
4 to order, and indicate that we held the first portion of an
5 executive session this morning, and we'll continue that
6 meeting after the conclusion of the formal agenda on the --
7 for the public business meeting.

8 I'll notice the presence of a quorum. Commissioner
9 Schweickart is absent on personal business, and we'll turn
10 to Item No. 1 which is Commission consideration and possible
11 action on the Committee proposed decision on the compliance
12 of the Santa Monica RCS Program with Chapter XIV of the
13 State Plan. Commissioner Edson will make the presentation.

14 COMMISSIONER EDSON: To state it quite briefly,
15 when an RCS program is designed so that there is free
16 installation of conservation measures, the state is required
17 under Chapter XIV of the State Plan to review that program
18 to again -- in order for that program to go forward, to make
19 certain findings on the anti-competitive effects of those --
20 of that portion of the program.

21 What is before us today is a contract between the
22 City of Santa Monica and Southern California Gas Company,
23 and Southern California Edison Company. I'd like to start
24 with just some background on this case, and then ask the
25 City to come forward and describe the program, and hear from

1 the other interested parties.

2 Fourteen months ago -- 14 months of negotiations
3 started in the fall of 1981, and this is negotiation between
4 the City of Santa Monica and the two utilities. That
5 culminated in a signed contract on November 29th of 1982.

6 The Santa Monica Program which is defined in that
7 contract involves -- is such that the City will provide
8 free energy audits to residents in the city limits, and with
9 that audit will provide the free installation of up to five
10 conservation measures -- hot water heater blankets, low-flow
11 shower heads, faucet aerators, door sweeps, and 10 feet of
12 hot water pipe insulation.

13 The Energy Commission staff reviewed the Santa
14 Monica Program prior to the time that this contract was
15 signed in order to determine whether it complied with
16 federal law, the National Energy Conservation Policy Act,
17 and concluded that it did.

18 In addition, I would note that the State RCS Plan
19 strongly encourages utilities to contract with local
20 governments, community groups, local businesses, in particular
21 when those contracts result in higher penetration of RCS
22 services, reaching improved penetration with hard to reach
23 groups such as tenants, low income elderly.

24 Following the culmination of contract negotiations
25 on November 30th of 1982, Southern California Gas Company and

1 Southern California Edison Company petitioned the Energy
2 Commission for formal review of the program for compliance
3 with Chapter XIV of the State Plan. That chapter requires
4 consideration of anti-competitive effects, and whether such
5 effects are outweighed by state conservation policies.

6 The Commission held a prehearing conference on the
7 issues on December 14th, 1982. Two days of adjudicatory
8 hearings were held in January, on January 4th and 5th.
9 Parties had the opportunity to cross examine. Unsworn
10 statements were also taken, although they were not given the
11 same weight as the sworn statements from formal parties.

12 Concurrent briefs were filed by the parties on
13 March 7th of 1983, and what you have before you today is a
14 proposed decision which recommends that the Commission
15 approve its contract. In summary, the recommendation is
16 that -- relies on the policy of the state to promote energy
17 conservation through increased penetration of residential
18 conservation services, and the finding that the Santa Monica
19 Program is consistent with that state policy, findings of
20 compliance with provisions of Chapter XIV of the State Plan.

21 Also, findings that the extent to which there are
22 any anti-competitive effects on sales and installation of
23 energy devices in Santa Monica, they will be largely
24 minimized by the structure of the program which involves
25 competitive bids. In addition, the remaining anti-competitive

1 effects of the program are reasonable, and there is really
2 no less anti-competitive alternative to the program that's
3 likely to achieve the same results.

4 Finally, that the public policy goal outweighs
5 any remaining potential for anti-competitive effects. The
6 proposed decision directs Southern California Gas Company
7 to seek advice from the Public Utilities Commission for
8 revision to an earlier decision of the PUC. It directs
9 Southern California Gas Company and Southern California
10 Edison Company to seek appropriate rate relief from the
11 PUC in order to conform to this decision.

12 Directs the City of Santa Monica to provide
13 written notice to landlords in advance of conducting energy
14 audits in apartment buildings. Finally, directs the parties
15 to carry out the program in a manner consistent with the
16 decision.

17 With that, let me suggest that we hear from the
18 various parties in this case. If there are questions that
19 you'd like to pose now, I'd be happy to answer them.

20 CHAIRMAN IMBRECHT: Okay. First, I'm informed
21 that Larry Mount from Southern California Edison wishes to
22 make a presentation. Mr. Mount, would you come forward?

23 COMMISSIONER EDSON: It might be worth hearing
24 from the City as well, I think.

25 MR. MOUNT: We'll wait for the City, to see what

1 their presentation is going to be.

2 CHAIRMAN IMBRECHT: Okay. All right, fine. Is
3 a representative of the City of Santa Monica present?
4 Would you please come forward to the table and identify
5 yourself.

6 MS. GARDELS: My name is Peggy Gardels, and I'm
7 the Assistant to the City Manager in Santa Monica. I've
8 been a party to the development of this program since its
9 inception, so I'm familiar with its history, and in a
10 tremendous amount of detail.

11 I won't repeat what Commissioner Edson said, but
12 I would like to explain briefly how the program will work,
13 and what led us to this point.

14 The origin of this program was an outgrowth of a
15 certain level of frustration with the existing RCS Program.
16 We felt that there was a lot of money being spent per audit,
17 that there were questionable results as a consequence of
18 audits taking place; and more particularly, that Santa
19 Monica's demography did not lend itself to the audits that
20 were being offered by the utilities.

21 Santa Monica is 75 percent renters, 16 percent
22 elderly, 20 percent minority, and the -- we felt the citizens
23 of Santa Monica were not getting good enough conservation
24 services from the existing program.

25 So the City entered into negotiations with the gas

1 company and the Edison Company to see if we could work out a
2 program for better outreach, and for a higher level of
3 services. It took, as Commissioner Edson said, 14 months
4 of negotiations that was a long road to come on. It was
5 difficult for the City and the utilities to work out all
6 the details, to come to agreement both conceptually, and in
7 the fine points of how such a program would work.

8 We worked very closely with Energy Commission staff
9 in the development of this, and I think, as a consequence,
10 have a program that's very well thought out.

11 I'd also like to add that at every step of the way,
12 we were greatly encouraged by the Energy Commission staff
13 and the Commissioners, and by the Public Utilities Commission
14 to continue to pursue this, that it was promising, and that
15 it might offer more cost-effective conservation.

16 Commissioner Walker attended several of our
17 negotiation sessions.

18 The contract was signed in November of 1982, and
19 then subsequently the hearing was held in Santa Monica in
20 January, and the rest, Commissioner Edson has explained.

21 The way the program is designed to work is to be
22 quick, efficient, to provide an economy of scale savings,
23 and to assure energy savings by actually installing measures.
24 Teams of auditors would go out through the city, two in a
25 team, and knock on doors, knock on every single door in the

1 city in a systematic manner with publicity having gone out
2 in advance to maximize people being at home and being
3 receptive.

4 The reason for two auditors is so that one can
5 do installations, and one can provide informational
6 material and advice. Also because then the audit is
7 shorter, and the shorter the audit, the higher the
8 participation and the attention level of the recipients.

9 The information that the auditors would pass out
10 would be of a generic nature, which means that it would be
11 devised and developed based on certain housing types in the
12 city, rather than be individually calculated at each and
13 every home in the city. This is believed, particularly
14 in Santa Monica's mild climate, to be a much more cost-
15 effective way of getting out material and information of an
16 equivalent useful quality.

17 The auditors would provide and install, free of
18 charge during the audit, certain conservation devices. This
19 would include high quality, good quality low-flow shower
20 heads, water heater tank wraps, hot water pipe wrap on
21 exposed pipe to a maximum of 10 feet, and then as alternative
22 measures, if one of those cannot practically be installed,
23 faucet aerators, or door sweep weatherstripping.

24 The audit is completely voluntary to the resident.
25 If they don't want to open their door to us, or aren't

1 interested, that's fine. A certain redundancy would be
2 built into the program to go back and knock on every door
3 at least twice so that if somebody wasn't home on one
4 occasion and missed the audit, and also if people simply
5 aren't available at the times when the auditors are going
6 around, which will be evenings and weekends, they can phone
7 in and make special arrangements.

8 But the idea is not to have special arrangements
9 as a rule, the idea is to have an economy of scale approach
10 to sweep through the city, as it were, to come in and
11 quickly, and efficiently, and effectively get these devices
12 into houses, and start saving energy.

13 The cost for the audit is approximately \$100
14 right now, for the first 14 months of the contract. We
15 anticipate that the contract will be renewed, and that we
16 will be able to do the entire city, but it was felt, and it
17 was a contract negotiation point that we would take a
18 smaller bite for our first step.

19 Over the entire life of the program, which will
20 be approximately two and a half years, it's anticipated that
21 the audit cost would be \$80 per audit, all materials
22 included.

23 The savings to the average participant of the
24 program based on --

25 COMMISSIONER GANDARA: Excuse me. I may have

1 misunderstood something. You said that you would be
2 knocking on every door in the city, and I thought I just
3 heard you say right now that the contract would be for what,
4 60 percent of the housing, or you said something less, and
5 it would be a renewal.

6 MS. GARDELS: Right.

7 COMMISSIONER GANDARA: I misunderstood that. If
8 you're going to knock on every house.

9 MS. GARDELS: The way the contract is written, and
10 the way it was agreed upon in the negotiations is that it's
11 the expectation that we will do the entire city, and knock
12 on every single door. However, the utilities were reluctant
13 to develop a contract for the full period of 2.3 years, and
14 so we agreed to a 14 month trial period, in essence, begin
15 that process, and then if all is going reasonably well, and
16 in fact, in the contract, there are specific criteria to
17 define what is reasonably well, then the contract would be
18 continued, and we would continue to do the whole city.

19 The average participant in the audit program would
20 save, at today's utility rates, \$28.50 per year, which means
21 that for the total cost of the program, it would pay back
22 in dollars saved to utility ratepayers in just under three
23 years.

24 The benefits of the program, I think, are many.
25 The significant cost savings from the use of generic

1 information, and the audit cost is lower than the present
2 audit cost, even though we are including materials. It's
3 more equitable because every single party in the city can
4 benefit from it, whether they be a renter in any size
5 building, homeowner, elderly who often can't install do-it-
6 yourself devices for safety or health reasons, and yet it's
7 going to be prohibitively expensive to have a contractor
8 do it.

9 There's a greater level of service being provided.
10 There is guaranteed energy savings because devices would
11 actually be installed rather than auditing people, and
12 assuming, crossing our fingers that there's follow-up
13 energy conservation taking place. The savings will be
14 demonstrable in that we will have detailed information on
15 every single piece of hardware that goes in.

16 In addition, the city is really assuming the lion's
17 share, if not almost all of the risks involved in this
18 program. The city has agreed to operate this program for a
19 fixed cost per audit, which means that if our administrative
20 costs, or programmatic costs exceed that, that the city is
21 responsible for that cost, not the ratepayers.

22 Also, in terms of the anti-trust, and the various
23 legal issues that are involved, the city has individually
24 indemnified the utilities. The city really believes in this
25 program, has worked for two years to develop it, has no self-

1 interest in it, other than it thinks it's an exciting idea,
2 and a terrific way to save energy.

3 CHAIRMAN IMBRECHT: How many audit teams do you
4 anticipate?

5 MS. GARDELS: There will be 28 auditors in teams
6 of two.

7 CHAIRMAN IMBRECHT: Fourteen teams.

8 MS. GARDELS: Fourteen teams.

9 CHAIRMAN IMBRECHT: And they will be working
10 evenings and weekends?

11 MS. GARDELS: Evenings and weekends, approximately
12 between 5:00 and 9:00 in the evening, and then on Saturdays
13 and Sundays to maximize the number of people who'd be found
14 at home. That will probably be modified in some of the
15 areas of the city that are primarily senior citizens, in
16 which case we would be doing it during the day on weekdays.
17 Senior citizens are very lax to open up their doors after
18 dark, and we understand that, and we'll try and be flexible
19 with that.

20 That's our projection right now. When the program
21 actually starts, we would have to go on a certain learning
22 curve of what were just the right hours to maximize it.

23 COMMISSIONER GANDARA: Excuse me. Although you
24 declared your intent to cover the entire city eventually,
25 you indicated that this contract is for less than that,

1 substantially less than that.

2 MS. GARDELS: Approximately half, this contract
3 is for.

4 COMMISSIONER GANDARA: How are you going to be
5 selecting the homes that will be done in the first half?
6 I mean you're starting geographically, just door-to-door,
7 north to south, south to north, east to west, or are you
8 randomly selecting homes, or how?

9 MS. GARDELS: Well, we haven't worked out the
10 details of that yet, but part of this contract is evaluation
11 and we're very concerned about learning about the receptivity
12 of this program in all the different sectors of the city.
13 Santa Monica is a diverse city. There's homeowner sections,
14 there's renter sections, there's mixed, there's upscale,
15 low-scale, senior citizen areas.

16 During the 14 months, we will attempt to have a
17 serious effort at an audit program in each and every
18 representative section of the city so that we get -- so that
19 we learn from that in as realistic a manner as possible.
20 We won't simply start at one end and go to the other end.

21 CHAIRMAN IMBRECHT: Some of your older housing
22 stock, the potential for energy savings there is probably
23 greater, as well.

24 MS. GARDELS: Yes, that's right.

25 In the numbers that I provided you of savings, we

1 had estimated that based only on lifeline costs, which means
2 that when we're saving energy in the increment above
3 lifeline, the figures are better. We've estimated this
4 only assuming energy savings from the measures that we
5 would install so that any additional conservation that was
6 a consequence of these audits, from which obviously we are
7 assuming there will be some changes, attics being insulated,
8 various other conservation measures being taken as a
9 consequence of what was provided in the audit. None of that
10 has been calculated into the cost-effectiveness of this
11 program, and yet it still would pay for itself in three
12 years in terms of ratepayer savings, so we think that there's
13 been a real effort on our part to be conservative in the
14 estimation of that.

15 As far as support for the program goes in the
16 community, the program is really very widely supported. The
17 primary homeowner group in the city has come out in support
18 of it. Every single tenant group in the city supports it.
19 The Chamber of Commerce, just this week voted unanimously
20 to support this program, and we think it's a win/win program.

21 CHAIRMAN IMBRECHT: It sounds like a degree of
22 unity that Santa Monica hasn't seen in some time.

23 MS. GARDELS: My thought exactly. The -- both
24 sides of our City Council have endorsed the program.

25 COMMISSIONER GANDARA: There are only two sides now?

1 MS. GARDELS: So, yeah, it's a win/win program.
2 It's good for landlords, it's good for homeowners, and it's
3 good for tenants.

4 CHAIRMAN IMBRECHT: Okay. I think we have the
5 picture. Do you have anything else in particular that you'd
6 like to present to us?

7 MS. GARDELS: No, I was just going to sum up.

8 CHAIRMAN IMBRECHT: All right, any further
9 questions? Why don't we hear from the representatives of
10 the utilities and see if we genuinely have a win/win, and
11 maybe we can move on to a decision. Mr. Mount, are you
12 prepared now to testify? Southern California Edison.

13 MR. MOUNT: Good morning, Commissioners. Section
14 6 of the contract speaks to regulatory approvals as a
15 condition precedent to implementation of this contract, and
16 those regulatory approvals must be satisfactory in form
17 and in substance to the utilities.

18 We've had the opportunity to review the proposed
19 decision and determine that it is satisfactory in form and
20 in substance, and if the decision is adopted, we're ready
21 to proceed with seeking rate relief from the CPUC.

22 That's the only comment I have.

23 CHAIRMAN IMBRECHT: Thank you.

24 COMMISSIONER COMMONS: I have --

25 CHAIRMAN IMBRECHT: Commissioner Commons?

1 COMMISSIONER COMMONS: Is it Mr. Mount?

2 CHAIRMAN IMBRECHT: Mr. Mount, would you --

3 COMMISSIONER COMMONS: How many dollars does
4 Southern California Edison have invested in this cycle in
5 RCS?

6 MR. MOUNT: I think the best person to answer that
7 question is Margo Wells, who is in charge, on behalf of
8 Edison, with administering the contract.

9 MS. WELLS: You'll have to repeat the question.

10 COMMISSIONER COMMONS: What is the budget amount
11 for Southern California Edison on the RCS Program during the
12 period of this contract, not in the City of Santa Monica,
13 but within your service territory?

14 MS. WELLS: I can only answer to the calendar year.
15 Our current funding level is \$5 million that the Public
16 Utilities Commission authorized in our last rate decision.
17 We have also sought additional funding to cover the Santa
18 Monica Contract, and the multi-family program that we
19 proposed through some carryover funding that we had left in
20 1982 that carried over to 1983.

21 We anticipate that a decision from the Public
22 Utilities Commission on that carryover funding, it's on the
23 agenda at the PUC today, and we anticipate a decision today
24 or within the next couple of weeks. So the total amount of
25 funding would be \$5 million that we had in the last rate

1 decision. I've asked for an incremental amount of about
2 \$500,000 to cover the 12 months of the Santa Monica contract,
3 the first 12 months, and then have an additional \$1 million
4 that I've asked for for a multi-family audit program.

5 COMMISSIONER COMMONS: So the Santa Monica Program
6 would cost approximately 10 percent of your total RCS Program?

7 MS. WELLS: That's a little unfair in the
8 comparison because it also includes the installation, and
9 cost of the installed measures, that half a million dollars.

10 COMMISSIONER COMMONS: Santa Monica has approxi-
11 mately what, 100,000 residents, and in your service
12 territory, you have approximately how many million?

13 MS. WELLS: The residential sector is just under
14 3 million customers.

15 COMMISSIONER COMMONS: Under 3 million. Would you
16 have the ability to apply the concepts being developed in
17 the Santa Monica Program to all of the cities and unincor-
18 porated areas in the counties that you service in your
19 RCS Program?

20 MS. WELLS: We do not currently have that ability,
21 nor do I think that that would be the best approach in every
22 city. I think that the City of Santa Monica themselves
23 have said that they would like to try this approach and
24 test the approach of canvassing to see if it does pay off
25 in reaching segments of the community where there are large

1 blocks of customers, where you can go knock on the doors.
2 In the other areas, the rural areas, you would not be able
3 to go knock on the doors, and so either advertising, or
4 direct mail, or some other way of getting participants is
5 more cost-effective.

6 COMMISSIONER COMMONS: Of course, the vast
7 population within your service territory is urban and is
8 dense, maybe not quite as dense as Santa Monica, but in
9 some cases maybe even denser.

10 My concern here is under Section XIV that we are
11 making a finding, actually, and it's shown in the findings
12 of fact concerning the ratepayer elements, and it may be a
13 program for the ratepayers of Santa Monica where all the
14 elements can unanimously stand up and applaud it because
15 essentially you're getting free hardware, free installation
16 and a free audit within the city.

17 But the ratepayers in East Los Angeles, the rate-
18 payers in Long Beach, the ratepayers in all of the service
19 territories of your utility would be bearing the burden of
20 that expense. I look at this more as a demonstration
21 project, because it's obviously a very different approach
22 to RCS than previous RCS programs within your area, is that
23 not correct?

24 MS. WELLS: We also look at it as a demonstration.

25 COMMISSIONER COMMONS: And there's nothing in the

1 order that I see that suggests that this is more of a pilot,
2 or a demonstration project, rather than one that is a formal
3 contract. I'm very concerned on the equity issue as to --
4 even though the payback is for ratepayers, three to one,
5 all of that benefit goes to a very small, select area of
6 the service territory, and it's being paid by the ratepayers
7 through the entire territory.

8 MS. WELLS: I think that the agreement that we
9 have with the City of Santa Monica covers a lot of your
10 concerns. What you're looking at today is more of a legal
11 requirement that the utilities felt needed to be addressed
12 before we could go forward with the agreement. But in the
13 agreement itself, we have set certain standards, and
14 employment criteria before we would go forward with the
15 project.

16 So we have tried to cover the concerns that you
17 have, that if we aren't learning from this experience, or
18 if we aren't cutting it off when it's not cost-effective,
19 that would be the wrong direction to go. The agreement
20 itself that we have with Santa Monica, basically covers
21 your concerns.

22 COMMISSIONER COMMONS: But you're saying your
23 support, and I'm assuming the company is supporting the
24 project, is based on the fact that this is a demonstration
25 project, and you hope to learn from that in terms of your

1 overall RCS Program.

2 MS. WELLS: That's correct.

3 COMMISSIONER COMMONS: One other area of concern,
4 and I would like your company's comment on, was if I had
5 gone out, and I lived in the City of Santa Monica, and I
6 was a good conservation person, and had gone out and
7 installed some of the conservation devices, let's say I'd
8 gone out and installed some shower heads, I paid for
9 those, and I think I got some conservation tax credits to
10 help offset that, but this seems to be a program where we're
11 also paying for hardware, which is very unusual, and
12 there's no charge, whatsoever, to the customer.

13 So those persons who have been good citizens, and
14 have tried to do conservation, first paid for it themselves,
15 and now are paying for those people who weren't going to
16 do so.

17 MS. WELLS: I have two comments on that. First
18 of all, that's a problem that all utility financing programs
19 have to address, the fact that the customers have been first,
20 and gone out and installed the hardware themselves, so
21 that's a problem that -- it's an overall problem with
22 utility conservation programs, and not just specific to
23 Santa Monica.

24 The other portion of my comment to you, is that
25 utilities, both SoCal Gas and Edison have programs whereby

1 customers can get these devices either installed free, as
2 with Edison's program, or they can get a rebate through
3 SoCal Gas's program. So other customers throughout the
4 service territory are not being denied the installation, or
5 at least a rebate on the installation of these products.

6 CHAIRMAN IMBRECHT: And in some instances, the
7 rebate actually exceeds the true cost of the device.

8 MS. WELLS: That's correct.

9 COMMISSIONER COMMONS: The rebate, you're saying,
10 our rebate would exceed the cost of the installation plus
11 the device?

12 CHAIRMAN IMBRECHT: I'll give you a perfect
13 example, Commissioner Commons. If you put a low-flow
14 shower head in, and it's a one bathroom house, you can buy
15 that shower head for around \$6.00 as I recall, \$6.00 or
16 \$7.00, and the rebate, somebody will have to correct me,
17 but is it \$20, \$21, I believe?

18 MS. WELLS: \$21.

19 CHAIRMAN IMBRECHT: And actually, as a practical
20 matter, the rebate is scaled to a three shower house, with
21 an inexpensive low-flow shower head, and in almost every
22 instance you stand to profit if you understand the system,
23 so to speak. Now, that's an existing RCS Program of
24 SoCal Gas, and they have displays in Builder Emporium Stores
25 all over Southern California. That's not a trade name store,

1 let me put it, building supply stores, let's put it that
2 way. So, I think there are a number of other programs where
3 there are similar equity issues, if you will, to the ones
4 you're raising, and I guess from my perspective, all of
5 these things at this point in time represent efforts to try
6 to determine what is the most effective way to generate
7 hard conservation in the state, and I suspect that after some
8 years of experience, we'll be able to draw some conclusions
9 as to a more -- to the best cost-effective generic approach
10 for different types of residential areas in California.

11 COMMISSIONER COMMONS: Well, one of the things --
12 well, that should come later on.

13 You were not concerned, then, in the contract of
14 the providing of the hardware free. This is one of the
15 first times I've heard of a program where there's not any
16 sharing of cost between the recipient and the utility on
17 interest write-downs on, with maybe the exception of this
18 one on the shower head, usually the person who is receiving
19 the conservation device does make some payment.

20 MS. WELLS: We have not been concerned, as the
21 Edison Company because we already have an existing program
22 that we've had in effect since 1978 where we do wrap
23 electric water heaters, and install shower heads in those
24 homes for free. That's a program that's been in existence,
25 as I said, for five years.

1 COMMISSIONER COMMONS: Well, it just goes right
2 in the face of everything that I've been brought up to
3 believe, that you do something, and not ask for some
4 sharing, or something else, but I guess on a demonstration
5 project, maybe we'll learn something here.

6 I guess one of the things, then, is that the
7 information that we get from this, from Southern California
8 Edison's viewpoint will be put into an overall assessment
9 of how we're doing on the RCS Program, and how we're doing
10 in terms of what that plan is, and I assume we'll end up
11 having some recommendations for changes, or how we should
12 adopt or utilize that information to make that program more
13 effective.

14 MS. WELLS: That's correct. We plan to use the
15 information we gather from that, and the current State Plan
16 is flexible enough that we can adopt many of those recommenda-
17 tions without going through any hearing procedure, or
18 anything else.

19 COMMISSIONER COMMONS: All right. Another
20 question I had was, we could go into a house which might be
21 in Santa Monica, a multi-million dollar house, and the
22 family might be a very wealthy family, and there are five,
23 six, seven showers. My understanding is, under the program,
24 the way it's designed, we are required to install, if the
25 individual wants it, or the homeowner wants it, shower heads

1 in five, six, or seven showers. That there's -- no matter
2 how many showers they have, if they wish it, we're to give
3 them the devices free, and we pay that.

4 Do you think there's any possibility of conserva-
5 tion being given a bad name, or there's the adverse
6 publicity, or is this just a problem that will occur in a
7 few households, and you're not worried about that?

8 MS. WELLS: Any time you use averages, or look at
9 programs from a perspective of an average, you always have
10 that problem. The requirement to install shower heads in
11 all showers makes sense, because the rebate amount was
12 based on the amount of savings, and if you have the shower
13 head in the wrong shower, you're not going to get the total
14 savings. It is also based on a Public Utilities Commission
15 standard which requires that the shower heads be in all
16 showers.

17 COMMISSIONER COMMONS: I question that. I take
18 one shower, and I generally use the same shower, and I'm
19 not sure the energy savings, or that portion of it would
20 be cost-effective where you have nonutilized areas.

21 COMMISSIONER GANDARA: I thought you were using
22 two showers nowadays, one in L.A. and one here.

23 COMMISSIONER COMMONS: That's true. Thank you.

24 COMMISSIONER GANDARA: Could I hear from Mr. Erwin
25 Lutz, Southern California Gas?

1 MR. LUTZ: Good morning, Commissioners. My name
2 is Erwin Lutz, State Regulatory Coordinator for the
3 Southern California Gas Company. I have a very brief
4 statement to make regarding the Committee's proposed
5 decision on the Santa Monica RCS Program.

6 SoCal Gas has reviewed this proposed decision, and
7 upon CEC adoption of this decision, SoCal Gas will seek
8 review by the CPUC of the Santa Monica Program as soon as
9 possible.

10 I would also at this time like to express SoCal
11 Gas's appreciation to the Committee for its diligent work
12 in sorting through the lengthy testimony and numerous
13 facts presented during the hearing process, and arriving
14 at a decision, which has taken into consideration the
15 concerns expressed by all the parties at that hearing.

16 Thank you.

17 COMMISSIONER GANDARA: Thank you, Mr. Lutz. May
18 I ask Commissioner -- I'm sorry, there's a question.
19 Commissioner Commons?

20 COMMISSIONER COMMONS: Do you have any comment on
21 any of the questions that I made to Southern California
22 Edison concerning your company's concerns, for example, with
23 the provision of hardware free?

24 MR. LUTZ: No, sir, not much different than what --
25 as Edison has expressed their concerns over it.

1 COMMISSIONER COMMONS: Do you have the ability to
2 implement this program in the City of Los Angeles, if the
3 City of Los Angeles decided to go this direction?

4 MR. LUTZ: Well, I think as this is a demonstration
5 or a pilot program, that we would have to look at the --
6 evaluate this program to see what the results are, to see
7 if it is, if it can be spread beyond that, as to whether
8 local governments, and that type of thing. But yes, if it
9 proves effective, cost-effective as compared to our regular
10 RCS Program, I can see no reason why not.

11 COMMISSIONER COMMONS: Okay.

12 COMMISSIONER GANDARA: Commissioner Edson, would
13 you comment, perhaps on Mr. Lutz's statement of review by
14 the PUC? Is that an expected, or a procedure that would
15 occur after this, or is Mr. Lutz indicating some other
16 concern?

17 COMMISSIONER EDSON: No, that's entirely consistent
18 with our understanding of what has to proceed. In fact,
19 Southern California Gas Company needs to seek a revision in
20 the PUC decision regarding its rebate program in order to
21 move forward with the Santa Monica Program. In addition,
22 the two utilities will need to seek the appropriate rate
23 relief from the PUC in order to move forward.

24 COMMISSIONER GANDARA: Thank you. Thank you very
25 much, Mr. Lutz. Is there anybody else who wishes to comment

1 on this matter? Any Commissioner discussion? Commissioner
2 Commons?

3 COMMISSIONER COMMONS: Who is legal counsel on
4 this, is it Mr. Fay?

5 MR. FAY: I'm the acting Hearing Officer for the
6 Committee on this matter.

7 COMMISSIONER COMMONS: On page 52, item 9, the
8 program complies with Chapter XIV B.1.

9 MR. FAY: Yes, it does.

10 COMMISSIONER COMMONS: Do you have any concerns,
11 or are there any issues on the ratemaking aspect of this?
12 Clearly, we're allocating a substantial amount of resources
13 to the City of Santa Monica, which is being picked up by
14 the ratepayers of all of the territory of Southern California
15 Gas and Southern California Edison, and in reading the
16 order, I see nothing in this that suggests that this is a
17 demonstration or a test program, or that the results of
18 this program would be utilized.

19 Have I not read it thoroughly, and it comes through
20 that this is a demonstration or a test program, because I
21 am concerned about the resource allocation question, vis-a-vis
22 that section there.

23 MR. FAY: Yes, there is a recitation of the
24 evidence taken regarding the program as a pilot program, and
25 that was part of the consideration during the hearing process.

T.2
1 that this was being looked at, as Ms. Wells indicated, in
2 fact, I think testified at the hearings that they consider
3 this a pilot program, all the utilities do, and some of the
4 other participants, like contractors, voiced their opinion
5 only in light of the fact that they see this as a pilot
6 program.

7 COMMISSIONER COMMONS: Is there a way we can
8 incorporate that as part of our decision?

9 COMMISSIONER EDSON: I believe, Commissioner
10 Commons, it is described in the decision, and what is
11 before us today, is the body of the decision.

12 COMMISSIONER COMMONS: All right.

13 MR. FAY: The decision is, if adopted by the
14 Commission, reflects the decision as a whole, and it is
15 contained in the body of the decision, reciting the fact
16 that it is a pilot program, and of course, the contract
17 reflects that fact too.

18 COMMISSIONER COMMONS: I don't have a copy of the
19 contract, could you tell me where to refer?

20 MR. FAY: No, I can't. I can't give you a
21 reference. However, the contract is not -- while the
22 contract is the basis for the program, what is before us
23 today is -- before the Commission, is the determination of
24 whether the program complies with Chapter XIV of the State
25 Plan. Chapter XIV doesn't require that the program be a pilot.

1 COMMISSIONER COMMONS: No, I know, but I'm
2 referring you to page 52, paragraph 9, where you make the
3 statement that the ratemaking authority of the CEC shall
4 review all utility contracting programs conducted under
5 this authorization, and when I read Chapter XIV B, my
6 interpretation of that is that we have to be responsive as
7 to the cost-effectiveness of the program, and the equity of
8 the program, from a ratemaking basis.

9 It is my opinion that the program is one that we
10 should go forward with, but in part we should go forward
11 with it because it's a demonstration program which would
12 have applicability based on the study results to the larger
13 area, and if it were just a program for the City of Santa
14 Monica, not a demonstration program, it would raise questions
15 in my mind concerning the allocation of ratepayer resources
16 so heavily into one target community.

17 MR. FAY: That subject was raised by at least
18 one of the participants in the hearings, and was addressed
19 in the decision. In terms of the fact that it is a pilot
20 program, the staff testified during the hearings that they
21 do plan to monitor this as a pilot program so that this
22 information can be compiled. The City has indicated that
23 they are going to be doing the same. So, it will be watched
24 very carefully, and that's -- the testimony brought that out,
25 that this will be a closely monitored program for that

1 purpose of using it in the future.

2 COMMISSIONER EDSON: I'd like to reiterate the
3 point Mr. Fay is making. I think we should keep in mind
4 that this is before us because we were petitioned by
5 Southern California Gas Company, and Southern California
6 Edison Company. I think the utilities made it quite clear
7 during the proceeding that they envisioned this as a pilot
8 program, one that they could learn from, and they hoped to
9 -- they plan to await results from this program before moving
10 forward with similar programs.

11 Secondly, as Mr. Fay noted, we are required under
12 the State Plan, and the staff testified in the proceeding
13 that they would be closely monitoring the Santa Monica
14 experience, and I think through that monitoring, as well,
15 we will have information that we can bring to bear in any
16 future proceedings.

17 COMMISSIONER COMMONS: Is there -- I guess my
18 question, Mr. Fay, is not answered. Is there any way to
19 incorporate within our findings, or in our decision, that
20 we're supporting the contract on one of the bases that it
21 is a demonstration program, and will be reviewed in the
22 overall context of the RCS Plan?

23 MR. FAY: My answer would have to be that that
24 is reflected in the proposed decision, and that adoption of
25 the proposed decision would do exactly what you ask.

1 COMMISSIONER GANDARA: Might I suggest -- excuse
2 me. Might I suggest that the fact that it is a 14-month
3 contract, as I believe was testified, it indicates it's
4 review, and renewability, or nonrenewability, and any
5 contract, essentially becomes a pilot program, and I think,
6 you know, that's what was indicated here, an attempt to
7 cover 100 percent of the homes, but that before you proceed
8 with the other 50 percent of the homes, that, in fact,
9 there would be a review at the end of the first 50 percent.

10 So I think that we can, you know, a rose by any
11 other name still smells the same, I believe the saying goes,
12 and whether we call it a pilot program, a renewable contract,
13 a contract for 50 percent of the homes, and so forth, I
14 think that we've all received a fairly accurate description
15 of what the programs are.

16 Unless there is a strong Commissioner sentiment
17 for modifying the decision in some way, I would suggest, at
18 Commissioner Commons, that it would be my view, that such
19 intent would be the desire, is, in fact, reflected in the
20 report.

21 COMMISSIONER COMMONS: I'm sorry, it's a small
22 point, but I just don't -- I did not find it here, and I've
23 asked the question as to where it's referred, and in asking
24 the utilities, both of them clearly made the point that
25 they view this as a demonstration program, and in the

1 findings before us, I haven't found it. That doesn't mean
2 it's not there.

3 MR. FAY: Well, would you like us to recess for
4 a while, and we may be able to find the reference for you.
5 I think it will -- it's a 60-page decision, so it may take
6 a little time to go through.

7 COMMISSIONER GANDARA: I believe Commissioner
8 Commons indicated that he thought that the program should
9 move ahead. I believe that we could proceed with this item,
10 taking a vote on this item, and you know, I think that
11 opinions and expressions, and descriptions of the program
12 have been sufficient, unless you wish to propose specific
13 plans, which at some point, Commissioner Commons --

14 COMMISSIONER COMMONS: Let me ask legal counsel,
15 is the fact that we've had this discussion, would that make
16 it clear to the outside world that the Commission is viewing
17 this as a demonstration program, or how do we take care of
18 that?

19 MR. FAY: Is that directed to me, Commissioner,
20 or just General Counsel?

21 COMMISSIONER COMMONS: Either.

22 MR. FAY: I would say that, as I said before, it
23 is reflected in the body of the decision. I think the
24 intent of the Commission in voting today has been made
25 very clear. They've received comments from the utilities as

1 to the pilot nature of the program, and I think have
2 demonstrated an indication that that's part of what they're
3 approving.

4 COMMISSIONER EDSON: Let me point Commissioner
5 Commons, as well, to page 47. It reads, "In addition, both
6 the utilities and the state regulatory agencies will be
7 watching the Santa Monica Program as a test of innovative
8 ways for providing residential conservation services to
9 other ratepayers throughout California."

10 I think that clearly characterizes the program as
11 a test.

12 COMMISSIONER COMMONS: That was under testimony.
13 Well, I guess I would like to make -- when there's a motion,
14 I'll make one amendment.

15 COMMISSIONER GANDARA: Very good. Well, let me
16 just say that I share some of the Commissioners concerns
17 with respect to the issues that you raised. On balance,
18 however, I was a resident, I lived and worked in Santa Monica,
19 and the community is unusual in its public services, and in
20 fact, it would be very difficult to balance the equities
21 because the city does provide many services to both
22 residents and nonresidents alike, ratepayers, and nonrate-
23 payers, and that is very difficult to draw the lines in
24 these matters.

25 I do believe that based both on my experience of

1 having lived and worked there, as well as the testimony and
2 the report here, that this program can be implemented, very
3 widely by the city. I applaud and commend the city and
4 the utilities, and the various committees that have worked
5 with it throughout the years, because I do think that we
6 would stand to learn quite a bit from it, and that in my
7 review of it, it does reflect very much the particular
8 circumstances and climate of Santa Monica.

9 It seems to focus on water heating conservation,
10 so that on balance, I think that we certainly, as the
11 language indicates, we do stand to learn quite a number of
12 lessons, and that in itself implies that everybody is
13 looking at it in terms of a demonstration as to where we
14 can proceed from there.

15 So with that, do I hear a motion, Commissioners?

16 COMMISSIONER EDSON: I move adoption of the
17 decision.

18 COMMISSIONER GANDARA: I'll second that.

19 COMMISSIONER COMMONS: I have a motion to amend.

20 COMMISSIONER GANDARA: A substitute motion, a
21 friendly motion, or --

22 COMMISSIONER COMMONS: We'll find out. On page 50,
23 the last three words, RCS Program, I'd like to move that
24 we insert after RCS, demonstration, before program.

25 COMMISSIONER EDSON: On page 50?

1 COMMISSIONER COMMONS: On page 50.

2 COMMISSIONER EDSON: I'll second it.

3 COMMISSIONER GANDARA: It's accepted as a friendly
4 amendment. I believe there's no objection to amending the
5 original motion. Shall we proceed calling the roll with the
6 original motion as amended by Commissioner Commons and
7 agreed to by Commissioner Edson?

8 SECRETARY MATHIES: Commissioner Commons?

9 COMMISSIONER COMMONS: Aye.

10 SECRETARY MATHIES: Commissioner Edson?

11 COMMISSIONER EDSON: Aye.

12 SECRETARY MATHIES: Commissioner Schweickart?
13 Commissioner Gandara?

14 COMMISSIONER GANDARA: Aye.

15 SECRETARY MATHIES: Chairman Imbrecht?

16 COMMISSIONER GANDARA: The item is approved. Can
17 we hear Item 2?

18 COMMISSIONER EDSON: Can I make just one comment?
19 This has been a long road to hoe for, I think, a lot of
20 people here, and not to mention the parties who I think have
21 shown a great deal of diligence in the way they've pursued
22 this matter, a great deal of patience in the long period
23 of time that it takes for government to move forward. In
24 addition, to the parties, there are a number of people on
25 staff -- we have a returnee that a lot of people know, Odel

1 King is here, who was so active on this case for so long.
2 I'd also like to thank Gary Fay, Susan Brown, Dave Mundstock,
3 and of course, Karen Griffin and her staff, particularly
4 Jerry Fontes who has been active all along. So thank you
5 all for pursuing this.

6 COMMISSIONER GANDARA: Thank you. Can we
7 proceed with Item 2? I believe that is my item. What this
8 item concerns is the fact that the Appliance Efficiency
9 Standards Committee received a complaint filed by the staff
10 of the California Energy Commission with respect to a water
11 heater test that has not met the standards, and some
12 reluctance by the manufacturer to then pursue the remedies
13 that I would find in our regulations.

14 The Commission has only had one other instance
15 of this type where we have proceeded to an enforcement
16 action. I presided over that, and my experience was
17 basically that the matter is fairly factual. In fact, we
18 never proceeded to full enforcement, because by the time
19 the Committee had scheduled an evidentiary hearing, or
20 actually, it was a prehearing conference, the parties, the
21 staff, and the manufacturer had stipulated to the testing,
22 basically as was outlined in our regulations.

23 We have a similar situation here, that there are
24 indications, I believe a recent letter from the manufacturer
25 in which there is some agreement with respect to testing.

1 On the other hand, it is an open-ended process, and I
2 requested, as according to our regulations, and this is
3 Section 1232, that indicates that upon the receipt of a
4 complaint, or request for investigation, the Committee may,
5 and to serve the complaint on the alleged violator, and
6 schedule a hearing upon the complaint. The hearing may be
7 scheduled before the full Commission, a Committee, or a
8 Hearing Officer assigned by the Chairman at the request of
9 the Committee, as provided in Section 1205.

10 In referring to Section 1205, it indicates that the
11 Commission may authorize the Hearing Officer to preside over
12 proceedings held pursuant to this Chapter, except for
13 proceedings pursuant to Division 15, Chapter 6 of the Public
14 Resources Code, Biennial Report Proceedings, and Rulemaking
15 Proceedings.

16 This enforcement action would not fit any of those
17 exceptions, so I am requesting the Commission authorize the
18 assignment of a Hearing Officer to preside over this
19 enforcement action if it should become necessary. You know,
20 it's unclear to me where things might go, given the recent
21 activity in this area.

22 If the Commission has any questions, I'd be most
23 pleased to try and answer them.

24 COMMISSIONER EDSON: Do you envision any Committee
25 role in the hearing process, and in reviewing the results of

1 that process?

2 COMMISSIONER GANDARA: I do not. As the regulations
3 indicate, I would expect that the Hearing Officer, should
4 this item continue to be contentious and lead to the
5 conclusion of a recommendation, it would, in fact, come
6 before the Commission as provided in Section, I believe it's
7 1232.

8 COMMISSIONER EDSON: I'm willing to support this
9 resolution, but I do have a certain hesitation. I think
10 the strength of the Energy Commission has been the direct
11 involvement of the Commissioners in formal proceedings of
12 the Commission, and I am very reluctant to see that
13 Commissioner role weakened in a systematic kind of way.

14 But given that this is a fact finding enforcement
15 proceeding, I am willing to move forward with it.

16 COMMISSIONER GANDARA: Commissioner Commons?

17 COMMISSIONER COMMONS: No objection.

18 COMMISSIONER GANDARA: Would you call the roll
19 please?

20 SECRETARY MATHIES: Commissioner Commons?

21 COMMISSIONER COMMONS: Aye.

22 SECRETARY MATHIES: Commissioner Edson?

23 COMMISSIONER EDSON: Aye.

24 SECRETARY MATHIES: Commissioner Schweickart?
25 Commissioner Gandara?

1 COMMISSIONER GANDARA: Aye.

2 SECRETARY MATHIES: Chairman Imbrecht?

3 COMMISSIONER GANDARA: Approved. We'll have a
4 slight recess for -- let's take a five minute recess.

5 (Brief recess.)

6 COMMISSIONER GANDARA: We have a quorum once again.
7 Can we proceed with Item No. 3?

8 MR. WHEATLAND: Jon Leber, the Project Manager,
9 is on vacation. You have before you a petition for rule-
10 making to exempt commercial refrigerators and freezers
11 from the Commission's Appliance Efficiency Standards.

12 The Executive Director has certified the petition
13 to be complete. The staff has conducted a preliminary
14 review of the petition, and has noted considerable industry
15 interest in this petition, and believes that it does raise
16 issues that are worthy of further Commission consideration.

17 Therefore, the staff has recommended that the
18 Commission adopt an order granting the petition from utility
19 refrigerator companies. There's a memo in your packet, and
20 I can answer any questions that you may have about it.

21 COMMISSIONER GANDARA: Yes. Let me ask a
22 question of clarification. The usual procedure here is to
23 accept or deny the petition and referral to the Appliance
24 Standards Committee, or the appropriate Committee. Is that
25 just a typo, with the staff recommending granting the petition?

1 The staff's not recommending that the petition be granted
2 at this point, but rather be accepted and referred to the
3 Committee, is that not correct?

4 MR. GAUGER: That's correct.

5 COMMISSIONER GANDARA: Okay. In the interest in
6 trying to move ahead with our agenda, is there any problems
7 with taking a vote on this matter now?

8 COMMISSIONER EDSON: I'll move acceptance of this
9 petition.

10 COMMISSIONER GANDARA: Okay. I'll second that.

11 COMMISSIONER COMMONS: That needs direction --

12 COMMISSIONER EDSON: We are also, I assume,
13 adopting the order granting the petition and instituting
14 a rulemaking on the petition.

15 COMMISSIONER GANDARA: Instituting a rulemaking?

16 COMMISSIONER EDSON: Right, it is here in the
17 package.

18 COMMISSIONER GANDARA: Okay, where is that?

19 COMMISSIONER EDSON: I believe it's the last
20 part of the --

21 MR. WHEATLAND: That should be attached to the
22 agenda input memo at the back of your package.

23 COMMISSIONER GANDARA: Is that a boilerplate
24 package?

25 MR. WHEATLAND: That's boilerplate, yes.

1 COMMISSIONER GANDARA: Correct, okay.

2 MR. HEATH: Mr. Vice Chairman, did you want to
3 take any public comment on this matter before the vote?

4 COMMISSIONER GANDARA: Yes, sir, Mr. Heath. Does
5 the public wish to comment on this?

6 MR. HEATH: I just wanted to report that, as
7 Mr. Wheatland already has, that there's been great interest
8 in this particular matter from the manufacturers. Those
9 people who are currently supporting this petition are the
10 Delfield Company; Nor-Lake, Incorporated; Beverage-Air,
11 Incorporated; the Hussman Corporation; and John West
12 Corporation, all manufacturers of these commercial
13 refrigerators and freezers.

14 We also have the representative from Beverage-Air,
15 Mr. Joe Carbone is here today. Did you want to make any
16 additional comments?

17 MR. CARBONE: Just that I support it.

18 MR. HEATH: Very good, that's all we had to report.

19 COMMISSIONER GANDARA: And I would assume that the
20 fact that the industry supports acceptance of the petition
21 does not change anybody's mind?

22 (Laughter)

23 COMMISSIONER GANDARA: Call the roll.

24 SECRETARY MATHIES: Commissioner Commons?

25 COMMISSIONER COMMONS: Aye.

1 SECRETARY MATHIES: Commissioner Edson?

2 COMMISSIONER EDSON: Aye.

3 SECRETARY MATHIES: Commissioner Schweickart?

4 Commissioner Gandara?

5 COMMISSIONER GANDARA: Aye.

6 SECRETARY MATHIES: Chairman Imbrecht.

7 COMMISSIONER GANDARA: Item No. 4.

8 COMMISSIONER EDSON: This is the Committee's --
9 the Loan and Grant Committee's recommendations on the
10 Schools and Hospitals Program. You have a list before you
11 of recommended recipients of federal Institutional
12 Conservation Program grant monies, and State Schools and
13 Hospitals loan money.

14 The Committee has reviewed this material, and
15 recommended an allocation to you. Let me ask Mr. Bakken
16 to briefly summarize the types of grants and loans that we
17 are making, and the rating procedures.

18 COMMISSIONER GANDARA: If I may, Commissioner
19 Edson, you and Commissioner Commons are the members of this
20 Committee?

21 COMMISSIONER EDSON: No, I am Presiding Member,
22 Chairman Imbrecht is the second member.

23 COMMISSIONER GANDARA: I see. Let me ask whether
24 -- the materials are rather self-explanatory. Is there an
25 interest in hearing a presentation by the staff?

1 COMMISSIONER EDSON: I've had it.

2 (Laughter)

3 COMMISSIONER GANDARA: That's rather cryptic.

4 (Laughter)

5 COMMISSIONER EDSON: I'll leave it at that.

6 COMMISSIONER COMMONS: I would just have a comment.

7 COMMISSIONER GANDARA: Okay. Well, I have a
8 question of clarification, Commissioner Commons has a comment,
9 let's take those, and see if there's any public testimony,
10 and if it appears that we would be more efficient by hearing
11 your opening remarks, then we would. But other than that,
12 I'm trying to proceed here.

13 My question is, what are the grants and loans that
14 you are proposing? Are those the ones that are on the
15 addendum?

16 MR. BAKKEN: The sheets that you have there,
17 there is about seven or eight sheets of applicants listed
18 with the projects. The addendum is a list of four projects
19 that we are presenting as an addendum, because one of the
20 applicants, subsequent to the preparation of the first list
21 has turned down their grant.

22 COMMISSIONER GANDARA: All right. I think what
23 I'm asking, I just want -- the action requested for us --

24 COMMISSIONER EDSON: I think I can explain.

25 COMMISSIONER GANDARA: Okay.

1 COMMISSIONER EDSON: This lists the recommended
2 recipients as modified by a short list of four. So these
3 two combined reflect those that we were actually recommending
4 funding for. In addition, because in the past, as these
5 projects move forward, occasionally recipients elect not
6 to receive the funds.

7 We are asking conditional approval of an additional
8 10 that are listed in rank order. They would be added on
9 to the list in the event money became available in the
10 future as DOE completes it's review of the program. So
11 there really -- there is the list of recipients, and that
12 list appears on the pages typed horizontally, plus the
13 list that we're asking conditional approval for in the event
14 any of the recipients elect not to receive the funds, and
15 more money becomes available.

16 COMMISSIONER GANDARA: Okay. Commissioner Commons?

17 COMMISSIONER COMMONS: Yes. Mr. Bakken, at one
18 time I was on that Committee, and when we decided to proceed
19 with this round of assessments, an issue had come up as to
20 whether or not we should revise the criteria. If I'm not
21 correct, it was the staff's opinion at that time, and the
22 Committee agreed with it, that to revise the criteria would
23 require revising of the plan going to the Department of
24 Energy, and we could not make those revisions of that criteria
25 in a timely way for this round of awards.

1 Can you tell me what efforts are now being taken
2 to review the criteria so that we won't be presented with
3 the same en fait accompli the next time we have this come
4 up?

5 MR. BAKKEN: In our efforts in this coming fiscal
6 year, we will review the State Plan and recommend any
7 changes that we find or deem appropriate at that point.
8 We'll probably start that in July.

9 COMMISSIONER EDSON: And I believe that it is
10 budgeted in the staff's work plans.

11 MR. BAKKEN: Yes.

12 COMMISSIONER COMMONS: Thank you.

13 COMMISSIONER GANDARA: All right. Is there any
14 public testimony? Would you call the roll -- well, I
15 assume there's a motion?

16 COMMISSIONER EDSON: I would move the --

17 COMMISSIONER GANDARA: I'll second the motion.

18 SECRETARY MATHIES: Commissioner Commons?

19 COMMISSIONER COMMONS: Aye.

20 SECRETARY MATHIES: Commissioner Edson?

21 COMMISSIONER EDSON: Aye.

22 SECRETARY MATHIES: Commissioner Schweickart?

23 Commissioner Gandara?

24 COMMISSIONER GANDARA: Aye.

25 SECRETARY MATHIES: Chairman Imbrecht?

1 COMMISSIONER GANDARA: Item No. 5?

2 MS. MCGOWAN: I'm Susan McGowan from the Demand
3 Assessments Office. Next to me is Carl Butz from the
4 Department of Economic and Business Development. Item 5 is
5 concerning a resolution for a memo of understanding between
6 the Commission and the Department of Economic and Business
7 Development.

8 They have been required through legislation to
9 assess energy, water, transportation and labor needs over
10 the next 10 years for California's Economic Development Plan.
11 In that effort they have asked us to cooperate with them to
12 provide a 10-year demand forecast using the staff demand
13 models with economic and demographic variables which they
14 would provide to us.

15 The memo of understanding has as a part of it a
16 \$7,500 computer account which they would set up through
17 Teale Data Center, and we would utilize in order to do
18 those computer runs.

19 COMMISSIONER EDSON: How much staff time will --
20 it sounds to me like it's much like the forecasting that we
21 do in our Electricity Report, with the exception that it's
22 10 years as opposed to 12. How much staff time will be
23 required in order to carry out the work?

24 MS. MCGOWAN: As part of the effort in working
25 towards the CFM-V forecast, which is due in March of '84,

1 the Demand Office intended to do, or intends to do an
2 interim forecast in August of this year to test some of
3 the new models, use a new code for the residential sector
4 which is now available and up, but we have not tested yet,
5 and we are going to test all of our models, and do a dry-run
6 forecast, if you will.

7 So in terms of -- that this coincides with that
8 timing, the only additional staff time that would be
9 required is simply packaging the numbers and a simple
10 comparison of the difference between the economic and
11 demographic variables which they supplied us with, and the
12 ones which we used in our last staff forecast.

13 COMMISSIONER EDSON: Would we be then doing two
14 dry-runs, essentially, one using their assumptions, one
15 using ours?

16 MS. MCGOWAN: No, we don't have any assumptions.
17 We were going to reuse our new economic and demographic
18 assumptions for CFM-V will not be available until November,
19 so they -- we had anticipated simply reusing, or altering
20 in a way to see differences in how the model operated for
21 the interim runs. This way we would actually be using their
22 econ demo instead of having to construct either internally
23 a new set of our own for the interim forecast, or reusing
24 the BR -- CFM-IV's.

25 COMMISSIONER EDSON: Will this make it easier or

1 harder to compare your dry-run with the CFM-IV run, to note
2 the differences in the models?

3 MS. MCGOWAN: Well, what we're concerned about is
4 simply that all of the models are up, running, giving
5 plausible results given the inputs we give them.

6 COMMISSIONER EDSON: I see.

7 MS. MCGOWAN: That was the purpose of the interim
8 forecast. We've had turnover in the office.

9 COMMISSIONER GANDARA: Commissioner Commons?

10 (Commissioner Commons shakes head negatively.)

11 COMMISSIONER GANDARA: I have several concerns,
12 Dr. McGowan, perhaps you might want to address them. One
13 is that -- kind of a -- just an issue of equity among
14 agencies. You notice the next item, we are paying the
15 Building Standards Commission \$60,000 for renewal of an
16 annual service agreement.

17 We pay the Board of Equalization \$15,000 or \$20,000
18 for them to provide us information on the solar tax credits.
19 We pay the AG \$50,000 for services, and so forth. I mean
20 we're giving -- it's proposed to give the CHP \$188,000 for
21 a demonstration project.

22 I guess one of the concerns that I have is that
23 we are being asked to spend staff time. I am informed that
24 with respect to computer time, there will be a computer
25 budget set aside. Nonetheless, I guess I am concerned about

1 the amount of staff time that will be taken by this, in
2 times of, at least the resource constraints upon us, and
3 at least from the presentations that we had on the budget
4 last week, a concern that there may not be enough staff to
5 go around to do forecasts, perhaps even the way that we
6 used to do it.

7 The other concern that I have is one of whether
8 it is, in fact, you know, that minimal an impact on our
9 resources. As I read the statement of work, we will be
10 taking DEBD's economic and demographic assumptions, and
11 run a forecast for them, run our forecast, rather than
12 having our forecast and giving that forecast to them.

13 My recollection was, in the BR IV procedures,
14 that when the Committee was requesting some additional
15 forecasts, or scenarios, that in fact there was at least
16 an indication that that would take some substantial time,
17 and there would be some inability to do that within the
18 resources that were available then.

19 Perhaps I misunderstood something, but those are
20 the concerns that I have with respect to this particular
21 item.

22 MS. MCGOWAN: Well, those are legitimate concerns,
23 I believe, but my notion, having been responsible for the
24 economic and demographic variables that are used in the
25 forecast, during this last cycle, we will have a new

1 individual in the office responsible for that this time.
2 This will give me an opportunity to train that individual
3 with the responsibility involved in it, which will have to
4 occur anyway. This timing, at least from our point of view,
5 would be much better.

6 I will do that training anyway, but I would have
7 to construct, or as I say, just reuse the previous economic
8 and demographic variables. We have been -- our office
9 internally has been committed, since the beginning of this
10 cycle, CFM-V, to do an interim forecast. We feel that's
11 important in order that we don't have the kind of time
12 crunching problems that we had this last time. We'd like
13 things to move a lot more smoothly, and be able to respond
14 to changes requested by the Committee this time.

15 There will be, as I said, some additional staff
16 time, but I consider that to be minimal, unless your office
17 decided it could not do an internal staff forecast, and then
18 you would have to think of all of that time. But I think
19 that we, from the point of view of the forecast, need to
20 do that.

21 COMMISSIONER GANDARA: You're saying that it will
22 take resources that we are not being given funds for, that
23 will require your training a staff person, there will be
24 another staff person, there will be --

25 MS. MCGOWAN: I will be training a staff person

1 anyway, that has to be done, so that time is there. His
2 time in learning the job is there. Being able to actually
3 go through a forecast run with a commitment to deliver that
4 forecast by a particular date will be extremely useful,
5 I think, internally, to get those things done.

6 I think the additional staff time over and above
7 what we would have been doing anyway, is very, very small.

8 COMMISSIONER GANDARA: Well, I find some inconsis-
9 tency in that, or something I misunderstood in the process,
10 but I recall during the BR-IV proceedings that we received
11 two runs, maybe three or four from the staff, with one set
12 of economic demographic assumptions, one GSP growth rate,
13 and one energy price scenario, and then there was another
14 GSP rate with a different energy scenario, and the concern
15 of the Committee at that time, that why wasn't there a
16 linkage between the GSP and the energy growth rate, and
17 could the staff rerun a forecast including that.

18 What we were told that there was, in fact, it was
19 too monumental an effort, it could not be done, we could
20 not go back and do that, and yet now this requires minimal
21 effort. What's the difference?

22 MS. MCGOWAN: Let me explain that to you. We
23 get the price forecasts, which for electricity, natural gas,
24 and petroleum products come from the fuels and the supplies,
25 or Systems Office. The Systems Office, in order to generate

1 a forecast for electricity prices, has a fairly elaborate
2 time consuming model which has to be run with a considerable
3 amount of data preparation.

4 We would not be using -- we would be using the
5 prices which were iterated back out of this last BR-IV
6 forecast into their production cost model, so that has been
7 done. There's no problem. The only economic and demo-
8 graphic variables that we'd be changing are the number of
9 households, population, and personal income growth and jobs
10 numbers.

11 Those are relatively straightforward, and the
12 time there is simply translating them into appropriate
13 inputs for our models which we would be doing anyway. The
14 price forecast, if we were having to have alternative
15 price forecasts would take a considerable amount of staff
16 time and effort, but that is not a part of this. We already
17 have the prices that we will use, and if not, as I understand,
18 the concern of DEBD.

19 COMMISSIONER GANDARA: Let me then just ask the
20 gentleman from DEBD why this isn't an interagency contract,
21 and why we're not being offered money for our services.

22 MR. BUTZ: When we attempted to -- well, there is
23 money involved here.

24 COMMISSIONER GANDARA: Computer time, I'm talking
25 money for staff time.

1 MR. BUTZ: Well, when we attempted to write the
2 interagency agreement, in fact, I did present an interagency
3 agreement, we were told basically that --

4 CHAIRMAN IMBRECHT: Excuse me, would you identify
5 yourself for the record please?

6 MR. BUTZ: Sure. My name is Carl Butz from the
7 Department of Economic and Business Development.

8 CHAIRMAN IMBRECHT: Thank you.

9 MR. BUTZ: Office of Economic Policy Planning and
10 Research. When we attempted to execute an interagency
11 agreement we were basically informed that if the Commission
12 received the money from us, it would be deducted as a
13 reimbursement from the total budget of the Commission, so
14 that basically there would be no --

15 COMMISSIONER GANDARA: Who informed you of that?

16 MR. BUTZ: -- there would be no additional money
17 available.

18 COMMISSIONER GANDARA: Who informed you of that.

19 MS. MCGOWAN: Through the Executive Office.

20 MR. SMITH: Yeah, let me address that. The
21 Commission does not have the ability to make use of
22 unexpected money that's provided to it, either with inter-
23 agency agreements, or from another source without going to
24 Department of Finance and the Legislature for a Section 28
25 to increase the Commission's budget. Looking at the next

1 fiscal year, I would think that that's quite unlikely.

2 In fact, for a small amount of work, if we're
3 correct in the amount that's being estimated here, the
4 computer services out of their budget is actually of more
5 value to the Commission than the dollars would be.

6 COMMISSIONER GANDARA: I'm concerned about it,
7 if we're not correct in our estimate of staff resources,
8 I mean, other agencies seem to get money from us through
9 interagency agreements, and I guess they go through the
10 same process, and their -- you know, they don't face the
11 same problem that we do.

12 Why is it that if we are providing services, and
13 our services are attractive, and I'm all for it, I don't
14 have any problem -- I guess I'm talking about the concern
15 with respect to our more limited resources for our own work,
16 and why is it that we can't receive the money and go for a
17 Section 28. It seems to me it would certainly display our
18 usefulness, and it would seem to be something that would
19 be agreeable to Finance. Why --

20 MR. SMITH: The question here was the estimate
21 of the amount of time that was involved. My understanding
22 was that this is perhaps four or five weeks of work that
23 fit very nicely with the work that that office needed to
24 accomplish during that period of time.

25 CHAIRMAN IMBRECHT: Well, I share Commissioner

1 Gandara's concern about that, and I frankly think that we
2 would get available treatment on that kind of an effort,
3 because economic developments, and that entire issue is of
4 paramount importance to the administration, and I believe
5 that a cooperative effort with the Director of the Department
6 of Business and Economic Development is something that
7 could be worked out.

8 I have a -- let me rephrase that. I have a good
9 working relationship with her. I'm confident we could get
10 bilateral support, if you will, for that. So in the event
11 that we do find that such requirements were necessary, I
12 don't think we should hesitate in the slightest to --

13 MR. SMITH: The process is one that requires not
14 only Department of Finance approval, but legislative concur-
15 rence as well.

16 CHAIRMAN IMBRECHT: It goes to the Joint
17 Legislative Budget Committee, and in the event they care
18 to object, they can, although they don't have statutory
19 authority to do so. It's only if Finance chooses to
20 recognize that. My sense is that they would probably agree
21 without much problem.

22 MR. BUTZ: Excuse me. There is some question of
23 time in our resources, and what money we can provide. This
24 money would come out of this current fiscal year, which
25 ends tomorrow. It would be -- you know, we'd have to go

1 back into the process. I have a deadline of January 1st
2 to report to the Legislature. I mean, just in terms of
3 timing --

4 COMMISSIONER GANDARA: Why didn't we get started
5 earlier on this?

6 MR. BUTZ: Why didn't we get started earlier on
7 this?

8 COMMISSIONER GANDARA: Yes, so we wouldn't be
9 faced on June 29th?

10 MR. BUTZ: Well, we started the letter which came
11 to the Chairman, was on June 10th. I realize it's late in
12 the year. When I became the interim director of the Office of
13 Economic Policy I had to open up a file that I had not --
14 you know, a budget file, and found out about the bill,
15 AB 2709, and that was in January.

16 There was not a director of our Department until
17 sometime in March, putting together all the pieces of what
18 we were going to, in fact, do with this bill, as such has
19 delayed us getting it here. I'm not -- you know, we have
20 attempted to make it as timely as possible, and I'm certainly
21 not, you know, going to say that it would be wrong to go
22 through the process of getting through the interagency
23 agreement.

24 We'd be glad to do an interagency agreement. I'm
25 just raising the concern I have in terms of, you know, what

1 we can do now. It would be advantageous, I think, to proceed
2 as quickly as possible.

3 CHAIRMAN IMBRECHT: You have no appropriation in
4 the 83/4 budget to do a --

5 MR. BUTZ: There was no appropriation made for
6 this bill at -- on the time. Basically, we've had some
7 salary savings that we've used this year for this particular
8 part of the project.

9 COMMISSIONER GANDARA: Can't that be included in
10 the Section 28, and the request for the interagency agreement?

11 MR. BUTZ: Pardon?

12 COMMISSIONER GANDARA: Can't that be included in
13 the Section 28 with the request for the interagency agreement?

14 CHAIRMAN IMBRECHT: I think salary savings that
15 are not expended by the end of the fiscal year revert to
16 the General Fund.

17 COMMISSIONER GANDARA: No, I don't mean for the
18 salary savings, I mean for your next year's budget. You
19 just said, you just identified June 10th, or thereabouts,
20 a legislative requirement that you have to meet during the
21 first half of the next fiscal year.

22 MR. BUTZ: I identified the legislative requirements.

23 CHAIRMAN IMBRECHT: His letter to me was dated
24 June 10th, and that's why this is before us in the earliest
25 possible date that we could consider it properly noticed,

1 and I'd say I likewise share your concern on that issue.

2 COMMISSIONER GANDARA: Well, let me say that I
3 would move that we recommend that the staff and DEBD
4 develop an interagency agreement for the work that is
5 suggested here. I would feel far more comfortable that in
6 the tasking out of the resources required, and that we
7 proceed in that way, the Commission. Otherwise, we'll soon
8 find out, but that would be my preference.

9 COMMISSIONER EDSON: That's instead of the
10 memorandum of understanding?

11 COMMISSIONER GANDARA: Yes.

12 CHAIRMAN IMBRECHT: Do I hear a second?

13 Hearing none, the motion dies for a lack of a
14 second. I would have noted in any discussion on the previous
15 motion that the one thing that does give me confidence that
16 this is reasonable is that the MOU provides for 30 day notice
17 of cancellation by either party, and as a consequence, I
18 would ask that our staff, in the event that this is approved,
19 monitor very closely, staff resources, at the same time,
20 try to pursue an interagency agreement in addition to the
21 MOU, but that we should be constantly informed as to what
22 the impact is upon our staff resources, and our own
23 statutory mandates.

24 COMMISSIONER EDSON: I would move the memorandum
25 of understanding.

1 CHAIRMAN IMBRECHT: All right, fine. The motion,
2 and I will make that statement I just made as a direction
3 to the staff by the chair. I have a motion, do I hear a
4 second?

5 COMMISSIONER COMMONS: It's been moved and
6 seconded to adopt the MOU. Is there objection to a unanimous
7 roll call?

8 COMMISSIONER GANDARA: I'll abstain on that, Mr.
9 Chairman.

10 CHAIRMAN IMBRECHT: All right, fine. The MOU is
11 adopted on the vote of three to nothing, Commissioners
12 Commons, Edson and Imbrecht in the affirmative, Commissioner
13 Gandara abstained.

14 The next item on the agenda, we can go through it
15 hopefully quickly, is Item 6, and then we will break for
16 lunch. Item 6 is a contract with the Building Standards
17 Commission, \$60,618, for the renewal of an annual service
18 agreement, services provided by the Commission include
19 maintenance and update of the existing standards, in addition
20 to filing and codifying new standards.

21 We have a staff presentation, Adrienne Wright.
22 Mr. Smith, are you prepared to bring up this item?

23 MR. SMITH: No, I'm not. Why don't we move to
24 the next one, and do you want to see that she gets down here?

25 CHAIRMAN IMBRECHT: All right, fine. Let me ask

1 this, is there any objection to the adoption of this contract
2 by members of the Commission? Okay. Hearing none, it will
3 be adopted on the unanimous roll call motion by Commissioner
4 Edson, seconded by Commissioner Gandara.

5 Just trying to make sure we have all the procedural
6 things, folks.

7 Item 7. I moved a lot of bills in Ways and Means
8 silently. Item 7, contract with California Building Officials,
9 CALBO for short, Advisory Committee, \$15,000 to continue
10 the work of the Advisory Committee. It was established to
11 facilitate the integration of building official input on
12 the adoption, implementation, enforcement and revision of
13 the energy conservation standards.

14 We have a presentation from Terri Gray on that.
15 Yes.

16 MS. GRAY: Yes, I'm Terri Gray with the Buildings
17 and Appliance Standards Office, next to me is Jose Martinez,
18 also with that office. The purpose of this proposed contract
19 with the California Building Officials is to continue the
20 work of the CALBO Advisory Committee.

21 The Committee was established to facilitate the
22 integration of building official input on the adoption,
23 implementation, enforcement and revision of the energy
24 building conservation standards, the appliance efficiency
25 standards, and the insulation standards.

1 The CALBO Advisory Committee has, since July of
2 1980, served the Commission in an advisory capacity on
3 such issues as development of new standards, implementation
4 strategy review, and evaluation of training programs. The
5 Advisory Committee provides a direct link between the CEC
6 and the local jurisdictions.

7 CHAIRMAN IMBRECHT: Excuse me, let me inquire,
8 are there any Commissioners that have concern about this
9 contract?

10 COMMISSIONER GANDARA: The presentation is very
11 impressive, I move it.

12 CHAIRMAN IMBRECHT: Thank you. Motion by
13 Commissioner Gandara.

14 COMMISSIONER EDSON: Second.

15 CHAIRMAN IMBRECHT: Second by Commissioner Edson.
16 Objection to unanimous roll call? Hearing none, that will
17 be the order. Item 8.

18 MR. MARTINEZ: Thank you.

19 CHAIRMAN IMBRECHT: Thank you. Yes. All right,
20 fine. I'm advised by Commissioner Commons that this item
21 will require some time. Since we are at the noon hour,
22 let's see, do we have any other items here that we could
23 handle expeditiously?

24 COMMISSIONER EDSON: Nine will take some time.

25 CHAIRMAN IMBRECHT: Nine will take time, 10, I

1 think we can handle 10, can we not? Let's move to Item 10,
2 contract amendment with Video/Audio Recording Services for
3 \$12,000 to extend hearing reporter services to September 30,
4 '83.

5 COMMISSIONER EDSON: I have one question on that.

6 CHAIRMAN IMBRECHT: In order to provide sufficient
7 time to prepare and process an invitation for bid for these
8 services. Commissioner Edson?

9 COMMISSIONER EDSON: This was quite a controversial
10 item a year ago when we made the decision to handle these
11 contracts by bid as opposed to RFP, but it seems to me that
12 we should have anticipated the need to again go out to bid
13 for the beginning of the fiscal year. What accounts for
14 the --

15 MR. SMITH: That's correct. This need should have
16 been identified several weeks ago and been on the Commission's
17 agenda earlier. You are correct, though, that this process
18 is one that will provide for a least cost selection, and
19 will not take us through the kind of exercise we had to
20 go through last year.

21 COMMISSIONER EDSON: So it was just an oversight
22 that it did not come before us?

23 MR. SMITH: That's correct. That's correct.

24 CHAIRMAN IMBRECHT: I think that was a mea
25 culpa.

1 COMMISSIONER EDSON: Yes.

2 CHAIRMAN IMBRECHT: I just have one question on the
3 item. Have we, and I presume somebody has looked at this in
4 the past, but has there been a consideration, and is there
5 any concern, vis-a-vis electronic recording versus
6 stenographic services? Have we considered that issue, or
7 has the --

8 COMMISSIONER EDSON: That was actually considered
9 at some length a year ago when this was before us, and we
10 found that recording had been used in courts, it has been
11 used by other administrative agencies in adjudicatory
12 proceedings, that there was no legal problem in going with
13 recording devices, and it did prove to be the least costly
14 of the bids before us.

15 COMMISSIONER COMMONS: Could we refer this to the
16 Administrative Committee for review after approving the
17 extension?

18 CHAIRMAN IMBRECHT: As to the issues that I just
19 raised? Yeah, I think that's reasonable.

20 Okay. Is there objection to this contract by
21 members of the Commission?

22 COMMISSIONER GANDARA: No, I just share
23 Commissioner Edson's concern about -- but other than that --

24 CHAIRMAN IMBRECHT: I read the history of it, but
25 obviously we have to move forward now, but we will certainly

1 try to ensure that does not occur in the future.

2 All right, I will move, Commissioner Commons,
3 second? Without objection, the contract is unanimously
4 approved.

5 Item 11, the consent calendar, I am told that one
6 of these items needs to be removed, and I'm trying to --

7 MR. SMITH: Mr. Chairman, that's Item a. the
8 Quarterly Oil Report.

9 CHAIRMAN IMBRECHT: Yes, we already have a
10 resolution adopted by the Commission on file, signed by
11 former Chairman Schweickart --

12 MR. SMITH: I believe we do and --

13 CHAIRMAN IMBRECHT: -- that authorized the
14 Executive Director to transmit the report. Okay. Is
15 there any concern about the remaining three items on the
16 consent calendar?

17 COMMISSIONER COMMONS: Yes, I think I requested
18 that you move one of the other --

19 CHAIRMAN IMBRECHT: I'm sorry, would you refresh
20 my memory, Commissioner Commons?

21 COMMISSIONER COMMONS: It's either b or c, I'm
22 trying to refresh my memory of which item it is.

23 COMMISSIONER GANDARA: It's c.

24 COMMISSIONER EDSON: I think it's c.

25 COMMISSIONER COMMONS: c.

1 CHAIRMAN IMBRECHT: Yes, it is. I'm sorry, at the
2 request of Commissioner Commons, Item c will likewise be
3 removed from the consent calendar.

4 That leaves us with items b and d; b is a
5 contract amendment with Consultants Computation Bureau,
6 no cost time extension for that contract; d is a contract
7 amendment with the Regents of the University of California,
8 again, a no cost time extension to change the termination
9 date of the contract.

10 COMMISSIONER GANDARA: No objection.

11 CHAIRMAN IMBRECHT: No objection, okay, moved by
12 Commissioner Gandara, seconded by Commissioner Edson,
13 without objection, those two items will be adopted
14 unanimously.

15 Is there objection to approval of
16 the minutes of the last meeting? Hearing none, that will
17 be the order.

18 I think now we will -- let's see. Mr. Smith,
19 how long an Executive Director's report do we have?

20 MR. SMITH: Very brief, I just wanted to --

21 CHAIRMAN IMBRECHT: Would you like to make that
22 now?

23 MR. SMITH: Yes. I just wanted to mention that
24 our progress in obtaining the printed versions of BR-IV is
25 continuing. The --

1 CHAIRMAN IMBRECHT: What is the current hang-up
2 on that?

3 MR. SMITH: At the present time, we're promised a
4 date, a delivery date by the State Printing Office, by
5 close of business today. They --

6 CHAIRMAN IMBRECHT: I'll check the loading dock on
7 the way out.

8 MR. SMITH: They will tell us what the date is,
9 and indicate --

10 CHAIRMAN IMBRECHT: Oh, they promised to tell us
11 the date today?

12 MR. SMITH: That's correct. That's correct.

13 CHAIRMAN IMBRECHT: I see.

14 MR. SMITH: They have indicated that it could be
15 within a week to two weeks. They've started production of
16 the plates today, so there's no further problem anticipated,
17 but that's been true in the past.

18 CHAIRMAN IMBRECHT: Commissioner Commons?

19 COMMISSIONER COMMONS: Yes. On the R&D Report,
20 the first time it was -- 100 copies were printed, a number
21 of titles were left off, then that was corrected, but the
22 overall quality of the report in terms of printing became
23 unsatisfactory, and I don't believe that, Mr. Chairman, you
24 were sent a copy of a memo from our office with time to see
25 that, but prior to the time that that report gets approved

1 for submittal, I would request that you review the quality
2 of the printing, where the pictures are no longer really
3 legible, and there's a serious quality deterioration as to
4 whether or not we should issue the report in the second
5 printing, or what you would like to do.

6 CHAIRMAN IMBRECHT: I would be happy to do so.
7 Anything further on the Executive Director's report?

8 MR. SMITH: No.

9 CHAIRMAN IMBRECHT: I'll just indicate that we
10 will continue briefly at the conclusion of this meeting, a
11 -- no, we took care of the last personnel matters, so we
12 do not need to continue the executive session. Okay. So
13 that concludes the Executive Director's Report for today?

14 Mr. Chamberlain, do you have the General Counsel's
15 report?

16 MR. CHAMBERLAIN: I don't believe so.

17 (Laughter)

18 CHAIRMAN IMBRECHT: I would just like to indicate
19 to you that we would like to hold another executive session
20 at the conclusion of this meeting to inquire as to the
21 progress of one of our intervention proceedings.

22 MR. CHAMBERLAIN: Then I will amend my answer.

23 CHAIRMAN IMBRECHT: Thank you. So we will continue
24 yours for a brief executive session.

25 Why don't we also see, is there any member of the

1 public that has any comment they wish to make at this time?

2 Hearing none, Item 16 is covered.

3 COMMISSIONER COMMONS: One slight question before
4 you adjourn. Do you intend to have the continuation of our
5 last business meeting before or after the executive
6 committee on the administration?

7 CHAIRMAN IMBRECHT: After. I think we can have a
8 brief executive session here in the conference room on this
9 floor, and then come back for that -- the remainder of
10 that discussion. I don't think the executive session will
11 take very long, frankly.

12 Okay. We will recess until 1:30, at which time
13 we will consider Items 8, 9, and b. -- pardon me, a. and c.
14 on the consent calendar. Otherwise, we're just about
15 finished. Thank you very much.

16 (Thereupon the morning session of the business
17 meeting of the California Energy Resources Conservation and
18 Development Commission was recessed for lunch at 12:05 p.m.)

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AFTERNOON SESSION

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3 CHAIRMAN IMBRECHT: Okay. We'll call the meeting
4 back to order and return to Item 8, the contract with the
5 California Highway Patrol for \$188,000 to meet the require-
6 ments of the CHP fuel safety testing to enable the purchase
7 of vehicles for local law enforcement agencies, and provide
8 fuel and fueling stations for those vehicles.

9 I understand that we may be able to focus our
10 attention to a limited number of issues rather than a
11 complete description. If that's the case, we might want
12 to focus our attention on those issues where there is some
13 difference of viewpoint, and I suggest that in the interest
14 of brevity and clarity of presentation.

15 MR. KEN SMITH: Okay. I think we can be brief
16 with a little background. You realize that we have a
17 \$700,000 interagency agreement with the CHP now to develop
18 100 methanol powered pursuit vehicles. This proposed
19 augmentation is the result of underspending in another area.

20 Basically, we underspent on the 500 car Ford
21 Escort fleet, and so we have a surplus, basically, of
22 \$188,000. We were a little thin with the CHP project in
23 the first place, and during the six months that we negotiated
24 their signing of this contract, they brought up one very
25 serious issue which this contract addresses, and that is the

1 issue of safety. They want more work done in the safety
2 area with this fuel, so we have addressed that in this
3 contract.

4 Also, we have addressed a need that arose while
5 we were selling cars to various agencies, that is, people
6 at the local level, sheriffs departments and city police
7 asking for these vehicles to be made available to them.

8 So basically, there are two elements to this
9 contract, a safety element, and an augmentation of more
10 vehicles so that local sheriff and city police departments
11 can participate in the program.

12 CHAIRMAN IMBRECHT: How many additional vehicles?

13 MR. KEN SMITH: Well, we had proposed 10 additional
14 vehicles, and therein lies the, I think Commissioner Commons
15 has some suggestion as to how we could increase that number
16 of vehicles, and therein lies the discussion, I think, that
17 you're referring to.

18 CHAIRMAN IMBRECHT: And just coincidentally,
19 these additional proposals for CHP happened to equate to
20 the same total of dollars that we have available?

21 MR. KEN SMITH: Yes, it -- but once again --

22 CHAIRMAN IMBRECHT: \$188,000 is not a number you --

23 MR. KEN SMITH: \$188,000 is the surplus from not
24 purchasing 600 Escorts. We did not know until late April
25 exactly how many cars we would be purchasing, and so, we

1 actually purchased 506 cars, we had provided funds for 600
2 cars, so this is the surplus left over from that account.

3 MR. SMITH: I think it would be correct to say
4 that it came to \$188,000 because of the number of cars, and
5 the size of this contingency item, number six in the
6 handout. So --

7 COMMISSIONER COMMONS: Well, let me make a
8 statement there, if we'd had \$215,000, I think the proposal
9 would have shown 14 or 15 cars. The demand for cars exceeds
10 the number of dollars, and so it's not accidental, it was
11 done on purpose, and the fill-in, or items number 3 and 4,
12 is the number of cars that we could afford given the limited
13 funds.

14 MR. KEN SMITH: I would add to that, that the
15 more cars we buy, the lower the incremental cost of each
16 car, and the more interest we can generate from the
17 automotive companies.

18 CHAIRMAN IMBRECHT: Okay. Why don't you give any
19 other things you want to add to that.

20 MR. KEN SMITH: No. That's it.

21 CHAIRMAN IMBRECHT: \$188,000, then, is to add
22 10 additional vehicles, and also to test for safety --
23 excuse me -- Commissioner Commons, you had some concerns,
24 why don't we turn to you.

25 COMMISSIONER COMMONS: Well, I'm not so sure that

1 they're necessarily concerns, I just had some thoughts that
2 I wanted to share with some of the other Commissioners as
3 to where we're going on this.

4 As I guess all of you are familiar, I have
5 supported this program, or this project when it previously
6 came up, and I'm in basic support now. In my talking with
7 the Development Division, it's my understanding that the
8 demand at the local level, at the sheriff, and the counties
9 and the cities, could be in the hundreds of vehicles, not
10 just the 10 vehicles.

11 As we try to expand this program, hopefully 10
12 percent of the vehicles in the state, maybe even more, what
13 we're going to have to do is to continually reduce the
14 differential.

15 Well, there's two parts that are making up the
16 differential right now. One is the additional cost from
17 the manufacturer because we're having a small number of
18 vehicles being sold, and that's the \$3,000 per car, and I
19 would propose that we maintain that.

20 The other is the cost differential on the fuel,
21 and that now -- fuel prices, of course, vary. It's my
22 feeling that on a small number of vehicles, and where we're
23 working with local governments here, they should be able to
24 pick up that part of the cost.

25 If the tests prove positive, which we have every

1 reason to believe they will, there are substantial gains from
2 using these vehicles versus the conventional vehicle, and
3 that this would be one way of our sharing the cost, and
4 actually leveraging our funds, and getting more vehicles
5 out there.

6 So what I would like to do is see if we can
7 market the program without the fuel for the additional cars,
8 and to move that number into either additional cars, or
9 into another fuel station, if that was necessary, to
10 introduce this program.

11 If we can essentially double the number of vehicles
12 that we can get out of this with that change. I also would
13 prefer -- I don't understand the contingency item, in that
14 there's a contingency in terms of the \$3,000 per vehicle,
15 I would prefer that to be shown as \$3,100 per vehicle, or
16 I know we're allowed discretion in a contract, of up to
17 10 percent on a line item, and I would propose we eliminate
18 Item 6.

19 MR. KEN SMITH: Okay. The contingency was in
20 case the incremental cost ran more than \$3,000, that's
21 precisely what the contingency is for.

22 COMMISSIONER GANDARA: Have you thought of --

23 CHAIRMAN IMBRECHT: Excuse me. How do you propose
24 to allocate these vehicles to local government?

25 MR. KEN SMITH: We would do it on a program

1 opportunity notice, in the same way that we did with the
2 ERF fleet vehicles. We would solicit, you know, all, you
3 know, agencies out there that would be interested.

4 CHAIRMAN IMBRECHT: Why do we need additional
5 fuel stations?

6 MR. KEN SMITH: Well, if we happen to get someone,
7 say in Redding, where we don't already have, you know,
8 budgeted fuel stations, if the city police department in
9 Redding wants cars, we're going to have to provide fuel up
10 there.

11 CHAIRMAN IMBRECHT: How many local law enforcement
12 agencies are going to participate at the current level?

13 MR. KEN SMITH: At the current level, we have--
14 Dan, do you know that number -- you mean in the existing
15 Ford Escort fleet?

16 CHAIRMAN IMBRECHT: That's correct.

17 MR. KEN SMITH: We have approximately 20 local
18 agencies -- I'm not sure of that, I don't know --

19 CHAIRMAN IMBRECHT: There are no law enforcement
20 vehicles in existence?

21 MR. KEN SMITH: No, there are no law enforcement
22 vehicles.

23 CHAIRMAN IMBRECHT: Aside from the CHP test fleet.

24 MR. KEN SMITH: No. Yes.

25 CHAIRMAN IMBRECHT: So this would be more law

1 enforcement vehicles?

2 MR. KEN SMITH: These are strictly law enforcement
3 vehicles, and that requires the motor companies to develop
4 a different engine, different technology.

5 CHAIRMAN IMBRECHT: And how many CHP vehicles are
6 we talking about?

7 MR. KEN SMITH: We're talking about 100 at this
8 point.

9 CHAIRMAN IMBRECHT: 100, so we would be adding
10 10 of those -- I look at \$50,000 for a fuel test site,
11 station test sites, I'm wondering if that really makes good
12 sense. Wouldn't we be better off trying to solicit, or I
13 mean rather than putting \$50,000 in there, aggregate that
14 with the fuel that Commissioner Commons mentioned, and the
15 \$30,000 that's already assigned to additional vehicle
16 acquisition, and you'd end up with 100,000, and a substan-
17 tially greater fleet, and greater potential benefits to be
18 distributed around the state, but albeit, within the area
19 where the existing 30 fuel stations are located.

20 MR. KEN SMITH: We can do that, but my earlier
21 point is that if we site -- if we find a city like Redding
22 where there's no fuel facilities, it would be nice to have
23 the flexibility to say, well, we're going to buy 10 less
24 cars for one fuel station in order to --

25 CHAIRMAN IMBRECHT: Why? You're going to put a

1 fuel station up there, and you're going to give them how
2 many cars, two cars, three cars max?

3 MR. KEN SMITH: No, we would not site a fuel
4 station for less than -- the rule of thumb has been to not
5 site a fuel station for less than five cars.

6 CHAIRMAN IMBRECHT: So you're saying if Redding
7 got half of the additional fleet --

8 MR. KEN SMITH: We would probably have to put in
9 fuel for them up there.

10 CHAIRMAN IMBRECHT: That doesn't strike me as a
11 very good balance, frankly.

12 COMMISSIONER COMMONS: Let me ask a couple of
13 practical questions. If we took the Chairman's idea, and
14 we added this up, and it comes close to \$100,000, which
15 would be about 30, 35 cars, where you have the existing
16 fuel stations, could you market the program?

17 MR. KEN SMITH: I think we could. I mean, I'm
18 just trying -- having been in the development business for
19 the past three years with this fuel, I'd just like to have
20 more contingencies than I've had in the past. I mean, we
21 made some mistakes in the early program, especially associated
22 with fuel that reduced the miles that we got on the cars.

23 COMMISSIONER COMMONS: If we come back later on,
24 and one city says, well, gheez, they got .0286 cents per
25 mile, it's a lot easier to try it from the beginning, and

1 market it that way, than it is to do it the other.

2 MR. KEN SMITH: Okay. I think the staff agrees
3 with you on that, however, we hadn't considered converting
4 the fuel stations into cars. We feel like that you can't
5 put enough stations out there to make people happy.

6 CHAIRMAN IMBRECHT: Well, let's take Commissioner
7 Gandara, and then I'll follow-up on that point.

8 COMMISSIONER GANDARA: Would you repeat again
9 what the contingency is for?

10 MR. KEN SMITH: The contingency is in case the
11 \$3,000 differential is \$3,100, or \$3,050, that's what the
12 contingency is for. We don't know what that differential
13 cost is going to be. We've taken a quote from the automotive
14 industry over the phone speculating on two development
15 steps that these things will cost \$3,000 difference.

16 Remember the Ford Escorts cost more, much more
17 than we thought. We put some stipulations in there that
18 caused that, but you know, we paid over \$2,000 incremental
19 costs on the Ford Escorts.

20 COMMISSIONER GANDARA: Why has that contingency
21 changed? When you brought this item before the Commission
22 December 29th, you stated the contingency was in the case
23 that the price of gasoline dropped, and it would be used to
24 pay for the methanol, which would be more expensive.

25 MR. KEN SMITH: Well, we feel like that we have

1 adequate contingency in the existing contract for, you
2 know, fuel costs. We don't feel like 10 cars is going to
3 affect that, and you will recall at that business meeting,
4 we showed a graph of exactly how sensitive the differential
5 cost was, and at this point, because we're getting methanol
6 delivered at such an inexpensive price, we originally
7 budgeted methanol at something like 85 cents a gallon.

8 We're now getting methanol delivered for 60 cents,
9 and by the time it gets to the fleets, it's around 72 cents
10 a gallon.

11 COMMISSIONER GANDARA: So the price -- I mean, so
12 the uncertainty over the fuel price, you know, has been
13 reduced, but the contingency has been included, because now
14 an uncertainty has been increased over the production price?

15 MR. KEN SMITH: Well, we just feel that -- we
16 feel that there is uncertainty there, and that was also
17 expressed by the Highway Patrol, and that, you know, they
18 would be covered on this incremental cost. It's --

19 COMMISSIONER GANDARA: That was not part of the
20 contract on December 29th. It did not indicate any
21 uncertainty with the production price then.

22 MR. KEN SMITH: Well, we did indicate -- we might
23 not have indicated that, I think we felt that.

24 COMMISSIONER GANDARA: Let me just take some time
25 here to review it all for the Commission, at least what that

1 discussion was about and what my position was.

2 I voted against this proposal, and I proposed an
3 amendment to it, because I felt that the proposal was over-
4 budgeted, it was too expensive. Specifically, I recommended
5 a \$91,000 deduction from the then \$700,000 contract. I
6 proposed that the contingency be eliminated, which at that
7 time was around \$56,000, I believe, and the reason for that
8 is because at that time we were told that the contingency
9 was over the -- in case the price of fuel, the price of
10 gasoline dropped considerably.

11 In addition to that, I had some concerns that we --
12 the contract included \$50,000 for what is called two
13 prototype concept reports at 25K each. As it turns out,
14 the discussion brought out that that is, in fact, for two
15 prototype cars, or at that time was, at \$25,000 each, with the
16 accompanying reports, I would imagine technical reports
17 that have to do with production, or maybe some prototype
18 testing, or whatever.

19 I felt some concerns at purchasing, you know,
20 cars at \$25,000 a piece, even though they were these
21 prototypes was in fact not prudent, and Commissioner
22 Commons' concerns about whether the cost could be shared
23 was very much in my mind at that time.

24 I still have those concerns. I would have
25 supported a contract then of \$609,000, that is with the

1 reduction that I proposed. I seem to have the same
2 concerns still, and but for the addition of the safety
3 research, which I find reasonable, of \$75,000, I don't
4 really see the reasons for either increasing the number of
5 cars, or for the additional dollars here.

6 Since I see that that safety research would cost
7 \$75,000, and I was proposing a reduction then of \$91,000,
8 that would still mean a reduction from the \$700,000 of the
9 difference between those two numbers, which is \$16,000.
10 So that I still feel this contract could be borne for
11 essentiall \$684,000.

12 But I just provide that as background, and --

13 CHAIRMAN IMBRECHT: Let me try to understand.
14 Where is the \$700,000 figure? Is that the current budget?

15 COMMISSIONER GANDARA: That was the original
16 contract?

17 CHAIRMAN IMBRECHT: With the CHP, or for the
18 CHP test?

19 COMMISSIONER GANDARA: Well, that's what the
20 Commission approved to be allocated to the CHP last
21 December 29th. I had some other concerns as to why we were
22 not contracting directly for the cars, and the services,
23 and why were we handing the money over to the CHP, then the
24 CHP contracted out further, but that's another matter.

25 The decision, as I understand, the Commission made

1 then was to decide on a \$700,000 program that would be
2 given to the CHP for them to contract, administer, and do
3 what they will.

4 CHAIRMAN IMBRECHT: And so now you're proposing
5 to add another \$188,000 on top of the \$700,000?

6 MR. KEN SMITH: That's correct, and the staff --

7 CHAIRMAN IMBRECHT: I understand.

8 MR. KEN SMITH: Okay. The staff disagrees with
9 Commissioner Gandara on that, because we think that the
10 original contract was very thin. We feel that, you know,
11 it's a difficult -- we're talking about more developmental
12 work than we've ever done in the program.

13 CHAIRMAN IMBRECHT: What are these two \$25,000
14 test vehicles?

15 MR. KEN SMITH: Okay. It is very expensive to
16 develop a second engine and a car that meets all the
17 stipulations of the California Highway Patrol. These are
18 not ordinary fleet cars. These are cars with special
19 equipment.

20 The CHP, the CEC staff, the Synthetic Fuels Office,
21 and the automotive manufacturers had extensive discussions
22 about what it would take to develop such a program.

23 CHAIRMAN IMBRECHT: And who are the contractors
24 for those two vehicles?

25 MR. KEN SMITH: Well, we have talked both with

1 General Motors and Ford Motor Company. They are the two
2 that have expressed the most interest in becoming involved
3 in this program. We --

4 CHAIRMAN IMBRECHT: How would those vehicles be
5 differentiated from the vehicles that the CHP is already
6 planning to receive?

7 MR. KEN SMITH: They will be a -- they could be
8 an entirely different vehicle. They could be from a
9 different company within General Motors, they could be a --
10 and currently, the only vehicles that the CHP has --

11 CHAIRMAN IMBRECHT: Well, let me rephrase my
12 question. The vehicles that the CHP will receive under
13 the test program, I assume meet their criteria for law
14 enforcement vehicles? Yes or no?

15 MR. KEN SMITH: That's correct, but to develop a
16 new vehicle on a different fuel that meets that same
17 specification is a substantial undertaking by the automotive
18 industry.

19 CHAIRMAN IMBRECHT: The vehicles that the CHP
20 will get under the contract that the Commission has already
21 agreed to meet the specifications in terms of acceleration,
22 and handling, all those sorts of factors that the CHP
23 requires for a law enforcement vehicle, right?

24 MR. KEN SMITH: They have to.

25 CHAIRMAN IMBRECHT: All right. I assume that to

1 be the case, and what would these two other vehicles provide
2 in the way of additional data or research that --

3 MR. KEN SMITH: These two vehicles precede the
4 100 vehicles. These are part of the development program.
5 In other words, the automotive industry is not ready to
6 deliver a high performance pursuit vehicle to the CHP.
7 There's approximately 18 months of developmental work that
8 goes before we actually buy the 100 cars.

9 The CHP has several steps in there where they can
10 literally back out of the program, you know, if this
11 development program is not going along as, you know, as
12 expected.

13 CHAIRMAN IMBRECHT: So, I see. In effect, we
14 provide the companies \$50,000 of this -- the two contracts
15 go to the same company, or two separate companies?

16 MR. KEN SMITH: No, we would expect two companies,
17 at least two companies to be involved.

18 CHAIRMAN IMBRECHT: So General Motors and Ford,
19 for example, would each be asked to develop a high pursuit
20 vehicle, and based upon the conclusion as -- presumably by
21 the CHP as to which was the better vehicle, that would,
22 in turn, generate the purchase for the 100 vehicles.

23 MR. KEN SMITH: That is the intent.

24 CHAIRMAN IMBRECHT: In summary, that's the --

25 MR. KEN SMITH: Okay, there's an interim step

1 there. We develop the two vehicles, then there are 10
2 vehicles based upon those two vehicles that come out and
3 are used for --

4 MR. WIENS: 85,000 miles.

5 MR. KEN SMITH: For an 85,000 mile test. Those
6 are actually leased by CHP. We don't put any money into
7 those second vehicles, so there is essentially a cost
8 sharing there in that the automotive companies, in that
9 development step, offer those cars at a gasoline price.

10 CHAIRMAN IMBRECHT: And all of that is prior to
11 the actual purchase of 100 vehicles.

12 MR. KEN SMITH: All of that is prior to the
13 purchase.

14 CHAIRMAN IMBRECHT: So when do we contemplate
15 the 100 vehicles being purchased?

16 MR. KEN SMITH: The 100 vehicles are in the 1985
17 model year, those vehicles are purchased.

18 CHAIRMAN IMBRECHT: Okay.

19 COMMISSIONER GANDARA: But that's again up to the
20 CHP, because we're giving them the dollars, and it's on
21 their schedule, and their requirements, and the two \$25,000
22 cars, we don't even get to keep, they give back the grants,
23 neither we nor the CHP.

24 MR. KEN SMITH: That's right. The automotive
25 industry takes those back to develop the second stage

1 prototype. This is -- I have to say, this is fairly
2 typical of, you know, development of a new type--

3 CHAIRMAN IMBRECHT: I was just trying to
4 understand it clearly, I'm not personally critiquing that.

5 Let me just say that the further revised proposal
6 I mentioned a moment ago, now that I understand what the
7 differential cost is more clearly, I'm not sure the local
8 government is going to want to take on what might be an
9 arguably less efficient vehicle, or whatever, without some
10 incentive, and it seems to me the subsidy of the fuel is
11 likely to provide that.

12 At the same time, I don't see the purpose of having
13 the two additional fuel stations. Let me just say for
14 discussion purposes, without putting this into any kind of
15 formal motion or proposal, it would seem to me it might make
16 sense to take the \$80,000 and focus all of that into
17 additional vehicles for distribution to local government,
18 and leave the fuel -- that might have to be adjusted, maybe
19 take the contingency dollars and deal with that, provide
20 some incentive to local government to take on this.

21 COMMISSIONER COMMONS: Let me -- what I'd like
22 to do is make a preliminary motion --

23 COMMISSIONER EDSON: I have a question. I would
24 actually like to ask a question before we get to motions.

25 CHAIRMAN IMBRECHT: Yeah, I was trying not to get

1 to a motion to see how that --

2 COMMISSIONER COMMONS: I was just going to move
3 that we do one and two first, and then focus on three, four,
4 five, and six separately.

5 CHAIRMAN IMBRECHT: That motion would be in order.
6 Why don't we hold that just for a moment, and I'll remember
7 that, and let's go to Commissioner Edson.

8 COMMISSIONER EDSON: I'm interested in what
9 flexibility we have with these funds. Is this money that
10 because of the legislative direction to us must be spent
11 on the methanol fuel program, or is this money that we have
12 the flexibility to use for other development of conservation
13 activities?

14 MR. SMITH: These funds were part of the '82 --
15 1982/83 energy resources fund budget, so the funds -- well,
16 the appropriation of the funds is for the current fiscal
17 year. It ends at the end of this fiscal year. I believe
18 we do not have flexibility to shift it outside of the
19 purpose that we described to the Legislature, which was the
20 methanol vehicle fleet program, and fueling station program.

21 CHAIRMAN IMBRECHT: Thank you. Further questions,
22 comments? I think there's general concensus, Commissioner
23 Commons, as to items 1 and 2, so we will probably deal with
24 that in a generic motion, we'll get to it unless I hear
25 opposition.

1 Let me ask you this, Mr. Smith, in the event that
2 we wanted to put \$80,000 into additional vehicles, how would
3 item 4 have to be adjusted? Oh, I see, it would probably
4 just be 10 cars would get another --

5 MR. KEN SMITH: If -- I can't do that arithmetic
6 in my head.

7 MR. WIENS: \$24,310 for 10, so it's \$2,431 per
8 car.

9 MR. KEN SMITH: So it's \$2,500 a car, approximately.

10 CHAIRMAN IMBRECHT: What is the premise of that
11 .0286 cents per mile?

12 MR. KEN SMITH: That is a technical calculation
13 based on the -- what we think differential price between
14 gasoline and methanol is going to be, and the efficiency
15 improvement achieved with methanol.

16 COMMISSIONER COMMONS: You have not given any
17 credit to the higher efficiency in making that calculation.
18 What we're really saying, though, is if you would take
19 premium gas today, unleaded, that we would not have to give
20 any additional credit, it would actually be a wash.

21 What we're saying is, in the methanol vehicle,
22 you're actually getting a more efficient vehicle, and in
23 terms of the local agency, the local law enforcement agency,
24 what they would be doing essentially is paying premium price
25 rather than regular unleaded price, and that's the

1 differential, but they're getting an improved -- we're
2 giving them something improved. At the same time, we're
3 also going to give them the \$3,000 differential in the
4 capital cost.

5 CHAIRMAN IMBRECHT: But we're also going to
6 create added questions in their mind as to the reliability
7 of the vehicle, and you're talking about smaller communities,
8 with limited police vehicles on the street, a lot of their
9 calculations are predicated upon understanding what the
10 life expectancy, or the amount of hours that they can have
11 that vehicle out on the street, and I suspect that there
12 might be some chilling of the marketplace in terms of some
13 concerns that they might have that a vehicle is not going
14 to hold up.

15 I mean, whether it's true or not, I suspect
16 there will be some concern about that.

17 COMMISSIONER COMMONS: How many years is this for,
18 the \$24,000?

19 MR. KEN SMITH: The \$24,000 is for an operational
20 period of approximately, what, two years?

21 MR. WIENS: Eighteen months.

22 MR. KEN SMITH: Eighteen months, yeah.

23 COMMISSIONER COMMONS: So you're talking about
24 roughly \$1,600 a year on the fuel site. I'm just a firm
25 believer in trying to leverage our very, very limited dollars.

1 CHAIRMAN IMBRECHT: I agree.

2 COMMISSIONER COMMONS: And when the demand out
3 there, I'm told, is in the many hundreds of vehicles from
4 local law enforcement agencies, I'd at least like to try it
5 that way. I wouldn't mind a motion that had flexibility
6 built in, if we're not successful, or allowing some
7 discretion, but I'd like to try it.

8 CHAIRMAN IMBRECHT: I'd like to aggregate items
9 3 through 6, and basically indicate that we want to
10 maximize the number of vehicles, and not invest in two
11 additional fuel stations. I just can't see the justification
12 of that, frankly. We've got 30 stations in the state, that's
13 enough in my view, and we certainly can find applicants
14 within those service areas, would be my assumption.

15 COMMISSIONER COMMONS: If we could have a motion,
16 for example, like not less than 25 or 30 vehicles, which
17 would allow flexibility, and aggregate those four, which
18 would give the staff some ability to try to negotiate.

19 CHAIRMAN IMBRECHT: Yeah, let's do that. Okay.
20 I will make a motion, and see how it goes. I would make a
21 motion that not less than 25 additional vehicles, aggregate
22 the last four items from a financial standpoint, not less
23 than 25 vehicles, with the intention that you maximize the
24 number of vehicles, if you can do greater than that, fine,
25 and make them available to local law enforcement agencies.

1 Is that fairly clear?

2 COMMISSIONER COMMONS: I'll second that. I have
3 just a question of procedure. I don't think we ever voted
4 on the first motion of 1 and 2, because we didn't have a
5 second.

6 CHAIRMAN IMBRECHT: There was no second, and so
7 I will state for lack of a second, goodbye. Is there
8 objection to --

9 COMMISSIONER COMMONS: Are you incorporating in
10 this motion 1 and 2, because I'm not clear what you're --

11 CHAIRMAN IMBRECHT: Yes, I am incorporating 1 and 2.
12 Commissioner Gandara?

13 COMMISSIONER GANDARA: I still have my original
14 objection from last December.

15 CHAIRMAN IMBRECHT: Okay.

16 COMMISSIONER COMMONS: Wouldn't you propose to
17 have 1 and 2 --

18 COMMISSIONER GANDARA: Since we're amending the
19 contract, I still think that there is \$91,000 -- I don't
20 see the need for the contingency fund. The -- in fact, the
21 need that we were told in December has disappeared and now
22 we're told that there's a new need of production uncertainty.
23 So I think that first of all, there should not be a
24 contingency item, and I really think that the prototype
25 vehicles are over-priced.

1 CHAIRMAN IMBRECHT: What contingency remains with
2 this amendment?

3 MR. KEN SMITH: Well, we've just started -- the
4 CHP just signed the original agreement approximately 30
5 days ago. So we're just on the front end of issuing a
6 program opportunity notice to the various automotive
7 industry participants.

8 So we haven't touched the contingency, the original
9 contingency --

10 CHAIRMAN IMBRECHT: What is the amount of the
11 original contingency?

12 MR. WIENS: \$56,904.

13 CHAIRMAN IMBRECHT: And that was for differential
14 and fuel costs?

15 MR. KEN SMITH: That's correct.

16 COMMISSIONER COMMONS: So that, theoretically,
17 could come back to us two years from now.

18 MR. KEN SMITH: It could. I mean, we don't --
19 there's a wide variation on the use of these vehicles.
20 Remember, these are not -- these vehicles -- some of these
21 vehicles log as much as 8,000 miles a month, and so if we
22 get into a high use program, there's still need for
23 flexibility in there.

24 Once again, my experience in developmental projects
25 is it's very nice to have some flexibility in, you know,

1 where that money gets allocated to. We think that that
2 money may end up getting allocated to differential costs.
3 It's, you know, it really is literally a contingency item.
4 It's based on real numbers, but, you know, things change
5 in developmental programs.

6 CHAIRMAN IMBRECHT: Who's required as a sign-off
7 in terms of allocation of that contingency fund?

8 MR. KEN SMITH: If my -- I'll defer that to the
9 Contracts Office, but my recollection is that a line item,
10 for as much as 10 percent of the contract price can be
11 changed without, you know, coming back before the Commission.
12 Is that correct?

13 MS. ELLISON: You can move 10 percent within each
14 line item without requiring a formal amendment, you do it
15 through an informal amendment.

16 CHAIRMAN IMBRECHT: So that means that the
17 individual office can expend up to 10 percent of that
18 contingency.

19 COMMISSIONER EDSON: I think that's a different
20 question. Ken, how -- does the CHP have to go through any
21 groups in order to draw on the contingency level, or do
22 you simply serve the needs?

23 MR. KEN SMITH: We haven't required that. However,
24 if they spend something that's not a line item in the
25 contract, not specified, they have to come to the contract

1 manager, which would be Jerry, and you know, request that
2 formally, so we do have control over that.

3 COMMISSIONER EDSON: But the contingency item is
4 a line item in the budget, so they can --

5 CHAIRMAN IMBRECHT: So they can spend up to
6 \$56,000 without any oversight.

7 MR. KEN SMITH: Well, that's -- yes, in a strict
8 sense, yes, but we don't feel like that's the case with
9 the relationship we have with them.

10 MS. ELLISON: Well, all the invoices have to be
11 approved by the Commission before they're paid, so that
12 the office would first receive the invoice for approval,
13 the contract manager would look at it, determine whether
14 or not it fit into the contract, or the other line items
15 in the rest of the test. If it did, he would approve it,
16 pass it on up through the office, and it eventually comes
17 to contracts,

18 Before it gets signed out over our approval, you
19 can always not pay an invoice if you think that it's not
20 for what was approved in the original contract.

21 CHAIRMAN IMBRECHT: Well --

22 MS. ELLISON: I mean, it's just not up to them.

23 CHAIRMAN IMBRECHT: Well, it's not clear it was
24 not approved in the original contract. I'd like to see
25 some mechanism, and if there's any jurisdiction I have as

1 Chair, to require that some expenditure of more than 10
2 percent of the contingency fund be brought to my attention,
3 and the Presiding Member of the Fuels Committee's attention.

4 MS. ELLISON: Well, you can certainly have that
5 put into the contract.

6 CHAIRMAN IMBRECHT: Prior to the expenditure being
7 committed to.

8 MS. ELLISON: Or you could direct that as just
9 part of the administrative order, it may be more appropriate.

10 CHAIRMAN IMBRECHT: That's what I was getting at.
11 Fine, I think I will make that direction, that for any
12 expenditure of the contingency funds, in excess of 10 percent
13 of the total, that I and Commissioner Gandara, as the
14 Presiding Member of the Fuels Committee, should be notified
15 prior to the encumbrance of those funds, in which case, if
16 we choose to object, we'll bring it to the Commission.

17 All right. Based upon that additional caveat,
18 -- Commissioner Gandara, do you --

19 COMMISSIONER GANDARA: I find that acceptable.

20 CHAIRMAN IMBRECHT: All right, fine. Is there
21 objection, then, to the unanimous roll call? Hearing none,
22 then, on my motion -- excuse me, Commissioner Commons
23 seconded my motion -- my motion that the last four items
24 be aggregated, and that a specification of no less than 25
25 vehicles for local law enforcement, with the maximum number

1 possible being the intention of the Commission, that is
2 adopted unanimously.

3 Okay. Item 9, contract amendment with the Geo-
4 Heat Center, the Oregon Institute of Technology, \$40,000
5 to amend the existing contract to extend its term to
6 December 15, 1983. Technical assistance is needed for
7 ongoing geothermal direct use and small scale electric
8 projects, including those under the Geothermal Development
9 Grant Program.

10 Okay, Sarah has a presentation.

11 MS. MICHAEL: My name is Sarah Michael, I'm
12 Manager of the Small Power Producers Office. Since approval
13 of the original contract with the Geo-Heat Center last
14 summer, over 31 requests have been made for technical
15 assistance by the geothermal project developers, or potential
16 geothermal project developers.

17 Since that time, we have responded to all of
18 those. Some have been a preliminary, a very brief
19 assessment of the geothermal potential of the site, others,
20 such as the case of Huntington Beach, where the city has
21 asked us to look at the possibilities of -- or the Geo-Heat
22 Center to look at the potential of putting in a 500 unit
23 residential project using direct geothermal energy for
24 space and water heating, the Geo-Heat Center has done such
25 things as assisted in the actual preparation of the preliminary

1 system design.

2 What we are asking for in this contract amendment
3 is to allow the Geo-Heat Center to wrap up the work that
4 they're currently undertaking with six -- in six projects
5 between now and December 15th. After December 15th, we will
6 have a technical assistance contract, another technical
7 assistance contract starting that would then take on new
8 requests for this assistance for geothermal developers.

9 There is a six month gap, however, due to some
10 delays in the RFP process, and our own budgetary uncertainty,
11 so essentially, with that gap, the six projects currently
12 receiving technical assistance may -- in fact, will be in
13 jeopardy if they have to wait six months before the new
14 contractor comes on-line.

15 Ralph Chandler is here from the office, and he can
16 go into detail on the ongoing projects that are currently
17 underway with receiving technical assistance, but essentially
18 it is to cover that six month gap.

19 CHAIRMAN IMBRECHT: Okay. Before doing that, why
20 don't we see if there are concerns of the Commission. Are
21 there concerns?

22 COMMISSIONER GANDARA: Yes, there are.

23 CHAIRMAN IMBRECHT: Commissioner Gandara?

24 COMMISSIONER GANDARA: Again, this contract has
25 some history that it was approved by the Commission, I voted

1 for it, and I believe it was originally approved around
2 June or July of last year. The concerns I expressed then
3 were two-fold. One, it was a sole source contract, and
4 secondly, my concern was related to the fact that if RFP'd,
5 that it seemed to me that there would have been an oppor-
6 tunity for geothermal expertise in California to be
7 applied for projects in California.

8 That, however, was no reflection on the work of
9 OIT, nor on the recommendation by the staff, because I
10 believe, indeed, the contractor had performed very credibly.

11 After I raised the issue, I was assured that any
12 further contract regarding this type of technical assistance
13 would be RFP'd, and in fact, you know, we now again have an
14 extension, essentially an extension of a sole source
15 contract, and frankly, I voted for it this last year,
16 because at that time we were told that if we didn't vote
17 for it then, of course, there would be an interruption in
18 the delivery of technical services, as well. So, we find
19 ourselves again in the same situation.

20 I have these concerns, although the staff, I think
21 has recently responded in outlining the budget uncertainties
22 that accompanied many aspects of the Commission earlier
23 this year, but at the same time, I think it is normal
24 practice, really, to issue RFP's ahead of time under
25 considerable budget uncertainties, for everybody, not just

1 this agency. So, in fact, I was trying to avoid where we
2 would find ourselves again in the situation of having to
3 approve something because again there would be an interrup-
4 tion of services.

5 That's the history of the contract. I still have
6 those concerns, and I offer them for your consideration
7 because I'm concerned that now I'm assured that an RFP is
8 being issued, and will start, or is expected to start
9 around January, and frankly, I don't know whether around
10 January we might have another extension because otherwise
11 services might be interrupted again.

12 You know, I don't think it's fair to necessarily
13 saddle the office manager with that, but I think there is a
14 concern with at least what I thought to be an understanding
15 and agreement last time.

16 CHAIRMAN IMBRECHT: I understand. This happens.
17 In my previous role I've run into many things of the same
18 nature frequently. I -- a couple of questions. First off,
19 does it take the six months to do an RFP?

20 MS. MICHAEL: Well, I'll turn that over to Ralph.

21 MR. CHANDLER: Yeah, if I could respond. We
22 started the RFP process back in March, as soon as we got
23 word from the Department of Finance that there were tax
24 support dollars in the Governor's budget. There was some
25 uncertainty, however, in that staff requested \$175,000 for

1 technical support services for geothermal. The Department
2 of Finance response was that it would be for small power
3 producers.

4 There's some question as to what technology are
5 the tax support dollars really for, for the whole office,
6 or for just the geothermal program. The March change
7 process was supposed to clarify that. In mid-April we
8 got word back basically that a March change was denied,
9 that it was to be used for the entire office, not just the
10 geothermal program.

11 So at that point, the RFP was expanded to include
12 the photovoltaic and the wind technologies. It takes a
13 considerable amount of effort to rescope the RFP to include
14 two more technologies, and basically, at that point, we got
15 the schedule from the contracts office as to just when the
16 RFP would be released, and we've been on that schedule,
17 it's just that with the contract register requirements, and
18 the considerable RFP requirements, you're looking at
19 approximately a five month, to six month time frame before
20 a contract start date will be initiated.

21 The contract is going to be released -- I mean,
22 excuse me, the RFP will be released this next month, it's
23 completed, that's the time frame we're operating under.

24 CHAIRMAN IMBRECHT: It takes six months from the
25 time that an RFP is advertised to the general world for us

1 to get proposals back in and --

2 MR. CHANDLER: You'll see the package in your
3 backup package is the schedule that contracts has given us,
4 but that's correct.

5 COMMISSIONER GANDARA: Well, Mr. Chairman, I might
6 note that if it takes six months, and the staff started in
7 March, that really, you know, and nothing could really be
8 on-line until January 1st of next year, that indicates a
9 six to nine month lead time plan. Six to nine months ahead
10 of July 1st, had we done it right, would have taken us to
11 December, or September of last year, which was, in fact,
12 previous to the budget uncertainty that even produced it.

13 So I would then again say, you know, that there
14 should have been considerable activity before this
15 uncertainty came about. Had, in fact, there been at least
16 in my view, a good faith attempt to try and have a contract
17 in place by July 1st.

18 CHAIRMAN IMBRECHT: I have to say that one of the
19 things that I think is extremely important in the future,
20 that our Executive Office track specific orders made by the
21 Commission to individual offices, and do it in the context
22 of assuring that there is compliance with those requests.

23 It's difficult to Monday morning quarterback these
24 things, and obviously, nobody wants to interrupt programs in
25 progress at this point in time. But these requests were made

1 prior to my tenure, and at the same time, I think Commissioner
2 Gandara has every right to expect that when the Commission
3 has given direction to the staff, or the Chair has on behalf
4 of the Commission, that they are orders to be followed, and
5 I think that's the most diplomatic way I can say that.

6 MS. MICHAEL: I think we have attempted to follow
7 the orders and the direction of the Commission, and have
8 a documented, or attempted to document this in a memo to
9 all the Commissioners, that we passed out, essentially
10 going through the process of what has caused the delay, but
11 we are trying to show by that memo that the staff is
12 proceeding in a good faith effort to have the contractor
13 selected by an RFP process, and to be responsive to
14 Commission direction.

15 So I think it's unfortunate that it's taken us,
16 you know, that it's taking this long with the budget
17 uncertainty and whatnot, but we are in the process of
18 following your direction.

19 COMMISSIONER GANDARA: Does the Executive Office
20 have any comments to the fact that it was calendared and
21 removed by the Executive --

22 MR. SMITH: You know, the Executive Office had
23 not recommended that the contract be put on the agenda for
24 this meeting, and expected that it would be raised following
25 the work plan decisions, because of some of the potential

1 trade-off choices. The contract is on the agenda I believe
2 at the request of a Commissioner, not of the Executive
3 Office. We were aware of the original direction.

4 COMMISSIONER GANDARA: And what was your view of
5 the potential interruption of services if you were going to
6 wait for work plan development, and you did have a --

7 MR. SMITH: That there would be, because the RFP
8 had not moved forward during the current year, as you had
9 indicated, that there would be a break in service.

10 COMMISSIONER GANDARA: Was it your best judgment
11 that this contract would best be followed after the work
12 plans?

13 MR. SMITH: That was the Executive Office
14 recommendation.

15 COMMISSIONER EDSON: Perhaps I should comment
16 since I had requested it be put on the agenda. There are
17 a number of projects, primarily that relate to the geothermal
18 direct heat funding -- the geothermal funding program under
19 AB 1905. Project recipients that have received technical
20 assistance from OIT as our project has moved forward, others
21 that are pending and preliminary application stages who
22 rather than receiving funding, have been directed to work
23 with OIT to further define their projects.

24 I guess my -- I have a couple of questions. I
25 certainly -- I share Commissioner Gandara's concern that this

1 did not move forward in a more timely fashion, and I'm a
2 little chagrined that despite even the Legislature's
3 attempts to streamline the contracting process, we find
4 ourselves with a five or six month lead time between the
5 time an RFP is released, and we actually have a contract
6 in place.

7 That aside however, does this -- does the \$40,000
8 we're talking about here come out of simply the geothermal
9 portion of the total funds available for technical assistance?

10 MS. MICHAEL: We have approximately \$210,000 for
11 the Small Power Producers Office, so it would come out of
12 that general pot, and therefore, out of the geothermal.

13 COMMISSIONER EDSON: So that would not reduce the
14 amount of funds available for technical assistance in the
15 wind area, or --

16 MS. MICHAEL: Well, the RFP as it's currently
17 structured will -- puts all of the money into one source,
18 and that as technical assistance requests come in, then we
19 will evaluate those requests, rather than say that
20 geothermal has a third of the money, wind has a third, and
21 photovoltaics has a third, we felt that it's a better use
22 of the money to see what kinds of projects and technical
23 assistance needs are out there, and then based upon the
24 demand, evaluate those requests as they come in, and
25 allocate the monies based upon that, rather than a third, a

1 third, a third.

2 CHAIRMAN IMBRECHT: Do you think we can find a
3 given contract so that we'll have the expertise to service
4 all of those technologies?

5 MS. MICHAEL: The proposal is to --

6 CHAIRMAN IMBRECHT: That's the premise of the
7 proposal, right?

8 MS. MICHAEL: The proposal would seek to find a
9 central contractor who then would have the ability to
10 subcontract with those who may have the expertise. So if
11 we can't find -- obviously, it would be ideal if we could
12 find one group that could cover all of those technologies.

13 CHAIRMAN IMBRECHT: So the RFP then, will in
14 effect be for \$170,000 for all technologies.

15 MS. MICHAEL: For 175, yes.

16 CHAIRMAN IMBRECHT: For 175, so that's 215 --

17 MS. MICHAEL: Excuse me, I think I've got the
18 figures.

19 MR. CHANDLER: You're correct, the Office of
20 Small Power Producers does have \$210,000, but the technical
21 support component is \$175,000. You subtract the 40K that
22 we're requesting for this extension, and the RFP will be
23 released at 135K. Any dollars unencumbered through the
24 extension would be allowed to carry over into the RFP and
25 be used by that selected contractor to carry out work.

1 CHAIRMAN IMBRECHT: I see.

2 COMMISSIONER EDSON: You mentioned that there were
3 six projects that would be affected. Is it fair to assume
4 that you would not plan to take on any new technical
5 assistance efforts in this six months? I mean, I don't want
6 have it -- find ourselves six months from now being told
7 that there's some project that isn't quite wrapped up, and
8 we have to extend this further.

9 MR. CHANDLER: That's correct. I would be in a
10 much better position to evaluate any contract that's proposed
11 knowing that all work in progress has been completed, and
12 that whoever does come on board will be starting with a
13 clean slate, and not have to go back to any projects that
14 need some final backing up to be completed on. So, it's --
15 all efforts will be made to wrap up the work in progress,
16 and have any new contractor come on start with fresh and
17 new requests.

18 COMMISSIONER EDSON: What basis do we have for
19 arriving at the \$40,000 figure?

20 MR. CHANDLER: Well, that was based on the
21 projection of the work still to be done for the six projects,
22 and the current level of work that OIT is expending during
23 previous months, and you know, the rate that they are
24 expending dollars on similar projects with similar levels
25 throughout the contract that's in place now. So the

1 projection is that to finish this work, and at the rate
2 they're spending for these projects, approximately \$35,000
3 to \$40,000 was estimated to be the needs to wrap this work
4 up.

5 COMMISSIONER EDSON: As I understand your request,
6 you're asking for a time extension that takes you up to the
7 time you expect to issue, or bring the other contract before
8 the Commission. Is there any -- is that not true?

9 MS. ELLISON: I think that they expect that
10 contract to be in place by the time this one expires. So
11 it would have already gone through your approval, that will
12 happen sometime early fall, then it will go through the
13 control agency process. This five to six month period for
14 processing a contract includes from when it first comes to
15 the original office to be processed, then to contracts,
16 goes through the Executive Office, all the other checkpoints,
17 then the RFP is released, then it's published in the
18 Contracts Register, and then it comes back before the
19 Commission which also has to be noticed, and it has about a
20 30 day lead time to get on the Commission agenda, then it
21 goes for review with the control agencies. That's what that
22 five to six month period is based on. It includes everything
23 from the moment it's originated, to the sign-off by General
24 Services.

25 COMMISSIONER EDSON: Is there some reason that you

1 think that the remaining projects will take until mid-
2 December to complete?

3 MR. CHANDLER: Well, if you have the uncertainties
4 that we faced this past winter with the rains that forced
5 some delays, we felt that allowing a time frame that
6 didn't place any constraints on any unforeseen disruptions
7 in project schedules would be most prudent. The schedule
8 is that we would have most of the work wrapped up by the
9 end of the summer, the fall, but looking at the time frame,
10 we felt that we would go out to the December period, when
11 we will have the next contract in place, and it would be
12 allowing for any uncertainties that may arise to be covered.

13 MS. MICHAEL: But the intent is that the \$40,000
14 is to wrap up the six projects currently underway, and
15 undertake no new work. The new work would be taken on by
16 the contractor that would be selected, and the contract
17 would start the end of December.

18 So that is written into the -- basically on the
19 contract request memo, and will be part of the contract,
20 conditions of the contract.

21 CHAIRMAN IMBRECHT: Commissioner Commons.

22 COMMISSIONER COMMONS: I'd like to expand the
23 issue here to cover, I think, a broader question that has
24 concern to me. It almost seems to me that we're presented
25 with contracts, and people come before us a few days before

1 the meeting and discuss them with us, as Commissioners, and
2 we almost sit up here and draft contracts, and review
3 contracts, without, from a Commissioner's point of view,
4 I think, adequate preparation.

5 Now, there's at least three contracts that have
6 come before us today that are some Committee's that I've
7 been working with, and the first notice I had of them, was
8 being placed on the agenda, and then a day or so before the
9 Commission meeting, being lobbied on them, essentially.

10 I think -- I remember we had a list, when I first
11 came on the Commission in December --

12 CHAIRMAN IMBRECHT: You just have to be tough,
13 Geoff.

14 COMMISSIONER COMMONS: -- 20 or 30 contracts.
15 Well, there's no way that I'm going to be able to adequately
16 look at all 20 or 30 contracts.

17 I would like to suggest, Mr. Chairman, that we have
18 the Committee structure, we're still missing a few small
19 areas in the Commission where the Committee's don't
20 actually have jurisdiction, I think they would automatically
21 fall within the Administrative Committee, those few, and
22 that when we have these type of contracts, and here there is
23 a history of problems which the previous Chairman of the
24 Committee was well aware of, that we have these contracts
25 brought before the Committee so that we have some of the

1 types of things that we have been discussing today, which I
2 think represents the viewpoint of where the Commission would
3 be, wrestled out in the Committee meetings, then if there's
4 two Commissioners that have different points of view, they
5 can bring that before the full Commission, and it certainly
6 would preclude the review of the full Commission.

7 But I think we'll end up with fewer problems, and
8 address the issues in the Commission meetings of a larger
9 perspective, rather than getting bogged on a \$40,000
10 extension of where we're going here.

11 CHAIRMAN IMBRECHT: I share your concern about
12 us wasting, or spending excessive amounts of time on these
13 kinds of matters, and I do think it would be appropriate
14 for contracts to at least be reviewed by the Presiding
15 Member in the subject matter of the Committee involved prior
16 to being brought to the full Commission, and let the
17 Presiding Member use his or her discretion as to whether
18 or not it necessitates a meeting of their full Committee.
19 I think that's reasonable direction for the future.

20 COMMISSIONER GANDARA: Mr. Chairman --

21 CHAIRMAN IMBRECHT: I'd like to see as many of
22 these contracts as possible go on the consent calendar,
23 presuming that the Presiding Member has signed off. These
24 are not the kind of thing that I want to spend eons of time
25 on in the future.

1 COMMISSIONER GANDARA: I concur with your
2 recommendation, but since I started with this issue, let me
3 try and resolve it.

4 CHAIRMAN IMBRECHT: Let's hear it.

5 COMMISSIONER GANDARA: I would -- I'll tell you
6 what I would feel comfortable with. I would feel comfortable
7 with a three month time extension for half the amount, for
8 \$20,000, and I think that if the staff has started the RFP
9 process as of March, that it would be helpful if they would
10 accelerate that as much as possible.

11 In addition to that, I think it would provide at
12 least some incentive to perhaps see if we can accelerate
13 it. If, in fact, it turns out that it becomes difficult,
14 then, of course, staff has the option of always coming back
15 to us like they did in this one.

16 CHAIRMAN IMBRECHT: Excellent idea.

17 COMMISSIONER COMMONS: Let me ask you one question
18 on that, and I'd like to ask the administrative office,
19 would we lose the ability to have expended the other \$20,000
20 because this being the day before July 1st, if we took that
21 action?

22 MR. SMITH: No, these are next year's funds.

23 COMMISSIONER COMMONS: That would also fit in with
24 the discussion on the work plan effort that was mentioned.

25 MS. MICHAEL: I would just like to ask the contracts

1 attorney, if we do get an extension, and three months from
2 now there is still need for the projects, a couple of projects
3 to be wrapped up, can we come back with another contract?

4 MS. ELLISON: You can come back with another
5 amendment and it will still require full Commission approval,
6 because it's over \$100,000.

7 MS. MICHAEL: But we can do that? That would be
8 perfectly acceptable to us.

9 CHAIRMAN IMBRECHT: All right, fine. Is there
10 objection? There's a motion by Commissioner Gandara,
11 second by Commissioner Commons. Is there objection to the
12 motion which is to reduce the contract by half, and an
13 extension of 90 days rather than 180 days. Without objection,
14 that will be the order.

15 Okay. Now we have two items left before our
16 brief executive session, and then conclusion of the meeting
17 from last week. The two remaining items are 11b, contract
18 amendment with Consultants Computation Bureau, no-cost
19 time extension to develop a simplified calculation method --
20 a pre and post-processing system, somebody's going to have
21 to interpret this, DOE 2.1A. We have a staff presentation
22 on 11b.

23 MS. ELLISON: Wasn't it 11c? It was 11c, I think.

24 CHAIRMAN IMBRECHT: Did I mistate, 11a and c --
25 excuse me, b we've already adopted, pardon me. We adopted

1 b and d, and so we actually have a, which is Commission
2 consideration and possible approval of quarterly -- I'm --
3 that was taken off, and we don't need to do that at all,
4 so it's just c, excuse me.

5 Okay. I'll get my act together here. 11c is the
6 only remaining item. This is the contract amendment with
7 AREA, Incorporated, a no-cost time extension to allow the
8 Commission to continue to develop revised standards for
9 retail stores and grocery stores.

10 MR. PENNINGTON: Good afternoon, Commissioners.
11 My name is Bill Pennington, I'm the Office Manager in
12 charge of Building Standards Development.

13 The proposal we have for you today is we're
14 requesting for the Commission to approve a no-cost time
15 extension for the use of fiscal year 82/83 budget authority
16 of \$280,000 to continue the AREA, Incorporated contract.
17 This extension would continue the research on the feasibility
18 and cost-effectiveness of alternative energy efficiency
19 measures for new commercial buildings.

20 If the time extension is not approved, the Energy
21 Commission loses \$280,000. Special budget authority would
22 have to be approved by the Department of Energy and
23 ultimately by the Department of Finance to use the federal
24 funds. However, it's our understanding that those funds
25 would come out of the fiscal year 83/84 budget.

1 The budget that was put together for fiscal year
2 83/84 for the Commission assumed that this contract would
3 be extended using fiscal year 82/83 funds.

4 Also, if the time extension is not approved, the
5 contract terminates. A new contract would be required.
6 That contract, if the Commission was to go sole source,
7 would take approximately three to six months to work through
8 the process. If an RFP was pursued, it would take even
9 longer, six to nine months, thus delaying the project.

10 Two particular issues have been raised with this
11 contract extension by Commissioner Commons. The first one
12 is, can the contract be redirected if the Governor's
13 approved fiscal year 83/84 budget or the Commission's
14 approved work plans call for less resources than is adequate
15 to staff the scope of work that the contract will be
16 addressing.

17 The contract extension is for the research to
18 continue for retail stores and grocery stores. This agrees
19 with the scope of the budget that was approved by the
20 Legislature for continuation of the Nonresidential Building
21 Standards Project.

22 The Governor's budget, as represented by the March
23 change book, allocates less resources than that, and
24 allocates resources only adequate to fund this research for
25 retail buildings.

1 However, if the Governor's final approved budget
2 does not provide adequate resources, or if the work plan
3 process would not provide adequate resources to fund staff
4 for the full scope of this work, then the Commission has
5 quite a bit of flexibility to redirect the contract as
6 necessary.

7 The contract has specific language in it that
8 facilitates redirection to respond to building industry
9 comment, and to also respond to Energy Commission policy
10 changes. Ultimately, if necessary, the contract could be
11 terminated within 30 days through unilateral action by the
12 Energy Commission.

13 COMMISSIONER COMMONS: Is there any penalty provi-
14 sion, or any monies due upon a cancellation?

15 MR. PENNINGTON: Not as affected by the particular
16 terms of the cancellation. The only thing I would say there
17 is that we have withheld monies, which is standard practice
18 in contract management for completion of final documents,
19 and that money, which represents, I believe, 10 percent of
20 this contract, would be subject to some determination of
21 whether that was paid or not.

22 MS. ELLISON: If you cancel the contract under
23 the 30 day unilateral cancellation clause, that's a state
24 option, and you'd have to pay the reasonable wind-up costs
25 caused by that cancellation because that's for no cause. If

1 it was for cause, that would be different. The contractor
2 is under the obligation to mitigate whatever costs there are,
3 but if the contractor is in the middle of some project where
4 it would be unfeasible for him to discontinue the efforts
5 at that point, he would be allowed to continue to finish,
6 and that would be part of the closing out bill.

7 CHAIRMAN IMBRECHT: Let me ask you this, is it
8 cause that we don't have sufficient resources to continue
9 development of this program?

10 MS. ELLISON: No, when I'm speaking to cause, I'm
11 speaking to things like there are breaches of contract, not
12 for cause for lack of funds.

13 CHAIRMAN IMBRECHT: Breaches by him, or by the
14 contract.

15 MS. ELLISON: Right, or with the Energy Commission,
16 and then they would obviously have the right to discontinue
17 performance. It's more of a performance issue versus just
18 someone's choice or economics.

19 COMMISSIONER COMMONS: But we do not have that
20 problem if we don't extend the contract at this date?

21 MS. ELLISON: Right, if you don't extend it, then
22 the contract terminates as of its natural termination date.

23 COMMISSIONER COMMONS: Could we add a clause in
24 the contract which would have the proviso that there would
25 be no wind-up cost granted, if we gave an extension of this

1 contract, if we had inadequate resources to staff it.

2 MS. ELLISON: Inadequate that it would exceed the
3 total, or inadequate that at some point in time you wouldn't
4 have enough funds. I guess I don't understand because the
5 funds have already been encumbered, why we, would we not have
6 enough funds?

7 CHAIRMAN IMBRECHT: Because the Governor, depending
8 upon what decision is made relative to our budget, we may
9 or may not have resources to continue efforts in the nonres
10 building standard area, or at least to the degree that we
11 might desire to.

12 MS. ELLISON: Well, you could have --

13 CHAIRMAN IMBRECHT: In which case, having this
14 contract would be rather superfluous.

15 MS. ELLISON: Well, you could provide a contingency
16 clause in the amendment that would cover that kind of an
17 economic situation, that would be similar to the contingency
18 clause that we put in where we don't know for sure, like
19 let's say for example, the Governor's budget hasn't been
20 signed yet, but we want to go ahead and contract, they want
21 to go ahead and sign, and we --

22 CHAIRMAN IMBRECHT: I would think we could do that,
23 and even put some time frame on that decision, that if by
24 September 30th, we determine -- that gives us 60 days to make
25 that determination, that will be in the context of our work

1 plan decisions, and so forth, for the coming year, based
2 upon whatever the Governor signs.

3 MS. ELLISON: Yeah, sure, you can put it in there,
4 and then it's up to the contractor as to whether or not he
5 wants to accept it.

6 CHAIRMAN IMBRECHT: Does that sound reasonable,
7 people?

8 MR. PENNINGTON: I don't really have any problem
9 with that. I think the contractor will be cooperative.

10 CHAIRMAN IMBRECHT: I would think so.

11 COMMISSIONER COMMONS: Surprisingly, that was my
12 first recommendation.

13 CHAIRMAN IMBRECHT: Okay.

14 MR. PENNINGTON: The other issue that Commissioner
15 Commons had raised was that the cost-effectiveness assump-
16 tions used for this project may not be consistent with the
17 cost-effectiveness assumptions of other projects in the
18 Commission, and that that may require, if the Commission so
19 chooses, a redirection of the work that would go on under
20 this contract, dealing with cost-effectiveness.

21 COMMISSIONER GANDARA: I thought you already had
22 your contract, Mr. Pennington. I thought he already had his
23 contract.

24 CHAIRMAN IMBRECHT: He's about to get it if he
25 would recognize our short time constraints.

1 COMMISSIONER EDSON: I'll move the contract with
2 the amendment that was discussed.

3 CHAIRMAN IMBRECHT: Moved, second?

4 COMMISSIONER COMMONS: I object. I'd like to have
5 discussion still.

6 CHAIRMAN IMBRECHT: Okay. Nobody is trying to
7 inhibit the discussion, Commissioner Commons, I thought we
8 were at the point --

9 COMMISSIONER COMMONS: No, we handled the -- no,
10 I know, we handled the first item, but we didn't handle the
11 second, I didn't --

12 COMMISSIONER EDSON: Mr. Pennington was correct to
13 proceed.

14 CHAIRMAN IMBRECHT: Please continue.

15 MR. PENNINGTON: Okay.

16 COMMISSIONER COMMONS: The second item was
17 equally important to me.

18 MR. PENNINGTON: The comment that staff would like
19 to make is that the work plan for this contract does not
20 call for any cost-effectiveness analysis to be done until
21 September 1st, and this provides an intervening period in
22 which contracts -- or economic assumptions for this project
23 could be reviewed, and staff could redirect the contractor
24 to use other economic assumptions, if that was appropriate.

25 COMMISSIONER EDSON: Let me suggest that the staff

1 provide the Committee with the comparison of the assumptions
2 used in this effort with those that have been used in the
3 Biennial Report, and in the event there are inconsistencies,
4 the Committee will report to the Commission.

5 CHAIRMAN IMBRECHT: Commissioner Commons.

6 COMMISSIONER COMMONS: Yeah, I think the issue is
7 a major one. I know Commissioner Schweickart, at last
8 Thursday's hearing, his opening statement was one of his
9 real concerns in the Commission was consistency in evaluating
10 projects in conservation, development, and throughout the
11 Commission.

12 Since I've been on the Commission, at least in the
13 area of cost-effectiveness, I know of at least four different
14 methodologies that are being employed, with separate
15 methodologies being employed within the same division for
16 evaluation of projects.

17 I've been told to hold my statements until there
18 was a relevant that it was done. Now, in the area of
19 load management and utility programs, we're actually holding
20 workshops on this issue to try to get information as to
21 how different parties view this, and what are the assumptions
22 that are reasonable.

23 My recommendation here is prior to the time that
24 the contractor proceeds on the economic assumptions, that
25 this not be a determination by the staff as stated here in

1 the language of the contract, but the economic assumptions
2 that they used on a program as substantial as this be
3 brought before the full Commission for approval of the
4 Commission, prior to the time of the implementation of the
5 cost-effectiveness analysis.

6 I think that is one of the major policy decisions
7 that we make is establishing those assumptions and criteria,
8 and that's appropriate for the Commissioners to make. If
9 that were included as a modification as to the procedure in
10 terms of proceeding on the contract, I would have no other
11 problems with that.

12 CHAIRMAN IMBRECHT: Okay. Well, to begin with,
13 I think that all or most of us share that concern. My
14 recollection, I was the one that was saying that, but maybe
15 the rest of you did as well, but I think there's a concensus
16 on that general concern. I know Commissioner Gandara has
17 expressed it as well, and I think we all are conscious
18 of the fact that we ought to be playing the game by the
19 same rules, irrespective of the approach we're taking
20 towards energy savings, or development of alternative
21 energy resources.

22 I'm very concerned about cost/benefit tests as
23 well to justify expenditures of public funds. I think that
24 one of the things that may likely come out of the discussion
25 that was initiated this past Thursday was trying to find the

1 appropriate process, or staffing allocation to ensure that
2 indeed that is a common assumption that occurs throughout
3 the Commission.

4 I don't know how to best structure this. I don't
5 think that's best handled by an amendment to the contract,
6 but rather by virtue of direction from the Commission or
7 from the Chair, I assume that's correct.

8 MS. ELLISON: Either way would be appropriate,
9 if you want to just do it --

10 CHAIRMAN IMBRECHT: All right. I will make it
11 by direction of the Chair, and based upon Commissioner
12 Commons' concerns, I don't think that to saddle the contract
13 with that kind of language would be appropriate. I think we
14 all share the concern about consistency in application of
15 cost/benefit criteria, analytical bases for involvement in
16 any program.

17 COMMISSIONER COMMONS: Mr. Chairman?

18 CHAIRMAN IMBRECHT: Yes?

19 COMMISSIONER COMMONS: Will you request staff, then,
20 to bring back to us for our approval the economic assumptions,
21 since they are policy statements, prior to the time that
22 they go to the contractor --

23 CHAIRMAN IMBRECHT: I will either do that, or if
24 we find a better alternative approach in the context of our
25 discussions as to work plan for 83/4. Let me just put it

1 this way, I'll make a commitment to you that we'll deal
2 with that issue. I'm not sure that that's necessarily the
3 best approach at this point in time.

4 MS. ELLISON: Mr. Chairman, could you clarify what
5 was the end date that you would like to see in the contract,
6 would it be September 1st, or --

7 CHAIRMAN IMBRECHT: September 30th. We have to
8 have our -- I think we'll have our work plans clearly in
9 line by then, we should certainly, let's give ourselves a
10 bit of flexibility. Okay.

11 COMMISSIONER EDSON: Let me try again, I'll move
12 the contract with the amendment that we discussed.

13 CHAIRMAN IMBRECHT: Okay. Moved by Commissioner
14 Edson, seconded by Commissioner Gandara, without objection,
15 it will be adopted unanimously.

16 Okay, we do have one other item before -- excuse me?

17 COMMISSIONER COMMONS: As with the amendment?

18 CHAIRMAN IMBRECHT: Yes. We have one other item
19 to consider prior to our executive session, and that is
20 taking positions on a variety of legislation. Unfortunately
21 because of my schedule, we were unable to have a Government
22 Relations Committee. We're going to limit our discussion
23 to those bills which have been set for a hearing date prior
24 to the next Commission meeting, and those are bills which are
25 noted by an asterisk on your agenda. There's a substantial

1 number, and ask Ms. Stetson to try to make a very succinct
2 presentation on each one. Pretend you're in Ways and Means
3 and there are 300 bills on the docket, okay?

4 MS. STETSON: We support this.

5 CHAIRMAN IMBRECHT: First is AB 1123, plant held
6 for future use account.

7 MS. STETSON: First of all, let me suggest two
8 ways of going about this. We could go through the agenda
9 and take up only those asterisked bills, and positions on
10 those asterisked bills and/or any other bills that come up
11 in the discussion, and not have to run through all of these,
12 that might be easier for us.

13 CHAIRMAN IMBRECHT: I started with the first
14 asterisked bill.

15 MS. STETSON: All right. However, before we
16 start with AB 1123, I'd like to briefly bring up SB 5, and
17 SB 992, which you're familiar with. If you'll recall, the
18 Government Relations Committee directed the staff to go
19 talk to Senator Garamendi's staff about augmentation of
20 the Energy Commission's budget to do local siting permit
21 assistance.

22 It's a function that currently goes on between
23 OPR staff and our staff. Senator Garamendi's staff had no
24 problems with our suggested amendments with the dollar
25 amount coming out of the special account fund. I just want

1 to report back that that was the action. That bill is set
2 in the Assembly Local Government Committee. If the
3 Commission's desire is to amend any specific siting language
4 into the Garamendi bill with a funding source in it, the
5 author of the bill has indicated he will be happy to do that
6 for us.

7 Part of the rationale for that was that we would
8 then have specific direction in statute for local planning
9 assistance, something that we don't have --

10 CHAIRMAN IMBRECHT: My best understanding is that
11 there will be some funds remaining in the energy surcharge
12 account.

13 MS. STETSON: Pardon me?

14 CHAIRMAN IMBRECHT: My best understanding is that
15 there will be some funds remaining in the energy surcharge
16 account.

17 MS. STETSON: Correct, correct.

18 CHAIRMAN IMBRECHT: And so I think that would be
19 obviously the appropriate source, and it would be -- I
20 would certainly support that.

21 Let me just ask you quickly, do you have any
22 update on what's happened on the budget?

23 MS. STETSON: The Assembly was still in, and the
24 Senate had taken up and passed out the budget and the trailer
25 bill.

1 CHAIRMAN IMBRECHT: That the Assembly still has
2 not passed.

3 MS. STETSON: Well, as of an hour ago.

4 CHAIRMAN IMBRECHT: Could somebody check on that
5 for me, please, there's something I need to take care of
6 in the event that it has occurred.

7 Okay. Let's -- let me ask, is there objection to
8 that position relative to the Garamendi bill?

9 COMMISSIONER GANDARA: Position of support with
10 amendments?

11 CHAIRMAN IMBRECHT: Yes, amendments to fund and
12 provide adequate funding and staff for it.

13 COMMISSIONER GANDARA: Let me say I don't have
14 an objection to it. Our previous position was neutral. I
15 only note that the concerns I had, and the Commission had
16 at the time were that the proposed legislation might subject
17 us to considerable resource demands and uncertainty, and
18 I think that we would need to amend it to include a high
19 degree of certainty, that would be agreeable.

20 MS. STETSON: We have language in the amendment
21 that says subject to the availability of funds appropriated,
22 therefore, the Commission shall.

23 COMMISSIONER GANDARA: Okay.

24 CHAIRMAN IMBRECHT: Without objection, we'll adopt
25 a support position in the event that the bill was amended

1 pursuant to those terms.

2 MS. STETSON: The other bill that I'd like to bring
3 up is SB 5, which is the Montoya bill for siting power plants
4 under 50 megawatts. If you'll recall, the position of the
5 Commission prior was to oppose that bill. The bill is set
6 for -- or will be set for hearing, if not already, shortly.

7 I would suggest that -- oh, and included in your
8 packet are amendments that the author has put in to allow
9 the applicant to come to the Commission only if the local
10 government has adopted this procedure. So there is no
11 conflict with the league or CSAC at this point.

12 The other amendment allows the Commission to come
13 up with an appropriate fee for the services. I brought
14 this back because I felt that that will still be a problem
15 to us. I don't think the funding source is an appropriate
16 way to go about taking care of our limited staffing, and
17 I would suggest that we talk to the author about amending
18 the bill to set up an escrow account as we had originally
19 suggested.

20 There were a whole series of amendments, but I'm
21 not suggesting that we offer those to the author. This bill
22 originally was tied into the local siting assistance, but
23 at this point it is not, it's strictly giving us the
24 authority to site.

25 COMMISSIONER GANDARA: Wouldn't we suggest the

1 same language in the Garamendi bill?

2 MS. STETSON: There is no reason to do that. The
3 Garamendi bill specifically deals with siting and local
4 assistance. The Montoya bill -- and on a statewide basis.
5 The Montoya bill specifically relates to our siting
6 responsibilities. There's no reason to double join, or
7 duplicate the language.

8 CHAIRMAN IMBRECHT: Well, that's something I agree
9 with, certainly. This is one of the bills that was taken
10 up when I unfortunately was absent, and I guess my feeling
11 was different than the Commission's overall.

12 Is there objection to the recommendation of Ms.
13 Stetson.

14 COMMISSIONER EDSON: Well, it wasn't clear to me
15 whether that was oppose or support. What position would
16 you recommend?

17 MS. STETSON: I would recommend, depending on what
18 the Commission wants to do, support with amendments. Well,
19 I think there is the overall policy issue of the Energy
20 Commission siting power plants under 50 megawatts, and I
21 don't know if there is a difference of opinion among
22 Commissioners on that particular issue. If there's not,
23 there's no reason for us not to support this bill, if we
24 can get additional amendments in, to have a minimum limit
25 on the amount of megawattage that we would site, and some of

1 the clarification amendments that we had originally thrown
2 together.

3 CHAIRMAN IMBRECHT: Commissioner Commons?

4 COMMISSIONER COMMONS: Could I ask Mr. Deter to
5 come forward? Mr. Deter, it's hard for me to vote on
6 something as vague as amendments. Could you provide
7 understanding, and express the type of amendments that you'd
8 want to see for us to support this?

9 MS. STETSON: The amendments that I would recommend
10 are a shortened version of what's in your packet right now.
11 It would be to restrict our siting jurisdiction to nonresi-
12 dential projects of at least 1 megawatt in size. To create
13 an escrow account under the control of the Department of
14 Finance that appropriates \$150,000 for funding of this
15 program, and then strike language that we had recommended for
16 both SB 992 and SB 5 which is local siting assistance.
17 That's not necessary at this point if we can get it in the
18 Garamendi bill.

19 COMMISSIONER COMMONS: Does that also take care
20 of the financing problems, and your manpower problems within--

21 MR. DETER: Well, it says in the escrow account,
22 it at least puts the funds in the legislation. I'm not
23 exactly sure how that would work as far as staffing is
24 concerned. We would have to work out the details on that.
25 I would think that after six months to a year, we'd get some

1 experience on how many of these facilities would be coming
2 in, and be able to better project what the future is.

3 COMMISSIONER COMMONS: See, my concern is that
4 we could have some of our major projects, like Belridge,
5 suddenly having terrible problems in terms of proceeding,
6 and if we were legislatively mandated to do some of the
7 small power plants, basically, I'd support the idea that
8 we're doing it.

9 But you have certainly made a case through your
10 staff to us of the ups and downs, and the loss of control,
11 particularly on the small power plans in terms of timing.
12 Before I vote, I just want to make sure that you're in
13 support of Ms. Stetson's position.

14 MR. DETER: Well, I guess I'm neither in support,
15 nor not in support. I can tell you what the consequences
16 of the legislation are.

17 COMMISSIONER COMMONS: You would prefer a neutral
18 position.

19 MR. DETER: Pardon?

20 COMMISSIONER COMMONS: You would prefer a neutral
21 position on the bill at this time?

22 MR. DETER: Not necessarily, I think the bill is
23 going to go through, I think I would support it with the
24 amendments proposed here.

25 MS. STETSON: What we'd want to do is clarify in

1 the bill that this escrow account would be for additional
2 staffing, if necessary. The problem is that if SB 5 passes,
3 you're going to have the same problem because the current
4 language in there only allows the Commission to set up a
5 fee to pay for the increased responsibilities.

6 CHAIRMAN IMBRECHT: I understand what you're
7 proposing.

8 COMMISSIONER EDSON: Let me just say that my
9 concern with the bill when it was previously before us had
10 to do with the preemption of local agencies, and the possi-
11 bility of quorum shopping as a part of that. The amendment
12 that you've described that does not bring us into the
13 picture until a local agency gives up that authority, I
14 think resolves my principal concern, and I would concur
15 with your recommendation.

16 CHAIRMAN IMBRECHT: Okay. Without objection, we
17 will suggest a support with amendment position. Now, let's
18 turn to 1123, there's a lot of bills here, let's try to move
19 through them.

T.6 20 MS. STETSON: What I was going to recommend is --
21 and the divisions to do, and have not been redrafted by
22 Governmental Affairs, was to have individual analysts
23 present their sections. Burnet Brown is not here right now
24 who did the power plant reliability section.

25 However, Mark Ziering is here, and if we could

1 start on the ECAC Rate Reform on the second page, he could
2 go through those bills in a very quick and concise manner.

3 CHAIRMAN IMBRECHT: Okay. We'll see how quick
4 and concise.

5 MS. STETSON: We'll start with AB 942.

6 CHAIRMAN IMBRECHT: That's not set, AB 1314 by
7 Papan.

8 COMMISSIONER GANDARA: Ms. Stetson, might I make
9 just a suggestion for the teacher? Generally these bill
10 analysis are done, and they're clipped together in one big
11 package. I think it would help us follow it not only here,
12 but also at the Committee if after the package is stapled
13 together there's a -- you know, or actually before, that
14 there be a page numbering so that we can have Mr. Ziering
15 refer to a page number, and we can follow it.

16 CHAIRMAN IMBRECHT: All right.

17 MR. ZIERING: All right. I guess we're beginning
18 with AB 942. This bill would qualify existing PUC authority
19 to grant increased rate return to experimental power plants
20 that promise lower electricity costs.

21 COMMISSIONER COMMONS: I'm sorry, AB 942?

22 CHAIRMAN IMBRECHT: No, 1314.

23 MR. ZIERING: Oh, should we start with 1314?

24 MS. STETSON: No, we will go through only the
25 bills that are set for hearing, and take up these bills in

1 the Government Relations meeting, the bills that are not set.

2 MR. ZIERING: Okay. AB 1314 is a bill by Papan.
3 It sets up regular reporting requirements for utilities.
4 Essentially it would add to the legislation authority which
5 is codified in the PUC's existing orders to collect data
6 for utilities.

7 We support the idea of collecting better data from
8 utilities, because this will improve the regulatory review
9 in the annual recap cases. As I said, this bill does not
10 go beyond what the PUC has recently done in this area,
11 however, we have suggested amendments which would strengthen
12 the bill considerably.

13 So we support the bill in principal, because we
14 think we support increased data collection. We've suggested
15 several amendments which would increase the effectiveness
16 of this bill.

17 CHAIRMAN IMBRECHT: Well, data collection in and
18 of itself is not an end that I necessarily support. You
19 know, I'm also concerned about the red tape burdens upon any
20 entity along with governmental orders and requirements, and
21 I'd like to have some showing that this is data that's
22 essential to our process, or to the PUC's process, and if
23 it's data that's principally for the PUC, then I don't see
24 why we should even take a position on it.

25 MR. ZIERING: All right. Let me go through the

1 data we've suggested collecting and go over the relevance
2 of that data.

3 CHAIRMAN IMBRECHT: Is this enumerated in your
4 analysis?

5 MR. ZIERING: It is, yes.

6 CHAIRMAN IMBRECHT: What page?

7 MR. ZIERING: This would be page 5 of the analysis
8 of that bill. The first point would be to order the
9 utilities to supply more useful data on power plant perform-
10 ance, and on a regular basis. Specifically, we'd like to
11 get data on the individual generation units. Right now the
12 utilities tend to group together power plants with the same
13 name.

14 For instance Pittsburg had several units at its
15 plant. They lump all those units together, and it's diffi-
16 cult to tell when individual units are having problems, or
17 when individual units could stand some improvement.

18 Certainly this is relevant in terms of efficiency,
19 in terms of reducing fuel use, and reducing bills to
20 consumers. It affects us directly in that we might want to
21 know the possibility of improving performance, specifically
22 in power plants, because the ability to improve their
23 performance and reliability would reduce our need to site
24 more power plants.

25 CHAIRMAN IMBRECHT: You're saying in your analysis

1 that the PUC could order this themselves.

2 MR. ZIERING: They could, yes.

3 CHAIRMAN IMBRECHT: Why -- and I assume they
4 could make that -- it's reason for them to make that
5 determination, rather than us to support a bill that imposes
6 any greater requirement based upon something we think we
7 might want to do, rather than something we know we want to
8 do or have the staff resources to do.

9 MR. ZIERING: Well, I think I'd characterize it
10 as data that we know would be useful. One of the problems
11 is that the utilities have repeatedly argued that this would
12 be a major burden. I don't think that -- staff doesn't
13 think that separating reports for individual plants would
14 be a burden, since we're quite sure they collect this kind
15 of data anyway, they have to for their own internal
16 management. If they don't, they're not doing a good job
17 of following their own efficiency. It's really a matter --

18 CHAIRMAN IMBRECHT: Why would the PUC not require
19 this?

20 MR. ZIERING: I don't know. Possibly because their
21 staff isn't prepared to analyze it, or because they don't
22 want to.

23 CHAIRMAN IMBRECHT: Have we ever asked them to
24 require it?

25 MR. ZIERING: We have asked for it in various PUC

1 proceedings from the utilities, and they have failed to
2 provide it, claiming that there has been a burden, and no
3 action has been taken. We have not made any specific
4 requests of the PUC to add this to their reporting require-
5 ments. We could do so.

6 COMMISSIONER GANDARA: If you went through the
7 SC ECAC case that you have as an example in your paper, I
8 think this would demonstrate the frustration that we've
9 had in trying to get the PUC to request data, when in fact
10 they've agreed, they've often reconsidered without a basis,
11 and I think that's a good example.

12 I'm not quite sure what your recommendation is,
13 though, and I think we would benefit if you would say that --
14 I take it to be support with amendments, or --

15 MR. ZIERING: We support the bill even if not
16 amended because we like the direction in which it's going.

17 COMMISSIONER GANDARA: Why don't you go through
18 that example, which I think would help the Commission at
19 least understand the data requests that we made through
20 the intervention process, the way that's gone. I think
21 that's helpful in --

22 MR. ZIERING: All right. The way the process
23 works, or I've had it work until very recently, is that the
24 utilities would submit an annual report on reasonableness
25 of their operation. This report tends to be very descriptive,

1 and while it would list heat rates for various plants, it
2 wouldn't do that unit-by-unit, it would do it only for
3 certain years, and it was generally submitted right before
4 the beginning of the proceedings.

5 That method has recently been changed by the PUC
6 to a new monthly fuels report. They have improved their
7 reporting procedures since then in the ECAC case. There
8 are several problems. One is that the PUC has directed that
9 this information be made available to intervenors in the
10 case. We have yet to convince the utilities that we are
11 participants in this case.

12 They are submitting us copies, but they've refused
13 to agree that we have a right to see them, and of course,
14 the public, as a whole, does not get to see these things.

15 Second, we did, not in that particular ECAC case,
16 but we have in other cases suggested to utilities that they
17 provide unit-by-unit efficiency data. They have not done
18 so claiming burden, and the PUC has not moved on that.

19 There is a further problem in terms of -- I think
20 to get to Commissioner Gandara's comment, the SC ECAC case
21 is only one of a number of cases in which we've had
22 difficulty getting data. Last year we spent much of the
23 year trying to get copies of the utilities fuel contracts,
24 and it took several months to work through the PUC procedure
25 to get that data.

1 There are two levels on which we can act. One is
2 that we can ask the PUC to do what this bill requires, they
3 may or may not have done so -- they may or may not do so,
4 and we usually have to depend on their decisions to improve
5 their reporting requirements.

6 CHAIRMAN IMBRECHT: Okay. I know my position on
7 this. Commissioner Commons, do you want to speak, and
8 let's try to make a decision and get on to the next one.

9 COMMISSIONER COMMONS: I have two or three problems
10 here. One is has the PUC called us and asked us to support
11 or do anything in the area of this bill?

12 COMMISSIONER EDSON: The PUC?

13 MR. ZIERING: No, they haven't.

14 CHAIRMAN IMBRECHT: They haven't, we're going to
15 work on that.

16 COMMISSIONER COMMONS: This is a bill for data for
17 the PUC, isn't that correct?

18 CHAIRMAN IMBRECHT: We're going to work on that
19 relationship.

20 MR. ZIERING: It is data for the PUC, it would
21 be available to us and the public.

22 COMMISSIONER EDSON: Let me note too that in the
23 Warren-Alquist Act, we are directed, I believe, to have
24 efficiency standards for power plants, an area that we've
25 never moved in, and I'm not necessarily suggesting that we

1 should, yet this does begin to provide information which
2 allows that efficiency to be evaluated.

3 COMMISSIONER COMMONS: Well, having really been
4 bogged down in detailed CFM forms, and working with the
5 utilities on the data, we have some problems that you might
6 want to discuss with me in terms of informational require-
7 ments vis-a-vis the utilities which might be appropriate
8 for a bill, or appropriate for amendment to this bill, which
9 is data, I think, we need to do our ongoing activities.

10 This bill covers 20, 30, 40 items, many of them
11 are very technical in nature, which I would feel very
12 uncomfortable about taking a position on, on a short reading.
13 Further, I feel uncomfortable in that its primary emphasis
14 or concern is the PUC who has not contacted us requesting
15 support.

16 If we wanted to do some work in terms of what our
17 informational requirements are, and look at it in terms of
18 what our needs are, I think that would be relevant. But I
19 feel we're moving afield here.

20 CHAIRMAN IMBRECHT: Anyone else wish to be heard?
21 I tend to share Commissioner Commons' views, and think that
22 it's appropriate for us to first pursue this with the PUC.
23 I'm not prepared to support the bill.

24 COMMISSIONER COMMONS: So you'd recommend a no
25 position?

1 CHAIRMAN IMBRECHT: Well, I've stated my own
2 position, we'll wait and see if there's a motion from
3 anyone else.

4 COMMISSIONER EDSON: Who's willing to go into
5 the breach? Do we know what the PUC's position is?

6 COMMISSIONER GANDARA: I don't see --

7 MR. ZIERING: Well, the --

8 MS. STETSON: The PUC has not asked us for our --

9 COMMISSIONER EDSON: No, it has not.

10 COMMISSIONER GANDARA: I would imagine they'd
11 be opposed to the bill.

12 MS. STETSON: I would imagine they'd be either
13 opposed or neutral.

14 COMMISSIONER EDSON: I would expect them to be
15 opposed.

16 CHAIRMAN IMBRECHT: They would be opposed.

17 COMMISSIONER GANDARA: Well, let me just say that
18 again, I am very reluctant, and I expressed this last year
19 when there were a number of Assembly bills, I am very, very
20 reluctant to manage by statute, to manage utilities, even
21 reluctant to manage agencies by statute, and the PUC has
22 not -- and yet at the same time, I cannot help but feel,
23 having presided of the wretching cases that the bill
24 represents a certain amount of frustration that's trying to
25 really get some responsiveness out there.

1 It's kind of like everybody's last ditch effort
2 to try and do something about a situation that I think
3 everybody agrees has a problem somewhere along the line.
4 For that reason, I still hope we could balance those two
5 feelings. I see what has continued -- there are three votes,
6 I believe, for this, but I just wanted to express in some
7 historical sense that --

8 CHAIRMAN IMBRECHT: All right. I appreciate that
9 and I can see how that is a conclusion you might reach. I'm
10 more inclined to try a little sugar for the time being and
11 see if we can't get some results.

12 I guess without a motion we'll just take no
13 position on that bill.

14 MS. STETSON: The next bill that we'd want to
15 discuss would be AB 2063, by Assemblyman Bronzan, utility
16 fuel displacement measures.

17 MR. ZIERING: This bill would establish a state
18 bill protecting ratepayers from escalating oil and gas costs
19 and reducing reported oil and gas purchases inasmuch as is
20 feasible by 1988 with a preference for conservation,
21 renewable resources, and cogeneration, but also considering
22 other fuel displacement measures.

23 This bill would require an annual proceeding on
24 fuel costs, which one presumes would be the existing annual
25 ECAC proceeding. At each annual proceeding, the utility

1 would submit its resource plan and explain how its fuel
2 displacement plan satisfies the goals described above. The
3 recovery of fuel costs would be limited to the cheapest
4 source of fuel, essentially. In other words, the idea
5 would be, I suppose, that if the utility did not use its
6 cheapest source, it would not recover the additional costs.

7 COMMISSIONER GANDARA: Short-term least cost?

8 MR. ZIERING: I beg your pardon?

9 COMMISSIONER GANDARA: Is this short-term least
10 cost, or long-term least cost, or --

11 MR. ZIERING: It's not clear. The bill -- this is
12 a technical problem with the bill. It says that the
13 recovery approved by the PUC for the following years shall
14 reflect the cheapest source of fuel. It doesn't say long-
15 term, it doesn't say short-term, it doesn't specify. But
16 in fact, it should probably say least cost source of
17 electricity.

18 I should step back a moment here and say this bill
19 applies both to electric and gas utilities. Our staff that
20 is responsible for gas regulation feels it's not appropriate
21 at this time to make a recommendation on the bill as it
22 applies to gas utilities. So my comments are only referring
23 to the electric utilities.

24 COMMISSIONER GANDARA: Does this bill merge the ECAC
25 proceeding and the general rate case proceeding?

1 MR. ZIERING: No, it does not, however, I have
2 offered some amendments that would do that, or at least
3 would create a link between them. This bill would require
4 a separate examination of fuel displacement measures in the
5 ECAC case. Presumably that would mean they would also be
6 looked at the annual -- in the biannual rate case.

7 The other thing the bill does, is it says that
8 the PUC shall not vary recovery from that granted in the
9 annual proceeding, except insofar as it determines that
10 there have been uncontrollable cost variations due to
11 hydroelectric facilities, or other -- or fuel cost changes.

12 The current situation is that the PUC passes
13 through 90 percent of any cost changes, whether they're
14 under utility control or not. The -- toward utility rate
15 normalization, in turn, the consumer group, has recommended,
16 essentially this provision in the bill, that is that
17 utilities only be compensated for cost changes under their
18 control.

19 The PUC's comment was that they didn't know how
20 to do that. My observation would be that the PUC has never
21 taken a careful look at how to do that.

22 So there are two parts to this bill. The first
23 would limit recovery through the cheapest source of --
24 essentially fuel or fuel displacement.

25 COMMISSIONER EDSON: Or put another way, it

1 measures it against conservation.

2 MR. ZIERING: Yes. Now, we support that aspect
3 of the bill. We have technical amendments, because the bill
4 is written, it would only look at costs over the next year,
5 and in fact, most fuel displacement measures are cost-
6 effective only over a period of years. So we have recommended
7 some technical changes to help that.

8 We have also recommended that these goals be set
9 in the general rate case, rather than breaking it off from
10 the ECAC case.

11 COMMISSIONER EDSON: Isn't this a position, a
12 recommendation we've made in previous Biennial Reports?

13 MR. ZIERING: Yes, essentially.

14 CHAIRMAN IMBRECHT: Yes, Commissioner Commons.

15 COMMISSIONER COMMONS: Here seems to me to be a
16 bill where the best thing we can do is take a position as a
17 Commission to support making amendments to the bill without
18 so much what our position on the bill is. It seems that the
19 amendments are more important than the bill in many respects
20 here, and what we should do is, you know, if this bill is
21 moving through the -- whether or not we support it or
22 oppose it, we clearly, I think, would want to support some
23 of the amendments that are being proposed.

24 CHAIRMAN IMBRECHT: Yeah, well --

25 MR. ZIERING: Well, of course, if you want to

1 oppose it.

2 COMMISSIONER COMMONS: Can't we take a position to
3 have our staff work on getting certain amendments done?

4 CHAIRMAN IMBRECHT: Yeah, but see, if I were the
5 author of the bill, the first question I would ask is well,
6 if I take your amendments, does that mean you're going to
7 support my bill, and if you're not prepared to support the
8 bill, then there's not much reason to sit down and negotiate
9 that particular interest. You move on to the next group,
10 and it's a very simple fact of life in the legislative
11 process. I mean why --

12 COMMISSIONER COMMONS: Let me ask you a question,
13 having been on the Assembly. Is there a way -- you know,
14 we could spend equal amount of time on some of these bills,
15 and some of these bills are going to die.

16 CHAIRMAN IMBRECHT: I've had legislators suggest
17 amendments to me, and I mean the first question you ask is
18 will this mean you're going to vote for my bill if you
19 take the amendment, and they say, no, I'm still against it.
20 Well, then, moving right along.

21 COMMISSIONER COMMONS: Aren't there some of these
22 bills, that no matter what we do, it doesn't matter, they're
23 either going to die or pass, and there are other bills --

24 CHAIRMAN IMBRECHT: There's quite a few of these
25 that what we do doesn't matter. That's what I've been trying

1 to suggest is, we spend more time on these bills than the
2 Legislature spends on these bills.

3 COMMISSIONER COMMONS: Yeah, well, is there some
4 way we can --

5 COMMISSIONER EDSON: Well, that's an indictment of--

6 CHAIRMAN IMBRECHT: No, I'm not --

7 COMMISSIONER COMMONS: Is there some way we can
8 get an indication of where we should be spending our limited
9 amount of time? Is there any way we can get a feeling for
10 that so we know -- you know, this is a bill that we could
11 take two days trying to work in terms of rewriting and
12 making sense, and --

13 CHAIRMAN IMBRECHT: And we obviously -- you can't
14 do that here. I mean, it's ludicrous to think we can. The
15 best we can do is give staff some suggestion of where we're
16 coming from and they have to try to express that to the
17 authors in question.

18 COMMISSIONER COMMONS: Okay. Well, I'm seeking
19 guidance from you, Mr. Chairman, as to where you think that
20 we should, as Commissioners try to spend our limited time.

21 CHAIRMAN IMBRECHT: My personal view on this bill
22 is that I think that it generally reflects policy of the
23 Commission as adopted in previous documents, and policy which
24 I generally support as well. There are clearly technical
25 problems including the life cycle analysis, and some other

1 things that are adequately expressed within the analysis,
2 and my suggestion would be we support this in concept and
3 direct staff to raise these amendments with the author, but
4 not to say we support them, you know, every crossed t and
5 dotted i within the bill.

6 I would just say, generally speaking that where
7 we have adopted positions in the BR, whether I was a
8 participant in those or not, or Commissioner Commons, I think
9 that absent a showing to the contrary, when the Legislative
10 Office brings recommendations to us, the easiest way to
11 handle these bills is to say, in effect, the Commission has
12 a previously adopted position that is in sync with the
13 following elements of the bill.

14 If we're relatively in accord, then we can take
15 them and adopt in concept position and suggest technical
16 amendments that we find appropriate.

17 COMMISSIONER GANDARA: I would agree with the
18 recommendation. I just want to make sure that it included
19 those amendments as a merger of the ECAC and general rate
20 case?

21 MR. ZIERING: Yes, it would provide the --

22 COMMISSIONER GANDARA: I'm ready to try that again.

23 CHAIRMAN IMBRECHT: Huh?

24 COMMISSIONER GANDARA: I'm ready to try one peak
25 case again rather than four or five a year.

1 MR. ZIERING: If it were not --

2 CHAIRMAN IMBRECHT: I've got --

3 MR. ZIERING: -- it would be this determination.

4 CHAIRMAN IMBRECHT: Yeah. As I've gotten into
5 some of these power purchase issues, I have some concerns
6 about the ECAC formula as well, and that's something we
7 might want to look at generically in the future, we're not
8 going to solve it in the context of this bill, however.

9 Okay. Without objection, that will be the
10 position, support in concept with the staff to raise the
11 amendments.

12 Okay. The next one is 2088 by Rusty Areias,
13 construction cost overruns.

14 MR. ZIERING: Essentially this bill would create
15 the presumption that any cost overrun over 30 percent was
16 improvement and would direct the Public Utilities Commission
17 not to allow in rates that amount, unless it found that the
18 overrun was beyond the utility's control. We support the
19 idea in concept.

20 There's only one problem with the bill, and that
21 is that the PUC may be faced with a situation in which there
22 is no justified cost overrun, but that denying the extra
23 70 percent might cause the utility considerable financial
24 difficulty, and in the extraneous could cause a bankruptcy,
25 being a situation that I think few people would want.

1 In that case, the PUC would be forced to make a
2 finding that the overrun was justified to pass along the
3 cost. This seems unwise, simply because it would hamper
4 the PUC in further efforts to control the utilities costs.

5 CHAIRMAN IMBRECHT: They're adults down at the
6 PUC, and they're entitled discretion to make these decisions,
7 and they've got to live with it in terms of the public
8 forum.

9 MR. ZIERING: Yes, and I'd suggest an amendment
10 which would take care of that problem.

11 CHAIRMAN IMBRECHT: Another old rule, do not amend
12 a bad bill. What's your amendment?

13 MR. ZIERING: What this bill would do also is
14 create increased reporting requirements for the utilities,
15 in the event of a cost overrun, over 70 percent -- over
16 30 percent.

17 COMMISSIONER GANDARA: The question I have, Mr.
18 Ziering is of what practical consequence is the bill? The
19 PUC is required to set the rate of return at that level
20 which is sufficient to attract capital. That's a constitu-
21 tional requirement.

22 So, I could foresee that were it defined in
23 prudence in a number of cost overruns, that it disallows
24 them to the rate base, but in order to be able to set a
25 rate of return such that it is sufficient to attract capital,

1 it's going to have to really increase its rate of return
2 incredibly.

3 So, I mean, you've taken away one way of rate
4 basing, that one option of rate basing, I mean, essentially
5 you're squeezing the bull at one end, and it's popping up
6 someplace else. To rate base something, you have a low
7 rate of return, you have a greater revenue, or you diminish
8 your rate of rate base so it's a symbolic issue what's in
9 the rate base. Then you have to increase your rate of
10 return.

11 MR. ZIERING: All right. The first answer is that
12 in a general sense, the PUC can do what it wants anyway,
13 so this doesn't increase the PUC's power in any way. The
14 second is yes, the bill has rates to certainly do what you
15 were saying, and in fact, would probably force the PUC to
16 look at costs anyway.

17 CHAIRMAN IMBRECHT: Do I hear a motion on the
18 bill?

19 COMMISSIONER COMMONS: Yes.

20 CHAIRMAN IMBRECHT: Just do I hear a motion?
21 Hearing none, no position on the bill.

22 Okay.

23 COMMISSIONER COMMONS: I just want to state on the
24 record, on that bill, I oppose.

25 CHAIRMAN IMBRECHT: The absence of a motion means

1 that nobody supports, and I think that everybody can
2 reasonably infer that we're not in --

3 COMMISSIONER COMMONS: I'd like to make a motion
4 that we oppose the bill. I don't think there will be a
5 power plant built in this state with that bill.

6 CHAIRMAN IMBRECHT: Well --

7 COMMISSIONER COMMONS: There's no second, it dies.

8 CHAIRMAN IMBRECHT: Hearing no second, the motion
9 dies for a lack of a second, no position on the bill.

10 I have just a general feeling from my perspective
11 as well, some of these bills, they're not our issues, in
12 my view, and I think they're best left to the relevant
13 agency. I also think that we'd have more impact if we
14 limit our positions to the few bills that have genuine
15 importance to us rather than a scatter-shot approach.

16 COMMISSIONER GANDARA: Let me take some respon-
17 sibility for this. If you will recall, I requested a review
18 of these bills in the Government Relations Committee, and
19 the reason I requested them was because I was concerned
20 that those few bills, indeed, that we might want to take a
21 position on, would be escaping the net, and that in order
22 to expedite it, I suggested these issue papers, which various
23 analysts on the Commission have done in trying to look at
24 a series of bills by issue.

25 So what we have here is basically the result of

1 the request that we made, and you know, I agree that many
2 of them are not ours, but we have voted to support the one,
3 at least today that would have escaped the net, had we not
4 done so.

5 CHAIRMAN IMBRECHT: Okay. That wasn't intended to
6 be a comment critical of staff. It was neutral in its
7 entirety.

8 Okay. Let's move on and let's get this meeting
9 wrapped up. Who's handling procedural reform?

10 MS. STETSON: Gregg Wheatland is here, and the
11 first bill we'd take up is AB 1526, Hayden.

12 MR. WHEATLAND: Yeah. Mr. Hayden would like to
13 direct the PUC to do a study to determine whether or not
14 there's appropriate representation of public and consumer
15 groups on the privately owned utilities, electric, gas and
16 telephone. We're recommending a neutral or no position on
17 this bill.

18 CHAIRMAN IMBRECHT: Okay. Do I hear any objection
19 to that recommendation?

20 COMMISSIONER EDSON: I'd prefer no position.

21 CHAIRMAN IMBRECHT: I would prefer --

22 COMMISSIONER COMMONS: No position?

23 CHAIRMAN IMBRECHT: I just don't think these are
24 places we need to get involved. Is there objection to no
25 position on the bill? Hearing none, that will be the order.

1 1932 by Assemblyman Calderon.

2 MR. WHEATLAND: Yes, that bill, I think is a good
3 bill, because there's a lot of confusion as to when the
4 Public Utilities Commission issues a decision. There's often
5 quite a lengthy lag time between when they make a decision
6 and the decision is dated, and when the decision is put in
7 final form, printed and mailed out.

8 Often the PUC will spend a matter of days or
9 weeks doing the final polishing on that decision. What this
10 bill says is that the -- for the purposes of judicial review,
11 the decision will be final when it's mailed, and the people
12 will have 30 days thereafter to petition for reconsideration.

13 There's a section of the Public Resources Code
14 that applies to our judicial review that links it into the
15 PUC's. So this will also provide some clarification to our
16 own code, and we'd recommend a support position on this bill.

17 COMMISSIONER EDSON: I'll move support of the bill.

18 CHAIRMAN IMBRECHT: That looks reasonable to me,
19 yes. Okay, is there objection to a support position?

20 Hearing none, that will be the order.

21 MS. STETSON: The next bill is AB 2064 by Peace,
22 and I believe the recommendation is no position.

23 MR. WHEATLAND: That's right, this bill just
24 requires the PUC to give prior approval to reorganizations
25 of investor owned utilities. We'd recommend no position.

1 CHAIRMAN IMBRECHT: Objection, hearing none --
2 okay.

3 MS. STETSON: The next category of bills is
4 preferential rates for certain customer --

5 COMMISSIONER GANDARA: Excuse me, I had AB 2120
6 asterisked.

7 MS. STETSON: That bill is not set.

8 CHAIRMAN IMBRECHT: No, it's not asterisked. The
9 last one before we return to the first section is AB 1382
10 by Assemblyman Elder.

11 MS. STETSON: Right. Before we start, though,
12 I'd like to respond to your question, Chairman Imbrecht
13 about the budget bill and the trailer bill.

14 According to the Assembly desk, both are on call.
15 The Assembly has recessed and will reconvene at 6:00 p.m.
16 The Senate desk --

17 COMMISSIONER EDSON: On call --

18 CHAIRMAN IMBRECHT: Sure, that's --

19 MS. STETSON: And the Senate desk, they're both
20 on call, but the Senate is still in session.

21 CHAIRMAN IMBRECHT: So they haven't passed either
22 house as yet. Do you have any idea as to what the vote is
23 in the Assembly?

24 MS. STETSON: I don't have that information, but
25 I can get it if you'd like it.

1 CHAIRMAN IMBRECHT: Yeah, I'd like to know, if
2 you know, and if it's a party split.

3 Okay. 1382: by Assemblyman Elder.

4 MR. WILSON: The Elder bill would allow the
5 enhanced oil recovery facilities and cogeneration facilities
6 to receive natural gas service without being required to
7 maintain backup fuel capability. Under existing PUC
8 procedures, those usually are required to maintain backup
9 fuel.

10 Apparently the main proponent of this bill is
11 Procter & Gamble who is considering building a cogeneration
12 facility and would like to forego the \$500,000 investment
13 to install the backup fuel capability. I understand the
14 bill passed out of committee yesterday on consent. The PUC
15 is neutral, the Manufacturer's Association, whom I spoke to
16 about this, is also neutral.

17 In my own view, if any user chooses to go without
18 backup capability, that's a choice that they can make. It's
19 a calculated risk and apparently what Procter & Gamble has
20 done is looked at the gas supply and demand forecast, and
21 decided that there will not be a shortage of gas, and so
22 they forego that investment.

23 CHAIRMAN IMBRECHT: They are also, I have to say,
24 one of the companies that has been most innovative in their
25 whole effort of developing cogeneration facilities, and I

1 think they've got a great deal of internal technical exper-
2 tise with respect to energy and the whole related issues,
3 and frankly deserve some compliments with the private
4 sector. So I would agree with that recommendation.

5 Is there any objection to a support position on
6 1382? Hearing none, support will be the order.

7 Turning to the first page, 1123 by Assemblywoman
8 Moore, are we ready to go on that one?

9 COMMISSIONER EDSON: Can I suggest that we take a
10 bill out of order? We have someone here from the Building
11 Standards Commission who wanted to be present when we took
12 up AB 163, would that be all right?

13 Let me just speak very briefly, if Mr. Worsley
14 is here and cares to comment. I wanted to bring up
15 AB 163, which is Assemblyman Goggin's bill on the residential
16 building standards because it has been amended a number of
17 times, I think the staff is interested in some direction
18 on the position.

19 As the Commissioners know, the delay is no longer
20 part of AB 163. The bill, though, contains other provisions
21 which are of concern. There are packages, new packages
22 that go into statute. Those packages, although it may be
23 that they will be amended to comply with our budget, they
24 currently do not comply.

25 There are provisions relating to set-back thermostats

1 on heat pumps that contradict our standards, and as well,
2 requirements that we entered into new proceedings on air-to-
3 air heat exchanges, and infiltration barriers which would
4 duplicate work that was held during the adoption process.

5 Lastly, the bill ties the budget in the standards
6 to the performance of the package that the bill put to the
7 statute, and because those packages currently vary from
8 the budget, in some cases they are tighter by as much as
9 25 percent, the Commission would be forced, as the bill is
10 currently drafted to redo design manuals, and performance
11 calculations, et cetera.

12 So I would simply recommend that we, as -- again,
13 as the bill is currently drafted, barring further amendments,
14 that we continue our opposition.

15 CHAIRMAN IMBRECHT: By way of introduction, I'd
16 just like to mention that Mr. Worsley is one of the
17 individuals most responsible for the magnificent restoration
18 of our capital, and I'd like to invite you to apply your
19 talents to this building, though it's only five months old,
20 it could use some creative approaches. I'll talk to you
21 about that later.

22 MR. WORSLEY: Well, actually, we had something to
23 work with on the capital.

24 (Laughter)

25 MR. WORSLEY: Those early Californians had good

1 taste, I would say.

2 CHAIRMAN IMBRECHT: Thank you. You can tell that
3 there are none of us that disagree with some of those things.

4 MR. WORSLEY: Well, with that, I don't want to
5 take a lot of your time.

6 CHAIRMAN IMBRECHT: Yes, thank you.

7 MR. WORSLEY: Frankly, the Building Standards
8 Commission, and I think anybody involved in the building
9 industry, and even if you could get an honest legislator
10 to honestly admit, putting building standards, or regulations,
11 things that should be regulated through the Administrative
12 Procedures Act into a statute is bad law, and really, that's
13 where I am coming from in this thing.

14 Whether or not the momentum that has been generated
15 by the group of builders who are steam rolling this thing
16 through, can be stopped, or changed direction, I feel that
17 one possible change of direction if the author has to get a
18 bill out would be to -- ideally to say, this is a package,
19 you have three packages, A, B, and C, identify this one as
20 package D, and instruct it to be placed in Title 24, which
21 guarantees the builders have a certain degree of permanence,
22 that it's not -- it then becomes a standard, and that upon
23 placement and publication, perhaps that portion of the
24 statute would automatically be repealed.

25 Failing that, a three year sunset, failing that, a

1 five year sunset or whatever you can get, but something on
2 that order so that we do not lock into the statute a single
3 prescriptive standard. The -- I think it's essential that
4 designers in a dynamic industry such as construction where
5 we're having more and more factory made components, we do
6 not tie the hands of the very people that are seeking this.

7 They see this as a panacea for their problems,
8 but it isn't, it's a trap, and I -- the Commission is
9 prepared to work, and is working with your staff to whatever
10 extent we can. You are the experts in energy, but we are
11 the people that have to put this book out, and I might say
12 that this job I've taken on as Director of the Standards
13 Commission, I got sort of sold a bill of goods on it, but
14 I was attracted to it because the State Building Code is
15 about the same condition that the capital was in. I have
16 another reconstruction process.

17 CHAIRMAN IMBRECHT: We wish you well.

18 MR. WORSLEY: With that I will close my comments
19 here, but I hope we can go together on this thing, and really
20 it's bad law the way it sits, putting regulations in the
21 statute.

22 CHAIRMAN IMBRECHT: Let me just, you know,
23 speaking personally, that I certainly agree with you that
24 it is bad precedent to put it in the statute, and my
25 personal preference is any of the options you outlined as an

1 alternative approach. I think the one that I think is
2 preferential is to give our Commission and your Commission
3 a direction to adopt in the event we were to come to terms
4 on the other issues within the bill, to adopt such packages
5 administratively by the end of this calendar year, in which
6 case the statute would never be codified, and at the same
7 time it would have the impact of a statute, and I think the
8 chance of the Commission changing would be very slight in
9 light of very clear legislative intent.

10 At the same time, however, I'm equally concerned
11 about seeing that we get this issue resolved, that we meet
12 the budgets, or come as close as we possibly can to meeting
13 the budgets. I get the sense that we are fairly close in
14 terms of resolving --

15 MR. WORSLEY: Our staff is working with your
16 staff and the proponents, and I think we've got that resolved.
17 So effectively, the bill does nothing really. I mean they
18 can -- we have adjusted them now in such a way, that
19 actually, that package -- we did a study of it.

20 That package could be built under your certified
21 energy budget right now.

22 CHAIRMAN IMBRECHT: Well, let me suggest that
23 that's not necessarily the posture we want to take in terms
24 of explaining this publicly. I'll let Assemblyman Goggin
25 express or describe it as he cares to, I think that's the

1 best way to handle it.

2 In any case, there are some further discussions
3 that we plan in the next day or two, with the interest, and
4 try to come to some terms and resolve the matter. I
5 assume that the position we're going to take today on the
6 bill is reflective of the current state of the bill.

7 In the event there were further concessions made,
8 or agreements brought, that we would return to the other
9 Commissioners and see if they are inclined to modify their
10 position or not on the legislation. So I'm just trying to
11 be as directly honest with you as I can on the matter, and
12 say that it's a difficult call.

13 I guess from my perspective, if we're able to
14 achieve energy savings, and also a package that is acceptable
15 to the builders, or myself, that's the overriding considera-
16 tion, but I am sensitive to your concerns as well.

17 MR. WORSLEY: We have on our Commission, 10
18 individuals, there's four public members, and then various
19 representatives of the industry. We have a contractor
20 representative, Carroll Brock, and well respected in the
21 industry. We have a unanimous opposed position on this
22 bill, including Carroll Brock, so that's for your information.

23 COMMISSIONER EDSON: And a very practical
24 consideration they have had with the package in the statute,
25 even if a technical problem arises, a conflict, for example,

1 between this package and the fire codes, the Building
2 Standards Commission would have its hands tied, it would
3 be unable to --

4 MR. WORSLEY: It really is a statute that overrides
5 anything that any of us can do without going back to the
6 Legislature. So with that, I won't take any more of your
7 time, and I thank you for putting me on. I've got to run
8 back to the store again.

9 CHAIRMAN IMBRECHT: I understand, thank you
10 very much. As you're on your way out, if you'd take a look
11 at the drainage problem out here in the --

12 (Laughter)

13 MR. WORSLEY: This is known as the fish platter.

14 CHAIRMAN IMBRECHT: As the what?

15 (Laughter)

16 COMMISSIONER EDSON: That on the surface is the
17 intent.

18 CHAIRMAN IMBRECHT: Now Karen, that's not the --
19 we don't want to --

20 MS. STETSON: The next category of --

21 CHAIRMAN IMBRECHT: Well, let's deal with 163,
22 and get that behind us if we can.

23 COMMISSIONER EDSON: Well, I would just move that
24 we continue our opposition to the bill on the grounds that
25 I described, and of course --

1 CHAIRMAN IMBRECHT: Do we need to -- our position --

2 COMMISSIONER EDSON: I think our position is
3 opposed, so I doubt that we --

4 CHAIRMAN IMBRECHT: So I don't think we even need
5 to take formal action at this point.

6 MS. STETSON: Well, let me correct that statement.
7 Our generic position is to oppose a delay to the standards.
8 That delay is removed from AB 163. We have not taken a
9 generic position on any changes to the standards, such as a
10 shift in the budget, and so forth.

11 COMMISSIONER EDSON: Well, I would just as soon,
12 rather than take a generic position, move that we oppose
13 163 as drafted. In the event of amendments, we bring it
14 back.

15 CHAIRMAN IMBRECHT: Okay. I think I would prefer
16 just to be silent on the issue at this point in time,
17 pending the meeting tomorrow, I think our position on the
18 bill remains intact.

19 COMMISSIONER EDSON: Well, my concern is simply
20 that we have been asked in legislative hearings whether or
21 not the issue has been brought formally before the
22 Commission. I think there is awareness that previously our
23 opposition has been founded upon the delay that was in the
24 bill. There is a hearing next Tuesday, and granted substantial
25 progress may be made tomorrow, but not being able to know

1 that, I think we do need to have an authorized position.

2 CHAIRMAN IMBRECHT: In light of those further
3 discussions tomorrow, though, I hate to walk into a meeting,
4 and the day before having taken a position that might be
5 misinterpreted as closing off, or inhibiting the ability to
6 have further conversations and so on.

7 COMMISSIONER COMMONS: Is there anything in the
8 bill that we support? We're just really -- legislation
9 that is not needed because it's already been taken care of.

10 MS. STETSON: There's a fleet averaging section
11 in the bill that needs some clarification before the
12 Commission would feel comfortable with it, I believe.

13 COMMISSIONER EDSON: Mr. Chairman, I certainly
14 don't think we should take a stance that implies that we're
15 not entering our discussions in good faith. I certainly
16 think we need to, and I understand that.

17 CHAIRMAN IMBRECHT: How about opposed unless
18 amended, and we'll work on the amendments some more.

19 COMMISSIONER EDSON: Yeah, that's fine, yeah, I
20 mean, that's exactly what I intended.

21 CHAIRMAN IMBRECHT: Okay, without objection.
22 In the event that there is progress tomorrow, we'll be
23 reporting to the other Commissioners as to the specific
24 details of that. I just -- I think it's important to say on
25 the record that we've had some, I think, positive discussions

1 in the last week or two on the issue.

2 Let's see, now we're back to 1123 by Assemblywoman
3 Moore, and we have two more bills to consider after that,
4 plant held for future use account.

5 MR. BROWN: This is a bill which is essentially
6 a use it or lose it bill, whereas, if construction of a
7 project, and the utility resource plan has not commenced
8 prior to the end of the --

9 (Pause)

10 CHAIRMAN IMBRECHT: Excuse me. I don't know
11 where that inquiry came from.

12 MR. BROWN: This is a bill which would essentially
13 would require removal from a rate base of -- after a proper
14 diagnosis, where construction does not begin before the end
15 of a five year period.

16 Under current practice, an item is included in
17 rate base, and investors and ratepayers pay a rate of return
18 on it, and what this would do is it would say essentially
19 that the utility must begin construction on a project, and
20 if it doesn't, it loses the return paid to the ratepayers.

21 CHAIRMAN IMBRECHT: So this is, as a practical
22 matter, it would affect the Blythe site and the LNG site,
23 right?

24 MR. BROWN: It would affect -- yes. It would
25 affect there, it would affect all those -- it could have

1 an impact on the wind farm, it could have an impact on
2 coal properties, anything that the utilities put in their
3 resource plan, whether they plan to use it, this would
4 essentially urge them to use it more rapidly, or encourage
5 them to develop it.

6 CHAIRMAN IMBRECHT: Irrespective of whether the
7 resource supply picture changes after they've acquired the
8 site, and it would in effect put them in the position of
9 forcing sale of the site, as --

10 MR. BROWN: Not necessarily forcing sale. In
11 other words, they could keep the property. What has
12 happened is that --

13 CHAIRMAN IMBRECHT: But their shareholder would
14 have to carry the --

15 MR. BROWN: Exactly, exactly. What has happened
16 is that one of the impetus for this type of bill has been
17 that certain utilities, not only in California, but in other
18 states, have managed to keep items in rate base for -- in
19 California we had an instance of 22 years without it being
20 actually used for the purpose that it was intended to be
21 used.

22 In this particular case, it was the Morro Bay
23 oil storage instance. PGandE went out and purchased the
24 property, put it in rate base, ratepayers paid a return on
25 it for 22 years, to the point eventually where the rate of

1 return that was paid by the ratepayers was twice the original
2 cost of the land. So this is to sort of prevent those
3 circumstances from happening.

4 CHAIRMAN IMBRECHT: Doesn't the PUC keep watch on
5 that? I mean, I can -- you know, I have no hesitation in
6 justifying rate basing those kinds of investments, but up
7 to the actual cost. How in the world did that slip through?

8 MR. BROWN: Well, as I said, it's one of the impetus
9 for the bill. Presumably, under the Used and Useful
10 Doctrine, these sorts of things aren't supposed to happen.
11 With respect to this Commission, one of our concerns would
12 of course be wind farm land, we would want that to be
13 developed as rapidly as possible.

14 CHARIMAN IMBRECHT: Well, I don't think there's a
15 motion in support of this, but let me just -- maybe I'm
16 misreading my -- the only thing I would say, I mean, if
17 there's any role for legislation on this, is a prohibition
18 on ratebasing the cost of a plant beyond the actual cost
19 invested by the utility. To me that's a matter of simple
20 equity. I don't think they should get double the return
21 on the cost of land, that doesn't make much sense.

22 But there's no motion on the bill, so there's no
23 position, so let's just move on.

24 MS. STETSON: The next bill is AB 1486 --

25 CHAIRMAN IMBRECHT: You might just express that to

1 Assemblywoman Moore if she's looking for some way out of
2 the bill.

3 COMMISSIONER GANDARA: Well, as long as we're going
4 to do that, let me make a suggestion then.

5 CHAIRMAN IMBRECHT: Okay.

6 COMMISSIONER GANDARA: What I thought was missing
7 in the analysis, or perhaps it escaped me, what I think was
8 my concern here, you know, though I have some agreement
9 with the general thrust of the analysis, I have some concern
10 that we would be handing over, you know, a substantial amount
11 of our particular responsibilities to determine what is
12 needed and what should be in the resource plan.

13 MR. BROWN: Well, I think if you look at the last
14 item, our recommendation was that the PUC consult with us
15 on the decision to remove the rate base. I think we have a
16 very important agreement between third and fourth, with
17 concern with what's in and what's not in, and -- or in the
18 resource plan, and therefore --

19 CHAIRMAN IMBRECHT: Okay, 1486 by Assemblyman
20 Sher.

21 MS. STETSON: Dave Morse was the one that did the
22 analysis on Assemblyman Sher's bill, which is set for
23 hearing July 12th.

24 CHAIRMAN IMBRECHT: Is there any objection to
25 the recommended staff position, no position to adopt a

1 position probably will result in CEC involvement.

2 COMMISSIONER EDSON: I haven't been able to find
3 that analysis in the package, so I would at least appreciate
4 a summary of it.

5 COMMISSIONER GANDARA: I think I'm one bill behind
6 myself.

7 CHAIRMAN IMBRECHT: We're on 1486 by Assemblyman
8 Sher.

9 MS. STETSON: That wasn't in your original
10 package, it should have been handed out separately.

11 COMMISSIONER COMMONS: It's in my package.

12 MS. STETSON: Well, we sent it out to all the
13 offices afterwards, it did not come in with the original
14 analyses.

15 CHAIRMAN IMBRECHT: Basically what the bill does
16 is require that the PUC establish a reasonable benefit/cost
17 assessment for Helms Creek, Diablo Canyon, and San Onofre,
18 and that in the event that the PUC decided to allow a return
19 on investment in excess of that, the determination of a
20 cost/benefit ratio, they have to specify the reasons why.

21 COMMISSIONER COMMONS: Has the PUC requested our
22 position?

23 CHAIRMAN IMBRECHT: No, we'll let you know the
24 first time they do, though. Has the PUC ever requested it?

25 MS. STETSON: Occasionally.

1 CHAIRMAN IMBRECHT: Do they? Okay. Is there
2 objection to the staff recommendation? Hearing none,
3 we'll adopt the staff recommendation.

4 The last bill to consider is AB 2071 by Assemblyman
5 Bronzan. This requires the PUC to institute investigation
6 and subsequently adopt standards regarding acceptability of
7 deferred maintenance practices for gas and electric
8 utilities. Requires the PUC to investigate certain issues.

9 MS. STETSON: This is a bill that was analyzed by
10 Burnet Brown also. It appears from the analysis that the
11 staff is concerned about some of the lack of enforcement
12 provisions, and it's not clear to me as to what recommenda-
13 tion they would have.

14 COMMISSIONER COMMONS: I don't understand the
15 staff position.

16 CHAIRMAN IMBRECHT: The staff position, basically,
17 I would say, would be support, but also requests the addition
18 of a reward or penalty provision, and the essence of their
19 recommendation is to -- the CEC took that position before the
20 CPUC which then failed to adopt performance standards, and as
21 a consequence, my -- the essence of what I'm able to discern
22 from this is that this is consistent with a prior adopted
23 position of the Commission.

24 COMMISSIONER GANDARA: Mr. Morse, I believe this
25 is reflected in the BR-IV recommendations, is it not?

1 MR. MORSE: Yes, and it also, if you look at the
2 -- let me apologize a little bit for the amount of lip-
3 reading, bottom line recommendations of some of these,
4 but we did have a paper out that recommends -- it sort of
5 takes a look at all the types of incentives on power plant
6 requirements, and would like to -- the bills reflect sort
7 of the balanced view of penalty and rewards systems, and
8 the reality of dealing with the data maintenance, data that
9 is available on the utility power plant performance issues.

10 CHAIRMAN IMBRECHT: Is there a showing we need
11 a penalty or a reward, or would it be useful just to
12 eliminate the process to begin with?

13 COMMISSIONER COMMONS: Dave, couldn't that issue
14 of the penalty/reward be discussed before the PUC and not
15 be part of the legislation?

16 MR. MORSE: Oh, yes.

17 COMMISSIONER COMMONS: I think it would be more
18 appropriately handled in that venue than in the legislation.

19 CHAIRMAN IMBRECHT: Commissioner Edson?

20 COMMISSIONER EDSON: Have we quantified what
21 additional capacity or energy might be available in the
22 event better maintenance practices are implemented?

23 MR. MORSE: No.

24 COMMISSIONER GANDARA: Was this part of our PGandE
25 rate case issues?

1 MR. MORSE: Not that I recall.

2 CHAIRMAN IMBRECHT: Okay, do I hear a motion?

3 Hearing none, no position.

4 MS. STETSON: There is one last item. If you'll
5 go back to the beginning of your agenda, AB 1659 by
6 Assemblyman Farr deals with community energy authorities.
7 That bill we just found out recently is going to be set for
8 the 12th. It's the original -- excuse me, it's one of the
9 first analyses you do have.

10 COMMISSIONER GANDARA: You know, I have two
11 packages from you. Let me ask, I have a June 24th and a
12 June 23rd package, could you identify which package the
13 bill is in?

14 MS. STETSON: Your first package were those
15 analyses that we'd gotten from the divisions on time. I
16 can't go through and tell you which ones they were. We
17 decided to get them out to the Commissioners so you'd have
18 time to review them. In addition, you got a follow-up --

19 CHAIRMAN IMBRECHT: It's in package two, Arturo.

20 MS. STETSON: Chris Elms put the package together,
21 he could probably tell you which --

22 CHAIRMAN IMBRECHT: It's in the June 23rd package.

23 MR. ELMS: Commissioner, I think I can answer the
24 question. The June 23rd package was put together for -- in
25 anticipation of the Governmental Relations Committee meeting,

1 which due to scheduling conflicts was unable to take place.
2 However, as you know, we always give all the Commissioners
3 copies of things for the -- that we provide for Governmental
4 Relations. However, there was one bill analysis, AB 1486,
5 which I believe you took up a moment ago, that was not
6 received prior to the putting together that package. So
7 that analysis would have been included in a subsequent
8 June 24th package which with a different cover sheet, which
9 was given to Secretariat under their authority to hand out
10 things, packages for the business meeting.

11 CHAIRMAN IMBRECHT: Okay.

12 MS. STETSON: Do you need a copy of that?

13 CHAIRMAN IMBRECHT: There is not opposition to
14 this bill, is that correct?

15 MS. STETSON: At the time of the analysis there
16 was no opposition, there would have been support. We raised
17 some technical concerns that aren't spelled out in the bill.
18 If you'll --

19 CHAIRMAN IMBRECHT: How long is that bill?

20 MS. STETSON: 37 pages.

21 CHAIRMAN IMBRECHT: For God sakes, a 10 page
22 analysis.

23 MS. STETSON: Well, the bill is fairly complex,
24 and it is --

25 CHAIRMAN IMBRECHT: Yeah, you might as well read

1 the bill is what I'm saying.

2 MS. STETSON: Well, the bill probably would be
3 more complicated than a normal --

4 CHAIRMAN IMBRECHT: All right.

5 MS. STETSON: This is of particular interest to
6 us since this is being sponsored by Barry Saitman who as
7 I understand it, works here part-time, and in promoting the
8 concept of community energy authorities.

9 The Commission in the past has supported the
10 concept --

11 CHAIRMAN IMBRECHT: He works here part-time?

12 MS. STETSON: Right.

13 CHAIRMAN IMBRECHT: For whom?

14 MS. STETSON: For the Energy Commission.

15 CHAIRMAN IMBRECHT: Where in the Energy Commission?

16 MS. STETSON: Conservation Division, I don't know.
17 A consultant.

18 COMMISSIONER GANDARA: Solar Office Development,
19 I believe, unless he's been transferred to conservation.

20 MR. WALTON: That's correct, the Solar Office for
21 Development.

22 MS. STETSON: As a consultant, okay. And he is
23 drafting the language. We have been working with him to
24 try to clarify some of the areas which would create more
25 confusion in the law than to clarify the responsibilities

1 of some of the local energy authorities.

2 CHAIRMAN IMBRECHT: Does he have another occupation
3 as well?

4 MS. STETSON: I guess he is a private consultant
5 now. I knew him when he worked here full-time. I was told
6 that he worked for the Commission part-time. I've been
7 corrected and been told that he is a consultant to the
8 Commission in the Solar Office.

9 COMMISSIONER EDSON: In a nutshell, my understanding
10 of what they're trying to do with this bill is create
11 something analogous to the statutory authority, the housing
12 authority so that you have the framework in statute which
13 empowers local agencies to implement a wide range of
14 various energy programs, but does not grant that authority
15 unless it is assumed by resolution or ordinance at the local
16 level.

17 CHAIRMAN IMBRECHT: Okay. I guess I was more
18 concerned about the cost of having somebody work for the
19 Commission and also propose legislation. We don't allow
20 full-time employees to propose legislation, absent
21 Commission --

22 COMMISSIONER EDSON: I'd be surprised if he was
23 actually the sponsor of the bill and --

24 CHAIRMAN IMBRECHT: -- adoption, and does that
25 mean you get added discretion if you go part-time, then you

1 get to do it?

2 MR. SMITH: We can find out what his status is.
3 My impression was that he had separated from the Commission,
4 but I'll get back to you on that.

5 CHAIRMAN IMBRECHT: I'd like to know a little more
6 of how that operates. Thank you.

7 MS. STETSON: The concerns we have, though, are in
8 the areas in which the Energy Commission has current
9 authority, such as contingency planning. It gives local
10 community energy authorities certain responsibilities,
11 but doesn't specify what those responsibilities are,
12 vis-a-vis the State Energy Commission.

13 CHAIRMAN IMBRECHT: You mean a local community
14 would have the option, for example, to do their own set-aside?

15 MS. STETSON: Well, it doesn't specify, it talks
16 about energy contingency plans and so forth. Marti could
17 probably go into more detail on that at this point.

18 MR. WALTON: Well, I think the real problem that
19 the staff has with it is that in many instances, the bill
20 is quite confusing as to just what authority, specifically,
21 would be granted to local agencies, and yet the scope of
22 authority from the language in the bill appears to be quite
23 large, appears to give an umbrella effect which would allow
24 local agencies a very wide range of discretion.

25 It's not clear what the limits of that discretion

1 would be, and I think that's really where staff's queasiness
2 about supporting the bill all out would come in. The powers
3 are quite large that are specified in the bill, that would
4 be granted to authority --

5 CHAIRMAN IMBRECHT: Are those powers summarized
6 somewhere?

7 MR. WALTON: Yes, there's a --

8 CHAIRMAN IMBRECHT: I see.

9 MS. STETSON: There's a list on local powers at
10 about the sixth page.

11 MR. WALTON: Yeah.

12 MS. STETSON: The power of eminent domain was
13 one concern.

14 CHAIRMAN IMBRECHT: The power to alter an existing
15 energy project?

16 MR. WALTON: Pardon?

17 CHAIRMAN IMBRECHT: The power to alter an existing
18 energy project?

19 MR. WALTON: This is --

20 CHAIRMAN IMBRECHT: Though eminent domain?

21 MR. WALTON: -- is a list of all the adjectives
22 and nouns that are listed as powers that would be enabled
23 by this legislation.

24 CHAIRMAN IMBRECHT: License the operation of --

25 COMMISSIONER GANDARA: In the Energy Commission,

1 at the local level?

2 MS. STETSON: Pardon me?

3 COMMISSIONER GANDARA: At the Energy Commission,
4 at the local level with tax exempt bond financing?

5 MS. STETSON: It appears to be that way, yes.

6 MR. WALTON: That's correct.

7 COMMISSIONER GANDARA: I'm going to vote for it,
8 just change it to Energy Commission, and the --

9 MS. STETSON: Again, the problem is that it's
10 not really specified and when Marti talked to Barry Saitman
11 about the intent of certain sections, there wasn't
12 justification to relieve some of our concerns.

13 COMMISSIONER GANDARA: Well, it sounds to me like
14 it's complex enough that we would have difficulty taking a
15 position on it today, and I think frankly, it might be
16 complex enough, that it might not particularly have any
17 movement, is your assessment different?

18 MR. WALTON: It is moving.

19 MS. STETSON: It is in the last Senate policy
20 committee.

21 CHAIRMAN IMBRECHT: The last Senate, we only hit
22 one --

23 MS. STETSON: That's correct, the last policy
24 committee.

25 COMMISSIONER COMMONS: And it has gone to the

1 Assembly?

2 MS. STETSON: It passed the Assembly Natural
3 Resources Committee on the last hearing date before deadline,
4 there was not much discussion of the bill. My concern is
5 that the bill may go through if there is no discussion of
6 some of these pertinent issues.

7 CHAIRMAN IMBRECHT: But I see here that it gives
8 them -- the definition of energy project includes electric
9 transmission lines. What if they were to establish one of
10 these authorities, and we were to site a transmission line
11 from a major power facility in the state through a local
12 jurisdiction and they had one of these authorities created
13 within their community?

14 MS. STETSON: My sense is that the authority would
15 come to the Commission. The Commission has the overall
16 authority.

17 CHAIRMAN IMBRECHT: Are we pre-emptive on these
18 issues?

19 COMMISSIONER GANDARA: Yes, we have override.

20 MS. STETSON: We are pre-emptive over local
21 government.

22 CHAIRMAN IMBRECHT: We have override.

23 COMMISSIONER GANDARA: Yes, we have override of
24 the local level.

25 COMMISSIONER EDSON: I have a question. To what

1 extent is this -- my understanding of what was being done
2 here was that there was an attempt to put in one place
3 existing local authority to develop and carry out energy
4 programs. In fact, my understanding is that various local
5 entities can now issue tax exempt bonds for energy projects,
6 and they can now sponsor cogeneration projects, et cetera.

7 That this is not particularly expanding upon
8 local authority, but consolidating in one place local
9 authorities that can be implemented by local ordinance
10 more easily than otherwise would be the case.

11 MR. WALTON: That is correct in the sense that
12 that's the intent of the bill, and to an extent the bill
13 obviously accomplishes that, I think the concern is that
14 the bill seems to go beyond that in certain powers, and
15 probably more specifically, there's a question of account-
16 ability that the bill creates the ability to empower
17 authorities which are relatively insulated from the actual
18 elective methods in the business.

19 COMMISSIONER EDSON: Careful.

20 MS. STETSON: The original of the --

21 CHAIRMAN IMBRECHT: Okay, I'm going to make this
22 immediate. I think that this needs to be presented to the
23 Governmental Relations Committee. I think we ought to ask
24 the godfather of this bill to perhaps make that presentation
25 or be available for some questions. I've got to -- I mean,

1 this analysis raises more questions than it resolves for
2 me. If they have the power to alter electric transmission
3 lines, for example, or alter facilities for taking fuel
4 from natural deposits, I--

5 MS. STETSON: There are a whole series of concerns
6 that we have with the bill. We'd like to -- we can arrange
7 that for the Government Relations Committee. At the same
8 time, I think we need to make those concerns known to the
9 Assemblyman, maybe without a position on the bill, just so
10 he is aware before the July 12th hearing that we may have
11 some specific concerns and work with the author on that,
12 after the Government Relations Committee.

13 CHAIRMAN IMBRECHT: I think that one thing you
14 ought to ask Sam is get some understanding from him what
15 his intention is, vis-a-vis the responsibilities with other
16 agencies, state level, that have principal authority. It's
17 not just us, clearly, it affects some of the others,
18 Division of Oil and Gas, and so forth.

19 MS. STETSON: I just don't think anybody has
20 focused on this bill yet, that's the problem.

21 CHAIRMAN IMBRECHT: Okay, moving right along.
22 All right, no more, right?

23 MS. STETSON: Right.

24 CHAIRMAN IMBRECHT: Thank you. We're going to take
25 a brief executive session to discuss one matter of litigation,

1 and I guess we have to do Administrative Services afterwards.
2 Executive session is going to be in the small conference
3 room right here. We're not going to go upstairs. We'll
4 be in brief recess.

5 (Executive session.)

6 CHAIRMAN IMBRECHT: A quorum is present. For the
7 purpose of the record, the executive session was -- excuse
8 me, I want to get through the procedural.

9 For purposes of the record, the executive session
10 was to discuss Commission involvement in the LNG proceeding
11 before the PUC, a rate treatment, and forecasting, and so
12 forth of that issue.

13 We will recess today's business meeting until
14 2:00 o'clock -- pardon me, I'm sorry. The business meeting
15 is hereby adjourned, and we will continue the hearing of this
16 past Thursday until tomorrow, June 30th at 2:00 p.m. to
17 hear from the Administrative Services Division.

18 Thank you, we will stand in recess.

19 (Thereupon the business meeting of the California
20 Energy Resources Conservation and Development Commission was
21 adjourned at 4:55 p.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 June 29th, 1983, and that the foregoing pages constitute a
7 true, complete and accurate transcription of the aforementioned
8 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 8th day of July, 1983.
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