STATE OF CALIFORNIA

ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

CALIF. ENERGY COMMISSION
OCT 6 1983
RECEIVED IN DOCKETS

BUSINESS MEETING

1516 NINTH STREET

1st FLOOR HEARING ROOM

SACRAMENTO, CALIFORNIA

WEDNESDAY, OCTOBER 5, 1983

10:15 A.M.

Reported by: Patricia A. Petrilla

Video/Audio Recording Services, Inc.
2100 - 27th Street
Sacramento, California 95818
(916) 452-2653

COMMISSIONERS PRESENT

Charles R. Imbrecht, Chairman

Arturo Gandara, Vice Chairman

Karen K. Edson, Commissioner

Geoffrey D. Commons, Commissioner

EX OFFICIO

Bill Foley, PUC

STAFF PRESENT

Randall M. Ward, Executive Director

William Chamberlain, General Counsel

Leon Vann

Linda Greule, Secretary

PUBLIC ADVISOR'S OFFICE

Ernesto Perez

I N D E X

	Page
Proceedings	1
Agenda Item 1 - Contract with Consumer Affairs, Bureau of Home Furnishings, $45,000.	
Commission Order	1
Agenda Item 8 - Commission consideration and possible approval of an order creating an Energy Policy Economic Impacts Committee and reorganizing the BR-V Committee.	
Commissioner Gandara - Presentation	2
Commission Order	7
Agenda Item 2 - Consent Calendar	
a. Contract amendment with Envirosphere Company, a no-cost time extension.	
Leon Vann - Presentation	8
b. Consideration of claims of exemption from the Residential Building Standards.	
Commission Order	9
Agenda Item 3 - Approval of Minutes	9
Agenda Item 4 - Commission Policy Committees' Report	
Utility Programs Committee	
Commissioner Commons - Presentation	9
Loans and Grants Committee	
Commissioner Edson - Presentation	14
CFM Committee	
Commissioner Commons - Presentation	15
Agenda Item 5 - General Counsel's Report	
William Chamberlain - Presentation	15
Agenda Item 6 - Executive Director's Report	
Randall M. Ward - Presentation	18
Agenda Item 7 - Public Comment	20
Adjournment	21
Reporter's Certificate	22

P R O C E E D I N G S

--o0o--

CHAIRMAN IMBRECHT: Okay. Will the meeting please come to order. A quorum is present. Commissioner Schweickart remains absent on personal business. We have a very short agenda, and we ought to be able to move through it in record time, dispatch.

I'll call for the first item, it's a contract with Department of Consumer Affairs, Bureau of Home Furnishing for $45,000 to continue adequate insulation testing for fire safety, corrosion, et cetera. Mr. Ward?

EXECUTIVE DIRECTOR WARD: Let's see, we do have someone here to respond to that. It's my understanding this is just the -- an annual contract that we have regarding insulation standards.

CHAIRMAN IMBRECHT: Are there any Commissioner questions on this item?

COMMISSIONER EDSON: I met with the staff, and I'm satisfied that this work is important to continue.

CHAIRMAN IMBRECHT: I assume that's a motion?

COMMISSIONER EDSON: Yes.

CHAIRMAN IMBRECHT: Moved by Commissioner Edson, seconded by Commissioner Gandara. Is there objection to the unanimous roll call? Hearing none, that will be the order.

Next we have an item that was added to the agenda, I think we'll move to that before we go to the Consent Calendar, and that's consideration and possible approval of an order creating an Energy Policy Economic Impacts Committee and reorganizing the BR-V Committee.

Commissioner Gandara, do you want to present that?

COMMISSIONER GANDARA: Well, the materials are very explanatory. I think I've discussed the matter with all the Commissioners. I think basically what the reorganization is reflecting is some continuity that I think will be necessary not only over the preparation of the BR-V, but also, you know, through the analytical stages, write up, and final Commission adoption.

With respect to the other Committee, that is a proposal for a Policy Committee that will begin to perhaps consolidate much of the work that is done in bits and pieces throughout the Commission, and also will be a focal point for something that I think is going to be increasingly important, that is, the contributions, or the impacts, or the effects of our energy policy proposals on the economy.

Other than that, the proposed order is -- parallels the orders for all the other Committees. As you may recall, the content is the same. About the only thing that is deleted is something that would not be within the jurisdiction of that type of Committee, which is proposing regulations

since it's more a policy Committee.

CHAIRMAN IMBRECHT: Okay. Questions or comments? Commissioner Commons?

COMMISSIONER COMMONS: I'm not quite clear as to the Economic Policy Committee. Are there overlaps with any existing Committees, or what is the -- I don't quite understand the purpose.

COMMISSIONER GANDARA: There is a little bit of an overlap with some Committees. The basic thrust of this Committee comes out of the work that has been done, say for example, on the tax credits. I think Commissioner Edson was most familiar with that. I think there was pretty good work done not only on the solar tax credit, but on the conservation tax credit.

We also have in recent years been trying to extend a lot more, not just the quantification of energy conservation, but the quantification of the economic impacts, and I think it's something that is not seen clearly within the jurisdiction of any particular Committee.

So the desire here is to extend that kind of work in the same way that we did, say, in the appliance white paper, and the same way that we are now probably trying to move in the area of economic impacts in the contingency planning.

So I think it basically reflects a concern that

there are significant economy impacts that perhaps we need to address directly rather than saying that they will be addressed in all the other areas. I have generally found that this area has been shortchanged.

COMMISSIONER COMMONS: Well, as you know, I have been and continue to be very supportive of our trying to understand the economic impacts. My concern here is like you mention on quantification of utility programs. Of course, you sit on the CFM Electricity Committee, and I'm just not quite sure as to the jurisdictional aspect of this in terms of --

COMMISSIONER GANDARA: Right.

COMMISSIONER COMMONS: -- where this Committee starts and where it ends. Can we say the assumption is that if a Committee is currently, like in the CFM Committee, where conservation quantification is part of the Electricity Report, that it is not the intent of forming this Committee to take away jurisdiction from existing Committees, but it's rather the intent to do the broader economic analysis, the tax credits, the economic impacts on changes in oil policies in terms of policy oriented material that would be part of the overall BR process that we're going into, and you're looking at it from a broader point of view, rather than from the necessarily technical input to the Electricity Report, or another report that's

ongoing?

COMMISSIONER GANDARA: Yes, that would be correct. I mean, in fact, that's precisely -- it's a good example which is precisely what happened in the CFM IV, we went through all the conservation quantification, but that was not translated into economic quantification, and the economic quantification really didn't get done until we did the appliance white paper, and that was done sort of under the auspices of the Appliance Standards Committee, which I think there are certain limitations, basically because of the narrower interests of the traditional view of the Committee, as well as the staff that's available for that.

So you are correct in the one assumption that this is not going to be something that will overlap or delve into the areas that other Committees are doing, but rather pick up on that work, and carry that work forward into more of the economic areas.

COMMISSIONER COMMONS: One other area is in the area of tax credits, one of my concerns has been in the area of wind machines, that there has been some wind machine investments where there has been substantial tax credits, but no energy produced. Would the economic impacts include taking an evaluation as to whether there should be performance criteria in order to maximize energy from wind

machines, or other technologies?

COMMISSIONER GANDARA: At this point in time, clearly, the mission and function of the Committee is an interest of the Committee members, but under my thinking right now, I do not intend, and I discussed this with Commissioner Edson, for the Committee to be an evaluation Committee. An evaluation Committee of either the staff program, staff proposals, I mean this is going to be a far more perspective and broader macro -- state macroeconomic look than the sort of thing that would be seen as evaluative and perhaps then become a problem with respect to many of the things that we'd be looking at.

I think clearly, there's no doubt that when you quantify economic effects, when you talk about impacts, when you talk about distributional effects that to some extent, there are judgments that people make on their own as to whether something is good or bad.

But it's not my intent, or purpose, or thinking at this time to say undertake an evaluation of whether we, you know, this is good or bad, or that type of activity. Commissioner Edson?

COMMISSIONER EDSON: Commissioner Commons, I think the kind of work you're describing is clearly within the scope of the work of the Tax Credit Committee. We are beginning a rulemaking now that is intended to bring the

regulations into conformance with changes in the law that have occurred this year. If you are interested in perhaps expanding the scope of that inquiry, or beginning a separate effort, I'd be happy to sit down with you, and we'll talk about some of your concerns.

I certainly share them, although I'm not sure of the entire nature of them.

COMMISSIONER COMMONS: All right.

CHAIRMAN IMBRECHT: Okay, fine. I think we'll move adoption by Commissioner Gandara, seconded by Commissioner Edson that the reassignment of the BR-V Committee takes place, with myself as Presiding Member, and Commissioner Gandara as the second member; and the Economic Impacts Committee with Commissioners Gandara and Edson as members, Commissioner Gandara is Presiding.

Is there objection to a unanimous roll call? Hearing none, that will be the order.

We have three items on the consent calendar. Does any Commissioner wish to move the three items, the first dealing with a no-cost time extension with an existing contract on a biomass project.

COMMISSIONER EDSON: I have one question on that.

CHAIRMAN IMBRECHT: Yes, Commissioner Edson.

COMMISSIONER EDSON: My question is, how much money remains unencumbered on that contract, or unspent, I

should say. I assume it's all encumbered.

EXECUTIVE DIRECTOR WARD: Leon Vann from the division is here to answer any specific questions on this.

MR. VANN: I beg your pardon, I didn't hear the question.

COMMISSIONER EDSON: How much money hasn't been spent, still remains?

MR. VANN: I believe that the remaining balance is less than $100,000. I don't have the exact number.

COMMISSIONER GANDARA: What percent of the original contract is that?

MR. VANN: Pardon?

COMMISSIONER GANDARA: What percent of the original contract is that?

MR. VANN: That is -- oh, boy, we renewed it.

COMMISSIONER EDSON: 265, I believe is --

MR. VANN: There was 265 and that would be 30 percent? We're in -- as an update, we are in the review process right now for the technical support contract for this year, it got hung up in the freeze, and we're reviewing the proposals at this point in time, and this will carry us through bringing the technical support contract to the Commission.

COMMISSIONER EDSON: Do you expect to expend most of the remaining funds, or will you -- do you think

you will have --

MR. VANN: Yes, we will.

COMMISSIONER EDSON: -- sizeable amount remaining?

MR. VANN: I don't think there will be any carryover.

COMMISSIONER EDSON: Those were my questions.

CHAIRMAN IMBRECHT: All right, fine. I assume -- remaining on the consent calendar, any questions about the two proposed partial exemptions from the Residential Building Standards? Those are fairly clearcut. Do I hear a motion on the consent calendar?

COMMISSIONER GANDARA: Move it.

CHAIRMAN IMBRECHT: Moved by Commissioner Gandara, seconded by Commissioner Commons. I'll give you a chance to object. Without objection, the consent calendar is unanimously adopted.

Are there any additions or corrections to the minutes? Hearing none, without objection, we'll approve the minutes as presented.

Are there any Commission Policy Committee Reports? Commissioner Commons?

COMMISSIONER COMMONS: I've given to the Secretariat and to the other Commissioners a summary memo from the Utility Programs Committee, Commissioners Edson and myself from the CEC, and Commissioner Calvo from the

Public Utilities Commission had a workshop on September 27th concerning load management programs, and since I was away for the week, Commissioner Calvo said that he would have his staff prepare a summary of that meeting, which is attached, and then I've given a short cover letter as to where we're trying to proceed.

It is the hope that we can achieve some of the reductions and duplication of reports, and integrate the schedules of the two Commissions, at least in part for the Southern California Edison rate case. Southern California Edison graciously has said that they are willing to kind of be guinea pigs in terms of a revised procedure as to the load management during the upcoming rate case.

I think it would be unlikely that in the short period of time that we have that we could complete the -- a total package in terms of how we approach load management for the two Commissions. But certainly, in the duplicative reporting areas, and in the coordination and scheduling of our decisions to relate to the PUC, I would be hopeful that this could be achieved.

Rather than wait until March or June, what we've done is asked that a Committee composed of three persons from -- three persons of staff of each Commission work together during the upcoming 90 days and report back to the Commission, and I think it's probably appropriate for the

Chairman to appoint the -- I think it's appropriate that this go through the Commission not through the Committee.

CHAIRMAN IMBRECHT: Fine. First, let me just indicate that I think you are to be commended for initiating this effort and certainly any steps that result in better cooperation between this institution and the Public Utilities Commission, I think in some quarters would be viewed as overdue, and I'm glad to see that we're making some progress in that area. I would say the same to Bill, representing the PUC.

Without objection, I will direct the staff, through our Executive Director, and I'm going to suggest that he consult, I notice you have some recommendations, but I'm going to let him make the designation of the three to represent this Commission. I think that you might want to discuss your personal involvement as well.

In any case, I'll direct you to begin those discussions with the PUC staff as expeditiously as possible.

EXECUTIVE DIRECTOR WARD: Okay. I might add, Mr. Chairman, that I am sending a letter to the Executive Director of the PUC that outlines some concerns that I have, and staff has regarding our participation in this process. I think the concerns essentially stem from past issues affecting our ability to be involved in load management issues.

We do have some significant resources that would be required to be devoted to this effort, and I think there's some trade-offs there, and I will be discussing with staff those trade-offs, and then briefing each of you. But it's -- rather than a 90-day effort, I'm advised it's a 60-day effort that will be rather intense.

CHAIRMAN IMBRECHT: Okay.

COMMISSIONER COMMONS: There are a number of areas where I think we can improve our relationship. It was Commissioner Calvo and my intent that what we try to do is take one of the more difficult reporting areas and see if we can make some progress, and then in coming back to the Commissions, if we're to make some progress, then to the Chairmans of the respective Commissions, and possibly open up after we've made achievements in these areas to see if there are other areas that we could take a step.

But rather than looking at all of the areas, it was our feeling that let us take one area, take one that is difficult and see what progress could be made here.

CHAIRMAN IMBRECHT: Okay, fine.

COMMISSIONER EDSON: I do have one question.

CHAIRMAN IMBRECHT: Yes, Commissioner Edson?

COMMISSIONER EDSON: The staff that was represented at the workshop indicated a very severe trade-off in my mind between active participation in the SCE rate case,

and work on commercial load management activities of all the utilities. So I just want to note that I will be very interested in Mr. Ward's indication of what those trade-offs are.

CHAIRMAN IMBRECHT: What the staff impacts are. I think we're all concerned about that. I think at the same time, however, there has been enough general support for some period of time from interest groups that must deal with both the CEC and the PUC, that these kinds of steps take place.

I'm also confident that at the appropriate time, we can present a case for whatever staff augmentations might be necessary for us to carry out that function, and in effect, carry out, I think, one of the basic agenda items of this administration, and that's an attempt at regulatory reform.

COMMISSIONER EDSON: No. And I want to note that I don't have any objection at all to the discussions that I think will ensue between the two agencies. I think there is actually a great deal of room for clarification and correction of some real problems in the load management area. This really goes to the question Mr. Ward was raising about the level of resources we can afford to devote to the rate case this fiscal year.

CHAIRMAN IMBRECHT: Yes, Commissioner Commons?

COMMISSIONER COMMONS: Well, if you'll remember during our budget discussions that the Conservation Division proposed a reduction in effort in this area feeling that they did not need the full complement of people that they had on the staff this year to continue the work during the next year, and I have felt that since I got on this Committee, that it's not appropriate or fair to a utility, or to state resources that we participate and go through a decision without following through.

This Commission did go back to its original staffing load, so there is some additional staff available here, and I think we should recollect when you do sit down and talk with the division, that there has been a change in that allocation of resources.

It's always easy to say I don't have the resources, but we just went through the budget process that they felt they could --

CHAIRMAN IMBRECHT: I'll make a comment, it's a direct policy direction from the Commission. Okay. Are there any other policy Committee reports?

COMMISSIONER EDSON: Yes.

CHAIRMAN IMBRECHT: Excuse me, Commissioner Edson.

COMMISSIONER EDSON: I just wanted to report very briefly that the Loans and Grants Committee is continuing to work with the staff on the Petroleum Violation

Escrow Account programs, and as was promised when this issue came before the full Commission, I think it was probably a month ago, we will be scheduling meetings will each Commissioner, along with the staff, probably sometime, hopefully within the next two weeks to provide a thorough briefing of just where -- in particular, the two new programs stand in their program development.

CHAIRMAN IMBRECHT: Commissioner Commons?

COMMISSIONER COMMONS: For other Commissioners, there has been two draft orders submitted from CFM. One will come before us at our next business meeting on surveys, and the other is on recommendations for modifications for all but the conservation quantification and alternative price forecast.

So if any Commissioner's office has comments on those, our office would appreciate them.

CHAIRMAN IMBRECHT: Okay, fine. Bill, do you have a General Counsel's Report?

MR. CHAMBERLAIN: A couple of items, Mr. Chairman. First of all, I'm sure you're all aware by now that Mark Urban has left our office, which of course, I will miss him tremendously. He was a very valuable asset to our office. However, I guess every cloud has a silver lining, we're in balance now in our budget, and looks like we will avoid any layoff problems, so that makes everyone breathe

easier.

Additionally, I have distributed to each of you a memo relating to the Bonneville Power Administration record of decision in the '83 rate case, together with copies of the relevant pages, the pages of the decision that dealt with issues that we had been involved with.

I'm informed that there may be a hearing in Congress, in Congressman Weaver's subcommittee within the next two weeks, or I believe about two weeks from tomorrow, and I don't know -- I had been planning a major briefing in closed session at the next business meeting on all of our Bonneville Power Administration litigation and other matters. I don't know to what extent you may wish to have a closed session today to discuss the rate case decision and any actions that we might want to take, or that you might want to direct us to take with regard to it.

The decision itself, I would say there were some bright spots, but the most problemmatic thing from our utilities point of view was the major change that occurred right at the very end of the process, after all the hearings were over, which was that throughout the hearings, the assumption had been that if there was going to be a spill rate, it would be implemented whenever they went into a spill. They have been toying with the possibility of abolishing the spill rate. We and the other utilities

pointed out -- our California utilities pointed out that if they did that, they would probably suffer substantial competition from northwest parties, and they appear to have resolved that problem by adopting what I call a phantom spill rate.

They have adopted a spill rate of 11 mils per kilowatt-hour, which they can go to in order to discourage competition from their northwest parties, but they are going to charge -- they are going to try to charge during spill, 18.5 mil, standard rate to California, while charging the northwest 7 mils for coal displacement or 3 mils for nuclear displacement.

So this is the first decision in which they have institutionalized fairly blatant regional discrimination in their ratemaking.

CHAIRMAN IMBRECHT: If you feel it's more appropriate to offer this advice to us in closed session, I'd like you to indicate that, but I have a question as to what additional remedies --

MR. CHAMBERLAIN: Oh, I can outline them briefly. There will be a proceeding before the Federal Energy Regulatory Commission to review these rates. There will also be opportunity for judicial review in the 9th Circuit Court of Appeal, and of course, the possibility of a political remedy is one that remains as well.

CHAIRMAN IMBRECHT: May I inquire, have you had any discussions with counsel representing any of the California utilities as to their intention relative to that issue?

MR. CHAMBERLAIN: I have. I would prefer not to discuss those matters, though, unless we went into closed session.

COMMISSIONER COMMONS: What is the timing in terms of our --

CHAIRMAN IMBRECHT: I think it probably would be appropriate to have a brief closed session on this issue. I think we should conclude the remainder of the agenda and we'll take a brief recess for that purpose. So let me hold in abeyance the remainder of the General Counsel's Report.

Mr. Ward, any Executive Director's Report?

EXECUTIVE DIRECTOR WARD: I've discussed the issue I wanted to present relative to load management on --

CHAIRMAN IMBRECHT: All right. Is there any member of the public that wishes to address the Commission on any matter?

COMMISSIONER GANDARA: Excuse me, I have several questions for the Executive Director.

CHAIRMAN IMBRECHT: Excuse me, okay, fine.

COMMISSIONER GANDARA: We just finished our first

quarter, and I guess at the time of the work plans, we were going to get a quarterly update, changes in work plans, and you know, there were some issues left outstanding as to what adjustments would be made, the kind of report where we are in attrition and so forth. When is the Commission going to receive kind of a quarterly budget report? I mean are we expending on schedule, below schedule, above schedule?

EXECUTIVE DIRECTOR WARD: Before the end of next week you will have -- we've asked the division chiefs to take a look at the work plan and give us those summaries by the close of business on Friday, and then we will review them, and I would say sometime mid-week.

COMMISSIONER GANDARA: Okay. Then I think there was an outstanding question with respect to also a lack of resolution on how we would go about calendaring contracts and reviews by Committees, and so forth that was going to be worked out. I'm concerned that though today is a slow day, pretty soon we'll start receiving the contracts for this fiscal year from the approved budget, and you know, without having that resolved, we're probably going to wind up with the same kinds of questions again. I think that this was an issue that was raised several months ago.

COMMISSIONER EDSON: Yeah. My understanding was that we opted to essentially use the existing system, except

that staff would be more strongly encouraged to meet with Committees. But a related issue is an interest of mine, to have us go through the exercise of assigning priority to our 83/84 fiscal year contracts.

EXECUTIVE DIRECTOR WARD: Commissioner, I have sent a letter out to division chiefs with my signature requesting that that list of outstanding contracts and a prioritization.

CHAIRMAN IMBRECHT: I think maybe that would be appropriate to report at the next business meeting, if you're prepared to at that time.

Commissioner Gandara, further questions?

COMMISSIONER GANDARA: That's all.

CHAIRMAN IMBRECHT: Okay. Any member of the public wish to offer any comments to the Commission?

We will recess briefly into the adjoining conference room for a continuation of the General Counsel's Report.

(Brief recess.)

CHAIRMAN IMBRECHT: We'll reconvene the business meeting. Let me announce that in executive session the Commission unanimously expressed concern about the discriminatory rate structure adopted by BPA. We've directed the General Counsel to examine alternative and available remedies, and to consult with other parties of interest in

California, and then to report to the Government Relations Committee for direction as to subsequent action relative to exercising those remedies.

Nothing else further to come before the Commission, the meeting is adjourned.

(Thereupon the business meeting of the California Energy Resources Conservation and Development Commission was adjourned at 11:25 a.m.)

--o0o--

REPORTER'S CERTIFICATE

THIS IS TO CERTIFY that I, Patricia A. Petrilla, Reporter, have duly reported the foregoing proceedings which were had and taken in Sacramento, California, on Wednesday, October 5, 1983, and that the foregoing pages constitute a true, complete and accurate transcription of the aforementioned proceedings.

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

Patricia A. Petrilla

Reporter

Dated this 6th day of October, 1983.