

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

CALIF. ENERGY COMMISSION  
FEB 3 1984  
RECEIVED IN DOCKETS

BUSINESS MEETING

1516 NINTH STREET  
1st FLOOR HEARING ROOM  
SACRAMENTO, CALIFORNIA

WEDNESDAY, JANUARY 25, 1984  
10:50 A.M.

Reported by: Patricia A. Petrilla

Video/Audio Recording Services, Inc.  
2100 - 28th Street  
Sacramento, California 95818  
(916) 452-2653

COMMISSIONERS PRESENT

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

EX OFFICIO

- 7
- 8 Bill Foley

STAFF PRESENT

- 9
- 10 Randall M. Ward, Executive Director
- 11 John Chandley
- 12 R. Michael Martin
- 13 Ted Rauh
- 14 Manuel Alvarez
- 15 Luree Stetson
- 16 Lorri Gervais, Secretary

PUBLIC ADVISOR'S OFFICE

- 17
- 18 Ernesto Perez

ALSO PRESENT

- 19
- 20 Mark Braly, State Assistance Fund for Energy, California  
Business and Industrial Development Corporation
- 21 Bob Lucas, Carrier Corporation

- 22
- 23
- 24
- 25

I N D E X

	<u>Page</u>
1 Proceedings	1
2 Opening Statement by Chairman Imbrecht	1
3 Agenda Item 1 - Informational Presentation by Mark	
4 Braly, President of State Assistance	
5 Fund for Energy, Business and Industry	
6 Development Corp. (SAFE-BIDCO) on that	
7 agency's activities and the status of	
8 current programs.	2
9 Agenda Item 3 - Contract with BR Laboratories, Inc.	
10 \$47,068.50.	
11 R. Michael Martin - Presentation	11
12 Commission Questions and Discussion	12
13 Public Comments:	
14 Bob Lucas, Carrier Corp.	13
15 Commission Order	15
16 Agenda Item 4 - Contract with BR Laboratories, \$29,888,	
17 test plumbing fittings.	
18 Commission Order	16
19 Agenda Item 7 - Contract with City of Pasadena, \$15,000;	
20 City of Roseville, \$14,723; County of	
21 Marin, \$15,000; for rating and labeling	
22 demonstration program.	
23 Manuel Alvarez - Presentation	16
24 Commission Questions and Discussion	18
25 Commission Order	34
26 Agenda Item 2 - Commission Consideration and Possible	
27 Designation of Commission Committees	
28 to preside over Placerita Small Power	
29 Plant Exemption and Geothermal Public	
30 Power Line NOI.	
31 Commission Order	35
32 Agenda Item 5 - Commission Consideration and Possible	
33 Adoption of a resolution setting time	
34 and place for regular Commission	
35 Business Meetings in 1984.	
36 Randall Ward - Presentation	36
37 Commission Questions and Discussion	37
38 Commission Order	39
39 Agenda Item 13 - Executive Director's Report	
40 Randall Ward - Presentation	39

	<u>INDEX (Con't.)</u>	<u>Page</u>
1		
2	Agenda Item 12 - General Counsel's Report (None)	44
3	Executive Session	45
4	Afternoon Session:	46
5	Agenda Item 15 - (Under Separate Cover)	
6	Agenda Item 6 - Commission Consideration and Possible	
7	Adoption of Commission Committees	
8	and responsibilities for 1984.	
9	(Put Over)	46
10	Agenda Item 14 - Public Comment (None)	
11	Agenda Item 11 - Commission Policy Committees' Reports	
12	Chairman Imbrecht - Presentation	47
13	Acknowledgement of Commissioner Edson	52
14	Agenda Item 8 - Contract With Lawrence-Berkeley Lab,	
15	\$150,000 to evaluate proposals for	
16	PVEA. (Put Over)	53
17	Adjournment	55
18	Reporter's Certificate	56
19		
20		
21		
22		
23		
24		
25		

P R O C E E D I N G S

--o0o--

1  
2  
3 CHAIRMAN IMBRECHT: Okay. We'll call the meeting  
4 to order. We apologize for the tardiness, we had a few  
5 matters that necessitated some ongoing discussions.

6 Let me make a couple of housekeeping announcements.  
7 Since Items 2, 5, and 6 deal with largely internal  
8 Commission policy and operation, we will take those up  
9 after we have considered the items which require those  
10 of you from the public to be in attendance to try to  
11 convenience your schedule as much as possible.

12 Item 8 will be pulled from the calendar today  
13 because of the need for further conversation as to the  
14 details of that proposed contract.

15 COMMISSIONER COMMONS: Can we at least just hold  
16 it until this afternoon, and decide we want to pull it  
17 this afternoon?

18 CHAIRMAN IMBRECHT: All right. We'll hold it  
19 pending further discussion, but I'm going to signal that  
20 it is my sense that we probably will end up with that  
21 result.

22 Finally, on the LADWP, load management item which  
23 is Item 2 on the continuous order, they will be in  
24 attendance after our lunch recess, and so we will take that  
25 item upon reconvening after lunch.

1           COMMISSIONER COMMONS: I have one question on the  
2 movement of that item also.

3           CHAIRMAN IMBRECHT: Commissioner Commons?

4           COMMISSIONER COMMONS: I'd like legal counsel to  
5 be prepared, or the Public Adviser's Office to be prepared  
6 on that item as to the adequacy of public notice. I have  
7 received some calls on that item. It was not on the agenda  
8 sent out, and people weren't aware of it. But we can  
9 discuss it at 1:30.

10          EXECUTIVE DIRECTOR WARD: Mr. Chairman, also  
11 consent calendar, item no. 9 should be pulled, and that  
12 was on the advice of counsel.

13          CHAIRMAN IMBRECHT: So Item 9 is off calendar as  
14 well.

15          Okay. Now, we'd like to call upon Mr. Mark  
16 Braly who is the president of the SAFE-BIDCO, the State  
17 Assistance Fund for Energy, Business and Industrial  
18 Development Corporation who is going to make a formal  
19 presentation to us. Mark, again our apologies for being  
20 so tardy in convening the meeting, and welcome to our  
21 Commission.

22          MR. BRALY: Thank you, Mr. Chairman, and members  
23 of the Commission. Not at all, Mr. Chairman, I had a  
24 chance to discuss Commissioner Edson's around the world  
25 trip, so it was time well spent.

1 CHAIRMAN IMBRECHT: Yes.

2 MR. BRALY: I want to thank you for this  
3 opportunity. For the benefit of those in the audience,  
4 although the Commission knows, the State Assistance Fund  
5 for Energy, California Business and Industrial Development  
6 Corporation, in addition to being a mouthful, is an  
7 independent corporation that is owned by the State of  
8 California, and is nonprofit, and it does -- is a lender  
9 to small businesses in California's emerging alternative  
10 energy and conservation industries.

11 Although we are a nonprofit corporation, we are,  
12 in fact, profitable, with a surplus income of about \$10,000  
13 in the first six months of the current fiscal year.

14 During the first 18 months of operation, we have  
15 put about \$2.7 million in loans on the books to 15 small  
16 California businesses, and we anticipate \$3.3 million by  
17 next month.

18 Organizing and getting SAFE-BIDCO into operation  
19 was done in the teeth of a series of crises. The first was  
20 the state's cash flow crunch, we nearly eliminated our  
21 loan fund; and the latest was a fire which forced us out of  
22 our N Street converted victorian offices. We are proud  
23 survivors.

24 But I think what is really unique about SAFE-BIDCO  
25 is this: we got the Bank of Waukegan to invest \$108,000 in

1 a start-up California business which makes add-on passive  
2 solar rooms. We arranged for the Canby Union Bank of  
3 Oregon to finance solar water -- a solar water heating  
4 firm in Fresno and a shared savings energy management firm  
5 in Los Angeles, a combined investment of around \$134,000  
6 in small California business.

7 We got the Society for Savings of Hartford,  
8 Connecticut to put \$434,000 into a distributor of solar  
9 and conservation products in Anaheim. The loan officers  
10 of these banks, these small banks, have never met the  
11 people who run these businesses, let alone reviewed their  
12 financial statements.

13 Furthermore, all of these businesses had been  
14 turned down by at least one California bank. How did we  
15 do this? We used loan guarantees of the U.S. Small  
16 Business Administration. These small banks bought the  
17 guaranteed portions of our loan, often as much as 90 percent  
18 of the full loan. This guarantee transformed a high risk  
19 loan into a high yield and virtually risk free federal  
20 government security.

21 When we sell the guaranteed portion of the loan,  
22 we have the money to fund new loans. So far, we have  
23 funded about 25 percent of our loans in this way. A common  
24 misperception about SAFE-BIDCO has been that it is a \$2.5  
25 million program because that is the extent of our line of

1 credit from the state, which the state originally gave us  
2 to fund loans. In fact, SAFE-BIDCO is a \$25 million plus  
3 program.

4 By the time we have achieved our full leverage  
5 in two or three more years, about 85 to 90 percent of our  
6 loans will have been funded from the proceeds of the sale  
7 of loans to private investors like Canby Union Bank or  
8 Bank of Waukegan.

9 SAFE-BIDCO funds the loans, and retains the  
10 unguaranteed portion in its portfolio, that could be as  
11 much as 20 percent of the loan value, but typically more  
12 like 10. Typically the loan yields prime rate to the  
13 investors who purchase them, and the interest rate is  
14 adjusted quarterly, and varies with the prime rate.

15 SAFE-BIDCO collects the payments on the loans,  
16 and keeps the difference between what the investor gets  
17 and what our borrowers pay, that's our service fee. Our  
18 borrowers pay two to two and three-quarters above prime,  
19 depending on the risk involved in the loan.

20 That brings up a common misperception about the  
21 SAFE-BIDCO loan program. Why are we gouging our customers?  
22 Wasn't this supposed to be a low interest loan program? No.  
23 While the rates on our loans are typically, though, not  
24 always a little less than a bank would charge, we are  
25 basically making market rate loans. This makes sense,

1 because we're doing high risk loans which other banks will  
2 not do. Although we have had no loan losses, it is clear  
3 to us we have made some loans that other bankers would  
4 classify as venture capital.

5 If our loans carry an interest rate significantly  
6 below those of banks, we would be attracting lower risk  
7 customers away from those banks, and a still more practical  
8 reason is that we would have difficulty selling our loans  
9 if they didn't yield to our investors a rate that was  
10 competitive from the competing federal securities that are  
11 on the market.

12 Because we lend at market rates, we are often  
13 asked, why would anyone come to SAFE-BIDCO? The answer is,  
14 (1) because the loan is not obtainable from other lending  
15 sources, or is obtainable, but at above market rates; (2)  
16 because SAFE-BIDCO is a specialist in the field, and we  
17 are apt to understand the technology, and the potential  
18 better, and to be more motivated to make the loan, and take  
19 the risk in the field:

20 (3) Because we do term loans, up to 10 years for  
21 working capital and assets, and no other lenders --  
22 virtually no other lenders are making term loans for those  
23 business purposes today; and (4) because we do smaller  
24 business loans, from \$50,000 to \$550,000, which some banks  
25 do not find worthwhile.

1           For example, we expect to fund a small hydro-  
2 electric project for about \$550,000, that's only a portion  
3 of the funding, which was turned down by five banks,  
4 although the developers had excellent track records, but  
5 the problem there was that it was too small a loan, of that  
6 type.

7           What does the future hold for SAFE-BIDCO? (1)  
8 As an expanding loan program. As I indicated, we hope to  
9 reach our full lending leverage of \$25 million within the  
10 next two or three years. (2) We will continue to explore  
11 ways of meeting the needs of our clientele which cannot  
12 be met with our current source of capital, and this  
13 includes one, small loans of say \$5,000 to \$15,000 to all  
14 kinds of small businesses for energy conservation improve-  
15 ments in their business that improve their profits by  
16 reducing their operating costs. This is not currently  
17 practical to make with the loan funds that we have because  
18 of the need to get an SBA guarantee.

19           AB 1315 which the Legislature passed last year  
20 would have provided \$7.5 million from the Petroleum  
21 Violation Escrow Funds for a program of this kind.  
22 Although the Governor preferred to veto this bill in favor  
23 of a more systematic allocation of these funds later, when  
24 we know exactly what the state will be getting, I believe  
25 this program is very badly needed, and that the administration

1 will support it at some later time, and that of course, is  
2 an item which is very much under discussion right now.

3 And (b), venture capital. We will continue to  
4 explore ways to make higher risk, and more patient capital  
5 available to our clients because our experience to date has  
6 been that often some of the most innovative and worthwhile  
7 businesses we see really aren't in a position to borrow  
8 money, and shouldn't. They ought to be seeking investors.

9 While we do not think it is possible for the  
10 corporation to get venture capital funds from grants, we  
11 do think that private investors might be attracted to a  
12 program sponsored by SAFE-BIDCO.

13 Thanks in no small part to this Commission,  
14 California has been a national leader in innovative programs  
15 for a more secure energy future. I think SAFE-BIDCO Fund  
16 for Energy is now a very special part of the California  
17 story. At a time when direct government grants, and regula-  
18 tion in the field of energy is waning SAFE-BIDCO has shown  
19 that public goals in this field can be achieved mainly in  
20 the private sector using mainly private sector resources.

21 Before closing, I want to take this opportunity  
22 to thank the Commission, and to particularly thank  
23 Commissioner Gandara whom you elected to serve on our  
24 Board for your support, and I also want to particularly  
25 thank your Development Chief, Ron Kukulka, who's been

1 splendid and patient in providing technical support to  
2 SAFE-BIDCO in our credit reviews.

3 I do have some copies of my remarks to distribute,  
4 and I think Lorri has those. Before closing and inviting  
5 any questions or comments that you have, I wanted to call  
6 your attention to two attachments.

7 Attachment 1, I didn't go into a lot of detail  
8 about the kind of loans we've made, but Attachment 1 gives  
9 you that detail, gives you the 16 businesses that we've  
10 funded, or will be funding shortly, as well as some  
11 statistics about the different types of loans that we've  
12 made. I think you'll see that there is a very even  
13 distribution of loans that we've made throughout the State  
14 of California. I think you'll see that there's quite an  
15 interesting distribution in the technologies, three solar  
16 water heating, two passive solar, two general solar, three  
17 energy management, two exterior sun shade companies, one  
18 wind energy conversion, one cogeneration, one hydroelectric,  
19 one lighting conversion, and one other, that's my bag, that's  
20 the firm that does the -- makes the equipment that saves  
21 energy in the processing of silicon for computer chips and  
22 photovoltaic cells.

23 Attachment 2 is called "How the Money Changes  
24 Hands". What that is intended to illustrate is you take a  
25 -- is the leverage that I was talking about of up to nine to

1 one. You take -- make a \$500,000 loan which you would fund  
2 from the State Energy Loan Fund, which is a six percent  
3 line of credit to SAFE-BIDCO, you fund, let's say \$500,000  
4 to small energy business number one. You're then in a  
5 position to recycle that money, sell 90 percent of the loan,  
6 perhaps as much as that, to a small investor, over again,  
7 as much as 23 times, or more, until you've made a total of  
8 \$4.6 plus million in loans to small energy business with  
9 that one \$500,000 that you've borrowed from the State  
10 Energy Loan Fund.

11 So, I want to thank you for this opportunity to  
12 brief you, and to invite any questions or comments that  
13 you have.

14 CHAIRMAN IMBRECHT: I only have one question.  
15 How come Commissioner Gandara wasn't in the annual report?

16 MR. BRALY: Commissioner Gandara was in the  
17 annual report in name, but we -- logistics were such that --

18 CHAIRMAN IMBRECHT: Might attract a photograph.

19 MR. BRALY: He wasn't in the picture because he  
20 isn't on our Executive Committee. He is Chairman of our  
21 Audit Committee.

22 CHAIRMAN IMBRECHT: Just a gentle goad.

23 MR. BRALY: Not very political, I admit.

24 CHAIRMAN IMBRECHT: Since we continue to provide  
25 you staff assistance, and so forth, I -- I'm sorry. In any

1 case, are there any questions for Mr. Braly? Mark, thank  
2 you very much for your presentation.

3 MR. BRALY: Thanks again.

4 EXECUTIVE DIRECTOR WARD: I might mention from a  
5 staff perspective, we consider the working relationship  
6 with SAFE-BIDCO and the President to be an excellent one,  
7 and a very cooperative and productive relationship.

8 MR. BRALY: Thank you.

9 CHAIRMAN IMBRECHT: Fine. Thank you, Mr. Ward.  
10 Thank you, Mr. Braly.

11 The next item we'll take up is Item No. 3, the  
12 contract with BR Laboratories, \$47,068.50 to test central  
13 gas furnaces. The contract manager is Mr. Martin. Mr.  
14 Ward, do you have an opening on this, or Commissioner  
15 Gandara, would you like to --

16 COMMISSIONER GANDARA: I guess it's Mr. Martin.

17 CHAIRMAN IMBRECHT: Mr. Martin.

18 MR. MARTIN: Good morning, Commissioners. This  
19 is the third of a series of testing contracts that we have  
20 had to verify the compliance with our appliance program. It  
21 was presented to the Commission in very similar form a  
22 year ago, at the time when there wasn't any money for any  
23 contracts.

24 The -- it is put down into two contracts, because  
25 of the possibility, as we went out to bid, that different

1 contractors would obtain -- that there might be a split  
2 contract, but as it turned out, it is one contractor, very  
3 much the same as we have done before, and unless you have  
4 some questions, I think I'd leave it at that.

5 CHAIRMAN IMBRECHT: Are there any questions of  
6 Mr. Martin?

7 COMMISSIONER COMMONS: Yes.

8 CHAIRMAN IMBRECHT: Commissioner Commons?

9 COMMISSIONER COMMONS: Yes. With -- have you  
10 reviewed this contract with the Appliance Standards  
11 Committee?

12 MR. MARTIN: Yes, sir. Well, I have reviewed it  
13 with -- I have spoken to the adviser to Mr. Gandara on this.  
14 I -- he's aware of it, but we haven't had a formal review,  
15 as such.

16 COMMISSIONER GANDARA: I see Nancy shaking her  
17 head. It appears Mr. Martin did advise. I should say,  
18 these are, you know, are standard contracts that I would  
19 encourage. I don't think it normally would have risen to  
20 the level of my attention.

21 CHAIRMAN IMBRECHT: All right. Do I hear a  
22 motion?

23 COMMISSIONER GANDARA: Yeah, I move them.

24 CHAIRMAN IMBRECHT: Moved by Commissioner  
25 Gandara, seconded by Commissioner Schweickart, and I want

1 to give Commissioner Edson a couple of last bites of the  
2 apple -- this time Schweickart. Should we approve both of  
3 these -- a joint motion on contracts 3 and 4, I assume that  
4 -- does anyone wish to be heard on this matter, member of  
5 the public? Excuse me, please come forward, Mr. Lucas.

6 MR. LUCAS: My name is Bob Lucas, representing  
7 the Carrier Corporation. I'm sorry I didn't call you  
8 earlier about this, but I was just alerted to this this  
9 morning. They requested that I make a short statement  
10 for the record for you on this item.

11 Carrier Corporation thinks that the Gamma  
12 Testing Program is a very reliable, and trustworthy testing  
13 program, and they would like you to use your resources in  
14 other areas, if you would. Their main concern, of course,  
15 is compliance with your regulations, and the company has  
16 spent considerable sums in building equipment that does  
17 comply with your regulations, and they would rather see  
18 you spend your resources in enforcement of those regulations,  
19 particularly with regard to the sale of noncomplying goods.

20 That completes the statement.

21 CHAIRMAN IMBRECHT: Questions for Mr. Lucas?  
22 Commissioner Gandara.

23 COMMISSIONER GANDARA: Yeah. How do we know  
24 they're noncomplying if we don't test them?

25 MR. LUCAS: Well, my understanding of this

1 contract is a contract to verify the testing program that  
2 the industry has set up right now, and Carrier believes  
3 that the testing program is an adequate program, and they  
4 think that this is basically the Commission having a  
5 contractor come out and double-check that particular program.

6 CHAIRMAN IMBRECHT: Can staff repond to that?

7 COMMISSIONER COMMONS: I have one question.

8 CHAIRMAN IMBRECHT: Let's get the response first.

9 MR. RAUH: I think the purpose of the program is  
10 not to verify ARI's testing program, but in fact, to  
11 verify the individual certifications that come to the  
12 Commission from manufacturers. So, from that perspective,  
13 what we are doing, is verifying that appliances that have  
14 been certified through us under a voluntary program do,  
15 in fact, satisfy the requirements of the standards in terms  
16 of those appliances shipped to California for sale.

17 We're not questioning the validity of the test  
18 itself, we're questioning the -- we're making sure that all  
19 manufacturers are -- that they're manufacturing process is  
20 producing appliances that satisfy the requirements of the  
21 standards, and that they have certified they will to us, and  
22 to the people of California.

23 CHAIRMAN IMBRECHT: Commissioner Commons.

24 COMMISSIONER COMMONS: Is your objection to 3 and  
25 4, or just to -- is it just to the central gas furnaces, or

1 is it also to the plumbing fittings?

2 MR. LUCAS: I'm sorry. Does the sum of 3 and 4  
3 add up to \$47,000?

4 COMMISSIONER COMMONS: No, 3 is \$47,000; 4 that  
5 concerns laboratory testing of plumbing facilities.

6 MR. LUCAS: No, it's just with No. 3 then, sir.

7 CHAIRMAN IMBRECHT: Carrier doesn't make plumbing,  
8 right. Okay, any further questions for Mr. Lucas? Thank you.

9 The motion is before us, any further comment?  
10 Commissioner Commons?

11 COMMISSIONER COMMONS: Yeah, one little problem.  
12 I want to abstain on 3 and support 4.

13 CHAIRMAN IMBRECHT: All right. We'll separate  
14 the motions. Would you please call the roll on Item No. 3,  
15 the contract with BR Labs for \$47,068.50?

16 SECRETARY GERVAIS: Commissioner Commons?

17 COMMISSIONER COMMONS: Abstain.

18 SECRETARY GERVAIS: Commissioner Edson?

19 COMMISSIONER EDSON: Aye.

20 SECRETARY GERVAIS: Commissioner Schweickart?

21 COMMISSIONER SCHWEICKART: Aye.

22 SECRETARY GERVAIS: Commissioner Gandara?

23 COMMISSIONER GANDARA: Aye.

24 SECRETARY GERVAIS: Chairman Imbrecht?

25 CHAIRMAN IMBRECHT: Aye. The motion is carried

1 4-0, is there objection to a unanimous roll call on Item  
2 No. 4, the contract with BR Laboratories for \$29,888 to  
3 test plumbing fittings? Hearing none, the unanimous vote  
4 will be recorded, and that will be the order of the  
5 Commission.

6 The next item is Item No. 7, a contract with the  
7 City of Pasadena for \$15,000; City of Roseville for \$14,723;  
8 the County of Marin for \$15,000 to provide a portion of the  
9 funding necessary to establish a home rating and labeling  
10 demonstration program.

11 EXECUTIVE DIRECTOR WARD: This is the second phase  
12 of this project, and the Conservation Division can give  
13 you a presentation on where we're at.

14 CHAIRMAN IMBRECHT: Yes, Mr. Alvarez.

15 MR. ALVAREZ: Yes, my name is Manuel Alvarez, I  
16 am the grant supervisor of the local governments branch  
17 within the Conservation Division. This demonstration  
18 project is planned as the first stage of a three year  
19 effort to develop and implement a statewide voluntary home  
20 energy rating and labeling system.

21 The contract will support local government  
22 activities for the service of the contract. The contract  
23 is an integral part of the home labeling program. The  
24 contract and the already approved contract with Lawrence-  
25 Berkeley Laboratories provides the development of an

1 analytical tool for home rating, and also provides the  
2 means to deliver the service.

3 I should note that the staff has requested that  
4 the existing contract with Lawrence-Berkeley Laboratory  
5 provides compatible and consistent results with the  
6 residential building standards. The results of the contract  
7 will be provided to the Residential Building Standards  
8 Committee for their consideration. Three local governments  
9 selected which will test and market the rating system  
10 include the City of Roseville, the City of Pasadena, and  
11 the County of Marin.

12 The users groups which are targeted include  
13 homeowners and renters, the real estate industry, primarily  
14 brokers and agents, lenders, both primary and secondary,  
15 appraisers, and local government operations.

16 The questions which we will attempt to answer are:  
17 what kind of labels should be developed? Who is the most  
18 effective at delivering the service? What is the most  
19 effective method to market the system, and how is the  
20 rating system being accepted and used by the various target  
21 groups?

22 In summary, the contract is intended to provide a  
23 common basis for the evaluation of energy efficiency in  
24 homes. The staff respectfully requests approval of the  
25 contracts.

1 CHAIRMAN IMBRECHT: Are there questions?  
2 Commissioner Commons?

3 COMMISSIONER COMMONS: Has this contract been  
4 reviewed with the Committee?

5 COMMISSIONER EDSON: Yes. The Loans and Grants  
6 Committee met with the staff about these contracts several  
7 weeks ago.

8 COMMISSIONER COMMONS: And in the evaluation, I  
9 was noting that Berkeley had rated very high, but was not  
10 recommended.

11 MR. ALVAREZ: We selected the City of Pasadena  
12 primarily because of climate zones. The County of Marin  
13 was in the same climate area of Berkeley.

14 COMMISSIONER COMMONS: I think you made a wise  
15 decision.

16 CHAIRMAN IMBRECHT: We have one Commissioner with  
17 a constituency in Pasadena. Commissioner Gandara?

18 COMMISSIONER GANDARA: Yeah, I have several  
19 questions. I wasn't here for the approval of the first  
20 contract on December 14th, but I have read the transcripts  
21 and the materials. In addition, I've asked the staff to  
22 brief my office on this contract that I still have a --  
23 am not quite certain where we're going with this. I guess  
24 part of that confusion has to do with understanding some  
25 things, and I'd like to ask a couple of questions.

1           What is the ultimate objective here? As I recall,  
2 when I was presiding over the Residential Building Standards  
3 Committee, we were interested in home labeling, and it's  
4 something that I strongly support, by the way, and at  
5 that time, we requested the staff to come up with a proposal  
6 for a home labeling system, and the staff did come up with  
7 a proposal for a five star labeling system, as I recall --  
8 and it was -- maybe it was four star.

9           It was based on the pre-75 standards, and the HCD  
10 standards, which reduced consumption, I think, by about 30  
11 percent, and then the 1978 building standards reduced  
12 consumption by another 50 percent, and the 1983 standards  
13 reduced it by 25 percent.

14           So you had these very discrete steps of reduction  
15 by around 25 percent at every step, so that a home built  
16 to the current standards would be only -- consume only about  
17 25 percent of what a home built in pre-1975 would.

18           So the whole idea, then, was that there was  
19 going to be, then, a star attributed to each one of those  
20 steps, and that was -- we worked, then, with the realty  
21 companies, with the banks, and so forth, and so on, and  
22 it seemed to be a rather simple proposal.

23           I guess my question is, given that we had that  
24 proposal then, and it was in fact done by climate zone, or  
25 intended to be done by climate zone, what is it that we have

1 here. I've been informed that there is kind of a slide rule  
2 that would permit some quick calculations. Is this to be a  
3 simplified calculation method to be included in the Energy  
4 Conservation Manual? Is this to be, in fact, a home rating  
5 system, a start system, is that what it's leading to, or  
6 some kind of other symbol, or what?

7 MR. RAUH: In effect, what we've done is taken  
8 advantage of work done by the Lawrence-Berkeley Laboratory  
9 which has both surveyed and participated in the development  
10 of the residential standards, and is aware of the computer  
11 tools, the point system, and is also under contract to other  
12 states, developed a very simplified approach, coming up  
13 with a rating system, and this is basically a template,  
14 or a slide rule that is simply enough to be used by a  
15 homeowner or a relatively untrained individual.

16 So, the focus here is to take some of the early  
17 work, and I think this was also brought to staff's attention  
18 by Commissioner Schweickart in terms of his concern that  
19 this effort be consistent with the point system, and the  
20 residential building analysis, and the work that we had  
21 done under your direction earlier, and we plan to do so.

22 But I think the genesis of the early ideas that  
23 you directed us to begin with is coming through now in this  
24 three year project. We're not using the computer tool that  
25 we've developed here at the Energy Commission. We've

1 basically chosen to use this tool that has been developed  
2 by LBL using the same computer analysis techniques that  
3 we've used, but it reduced everything down to something that  
4 is as simple as a slide rule.

5           The majority of the work now is, and what these  
6 three contracts are for this year, is to take that tool  
7 and actually deploy it in three locations within California,  
8 and to try to test things like how readily can it be used  
9 by the financial community, and the real estate community,  
10 and individual citizens, and how -- what makes most sense.

11           We came up with four stars, or five stars, as  
12 you indicated. We will be testing whether the start system  
13 which has been used in an earlier test by the Energy  
14 Commission in Visalia, other approaches have been used  
15 elsewhere in the country, and we'll be looking at what is  
16 the best -- where is it best to set those particular values  
17 that make sense for the marketplace.

18           One approach might be to actually try to encourage  
19 increments of retrofit investment. You could have a level  
20 at the basic weatherization level. For example, you could  
21 have a star there, you could have another star that  
22 encouraged another larger increment of investment.

23           So, I think it's all a consistent path leading  
24 back from the original work that you initiated, and most  
25 of the effort, especially these contracts, and the work

1 that we have in our budget for next year are the marketing  
2 aspects of the program.

3 The genesis, of course, is to provide local  
4 governments with a tool that's an alternative to a mandatory  
5 type local ordinance retrofit requirement.

6 COMMISSIONER GANDARA: Are the -- well, is the  
7 goal to come up with three different slide rules for these  
8 three different cities?

9 MR. RAUH: No, no, the tool stays the same. The  
10 goal of these contracts is to test strategy for the  
11 marketing of the tool, for the use of the tool, how is it  
12 best used in local jurisdictions. How can we get the  
13 real estate community to use it, to market it within their  
14 association. How can we get the financial community to use  
15 it, accept its results in the PITI calculation, and so forth.

16 COMMISSIONER GANDARA: So, if it's not to  
17 develop this slide rule that will give you a basis for the  
18 performance of the home, is that to say that these slide  
19 rules already exist for these three different --

20 MR. RAUH: No -- go ahead.

21 MR. ALVAREZ: They'll exist under the contract  
22 that was approved previously for the Lawrence-Berkeley Lab  
23 to develop that slide rule tool to be used.

24 COMMISSIONER GANDARA: Okay, is that --

25 MR. ALVAREZ: They provide the analytical tools,

1 these contracts, in essence, provide the second link in  
2 bringing that service to the various publics.

3 COMMISSIONER GANDARA: Well, I guess I was trying  
4 to understand, will the first contract produce 16 slide  
5 rules for the 16 climate zones? Is it going to produce one  
6 slide rule for the State of California, or is it going to  
7 use the same one that they have?

8 MR. ALVAREZ: It will produce a different slide  
9 rule, slide basis, it will -- our intention, it will be  
10 one for the state, it will have enough information on there  
11 so that different regions could, in fact, use that slide  
12 rule mechanism, and then one climate zone will use a slide  
13 rule, and another one would -- but the vehicle in which  
14 you present that option to the public, or to the homeowner,  
15 will be different in different areas.

16 I could envision one area where homes trade  
17 quite a bit. The real estate market, or the real estate  
18 industry would, in fact, bring that service. In another  
19 community where the real estate transactions aren't as  
20 heavy, you might have local government providing that  
21 service to them.

22 So you need a different vehicle to different  
23 areas to present that service to the public, and we're  
24 testing that within these three contracts.

25 COMMISSIONER GANDARA: Now, in the previous

1 proposal, which was fairly simple, because in fact, you  
2 looked at all the same existing programs that you will be  
3 looking at here, or that LBL will be looking at, you looked  
4 at Minnesota, you looked at the Visalia experience, you  
5 looked at Florida, and all those, you came up with the  
6 matrix of -- that indicated that a number of these things  
7 were rather complex, and you went to simplicity of the  
8 four star system.

9 Now, if the idea is something simple that realtors  
10 would use, and so forth, I guess I'm asking, my question is  
11 why are we embarking now in a more complex direction when  
12 we've already developed a system where, in fact, you know,  
13 a one star would be a pre-HCD standard, a two star would  
14 be an HCD standard home, a three star would be a 1978 Title  
15 24, and a four star would be a 1983 Title 24, and that is  
16 the level of simplicity that would give builders, lenders,  
17 and so forth, the information they would need to make a  
18 judgment on the home.

19 Since we have all that work done, I guess my  
20 question is why are we embarking on a contractual effort  
21 now, in a slightly different direction?

22 MR. ALVAREZ: My understanding in looking at the  
23 Visalia work was that there was inconsistency in how the  
24 star system was being interpreted by the various end users,  
25 whether it was a homeowner or whether it was a lender, and

1 how that, in fact --

2 COMMISSIONER GANDARA: I'm not suggesting the  
3 Visalia work, because the work that was proposed incorporated  
4 the results, already, of the Visalia work. So it was, in  
5 fact, an evolution, a step ahead from that.

6 MR. RAUH: Well, I think what we have found with  
7 -- what has come out of the earlier staff work was the fact  
8 that while one could establish a basis, a break point for  
9 stars, you still have a tremendous amount of individuality  
10 within each individual home, and LBL's work allows you to  
11 account for that.

12 While it gives you a basic energy savings, a  
13 kBtu per square foot savings as a bottom-line number, at  
14 this point, it's silent as to whether that ends up being an  
15 A or a B, or a C house. We haven't determined where those  
16 breaks are. In fact, that's going to be part of the test  
17 we're doing with local government. But it's a much improved  
18 refinement.

19 To do the kind of thing that -- to replicate  
20 the same level of accuracy, we would have had to suggest  
21 people use the point system on existing homes, and that was  
22 more -- you know, this particular approach has condensed  
23 that down. So while the instructions are just a half a  
24 page and can be followed by, you know, basically, one  
25 without any experience in the field, you end up with an

1 accurate predictor, and that predictor would be tailored  
2 to the individual home, and also can be ascribed to a  
3 specific dollar savings which the financial community can  
4 use.

5           COMMISSIONER GANDARA: I have no doubt that this  
6 would be a more accurate system, but what we found out  
7 last time around that it wasn't accuracy that was the  
8 roadblock to in fact a home labeling program. That the  
9 roadblock happened to be whether in fact, even at a simple  
10 four level breakpoint, you know, for getting the fine  
11 gradations in-between those levels, that it was difficult  
12 to get -- people taking the time -- we did talk to  
13 "Fannie Mae" and we did talk to the mortgage lenders as  
14 well as the Federal Home Loan Association.

15           The basic problem was of a different nature, and  
16 I think that -- I don't know whether I'm envisioning  
17 somebody -- a realtor walking into a home and using a slide  
18 rule to calculate energy consumption, and then trying to  
19 sell that, as opposed to the idea that there was going to  
20 be label, and this is a two star home, that means it's a  
21 pre-1978 building standard home or post-'75 HCD home,  
22 that means that the energy consumption is going to be 50  
23 percent less than what a pre-HCD home was.

24           It was sort of that -- if it was difficult to get  
25 people to buy that rough reduction and consumption

1 translating to a financial benefit that ought to be reflected  
2 in lending or in selling, I'm not sure that the fine  
3 gradations would get you more, but again, that's another --  
4 I'm concerned, because I see sort of like close to \$75,000,  
5 \$80,000 being invested, I guess in a de novo effort, when  
6 it appears to me that we already have something that's  
7 workable.

8           But another one of my concerns, leaving that one  
9 aside as you indicated that the next phase was, in fact,  
10 for the marketing aspects of this, and it was included in  
11 the next year's budget. My understanding is that has been  
12 reduced substantially. You were counting on \$275,000 to  
13 take that work forward, and that's been reduced to \$75,000.

14           So, given that you cannot count on proceeding in  
15 the direction that you wanted to with respect to this  
16 particular development, does that cause you to reassess  
17 and perhaps use the old -- the system that had been  
18 developed, or where would this contract take us beyond  
19 these three cities if we only have \$75,000 to work on after  
20 that?

21           MR. RAUH: Well, what -- go ahead.

22           MR. ALVAREZ: I think the existing contract with  
23 LBL, and this contract with the three cities are in essence  
24 the first phase. What we were looking at as a second phase  
25 was basically adding additional features into the home that

1 in fact could be evaluated, and in fact could be incorporated  
2 into the rating system.

3 So that, in essence, will require us to look at  
4 what features we will incorporate in the second phase. I  
5 think the intent of this contract is basically to set up  
6 that marketing mechanism, the marketing tool to serve as  
7 the market that we're going after, and that's what this  
8 contract gives us.

9 Whether we incorporate additional features in  
10 round two, I think is not that important. What's more  
11 important now in this contract is setting up the mechanism  
12 to reach the market that we're going after, and whether we  
13 have two additional measures, or five additional measures,  
14 I think we still have access to the market that we're going  
15 after.

16 COMMISSIONER GANDARA: So you're saying the  
17 reduction from the 275 is 75K leaves this program unaffected?

18 MR. ALVAREZ: Well, it doesn't leave the program  
19 unaffected, it basically requires us to evaluate what, in  
20 fact, we can incorporate additionally to evaluate and to  
21 rate a home. It doesn't leave the program --

22 MR. RAUH: It definitely also would reduce the  
23 commitment of the Energy Commission toward an expanded  
24 marketing of the program, and next year, what specifically  
25 was reduced in the budget next year, included monies to

1 expand one or more of these local demonstrations into a  
2 regional demonstration so that you are looking at issues  
3 where you -- inter-climate zone issues, and perhaps  
4 differences in marketing.

5           The other portion was to develop a statewide  
6 marketing tools. Now basically what we'd be doing is  
7 slowing down our commitment, but that doesn't mean that if  
8 our demonstrations aren't successful that we won't be able  
9 to attract CSAC and others to help promote and expand this  
10 activity.

11           CHAIRMAN IMBRECHT: Let me address that issue  
12 just very briefly. That is one of the BCP's that is  
13 considered to be definitely open for March change as well.  
14 I don't think we have a final decision on the face of it.

15           COMMISSIONER GANDARA: Okay. Do you foresee  
16 an eventual simple labeling system, like numbers one through  
17 four, one through five, or a star, or kind of an equivalent  
18 of MPG's, some kind of -- I mean is that what this is  
19 leading towards, some labeling -- some labeling of homes,  
20 either mandatory, or voluntarily labeling? Where are we  
21 headed on this?

22           MR. ALVAREZ: I think we envision some type of  
23 voluntary labeling, some type of voluntary insignia, if  
24 you will, that will allow an individual who comes into a  
25 home to look at it, to in fact compare that home on an energy

1 perspective, versus another home that in fact a real estate  
2 agent takes them to go see. So there is some basis for comparison.

3 COMMISSIONER GANDARA: I don't have any further  
4 questions.

5 CHAIRMAN IMBRECHT: Okay. I just -- addressing  
6 that last point, you're going to probably be shocked when  
7 I suggest this, but I think that a labeling program, if  
8 we're able to provide the right kind of analytical basis,  
9 and so forth, might ultimately be something that we should  
10 consider mandatory application of the state as well, that  
11 we should begin with a voluntary approach, and then  
12 dependent upon its success, and the receptivity of the  
13 affected groups, that I think that that be something that  
14 we would consider ultimately for application throughout  
15 the state on a prescriptive basis.

16 Commissioner Gandara?

17 COMMISSIONER GANDARA: Just a short note in  
18 response to that. I -- the reason I asked the question is  
19 because at the time that we looked at this several years  
20 ago, we were advised by General Counsel that did not have  
21 the legal authority for a mandatory labeling program, and  
22 that if, in fact, we wish to embark on that course, that we  
23 needed to begin to seek the statutory authority that issues  
24 that kind of MPG, or labeling program that might be  
25 considered a standard, and that might not be considered a

1 standard, and we have jurisdiction over standards, but not  
2 that.

T.2

3 So, anyway, that's something to look at further  
4 down the road.

5 CHAIRMAN IMBRECHT: I understand that, exactly.  
6 That's -- I'm not suggesting we propose legislation at this  
7 point, I want to make sure we have a solid foundation for  
8 such a program if we were to proceed with it.

9 Do I hear a motion on the contract?

10 COMMISSIONER SCHWEICKART: Let me just run one  
11 thing for clarification.

12 CHAIRMAN IMBRECHT: Commissioner Schweickart?

13 COMMISSIONER SCHWEICKART: If I recall, oversight  
14 of this was now supposed to be coordinated with the Building  
15 Conservation Committee, is that correct?

16 MR. RAUH: That's correct.

17 COMMISSIONER SCHWEICKART: All right. I think  
18 that in part, at least, deals with the earlier issue of  
19 ensuring that any tools which are developed in fact have  
20 an impedance match with new residence construction, and  
21 not justify the retrofit and we have a mismatch. So, that's  
22 one thing I have been concerned about, and think that that  
23 will help assure.

24 I will just add, in addition to what the staff  
25 has said, that one of the things which this tool provides

1 is a means of dealing with the many, many organized and  
2 unorganized retrofit actions that have been taken by  
3 homeowners which have smeared the distinction between  
4 pre-75, post-75, post-78 construction to the point where  
5 some uniform means of being able to say what performance  
6 is to apply to any rating system, whether it's stars,  
7 numbers, up-thumbs, down-thumbs, or whatever, and that, I  
8 think is part of what we're looking at here.

9           Finally, I think that ultimately, and depending  
10 to a certain extent on any additional authority to mandate  
11 such a rating program, it's important that the state work  
12 with local jurisdictions and involve them in the most  
13 appropriate designs, or most effective designs for dealing  
14 with realtors, home buyers, et cetera, builders, in their  
15 own jurisdictions, and in some ways, I think we're going  
16 to broaden our understanding of the way in which the  
17 various communities solve these issues, which we could then  
18 apply to a uniform rating system, if we ever get there.

19           COMMISSIONER GANDARA: Just a last comment. I  
20 was intending to not support this contract, mainly because  
21 I think that we have already developed something that I  
22 think is useful, after spending as much time as I did with  
23 the financial industry, and the home lending business,  
24 I sort of percieve the problem to be different than one  
25 from developing a more refined, or a better tool for

1 estimating energy consumption.

2           On the other hand, since it does appear as well,  
3 however, that the Building Conservation Committee will be,  
4 you know, looking towards integrating this with previous  
5 work, and if I'm assured that in fact what we're going to  
6 be doing is more focusing on the selling and implementation  
7 of it, as opposed to developing a new tool, then I would  
8 feel far more comfortable just voting on this contract,  
9 approving it.

10           So I will do so based on what was said here. But  
11 I would note that I think the job here, should it be toward  
12 a goal of a voluntary or a mandatory, I don't care at this  
13 point, home labeling system, that it should be fairly  
14 simple to apply.

15           I notice in today's paper that the State of  
16 Minnesota is having very good success with its labeling  
17 program. That it appears that the financial -- the lending  
18 institutions there have changed the qualifying criteria  
19 from around the 25, 28 percent ratio to 33 percent, or the  
20 35 percent, which is something that we always got  
21 intimations that "Fannie Mae" would do this, or might do  
22 that, but there seems to be a real commitment there.

23           So that I really think that the real task is  
24 taking whatever system, any of these systems, and establish-  
25 ing and implementing that as opposed to developing new tools.

1 If that would be the major focus of this work, then I'd  
2 say, you know, let's go ahead with it, let's not spend a  
3 lot of time developing new tools.

4 COMMISSIONER SCHWEICKART: My response, Commissioner  
5 Gandara, is you should have been here to vote against the  
6 last contract, and we're happy you're here to vote for  
7 this one.

8 COMMISSIONER GANDARA: Okay.

9 CHAIRMAN IMBRECHT: May I assume that that's a  
10 motion?

11 COMMISSIONER GANDARA: Yeah, I'll move it.

12 CHAIRMAN IMBRECHT: Moved by Commissioner  
13 Gandara, seconded by Commissioner Schweickart. Is there  
14 objection to a unanimous roll call? Hearing none, ayes  
15 five, noes none, Item No. 7 is approved as presented.

16 In terms of major substantive issues that require  
17 outside participation, that leaves the LADWP, and as I  
18 indicated earlier, we'll have to take that up later.  
19 Turning now to Item No. 2, after some discussion with  
20 members of the Commission, and because there is a sense  
21 that there is exigency on a couple of the siting cases  
22 involved, I would like to propose that we provide Committee  
23 designation for only two of the items today, and the other  
24 two be carried over to our next business meeting.

25 Those two I would suggest would be the Placerita

1 small power plant exemption, and I propose Commissioner  
2 Commons as Presiding and Commissioner Schweickart as  
3 second member on that item; and the second would be the  
4 Geothermal Public Power Line NOI, and I propose myself as  
5 Presiding and Commissioner Gandara as second member, and  
6 I will make that in the form of a motion and ask for a  
7 second.

8           Seconded by Commissioner Gandara, is there any  
9 discussion? Hearing none, is there objection to a  
10 unanimous roll call? That will then be the order, ayes five,  
11 noes none.

12           The Gilroy and Geysers 21 AFC to be considered  
13 at the next meeting.

14           COMMISSIONER COMMONS: One second.

15           CHAIRMAN IMBRECHT: Commissioner Commons.

16           COMMISSIONER COMMONS: On those two, I would like  
17 them to be considered at the same time as we appoint  
18 Commissioners to all of the new Committees, and that we  
19 have a full complement of the Commissioners to be at the  
20 next meeting or at a subsequent meeting.

21           CHAIRMAN IMBRECHT: Okay. The only caveat I  
22 would offer to that is if we face any time considerations  
23 as we did on these other two in terms of --

24           COMMISSIONER COMMONS: Absolutely.

25           CHAIRMAN IMBRECHT: I'm sure you appreciate that.

1 I don't think we need that issue addressed currently, but  
2 that's something to take into consideration.

3 COMMISSIONER COMMONS: We can always continue it.

4 CHAIRMAN IMBRECHT: I am going to turn to one  
5 other item, aside from the reports, and then we will take  
6 a recess for a brief executive session, and then our  
7 recess for lunch, and the other item is Item No. 5,  
8 Commission Consideration and adoption of our meeting  
9 schedule for --

10 EXECUTIVE DIRECTOR WARD: This is straightforward,  
11 Commissioners. The only difference between this schedule  
12 and last year's schedule, or the current year schedule,  
13 is really the number of meetings. We are going to, rather  
14 than have a meeting every two weeks, it will be the first  
15 and third Wednesday's of the month, and that saves us  
16 about three meetings in 1984, although I understand that  
17 some of you may feel that we'll miss the benefit of those  
18 three additional meetings, I think staff has a little bit  
19 of relief.

20 COMMISSIONER GANDARA: I'll miss the one between  
21 Christmas and New Year's, that's --

22 CHAIRMAN IMBRECHT: Well, I note that there is  
23 no proposed meeting between Christmas and New Year's in  
24 the new schedule, and I was going to suggest that.

25 EXECUTIVE DIRECTOR WARD: That's correct.

1 CHAIRMAN IMBRECHT: Let me ask, are there conflicts  
2 with any other principal holidays?

3 EXECUTIVE DIRECTOR WARD: Not to my knowledge,  
4 those have been looked at in the development of this case.

5 CHAIRMAN IMBRECHT: Including Easter week and  
6 that type of thing?

7 SECRETARY GERVAIS: The 4th of July this year.

8 EXECUTIVE DIRECTOR WARD: The 4th of July is  
9 potential.

10 CHAIRMAN IMBRECHT: Excuse me?

11 SECRETARY GERVAIS: The 4th of July this year.

12 EXECUTIVE DIRECTOR WARD: The 4th of July.

13 CHAIRMAN IMBRECHT: Is the only one that I see  
14 where there is conflict. All right, fine. Is there a  
15 motion on this proposal?

16 Moved by Commissioner Edson.

17 COMMISSIONER EDSON: I'll move it.

18 CHAIRMAN IMBRECHT: Seconded by Commissioner  
19 Commons, is there --

20 COMMISSIONER COMMONS: No, I'm going to vote  
21 against it, so I better not second it.

22 CHAIRMAN IMBRECHT: Seconded by Commissioner  
23 Gandara. Do you wish to address the issue?

24 COMMISSIONER COMMONS: Yes. I feel that it may  
25 give occasion where there are three, four, possibly even

1 five weeks between business meetings, and I think the  
2 public needs to have the ability to come to us on a  
3 periodic basis, and I think the two week period is reasonable.

4 CHAIRMAN IMBRECHT: Okay, would you please call  
5 -- I don't see any four weeks in there.

6 COMMISSIONER SCHWEICKART: Well, it's a four  
7 week period if you miss July 4th. So you go from June 20th  
8 to July 18th.

9 CHAIRMAN IMBRECHT: I see. Well, if we have  
10 pending business, we can always schedule a meeting on a  
11 Tuesday or a Thursday in that period, subsequently. We'll  
12 have to judge that by virtue of what issues are before us  
13 at that point on the calendar.

14 EXECUTIVE DIRECTOR WARD: Certainly that would  
15 be my comment.

16 COMMISSIONER GANDARA: I might add that under  
17 our regulations, the Commission can call a meeting whenever  
18 it wants, or the Chairman can call a meeting.

19 CHAIRMAN IMBRECHT: At any time, so I think we  
20 can deal with it in exigency, should they come up, including  
21 petitions that might require response by the Commission  
22 within a given time frame. Does that affect your decision?

23 COMMISSIONER COMMONS: I prefer the meetings every  
24 two weeks.

25 CHAIRMAN IMBRECHT: All right, fine. Please call

1 the roll on the motion.

2 SECRETARY GERVAIS: Commissioner Commons?

3 COMMISSIONER COMMONS: No.

4 SECRETARY GERVAIS: Commissioner Edson?

5 COMMISSIONER EDSON: Aye.

6 SECRETARY GERVAIS: Commissioner Schweickart?

7 COMMISSIONER SCHWEICKART: Aye.

8 SECRETARY GERVAIS: Commissioner Gandara?

9 COMMISSIONER GANDARA: Aye.

10 SECRETARY GERVAIS: Chairman Imbrecht?

11 CHAIRMAN IMBRECHT: Aye. The motion is carried

12 4-1.

13 Next, Executive Director, do you have a report  
14 for us please?

15 EXECUTIVE DIRECTOR WARD: I will mention that the  
16 Budget Committee did meet yesterday to discuss the status  
17 of the 84/85 budget, and also the second quarter work plan  
18 review. There were advisors there, so without getting  
19 into detail, the process is taking place to go through a  
20 second quarter review, it will be before the Commission in  
21 February.

22 CHAIRMAN IMBRECHT: Commissioner Commons?

23 COMMISSIONER COMMONS: Yes, has the Executive  
24 Office taken any position, or made any recommendations to  
25 the Budget Committee as to -- on those items that were in

1 the Governor's budget, excluded from our Commission budget,  
2 or proposed budget, as to whether any of those items should  
3 be proposed in terms of the March revision orders.

4 EXECUTIVE DIRECTOR WARD: I would ask the Chair  
5 or Vice Chair of the Committee to interject if they feel  
6 it's necessary, but all we did initially was segregate  
7 some of the issues that we were already familiar with in  
8 terms of Commission policy, and that would be the prerogative  
9 of the Budget Committee to make decisions on those that are --

10 CHAIRMAN IMBRECHT: Speaking as Presiding Member  
11 of the Budget Committee, there was no recommendation from  
12 an executive or staff yesterday, as to BCP's that have not  
13 been approved at this point, as to which should be pursued  
14 for March change. There was recommendation from staff as  
15 to other issues that have materialized since the original  
16 submission of our BCP. I believe there were seven, eight,  
17 or maybe even nine issues.

18 I stated at the Budget Committee meeting yesterday  
19 that it's my view that we should pursue most, if not all of  
20 the BCP's that were denied based upon discussions I've had  
21 with the Department of Finance and the Governor's Office.

22 Of those which were denied, I believe they fall  
23 into two clear categories, a little less than one-half of  
24 the BCP's upon which we had support from the Resource  
25 Agency Secretary, have been approved at one point in the

1 process by the Department of Finance, and I would read from  
2 that the general concensus as to work load issues, et cetera,  
3 on those items, and I would urge, and we will be making a  
4 report subsequently from the Budget Committee, that those  
5 items definitely be pursued.

6 As to the remaining one-half, I think we'll have  
7 to reanalyze those, and we'll be bringing in a recommendation  
8 to you from the Budget Committee.

9 COMMISSIONER COMMONS: Well, let me be specific.  
10 We have an impending problem on the surveys where no one  
11 is at this time particularly happy, and this is an item  
12 that will be addressed on the 22nd in terms of a survey  
13 order, and it was found, I think, from the testimony that  
14 we've received, that it was clearly more cost-effective,  
15 and that all the utilities requested that we do this rather  
16 than themselves.

17 It's also clear that if we're to do forecasts,  
18 we have to have data and information. So we have to  
19 collect the data one way or the other. It's just a question  
20 of how much the ratepayer ends up paying for it. This  
21 is one of --

22 CHAIRMAN IMBRECHT: I'm fully conscious of that  
23 particular issue. That --

24 COMMISSIONER COMMONS: This is one that falls into  
25 the group that resource was supporting us on?

1 CHAIRMAN IMBRECHT: Yes.

2 COMMISSIONER COMMONS: Then it's in that more  
3 positive category?

4 CHAIRMAN IMBRECHT: Yes, and I might say that to  
5 the large extent, by virtue of in the very last moments  
6 before the Governor's budget went to print, efforts made  
7 to ensure that our existing program levels were maintained,  
8 that there was a decision made to defer judgment on those  
9 open BCP's for further discussion and consideration, and  
10 that is definitely one of those items.

11 I will just indicate to you that I intend to  
12 pursue that as vigorously as possible. I think it's a  
13 very important one. I will also invite the affected  
14 utilities to express their perspective on this to the  
15 Department of Finance, and I think we perhaps ought to help  
16 them find the appropriate mechanism to do that.

17 COMMISSIONER COMMONS: When would the March change  
18 occur?

19 CHAIRMAN IMBRECHT: Excuse me, when does --

20 COMMISSIONER COMMONS: When would the March change  
21 occur?

22 CHAIRMAN IMBRECHT: It is March 15th, Mr. Ward,  
23 I think it is.

24 EXECUTIVE DIRECTOR WARD: I'm not sure if the  
25 date has been set yet. There is a formal procedure, and

1 there's typically a budget letter that comes out from the  
2 Department of Finance that deals with that, and that's  
3 being worked on now, and --

4 CHAIRMAN IMBRECHT: Mr. Ward and I have received  
5 a memorandum from Finance indicating that they will be  
6 sending a subsequent memo as to the criteria, time frames,  
7 and so forth. But traditionally, mid-March is the time  
8 when the Governor recommends modifications to his original  
9 budget proposal to the Legislature.

10 COMMISSIONER COMMONS: Well, the reason I raise  
11 this is I would prefer not to have to go through what we're  
12 doing on the surveys if it turns out all to be for not, and  
13 we don't have to have the difficulty in terms of making  
14 some very tough decisions that are not going to make anyone  
15 happy if we have some realistic feeling that we don't have  
16 to do it.

17 CHAIRMAN IMBRECHT: It would be my expectation  
18 that we will get some indication on those items substantially  
19 before March.

20 COMMISSIONER COMMONS: All right. Can you give  
21 us some indication so as we can determine whether or not  
22 we should bring it up on the 22nd, or hold it for an extra  
23 two week period? We have about four weeks between now and  
24 then.

25 CHAIRMAN IMBRECHT: I think there's a fair chance

1 that we'll get the resolution by the 22nd, but I can't  
2 give you the hard prediction.

3 COMMISSIONER COMMONS: I can -- the only thing I  
4 can tell you is I've talked to all the --

5 CHAIRMAN IMBRECHT: I'm buying a lot of lunches  
6 for people in Finance the next few weeks.

7 COMMISSIONER COMMONS: All I can tell you is I've  
8 talked to all the utilities, and they would certainly be  
9 happy if we were successful on this item.

10 CHAIRMAN IMBRECHT: I understand that. Okay.  
11 General Counsel, do we have a report?

12 MR. CHANDLEY: No.

13 CHAIRMAN IMBRECHT: No report. Okay. In that  
14 case, I'm going to call recess for an executive session --

15 COMMISSIONER GANDARA: Mr. Chairman?

16 CHAIRMAN IMBRECHT: Yes, Commissioner Gandara?

17 COMMISSIONER GANDARA: Just a short item, it's  
18 not on the calendar, just an informational item. I believe  
19 this is Commissioner Edson's last meeting, now if you're  
20 going to say something later on, I won't interrupt that,  
21 but I'd just like to note at this point in time that the  
22 presentation by Mr. Braly reminded me that among the many  
23 credits that was missed in many of the accommodations  
24 she's gotten, is that she's also responsible for the  
25 San Gorgonio wind partners, that without Commissioner Edson's

1 intervention, and resolution of that issue, there is a wind  
2 farm down there that should probably be named the Karen  
3 Edson wind farm.

4 (Laughter)

5 COMMISSIONER EDSON: Well, I do specialize in  
6 hot air here.

7 CHAIRMAN IMBRECHT: That's interesting. I never --  
8 we can tombstone windmills --

9 (Laughter)

10 CHAIRMAN IMBRECHT: We'll have to see if we have  
11 statutory authorization for that, and take it into  
12 consideration. I had intended to make some reference to  
13 that circumstance a little later.

14 EXECUTIVE DIRECTOR WARD: One other quick thing.  
15 I neglected, I think at the last business meeting, to  
16 introduce Lorri Gervais who is our new Secretariat, and has  
17 been assisting us, and we're very fortunate to have her.

18 CHAIRMAN IMBRECHT: Yes, thank you and welcome.  
19 We appreciate having you with us.

20 Okay. We will recess until 1:45, we will meet  
21 in executive session now until approximately 10 past 12:00  
22 on personnel matters. Thank you.

23 (Thereupon the business meeting of the Energy  
24 Resources Conservation and Development Commission was  
25 recessed for lunch at 11:45 a.m.)

--o0o--

AFTERNOON SESSION

--o0o--

1  
2  
3 CHAIRMAN IMBRECHT: Okay. We will call the  
4 meeting back to order.

5 (Agenda Item No. 15, Under Separate Cover.)

6 CHAIRMAN IMBRECHT: Commissioner Gandara, if I  
7 could ask you to wait just for a moment, while I know you  
8 need to leave, let me try to address a couple of housekeeping  
9 things very quickly.

10 First off, I do not believe, and I will just  
11 state this for the benefit of Commissioner Commons, that  
12 there are sufficient votes with respect to Item No. 6 in  
13 terms of consideration and possible adoption of a new  
14 committee structure for the Commission. I make that  
15 statement for the only reason that I believe Commissioner  
16 Gandara has time constraints, it is my understanding that  
17 Commissioner Edson does not intend to participate, it's  
18 my understanding that Commissioner Schweickart is prepared  
19 to abstain, and it's my -- the advice I've received from  
20 legal counsel is this requires three affirmative votes.

21 As a consequence, we can initiate the discussion  
22 as you are entitled to by right, because it is noticed on  
23 the agenda, but I feel obligated to suggest to you that the  
24 likelihood of three affirmative votes at this particular  
25 business meeting, and I do not by these statements reject

1 anything that you have proposed, is unlikely at this point  
2 in time.

3 I mention that and I'll ask you for a response  
4 in just one second, but before Commissioner Gandara leaves,  
5 and I hope Commissioner Schweickart will be back in just  
6 one second, -- let me -- while we're waiting for  
7 Commissioner Schweickart to return, is there any member of  
8 the general public that wishes to address the Commission  
9 on any issue, Item No. 14 on the agenda?

10 EXECUTIVE DIRECTOR WARD: Mr. Chairman, we've  
11 had --

12 CHAIRMAN IMBRECHT: Are you a member of the  
13 general public? Excuse me, but I -- hold this, because  
14 I'm trying to get through a few of these items. I'll get  
15 through one other item.

16 Under Policy Committee Reports, the only report  
17 that I am -- all right, hearing none from the public, I  
18 move off of that item.

19 Under Committee Policy Reports, the only one that  
20 we have in our agenda is a report from the Government  
21 Relations Committee as to legislation, and I am informed by  
22 our Office of Governmental Affairs Director that the only  
23 issue of any pending immediacy is potentially AB 3 in that  
24 Assemblyman Bates has apparently moved that item, that's  
25 the oil severance tax, has apparently removed that item

1 from the inactive file for a possible floor vote to the  
2 Assembly next week.

3           Since the Commission is not afforded an oppor-  
4 tunity to be heard in floor debate, it would be my  
5 recommendation as Presiding Member, although I want to make  
6 it clear that Commissioner Gandara may have a different  
7 position on this as the other member of the Committee, that  
8 we wait a consider that issue in depth in the event that the  
9 bill is passed by the Assembly, that we consider it prior  
10 to it being heard by the appropriate Senate committees  
11 where we are provided an opportunity to offer our viewpoints  
12 on that.

13           In addition, Mr. Bates has apparently offered a  
14 number of fairly substantive amendments to his bill which  
15 I do not believe we have a staff analysis available, other  
16 than a summary of those amendments.

17           So let me ask, is there any objection to that  
18 course of action, and that the severance tax bill would be  
19 taken up at our next meeting in accordance with that  
20 statement.

21           COMMISSIONER GANDARA: Now what is the order of  
22 things, that you're suggesting the severance tax issue be  
23 taken up at the February meeting?

24           CHAIRMAN IMBRECHT: Yes, and particularly if it  
25 is still a live bill at that point in time, on the grounds

1 that we are not afforded the opportunity to testify in  
2 floor debate, obviously, we are provided the opportunity  
3 to testify in committee, and if the bill emerges from the  
4 floor, where we have an opportunity to testify before  
5 Senate committees, is an appropriate time to express our  
6 position.

7           COMMISSIONER COMMONS: Well, I have one problem  
8 with that. I did make the motion at a meeting that we had  
9 in Santa Barbara that this Commission support oil severance  
10 and I was not able to get a second. So in essence, we would  
11 be having a policy of the Commission. I would accede to  
12 that if the Commission were to agree at this time, we don't  
13 have a policy on oil severance tax. Otherwise there could  
14 be -- it could be construed that we have a position because  
15 there was not a second to that motion that was made.

16           CHAIRMAN IMBRECHT: I don't think that that's  
17 the inference that's reasonable to be drawn at all. As a  
18 matter of fact, if there's no second to a motion at any  
19 given point in time, does not mean that there is no policy  
20 or the policy is contrary to what that motion happens to  
21 have been. That would be a completely excessive interpre-  
22 tation.

23           COMMISSIONER GANDARA: Well, let me just ask, are  
24 we being asked for an opinion whether or not, you know, it's  
25 in floor debate, or --

1 MS. STETSON: No, no. The reason why I'm raising  
2 this is that there was a -- two positions coming out of  
3 the Government Relations Committee meetings. The bill  
4 was on the inactive file, it has been pulled off yesterday,  
5 and substantially amended, will be taken up on the floor.  
6 It's been amended to be a majority vote bill, rather than a  
7 two-thirds vote bill.

8 I don't think the amendments specifically address  
9 any of the areas that we've been concerned about in the  
10 past in the APR and so forth. I raised them for your  
11 interest.

12 COMMISSIONER GANDARA: Well, that might be in  
13 issue. Let me just state what my position is, since there's  
14 a difference. If it was just simply a question of an oil  
15 severance tax, even as it was with respect to expenditures  
16 for education and so forth, I think that we perhaps, you  
17 know, have contributed what we need to have contributed on  
18 it. But I have become concerned presiding over the  
19 emergency planning that I do believe that we're ill-prepared  
20 for the economic consequences of a disruption, and that  
21 we're ill-prepared with respect to the lack of definition  
22 of the SPR.

23 So that my position is that I think that -- and  
24 I would argue next time around that the Commission ought to  
25 support a severance tax for the purposes of instituting a

1 fund to be able to bid on the strategic petroleum reserve  
2 when it does become available in the event of a crisis for  
3 the State of California, and that we also establish a fund  
4 to be able to address the economic -- adverse economic  
5 impacts.

6 That's how it would become our issue with respect  
7 to energy.

8 CHAIRMAN IMBRECHT: All right. I understand, I  
9 think that's a fair position. I'm going to assume, then,  
10 from that comment, that you do not object to the suggestion  
11 I just made, that we consider this in the context of --

12 COMMISSIONER GANDARA: We can't have an opportunity  
13 to say anything about it, so we can't do anything.

14 CHAIRMAN IMBRECHT: Okay.

15 COMMISSIONER COMMONS: I have a couple of things --  
16 are we still on Government Affairs?

17 CHAIRMAN IMBRECHT: Pradon me?

18 COMMISSIONER COMMONS: Are you still on  
19 Government Affairs or public comments, I'm not quite sure  
20 where we are.

21 CHAIRMAN IMBRECHT: We've moved off of public  
22 comments, we are -- that's the conclusion of my Committee  
23 report on behalf of the Government Relations Committee, and  
24 not being aware of any other Committee reports -- do you  
25 have other Committee reports?

1           COMMISSIONER COMMONS: I have two or three things.  
2 First of all --

3           CHAIRMAN IMBRECHT: Then, just in deference to  
4 Commissioner Gandara, who I know has a family commitment  
5 that requires him to leave, let me offer one bit of happy  
6 news that some people here may like to hear, and I think  
7 it's perhaps an indication that maybe sometimes once people  
8 leave the Commission we become more productive. Former  
9 Commissioner Suzanne Reed gave birth this morning to a  
10 seven and one-half pound baby girl, Diana Lee, and I'm  
11 sure we all join in sending our congratulations to both her  
12 and her husband Fred.

13           COMMISSIONER SCHWEICKART: And we're going to cast  
14 our own girl out into the world.

15           CHAIRMAN IMBRECHT: That's just what I'm about to  
16 say, and then, secondly, I find it appropriate, with all  
17 remaining Commission present to of course call attention to  
18 the fact that this is the last meeting where we are graced  
19 by the presence of Commissioner Edson, and obviously, to  
20 express, as we have on several occasions in the past, our  
21 appreciation on behalf of the Commission and the people of  
22 the state for her service, as an honorable and extremely  
23 hard-working public servant. It's been a pleasure to serve  
24 with you, Karen.

25                           (Applause)

1 CHAIRMAN IMBRECHT: We wish both you and Chris  
2 God's speed and safe journey in the year to come.

3 COMMISSIONER EDSON: I have to say something  
4 back.

5 CHAIRMAN IMBRECHT: If you have any valedictory  
6 response, it's all yours.

7 COMMISSIONER EDSON: Nothing very pithy, but it  
8 has been --

9 CHAIRMAN IMBRECHT: Nothing very what?

10 COMMISSIONER EDSON: Nothing pithy.

11 CHAIRMAN IMBRECHT: Okay.

12 COMMISSIONER EDSON: It's certainly been an honor  
13 to serve on the Commission, and an honor to serve with the  
14 Commissioners here, and I want to take this opportunity to  
15 extend a special thanks to the staff of the Commission. I  
16 think we have an extraordinarily capable, professional  
17 staff that the Commission can be proud of, and it has been  
18 a real honor for me to serve with them. Thank you.

19 CHAIRMAN IMBRECHT: Thank you very much, and  
20 God's speed.

21 Commissioner Commons has a couple of Committee  
22 reports, and we'll return to that item.

23 (Agenda Item 15 - (Further comments under separate  
24 cover.)

25 COMMISSIONER COMMONS: Second is, I assume we also

1 want to put over further, because we held until this  
2 afternoon, the item on PVEA.

3 CHAIRMAN IMBRECHT: Yes.

4 COMMISSIONER COMMONS: And that that should be  
5 directed to be put over because we have held it.

6 CHAIRMAN IMBRECHT: Yes, both Items 6 and Item  
7 8 on the current agenda should be put over to the next  
8 business meeting.

9 EXECUTIVE DIRECTOR WARD: Mr. Chairman, we do  
10 have representatives from Lawrence-Berkeley Lab who have  
11 been sitting here patiently all day in hopes that if there  
12 were any technical questions associated with their  
13 involvement by virtue of the proposed contract that they  
14 could be asked today.

15 CHAIRMAN IMBRECHT: Well, Mr. Rodenville (phonetic)  
16 I certainly apologize, if you'd like support, I don't  
17 believe the difficulty on this issue has to do with  
18 technical considerations concerning your involvement from  
19 my conversations with other Commissioners. If there is  
20 anyone that disputes that, please speak now or at least  
21 for tonight hold your peace. It's too much to hope for  
22 forever, so --

23 I'm very sorry you've been here this whole time,  
24 but it requires some internal negotiations here at the  
25 Commission before we're going to be able to resolve that

1 item.

2 Is there anything further to come before the  
3 Commission?

4 COMMISSIONER COMMONS: I had said that I would  
5 report back on our Task Force with the PUC. With the  
6 Chair's permission, could we agendize that item for the  
7 next meeting, since it wasn't agendized this meeting, and  
8 hold that report until such time.

9 CHAIRMAN IMBRECHT: Yes. That will be the  
10 direction. Anything further? Want to make the motion to  
11 adjourn? Thank you very much, meeting is adjourned.

12 (Thereupon the business meeting of the California  
13 Energy Resources Conservation and Development Commission  
14 was adjourned at 5:12 p.m.)

15 --o0o--

16

17

18

19

20

21

22

23

24

25

## 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, January 25, 1984, 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 3rd day of February, 1984.