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STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

BUSINESS MEETING

1516 Ninth Street
First Floor Hearing Room
Sacramento, California

Wednesday, March 21, 1984

10:23 a.m.

Reported by:

Patricia A. Petrilla

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(916) 452-2653

COMMISSIONERS PRESENT

1
2 Charles R. Imbrecht, Chairman
3 Arturo Gandara, Vice Chairman
4 Russell L. Schweickart, Commissioner
5 Geoffrey D. Commons, Commissioner
6 Barbara Crowley, Commissioner

EX OFFICIO

7
8
9 Bill Foley
10 Gordon F. Snow

STAFF PRESENT

11
12 Randall M. Ward, Executive Director
13 Kent Smith, Deputy Director
14 William Chamberlain, General Counsel
15 Gary Fay
16 Ralph Chandler
17 Karen Griffin
18 Terri Gray
19 Wendell Bakken
20 Steve Cohn
21 Ted Rauh
22 Dennis Fukumoto
23 Lorri Gervais, Secretary

PUBLIC ADVISER'S OFFICE

24
25 Sharon Joyce

ALSO PRESENT

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- Gerald H. Meral, The Planning and Conservation League
- Chris Danforth, California Public Utilities Commission
- Mike Gardner, Southern California Edison Company
- John Ballance, Southern California Edison Company
- Greg W. Rogers, Southern California Edison Company
- Roger Johnson, Los Angeles Department of Water & Power
- W.B. Byrd, Los Angeles Department of Water & Power
- Carl B. Haase, Los Angeles Department of Water & Power

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1 has been proposed by Mr. Meral in the petition, itself.
2 Therefore, we would likely, with the exception of adding
3 one provision defining public lavatory, which I understand
4 would come out of, again, existing national documents,
5 namely an ASHRAE document, that we would probably go
6 ahead in this instance with 45-day language immediately
7 that appears not in any way to be controversial and
8 just move right into the 45-day period, having a hearing
9 after we put out the proposed language rather than before.

10 It doesn't appear to me as though that would
11 really be necessary. So, --

12 CHAIRMAN IMBRECHT: May I take that as a motion?

13 COMMISSIONER SCHWEICKART: Well, my motion
14 is just to move the order as to the hearings provided
15 to us, unless there are any questions.

16 CHAIRMAN IMBRECHT: All right, fine. Moved
17 by Commissioner Schweickart, seconded--

18 COMMISSIONER SCHWEICKART: Well, that's permitted--

19 MS. CROWLEY: Including the ASHRAE language.

20 COMMISSIONER SCHWEICKART: Well, that is permitted
21 within. We wouldn't need to amend that in any way.

22 MS. CROWLEY: All right.

23 CHAIRMAN IMBRECHT: --seconded by Commissioner
24 Gandara. Is there anyone that wishes to address the
25 Commission on this matter? Either support or opposition?

1 Mr. Meral?

2 MR. MERAL: Well, we'll be very pleased with
3 that action, obviously. We supported the legislation,
4 we were the sponsor, and we think this is the correct
5 action.

6 CHAIRMAN IMBRECHT: Any other member of the
7 public wish to address the Commission?

8 COMMISSIONER SCHWEICKART: May I short-circuit
9 something here, just a moment? Mr. Meral, have you
10 reviewed the ASHRAE definition of public lavatory?

11 MR. MERAL: No, but typically we have gone
12 along with the ASHRAE standards and I can't imagine
13 any objection to it.

14 COMMISSIONER SCHWEICKART: All right, if you
15 could -- just to save some time here, if you could,
16 as the petitioner, take a look at that language--

17 MR. MERAL: Sure.

18 COMMISSIONER SCHWEICKART: --that Mr. Martin,
19 I believe, can refer you to, and let us know if you
20 have any problem with it, that might just save us that
21 much more time.

22 MR. MERAL: Sure, be glad to.

23 COMMISSIONER SCHWEICKART: All right, thank
24 you.

25 CHAIRMAN IMBRECHT: Yes?

1 MR. FAY: The only thing that I'd like to
2 stress is that the main purpose for this is to move
3 the regulations into the building standards so that
4 it can -- so that this statutory language can be enforced
5 by building officials, so it gives us an enforcement
6 mechanism, that's why we need to do this.

7 CHAIRMAN IMBRECHT: Okay. I don't believe
8 there's any further discussion on this item. Is there
9 objection to unanimous roll call?

10 (No response.)

11 CHAIRMAN IMBRECHT: Hearing none, ayes five,
12 noes none. The petition for rulemaking is granted.

13 Item 2 has been removed from the agenda at
14 the request of the Executive Director. I should mention,
15 as well, that Item 7, for housekeeping purposes, we
16 will take at 1:30. We will recess for lunch from 12:00
17 until 1:30 today.

18 Item No. 3 is Commission approval to transmit
19 to the legislature a list of geothermal projects recommended
20 for funding, geothermal grant program for local government
21 authorized by Assembly Bill 1905.

22 Mr. Ward?

23 EXECUTIVE DIRECTOR WARD: Yes, Mr. Chairman,
24 this is the annual process we go through with this grant
25 program. I would make one change. The \$2.7-million

1 has now been increased by \$1.8, for a total of \$4.5-million
2 in projects, that it's been submitted and approved to
3 the Policy Committee for review. Ralph Chandler from
4 the Development Division is here to discuss the process
5 and any questions that you have.

6 MR. CHANDLER: Good morning. I'm Ralph Chandler
7 with the geothermal program within the office of Small
8 Power Producers.

9 Before summarizing the staff's recommendations
10 for fourth-round funding, under the geothermal development
11 grant program for local governments, I'd like to briefly
12 summarize and discuss the process which has led to the
13 list of projects before you today which staff is recommending
14 for funding approval.

15 In early September of last year a program
16 opportunity notice was issued, soliciting project applica-
17 tions from eligible jurisdictions. Workshops to encourage
18 local government participation in the program were held
19 in both Northern and Southern California during the
20 solicitation period.

21 Our standard, two-phase, application procedure
22 was again used where preapplications are submitted and
23 written comments supplied through our Technical
24 Advisory Committee provided to each applicant defining
25 areas for improvement in their proposal.

1 In February, 44 final applications were received
2 requesting approximately \$5.7-million and offering nearly
3 \$5.8-million in matching funds.

4 Approximately \$4.5-million is presently appro-
5 priated from the geothermal resources development account
6 for grants, this current funding cycle.

7 Upon receipt of the final application, the
8 programs Technical Advisory Committee scored and ranked
9 all final applications using the evaluation criteria
10 prescribed in the Commission's adopted grant application
11 manual.

12 The Advisory Committee's final scores served
13 to form the basis for today's funding recommendations.

14 To briefly summarize, the category of projects
15 received, and recommended for funding: Of the 43 final
16 applications submitted, 25 were in the resource development
17 category, nine in the planning and feasibility category,
18 and nine in the mitigation of impacts category.

19 Of the 33 projects we are recommending for
20 funding, all met the minimum score criteria of receiving
21 80 points out of a possible 120.

22 Twenty-two of the 33 applications recommended
23 for funding are in the resource development area, repre-
24 senting 86 percent of the funds requested in that category.

25 Six projects in the mitigation category are

1 recommended for approval, representing 42 percent of
2 the funds requested in that category.

3 And finally, five projects in the planning
4 and feasibility area representing 60 percent of the
5 funds are recommended for approval.

6 Our total funding recommendation would fully
7 encumber the anticipated '84-85 GRD appropriation. Staff
8 is prepared, at this time, to discuss any or all of
9 the 33 projects recommended for funding by the Technical
10 Advisory Committee, as well as the 11 projects not recommended
11 for funding.

12 Otherwise, the Commission is requested to
13 adopt the resolution, transmitting the list of projects
14 to the legislature for inclusion in our budget, and
15 to authorize the Executive Director to execute grant
16 agreements for those projects included in the final
17 state budget.

18 CHAIRMAN IMBRECHT: Commissioner Gandara.

19 COMMISSIONER GANDARA: Mr. Chairman, Fellow
20 Commissioners, the Loans and Grants Committee, comprised
21 of myself and Commissioner Crowley, reviewed the staff
22 recommendations and several options that were presented
23 to us, and we concur with the staff's recommendations.

24 CHAIRMAN IMBRECHT: All right, fine, thank you.
25 Commissioner Schweickart.

1 COMMISSIONER SCHWEICKART: Yes, I had just
2 one question that came to my attention, just looking
3 at the numbers in the ballots, Ralph, and I think it's
4 a fairly straightforward one. I may be able to chase
5 it if I run it through the numbers, but maybe you can
6 answer it off the top of your head. Of the planning
7 and mitigation study--requests, in the one case 60 percent,
8 and in the other case 42 percent of those were granted.

9 Were all of those that were refused below
10 the 80 -- the scoring level of 80?

11 MR. CHANDLER: Yes, they were. We are recommending
12 approval of all planning and mitigation projects that
13 met the 80-point minimum.

14 COMMISSIONER SCHWEICKART: All right, and
15 then the result of that is 60 percent of the one category,
16 42 percent of the other, for only 6 percent of the total--

17 MR. CHANDLER: Correct.

18 COMMISSIONER SCHWEICKART: --in each of those
19 cases?

20 MR. CHANDLER: Correct.

21 COMMISSIONER SCHWEICKART: Al right, I see,
22 thank you.

23 In other words, we couldn't come up to the
24 25 because there weren't that many requests?

25 MR. CHANDLER: That's right, and the procedure

1 allows for--

2 COMMISSIONER SCHWEICKART: That's all I have,
3 Mr. Chairman.

4 CHAIRMAN IMBRECHT: Fine, thank you.
5 Commissioner Commons.

6 COMMISSIONER COMMONS: Yes, on the criteria
7 that we use in granting the geothermal, what is the
8 matching fund requirement?

9 MR. CHANDLER: There is no matching fund require-
10 ment, per se, as a dollar value. There is a criteria
11 among various criterias that addresses the matching
12 fund request, and it receives the weight of 15 points
13 along with the other criteria that is also included
14 that receives similar weight.

15 So, 15 points out of the possible 120, would
16 be dedicated to the issue of how much matching funds.
17 Certainly if you have a county of origin that receives
18 three-quarters of a million dollars, their ability to
19 provide matching funds to this program or far exceed
20 those of perhaps an Indian tribe or a school district
21 that does not have that revenue stream, if you will.

22 COMMISSIONER COMMONS: If I'm not incorrect,
23 when we do our schools and hospitals, we modified most
24 of the criteria last year in order to one, emphasize
25 payback and second, make sure the applicant was putting

1 up funds, and if my recollection is correct, we had
2 a 50/50 requirement except in what we called hardship
3 cases, recognizing that there are the Indian tribes
4 or some very very poor districts.

5 And I guess what I'd like to do is ask that
6 the Grant and Loan Committee take a look at the criteria
7 that are being used as compared to the criteria that
8 we're using in other worthwhile programs of the Commission
9 so that they are more in line with where we're going.

10 I have generally voted against all projects
11 where we haven't had 50/50. Since we've sent the notice
12 out and the criteria state the other way, I'll go along
13 this time. I really think it's important when we have
14 a shortage of funds that we have that as, not as a rating
15 criteria, but, you know, to get into the ballgame we
16 do 50/50.

17 I personally have talked to some of the appli-
18 cants and some of the projects would not be filed if
19 it were 50/50, because they consider the projects of
20 too great risk, and I remember personally being involved
21 in some projects with the federal government where 90
22 percent of the monies came from them and 10 percent
23 from local, and the justification of the project is,
24 "Hey, it's worthwhile for our 10 percent." And that's
25 not the way I feel that you spend government monies.

1 It's the overall project has to be cost-effective, all
2 of the monies that are going into it, and one of the
3 best ways to accomplish that is to at least have someone
4 put up half the dollars, so we're not doing it.

5 I can see a hardship category or where there
6 might be a mitigation program of some type, which would
7 have general statewide significance so that we could
8 call it out separately, where we wouldn't want to put
9 that full burden on a local municipality. But, generally
10 speaking, on the geothermal, they're site-specific and
11 for particular municipality, and my feeling is we're
12 not getting as many dollars as we could out of it.

13 I also think if the criteria had that that
14 we'd find a lot of people coming up with 50 percent,
15 rather than 25 percent, and our money would go further.

16 And so I just would like to ask that the Grant
17 and Loan Committee take a look at that vis-a-vis the
18 criteria we've used in some of the other programs where
19 this one hasn't--

20 COMMISSIONER GANDARA: As you know, the
21 Committee's always interested in viewing the criteria
22 that we use, so we will take that under advisement and
23 we'll ask the staff to do a review of what the leveraging
24 has been in this particular program and options, although
25 as Mr. -- I was about to call you Mr. Chandler--

1 MR. CHANDLER: That's correct.

2 COMMISSIONER GANDARA: That's right--but,
3 I thought of Jeff, as opposed to Ralph. We have two
4 Chandlers in the Commission.

5 --as Mr. Chandler indicated, the situation
6 is a bit more complicated here than with our other grants
7 and loans programs because the way that these -- the
8 money works, or the money flow works, is that the federal
9 government collects revenues from leases in the KGRAs.
10 Those revenues then are apportioned. Some go directly
11 to the counties in which those KGRAs are located and
12 some come to the Commission to then be distributed for
13 various reasons.

14 There is also another complicating factor
15 that in those areas in which there are KGRAs that are
16 being developed, oftentimes our siting process results
17 in mitigation as a result of the decision, so that you
18 may have a situation where you have counties that are
19 not only resource rich, but have a claim, both through
20 the mitigation of the siting cases, through the monies
21 that are returned from the KGRAs, as well as projects
22 that are very useful coming through our application
23 process.

24 On the other hand, there are other counties
25 in which the geothermal possibilities are known and

1 in which there may not be KGRA, so therefore, they don't
2 get much of the federal revenues coming back for them.
3 So, we'll take a look at it. I just want to mention
4 to the Commission that it is a bit more complicated
5 than our other loans and grants program.

6 CHAIRMAN IMBRECHT: Thank you.

7 COMMISSIONER COMMONS: I have one further
8 comment.

9 CHAIRMAN IMBRECHT: Okay. I have a question,
10 so since everybody's had a bite of the apple, I'm going
11 to take mine for a moment.

12 Would you anticipate that the approval by
13 the Commission of this action would also approve the
14 \$1.8-million that's subject to the March change in addi-
15 tional revenue that --

16 EXECUTIVE DIRECTOR WARD: That's correct.

17 CHAIRMAN IMBRECHT: Commissioner Commons.

18 COMMISSIONER COMMONS: Two other points I'd
19 like to make. First of all, I remember a year ago during
20 this time where we didn't have that cut-off and the
21 problems that we had, and I think we're seeing some
22 impact and it's nice to see the balance in terms of
23 the Committee and the implementation, I think, of some
24 of the Commission's recommendations.

25 In looking at the scores, when we have --

1 it's a 120 points is the maximum. I was a little concerned
2 that the bulk of these scores are between 80 and 85,
3 which, to me, are marginal projects. They're down right
4 around the 66 to 70. Is that because the task force
5 is being real tough in terms of grading? Is it because
6 some of the projects that we're looking at are more
7 marginal? Can you give me an indication? There seems
8 to be a big jump with only a few projects getting over
9 85 and a substantial number just right at the borderline.

10 MR. CHANDLER: Certainly. If you'll recall,
11 when we revised the application criteria after the second
12 round, we introduced a category of 30 points for overriding
13 considerations. The Technical Advisory Committee, as
14 a rule, does not offer 30 points for overriding considera-
15 tions unless there is, in fact, considerable overriding
16 considerations.

17 So, essentially what you have then, is a scoring
18 process where an applicant is to receive 80 points out
19 of a possible 90, if the 30 points overriding considerations
20 is not used.

21 So, to see projects funded at the scoring
22 level of between 83 and 85 points effectively shows
23 that they scored quite well in the categories and the
24 30 point overriding consideration was not introduced.

25 COMMISSIONER COMMONS: Thank you.

1 CHAIRMAN IMBRECHT: All right, fine. I assume
2 it's a motion by Commissioner Gandara, seconded by
3 Commissioner Crowley, as members of the Committee.

4 Is there any member of the public who wishes
5 to address the Commission on this item?

6 I see that we have the geothermal coordinator
7 from Lake County present. Welcome.

8 Is there objection to unanimous roll call?

9 (No response.)

10 CHAIRMAN IMBRECHT: Hearing none, that is
11 the order, five, nothing. Approval has been granted.

12 The next, Item 4, Commission consideration
13 and possible approval of a proposal for a grant from
14 the Petroleum Violation Escrow Account.

15 EXECUTIVE DIRECTOR WARD: Yes, Mr. Chairman,
16 we have Karen Griffin from the Conservation Division
17 to outline the process and answer any questions you
18 might have.

19 CHAIRMAN IMBRECHT: Yes. Ms. Griffin.

20 MS. GRIFFIN: Since this is the first of the
21 rental program awards which will be brought to you and
22 you'll be addressing a number of them over the upcoming
23 months, I wanted to take just a very few minutes to
24 refresh your memory about the rental program.

25 The secretary is passing out a handout that

1 summarizes our five programs.

2 The rental sector is the third largest business
3 in California; it follows tourism and agriculture in
4 terms of revenue received. It's approximately 40 percent
5 of the housing units and 20 to 30 percent of the energy
6 used in the residential sector, a sector which -- the
7 rental sector has been very negligent in terms of getting
8 investments in energy conservation put into the units.

9 We have designed -- the Commission has designed
10 an innovative program attempting to experiment and demonstrate
11 in almost all aspects of the rental sector. The first
12 part is training workshops for owners and managers of
13 units about the financing opportunities that are available
14 to them.

15 There's also -- the second item there is for
16 public housing, a large portion of our low-income housing,
17 one which you will be addressing a little bit later
18 today, and testing a very innovative concept about involving
19 the tenants directly in the investment by giving them
20 a cash rebate, something we hope to test and prove in
21 the public sector, and then be able to move into the
22 private sector if we are successful.

23 The third item and the financing assistance
24 for small rental owners and the one which we will be
25 addressing in this item, is to address the majority

1 of our housing, which is owned by owners who have less
2 than ten units, it is not generally large enough, conserva-
3 tion opportunity, to get third-party financing involved,
4 and so we are working to pool those owners together
5 so that they have an attractive package to take to the
6 market.

7 The fourth item, financial incentives for
8 shared energy savings and energy service companies,
9 is the largest program, and it will be brought to you
10 later this spring. That is where we are trying to provide
11 small financial subsidies directly for investment for
12 all kinds of private and public housing. This is really
13 the big push to get third-party financing in our rental
14 programs.

15 And the last small part is to assist us in
16 transfer and evaluation and in research involving the
17 overall program.

18 CHAIRMAN IMBRECHT: Excuse me -- please continue--

19 MS. GRIFFIN: I was going right into the specific
20 item now.

21 CHAIRMAN IMBRECHT: Fine, all right.

22 MS. GRIFFIN: Okay, the specific item, Item No. 4,
23 is to award five grants to five what we call umbrella
24 organizations. These are five organizations who will
25 work with apartment owners in their community to pool

1 conservation projects from a number of diverse buildings
2 into a package which can be taken to the market and
3 we can get investment in these units.

4 Oh, I'm sorry, up -- is Public Housing No. 4?
5 My package is reversed.

6 COMMISSIONER GANDARA: I think you're on the
7 wrong item.

8 MS. GRIFFIN: Okay, I'm supposed to be doing--

9 COMMISSIONER SCHWEICKART: Tenant demonstration--

10 MS. GRIFFIN: All right, I'm supposed to be
11 doing public housing?

12 COMMISSIONER GANDARA: Public housing and
13 tenant demonstration.

14 EXECUTIVE DIRECTOR WARD: --San Francisco
15 Project--

16 MS. GRIFFIN: I'm sorry, I'm doing the San
17 Francisco project. I'm sorry, my packages were reversed
18 in terms of which item was which.

19 The Item No. 4 is a San Francisco Public Housing
20 Project. This is a project which will get third-party
21 financing in a public housing unit. We work-- we are
22 proposing an award to the City and County of San Francisco.
23 This is based on the program plan which was approved
24 by the existing Committee in November based on material
25 approved by the Committee in August. We had a solicitation,

1 three proposals were received, and the San Francisco
2 Project was the most -- scored the highest. There was
3 a minimum score of 60 to be considered, and one of the
4 other proposals did pass the 60, but this one was the
5 more effective project.

6 This will involve cooperation of the City
7 of San Francisco, Pacific Gas and Electric Company,
8 a third-party financier, and the assistance is being
9 proposed to be provided by the Commission.

10 I'd be happy to answer any questions you have
11 on this project.

12 CHAIRMAN IMBRECHT: I just wanted to say that
13 I think this is one of the most important new areas
14 that the Commission's becoming involved in, for obvious
15 reasons. And I am generally pleased with the way the
16 staff has developed these programs. And about the only
17 concern I would have is that we make every effort possible
18 to insure that we have a geographical balance in terms
19 of distribution of these funds. I think it's important
20 that we demonstrate the necessity of addressing conserva-
21 tion in the rental sector throughout the state. And
22 lastly, I would just ask if -- let me preface this by
23 saying that I have a recollection when years back I
24 sat on a housing committee in the Assembly and we dealt
25 with a lot of issues dealing with the rental sector.

1 There was a startlingly high percentage of
2 total rental units in the state that could be characterized
3 at the mom-and-pop ownership, or the smaller unit ownership.
4 I was wondering if you had any numbers on that? Somewhere
5 in the back of my mind I recall that something in the
6 neighborhood of 50 percent of the total rental units
7 in the stae actually were owned by people that had,
8 you know, the ten-or-less-unit type ownership.

9 MS. GRIFFIN: I believe the number's more
10 like 85 percent.

11 CHAIRMAN IMBRECHT: 85 percent--

12 MS. GRIFFIN: I think that's --

13 CHAIRMAN IMBRECHT: I knew it was something
14 quite dramatic and I'm just a little bit concerned that
15 we only have that one program addressing that sector
16 and obviously aside from the impact, total in terms
17 of potential conservation, the other issue is that we
18 have a much larger number of landlords or owners to
19 penetrate, in terms of having an adequate spread of
20 information.

21 MS. GRIFFIN: Yes, sir. One of the other
22 projects we will be bringing to you at the next business
23 meeting, the owner/manager training, one of the proposed
24 grantees is the California Apartment Association, who
25 specifically represents the small owners.

1 CHAIRMAN IMBRECHT: The small--

2 MS. GRIFFIN: Yes, sir.

3 CHAIRMAN IMBRECHT: Right, as opposed to
4 the Housing Council.

5 MS. GRIFFIN: So that we could reach that
6 sector.

7 COMMISSIONER GANDARA: And with respect to
8 your first concern, Mr. Chairman, the Committee has
9 already asked the staff and the staff is working on
10 giving us a picture of the geographical distributions.
11 Part of the problem here as the staff has indicated
12 to us, has been that the distribution's been determined
13 somewhat by the number of applications or proposals
14 that come in, and what we will be looking at will be
15 any special efforts at marketing in the particular areas--

16 CHAIRMAN IMBRECHT: --proposal, if necessary.

17 COMMISSIONER GANDARA: Yes.

18 CHAIRMAN IMBRECHT: Commissioner Schweickart.

19 COMMISSIONER SCHWEICKART: Yes, I may be missing
20 something in my packet, but frankly, I can find almost
21 nothing here that describes the project or why San Fran-
22 cisco was granted the award rather than the other two
23 projects that were submitted.

24 I see something which is the grant application
25 manual. And I see a recommendation which says the

1 Commission approved this, but I don't see anything that
2 provides anything about the project.

3 MS. GRIFFIN: Okay.

4 COMMISSIONER SCHWEICKART: I mean I have no
5 idea whether, in my judgment, Southern California Edison's
6 proposal would have -- would be superior.

7 MS. GRIFFIN: We did provide the entire grant
8 package to the Committee, San Francisco's grant package.
9 And I have a comparison with me here of the two proposals.

10 Edison's project was clearly -- at the --
11 it moving along to a point where it will be eligible,
12 will be satisfactory. When they originally presented
13 it, a number of the project activities which they proposed
14 for funding were not eligible under our criteria, or
15 under the federal criteria, so though they had the concept
16 clearly in mind, they had the right number of public
17 housing projects, Southern California communities, they
18 were moving along toward a project which we could support,
19 it was not in a position to really compete, compared
20 to the San Francisco project, in which they have identified
21 17 housing projects with approximately 2000 units. They
22 have already conducted their preliminary energy analysis
23 on the individual units, and identified the specific
24 measures they're proposing to fund, common area lighting,
25 building insulation, boiler rehab and tuning, and furnace

1 modifications. They have a working agreement with Pacific
2 Gas and Electric to fund PGandE's portion of it, as
3 opposed to the third-party financing that we will propose.
4 They have put together a tenant education program. Their
5 whole proposal was clearly -- was completely responsive
6 to the points that were set forward in the grant applica-
7 tion manual, and they scored, I believe, it was 90 points.

8 COMMISSIONER SCHWEICKART: Okay, well, let
9 me say, Karen, that I'm in no way questioning the judgment
10 of the staff in making this recommendation. What I
11 am suggesting is that when I vote, I'm supposed to be
12 exercising my judgment.

13 MS. GRIFFIN: Yes, sir.

14 COMMISSIONER SCHWEICKART: I can't do that
15 without information. In this instance, it will be
16 my action to defer to the Committee, knowing the
17 Committee has looked at this. But, in the future, I
18 would like to see a little more in terms of --

19 CHAIRMAN IMBRECHT: I would second that --

20 COMMISSIONER GANDARA: The Committee will
21 work with the staff and -- because it's an oversight,
22 I think, on my part, that this information was provided
23 to us and I didn't even look at what was in the agenda
24 package because I had those other materials, and I believe
25 that the other project opponent dropped out. The --

1 MS. GRIFFIN: Yes, they did.

2 COMMISSIONER SCHWEICKART: Livermore?

3 COMMISSIONER GANDARA: Yes.

4 MS. GRIFFIN: Yes, sir.

5 COMMISSIONER SCHWEICKART: Can I ask one other
6 question: That is, what is the process by which the
7 evaluation is done? I think I'm going, to some extent,
8 into Commissioner Commons' normal domain here, so pardon
9 the incursion, but there is always some security or
10 some, let me say, balancing that goes on, if we establish
11 criteria, points, you know, some methodology -- again
12 using a favorite word of Commissioner Commons -- for
13 dealing with these things, and then there is a diversity
14 of people who are applying that methodology to evaluate
15 points and we come out with that.

16 I mean, that's not -- it's far from perfect
17 and it doesn't necessarily take the place of my judgment
18 may have been different from one case or another, but
19 it provides a certain assurance of following the Commission's
20 policy.

21 The question here is: What is the process
22 that is used in assigning the points to various projects
23 that are proposed which provide that kind of mechanism.

24 MS. GRIFFIN: You will --

25 COMMISSIONER GANDARA: Before Ms. Griffin

1 answers, let me say that -- it's going to be a long
2 answer.

3 If she says what I think she's about to say,
4 going through the whole deal, we, -- the Tech Review
5 Committee and so forth. One of the things that I think
6 would probably be useful is for the staff to schedule
7 meetings with the other three Commissioners and go through
8 the review process and the changes that the previous
9 Committee went through in setting up the criteria. And
10 at least, you know, the same informational aspect that
11 you went through with the Committee last time. It is
12 a bit of a revelation. I, in no way, mean to --

13 COMMISSIONER SCHWEICKART: No, I'm totally
14 in accord with--

15 COMMISSIONER GANDARA: --answer at this point
16 here, but --

17 COMMISSIONER SCHWEICKART: --what you're suggesting.

18 COMMISSIONER GANDARA: But I think it's something
19 that at least -- the Committee also was very curious
20 and concerned about, and to briefly state it, it's sort
21 of like a funnel where a lot of the work is done up
22 front with respect to translating the federal rules
23 and regulations to the grant program that we have, and
24 then, as it proceeds down the line, all this involvement
25 basically has resulted in concurrence by the federal

1 government with the state proposals before they come
2 to us.

3 Now, it's a bit odd in that it sort of puts
4 you in a position of saying, "Well, gee, most decisions
5 are not made." On the other hand, I think it was
6 Commissioner Edson and Commissioner Commons review last
7 year, actually it was another Committee, I think, it
8 was Commissioner --

9 MS. GRIFFIN: Commissioner Gandara, I think
10 you are mixing the schools and hospitals program and
11 the rental program.

12 COMMISSIONER GANDARA: The rental program?

13 MS. GRIFFIN: Yes, sir.

14 CHAIRMAN IMBRECHT: Let me not even try.

15 COMMISSIONER SCHWEICKART: I was going to
16 say it sounds a lot like schools and hospitals.

17 COMMISSIONER GANDARA: Let me not even try.
18 Go ahead.

19 MS. GRIFFIN: Okay. The scoring criteria
20 which we used for the public housing project were published
21 in the grant manual, so that everyone knew exactly what
22 they were being scored on.

23 You could get 25 points for the ability to
24 identify and retrofit -- well, your program description
25 that you could -- you had specific public housing

1 identified, that it was at least 1000 units, your likely
2 ability to obtain the expected energy savings, and the
3 previous conservation efforts had been already undertaken,
4 had you already had the project already undertaken,
5 its energy audit.

6 Then there were 20 points that were awarded
7 if the participants had clearly laid who was doing what,
8 so that we knew that they had the existing agreements
9 that were necessary for all the components that were
10 needed to make the project work, which is the local
11 government had agreed, the Public Housing Administration
12 had agreed, the utility had agreed, if necessary; and
13 they had some idea of how they were going to do their
14 financing.

15 There were 25 points that were given for the
16 rebate methodology because of the importance of involving
17 the tenants in this program, and the innovation of a
18 concept of giving an actual cash rebate to a tenant
19 so that they will undertake actions--

20 COMMISSIONER SCHWEICKART: May I -- pardon
21 me--

22 MS. GRIFFIN: I'm sorry?

23 COMMISSIONER SCHWEICKART: I asked the question
24 and I don't want the answer.

25 MS. GRIFFIN: Oh.

1 COMMISSIONER SCHWEICKART: Or at least I don't
2 want the answer I'm getting. The answer I want, let
3 me try it this way, and give two very specific questions.

4 How were the points established, by whom,
5 and who were they approved by?

6 MS. GRIFFIN: The points were established
7 by the technical staff, the Committee in charge approved
8 the grant manual before it went out, so the Committee
9 approved the scoring criteria. That was Karen Edson
10 and Charles Imbrecht was the second on the Committee
11 at that time. That was the old Loans and Grants Committee.

12 So, they signed off on them before we sent
13 it out.

14 COMMISSIONER SCHWEICKART: All right, but
15 the Commission, itself, never acted? This has been
16 at the Committee level that has assigned the level of
17 points to the criteria?

18 MS. GRIFFIN: Yes, sir.

19 COMMISSIONER SCHWEICKART: All right. Who,
20 then, has evaluated the proposals based on that point
21 method?

22 MS. GRIFFIN: The evaluation team was
23 Harlene Barrett from the Conservation Division,
24 Manuel Alvarez and Terri Gray also from Conservation
25 Division, Ernesto Perez, the Public Adviser, and

1 Robert Woods from the Grant and Loan Office.

2 They were the technical team. They, then,
3 made recommendations to me. I had them agreed with
4 Ted and then we presented them to the Committee and
5 the Committee approved them.

6 COMMISSIONER SCHWEICKART: All right. Once
7 again, then, I would like to suggest to the Grants and
8 Loans Committee that they take a look at the process.
9 My own gut feeling is that it's fairly thin. Not that
10 the judgment would necessarily be different, but that
11 I think we need to assure that there is a relatively
12 broad set of evaluators using whatever point criteria
13 are decided. My own recommendation would be that the
14 Committee bring the -- a description, perhaps that good
15 enough here, but let me say a description of the point
16 system before the Commission. I don't think it needs
17 be elaborate, but nevertheless, I think it's not a good
18 idea in giving out, frankly, as much money as we're
19 giving out here, with a potential for some challenge
20 to have anything short of the full Commission's sanction
21 behind the process, if you will. I think we run the
22 risk for the recipients, themselves, if we do not take
23 that additional step of having the Commission sprinkle
24 whatever holy water we sprinkle on things on the process.

25 COMMISSIONER GANDARA: Okay, the Committee

1 will be glad to do that. Let me say that while we have
2 not thought about reviewing the grant manual, bringing
3 that before the Commission, it just hadn't occurred
4 to us. We will do that. But, we had already talked
5 to the staff about expanding the Technical Review Committee
6 to include people --

7 MS. GRIFFIN: One of the problems that we
8 have had with our--

9 COMMISSIONER GANDARA: --from other --

10 MS. GRIFFIN: -- Technical Review Committee
11 is in our attempt to get public members, getting
12 people who are willing to volunteer a couple days of
13 their time to come to Sacramento at no reimbursement,
14 because, for example, we were trying to get a public
15 housing official, and they tend to be so busy that they
16 just don't want to spend the time, so we are very sensitive
17 to the need to have more public participation, but have
18 been turned down a couple of times.

19 CHAIRMAN IMBRECHT: Okay. Further discussions?

20 COMMISSIONER COMMONS: Yes.

21 CHAIRMAN IMBRECHT: Commissioner Commons.

22 COMMISSIONER COMMONS: I just have an objection.
23 I think it's totally unfair of Commissioner Schweickart
24 to take all of my ammunition.

25 (Laughter.)

1 CHAIRMAN IMBRECHT: All right, the objection
2 has been duly noted for the record.

3 Any further comments?

4 COMMISSIONER GANDARA: I'm --

5 CHAIRMAN IMBRECHT: All right, we have a motion
6 before us, moved by Commissioner Gandara, seconded by
7 Commissioner Crowley. Is there further discussion?
8 Does anyone wish to be heard on this matter?

9 (No response.)

10 CHAIRMAN IMBRECHT: Is there objection to
11 unanimous roll call?

12 (No response.)

13 CHAIRMAN IMBRECHT: Hearing none, ayes five,
14 noes none, the approval has been granted for the proposal.

15 COMMISSIONER GANDARA: I would still urge
16 the staff to make those meetings with the Commissioners
17 to review programs and so forth.

18 MS. GRIFFIN: Yes, sir, we will do that.

19 CHAIRMAN IMBRECHT: I would also like to suggest
20 that I think that these programs are of sufficient importance
21 in terms of long-range objectives of the Commission
22 and I believe, as well, potential support from a variety
23 of segments within the administration, that I'd like
24 to suggest that we make every effort possible to publicize
25 these programs, and particularly with agencies that

1 might have overlapping responsibilities such as housing
2 and community development, and I'll leave that to your
3 good offices to carry out.

4 The next item is Item No. 5, Commission considera-
5 tion and possible approval of a proposal for a grant
6 from -- again from the Petroleum Violation Escrow Account.
7 And this has to do with the smaller apartment units.

8 MS. GRIFFIN: Yes, sir. This item, in the
9 original budget we had \$150,000 available to organize
10 what we're calling umbrella groups. This is again that
11 the individual small owners do not have enough conservation
12 potential in their building to make it attractive to
13 third-party financing. The transaction costs are simply
14 too high.

15 So, by getting outside parties to pool owners
16 together to put together attractive financing packages,
17 they can attract the financing that will get these small
18 units going.

19 We also hope that if we help to start up these
20 financing units then they will discover that there is
21 sufficient return that they can go ahead and conduct
22 this as a new business, because there are so many of
23 these small owners in the state.

24 The five projects which we have selected for
25 award are listed in your package, and again they tend

1 to be Northern California projects with one exception.
2 There is Redwood Community Action Agency, the Great
3 Northern Corporation, Connerly & Associates from here
4 in Sacramento, and Pacific Management Dynamics for
5 El Cerrito and Emeryville.

6 Then there is one Southern California project,
7 the Western Business Development Center for the San Gabriel
8 Valley area.

9 Generally, -- that, in fact, was the only
10 passing Southern California project that we received.
11 We discussed this problem with the Committee and with
12 their concurrence have renoticed this program for the
13 remainder of the funds, stressing the availability in
14 Central and Southern California because of both the
15 importance of reaching the bulk of our rental population,
16 which is in two areas, it's Greater Los Angeles and
17 Greater San Francisco, and the importance of penetrating
18 Greater Los Angeles and the relative lesser interest
19 that we have had in Southern California in these kinds
20 of rental programs, so we're making a special push to
21 try to pick those up.

22 Again, there was a point system which was
23 published in the grant manual, approved by the Committee.
24 It was gone over. There was a team of four all within
25 the Commission who were responsible for evaluating these

1 projects.

2 I would like to just briefly describe what
3 each one is going to do. It's quite similar for each
4 of them.

5 They will each identify potential apartment
6 owners, hold a workshop for their clients about the
7 attractiveness of it, identify participants, conduct
8 an energy audit of the facility to identify what are
9 the energy conservation opportunities, put together
10 a financing package, meet with the local financing community
11 and try to get a capital deal set up, and then they
12 will conduct an evaluation of the project six months
13 to a year after that to see if, in fact, the project
14 did go through, financing occurred.

15 Since the total amount of money here is approxi-
16 mately \$83,000 and there are approximately a thousand
17 units which are affected, it's quite possible by this
18 technique that we will be achieving retrofit at a cost
19 of \$83 a unit, expecting annual average savings from
20 each unit at approximately \$100 a unit.

21 So, we think that this thing can really take
22 off on its own once we have demonstrated that it works.

23 CHAIRMAN IMBRECHT: That's obviously impressive.
24 Have you made an effort to utilize the Apartment Owners
25 Association--

1 MS. GRIFFIN: Yes, sir, we have.

2 CHAIRMAN IMBRECHT: --to publicize this in
3 Southern California?

4 MS. GRIFFIN: Yes, sir, the prominent apartment
5 association in Southern California is the Greater Los
6 Angeles Apartment Association, which is not a member
7 of CAA. So, we have talked to them about this project
8 in specific. The head of the Greater Los Angeles Apartment
9 Association is a very enthusiastic supporter of conserva-
10 tion and has retrofitted his own buildings, so he goes
11 around and works -- has done some work in this area.
12 We will again be trying to work with him.

13 CHAIRMAN IMBRECHT: My experience has been
14 that those organizations, in a variety of counties of
15 Southern California, are very active, usually with well-
16 attended monthly meetings, having spoken at a number
17 of them in the past and I would even suggest that it
18 might be appropriate to consider someone with the proper
19 abilities to do a bit of a speaking tour and try to
20 make a swing through some of the other high-population
21 counties in Southern California.

22 MS. GRIFFIN: Okay.

23 CHAIRMAN IMBRECHT: LA is not the only place,
24 but it is important.

25 MS. GRIFFIN: Yes.

1 CHAIRMAN IMBRECHT: Commissioner Commons.

2 COMMISSIONER COMMONS: As I had mentioned
3 earlier, I would volunteer to try to help you in marketing
4 some of these programs in Southern California. I've
5 done a little bit there already and I think the same
6 comments that were made on No. 4 would also apply to
7 No. 5.

8 MS. GRIFFIN: I would point out that the one
9 Southern California project we do have is as a result
10 of Commissioner Commons' lobbying.

11 COMMISSIONER COMMONS: And when we come to
12 the vote, Mr. Chairman, I'd like to have No. 2 separated,
13 because I think I should not vote on that one.

14 CHAIRMAN IMBRECHT: No, 2, the Western Business
15 Development Center?

16 COMMISSIONER COMMONS: Yes.

17 CHAIRMAN IMBRECHT: I see.

18 All right, fine, we'll take them -- one motion
19 on proposals 1, 3, 4, 5, moved by Commissioner Gandara,
20 seconded by Commissioner Crowley. Is there objection--
21 does anyone wish to be heard on this matter?

22 (No response.)

23 CHAIRMAN IMBRECHT: Is there objection to
24 unanimous roll call?

25 (No response.)

1 CHAIRMAN IMBRECHT: Ayes five, noes none.

2 Separate motion on proposal No. 2, \$35,000
3 grant to Western Business Development Center, moved
4 by Commissioner Gandara, seconded by Commissioner Crowley.
5 Commissioner Commons--

6 COMMISSIONER COMMONS: Not present.

7 CHAIRMAN IMBRECHT: Okay, or declared -- do
8 you want to declare a conflict in this instance, or--

9 COMMISSIONER COMMONS: I'll ask legal counsel.

10 MR. CHAMBERLAIN: You can simply abstain.

11 CHAIRMAN IMBRECHT: Fine.

12 All right, fine, is there objection to unanimous
13 roll call amongst the four remaining Commissioners?

14 (No response.)

15 CHAIRMAN IMBRECHT: Hearing none, Commissioners
16 Gandara, Crowley, Schweickart and Imbrecht recorded
17 as aye, Commissioner Commons abstaining. Ayes four,
18 noes none. Motion is carried.

19 COMMISSIONER SCHWEICKART: Mr. Chairman, before
20 we leave the PVEA area, I'd like to understand from
21 staff what, as an overview, what are the plans for bringing
22 before the Commission the expenditure of various PVEA
23 funds. Is there -- will this, in essence, be handled
24 on a project-by-project basis, as a rolling process?
25 Or is there any particular overview or summary in each

1 of the several categories, I believe it's five or something
2 like that? What we have ahead of us in those areas,
3 that is, when --

4 CHAIRMAN IMBRECHT: She's fully prepared--
5 I could probably answer that, too, but --

6 MS. GRIFFIN: Okay.

7 COMMISSIONER SCHWEICKART: Yes.

8 MS. GRIFFIN: We do have a rolling schedule
9 for when the projects are brought to the Commission.
10 In terms, in the rental program, in particular, on the
11 next business meeting we will be discussing the \$361,000
12 augmentation which we received from the legislature
13 and asking the Commission's permission to expend it
14 in three particular programs, so that one will be addressed
15 individually.

16 The Commission, at the August 10th business
17 meeting, did generally approve the specific projects
18 within each of the items and the amount of money which
19 will be spent on them and we are all proceeding within
20 that activity.

21 For the schools and hospitals project, which
22 is the next item on your agenda, that includes the money
23 from the augmentation and your original PVA, so that
24 wipes almost -- completes the schools and hospital one.

25 I don't know yet what the plan is on the

1 public/private partnership or how that will be brought
2 to the Commission. I don't think the Committee's decided
3 yet.

4 CHAIRMAN IMBRECHT: Let me -- I think maybe,
5 just a little briefing, I think most Commissioners might
6 be aware of this, but to just mention the augmentation
7 that Ms. Griffin referred to, I would just add a slight
8 added caveat, it was also with the approval of the adminis-
9 tration, actually, the proposal that went in. And basically
10 the task force created by the Department of Finance
11 which Secretary Van Vleck has designated me to represent
12 resources agency on, augmented four or five programs
13 here at the Commission and a couple of others, at other
14 agencies, and as a consequence, out of a total of
15 \$18.9-million, the Commission has received \$12-something,
16 is that right, or is it 13--

17 MS. GRIFFIN: \$11.6?

18 CHAIRMAN IMBRECHT: \$11.6, all right.

19 MS. GRIFFIN: I think.

20 CHAIRMAN IMBRECHT: So, all in all, we've
21 done, I think, reasonably well in competition with the
22 other agencies.

23 In addition, there was another meeting of
24 that task force held last week and there has now been
25 total agreement reached on the role of our PVA study

1 contract working group and technical analysis and evalua-
2 tion and how that interrelates with the overall task
3 force.

4 So, I think, generally speaking, it's -- there's
5 been consensus reached, at least within the executive
6 branch, as to the Energy Commission playing the dominant
7 lead role in the development of those proposals, evaluation
8 of those proposals.

9 MS. GRIFFIN: We do have a working schedule
10 which lists each project in our estimated business meeting
11 and if that would be of assistance, I'd be glad to distribute
12 that to the other Commissioners.

13 CHAIRMAN IMBRECHT: I think that would be
14 useful. That was attributed to the task force and basically
15 we would anticipate that all but \$1.5-million would
16 be before the Commission for approval between now and
17 the conclusion of the current fiscal year.

18 And the remaining 1.5 will roll over into
19 the next fiscal year.

20 That's basically the Streetlight Conversion
21 Program, but we have some problem with adequate interest
22 being evidenced by those that were eligible to apply.

23 Any further comments or questions?

24 Commissioner Schweickart?

25 COMMISSIONER SCHWEICKART: No.

1 CHAIRMAN IMBRECHT: Okay.

2 Item No. 6, Commission consideration for possible
3 adoption of staff recommendations on Institutional and
4 Conservation Program grants to be made to finance energy
5 conservation projects in various schools and hospitals.
6 Mr. Bakken. Excuse me, Mr. Smith, do you want to be
7 in that or --

8 EXECUTIVE DIRECTOR WARD: No, I think Mr. Bakken
9 is here to handle that.

10 MR. BAKKEN: I'm here again to complete the --
11 what we call cycle 5.5 of the Schools and Hospitals
12 or Institutional Conservation Program grant process.

13 Just by way of background, perhaps, for
14 Commissioner Crowley, in particular, the program began
15 in 1977, we had five previous cycles of grants, totaling
16 about \$25-million in grants over the period of time.
17 The grants are given to schools and hospitals in the
18 form of 50-percent matching grants.

19 The schedule for this particular cycle, we
20 had applications due November 15, 1983. We brought
21 forward to the Commission seven grants in January to
22 award for technical assistance studies, and we're bring
23 the remainder of the grant funds to you today.

24 There are three types of grants. One for
25 technical assistance studies, engineering feasibility

1 studies, if you will, for the schools and hospitals
2 to evaluate the type of energy conservation projects
3 they may have.

4 The other grants are energy conservation measure
5 grants.

6 And there is a third category that's folded
7 into those two for hardship.

8 By way of summary of the funds that were in
9 this cycle, you can see on the screen totally including
10 the augmentation that we received, there was \$4.782-
11 million. We have proposed -- well, we got applications,
12 I'll show you in a second the number of applications
13 we have, we were well over-subscribed. You can see
14 the breakdown among the available funds and the recommended
15 funds.

16 Today we are proposing -- the top of the slide
17 there shows the overall funding, including those grants
18 that we brought to you in January.

19 Today we are bringing the recommendations
20 which are presented there at the bottom.

21 By way of applications, we received, for energy
22 conservation measures, we received 68 applications and
23 although the slide -- no, I guess it fits all the way
24 on there -- 68 applications for energy conservation
25 measures from -- as spread across there for a total

1 of \$17-million in project cost. If all of them were
2 awarded that would be 50-percent grants for about
3 \$8.5-million there.

4 And over 700 projects in almost 400 buildings.
5 The recommendations that you have in your packages today
6 are on the next slide, and it shows that we are proposing
7 48 awards for over 400 projects in over 200 buildings
8 with the attendant savings shown there.

9 Annual dollar savings of \$3.8-million.

10 By way of technical assistance, grant requests
11 and recommendations, they're shown here. There were
12 63 applications; these are both for technical assistance
13 grants and what is known as retroactive technical assistance
14 grants. People can go out and do the projects ahead
15 of time and then get credit for the projects having
16 been done.

17 We are recommending that 20 of these for
18 \$209,000 be approved.

19 Yesterday, -- well, I would like to mention,
20 I know there has been several comments here about who
21 reviews projects, and, in fact, our program has been
22 run by a state plan which has been approved by the
23 Commission and developed through action with the
24 Committee, but there is a substantial review.

25 This last cycle there were five Commission

1 Conservation Division Staff who worked on the program,
2 three Development Division Staff--three Siting Division
3 Staff, I'm sorry, two Development Division Staff, 15
4 engineers from an organization known as the Energy Technology
5 Center, part of Rockwell International, which is under
6 contract to the Department of Energy, three Department
7 of Energy Program Staff, four Department of Energy Procure-
8 ment Staff, a member of the Department of Education
9 Staff, a member of the California Community College
10 Chancellor's Office Staff, one person from the Post-
11 Secondary Commission, and one person from the Statewide
12 Health and Planning and Development Staff.

13 This is in preface to a problem that arose
14 yesterday. The Department of Education goes through
15 and checks all the schools for their eligibility and
16 applicability of hardship funding for the school districts.

17 Basically they're pretty nice guys, but we
18 don't trust them, necessarily, so we go through the
19 records at the Department of Education.

20 The business office got back to our contact
21 over there yesterday and they recommended that there
22 were three school districts they did not feel were warranted
23 hardship funding. I've got a slide here.

24 We have proposed, in your packages, that Bear
25 Valley Unified School District, Chaffey Joint Union High

1 School District, and Grossmont High School District,
2 or Union High School District, would receive hardship
3 funding. That was in advance of this notification from
4 the Department of Education.

5 In discussion with -- what would happen if
6 we took the hardship funding away from those grantees,
7 it would all go to the bottom-most ranked building in
8 the process which is Western Medical Center, so the
9 differences in funding are shown on the second-from-
10 the-right column there.

11 It will mean that the three high school districts
12 go from 90-percent funding to 50-percent funding, and
13 Western Medical Center will go from 15-percent funding
14 to about 19-percent funding of their overall project
15 cost. Their project is a \$1-million-plus cogeneration
16 system.

17 So, in conversation with the Committee, until
18 this is resolved by way of contacting the school districts
19 to make sure that they will still accept their grants,
20 we would pull those four grants off of the agenda at
21 this point.

22 CHAIRMAN IMBRECHT: What's the definition
23 of hardship?

24 MR. BAKKEN: Hardship -- that's an excellent
25 question. We've called about 50 states and tried to

1 get their definition and the Department of Energy. It's
2 very difficult to compare these.

3 We have, in the state plan, a variety of ratios
4 that deal with -- just one second -- the available reserve
5 funds, uncommitted reserve funds, the annual energy
6 charges from the district or hospital, the annual operating
7 budget and how much the project costs, and we do some
8 ratioing of these various things and can determine a
9 score.

10 The reason given by the Department of Education
11 was based upon reserve funds, for example, Bear Valley
12 has about 10.5-percent of their annual budget in a special
13 reserve fund; Chaffey --

14 CHAIRMAN IMBRECHT: All right, I --

15 MR. BAKKEN: You don't care.

16 CHAIRMAN IMBRECHT: I know -- that's a very
17 relevant criteria, reserve funds. There's no question
18 about that. I've spent a lot of time in school finance,
19 and that's, that, I think, is almost the yardstick you
20 could use by itself.

21 The next question I've got is how does--

22 MR. BAKKEN: All right.

23 CHAIRMAN IMBRECHT: --that relate to funding
24 for private educational institutions?

25 MR. BAKKEN: What their reserve--how does reserve

1 fund relate to the --

2 CHAIRMAN IMBRECHT: Well, let me just put
3 it--

4 MR. BAKKEN: All right.

5 CHAIRMAN IMBRECHT: --and I don't mean to
6 only call up one particular, because I'm very personally
7 familiar with it, I believe the second-to-last item
8 on this list is the Villanova Preparatory School,
9 located in Ojai, California?

10 MR. BAKKEN: Yes.

11 CHAIRMAN IMBRECHT: I'm a little curious how
12 they qualify for hardship funding.

13 MR. BAKKEN: Well, we use the same criteria
14 for all of them, as far as their reserves and the project
15 cost ratios to annual energy budget--

16 CHAIRMAN IMBRECHT: It's probably the second-
17 most prestigious school that you can send your children
18 to in Ventura County. After Thatcher, and it's one
19 of only two legitimate prep schools -- I'm just -- I
20 can't -- on the surface of it, it raises some questions
21 in my mind. Not that I wouldn't like to see them get
22 some assistance, but --

23 COMMISSIONER GANDARA: Mr. Chairman, the
24 Committee has raised similar questions and the reason
25 we're requesting that these items not be acted upon

1 today is to simply become more familiar with the questions
2 that are being asked, what is a hardship, what is the
3 criteria that the reviewers used, you know, is that
4 a criterion that perhaps ought to be better known and
5 discussed by us, what would be the consequences of perhaps
6 making a judgment in spite of that particular review,
7 what are we bound by.

8 I think there are a lot of questions raised
9 here. One of the other things that concerns the Committee,
10 ias as Mr. Bakken indicated in the beginning that there
11 are three types of grants. There are the hardship category,
12 the technical feasibility, and that what has generally
13 happened is that not all the funds available for each
14 one of these two categories has been expended. The
15 result has been that that money is not lost. It does
16 get expended, because it gets rolled over to the next
17 category, but the Committee is concerned that, in fact,
18 there be, if possible, utilization, full utilization
19 of feasibility studies for -- since to get into this
20 program, you have to have an audit, you have to have
21 done preliminary feasibility study, at least.

22 So, in view of that, that's not to say that
23 our recommendation would be any different than the ones
24 that are here a couple of weeks from now, but we'd just
25 like to have some time to review these particular matters.

1 CHAIRMAN IMBRECHT: Just those particular
2 items.

3 COMMISSIONER GANDARA: Yes, but I think we're
4 also reviewing, you know, this issue of what is a hardship,
5 what is the role of the reviewers,--

6 CHAIRMAN IMBRECHT: So, prospectively, there
7 may be some change--

8 COMMISSIONER GANDARA: Right.

9 CHAIRMAN IMBRECHT: --suggested go ahead and
10 approve the rest of these?

11 COMMISSIONER GANDARA: All but these--

12 CHAIRMAN IMBRECHT: How does a private institution,
13 though -- can you explain that--

14 MR. BAKKEN: I didn't hear you, I'm sorry.

15 CHAIRMAN IMBRECHT: How does a private school,
16 I just -- can you give me any kind of answer on that,
17 how a private school, how you would term a hardship
18 in that instance?

19 MR. BAKKEN: The private schools with -- we
20 generally get -- we get a statement from their business
21 people on their funds and take them pretty much at their
22 word for the private K-12 schools. The post secondary
23 Commission has some figures on the universities, such
24 as Stanford or SC or some of these.

25 CHAIRMAN IMBRECHT: Well, I find myself very

1 torn here for some obvious reasons.

2 Commissioner Commons.

3 COMMISSIONER COMMONS: In looking at the various
4 grants, there were a few cases where the grants aren't
5 50/50. Is there any way to encourage where the applicant
6 has the financial wherewithall to reduce our percentage
7 share so that we, again, only have to provide that amount
8 of money necessary to make the project go?

9 I have a hunch here that if we didn't have
10 this program some of these projects would be done anyway.

11 MR. BAKKEN: Probably so.

12 COMMISSIONER COMMONS: And how do we increase
13 the leverage of the state dollars so that what we're
14 doing is we're buying the energy conservation that is
15 cost effective, but we're helping the schools and hospitals,
16 they are short on capital resources in terms of doing
17 projects that would not otherwise go ahead, but not
18 using this fund to pay for projects that would go ahead
19 if we didn't have it?

20 MR. BAKKEN: Well, the rules of the program
21 declare that the money is not to be -- to supplant funds,
22 it's to supplement funds.

23 So, theoretically, we are not supplanting
24 funds. It's difficult to prove budgetary -- there's
25 creative accounting that can show a variety of things.

1 The only way we have found that in some of these larger
2 projects that we are, say leveraging our money -- well,
3 for example, Western Medical Center there's got a million-
4 dollar project and if they hadn't been the bottom-ranked
5 building, they would be receiving only \$400,000 rather
6 than 50 percent.

7 We have a limitation built into the state
8 plan which says that no one institution can get more
9 than 10 percent of the funds with a \$400,000 maximum
10 limit.

11 Now, that limitation is one way we have --
12 when these very large projects, for example CalTech,
13 I think last cycle, had a \$2.75-million cogen project.
14 We gave them a grant of \$275,000--

15 COMMISSIONER COMMONS: I recognize that, but
16 let me, since the Chairman took one close to his home,
17 I'll take one close to mine.

18 Being a graduate of Stanford, I noticed that
19 the Stanford University Medical Center is in for \$127,000--

20 CHAIRMAN IMBRECHT: Are they a hardship?

21 COMMISSIONER COMMONS: And it's not on a hardship,
22 this one--

23 MR. BAKKEN: No, they didn't apply for hardship.

24 (Laughter.)

25 COMMISSIONER COMMONS: And the simple payback

1 is 1.8. It would be hard for me to believe that the
2 Medical Center, when you have a payback period of 1.8,
3 requires a 50-percent matching grant to have this project
4 done. Pays its way off in less than two years, and
5 it's something that clearly anyone would go out and
6 do.

7 MR. BAKKEN: Not necessarily in talking with
8 some of these people. It's not that clear to them sometimes.
9 But they should do it. It's clear that they should
10 do it.

11 COMMISSIONER COMMONS: Is there a way, for
12 example, that we could have maybe put a 25-percent of
13 the funds here, instead of 50, and it doesn't sound
14 like much, but it would double the amount of projects
15 that we would end up financing.

16 MR. BAKKEN: Well, again, we're bound by federal
17 rule, and I don't want to fall back on that as an excuse,
18 we would have to go through the Committee, the Commission,
19 and then the Department of Energy to alter the rule
20 that dictates that this be a 50-percent matching program.

21 MS. GRIFFIN: The Committee has already decided
22 that it will readdress these issues for Cycle 7. The
23 Committee, each year, reviews the plan and recommends
24 whether changes will need to be made. Cycle 7 will be
25 the one you are addressing next year. This is Cycle 5.5.

1 In June you will have Cycle 6. It's already noticed,
2 and so the procedure is running for that.

3 COMMISSIONER COMMONS: I have raised this
4 same question, have gotten the same response now, for
5 a year and some months. Everytime I'm told--

6 MS. GRIFFIN: No, sir, the --

7 COMMISSIONER COMMONS: --we cannot do it and
8 we'll do it the next cycle and--

9 MS. GRIFFIN: You did change the plan. You
10 did change the plan, --

11 COMMISSIONER COMMONS: We did it--

12 MS. GRIFFIN: --yes, sir, for Cycle 5.5, --

13 MR. BAKKEN: Last August.

14 MS. GRIFFIN: --the plan was changed to change
15 the scoring criteria in accord with the new interests
16 of the Commission.

17 CHAIRMAN IMBRECHT: All right, so --

18 COMMISSIONER COMMONS: Okay.

19 COMMISSIONER GANDARA: Mr. Bakken, can you
20 refresh my memory, of the proposals submitted, how many
21 were funded?

22 MR. BAKKEN: Let's see, there were 68 proposed--
23 no, wait -- there's 68 and 8, there's 76 proposals and
24 we are proposing nine total technical assistance grants,
25 just technical assistance, not a retroactive, and 48

1 energy conservation grants, so 57 total out of 76.

2 These on the slide right now are the organizations,
3 and it's a little difficult to read, I grant you. The
4 organizations which received no funding, there were
5 several that voluntarily withdrew for one reason or
6 another, there were -- most of the cases were that they,
7 in the scoring criteria they did not receive enough
8 points to rank up high enough to be competitive and
9 I think there was a couple that were ineligible.

10 COMMISSIONER GANDARA: And those are mainly
11 for technical reasons?

12 MR. BAKKEN: The ineligibility for CalTech
13 was that they had -- it was the same cogeneration program
14 that they got funded for last time, and they wanted
15 to increase their funding, and the Department of Energy
16 said no, that can't happen.

17 Palos Verdes was ineligible most of the cases
18 because the projects that they proposed paid for themselves
19 in less than a year, and that's also against the rules.

20 The technically infeasible one at UC Santa
21 Barbara, I am not fully sure, it was a pump project
22 and through quite a bit of discussion with the E-Tech,
23 or Rockwell International people and the people at UC
24 Santa Barbara, and my staff, it was decided that what
25 they had proposed would physically not work the way

1 they had proposed it.

2 COMMISSIONER GANDARA: Now, what is likely
3 in the case where some of these are not funded? Do
4 you see them again in improved proposals, or--

5 MR. BAKKEN: We're contacting them, and we've
6 already sent them letters saying we're not recommending
7 it, we're having the next cycle with applications due
8 April 2nd, we've talked to several of them. Marysville
9 USD, for example, I was in Marysville, visiting Yuba City --
10 or Yuba College Monday. I took their proposal back
11 to them and I suggested that they talk with their board
12 again and in this case, -- they said they did not have
13 money to match the grant. It was a \$13,000 match, and
14 I suggested that they apply for hardship for the technical
15 assistance study that they were proposing. They could
16 possibly get up to 90 percent, so they are working on
17 that. They may have it back to us in April.

18 CHAIRMAN IMBRECHT: Okay, thank you. Again,
19 I would -- excuse me, Commissioner Schweickart.

20 COMMISSIONER SCHWEICKART: Yes. I've got
21 another question. You mentioned, if I picked it up,
22 Wendell, something about retroactive audits.

23 MR. BAKKEN: Retroactive technical--

24 COMMISSIONER SCHWEICKART: That sounded like
25 a new category to me. I don't remember that before.

1 MR. BAKKEN: That's been in there all the
2 time. What it amounts to is people can go ahead and
3 do, it's a three-step project and I know you will recall,
4 it's energy audit, technical assistance study, energy
5 conservation measure. They can go ahead and do the
6 first two steps in order to get into the process of
7 actually retrofitting the building. They can receive
8 credit for having spent their own money for doing the
9 technical assistance study up front without federal
10 funds.

11 But, they have to be able to -- before they
12 can get this credit, they have to be approved for an
13 energy conservation measure grant.

14 COMMISSIONER SCHWEICKART: On its own merit.

15 MR. BAKKEN: On its own merit, yes. There's
16 no bias given by the fact they've done it ahead of time.

17 COMMISSIONER SCHWEICKART: I see.

18 And that's been in the program all along?

19 MR. BAKKEN: Yes, sir.

20 It's got several pages of rules, as you well
21 know, and --

22 (Laughter.)

23 COMMISSIONER SCHWEICKART: I know, it's amazing
24 that I went through all that back in the early days
25 and never even heard about that.

1 COMMISSIONER GANDARA: Well, what's surprising
2 to me is why doesn't everybody apply for a retroactive
3 technical assistance and that's --

4 MR. BAKKEN: Well, a lot of them do, but it's
5 got a ranking process, too.

6 There's a ranking process involved in approving
7 those.

8 CHAIRMAN IMBRECHT: Back door.

9 COMMISSIONER SCHWEICKART: Actually, it's
10 not a bad idea.

11 CHAIRMAN IMBRECHT: Okay, with the exception,
12 then, of the four items -- was it four items --

13 MR. BAKKEN: Four, there's -- yes, three school
14 districts and a hospital.

15 COMMISSIONER SCHWEICKART: One comment I'd
16 like to make and I guess I'd like to direct it more
17 to the Committee, again, in looking at this issue of
18 hardship, what I heard the staff say as the inputs to
19 the hardship equations, there was only one factor there
20 that I heard which seemed to me to get to hardship,
21 that was the issue of reserve funds or some ther such
22 measure in terms of the financial capability of the
23 institution or their particular situation.

24 The rest of them seemed to be related to do
25 they have a lot of energy waste. That's an interesting

1 criteria. We ought to be picking up whoever's wasting
2 energy with a program such as this, but it doesn't appear
3 to me as though that gets weighted in a factor of hardship.

4 So, there were a number of -- as you read
5 through, that I have a number of questions--

6 COMMISSIONER GANDARA: Well, that's precisely
7 the kind of issues we want to look into, because one
8 of the other things that the staff informed us of the
9 other day, if I don't get the programs confused again,
10 was that a school district, for example, could apply
11 for funds under this program, but the application is
12 for a particular school. And it's gets evaluated even
13 by a particular building. So, one of the things that
14 I'm curious about and I want to check into, you could
15 have schools or proposals within a school district for
16 these fundings that could be hardship schools, but the
17 district, as a whole, you know, might, in fact, be showing
18 a different indicator.

19 COMMISSIONER SCHWEICKART: One could always
20 arrange a hardship school?

21 COMMISSIONER GANDARA: I don't know.

22 CHAIRMAN IMBRECHT: I don't see how you can
23 have a hardship school with a separate -- one other
24 criteria that would seem relevant to me is high wealth,
25 low wealth, and that's something that the Department

1 of Education has very clearly delineated.

2 Now, I would question a finding of hardship
3 for a high-wealth school district that is spending \$600
4 to \$800 more per ADA than a low-wealth district, and
5 you know, I -- even if they have low reserves, I'm a
6 little curious about how that translates into --

7 COMMISSIONER GANDARA: Well, we simply need
8 to learn more about it--

9 CHAIRMAN IMBRECHT: That's right, that's right.
10 Reserves, I think that's one of the very relevant issues,
11 but I'd also look at some of the general criteria and
12 high wealth, low wealth, and so forth.

13 I know if you talk to Mr. Ward, he can put
14 you in touch with some people that used to work for
15 me that know educational finance inside and out. And,
16 I think, might be of some assistance to you and give
17 you some very quick answers to these questions.

18 COMMISSIONER SCHWEICKART: May I explore with
19 the Commission, we're dealing with something like--
20 I counted them quick, but I think it's something like
21 12 hardship cases, something like that, out of the total
22 here, and I'm wondering if we should not, in fact, call
23 for the Committee to review the hardship criteria before
24 going ahead.

25 This picks up some of the uncertainty of

1 expressing it by the Commissioners. What problems would
2 we have if the hardship instances were brought back
3 before the Commission with the next business meeting?

4 MS. GRIFFIN: Commissioner Schweickart, as
5 you remember, this is a program of federal rules. The
6 federal rules require that 10 percent of the money be
7 spent for hardship. This is also an activity -- an
8 issue that we address every year on both the plan and
9 change it, and when we bring these -- the individual
10 projects forward, in order to not qualify for hardship,
11 to recommend against funding the project for hardship,
12 the Commission would have to come up for a technical
13 reason why the project does not meet the criteria in
14 the plan, not whether we want to change the criteria.

15 I mean the criteria have been set by the Commission,
16 they've been accepted by DOE, and those are the rules
17 we have to operate under. It doesn't seem fair to change
18 the rules in midstream, especially since the Commission,
19 itself, struggled with the issue of hardship the last
20 time we evaluated the plan, and I agree that --

21 COMMISSIONER SCHWEICKART: Well, conversely, --

22 MS. GRIFFIN: --we need to keep working on it.

23 COMMISSIONER SCHWEICKART: --on the recommendation
24 of one participant in the review, my understanding is
25 we are holding up four. So, now I don't know how that

1 jibes with what you're saying, Karen.

2 CHAIRMAN IMBRECHT: Well, that's -- she said --
3 the recommendation was on the basis, if I heard it correctly,
4 that those four do not meet the criteria for hardship
5 or --

6 MS. GRIFFIN: And the question is whether
7 their--

8 CHAIRMAN IMBRECHT: --appear not to meet the
9 criteria and it's for that reason they're recommending
10 holding it up. Whereas, the information currently available
11 as to the other 18, indicate that they do meet the criteria
12 that are in place.

13 So, that's, I think, a fairly clear distinction.

14 COMMISSIONER COMMONS: Let me pursue
15 Commissioner Schweickart's question one step further.

16 CHAIRMAN IMBRECHT: Commissioner Commons.

17 COMMISSIONER COMMONS: Let me take two specific
18 projects that are at least in here, the Hayward Project,
19 where we have hardship accounting for \$104,000, so the
20 applicant's share is 10 percent of the project; and
21 then the Los Angeles USD, with a hardship of \$71,000,
22 but the applicant's share is roughly 33 percent of the
23 project.

24 How do we, in one instance, on a hardship
25 fund 90 percent, and in the next instance, fund 67?

1 MR. BAKKEN: I've got to recall--

2 COMMISSIONER COMMONS: I tried to pick large
3 project numbers on the hardship.

4 MR. BAKKEN: --scoring -- pardon me?

5 COMMISSIONER COMMONS: I tried to use the
6 largest -- larger numbers that you're showing on hardship,
7 rather than some of the smaller projects.

8 MR. BAKKEN: All right, we go through a scoring
9 process and we compare school districts with school
10 districts, and we have these ratios of project cost
11 to energy cost and energy cost to annual budget and
12 this type of thing, and through these ratios and scoring
13 procedures, Los Angeles USD came up with a recommendation
14 for 17 percent additional grant, and in comparison
15 with the university systems, Hayward came up with a
16 recommendation for 40 percent additional.

17 MS. GRIFFIN: There's a sub-formula within
18 the hardship for determining the level of hardship.
19 Again, the sub-formula being set in advance.

20 COMMISSIONER COMMONS: It seems to me that
21 if I'm looking at it from my perspective, in one case,
22 10 percent, in the other case, 30 percent, so one hardship
23 person is having to put three times the amount of dollars
24 as to the other, and that would, to me, suggest an enormous
25 differential; and is CSU Hayward really that much more

1 of a hardship than Los Angeles?

2 MR. BAKKEN: They have zero reserve funds.
3 Los Angeles has \$3,162,000 reserve funds, which represents
4 .2 percent of their \$1.7-billion budget.

5 COMMISSIONER COMMONS: So, it's a difference
6 of .2 percent versus 0, resulting in one person having
7 three times as much dollars to put up as the other?

8 MR. BAKKEN: Los Angeles didn't directly compete
9 against Hayward. They competed against the other unified
10 school districts, among which Maxwell, Mount Diablo,
11 Tehachapi, and Eastern Sierra Unified School Districts
12 have zero reserve funds, and Long Beach has .1 percent,
13 and et cetera. So, they came out that they had more.
14 A couple of them, Santa Paula and Tahoe/Truckee have
15 .01 percent reserve funds. And in this comparison with
16 school districts on what -- who, among the school districts
17 are in a more hardship condition and I think these are
18 the types of things we ought to address with the Committee
19 and see if it's the continuing desire of the Commission
20 to look at it from this perspective.

21 COMMISSIONER COMMONS: Well, in following
22 Commissioner Schweickart's question, are we locked into
23 having -- assuming that the met the hardship criteria,
24 so that these other 12 projects are eligible for hardship
25 monies, are we locked into, or can we ask the Committee

1 to review as to the amount of hardship that should be
2 allocated in each case, or are we going to make this
3 huge differential between 0.1-tenth of 1 percent, and
4 0.2 of 1 percent? That, to me, seems like a very major
5 different, and it would be the type of thing I would
6 tend to prefer for the Committee to look at and come
7 back at the next meeting and make that allocation on
8 the hardship, still meeting the 10-percent criteria.

9 MR. BAKKEN: Well, I believe you're somewhat
10 locked into it. As of last August when the state plan
11 was amended by the Commission and then subsequently
12 noticed to the public for both this cycle that we're
13 concluding and the one that will be -- applications
14 are due in a couple weeks, it seems to -- not being
15 an attorney and what-have-you, but it seems to me there's
16 been adequate public notice that this is what we're
17 going to do and how we are going to grade people on
18 their applications. I don't -- we're certainly not
19 locked into anything for the cycle for the next fiscal
20 year.

21 COMMISSIONER COMMONS: Well, can you specifically
22 address the question of how we tripled the amount of
23 money requirement between 0 percent and 0.1 or 0.2 of
24 1 percent, and that's locked into this system that you're
25 discussing.

1 MR. BAKKEN: Well, I hate to keep falling
2 back on our grading criteria, but I've got a file about
3 three-quarters of an inch thick upstairs with the hardship
4 calculations and applications in them, and what we do
5 is, as it states in the state plan, compare the school
6 districts and their relative need, as based upon
7 those four criteria that I mentioned earlier and the
8 most needy will get 90 percent funding total 40 more
9 percent and then it drops down from there.

10 The universities are compared against the
11 universities and given a percentage and the hospitals
12 are compared against the hospitals and --

13 COMMISSIONER COMMONS: That's as far as --

14 COMMISSIONER GANDARA: How recent is this
15 data on the surplus or reserves that--

16 MR. BAKKEN: It's the '83-84 budget year.

17 COMMISSIONER GANDARA: Because I was in Los
18 Angeles last week, I guess, and one of the items in
19 the news was that the LA Unified School District had
20 just realized a \$5-million unexpected surplus. And
21 so I wonder whether that would change anything in view
22 of the numbers that you're talking about.

23 MR. BAKKEN: I doubt if it would change it
24 significantly--

25 CHAIRMAN IMBRECHT: \$5-million for LA is--

1 MR. BAKKEN: I mean they've got a \$1.7-billion--

2 CHAIRMAN IMBRECHT: --the proverbial drop
3 in the bucket.

4 MR. BAKKEN: --budget. We base something
5 on relationship to the amount of budget they have.

6 CHAIRMAN IMBRECHT: It's a pretty bit --

7 COMMISSIONER GANDARA: What would be the conse-
8 quences of delaying action on these for two weeks? Are
9 there any consequences to that?

10 MS. GRIFFIN: There are staff consequences
11 in that April 2nd is the date that all the applications
12 arrive for Cycle 6 and we literally have got to clear
13 these out of our office and prepare for the next amount
14 of mailing. I mean, we're just incredibly tight overlap
15 here.

16 We have delayed the award of this project
17 to incorporate the new allocation that the legislature
18 gave us.

19 CHAIRMAN IMBRECHT: May I suggest that we
20 look at these issues from a prospective basis. I think
21 we've raised some general concerns here and at the same
22 time, I tend to agree with Ms. Griffin about changing
23 the rules in the middle of the game, basically.

24 COMMISSIONER SCHWEICKART: Mr. Chairman, I
25 don't think -- I think we're basically all in agreement,

1 that the rules shouldn't change in the middle of the
2 game, and I'm quite sympathetic to the fact that not
3 only this one, but also the 6.0 Cycle is already out
4 there with the rules stated. And I would oppose, frankly,
5 some of what I heard Commissioner Commons suggesting,
6 I think, about changing the rules.

7 What I'm concerned about, however, is the
8 application of the rules, not changing the rules. And
9 what I'm hearing is that there was one member, namely
10 the board of education or whoever he is, who -- Department
11 of Education, who, by implication, at least, is suggesting
12 that using the rules, there are four instances here,
13 where, in fact, -- is it that there is misstatement
14 by -- in the application of what the reserves were?
15 Or is it that the disagreement, in fact, is with the
16 rules?

17 In other words, I'm interested in some assurance
18 that judgment is not being applied by the Department
19 of Education which steps outside the rules, itself.
20 If that's the case, then I think we have to have some
21 question of should we be bound by something which --

22 MR. BAKKEN: Correct. That's why we're pulling
23 it off the agenda because we are essentially double-
24 checking the Department of Education's figures on these
25 three issues.

1 MS. GRIFFIN: They are asserting this statement
2 on the part of their--the applicants. The Department
3 of Education has sent us their records of the reserve
4 figures.

5 So, what we have to do is compare--

6 COMMISSIONER SCHWEICKART: All right. I guess
7 then finally what I would ask, and --

8 MS. GRIFFIN: Yes, -- and they have--

9 COMMISSIONER SCHWEICKART: --I accept that
10 at face value.

11 MS. GRIFFIN: --in that process, they have
12 confirmed everyone else--

13 COMMISSIONER SCHWEICKART: But, finally, I
14 would ask, in the case of the private schools, is there
15 any equivalent to the Department of Education cross-
16 checking the claims for reserves?

17 MR. BAKKEN: There is an equivalent, and I
18 can't think of the name of it. There is a loosely knit
19 group of people that are involved in private education
20 facilities and quite honestly they were not presented
21 as a portion of our review committee, and they have
22 not been contacted on this particular issue. And I
23 don't recall the name of it, to tell you the truth.

24 COMMISSIONER CROWLEY: You mean like the Private
25 Secondary Schools Association? That sort of a group?

1 MR. BAKKEN: Well, it's -- it may include
2 post-secondary education facilities. I'm not positive.
3 I know it includes the K-12 facilities and I'm not positive
4 on whether it goes all the way.

5 Oh, yes, the California Catholic Conference
6 deals with their schools, but --

7 CHAIRMAN IMBRECHT: Have you contacted them?

8 MR. BAKKEN: We have talked with them about
9 state plan change. We don't have any Catholic schools
10 in here, K-12, that I recall as such.

11 CHAIRMAN IMBRECHT: Villanova.

12 MR. BAKKEN: Oh, Villanova's Catholic? Okay,
13 I stand corrected.

14 CHAIRMAN IMBRECHT: I'm sure that the Good
15 Fathers there are absolutely honest, but --

16 COMMISSIONER SCHWEICKART: All right, well,
17 I guess at this point, we don't have any information
18 to do anything other than poll these four, but I would
19 certainly encourage a hard review of the hardship, you
20 know, criteria and also some method of assuring equity
21 in the evaluation of stated claims used to support.

22 COMMISSIONER GANDARA: Let me ask another
23 question here. When we got a description of this process,
24 the other day, I got the feeling that there was this
25 Tech Review Committee and that -- E-Tech or whatever

1 there were, all these post-secondary reviews, and Board
2 of Education reviews, I got the feeling that all this
3 was scrubbed fairly well, you know, even before the
4 E-Tech Committee met or around that time before the
5 E-Tech group met, and why is it -- I mean is this a
6 second input, or is this the first time that --

7 MR. BAKKEN: Yes, it's that the Department
8 of Education's business office did not get this information
9 to our contact over there, Mr. Askin, until just recently,
10 and that's why it was sort of a second input, second
11 shot at --

12 MS. GRIFFIN: We complete the engineering
13 review and get all the way through the DOE engineering
14 approval before we go out for the hardship review, so
15 it is a later step in the activity.

16 CHAIRMAN IMBRECHT: Okay, we have need for
17 a brief executive session, and I think that we should
18 try to move along, if that's acceptable.

19 We have a motion, with the exception of the
20 four items that were shown on the overhead slide, by
21 Commissioner Gandara, seconded by Commissioner Crowley,
22 that we approve these proposed grants to various schools
23 and hospitals. Is there anyone who wishes to testify
24 on this item?

25 (No response.)

1 CHAIRMAN IMBRECHT: Hearing none, is there
2 objection to a unanimous roll call?

3 (No response.)

4 CHAIRMAN IMBRECHT: Hearing none, ayes five,
5 noes none. The grants are approved as presented, and,
6 of course, we will stress that -- those questions cleared
7 up.

8 MS. GRIFFIN: Commissioner Imbrecht, are the
9 four items put over to the next business meeting?

10 CHAIRMAN IMBRECHT: Yes.

11 In fact, we'll direct the Executive Office
12 as to that matter.

13 And we basically have two principal items
14 left. We do have need for an executive session. Wondering--
15 well, Mr. Ward will be back after lunch and we can take
16 the Executive Report at that point.

17 I wonder if we can -- can we approve the minutes?
18 Is there any question about -- we have two sets, here,
19 I believe.

20 COMMISSIONER GANDARA: I haven't read them.

21 CHAIRMAN IMBRECHT: Why don't we wait till
22 after lunch then and --

23 COMMISSIONER SCHWEICKART: Brings us up to
24 December?

25 CHAIRMAN IMBRECHT: All right. Fine. We

1 will recess now until 1:30 p.m., and the Commission
2 will reconvene in the small conference room here immediately
3 for a brief executive session.

4 (Thereupon, the morning session of the business
5 meeting of the California Energy Resources Conservation
6 and Development Commission was recessed for lunch at
7 11:48 a.m.)

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AFTERNOON SESSION

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3 CHAIRMAN IMBRECHT: We'll reconvene the meeting
4 and because of the fact I don't know where he took off
5 to -- is Mr. Ward nearby? Would you --

6 Mr. Ward has to go make a presentation in
7 my stead to the Chairman of the Subcommittee that has
8 jurisdiction over our budget in the State Senate, by
9 virtue of the fact that I'm tied up here with this meeting.
10 He has to leave at 2:30, and so I'm going to turn to
11 the Executive Director's report next, and I ask for
12 your patience and move through that quickly and then
13 return to Item No. 7.

14 EXECUTIVE DIRECTOR WARD: Very quickly,
15 Mr. Chairman, the only thing that I have to report today
16 is the status of March change issues. It's really been
17 a two-part process. We already have some issues that
18 we've been given some verbal approval from the Department
19 of Finance. One of them you touched on today which
20 was an additional amount for the GRDA grants.

21 We're continuing the work on four or five
22 additional items and I've sent all the Commissioners,
23 I believe, received a letter this morning, that detailed
24 that.

25 So, if you have any questions, feel free to

1 contact my office or Administrative Services.

2 CHAIRMAN IMBRECHT: Commissioner Commons.

3 COMMISSIONER COMMONS: What items have we
4 been officially turned down on?

5 EXECUTIVE DIRECTOR WARD: I'm not sure. I
6 have the letter in front of me, the details, all of
7 them. There are--

8 COMMISSIONER COMMONS: Or could you distribute
9 that to the Commissioners tomorrow or something like
10 that--

11 EXECUTIVE DIRECTOR WARD: Certainly.

12 COMMISSIONER COMMONS: That would be fine.

13 EXECUTIVE DIRECTOR WARD: I have a specific
14 list of approved BCPs and disapproved BCPs I'd be happy
15 to make available to you.

16 CHAIRMAN IMBRECHT: And a list of those outstand-
17 ing issues that remain, as well.

18 EXECUTIVE DIRECTOR WARD: Exactly.

19 COMMISSIONER COMMONS: That would be fine.

20 CHAIRMAN IMBRECHT: All right. Any other
21 questions to Mr. Ward?

22 COMMISSIONER GANDARA: I have a few questions
23 for the Executive Office, but they could be answered,
24 I think, by anybody else. No reason to keep Mr. Ward
25 if he has a pending appointment.

1 CHAIRMAN IMBRECHT: Well, his --

2 EXECUTIVE DIRECTOR WARD: I'm --

3 CHAIRMAN IMBRECHT: --appointment's not until
4 2:30. I knew that Item No. 7 would take some time,
5 and rather than getting into that -- if you're --

6 COMMISSIONER GANDARA: Yes, I wanted to ask,
7 with respect to the items we discussed at the last quarterly
8 review, one's the third-quarter review. I was not here
9 for the last business meeting, I think, or the one before
10 last, but in reviewing the transcript, there was --
11 Mr. Smith indicated that the Budget Committee would
12 be undertaking the third-quarter review within a couple
13 of weeks and I'm wondering where we are on that.

14 And then secondly, it was decided in the last
15 quarterly review that we would move from the biweeklies
16 to the monthlies in terms of status report on activities,
17 and I don't think I've seen biweeklies for awhile, nor
18 monthlies, and so it's been more than a month and I
19 was just wondering what the status is of our --

20 EXECUTIVE DIRECTOR WARD: My understanding
21 of the monthly report, the monthly status report, is
22 that we have received the monthly status report for
23 the first time, at least in the changed form, within
24 the last week, and we're in the process of making some
25 revisions. We'll be discussing some of those issues

1 with Commissioners to try to make it as meaningful and
2 also as easy a process on the divisions, as possible,
3 which I can understand you're all interested in.

4 On the third quarter review, I believe we
5 will be starting that process within the next couple
6 of weeks.

7 COMMISSIONER GANDARA: Okay.

8 CHAIRMAN IMBRECHT: Will you advise me as
9 to when it's appropriate to schedule--

10 EXECUTIVE DIRECTOR WARD: Sure. In fact,
11 if it's sufficient, then what I would do would be to
12 notify the Budget Committee Presiding Member and Second
13 Member, as well as the rest of the Commission, if that
14 be your desire, as to a specific schedule for the status
15 report and the third quarter review.

16 COMMISSIONER GANDARA: Okay. Two other items
17 we should move through quickly, as well, I saw in a
18 notice in the Sacramento Bee, a SMUD public notice of
19 application for immediate and permanent exemption from
20 the reporting requirements of PURPA 133 and I know that
21 we have some activity going on in PURPA, and this meeting
22 is for the permanent exemption is -- let me see, I guess
23 it's not a meeting. I guess you can obtain a copy of
24 the application. And I'm just wondering whether this
25 is one of the areas that we will be getting into, because

1 I'm not aware of any other utility service area that
2 has applied for an exemption, permanent exemption from
3 PURPA.

4 EXECUTIVE DIRECTOR WARD: Well, I have to
5 apologize, because I'm not familiar with it. I might
6 ask General Counsel if they've heard anything about
7 this exemption request?

8 MR. CHAMBERLAIN: No, we haven't looked at
9 it. Is this -- are these reporting requirements relating
10 to avoided cost purchasing?

11 COMMISSIONER GANDARA: I don't know. I'll
12 give you the notice. Why don't you --

13 MR. CHAMBERLAIN: All right.

14 COMMISSIONER GANDARA: --follow up on it,
15 and then the next one is that I guess I recently saw
16 a news release and this is something that might be filtering
17 up to you, in which it indicated that the California
18 Energy Commission is cosponsoring two workshops in Sacra-
19 mento, and much earlier, I think around January, I got
20 a notice of call for papers of another conference in
21 which it indicated the Energy Commission was cosponsoring
22 that conference.

23 And it isn't clear to me exactly what procedures
24 we have for giving organizations a commitment of a
25 Commission cosponsorship, so I would ask the Executive

1 Director to review such a policy, because it seems to
2 me that if it has the Energy Commission's imprimatur
3 that it ought to be, at least, a consent calendar item,
4 or at least reviewed by -- at some level, and as I under-
5 stand it, that perhaps a cosponsorship has been determined,
6 not in a formalized procedural manner, so that would
7 be another matter that we looked at.

8 COMMISSIONER COMMONS: I asked this Commission
9 some eight months ago to cosponsor, I brought it before
10 the full Commission, and I think the practice is that
11 if we do cosponsor, we have a right to review it, as
12 Commissioners, and vote upon it, before we cosponsor.
13 I can think of a lot of things that I might not want
14 us to cosponsor.

15 COMMISSIONER GANDARA: Well, I'm not suggesting--
16 well, again, I agree with your comments, but I'm not
17 suggesting that I have any objections to what we're
18 cosponsoring. I just, you know, I have several Committees
19 that are directly working in those areas, and I've never
20 heard of it, and as a Commissioner, I've never heard
21 of it, and I can appreciate the situation of the Commissioners
22 wanting to know when --

23 EXECUTIVE DIRECTOR WARD: Okay, well, I think
24 we can certainly work on a policy without understanding
25 the specific example. My only comment would be that

1 there are any number of conferences that we're involved
2 in where we're requested to write a paper and the conference
3 can be, in many cases, very very small and made up of
4 a small group of people associated with one segment
5 of an energy area. And, I don't want to suggest that
6 I'm not interested in seeing some kind of a policy,
7 but I don't want to develop something that's very burden-
8 some to things that we see on, generally, a weekly basis
9 where we're contributing to, via some staff expertise,
10 to a small group or something like that.

11 COMMISSIONER COMMONS: Well, that's not cospon-
12 soring. That's participating. And there's a very big
13 difference when we lend our name and cosponsor a conference
14 or workshop. We had that issue before us just two weeks
15 ago and voted not to have funds, but if we become a
16 cosponsor, there are also could be some legal questions
17 addressed as to what our obligations might be.

18 EXECUTIVE DIRECTOR WARD: I think Commissioner
19 Gandara's request is a fair request, that we at least
20 have some formal policy that is recognized by staff
21 and Commissioners as being the proper mechanism for
22 seeing these things through.

23 CHAIRMAN IMBRECHT: Frankly, I would agree,
24 as well. The press release which he has just shown
25 to me, I'm not aware of this item, either. Cosponsorship

1 of a workshop, Western Area Power Administration. The
2 press release has been issued, and I don't recall --
3 some of those issues come across my desk and I'll acknowledge
4 responsibility for those, but this is one that I'm not
5 familiar with, either.

6 COMMISSIONER COMMONS: Have you approved of
7 us cosponsoring anything that has not been brought before
8 the Commission?

9 EXECUTIVE DIRECTOR WARD: The only thing that
10 I can think of that -- and I'm not sure we're listed
11 as a cosponsor, I think we're listed as a participant
12 or maybe one of the sponsors -- is the RETSIE conference
13 that had been previously -- we had previously been involved
14 in, last August, and that was all participated in before
15 I came to the Commission.

16 COMMISSIONER COMMONS: The what conference?

17 CHAIRMAN IMBRECHT: The Renewable Energy--

18 COMMISSIONER GANDARA: RETSIE.

19 CHAIRMAN IMBRECHT: --I don't recall what
20 exactly all the letters stand for, but it's Renewable
21 Energy Institute something.

22 COMMISSIONER GANDARA: Renewable Energy Technologies--

23 COMMISSIONER COMMONS: Is that the one in --

24 CHAIRMAN IMBRECHT: The one that was in Anaheim,
25 but I think a number of --

1 COMMISSIONER COMMONS: Yes, I would -- if
2 it came up again, I would recommend us not to cosponsor
3 it a second time. I went and attended and I would not
4 encourage this Commission to be a cosponsor.

5 CHAIRMAN IMBRECHT: Okay.

6 COMMISSIONER COMMONS: I --

7 CHAIRMAN IMBRECHT: I would respectfully disagree
8 with that, but in any case, we'll deal with that in
9 due course.

10 Commissioner Schweickart.

11 COMMISSIONER SCHWEICKART: Yes, I just want
12 to add something here. This is something which has
13 been with the Commission for quite some time and unfortunately
14 now, in retrospect, though there are certainly transcripts
15 of business meetings on the subject, I doubt that it
16 was ever put in writing, per se, in terms of a directive
17 nature, but it has clearly been the practice that
18 Commission-cosponsorship of anything is done by the
19 Commission, and I would encourage that that remained
20 the policy, frankly. I think it's very important that
21 the full Commission be involved in anyplace where the
22 Commission's name is actually used as an initiator or
23 a major funder, or even putting its name on something
24 officially.

25 In this instance, I'm familiar again, and

1 unfortunately became aware, through a combination of
2 Commissioner Gandara asking if I knew about this, and
3 finding it in my in-basket at the same time.

4 This same --

5 EXECUTIVE DIRECTOR WARD: Unfortunately, it's
6 difficult for me to respond--

7 COMMISSIONER SCHWEICKART: --public announcement--

8 EXECUTIVE DIRECTOR WARD: --because I have
9 not found it in my in-basket.

10 COMMISSIONER SCHWEICKART: Well, I would frankly
11 like to know who it was, if it was not the Executive
12 Director, who authorized cosponsorship of this particular
13 set of workshops and also, I believe, the ACEEE literature
14 has also indicated cosponsorship by the Commission and
15 the Commission has not dealt with the matter at all.

16 Pardon me, Commissioner Gandara, do you know
17 what ACEEE --

18 COMMISSIONER COMMONS: Let's see, the American
19 Council for an Energy Efficient Economy.

20 MR. RAUH: Perhaps I could plead guilty to
21 both offenses, at least partially. In terms of the
22 WAPA conference, I inappropriately offered the Commission's
23 cosponsorship of that event. It's something that has --
24 we have participated with WAPA in the past. In this
25 instance, it was my impression that the conference which

1 is -- our participation lent some ability to further
2 communicate to local municipalities and municipal utilities
3 which is what the conference is targeted for, so I lent
4 the Commission's name as a cosponsor. Our commitment
5 was simply to provide information, or provide, through
6 our mailing list and our normal publication list, as
7 appropriate, the notification of that conference going
8 on. The purpose of the conference is to provide small
9 municipal utility executives and staff information about
10 energy conservation, third-party finance, and so we
11 provided a speaker, both on third-party financing, and
12 we provided a speaker on the residential building standards,
13 and how a utility can interface with those standards.

14 In the terms of the ACEEE conference, that
15 particular participation was discussed in detail with
16 the former Loan and Grant Committee last year in prepara-
17 tion of the public housing portion of PVEA Fund Program
18 that was discussed earlier with you today. It appears
19 that while we had lengthy discussions with that Committee
20 and this participation was agreed to by the Committee,
21 we did not bring it forward, neither the Committee nor
22 the staff brought it forward to you for formal ratification.
23 And it did come as a surprise to the new Loan and Grants
24 Committee.

25 But, from our perspective, we had discussed

1 it with the Policy Committee, we had not brought it
2 forward to you.

3 And, so that basically, would be --

4 CHAIRMAN IMBRECHT: Commissioner Commons.

5 COMMISSIONER COMMONS: Mr. Ward, what is the
6 status of our cosponsorship of this Alternative Energies
7 Conference? When is it? Where is it? Have we given
8 them something in writing to use our name? Or, how
9 committed are we?

10 EXECUTIVE DIRECTOR WARD: My understanding
11 is that the only thing that we did was provide a mailing
12 for the conference. They simply used our mailing list
13 for the conference in turn for giving us booths for
14 display and the procedure that we followed, which I
15 had to do some investigating on, was identical to the
16 procedure the Commission followed the previous year.

17 CHAIRMAN IMBRECHT: I will take some responsibility
18 along with that. There was some communication to my
19 office and basically the representation was they were
20 asking for the same level of involvement as occurred
21 last year and I, frankly, approved that.

22 I have to say, in retrospect, I understand
23 your concerns and I think that it is appropriate to
24 bring those things to the Commission.

25 COMMISSIONER COMMONS: Is our name attached

1 to this, or is there any way we can withdraw?

2 COMMISSIONER SCHWEICKART: It's happening
3 now.

4 COMMISSIONER COMMONS: It's on right now?

5 COMMISSIONER SCHWEICKART: Well, part of the
6 WAPA conference took place--

7 CHAIRMAN IMBRECHT: No, no, no--

8 EXECUTIVE DIRECTOR WARD: No, no --

9 CHAIRMAN IMBRECHT: --this is the RETSIE conference.

10 COMMISSIONER SCHWEICKART: Oh, the RETSIE,
11 I see. I see.

12 CHAIRMAN IMBRECHT: I think that's coming
13 up in the fall, isn't it?

14 EXECUTIVE DIRECTOR WARD: My recollection
15 is --

16 CHAIRMAN IMBRECHT: The mailings are going
17 out right now or have gone out to --

18 COMMISSIONER COMMONS: I'd like to agendize
19 that for next week, if we may. I don't want to get
20 into the issue today. I think we have a lot of other
21 business and it's not appropriate, but I'd like to have
22 it an agenda item as to our continuing to cosponsor
23 that.

24 CHAIRMAN IMBRECHT: That's fine. There's
25 no financial obligations--

1 COMMISSIONER COMMONS: Okay.

2 CHAIRMAN IMBRECHT: --but I'd be happy to
3 put it on the agenda, if you want.

4 COMMISSIONER COMMONS: Recognizing that I
5 was the prime mover in having it done last time.

6 CHAIRMAN IMBRECHT: Well, you have to understand,
7 to some extent--

8 EXECUTIVE DIRECTOR WARD: Let me --

9 CHAIRMAN IMBRECHT: --you know, we can over-
10 proceduralize every issue and at some point there are
11 things that have to have some delegation to make some
12 decisions and move with some expedition. I don't think
13 that -- and to return to one of the comments you made
14 earlier today, it would be helpful if the five of us
15 had -- to discuss some of these things at times, but --
16 and I, frankly, you know, if there's any responsibility
17 taken here, I'll take the responsibility, in the context
18 of approving what was approved last year with no additional
19 financial commitment involved beyond what occurred last
20 year. The letters were addressed to me and I responded
21 to them, believing it to be consistent with previous
22 Commission action.

23 COMMISSIONER COMMONS: Since I attended last
24 year and had been the prime mover, we may not have had
25 this problem if you had contacted me, and we could

1 have discussed it.

2 CHAIRMAN IMBRECHT: I understand. Very candidly,
3 at some points, there are places, though, where we have
4 to make some decisions and it's a very time-consuming
5 situation to consult on every single issue, but --

6 EXECUTIVE DIRECTOR WARD: Frankly, I would
7 mention here that I was at a bit of a loss, given the
8 presence of the Secretary of Energy and DOE as a cosponsor,
9 and literally every industry involved--

10 CHAIRMAN IMBRECHT: Precisely.

11 COMMISSIONER COMMONS: Well, --

12 EXECUTIVE DIRECTOR WARD: --in renewable and
13 advanced technologies in California. I --

14 COMMISSIONER COMMONS: We may be talking about
15 different conferences. There were two of them in Orange
16 County last year, and one I liked and the other one
17 I didn't like. We may be talking about two different
18 ones.

19 COMMISSIONER GANDARA: You are talking about
20 different conferences, not the RETSIE conferences.

21 CHAIRMAN IMBRECHT: The RETSIE conference
22 is the one that Secretary Hodel spoke at last year--

23 COMMISSIONER COMMONS: I'm not referring to
24 that one.

25 COMMISSIONER GANDARA: That's not the one

1 he's talking about.

2 CHAIRMAN IMBRECHT: Oh, well, then we're not --
3 there's no other conference that I'm aware of in Orange
4 County that we have made any commitment to. This is
5 the large exhibition and --

6 COMMISSIONER COMMONS: No problem with that
7 one.

8 CHAIRMAN IMBRECHT: --conference.

9 COMMISSIONER COMMONS: It's the other one
10 that we cosponsored--

11 CHAIRMAN IMBRECHT: So, then we don't need --

12 COMMISSIONER COMMONS: No.

13 CHAIRMAN IMBRECHT: We do not need to --

14 COMMISSIONER COMMONS: Do not need to agendize
15 that.

16 CHAIRMAN IMBRECHT: All right, fine.

17 COMMISSIONER COMMONS: It's the other one
18 that we cosponsored that I have a problem with.

19 COMMISSIONER SCHWEICKART: Well, excuse me,
20 I really do believe that we need to have, first and
21 foremost, a understanding of how the Commission is committed
22 to anything of this kind, period, across the board.

23 In this specific conference, or conferences
24 at issue, so far, that we've raised, I think we really
25 should take a look at what are we, in fact, now committed

1 to, because, frankly, I'm no longer certain what commitments
2 have been made by whom. And we may be, in fact, in
3 some way, at least in the view of some people outside,
4 committed to many more things than any of us here are
5 fully aware. So, I'd --

6 CHAIRMAN IMBRECHT: Well, let's --

7 COMMISSIONER SCHWEICKART: --like to have
8 a review--

9 CHAIRMAN IMBRECHT: Let's --

10 COMMISSIONER SCHWEICKART: --of what the status
11 is, RETSIE, whether Secretary Hodel is there or whoever.

12 CHAIRMAN IMBRECHT: I'll just state candidly,
13 RETSIE and the heavy oil -- or is that the right description --
14 those are the only two that I'm --

15 COMMISSIONER GANDARA: Well, yes, World Heavy
16 Oil--

17 CHAIRMAN IMBRECHT: World Heavy Oil conference --
18 the only two that I'm aware of that come through my
19 office, and that is also something Commissioner Gandara's
20 familiar with, as Presiding Member of the Fuels Committee,--

21 COMMISSIONER GANDARA: And I will be glad
22 to put that on calendar for next week if somebody wants
23 to.

24 CHAIRMAN IMBRECHT: That there has been approval
25 of --

1 COMMISSIONER GANDARA: In fact, I will do
2 it, since I raised it.

3 CHAIRMAN IMBRECHT: I just did the WAPA thing,
4 as, you know, as clearly been indicated here, I wasn't
5 aware of it, apparently no other Commissioner was, as
6 well. So, --

7 COMMISSIONER GANDARA: Since I started this,
8 let me say again that I didn't raise it because of concerns
9 over any conferences that we have cosponsored. I think
10 it's just a question of procedure, but also, you know,
11 I'm understanding that the need for flexibility and
12 responsiveness and not to over-proceduralize things,
13 and I'm, frankly, willing to consider any proposal as
14 long as we know what it is that we'll be doing. I mean,
15 that is, whether approval by the Commission, delegation
16 to the Executive Director, or delegation to Division
17 Chiefs. I mean, it doesn't -- I mean, I'm just -- I
18 just want to make sure we know what the process is.

19 EXECUTIVE DIRECTOR WARD: I have a sense of
20 your concerns, Commissioner, and I do agree with both
21 yourself and Commissioner Schweickart, that we do need
22 to have at least some semblance or policy here so that
23 the Commission is informed, at least by virtue of the
24 conferences that have any significance at all, that
25 we're lending our name to, on some formalized publication

1 or something like that, that the Commission does have
2 a responsibility--

3 CHAIRMAN IMBRECHT: I'd like to say in all
4 candor there have been a lot of other requests that
5 have come across my desk that I have rejected on the
6 basis of financial commitments that have been asked
7 for, basically; the ordinary circumstance where people
8 request, they want us to fund, in the neighborhood of
9 \$50,000 or more, these conferences, and I think we all
10 know that sometimes that can go well beyond a sense
11 of any balance.

12 In any case, I think you understand--

13 EXECUTIVE DIRECTOR WARD: The direction--

14 CHAIRMAN IMBRECHT: --our concerns.

15 EXECUTIVE DIRECTOR WARD: --is clear.

16 CHAIRMAN IMBRECHT: Okay.

17 EXECUTIVE DIRECTOR WARD: We'll try to do
18 better.

19 CHAIRMAN IMBRECHT: Other issues for the Executive
20 Director?

21 (No response.)

22 CHAIRMAN IMBRECHT: Okay. Let's now turn
23 to Item No. 7, the briefing on the Public Utility Commission/
24 Energy Commission Standard Practices Manual.

25 MR. DANFORTH: Okay, I've got a handout. Does

1 everybody have a copy of that?

2 Yes, it says: Presentation. On the front
3 of it, it says: CPUC Presentation.

4 My name is Chris Danforth. I'm with the California
5 Public Utilities Commission.

6 CHAIRMAN IMBRECHT: Excuse me. Please continue.
7 We're just clearing up --

8 MR. DANFORTH: And I was one of the co-authors
9 of the Standard Practice.

10 Now, I also have about ten copies of the Standard
11 Practice with me in case anybody would like one. If
12 there are not enough to go around, I can take your business
13 cards and mail you one.

14 Let me begin. One of the complicating facts
15 of life is that we're constantly required to make choices,
16 and in the utility industry, we also have the choices
17 and one which concerns us today is the one between conserva-
18 tion and load management programs and traditional energy
19 supply.

20 To help the two Commissions make these often
21 agonizing choices, the conservation staffs of the California
22 PUC and the California Energy Commission have developed
23 a rather elaborate strategy for cost-benefit analysis.

24 This standard practice built upon and consolidated
25 various methodologies that were already in existence

1 prior to its development.

2 At the PUC there were two strategies that
3 were used, one for load management and one for conserva-
4 tion. And at the CEC, a methodology more like the CPUC's
5 load management strategy was being used.

6 The load management methodology was a cost-
7 benefit analysis, whereas the conservation methodology
8 in use at the PUC was a cost-effectiveness analysis.
9 Without going into details, let me just briefly say
10 that it was decided that a cost-benefit approach was
11 more suitable for evaluating both conservation and load
12 management programs.

13 It took about a year to develop this Standard
14 Practice, and in that process, utility comments were
15 solicited, and two workshops were held, with the utilities
16 present, to negotiate differences of opinion.

17 In the handout on page 1, I've included the
18 agenda for the second workshop to give you a flavor
19 of the types of issues that were discussed and had to
20 be negotiated in the process of developing the standard
21 practice.

22 Much of the discussion in developing it revolved
23 around the degree to which the manual could specify
24 how the input should be calculated. In contrast, there
25 was reasonable consensus about which formula should be

1 used and how they should be specified, with the exception
2 of the inclusion of the utility test, which I will discuss
3 later.

4 The PUC's first Standard Practice methodology
5 was developed in 1979 and it recognized that conservation
6 and load management programs or any resource choice
7 did not benefit or cost all people equally.

8 Consequently, the analysis was performed from
9 the viewpoints of four sectors of society: Number one,
10 the participants in the conservation programs; number
11 two, those who do not participate in the programs, but
12 pay for them in their rates; number three, the utility,
13 the focus being its revenue requirements; and number
14 four, the society, as a whole.

15 The current Standard Practice also adopts
16 these four viewpoints for tests.

17 Currently, there is a proposal to add a fifth
18 viewpoint, that of all ratepayers, to the Standard Practice
19 and I will discuss that later.

20 Now, the basic format of the four tests is
21 actually quite simple. And I have a slide and we also
22 have the slide duplicated on page 2 of your handout.

23 Basically, benefits are compared against costs.
24 We can subtract the costs from the benefits and get
25 a net present value, or divide the benefits -- the cost

1 into the benefits and get a benefit:cost ratio. And
2 the Standard Practice requires that both be reported.

3 I won't bore you with all the formulas, however
4 they are reproduced on pages 3 and following of the
5 handout. But, rather just explain to you how the formulas
6 work.

7 The basic benefit of any program is, of course,
8 the energy which is saved. And you'll notice from the
9 handout that -- and the footnotes 1 and 2, that that
10 energy savings is reflected in the benefits in all four
11 tests. If you're a participant, the energy savings
12 makes your utility bill go down. If you're a nonparticipant,
13 or the utility, the utility does not have to purchase
14 supply at margin costs and can pass that cost savings
15 on to the nonparticipant. And society, as a whole,
16 or all ratepayers, similarly experience that benefit.

17 But, of course, benefits are the good news.

18 The bad news is there are also costs. The
19 participant has to pay for the costs of the --

20 COMMISSIONER GANDARA: Excuse me --

21 MR. DANFORTH: --excuse me?

22 COMMISSIONER GANDARA: I have a question.

23 When you have a society/All Ratepayers, I'm not quite
24 sure I understand that. Are you saying that the society,
25 for purposes of the cost-benefit test, is comprised of

1 the universe of all ratepayers? Or, you're saying society,
2 which includes ratepayers and nonratepayers?

3 MR. DANFORTH: Yes. Society does include
4 ratepayers and nonratepayers. The reason why I did
5 it that way is because the two tests are very similar,
6 in terms of their specification, and it turns out that
7 this so-called societal test that the utilities are
8 submitting currently is more like an all-ratepayers
9 test than a societal test, but I'll explain the difference,
10 the similarities and differences when--

11 COMMISSIONER GANDARA: Okay.

12 MR. DANFORTH: --I get into the all-ratepayers
13 test.

14 COMMISSIONER GANDARA: But, essentially you
15 then have five cost-benefit tests, one which is all
16 ratepayers and one which is society?

17 MR. DANFORTH: Currently, we just have four,
18 but we're -- there's a proposal outstanding to add the
19 fifth viewpoint, and that is of all ratepayers.

20 COMMISSIONER GANDARA: Okay.

21 MR. DANFORTH: It's kind of like a mini-societal
22 test, you could call it.

23 COMMISSIONER GANDARA: Okay.

24 MR. DANFORTH: Okay, running down the costs
25 for the participants that have to pay for the cost

1 of the conservation measures, whether it be attic insulation
2 or whatever, it turns out that the case of load-management
3 cycling, the utility pays for the cost of the hardware,
4 so there really are no participant costs in terms of
5 hardware; however, there may be customer discomfort
6 and intangible types of cost which need to be reflected
7 in the formulas. Currently, that's not reflected in
8 the Executive Director's Report for Southern California
9 Edison's, and it's an issue that we've been talking
10 about with the utility in terms of how that could be
11 quantified and in the absence of that quantification,
12 this should be taken into consideration by decision-
13 makers on a subjective level.

14 Nonparticipant has to pay for the program
15 costs that the utility bears, as well as the incentives
16 that go to the participant. In addition, he's got to
17 pay for the participant's bill reduction. In other
18 words, when the participant saves energy, he is not
19 paying as much for the fixed cost of the system, and
20 the nonparticipant has to pick this up.

21 Now, the utility -- we have the utility's
22 program cost. There was not consensus in the development
23 of the manuals as to whether the incentives should be
24 regarded as a transfer payment from the utility's viewpoint,
25 or whether they should be included, and we've left that

1 decision optional on the part of the user.

2 And then we've got the societal test. They
3 pay for both -- well, society's everybody, so they pay
4 both what the participants pay in terms of the measures
5 as well as the utility program cost. And the incentives,
6 legitimately, are a transfer payment from society's
7 viewpoint.

8 COMMISSIONER GANDARA: How were --

9 MR. DANFORTH: Excuse me.

10 COMMISSIONER GANDARA: --were the boundaries
11 of the benefits and costs determined? For example,
12 let's say in the societal test, I could conceive of
13 there being a benefit other than avoided energy and
14 capacity for a program. There could be a benefit of,
15 say, environmental reduction of -- I mean pollutant
16 reduction--

17 MR. DANFORTH: Sure.

18 COMMISSIONER GANDARA: --or I could even get
19 more far afield, and say, for another program, there
20 would be, in effect, a stimulation of the economy in
21 some way, or job creation or -- and on the cost side,
22 likewise, you could say that some program would involve
23 a reduction in some particular industrial activity,
24 and so how were the boundaries determined as to what
25 would be considered a cost and what would be considered

1 a benefit?

2 MR. DANFORTH: Okay. The boundaries are not
3 well spelled out in the Standard Practice.

4 I believe there is a statement that -- my
5 memory's foggy, but there's a statement to the effect
6 that the whole United States ought to be considered
7 the society. But, this was clarified further in the
8 February 24th workshop, and it's not really been formally
9 integrated into the manual, yet, but there are plans
10 to do so, once we get through the Edison rate case,
11 and have a little more time to spend.

12 Basically, Commissioner Commons proposed sort
13 of a three-level type of analysis, society being defined
14 number one, as the entire United States, and number
15 two is the State of California, --

16 COMMISSIONER COMMONS: I think it was -- yes,
17 okay.

18 MR. DANFORTH: --and then number three as
19 being the ratepayers. And then you'd basically be using
20 the ratepayers test.

21 COMMISSIONER SCHWEICKART: But that's the
22 ratepayers of a particular utility?

23 MR. DANFORTH: Right.

24 COMMISSIONER SCHWEICKART: All right.

25 MR. DANFORTH: Correct. Okay, now, at the same

1 workshop, --

2 CHAIRMAN IMBRECHT: Okay, -- I understand,
3 okay.

4 MR. DANFORTH: Okay,--

5 CHAIRMAN IMBRECHT: So subsets of California,
6 basically.

7 MR. DANFORTH: Huh-uh.

8 COMMISSIONER SCHWEICKART: No, the nation
9 first.

10 MR. DANFORTH: The nation, then California, --

11 COMMISSIONER SCHWEICKART: It's California
12 and --

13 CHAIRMAN IMBRECHT: And then the ratepayer--

14 MR. DANFORTH: Of that utility that's being
15 evaluated.

16 CHAIRMAN IMBRECHT: And are we evaluating
17 utilities outside of California?

18 COMMISSIONER SCHWEICKART: No.

19 CHAIRMAN IMBRECHT: I wouldn't think so --

20 COMMISSIONER COMMONS: Right now, Chuck, --

21 CHAIRMAN IMBRECHT: --subsets of California.

22 COMMISSIONER SCHWEICKART: No. What's being
23 said is that in terms of weighing the benefits and costs,
24 that when you get to benefit, generally, but there's
25 some on the cost side, where you look at the societal

1 test, the question is what are the limits of society.
2 And there is a -- there are three different levels:
3 One, you look at the society, as the United States,
4 because you're dealing with a lot of dollars flowing
5 overseas--

6 CHAIRMAN IMBRECHT: I understand.

7 COMMISSIONER SCHWEICKART: The second one,
8 you look at California.

9 CHAIRMAN IMBRECHT: Right.

10 COMMISSIONER SCHWEICKART: And the third one
11 you look at the ratepayers of that utility as the society.

12 CHAIRMAN IMBRECHT: Within California.

13 COMMISSIONER SCHWEICKART: Yes, but I don't
14 think we have any utilities which also have ratepayers--

15 CHAIRMAN IMBRECHT: Right, I --

16 MR. DANFORTH: Well, actually, we do, but
17 I think we'd primarily --

18 COMMISSIONER SCHWEICKART: PP&L, yes.

19 CHAIRMAN IMBRECHT: Exactly, that was --

20 MR. DANFORTH: Yes.

21 CHAIRMAN IMBRECHT: Okay.

22 MR. DANFORTH: I think we'd be limiting it
23 to their California ratepayers.

24 CHAIRMAN IMBRECHT: Okay.

25 COMMISSIONER COMMONS: Let me just clarify one

1 thing here. You have all these tests, which, to me,
2 were lots of confusion, and in trying to cut through
3 it, I said, "Well, I live in a particular community,
4 and if someone proposed a program, I would want to see
5 what I'm paying for, if it helps the ratepayers in my
6 district," and then in going through and finally cutting
7 through this, I found that none of the things that we're
8 doing were the one that I would look at first, which
9 is how does it affect the ratepayers that are paying
10 the bill.

11 And so that's the proposal on the fifth test,
12 which is a ratepayer test. Not meaning to have it displace
13 looking at the broader elements of society, or people
14 that are composed within the ratepayer, those who are
15 participating, those that are not.

16 I don't know if that helps in terms of under-
17 standing.

18 COMMISSIONER GANDARA: I have another question
19 which is -- maybe you'll get to it later in your presentation.
20 If you intend to, fine, I'll wait. But, how do you
21 choose what to apply the test to?

22 MR. DANFORTH: In terms --

23 COMMISSIONER GANDARA: For example, a conservation
24 program? a load-management program? those would be clear
25 things to which you could apply these tests to, but did

1 you apply these tests to your tariff schedules, for
2 example?

3 MR. DANFORTH: No, no, it's --

4 COMMISSIONER GANDARA: Well, did you apply
5 these tests to policies and practices of a utility,
6 for example, do you consider the societal test or the
7 utility test with respect to a decision to say, purchase
8 power versus building generation facilities?

9 I guess the question I'm asking is as far
10 as I understand it, you apply these tests to programs--

11 MR. DANFORTH: Um-hum.

12 COMMISSIONER GANDARA: --certain programs,
13 but then there are other programs that compete with
14 those programs that I don't see you applying those tests
15 to.

16 MR. DANFORTH: Yes, and this is an evolutionary
17 process. This point was brought up in the last February 24th
18 workshop, and I believe it was Rusty Schweickart who
19 brought up the point that we don't use these tests in
20 power-plant siting, and that we, perhaps, ought to be
21 using something like these tests, so then we could be
22 making these decisions on a consistent basis.

23 COMMISSIONER SCHWEICKART: Or for example,
24 power plant retirement policy, which is a sort of single
25 convertible example.

1 MR. DANFORTH: I think the thing is that this
2 methodology evolved in the context of conservation programs
3 and now, since it's fairly new, I guess one can't expect
4 it to yet be applied everywhere, but it certainly wouldn't
5 bother me at all if its domain was expanded.

6 COMMISSIONER GANDARA: Well, I can understand
7 that, but the reason I asked the question is because
8 to some extent I've been concerned that what I have
9 seen in some recent decisions has been a denial, say,
10 or -- of a full-funding request or modification-funding
11 request based on a, for example, and nonparticipant
12 test. And, so in a way some of these decisions seem
13 to orient toward a near-term least-cost strategy, which
14 may be the decision that one may ultimately come to
15 on a different policy basis, but it raises in my mind
16 whether, in fact, we are burdening a particular set
17 of activities or programs by a quantification and tests
18 that we're not applying to other policies or programs
19 that, in fact, may have been the original reason why
20 we developed alternative approaches to the situation.

21 MR. DANFORTH: Yes, that's correct, and I
22 think we do need to look into expanding the domain of
23 the analysis to take in these other things.

24 COMMISSIONER GANDARA: Well, I guess what
25 I was suggesting, not so much also expanding the domain

1 of the analysis, I would agree with that, but also tempering,
2 to some extent, the applicability of some of these tests
3 in kind of a sense of fairness that what we're doing
4 here is that we're measuring the measurable until we--
5 holding it accountable, while the unmeasurable that
6 where maybe, where we have the problems, is going by
7 unreviewed. And I'm not sure it's a process that you
8 can incrementally go through, or whether it is something
9 that as you go through you temper those decisions where
10 you, instead, say maybe we need to hold that in abeyance
11 and decide these questions on a policy basis just as
12 much as we'll decide the other ones.

13 MR. DANFORTH: Yes. Yes, I don't know what
14 the answer to that is, --

15 COMMISSIONER SCHWEICKART: Well, I think we
16 had the answer to a certain extent. It's a very generic
17 statement, Commissioner Gandara, but I think in the
18 workshop that I attended, which, by the way, I was quite
19 impressed in many different ways, including the very
20 broad participation. Just about all the major utilities
21 were there at the Southern California workshop, as were
22 some of the appliance manufacturers, and I thought that
23 the level of discussion, technical discussion, along
24 these things was quite good.

25 We got into some policy discussions, as well,

1 and I think the coverage there, and I hope Chris gets
2 into some of the options that we're going to leave for
3 utilities, but the -- in this particular area, I think
4 we have to recognize that good, high-quality assessment,
5 along the lines outlined here, should serve to better
6 inform the decision-makers who must also include these
7 other factors.

8 And we, I think, should not attempt to write
9 equations and substitute an algorithm for a Commissioner.
10 Nevertheless, a Commissioner may be well informed by
11 a good analysis such as this.

12 So, there is, I don't believe -- I think one
13 has to put them in perspective, but it's not either/or,
14 it's we do need this kind of good information and make
15 sure the tests are well designed, and then apply other
16 factors.

17 COMMISSIONER COMMONS: For example, we rejected
18 the concept that you should weight one test vis-a-vis
19 the other test, or that you had to have a particular
20 score on a particular test. Rather, the purpose was
21 to provide information methodologically in a consistent
22 vein in looking at different programs so that the decision-
23 makers could apply judgment, but based on consistent
24 presentation of that information.

25 COMMISSIONER GANDARA: I think that's the

1 appropriate thing to do. Certainly, I wanted to express
2 at least, being an old quantitative analyst, that I
3 think there are limits to quantitative methodology and
4 that far too often I think I've seen in our drive towards
5 scientific empiricism, the idea that too often numbers
6 rule, you know, because one has a faith in that which
7 is quantifiable versus, even though we may not be precise,
8 versus something else which is --

9 COMMISSIONER SCHWEICKART: No, asignificant--

10 COMMISSIONER GANDARA: But, anyway, continue.

11 -

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25 (Nothing omitted - continued on page 108.)

1 MR. DANFORTH: Okay. Let me say two things,
2 one about the utility test and the nonparticipant test,
3 and then I'm going to go on and discuss what happened
4 in the San Diego and PGandE rate proceedings the dates
5 revolving around the nonparticipant test.

6 The utility test is optional in the standard
7 practice, and, as I mentioned, there was some discussion
8 concerning its inclusion in the manual. It's optional
9 because it reflects more or less impacts similar to those
10 reflected in the nonparticipant test. And the nonpartici-
11 pant test reflects the impact on rates, whereas the utility
12 test reflects the impact on revenue requirements. Now,
13 apparently we have a situation where conservation reduces
14 revenue requirements, but increases rates because the
15 sales base over which the revenue requirements are being
16 spread is falling faster than the revenue requirements
17 themselves.

18 So, owing to that fact, it may behoove the
19 utilities to perform both tests; however, the utility
20 test is still optional.

21 Now, with regard to the nonparticipant test,
22 let me indicate that in regard to load management programs,
23 most of those passed the nonparticipant test; where,
24 generally, conservation programs will fail the nonpartici-
25 pant test.

2

1 Load management programs merely, in most cases,
2 shift the load, and, therefore, there's little or no
3 revenue loss that accrues from these programs that has
4 to be made up on the nonparticipant; whereas, conservation
5 programs do result in a revenue loss. This relative
6 advantage of load management programs over conservation
7 programs is one that needs to be taken into consideration
8 in evaluating load management.

9 Though the dilemma of the nonparticipant
10 is not particularly germane, therefore, to load management,
11 I am going to spend quite a bit of time discussing this
12 nonparticipant test, because it's a hot issue and was
13 covered, to a large degree, in the PGandE and San Diego
14 rate cases. Also, this discussion will set the stage
15 for a discussion of the all-ratepayers test.

16 The issue of the nonparticipant has been at
17 the center of the stage for the last year or two. We
18 used to have the utility in the situation where everybody
19 came out ahead, even the nonparticipant, because the
20 cost of new supply was higher than the combined cost
21 of the revenue loss and the program cost. The new supply
22 and the value of new supply was measured using marginal
23 cost, and this revenue loss was measured using average
24 cost. And marginal cost exceeded average cost by a healthy
25 enough margin to pay for the program, as well as to make

3
1 up the revenue loss. But, then, things started changing
2 and the forecasters started monkeying around and now
3 they tell us that average costs are higher than marginal
4 costs, in some cases by a considerable margin. And so,
5 our utopian world, which actually gave rise to utility
6 financed conservation programs seemingly slipped away
7 swiftly and left us without a leg to stand on, and it
8 raised big questions in everybody's mind: Are utility
9 ratepayer financed conservation programs necessary or
10 justified?

11 And the economists and the engineers and policy-
12 makers and utilities went back to their drawing boards,
13 different people came out with different ideas, and the
14 CPUC Commission had quite a menu of ideas to choose from
15 in the last two rate cases. And I have a slide that
16 concerns that, and that's reproduced on page 10, and
17 that summarizes very briefly what the different witnesses
18 in these rate cases were advocating.

19 I'm going to summarize these positions myself
20 very quickly, so if some of the positions are not adequately
21 described, I hope that people who believe in those posi-
22 tions don't feel I'm slighting them.

23 But, in my opinion, the most extreme position
24 came out of San Diego Gas & Electric. Their witness
25 said on the witness stand that no impact on the

4 1 nonparticipant is justified. In fact, he said if the
2 nonparticipant has to pay as much as one penny, the program
3 is not justified, regardless of the results of the other
4 three tests.

5 Bill Ahern, who is the director of our utilities
6 division at the PUC, came up with a more middle-of-the-
7 road, stay-the-course philosophy. He argued that long-
8 term price and energy forecasts are volatile and can
9 change quickly and put us back into our utopian world
10 again.

11 The Energy Commission had a -- came in with
12 a very similar type of argument, though they argued for
13 expansion of the programs in the PGandE rate case. Sandy
14 Miller said that, in his exhibit, the conservation programs
15 are not like a water tap that you can turn on and off
16 as economics and social needs change. Utilities incur
17 substantial start-up costs each time the infrastructure
18 has to be dismantled and reassembled.

19 George Amaroli, who is my boss, came up with
20 a brilliant way to restore this utopian, no-losers world,
21 independent of the marginal average cost forecast, which
22 he, being an engineer, was quite glad to do, and he
23 introduced this into the SDG&E rate proceedings. He
24 noted that there are programs where participation is
25 broad enough and benefits large enough to pay for the

1 costs of all the other programs. And the two programs
2 he focused on were conservation voltage regulation, where
3 everybody's got to participate because the utility make
4 the improvements in its own utility system, and the pilot
5 light turnoff program, where surveys indicate about 70
6 percent of the residential users participate by turning
7 off their pilot light.

8 Then last, but not least, yours truly jumped
9 into the game with quantitative estimates of externalities
10 and intangibles and managed to confuse everybody, but
11 I had lots of reasons to continue conservation programs,
12 and my arguments revolved around three major areas.

13 First, the four parties of the four tests are
14 not mutually exclusive. Meaning, you can't elevate one
15 test as being the necessary prerequisite that must be
16 passed before we'll even consider the other three tests.
17 Nonparticipants are members of society and are affected
18 by society.

19 Second, the computational strengths and weak-
20 nesses of the four tests need to be considered. And
21 in the PGandE exhibit, I had some discussion as to why
22 I felt the nonparticipant test was more subject to error
23 than the other tests.

24 Third, the magnitude of the impacts of the
25 four tests must be kept in perspective. Maybe societal

6 1 benefits should be given highest priority if the impact
2 on nonparticipants is small. Whether a first-year utility
3 bill increase, ranging from 75 cents for PGandE to \$1.70
4 for San Diego Gas & Electric per month, for the average
5 residential customer, is a tolerable burden on the rate-
6 payer who participates in no program at all is a policy
7 decision that had to be made.

8 Now, another aspect of the relative magnitudes
9 of these impacts and the interaction of the test is how
10 many people truly are not -- do not participate in any
11 program. PGandE marketing research indicates that only
12 25 percent of residential customers never participated
13 in a conservation program. Others are participants and
14 they have the benefits from their participation to offset
15 the rate increases from these programs.

16 So, what did the Commission make of all this --
17 COMMISSIONER COMMONS: Well, before you move
18 on --

19 MR. DANFORTH: Yes.

20 COMMISSIONER COMMONS: Let me make a comment
21 here. One of the things, when you look at these arguments,
22 is the whole problem was they didn't have a ratepayer
23 test and so they were trying to jump through hoops in
24 terms of trying to figure it out. If you look at it
25 and you say, well, you have a ratepayer test, well, you

7

1 have two groups of ratepayers: One is you have participants,
2 and the other you have as nonparticipants. And you set
3 up a program and you're spending money, there's an equity
4 issue: You don't want the nonparticipants to have to
5 pay the total cost of the program for the participant.
6 And, so, rather than calling the nonparticipant or
7 participant a test, all that really is is an equity
8 question, as how do you set rates. So, if you have a
9 program that makes sense, meets the ratepayer test and
10 you otherwise like it, then it's an equity issue as to
11 sharing the benefits and the costs so it's fair among
12 all the ratepayers in the utility. And the whole problem
13 here came as someone came up with this idea that you
14 have a participant and a nonparticipant as a test; no
15 one said, hey, we're ratepayers in a utility district,
16 that's an equity issue of nonparticipants/participants.
17 And not having this, that's why we have those hoops,
18 I think, that we're trying to jump through there, rather
19 than just cutting through it and saying here's what the
20 problem is.

21 MR. DANFORTH: Okay. So, let me just briefly
22 say what the two decisions on San Diego and PGandE said.
23 Both decisions explicitly stated that exclusive reliance
24 should not be placed on the nonparticipant test. However,
25 it's obvious that, and even explicitly stated in the

8
1 PGandE decision, that the nonparticipant test was an
2 important factor in determining overall funding levels
3 that would be authorized.

4 As far as actual policy statements, the PGandE
5 decision stated that exclusive reliance on the non-
6 participant test would lead to another inequity, namely,
7 programs could be dramatically curtailed before the non-
8 participants have had an opportunity to participate.

9 At the same time, however, the decision also
10 stated that we will never achieve 100-percent participation
11 owing to sectors that are difficult to reach; therefore,
12 the Commission must still be sensitive to how conservation
13 programs impact those sectors and the overall funding
14 levels we're authorized reflected this fact.

15 The San Diego Gas & Electric decision laid
16 out seven policy criteria, which I have reproduced on
17 page 11 of the handout, and basically they relate to
18 the relationship between new programs and existing programs,
19 and I will let you read those at your leisure.

20 These issues surrounding the nonparticipant
21 test subsequently gave rise to the proposal, as Commissioner
22 Commons indicated, for a fifth test, the all-ratepayers
23 test. This test basically is the arithmetic addition
24 of all the terms in the participant and nonparticipant
25 tests, and let me show that to you.

9 1 You see what the participant and the non-
2 participant tests look like. Now, if you were to add
3 all those together, some of the terms would cancel out.
4 So, what you're left with is the terms that are basically
5 in what I call society/all-ratepayers test.

6 COMMISSIONER COMMONS: Chris, in society/
7 all-ratepayers test --

8 MR. DANFORTH: There's a tax credit thing,
9 yeah, it will be different in the treatment in the two,
10 yeah. Okay.

11 Basically, the difference between the society
12 and the all-ratepayers test would be the treatment of
13 a tax credit, and also quantification of certain inputs.
14 If there's a difference between societal marginal costs
15 and ratepayers marginal costs, then the two different
16 cost frames would be included in the two different tests.
17 If the discount rates for the two groups are different,
18 those would be different. But the actual formulas would
19 be very similar, except for the tax credit thing.

20 COMMISSIONER COMMONS: Also, I think on the
21 society, when we said the Public Utilities Commission
22 at your shop, or here, as the California Energy Commission,
23 we are still concerned for the State of California and,
24 of course, our country; and so the societal test allows
25 us to take into consideration the interests of our

10

1 community at large to make sure that in taking an action
2 concerning a particular utility area that we're not injuring
3 or not taking into consideration all people in the state.
4 I think that's the broader differentiation, is we're
5 not a cup for the City of Los Angeles and only interested
6 in the City of Los Angeles; we also have a responsibility
7 to our state and to our country.

8 MR. DANFORTH: Okay. And including a separate
9 all-ratepayers test, even though it looks a lot like
10 the societal test, will allow those differences from
11 different viewpoints to be formalized and represented more
12 explicitly.

13 The addition of this test was proposed owing
14 to a perceived need to rank and evaluate programs and
15 opportunities from the viewpoint of all ratepayers in
16 developing a least-cost resource strategy. If this least-
17 cost resource strategy involves equity impacts judged
18 to be serious, it could be modified. The starting point,
19 however, would be the benefits and costs of a strategy
20 to all ratepayers. The impact of any modification on
21 the benefits and costs to all ratepayers would be weighed
22 against a reduction in the equity impact that might
23 occur. But the truth of the matter is, that no matter
24 what we do, there will always be equity impacts. If
25 building power plants is still more expensive than

1 conservation from a revenue requirement standpoint, then
2 doing away with conservation programs is unfair to
3 participants. Our goal should be to pursue a least-
4 cost strategy for all ratepayers and not just the non-
5 participant.

6 One final point to remember is that there are
7 no nonparticipants when a utility must add in a power
8 plant sometime in the future. The cost of that plant
9 will be rolled in and all customers will have to pay
10 for it. Conservation programs which delay the need for
11 such power plants should be compared on an equal footing
12 and not exclusively on a nonparticipant basis. The all-
13 ratepayers test appears to be the best portrayal of the
14 real interests of the ratepayers.

15 COMMISSIONER SCHWEICKART: Before we started
16 on any other discussion, I'd like to, number one, again
17 give my cudos to the PUC staff and to the Energy
18 Commission staff on the work that's been done in trying
19 to both come together jointly in establishing the funda-
20 mental analytic basis on which these evaluations can
21 be made, because often things of this kind underlie some
22 of the apparent philosophical differences without ever
23 being explicitly stated; and, so, it's very helpful,
24 I think.

25 And, secondly, as an organizing element, as

1 an organizing concept, grappling with some of the implica-
2 tions that are contained in these equations, frankly,
3 forces one often to think about matters of principle
4 which would not otherwise necessarily come to one's atten-
5 tion. And I found that to be the case in the workshop
6 in Southern California, and I was frankly quite engaged
7 by a comment made after some of the presentation, I
8 unfortunately wasn't there for the afternoon session,
9 but Commissioner Commons made a statement which was rather
10 bold on its face, but I thought, at the same time, worth
11 really grappling seriously with, namely: that we are
12 fundamentally dealing with a Commission in terms of the
13 Energy Commission, in which we are dealing with the society
14 or the all-ratepayer, as the sort of smallest group;
15 the PUC, on the other hand, as a rate-setting body, deals
16 very much with the participants and nonparticipants,
17 as well as, let's say, with the society as a whole. From
18 some of that, Commissioner Commons threw out a policy
19 idea which was that the decision on going ahead with
20 whether it's a load management or a conservation program,
21 or perhaps, although he didn't say it at that time, a
22 power plant or any other means of providing energy for
23 society should be decided on the basis of the societal
24 and all-ratepayers tests, but that the rate-setting
25 responsibilities of the PUC should be informed by the

1 participant and nonparticipant. In other words, that
2 once something is seen as beneficial to the society or
3 to the ratepayers as a whole, and is decided, then the
4 fundamental issue of equity between various classes of
5 ratepayers should be handled within the various mechanisms,
6 frankly, available to the PUC in terms of that overall
7 balancing of revenue requirements of the utility. And
8 although, as I said, I think that's perhaps a little
9 too bold left at that simplistic level, it nevertheless
10 is a rather, I found it to be a rather interesting yard-
11 stick which I think we need to all grapple a bit with.
12 One could, in fact, not deal -- let me put it this way.
13 If one had mechanisms for totally shaping the revenue
14 requirements through the society, then one would not
15 have to look at the participant/nonparticipant equity
16 issues within any single program, but rather, taken as
17 a whole, insure that there is a balance of benefits and
18 costs among the society through those overall rate-shaping
19 mechanisms and not in particular with any one program,
20 because one class may subsidize another in this program,
21 and in the second program the subsidy may run exactly
22 the opposite way, and there's probably a third, fourth,
23 eighth and nth cases, where there are all sorts of cross-
24 subsidies. And in the end, what fundamentally one needs
25 to do is insure that there is equity in the totality of

1 energy costs.

2 So, the concept I thought was very interesting
3 and I thought I'd just throw that out, while that's not
4 part of the standard practices, in some sense, conceptually
5 it's something which we have to grapple with in terms
6 of the decision-making process in these programs and
7 the responsibilities of the two agencies.

8 VICE CHAIRMAN GANDARA: Thank you. Are there
9 any other questions, comments? Let me ask a question
10 then -- I'm sorry. Commissioner Commons?

11 COMMISSIONER COMMONS: Go ahead, I just wanted
12 to talk when we've finished.

13 VICE CHAIRMAN GANDARA: I notice in your seven-
14 policy criteria that the first item is "Continue government-
15 mandated programs." I'm not exactly sure how broadly
16 that was meant, but let me ask the question and see.

17 Under your analysis, how do the applicance
18 rebate programs stand up with respect to the nonparticipant
19 tests that have become predominant in this past year?

20 MR. DANFORTH: Well, they would fail the non-
21 participant.

22 VICE CHAIRMAN GANDARA: They would fail?

23 MR. DANFORTH: Yeah.

24 VICE CHAIRMAN GANDARA: So, in a sense, then,
25 it's kind of interesting to me, because, again, withdrawing

1 from the detail here, what we have is at least a concern
2 developed over the past year over -- or it's perhaps
3 a disillusionment or a concern over the financial incen-
4 tives programs that the PUC has been, to some extent,
5 permitting, and a rise in the interest in the financial
6 incentives programs here at the Energy Commission. So,
7 we may in fact be moving in counter-flows again. So,
8 at least with respect to appliances then, a policy of
9 efficiency improvements through standards then would
10 essentially be -- meet your equity concern that you
11 reflected on in your last comments, whereas a movement
12 toward the financial incentives would essentially be
13 a movement in the other direction and also probably not
14 meet the nonparticipant test?

15 MR. DANFORTH: That's a difficult question,
16 because, you know, on the one hand I could say that if
17 you make it a regulation that any refrigerator sold has
18 to meet certain standards, then by that definition there
19 are not going to be any nonparticipants, because whoever
20 buys a refrigerator, you know, any refrigerator sold
21 has to meet those standards, and the person who is paying
22 for that increase in quality in the refrigerator is the
23 person who's buying it.

24 But then the big question is, well, how high
25 do you make the standards; are they going to be so high

1 that somebody, say, in a lower income bracket who has
2 very high discount rates, it's not going to be cost-
3 effective to him to buy a refrigerator that is that energy-
4 efficient. It would be better for him to buy something
5 that was less energy-efficient.

6 You know, so are you impacting a sector of
7 society which has high discount rates, personal discount
8 rates by making the standards too high.

9 VICE CHAIRMAN GANDARA: I guess I'm interested
10 in what the -- at least since you are one of the witnesses
11 and I guess would be involved in this kind of analysis,
12 I believe that Mr. Ahern puts forth a regular report
13 to the Commissioners, I don't know whether it's a monthly
14 report or a quarterly report on the kinds of status of
15 utility trends, and so forth and so on. And I noticed
16 several months ago that he did express some concern over
17 the relatively low level of replacement of the appliance
18 stock and penetration of the energy-efficient stock in
19 the appliance area.

20 And, yet, we here at the Energy Commission
21 in doing our five-, 12- and 20-year forecast have estimated
22 that in the separation of conservation reasonably expected
23 to occur, as well as additional achievable conservation,
24 it's the greatest single source for energy conservation
25 in the future; that is, not the standards -- but they

1 could potentially be undertaken on a policy basis as
2 in the appliance category area.

3 So, what we have here is kind of, at least
4 an analysis. At one point it says the replacement of
5 appliance stock has been at a very low level, and, on
6 the other hand, the analysis says that the greatest poten-
7 tial efficiency lies in that area, and, yet, rebate programs
8 clearly, you know, might not meet this nonparticipant
9 test. So, how is that being addressed?

10 MR. DANFORTH: Well, let me point out that
11 when you have marginal costs higher than -- or lower
12 than average costs, virtually any conservation program
13 is going to fail a nonparticipant test.

14 The only thing that could really save a
15 conservation program is if it had capacity benefits,
16 and residential users don't pay a separate capacity charge,
17 demand charge. So, if you have something like, under
18 more efficient air conditioning, an air conditioner which
19 is used on peak, or something that contributes so substan-
20 tially to base load that it will have an effect on peak
21 as well, such as a refrigerator, that program, though
22 it fails the nonparticipant tests, would probably fare
23 better by that test than some other conservation program
24 that has very limited load management benefits.

25 VICE CHAIRMAN GANDARA: Thank you.

1 CHAIRMAN IMBRECHT: Commissioner Commons?

2 COMMISSIONER COMMONS: Well, there are two
3 purposes in having our staff and the PUC staff come before
4 us. First of all, next week we're going -- or two weeks,
5 at our next meeting, we'll have before us the Southern
6 California Edison load management recommendation and
7 it was our thought that it would be helpful to all the
8 Commissioners to get an understanding of the methodology
9 that's being employed in the interrelationship with the
10 Public Utilities Commission. And, also, following this,
11 we've asked that Southern California Edison give us a
12 presentation on their load management, so that we'll
13 have more time at next week's meeting to discuss the
14 specific program and recommendations before us.

15 But the other purpose of this is, the Committee
16 would like to seek the advice of the Commission as to
17 where they would like us to go from here, and that probably
18 goes back to some of the earlier conversations that we
19 had today, if we're employing methodology, should it
20 be methodology that has been developed and agreed on
21 by the staff, approved by the Committee or approved by
22 the Commission. But it would be my hope or intent, if
23 this is concurrent with the wishes of the other
24 Commissioners, is we will have an order instituting rule-
25 making on load management that will come before us at

1 our next business meeting in terms of the role of this
2 Commission in load management and also we can look at
3 the procedures that we have employed in terms of a process;
4 and that part of that be to take the standard practice
5 manual, as revised through earlier workshops, and hold
6 hearings on that, so that the utilities and others can
7 comment and bring it back to the Committee and then to
8 the Commission and allow the Commission the opportunity
9 to adopt, reject or modify the methodology that we use
10 in terms of looking at these type of programs.

11 But, essentially, before we wanted to go any
12 further than we've gone today, we really wanted to get
13 some advice from the Commission as to how they would
14 like us to proceed.

15 And if you want to hold that until two weeks,
16 when we bring the OIR, that's also fine. But we just
17 don't want to move beyond what the rest of the Commission
18 would like us to do, and we'd also like to know at what
19 level you want to have these type of methodologies
20 approved. My personal belief is that methodologies should
21 be approved by the Commission that are being used in
22 presenting information to us.

23 CHAIRMAN IMBRECHT: Any thoughts on Commissioner
24 Commons' discussion.

25 VICE CHAIRMAN GANDARA: For the OIR?

1 CHAIRMAN IMBRECHT: Yes, I would suggest we'll
2 resolve it in two weeks when it's before us. This is
3 a matter of first impression I think for all of us and
4 I'd like to talk to you about it personally.

5 Mr. Cohn?

6 MR. COHN: Regarding the OIR, it has been
7 delivered to the secretary, so that would be placed on
8 the April 4 business meeting agenda.

9 COMMISSIONER COMMONS: Could we make sure we
10 sequence both those load management issues in the afternoon
11 and take care of the Southern California Edison rate
12 case first and then the OIR subsequent, so we can give
13 a courtesy to those who are coming before us?

14 CHAIRMAN IMBRECHT: Yes. I'm sorry, I was
15 reading.

16 Okay. Does that concludes this?

17 VICE CHAIRMAN GANDARA: That concludes it.
18 I just want to thank Mr. Danforth.

19 CHAIRMAN IMBRECHT: Yes, thank you.

20 VICE CHAIRMAN GANDARA: Most interesting.

21 CHAIRMAN IMBRECHT: Thank you very much, appreciate
22 the presentation.

23 The next item as we move through this, Commission
24 briefing on the Southern California Edison load management
25 program, item No. 8. Commissioner Commons, do you have

1 anything you'd like to lead off on? It's your Committee's
2 request, I believe.

3 COMMISSIONER COMMONS: I think my previous
4 comments included this.

5 CHAIRMAN IMBRECHT: All right, fine.

6 MR. GARDNER: Mr. Chairman, members of the
7 Commission, I'm Mike Gardner with Southern California
8 Edison. I have with me this afternoon Mr. John Ballance,
9 who is our chief generation planning engineer, who will
10 describe how the Edison Company treats load management
11 from a resource planning viewpoint, and Mr. Greg Rogers,
12 who is our manager of load management, who will give
13 you a brief overview of the individual load management
14 programs that the company is pursuing. And I think as
15 soon as we have the slide projector set, we're set to go.

16 MR. BALLANCE: Thank you very much for the
17 opportunity to come before the Commission.

18 The purpose of my part of this presentation
19 is basically to describe the role of load management
20 in Edison's generation of resource planning. By way
21 of background, I wanted to start out with this portrayal
22 of the Edison's system load factor.

23 Load factor is a measure of the utilization
24 of the generating system. Basically, it's the ratio
25 between the energy which is sold and the peak demand

1 incurred on the system. A higher load factor is directly
2 correlated with a higher and more efficient utilization
3 of the generating resources, and a lower load factor
4 corresponds to a lesser utilization of the facilities.

5 Back in 1970, or since 1970, we've watched
6 the load factor on our system drop almost every single
7 year to the point where it has declined from 70 percent
8 in 1970 down to about 56 percent right now. This decline
9 has been in large part due to the growth of air conditioners
10 in our -- the hot portions of our service territory.
11 The air conditioners contribute a great deal to our summer-
12 time demand, but consume relatively little energy.

13 Back in 1975, after watching this declining
14 load factor for three or four years, we adopted a load
15 management program aimed at trying to arrest the decline
16 in the load factor by shifting load out of the peak load
17 periods into the shoulder and off-peak hours.

18 This chart portrays our recorded load management
19 up to 1982; and '83, by the way, was about 56 percent
20 also. And it also illustrates where we think our load
21 factor will go with the implementation of the load manage-
22 ment programs we have included in our resource plan.
23 The orange line on the bottom reflects where the load
24 factor would go were we to cease all of our load management
25 activities.

1 Next slide, please. Focusing on the peak demand
2 portion of the load factor equation, which is the portion
3 that we're actually manipulating with load management,
4 we --

5 VICE CHAIRMAN GANDARA: How accurate is that
6 line, the unmanaged load factor?

7 MR. BALLANCE: It's stylized, totally stylized.
8 The growth rate of 2.4 percent is what we believe the
9 unmanaged growth rate would have been over the period
10 1980 to 1993, had we done no load management.

11 VICE CHAIRMAN GANDARA: How do you estimate
12 that?

13 MR. BALLANCE: Basically, with our forecasting
14 tools. I think I can speak more directly to your question
15 in just a moment.

16 VICE CHAIRMAN GANDARA: Okay.

17 MR. BALLANCE: We have in place right now 520
18 megawatts of load management, which is effectively shifting
19 load out of the on-peak period. In 1981, we adopted
20 a managed growth target of 2 percent. We basically said
21 that we can afford to construct capacity to serve a 2-
22 percent load growth and we will implement load management
23 to keep the peak demand growth down to 2 percent. That
24 means, in order to meet our goal by 1993, we will have
25 to add 860 megawatts of additional load management and

1 retain the 520 that we have in place.

2 Now, Commissioner Gandara, in partial answer
3 to your question, the 2 percent managed growth target
4 that we've been utilizing for the last three years is
5 very consistent with what this Commission adopted in
6 its last biennial report. I believe the adopted growth
7 rate for Edison for the period through 1994 was 2.07
8 or 2.08. And on a consistent definitional basis, they
9 really are exactly the same.

10 Furthermore, in the biennial report the
11 Commission adopted a load management number for Edison
12 of about 800 megawatts through -- in place by 1993.

13 Now, at the risk of confusing you just a little
14 bit, what we call load management is just a little bit
15 different than what the Commission called load management
16 in the biennial report. We include one more category,
17 a cogeneration installed by a customer for his own use.
18 On a comparable basis, the biennial report adopted about
19 800 megawatts of load management; counting the same programs,
20 we've got a little bit over 1,000 megawatts of load
21 management. Okay. Fairly consistent.

22 Next slide please. Just to indicate how this
23 2 percent growth target is working, the blue line
24 represents the 2 percent growth trend. We exceeded that
25 in 1981, dropped back down below it in '82 and are coming

1 up on a nice consistent track in 1983.

2 COMMISSIONER SCHWEICKART: Is weather adjusted?

3 MR. BALLANCE: No, they're not.

4 COMMISSIONER SCHWEICKART: Not?

5 MR. BALLANCE: Eighty-one is high largely because
6 of weather. Okay, '82 and '83 were reasonably normal
7 peak load periods. During this period, our load
8 management has grown about 200 megawatts. So, it's been
9 active and holding the growth down to the 2 percent level.

10 VICE CHAIRMAN GANDARA: Since you include
11 load management in -- I'm sorry, cogeneration in your
12 load management categories, if you take the Commission
13 projection of your load management programs, those in
14 the same categories, plus the expectation in the cogenera-
15 tion area, does it also come out comparable to the numbers
16 you have there?

17 MR. BALLANCE: If I took the cogeneration that
18 we anticipate and added it to what the Commission adopted,
19 the number would be about -- about 1,080 megawatts, 1,090
20 megawatts, compared to the 1380 that we've got in our
21 program; again, very comparable.

22 VICE CHAIRMAN GANDARA: Okay. So, fairly
23 comparable, but the difference there, as I recall from
24 your earlier numbers, is largely because you project
25 greater penetration of load management, in the categories

1 that we do have similarly, you project a greater penetration.

2 MR. BALLANCE: Yes. Yes, we are projecting
3 a greater penetration of load management than was adopted
4 in the biennial report.

5 Our resource planning strategy basically uses
6 five options, five resource options, in order to serve
7 our forecast load. The first option is completion of
8 the nuclear plants that are already under construction.
9 As you know, San Onofre Unit II is on line, Unit III
10 is nearly on line, and the three Palo Verde units are
11 well into construction.

12 The second option is utilization -- sorry?

13 CHAIRMAN IMBRECHT: May I just inquire on that?

14 MR. BALLANCE: Sure.

15 CHAIRMAN IMBRECHT: That would be basically
16 San Onofre III?

17 MR. BALLANCE: This number represents San Onofre
18 III, plus our share of the three Palo Verde units.

19 CHAIRMAN IMBRECHT: Oh, all right, fine. I
20 was -- excuse me.

21 MR. BALLANCE: Plus the shares that belong
22 to the resale cities in our service territory.

23 CHAIRMAN IMBRECHT: I understand. Okay.

24 MR. BALLANCE: This is over the 10-year period,
25 '84 to '93. Okay.

1 The second option in our five-part strategy
2 is power purchases, basically making -- taking economic
3 advantage of the surpluses that are available in other
4 areas. We've got nearly 1400 megawatts of additional
5 power purchases identified in the next 10 years.

6 The third category is the development of renewable
7 and alternative resources. Nearly 2200 megawatts in our
8 current plan of emerging technologies, plus hydro and
9 cogeneration.

10 The fourth alternative or the fourth option
11 is load management, and we consider it just like a
12 generating resource, and we have 860 megawatts of addition-
13 al load management in our load and resource plan.

14 And the fifth option is the retirement or removal
15 from service of economically obsolete oil and gas units.

16 Our current plan for the next 10 years is
17 to build or buy 5,060 megawatts of generating resources
18 and to implement an additional 860 megawatts of load
19 management.

20 VICE CHAIRMAN GANDARA: I'm confused a little
21 bit here.

22 CHAIRMAN IMBRECHT: Can you back up there?

23 MR. BALLANCE: Sure.

24 VICE CHAIRMAN GANDARA: I thought you were
25 taking your load management into account in demand

1 reduction --

2 MR. BALLANCE: It is.

3 VICE CHAIRMAN GANDARA: -- as opposed -- but
4 here you've indicated it as a resource addition, and
5 I'm thinking a bit back of the old discussions of
6 conservation as to whether that should be on the demand
7 reduction side or the conservation -- or the supply side,
8 and how that wound up being apportioned by that
9 conservation reasonably expected to occur and that
10 additional achievable conservation.

11 So, my question is, I can understand how it
12 could show up on one side or the other, but you show
13 it in both categories.

14 MR. BALLANCE: I'm sorry, I didn't mean to
15 confuse you. In order to achieve our 2 percent managed
16 growth we do need to take some action to make this
17 additional load management happen. We have for a number
18 of years considered load management like one of our
19 resource options, and, in fact, have used load management
20 as a resource, if you will, and I'll put quotes
21 around that, tool to manage our load growth down to the
22 2 percent level. I'm not trying to count it on both
23 sides, but merely to portray on this chart all of the
24 things that we have planned for the next 10 years: 5,060
25 megawatts of facility resource additions, plus 860 megawatts

1 of load management demand reduction. Merely to avoid
2 ignoring load management because it showed up on the
3 demand side. We need to implement both of these if the
4 plan is going to work.

5 CHAIRMAN IMBRECHT: One other question, slightly
6 unrelated. When the presentation was made last week
7 to Commissioner Commons and myself on the resource plans,
8 my recollection, and just correct me if I'm wrong on
9 this, but you showed something in the neighborhood of
10 550 megawatts of capacity from emerging technologies.
11 Do you recall that? You'd gone from '77, as I recall,
12 the last forecast two years ago, to --

13 MR. BALLANCE: Of emerging technologies?

14 CHAIRMAN IMBRECHT: Right.

15 MR. BALLANCE: I believe that this was the
16 same chart, yeah.

17 CHAIRMAN IMBRECHT: Well, we'll check that.

18 MR. BALLANCE: I'll go back and look, though.

19 CHAIRMAN IMBRECHT: Nine hundred and thirty,
20 I believe.

21 MR. BALLANCE: And 9--

22 CHAIRMAN IMBRECHT: Does that read 930?

23 MR. BALLANCE: That reads 930, yeah.

24 COMMISSIONER SCHWEICKART: The 100 is Cool
25 Water?

1 MR. BALLANCE: The 100 is Cool Water, yes.

2 CHAIRMAN IMBRECHT: Okay, thank you.

3 MR. BALLANCE: Okay? And on this chart we're
4 just showing pictorially the increase in the load
5 management programs which is necessary in order to meet
6 our current plans. As I mentioned earlier, we have 520
7 megawatts already installed, principally programs that
8 are in place and operative all the time: swimming pool
9 pump, tripper program, conservation voltage regulation,
10 time of use rates, and cogeneration, which we include
11 in our definition of load management. By 1993, we need
12 to increase that total amount of load management to 1380
13 megawatts; and, as you can see, the bulk of the growth
14 is in the area that we call direct control. These are
15 load management programs that the dispatcher has control
16 over initiating or not initiating; that is, he can interrupt
17 load or choose not to interrupt it.

18 And unless there are any questions, I'll turn
19 the presentation over to Greg.

20 VICE CHAIRMAN GANDARA: Do you include in direct
21 control the load management coops? I mean I know you
22 have at least one large one --

23 MR. BALLANCE: Yes.

24 VICE CHAIRMAN GANDARA: -- that's under direct
25 control.

1 MR. BALLANCE: Yes, that's under direct control.
2 The programs that are what are called indirect control
3 are the ones where we have no radio link to them, like
4 the swimming pool trippers or voltage regulation, which
5 is operative all the time.

6 COMMISSIONER SCHWEICKART: One thing you did
7 not include, though you mentioned it in passing, was
8 the dropout of generation in addition to --

9 MR. BALLANCE: The retirements.

10 COMMISSIONER SCHWEICKART: That's right, in
11 the form of retirements --

12 MR. BALLANCE: Yes.

13 COMMISSIONER SCHWEICKART: -- in addition to
14 the growth of generation and the reduction in demand.
15 So, that was a missing element. What -- do you have
16 a chart on that?

17 MR. BALLANCE: I don't have a chart on it.
18 The current plan calls for the removal of about 1190
19 megawatts of capacity, this is oil and gas capacity,
20 from service over the next 10 years. These are all
21 facilities that are economically unattractive to continue
22 operating.

23 COMMISSIONER SCHWEICKART: All right. And
24 in your plan do you again identify the specific basis
25 on which that will be done; that is, is it just meeting

1 a target by a certain time, is it a policy of age, of
2 performance, heat rate, cost? I mean, I would imagine
3 it's got to be a combination of a number of factors,
4 but I wonder if you in fact have identified the overall
5 policy on which that decision is made.

6 MR. BALLANCE: The -- what we have identified
7 in the plan is what we intend to do with the particular
8 facilities. We've identified about 440 megawatts that
9 we intend to place on cold standby, remove from service
10 but able to call back to service in a period of, oh,
11 say about 10 days, should a severe emergency come up.
12 We haven't identified exactly what to do with the remaining
13 capacity, about 740 megawatts. It's identified as contin-
14 gent retirement in our current plans, simply because
15 we don't know exactly what we're going to do with it;
16 we'll make that decision in another year or so.

17 COMMISSIONER SCHWEICKART: Well, this jumps
18 again to the place where we're trading on things a bit
19 too early, but clearly the retirement policy is one which
20 it would seem should take into account some of the same
21 factors that load management or conservation would, in
22 terms of ratepayer tests, societal tests, participant,
23 nonparticipant, et cetera. That the retirement policy
24 itself clearly has both equity and cost benefit implica-
25 tions.

1 MR. BALLANCE: The principal criteria that
2 we've used on selecting -- well, removing facilities
3 from service, these oil/gas units, are that their removal
4 will reduce the cost to the ratepayer, and in all cases
5 these are generating facilities which are not necessary
6 or no longer needed for energy production, we will have
7 adequate oil and gas generating production capacity,
8 and facilities whose cost to continue in operation exceeds
9 the cost of the load management programs. And I think
10 that should be evident when the load management hearing
11 comes before this Commission.

12 MR. ROGERS: Good afternoon. My name is Greg
13 Rogers, manager of load management programs at Southern
14 California Edison Company. What I would like to do is,
15 now that Mr. Ballance has given you an overview of how
16 load management, in general, is integrated into our overall
17 resource plan, I would like to share with you how we
18 in load management programs try to come up with and meet
19 that overall load management goal.

20 Basically, we have 11 major production-type
21 programs which are intended to achieve that 1376 megawatts
22 of load management benefit that Mr. Ballance talked to,
23 by the year of 1993. Those programs are basically separated
24 into two categories. Direct programs: Those are the
25 programs that are under the direct control of our system

1 dispatcher and can be utilized to reduce the system demand
2 at time of need.

3 In addition, there are those indirect programs
4 which are in place all of the time, basically, such as
5 the TOU rates, which encouraged the movement of load
6 to the off-peak times by providing rate incentive to
7 the customers.

8 Commissioner Commons?

9 COMMISSIONER COMMONS: Yes. Greg, could you
10 just spell out what some of those letters stand for,
11 please?

12 MR. ROGERS: I certainly will.

13 COMMISSIONER COMMONS: Thank you.

14 MR. ROGERS: Certain will. Up in the direct
15 control programs, there are four basic programs there.
16 The first being residential air conditioner cycling.
17 That's a program that I will take about in a little more
18 detail later on in the presentation.

19 The fourth program down -- or, pardon me, the
20 third program down there is commercial/industrial air
21 conditioner cycling.

22 The second program, demand subscription service,
23 which I will talk about at length later on in the presenta-
24 tion. And then there are interruptibles and cooperative-
25 type programs.

1 All four of those are direct-control-type programs.
2 As you can see, as indicated by the status there, three
3 of those programs are in a production-type mode currently.
4 Demand subscription service, which we feel is a very
5 innovative and promising program, is pending expansion.

6 COMMISSIONER COMMONS: We often use the initials
7 DSS.

8 MR. ROGERS: That is absolutely correct, DSS.

9 I would like to point out that two of the programs,
10 residential air conditioner cycling and demand subscription
11 service, or DSS, are programs which are part of the resi-
12 dential load management standards.

13 Down in the indirect program grouping, we have
14 the swimming pool trippers and time of use rates for
15 the large industrial customers, that's TOU-8; both of
16 those are in production modes.

17 We also have a time of use rate for the agri-
18 cultural customers, that's TOU-ALMP. That is pending
19 expansion in the 1985-1986 time frame.

20 Off-peak cooling, the nondedicated cogeneration
21 that Mr. Ballance talked about earlier, both in production
22 modes.

23 Conservation voltage regulation and circuit
24 management, which basically are fine-tuning of the actual
25 distribution circuit, one fine-tunes the way the circuit

1 runs; the other one, conservation voltage regulation,
2 actually is a result of -- gets its benefit from result --
3 or dropping the overall voltage profile of a circuit.
4 Both of those are in production-type modes.

5 The last program under indirect section is
6 new construction. It's a program that is pending expansion.
7 I would like to point out that the executive director's
8 report on our 30-month report addresses, in part, what
9 we propose in the new construction arena. The executive
10 director's report addresses a project called "high
11 efficiency appliances," which basically addresses space
12 conditioning. Our total new construction program actually
13 has four parts, of which the high efficiency space
14 conditioning is one of those parts.

15 With that as background, I'd like to go on
16 to the next slide then, please.

17 VICE CHAIRMAN GANDARA: How did you define
18 nondedicated cogeneration and how many other categories,
19 if any, do you have of cogeneration?

20 MR. ROGERS: Nondedicated cogeneration is the
21 type of cogeneration where the customer is meeting their
22 needs and ours and doesn't have a firm commitment to
23 us. The types of cogeneration that are integrated into
24 the resource plan are, I think Mr. Ballance can better
25 address those.

1 VICE CHAIRMAN GANDARA: I guess I'm trying
2 to reflect back on your chart and your supply side and
3 emerging technologies, and I don't recall there was a
4 cogeneration category there.

5 MR. BALLANCE: Yes, there was, about 800 and --
6 well, I'll check it. About 820 megawatts of cogeneration
7 on the -- that was in the category called proven techno-
8 logies, it's one of the alternative and renewables.

9 VICE CHAIRMAN GANDARA: And so dedicated, you
10 mean you have a contract or an expectation concerning
11 capacity and that you're paying for?

12 MR. BALLANCE: Yeah. Dedicated basically means
13 that the cogeneration facility is selling -- or providing
14 all of its power directly to us and we meter it coming
15 into our system; whereas, the nondedicated cogeneration
16 would be a customer who installed a cogenerator and used
17 it to serve his own load and therefore reduced the load
18 that we served. We've chosen to include it as a load
19 management program, because, as we go and look at our
20 sales records and our meters, we don't ever see the load
21 that he was serving. So, we've netted it out.

22 COMMISSIONER SCHWEICKART: Does your new construc-
23 tion category include both residential and nonresidential?

24 MR. ROGERS: It's targeted primarily at
25 residential initially. It doesn't exclude small commercial,

1 but it's initially targeted at the residential market
2 sector.

3 COMMISSIONER SCHWEICKART: In load management,
4 there's certainly a richer field in the nonresidential,
5 because that's where the lights burn during the daytime
6 in office buildings and air conditioning is used to cool
7 the people and the lights. And the nonresidential standard
8 has a much higher component in electricity than does
9 the residential standard. So, that -- that isn't the
10 subject here, but it's certainly a field worth exploring.

11 MR. ROGERS: We can --

12 COMMISSIONER SCHWEICKART: And we'd like to
13 talk to you about that, as a matter of fact.

14 MR. ROGERS: We can certainly see new construction
15 broadening much, into a much greater horizon than this
16 program that is currently pending expansion. This is
17 our foot in the door, if you will, in testing the market-
18 place.

19 CHAIRMAN IMBRECHT: Are you conscious of the
20 threat to cogeneration vis-a-vis some new regulations
21 or moratoriums that are proposed through the Environmental
22 Protection Agency pending currently?

23 MR. BALLANCE: No, I'm not.

24 MR. ROGERS: I'm not aware of it.

25 CHAIRMAN IMBRECHT: Then I suggest that you

1 contact Mr. Ray Tuvell, of our staff. It is an issue
2 of immediate concern we are trying to address here, but
3 I think it might be of assistance, particularly considering
4 the magnitude of what you project in your resource plan
5 relative to cogeneration that you'd want to take a look
6 at as well.

7 MR. ROGERS: Yes, thank you very much.

8 MR. GARDNER: Mr. Chairman, does that -- is
9 that connected with what's commonly being called the
10 Baker Bill and the offset credits, is it that issue,
11 or is this a separate one; do you know?

12 CHAIRMAN IMBRECHT: I believe so, but I'm not --

13 VICE CHAIRMAN GANDARA: Baker and the Ayala bills,
14 both.

15 MR. GARDNER: Yeah, if it is the offset issue,
16 that's something that we are aware of and actively
17 involved in; if it's something else, we would very much
18 like to learn about it.

19 CHAIRMAN IMBRECHT: Fine. Well, Mr. Tuvell
20 is in a position to help you in that.

21 MR. GARDNER: We'll check with him. Thank you.

22 MR. ROGERS: What I'd like to do here is give
23 you a feel for where we stand now with respect to those
24 load management programs in place and what we need to
25 accomplish in the broad categories by 1993 to get to our

1 target goals.

2 In the direct program area we currently have
3 75 megawatts of load management in place. We need to
4 by 1993 get to our target goal of 597, which, very
5 basically, results in an additional need of 520 megawatts
6 of load management in direct programs.

7 In the indirect area we currently have
8 approximately 400 megawatts in place, and have a need
9 for 707 by 1993, resulting in the additional need or
10 incremental need for load management of about 300 megawatts.

11 We do get some load management benefit from
12 our resale cities and we have a need for an addition
13 of about 28 megawatts in that area.

14 I guess the bottom line that I'm trying to
15 make, and this ties back to one of Mr. Ballance's prior
16 slides, we currently have in place through all of our
17 programs 523 megawatts of load management. So, in order
18 to achieve our 1376 megawatts of need, we need to put
19 in place an additional 853 megawatts by the year 1993.

20 To get a little more specific on how we will
21 make up that need, if we look at the direct program area
22 and sort of explode that and look at it on a program-
23 by-program basis, we can see in that area that is concerned
24 in the load management standards, the residential load
25 controls, air conditioner cycling and demand subscription

1 service, at the end of 1983 only had about 10 megawatts
2 of load management benefit in place. We need to get
3 416 by the year of 1993. In other words, we need to
4 put in excess of 400 megawatts of additional load
5 management benefit in those two programs by 1993.

6 In the commercial/industrial area, you can
7 see that there are some additions in the commercial/
8 industrial air conditioner cycling, but the bulk of the
9 increases in direct programs are in the interruptible
10 and cooperative concepts.

11 As far as the indirect programs that we've
12 got, one thing I'd like to point out is that many of
13 these programs have been in place for a number of years,
14 and, frankly, they're reaching a maturity stage which
15 makes additional incremental additions of load management
16 pretty difficult. The swimming pool trippers, as an
17 example, are going to reach a saturation level in the
18 next few years, which is going to make it difficult to
19 add a lot of load management benefit in that arena. I
20 think the same holds true of the time of use rates for
21 the large industrial customers, TOU-8.

22 So, although we are planning on adding incremental
23 load management benefit in the indirect programs, we
24 don't -- we see the potential in these areas tapering
25 off somewhat.

1 I thought what I might do before I got into
2 some of the other programs we're looking at to develop
3 and enhance in the future, is I might give you an overview
4 of how two of our primary load management programs work,
5 and that's very specifically air conditioner cycling
6 and demand subscription service.

7 Air conditioner cycling is a relatively simple
8 concept. There is a device that is mounted on a customer's
9 air conditioner, and then when we have the need for
10 capacity, we activate that device by a radio signal.
11 The device, when activated, basically interrupts the
12 thermostat control of the air conditioner and cycles
13 it off at one of three different strategies: There's
14 a 50-percent strategy, a 67-percent strategy, and a 100-
15 percent strategy. For allowing us to do that, the
16 customer receives a monthly incentive during the six
17 summer months. A relatively simple concept.

18 Demand subscription service, on the other hand,
19 is considerably more sophisticated than air conditioner
20 cycling. It's a -- in our minds, it's an extremely inno-
21 vative load management concept, because it affords the
22 customer a choice and gives him flexibility in providing
23 the load management benefits that the Edison Company
24 and all of its ratepayers obtain.

25 How demand subscription service works is, the

1 customer selects the level of service below the normal
2 level of service for their house. After they've done
3 that, we install a device at their house. The device
4 goes at their meter location and goes in between the
5 electric meter and the household panel. When this device
6 is activated, and it's also activated by a radio signal,
7 the device monitors the whole household load and it compares
8 that load to what the customer's own selected level of
9 service is; providing that the customer is using less
10 than his subscribed level of service, the device says
11 everything is fine, nothing happens. Let's say, for
12 an example, though, the customer has selected a level
13 of service that's 8 kW, and during a period of activation,
14 the device monitors the customer's load and finds that
15 the customer is using actually 10 kW of electricity at
16 that point in time. The device is smart enough to sense
17 that and send a warning signal to an alert device which
18 is plugged in in any receptacle in the household. This
19 light will change from green to red and emit a warning
20 tone for two minutes, alerting the customer that they're
21 exceeding their subscribed level of service. The customer
22 has two minutes in which to reduce the household demand
23 below their subscribed level.

24 CHAIRMAN IMBRECHT: And hope to hell you're
25 not in the shower.

1 MR. ROGERS: Should they not reduce their demand,
2 this clever little device does it all for them: It inter-
3 rupts the entire household service.

4 CHAIRMAN IMBRECHT: And let's hope you're not
5 in the shower when it goes off.

6 MR. ROGERS: It won't shut off the water, no.

7 CHAIRMAN IMBRECHT: That's not what I -- go
8 ahead.

9 MR. ROGERS: Now, a lot of people say, well,
10 then what happens. The customer has a couple of options.
11 Should the customer be home, the customer can reduce
12 some appliance use in their house, go outside and set
13 the reset button, assuming that they have dropped the
14 household demand below their subscribed level, everything
15 is fine, service comes back on, Edison Company is happy
16 and hopefully the customer is happy.

17 Let's assume for a moment that they're out
18 of the house, what then happens? Well, at the end of
19 the activation period, the device automatically reenergizes
20 the service, the activation period is typically a six-
21 hour period. So, even if no one were home or, let's
22 say, they'd gone on vacation, at the end of the activation
23 period, at the end of the day, the device doesn't get
24 a refresher signal and it turns back on the household.

25 CHAIRMAN IMBRECHT: But during that interim

1 it turns the household off?

2 MR. ROGERS: That's correct. If the customer's
3 demand level or subscribed level was exceeded during
4 an activation period, the device would interrupt the
5 electric service to the entire house, it would be shut
6 off for the period of activation. But I would like to
7 point out that that period of activation would be no
8 greater than six hours.

9 Two ways of restoring service. One, the customer
10 can reduce the demand and then press the reset button --

11 CHAIRMAN IMBRECHT: At any time during that
12 six-hour period?

13 MR. ROGERS: At any time during the six-hour
14 period.

15 CHAIRMAN IMBRECHT: Okay.

16 MR. ROGERS: Two minutes after it happened.
17 Or, there's a fail-safe method, if the customer isn't
18 home, it will reactivate and reenergize the house on
19 its own at the end of the activation period, no longer
20 than six hours.

21 CHAIRMAN IMBRECHT: But if the customer returns
22 home after two hours, the customer can reduce the load
23 at that point and then reactivate it?

24 MR. ROGERS: Absolutely, that's correct.

25 So, I thought it might be of benefit because

1 this is substantially more sophisticated than air condi-
2 tioner cycling, I thought it might be of benefit to go
3 through and explain how this concept works.

4 CHAIRMAN IMBRECHT: What does a device like
5 that cost?

6 MR. ROGERS: The device I am currently holding
7 is a prototype device that is being used in an experiment
8 that we're conducting. This particular device is being
9 provided to us in the area of 400 to 450 dollars.

10 Our estimated cost in a production mode for
11 this device is in the area of 300 to 325 dollars.

12 COMMISSIONER COMMONS: Can you give how that
13 compares to the cost of a cyclor, please?

14 MR. ROGERS: Yes, I can. A cyclor for an air
15 conditioner is currently running, let's see, I believe --
16 to put it on the same base, put it on an '85 base, I
17 believe that cyclor is running in the area of 70 to 80
18 dollars.

19 VICE CHAIRMAN GANDARA: Do you have any estimates,
20 I am curious what the technology is like, do you have
21 any microprocessors that could monitor home use and turn
22 devices on or off? I mean, you're getting to the cost
23 of a small 64k computer. I'm just wondering.

24 MR. ROGERS: I don't have that information
25 off the top of my head, but it is one of the slides that

1 I'm going to get to here in a minute. Some of the other
2 things we do in load management is continue experimentation
3 and tests to see if we can integrate new types of
4 technology and make any one of our programs smarter as
5 we go along. We intend to expand into the DSS arena
6 with two tests: one for a low kilowatt-hour user and
7 one for commercial/industrial. But we'll also continue
8 to try to integrate smarter concepts that could utilize
9 the DSS concept and send a signal to a controller that
10 might control an air conditioner, might control a
11 refrigerator, it might control any other household
12 appliance. Although we haven't actively pursued it at
13 this time, the technology certainly is becoming available
14 to do those kinds of things.

15 One thing I would like to stress before I leave
16 the DSS concept is the fact that, regardless of the
17 situation, the customer service, if it were deenergized,
18 the customer service is reenergized in a period not --
19 that doesn't exceed six hours. It could be as little
20 as a two-minute interruption if the customer were to
21 go out and reset it and have their level below what it's
22 supposed to be. But it certainly could be no greater
23 than the six-hour period.

24 COMMISSIONER SCHWEICKART: Just out of curiosity,
25 I think I know the answer, but I want to ask it anyway.

1 Did you guys ever put into this design an option where
2 the customer can essentially activate it himself or herself,
3 so that in some sense, quote, "I can practice in staying
4 under whatever my limit is that I signed up for"?

5 MR. ROGERS: We have not pursued that option
6 to this time, no.

7 COMMISSIONER SCHWEICKART: Okay. So, the only
8 time that I'd really know whether I'm, on a day-to-day
9 basis, running below your level of guillotining my house
10 is when you happen to call for it with your radio signal,
11 that's when I first find out whether what I happen to
12 sign up for is in fact reasonable for me.

13 MR. ROGERS: Yeah. We have no other provision
14 built into the concept to do that.

15 COMMISSIONER SCHWEICKART: All right.

16 MR. ROGERS: That is a true statement.

17 COMMISSIONER SCHWEICKART: Okay. All it takes
18 is one more --

19 MR. ROGERS: But I would like to point out
20 that when the actual sign-up is made for this concept,
21 that there is an in-home contact that goes through the
22 process with the customer and analyzes their consumption,
23 analyzes their appliances, and it's a one-on-one contact
24 that is intended to inform the customer or allow the
25 customer to make an informed decision.

1 COMMISSIONER CROWLEY: Is this contact a human?

2 MR. ROGERS: Absolutely.

3 COMMISSIONER COMMONS: With a reset button.

4 MR. ROGERS: It certainly --

5 COMMISSIONER SCHWEICKART: Well, let me ask:

6 Have you already laid out the incentive strategy that
7 you'll be using with DSS?

8 MR. ROGERS: We have an assumed incentive
9 strategy for the major production program. What we current-
10 ly have for test 2 are four different incentive strategies,
11 to see if that impacts both customer participation, reten-
12 tion, load drop, and those things. We're really structuring
13 a very comprehensive second DSS test, which includes
14 four various incentives.

15 COMMISSIONER SCHWEICKART: But if I am an
16 individual customer, do I have a spectrum of, let's say,
17 a series of plateaus where I receive a certain incentive
18 if I elect to be cut off at certain increasingly deeper
19 levels?

20 MR. ROGERS: Our intention in the production
21 program or in the production mode would be to offer one
22 incentive level that offers a customer a fixed dollar
23 incentive per kW reduced below their calculated normal
24 household demand.

25 COMMISSIONER SCHWEICKART: Well, that was one

1 rate per kilowatt. Does that mean I have a choice of,
2 say, I -- I can go 2 kilowatts below, 3 kilowatts below,
3 or 4 kilowatts below?

4 MR. ROGERS: Actually, the minimum subscription
5 level that we would accept for this type of program would
6 be 2 kilowatts below the household's calculated demand.

7 COMMISSIONER SCHWEICKART: But I could also --

8 MR. ROGERS: But you could opt to go 3, 4,
9 5, 6, 7, 8, 9, 10.

10 COMMISSIONER SCHWEICKART: All right. Then
11 put my button in so I can practice, because I'd love
12 to pick up the incentive but I don't know what 4 kilowatts
13 mean.

14 COMMISSIONER CROWLEY: True.

15 MR. ROGERS: And that's the whole purpose of
16 having the in-home person contact, to go over with the
17 customer in detail --

18 CHAIRMAN IMBRECHT: And analyze what their
19 base load is and then what their optional load factors are.

20 MR. ROGERS: Absolutely. Analyze what their
21 base load is, analyze what their calculated load is,
22 give them a chart that says your refrigerator is a half
23 a kW, your television is a third of a kW, and so on and
24 so forth, just so the customer can make an educated
25 decision going into it.

1 CHAIRMAN IMBRECHT: I have to say I think I
2 find it a little bit ironic this program is being
3 instituted in 1984.

4 MR. ROGERS: With that, I'd like to move on
5 to some of the other things we do in load management.
6 I've talked about our ll production programs.

7 As far as some of the other things we're proposing
8 to do in load management, just so we don't rest on our
9 laurels on our ll major production programs, we have
10 a number of tests that are scheduled to take place this
11 year and in '85 and '86. We sort of like demand subscrip-
12 tion service, and, as a result, the major production
13 program is targeted towards a high kilowatt-hour user.
14 We have a test that is planned to try to support the
15 load shifts and economics of implementing this kind of
16 concept for a lower kilowatt-hour user.

17 In addition, we would like to spread the concept
18 into the commercial and industrial sector, if it can
19 be proven to be cost-effective.

20 In addition, we're going to look at time of
21 use rates for the domestic customer. We don't currently
22 have time of use rates in the domestic customer class.

23 We're also going to take a look at putting
24 direct load control devices on swimming pool trippers
25 or pumps. We currently accomplish that load management

1 program by the use of trippers installed on the time
2 clocks. We're going to investigate the cost-effectiveness
3 of moving into a direct load control for that same type
4 of load.

5 Computer dispatch, basically, technology is
6 such that many places, businesses have load management
7 systems of their own. We would like to investigate a
8 concept that basically allows our computers to tie to
9 their computers, give them a signal that indicates they
10 should implement their own load management. That's computer
11 dispatch.

12 And chiller control is a very sophisticated
13 air conditioning control for a large air conditioner
14 type chiller installations.

15 In addition to that, I think it's important
16 that we continue to investigate both new load management
17 techniques and technologies, keep abreast of equipment
18 advances that are taking place just constantly in the
19 area of computers, microprocessors, things of that nature,
20 communication technologies, power line carrier, ripple
21 systems, and all of the emerging technologies which
22 can allow us to stay on the very cutting edge of load
23 management and keep our programs moving ahead in a
24 productive manner.

25 CHAIRMAN IMBRECHT: In that regard, let me just

1 explore it for a moment. You know, there are a lot of
2 devices available on the market commercially today that
3 allow you to, in effect, have an individual module per
4 appliance, allow you to, by remote control or through
5 timer, cycle the lights in your home, and so forth, dis-
6 suade burglaries and all those kinds of things, and that
7 allows, I would think, from the homeowner's perspective,
8 the option of always being guaranteed power for certain
9 essential appliances, and at the same time cycling
10 individual appliances, and yet that also represents exist-
11 ing on-the-market or off-the-shelf devices that strike
12 me as probably a lot less expensive than the item you've
13 got sitting there on the desk. Have you explored that
14 as an option? Rather, just having some kind of a radio
15 control device on the central receiver for those items?

16 MR. ROGERS: Well, no, we haven't specifically
17 explored that. It's something that we would --

18 CHAIRMAN IMBRECHT: Where you've got a shut-off --

19 MR. ROGERS: -- pursue integrating into this
20 concept. The one reason why we are interested in this
21 concept, and it's not that the other concepts aren't
22 available, this concept affords us the certainty of direct
23 control; whereas, the other ones are certainly functional
24 but it doesn't necessarily afford us the certainty.

25 CHAIRMAN IMBRECHT: Somebody might unplug it or

1 something, is that what you're --

2 MR. ROGERS: Well, we don't have control over
3 the little modules that you were talking about, whereas
4 we do in fact have control over this.

5 CHAIRMAN IMBRECHT: Well, you could, though,
6 if you had a device that controls that central control
7 device.

8 MR. ROGERS: That's correct.

9 CHAIRMAN IMBRECHT: All right. And that's
10 where I'm saying that it would strike me as that would
11 potentially be less expensive than this approach. Do
12 you follow what I'm saying?

13 MR. ROGERS: Yeah.

14 CHAIRMAN IMBRECHT: You know, I mean you've
15 got -- today I think those systems are around 150 to
16 200 dollars, to my recollection, in the retail marketplace.
17 And so if you simply have a means of triggering by elec-
18 tronic signal the central control box, you can very
19 selectively control individual appliances and yet insure
20 that your refrigeration is left on or certain essential
21 lights, or something of that nature.

22 MR. ROGERS: Well, those are certainly concepts
23 that we would be interested in --

24 CHAIRMAN IMBRECHT: That's the kind of thing
25 you're talking about?

1 MR. ROGERS: -- and continuing to pursue, not
2 only in this experimental phase that I'm talking about
3 here, but incorporating, if the technology proves to
4 be or at least appears to be cost-effective, doing a
5 test or a demonstration project.

6 CHAIRMAN IMBRECHT: Of that type?

7 MR. ROGERS: Of that type, absolutely.

8 CHAIRMAN IMBRECHT: Okay, thank you.

9 COMMISSIONER COMMONS: Mr. Chairman, that's
10 one of the items on our hearing notice agenda for tomorrow,
11 is where are we headed in technology, and integrate that
12 with the proposed programs.

13 CHAIRMAN IMBRECHT: Thank you.

14 MR. ROGERS: With that, our -- any other
15 questions?

16 CHAIRMAN IMBRECHT: Any further questions from
17 members of the Commission?

18 (No response.)

19 CHAIRMAN IMBRECHT: Thank you, that was very
20 informative; unless you have any concluding statements --

21 MR. GARDNER: Mr. Chairman, if I could, I'd
22 just like briefly to add one thing on that demand sub-
23 scription service. One of the things that the company
24 likes about the concept is that it does give the customer
25 greater flexibility to provide the load reduction that

1 we need, really more to their convenience. They can
2 select whether they shut off their air conditioner or
3 perhaps don't cook or use their electric dryer at that
4 time, whereas, a device like the air conditioner cyclor
5 doesn't give the customer flexibility, except to the
6 extent that they might choose to not sign up for the
7 program.

8 We also think it's attractive because the
9 customer can change their priorities from day to day.
10 There may be a day when they'd rather have air conditioning
11 and not cook, there may be a day when they would rather
12 cook and go without the air conditioning. So, that is
13 something that we see as very attractive about the demand
14 subscription service.

15 CHAIRMAN IMBRECHT: Okay. Any further questions
16 from the Commission?

17 MR. ROGERS: One other comment I would like
18 to also add to that is, perhaps I didn't make it very
19 clear, as far as DSS and customer acceptance and load
20 drops and things of that nature, the test that I was
21 talking about currently is the second test of the DSS
22 concept. We implemented a first test of that concept
23 back in the 1980 time frame, and I think the results
24 of that in our minds were very positive, and it answered
25 a lot of the questions that were asked today about customer

1 acceptance.

2 We found that, as Mr. Gardner just discussed
3 here, that the customers enjoy the flexibility that this
4 concept offers them over, say, a very specific appliance
5 cycling technique, and most of them were very satisfied
6 with it.

7 MR. FOLEY: Could a customer defeat it with
8 aluminum foil, defeat the radio receiver?

9 MR. ROGERS: I doubt it very seriously. I
10 don't -- this particular device here is set for an AM-
11 type broadcast reception, I don't believe aluminum foil
12 could defeat. I personally take exception to the fact
13 whether --

14 CHAIRMAN IMBRECHT: You'll never admit here
15 on the record, in any case.

16 MR. ROGERS: I personally take exception to
17 the scenario that says aluminum foil is being used to
18 defeat the FM signals for load management control devices.
19 I think if that were truly the case, you wouldn't find
20 over 100 utilities across the United States having in
21 excess of 500,000 FM-activated load management control
22 devices in place.

23 COMMISSIONER COMMONS: Bill, you know people
24 are picking up aluminum anywhere and taking it to the
25 supermarket anyway, so it wouldn't hold up there very long.

1 MR. FOLEY: George Amaroli has --

2 COMMISSIONER COMMONS: One thing I'd like to
3 do, Mr. Chairman, is we will be having a hearing tomorrow
4 which will cover many of the issues, I think, that some
5 of the Commissioners have identified and are interested
6 in and I'd like to invite any and all Commissioners or
7 their advisers to participate, and if there are areas
8 of particular concern to you that you would like the
9 Committee to explore in that hearing, let either
10 Commissioner Schweickart or myself know and we'll make
11 sure that we cover it tomorrow.

12 CHAIRMAN IMBRECHT: Okay. Thank you very much.
13 Appreciate the presentation. Very complete.

14 I don't see Mr. Johnson here. I was going
15 to try to move 14 and try to accommodate him. If he's
16 outside, we'll come back to that whenever you're ready.

17 Let's turn to the approval of minutes. Are
18 there any additions or corrections to the minutes as
19 presented?

20 COMMISSIONER COMMONS: Yes.

21 CHAIRMAN IMBRECHT: Commissioner Commons.

22 COMMISSIONER COMMONS: On the committee assignments,
23 Mr. Chairman, which you moved, I think we had a statement
24 in there that if Commissioner Crowley at a certain point
25 of time wanted to revisit that -- revisit the assignments,

1 that we would provide her that courtesy.

2 CHAIRMAN IMBRECHT: You're correct, and that
3 should be reflected in the notes. Can you reference
4 me the -- there we go. Yeah, I would suggest that
5 paragraph 7 on page 2 of the notes, excuse me, of
6 February 22, be amended to reflect that clarification.

7 Are there any other additions or corrections?

8 (No response.)

9 CHAIRMAN IMBRECHT: Hearing none, is there
10 objection to approval of the minutes as presented?

11 VICE CHAIRMAN GANDARA: Is this for February 22?

12 CHAIRMAN IMBRECHT: Yes, I would prefer to
13 do both the 22nd and the 7nd.

14 VICE CHAIRMAN GANDARA: On the --

15 CHAIRMAN IMBRECHT: On March 7.

16 VICE CHAIRMAN GANDARA: And March 7. I'm not
17 sure what Commissioner Schweickart said, but I don't
18 think that he said that the action before the Commission
19 did not, in essence, deal with energy.

20 CHAIRMAN IMBRECHT: Reference made to --

21 VICE CHAIRMAN GANDARA: Second paragraph on
22 No. 2.

23 COMMISSIONER SCHWEICKART: Is not a substantive
24 energy issue but was a procedural issue.

25 CHAIRMAN IMBRECHT: All right. With that

1 correction, the minutes say that Commissioner Schweickart
2 stated that the action before the Commission did not,
3 in essence, deal with a substantive energy issue, but,
4 rather, was a procedural decision of whether or not to
5 appeal, et cetera. That will take care of that.

6 Further additions or corrections?

7 (No response.)

8 CHAIRMAN IMBRECHT: Okay. Hearing none, I
9 don't think we need a motion on that, so without objection,
10 we'll approve the minutes as presented, with corrections
11 as noted on the record.

12 Turning to item No. 11, Policy Committee reports,
13 I believe Commissioner Crowley, you have a Legislative
14 Committee report.

15 COMMISSIONER CROWLEY: Yes. Thank you,
16 Mr. Chairman.

17 The Legislative Committee dealt with five bills,
18 the first being AB 2999, by Wyman, residential building
19 standards. This bill has since been pulled and there
20 will be new language written, and I don't know how the
21 Committee would react to this, we haven't discussed it,
22 it just happened since we met. However, at the time
23 the recommendation was to oppose, and since there will
24 be totally new language, it seems inappropriate to do
25 other than stay neutral at this time on the bill.

1 CHAIRMAN IMBRECHT: I would agree with that.
2 Let me just indicate that Assemblyman Wyman contacted
3 me and indicated that he had been informed by Ms. Stetson
4 as to some of our objections, and he also heard similar
5 objections from a variety of interest groups. As a conse-
6 quence, he recognized the problems associated with the
7 bill and was considering either dropping it or totally
8 gutting the bill and amending it, and asked me to ask
9 the Commission not to take a position on the bill, pending
10 new language; and that would be my recommendation.

11 COMMISSIONER COMMONS: No bill, no position?

12 COMMISSIONER CROWLEY: Yes, essentially yes.

13 CHAIRMAN IMBRECHT: Well, there's basically --
14 what he's saying, in effect, is he realizes there are
15 substantial problems, and rather than getting us on record
16 against it, he'd like to have a chance to amend it. I
17 think that's a reasonable request.

18 MR. FUKUMOTO: Excuse me. We checked with
19 the author again and he did confirm that the bill is
20 going to be amended substantially and has been pulled
21 from the file.

22 CHAIRMAN IMBRECHT: All right, fine.

23 COMMISSIONER CROWLEY: So, then it's moot,
24 is that correct?

25 CHAIRMAN IMBRECHT: It's moot at this point

1 in time, and when he comes up with new language then
2 it will back to your Committee.

3 COMMISSIONER CROWLEY: Thank you.

4 The second bill, AB 3148, by Goggin, deals
5 with contingency plans, and the recommendation from the
6 Committee was to support, with amendments, i.e., that
7 the oil companies should submit updated plans every five
8 years.

9 There was a further suggestion that the time
10 and resources required to do the work be included in
11 the bill, and I advocated that position, but Commissioner
12 Gandara did not. And, so, it still seems to me
13 appropriate that if they suggest modifications for our
14 workload, that the workload be included in the bill,
15 but I'm sure Commissioner Gandara would like to speak
16 to that point.

17 CHAIRMAN IMBRECHT: Commissioner Gandara?

18 VICE CHAIRMAN GANDARA: Yes. My feeling was
19 that I just don't see how it could be estimated, really,
20 and that it wasn't quite clear to me that the estimates
21 that were given, you know, what the bases for them were.
22 I would assume that it would involve some more work,
23 but what it is, I don't know. As you may recall, that
24 even with the existing personnel, we undertook some of
25 this effort for the contingency planning, we did ask the

1 oil companies to submit their contingency plans for review
2 and we even began an issue which was closely related
3 to this, which Commissioner Schweickart proposed at that
4 time in different language, different wording, which
5 was to look into a uniform policy of a percentage reduction
6 among all the contracts.

7 So, again, what we have here is .5 PY's, which
8 is, it seems to me, within the margin of noise level.
9 I don't know really how that can be estimated, but I don't
10 feel strongly about that one way or the other.

11 I really do have more comments, however, that
12 the -- well, what is before us doesn't indicate what
13 amendments we discussed. Perhaps Commissioner Crowley,
14 I don't know whether she was finished or not --

15 COMMISSIONER CROWLEY: No. I wanted you to
16 speak to that issue, but --

17 VICE CHAIRMAN GANDARA: Fine, okay.

18 COMMISSIONER CROWLEY: -- on the other hand,
19 the information that I was told, was that this bill is
20 a spot bill and that it would probably be appropriate
21 to follow this and see what the additional language includes
22 as they proceed with the bill, and that at this point
23 the -- all it says that this bill would require, those
24 plans to include analyses of fair sharing of crude oil
25 between and among suppliers. And that we, by and large,

1 do support that concept, but we do need more language
2 in order to support the bill's content.

3 VICE CHAIRMAN GANDARA: Let me just add that
4 the amendment that Commissioner Crowley indicated the
5 Committee felt should be made, under the current Warren-
6 Alquist Act, when the Commission was given the original
7 responsibility of establishing a contingency plan, it
8 was required of all the oil companies that they submit
9 their contingency plans so that it would assist the
10 Commission in developing the state's plan. Now, we have
11 the requirement in the Alquist Act that we update that
12 plan every five years; but the requirement that the oil
13 companies resubmit their plan is not. As I said before,
14 I don't think the original request was ever complied
15 with and, as a result, we made that request last year
16 when I took over the Committee, and we received varying
17 responses, some very detailed responses and some one-
18 page letters indicating they would comply with the UCC
19 provisions. In essence, these are plans that are on
20 the shelf, they do not require any additional work by
21 the oil companies. Some of them, in fact, did not do
22 much work.

23 COMMISSIONER CROWLEY: But it was my understand-
24 ing that you suggested that if, indeed, there were to
25 be these plans, that they should be cycled in and be

1 every five years --

2 VICE CHAIRMAN GANDARA: Yes.

3 COMMISSIONER CROWLEY: -- to suit the scheduled --

4 VICE CHAIRMAN GANDARA: Since we have to do
5 it every five years.

6 MR. FUKUMOTO: And I believe the question at
7 this point in time is whether or not this bill would
8 require us to update our plan to incorporate those at
9 this time or wait until the next cycle. And that's what
10 the difference in workload requirement would be.

11 VICE CHAIRMAN GANDARA: I assumed that what
12 this was about was that when we undertake our update
13 of the contingency plan, that we consider this.

14 MR. FUKUMOTO: Okay.

15 VICE CHAIRMAN GANDARA: Now, as you may recall,
16 the adopted contingency plan was two years behind schedule;
17 so that means that if we keep to the original cycle,
18 we should be redoing it within another two or three --
19 begin the process in another two years or three years,
20 so I thought that was within the scope of this. I did
21 not read at all that this bill said we should redo the
22 contingency plan now.

23 MR. FUKUMOTO: Well, yeah. In other words,
24 if it doesn't, then there would be no PY impacts.

25 VICE CHAIRMAN GANDARA: That's right.

1 CHAIRMAN IMBRECHT: Let me just indicate that
2 I would generally support Commissioner Crowley's position
3 that we should request the bill be amended to reflect
4 staff impact, and even at half PY, first, I would say
5 every little bit helps.

6 Secondly, my recollection is that, generally
7 speaking, there is a rough \$25,000 cutoff in terms of
8 suspense file consideration by ways and means and some
9 in finance say half PY would fall below, and it would
10 be therefore my guess that there might be a reasonable
11 shot that we would pick up, obviously, not a lot of money
12 here, but some additional funds. I really don't see
13 any downside to making that request, unless you want
14 to argue that in --

15 VICE CHAIRMAN GANDARA: I don't feel strongly
16 about it one way or the other.

17 CHAIRMAN IMBRECHT: I would just like to suggest
18 that we indicate that to the author and to the Department
19 of Finance.

20 COMMISSIONER COMMONS: I think procedurally
21 we've been doing that on all bills that have an impact
22 where our position has been in opposition, if it impacts
23 on our workload, without having funding. I think that's
24 been a consistent position.

25 CHAIRMAN IMBRECHT: I don't hear any particular

1 objection to that, so rather than taking that up as a
2 separate vote, we'll just say that we'll accept the
3 recommendation of the Presiding Member in this instance.

4 Next bill?

5 COMMISSIONER CROWLEY: The next bill is 2302,
6 the Rosenthal Bill, which it is recommended that we support,
7 with the amendments, this bill -- let me rephrase this,
8 because I'm having to read the material. I don't have
9 a copy, for reasons that are not clear to me, of this
10 bill in my portfolio.

11 MR. FUKUMOTO: This is the bill that was taken
12 up earlier in the GR Committee and it was at the point
13 when we received the draft legislation, and Rosenthal
14 on his RD&D proposal, and now we're just submitting the
15 bill back to you.

16 CHAIRMAN IMBRECHT: This is roughly similar to
17 Commission-sponsored legislation carried by --

18 MR. FUKUMOTO: It's Commission-sponsored legisla-
19 tion and is a bill --

20 COMMISSIONER CROWLEY: Naylor Bill, yes.

21 MR. FUKUMOTO: Right, correct.

22 CHAIRMAN IMBRECHT: All right. Can you define
23 for us a particular contrast with the Naylor Bill?

24 MR. FUKUMOTO: Well, the difference in this
25 bill is the funding source of the \$10 million, which

1 will come from the general fund, and then be repaid;
2 and it's the repayment that is -- that creates a little
3 bit of difference in terms of how it's going to be done.
4 Where it says it will be repaid through the unencumbered
5 balance of the SAFRUA account, the 771 money, and then
6 any repayments of loan from the GRDA, from San Bernardino,
7 and then repayments from the SMUD solar voltaic.

8 So, it originally takes \$10 million from the
9 general fund and then says that it will repay it through
10 these other repayments.

11 And there is a certain conflict with one of
12 our sponsored legislations which extend the 771 monies.

13 CHAIRMAN IMBRECHT: so, basically, the Committee's
14 recommendation is consistent with staff recommendation?

15 COMMISSIONER CROWLEY: Yes.

16 CHAIRMAN IMBRECHT: Fine, that's acceptable.

17 COMMISSIONER COMMONS: I have some comments --

18 CHAIRMAN IMBRECHT: Commissioner Commons?

19 COMMISSIONER COMMONS: -- on this. I think
20 you'll find that the differences with the Naylor Bill
21 are going to be somewhat greater than are shown up here,
22 which we don't have really a copy of the Naylor Bill
23 as of now.

24 One of my concerns would be, under item (i),
25 the degree of innovation incorporated in the project

1 is, I think there's one question in the Governor's veto
2 last-year message to us, as a Commission, was the need
3 for the state making investment in alternative energy
4 and as to whether or not the private sector is able to
5 accomplish this on their own. And my support in terms
6 of R&D has not been that the private sector needs our
7 investment in the commercialization so much of different
8 energy sources, particularly where we have the tax credits,
9 but, rather, the emphasis where the private sector clearly
10 has not been able to carry the load, where we're talking
11 about R&D or significant demonstration of projects, it's
12 not clear to me that we don't have more latitude than
13 I would want, in terms of directing that these type of
14 programs really have an emphasis on R&D rather than being
15 limited to areas of alternative energy development, which
16 I support. But it's the R&D element and the demonstration
17 element of those programs where the funding is needed.
18 And I'm not sure this brings it out sufficiently by being
19 buried just as one out of some 10 or 12 criteria.

20 CHAIRMAN IMBRECHT: I think it would be reasonable
21 to express that concern. Do you understand Commissioner
22 Commons' point of view?

23 MR. FUKUMOTO: Yes.

24 CHAIRMAN IMBRECHT: Fine. Without objection,
25 we'll direct that, assuming we accept the staff

1 recommendation, that it be amended to also reflect his
2 concerns in any letter of assent.

3 Next, please?

4 COMMISSIONER CROWLEY: The next bill is AB 3353,
5 which deals with fuel forecast of demand availability
6 and costs of various designated fuels. The Committee
7 looked over this and decided that these should be five-,
8 12- and 20-year forecasts to put them in sync with other
9 forecasts, and that commercial and industrial be added
10 to the list instead of simply fuels for residential;
11 that the Commission prepare the forecasts and disseminate
12 them in its annual petroleum bill every two years; and
13 then I advocated person-years required to conduct be
14 added, and that was not the feeling of the other
15 Commissioners. So, that too bears on what Commissioner
16 Commons just said about it being policy to include that,
17 it's the same thing.

18 CHAIRMAN IMBRECHT: In the Leonard Bill you
19 have similar concern about not asking for the staffing
20 or the financial support, dealing with forecasting?

21 VICE CHAIRMAN GANDARA: Yes. Let me catch
22 my thoughts on that.

23 One of the concerns that I have here is that
24 the overload that was indicated that existed in the fossil
25 fuels office was because of vacancies that remained

1 unfilled. So, it is not clear to me that if those
2 vacancies are filled with our existing staffing that,
3 in fact, that we would be unable to do this.

4 In any case, what it appears to do is, as you
5 see from some of the amendments here, that, in fact,
6 it would focus in a more orderly way the preparation
7 and examination of the annual petroleum review. So,
8 there is a synergy or a savings there as well that I
9 thought that within a 1 or 2 PY here, that is not clear
10 to me. And in this instance, now that you inform me
11 of this sort of cutoff, that this is a little bit
12 different, that this would attach a financial consequence
13 that would result in there being another hurdle for this
14 particular bill. And what I was weighing was that, on
15 a policy basis, this bill is one of the more interesting
16 and useful bills for the Commission as a policy to under-
17 take. So, that rather than burden something that might be,
18 in fact, a very good policy activity for the Commission
19 to undertake with something that could actually be done
20 with vacancies that would be filled, I thought that the
21 balance was that this bill is a good one and we should
22 not --

23 CHAIRMAN IMBRECHT: I would just add a couple
24 of caveats. That would generally apply to all but roughly
25 four members of the legislature, and maybe a couple of

1 others.

2 But the other caveat is -- and I'm -- since
3 Mr. Leonard is a close friend of mine and he has not men-
4 tioned it to me, it's the first that I've seen it, but,
5 by and large, the vice chairmen of the ways and means
6 has a little extra ability to move those of this kind
7 through the relevant fiscal committees. And so, while
8 the cutoff applies generally, by and large, as I say,
9 there are four members that have some additional discretion
10 on these kinds of items, and I think Mr. Ward would agree
11 with that assessment as well. And I would just think
12 that, first, Mr. Leonard would probably be amenable at least
13 to a 1 PY funding for this, and I also think that, by
14 and large, because of the courtesy that's generally extended
15 between the chair and the vice chair of ways and means,
16 that that has got a reasonably good shot of moving.

17 COMMISSIONER CROWLEY: Mr. Chairman --

18 CHAIRMAN IMBRECHT: I would think that we could
19 informally convey to Mr. Leonard that in the event that
20 such an amendment jeopardized the bill, that we would
21 also like to see the bill moved, but to take a run at
22 it in that fashion.

23 COMMISSIONER CROWLEY: Mr. Chairman, may I
24 ask too? My notes indicated, Commissioner Gandara, that
25 the Commission -- that it was suggested by you that

1 the Commission shall have the right to prepare forecasts
2 for alternative fuels as they deem appropriate as well.
3 And I don't see that in the information sheet and I wanted
4 to double check on that.

5 MR. FUKUMOTO: You should have received a proposed
6 amendment sheet that was included in that, that has six
7 amendments.

8 VICE CHAIRMAN GANDARA: There is a proposed
9 amendment sheet in the back.

10 COMMISSIONER CROWLEY: Okay.

11 MR. FUKUMOTO: To AB 3353?

12 COMMISSIONER CROWLEY: Yes.

13 VICE CHAIRMAN GANDARA: That seems to reflect,
14 at least --

15 COMMISSIONER CROWLEY: An alternative -- yes,
16 I wanted to be sure that was in there, and I didn't have
17 that on my previous one.

18 VICE CHAIRMAN GANDARA: Well, again, Mr. Chairman,
19 I was more concerned with the success of this particular
20 bill --

21 CHAIRMAN IMBRECHT: Sure.

22 VICE CHAIRMAN GANDARA: -- and I would accede
23 to your judgment in this matter.

24 I also, there was another element to at least
25 my concern that I raised within the Legislative Policy

1 Committee, and that is that while I think that, and I
2 don't have any objection to the idea of trying to seek
3 funding for the activities that we are being asked to
4 undertake, I guess I'm a little bit concerned that the
5 appropriate vehicle for our request in that matter ought
6 to be through more directives of the budget and that
7 we ought to be concerned with trying to put together
8 or reflect the kind of mandates or policies that we're
9 interested in and then -- I recognize the practical
10 realities of where we are, but I just wanted to make
11 sure that, as a rule and we didn't get into this mode
12 that -- of trying to build our budget through each one
13 of these --

14 CHAIRMAN IMBRECHT: I couldn't agree with you
15 more and I would just say, though, that when the
16 legislature initiated mandates on us as opposed to ones
17 that we've generated ourselves, and I think there's
18 some distinction there, is what I'm basically saying --

19 EXECUTIVE DIRECTOR WARD: I might mention,
20 Commissioner, that the addition of the resource require-
21 ments associated with the bill is not going to affect
22 before the Policy Committee, and when it gets before
23 the Fiscal Committee in either house, you're going to
24 have both the analyst and Department of Finance saying
25 that it's going to cost some money; whether, in fact,

1 it's going to take a vacant position or it's going to
2 take a new position would remain to be seen, but they're
3 going to say it's going to take some element of staffing
4 to accomplish those purposes.

5 VICE CHAIRMAN GANDARA: I don't think we need
6 to spend more time, I think we've --

7 CHAIRMAN IMBRECHT: Commissioner Commons?

8 COMMISSIONER COMMONS: Just two short comments.
9 One is, I think we should, even if we're showing a net
10 of one, we should show that there are some savings and
11 make it add up to a net of one, because I think there
12 are -- that aspect of Commissioner Gandara's statement
13 is, I think, important to identify.

14 CHAIRMAN IMBRECHT: I agree.

15 COMMISSIONER COMMONS: And second is, we do
16 have this work that we're going forward on concerning
17 looking at the dates when we submit reports, and this
18 has a proposed date. And I wanted to ask Mr. Ward how
19 this would fit into where we are on dates and that element
20 of the bill, or when the date would be for both.

21 EXECUTIVE DIRECTOR WARD: Well, I think one
22 of the -- as I recall, looking at the amendments, one
23 of the amendments that the Policy Committee made, or
24 suggested amendments, was that it correspond to our BR
25 schedule.

1 MR. FUKUMOTO: It was APR, annual petroleum
2 review.

3 EXECUTIVE DIRECTOR WARD: APR schedule. So,
4 I think that's something that --

5 COMMISSIONER COMMONS: Wouldn't that also have
6 to be -- the fuel price forecast is also a very important
7 element in going into the electricity report, and the
8 consistency in terms of when those reports come forth
9 is, I'm wondering if we really want a specific date in
10 the bill, or that it's consistent with the PR cycle.

11 VICE CHAIRMAN GANDARA: If I might answer that.
12 It would be consistent, and currently the annual petroleum
13 review is required to be submitted by July 1 of every
14 year. If this bill were to be passed and signed, it
15 would not be in effect for this APR but would be in effect
16 for the APR approximately one and a half years from today.
17 Nonetheless, we would know about its passage and approval
18 and signing about one or two months before the cycle
19 for the planning of the APR occurs. And what that would
20 mean is that the preparation of these forecasts would
21 take place probably in the first quarter of the year.

22 And I understand that there is also a larger
23 effort which the Budget Committee had asked to be under-
24 taken, actually it was the old Government Relations
25 Committee had asked that we review all the reporting

1 requirements that we have that have been given to us
2 by the legislature and due dates and that we, in effect,
3 try to put some of those reports on an alternate-year
4 cycle, so that they all feed into the biennial report,
5 so that the biennial report requirements would be
6 diminished to some extent.

7 And also, we would have kind of a common report-
8 ing methodology that would address the BR needs, that
9 these other reports should address the BR needs.

10 CHAIRMAN IMBRECHT: Just a brief response to
11 that. The BR Committee is currently generating a proposal
12 to be brought to the Commission relative to that issue
13 and the incomes and the general terms which you've just
14 described.

15 COMMISSIONER COMMONS: Let me know about it.

16 CHAIRMAN IMBRECHT: Don't worry, you will.

17 COMMISSIONER COMMONS: Since I'm on the Committee.

18 CHAIRMAN IMBRECHT: Same way I find about things.
19 Don't worry, you will. You'll get a memorandum.

20 Okay. That's --

21 COMMISSIONER CROWLEY: I'm lost. Is there --

22 CHAIRMAN IMBRECHT: Let me put it this way:
23 The Presiding Member of the Committee is generating a
24 recommendation.

25 COMMISSIONER CROWLEY: Thank you.

1 CHAIRMAN IMBRECHT: And it will be discussed
2 with Commissioner Commons prior to being brought to the
3 Commission.

4 Next bill?

5 COMMISSIONER CROWLEY: The next bill is Senate
6 Bill 1484, which is tax credits on solar pumps. It is
7 the Maddy Bill, and the Committee suggested amendments;
8 we supported the bill, with amendments.

9 We asked that the equipment eligible be defined.
10 This was a staff recommendation which we felt was most
11 appropriate.

12 We also felt that because it also included
13 36 months of depreciation, that this particular aspect
14 of it be in there, but that we sunset the bill in five
15 years and ramp down the tax credits by 5 percent each
16 year, so that they do not remain at 40 percent for the
17 life of the bill.

18 CHAIRMAN IMBRECHT: Is there a discussion?
19 Commissioner Commons?

20 COMMISSIONER COMMONS: Are there other energy-
21 saving mechanisms in terms of agricultural pumping that
22 would accomplish the same or similar results and at less
23 cost to the taxpayer?

24 COMMISSIONER CROWLEY: When you say "mechanisms,"
25 you mean tax benefit mechanisms or do you mean equipment?

1 COMMISSIONER COMMONS: Well, one area that
2 we have looked at is in terms of more efficient motors.
3 Some motors use a lot more electricity than other motors,
4 and the incremental cost of going from an inefficient
5 to an efficient motor may be less than the amount of
6 tax credit that we're discussing in terms of essentially
7 a 40-percent subsidy.

8 MR. FUKUMOTO: The language of the bill, though,
9 includes those kinds of changes. It says anything that's
10 associated with the solar pumping device that improves
11 the efficiency of the irrigation system shall also be
12 eligible for the credit.

13 COMMISSIONER COMMONS: All right. But if I
14 don't have a solar system as a part element and I want
15 to make another technology improvement, what we've done
16 is, I may have a way of reducing my energy consumption
17 from my agricultural pump, which would have an incremental
18 cost of, say, 10 or 20 percent, and I would receive no
19 credit, while I would get a 40-percent tax credit if
20 I put in a solar system.

21 MR. FUKUMOTO: Correct.

22 COMMISSIONER CROWLEY: The rationale of the
23 bill is stated to be to stimulate fledgling industry
24 that could provide significant benefits to farmers and
25 reduce total state energy consumption. The main barrier

1 is the high, up-front capital cost.

2 And the other thing that this particular system
3 fulfills is some access to pumping equipment in an area
4 which is not accessible to usual electrical connections
5 or electrical motors.

6 COMMISSIONER COMMONS: I did not note a restric-
7 tion in here concerning the last.

8 COMMISSIONER CROWLEY: No, there isn't. I'm
9 saying the stimulus is to an industry that obviates that,
10 namely, photovoltaics.

11 COMMISSIONER COMMONS: Is there an estimate
12 of what the cost to the state would be from this bill?
13 One of the things that we're finding on wind is the amount
14 of tax credits on wind was very, very small and has now
15 become substantial, and I think it's --

16 COMMISSIONER CROWLEY: Staff said that it was
17 an unknown potential increase in general --

18 MR. FUKUMOTO: The same type of problem --
19 well, not problem. The same type of pattern will occur
20 on this. If you look on the bill, it's on the second
21 page, it notes that for the little over two years that
22 the bill was in existence, that in the first year there
23 was zero credits claimed, second year 11, and third year
24 320. So, they're seeing that the stimulus that is being
25 provided has started to take effect and there will be

1 more people taking advantage of this and there will be
2 larger revenue losses. At this point in time, we don't
3 have an estimate of what that would be.

4 COMMISSIONER CROWLEY: But they didn't know
5 what they would be.

6 COMMISSIONER COMMONS: Are we talking about
7 something that might be \$5 million, \$50 million, \$200
8 million?

9 MR. FUKUMOTO: You would have to get together
10 with the Franchise Tax Board to see what kind of estimates
11 they have on it. At this point, we don't know.

12 VICE CHAIRMAN GANDARA: Perhaps, before we
13 continue along this line, we might try to get concurrence.
14 Commissioner Crowley, I thought you said that it would
15 start at 40 percent and ramp down 5 percent a year. My
16 recollection was that we were recommending that it start
17 at 50 percent but go down 10 percent a year for the five
18 years it would be in effect, so it would go from 50 to
19 40, 30, 10 and zero. And because of the uncertainties
20 that you've -- to the questions that you asked about --

21 COMMISSIONER CROWLEY: Well -- pardon me.

22 VICE CHAIRMAN GANDARA: Pardon me?

23 COMMISSIONER CROWLEY: The Maddy Bill changes
24 the present 50-percent level of tax credit to 40 percent.

25 VICE CHAIRMAN GANDARA: Yes, I understand that.

1 COMMISSIONER CROWLEY: And, so, that was why
2 I was working down from 40 to 35 to 30, was because I
3 thought we were assuming his level.

4 VICE CHAIRMAN GANDARA: Okay. I guess I misunder-
5 stood that, because my understanding was that we were
6 going to recommend the -- not the 40 percent but the
7 50 percent, but going down from 50, 40, 30, 20, 10, to
8 take into account the uncertainty, really, as to the
9 effect both on the treasury as well as to the -- if the
10 purpose is to introduce the industry to give it a head-
11 start, that is, you could reach the penetration, economies
12 of scale, and production costs reductions, that you would
13 correspondingly need less and less of the credit. It
14 was with a great deal of uncertainty. But, again, I
15 think that we have, you know, again, the same concept
16 in mind.

17 COMMISSIONER CROWLEY: Yes.

18 VICE CHAIRMAN GANDARA: But different levels
19 and different numbers.

20 COMMISSIONER CROWLEY: And that would do the
21 deed, so that would be appropriate. Keeping in mind,
22 of course, too, that the equipment still is eligible
23 for federal tax credits; so, your comment on the 10-
24 percent increments is appropriate. Five years would
25 bring that down then to 10 percent, plus the federal,

1 if that were still at 25, and might be at 10, so it would
2 still be a 20-percent credit.

3 MR. FUKUMOTO: There are two separate tax
4 credits: There's a federal tax credit and a state tax
5 credit on this. At the current time, there is a 25-
6 percent federal tax credit, which involves two components:
7 one is a 10-percent basic investment tax credit; and
8 then, on top of that, a 15-percent energy investment
9 tax credit. So, they'll get a total of 25 percent on
10 federal taxes.

11 COMMISSIONER CROWLEY: If indeed that is re--

12 MR. FUKUMOTO: Correct. And at this point
13 in time --

14 COMMISSIONER CROWLEY: -- authorized.

15 MR. FUKUMOTO: -- the 15-percent investment
16 tax credit is due to expire; however, there's been a
17 recommendation from the U.S. Senate Finance Committee
18 to extend this bill, the 15-percent credit for another
19 three years. So, then, the federal credit would remain
20 at 25 percent.

21 At the state level, we have a solar tax credit
22 for businesses that is currently at 25 percent, which
23 has been extended for three years.

24 So, regardless of whether this bill passes
25 or not, they would have a 25-percent credit. If this bill

1 passes, then the credit would be at 40 percent. So,
2 the question is, do you think --

3 COMMISSIONER COMMONS: Would it be at 40, plus
4 25 from the federal --

5 MR. FUKUMOTO: No.

6 COMMISSIONER COMMONS: -- so it's a total of 65?

7 MR. FUKUMOTO: No, no, no. There's two separate
8 credits: 25 percent off of the tax liability --

9 COMMISSIONER COMMONS: Well, if I spent --

10 MR. FUKUMOTO: -- federal tax liability, and
11 a 40 percent on the state tax liability.

12 COMMISSIONER COMMONS: Okay. If I spent \$100,000
13 on this solar device, will I get a \$25,000 tax credit
14 against my federal taxes and a \$40,000 --

15 MR. FUKUMOTO: No, no, no. Then you subtract
16 that from the 40,000.

17 COMMISSIONER CROWLEY: And then an additional 15
18 credit.

19 MR. FUKUMOTO: Right.

20 COMMISSIONER CROWLEY: But then you have to
21 pay federal taxes on that credit, as I understand it.

22 MR. FUKUMOTO: Staff says it may be added on,
23 but we'll have to check on that.

24 COMMISSIONER COMMONS: Well, I would not want
25 to see a tax credit that would exceed 50 percent total.

1 COMMISSIONER CROWLEY: No. And there is some
2 discussion, the 40 percent that is in the Maddy Bill,
3 you have to pay taxes on it at the federal level. In
4 other words, you cannot take that whole 40-percent credit
5 when you -- at the federal tax level. So, that compli-
6 cates the equation as well. In other words, you get
7 that, but then you have to pay taxes on that as something
8 that's part of the capital cost of the -- of whatever
9 you're doing at the federal level.

10 COMMISSIONER COMMONS: I'm a little confused
11 right now.

12 MR. FUKUMOTO: I think what Senator Maddy was
13 doing, he was trying to conform to the tax credit legisla-
14 tion that was extended last year, where the credits were
15 extended but reduced percentages.

16 COMMISSIONER CROWLEY: He is introducing the
17 same concept with the different number of 40 percent
18 rather than 50 percent, that has been -- that just ended.

19 COMMISSIONER COMMONS: Well, is the proposal
20 that the sum of the tax credits, the federal and the
21 state, not exceed 40 percent, and that it be reduced
22 5 percent per year?

23 MR. FUKUMOTO: Well, there appears to be some
24 conflict here. Commissioner Crowley thought it was a
25 5-percent decrease, starting from 40 percent, and

1 Commissioner Gandara believes it was a 50-percent tax
2 credit, decreasing by 10 percent per year.

3 COMMISSIONER CROWLEY: And all I was doing
4 was going by the fact that Maddy said to reduce the --
5 that he intended to reduce that tax credit to 40 percent,
6 and I went from there; so that was where I got confused.

7 VICE CHAIRMAN GANDARA: Right. My major impres-
8 sion was that we were wanting to phase out the tax credits,
9 from whatever level it was, and I thought it was 50 percent,
10 down to zero over the five-year period. In other words,
11 provide an increased, you know --

12 MR. FUKUMOTO: Well, it is 50 percent for up
13 through this last calendar year.

14 VICE CHAIRMAN GANDARA: Okay.

15 COMMISSIONER CROWLEY: But the new bill is
16 40 percent, and your --

17 MR. FUKUMOTO: The new bill starts at --

18 COMMISSIONER CROWLEY: So, your proposal is
19 that it go down to zero in five years --

20 VICE CHAIRMAN GANDARA: Yes.

21 COMMISSIONER CROWLEY: -- at 40 percent. Okay.

22 EXECUTIVE DIRECTOR WARD: I think as a matter
23 of Commission policy and previous legislative policy
24 that's consistent.

25 VICE CHAIRMAN GANDARA: I think the important

1 idea is, is this concept that -- you know, the economies
2 of scale and production economies, that's the important
3 thing that we haven't done before and I think is --

4 MR. FUKUMOTO: The other thing that --

5 COMMISSIONER CROWLEY: And we accept that this
6 program may take longer and need to be renewed, but we
7 did not believe that it ought to be open-ended for tax
8 credits at 40 percent; we thought they should end in
9 a discreet amount of time and we chose five years.

10 MR. FUKUMOTO: Yeah. As the bill is currently
11 drafted, it extends the credit for an unlimited period
12 of time, and the staff recommendation was to terminate
13 it at the end of five years, and possible review prior
14 to that.

15 COMMISSIONER COMMONS: I'm still not clear,
16 though. Is the Committee's recommendation that the sum
17 of the federal and the state not exceed a certain extent
18 or that the state be set at a certain amount?

19 COMMISSIONER CROWLEY: We didn't make a decision
20 on that because some of these are variables that we don't
21 know the answer to, such as shall they renew the federal
22 credit. All we dealt with was the substance of the bill
23 which says 40 percent, that should end in five years.
24 So, we didn't get into these things that we don't know
25 the answer to.

1 MR. FUKUMOTO: The Commission --

2 CHAIRMAN IMBRECHT: -- members of the Commission
3 that we are not voting up or down on the bills here and
4 we're not going to resolve it. I think we should just
5 incorporate those comments in the letter that we send
6 to Senator Maddy, indicating we support the concept but
7 we feel there should be a ceiling of 40 percent.

8 COMMISSIONER CROWLEY: And a ramping down of
9 the --

10 CHAIRMAN IMBRECHT: Um-hum.

11 COMMISSIONER COMMONS: That's fine. I just
12 want to make sure what we're doing.

13 VICE CHAIRMAN GANDARA: That's fine by me.

14 CHAIRMAN IMBRECHT: All right, fine. Then
15 that's the direction to staff.

16 Okay. Is that --

17 COMMISSIONER CROWLEY: There are two more bills
18 that do not require discussion, you'll be pleased to
19 hear, but I listed for our approval, and that is the
20 Rogers Bill concerning wind systems, subdivision act
21 change, AB 2474, and Senate Bill 2023, which is the off-
22 shore oil transportation bill, both of which the
23 recommendation is neutral.

24 CHAIRMAN IMBRECHT: Okay. Any further comments
25 from members of the Commission?

1 (No response.)

2 CHAIRMAN IMBRECHT: Motion by Commissioner
3 Crowley, seconded by Commissioner Gandara, that the
4 Committee report, as variously amended by comments offered,
5 be adopted, or the positions as recommended. Is there
6 objection to unanimous roll call?

7 (No response.)

8 CHAIRMAN IMBRECHT: Hearing none, that will
9 be the order.

10 Further Policy Committee reports? Commissioner
11 Gandara?

12 VICE CHAIRMAN GANDARA: I have -- let me get
13 organized here. Perhaps Commissioner Schweickart can
14 go ahead while I find my material.

15 CHAIRMAN IMBRECHT: Commissioner Schweickart?

16 COMMISSIONER SCHWEICKART: I wanted to give
17 just a brief oral report on a meeting that was held yester-
18 day, pursuant to the subject of tax credit victims--
19 I hesitate to say tax credit fraud. But the issue that
20 has come to our attention and about which we are trying
21 to move rapidly, in conjunction with a number of other
22 state agencies, is the existence of a significant number
23 of rejections of conservation tax credits by the Franchise
24 Tax Board, based on a variety of causes, but a large
25 percentage of them based on not having an RCS audit prior

1 to installing a conservation measure.

2 I call this to your attention because of several
3 factors. Number one, we are likely to see a plethora--
4 if that means a bunch--of legislative actions or potential
5 actions in this area to try and remedy and redress the
6 victims of this situation.

7 We are further dealing quite clearly in some
8 instances with out-and-out fraud on the part of installers
9 of conservation devices, and we will probably see some
10 actions toward prosecution; whether we get there or not
11 is still an open question, due to lack of information
12 at this point.

13 But, in any case, it's quite clear that the
14 Energy Commission, the Franchise Tax Board, the Contractor
15 State Licensing Board, the Attorney General, and perhaps
16 the Board of Equalization will all be involved in some
17 fairly high-profile actions over the next several months
18 in attempting to reduce the number of people who are
19 having substantial tax credits rejected.

20 Now, once again, I want to make sure people
21 understand the magnitude of what we're talking about.
22 The numbers we've gotten from the Franchise Tax Board
23 would indicate that there are on the order of -- let
24 me try and remember the number, 17,000 --

25 COMMISSIONER CROWLEY: Seventeen thousand,

1 six hundred --

2 COMMISSIONER SCHWEICKART: Yes, it's about --
3 something on the order of 120,000 claims for tax credit
4 which may be invalid. If one runs through the multiplica-
5 tion that total may sum to something on the order of
6 \$25 million of tax credits per tax year.

7 Now, should, as is being suggested in some
8 circles, should blanket relief by retroactive changing
9 of the law become popular, we may see on the order of
10 25 to 50 million dollars, or more, of additional draw-
11 down on the general fund as a result.

12 There are -- this is a very, very complex issue.
13 We've had a number of meetings on it and there are a
14 host of actions being taken. I wanted you to know about
15 these because, as I say, we will be seeing some action
16 in the press in all likelihood and certainly a lot of
17 legislative action.

18 CHAIRMAN IMBRECHT: Has there been a representa-
19 tion from the Department of Finance at those discussions?
20 You indicated there were other state agencies.

21 COMMISSIONER SCHWEICKART: No, not yet. Yester-
22 day was the first interagency meeting that was called,
23 I called that a week and a half ago, and we had good
24 participation and we're going to be coming up with a
25 summary of the results of that and I'll make sure all

1 Commissioners get this summary.

2 Nevertheless, we are faced with what is, in
3 essence, at least in my judgment and I'll put it to my
4 own judgment only, an insoluable situation in the sense
5 of redressing past grievance. Almost every opportunity
6 we've looked at thus far, we may yet come up with some-
7 thing, but almost every option we've looked at thus far
8 would literally create more grief than the grief that
9 exists out there on these rejected tax claims. So, we're
10 still looking at possible remedial remedy, remedial action
11 here to take care of past grievance; but, in the meanwhile,
12 we're taking immediate action to reduce the continuation
13 of inappropriate tax claims and rejected claims, and
14 bad installations, frankly.

15 I don't want to go too much further than that,
16 I did want to just call it to your attention so that --

17 CHAIRMAN IMBRECHT: I appreciate it. And all
18 I would like to suggest is that, I appreciate very much
19 you highlighting the issue, and I think this is one of
20 those instances where it would probably be useful for the
21 long-range credibility of this institution, with the
22 Department of Finance, if we were the first to call this
23 question to their attention, and almost demonstrate to
24 them that we are taking some steps to try to assess the
25 problem and deal with it. And I think that would

1 generate some confidence there, potentially, our concern
2 about general fund implications.

3 When you're in a position to make some recommenda-
4 tions, I would suggest that an appropriate memorandum
5 ought to be prepared for the Director of Finance.

6 COMMISSIONER SCHWEICKART: We will look toward
7 a summary of this issue with where we're headed and that
8 will -- that should come out fairly soon. I'll consult
9 with you what you feel needs to be done with that or
10 in addition to that in order to report this issue to
11 Finance.

12 CHAIRMAN IMBRECHT: Okay. Just to try to accom-
13 modate somebody who I know may want to leave, if I can
14 just move off this very briefly and turn to the public
15 comments. Mr. Johnson, do you want to address the
16 Commission at this point?

17 MR. JOHNSON: For the record, my name is Roger
18 Johnson, I'm with the Los Angeles Department of Water
19 & Power. I would like to use the public comment period
20 today to do two things. One, is to make a couple of
21 introductions, and I would like to do that because it
22 gives me great pleasure to introduce to you, to my
23 immediate left, Mr. Carl D. Haase, who is our manager
24 of environmental and governmental affairs section.
25 Mr. Haase has replaced our Mr. Ed Gladback, who had the

1 similar position, in effect. And to his left is Mr. W.
2 C. Byrd, and Mr. Byrd is going to be responsible for
3 taking over the -- some of the governmental affairs acti-
4 vities dealing with the Energy Commission from here on
5 after, because Mr. Byrd is replacing me as your direct
6 link to the working available staff of the department.
7 Mr. Haase works directly for Mr. Eldon Cotton, who is
8 our engineer of our system development.

9 As for myself, I wanted to take this opportunity
10 to say goodbye to the Energy Commission and its staff.
11 I have been working closely with the Commission for the
12 past nine years, and I have been doing it on a day-to-
13 day basis, a full-time basis for the last six years.
14 And my assignment with the Commission has been to kind
15 of be the coordinator and the interfacing agent between
16 the Commission and the Department of Water & Power, and
17 I will be turning that over to Mr. Byrd from today on.

18 I just wanted to say that I felt very fortunate
19 to have this assignment, because it has virtually exposed
20 me to every facet of the department's planning functions,
21 dealing anywhere from conservation to forecasting, to
22 resource planning, to alternative energy projects and
23 transmission lines and power contracts. And, in addition
24 to just the planning functions, it's gotten me into the
25 operating and maintenance section of the department,

1 through the power system controls, the economy purchases
2 that we've been involved with, the contingency planning
3 efforts, and as well as fuel acquisition and usage, for
4 which I have sponsored some testimony and comment before
5 this agency, or have introduced somebody that had the
6 expertise that I felt you needed at the time.

7 Without the Commission, this job that I've
8 had wouldn't have been available and I considered it
9 a very high honor to represent the department before
10 this Commission. And to that end, I just want to thank
11 you for making this experience a very pleasurable one.
12 I just wanted to say goodbye.

13 CHAIRMAN IMBRECHT: Thank you very much,
14 Mr. Johnson, and we hope that that broad experience that
15 the Commission has provided you will lead one day to the
16 general managership of the department, and then we'll
17 be confident that we'll have someone at the helm that
18 will truly understand all of our needs and yours as well.

19 MR. JOHNSON: Well, thank you very much.

20 CHAIRMAN IMBRECHT: But, we welcome Mr. Haase,
21 and Mr. Byrd we've worked with in the past, and look
22 forward to a fine working relationship with you as well.

23 MR. HAASE: We look forward to that very same
24 thing.

25 CHAIRMAN IMBRECHT: Does any other Commissioner

1 care to offer any comments?

2 COMMISSIONER SCHWEICKART: It's been a pleasure
3 working with you, Roger.

4 MR. JOHNSON: Thank you, Rusty.

5 CHAIRMAN IMBRECHT: What is your new assignment,
6 if I might inquire?

7 MR. JOHNSON: My title, since that's about
8 all I've been able to comprehend to this point in time,
9 I'm going to be the transmission system project engineer
10 for the Intermountain Power Project. I will be doing
11 a lot of the coordination and the directing and controlling
12 of the transmission line effort from the Intermountain
13 Power Project through the switching station and the
14 converge station of the DC line from Delta, Utah, to
15 here in California.

16 CHAIRMAN IMBRECHT: I'm sure we'll continue
17 then to have some ongoing dealings, because that particular
18 transmission line has the prospect of having substantial
19 beneficial impacts upon the entire western transmission
20 system in terms of added reliability, and particularly
21 if some of the options that are available to you are
22 ultimately chosen. So, I look forward to those discussions
23 as well.

24 Commissioner Gandara?

25 VICE CHAIRMAN GANDARA: Yes. I just wanted to

1 mention that I, likewise, have enjoyed working with you,
2 Roger, and that I appreciate your comments. It's not
3 all that often the Commission gets comments such as it
4 has, and since you indicated Mr. Byrd is taking over
5 your responsibilities here, will Mr. Byrd be giving me
6 fishing advice or will you still be giving me that, or --
7 and by mail or --

8 MR. JOHNSON: I think more by mail.

9 CHAIRMAN IMBRECHT: We can always subpoena him.

10 COMMISSIONER CROWLEY: You're going to love
11 it in San Juan County.

12 COMMISSIONER SCHWEICKART: By the way, with
13 your new job, I see it's that you've become a smooth
14 talker here at the Commission through this tough training
15 program we put on that has made you appropriate for this
16 new job.

17 MR. JOHNSON: Well, from some of the discussions
18 that I've had to date, I think that I will be able to
19 use the experience well.

20 CHAIRMAN IMBRECHT: Well, I would have to say
21 that's a --

22 COMMISSIONER SCHWEICKART: We think we're tough.

23 CHAIRMAN IMBRECHT: Just beginning to get my
24 feet wet relative to the GPPL transmission line case
25 and more fully comprehending the complexity of the issues,

1 not to mention the general viewpoint of most citizens
2 about having towers in the backyard, you have a very
3 substantial task ahead of you, and I will certainly empa-
4 thize as I work on --

5 MR. JOHNSON: Well, in working with all of
6 the committees that we've had, I've realized that I've
7 had a great exposure into the power supply business and
8 it's been a very educational time period for me and one
9 that I have been very interested in, and I know I wouldn't
10 have been given this opportunity had the Commission not
11 come onboard in '75, when they directed me to look over
12 the power plant siting regulations, and then from there
13 it just stepped into a full-time job. And I've enjoyed
14 the association and I'm sure that W. C. Byrd will be
15 able to do a fine job replacing me.

16 CHAIRMAN IMBRECHT: Good. Well, thank you
17 very much. And we welcome you to the Commission.

18 Commissioner Gandara, returning to Policy
19 Committee reports.

20 VICE CHAIRMAN GANDARA: Okay. The Fuels Policy
21 Committee has two items. What you have before you is a draft
22 letter to Ms. Guzman regarding comments that they requested
23 in the Santa Barbara oil transportation plan study.
24 As you know, when we have had these, I generally have
25 tried to solicit all your comments. It just so happens

1 that the timing was such that this was ready for this
2 meeting, so it's before you.

3 The comments which are on the subsequent pages
4 are consistent with the Commission's previous positions
5 on the annual petroleum review, consistent with the
6 testimony the Commission approved that I gave before
7 Assemblyman Goggin's committee. I don't think there's
8 anything unusual there. If anybody would have any
9 differences, would they communicate them to me as soon
10 as possible? We'd like to get this letter out tomorrow,
11 if possible.

12 CHAIRMAN IMBRECHT: I've reviewed it and am
13 in accord. Second item?

14 VICE CHAIRMAN GANDARA: The second item, I
15 would have to depend more on, I guess, your amplification,
16 Mr. Chairman. I was informed that the Office of Emergency
17 Services has received a substantial grant to do energy
18 emergency preparedness. I have called the office, or
19 my office called them to find out a bit more about it
20 and it's indicated that a project manager, being
21 Ms. Robin Biner, she has not returned our calls, but
22 I'm informed that there is an energy emergency preparedness
23 task force of about 30 people. It's not clear to me
24 exactly what the intersection would be with the contingency
25 planning activities, but I'm informed that you've been

1 involved in this or you are on the task force or --

2 CHAIRMAN IMBRECHT: Frankly, I think I'm up --
3 I've gone through all my mail folders and I'm not, once
4 again, a matter of first impression, I'm not aware of it.
5 A grant from whom?

6 VICE CHAIRMAN GANDARA: From the Department
7 of Energy, I understand. No, from FEMA, from the Federal
8 Energy Management -- Federal Emergency Management Adminis-
9 tration. From FEMA, I guess. It's a grant proposal
10 that was submitted two or three years ago, that at that
11 time there was some discussions as to whether the proposals
12 would come from the Commission or from OES, and I guess
13 it was decided to go through OES and it's come back and
14 they are --

15 CHAIRMAN IMBRECHT: All I can say, I'm not
16 familiar with it, and I'll certainly check into it imme-
17 diately. I can just tell you that I've recently been
18 designated by the Governor for a couple of other items
19 and that --

20 COMMISSIONER SCHWEICKART: Is this decentralized
21 energy, is that the issue?

22 VICE CHAIRMAN GANDARA: No, this is an energy
23 emergency preparedness. I don't know the details, whether
24 it's oil disruption planning, contingency planning.

25 COMMISSIONER CROWLEY: Is it a federal task force?

1 VICE CHAIRMAN GANDARA: No, this is, I guess
2 a state or an advisory committee of 30 people.

3 CHAIRMAN IMBRECHT: I really don't know anything
4 about it. I'll find out about it. The issue of emergency
5 planning for energy issues was discussed just recently,
6 last Thursday, with Mr. Merksamer, and there's absolutely
7 no indication there, so I really have no idea what you're
8 referring to. I'll just have to find out.

9 COMMISSIONER SCHWEICKART: There is some histori-
10 cal -- I'd like to see what it is, Arturo, if there is
11 any information. There are two things I can think of,
12 both of which occurred three to four years ago, which
13 it may relate to; so I may be able to shed some light
14 on it out of history, because there are two different
15 items there. But I don't know which it is.

16 CHAIRMAN IMBRECHT: I will endeavor to find
17 out and report back to the Commission.

18 VICE CHAIRMAN GANDARA: That's all I have.

19 EXECUTIVE DIRECTOR WARD: I've received an
20 invitation to an open house or something, and it stimulated,
21 I think in the last three or four days, the same thought,
22 I think the Commission --

23 CHAIRMAN IMBRECHT: I received an invitation
24 to an open house, what, at --

25 EXECUTIVE DIRECTOR WARD: I believe it's the

1 Office of Emergency Services, and I jotted down the same
2 concern.

3 CHAIRMAN IMBRECHT: About two and a half or
4 three weeks ago, I attended a demonstration of emergency --
5 of a test emergency at San Onofre, where I had the leader-
6 ship of the Office of Emergency Services with me, and
7 we had lunch and so forth, and, again, there was no
8 discussion; so, I'm really --

9 VICE CHAIRMAN GANDARA: I'm aware of the reception,
10 but I won't be here, but I did get an invitation anyway --

11 CHAIRMAN IMBRECHT: Well, we'll find out what's
12 going on.

13 EXECUTIVE DIRECTOR WARD: My comment would
14 be, if they don't return your call, then maybe we can
15 take advantage of the reception to find out what's going on.

16 CHAIRMAN IMBRECHT: Okay. Is there any further
17 matter to come before the Commission?

18 (No response.)

19 CHAIRMAN IMBRECHT: Hearing none, the meeting
20 is adjourned.

21 (Thereupon, the business meeting of the California
22 Energy Resources Conservation and Development Commission
23 was adjourned at 4:53 p.m.)

24 --o0o--
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REPORTER'S CERTIFICATE

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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, March 21, 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 Petrilla