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**STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

In the Matter of:)
)
Preparation of the Commission's) **Docket No. 83-CFM-5**
Fifth Electricity Report)
California Energy Plan)
_____)

**Business Meeting
1516 Ninth Street
First Floor Hearing Room
Sacramento, California**

**Wednesday, April 24, 1985
10:33 PM**

Reported by: Dawn Lofton

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COMMISSIONERS PRESENT

Charles R. Imbrecht, Chairman
Barbara Crowley, Vice Chair
Geoffrey D. Commons, Second Member
Arturo Gandara, Commissioner
Warren D. Noteware, Commissioner

STAFF PRESENT

Steve Cohn, Committee Counsel
Randall Ward, Executive Director
Mike Jaske, Ph.D.

APPEARANCES

J. Peter Baumgartner, Attorney, Pacific Gas and Electric Company
Stelios M. Andrew, Pacific Gas and Electric Company
Mike Gardner, Southern California Edison Company
Philip Hanser, Sacramento Municipal Utility District

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Item 1 - Commission Hearing and Possible Adoption of the Biennial Report Committee's electricity demand forecast, pursuant to Public Resources Code 25308.	
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P R O C E E D I N G S

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3 CHAIRMAN IMBRECHT: Good morning. We'll call
4 the meeting to order. If we may rise for the flag
5 salute; I'll ask Commissioner Gandara to lead us please.

6 (FLAG SALUTE)

7 CHAIRMAN IMBRECHT: Thank you. Good morning.
8 We have two items on today's agenda. The second has been
9 removed from the agenda at the request of Commissioner
10 Noteware, and simply reflects the fact that no viable
11 proposal that could be moved at this point in time was
12 forthcoming. Today before us is the Consideration of
13 the Commission's Demand Forecast of the 1985 Electricity
14 Report, or the Fifth Electricity Report of the
15 Commission.

16 We had intended to adopt the forecast today;
17 however, as a result of the change in scheduling that
18 was announced yesterday relative to the Biennial Report,
19 and the overall marriage of the two documents, we will
20 make a slight change relative to the Demand Forecast as
21 well. I might say this is in response to a request from
22 members of the Commission for an opportunity to have a
23 little time to consider the testimony today, and make
24 some further inquiries of their own of members of the
25 staff to ensure that they are fully comfortable with the

1 variety of assumptions and calculations built into these
2 documents.

3 So, what we will do after consultation
4 ensuring that this is appropriate, on the 29th at the
5 hearing that is previously scheduled for the
6 consideration of the full Electricity Report, we will
7 first take up the question of Adoption of the Demand
8 Forecast; and then turn to Consideration of Adoption of
9 the full Electricity Report; and then finally the
10 question of Adoption of the Siting Policy that was
11 discussed yesterday that's encompassed both within the
12 ER and the BR.

13 As I indicated yesterday as well, on the 29th,
14 the Committee will release proposed or draft
15 recommendations for the BR and those will be subject to
16 a Committee Public Hearing on May 7th, which will also
17 be an invitation meeting for the other members of the
18 Commission to join Commissioner Commons and myself at
19 that time. The full BR, pursuant to the agreement with
20 Governor will be adopted on May 15th for transmittal to
21 him on May 17th. That is what was announced yesterday
22 as well.

23 With that, we do intend to take the full
24 hearing today. I think all of us are looking forward to
25 the discussion of the Demand Forecast, the appropriate

1 assumptions, et cetera. It probably makes more sense
2 for a bit of time to consider what is brought forward
3 today.

4 So we will begin today's hearing by
5 calling....Mr. Ward, do you want to open or does Dr.
6 Jaske want to open with his presentation?

7 EXECUTIVE DIRECTOR WARD: Thank you. Dr.
8 Jaske's prepared to give you the briefing.

9 CHAIRMAN IMBRECHT: Fine. Dr. Jaske is
10 prepared to brief the Commission on the proposed Demand
11 Forecast.

12 DR. JASKE: Good morning, Mr. Chairman and
13 fellow Commissioners. I am Mike Jaske, Chief Energy
14 Forecaster. I have actually two separate packages which
15 you should have before you. One is entitled "1985
16 Electricity Report Recommended Demand Forecast Briefing
17 Package". Another has a fairly sparse title page; it
18 has "Committee Directed Draft Demand Forecast". I
19 really would like to concentrate on the first of these.

20 The second is a slightly modified version of
21 Appendixes 2.1 and 2.2 of the Draft Final Electricity
22 Report. A little bit of language cleanup; no change in
23 numbers; and it had been our hope that this might be the
24 versions of Appendix 2.1 and 2.2 that would appear in
25 the Final Electricity Report. But, given whatever

1 decisions may happen on Monday, and also one error
2 that's been pointed out to me in just sort of a clerical
3 nature, we'll need to have yet one more pass-through the
4 Appendixes. So, let me turn to the briefing package.

5 COMMISSIONER GANDARA: Mr. Jaske, let me try
6 to understand what you said. This briefing package that
7 you made reference to contains pages that should be
8 substituted for the Draft Final Electricity Report,
9 April 1985?

10 DR. JASKE: No, sir. This package consists of
11 excerpts from, as well as summary information. The
12 thicker package, called Draft Demand Forecast, is the
13 total of Appendixes 2.1 and 2 in their entirety.

14 COMMISSIONER GANDARA: Is that the Committee-
15 directed Draft Demand Forecast?

16 DR. JASKE: Yes, that's correct.

17 COMMISSIONER GANDARA: Okay. The Committee-
18 directed Draft Demand Forecast contains material that
19 should update the brown, Draft Final Electricity Report,
20 as well as the blue Appendixes?

21 DR. JASKE: It is reprints with slight changes
22 in the language to Appendixes 2.1 and 2.2 that were
23 included in Volume 1, the blue cover appendixes. These
24 were changes directed by Commissioner Commons and
25 encompass a few clerical typos that were discovered, as

1 well as a slight change in some of the language
2 discussing characteristics of staff and utility
3 forecasts.

4 COMMISSIONER GANDARA: Let me ask the question
5 a different way then. If I want to read the latest
6 version of the totality of this document and the blue
7 appendixes, I would then necessarily have to update it
8 with this Committee-directed Draft Demand Forecast?

9 DR. JASKE: That's correct.

10 COMMISSIONER GANDARA: Okay.

11 DR. JASKE: And there are no changes proposed
12 by staff or Committee to the text of Chapter 2.

13 COMMISSIONER GANDARA: One final question. In
14 a copy that you left in my office last week, a brown
15 copy, there was a hand-penciled deletion and I didn't
16 quite understand the side-bar comment. It says "what's
17 to have been deleted" -- that's page 440. Should I
18 consider that deleted; it seems conditional. I'm just
19 not quite certain whether I should consider that out or
20 in.

21 COMMISSIONER COMMONS: You say Page 440?

22 Well, based on the hearing yesterday, I'll be after work
23 with the Chairman's office, the Committee will be giving
24 an update to the full Commission on all the
25 modifications to the chapters, other than Chapter 2 and

1 we'll try to have that available by tomorrow. What
2 you're referring to in 440 is other than the Demand
3 Forecast. I don't have my draft report as to whether
4 there was a change on that here. But you will be getting
5 an update from the Committee; hopefully, by tomorrow on
6 any modifications to the document, including the
7 appendixes.

8 COMMISSIONER GANDARA: Fine. I just need to
9 know what to consider as final and I apologize for the
10 confusion. But I haven't been around....

11 COMMISSIONER COMMONS: Appendix 2 was the only
12 appendix I had not personally reviewed. So the changes
13 that you have were essentially my review of that. I
14 think Dr. Jaske characterized it correctly.

15 CHAIRMAN IMBRECHT: Okay. Dr. Jaske.

16 DR. JASKE: Let me turn to the Briefing
17 Package then. A couple pages in you'll see a page
18 titled "Chronology of Key Events". I will briefly
19 describe for you the sequence of events that have
20 occurred in the CFM-5 and 1985 Electricity Report
21 Process.

22 We began in the summer of 1983 with adoption
23 of forms and instructions; spring of the following year
24 in 1984, submittals were docketed by all of the parties;
25 principal hearings took place in August and September of

1 1984; Committee issued, according to a master outline of
2 the schedule, and Order on October 1 which summarized
3 its findings relative to those initial hearings, and
4 directed certain actions be taken by the parties for the
5 staff to make certain changes and for the utilities to
6 consider making certain changes. Revised forecasts were
7 submitted by some of the parties on November 1, 1984.
8 Thsoe parties were the staff, L.A. Department of Water
9 and Power in Anaheim. Comments were submitted by the
10 other parties. There was a hearing on November 20th
11 which reviewed those revised demand forecasts. There was
12 a combined hearing in early December 1984, which had
13 both Supply and Demand content, so it was the final
14 point where comparison of staff and utility material was
15 made.

16 In December, the Committee directed the staff
17 to produce a revised forecast which used certain
18 Committee assumptions and that result is referred to by
19 staff in these documents as the Committee Directed
20 Forecast. There were three basic kinds of changes
21 incorporated in that direction. The first was to
22 separate out Conservation into the conditional and
23 unconditional components; second was to further review
24 some assumptions staff was using on whether to
25 characterize peak demand; the third was to consider some

1 changes on commercial air conditioning saturations. The
2 forecasts were docketed by staff in January 1985, and
3 those forecasts along with the either original or
4 revised utility forecasts, as the case may be, were
5 included in the Draft Electricity Report, released on
6 February 1.

7 There was a hearing on February 14th to review
8 that material and through initial Committee preference
9 for staff forecasts, were principally comments from
10 Sacramento Municipal Utility District, and Southern
11 California Edison regarding the Committee's indication
12 to its leanings and as a result of that, late in
13 February, the Committee made a decision regarding what
14 it wanted to recommend. Those recommendations are
15 included in the Draft Final Electricity Report. They
16 are the same numbers for annual sales for all service
17 areas as were in the Draft Electricity Report; and there
18 are small changes for Sacramento Municipal Utility
19 District and Edison on Peak Demand Forecast.

20 An explanation of that process and the
21 rationale for the Committee's decision to recommend the
22 particular forecasts for each planning area included in
23 these Appendixes 2.1 and 2.2 which you have. Turning to
24 a couple pages ahead, there's an excerpt from the Draft
25 Final Electricity Report. This is a table which

1 summarizes the Demand Forecast by planning area, which
2 the Committee recommends. It's my understanding that
3 this particular set of numbers as printed here on this
4 page, which is Page 2-3 in the Draft Final Electricity
5 Report are the numbers which the Committee recommends
6 the Commission adopt. The following page gives a bit of
7 comparison of those numbers versus the 1983 Electricity
8 Report on a statewide basis, and I think if you want to
9 focus on the year 1996, you'll see both in the case of
10 peak demand as in the case of electricity sales that the
11 Committee recommended forecast is slightly lower than
12 that adopted by the Commission in 1983. It's about 700
13 MW lower and somewhere around 3,000 GWh lower -- very
14 slight changes basically across all the time horizons in
15 question.

16 The following page summarizes the principal
17 changes between the 1985 ER recommendation and what was
18 adopted...

19 COMMISSIONER GANDARA: Mr. Jaske, with respect
20 to that comparison, I note that in the 2004 time period
21 that the forecasts by that time have crossed and that,
22 in fact, the recent forecast is rather slight, but
23 higher. Can you give an explanation for what must be
24 the slope change there?

25 DR. JASKE: Let me also point out that the

1 sales is lower and indicate why that is the case. There
2 is essentially a shift in the composition of the economy
3 assumed in the economic and demographic assumptions,
4 which is toward the commercial sector and away from the
5 industrial sector. Given the typical load factors
6 associated with commercial use of electricity versus
7 industrial use of electricity, you have a bit peak year
8 situation. The commercial sector typically is one of
9 these circumstances where there's lots of load during
10 the day and it drops way off at night, whereas the
11 industrial sector tends to be considered flatter. I
12 think that basically is the fundamental reason for the
13 change.

14 COMMISSIONER GANDARA: I see. Again, it gets
15 slightly different part of the report, but I also noticed
16 that in the projections for the PGandE and SCE area,
17 also in that latter time period from the twelfth to the
18 twentieth year, there was a reversal in the decrease of
19 the oil and gas generation. So you apparently have a
20 continuing displacement until about that time period,
21 then you have an increase again in the usage of oil and
22 gas. Would this change to commercial explain that,
23 essentially would those be peakers or load followers
24 coming on and relighting the oil and gas?

25 DR. JASKE: I think that in its essential

1 elements that the availability of energy from the
2 northwest, southwest and sort of bountiful in-state
3 rainfall, has allowed for the past few years, utilities
4 to greatly displace oil and gas. We're already seeing
5 the in-state component to that going back more toward
6 normal circumstances of utilities having to burn more
7 oil and gas. It progressively over time, less
8 availability of economy energy from other sources that
9 the sort of indication of increased oil and gas refer to
10 as "relative to" an unusual circumstance. Utilities,
11 unless other resources come in, are building back up
12 toward higher use of oil and gas for a period. That is
13 largely a phenomenon not connected with the shift
14 between the commercial sector and industrial sector as
15 to the nature of load. I think that's a separate kind
16 of question.

17 COMMISSIONER GANDARA: Okay, well for whatever
18 relevance staff is listing, why don't we get to that
19 section. I'm kind of interested in that particular
20 aspect in the discussion of oil and gas displacement
21 policy, you did note a continuing decline in the oil and
22 gas, but a reversal or slight increase for both those
23 service territories around the year 2000. I'm still
24 interested in this issue of what you indicated was part
25 of the explanation here which was a shift to commercial

1 from industrial. Is that correct?

2 DR. JASKE: Yes, that's right.

3 COMMISSIONER GANDARA: The industrial sector
4 has shown probably more price sensitivity than the other
5 sectors. Is that correct?

6 DR. JASKE: I'm not sure there is a degree of
7 truth to what you're saying, but I think it's extremely
8 clouded by the data which were not easily understood
9 because there's been such a fluctuation in the level of
10 production in the industrial sector. It's not so clear
11 whether the data say through 1982 or 1983, are
12 reflecting efficiency improvement or just a decline in
13 the amount of production and, therefore, the amount of
14 energy necessary for that production. We are just now
15 getting our hands on later 1983 and 1984 data which are
16 back to the era where the economy is producing in more
17 normal levels and we'll have a much better handle on the
18 degree to which industrial deficiency is really taken
19 hold versus either temporary or permanent declines in
20 the level of production of manufactured products.

21 COMMISSIONER GANDARA: With respect to this
22 particular sector, I seem to recall that you modelled
23 the industrial sector econometrically and then you
24 merged that with the other forecasts, but you were
25 developing some end-use process models. For the sector

1 as a whole, which was the dominant modelling that was
2 done? Again, it goes back to my previous question since
3 I seem to recall that there were some price sensitive
4 variables that were quite pronounced in the econometric
5 model.

6 DR. JASKE: The adopted 1983 forecasts and
7 it's actually the first bullet on the page that says
8 "Principal Changes", one thing you have to keep in mind
9 is, the adopted 1983 forecast included numbers for the
10 Edison service area which was from the SCE company for
11 the commercial sector. Those were somewhat, maybe more
12 than somewhat, considerably higher than the staff
13 numbers. In this case, the Committee is recommending
14 totally staff generated sales forecasts and sort of
15 minor adjustments to staff generated peak demand
16 forecasts for all service areas. So that one element is
17 a component of the decline between 1983 adopted numbers
18 and what was recommended by the Committee for 1985.
19 That is probably more pronounced on sales than peak
20 demand. And you can see, there's a greater change
21 between the two forecasts on sales than on peak demand.
22 But that aside, we were using two end-use forecasting
23 models in the 1983 ER cycle for the industrial sector:
24 one specifically oriented to process industries, and one
25 oriented toward the light, manufacturing assembly

1 industries. We are using basically those same two
2 models, with some changes to inputs and, of course,
3 assumptions on level of production and so forth. But the
4 architecture of the models is basically the same.

5 The predominant influence of those models on
6 the forecast is in the assembly area. All of the
7 service areas in California are dominated by assembly
8 industry with the exception PGandE. PGandE's
9 electricity consumption is maybe two to one process
10 industry versus assembly industry and it's because of
11 the oil refineries, the pulp and paper plants, etc., SCE
12 and Los Angeles, etc. are dominated by defense-type
13 industries where it's in effect, a giant warehouse
14 that's conditioned and there's people in there doing
15 assembly-type work. So, generally speaking, the staff's
16 forecast for the state as a whole are most influenced by
17 assembly industry model.

18 COMMISSIONER GANDARA: One last question in
19 this area is, again, the shift from the industrial to
20 the commercial which causes a cross-over toward the end
21 of the century. I take it then that you're not assuming
22 any implementation of a load management or time-of-day
23 programs beyond those that currently are in place?

24 DR. JASKE: Let me go through this page and
25 then I will get to that.

1 COMMISSIONER GANDARA: Fine.

2 DR. JASKE: I've sufficiently covered the
3 first bullet on the page. The second bullet indicates
4 the nature of change in largely assumptions as opposed
5 to models, there are five basic categories. First, we're
6 now using typical peak demand weather as opposed to
7 adverse peak demand weather. And this is more
8 consistent with practice followed by California
9 utilities and the utility industrial, in general. One of
10 the rationales for the Committee's adjustments in the
11 SMUD and Edison service areas is that the period over
12 which we have weather data so as to calculate it
13 typical, is a relative short one. We felt that may have
14 contributed to us not having a representative typical.
15 That's the principal factor for those two changes. On a
16 whole, that 's a good change and has a commensurate
17 change on the kind of and size of reserve margin
18 necessary to accommodate peakload. The second item, we
19 have changed residential and commercial fuel-type
20 saturations using the most recent utility survey data,
21 and that's a kind of change that typically happening in
22 each cycle as we get new survey data.

23 There have been changes in conservation
24 program assumptions, both in the nature of what programs
25 are included as well as how to characterize programs. I

1 think I've indicated in our discussion previously that
2 the economic-demographic assumptions are a little bit
3 different. They are in certain gross indicators,
4 slightly higher, but they do represent a shift (not
5 large), but measurable from the assembly kind of
6 industry toward the commercial sector.

7 Finally, fuel price assumptions are a little
8 bit lower. In the area of conservation policy, there
9 have been some changes. First, this forecast includes
10 as a component of....

11 COMMISSIONER GANDARA: Mr. Jaske?

12 DR. JASKE: Yes.

13 COMMISSIONER GANDARA: Could I return you to
14 the previous subject before you get more into the
15 conservation policy?

16 DR. JASKE: Fine.

17 COMMISSIONER GANDARA: I'm a bit interested in
18 whether you did any backcasting to check out these
19 particular changes. Did you?

20 DR. JASKE: Yes, we are running all of the
21 models in a backcast mode. All models run at least as
22 far back as 1977. The residential model goes back to
23 1970. Generally speaking, the models both on sales and
24 peak demand, fit better against recorded data now than
25 they did formerly.

1 COMMISSIONER GANDARA: And I don't know
2 whether this question fits here or your next section,
3 but wherever it does if you would address it. Did you
4 include in your conservation analysis, any rebound
5 analysis?

6 DR. JASKE: There is some incorporation of
7 that phenomenon in the commercial sector model as there
8 was in 1983 cycle. We do not make progress in the
9 residential sector for this cycle. That phenomenon is
10 still largely absent in these forecasts. The principal
11 change in to the extent of programs that are included as
12 conservation reasonably expected to occur (RETO) are the
13 updated Title 20 Appliance Standards which this
14 Commission adopted in latter 1984. Of course, RETO this
15 time, as other times, includes market response and we
16 include that to the degree we are able. But the
17 substantive policy change is the incorporation of that
18 standard.

19 One of the changes in this cycle relative to
20 the previous ones has been the separation of
21 Conservation RETO into two parts. Those are called
22 Conditional and Unconditional. That split is basically
23 determined on the basis of whether a program has gone
24 through all of the hoops necessary for it. So, for
25 example, the updated Title 20 Appliance Standards are

1 included as unconditional RETO because this Commission
2 has taken its final actions. The second tier of the non-
3 residential building standards updates those for retail
4 and restaurant are not included as Unconditional RETO
5 because, while they are reasonably expected to occur,
6 that final action has not yet occurred and there is some
7 small probability that it might not. That is the kind
8 of program characterized as Conditional RETO. It is
9 reasonably expected to occur, but there are some
10 conditions which need yet to be made. In that case,
11 namely the adoption by this Commission.

12 The Unconditional RETO is what is included in
13 these demand forecasts which the Committee is
14 recommending to you. The Conditional RETO is considered
15 on the Supply Side as a resource addition. It's one of
16 those preferred resources to which the Commission
17 intends to utilize the reserve need concept.

18 COMMISSIONER GANDARA: Mr. Jaske, could you
19 compare the current Conditional and Unconditional RETO
20 to the old RETO and AAC? Is it largely the same? Is
21 Conditional RETO like the old Act or what?

22 DR. JASKE: No. The Additional-Achievable
23 Conservation (AAC) is that which goes beyond RETO and
24 it's, in effect, a subset of the broad conservation
25 potential which is out there which can be achieved,

1 implemented, captured by a particular set of program
2 designs. Traditionally, the staff has only been able to
3 quantify the achievement of certain portions of
4 conservation potential and that's one of the reasons
5 that AAC estimates have fluctuated from ER cycle to the
6 next in that the staff has not had the resources to
7 quantify the total amount of additional-achievable
8 conservation, but only certain things which have sort of
9 been analyzed or available for inclusion in the report.
10 That amount of conservation is not addressed in the
11 Draft Final Electricity Report in explicit fashion. The
12 Draft Final ER does focus on Conservation RETO using
13 basically the same definition of RETO that was used in
14 the 1983 ER, separating that into two parts: the
15 unconditional, those programs and their savings which
16 require no further approved actions are basically going
17 to happen irrespective of the majority of plausible
18 circumstances versus the conditional still RETO, but
19 which have circumstances under which they may not
20 have...

21 MR. COHN: Dr. Jaske, if I may interject, I'd
22 like to add to the statement that Dr. Jaske just made to
23 indicate that in fulfillment of the statutory
24 requirement that the Commission contain in the ER a
25 discussion of additional conservation potential, there

1 is Appendix VI.3, a description of non-generating
2 technologies and their potential to have additional
3 energy and capacity savings. So, that's in response to
4 Section 25305(d) of the Public Resources Code.

5 COMMISSIONER GANDARA: Let me see if I
6 understand this correctly. You're saying then that the
7 1983 RETO is roughly equivalent to the 1985 Conditional
8 RETO plus Unconditional RETO?

9 DR. JASKE: That's correct.

10 COMMISSIONER GANDARA: Okay. And that the
11 1983 AAC which was recognized on the Supply Side
12 essentially is not included or discussed in the Supply
13 Side in 1985?

14 DR. JASKE: No, that's not quite correct. If
15 you have your Draft Final ER, you'll see on Page 4-12 a
16 table which includes a variety of identified
17 conservation and load management programs savings
18 associated with those, and the characterization of the
19 status of those programs or groups of programs. So,
20 this table which is in a section describing identified
21 resource potential, is part of the treatment of
22 conservation as a resource option, and a portion of the
23 programs listed on that Table 4-12 are those designated
24 as Conditional RETO, but separated from the
25 Unconditional RETO.

1 COMMISSIONER GANDARA: So, within the Supply
2 Side conservation within the '85 report are two
3 different kinds of conservation: the Conditional RETO
4 plus other programs which would have been characterized
5 as AAC in the previous report?

6 DR. JASKE: That is correct.

7 COMMISSIONER GANDARA: Okay. And that in any
8 case, the sum of that additional RETO plus those AAC
9 programs is a subset of the old AAC?

10 DR. JASKE: Yes. It's a subset of that
11 conservation which is truly achievable, but which we
12 have not, since we have not quantified the total
13 additional-achievable conservation, only pieces here and
14 there which staff resources allow them to do. It's a
15 subset of the total, which we don't really have a
16 number. So we can't show that the numbers on Page 4-12
17 are 25 percent of this bigger thang, because we don't
18 know what the bigger thing is.

19 COMMISSIONER GANDARA: Ok. I guess I have a
20 question that crosses over to the Supply Side. Are we
21 going to have any other presentations? Perhaps I could
22 ask Mr. Jaske if it's not appropriate for your area, you
23 can just postpone the answer or refer to the future.
24 But as I understand it, in the Supply Side that there is
25 a reserve need. Let's not get into what this is right

1 now, but there is a reserve need for the conditional
2 RETO.

3 DR. JASKE: Yes, that's correct.

4 COMMISSIONER GANDARA: Now, can you explain to
5 me the difference between reserving a need for the
6 Conditional RETO and including it as RETO, as it used to
7 be?

8 DR. JASKE: Yes, I can explain that for you.
9 I would actually to prefer doing that in about ten or
10 fifteen minutes, depending on how fast I could go. But,
11 there is one difference, and it's a relatively important
12 one.

13 MR. GANDARA: Okay, fine.

14 DR. JASKE: There is one difference and it's a
15 relatively important one. I think largely we are
16 finished with this page indicating the principal changes
17 between the two cycles. The following page summarizes
18 again on a statewide basis where the Committee-
19 recommended forecasts are relative to those submitted by
20 the utilities and this incorporates the changes that
21 some of the utilities made. So, this wouldn't be what
22 utilities started out with in their original submittals;
23 it's what they ended up with. You can see again
24 focusing on the 1996 year that the recommended forecast
25 was here as part of the stylistic convention or report

1 is identified as adopted is lower about 15000 GWh lower
2 in 1996, also lower in peak demand by about 900 MW.
3 This is a relatively narrow margin. I beleive it's
4 appropriate to characterize it as the narrowest margin
5 that we have had in CFM cycles to date.

6 COMMISSIONER COMMONS: Dr. Jaske I think on
7 this it's really narrower than the numbers indicate
8 because the utility submittals in the period April
9 through June were made prior to the time the Commission
10 adopted the standards in the revised forecast by staff
11 included the refrigerator and air conditioning standards
12 and there is a significant number in relationship to
13 this difference and there was no way the utilities at
14 the time they did there submittals could have included
15 that as RETO.

16 DR. JASKE: That is a very accruate point to
17 the degree that utilities have similar definitions of
18 RETO to what is imbodied in Draft Final Electricity
19 Report for CFM-6, we could expect yet a narrowing of the
20 margins displayed on this table.

21 COMMISSIONER COMMONS: The other aspect is
22 that the utilities were not consistent in terms of
23 treating the building standards and the previous
24 appliance standards in 1978 and that is probably the
25 second largest difference between the utility forecast

1 and the adopted forecast. And that was partially due to
2 the methodology that was employed were the utilities
3 wanted our staff to make the primary estimates on the
4 statewide mandatory programs and we asked the utilities
5 to make the primary estimates on the utility sponsored
6 programs, the belief being that each had the access had
7 the best information. So when you look at the utility
8 forecast when that came out in the hearing process, we
9 ended up modifying our forecast significantly on the
10 utility programs because we had a proxy and they
11 essentially without revising their forecast accepted
12 after the hearing process the estimates on the savings
13 on the standards. So the differences are significantly
14 less than those that are shown.

15 MR. GANDARA: I had just a question, and
16 perhaps it's one for Committee's counsel or perhaps you
17 can answer Dr. Jaske. I was not able to find in the
18 Electricity Report and I noticed in the Appendix, there
19 is a short discussion, very short on the utility
20 submitted forecast. In other words, unless I missed it
21 I didn't see it anywhere in either of these two
22 documents, information on what the utilities had
23 submitted in order to make that particular comparison.
24 I do recall that we used to have them detailed at least
25 even to the sectoral comparisons principally because I

1 understood that was a requirement of the 25305. The
2 only utility forecast that I could see was, in fact, the
3 statewide aggregate such as you have here. I would then
4 just ask whether I missed it, or whether in fact it is
5 not considered to be a requirement?

6 DR. JASKE: Let me describe for you what you
7 have. In the initial pages of Appendix 2.1, you have a
8 statewide comparison. It is the same table which I have
9 excerpted and put in my Briefing Package for today.
10 Following in Appendix 2.1, you have several pages per
11 utility that describe the nature of the result of the
12 forecast on a table -- one for each planning area which
13 gives several versions of the forecast, depending on how
14 many revisions there were by staff and Committee and the
15 utility. That material was included in the Draft
16 Electricity Report released in February. Subsequent to
17 that time, there has been a new Appendix 2.2 which is, I
18 believe entitled Demand Forecast Assumptions. That was
19 included in the Draft Final Electricity Report and that
20 goes to the style used in the 1983 Electricity Report,
21 where it shows in a certain degree of depths, we're
22 talking about six to eight pages per utility showing
23 sectoral comparisons, the nature of the models used,
24 comparison of input assumptions prices, economics, so
25 forth.

1 MR. GANDARA: So, it is there, I've just
2 received these documents.

3 DR. JASKE: Yes, those were not....that last
4 appendix was not released until approximately two weeks
5 ago as part of the Draft Final Report.

6 MR. GANDARA: Okay, fine thank you.

7 CHAIRMAN IMBRECHT: Those documents have been
8 for the Committee previously over the consideration of
9 the whole item and not in published appendix form but
10 both Commissioner Commons and I will be then continuously
11 over this process.

12 COMMISSIONER COMMONS: Commissioner Gandara,
13 you should recognize and I guess all the Commissioners
14 that when we do go to the adoption that it will include
15 the appendices. There is information and material in
16 the appendices that's required by law under the Warren
17 Alquist and you want to incorporate that as part of the
18 motion. The Committee structure was to try to spell out
19 the Siting Policy and the key decisions in terms of the
20 body of the text and then the appendices provide the
21 back-up detail and the methodology and the calculations
22 ...

23 CHAIRMAN IMBRECHT: We're attempting to get at
24 more succinct and readable document.

25 DR. JASKE: In your Briefing Package, if you

1 can turn a couple of pages ahead, into the new section
2 on Demand Forecast Conservation Policy, there's a page
3 which I think is the essence of the question of the
4 definition of reasonably expected to occur in its
5 treatment in this cycle. The first bullet indicates
6 that reasonably expected to occur and that incorporates
7 both the conditional and unconditional parts is that set
8 of market savings and incremental savings from expected
9 programs which meet certain criteria. A particular set
10 of criteria, another for standards and another for
11 statewide programs and a third for utility programs.
12 This is extremely to the definition that was used in the
13 1983 Electricity Report. The wording is perhaps a bit
14 different, but it is very close in its result in its
15 application. There was a considerable focus on this
16 question in the Conservation hearings in September of
17 1984 and in conclusion of those hearings was a
18 relatively close agreement on all the parties regarding
19 this as being a suitable kind of definition.

20 Subsequent to that time, the Committee
21 directed staff to separate RETO into the two parts, the
22 unconditional part and the conditional part. The
23 unconditional part is incorporated in the forecast which
24 the Committee has recommended for your adoption and the
25 conditional part is to be considered on the Supply Side.

1 The following page summarizes what is portions of two
2 separate pages in the Chapter Two of the Draft Final
3 Report. It gives on a statewide basis, peak demand,
4 savings and annual gigawatt hours savings for each of
5 the programs, which was found to be unconditional RETO
6 and for certain of these categories, of course, such as
7 utility programs, there are components which are both
8 conditional and unconditional RETO.

9 I have reviewed these numbers relative to the
10 1983 Electricity Report and on a statewide basis for
11 1994 again the 12 years ahead year. These peak demand
12 savings are down about 10 percent and the conservation
13 savings are up about 10 percent, and I think this is
14 basically consistent with the set of changes that have
15 happened in this cycl. The conservation savings are up
16 largely because there is one additional program included
17 -- namely, the updated appliance standards and the peak
18 demand savings are down largely because the whole demand
19 forecast convention has shifted from adverse weather to
20 more typical peak demand weather and, therefore, both
21 gross demand, as well as the savings from programs is
22 slightly smaller.

23 The following page is just a way of
24 interpreting what those aggregate statewide savings
25 mean; what you see here are statewide numbers again for

1 the forecast that the Committee has recommended, called
2 adopted here; and what would have been the case in
3 absence of those programs. You can see there
4 considerably larger growth rates than are the case with
5 the inclusion of those programs and this is one way of
6 understanding the nature of the explicit programmatic
7 focus that California has made as a matter of policy
8 here at this institution as well as Public Utilities
9 Commission and other entities.

10 The remaining pages of this package get to the
11 treatment of conservation on the Supply Side. There's a
12 page called Supply Planning Conservation Policy which
13 summarizes what I believe we've discussed several times
14 this morning. The conditional RETO program savings are
15 a facet of the determination of the need for generating
16 facility additions, that that is implemented through the
17 reserve need concept and that both actually, now both
18 the text that you have on Chapter 5 of the Draft Final
19 Electricity Report as well as the alternative offered by
20 staff in yesterday's hearing, outlined means through
21 which generating facilities can be added if that
22 conservation, which is included, which is called
23 conditional RETO and which is treated through the
24 reserve need process does not come to fruition for
25 whatever purpose. I will get into that more in just a

1 minute.

2 The following page is a slightly edited Table
3 from the Draft Final Electricity Report, Page 4-12.
4 This Table was, as I identified it for you earlier this
5 morning, this is that portion of total identified
6 resource potential which is conservation load
7 management programs; it categorizes a series of programs
8 in different degrees of status. You can see over on the
9 right-hand margin, certain line outs. These are changes
10 which the staff recommends be made in basically what's
11 called the preliminary proposal column, and then they
12 have an influence on the program total column. The
13 source of these numbers is partly new analysis for the
14 CFM-5 cycle and partly minor changes to analysis done in
15 the CFM-4 cycle.

16 COMMISSIONER COMMONS: I think it should be
17 made clear that this is a staff recommendation and I do
18 not believe it's been reviewed by the Committee.

19 DR. JASKE: That is correct. This is being
20 presented for the first time this morning and let me
21 explain the rationale for it. I believe you will find
22 it to be a satisfactory change; it has received the
23 concurrence of the Conservation Division. The line near
24 the bottom that says "Residential appliances" -- that
25 line is intended to be an estimate of additional savings

1 which can occur in appliances beyond that implied by the
2 Commission's standards -- whether newly updated for
3 refrigerators, freezers or air conditioners or through
4 the original standards for some other appliances.

5 The original entry which was 419 MW and 1216
6 GWh was one taken by me from Conservation Division
7 testimony in the believe March 15th Biennial Report
8 hearing, I erred in interpreting what it is that number
9 was. The appropriate number should have been 942 MW and
10 4,124 GWh. So I believe that change is very
11 straightforward. However, the line several up the page
12 which is "Additional Title 24 appliance standards is
13 really a double counting of the same thing; that is an
14 estimate from the CFM-4 cycle and I believe both
15 Assessments and Conservation Division staff believe that
16 the residential appliance line entry as suggested here
17 (942 MW and 4,124 GWh) is a, in effect a double counting
18 if we keep the other entry in. So, we recommend that
19 the other entry, in effect, be deleted.

20 COMMISSIONER COMMONS: Your deficiency here is
21 that you've excluded commercial appliances. Now we
22 eliminated standards on commercial refrigerators, but
23 the industry stated that they intend to have significant
24 improvements in commerical refrigerators. On commercial
25 air conditioners, right now our current practice has

1 been to follow the ASHRAE standards which are done on a
2 nationwide basis and they're currently in proceedings in
3 reviewing the commercial air conditioners. There is
4 every indication that those standards will be increased.
5 I can understand you wanting to eliminate double
6 counting; I cannot understand why you say that the only
7 improvements in the next 20 years are going to be to
8 residential appliances.

9 DR. JASKE: That is an addition that perhaps
10 was due to lack of information. I wasn't in command of
11 some commercial sector estimates. If you have ones you
12 would like to be inserted there, I'd be happy to get
13 that into the report.

14 COMMISSIONER GANDARA: Well, with regard to
15 that Mr. Jaske, let me just ask. My understanding in
16 the 1983 report that the Additional Title 20 Appliance
17 Standards did include, as Commissioner Commons
18 indicated, residential and commercial and that part of
19 the reason that these Additional Title 20 Appliance
20 Standards appeared in the AAC was because in the 1981-83
21 period, there had been on the drawing board that these
22 considerations at one point in time of standards at
23 about 14 different appliance categories of which 10 to
24 12 of those would have been in the commercial area.
25 Those never came to fruition and, in fact, I believe the

1 only ones that were acted upon were commercial air
2 conditioners and fluorescent ballast. At the time both
3 were adopted as well as the time that that broad of
4 program was dropped, part of the reason for that was
5 given that the there was going to be additional
6 significant conservation development by the industry
7 because as I recall the fluorescent ballast standard,
8 for example, was just one of efficient core ballast not
9 really the technologically available which was the was
10 the solid state ballast, which there was already
11 demonstrated feasibility and, in fact, application in
12 some areas.

13 So my understanding is that a large part of
14 the Additional Title 20 Appliance Standards where
15 programs such as those that had been looked into by the
16 staff at one point. Rather say for example,
17 improvements in motor efficiency for which it was quite
18 difficult to actually come up with the idea of a
19 standard given the variety of motors and sizes for which
20 there was nonetheless quantification at these or the
21 expectation of conservation potential that was in that
22 area. So it does seem to me that there is a least that
23 data up to that point and time that one can look to for
24 quantification of commercial conservation.

25 DR. JASKE: The staff would be very happy to

1 take direction from the Committee as to additional
2 numbers to put on that table.

3 CHAIRMAN IMBRECHT: One thing that I would
4 note from these changes you are proposing, you are not
5 then calling attributable savings just to Additional
6 Title 20 Appliance Standards, but are in essence saying
7 this is a conservation potential for residential
8 appliances generically, which might come then, if I'm
9 interpreting this correctly from standards or market
10 forces or a combination of the two. Is that an accurate
11 statement?

12 DR. JASKE: I think that that is an accurate
13 statement that some of these estimates lower down on the
14 page represent technically feasible changes and not
15 improvement savings and that there isn't a explicit
16 program designed. In fact, there's a multiplicity of
17 program designs, which could achieve that.

18 CHAIRMAN IMBRECHT: It is theoretically
19 possible and it could come about as a result of market
20 forces or voluntary industry action or standards, or
21 incentives or combination of all of those?

22 DR. JASKE: I would like to say from a
23 philosophical perspective that ought not to include an
24 element of market forces which represents what is
25 available in the market today. It may properly include,

1 because that should be included in the ...

2 CHAIRMAN IMBRECHT: Market driven technology
3 advances.

4 DR. JASKE: That's correct. It's very fair
5 for it to include that.

6 COMMISSIONER COMMONS: This table,
7 particularly on a preliminary proposals, is probably
8 unduly conservative because the only projects or
9 programs are identified is where we have specific
10 megawatt or gigawatt hour estimations.

11 For example, other than the exclusion of the
12 commercial and industrial appliances, under the expanded
13 utility conservation and load management programs, we've
14 identified, for example 1,950 MW potential just in
15 thermal storage. There is no estimate made of what the
16 impact of time of use meters would be which would be
17 significant. One of the problems of the table, also, is
18 if you were to take some of the load management programs
19 and some of the appliances that you cannot always say
20 that if you add them up that they would all occur
21 because some of them are duplicative. So you have to be
22 very cautious in looking at some numbers rather than
23 looking at individual program numbers, because there are
24 different ways of accomplishing you same objectives.

25 CHAIRMAN IMBRECHT: Okay,

1 DR. JASKE: I think if I can refer you to the
2 last page, we can get to a point that Commissioner
3 Gandara raised earlier today. The last page represents
4 the savings both in megawatt and gigawatt hours from the
5 four programs which the Committee has determined
6 represent the conditional RETO portion of RETO and which
7 are included in the Demand Forecast that they recommend
8 be adopted by the Commission, and that are included
9 within what the Draft Biennial Report designates as the
10 amounts of reserve need for each of various resource
11 additions.

12 These numbers are specific to utility planning
13 areas and the discussion yesterday in the hearing about
14 reserve need being statewide and perhaps limited to
15 megawatts and not annual gigawatt hours, may not be
16 appropriate for this one element of reserve need. Since
17 these program savings are not transferable across
18 planning area, they are specifically calculated for and
19 are consistent with the recommended Demand Forecast. So
20 I think this portion of the reserve need concept needs
21 to be identified with a specific planning area to which
22 is appropriate. Further, there are gigawatt hours
23 specifically associated with the megawatt and there
24 isn't the kind of flexibility in generating facility
25 design that we were discussing yesterday that

1 cogeneration facility to either be baseload or load
2 following.

3 The 1704 and the 2277 are what have been
4 characterized as the statewide reserve need for
5 conservation, and I draw your attention to the fact that
6 they are planning area specific and you should consider
7 keeping them on a planning area specific basis for
8 application of the reserve need concept.

9 Now getting back to Commissioner Gandara's
10 question of earlier this morning, the difference as I
11 understand it between the treatment of the conditional
12 RETO part of RETO this way versus included all of it in
13 the adopted Demand Forecast is that the traditional
14 practice, the practice of the 1983 Electricity Report
15 which would be to include all in the Demand Forecast,
16 assumes that it will all happen without regard to the
17 small probability that it might not happen. A treatment
18 on a reserve need basis for these programs which are not
19 yet adopted for which there is some question, perhaps
20 small, that they will not be adopted allows the
21 Commission's siting process to accommodate a need for
22 generating facilities to cover the need for this
23 conservation, if it doesn't happen for some reason.

24 The Chapter 5 description in Draft Final
25 Electricity Report of competition among reserve needs

1 would indicate that generating facilities could compete
2 against this to a degree that would remain unrealized
3 across the time that the Draft Electricity Report was in
4 regulatory affect, if it could be proved on its merits
5 to be better than this conservation. The alternative
6 offered by staff was that there would not be competition
7 among reserve needs and that only in the event that one
8 could identify with some demonstrable probability that a
9 reserve need would not happen would there be movement
10 among the reserve needs. I think that latter
11 suggestion of a change is one which is the key to the
12 distinction of this approach to treating this part of
13 RETO versus what has been the traditional practice of
14 the Commission. What's allowed for here in the staff's
15 version where you don't have competition; you only can
16 have a generating facility take the place of this, if it
17 can be demonstrated that this is not going to happen.
18 So there's in effect a safety valve which can allow
19 generating facilities be constructed to meet need in the
20 event, perhaps improbable event, that these conservation
21 programs do not, in fact, move to fruition. I think the
22 probably of that happening in the 15 months or so that
23 this Electricity Report is in effect, in terms of its
24 siting effect or siting, binding authority is very
25 small.

1 So from a practical perspective I don't
2 believe there is a difference between the way
3 conservation is being treated in this cycle versus the
4 previous cycle. But there is a somewhat of a
5 philosophical difference and I think goes to the point
6 of while these programs and their savings may be
7 reasonably expected, there are conditions under which
8 they may not happen and there should be an opportunity
9 to meet needs if that can be shown not to happen.

10 CHAIRMAN IMBRECHT: I think one point that
11 would be useful to add here to this discussion is that
12 at least from my perspective a large part of that which
13 moved my viewpoint on this was the testimony offered by
14 the Public Utilities Commission staff in terms of how
15 they thought it was appropriate to deal with
16 conservation and what numbers ought to be included
17 within the demand forecast, with what was to be
18 produced, in essence, for demand and they urged a most
19 conservative approach. We have attempted to try to
20 reconcile our differences with the PUC by this approach
21 and at the same time still not lose site of the
22 potential in opportunities for additional conservation
23 within the State.

24 While I understand the distinction that you're
25 offering from the staff's perspective I personally don't

1 think that the way the Committee's outlined this
2 represents any more significant fair, if you will, that
3 the conservation savings characterized as conditional
4 RETO would erode or not occur. The circumstance which
5 there would be competition, if you will, as between the
6 various reserve needs, I think are extremely slight,
7 particularly in the context of the 15-month period that
8 you enunciated. My anticipation would be that in the
9 event that a reserve need allocation for another
10 technology have been in essence consumed, that under
11 those circumstances the far greater likelihood is that
12 any subsequent applicant, at that point, would first
13 attack the generic allocation before attempting to
14 compete, if you will, with any of the other identified
15 technologies or the conservation allocation. Certainly
16 in terms of meeting their burden in a siting case, the
17 former would be far easier than the latter.

18 Commissioner Commons.

19 COMMISSIONER COMMONS: I like to add to the
20 Chairman's comments here. I think there were two or
21 three additional considerations. One is in the Demand
22 Forecast which we have before us today, we tried to
23 separate out those programs that are essentially most of
24 the primary decisions released by the Public Utilities
25 Commission and our Commission have been made and they

1 are part of existing policy to, from those programs
2 which are conditional where, either the Public Utilities
3 Commission or our Commission have not made final
4 decisions; or those decisions are uncertain. If there
5 were going to occur within a month or something like
6 that you have the distinction between the second tier on
7 the non-residential and the third tier, where
8 essentially this Commission is committed to industry
9 that we will do the second tier or the third tier we'd
10 consider to be further along.

11 In the same regard, concerning the Public
12 Utilities Commission, rather than telling them what our
13 belief has to, what their programs ought to be, the
14 assumption here is that the level of funding that they
15 are currently at is the level of funding that they will
16 continue. Whether they go up or down, that is a matter
17 that is appropriately decided within their forum and
18 this is their recommendation to us. Now, if they were
19 to significantly change their policy during the course
20 of an adopted forecast, then it would be appropriate in
21 the next planning cycle for us to, in a similar vein,
22 change the number that is represented by the Public
23 Utilities Commission programs. It's in this area of the
24 conditional RETO that the Commission exercise its
25 judgment as to those programs which have not been

1 adopted by this Commission, that we wish to say are
2 reasonably expected to occur.

3 Historically, the Commission has been fairly
4 conservative in terms of making that conditional RETO
5 decision. We are clearly conservative here, in that
6 we've only included outside of the Public Utilities
7 Commission programs very insignificant amounts of
8 savings, primarily from the non-residential building
9 standards. But, at least the policy viewpoints are
10 brought out clearly in terms of this meshing; and it
11 goes to what we feel is a basic purpose of the Warren
12 Alquist Act in terms of the integrated need assessment.
13 It is the responsibility of the Commission in doing that
14 integrated need assessment to look at our conservation
15 in relationship to generation programs. We have to
16 assess as to the likeliness of a particular program to
17 occur versus the need to make sure that we have
18 sufficiency of electricity to allow this date
19 economically grow. And so, it's in relationship here
20 where we have not made the final decisions of the
21 integrated need where the balancing occurs that the
22 Committee thought it was appropriate to identify
23 conditional RETO.

24 DR. JASKE: I have no other comments. I would
25 be happy to take any other questions you might have.

1 COMMISSIONER GANDARA: I do have some
2 questions, Dr. Jaske, since at least on my concern on
3 the conditional and uncondition RETO seems to be based
4 on the fact that I see it as a very significant shift,
5 not a minor shift or a subtle shift; but a very, very
6 significant development. Nonetheless, I also see it as
7 a shift that could be accommodated if it were to be
8 integrated well with respect to the Supply Side
9 analysis. I guess my problem is that the shift does not
10 have a commensurate integration with Supply Side
11 analysis and let me ask you a couple of questions in
12 that regard.

13 It does seem to me that what has occurred here
14 is a very significant change in that. If you read the
15 25309.5 statement, with respect to the Demand Forecast,
16 we're not asked merely to project what we think the
17 forecast for electricity demand is going to be; we're
18 really asked to manage demand. We're asked to decide on
19 a level of statewide need that balances many things, one
20 of which is the conservation reasonably expected to
21 occur. So in essence what we really have been doing, is
22 that we have targeted. Okay, we decide on a forecast,
23 that we decide a Demand Forecast or a demand level,
24 really is more accurate, not just a demand level, which
25 we feel is best for the State of California; and that by

1 shifting this conditional to unconditional RETO, in
2 fact, we are shifting away from that concept of deciding
3 on the level demand that is best for California, then to
4 projecting a forecast that is likely to occur without
5 doing anything more than what exist now. If we
6 basically on a policy basis just stop what we are doing
7 right now, that is the forecast that we would expect.

8 COMMISSIONER COMMONS: Let me respond to this
9 instead of Dr. Jaske.

10 COMMISSIONER GANDARA: Let me finish with at
11 least my comments because again that in of itself
12 doesn't bother me, but it's a combination of some other
13 things. I guess perhaps I'm addressing the Committte
14 not Dr. Jaske.

15 COMMISSIONER COMMONS: Yeah, I was just wanted
16 to say....

17 COMMISSIONER GANDARA: So, the problem that I
18 have then is that that is the shift and that is to shift
19 away from what I see the statutory direction is.
20 Nonetheless, I do see it as a shift that probably is
21 within the discretion accorded the Commission, so again
22 it's a question of simply policy judgment. But, the
23 problem that I have is that part of the reason that is
24 given for this shift is so that, I think as Dr. Jaske
25 put it, that the old way of doing it, and old ways are

1 not always good ways, but the previous way I guess is a
2 better way of putting it, or the inclusion of all RETO
3 in the Demand Forecast presented a small probability
4 that some of those programs might not occur. In fact,
5 the previous RETO was, I recall, criticized for being
6 too conservative because its guidelines did not include
7 many programs that could reasonably expected to occur.
8 But nonetheless, the basis for the change was that we
9 shall include an unconditional RETO only that which is
10 absolutely assured. It's an insurance policy.

11 The reason I'm given cause to be concerned
12 about that is because when you now look at what you have
13 said about the Supply Side, you have said that there is
14 an abundance of resources for the State of California
15 and an abundance of choices. No question that we will
16 have an ability to meet capacity energy. The question
17 is with what? So, if you look at what the incentive or
18 what the policy change says, it basically says that if
19 we are going to make a mistake, with respect to Demand
20 Forecast, we would prefer that forecast be too high
21 rather than too low. Okay, we want absolute assurance.
22 We don't want to have conservation programs that say
23 they might not occur.

24 So what we are saying is if we are going to
25 err, let's err on the side where in fact that forecast

1 is higher. Now when you put that against the need
2 determination, what you will now have done is in erring
3 for the higher forecast, you are also saying we will err
4 on the side of meeting that forecast by building more
5 plants. And yet, you have said also within the context
6 of the whole document that part of the effort is to keep
7 the cost of the ratepayer down. Now, if you build more
8 plants when you have conservation programs, that are
9 available to you, at 1.8 cents, 2.2 cents per kilowatt
10 hour, then the question that I would ask, combined with
11 the fact that you have an abundance of resources, to
12 meet that demand is, if you are going to err you want to
13 err in the other direction because the error in that
14 direction is less likely to cost you. The err in the
15 direction that instead has been selected is in fact,
16 going to cost you more than the other one. And yet, you
17 don't need insurance on the forecast, because what you
18 have told me is that you have insurance on the supply.
19 You have more than the supply that you want. So for
20 that reason, I don't see why the policy sense would be
21 to err on the insurance of the forecast. If anything,
22 what you do is you want to err in the other direction.

23 Now that, to me, sort of presents kind of a
24 conceptual approach or philosophical problem that I have
25 with the separation of this. That in fact, it leads me

1 to ask to the following question, why in fact was there
2 not even greater inclusion of programs in RETO and
3 greated inclusions in the AAC. And in addition, it
4 leaves me to also raise the question, if one is going to
5 be concerned about uncertainty and assurance of not
6 making a mistake with respect to conservation, why focus
7 on that parameter also as the variable to be concerned
8 about? There are projections on GNP, GSP growth that if
9 they don't occur, will also create problems for you.
10 There are assumptions made on whether adverse versus
11 typical which also, if you make a mistake, will affect
12 the Demand Forecast. In other words, there are many
13 variables and yet the one that was focused on is the one
14 that if there is to be an error, in fact can be
15 tolerated the greatest because of what your analysis
16 shows the abundance of resources. Okay, given all of
17 that, yet I could still how this concept could be set
18 forth and implemented if the Supply Side were, in fact
19 accommodated, and the only way that could be
20 accommodated as I see it, is the following. If on the
21 supply side, the conservation reserve need has, to my
22 way of thinking, no great meaning, really unless what is
23 done is exactly the opposite of what is indicated will
24 be done -- which is there will be no competition between
25 reserve needs. If, for example, the problem that I see

1 with the reserve need for a conservation is that no
2 party will come to this Commission and say "I want a
3 site a 1000 MW conservation plant"; and because nobody
4 will come and say I want to site a 1000 MW conservation
5 plant, that need will not be met unless policy actions
6 are undertaken that would, in fact, be most appropriate
7 with respect to the demand management. So, if an
8 applicant comes in with a 1000 MW plant, let's say a
9 cogeneration plant, unless you are will to say that one
10 of the alternatives that you are going to look at, in
11 the alternative analysis, is going to be a 1000 MW
12 conservation program -- then that concept of reserve
13 need or that concept of conditional RETO on the supply
14 side does not have a lot of meaning. So what you want
15 to do is you want to get back to the demand concept.

16 CHAIRMAN IMBRECHT: You put you finger on it
17 Commissioner Gandara, it seems to me exactly what is
18 contemplated in that siting process in the event that
19 there were competition between technologies, if you
20 will, and conservation versus the cogeneration plant
21 were up for comparison, because in essence, what you
22 are suggesting is exactly what I would contemplate
23 occurring. The alternative that would be considered is
24 that reserve need allocated to conservation and the
25 burden that would face that cogeneration applicant,

1 under those circumstances, would be to demonstrate that
2 that plant exceeded on all the various criteria that are
3 set forth as to the reasons for reserve need for a
4 conservation, could persuade the full Commission that
5 that was preferable to the reserve need, from a cost
6 economic development, health and safety environmental
7 and reliability perspective. I think that is pretty
8 tough test to meet and one that would require one
9 incredibly efficient cogeneration facility, for example.
10 That's why I understand what you are saying from a
11 theoretical standpoint, but in each instance when we sat
12 down and tried to apply it to a, I guess a reasonably
13 expected real life kind of hypothetical, it did not
14 appear to be a tangible problem or a reality that would
15 generally be confronting us. In addition, the fact that
16 has indicated with only 15 months before the next go
17 around, we frankly thought that the likelihood of
18 running up against these totals was very slim and this
19 would give us an opportunity to shake out this whole
20 approach and hopefully define further in the forecasting
21 cycle.

22 It also reflects, what I consider to be a
23 distinction between 25305(c) and 25305(e) in terms of
24 responsibilities that are preferred upon as the statute.
25 And finally, the problem about including all of the RETO

1 that had in the past been included on the demand side,
2 let me just contrast for you what we were faced with
3 from an evidentiary standpoint there. That would
4 include or require the inclusion of a substantial amount
5 of utility incentive programs funded or approved for
6 funding through the PUC process, which had been included
7 in the previous forecast, which some of our utilities
8 wanted to see included again, and which we were told
9 quite bluntly was unlikely to be included by the PUC. I
10 personally felt that it was a little difficult, from an
11 intellectual standpoint, to include reasonably expected
12 to occur conservation savings. The major component that
13 was under question was the utility incentive programs
14 funded through the PUC, when in fact the agency that has
15 jurisdiction over that, was in essence telling us that
16 the likelihood of those programs being maintained at
17 current levels was slim, at best.

18 In fact, what we have included for utility
19 conservation programs in the conditional RETO actually
20 is substantially greater than what the PUC wanted us to
21 include because it represents a constant dollar funding
22 out into the future. They suggested to us that we ought
23 only include that which had been explicitly approved in
24 the existing rate cases which would basically be 1 to 3
25 years and then a complete cut-off. So I'm just trying

1 to explain to you the dilemmas we were confronting that
2 I think also reflect, as I understand it, to some extent
3 a different perspective.

4 COMMISSIONER GANDARA: I understand all those
5 reasons and I think they were laid out and I think you
6 again eloquently re-stated them. Again, I guess my view
7 would be that certainly the forecast has to contain and
8 reflect a realistic assessment. So, I'm not arguing
9 against that inclusion.

10 But my concern also has to be with the fact
11 that part of what makes the decision here a bit
12 difficult or at least in my position, a bit more
13 difficult to understand, is that what is not included in
14 this years Electricity Report or BR is a scenario
15 analysis. The sceniro analysis always provided us with
16 is the idea of what could it be like if we undertook
17 these policies actions. So that to some extent that
18 analysis also included an analysis of whether you, one,
19 was going forth with the stragety of the short-term
20 least cost versus the long-term least cost; and that, in
21 fact, that was an important criteria for the next 20-
22 year cycle for the State of California and that while I
23 truly appreciate the problems in recognizing the
24 apparent dual jurisdiction over Conservation Policy, I
25 would rather do that than acknowledge or waive the

1 jurisdiction solely to the PUC with respect
2 conservation. They are required by law to fund these
3 programs. If that is an issue, then we should, in fact,
4 be pursuing that rather than just acknowledging the fact
5 that they have said they won't do it, because my concern
6 is that certainly strategy differences were plain and
7 apparent in the 1983 Electricity Report and BR, that
8 from my point of view there was a short-term least cost
9 strategy that was being pursued that was not beneficial
10 and what we were pronouncing that at that time was a
11 long-term least cost strategy. One of the concerns that
12 I guess I have is that it's okay to be concerned about
13 the realism of what we are faced with but I guess what
14 I'm also very interested in is what is that we are
15 willing to do to pursue as a matter of policy, because
16 it really is very hard for me to conceive of the
17 following situation.

18 We have an applicant for a 400 MW cogeneration
19 plant, that applicant comes in here and that we would
20 then do the following. That we would then do an
21 analysis that would say, if we set a standard for solid
22 state fluorescent ballast, that we don't need a 400 MW
23 cogeneration plant that is likely to be serving peak
24 load or intermediate load, as been indicated as part of
25 the purpose, at least for most of the plants or likely

1 intended use for most of these plants. So, I think it
2 unlikely that we would really do that. We don't do
3 that. In addition to that it also seems to me that an
4 applicant would have a very litigimate point of view in
5 stating, "I'm not responsible for developing solid state
6 ballast, you're responsible for developing solid state
7 ballast or a standard in that area, are you doing that?
8 Is the PUC taking any steps to do that, because what you
9 have in your quantification of your unconditional RETO
10 are one: Commission programs, do you have such
11 programs, and secondly, are the component you have are
12 utility programs, but yet do the utilities have a
13 program for solid state ballast"?

14 CHAIRMAN IMBRECHT: Let's use a more real life
15 example than that one. Let's take a look at non-
16 residential building standards which are considered
17 within the conditional RETO because they are not fully
18 adopted and implemented. There's an example of
19 something that I think is clearly stated Commission
20 intention to complete those programs, etc. There is a
21 question of solid state ballast one that really hasn't
22 been discussed, that's why I say let's focus on
23 something that really is before us. Here's something we
24 have direct tangible control over.

25 As for the aspect of funding at the PUC, for

1 the utility incentive programs, I personally consider it
2 a confident responsibility in actually allocating
3 reserve need to constant funding of PUC programs which
4 as I said was substantially greater than that which they
5 were recommending to us. That carries with it a
6 responsibility that we pursue in every respect and use
7 every bit of our jurisdiction and responsibility to make
8 that a reality to the extent that we possibly can. Just
9 as in essence is the inferred obligation if it's
10 considered under the old definition of RETO, which I
11 think is the way the Commission approached it. I see
12 the reserve need box as a statement by the Commission
13 that this is our commitment to what is, in fact, as you
14 indicated a strategy for least cost and what we believe
15 is tangible and realistic to pursue in terms of
16 conservation and I view this, if it's adopted, as in
17 essence a policy drive to the Commission for this
18 planning period as well.

19 COMMISSIONER GANDARA: One last comment,
20 because we may not reach resolution on it. But I think
21 you just focused very directly on my concern and you
22 said that the reserve need conservation on the Supply
23 Side would be our statement of our commitment.

24 I guess the difference in the approaches that
25 in the approach that I would take is that I would see

1 that a statement of the inclusion of that in the demand
2 forecast as our commitment. And that, that is a real
3 statement of commitment as far as I'm concerned, because
4 the only regulatory lever that we have to be able to
5 really follow through on that expression of commitment
6 is when you come against the need determination. If
7 it's in that forecast then what you have articulated is
8 that the measuring stick for the need for this plant is
9 going to be judged against that forecast; whereas, if
10 you put it over here on the supply side that, in fact,
11 you have lost the only regulatory lever that we have
12 because you've indicated we do not have the
13 reimbursement of expenses, say or the rate regulation
14 review. So that I think to me it's just a question that
15 if this Commission is going to express a commitment, is
16 it going express its commitment in the place where in
17 fact it has real regulatory leverage? And that is to
18 posit it against the need determination.

19 CHAIRMAN IMBRECHT: The purpose of reserve
20 need exactly is to focus that into the need
21 determination and, in essence, to establish a test that
22 is very difficult. I mean not utterly impossible, but
23 very, very difficult to be met and to ensure that the
24 "rubber meets the road" if you will in those areas. The
25 only other item I would offer here and you're right, I'm

1 not sure we'll reach a resolution at this point and
2 time, is that I just would urge to look at and recognize
3 that we are considering on 25305(c) in the actual demand
4 reduction substantially greater conservation than the
5 vast majority of parties that provided evidence and
6 testimony in the docket for recommending. Even with
7 this distinction for conditional and unconditional, I
8 think that's reflected just in the fact that even
9 without including some of the things you would suggest,
10 we still are below all of the utility forecasts, et
11 cetera, as a result of the quantity of conservation we
12 are considering. Commissioner Commons, and then we are
13 going to take lunch recess.

14 COMMISSIONER COMMONS: I wanted to go back to
15 your first statement, Commissioner Gandara, because I
16 think you asked some of the board philosophical
17 questions that underlie the Committee's recommendations;
18 I can only speak for my own basis. Yes, you're correct,
19 that at least from my perspective I would rather have a
20 higher forecast than a lower forecast on the Demand
21 Side. I think the primary place that comes in is in the
22 robust economic assumptions.

23 It's very difficult to reverse and build a
24 power plant until the economy grows and I would not want
25 to say that I was the one who held back the growth of

1 the economy because of insufficiency of the supply of
2 electricity. I know my own personal investment
3 programs, I am more conservative on my economic
4 assumptions than I am here, and so that is correct.
5 When I was looking at the RETO questions, once it's on
6 the demand side it made me unduly conservative in terms
7 of what programs I was willing to include as RETO
8 because I felt now if something happens to those
9 programs, I've locked the Commission in essentially for
10 a two-year period and there is nothing that we can do
11 about it. I felt that the Commission had been unduly
12 conservative historically in terms of their position on
13 RETO, because it didn't lend itself toward a least cost
14 strategy. So then as we were looking at the conditional
15 RETO, once we have in that the ability, if a program is
16 not occurring, to otherwise site a power plant which is
17 what conditional RETO gives us that opportunity, then I
18 suddenly realized in myself that I could look at this
19 and go through the balance process in an honest and fair
20 method because I have not created a problem if the
21 world changes during the two-year period.

22 However, that's inconsistent with the, as you
23 correctly identified, the conservative nature of the
24 what we put into conditional RETO. First of all, as to
25 the Public Utilities Commission, it is my believe that

1 even if I'm of a slightly different opinion of you and
2 the Chairman, they're the ones that identify the
3 programs if we wish to support or oppose programs. They
4 should be looked at in the rate cases on individual
5 basis, and we should be neutral as far as the Public
6 Utility Commission is in the forecasting process. If
7 they go up, we should go up; if they go down, we should
8 go down and our forecast should integrate there so we
9 don't have duplication.

10 But I think the critical thing on this was I
11 went and I looked at the numbers and from the sense of
12 what are the point to be the amount of need that is
13 available? What are some of the goals of this
14 Commission and some of needs of this State? We have
15 very substantial resources in enhanced oil recovery. We
16 have substantial resources in geothermal. We have not
17 yet met our needs for displacing oil and gas; we're
18 going to get there in the 1990's. If I put in
19 significantly more programs in this 15-month period, we
20 would build no power plants. These numbers are
21 conservative in terms of the amount of power plants that
22 can sited in any event for that's the way the numbers
23 fall out. But if I had gone and looked at a lot of
24 other programs in conservation and included them, we
25 could have not met, I felt the balanced need of the

1 State in terms of meeting other goals that we had. So,
2 I came down on the side of relatively conservative
3 numbers that could be put in conditional RETO. What I
4 think the concept does is allows the Commission, in an
5 honest way over the years, to go through that balancing
6 and recognize that if they did put a program into
7 conservation and it didn't occur they have the
8 opportunity to site a power plant in any event because
9 there is a way to take that into account in the siting
10 process. I think we've given an opportunity to this
11 Commission, to aim at or go in the direction of a least-
12 cost strategy because we haven't locked ourselves in in
13 the same rigid fashion that just a straight RETO has.

14 CHAIRMAN IMBRECHT: I think we ought to take
15 lunch and recess. Alright, we'll stand recess until
16 1:30.

17 (Thereupon the Committee hearing before the
18 California Energy Resources Conservation and Development
19 Commission was adjourned for a luncheon recess at 12:16
20 p.m.)

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AFTERNOON SESSION

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3 CHAIRMAN IMBRECHT: We'll call the meeting
4 back to order. Dr. Jaske, have you completed your
5 presentation?

6 DR. JASKE: Yes sir, I have.

7 CHAIRMAN IMBRECHT: Alright, fine. Is there
8 any further Commission comment or discussion,
9 questions?

10 COMMISSIONER GANDARA: I just had an
11 informational question.

12 CHAIRMAN IMBRECHT: Commissioner Gandara.

13 COMMISSIONER GANDARA: I was informed at
14 yesterday's meeting, there was an introduction of a
15 modification of part of a siting concept. I guess all
16 I have is what was in this Draft Report. Will such
17 modification be in this Committee-directed Draft Demand
18 Forecast?

19 DR. JASKE: No, there is a five-page xerox of
20 slide which could be made available to you. I will try
21 to track one down for you.

22 COMMISSIONER GANDARA: Okay, I would
23 appreciate that.

24 CHAIRMAN IMBRECHT: Alright, next we'll take
25 public comment. First, Mr. Peter Baumgartner,

1 representing Pacific Gas and Electric Company.

2 MR. BAUMGARTNER: Good afternoon. For the
3 record, my name is Peter Baumgartner, attorney for
4 Pacific Gas and Electric Company in San Francisco.
5 With me is Mr. Stelios Andrew, manager of our Resources
6 and Forecasting Department, who will present PGandE's
7 comments on thD demand Forecast.

8 MR. ANDREW: For the record, I'd like to
9 state that it is the Economics and Forecasting
10 Department. Thank you for the opportunity of making a
11 couple of very brief comments. At PGandE, we take the
12 adopted CEC forecast very seriously. In our 1985
13 planning process, we will develop a resource and
14 facilities plan and a capital investment plan to meet
15 your adopted forecast.

16 We also plan not to commit extensive capital
17 resources for loads beyond your adopted forecast,
18 unless we have substantial regulatory support. Your
19 forecast, however, gives us a little bit of anxiety in
20 our planning process because of the somewhat large
21 differences between our forecast and your forecast.

22 The difference in the peak forecast is small,
23 about 2¼ percent in 2,004; but the difference in the
24 energy forecast is substantial. We are higher in year
25 2,004 by some 21 percent. Obviously, this is not the

1 time to discuss a lot of the details. I just want to
2 express some of our concerns.

3 First, the CEC uses recorded year 1982 as
4 its base year; and because of the combination of a
5 recession bottoming out and an extremely cool summer in
6 that year, it provides a very poor starting point for
7 projections, in our mind. The recorded demand for 1984
8 for our peak in energy were 14,759 MWh and 70,024 GWh,
9 respectively. This corresponds roughly to the CEC
10 forecast for the year 1987 reflecting, we believe, the
11 low starting point and indicating that, perhaps, the
12 economic recovery wasn't captured. If, from this point
13 on, we have what we would consider to be normal
14 economic conditions, the CEC may, in fact, be
15 consistently low because of its choice of the base
16 year.

17 Second, there are many uncertainties in both
18 of our forecasts. Yet the Committee apparently didn't
19 accept the plausibility of the PGandE forecast in
20 adopting a forecast almost identical to that proposed
21 by the CEC staff. We're disappointed in that because
22 our most recent forecast, that being prepared for
23 filing in CFM-6, is even higher than that and it was
24 not accepted by your Committee. We look forward to
25 continued economic growth and immigration that matches

1 the level consistent with the recent past.

2 Third, we're concerned that the point
3 estimates adopted by the Commission may be used for
4 determining need for facilities; and because those point
5 estimates do not capture uncertainty in forecasting, we
6 believe that ranges must be given consideration in the
7 planning process. It's only in that way can we
8 minimize financial risk to the utilities.

9 Fourth, the Commission should be concerned
10 with the effect of the forecast, which we believe is
11 somewhat biased on both sides; that effect that
12 forecast would have on marginal costs and thereby on
13 the development of cogeneration as reasonable
14 alternatives to utility investment in generating
15 facilities.

16 Although we recognize that there are
17 differences between us in the economic and particularly
18 in the demographic forecasts, which are input to the
19 load forecasting process, believe that differences in
20 model structure contribute more to the divergence in
21 the forecast than do the input variables. We believe
22 that in-use models tend to understate forecast in the
23 long-term usually by underestimating the effect of new
24 energy-using devices. We hope that the Commission in
25 the future will give some consideration to that.

1 We plan to develop a better working
2 relationship with the CEC staff in future years to try
3 to understand better their forecasting process and see
4 what we can do to make the staff understand better our
5 forecasting process. Again, I thank you for the
6 opportunity to make a brief comment.

7 CHAIRMAN IMBRECHT: Commissioner Commons.

8 COMMISSIONER COMMONS: I'd like to make a few
9 comments in response to your statements, since we're
10 not in total concurrence. First of all, I think the
11 largest difference between the forecasts are not in the
12 period through 1996; that the real difference begins in
13 the period 1996 to 2,004. When I track them, the
14 difference goes back to the population assumptions,
15 where you have a cost-and-growth rate in population to
16 2,004; and our economic consultant showed a decline in
17 the rate of population growth, beginning somewhere in
18 the middle 1990's, which goes back to the in-migration.

19 That results in a difference of in the year
20 2,004 of over 500,000 persons. While in the year 1996,
21 we show the same population. And in the economic
22 variables, it's in that second planning period (in the
23 1996 to 2,004) where the differences emerge the most.
24 Also in terms of the model forecasting the econometric,
25 of course, assumes the continuation of the trends;

1 while the end-use does not. I used to do econometrics
2 as part of my livelihood in doing airport planning and
3 also work in petroleum. One of the most difficult
4 things in econometrics is to plot where you have a
5 turning point. In econometric forecast, where they
6 don't go into and identify the turning point, there are
7 no trends that go on forever and ever and ever. And if
8 you just use the plot-out of the econometric, you run
9 into at a certain point a problem; because no curves
10 are expediential. Only where you have a straight line,
11 do you have that.

12 The end-use, by definition though, also
13 includes an econometric; because, just because you've
14 gone to an end-use, you still have to forecast out on
15 that end-use. But what you're doing is you're doing it
16 in detail. And I think it's the question of the
17 aggregation, not that this aggregation of a forecast,
18 because you're still making that plot. You're still
19 making that forecast on an econometric basis, if you're
20 doing it on a disaggregated basis. And so it clearly
21 is going to show up in the later years much more so,
22 because of a non-identification of the turning point
23 issues, some of which are addressed very carefully in
24 this report, where we see changes in trends in this
25 date's economy which are very significant and are going

1 to have real impact in terms of energy use.

2 The other issue that you raised is the
3 question of ranges. Clearly, for the twelve-year
4 forecast where we use siting, the utilities in this
5 state, and I think all parties have said, we should not
6 site a power plant based on a range. It should be
7 specific. I think the question, though, for the twenty-
8 year period that were here looking at it on a planning
9 basis which goes back to what Commissioner Gandara was
10 addressing earlier, which is scenarios, which I
11 support. When we're working twenty years out, I think
12 the idea of a range is something that we should look
13 more closely at from a planning perspective because I
14 can see very good, strong arguments why that ought to
15 be done.

16 For siting work, I think we should stay with
17 the way that we have worked it out in the past, and we
18 should be specific. But when we get into the planning
19 in the long-term, there's an awful lot of scenarios and
20 a lot of uncertainty out there. Maybe that would make
21 the position that you're expressing something that we
22 could look at, and we could be both moving in similar
23 directions.

24 MR. ANDREW: I certainly hope we can.

25 COMMISSIONER COMMONS: I think it's

1 worthwhile in the CFM-6 to explore some of the concepts
2 in some of these areas. But I have had concern, and
3 I've stated it to PGandE, in the period beyond 1996. I
4 have not seen the support; why the economy should take
5 off and suddenly the rate of growth, or that we should
6 continue and assume that we're going to have the same
7 rate of in-migration into this state over the full
8 twenty-year period.

9 MR. ANDREW: The state is a very attractive
10 place to move to, and we have had rather substantial
11 inmigration; and, of course, we look perhaps a little
12 more positively at the...

13 COMMISSIONER COMMONS: The real problem goes
14 back to the illegal alien, which has been the real
15 change in the rate-of-growth of California in the last
16 eight or ten years, not to shifts from the north
17 central or the quota areas to California. We have gone
18 from the 200,000; we've dropped to 100; and we're back
19 up at 200,000 or more, and it's primarily illegal
20 immigration. I just was not willing to assume that
21 we're not, as a country, going to make modifications in
22 the law; in that immigration into the state will be
23 based on economic factors in this country, rather than
24 economic factors overseas.

25 CHAIRMAN IMBRECHT: Well, one would hope so.

1 I would just say that from our perspective, the concern
2 about the energy difference out twenty years from now
3 is something I think we can deal with in future
4 forecasting efforts of the Commission. I'm
5 particularly concerned that we were not, or I guess
6 say, more reconciled; but on the capacity side, we are
7 relatively close. I think that provides some
8 assurances that we're not going to underbuild, if you
9 will, and compromise the system in the process.

10 I do encourage a close working relationship.
11 I think that in ten years both your utility and the
12 others in the state, as well as Energy Commission
13 staff, have come a long ways in terms of closure. And
14 I think that everyone's forecasting methodologies have
15 been improved as a result of the collegial process this
16 whole CFM effort represents. That doesn't mean that
17 there can't be further closures.

18 One of the things that I discovered as I got
19 into this process in some detail, you know, are the
20 really substantially different assumption of some areas
21 of the forecasting efforts that are drawn by Edison or
22 PGandE or the utilities, all operating in roughly the
23 same economic climate, etc. Some of those differences
24 have, as I say, been closed; there still remains some
25 differences in assumptions as well. It seems to me

1 that, fundamentally, there probably is greater
2 opportunity for closure on some of those items.

3 We have made an attempt at the end to
4 better reflect some of the policies reflected in your
5 forecasting efforts, particularly as it is tied to
6 retirement policy, for example, as well. That is my
7 understanding. Commissioner Commons.

8 COMMISSIONER COMMONS: We did do not just
9 the retirement policy, but we shifted in terms of doing
10 peak, using average temperature, rather than peak. We
11 changed the reserve margins so that they are much more
12 closely aligned with the way that the utilities do
13 reserve margins; so that when we look at this question
14 in the future, it'll be apples and apples rather than
15 different methodologies. There are probably a half of
16 dozen major changes operationally so that the
17 methodology employed by our staff is now going to be
18 more consistent, particularly in the supply planning
19 variables with that which is done by the utilities.

20 I think it's also appropriate to comment here
21 on PGandE and all the utilities. Well, first of all,
22 PGandE on conservation was the utility that put the
23 most effort and really looked at their programs, were
24 actually significantly lower than their own estimates
25 in this area. But PGandE and the whole forecast (and

1 it's not just in this forecast; it's in the previous
2 cycle), has really complied and tried to work with the
3 Committee, and has spent a lot of time, and has made a
4 lot of positive contributions. I can just say
5 personally, having presided over it, I really
6 appreciate the technical people that you have had
7 working with us and their comments.

8 But the same is really true of all the
9 utilities that the only problem with the process is
10 that it's a little too laborious; and there must be a
11 way of getting there without quite as many hearings.
12 That's something that I'm going to talk with you, Mr.
13 Noteware, to see if there's a way that we can expedite
14 it a little bit. We did make some steps that way.

15 I just want to say, I want to let PGandE know
16 that I really appreciate your people's assistance in
17 working with us; and it's really true of all the
18 utilities, that this I felt was not an adversarial
19 process; it was a cooperative process. There were some
20 differences, and a lot of them, I think, were narrowed
21 during the scope of the hearings. And there are some
22 issues that still need to be resolved; some of them
23 clearly require some data and a little more work.

24 Thank you.

25 MR. BAUMGARTNER: Mr. Chairman, if I may. The

1 discussion this morning among Commissioners and with
2 the staff, with respect to the place that reserve need
3 or non-RETO or conditional RETO conservation and load
4 management programs is included in reserve need, how
5 that fits into the scheme of siting in a legislative
6 scheme for siting plants in any given case, I think,
7 raises some interesting issues.

8 I didn't have a chance to participate. I
9 wish I had, but I was working on other projects and
10 didn't participate all the way through on CFM-5; so I
11 have not have the benefit of the discussions which
12 resulted in some of these concepts. When one of the
13 comments that Mr. Jaske this morning could have been
14 interpreted as placing a burden on the applicant in a
15 siting case. To show that the proposed hardware, the
16 January peaking plant, Geyers Plant, whatever it might
17 be, is preferable and in competition with other
18 conservation and load management programs, which is
19 defined as conditional RETO in the reserve need
20 section.

21 I think that the act is fairly clear that
22 conservation which is defined as RETO is to be used as
23 demand reducing. But the act is also clear that
24 conservation, load management or other demand-reducing
25 methods reasonably expected-to-occur shall be

1 explicitly taken into account only in the
2 determinations made first into this subdivision, and
3 shall not be considered as alternatives to proposed
4 facilities during a siting process, as specified in
5 Chapter Six of the act.

6 So my interpretation of that is that the
7 Commission cannot impose a burden of proof upon an
8 applicant to prove that his proposal, in competition
9 with conservation and load management programs that are
10 listed in the reserve need category, is a better
11 proposal; and somehow or other should be licensed in
12 preference to, for example, 400 MW of load management,
13 if one were proposing, for example, a peaking plant.
14 That's just, and I may be misunderstanding the way this
15 whole classification of conservation and load
16 management which is not RETO, but is conditional RETO,
17 is to be applied in siting cases.

18 CHAIRMAN IMBRECHT: What section were you
19 referring to, again?

20 MR. BAUMGARTNER: It's section 23305(c).

21 CHAIRMAN IMBRECHT: ...(c), fine. What you
22 have is a distinction between (c) and (e) of 25305. In
23 essence, what the Committee is proposing in terms of
24 interpretation is that 25305(c) represents the straight
25 analytical demand forecast, and (e) represents the

1 balancing of all the variety of other factors that the
2 statute imposes upon us, which obviously carries with
3 it some level of subjectivity. But we have attempted
4 to establish a clear record in these proceedings as to
5 the basis for findings. I think some fine points that
6 are listed in subsection (e)...

7 COMMISSIONER COMMONS: Let me make one thing
8 clear, Peter. In this siting case, other than RETO, in
9 which all we've done is made RETO in two parts,
10 conditional and unconditional (it's still RETO); in a
11 siting case, that which is not RETO is not an issue.
12 We follow the existing and continued existing practice.
13 So someone could not come in with this 1,000 MW
14 conservation plan and raise that within the siting
15 proceedings. The appropriate place to raise that was
16 as part of the ER proceedings, as to RETO. So that
17 practice has been continued.

18 The only difference is that the Committee is
19 recommending to the Commission that we break RETO into
20 two parts, under (c) and under (e). But it's still
21 RETO.

22 MR. BAUMGARTNER: Well, I'm happy to hear
23 that interpretation, and certainly I think that any
24 other interpretation would require the Committee in a
25 siting case to reopen many, many of the issues which

1 have already been explored in the Electricity Report
2 inthe first proceeding. You'd end up by having people
3 coming in and offering evidence on all sorts of
4 alternatives, which alternatives should have been
5 decided when RETO was decided, what was to be included
6 in RETO, and what wasn't.

7 CHAIRMAN IMBRECHT: Probably, we'll say that
8 as well, since you haven't been a participant as to
9 what the intention of this whole approach is. I'd be
10 happy to explore this with you further, perhaps on a
11 personal basis. But we are attempting to...Excuse me,
12 I literally have it on the tip of my tongue, and it has
13 slipped past me.

14 COMMISSIONER COMMONS: Can I help? What
15 we're trying to do is to, and it's a term we've used
16 over level of playing field, help expedite the demand
17 process in terms of is a project needed or not needed,
18 so it's not as difficult. Also, it gives information
19 and knowledge up-front as to you'll have a better
20 ability to predict whether or not your project is going
21 to be found to be needed. We're not going to go
22 through like we recently have done on data acceptance
23 the criteria. It's all going to be spelled out pretty
24 clearly, That doesn't mean there are not going to be
25 some issues that's going to take us a little while to

1 work through the process. I'm not going to say that
2 the first few cases aren't going to be difficult for us
3 to implement and work through the process. But we're
4 trying to expedite the demand conformance portion of
5 the siting process, particularly on those where we have
6 found a reserve need.

7 When you get out at the margin, it's more
8 difficult; and what we're identifying and saying is
9 you're at the margin. It is going to be tougher, and
10 there's no way to avoid the public processes. But if
11 you're not at the margin, there's no reason to put
12 someone through all the paces that have gone on.

13 CHAIRMAN IMBRECHT: And to re-try need in
14 every siting case. The expectation is that the vast
15 preponderance of siting cases that will come before us,
16 there will be an expedited need determination.

17 The worst that will occur for those that are
18 up against the margin, and there, in essence, is a
19 competition between the various reserve needs, is a
20 reversion of the status quo. I think what we're trying
21 to offer to all of the participants before our process
22 is that in most instances an improved process, the
23 worst that can happen to you is a reversion of, in
24 essence, the current rules.

25 COMMISSIONER GANDARA: Excuse me. May I ask a

1 question just to clarify it for my mind? If I look at
2 Table 4-2, Commissioner Commons, Page 4-12, there are
3 two programs there under rulemaking proceeding, second
4 tier of non-res building standards and PVEA-funded
5 retrofit, a total of 323 MW total. Are those
6 considered conditional RETO?

7 COMMISSIONER COMMONS: Yes.

8 COMMISSIONER GANDARA: Okay. Now, let's
9 suppose Mr. Baumgartner comes in here with an
10 application for a 300 MW cogeneration plant. What he
11 is concerned about, I believe Mr. Baumgartner, correct
12 me if I'm wrong; what you're concerned about is if the
13 Commission in its need determination would say, "Mr.
14 Baumgartner, since we have a reserve need for 323 MW in
15 conservation under conditional RETO, your 300 MW
16 cogeneration plant is not needed." That's what he's
17 worried about.

18 MR. BAUMGARTNER: That was my concern.

19 COMMISSIONER GANDARA: Would you answer the
20 question for me as to how you would deal with that;
21 because I guess I don't understand what you would do
22 in that instance.

23 COMMISSIONER COMMONS: Alright. If we had
24 already had a reserve need for cogeneration which had
25 not been used up in the amount of that facility, then

1 the whole issue on conservation would not exist. We
2 would find need, because it has already been reserved;
3 it has not been used up.

4 Let's say you've now used up that reserve
5 need. There was 1,000 MW of cogeneration, and we had
6 sited 950 MW of projects that are coming in for a 250
7 MW project. Then there are two alternative ways that
8 that project could be sited. Well, there are actually
9 three ways. One would be that there was an unreserved
10 need that had not been tapped. That again does not get
11 into the conservation box.

12 Let's say there's no longer any unreserved or
13 unspecified need. Now an applicant has the opportunity
14 of looking at all the boxes. You might look at the
15 geothermal box. You might look at the conservation
16 box.

17 COMMISSIONER GANDARA: What does that mean?
18 Does that mean that you could tell them, that that
19 would mean that you can't build a cogeneration plant,
20 but you can build a geothermal plant or...?

21 COMMISSIONER COMMONS: Let's say that in the
22 geothermal box that there is a project we'd identified
23 1,000 MW and we found that, and someone is able to
24 bring in evidence that there is no way we're going to
25 build 1,000 MW. There's only going to be 800 MW of

1 projects. Then there would be freed up an additional
2 200 MW. And so that box could be reduced within the
3 siting process, if you used up the other resources by
4 that 200 MW.

5 COMMISSIONER GANDARA: Okay, I guess I'm
6 still confused. You lost me at the point at which Mr.
7 Baumgartner still has an application for a 300 MW
8 cogeneration plant. You've used up all your need that
9 you've reserved for cogenerations, and you've used
10 up...

11 COMMISSIONER COMMONS: Then you have at the
12 bottom...Think of it as a thermometer, and there is an
13 area in the thermometer that we have specified. And
14 down at the bottom, there is a ball of unspecified
15 need. That is the second...

16 CHAIRMAN IMBRECHT: Generic, in essence.

17 COMMISSIONER COMMONS: That is the second
18 place that an applicant would normally go and look at.
19 Here is unspecified, unallocated need. So he needs 50
20 that were left over; and then the other 300 would come
21 out of that unspecified need.

22 Now let's say that you'd already now taken
23 all of that unspecified need, and you've taken all of
24 the cogeneration. The applicant still has the right to
25 say, "Well, here in this box of 1,000 for geothermal;

1 we do not believe that 1,000 MW of geothermal are going
2 to be constructed." They bring in evidence. We all
3 agree that it's only going to be 700 MW, so there's an
4 additional 300 that could be taken out of that reserve
5 need box. But then the burden is much greater on the
6 applicant than if there had originally been the 350.

7 COMMISSIONER GANDARA: Okay. So then, but if
8 he does do that, he can pursue his 300 MW cogeneration
9 by having, since you've converted 300 MW of geothermal
10 to cogeneration?

11 CHAIRMAN COMMONS: Exactly. That's right.

12 COMMISSIONER GANDARA: Okay, what would
13 happen if the 1,000 MW geothermal, if it couldn't show
14 that, whether it was a 1,000 MW geothermal and we
15 expected 1,000 MW geothermal?

16 COMMISSIONER COMMONS: That's the whole
17 purpose of this Commission. We are to site power
18 plants where there is need, and we're not to site power
19 plants where there is not need.

20 COMMISSIONER GANDARA: Okay. So we would
21 tell Mr. Baumgartner that "we're sorry but, you know,
22 we've used up all the reserve need in cogeneration.
23 There is no unspecified reserve in cogeneration. We've
24 checked through all the other boxes."

25 COMMISSIONER COMMONS: There's one last test

1 which is similar to your economic...

2 COMMISSIONER GANDARA: Well, let me not get
3 to that one. I want to understand this because it was
4 raised in the context of conservation. When is it that
5 he looks at the conservation box that says "reserve
6 need with conservation"?

7 COMMISSIONER COMMONS: In the same fashion
8 as the geothermal.

9 COMMISSIONER GANDARA: So then there would be
10 a point in time in this process where he would be
11 positing his 300 cogeneration plant against the
12 conservation reserve need?

13 CHAIRMAN IMBRECHT: Exactly. It's his
14 option, basically.

15 COMMISSIONER COMMONS: Let's say, for
16 example, that the Public Utilities Commission reduces
17 all funding for conservation and load management
18 programs by 50 percent across the board. That could be
19 brought into evidence in the siting case saying you
20 would assume constant funding if PUC programs, but the
21 PUC has now changed their policy. You could bring that
22 into the evidence and that would be acceptable
23 evidence, and the argument could be raised for the
24 conditional RETO that that box was now too great.

25 COMMISSIONER GANDARA: I think I understand

1 the first question. Let me ask the second one. Let's
2 say Mr. Baumgartner is disappointed that he cannot
3 pursue his 300 MW cogeneration because, one, the
4 reserve need has already been allocated. There's
5 unspecified need that has already been allocated. He
6 checks it against the geothermal box, and all the
7 projections there seem to be that those are going to be
8 required. At that point in time, he checks it against
9 the conservation program, the reserve need
10 conservation, I guess.

11 COMMISSIONER COMMONS: Just the conditional.
12 Not the unconditional.

13 COMMISSIONER GANDARA: The conditional?

14 COMMISSIONER COMMONS: That's correct.

15 COMMISSIONER GANDARA: At that point in time,
16 what would happen there, because I guess I'm a little
17 bit confused. Would we tell Mr. Baumgartner, "we
18 cannot proceed with your application, because we expect
19 as a conditional conservation supply 310 MW of non-
20 residential building standards"?

21 COMMISSIONER COMMONS: Let's say this
22 Commission turned down the second tier of non-
23 residential building standards.COMMISSIONER GANDARA:
24 What if they haven't acted on it yet, and his
25 application is in...?

1 COMMISSIONER COMMONS: If they hadn't acted
2 on it, I'd say for myself, unless someone had brought
3 evidence that we hadn't intended to contract -- for
4 example, we'd cancelled the program -- that this
5 Commission had acted at the time we adopted the
6 Electricity Report, and our intent had not changed.
7 So, there is not evidence that it presented. We
8 certainly had people working on it; and the Commission,
9 although they hadn't acted, had obviously suspended
10 operation on the second tier would be the type of
11 evidence you could bring in a case.

12 COMMISSIONER GANDARA: Well, let's say Mr.
13 Baumgartner, then, is totally frustrated by this time,
14 and he says "I'm going to drop my 300 MW cogeneration
15 proposal; instead you guys have persuaded me, I need to
16 talk to my Conservation Division and they had proposed
17 a 300-megawatt conservation program, which is not
18 described in any of the programs you have under
19 unconditional RETO, and it's not described under any
20 the programs you have under conditional RETO." Does he
21 bring his 300 MW conservation program to us to be
22 approved?

23 COMMISSIONER COMMONS: No, the way that would
24 occur is you'd go to the CPUC; if they approved it,
25 then it would come back to this Commission two years

1 hence; or 15 months and say "we want to continue the
2 policy of constant level funding for PUC programs".
3 Then that's 300 MW additional would be included. If
4 the PUC had decreased the Conservation Load Management
5 program by 700 MW, that number would be reduced by 700
6 MW.

7 COMMISSIONER GANDARA: Okay, let's don't go
8 two years hence because I'm still within the planning
9 cycle. I want to stay within our planning cycle. If
10 he goes to the PUC and gets a 300 MW conservation
11 program approved, we still have under our reserve
12 conservation program 323 MW. The Commission now acts
13 and disapproves the second tier of non-residential
14 building standards. There is now freed up under
15 reserve need, I guess, 310 megawatts. Can he come back
16 in now with his 300 MW cogeneration plant and say "we
17 no longer have that reserve?" Can I use that?

18 COMMISSIONER COMMONS: That's a question the
19 Committee had not addressed. I can tell you my own
20 response. Each of the items are looked at individually
21 and specifically. My interpretation on that would be
22 you cannot increase the programs within a specified
23 area. For example, the PUC increases their conservation
24 programs. That would be doing the question that Peter
25 was asking originally, "are we going to raise the

1 question of all conservation programs in siting cases?"
2 And my response would be, "no, that would be something
3 we adjust for the second tier." And so, if one had
4 gone up and the other down, we'd only look at the one
5 that had gone down. And you don't re-adjust except at
6 every seventh year.

7 COMMISSIONER GANDARA: One last question.

8 COMMISSIONER COMMONS: This is a question
9 that I have not discussed with anyone else; I'm giving
10 you my own personal response as to how I believe this
11 is consistent with Warren Alquist. We didn't adopt one
12 number. If we had adopted the number of 1700, then I
13 would say we had done the balance. But we adopted it
14 specifically for the four programs.

15 COMMISSIONER GANDARA: One last question
16 then, stepping back at one point in time, in this
17 example. Mr. Baumgartner went to the PUC; he got a 300-
18 megawatt conservation program approved, reference
19 cogeneration plant. We at the Commission are nominating
20 before us is approval of the non-residential building
21 standards which can save us 310 MW. There's been a
22 reserve need for that. Can I now argue that there's no
23 necessity to approve the non-residential building
24 standards because Mr. Baumgartner has just come up with
25 a program envisioned when we...?

1 CHAIRMAN IMBRECHT: I guess his reserve need
2 has been met on conservation?

3 COMMISSIONER GANDARA: Because the reserve
4 need had been met by Mr. Baumgartner's new program?

5 COMMISSIONER COMMONS: No, the question on
6 the second tier on the non-residential building
7 standards would be two. One, would be cost effective;
8 the second (INAUDIBLE). That's an issue that stands on
9 its own merit. Electricity forecasts, in my belief do
10 not drive conservation programs; conservation programs
11 drive electricity forecasts. What we do before
12 essentially is actions that are taken in terms of
13 rulemaking proceedings where you go into great depth.

14 COMMISSIONER GANDARA: Okay, I guess I missed
15 the response to my question. Would I be correct in
16 saying that since Mr. Baumgartner's program which had
17 not been anticipated by anybody, has now produced 300
18 MW of conservation that used up 300 MW of reserve need?

19 COMMISSIONER COMMONS: If someone raised that
20 argument, I would say the question is irrelevant. The
21 question is, the program itself, is it cost effective.
22 This doesn't establish a limit; all this does is say at
23 this point in time, today, this is what we think is
24 reasonably expected to occur.

25 COMMISSIONER GANDARA: I guess what I'm

1 saying then is why are we positing one plan against
2 another plan when you have reserve need for
3 cogeneration. That is, if we have only 300 MW reserve
4 need for cogeneration; you've got two plants
5 applications for 300 MW, you would tell one or the
6 other, one has reserve need on the other; if we now go
7 to conservation, Mr. Baumgartner comes up with a 300 MW
8 program, and we now have a proposed non-residential
9 building standards programs of 310 MW, why don't we
10 posit one against the other.

11 CHAIRMAN IMBRECHT: Let me take the baton for
12 a second. What you've got basically is the unspecified
13 need or generic category, such as you'd find in the
14 PGandE forecast, et cetera -- is what we would
15 characterize as identified need with a whole plethora
16 of development options and conservation options that
17 are additional achievable. That is what's reflected in
18 all of that tabulation that's out there somewhere in
19 the pipeline that may not come to fruition; a wide
20 variety of other projects that are in various stages of
21 development, and various conservation proposals that
22 are in various stages of development as well. In terms
23 of analytical evaluation, etc. or in terms of movement
24 towards implementation. So, in essence, new generation
25 of technology as well as new conservation

1 opportunities, programs, et cetera, all would come out
2 of the unspecified reserve need, or the generic
3 category, and then in essence, when all that's
4 considered, we've meet the need for the state and, as
5 would be the case todaya, we would be saying no to
6 applications based upon a lack of need. I think if you
7 work through scenarios and so forth -- I know we
8 identified a lot of different options as well. I'm
9 convinced that it doesn't present an operational
10 problem.

11 From a general standpoint, the applicant will
12 have an option. But from a factual perspective, that
13 option is first to go after the unspecified reserve
14 need. Then only if that is consumed, then that takes
15 several steps to suggest that that's going to occur in
16 any two-year period. In essence, would require a gold
17 rush of development across the board for both the
18 reserve need by technology as well as all the generic
19 to be consumed in any two-year period. But, if that
20 were to be under those circumstances, then the
21 applicant would have a choice of picking which of the
22 other unmet reserved needs they would, in essence, care
23 to attack and say that this technology meets or
24 achieves the reasons for that application of reserve
25 need for this technology. What I would contemplate

1 under this set of circumstances is that cogeneration
2 application was in essence trying to get a piece out of
3 the geothermal blocks, we had specified the reasons for
4 the allocations of reserve need to geothermal; and in
5 essence, the applicant would come in and say, our
6 cogeneration project meets the qualitative reasons that
7 have been enunciated for the reserve need for
8 geothermal, i.e. similar costs, environmental health
9 considerations, et cetera.

10 COMMISSIONER COMMONS: I think this line of
11 questioning, and I can see a lot of hypotheticals
12 thrown at us. I think one thing the Commission doesn't
13 object to when they adopt the Siting Policy, is that
14 what I'll do is go through and write, not in the
15 technical appendix to be adopted, but three or four
16 case examples as to how you would work through the
17 siting process and show how it would actually operate;
18 then develop it and circulate it among the
19 Commissioners. Not having adopt it as part of our
20 program, but maybe give assistance to applicants and to
21 ourselves in how it operates.

22 COMMISSIONER GANDARA: I think that would
23 very helpful to me. Well, Mr. Baumgartner, are you
24 persuaded that 25305(c) is not the problem?

25 MR. BAUMGARTNER: I'm persuaded by the

1 Chairman's perception with which I agree. There's not
2 likely to be a case of controversy involving these
3 specific scenarios during the life of the Fifth
4 Biennial Report. But, I certainly appreciate.....

5 COMMISSIONER GANDARA: You're not suggesting
6 we're going to change it in two years, are you?

7 MR. BAUMGARTNER: I'm not sure. You were
8 Chairman of the last Biennial Report.

9 COMMISSIONER GANDARA: I didn't change it.

10 MR. BAUMGARTNER: No, but this was changed.
11 The one thing that is constant is life is change. We
12 certainly appreciate the opportunity to exchange these
13 views with you. I know that we've taken up probably
14 too much time already on this issue.

15 MR. CHAIRMAN: That's quite alright. I want
16 to continue this dialogue over time. But, as I
17 indicated, perhaps we will have the opportunity for
18 some informal discussions as well. I think we can shed
19 some light on this as we have with some of the other
20 representatives in your company.

21 MR. BAUMGARTNER: Okay, thank you.

22 CHAIRMAN IMBRECHT: We're trying to give you
23 a better tool to deal with some of the gold rush
24 problems that you and the other utilities are facing
25 right now. Alright, next, Mr. Philip Hanser,

1 representing SMUD. The cards have been mixed. If
2 SMUD's preferred to Edison, fine. Alright. Mike?

3 MR. GARDNER: Thank you, Mr. Chairman and
4 Commissioners. I think PGandE covered a fair number of
5 our comments and I will not reiterate those. Generally
6 speaking, we believe that the -- I will call the
7 Committee Forecast -- is too low; we will not continue
8 to contest it, but we've discussed throughout the
9 hearing process a number of reasons why there's a
10 difference between the forecast we filed and the one
11 that staff came up in the Committee direction.

12 Just for your information, we see about an
13 800 MW difference in 1996 between our CFM-5 filing
14 which we did finally get around to reducing to account
15 for new building and appliance standards. So we still
16 see roughly a 800 MW difference. However, the
17 Committee has made changes on their proposal for
18 dealing with Supply Side issues which narrow that
19 difference for 1996 on the total need for resources
20 down to about 300 MW. And that's something we do not
21 see as a particular significant issue. So, we will not
22 further argue the forecast at this time. We will,
23 however, try to do a far better job next time, and work
24 with PGandE, staff and the Committee in bringing
25 ourselves closer in understanding each other's process

1 better.

2 There are four keys to our acceptance of the
3 forecast which I would like the Commission to
4 understand, and these really are primarily Supply Side
5 issues. The first one is, on the Demand Side, the
6 Committee directed that staff essentially add 300 MW to
7 the forecast across the board as a weather adjustment.
8 One of our fairly significant differences was the
9 effect of changing the base weather year. We would
10 like to see that 300 MW remain. That's key.

11 COMMISSIONER COMMONS: And that 300, we still
12 have a difference on is another 300 that you wanted?

13 MR. GARDNER: Yes, there is another 300 where
14 we still have a difference and have agreed to disagree
15 on that.

16 CHAIRMAN IMBRECHT: Have we gotten this
17 matter from yesterday reconciled?

18 MR. GARDNER: The Kern River project? I
19 don't think we have final numbers for you and I think
20 PGandE is prepared to indicate to you that they agree
21 in concept and we need to do some research to enable
22 PGandE to say whether they agree specifically with the
23 100 MW load for the oilfield or not. Peter, is
24 that...?

25 MR. BAUMGARTNER: I think that that pretty

1 well characterizes it. We don't think that PGandE's
2 forecast included the incremental increase in either
3 demand or energy sales that are likely to occur as a
4 result of the further development of this oilfield
5 - the additional pumps, plants, office buildings
6 -- whatever goes in down there. So we think, and what
7 we're trying to do is find out what the historical peak
8 demand and energy sales are for that and to see how
9 close that comes to. It may be the same as the 100 MW; it
10 may be less than that, but whatever it is we will get
11 the information to you by letter within a couple weeks.
12 I'm not sure how long it will take because we don't
13 have an easy way of breaking out a customer's demand
14 and sales.

15 COMMISSIONER COMMONS: To make a adjustment,
16 I would feel more comfortable if we had the two
17 utilities in agreement and that would mean by Monday.
18 I do have the problem from SCE that the staff testimony
19 yesterday did show where we've used the 300 MW in other
20 proceedings before the Commission. I didn't want to
21 withhold that to you, but I would want to have the two
22 utilities in concurrence at this late date.

23 MR. GARDNER: We will attempt to do that and
24 by Monday. I'd like to respond to our having used 300
25 MW in the past though, where we used it in the past was

1 doing the need assessment for the project in the first
2 place. That was because the power sales contract
3 between Kern River Cogeneration Company and Southern
4 California Edison Company was not final. We did not
5 then know that only 170 MW of firm capacity had been
6 made available to Edison. I would suggest that if 300
7 MW of the project are needed, certainly 170 MW of the
8 project would be needed.

9 COMMISSIONER COMMONS: I withdraw my comment.
10 The main thing I would like to see is the two
11 utilities....

12 MR. GARDNER: We will definitely attempt to
13 do that and we will try very hard to have that in your
14 hands as a joint document by Monday.

15 CHAIRMAN IMBRECHT: Alright, thank you.

16 MR. GARDNER: Thank you. The key is on the
17 Supply Side and that is that the Commission retain the
18 Committee's proposal to go through a 40-year Retirement
19 Policy for long-range planning purposes. The third one
20 is that the Commission adopt either the Committee's
21 recommended 18 percent reserve margin, or we would be
22 glad to have the staff's recommended 19 percent. But,
23 we think it would create problems if we drop back the
24 historic 14 percent. So, we would like to stay with at
25 least the 18 percent. Our final point is resolution of

1 the capacity available to Edison from the Kern River
2 Cogeneration Facility -- one way or another. So, with
3 that I'd be pleased to respond to any questions.

4 CHAIRMAN IMBRECHT: I think I could probably
5 report to the Commission as well, that I think I'm not
6 speaking out of turn that, quite accurately, the
7 Chairman of the Board of San Diego Gas & Electric,
8 likewise -- and I will just represent hearsay, that I
9 can accurately report that he is also supportive of the
10 40-year Retirement Policy, and made a point of calling
11 that to my attention.

12 Okay, next we'll take Mr. Hansler,
13 representing SMUD.

14 MR. HANSLER: I really don't have much to add
15 beyond that we submitted yesterday during our
16 testimony, except two additional points. One is, we
17 hope to provide the staff with any additional data that
18 we have in terms of hard data relative to actual
19 industry assumptions of our service territory, so
20 they'll have a better information base to be working
21 upon. I guess we look forward to working with staff in
22 trying to develop a better information base. The second
23 point relates to the question about forecast problems
24 and uncertainties. I guess I would recommend that the
25 Commission react to the original BR I, which set forth

1 that decision analysis approach to the problem of not
2 taking into account in planning in the future. You may
3 want to push to re-examine that one.

4 CHAIRMAN IMBRECHT: Commissioner Commons.

5 COMMISSIONER COMMONS: Could you please
6 clarify where we are on yesterday's issue? Has SMUD
7 agreed with staff as to our numbers, or is SMUD wanting
8 us to go back on the agreement that I had reached with
9 you? What is SMUD's present position?

10 MR. HANSLER: I guess our current position is
11 that we had some understanding about what the forecast
12 would look like and that testimony reiterates what our
13 understanding was.

14 COMMISSIONER COMMONS: That would require an
15 adjustment to the 1.7, from the numbers that you....?

16 MR. HANSLER: Yes, it would require some
17 slight adjustment.

18 COMMISSIONER GANDARA: I have a question. I
19 don't quite understand your concern with respect to the
20 necessity, desirability of arranged forecast. In fact,
21 I don't understand any of the concerns expressed today
22 on the Demand Forecast because any kind of uncertainty
23 like that certainly will be taken into account, it
24 seems to me with the broadness and uncertainty on the
25 Supply Side. There seems to be so many policy options

1 on the Supply Side. When we talk about matching demand
2 and supply, there're so much more broadest now with
3 respect to the Supply Side that demand isn't really all
4 as relevant, frankly, as it used to be.

5 MR. HANSLER: That makes my position, as a
6 forecaster, seem somewhat less relevant than it used to
7 be.

8 COMMISSIONER GANDARA: Perhaps so, but maybe
9 it makes our position as Commissioners on forecast less
10 as relevant as it used to be also.

11 MR. HANSLER: I only say that in terms of
12 reading the forecast, just as a source of uncertainty,
13 and I feel that there's a great deal of uncertainty as
14 I see it, from a Supply Side consideration. But I do
15 want to point out, at least relative, I think to BR I,
16 if I recall correctly -- that there was a general
17 framework put forward to deal with uncertainty, but on
18 the supply and not the demand side. It might be worth
19 re-considering the framework that was put forward then.
20 I certainly don't wish to illumine the uncertainty on
21 the range for the forecast, but also clearly to include
22 the uncertainty on the Supply Side also.

23 CHAIRMAN IMBRECHT: We'll take that one under
24 advisement. I think I possibly share Commissioner
25 Gandara's viewpoint on that. Dr. Jaske, in terms of

1 ... what is the problem here with these numbers with
2 SMUD? I understood what the agreement was that
3 Commissioner Commons had worked out with them and I had
4 signed off on it. We both, along with SMUD yesterday,
5 I think accurately enunciated what that agreement was.
6 Why are we ending up with different numbers?

7 DR. JASKE: I think it probably has to do
8 with the series of two-way communications that were
9 included in SMUD, the Committee, staff -- all at the
10 same point at the same time. We implemented what we
11 understood the....

12 CHAIRMAN IMBRECHT: Okay. What is the
13 distinction? Where are we off? There was a 1.7
14 adjusted on an '83 base.

15 DR. JASKE: If that is the Committee's
16 decision, we can change the numbers accordingly.

17 CHAIRMAN IMBRECHT: And what have you been
18 offering here? I just want to know the difference
19 here.

20 DR. JASKE: Our understanding that the
21 agreement represented a fixed megawatt to gigawatt hour
22 relationship for all years, 1983 to the future -- which
23 is not quite the same thing as a specific growth rate
24 applied to '83.

25 CHAIRMAN IMBRECHT: If that adjustment can be

1 made in the agreement, then Commissioner Commons and I
2 would like to suggest that you made before adoption on
3 Monday.... Is that do-able in the next couple days?

4 DR. JASKE: We will have to prepare a variety
5 of what I guess would be called substitute pages
6 because that will carry forth throughout the entire
7 report.

8 CHAIRMAN IMBRECHT: I'm conscious of that.

9 MR. HANSLER: Might I put forward that I
10 understand the work that would be involved in terms of
11 modifying all the numbers in the subsequent pages and
12 that the amount is relatively small compared to the
13 overall size of the demand in the State of California.
14 If, for example, some type of footnote to the existing
15 table or some type of modification of the existing
16 table with a subsequent footnote, would indicate that
17 the other numbers have not been adjusted accordingly by
18 such a relative....

19 CHAIRMAN IMBRECHT: It will be adjusted for
20 final publication, or something...

21 MR. HANSLER: Something like that.

22 CHAIRMAN IMBRECHT: That might be
23 satisfactory as well. We want that reflected in the
24 document that is finally published after adoption, but
25 it does not necessarily have to be in the document

1 that's before us on Monday as long as it's understood
2 what the intention is. So, we won't impose this undue
3 burden on you.

4 MR. HANSLER: No, we certainly don't want to.

5 CHAIRMAN IMBRECHT: We're interested in the
6 bottom line, and what comes out at the end.
7 Commissioner Commons.

8 COMMISSIONER COMMONS: I just want to say
9 that I think the staff interpretation of the agreement
10 was a good faith interpretation, and the way you
11 identified is what I agreed and discussed with you, and
12 I understand the methodological way it was approached
13 by staff. It was clearly a good faith effort.

14 CHAIRMAN IMBRECHT: I was not in any way
15 suggesting the contrary. Okay, thank you. Is there
16 any further public comment before the Commission at
17 this point in time? Alright, we will then stand in
18 recess until April 29th, at which time we will
19 consider for adoption the Demand Forecast, the 1985
20 Electricity Report V, and the Siting portions of the
21 Electricity Report and Biennial Report. And, as I
22 previously indicated, also on the 29th, we will
23 publicly release the proposed recommendations and
24 comments received by the Committee on May 7th, and
25 final adoption of the Biennial Report on the 15th. We

1 stand in recess. Thank you.

2 (Thereupon the Committee hearing before the
3 California Energy Resources Conservation and
4 Development Commission was adjourned at 2:40 p.m.)

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REPORTER'S CERTIFICATE

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2 THIS IS TO CERTIFY that I, Dawn Lofton,
3 Reporter, have duly reported the foregoing proceedings
4 which were had and taken in Sacramento, California on
5 Wednesday, April 24, 1985, and that the foregoing pages
6 constitute a true, complete and accurate transcription
7 of the aforementioned proceedings.

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

11 *Dawn Lofton*

12 Reporter

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15 Dated this 21st day of May, 1985.
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