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CALIF. ENERGY COMMISSION
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STATE OF CALIFORNIA

ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

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

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

Monday, April 29, 1985

10:20 A.M.

Reported by: Dawn Lofton

PAPERWORKS
1330 Broadway, Suite 809
Oakland, California 94612
415/763-9164

1 **COMMISSIONERS PRESENT**

2 Charles R. Imbrecht, Chairman

3 Barbara Crowley, Vice Chair

4 Geoffrey D. Commons, Commissioner

5 Arturo Gandara, Commissioner

6 Warren D. Noteware, Commissioner

7 **HEARING ADVISER'S OFFICE**

8 Gary Heath

9 **STAFF PRESENT**

10 Steve Cohn, Committee Counsel

11 Michael Jaske, Ph.D.

12 David Morse

13 Randall Ward, Executive Director

14 Daniel H. Nix

15 Thom Kelly

16 Lorri Gervais, Secretary

17

18 **APPEARANCES**

19 W. C. Boyd, Los Angeles Department of Water and Power

20 Philip Hanser, Sacramento Municipal Utility District

21 Donald S. Nellor, P.E., County Sanitation District - Los Angeles County

22 Ron Davis, California Municipal Utility Association

23 Michael Gardner, Southern California Edison Company

24 Peter Baumgartner, Pacific Gas and Electric Company

25 Douglas K. Kerner, Attorney, Hanna and Morton

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1 **P R O C E E D I N G S**

2 --oOo--

3 CHAIRMAN IMBRECHT: Good morning. We will
4 call the meeting to order. Would you please rise for
5 the flag salute? I'll ask Commissioner Commons to lead
6 us in the flag salute.

7 -- FLAG SALUTE --

8 CHAIRMAN IMBRECHT: Alright, good morning.
9 Today, we have the continuing saga of the Electricity
10 Report and Biennial Report, Fifth Edition of the
11 California Energy Commission. Currently being
12 distributed, I believe, are copies of the Errata Sheets
13 for the proposed changes in the Electricity Report, and
14 that also includes the proposed modifications of the
15 Siting Policy, all of which are the results of the
16 testimony which the Committee, with other Commissioners
17 sitting in, received this past week.

18 It is our intention, this morning, after we
19 have had a chance to review briefly, to then turn to
20 Commissioner Commons and staff for an overview of the
21 proposed changes as to the Demand Forecast, and
22 entertain discussion of the Demand Forecast, and then
23 possible adoption of the Demand Forecast. After our
24 luncheon recess, we will return for discussion of the
25 remaining proposed changes in the Electricity Report,

as well in the Siting Policy. Commissioner Commons recommends, I think we'll kind of judge it based upon the tenure of discussion, that we might potentially hold the final adoption of the Electricity Report until the scheduled meeting of Wednesday, considering the fact that some of the changes are somewhat voluminous and will give you a greater opportunity to review it. With that, I will turn to Commissioner Commons for an overview of the changes as to the Demand Forecast.

COMMISSIONER COMMONS: Mr. Chairman, there are very few changes in the Demand Forecast, and I would like to ask Dr. Jaske to go through and enumerate them, please.

DR. JASKE: Good morning. There are two categories of changes to the text of Chapter 2. The first category stems from, shall I say confusion that existed over the SMUD Peak Demand Forecast. So, there is a slightly revised and slightly higher estimate peak demand for the SMUD planning area which the Committee recommends for you. Secondly, there is an addition to a particular page which refers to the Conditional RETO savings I presented to you last week, in which there was a considerable discussion regarding that. It would then create another Appendix. Let me go through your package of proposed amendments, item-by-item, so that

1 you can be sure of what it is that is being proposed.
2 On Page 1 of the Proposed Amendments, last
3 item on the page refers to Page 2-2 of the report.
4 Indicated changes that Table 2.1, Peak Demand
5 Component, be revised, and those numbers are the
6 statewide reflection of the change to the SMUD planning
7 area. For 1996, I believe that number just for your
8 reference, is up 47MW relative to what is printed in
9 the report now.
10 COMMISSIONER GANDARA: Dr. Jaske?
11 DR. JASKE: Yes?
12 COMMISSIONER GANDARA: I have two different
13 addendums. One says 'Final Draft Electricity Report
14 Committee Proposed Amendments, April 29, 1985'. It
15 starts with--the number at the bottom is 1, and then
16 the other one is entitled 'Final Draft Electricity
17 Report Appendices'. Okay. Now, are you referring to
18 the first of these two?
19 DR. JASKE: At the moment, I am referring to
20 the first of those two. Ones which refer to the main
21 report.
22 So, that is the sole change to Page 2-2. On
23 Page 2-3, which is the large table summarizing the
24 actual recommended numbers, both for sales and peak
25 demand, there are a series of changes. SMUD, in the

most particular case, increases its peak demand commensurate with the Committee's recommendation, and therefore, the statewide numbers change. There are a series of other changes to growth rate that were not entirely consistent with the numbers, are of no substance. On Page 2-5, second paragraph, there is a reference that should refer to 'electricity' rather than 'energy'. So, there is a change to that one word. On Page 2-6, the end of the third paragraph, which is the paragraph discussing conditional RETO, there is a new sentence to be added which says as indicated, "savings from conditional RETO programs are given in Appendix 2-3".

There is separate from the bound changes for the main text, a package of changes for appendices. In effect, there is a new Appendix 2-3, which consists of a single page, and it contains the conditional RETO program savings for 1996, both megawatt and gigawatt hours, by program and by planning area, which were discussed last week. Further, there is a footnote that is to be added to that page which indicates that an estimate of pocket savings, separate from program savings, will also be included in Appendix 2-1. This is a clarification of the discussion last week about whether and to what exent market savings were included

in those market savings estimates.

Page 2-9. There are two changes -- changing a reference to the Biennial Report with the Electricity Report, and then there is a change to a statewide table, once again, to reflect the change in SMUD peak demand, and there is the same kind of change on Page 2-10, Table 2-6. Once again, same change in statewide peak demand. That is the total of the changes to the text of Chapter 2 of the Draft Final Electricity Report. Are there any questions regarding those changes?

CHAIRMAN IMBRECHT: Questions?

COMMISSIONER GANDARA: Dr. Jaske, this may be a minor matter, but I believe the totals for your Table 2.3 is 1704 is different from the total that you have in your previous Table 4-2. One source of that discrepancy is that you picked up one megawatt in the second tier for non-residential building standards. Either I am adding something wrong here real quickly. I didn't bring my calculator, but I have a total of 1,717 rather than 1,704. Maybe you want to check that before you ....

DR. JASKE: Yes, let me check that and I can get back with you with what the number should be.

CHAIRMAN IMBRECHT: Alright, do you want to

1 explain the implications for any of those changes or as
2 they appear on their face?
3 DR. JASKE: They are--as I indicated, the
4 implication of the Committee's decision on a SMUD-
5 peaked demand forecast which wasn't clear to staff, and
6 so we have now calculated the implication of the
7 Committee's decision and all of these changes, with the
8 exception of the conditional RETO appendix stem from
9 that change.
10 Further, there will be additional changes
11 that are spread throughout the remainder of the report
12 in Chapters 3 and 4 on megawatts of need, so forth,
13 that stem from that same change. So, quite a variety
14 of places will ultimately need to be changed consistent
15 with this change to SMUD peak forecast.
16 CHAIRMAN IMBRECHT: Okay, further discussion?
17 Does anyone wish to be heard on the matter of the
18 Demand Forecast, the proposed changes, or any other
19 matter pending?
20 PUBLIC ADVISER HEATH: There are some cards
21 right in front of you.
22 CHAIRMAN IMBRECHT: Oh, I'm sorry, Mr. Heath.
23 I didn't it. First, Mr. W. C. Byrd.
24 MR. BYRD: Good morning. My name is W. C.
25 Byrd and I am the representative from the Los Angeles

1 Department of Water and Power. I'd like to make a few
2 comments on the Demand Forecast. Since I am not a
3 forecaster, these comments are somewhat general in
4 nature and will point out what we think is the major
5 difference between Los Angeles' 20 year forecast and
6 the forecast of the staff. The best way to point it
7 out is to look at the comparison that we have here on
8 the graph. What we have on the view screen is the same
9 as the handouts. Basically, we have a plot of two sets
10 of graphs. The top set being the sales. Blue being
11 the historical sales and an extension being the
12 forecast. The top solid line being the Los Angeles
13 forecast sales, and the lower dash line being the CEC
14 status forecast of sales. As you can see, there is no
15 major difference in the sales forecast. We are fairly
16 close. The difference seems to occur more in the
17 forecast on the peak demand, which is the lower set of
18 graphs. The red indicates the historical peak demand,
19 ending up in 1984 where we had our record peak of 4,882
20 MW, and an extension of that graph contains two plots.
21 The upper solid line being that of Los Angeles and the
22 lower dash line being that of CEC staff.
23 As you see, the major difference of the 20-
24 year period is the starting part. Staff predicts quite
25 a lower peak demand at the beginning. I've plotted two

points on the staff forecast. It's marked "A" and "B" on the screen. Point A, the year 1987, staff is predicting the same peak demand that we had in 1983. Point B, which falls near the year 1991, staff is predicting that we will not duplicate our last year's peak demand until that point, and this is where we have some problems with staff's forecast. We just want it to go on record and point this out. We intend to work with staff during the next BR cycle and, hopefully, we will be able to narrow the gap. Other than that, I have no other presentation or comments. I would like to thank you for this opportunity to appear.

CHAIRMAN IMBRECHT: Alright, thank you very much. Are there questions for Mr. Byrd? Commissioner Commons?

COMMISSIONER COMMONS: Mr. Byrd, we had a similar problem with some of the other utilities which just came about in terms of the shift in the Commission's forecast peak where the Commission used to use the peak day or the hottest day and now they are using average temperature. We had made adjustments to both Southern California Edison, and I believe as late as today, an adjustment to SMUD. I recognize that you you did go through and make a revision of your forecast which incorporated a lot of the building and appliance

standards in last November. You have not brought for this issue, I think as clearly as you have today, up until this time at least, as far as I can see. The issue goes back to what is the proper year to use in terms of temperature. We just adjusted, I think, SMUD from the year that the staff had used to 1983. I think staff is using that same year. All I can say is the shift that the staff made this year in terms of what the average temperature is, is an issue that we have to look at in the next period. You do have substantial excess capacity, at least on the short-term from CASEC, from a policy implication, I don't see a problem merging in the next 15 months. Do you see a problem in terms of the next 15 months?

MR. BYRD: No,this is the reason that we didn't really bring this point up before, because we don't see any major need for a change before the next cycle.

COMMISSIONER COMMONS: What I'd like to do with your agreement, is to flag this as an issue in terms of what is the appropriate year for the starting base which is an average temperature year, and that we look at that issue in terms of CFM-6 and not attempt to make a quick fixed remedy at this time, since there is on significant policy implications to the department.

1 MR. BYRD: That's our intention.
2 COMMISSIONER COMMONS: Thank you.
3 CHAIRMAN IMBRECHT: Alright, thank you. Any
4 further comments or questions? Alright, thank you, Mr.
5 Byrd. Next, Philip Hanser, representing Sacramento
6 Municipal Utility District.
7 MR. HANSER: I have two very brief comments.
8 One is that the numbers are approximately what we had
9 initially agreed to, but the differences are
10 sufficiently small.
11 CHAIRMAN IMBRECHT: Are what?
12 MR. HANSER: The differences are sufficiently
13 small that we find them to be acceptable. The second
14 point I would like to make is although the numbers are
15 acceptable, we are uncomfortable with them in terms of
16 their implications for the planning area. We raised
17 that area previously. AACain, having a forecast which
18 is roughly only 50 odd megawatts higher in 1989 and a
19 peak that we already have observed for 1984, places us
20 under some discomfort in terms of reserve needs and so
21 on. But, other than that, it is an acceptable
22 forecast.
23 CHAIRMAN IMBRECHT: Alright, thank you very
24 much. Mr. Donald Nellor, representing the County
25 Sanitation District of Los Angeles County.

1 MR. NELLOR: The sanitation districts of Los
2 Angeles County would like to comment on the allocations
3 of statewide reserve needs for biomass projects
4 contained in the 1984 California Energy Plan. First
5 let me ....
6 CHAIRMAN IMBRECHT: Could we ask you to hold
7 those comments until we get to the Reserve Need
8 discussion?
9 MR. NELLOR: Okay, that would be fine.
10 CHAIRMAN IMBRECHT: A little bit later on?
11 Thank you very much. I hope you don't mind.
12 Commissioner Commons, what's your pleasure?
13 COMMISSIONER COMMONS: Why don't we ask if
14 there is Commissioner discussion and move, and go for a
15 motion?
16 CHAIRMAN IMBRECHT: Well, we need a motion on
17 the table. I'm giving you the opportunity to make it.
18 COMMISSIONER COMMONS: Mr. Chairman, I would
19 like to move the adoption of the Demand Forecast for
20 CFM-5, as presented.
21 CHAIRMAN IMBRECHT: I will second that
22 motion. Is there discussion? Commissioner Gandara?
23 COMMISSIONER GANDARA: I have some questions
24 regarding the policy decision on the conventional and
25 unconventional RETO; and I don't know who the best

1 person would be to respond to them. Whether it would
2 be the Committee or Dr. Jaske.
3 CHAIRMAN IMBRECHT: Why don't we all try
4 jointly. Maybe Dr. Jaske can come forward and we will
5 see whatever is appropriate.
6 COMMISSIONER GANDARA: It would be helpful,
7 Dr. Jaske, if you brought a copy of the last
8 Electricity Report, No. 4, and if you would turn to
9 Page 3-10 on that one.
10 With respect to the current one, the two
11 relevant pages would be Pages 2-8 and 4-12, which I
12 guess has also been supplemented by your new appendice,
13 Appendix 2-3. Basically, let me state to you what my
14 concern is to the overlying thrust of my questions, and
15 that is I have considerable concern over the change
16 which I consider significant from the previous standard
17 of conservation reasonably expected to occur to this
18 separation. For myself, I frankly can't separate the
19 Siting Policy from the forecast, because implicit in
20 the adoption of the forecast is an adoption of this
21 particular policy, and therefore, the separation of the
22 conservation reasonably expected to occur. So, that's
23 my overall concern.
24 Specifically, what I would like you to
25 respond to is because either there is a different

1 categorization or a different accounting. I would like
2 to get a comparison of what is included now in the
3 conditional RETO and that was included in the previous
4 RETO, and then was has been shifted into the
5 unconditional RETO, and then what remains aback. I
6 would like to get a sense of that because, again, my
7 overall sense is if I read these tables correctly, is
8 that along with this shift has been a diminishment, at
9 least of a quantification of some of the conservation
10 programs, in addition to either dropping some out from
11 the, either unconditional RETO or act. AACain, all
12 this is framed in the context and I don't know what the
13 meaningfulness really is of this reserve need for
14 conservation and an act, if anything at all. So, why
15 don't we start with Table 2-8 and 3-10, and what I
16 would like to do is sort of through the programs in 3-
17 10 and see where they show up on 2-4, and your new
18 Table 2, Appendix 3. Do you understand where I'm
19 going?
20 DR. JASKE: Yes, I believe I do. I think the
21 single substantive change which has occurred in
22 residential conservation programs, which is Page 3-10
23 of the last ER and Page 2-8 of the Draft Final, is in
24 the policy nature of what is included from utility
25 programs. Other than that, all of the programs

1 included as RETO in 1983 are included as RETO this
2 time, and there is one additional program, namely the
3 1984-85 Appliance Standards.
4 Now, the change to utility programs doesn't
5 so much show in terms of gegawatt hours of savings here
6 on a state-wide basis, as to the nature of the policy.
7 If I understand the basic position taken by the
8 Commission last time, and perhaps you can articulate a
9 correction if I state this--leave out too much detail.
10 Because the Commission staff didn't have an independent
11 capability of quantifying most utility conservation
12 programs, the Committee adopted as RETO, estimates of
13 program savings of utilities made, and in certain
14 tabulations, not here but other places, it will sort of
15 show up as not a sign to particular sectors. I believe
16 the Summary Tables in one of the Appendices show up in
17 that fashion. Basically, a lump of savings that was
18 connected with utility programs which the Commission
19 accepted as RETO. This time, there is a similar
20 circumstance.
21 The staff still has not gotten an independent
22 capability to quantify the savings from these 10 to 15
23 programs, depending on the utility. But, the largest
24 change that the Commission made of a policy nature, at
25 this time, was to include savings on Page 2-8 of the

1 Draft Final Electricity Report, only to a limited
2 extent, not accepting all of what utilities suggested
3 was going to be the case. So, the Committee has
4 basically articulated its own policy, which I may
5 summarize something like that there there is an
6 expectation of a diminishment of funding collectively
7 across utility conservation load management programs,
8 in terms of what is unconditional and only that the
9 savings that emanating from that funding pattern over
10 time should be included in the adopted forecast. The
11 rationale for that diminishment of expenditure over
12 time was most clearly articulated by the Public
13 Utilities Commission staff in sort of the background of
14 the whole re-examination of the position of utility
15 program funding, given the abundance of supply options
16 and concerns about the cost effectiveness of some
17 existing utility programs.
18 CHAIRMAN IMBRECHT: I can expand on that
19 slightly. That's entirely accurate. When I cover all
20 the points, I think the Public Utilities Commission
21 made notice in their analysis that we were approaching
22 substantial penetration in terms of conservation
23 investment in certain residential sectors, and the
24 expectation that's been pursuing the last 10 percent of
25 the population, the non-participant test, economics

began to skew farther and farther, as time expands, et cetera.

DR. JASKE: I think one additional thought to consider along those lines, is that as the original program design of a lot of retrofit conservation comes to the point of, in effect, reaching substantial saturation of the population. While expenditures in some category of retrofit may continue to occur, they will not be expenditures on the same kinds of measures, as has been the case heretofore, and therefore, even if a program carries the same name, that in fact, it will be a substantially different program with different cost effectiveness results, and somewhat ought to be examined on its merits as opposed to the weight of past accomplishments.

COMMISSIONER GANDARA: That's fine. If we go just to the first example here under RETO under Table 3-10, Accomplished Retrofit Existing Programs, where do I go on Table 2-4 to find that equivalent category, or has it been merged with something else?

DR. JASKE: That is now called Miscellaneous Retrofit.

COMMISSIONER GANDARA: Okay. Now, if I look at the 1975 HED Building Standards, In Table 3-10, I see, at least in the near term a significant reduction

1 in the estimates, and in the long-term, that's the last
2 2,204, and granted that even there would be some--it's
3 a couple of years difference, a substantial increase, I
4 guess. Can you explain the reasons for the difference
5 here? Actually, I see it's above the board increase, I
6 guess, in the new forecast.
7 DR. JASKE: Yes, that's my reading of those
8 too. That happens from a variety of revisions to
9 assumptions. Let me explain a little bit about the
10 basic approach that staff uses in quantifying programs.
11 The basic approach that staff takes is to, first of
12 all, report as savings for an individual program, only
13 the incremental savings associated with that program,
14 to the best of our ability to do that. So that in this
15 particular case, where we have a series of residential
16 building standards, the first of those building
17 standards continues to call it earned savings over time
18 because the reduction associated with going from the
19 first to the second and the second to the third is
20 reported--only the incremental impact of those upgrades
21 of the standard are reported for the new standard.
22 So, that's why in either of these two case,
23 1975 standards have long since been superseded in the
24 real world continue earning savings over time. The
25 difference between the estimates of the two cycles has

1 to do with increased number of households in this
2 forecast relative to last time. As I said last week,
3 for the general expansion of the assumed level of
4 economic and demographic activity for CFM-5 Forecast,
5 relative to CFM-4, that would then cause the savings to
6 increase, and there ....
7 COMMISSIONER GANDARA: Perhaps I'm missing
8 something. I'm trying to understand why an estimate
9 for building standards that were set 10 years ago
10 changes this dramatically from the 2 year forecast
11 cycle. I don't quite understand that. I think in part
12 of your reponse you were also responding to the changes
13 in the next two categories of 1978 and 1982, or 1978
14 and 1983, where there were dramatic reductions in this
15 year's forecast versus two years ago. So, I don't know
16 whether what you are telling me is that the mix of the
17 savings in these three programs; the proportion changes
18 but the total is the same, which off-hand... Let's see,
19 I guess it actually doesn't quite work out that way.
20 DR. JASKE: No, I'm not suggesting that's the
21 method. The 1975 standards are quantified by first
22 characterizing what those standards are, certain
23 specific requirements of wall and ceiling insulation,
24 and characterizing what would have been built in the
25 absence of the standard and with reference to what had

been built prior to those standards, so that--for example, all houses built through 1974. The amount of savings that those standards cause to the amount of energy and electricity that those standards save is a function of what would have been the case in absence of them, and that requires one to have some sense of what would have been the case in the absence of those standards. In this forecast, we have increased income, we have decreased prices, and we have some reduction in the impact--the penetration of conservation measures, in pre-HCD houses ....

COMMISSIONER GANDARA: Mr. Jaske, perhaps I'm either trying to simplify a very complex question or the other way around. But, let me put forth the proposition until you tell me where it's wrong. If we are going to estimate the conservation that would be the result of the 1975 HCD Building Standards, and if I made that estimate in 1981 and I knew that we had building standards that were adopted in 1978 and 1982, where I guess, when this forecast was made. It must have been 1982, as well.

I would assume that by the last forecast cycle in 1982, I would have had an estimate of how many homes were built by the 1975 building standards. Okay? Certainly no homes should have been built to those

standards after 1978 or 1979, at the latest. Maybe some were grandfathered in, but they are going to trickle down. So, I guess what I'm saying is given that we would estimate that the number of homes built to those standards is a critical factor in this estimate. I don't understand whether what you are telling me is that we have changed the estimates of the number of homes that were built to the 1975 standards, and that is, you have a new estimate that is a better estimate or different for some other factors. That's one factor that I see could be to the change in the numbers. Or, whether what you are telling me is that the number of homes is estimated to be the same, but now the amount of conservation that we expect from those standards, has in fact, increased. If it's increased, but it's the latter, why is the estimate for the conservation for the same number of homes increased?

DR. JASKE: It's actually neither of those two. Let me try one more time.

COMMISSIONER GANDARA: Okay. Well, then start off with the number of homes. Is it roughly the same?

DR. JASKE: It's somewhat more. The reason it's somewhat more is that the 1975 standards apply to

1 all houses built after 1975, even a house built in
2 2004. So, if you think of a reference point as being
3 the pre-HCD typical house, and think of a plot where
4 vertical access is efficiency and horizontal access is
5 year of construction, you will have a reduction in
6 energy consumption of a new house. First caused by the
7 HCD standards and going along for a few years. Another
8 step, function down, caused by the Commission's 1978
9 standards, going along a few years, and another step
10 down caused by the 1983 building standards. So, every
11 house built in any future year has three pieces of
12 building standards associated with it. The HCD ....
13 COMMISSIONER GANDARA: I see. You don't take
14 the pre-1978 homes as a cohort and follow them, and
15 then the ....
16 DR. JASKE: Yes, we do. We follow them quite
17 carefully. But, every house has three pieces
18 associated with it. What it would have been built like
19 in--well, take an example, what if the 1983 building
20 standards had never been passed. Houses would have at
21 least been as efficient as required by the 1978
22 standards. So, the 1978 standards would, in effect,
23 still be in effect, still be the binding minimum
24 efficiency. So, the savings that we associate with
25 1983 update of standards is an increment down from the

1978 requirement to the 1983 requirement. So, that is how one quantifies to 1983 standards, and that applies to all houses built under the era of the 1983 standard, namely, starting in 1983. Same basis for the 1978 standards. What would have been the case in the absence of the 1978 standards. Houses would have at least been as efficient as required by the 1975 standards. So, there is in reference to this plot I have described, there is a strip of efficiency that applies to all houses built after 1978 and it's more complicated for the HCD houses because the reference for an HCD standard is not a fixed requirement, namely because there was no previous standard. It is a sort of changing reference point because the basis is what would have been in the absence of that standard.

In the absence of that standard, builders would have been building houses to a tighter level merely because price, and all the existing houses, also, would have been improving in their efficiency through introductin of retrofit measures. That has been our general approach quantifying to attributing savings among programs all along. The difference, ever since CMF-2, that has been the same process. The difference between the estimates on Page 3-10 of the 1983 Electricity Report and the new estimate are in

terms of both the number of houses to which any credit for the HCD standards will ever have been built. That is a larger number of houses because we have more total houses built in 1996, in 2004, than we did have in the case in the 1983 Electricity Report. Also, there is somewhat larger savings per house because the penetration of efficiency improvements is from sources other than the standards is less. Because prices are down and people's incomes are up, so their motivation to conserve is reduced.

COMMISSIONER GANDARA: Okay, I don't think we need to spend more time on that. I'm not certain I quite understand it, but to the extent it's done the same way, I'll deal with it later. Can you, then, explain to me within that context, why the estimates for the 1978 and the 1982 now seem to go down in the opposite direction, and again quite dramatically, so that the estimates starting with 1996 are only half of what you estimated two years ago?

CHAIRMAN IMBRECHT: Before you do, may I just ask if I can make this inquiry? I just want to know, if you could, when you offer these answers, the distinction in conditional and unconditional RETO has not affected these numbers? Is that an accurate understanding on my part?

1 DR. JASKE: The only change stemming from
2 that distinction is in the line item on Page 2-8 of the
3 Draft Final Report, Utility Programs.
4 CHAIRMAN IMBRECHT: Utility Programs. Okay,
5 I just wanted ....
6 DR. JASKE: For the residential sector ....
7 CHAIRMAN IMBRECHT: I understand. I wanted
8 to get that clearly out so that the policy change, it
9 does not affect any great numbers to the extent that
10 there have been changes and you can help us find them.
11 COMMISSIONER GANDARA: I should have
12 clarified that, Mr. Chairman. I have two concerns.
13 One is the dramatic decrease in estimates in some of
14 these categories. Frankly, I didn't know whether some
15 of those were affected by just changed inputs to those
16 or changed categories or mergers of categories that
17 might have had something to do with this other one.
18 So, I appreciate a clarification. But, again, where we
19 are now ....
20 CHAIRMAN IMBRECHT: To the best of my
21 knowledge, there were no impacts. I think that was
22 just confirmed.
23 COMMISSIONER GANDARA: Where we were, Dr.
24 Jaske, is that in the first category, there was quite
25 an increase in the estimate of conservation savings and

1 the next two set of standards of 1978 and 1982, I guess
2 characterized as 1983, we see a dramatic decrease. In
3 fact, for both of those, we see only starting the 1996
4 or 1994--around that time, I realize there is a two
5 year difference, almost a 50 percent decrease from
6 thereon in the estimates from the savings. What would
7 cause such a dramatic increase?
8 COMMISSIONER COMMONS: Let me, maybe help
9 you, Dr. Jaske. On the 1982, isn't that the difference
10 primarily between the pre and the post 1633
11 legislation?
12 DR. JASKE: I believe that's probably the
13 most substantive change, but there are some other more
14 minor ones. Among those minor ones mean how it is one
15 interprets the heat pump requirements of the standards,
16 as the standards change across time. The degree to
17 which the Commission is controlling fuel type via its
18 standards, how we are able to quantify that is part of
19 this change.
20 COMMISSIONER GANDARA: Okay, let's get back
21 to the major ones that Commissioner Commons referred
22 to. He said that part of this 50 percent reduction in
23 estimate might have had something to do with the change
24 in legislation. My understanding is that the
25 performance budget was not changed by the legislation.

1 But, what was changed was either a six month or a one
2 year delay. I don't really remember whether it was six
3 months or what month delay. So, basically, it's a
4 delay in the housing by one year whatever construction
5 would have been, which I guess is an estimate of what-
6 -about 40,000 homes. 43,000 that was being discussed
7 for the next 20 years. I guess I'm not quite so
8 certain what percentage of that 50 percent reduction is
9 introduced by that change. But, I somehow don't think
10 that it can be that significant. I'm just trying to
11 search out why there is such a decrease in the
12 estimates of the conservation.
13 COMMISSIONER COMMONS: Dr. Jaske ....
14 COMMISSIONER GANDARA: Also, with respect to
15 the 1978, that legislative change wouldn't have any
16 effect. So, in the 1978, that reduction is also about
17 50 percent, and so I presume that whatever is happening
18 in 1983 is also happening in 1978.
19 COMMISSIONER COMMONS: Let me try
20 Commissioner Gandara's question on 1633. Do I have the
21 right number on the legislation? Is that assumption...
22 COMMISSIONER GANDARA: I have no idea. I
23 think it's 1548, actually.
24 COMMISSIONER COMMONS: Is that assumption on
25 the legislation assumed to continue beyond the period

1 when--of next June, when that expires? I think that
2 was the basis that was used. But could you elucidate
3 for us?
4 DR. JASKE: The characterization of the
5 strength of the standards that we are using in this
6 forecast versus the preceding forecast are different.
7 That legislation is one of the elements that
8 characterizes the strengths. But, it's not the only
9 one. Some of them are technical and there are
10 considerably greater number of options about how one
11 qualifies under the new standards than were the case
12 preceding. Frankly, not to alarm you, I could steer
13 these numbers all over the map, assuming what package
14 or what points one wanted to assume was the main house
15 and how able we were to quantify what would be built
16 under--what proportions would be built under difference
17 packages or points. It's entirely conceivable we have
18 a different package between the previous estimates and
19 this estimate or different waitings among them. I,
20 frankly, do not have that at my fingertips at this
21 moment.
22 COMMISSIONER GANDARA: Well, thank you, Dr.
23 Jaske. Let me just point out to the Committee that
24 along with the significant change in the sort of
25 conditional and unconditional retrofit, it does seem to

me that there also are these dramatic changes in the estimates of conservation. To the extent that these may or may not be related or one may affect the other, or whether they are related or not, may in fact, relate to whether an individual Commission might be more accommodating to one change or the other. It seems to me that this should have been pointed out and the reasons, therefore, laid out ahead of time.

I appreciate Dr. Jaske's attempt to sort of answer the questions in real time. I think it's difficult to ask him to reach back into what those assumptions were, but at least, to my way of thinking when we have for the combined 1978 and 1983 residential building standards, which are the Commission's first and second set of standards, principally very important ones. When the changes in those estimates are 50 percent within a one cycle forecast period, I think the explanations ought to be there before we really are asked to either raise our hand, in any case.

Moving on, I still am interested in getting a better idea of all this. In the 1978 compliance standard, I don't see a real significant change. In the near term, a slight increase. In the long-term, I guess it begins to catch up. So, I guess I see the new forecast starting a bit above--well, actually the 1982,

1 I guess, is an adjustment actually, if you look at the
2 forecast for 1987-1989 on, the new estimates are lower
3 and begins to catch up. So, the slope of the line or
4 the slope of the rate of increase seems to be higher
5 but you start at a lower base. What would cause that,
6 Dr. Jaske?
7 DR. JASKE: There are no substantive changes
8 in the manner in which we quantify the oldest
9 Commission appliance standards. So, the differences in
10 savings estimates that you see here must be a function
11 of changes in assumptions of--well, basically, related
12 to the purchases of appliances. Either the number of
13 them or where it is they are located, where it may have
14 different saturations of various in-uses which are
15 controlled by these standards or where we have
16 different distributions of saturations within climate
17 zones for those items which are weather dependent.
18 But, there are no substantive changes in method or
19 characterization of these standards.
20 COMMISSIONER GANDARA: But, you do agree that
21 there seems to be an anomaly here, where for the three
22 data points, 1989, 1996 and 2004, except for the last
23 impoint, that the line would be tend to be lower in the
24 new forecast, and yet, there does seem to be a jump in
25 the 1982 estimate because if you just project the 1980

1 and the 1982 estimate, the 501 to the 801, I don't know
2 whether that's within reasonable error. But, it does
3 seem within a two year period to have that initial
4 estimate be off by about 46 percent.
5 DR. JASKE: Well, if you recall, those
6 nominally took effect in 1978. That's our considerable
7 span or proporation of the time they've ever been in
8 effect. There are no major changes in assumptions that
9 should cause the 501 to go to 801.
10 COMMISSIONER COMMONS: Excuse me. I do
11 believe we got updated information from AM on
12 refrigerators which improved the data base on the
13 appliances.
14 COMMISSIONER GANDARA: Okay. Moving on to
15 OII 42. I do recall there was a legislative change
16 that increased or the time period during which that
17 would be applicable. I don't think it was as far out
18 in the future as this last point estimate. But, again,
19 that's increased sort of constant throughout that's
20 different from the previous forecast. Can you explain
21 that difference?
22 DR. JASKE: The only recollection I have of
23 changing that program is the fraction of water heaters
24 that are able to be converted to solar through that
25 program increased as the program ceases, we have held

1 the amount of savings constant.

2 COMMISSIONER GANDARA: Okay, and there was a

3 particular reason why the amount of savings were not

4 constant in previous forecasts?

5 DR. JASKE: I don't have a recollection, at

6 this time.

7 COMMISSIONER GANDARA: The next line in 2-8

8 is residential load management. That seams to

9 correspond fairly closely to the experimental load

10 management load cycling. Is that correct?

11 DR. JASKE: Yes.

12 COMMISSIONER GANDARA: Then, utility programs

13 now is where we now have the accomplished retrofit and

14 utility programs?

15 DR. JASKE: I would say actually lines up

16 more closely with what is on Page 3-10 called Other

17 Retrofit Programs (RCS Zip Credits) or it refers to

18 local ordinances.

19 COMMISSIONER GANDARA: I see. Okay, well

20 then, I guess my question there would be--well, I guess

21 you previously answered, the Accomplished Retrofit the

22 fits under the Miscellaneous Retrofit?

23 DR. JASKE: Yes.

24 COMMISSIONER COMMONS: That estimate has

25 increased considerably, so is that a new estimate or

1 does that include something other than the old
2 Accomplished Retrofit and existing utility programs?
3 Probably new utility programs or ....
4 DR. JASKE: No, I believe that estimates
5 largely changed due to our analysis of the most recent
6 utility service data which is that round of surveys is
7 much better, in terms of tracking the penetration of
8 measures. It's, in effect, a better estimate of the
9 same class of programs.
10 COMMISSIONER GANDARA: Now, moving to the
11 commercial sector, the 1978 appliance standards in this
12 line is the same as the ACCC equipment standards?
13 DR. JASKE: No. What is now called 1978
14 appliance standards was formerly encompassed within
15 what is called on Page 3-11, 1978 CEC Building
16 Standards.
17 COMMISSIONER GANDARA: So then, the
18 combination of the first two lines on 2-8, should then
19 give me the same category?
20 DR. JASKE: Yes, that is correct.
21 COMMISSIONER GANDARA: Okay. Then, I also
22 see in that instance a reduction, although it's not as
23 large, but it is a reduction.
24 DR. JASKE: Well, if you would focus on 1996,
25 I believe you will see it actually increased in the new

estimates.

COMMISSIONER GANDARA: Okay, so in the near-term, it's increased it appears and in the long-term, it decreases. It crosses over?

DR. JASKE: Yes.

COMMISSIONER GANDARA: Okay, that doesn't appear to be major. The 1983 CEC Building Standards would be now what the second?

DR. JASKE: That's, in effect, now called 1984 to 1987 Non-Residential Building Standards (Commercial).

COMMISSIONER GANDARA: Okay, and the 1983 equipment standards where he talks about the schools and hospitals, load management audits. Are those the non-residential audits?

DR. JASKE: That's correct.

COMMISSIONER GANDARA: Okay, again, those are decreased?

DR. JASKE: Somewhat, yes.

COMMISSIONER GANDARA: The industrial. Is that the other program?

DR. JASKE: No, in the 1983 Electricity Report Industrial is on Page 3-12.

COMMISSIONER GANDARA: I don't see it in 2-8. So, I'm wondering if that's other programs?

1 DR. JASKE: The industrial sector, then and
2 now, has only a single Commission Programs, Building
3 Standards. That's the third line down in Table 2-8
4 within the Commercial Industrial AAC Sector.
5 COMMISSIONER GANDARA: Okay.
6 DR. JASKE: Actually, it's a considerably
7 higher estimate, at this time.
8 COMISSIONER GANDARA: Okay, we went through
9 the sales in the peak. Are there any significant
10 changes you would like to call my attention to?
11 DR. JASKE: I believe, as I indicated last
12 week, if you total up the RETO portions of the peak
13 tables on Pages 3-15 through 3-17 and 18, you will find
14 them to be, perhaps, 1500 MW lower than--excuse me, the
15 numbers on those pages, 1500 MW higher than those given
16 on Page 2-7. The principal factor there is the
17 downward assumption of the intensity of weather which
18 causes general peaks to be lower, as well as the
19 savings for peak programs to be lower.
20 COMMISSIONER GANDARA: Okay, why don't we
21 then turn to the conditional RETO? Which, on the same
22 pages, I guess, on the old BR 310/311, and I guess, 4-
23 12 actually, I think serves the same useful purpose as
24 your new Appendix 2-3. Although, I did appreciate
25 Appendix 2-3 because it's laid out a bit more clearly.

1 But, if I draw a line between PVA Funded Retrofit
2 horizontally and then right after that, between that
3 and the third tier, and then draw a vertical line
4 between CPUC authorization and suspended for proposal,
5 that upper left-hand quandrant is essentially a
6 conditional RETO. Is that correct?
7 DR. JASKE: Yes, that is correct.
8 COMMISSIONER GANDARA: Now, if we go back to
9 Table 3-10, the 1985 Appliance Standards which appeared
10 in AAC, is now separated into two categories, I guess.
11 One is the realization of the refrigerator and air-
12 conditioner standards which are now in Unconditional
13 RETO and then the difference is in Additional Title 20
14 Appliance Standards?
15 DR. JASKE: Yes, that's procedurally exactly
16 what was done.
17 COMMISSIONER GANDARA: Okay, and I believe
18 you corrected this Table 4-12 last week. I'd better
19 look for the corrections. It wasn't clear to me, at
20 that point in time, whether that correction was a
21 correction proposed by the staff or endorsed by the
22 Committee. So, which one should I speak to,
23 Commissioner Commons?
24 COMMISSIONER COMMONS: First of all, there is
25 No. 4-12, which table are you referring to?

1 COMMISSIONER GANDARA: On Page 4-12. The
2 staff, in the second to the last page of its April 24
3 submittal had a correction on the Additional Title 20
4 Appliance Standards, which they deleted, I guess. I
5 guess you added them to Residential Appliances, or did
6 you?
7 DR. JASKE: There were two changes that staff
8 had proposed on 4-12. One was to delete Additional
9 Title 20 Appliance Standards. The second was to
10 increase the numbers associated with the line
11 residential appliances. Basically speaking, the
12 original estimate of 2205 MW, which was on the line
13 item, Additional Title 20 Appliance Standards on Page 4-
14 12, was the amount left over after refrigerator
15 standards that are now--Unconditional RETO had been
16 removed. The change indicated in my package of last
17 week, in effect substituted new estimates made by the
18 Conservation Division of 992 MW and 4124 GWh for
19 approximately the same kind of appliance standard,
20 further appliance efficiencies that might be realized.
21 So, that was why I had suggested that that line be
22 eliminated.
23 COMMISSIONER GANDARA: Okay, well let me ask
24 you a question.
25 COMMISSIONER COMMONS: In answer to your

1 specific question, I asked Dr. Jaske to go back and
2 double check the numbers on the appliances to make sure
3 that they were consistent and to verify the numbers.
4 The numbers that are presented here are the numbers
5 that came from the technical staff.
6 COMMISSIONER GANDARA: Okay, I guess what I
7 need to know for my additional question is which set of
8 numbers should I have questions about, or both? Why
9 don't I start with the old Table 4-2 and lead up to the
10 new one, Dr. Jaske?
11 DR. JASKE: Fine.
12 COMMISSIONER GANDARA: Essentially, we were
13 on the same wave length when I asked whether the
14 Additional Title 20 Appliance Standards and the old 4-2
15 was the left-over, after you subtracted the new
16 refrigerator and the air conditioner rather. As I
17 recall what was included in the additional Title 25
18 statndards was back under the old categorization. I
19 guess if there's an AAC, there's also an AAC under this
20 categorization. This 2205 in megawatts. Now, what I
21 need to know is the new addition that was not in the
22 previous report is residential appliances for an
23 estimate of 419 MW. Can you tell me what additional
24 residential appliance programs and/or standards that
25 were considered in this category since this is a new

1 category?

2 DR. JASKE: I believe it's very largely the
3 same as far as being what was included previously. It
4 includes savings from yet tighter -- more efficient
5 refrigerators, more efficient air conditioners, and
6 some elements of some end uses just as was the case for
7 what was quantified in CFM-4 portrayed in the 1983
8 Electricity Report. There's basically similar sets of
9 end uses, somewhat different characterization of the
10 efficiencies that would lead to the numbers. The first
11 version of this Table 4-2 appeared in the Draft Final
12 Report was put together with a combination of new
13 estimates done this cycle which were those which you
14 correctly identified as being in the upper left corner,
15 ones which are conditional RETO and slightly modified
16 estimates from the vantage of the 1983 Electricity
17 Report with the obvious duplications removed.

18 And then there were, I believe, just a single
19 new estimate added -- namely the line item, residential
20 appliances. It refers Footnote #3 to the author of the
21 numbers. I convest to you that I misread their
22 testimony and 419 MW and 1216 GWh was an inappropriate
23 number to have extracted from that testimony. That was
24 the principal motivation for the change to Page 4-12
25 that I suggested be made last week. But the remainder

1 of the items there continue to be relatively old
2 guestimates from a variety of programs, grouped
3 together into these four or five line items, which
4 staff has just really not had the resources to
5 quantify.
6 COMMISSIONER GANDARA: Okay, let's stick with
7 the appliances now. I take it then that in your
8 correction, when you receive these estimates in the
9 Conservation Division, it makes logical sense that you
10 would merge these two categories of residential
11 appliances and additional Title 25 standards. That I
12 can understand. What I don't quite understand is why
13 in this merger it now appears that the previous
14 estimate of 2200 MW of additional achievable
15 conservation has now been reduced to approximately 520.
16 That's a reduction of 75 to over 80 percent.
17 COMMISSIONER COMMONS: I can answer that
18 Commissioner Gandara. The previous estimates did not
19 include RETO in the 1983 Refrigerator or Air
20 Conditioner Standards.
21 COMMISSIONER GANDARA: No, we've already
22 included those, Commissioner Commons. We've already
23 subtracted those from the 7,000 to get the 2200. We've
24 already subtracted the standards that were set last
25 year to get the 2200. That was subtracted by 5,000 from

1 originally about 7700. So, we had 7700; we reduced it
2 by approximately 5,000; actually 5500 because of the
3 new standards. So we were left with a 2200 MW
4 estimate. That 2200 MW estimate has now been further
5 reduced -- and by that accounting correct. I can
6 understand it that far. Now, that has not been reduced
7 to 520, approximately. What I want to know is what
8 caused this dramatic change in the estimate in
9 potential Additional Achievable Conservation from a 75
10 to 80 percent reduction.
11 DR. JASKE: Let me suggest to you that in
12 effect, that 2205 MW estimate was basically thrown
13 away. Specific end uses to which it corresponded and
14 the hypothesized efficiency levels associated with
15 those end uses which were deemed to be additional
16 achievable -- that estimate was basically set aside and
17 a new estimate which may have fewer end uses covered or
18 not as deficient level as for the end uses which are
19 the same as quantified by the Conservation Division in
20 the Spring of this year. So, there's possibility that
21 there are some things which are no longer on the list
22 and, in any event, anything on the list which is the
23 same may not have the same characterization in terms of
24 efficiency.
25 COMMISSIONER GANDARA: Okay, let me give you

1 an example, Mr. Jaske. I think that's what's happened.
2 I think you're correct. But again, I do believe that
3 the Commission is owed by the Committee an accounting
4 by what the estimates are for what its changed policies
5 or programs would be under this particular category.
6 I'll give you an example of one of the things that I
7 was interested in the previous testimony. I can't find
8 it in the 1982 Electricity Report. Perhaps it was the
9 Preliminary Report and not in this one. There was a
10 category of an additional appliance program. One
11 example was, electric motors. There was a time when the
12 staff had embarked on a program of looking at
13 efficiencies of about 12 to 14 additional products
14 -- many of which were commercial. In fact, I think all
15 but two were commercial. One of those was electric
16 motors. After staff investigation of that, it appeared
17 that it would be difficult given the variety of motors
18 and all that to really deal on a standards program. But
19 the time to the previous forecast, we were told that
20 there was a commitment to pursue some guidelines, and
21 this was what was presented to the Commission and the
22 staff testimony in the last forecast process.
23 The guidelines on motors, efficiency would in
24 fact produce other savings. In other words, all those
25 programs that did not appear to come to fruition along

1 the standards route was going to be changed to
2 guidelines or a market program, so forth. So, the only
3 that I can see that there's a dramatic reduction occur,
4 is by an implicit decision behind these numbers to say
5 that we will not pursue those programs. I can
6 conceivably think that some of this reduction is for an
7 example, a new decision or estimate that, in fact, we
8 will not embark on any effort to improve motor
9 efficiency.
10 Now, that one I remember. In particular,
11 there may be others. But again, Commissioner Commons,
12 it does seem to me that when you have shifted a lot of
13 conservation away from the unconditional RETO, because
14 within this appeared an AAC - that what you have left
15 is the possibility -- through Commission action -- to
16 go after additional conservation; that implicit in
17 these numbers are in fact, an implicit decision not to
18 even consider those or not pursue. That doesn't
19 preclude them from, in fact, being pursued. I don't
20 know how many things there are in here that by implicit
21 adoption, we are saying we won't pursue. I'd like to
22 have that clarified.
23 COMMISSIONER COMMONS: Let me try to respond.
24 First of all, you have to recognize that the Appliance
25 staff is very, very small. And their highest priority

1 this past year has been to do the work on the
2 standards, and the Committee tried not to place too
3 great a burden on a really overworked group of people
4 who had spent many, many weekends here at the
5 Commission. Nevertheless, the Committee felt in order
6 to have something put into this preliminary proposal,
7 you'd have to have some backup and justification. So,
8 the only items that make it onto the list are those
9 items they were able to come forward to the Committee
10 and present testimony and written backup documentation
11 as to the specific project.
12 We did go back a second time and that's where
13 you see the addition of the residential appliances
14 where they did identify some programs to look further
15 at. The area where they're probably most deficient is
16 in the commercial area. In one sense, the Commission
17 moved away from standards in commercial appliances with
18 the refrigerator decision; and there was not a
19 substantial look at savings from motors, refrigerators,
20 and commercial appliances -- not that the Committee was
21 recommending that it ought not to be; the Committee
22 just had no data; nothing to work from and that area
23 was just not looked at in any great depth. The number
24 of refrigerators that are out there is so vast that we
25 just had no database in order to make an estimate as to

1 what could occur in terms of what the savings were
2 because the user of the refrigerator is as important as
3 the refrigerator itself. So the whole commercial area
4 in appliances was not really looked at by the Committee
5 here. I'm sure there are things that could be included
6 that were not included, but the ground rule was that
7 you had to give some backup or basis so we could show
8 that there was at least a preliminary proposal. This
9 doesn't -- and the distinction may be between a
10 preliminary proposal and potential savings. We
11 required a little bit higher data standard in order to
12 reach a preliminary proposal than we might want to have
13 in terms of potential savings.
14 COMMISSIONER GANDARA: I understand
15 Commissioner Commons. The only thing I'm pointing it is
16 that, again, since there was a significant change here
17 with respect to the conservation policies, that it does
18 seem to me that while it's not a wrong standard to use
19 (I'm not judging that), that you focus on that which
20 you can. Nonetheless, since this category of
21 conservation does provide the foundation to base this
22 upon which recommendations could be given by this
23 Commission as to what conservation there is out there,
24 that could be pursued by policy action. One of the
25 concerns I have about this separation of conservation

1 the way that it's done is there doesn't seem to be any
2 direction that the Commission points out to the state
3 as to what the policy action one can undertake to be
4 able to go after this conservation, which frankly has
5 always been considered near term. That is, it is not
6 that conservation which is considered outrageous or
7 forces a technology change. It's just that
8 conservation which simply by policy action could be
9 undertaken.
10 The full load management on Page 3-10 now
11 shows up where Dr. Jaske?
12 DR. JASKE: I believe that's called Additional
13 Air Conditioner Cycling, next to the bottom on Page 4-
14 12.
15 COMMISSIONER GANDARA: Additional Air
16 Conditioner Cycling?
17 DR. JASKE: Yes.
18 COMMISSIONER GANDARA: Okay. Since... We're
19 looking at 1996; again, there's a slight reduction
20 there. It doesn't seem to be significant, but
21 offhand....
22 DR. JASKE: It's a little smaller because the
23 RETO portion of cycling is larger than in CFM-3.
24 Utilities have gone considerably beyond the
25 experimental program and, therefore, there's less to

1 get up to whatever full level the cycler is feasible.
2 COMMISSIONER GANDARA: Mandatory retrofit is
3 now, you have both residential and commercial together.
4 And it's exactly the same estimate that was there
5 before for 1994. It appears to be anyway. So,
6 notwithstanding all this change in the housing mix
7 caused by these dramatic changes in the 1975-78, and
8 '83 Residential Building Standards that there would be
9 no change in mandatory retrofit?
10 DR. JASKE: To be consistent with our other
11 changes, yes there ought to be an increase, but there's
12 not been an ability to re-quantify such savings.
13 COMMISSIONER GANDARA: Okay, the other
14 appliance category on Table 3-10, where does that show
15 up now on Table 4-2?
16 DR. JASKE: I think it's corresponding spot
17 is within the residential appliances.
18 COMMISSIONER GANDARA: Okay, so within
19 residential appliances and now I am even more troubled
20 because if that would be the case, then I guess much of
21 my earlier discussion having to do with motors, as an
22 example, would have probably fallen here under other
23 appliances within the 1985 Appliance Standards. So,
24 what that means is that the estimate we had two years
25 ago, or the Appliance Standards Conservation/Additional

1 Achievable Conservation was something in the order of
2 12,000 GWh. And you subtract the 5,055 that had been
3 accomplished by the refrigerator and air conditioners,
4 so we're left with 6,500 to 7,000 GWh which has been
5 reduced to, I guess by your new estimate, 4,000?
6 DR. JASKE: That would appear to be the case,
7 yes.
8 COMMISSIONER GANDARA: Insulation retrofit,
9 under 3-10, where does that show up now?
10 DR. JASKE: I believe that's in the last
11 item, Non-Program Measure Savings.
12 COMMISSIONER GANDARA: Okay, and I guess
13 that's where efficient lighting goes as well?
14 DR. JASKE: Yes.
15 COMMISSIONER GANDARA: Okay. In the
16 Commercial category, since there's not a table of
17 separation by sector, I guess it'd be the same Table 4-
18 2. Where do the AAC category of 1983 Building and
19 Equipment Standards show up?
20 DR. JASKE: The '83 building standards which
21 was a portion of the building because another portion
22 of the building was RETO as is this time there're
23 pieces split. I think the correspondending item would
24 be about five lines down on Page 412 ... "third tier of
25 non-residential building standards.

1 COMMISSIONER GANDARA: Okay. Third tier of
2 non-residential building standards. So, we're looking
3 at 1994, 948 to 806. Okay. Refresh my memory. In the
4 last cycle we had, I believe, at that time, there was
5 something like six building types. Perhaps, there were
6 22 building types. I think broken down into about six
7 categories. And, the decision made by the Commission
8 last year was to include the first three categories.
9 There was a recommendation of the Conservation Division
10 that there was a Phase I and Phase II. Phase I
11 included not only the standards which have been adopted
12 to go into effect in 1987, but, also the additional two
13 that should be developed by then. Then, the other
14 three were left out and put in AAC. They were split.
15 Now, if the third tier of non-residential building
16 standards, I understand, corresponds to that Phase II,
17 is that correct?
18 DR. JASKE: I think you're correct.
19 COMMISSIONER GANDARA: And, that's reduced as
20 well. Not significantly, but I guess, what about 14
21 percent?
22 DR. JASKE: The second tier first-line item
23 on Page 412 is also in there, so that it is not clear
24 to me whether collectively across there were higher or
25 lower than previous forecasts.

COMMISSIONER GANDARA: The second tier plus the first tier on non-conditional RETO should add up to 83 CC buildings under Commercial. Should they not? Or, roughly the same category, in any case. Right?

DR. JASKE: Approximately.

COMMISSIONER GANDARA: So for 1996, I don't know what number I should look at on Table 2-3. Is that 149 or 597 or the sum of that?

DR. JASKE: Page 2-8, it would be the fifth line down in the commercial industrial agricultural group. So, for 1996, it's 1,493 GWh. So, that is considerably higher than the RETO portion of building standards in the 1983 Electricity Report which was 610 GWh.

COMMISSIONER GANDARA: Okay. That kind of doubled. Why would that double?

DR. JASKE: I believe that largely stems from different amounts of floor space additions that are subject to the standard, as well as, as I indicated, as one of the general changes that cause all of the adjustments to change. We have slightly lower prices and, therefore, in a sense, in the commercial sector we have a model which does price program attribution. Any change in price will shift that dividing line between price and program.

1 COMMISSIONER GANDARA: Okay. The advanced
2 load management in the commercial area, where does that
3 show up now?
4 DR. JASKE: I believe that may be tucked down
5 in the bottom to non-program measures.
6 COMMISSIONER GANDARA: Okay. It was
7 beginning to worry me, Mr. Jaske, because as I was
8 adding up what was going to appear in the bottom. It
9 was beginning to be about the same now with this one.
10 COMMISSIONER COMMONS: Excuse me. I want to
11 correct the last statement. A significant portion of
12 the advance load management is incorporated within the
13 expanded utility conservation and load management
14 program with emphasis to load managment.
15 COMMISSIONER GANDARA: Expanded utility.
16 Where is that?
17 COMMISSIONER COMMONS: There is a
18 significant shift in terms of where ...
19 COMMISSIONER GANDARA: I see it.
20 COMMISSIONER COMMONS: ... where we think
21 the allocation of funding by the PUC would be going to
22 make on their testimony from conservation to load
23 management.
24 COMMISSIONER GANDARA: So, that, again,
25 shifts from I guess, our programs to an expectation of

CPUC program?

COMMISSIONER COMMONS: I believe this Commission has significant responsibility depending upon the outcome of the OIR Proceeding that we have on load management in the load management area. Certainly, the rate case on these at the PUC.

COMMISSIONER GANDARA: In the industrial category for AAC, wait a minute. We have HFAC in the commercial area. 1900 GWh?

DR. JASKE: That's in the last line item of Table 42.

COMMISSIONER GANDARA: Okay. Now, what this tells me, if I add that 1900, since you have a total here of 1900, is that, again, this category is about half if we add all of the other things that you said went under that category previously. But, in addition to that, it's under something called suspended proposal. So, I take that to mean that it's not even under AAC. Suspended proposal, what does that mean?

DR. JASKE: Suspended proposal is a sort of characterization of it's status. It's, I believe, appropriate, in this particular case, those estimates contained in the 1983 Electricity Report stem from an analysis done by the Technology Assessment Office which was never connected to a particular program. It was a

1 "what-if" kind of analysis, assuming certain efficiency
2 measures were introduced. There has, in effect, never
3 been any programmatic activity stemming from that
4 analysis to my knowledge.
5 COMMISSIONER GANDARA: Okay. So, for policy-
6 making purposes, then, you really don't include then
7 even the old category of AAC which was through several
8 policy actions you could in fact accomplish that?
9 You're kind of saying that sort of belongs in a deep
10 freeze. Or, what exactly is the suspended proposal?
11 COMMISSIONER COMMONS: Let me answer that,
12 if I may, Dr. Jaske. We have the same concept when we
13 look at the generating facility. There's also
14 suspended projects. And, these projects would come
15 back on-line if you had higher demand forecast or if
16 you had higher oil prices which would encourage
17 conservation and make certain measures that are not
18 cost-effective today, come back. So, it's related more
19 to economic conditions, rather than those existing
20 under RETO.
21 COMMISSIONER GANDARA: Okay, I understand
22 that. Why, then, were the 6,500 to 7,000 GWh of
23 appliance programs that were dropped not put into
24 Suspended Proposal category, rather than just dropped
25 entirely?

1 COMMISSIONER COMMONS: I don't think anyone
2 had raised the issue until now.
3 COMMISSIONER GANDARA: Statewide Industrial
4 sector AAC 3-12. Where do the AAC programs there show
5 up? I guess the 1983 Building Standards would be the
6 same or the equivalent. We talked about that.
7 Advanced Load Management. Now, is that the same
8 category as in the Commercial?
9 DR. JASKE: If that falls anywhere, within,
10 again, a last line item, non-program measures savings.
11 COMMISSIONER GANDARA: Now I know where
12 everything is or isn't. That's been very helpful.
13 Thank you very much, Dr. Jaske. I'd appreciate the
14 Commission's forebearance in this, but, the information
15 was not in the report to where the signs came from. At
16 least when I met with the Committee Advisor, it was
17 unclear where these categories were as well.
18 So, one last question, Dr. Jaske. With this
19 separation of RETO into conditional, unconditional
20 RETO, I guess, let me characterize it my way. I guess
21 I'm expected to be a assuage by the fact that there's
22 a reserve need in the conservation component. And, one
23 of the things that's troubling me quite a bit is I
24 don't know how that would work. Now, I have some
25 concerns with respect to reserve need and other

1 technology categories. But, at least, there's a piece
2 of hardware there where the decision is to add it or
3 not to add it.
4 With respect to conservation, I want to know
5 a reserve need works on a negative concept of something
6 that you don't have -- that if you do something you
7 won't have something. And, I guess, to the example
8 that I posited last time around, as to when is that
9 positive against a plant that is considered to be
10 sited. Mr. Baumgartner raised very much a real concern
11 which is a statutory one -- that you don't posit
12 conservation and supply against plants. And, he seems
13 to be assured that we wouldn't. I guess, the way I see
14 it, we posit conservation against plants when it's
15 under the Demand Forecast. And, that's part of the
16 reason why there's been a strong policy concern under
17 what goes under RETO. Now, this reserve need, or AAC,
18 or whatever category, is not going to be positive
19 against a plant -- and, I don't see how it can, unless
20 it's under Demand Forecast. And, therefore, under the
21 definition of RETO. I'm asking you, I guess, even
22 though with this supply side thing, there's a demand
23 side effect on this. And, I can't implicitly move
24 ahead on adopting a forecast that contains behind it
25 this particular element of it unless I understand how a

1 reserve need conservation works.

2 COMMISSIONER COMMONS: Commissioner Gandara,

3 I'd like to ask, with your forebearance, that Steve

4 Cohn respond to the question.

5 MR. COHN: Thank you. This does get in a

6 little bit, obviously, into the Committee's proposed

7 Need test, or Demand Conformance test which the

8 Committee will be going over later in the day. But,

9 the basic question which you have asked with respect to

10 treatment of conservation that is not included in the

11 forecast, but which is included included on the Supply

12 Side in terms of reserve need. The simply answer to

13 that is that it does reduce the overall need for power

14 plants. So, in that sense, it is just as if it were in

15 the demand forecast. The basic difference between what

16 the Committee is proposing and what would be the case

17 if all of the so-called conditional conservation

18 reasonably expected to occur were included in the

19 forecast is that, under a limited set of circumstances,

20 the amount of conservation that was included in that

21 reserve need could be adjudicated in a power plant

22 case.

23 The specific set of circumstances that the

24 Committee has in mind, which is detailed in the revised

25 need test passed out this morning, is only where an

1 applicant can show a compelling case that there are
2 changed circumstances such that the conservation we had
3 expected to occur at this time is not, in fact, going
4 to occur. That could be for a variety of reasons such
5 as the PUC deciding not to fund conservation. This is
6 also true of the other resources, as well. In other
7 words, conservation is not the only reserve need
8 resource treated in that fashion but, basically, that
9 would be the difference. If it were part of the
10 forecast, you would not be able to go into that in a
11 siting case.
12 Let me just respond to the second aspect of
13 your question which alluded to Mr. Baumgartner's point
14 from last week. I don't believe that this structure is
15 in violation of our statute. The section which was
16 referred to in the hearing last time and, which you
17 alluded to this morning, which is Public Resources Code
18 Section 25305-C basically attempts to eliminate the
19 possibility of double counting where we would consider
20 something as part of the forecast in our Electricity
21 Report Proceedings and then later come back and attempt
22 to count those same savings against a power plant
23 application in determining need. Obviously, we are not
24 attempting to do that through this proposed structure.
25

1 COMMISSIONER GANDARA: Let me say, Mr. Cohn
2 that I don't feel that the statute would be violated by
3 including unconditional RETO on the Supply Side. My
4 question is, that if it's to have any meaning in its
5 application, it is likely to be violated unless it's
6 not really implemented. If it really isn't
7 implemented, then I am raising the question of why we
8 have this particular separation, where you can have the
9 effect of positiveness by including it on the demand
10 side.
11 Now if I look at the programs that you have
12 here, there are only two programs to include in
13 conditional RETO that total 300...let me see,
14 Commission programs at least 323. Then you have this
15 great big bulk of conservation which is not clear
16 exactly what's included or what might come from of this
17 1380 the CPUC authorization. So, the question at least
18 in my mind comes whether in fact, if you want to
19 achieve what you just indicated you want to achieve,
20 that you just don't have one category of RETO and you
21 include it into the Demand Forecast. I'm not quite so
22 certain that it's worth the separation if it's going to
23 take you to explain it in future cases and being a
24 Hearing Adviser as well as within the siting cases, I'm
25 not quite certain that it's going to work as well as it

1 ought to.

2 MR. COHN: Well, Commissioner Gandara, what I
3 simply want to point out that I think what we have is
4 really a policy issue rather than a legal one, and that
5 was the key point I wanted to raise.

6 COMMISSIONER GANDARA: Well, I agree that the
7 categorizing that is not an illegal one, I wonder
8 whether in implementing it would be. The other
9 question I would have for you since it also is implicit
10 in this thing is that by statute the only thing that we
11 do not change and considering the need determination is
12 indeed the forecast. However, as you know, there are
13 two other forecasts involved through the need
14 determination a forecast of energy and a forecast of
15 capacity. It's not clear that it has to be, we'll get
16 to that on the Supply Side, but at least traditionally,
17 the assessements of the energy and sales have been
18 updated for every need determination or at least those
19 that have been within at least a recent vintage of
20 time. What is there then, if this is in the Supply
21 Side to prevent, again, also a reassessment of the
22 element of the need at the time of the need
23 determination, which gives the fact very little
24 certainty and or stability and or policy consistency to
25 the reserve need for conservation, which apart from its

1 meaningfulness, I would say it would the be better
2 presumption at that point and time.
3 MR. COHN: I believe when you referred to
4 present situation where numbers can be re-evaluated in
5 the siting case, you were referring to Supply Side,
6 rather than Demand Side.
7 COMMISSIONER GANDARA: That's what I call the
8 forecast of energy and the forecast of the need. The
9 need component of energy, the need component of
10 capacity.
11 MR. COHN: Right. Because clearly the
12 Committee is not proposing that we should re-evaluate
13 the Demand Forecast in every siting case, I think it's
14 quite clear that the Committee expects that to be fixed
15 unless someone wants to re-open this Electricity Report
16 proceeding during the time period for which it's in
17 effect. What you have pointed out is on the Supply
18 Side, certainly an agrument can be made in a siting
19 case that many of these numbers are not fixed such as
20 the Demand Forecast is fixed and that could be
21 adjudicated. I think that's something that clearly in
22 the case of resources likely to be available for
23 example we would want to happen. I don't think we want
24 to be stuck, so to speak with numbers as to project
25 status when that changes on a day-to-day basis. On the

1 other hand, certain other policy determination such as
2 the reserve margins or the capacity factors, those
3 sorts of decisions, I think the Commission would want
4 to treat almost as if it were the Demand Forecast in
5 terms of being fixed. I cannot tell you that the
6 statute prevents you from reconsidering those decisions
7 in a siting case, but I think that you would a put a
8 heavy burden on any party who chose to demonstrate that
9 we should use assumptions other than those detailed in
10 the report.
11 COMMISSIONER GANDARA: Let me just indicate
12 for the Committee's consideration that under the
13 criteria that was used previously for RETO, one of
14 those criteria was that programs that are likely to
15 come into effect within the next two year forecast
16 cycle and that at least with respect to which we have
17 considered here that the certainty of non-residential
18 building standards and the PVEA funded retrofit are in
19 fact two programs that I think should be included under
20 unconditonal RETO as you've defined it. And because I
21 believe that those programs are likely to be
22 implemented within the next forecast cycle. We've
23 already adopted the first side of the non-residential
24 building standards and have stated that we, in fact are
25 moving ahead, have in fact poured more resources, and

1 more people into the non-res building standards and
2 that, in fact a criterion for the implementation of the
3 ones that have been adopted are that, in fact we have
4 the additional two building categories to be adopted by
5 1987. The PVEA-funded Retrofit, I think that this
6 particular element is modest. The 13A under CPUC
7 authorization would have fallen under AAC, as I
8 understand it from the previous approach. So I really
9 can't fully argue, if I understand it correctly that
10 that should be under unconditional RETO but at least
11 with respect to that categorization the other two
12 programs certainly need to be.
13 The question that I have is far greater than
14 that, but I want to break it out into particular pieces
15 that it does seem to me that we can deal with the first
16 and then worry later about whether we're going proceed
17 with this concept of conditional or nonconditional
18 RETO. But at least for the moment, I see no good
19 policy reason why, in fact these two programs are not
20 included in the unconditional RETO. The Report
21 expresses some concerns along the way with respect to
22 other decisions, particularly on the Supply Side, that
23 we be real careful that the report does not telegraph
24 to parties who might read it an indication to our
25 disposition of issues, one way or the other, I think if

1 you take that point of view, which I'm not quite so
2 sure I fully endorse, but at least to be fully
3 consistent it does seem to me that by putting these two
4 programs in the conditional RETO category, you are
5 signalling and telegraphing a considerable uncertainty
6 as to whether this Commission is going to have the
7 committement to follow through on these two programs
8 and, in fact, one of those programs you have half a
9 division working on them. So, it quite doesn't make
10 sense to me with that regard.
11 I don't know what you intend to do about this
12 Commissioner Commons, but I think that at least I've
13 come to understand the conservation accounting a lot
14 better today then I have in the past. But, it does
15 seem to me that there is considerable work to be done
16 to explain these significant differences in the
17 estimate of conservation, most of which are in fact,
18 shifted in the direction of less, not more and also
19 shifted of certain programs to more uncertain programs.
20 So I don't know whether there is any need for any
21 further discussion, but that's where I'm at. I hope
22 Commissioner Imbrecht is within hearing range, but
23 since you are on the Committee, I certainly direct the
24 comments at the Committee.
25 VICE CHAIR CROWLEY: Mr. Commons?

1 COMMISSIONER COMMONS: Let me try to respond
2 in part to your numerous questions. First of all one
3 of the reasons for having the conditional RETO was to
4 force this Commission to concentrate and look at the
5 issues related to what are those items that this
6 Commission wants to declare as policy are going to be
7 conditional RETO, and it's clearly as you say a policy
8 call as to whether or not a particular item ought to be
9 in or out. Clearly it's an area I think that
10 reasonable people can have differing opinions.
11 Personally, as to the second tier on the non-
12 residential building standards as to whether it should
13 fall into the first category of unconditional or into
14 the second category of conditional was a very close
15 call. This was made last November or December. We
16 weren't as far along as we are today on the standards
17 the Commission had made a commitment to do so, the
18 Commission was going to be chaning in terms of who the
19 Commissioners were. I felt at the time that the
20 Committee made the decision and would still would be of
21 that belief today, that it is properly allocated in
22 terms of being in the conditional RETO. Concerning
23 your question on the conservation and whether or not
24 you can reduce the conditional RETO, let me give you
25 some examples that give you what I think we're looking

1 at. Let us say that we had a siting case in PGandE and
2 recently the Public Utilities Commission had reduced
3 the conservation programs in San Diego Gas and Electric
4 by 50 percent. Well clearly if we had a case in San
5 Diego, that would be what I would consider compelling
6 evidence to reduce the conservation programs in that
7 service area. I would not consider that compelling as
8 to the programs in the PGandE service area because
9 there are a lot of factors that may have gone into the
10 reduction of the programs in one area, that may not
11 affect the programs in another area.
12 One of the utilities might have operated them
13 better, they might have been funded at to high of a
14 level, there could be weather changes, there could be
15 budgetary, I don't go into the full mind of the PUC
16 Commissioners, but when they have spoken as to San
17 Diego and they reduced that program by 50 percent, that
18 would be clearly compelling evidence to me that if we
19 had a San Diego case that I should reduce it by 50
20 percent. In another sense, let us say we had a
21 geothermal project of 65 MW and this Commission denied
22 that project having found that there wasn't adequacy of
23 steam. I would not find that compelling evidence to
24 reduce the geothermal by 65 MW, someone would have to
25 come in and show that there is not sufficiency of steam

1 for projects in the Geysers not having just the fact
2 that one project had come forward, and they had some
3 test wells and it had not been adequate.
4 In other words, the standards here is I
5 consider fairly substantial, but yet there is a clear
6 change if some event does occur. It gives the
7 Commission the ability to improve programs here, that
8 they may not want to do if you had to reduce them from
9 the Demand Side. I also think that after reading the
10 law, Mr. Chairman and I, we must have spent as much
11 time on this as on any other item as to really what the
12 intent of the Legislature was. It was our belief that
13 when they asked us to make an integrated need
14 assessment, they wanted us to balance these programs
15 and where we would be going vis-a-vis other resources
16 and a broader picture and that was the reason we came
17 to the one of the primary reasons that we came to a
18 conditional versus unconditional RETO in that sense.
19 Going back to your earlier statements, I
20 think many of your comments I'm glad to see them on the
21 record, I think I would not consider it...well let me
22 get to that later, I'll hold off until we finish.
23 CHAIRMAN IMBRECHT: I would like to adopt by
24 reference to those comments, they are generally in
25 accord with my viewpoint as well. I will just say to

1 you Commissioner Gandara that there was certainly no
2 intent on my part, as I tried to bring out that
3 question earlier-- that this policy change in any way
4 manipulate nor do I believe it has manipulated the
5 numbers we have attempted to establish a consistent
6 policy that deals with all the various technologies on
7 as equal a basis as possible. My general feeling is
8 that we've been largely successful in constructing that
9 after numerous reiterations and numerous problems of
10 one draft or another being called to our attention.
11 The question of the second tier of the non-
12 residential standards is one as Commission Commons
13 indicated was a close one, but frankly in order to
14 apply our criteria on a consistent basis, it seemed to
15 be the only logical extension, and yet at the same time
16 I have made it clear on a number of public hearings
17 that I fully expect that to occur and there should be
18 no signal implied by any stretch of the imagination as
19 a result of this approach that there is any lack of
20 continued resolve to see those programs through to
21 there culmination by January 1, 1987, in order for all
22 of the package to take effect pursuant to our
23 commitment to the affected groups.
24 Nonetheless, I also thought that and I would
25 urge you to take a look at, it was reiterated or I

1 should say expressed on several different occasions and
2 various evolutions and further refinements, the
3 testimony of the Public Utilities Commission staff
4 which I did find to be persuasive and thoughtful and
5 obviously a reflection of a substantial commitment of
6 time on their part to participate in our Electricity
7 Report process this time around. It's not to suggest
8 that we simply took an orientation that would favor the
9 PUC staff position. In fact, we listened very
10 carefully to the policy they were enuniciating; we
11 adopted it in concept, but then in essence applied our
12 own criteria, if you will, to it. Had we adopted their
13 recommendations in total, you would find that these
14 numbers would be substantially less then they are
15 reflected in the report before you. With that I think
16 it would probably be best if we took a luncheon recess
17 and reconvene at 1:30. At that time, I'm going to move
18 to vote on the motion and take any further closing
19 comments.
20 COMMISSIONER COMMONS: I'm going to
21 recommend two amendments and maybe I should posit those
22 before we adjourn. I think they are very minor. Based
23 on Commissioner Gandara's statement, on Table 4-2 there
24 is no program for commercial appliances and I would
25 like to add that. And where it says "preliminary

1 proposal", put in....

2 CHAIRMAN IMBRECHT: What page is this?

3 COMMISSIONER COMMONS: This is on Table 4-2,

4 Page 4-12. Under Residential Appliances, I would want

5 to add program commercial appliances and then under

6 Preliminary Proposal, put an asterisk with a footnote

7 "To be reviewed in ER 6."

8 VICE CHAIR CROWLEY: You're saying non-

9 residential?

10 COMMISSIONER COMMONS: Yes, non-residential

11 appliances.

12 CHAIRMAN IMBRECHT: You would not attach a

13 number?

14 COMMISSIONER COMMONS: No, no number,

15 because we have not had any evidence submitted to it.

16 But when I look back at the previous report that it is

17 an ommission. Second is a footnote that essentially

18 addresses the testimony that Mike Jaske did on the 1982

19 building standards. That number did change rather

20 substantially and I think a footnote in

21 clarification...

22 CHAIRMAN IMBRECHT: Explanation for the.....

23 COMMISSIONER COMMONS: Most of the other

24 changes were not are large and I think the fact that

25 they are on the record is beneficial, but I do think

1 those two changes would be appropriate.

2 COMMISSIONER GANDARA: Let me indicate that I

3 appreciate your intent Commissioner Commons. But to

4 the extent that very few people read the record, I

5 don't know exactly what that means and secondly, I'm

6 more concerned about the bottom line when we come a

7 need determination. So just to telegraph my intent,

8 and I have not discussed this with any other

9 Commissioner since I have formed my decisions as I

10 asked my questions this morning, I intend to also amend

11 the motion in two respects.

12 First, I intend to move that we do include

13 the second tier and the PVEA-funded Retrofit in the

14 unconditional RETO. And since it appears that you will

15 continue with this unconditional, conditional RETO

16 that's why I state it that way. My second motion will

17 be that we in fact do not have this concept of

18 conditional RETO in reserve need aspect as I frankly

19 don't really understand what that means, and I would

20 have greater concerns about what problems it poses and

21 the opportunities it provides. So again I would ask my

22 fellow Commissioners to consider over lunch whether

23 anybody would second those motions. That's what I

24 intend to do.

25 CHAIRMAN IMBRECHT: Alright fine, we stand in

recess until 1:30.

(Thereupon the morning session of the Committee hearing of the California Energy Resources Conservation and Development Commission was adjourned for a luncheon recess at 12:20 p.m.)

--oOo--

1 **AFTERNOON SESSION**

2 --oOo--

3 CHAIRMAN IMBRECHT: Okay, we will reconvene
4 the meeting. We are on the continuation of discussion
5 relative to the Adoption of the Demand Forecast. Any
6 further discussions? Commissioner Noteware.
7 COMMISSIONER NOTEWARE: Mr. Chairman, I can't
8 help observing the trend on the graphs that we got from
9 Mr. Byrd from the Los Angeles Department of Water and
10 Power this morning between 1983 and 1984, there is a
11 fairly steep climb. I realize that there was a heat
12 wave and I quess that accounts for it. But I think I
13 would be a little concerned about in our Demand
14 Forecast now, doing anything which would tend to give
15 even more credit to the conservation measures that were
16 already in place by the 1983-84 cycle in Los Angeles.
17 I'm thinking that I wouldn't want to see us come up
18 with anything that would make any greater difference
19 between the industry's experience, both with peak
20 demand and total sales, and with our own staff
21 recommendations.
22 CHAIRMAN IMBRECHT: Okay. Is there further
23 discussion? Commissioner Gandara, I believe you have
24 some motions you wish to present.
25 COMMISSIONER GANDARA: Well, no I just had a

1 question in regard to Commissioner Noteware's concern.
2 II should note that these utility districts are not
3 isolated at all and that, in fact, what we have is a
4 fairly good grid system that allows for one utility to
5 be able to provide power for another utility. I think
6 what really more relevant here, would be a comparison
7 of how many times the utility itself came close to
8 declaring a mandatory curtailment. That is, I think we
9 will leave that within the 5 percent margin, so that
10 again I would only encourage that we not be overly
11 concerned with a graph by LADWP if we don't have
12 similar graphs for all of the utility areas, and at
13 that time you don't know whether it was talking about
14 coincidence or non-coincidence peaks. So, the forecast
15 from this point of view should not...this one graph
16 should not be determmined in this with respect to the
17 conservation policy that really should be in place for
18 statewide programs.
19 CHAIRMAN IMBRECHT: Commissioner Commons.
20 COMMISSIONER COMMONS: Concerning LADWP, you
21 were not here at the time, Commissioner Noteware, when
22 we had the discussion on their load management program.
23 The key concern here is on the capacity side and they
24 have (INAUDIBLE) which is a resource that is very
25 valuable to them that provides the capacity. I think

1 the testimony that Mr. Bryd presented today was
2 presented in a friendly fashion in terms of yes, we
3 have a disagreement as the starting base; no, we don't
4 need an adjustment this year because we have adequate
5 reserve due to CASAIC. It may not last through the 20
6 year timeframe, but there is no emergency as far as we
7 are concerned or no problem in the 18-month or 15-month
8 period that we have between now and the next forecast.
9 It's an issue that has not been resolved as to the
10 starting base on years, it 's something that has to be
11 looked at. If they had been concerned, they would have
12 raised it at the previous two demand hearings in terms
13 of making a change in this forecast. And so, given the
14 fact that they have CASAIC, I personally do not feel
15 that there is a concern to the Commission as to the
16 action that we may be taking. I do think it's an issue
17 that needs to be resolved yet and they've identified it
18 and we all understand the cause and it's one that's
19 going to require... It came about because of a change
20 in the methodology that we're using here to make us
21 more consistent with the utilities. When you make one
22 change you sometimes bring up a problem in another area
23 and it was just one that surfaced to late for us to try
24 and resolve and the problem we had with SMUD was
25 related to that the problem we have with SCE and in

1 those areas it was more critical. Here, I think LADWP
2 is saying, putting it on the record , identifying it
3 and saying take care of it next time.
4 COMMISSIONER NOTEWARE: Thank you.
5 CHAIRMAN IMBRECHT: Thank you, okay, I think
6 that I probably prefer to respond in terms of
7 individual motions. So, maybe it would be best that,
8 perhaps I will make my statement right now. I
9 understood your point so you raised prior to lunch and
10 recess very well.
11 I believe we have considered that point of
12 view in some depth during course of the proceeding on
13 the Electricity Report. My viewpoint is that the
14 proposal that's before us is an attempt to clearly use
15 a consistent set of rationales for programs or policies
16 to be included either on the Demand or the Supply Side.
17 I believe we have scrupulously attempted to apply those
18 policies in a consistent fashion. I do believe that
19 the testimony of the PUC staff was persuasive from my
20 point of view on this issue. I do not personally see
21 the fear nor the uncertainty that might be caused by
22 such change. If anything, I think it adds almost a
23 greater incentive in some respects to ensure that the
24 conditional RETO that is idenfified is actually
25 achieved so that the supply thermometer has some

1 reapathy and justification during the implementation
2 period. Intentions, however good they might be are
3 just that. I certainly, as I indicated earlier I had
4 every intention to fulfill all of the commitments that
5 were made at the time of the non-residential office
6 standards being before the Commission as to completion
7 of the late building types. But nonetheless, it
8 remains intention which, hopefully, will be persuasive,
9 but nonetheless is not fundamentally binding upon
10 future Commissions. I beleive under that circumstance
11 that it is best not to treat those programs as
12 conditional RETO. Obviously, however, with the
13 assumption there is a high likelihood that they will in
14 fact be adopted, the sanction being that I can
15 understand any fear about this if there were an attempt
16 to categorize those programs in the Additionally
17 Achievable category rather then in the conditional RETO
18 category.
19 With respect to the PVEA programs that are
20 included, to the extent that they reflect new funding,
21 that is premised upon the PVEA. I think even more so
22 than the non-residential buildilng standards, they are
23 appropriately considered within the conditional RETO
24 category. Even since that decision was initially made,
25 further developments in Washington caused me to even

1 question the conditional RETO delineation for those
2 programs. I'm not going to open that Pandora's box at
3 this point and time, but in all candor it seems to me
4 that those programs are particularly well allocated
5 here, considering the fact that there are a number of
6 decisions well beyond the Energy Commissions control
7 -- all of which would have to act as condition
8 precedence for those programs to actually move beyond
9 conception to actual implementation and, therefore,
10 justifiably be used as a demand reduction allocation at
11 least from my perspective. So for those reasons, and
12 with all good intentions, I quess I'll have to oppose
13 the amendments you have enuniciated prior to lunch.
14 I understand your point of view, and just as
15 that persuasive and in danger associated with what's
16 being proposed here. I believe frankly that there are
17 substantial attributes and benefits that also can be
18 very thoroughly attributed to this evolution in policy
19 at which attributes and benefits I frankly think will
20 be more manifested in the subsequent rendition of this
21 approach then is encompassed within what is by
22 necessity an embryonic transition, in an effort to
23 carry out our statutory authority under 25305(e), as
24 well as (C). Commissioner Commons.
25 COMMISSIONER GANDARA: Point of

1 clarification, Mr. Chairman, I'm confused where we are.
2 CHAIRMAN IMBRECHT: We are under discussion
3 about there's a motion before us by Commissioner
4 Commons, seconded by myself to adopt the Demand
5 Forecast. You had indicated that you wish to offer
6 amendments and...
7 COMMISSIONER GANDARA: Right, and so I don't
8 whether you were responding to my anticipated
9 amendments or whether I should respond to them now or
10 later or....
11 CHAIRMAN IMBRECHT: Take your pick.
12 COMMISSIONER GANDARA: Whatever.
13 CHAIRMAN IMBRECHT: It would probably be
14 helpful if we tried your amendment motion, and then
15 decide whether we have a viable amendment before us and
16 if we do discuss it. Commission Commons wants to make
17 any...
18 COMMISSIONER GANDARA: Commissioner Commons
19 says he was going to make some amendments too, and so I
20 was expecting him to do that before we...
21 COMMISSIONER COMMONS: First of all the
22 amendments I was thinking of making, I have been told
23 by my staff, refer to Chapter 4 and the only thing
24 before us today are Chapter 2 and its appendices. So
25 we would not even be adopting the numbers in terms of

1 conditional RETO because that is not part of Chapter 2.
2 We are only adopting today the Demand Forecast in those
3 appendices. I would be appropriate, of course, to have
4 an amendment to move something from there into the
5 Demand Forecast. So my amendments are not appropriate
6 today, because they don't refer to that which is up for
7 adoption.
8 CHAIRMAN IMBRECHT: I see.
9 COMMISSIONER COMMONS: I also wanted to
10 enumerate. I'm gonna make a change in my own policy
11 that I have established in terms of how I second
12 motions. I will only second motions in the future if I
13 either agree with the motion or I think it's needed for
14 purposes of discussion because there hasn't been an
15 opportunity to discuss. I just want to enumerate a
16 policy which I will implement.
17 COMMISSIONER GANDARA: You give pause whether
18 I should discuss my amdendment before I propose it
19 (LAUGHTER)
20 COMMISSIONER COMMONS: There's no reason to
21 cloud a record with votes if we have had a discussion.
22 CHAIRMAN IMBRECHT: Sometimes there are
23 reasons.
24 COMMISSIONER GANDARA: Let me do the
25 following. I'm going to move the second tier of Non-

1 Residential Building Standards and the PVEA-Funded
2 Retrofit into what is currently being labeled as
3 unconditional RETO. The reasons for my motion...
4 CHAIRMAN IMBRECHT: Let's just ... we have
5 the motions, now you can give the reasons.
6 COMMISSIONER GANDARA: Well, but you have the
7 latitude, Mr. Chairman, of getting into a great
8 discussion of why you were going to oppose a motion I
9 hadn't made.
10 CHAIRMAN IMBRECHT: Because you had announced
11 what you were going to do, so that's fine, doesn't make
12 a difference.
13 COMMISSIONER GANDARA: But I hadn't announced
14 the reasons for it. I have enuniciated most of the
15 reasons why I feel this should be included, but I want
16 to address only one viewpoint that you raised in your
17 comments which was that this was where purposes of
18 policy consistency. I just wanted to point out that,
19 in fact, this breakdown of conditional and unconditonal
20 RETO is inconsistent with the policies we have had for
21 the past two BR's, Electricity Report. In addition to
22 that, it is internally inconsistant even within this
23 forecast. It is inconsistant because in the past one
24 of the guidelines that we have used for what to include
25 as reasonably expected to occur has been whether it is

1 expected that these programs will come into fruition
2 within the next forecast cycle. That is, within the
3 next two years. It is my understanding that we adopted
4 a set, one set of non-residential building standards
5 that will have as its companion standards, standards to
6 be adopted by 1987. That is a reason why within the
7 next forecast cycle which is within 1987, we would
8 indeed should have this program under unconditional
9 RETO. In addition to that the PVEA-Funded Retrofit and
10 I would be happy to be corrected, but my understanding
11 is the PVEA-Funded Retrofit programs are the multi-
12 family conservation programs, which we in fact, did not
13 have before we receive PVEA funding. We have received
14 PVEA funds and we have expended them in the pursuit of
15 multi family conservation programs, so this is in fact
16 already a program that is under way. That's not to say
17 that it cannot be augmented and cannot be pursued , but
18 I assume that the modest numbers included here reflect
19 the modest efforts that we have already undertaken not
20 yet to be undertaken, but undertaken. Indeed, in the
21 next couple of days, we will be holding a major multi
22 family rental conference to in fact assess and evaluate
23 and point to future directions as to how we can
24 implement, I think is evident to the fact that this is
25 not a program to be funded in the future and,

1 therefore, insecure with respect to his conservation
2 elements, but in fact one that is already underway.
3 Mr. Jaske.
4 DR. JASKE: Commissioner Gandara is correct
5 in this case that the estimates there are related
6 solely to those programs already funded.
7 CHAIRMAN IMBRECHT: Why were those not
8 therefore considered unconditional?
9 COMMISSIONER COMMONS: Let me respond to
10 that if I may Mr. Chairman.
11 CHAIRMAN IMBRECHT: Alright, Commissioner
12 Commons.
13 COMMISSIONER COMMONS: We arrived at this
14 decision last November or December. Although the
15 programs were funded and underway they were all within
16 Southern California Edison's territory in the same
17 sense that the home labeling program was already
18 underway and funded. I did not feel that there was a
19 certainty or reasonableness yet to forecast what the
20 impacts would be in terms of energry savings to move
21 them from column to another. Again, this was a very
22 close case and because of, I thought the pretty good
23 sanctity that we were providing under the conditional
24 versus unconditional that wasn't the primary basis to
25 me as to where one put it. The question was did we

1 have sufficient information to say this many megawatts
2 or this many gigawatts, best on information that was
3 comming out. I did not feel comfortable enough at that
4 time to make that call.
5 CHAIRMAN IMBRECHT: Do you now?
6 COMMISSIONER COMMONS: I have not been
7 involved in the Committee that has reviewed that
8 program, so I would not consider myself the
9 Commissioner with the expertise on it. I would have to
10 turn to the Loans and Grant Committee and ask their
11 viewpoint on that.
12 CHAIRMAN IMBRECHT: Commissioner Gandara, let
13 me say that only to the extent that does represent an
14 existing funded program, I would not be adversed to
15 making that change.
16 COMMISSIONER GANDARA: Fine, Thank you.
17 CHAIRMAN IMBRECHT: I kind of respectively
18 think the standards will be the same, to that extent.
19 COMMISSIONER GANDARA: Let me continue, again
20 with respect to both of these programs, it would be
21 more consistent with the criteria that we have
22 annuniciated in the past two BR's that within those
23 programs that are highly likely to be in force and in
24 place within that two year forecast cycle, this is
25 doing nothing more than to make an reasonable

1 projection of what is going to be included within that
2 Demand Forecast. Getting to my second point that, that
3 again using your standard of consistency for inclusion
4 of these programs, I do believe that it will be
5 inconsistent to include the first tier of non-
6 residential building standards in unconditional RETO
7 and not to include the second tier of non-residential
8 building standards for the very simply reason that when
9 the Commission adopted the first tier of standards it
10 was not referred to the first then, but it was the
11 first set of standards.. They were conditioned on two
12 things, one, that they not come into effect until 1987
13 and secondly, they only come into effect if we have set
14 standards in the other two building categories. Now I
15 don't know whether those building categories have
16 changed, but in case that was the essence of that
17 particular decision the Commission. So, internally you
18 would be more consistent by either including all the
19 non-residential building standards in conditional RETO,
20 or including them all in unconditional RETO. One or
21 the other, but not both. It is internally inconsistent
22 to include half of them in one and half of them in the
23 other, when in fact, either of those standards come
24 into effect, it's either all or nothing as under our
25 current regulations. So for those two reasons again

1 principally under the criteria you have enunciated
2 consistency, I would move and I now move that we
3 include the second tier of non-res building standards
4 and the PVEA-funded Retrofit in the unconditional RETO
5 category.
6 CHAIRMAN IMBRECHT: Okay, is there a second?
7 COMMISSIONER COMMONS: I have a point of
8 information. The point of information is, would you be
9 willing to sever the motion into two parts?
10 CHAIRMAN IMBRECHT: We can always make the
11 second piece.... Is there a second?
12 VICE CHAIR CROWLEY: I would second the
13 motion.
14 CHAIRMAN IMBRECHT: Okay, motion's properly
15 before us. Further discussion? My reference to
16 consistency, Commission Gandara, is as to the
17 application of policies internally within a single
18 document. I concede to you, I don't think there has
19 been any attempt to suggest that this is consistent
20 with the approach taken in the last Electricity
21 Report. I think we have acknowledged up front this
22 does represent a change where from my perspective in
23 evolution of those policies.
24 The consistency that I was referring to is
25 the question of treating all of the various options

1 available to us within a conservation load production
2 technologies and techniques along with those which are
3 considered from a Supply Side on an equal and
4 consistent basis. In essence, in my reading of
5 previous Electricity Reports is that there has not been
6 that degree of consistency and that some items on the
7 conservation side have been counted, and have been some
8 distance away from full implementation, whereas other
9 items on the Supply Side had greater certainty or moved
10 to a regulatory process for one reason or not, were
11 not. This was an attempt to try to in essence level a
12 planning field in that context and as I said earlier, I
13 remain convinced that that has in essence been
14 accomplished.
15 The point you made relative to the different
16 categories of non-residential standards is one which
17 I'm not going to argue with because I can understand
18 your perspective on that, and as with so many instances
19 some times it comes down to a judgment call. My
20 judgment is that this is an appropriate way to balance
21 those considerations. I'm not sure there is much more
22 beyond that that can be argued. Commissioner Commons.
23 COMMISSIONER COMMONS: One of the other
24 criteria that I used in terms of whether or not
25 programs should be conditional or unconditional was I

1 think San Diego Gas and Electric stated it; was whether
2 a program was imminant and in terms of the second tier
3 of the non-residential building standards if the
4 existing Committee had unamiously sent out a NOPA which
5 had expressed the savings, I would have moved over the
6 the other category. But the Committee has not sent out
7 a NOPA and certainly hadn't sent one out at that time
8 and still has not and that would have moved me from the
9 category of saying that this was imminent and the
10 Committee was unanimously in agreement and we had the
11 savings. But the Committee hasn't sent out a NOPA and
12 hasn't even reviewed a NOPA or discussed a NOPA. So
13 the difference again between conditional and
14 unconditional was the degree of certainty of the amount
15 of savings and I don't find it a major issued if it's
16 in one category or the other. It was more of a
17 question as where we are in the process and in terms of
18 the process I don't think we've moved from the
19 conditional to the unconditional in terms of the non-
20 residential.
21 COMMISSIONER GANDARA: Again, I won't take
22 that much more time. Again, I think we need to put
23 some common sense into the reading of reasonably
24 expected to occur. If the second set of standards does
25 not reasonably expected to occur, neither will the

first. If the first is reasonably expected to occur, so will the second. I mean they're either all in or all out. You really can't split it that way here because under the conditions the Commission set when they adopted the regulation. It would be far more speculative to say that the Commission would then undertake a change in the regulations or it would be a change in the statute, so forth. It's really more consistent, it all in or all out. So again that's really all I have to say.

CHAIRMAN IMBRECHT: Okay, further discussion? Secretary, please call the roll.

MS. GERVAIS: Commissioner Commons.

COMMISSIONER COMMONS: No.

MS. GERVAIS: Commissioner Gandara.

COMMISSIONER GANDARA: Aye.

MS. GERVAIS: Commissioner Noteware.

COMMISSIONER NOTEWARE: No.

MS. GERVAIS: Vice Chair Crowley.

VICE CHAIR CROWLEY: Aye.

MS. GERVAIS: Chairman Imbrecht.

CHAIRMAN IMBRECHT: No.

CHAIRMAN IMBRECHT: Motion is defeated. Ayes: two; noes: three. Would you care to renew your motions in respect to the PVEA?

1 COMMISSIONER GANDARA: I was including both
2 Mr. Chair.
3 CHAIRMAN IMBRECHT: I know you had both
4 there, but this goes to Commissioner Commons' question
5 about severability.
6 COMMISSIONER GANDARA: Okay, fine. I would
7 move that we include the PVEA-funded Retrofit in the
8 unconditional RETO.
9 CHAIRMAN IMBRECHT: Is there a second?
10 VICE CHAIR CROWLEY: Second.
11 CHAIRMAN IMBRECHT: Seconded by Commissioner
12 Crowley. Based upon the representation just made by
13 Dr. Jaske, I would tend to support that motion. I do
14 believe that is consistent.
15 COMMISSIONER COMMONS: I think then the
16 Committee would take this as a friendly amendment.
17 CHAIRMAN IMBRECHT: Alright fine. Without
18 objection, that we'll be adopted. Ayes: five; noes:
19 none. The main motion is now before us as amendment.
20 Is there further discussion?
21 COMMISSIONER GANDARA: Yes Mr. Chairman, I
22 would like to move that we postpone a decision on the
23 adoption of the forecast until we receive the testimony
24 or engage in discussion on the Siting Policy aspect or
25 the Supply Side, because as I indicated to you before

1 lunch, I see the issue of the categorization of a
2 conditional RETO and unconditional RETO integrally
3 linked with the Supply Side. We could take two
4 perspectives on it: that is, we could decide that in
5 fact we are going to by adopting the forecast have
6 accepted the concept of an unconditional RETO and
7 decide later whether there will or won't be a
8 conditional RETO. I guess I have some concerns with
9 that because I feel that all the supply sources have to
10 be treated in an equal way, or by the same standard.
11 So, without postponing a decision on this
12 element and moving ahead on the forecast would
13 essentially leave as adopted something called
14 unconditional RETO. So, again for that reason I would
15 prefer to postpone a discussion until we settle the
16 Supply Side uncertainties and the workability of the
17 reserve need aspects, in particular with respect to
18 conservation. So I would move that we postpone this
19 decision.
20 CHAIRMAN IMBRECHT: Is there a second?
21 Hearing none, the motion dies for lack of a second.
22 The motion remains before us. Further discussion?
23 COMMISSIONER GANDARA: Can I try another
24 motion, Mr. Chairman? I would move that the current
25 characterization of unconditional RETO be re-labeled

1 conservation reasonably expected to occur.
2 CHAIRMAN IMBRECHT: Is there a second?
3 COMMISSIONER COMMONS: I'll second for
4 purposes of discussion.
5 CHAIRMAN IMBRECHT: Alright, the motion is
6 properly before.
7 COMMISSIONER GANDARA: Again, Mr. Chairman my
8 motion here goes only to preserve the issue of
9 consistency between the forecast and the Supply Side
10 argument, should we get to discussion on the supply
11 side, as I said before, I prefer to postpone it and
12 avoid this. But to the extent that that is not going
13 to be the case, this is my last opportunity to preserve
14 the concept of a conservation reasonably expected to
15 occur.
16 COMMISSIONER COMMONS: Could you re-state
17 your motion again?
18 CHAIRMAN IMBRECHT: He wants to elimintate
19 the term unconditional RETO and re-label it RETO.
20 COMMISSIONER COMMONS: Okay, I understand.
21 COMMISSIONER GANDARA: It's dropping
22 unconditional, Commissioner Commons.
23 CHAIRMAN IMBRECHT: Is that all? I would
24 just add my personal views -- as this has been
25 discussed in some depth and I think we understood the

1 implications to the previous votes vis-a-vis this
2 issue. But I would oppose the motion. Further
3 discussion? Okay would you please call the roll?
4 MS. GERVAIS: Commissioner Commons.
5 COMMISSIONER COMMONS: No.
6 MS. GERVAIS: Commissioner Gandara.
7 COMMISSIONER GANDARA: Aye.
8 MS. GERVAIS: Commissioner Noteware.
9 COMMISSIONER NOTEWARE: No.
10 MS. GERVAIS: Vice Chair Crowley.
11 VICE CHAIR CROWLEY: No.
12 MS. GERVAIS: Chairman Imbrecht.
13 CHAIRMAN IMBRECHT: No.
14
15 CHAIRMAN IMBRECHT: Ayes: 1; noes: 4. The
16 motion is defeated. Once again, the main motion is
17 before us. Further discussion?
18 COMMISSIONER GANDARA: Point of information,
19 Mr. Chairman.
20 CHAIRMAN IMBRECHT: State you point.
21 COMMISSIONER GANDARA: I would like to know
22 exactly what is before us, which Table. In the past we
23 have always had a particular reference to a Table
24 before us which is by we are adopting not only
25 statewide forecast but also service area forecast and

1 again, I wanted to make sure that I was certain where
2 we were on that.
3 MR. COHN: Perhaps I could help on that
4 matter. Distributed to the Commissioners, or at least
5 they should be distributed to the Commissioners, a
6 Commission order adopting the Electricity Demand
7 Forecast. That three page order contains its order in
8 paragraph three, sentence that states "the forecast on
9 Table 2-2 shall be adopted as the Commission's
10 Electricity Demand Forecast required by Public
11 Resources, Code Section 25305 (c)".
12 It also references in other parts of the
13 order Chapter two and the appendices of the Draft Final
14 Electricity Report. The only thing I would add or
15 amend to this order is that any reference to the
16 forecast or to the tables should be amended to read as
17 "amended on April 29, 1985", because the Committee
18 distributed this morning some modifications to Table 2-
19 2 and other portions of Chapter two. Also the
20 reference to the appendices should now include a
21 reference to Appendix 2.3, which was distributed this
22 morning, that is a one page appendix containing
23 breakdown utility-by-utility of the conditional RETO
24 conservation.
25 COMMISSIONER GANDARA: Mr. Cohn, just so that

1 I can be clear on this, we are adopting the Table on 2-
2 3 as modified by Pages 1 and 2?
3 MR. COHN: Table 2-2.
4 COMMISSIONER GANDARA: Yeah, Table 2-2.
5 CHAIRMAN IMBRECHT: On Page 2-3.
6 MR. COHN: On page 2-3, yes.
7 COMMISSIONER GANDARA: Right, as modified by
8 the first two pages of the handout today of Final Draft
9 Electricity Report amendments? I see modification to
10 Table 2-2 on the second page I guess.
11 COMMISSIONER COMMONS: We're adopting,
12 Commissioner Gandara, all of Chapter Two, all of
13 Appendix 2, the amendments that were distributed this
14 morning to Chapter 2, and the amendment just adopted by
15 the Commission concerning the PVEA.
16 COMMISSIONER GANDARA: Well, that's why I
17 wanted to ask because that's not the way the motion was
18 cast. The motion was casted in terms of the forecast
19 which is not the same as the chapters in the
20 appendices. I just wanted to isolate it to where we
21 were.
22 CHAIRMAN IMBRECHT: The proper motion ought
23 to be adoption of the order. I assume the maker of the
24 motion will make that change and certainly the seconder
25 will as well so the adoption of the draft order with

1 the modification enunicated by Mr. Cohn which is as
2 amended April 29, 1985.
3 COMMISSIONER GANDARA: Okay.
4 CHAIRMAN IMBRECHT: That's the motion.
5 COMMISSIONER COMMONS: And that includes the
6 PVEA.
7 COMMISSIONER GANDARA: Okay, so I have the
8 order before me I understand this now. I'm having
9 problems but if that's the way the motion's cast. It's
10 not my motion, that's fine. The next question I have
11 for point of information, Mr. Chairman, that there was
12 much discussion on the supply side about a five-year
13 timeframe for peaking. Is that decision to be reached
14 in the supply side, or are we adopting as forecast the
15 five-year timeframe in any separate significance from
16 the 12 year forecast, which is in the traditional
17 forecast we've adopted? To clarify again what has been
18 the practice in adopting, we have generally adopted the
19 12th year forecast for siting and we have adopted the
20 20th year forecast for conservation planning purposes.
21 So, I just want to know what it is that we're doing
22 here.
23 CHAIRMAN IMBRECHT: Commissioner Commons.
24 COMMISSIONER COMMONS: There's a 1989, 1996
25 and a 2004 forecast, so we would be adopting the three

1 forecasts. That's correct.

2 COMMISSIONER GANDARA: You're not

3 incorporating any statement today as to the utility of

4 the 12th versus 5th or whatever?

5 COMMISSIONER COMMONS: No, the Commission

6 obviously would be looking at the 12th year primarily

7 for siting, and the 20th year primarily for planning.

8 Later this afternoon we will be discussing one of the

9 concepts of the peaking for the 5 year but that

10 forecast would be adopted as part of this Chapter and

11 Appendices.

12 COMMISSIONER GANDARA: Okay, fine. Then the

13 last question for clarification, Mr. Chairman is that I

14 was briefed by the staff last week and I had been

15 informed that there was an issue on adoption of a 13

16 and 14 year update for the Demand Forecast for

17 consistency with the resource side. Are we adopting

18 only the 5th, 12th and 20th and not the 13th and 14th?

19 COMMISSIONER COMMONS: The Committee never

20 requested information from any of the applicants on the

21 13th and 14th year and there's no 13th or 14th year

22 forecast before us.

23 COMMISSIONER GANDARA: It's not going to be a

24 proposal by the staff then? I was briefed by elements

25 of the Executive Office and two division chiefs and I

1 was told that this was a consensus. There was a 13th
2 and a 14th year forecast to be adopted.
3 COMMISSIONER COMMONS: I'll discuss that
4 with you at a later date, if you like.
5 COMMISSIONER GANDARA: Okay, fine well at
6 least I understand what is before us.
7 CHAIRMAN IMBRECHT: It hasn't been discussed
8 with me. Okay anything further? Anyone else wish to
9 be heard on this issue?
10 COMMISSIONER GANDARA: Just a final point of
11 clarification. Mr. Chairman.
12 CHAIRMAN IMBRECHT: Commissioner Gandara.
13 COMMISSIONER GANDARA: As I said before, I do
14 have problems with the policy that underlies this
15 forecast and so therefore I'm not in agreement with it,
16 I will vote against. But I don't think it's sufficient
17 to merely vote against it. I think that my views
18 should have the same distribution that in fact the
19 views of the adopted, or those who would vote in the
20 majority.
21 In the past since it did occur in Biennial
22 Report I, the views of the minority in that instance
23 were disseminated with the views of the majority and
24 bound within the same document. Since this is a draft
25 document which would lead to a final draft, I presume

1 that my views would be accorded in appendix or at least
2 a minority report status if it is incorporated in this
3 forecast?
4 CHAIRMAN IMBRECHT: Well, it never even
5 occurred to me. I don't have any objection to
6 inclusion the appendix.
7 COMMISSIONER GANDARA: In same form and
8 fashion as BR I.
9 COMMISSIONER COMMONS: I think in many
10 instances we act as administrative law judges and there
11 are often made concurring opinions and that I wouldn't
12 encourage it as a practice. I don't think it would be
13 appropriate up in the summary, but I think Commissioner
14 has the right to do. I would certainly not object.
15 COMMISSIONER GANDARA: So, I will be informed
16 of the production schedule of this report so that we
17 can receive send out comments in a timely fashion.
18 Thank you.
19 CHAIRMAN IMBRECHT: Alright, any further
20 discussion? Please call roll on the adoption of the
21 forecast.
22 MS. GERVAIS: Commissioner Commons
23 COMMISSIONER COMMONS: Aye.
24 MS. GERVAIS: Commissioner Gandara.
25 COMMISSIONER GANDARA: No.

1 MS. GERVAIS: Commissioner Noteware.
2 COMMISSIONER NOTEWARE: Aye.
3 MS. GERVAIS: Vice Chair Crowley.
4 VICE CHAIR CROWLEY: Aye.
5 MS. GERVAIS: Chairman Imbrecht.
6 CHAIRMAN IMBRECHT: Aye.
7
8 CHAIRMAN IMBRECHT: Ayes: 4; noes: 1. The
9 forecast and order are adopted. The next item before
10 us is then the remainder of the changes in the
11 Electricity Report. Dr. Jaske, do you want to continue
12 your elucidation?
13 COMMISSIONER COMMONS: Mr. Chairman, Mr.
14 Morse, I think.
15 CHAIRMAN IMBRECHT: Mr. Morse, is this your
16 turn at bat?
17 COMMISSIONER COMMONS: Mr. Chairman, before
18 Mr. Morse gets into it, maybe I could highlight some of
19 the more significant changes. We could take two hours
20 to go over each of these details.
21 In terms of most of the comments that you
22 have which run many, many pages, a substantial
23 proportion of them are, I think, editorial in terms of
24 clarity, cleaning up language as pointed out, that
25 either in written or verbal testimony, received during

1 last week, in a few instances, correcting numbers or
2 changing numbers. In review of the Tables were
3 incorrect or making moiodifications based upon the SMUD
4 numbers. I think some of the ones that are, in a few
5 instances, I think we softened the tone in a few cases.
6 For example, if you look at the one on Page
7 16, we've softened the tone there concerning higher
8 electricty prices have contibuted to decisions.
9 Commissioner Gandara gave to the Committee extensive
10 notes and a significant portion of those are
11 incorporated in these changes. The first important one
12 is on the bottom of Page 3, paragraph 1 which concerns
13 the municipal utility and I want to identify for the
14 Committee there.... as this was passed out today, I
15 talked with both the municipal and the investor-owned
16 utilities and both agree that we should strike the word
17 'municipal' there, and so I would like to make that
18 elimination. This is on the changes on Page 3-2,
19 paragraph 1, the last word in the third line which says
20 'municipal'. This is the document Final Draft
21 Electricity Report Committee Proposed Amendments April
22 29, 1985. That's the document. Page 3 at the bottom
23 says Page 3-2 and the third line, the last word is
24 'municipal'-- strike that.
25 There is an issue on the last sentence in

1 that line, which I should identify, where it would say
2 that a preponderance of our staff would like to see
3 that that not be a criterion but that be required, and
4 so that would be an issue I would like to identify for
5 the Commission. At the same time you should recognize
6 in this that the municipal utilities would prefer that
7 the need determination be based upon their area if they
8 have an officially adopted forecast. And I think this
9 is an issue that we as a Commission need to discuss.
10 It impacts how we handle the planning areas, vis-a-vis
11 a specific utility. The Warren-Alquist Act in this
12 area does require us to look at both the statewide
13 impacts and the specific area impacts.
14 Another question that you may want to look at
15 in this is that if we look at smaller areas related
16 solely to utility areas and add the word 'instead of
17 for municipal service areas' and add 'for utility
18 service areas' in case of, you could have an instance
19 where there would be a factory or something other than
20 a utility that would be having need. Should we
21 substitute for the word municipal for utility service
22 area. And that is something I think also the
23 Commission needs to address. It's been raised.
24 COMMISSIONER GANDARA: Alright, then you
25 would substitute it for a smaller utility service area?

1 COMMISSIONER COMMONS: Well, that would be my
2 preference. I have not discussed it with others. I
3 think the Warren-Alquist Act tends to. It doesn't say
4 utility, but it says service areas, and I think they're
5 referring to utilities, as I posed that to the
6 Committee.
7 COMMISSIONER GANDARA: In the residential
8 building standards, there has been much talk about
9 "micro climates". Maybe you should be considering your
10 "micro utility".
11 COMMISSIONER COMMONS: On the next page on
12 the bottom, 4-12, there was the discussion that we had
13 this morning concerning commercial appliances, and here
14 are the specifice numbers to be added to that table for
15 the commercial. And so, that has already been
16 identified and that deficiency, I believe, corrected.
17 On the next page, on Page 5, there is an
18 issue, or on 4-24 Table 4-8, and this is a facility
19 that we had previously sited for Southern California
20 Edision. It's a bypass situation, and there's been a
21 certain demand reduction from PGandE. I've not yet
22 talked to the staff. The two utilities agreed that
23 that's a 65 MW offset, but there's other issues as to
24 how it relates to Southern California Edison. I can't
25 give you the final word on this until I've heard from

1 the staff and from Edison to see if this has been
2 resolved. But there is a 65 MW issue more or less that
3 is outstanding on this one.
4 Most of these questions on fuel I think are
5 technical. On the next page, Page 6, Page 4-40, it
6 says add Table 4-12 showing reserve need, and this
7 essentially is taking from the BR, the reserve need
8 table. So, a reader does not have to go from one
9 document to another. That table would be incorporated
10 by reference. Right now the only words that are
11 attached to it are "allocations for statewide reserve
12 needs are shown in table 4-12".
13 I couldn't write everything up on it because
14 the Commission has not yet discussed what their
15 preferences are, and I thought it was premature. I do
16 think it would be appropriate to write a paragraph
17 describing why we came to the reasons and why we made
18 the reserve need as we did. But I did not want to
19 write that until the Commission had made a final
20 decision. So I would suggest that we add a paragragh
21 there in the final report once we've made that
22 decision.
23 Then they are still, I think, primarily
24 technical. We're taking Chapter 6 and putting that
25 into the appendices. It doesn't really affect the

1 Siting Policy. It's clearly an important part of the
2 Electricity Report; but that chapter is more
3 appropriate in the appendices; and I think it will make
4 the main text more easy to follow and to read.
5 In Chapter 7, based on various clarificaitons
6 that were raised to the Committee, corrections have
7 been made as identified. This is, again, not part of
8 the Siting Policy, but is a thrust of the policy of the
9 Commission. I think this tightens up that section to a
10 certain extent. Those corrections go on to a great
11 extent, for a number of pages.
12 Then the Siting Policy is contained for the
13 Commissioners in the other attachment. I believe the
14 rest of the people here have it in the main document.
15 When it's the appropriate time, I will ask that Steve
16 Cohn go through and as the Counsel to the Committee, go
17 through that policy specifically. But it has been
18 significantly changed.
19 In terms of the appendices, other than the
20 corrections on the number, the only appendix that has
21 had significant modifications was concerning non-
22 gerneration technologies, where that was updated to be
23 consistent with the testimony that had been presented
24 before the hearings, and particularly with the load
25 management and some of the new conservation

1 technologies that are coming on-line. Again, from a
2 siting case perspective, I don't think those changes
3 are related to the siting process; but they are
4 important in terms of corrections, possibly, for the
5 Commission in a long-range policy.
6 What I'd like to ask is, Dave Morse, that you
7 do two things. One, cover those changes that you think
8 are substantive that I have not gone over in your
9 areas. And then, all the Commissioners have a short
10 memo on 1) issues to be discussed, and 2) changes in
11 policy proposed. I think that what is most important
12 is that we go over the major changes in policy and
13 address them as to, in a somewhat similar respect to
14 the way Commissioner Gandara went over that this
15 morning on the Demand Forecast, is to go over items 2,
16 3, 6... Well, you and I discussed which ones that you
17 thought were appropriate from your office. I think it
18 would be important to help the full Commission and
19 everyone understand what are the changes that are being
20 proposed, what are the reasons, and how we arrived at
21 those decisions.
22 VICE CHAIR CROWLEY: Mr. Morse, were you
23 going to give us additional information on the changes
24 on 3-2, that was spoken to by Commissioner Commons?
25 Was there more you were going to add to that other than

1 changing criteria to requirment?

2 MR. MORSE: All I have is, by the way, I've

3 just recently seen the errata, so I'm coming up to

4 speed as quickly as everyone else on this information.

5 All we have, then, on 3-2 is the change to the bottom

6 of Page 3 on the Proposed Amendments.

7 VICE CHAIR CROWLEY: On this Paragraph 1,

8 Page 3-2. We have someone from the public who wanted

9 just to speak to that amendment on Page 3-2, as I

10 understand it. Mr. Davis, of California Municipal

11 Utilities Association. Is that correct, Mr. Davis?

12 Was that the one? I wonder if it would be appropriate

13 to hear that at this time, since it does deal with that

14 one point?

15 MR. DAVIS: Thank you, Commissioner Crowley.

16 For the record, I am Ron Davis. I'm with the

17 California Municipal Utilities Association. I don't

18 quite know how to start here. We have had a couple of

19 discussions on this particular language that has been

20 submitted by the Committee. I have to admit, though,

21 we do have some reservations as to the interpretation

22 of this language. If you will recall, we submitted

23 language last week as a possible alternative to what

24 was originally submitted in the Draft Final, the April

25 document. We were hoping that, obviously, that that

1 language can be adopted. We believe that that
2 particular language provides the Committee with the
3 versatility and the right to have versatility within
4 their decision making process. I think, with
5 discussions with the Committee, that this language we
6 have, myself and the Committee are heading for the same
7 goal.
8 We just have our emphasis on either side of
9 the fence. We're particularly interested in seeing the
10 Committee going towards the direction that any utilitiy
11 with an adopted forecast would be looked at in terms of
12 their own service area need, as defined in the Warren-
13 Alquist Act, recognizing that there are other criterion
14 that must be dealt with pursuant to the Act. I hope to
15 work with the Committee more. I don't have alternative
16 language to this at the present time, but I will tell
17 you now that I hope to do that between now and
18 Wednesday as is what I understand is the final date for
19 adoption for the Electricity Report under consideration
20 presently. I'd be happy to answer any questions.
21 Thank you.
22 VICE CHAIR CROWLEY: Thank you, Mr. Davis.
23 Then, Mr. Morse, if you will proceed. I thought, since
24 this was the beginning of this presentation, it might
25 be appropriate to hear it at this time.

1 MR. MORSE: Very good. In response to
2 Commissioner Commons' suggestion, one on any other
3 changes in the Amendments to highlight, I would say to
4 change the highlight. First is, we have not carried
5 through the SMUD forecast changes in the payrolls in
6 Chapter 3 and 4 at this time. And, that would be a
7 fairly simple calculation carrying out the 50 megawatts
8 to about half dozen or so tables. And, I think we
9 could just, given the forecast, then adopt as soon as
10 you can. Once we've established supply criteria, can
11 carry out that same 50 megawatts into the Supply
12 tables. So, I apologize for not having that within
13 Chapter 3 and 4. But, I think, it's a non-
14 controversial, and certainly not significant to either
15 the PGandE or the SMUD service area.
16 The second thing to note is that we have
17 prepared tables for Need Increments for 1989. And,
18 those appear at the end of this set of Amendments. So,
19 we have Need Increments and remaining needs for 1996
20 and now 1989 also. Now, I go to the second area that
21 Mr. Commons suggested. And that was to highlight some
22 of the changes on the Supply Side with this Electricity
23 Report. And, in doing that, I'm going to compare
24 somewhat to the previous Electricity Report. The first
25 thing I will talk about is reserve margins.

1 This Electricity Report contemplates adopting
2 considerably higher reserve margins. And, that was
3 done in the last Electricity Report on a statewide
4 basis. The rates are going up from about 15% to 21%.
5 This has an overall affect in increasing need by 1996
6 to about 900 megawatts. Separating it by Utility
7 Service Area, the PGandE reserve has gone from 14 to
8 about 23; Edison from 14 to 18; L.A. from 20 to 30;
9 and, SDG&E from 10 to 20. Several reasons for this
10 change. Perhaps, the major reason for the change is a
11 close examination of our recent experience, summer of
12 1982, 1983 and 1984. On forced outage rates, on tower
13 plants that have not operated for the entire summer.
14 From the staff's view that with these high
15 forced outage rates, we felt that the model approach
16 that we use has underestimated reserve requirments, and
17 have taken a close look at our model and by looking at
18 a couple of ways and model as reserve calculations, we
19 were able to, essentially, bracket utility estimates.
20 So we felt, at this point, that the utility projection
21 reserves, with the exception of LADWP were quite
22 reasonable. And, went into the hearing in November on
23 reserves with a recommendation of reserve essentially
24 the same as utilities, with the exception of LADWP.
25 The Committee, in this report, has adopted a

1 slightly lower number than PGandE has applied. And,
2 has adopted the value that staff calculated for LADWP.
3 In the other cases, it has adopted the utility
4 projection. A couple of other reasons, I think, for
5 this change reserves. In the past, utilities have not
6 counted extensively for outside support. That is, if
7 reserves are low, can they obtain support from their
8 neighbors which is one of the features of our modeling
9 effort.
10 In this last CFM Process, Southern California
11 Edison has gone through a rather extensive review of
12 their reserve calculations and the availability of
13 outside support, and now, incorporates approximately
14 1,200 MW of outside support in their reserve
15 calculations, which as brought out in that hearing,
16 appears reasonable.
17 PGandE has not updated its assumption of
18 outside support, and, still uses a 600 megawatt of
19 outside support. That was the basis, primarily, for
20 the Committee for lowering the PGandE reserve
21 requirement and making an assumption of about 900
22 megawatts of outside support.
23 The last thing is, perhaps, one of the
24 easier ones to explain, is the change from SDGandE from
25 about a 10 to a 20 percent reserve. My own view is the

1 logic for high reserve in the SDGandE system has to do
2 with its limited inner connection. And, we, in past
3 Electricity Reports, we tried to take into account the
4 largest single contingency of this SDGandE system,
5 which turns out to be their Eastern Inner Connection
6 Transmission Line. And, I don't think we've done an
7 adequate job in assessing the outside support because a
8 line actually can represent close to 20% of the SDGandE
9 load.
10 So, in essence, their largest single
11 contingency and, I think, that is a good basis for 20%
12 reserve that has been adopted in this Electricity
13 Report. So, there's an overview of this rather large
14 change in reserves. And, as I said in the beginning,
15 it has a total affect of increasing need requirements
16 in 1996 by about 900 megawatts more than was the case
17 in the last Electricity Report.
18 COMMISSIONER GANDARA: I have some questions,
19 Mr. Chairman.
20 CHAIRMAN IMBRECHT: Yes. Commissioner
21 Gandara.
22 COMMISSIONER GANDARA: Mr. Morse. I can see
23 a concern over the reserve margin, if presented with
24 the appropriate, I would consider, set of
25 circumstances. The only thing that I could find in the

1 report that gave us a strong reason for that was a
2 table that gave four outage rates at peak time for the
3 PGandE service territory. I presume that the
4 experience of the other utilities were the same. There
5 was not a table for forced outages of peak for the
6 State. So, other than the PGandE table, did all
7 service areas experience this?
8 MR. MORSE: I'm not sure if we were to use
9 the same method used in putting together the PGandE
10 figure that we would get the same kind of a slope.
11 But, my impression is, from looking at the daily
12 reports of forced outages in the utility service area,
13 that there's a range between about 3,000 and 9,000
14 megawatts everyday of the Summer of plants that are
15 forced out for one reason or another. Now, 40,000
16 megawatt system times your having more than 20% of your
17 system out, and it's that kind of factual, or
18 historical information, that we just are concerned
19 about -- forced outages. And, aside from having the up
20 to 9,000 megawatts on forced out, a utility still has
21 to have a spinning reserve requirement of about 7
22 percent.
23 COMMISSIONER GANDARA: Well, I guess, to
24 answer my question directly, I don't know what the
25 answer to that was. You don't have such data for the

service utility areas.

MR. MORSE: I haven't prepared it in that summary fashion, so I don't know what the slope looks. My impression is that forced outages have gone up over the last ten years quite significantly. And, we would probably expect that, given the average age of existing thermal systems.

COMMISSIONER GANDARA: Is then it also possible, however. I mean, I can see that that is a factor to consider, but I think there will be a significant factor to consider only if those forced outages forced you into dangerous operating margins. The Report was really absent any information as to whether, as a consequence to these forced outages, there were significant encroachments on the operating margin. I mean, what would be more persuasive to me was not a graph of the forced outage rates, but rather a graph comparing peak availability to actual peak. So, I mean, I can recall of no particular instance either to the Summer watches that you've had in the last couple of years where, in fact, you have ever sort of indicated that, in fact, we are in a critical period.

In addition to that, I find sort of the no mention, whatsoever, of how you remedy this problem if

1 it is a problem, other than increasing the reserve
2 margins. I see no references to power pooling, and the
3 efficiency of that. In fact, I'm very troubled by one
4 thing. You say that the cause of the forced outages
5 are unclear. That's what the Report says. But,
6 nonetheless, a leap is made from the forced outage to
7 an increased reserve margin. When, in fact, the more
8 logical policy recommendation to me is to determine
9 what the cause of the forced outages are, to determine
10 whether, in fact, there are prudent matters and actions
11 that should be undertaken, or should have been
12 undertaken to keep those under control.
13 Then, in addition to all of that, I would
14 still think that the increased margins could only come
15 as a recommendation of some indication of a severe
16 encroachment on your operating margin. I don't see
17 that. All that may be there, but I don't see that.
18 So, that gives me cause for concern in that we see one
19 parameter that's increasing -- a serious one, I'll
20 grant that -- no real establishment that it is a
21 statewide pattern; no real establishment that it really
22 presents a problem. I see no discussion that the
23 previous Commission's Five Year Review of Reserve
24 Margins, the conclusions of that should be, or
25 particularly not rejected, then I see no

1 recommendations to control the problem by power pooling
2 and/or prudent management actions. So, I mean, the
3 whole area sort of seems to me troublesome. I don't
4 understand how it manifested itself in only that one
5 recommendation of increased reserve margins.
6 MR. MORSE: I share a lot of the same
7 concerns you have. In response to your point about
8 this thing of encroachment. We do show in the
9 Appendices on 3.1-23 a reference to 1984 and 1983 data
10 that shows ...
11 COMMISSIONER GANDARA: 3.1-what?
12 MR. MORSE: 3.1-23. Just let me read ...
13 COMMISSIONER GANDARA: You've got me there.
14 I haven't had an opportunity to read these. They were
15 given to me last Tuesday.
16 MR. MORSE: Okay. That's not exactly what
17 you asked for. But, it is a summary of some
18 information. It was persuasive to me, in that,
19 essentially, if we take the theoretical margin the same
20 way we figure it in doing Need Analysis, and if we took
21 that theoretical type margin and matched that against
22 what happened the last couple of years, the utilities
23 would have gone into kind of close to a zero percent
24 reserve margin. Now, that didn't happen. And, it
25 happened because they were also able to firm up some

1 temporary supplies that we're not sure are always going
2 to be there; nor, would it be prudent to always assume
3 that they're going to be there.
4 There is a dilemma. If the need for higher
5 reserve margins is purely because of forced outage
6 rates, there is a thought here as we're somehow
7 rewarding bad performance. That is, we're increasing
8 reserve margins when maybe the right remedy is to have
9 better maintenance on the existing system. And, I
10 think we point that out in Chapter 7 of the Report
11 under Cost Containments -- that there is a couple of
12 things going on. I think pooling.
13 I think the Retirement Policy, and a vast
14 amount of plants that may be up for refurbishment, and
15 the type of better maintenance that may be available to
16 utilities are all part of the package that really has
17 not completely been sorted out. That, I think, in the
18 Report, it lays out clearly, that those are some issues
19 for some future work that I don't think we'd jump into
20 a higher reserve and feel that that's, we've now done
21 the definitive study and we need higher reserve
22 requirements. I think that's a key issue for the next
23 CFM is to focus on this and how some of the remedies
24 interplay. And, whether it is the right thing to do to
25 create a need based on reserve and put supply options

1 out there like refurbishments that may very well be the
2 right remedy for pooling for that matter too.
3 COMMISSIONER GANDARA: Again, it's there,
4 you're explaining what's there. But, I would note
5 that, at least for myself, I feel that there is an
6 asymmetry to this report on the Demand than the Supply
7 Side. On the Demand Side that there is this extreme
8 reluctance to really recognize conservation that either
9 is reasonably expected to occur, or should, in fact, be
10 considered Act. And, that it's justification for that
11 is that we should not be particularly speculative about
12 these things. We should be prudent and ascertain what
13 exactly is going to be before us.
14 When it comes to the Supply Side here on this
15 particular element we see a perimeter that, indeed, was
16 one to worry about. But, rather than to take the
17 position of being prudent and ascertaining what the
18 problem is, we jumped into an increase in the reserve
19 margin rate. Now, I have a bit of a problem with that.
20 In addition to that, I should note, for the Commission
21 here since I guess I'm the only one who was here in
22 1981 at the irony of this, to me, is that we kind of
23 come full circle. I remember the PGandE rate case
24 intervention when the Commission was proposing power
25 plant productivity and efficiency standards. And,

1 precisely to address this kind of problem of these
2 forced outages, and, that, we come full circle in four
3 years from now if we're rewarding these kind of figures
4 on forced outages by higher reserve margins, rather
5 than focusing on the power plant productivity and
6 efficiency. But, that's a historical note here that,
7 again, is part of the overall factor that gives me
8 cause for concern on the Supply Side which as much time
9 as I took this morning on the Demand Side, I have far,
10 far greater problems on the supply planning aspects.
11 CHAIRMAN IMBRECHT: I'd like to just go
12 ahead. We'll save some of these responses.
13 MR. MORSE: Let me move on to Retirement
14 Policy. I think we have here one that has a
15 significant affect also. And, I think it's closely
16 related to the reserve margin issue as well. For the
17 last several Biennial Reports, the Commission has used,
18 as a general guideline for determining power plant
19 retirements, a 45-year rule of thumb.
20 CHAIRMAN IMBRECHT: The last report, not
21 several.
22 MR. MORSE: Well, we used it for BR 2 and BR
23 3, I believe. I don't know. We really didn't have a
24 Retirement Policy in BR 1.
25 CHAIRMAN IMBRECHT: Well, that's contrary to

1 what's been represented to me in the past. I was of
2 the general viewpoint that BR's 2 and 3 is the 35-year
3 policy. BR 4 went to 45. And, that's important in
4 terms of getting this, in that we're proposing to
5 return to a 40-year policy.
6 MR. MORSE: As far as we can tell only two
7 utilities were actually used age as a criteria. PGandE
8 uses a 40-year criteria, although they don't show any
9 retirements after 1990. So, it has an affect of
10 arguing between now and 1996, they may use something
11 else, but, if you look at their retirements between now
12 and 1990 and apply a 40 age criteria, you get the same
13 retirement that PGandE uses.
14 Edison, San Diego and LADWP use a variety of
15 criteria, not necesarily age. The use of the plant,
16 its forced outage rate, its heat rate to develop its
17 retirement criteria. The Commission, and the
18 Committee, this Report has used a 40-year retirement.
19 And, this has the affect of tightening and bringing a
20 lot of attention to the fact that there is a not of old
21 plants out there that are reaching their useful lifes.
22 And, whether it's going to be 30 years, 40, 45, or, 50,
23 we can't really say, to date. But, we can, in the
24 purpose for retirement criteria, to set out a set of
25 ground rules to start judging need and alternative

1 supplies.

2 The affect of using a 40-year criteria is
3 about 3,500 megawatts more that one would have had with
4 a 45-year criteria. And, it has, also the affect of
5 increasing the requirements about 2,000 megawatts above
6 what the utilities themselves have estimated. Now,
7 it's not clear in utility estimates how they account
8 for reburbishments. And, I think, what the Committee
9 has done here, is a fairly clear set of accounting that
10 shows all power plants reaching the age 40 years being
11 taken out for retirement and being a candidate for
12 refurbishment. It's emphasized, in the report, that
13 the Committee's belief is that refurbishments will be
14 one of the primary candidates for feeling the need
15 created by the age 40 retirement criteria. I say that
16 sort of as an overview of Retirement Policy.

17 COMMISSIONER GANDARA: Mr. Morse. I have
18 some questions there, too. I'm one that doesn't happen
19 to think that it's real critical whether one uses 45 or
20 40, or whatever, as long as the estimate is reasonable.
21 And, one of the factors, certainly, that the Committee
22 considered in BR 4 as to whether those estimates were
23 reasonable was with respect to what the utilities were
24 planning. And, I note that, at least in Table 3-6, if
25 I look at what the utility plans are for retirement,

1 that they're far closer to the 45 year criterion.
2 Notwithstanding the individual differences, with
3 respect to this criterion for the various utilities,
4 but, the deviation is far greatest between the utility
5 plans and the 40-year criterion than between the
6 utility plans and the 45-year criterion. To be sure
7 there are a few criterions there for whom that would be
8 different, there certainly are counter veiling factors
9 there.
10 But, as a whole, for our planning purposes
11 and for State planning purposes in terms of the peak,
12 that change that would be produced in here, we're
13 basically telling the utilities that you can count on
14 retirements at either twice greater rates, or, twice
15 the amount than you yourself have told us you're
16 planning for. I guess, if I could finish, I have some
17 concerns about that. And, the reasons that I see in
18 the Report seems to be that we want to use this to
19 point out the aging life of the plants. Well, we can
20 point out the aging life of the plants without changing
21 the criterion. And, the other reason seems to be
22 because we want to point out the opportunity for
23 refurbishment. Well, we can point that out too,
24 without changing the criterion for refurbishment. And,
25 yet, at the same time that we point out that

1 refurbishment opportunity, we decline to include any
2 capacity or energy in the probable addition. In fact,
3 if I recall correctly, it is zero.
4 So, at the same time we are decreasing the
5 retirement life, increasing the Demand, then we're
6 going to see, saying, we're pointing all this out
7 because of the opportunity for refurbishments, then, we
8 say we really don't believe or don't know how much
9 refurbishing will be so conclude zero on the probable
10 additions. So, I guess I really don't understand of
11 the combination of factors what the Committee's
12 thinking is on that and whether it's even consistent,
13 again, on the treatment on both the retirement life and
14 the refurbishment.
15 COMMISSIONER COMMONS: Let me try to answer
16 because I think the original staff recommendation was
17 for the 45. And the Committee, in reviewing the
18 totality of the Report, and in reviewing both the
19 utility numbers, came to the conclusion that 40 was
20 more appropriate than 45. And, I think, are two
21 important reasons here. First is, refurbishment is an
22 issue just like adding conservation, building a new
23 power plant. It's a major economic expense. You're
24 talking $500, $700, $800 dollars a kilowatt hour. And,
25 when the Committee held its hearing in San Diego, the

1 utility was proposing actually that they retire the
2 plants and then about seven or ten years later that
3 they bring those same plants back on line and that they
4 be refurbished. To be consistent, it was the
5 Committee's viewpoint, if utilities are actually going
6 and making substantial capital investments, in terms of
7 refurbishing the plants to extend their lives, that you
8 should really use the life of the plant prior to the
9 time of the refurbishment rather than after the time
10 because that's a significant investment decision.
11 It's also consistent if we're going to try to
12 obtain the fuel displacement poles that the Commission
13 in previous years has adopted is, at that time, that
14 you're making a significant decision as to do we add
15 one of our preferred resources, or do you make a
16 refurbishment of that. I'm in the same vein that the
17 number of years is not critical, but I think it's more
18 important to identify the issues. And, the issues,
19 seem to be raised at the 40-year mark with most of the
20 utilities, rather than, at the 45. Those utilities
21 that went beyond 40 had assumed significant
22 refurbishment in the plants. In discussion this with
23 some of the utilities, it was our feeling that the 40
24 year criteria was actually closer to the criteria that
25 is used prior to the making any investment decision on

1 refurbishment.

2 COMMISSIONER GANDARA: Just one last comment
3 there. I should note that in the 1983 BR when the 45-
4 year criteria was used, I don't believe there was a
5 single utility that objected to that. They all
6 expressed their concern. But, at that time, they
7 indicated that, in fact, it was probably a reflection
8 of what was in fact occuring, in any case. And, if you
9 look at both the utility EPRI budgets, as well as the
10 budgets of the major architect engineering firms that
11 do this kind of work, and, in fact all those are
12 increasing. And, that, in fact, it does lead you more
13 into the direction of where we were as a correct
14 criterion rather than the particular change.

15 Now, that's not to say, that there aren't,
16 perhaps, other reasons for that. But, with respect to
17 oil and gas displacement policy, as of the last BR in
18 1983, the projections that we had is that, in fact, the
19 utilities were headed toward not just meeting the gas
20 displacement policy, but exceeding it by 1992 or 1994
21 at the rate they were going. So, it wasn't quite clear
22 to me that if that was the case with the 45-year
23 criterion, then why it is that all of the sudden the
24 oil and gas displacement goals are not likely to be met
25 without the assistance of the change in this criteria.

1 COMMISSIONER COMMONS: I think it's also
2 relevant to note that in earlier BR's, perhaps your
3 historical recollection would be of assistance that
4 this Commission has used 35 years as a retirement
5 criteria in earlier times.
6 COMMISSIONER GANDARA: It used 35 years. It
7 must have been in BR 2, I was around for it. No, BR 3,
8 I wasn't around for BR3. But, I do recall, that in BR
9 4, it used 45 years. And, that we received testimony
10 in 45 years. And, as I indicated to you, that the
11 utilities were generally in conformance with the
12 increasing life of those plants. I'm not saying that
13 they fully endorsed, but I'm telling you that no, they
14 didn't object, as they're not objecting now. And, they
15 were quite a complying group in those instances. But,
16 I am noting that the more significant factor to me is
17 Table 3-6 where the utility's own plans are far closer
18 to the 45-year criterion than they are to the 40-year
19 criteria. And, given that, I see no necessity for
20 increasing or doubling the affect on the need aspect of
21 it simply because of looking at the Report in its
22 totality.
23 I guess what I'm saying, is when I look at
24 the numbers in many aspects of this report, that the
25 conclusions don't follow from those numbers. There are

correlative events that are not costy connected, and that there are, in fact, in this instance there has to be, I guess, an overriding policy here to account for this substantial deviation.

COMMISSIONER COMMONS: I think, other than PGandE, if you look at the criteria, that the 40-year criteria, for the most part, is closer than the 45-year. And, in PGandE you have a footnote which goes into it in some detail as to what that difference is.

COMMISSIONER GANDARA: I understand Commissioner. I'm looking at the total at the bottom. Where you compare the utility plans of 2837 to the 45-year criterion of 2219. The difference there is certainly far, far less than the difference between the 40-year criteria, and this Committee used a 5700 to the 2800.

COMMISSIONER COMMONS: You have to read the table with the footnotes in order not to take it out of context. And, PGandE where you have a difference of 1900 megawatts which is the great amount of difference, does use a 40-year criteria, and, not a 45-year criteria. It's their accounting mechanism that makes up the difference. So, I don't think it's fair to look at the summary numbers in this instance.

COMMISSIONER GANDARA: Commissioner Commons,

1 I do think it is fair because it is the summary numbers
2 that go into your need component. And, I realize that
3 it's very useful. In fact, I think it's critical to
4 have not just the statewide, but the service area
5 numbers and estimates. But, I do note, again, when you
6 get into it, the Biennial Report contains your reserved
7 need components by a statewide area. Statewide, not a
8 service area, so that, again, we kind of have to
9 resolve this sort of matter. Are we going to go
10 statewide, are we going to go service area wide?
11 Now, I presume, that the answer to that is
12 that that's to be determined later. Well, I'll get to
13 that one later too. But, it does seem to me that the
14 most appropriate way to take into account of any
15 discrepancy in this area, rather than changing the
16 retirement life criterion would have been to indeed to
17 made an evolution in policy that said do we really have
18 any service area left. Do we have that really line of
19 demarcation on Supply Planning, or even Demand? Well
20 Supply Planning, critically, on a service area anymore.
21 I mean, do we really have such an integrated system
22 that we do have a statewide element here? I would
23 suggest, notwithstanding this footnote, that the number
24 that went in there was 5721, not 2219 with an equally
25 long footnote.

1 COMMISIONER COMMONS: Well, I could have very
2 easily, in fact, the original staff numbers, add the
3 other 1900 megawatts of PGandE included. Twelve
4 hundred megawatts being for refurbishments, and 700
5 megawatts unaccounted. And, they do have a 40-year
6 criteria. And, so again I suggest that you cannot read
7 the numbers in the tables without the footnotes.
8 That's why they're there. If someone else had been the
9 editor of this report, they may very likely have added
10 that 1900 and footnoted it the other way that the
11 utility's submittal was shown the other way. And, so,
12 I think that's using numbers in a particular vein.
13 But, I think, in examination of a table, and of the
14 notes together, lends itself very strongly that the
15 utilities, for the most part, are really operating in a
16 40-year criteria. When they go beyond 40 years, for
17 the most part, they're looking at refurbishments. This
18 would make us more consistent with the way the
19 utilities, not our planning, but our operating.
20 CHAIRMAN IMBRECHT: In addition, I just
21 finally, and to begin with I'll follow that. I also
22 read the 1900 which should clearly be reflected up on
23 top. In fact, that's the manner in which it has been
24 reflected some previous reiterations of this. But, the
25 other thing, I will just note, is that we also had some

1 presentations from PGandE that suggested that just as
2 our own forecasting process is fluid, and they sure
3 are, they have a Board adopted forecast in point and
4 time. Then, as new information develops between
5 adopted forecast, et cetera, there is now expressing
6 skepticism with respect to refurbishments. And, a
7 recognition that the more they have studied
8 refurbishments, the more they have realized that there
9 are problems far, of much greater magnitude, I think is
10 probably the best way to describe it, than that which
11 they had originally anticipated.
12 My recollection is that there was analogy
13 drawn in that testimony something to the effect that
14 it's not unlike deciding whether or not you want to put
15 a new transmission in a 15-year-old automobile. That
16 that may be the identifiable problem on the surface,
17 and, then, you discover that the breaks are also bad,
18 or, some other fundamental component of the system.
19 And, that, while when they adopted their last forecast,
20 they had some optimism about refurbishing, they are
21 now. Well the conclusion is that there are greater
22 problems there than originally anticipated. So, to
23 follow that, I mean, we have proceedings like this to
24 the extent of over such an incredibly long period of
25 time, even the people that are the players before you

1 change their viewpoint from the time that they
2 initially filed their CFM forms with the Commission
3 versus when they got to the point of starting to offer
4 qualitative judgements in testimony before the product
5 could be produced.
6 COMMISSIONER COMMONS: Mr. Chairman, I'd like
7 to....
8 COMMISSIONER GANDARA: Let me see if I
9 understand that. Is the A-20 then their filed planned
10 retirement? Or, is it the A-20 which you put here as
11 modified?
12 CHAIRMAN IMBRECHT: That is their filed
13 planned retirement.
14 COMMISSIONER GANDARA: And, you indicated
15 that they modified that through testimony that was
16 given, or what?
17 CHAIRMAN IMBRECHT: Read the footnote. It's
18 1900 megawatts.
19 COMMISSIONER GANDARA: Yeah, but, when did
20 they indicate this? That's what I'm asking. Did they
21 indicate it in testimony, or what?
22 MR. MORSE: Excuse me. Both figures appear
23 in their Resource Plan. And, in the overview of their
24 Resource Plan, they show about 1900 megawatts through
25 its... we had to pick the figures off the graph which

1 is the reason why we rounded it off a refurbishments.
2 In the forms it show, retirements, they show the 820
3 megawatts retirement. So, it appears to us what
4 they've done is they've used a different accounting
5 system from what we're proposing here. We would show,
6 first you retire soemthing, then, you'd bring it back
7 up for refurbishment. Their 820-megawatt figure
8 appears to be a net figure. And, to make that
9 comparable to the way we're accounting, it appears to
10 us, and consistent with what's in there, you'd add 1900
11 megawatts to the 820.
12 CHAIRMAN IMBRECHT: That's what's been
13 represented to us by staff. I just don't want you to
14 give the impression this was a reflection of playing
15 with numbers or anything.
16 COMMISSIONER GANDARA: But, I thought Mr.
17 Morse' explanation made my point. That these are the
18 utilities' submittals.
19 MR. MORSE; Both figures appear in their
20 submittal. In the Executive Summary in the front, has
21 a graph that shows refurbishments, life extension.
22 From picking off a point off the graph, it appears
23 there's about 1900 megawatts of refurbishments in their
24 Plan. When you turn to the page that says Retirements,
25 it's 820 megawatts actually are retired and not

1 refurbished. So, the point is, to make it comparable
2 to the figure used in the 40 years, is you would add
3 the 1900.
4 COMMISSIONER GANDARA: I don't think we need
5 to do all of this, Mr. Chairman. Obviously, as you can
6 tell, I have concerns throughout the splice. I mean,
7 we just need to continue. Since it does appear to me
8 that I'm headed toward expressing my concerns in the
9 form and fashion I will on Demand Forecast here.
10 There's no sense in laboring the points. I'd just like
11 to set forth, at least, my points of view on these
12 things.
13 CHAIRMAN IMBRECHT: That's fine. We'll try
14 to give you our explanation, et cetera. Let me make it
15 clear, I feel strongly that there's not only
16 substantial record to base this change on but, frankly,
17 I think, it's more consistent with the actual policies
18 that have been raised by various utilities. And, even
19 the point that there are some Senior Utility Executives
20 that are beginning to highlight this problem themselves
21 in their own coments to their stockholders, for
22 example, as to a major issue that faces them as an
23 institution in the foreseeable future. And, I think,
24 once it became apparent that we were considering this
25 type of change here as well, there was an embracing, if

1 you will, that further reflected their highlightings.
2 COMMISSIONER GANDARA: I have no doubt about
3 that, Mr. Chairman. I think if I were a utility
4 executive I'd be likewise lukewarm by it all. But, the
5 problem that I have is with respect to our particular
6 policy, whether we recognize or encourage one, either a
7 set of acquisition policies. That is, that we have a
8 problem here that we need to resolve by the acquisition
9 of new plants. Or, whether we have a problem here that
10 ought to be reflected in perhaps a lower cost approach,
11 if indeed it is that for refurbishing plants and
12 perhaps reflecting the truer life of what is admittedly
13 difficult economic circumstances for the utilities.
14 I have no doubt in my mind that if I had a
15 choice between building a new plant now and extending
16 the life of a plant, that, though it may differ by a
17 differ by a particular plant, that should the numbers
18 show it, I would probably prefer not to have to go
19 through the process of having to deal with new plants,
20 and, perhaps, indeed, extend the life. And, for that
21 reason, I mean, when I look at the numbers here, and
22 I've read the footnotes very carefully, I see a greater
23 correlation between the criterion that we had and,
24 again, the utility plants with all of the
25 qualifications for the statewide need here.

1 My concern, again, is not as was this
2 morning, not so much as with any one particular
3 element, but the fact that when you look at all the
4 changes here, that the changes are all in the opposite
5 side. Okay. If you look at the changes of the reserve
6 margin, they're to increase the need for capacity. You
7 look at the changes for retirements, they're to
8 increase the need for capacity and energy. Even if you
9 look at the changes in expirations, which you haven't
10 gotten into, they're to increase capacity and energy.
11 Even if you look at the changes for the oil and gas
12 displacement, they're to increase that. So, the whole
13 problem that I have is again...
14 CHAIRMAN IMBRECHT: What changes in oil and
15 gas?
16 COMMISSIONER GANDARA: Well, I am informed
17 that what is going to be happening here is that the Oil
18 and Gas Displacement Policy is being displaced by the
19 Need Reserve. Then, in essence, that the reserve need
20 concept does away with this concern. And, Commissioner
21 Commons just indicated, the part of the need for this
22 was to meet the Oil and Gas Displacement Policy. But,
23 again, let me finish the thrust of my comment, which is
24 that the overall directional change here, not just in
25 one element, but in all the elements, is on the side of

1 increasing need for capacity for energy and that the
2 concern that I have there is that on the Demand Side we
3 have erred in great conservatism with respect to
4 conservation policy on the Supply Side, we have erred
5 in great liberalism toward the requirements for
6 investments in new facilities. I, again, don't want to
7 dwell on this one point, but that's where I'm coming
8 from that. Perhaps this one thing under change in the
9 criterion would not affect me so much if I saw some
10 corresponding changes that were a mixture of the
11 concerns in policy. I don't quite see that.
12 CHAIRMAN IMBRECHT: Well, I can respond.
13 Frankly, from my perspective, there are illustrations
14 in here where we have counted conservations well beyond
15 what a lot of testimony has suggested, et cetera, and
16 you've enunciated a portion of the argument. Frankly,
17 I think it's equally balanced by judgements on the
18 other end. You could make a very clear point, as was
19 your argument as was made last week that we should not
20 be counting, for example, new compliance standards.
21 And, as indicated, we counted Conservation Utility
22 Programs well beyond that which we have, I think, clear
23 foundations for. That represents an enormous item to,
24 in essence, be taken direclty off the Supply Side.
25 Commissioner Commons.

1 COMMISSIONER COMMONS: Yeah. I was going to
2 say that actually I think it is balanced. I think
3 there are a lot of changes. But, I don't find them
4 going in one direction. I find that one of the things
5 we're trying to do is to be able to better assess
6 utility needs by having our accounting system better
7 tracked to the accounting systems used by utilities. A
8 great extent of the change in reserve margins is
9 brought about by the change in terms of how we do peak.
10 In the hearings, I did not think it was appropriate,
11 the staff methodology previously where we used peak day
12 rather than average day for doing the peak forecast.
13 And, that's more, weather conditions are more
14 appropriately taken care of as part of your reserve
15 margin requirements. So, a significant portion of the
16 change in the reserve margin requirement came about
17 from the change in peak.
18 On the 45 to 40 years, if anything, that goes
19 to enhance the need for Load Management Programs rather
20 than the need for new facilities, because it will show
21 up the greater imbalance that we have between energy
22 requirements and capacity requirements. I believe, if
23 you look at, the Chairman said, that the total amount
24 of conservation and load managmeent between this ER and
25 the previous ER, when you count conditional and

1 unconditional RETO, that we actually have a greater
2 amount in this Report than previously.
3 COMMISSIONER GANDARA: Well, I looked for
4 that this morning, Commissioner Commons. And, in fact,
5 the point of my going through all that I did was in
6 fact to show the opposite. I'd like for you to show me
7 that. I don't see that. You've said that now several
8 times, and, I don't believe it. Now, I'll believe it
9 if you show me the numbers. But, when I went through
10 the numbers, in fact, the opposite is true. Once you
11 take into account the refrigerator standards, which was
12 a shift in the accounting from what use to be AAC into,
13 under the criterion that the Commission has included,
14 of conservation reasonably expected to occur, that may
15 appear like AAC. But, it is not in fact greater than
16 it was in the last ER. And, I don't think we should
17 necessarily get into this thing of whether it was
18 greater or less, in any case. That's not my standard,
19 and, that's not what I'm arguing. What I'm arguing is
20 based on, in fact, what is indicated as the criterion.
21 And, of the evidence before you, I see great leaps
22 being made and that the response has been in the
23 totality of the document. Well, in the totality of the
24 document is where I have my concerns.
25 CHAIRMAN IMBRECHT: The totality of the

1 document shows clearly we continue to show less of a
2 need than do the utilities. We are below them. And,
3 even with the changes which you've enunciated, vis-a-
4 vis offsetting the changes in the other direction,
5 which Mr. Commissioner Commons indicated. When you
6 boil it all down the net is that we are below the
7 utilities today.
8 MR. MORSE: Right.
9 COMMISSIONER GANDARA: Again, I'm not getting
10 into this thing whether we're greater than or less than
11 utility. To me, my great concern isn't where we are
12 with respect to the utilities. I really don't care
13 where we are with respect to the utilities. My problem
14 is what is our best technical judgement as to where we
15 think the future's going to be looking like. Now,
16 somehow, I don't know if this is coming across as an
17 impression that we've gotta be less than the utilities.
18 That's not a criterion for me.
19 In fact, when we adopted 1983 BR, I
20 recommended to the Commission that they adopt the
21 forecast that was higher than the utility period in
22 several areas. PGandE service territory. We told them
23 they needed more in peak than they were telling us they
24 needed. So, again, I'm not one to either have a
25 history or to want to be below or above the utilities.

1 My thing is, are we where we think we ought to be based
2 on analysis and our own judgement. And, that's the
3 criterion that I'm using and that's where I find some
4 problems with this documents. I mean, the utilities
5 are fine. Let them say where they ought to be. But, I
6 think the major change here is what Commissioner
7 Commons just indicated a minute ago. He said that many
8 of these changes are to better reflect the utilities
9 accounting. Well, that's fine, but, it use to be.
10 COMMISSIONER COMMONS: No, no. I didn't say
11 that.
12 COMMISSIONER GANDARA: It used to be that we
13 use to forecast, and we use to pronounce policy that we
14 thought was part of the 25309B which was that policy
15 which best balances demand, economics and environmental
16 planning. So, that it was a function of where we
17 thought it ought to be. It was a normative process,
18 not one that reflected merely the inputs that we were
19 given. So, many that's a real fundamental change that
20 I'm having difficulty coping with. In any case, I'm
21 not going to belabor the point and go through the
22 details that I went through this morning with the
23 Commission.
24 But, I just want to point out that there are
25 significant changes here, since four members of this

1 Commission were not here the last time we adopted a BR.
2 And, it may be that this was going to be adopted, but
3 it is a significant variation. And, some of these
4 conclusions don't flow from these numbers.
5 COMMISSIONER COMMONS: Well, I first want to
6 state that the numbers that are shown here are not to
7 better reflect the utility numbers. But, I gave the
8 example before, which I don't want to repeat,
9 concerning reserve margins and how you handle peak.
10 And, after hearing both the staff presentation and the
11 utility presentation, it seems appropriate that you
12 handle peak as part of reserves, rather than as part of
13 the Demand Forecast. That's one of the reasons you
14 have a reserve. At the same sense, refurbishments is
15 an option.
16 The thrust of this Report, I feel, is not in
17 the direction that you're saying. It's in the
18 direction as to what the title is as where we're trying
19 to contain the increase in electricity prices. And,
20 so, in every single instance that we've looked at, and,
21 I think, when you hear from the QFs and from the
22 utilities, they're going to have the opposite opinion
23 to a certain extent, that this is a very tough
24 Electricity Report in terms of protecting the consumer
25 or the rate payer in terms of the different procedures,

1 or approaches that are outlined. And, those are going
2 to be the issues that are more controversial because
3 this document, there's no question about it, really is
4 aimed at leveling the playing field. Where the chips
5 fall, they fall. There is no bias for or against
6 anything, other than trying to contain cost. And, what
7 comes out economically is what's going to do well here.
8 And, if it's conservation, that's fine. It it's
9 refurbishment, it's fine. If it's peaker, it's fine.
10 The approach that was taken by the Committee
11 is how can we contain increases in electricity prices
12 in future years, and, the starting point was, there's a
13 market, you have to have a level playing field, and
14 whatever happens in terms of doing that type of
15 accounting, we'll find out. And, it doesn't matter
16 which way it comes out.
17 CHAIRMAN IMBRECHT: Let me try one response
18 as well.
19 COMMISSIONER GANDARA: This is my last
20 comment, I promise. And we can move on to the next
21 issue. But everytime, that you say something about to
22 wrap it up, you provoke something else. Okay, you just
23 finished saying that this is going to guarantee the
24 lowest cost to the consumer. That is a speculative
25 conjecture. There is nothing in this document that

1 ever analyzes what the cost of this resource planning
2 process is going to do for the cost of the consumer.
3 And with respect to the capacity and the energy needs
4 that you project and the changes in this direction, I
5 would say that you could not say that it is going to
6 lower the cost to the consumer.
7 No, I can't say it's going to increase the
8 cost. Okay. I have my suspicions, but I don't think
9 that anybody can make that particular statement, and
10 given the absence of any scenario work, that in
11 particular was done the last time around, to compare
12 the greater investment that would be trying to
13 beginning to the long run costs where, in fact, you
14 would be able to say something about what the cost to
15 the consumer would be over the long run, that that is
16 the kind of analysis that, perhaps you know, could come
17 forth from this. But at this point in time (and I can
18 appreciate the intent of containing the cost to the
19 consumer; everybody wants that), all I'm saying is that
20 it's not clear to me that one can say that this is the
21 least cost to the consumer. It's not clear to me that,
22 in fact, that one is talking about short-term least
23 costs versus long-term least costs over what period of
24 time you want. But it's not quite clear to me that we
25 can say that this whole thing can be, in fact, a

1 promise to lower costs to the consumer.

2 COMMISSIONER COMMONS: I didn't say least

3 costs.

4 CHAIRMAN IMBRECHT: Just a second. I don't

5 think anyone is representing it as a promise to the

6 consumer. I don't even want to get off on that point.

7 I want to return to your statement of criteria about

8 how to render these judegments. I want you to know

9 that I completely agree with that. I'm not trying to

10 reference; I used the ocmparision to the bottom-line

11 vis-a-vis utility numbers for one purpose only, and a

12 limited purpose; and that was to rebut a point that I

13 detected in your argument that was a suggestion somehow

14 that all of the modifications to ER4 had been made with

15 a bias that would lead to a result that would suggest

16 substantial overconstruction or other negatives that I

17 think we have all come to embrace in terms of rational

18 policy for the state.

19 To the contrary, there were substantial

20 changes in both directions. In each instance, the

21 criteria that you enunciated, i.e. an attempt to look

22 at the issue set apart for its logic and its internal

23 consistency, et cetera, at least from my perspective,

24 is how I believe that these decisions are reached. The

25 question of retirement issue is one we went into in

1 some depth. We've looked at the individual retirement
2 policies of the individual utilities. It became
3 apparent that the 45-year criteria of the Energy
4 Commission was truly unique. And, in fact, the actual
5 policy of most of the utilities was at or below that
6 which is what we are proposing for this Electricity
7 Report.
8 Now I might add that then, subsequently, I
9 inquired as to when the 45-year policy was adopted.
10 And that, in fact, represented the true inconsistency
11 vis-a-vis Commission policy. It was represented to me
12 absent any change today from staff that the 35-year
13 policy was used for ER 1, 2 and 3 and was up 10 years
14 for ER4. It is hard for me to see in that context that
15 a return to a four-year policy represents a radical
16 change or recommendation by this Electricity Report
17 Committee for the consideration of the Commission.
18 The numbers that are before you are, as
19 Commissioner Commons indicated, they had to be taken
20 into consideration vis-a-vis these footnotes, because
21 as you're well-aware, each of the utilities play the
22 submission game a little bit differently. In order for
23 us to produce a comparison that had any meaning and
24 represented a comparison of apples and apples, it was
25 necessary to reflect the information in this fashion.

1 I personally believe that when you look at
2 the final numbers and take into consideration what's
3 stated in those footnotes, the disparity between the 40-
4 year criterion for the Commission versus the utility
5 plans is smaller than the disparity between the utility
6 plans and the 45-year criterion. In any case, the
7 tests at least from this individual's perspective, were
8 as you indicated. And, I might add, that were there a
9 bias in here, then there would have been greater fights
10 on some of these other issues. I was persuaded on the
11 inclusion of substantially greater conservation
12 numbers.
13 I would just ask, for example, and this is a
14 rhetoricial question, concededly, but in terms of what
15 we're counting in posiitonal RETO vis-a-vis utility
16 incentive programs for conservation and the
17 translation, I might add, over to the commercial side
18 in that area. If I have a reservation about this
19 entire report, is to count the quantity of conservation
20 we are there in light of direct testimony from the
21 regulatory body that has jurisdiction over this, that
22 it is highly unlikely they are going to approve funding
23 at those levels.
24 Well, that suggests to me that there's an
25 overstatement of conservation, not an understatement.

1 With that and, I might add, that from my perspective, I
2 agree to that because it represented, at least as I see
3 it, as a clear statement of our absolute determination
4 to pursue those issues down the line and convert them
5 from conditional to unconditional. And if that means
6 that it has to be done in each and every 3-year rate
7 cycle for each and every utility, so-be-it. But that,
8 in essence, is what we have as testimony from the PUC.
9 COMMISSIONER COMMONS: I would like to
10 correct that, because I think the PUC testimony was we
11 should only count conservation in terms of what's in
12 the current rate base and that the rest of conservation
13 should be on the Supply Side. We certainly never had
14 any statement from any Commissioner or fromthe
15 Commission. And I do not recollect statements from the
16 staff as to substantial decreases in conservation.
17 Rather their emphasis was we should only count that
18 conservation which was firmly...
19 CHAIRMAN IMBRECHT: Let me make my statement
20 clearer. Decreases in conservation vis-a-vis that
21 which was reflected in either the utilities' filed
22 plans with us or in the initial staff numbers produced
23 by our own staff. And the PUC staff did, in fact,
24 represent to us that we should not count the savings
25 beyond the 3-year rate case cycles, and we should only

1 count that which is actually been funded and cut it off
2 at the end of those 3-year periods.
3 COMMISSIONER COMMONS: Okay, that's on the
4 Demand Side.
5 CHAIRMAN IMBRECHT: I understand.
6 COMMISSIONER COMMONS: Then on the Supply
7 Side, they said we should state our preferences, and we
8 should treat conservation like any other resource. We
9 didn't go quite that far, and when we came up with a
10 constant level funding which was also that advocated by
11 some of the utilities, we have not heard any opposition
12 from the PUC since we came up with that approach. I
13 think that was a balanced, fair approach and I've not
14 heard opposition to that approach after we arrived at
15 it.
16 I feel that there's a little overemphasis
17 that the PUC was saying that they're going to curtail
18 or cut back their conservation programs. The emphasis
19 is they only wanted us on the Demand Side to count
20 those conservation programs currently funded and looked
21 at the rest of conservation as a Supply Side option.
22 CHAIRMAN IMBRECHT: Let's continue.
23 MR. MORSE: May I direct the Commission to
24 Page 4-24 of the Electricity Report to discuss the next
25 item, which has to do with likely-to-be-available

1 resources? Table 4-8 I think is a good summary of some
2 of the changes that have taken place in likely-to-be-
3 available. To the best of my recollection, past BR's
4 have not really addressed this issue, and it is left
5 more up into the siting case to decide what the
6 difference is between the need and the resources for
7 various reasons are expected to be on-line.
8 In siting cases, we have traditionally used
9 the first two items noted here, "now operating" and
10 "under construction", and so I don't think it was
11 really stated in the ER for; but it certainly, as it is
12 carried out by the staff in its siting case workload,
13 we would assume about 5900 MW of resources likely-to-be-
14 available, and we have, in the past, used to term
15 "committed" there. What we show here is the Committee
16 proposing to include some additional resources and, in
17 the case of imports, an accounting change. I'll go
18 through each one of those.
19 Under third-party with critical path permit,
20 what we have there is an estimate of third-party
21 projects that would proceed, based upon a survey the
22 PUC had utilities conduct of where QF's or utilities
23 were essentially asked to indicate if they had secured
24 a critical path permit. Based upon the response to
25 that survey, we found that about 28 percent of the

1 projects identified and with signed contracts had
2 achieved the critical path permit. And so, that's what
3 we have shown here is counting that portion as likely-
4 to-be-available.
5 In the next category of imports, that's more
6 of an accounting change than anything from ER5. In the
7 past, those imports that had signed contracts or in our
8 opinion, based upon the evidence of the record,
9 appeared very likely. For example, renewal of the BPA
10 capacity exchanges. In past BR's we had listed that
11 under the existing system. And so that's one of the
12 reasons if you compare ER4 to ER5 of expired contracts,
13 there's a substantial change in that we're now not
14 playing them into the existing system, but rather
15 showing our expectation of these contracts to be
16 comingforward as one of the resources likely-to-be-
17 available.
18 And then, finally, under the category of
19 approved AFC's, where I believe that's the Getty
20 projects there, 300 MW of (Is that Getty? Yeah, Getty
21 Kern River). This is somewhat of a significant change
22 from the way we've done siting caseloads before. And I
23 think the big change, aside from the accounting work on
24 imports, is the inclusion of some number for qualifying
25 facilities. And here it is a recognition of the great

1 amount of third-party projects with signed contracts,
2 and the need to recognize that at least some portion of
3 those would be forthcoming in the forecast period.
4 COMMISSIONER GANDARA: If you look at the
5 refurbishment of the economy energy, Mr. Morse, it's
6 zero all the way across for 1996. To use the
7 counterpoint to conservation and resonably-expected-to-
8 occur, do you really believe that it's resonably-
9 expected-to-occur that there will be no refurbishments
10 by 1996? That there will be no Economy Energy by 1996?
11 MR. MORSE: Let me say that on Economy Energy
12 (we've talked a lot about that), I think that we can
13 certainly identify that there is an excess; and, we
14 haven't in testimony for this proceeding talked about
15 how much Economy Energy is likely to be there. Our
16 dilemma is what price it would be, and if we know the
17 price then we could see if it would be cost-effective.
18 And so it's a question of a policy call of where the
19 Commission wants to be in terms of one assuming that
20 it's going to be cost-effective and being there, or
21 place a burden upon evidence that there is going to be
22 a cap, for example, on BPA rates to make them cost-
23 effective.
24 COMMISSIONER GANDARA: In the realm of your
25 experience, have we ever had a year where there has

1 been zero Economy Energy?

2 MR. MORSE: I believe during the drought, we

3 were actually doing some exporting to the Northwest, so

4 '76 to '77.

5 COMMISSIONER GANDARA: And do your weather

6 projections for the next twenty years include a

7 drought?

8 MR. MORSE: Yeah, I figure there would be a

9 drought. One or two in the next twenty years.

10 COMMISSIONER GANDARA: Now your forecast went

11 from a hot adverse to a normal.

12 MR. MORSE: Oh, then you're asking in my

13 projection, if I'd say that there's going to be a

14 drought in the next twenty years, I'd say yes there is.

15 CHAIRMAN IMBRECHT: How was Economy Energy in

16 the last Electricity Report?

17 MR. MORSE: In past Electricity Reports,

18 we've assumed no Economy Energy.

19 CHAIRMAN IMBRECHT: So this is not a change

20 in policy from the ER4?

21 MR. MORSE: No, it's not.

22 CHAIRMAN IMBRECHT: Thank you.

23 COMMISSIONER GANDARA: Does your in-turn

24 utility transactions then, in the past you have

25 included the renegotiation in the contracts. Perhaps

1 I'm talking about different categories here; but here
2 you indicated that because you don't want to send an
3 untoward signal to the Northwest, you will include zero
4 in your renegotiated contracts. Now at least with
5 respect to the testimony given by the staff in the
6 Gilroy Needs by Determination, that in fact, there they
7 seem to have indicated that they did include, you know,
8 the Economy Energy.
9 MR. MORSE: Well, here we're talking about
10 the capacity under imports. If you notice there, that
11 if you're looking under imports on energy, you'll see a
12 lot of negative numbers? That's because what we're
13 talking about here is a capacity exchange, where we're
14 obtaining capacity from the Northwest and returning it
15 with energy. Since this is more of a nonmonetary-type
16 contract, that we expect it to be renewed versus
17 Economy Energy, where it really is coming down to a
18 dollars and cents question.
19 COMMISSIONER COMMONS: That does raise a
20 question if you on the one side show zero, how can you
21 on the other side show any number other than zero?
22 MR. MORSE: I was just trying to explain
23 that...
24 COMMISSIONER COMMONS: Well, you're going to
25 get some capacity for that energy.

1 MR. MORSE: That's right, we're getting
2 capacity with essentially an IOU to pay back the
3 capacity with energy.
4 CHAIRMAN IMBRECHT: There's no zero showed
5 for imports. Imports is reflected there. Right? The
6 difference is Economy Energy. You see that?
7 COMMISSIONER COMMONS: No, I'm just saying if
8 you have the imports...
9 CHAIRMAN IMBRECHT: ... Imports that you show
10 down below on energy reflect, in some instances, a
11 repayment for that capacity that's reflected on the
12 upper table...
13 COMMISSIONER COMMONS: Okay. I'm sorry.
14 CHAIRMAN IMBRECHT: ...with an energy
15 exchange. On Economy Energy, with a zero across the
16 board both from a capacity and an energy standpoint, is
17 exactly the way this was treated in the ER4.
18 COMMISSIONER COMMONS: That's correct. Okay,
19 concerning your other questions...
20 CHAIRMAN IMBRECHT: With respect to the other
21 imports, again, it's consistent with what the ER4
22 handled in terms of where the contracts have to be.
23 COMMISSIONER COMMONS: Concerning how we
24 treat Economy Energy and Refurbishments, Commissioner
25 Gandara, that is an issue that I think we have to look

1 at when look at what our preferences are in terms of
2 particular resources.
3 One of the reasons we changed again was to
4 have that opportunity to state what our preferences was
5 on Refurbishments. And so that would be an
6 apparopriate issue when we look at as a Commision what
7 our preference is.
8 CHAIRMAN IMBRECHT: That's right. I might
9 add as well, that I have been inclined to put some
10 Refurbishment in there only in light of the suggestion
11 that the jury is still very much out in terms of
12 significant investment of capital by the utilities in
13 refurbishment. If you look at the PGandE plants and so
14 forth, they show refurbishment, but they show it way
15 out into the future. And then when you talk to them,
16 you discover that they, as I indicated to you earlier,
17 are now having some second thoughts about the wisdom of
18 that approach. Okay.
19 MR. MORSE: The last area I want to make an
20 overview has to do with the distinction of base,
21 intermediate and peak load requirements and for that
22 summary, could I refer you to table 3-9 of page 3-21.
23 One of the things the staff tried to do late in
24 supporting this Electricity Report was to make a
25 distinction between the utilties existing base load

1 plants and requirements intermediate and peak load.
2 And we had some difficulty in doing that and so were
3 not able to include that in this report.
4 But what we were able to look at is what I
5 call the implied capacity factor, and what that shows
6 essentially is that if there's a very low capacity
7 factor, it implies that utility service areas are going
8 to be needing peaking capacity more so than base load
9 capacity. For example, if the implied capacity factor
10 was between 50 and 70 percent, that would say that
11 whatever resources you add, if they're base load
12 resources that's run at a 50 to 70 percent capacity
13 factor, they're matching one-to-one what the
14 incremental requirements are going to be.
15 What we have here in a combination with our
16 demand and supply policies is a much larger need for
17 capacity than for energy. So when you get an applied
18 capacity factor, particularly for the PGandE system of
19 15 percent, that means that you cannot really add any
20 baseload facilities. In fact, if you do add it, it's
21 going to create an even larger need for capacity only
22 type resources. So, th conclusion that's noted in this
23 section is that in looking at the need for new
24 facilities, particularly in the siting cases, there is
25 not a clear need for baseload facilities. What we'll

1 be needing is facilities that operate in the less than
2 50 percent capacity factor area, intermediate and
3 peaking type facilities. That's the overview and I'm
4 open for questions on that.
5 CHAIRMAN IMBRECHT: Okay, questions or
6 comments? Alright, if that completes your
7 presentation, then I think we ought to take public
8 comments on the Electricity Report, as indicated based
9 upon the variety of changes, we will not take this up
10 for a vote until Wednesday. If there are comments to
11 be offered at this point in time, we certainly would
12 appreciate it.
13 COMMISSIONER GANDARA: Mr. Chairman, point of
14 clarification, before Mr. Morse leaves. Again, I
15 arrived at the Business Meeting last Wednesday, and I
16 was handed something that had been introduced the
17 previous day which I had not been in attendance
18 -- something called Staff Preferred Reserve Need
19 Siting. And I don't know whether I'm perhaps
20 anticipating something that's going to be covered in
21 any case, but we haven't covered the Siting Policy. I
22 don't know whether the Siting Policy changed by the
23 Staff Preferred Reserve Need Siting; I understand
24 Commissioner Commons has some changes. Are we going to
25 take that up after public testimony?

1 CHAIRMAN IMBRECHT: Yes, if there was public
2 comment. Mr. Morse presentation, afterward I was going
3 to suggest we take up the Siting Policy. So, we can
4 keep it relatively clear and in order. Let's see. We
5 had Tom Davis. This would be Siting, I think. Only
6 then, Mike Gardner, representing Edison.
7 MR. GARDNER: Thank you, Mr. Chairman. I'm
8 Mike Gardner, Southern California Edison. I think only
9 two points that I wanted to bring up right at the
10 moment. One was in response to Commissioner Gandara's
11 indication that none of the utilities had complained or
12 supported (not sure which way you phrased it), back to
13 the 40-year retirement policy, or change. I did
14 testify last week that that was a key to our not
15 further arguing the forecast which we do view as being
16 too well. So, just for the record, we do think that
17 that is important - that the Commission stay with the
18 40-year retirement policy.
19 The second point I'd like to raise is the
20 Kern River Cogeneration Project on Table 4-8 which is
21 on Page 4-24. This is one I'd discussed previously and
22 the Committee had asked Edison, PGandE and the staff to
23 get together to come to some sort of resolution of the
24 number there. I think we have at least a partial
25 resolution to present to you and perhaps the problem

1 for you to resolve. But then, I guess that's what
2 you're paid for.
3 COMMISSIONER GANDARA: Mr. Gardner, you
4 promised to come back today with the resolution in
5 writing. I remember that very clearly.
6 COMMISSIONER COMMONS: That's the problem we
7 have to resolve.
8 (LAUGHTER)
9 MR. GARDNER: Certainly write it if you'd
10 like. I think it probably works better orally, because
11 I think there will be some questions. Okay. As it
12 stands, the average load of the Kern River Oilfield
13 over the last two years has been 65 MW. That load
14 reduction PGandE will see when the facility begins
15 serving its own load. If you subtract that from the
16 300 MW which is the nominal output of the project, that
17 brings you down to 235 MW. We are projecting about a
18 16-megawatt in-plant use, essentially parasitic loads
19 which brings you down to 219 MW. There is a contract
20 between the Kern River Cogeneration Company and Edison
21 for 170 MW of firm capacity to Edison; that brings it
22 down to 49 MW. There is a secondary part of the
23 contract for 30 MW of non-firm energy as available to
24 Edison, which gets you down to 19 MW. Texaco now, who
25 bought Getty recently, projects that that 19 MW will be

1 eaten up in growth in 1988-90 timeframe. That
2 calculates out all the number. Staff's problems, as I
3 understand it, and I have to agree with them, is that
4 when the facility was originally analyzed by this
5 Commission, it was assumed that all 300 MW would go to
6 the Edison Company and the Commission may have come to
7 a different decision had it looked at a portion of the
8 megawatts coming to Edison and a portion of the
9 megawatts reducing PGandE load. That, I think is the
10 problem that faces you to try how to decide how to deal
11 with that.
12 I don't think there's any difference among
13 the three parties -- PGandE, staff and Edison -- as to
14 the accounting of the numbers.
15 COMMISSIONER GANDARA: Well, I don't have a
16 question in that respect, Mr. Gardner, because it's my
17 understanding that a 300-megawatt plant the Commission
18 sited was when it was considering that that was 300 MW
19 net, and that the 300 MW net already subtracts out your
20 parasitic losses. The gross rating of the plant is one
21 that we have not assumed the sort of jurisdiction over.
22 So, I'm I misunderstanding something here?
23 MR. GARDNER: I think you are Commissioner.
24 They are nominal 75-megawatt turbines, four of them
25 -- which does come out to 300. You get major

1 differences with atmospheric conditions and the output
2 of combustion projects, more so than you do with
3 boilers. But it is a nominal 75-megawatt turbine. And
4 that's how we got to the 300.....
5 COMMISSIONER GANDARA: Is it the gross or net
6 output?
7 MR. GARDNER: Yes, gross.
8 CHAIRMAN IMBRECHT: It sounds to me like
9 -- let the understand what the last 19 was?
10 MR. GARDNER: Okay, that is basically what
11 Texaco is projecting for growth in oilfield demand,
12 which it would have taken that full 19 MW in the 1988-
13 1990 timeframe.
14 CHAIRMAN IMBRECHT: So, increased
15 parasitic....
16 MR. GARDNER: Well, from the oilfield total,
17 not from the cogeneration project itself. More pumping,
18 water pumping, operating scrubbers on some of their
19 existing facilities. They're projecting their total
20 oilfield load in the 100-megawatt range by...
21 CHAIRMAN IMBRECHT: Who are they going to get
22 that electricity from?
23 MR. GARDNER: As of now, we're getting it
24 from PGandE. Historically, over the last two years
25 that's averaged to 65-megawatt load.

1 CHAIRMAN IMBRECHT: And suggestions that will
2 increase to .....
3 MR. GARDNER: Around 100 in the 1988-90
4 timeframe.
5 CHAIRMAN IMBRECHT: You would go 19, so that
6 would be 84.... So on that basis, we would give you
7 216; then 84.
8 MR. GARDNER: I think the proper fix is to
9 subtract the 65-megawatt load reduction that PGandE
10 will see from them. I believe Mr. Baumgartner
11 indicated that PGandE had not assumed any further
12 growth in demand in the oilfields. So, that 19 MW
13 essentially would not come from PGandE. PGandE would
14 see a load reduction of the 65 MW; Edison has 170 MW
15 firm; we have 30 MW as available. I'm not sure how you
16 want to deal with that in the early years of the
17 project. That will be available more often than it
18 will in the later years. My understanding is the
19 reason they wanted to keep that additional 30 MW rather
20 than contract, is they are anticipating small load
21 growth that will eat into that over the years.
22 CHAIRMAN IMBRECHT: Let me ask staff to take
23 a look at this. Do you have any recommendations?
24 MR. MORSE: Yes. Two of them -- I think one
25 thing is sort of a lesson to learn and privy to a case

1 before it has a signed contract, the fact that we had
2 Edison testifying to the need of this facility need 300
3 MW. The Commission granted the facility thinking that
4 all that need was in the Edison service area, and then
5 signed a contract to provide something else that shows
6 that the contract is probably something necessary for
7 the Commission to adequately deliver on the need for a
8 facility. Now, as far as I know in cogen cases, they
9 do have signed contracts so we may not have this
10 problem again.
11 I'm concerned that there are some missing
12 megawatts in terms of siting a 300 MW facilty;
13 subtracting 65 MW from the PGandE service area, and 170
14 to Edison. We've sited a 300 MW facility and we
15 somehow in the system, lost some capacity in terms of
16 accounting. I think, as a matter from where we go from
17 here, we could take Edison's suggestions. We could
18 also ask that the staff obtain a copy of the contract
19 with Getty; do an analysis of that contract; then make
20 a recommendation on the proper accounting. If Edison
21 is reluctant to give this contract to the staff or to
22 the Commission, we could ask the Public Utilities
23 Commission, who does have access to the contract, for
24 an opinion. Those are three options you could pursue.
25 CHAIRMAN IMBRECHT: Okay, why don't we take

1 that under advisement for adoption on Wednesday...If
2 there aren't anymore further questions. Alright, I
3 believe that anyone else we should be heard generally
4 on the Electricity Report absent from the Siting
5 Policy? Mr. Baumgartner.
6 MR. BAUMGARTNER: Mr. Chairman and members of
7 the Commission, my name, for the record, is Peter
8 Baumgartner. I represent Pacific Gas and Electric
9 Company. I had only two brief comments, and they are
10 very preliminary, because we haven't had a chance to
11 thoroughly analyze all of the changes that have been
12 made and what their impact may be,and how they relate
13 to the comments which we made on the last previous
14 occasions.
15 The first comment I would make is to take up
16 just very briefly and extend some of the remarks of Mr.
17 Davis. I have agreed with Mr. Davis that I would try
18 and work with them and see if we could come up with
19 something that we could jointly recommend to the
20 Commission. The language that is proposed in the
21 changes would be satisfactory to PGandE if the word
22 municipal were dropped out. Our bottom mline has been,
23 and what I tried to emphasize the other day, is that we
24 believe that the Committees in a siting case should be
25 given the maximum scope that's permitted by the Warren-

1 Alquist Act and to take into account all of the various
2 factors, including changes which may occur, and the
3 peculiar characteristics of the service area, and
4 balance those against the needs of the state on a
5 statewide basis, and come up with within the context of
6 the Siting Policy.
7 COMMISSIONER COMMONS: Peter, on that issue,
8 we have changed the word "municipal" to "utility".
9 MR. BAUMGARTNER: Then, we would agree that
10 the language is unoffensive as far as PGandE is
11 concerned. The second item ....
12 CHAIRMAN IMBRECHT: We'd still like you to
13 work with Mr. Davis, though. We can make it less
14 offensive to both sides.
15 MR. BAUMGARTNER: Alright. The second item
16 is a matter that I mentioned the other day, and it has
17 to do with the differences in the definition of likely-
18 to-be-available as applied to third-party projects,
19 utility-sponsored projects and load management and
20 conservation. The definitions are different in each
21 case. For utility projects, the project must have
22 obtained the last permit required in the licensing
23 process, plus be under construction. For third-party
24 projects, QF's and so forth, the project must only have
25 obtained the last permit required. For load management

1 and conservation, no approvals are necessary. They
2 need only to be approved and need only to have been
3 proposed and included by the Committee in the list of
4 those that they consider to be likely-to-be-available.
5 We believe that those projects which have already, in
6 the final stages of licensing, and for which
7 adjudicatory hearings have been held on need, should be
8 considered to be likely-to-be-available. I think I
9 understood the comments that were made by the Chairman
10 the last time with respect to Solar 100; or I think
11 that was the project. I just think that an individual
12 in siting cases, the language which allows the
13 Committee to take a look at the planning and service
14 areas and to make adjustments for things like that is
15 the better way to go, rather than to come up with these
16 definitional differences between the three different
17 categories which, to me at least, don't make very much
18 sense in terms of the investment that PGandE, for
19 example, has put into a geothermal project and for
20 which the CCPA must have invested a considerable amount
21 of money and is on the verge of obtaining a license.
22 CHAIRMAN IMBRECHT: It wasn't Solar 100. It
23 was a couple of other items. Commissioner Commons, do
24 you want to take a crack at it first?
25 COMMISSIONER COMMONS: Yes. Commissioner

1 Crowley's office has been working on this problem. One
2 recommendation that we'll probably be discussing when
3 we come to the Siting Policy is not in the definition
4 of likely-to-be-available, but at the time an applicant
5 comes before the Commission to do an accounting there,
6 and when a project has been identified to check off
7 from the reserve column as on a geothermal project, for
8 example.
9 Let's say you come in with a 130 MW facility.
10 We put it into another category after the application
11 is received and it has gone through data adequacy. So,
12 that has been reserved for that project, and then at
13 the end of the year when the project is sited, then it
14 goes into--I think it gets finally deducted. If it
15 turns out that it wasn't sited, then it goes back in.
16 But, the problem that you are addressing may best be
17 handled through an accounting procedure on the reserve
18 and to modify the definition. We have a separate
19 problem with the QF's with a large number of contracts
20 and how to get a handle on that, than those projects
21 that come through the Commission. So, we are trying to
22 use some imagination and thank Commissioner Crowley's
23 office for, at least, coming up with this idea. It
24 will be one which we will get into and discuss when we
25 do the close of the Siting Policy.

1 MR. BAUMGARTNER: Those are the only two
2 comments which immediately come to mind, and I'm sure
3 we'll have some more on Wednesday.
4 CHAIRMAN IMBRECHT: I can't recall, but I
5 think it's my recollection that there are a couple of
6 AFC's that we granted sometime back where projects were
7 not moving forward. It's pretty clear they are not
8 going to move forward.
9 MR. COHN: I believe the only one that I'm
10 aware of is the Solar 100 facility. I believe SCE
11 testified at an earlier Committee Hearing that indeed,
12 while that had an AFC granted, that it should not be
13 considered as likely-to-be-available. I think
14 informally, if not formally, the Committee indicated on
15 the record in past hearings that certainly if there
16 were specific evidence that a particular facility was
17 not going forward, even though it fell into one of the
18 other categories such as Even Under Construction, for
19 example, that that should be taken into consideration
20 in doing these calculations.
21 An example -- I hate to use this one, but up
22 in the Northwest, some of our friends have had trouble
23 finishing some power plants, and while they were under
24 construction, we might not want to consider them to be
25 likely-to-be-available.

1 CHAIRMAN IMBRECHT: Okay. Mr. Baumgartner,
2 do you have anything to add?
3 MR. BAUMGARTNER: No, sir. I was just going
4 to respond on the Solar 100, that Mr. Cohn's summary is
5 correct from our viewpoint at least.
6 CHAIRMAN IMBRECHT: Alright, fine, thank you.
7 We will take that into consideration. Further comment?
8 Alright, Mr. Cohn, do you want to give us a
9 presentation on the Siting Policy?
10 MR. COHN: Okay. I distributed, this
11 morning, to the Commissioners and to the public here, a
12 four page document entitled "Biennial Report
13 Committee's Revised Need Tests". This document is
14 intended to replace Section 5.3 of the Draft Final
15 Electricity Report. I would note, also, that there was
16 a reference in two or three places in that document to
17 a Table 4-12. That document has also been handed out.
18 If anyone does not have a copy, I have one here at the
19 table.
20 As you will note, there are many changes
21 contained in this document from the Draft Final
22 Electricity Report which was distributed a few weeks
23 ago. The reason for these changes is principally to
24 respond to comments, both from the Energy Commission
25 staff, as well as public comments from utilities and

1 qualifying facilities and others.
2 COMMISSIONER COMMONS: Let me interrupt here
3 for one second, Steve. There was another major reason
4 for the change, and that was the Draft Final was based
5 on having utility numbers, in terms of preferences via
6 utility service area volts from megawatts and
7 gigawatts, and based on the testimony that we heard
8 last week when we were going to be going only with
9 statewide numbers for megawatts, this required a
10 significant number of the changes that we have herein.
11 MR. COHN: I would note further that some of
12 the changes we recommended, changes that we heard from
13 various parties, were coming from a decidedly different
14 perspective. Some which would seek to make our need
15 determinations tougher and some which would seek to
16 make them more lenient. The Committee has attempted to
17 balance these kinds of concerns, in response to the
18 Warren-Alquist Act mandate that we are only to license
19 enough facilities, power plants and transmission lines,
20 to ensure adequate and reliable supply, but not to site
21 too many because of the need to protect the environment
22 and the public health and safety against the potential
23 negative effects of having too many power plants in
24 this state. There are many ways that the Commission
25 can accomplish this goal, and one which we have heard

1 from in the past is a first-come, first-served policy,
2 where we would license whatever facilities come in
3 first up to the level required to meet demand. But,
4 the Commission is determined, in past planning reports,
5 and this Committee is reaffirmed.
6 In this Draft Final Report, a policy to
7 encourage certain preferred resources, principally
8 renewable resources in conservation. The reserve need
9 concept which is discussed throughout the Electricity
10 Report document and, in particular in Chapter 5, is the
11 logical extension of the preferred resource policy.
12 Essentially, what the Committee proposes is to reserve
13 a certain amount of overall system need for certain
14 specified resources. Within each resource category, it
15 would still allow first-come, first-served to a large
16 extent. But, the reserve need structure, in
17 combination with individual siting case scrutiny,
18 should ensure the kind of research diversification and
19 balance that we seek to achieve in this report, will in
20 fact, come into being. The kinds of concerns that we
21 need to balance when doing this kind of need assessment
22 are spelled out in the statute, and these involve
23 protection of the environment, the public health and
24 safety, maintenance of a sound economy, consideration
25 of load growth, and also conservation of natural

1 resources. Now, I would just briefly like to highlight
2 the changes which have been passed out here today, in
3 comparison with what was in the Draft Final Electricity
4 Report, as published.
5 First of all, in order to clarify the
6 questions that we were receiving from many parties and
7 from people here within the Commission, and as
8 Commissioner Commons stated earlier, we have now
9 specified that there is no separate reserve need by
10 utility service area or by gigawatt hours. But,
11 rather, we are using the statewide megawatt numbers
12 which were specified in the Draft California Energy
13 Plan. The Table 4-12, which I passed out earlier and
14 alluded to, is essentially a reprint of the reserve
15 need numbers which were contained in the Draft Energy
16 Plan. I would propose that an amendment be made to the
17 Paragraph 1 under General Rules. Basically, an
18 exception for conservation, and I will get to that
19 point later. So, that in fact, there would be a
20 reserve need by utility area by conservation.
21 The second general rule that appears on the
22 first page of the Revised Need Tests simply refers to
23 the fact that facilities which are commercial
24 demonstration projects, under the applicable Warren-
25 Alquist Act code section, are not to undergo economic

1 tests, due to the fact that these are research and
2 development facilities. In fact, the act goes a bit
3 farther and declares that we are not bound by the same
4 need requirement that we are for other facilities, when
5 we are reviewing an R & D facility. In other words, we
6 do not necessarily have to make an affirmative need
7 finding with respect to commercial demonstration
8 facilities.
9 In Paragraph 3, we had softened the statement
10 that was in the Draft Final as to how to treat peaking
11 facilities, and have indicated that as a general rule,
12 we would use a 5-year forecasting period and exclude
13 needle peak requirements, which are usually better
14 served through load management, but provide for the
15 possibility that neither of those conditions may be
16 applicable in a particular situation. I would also
17 note an amendment there that the conditions listed as 1
18 and 2 in that paragraph, should actually be A and B, in
19 order to be consistent with the first line.
20 Next, in Paragraph 4, you will see an
21 addition that was not in the Draft Final. This is
22 basically a policy statement with respect to
23 transmission line first that the Commission may, but
24 not must, consider whether there is a reserve need for
25 resources that the line is proposed to serve.

1 Secondly, that planning a statewide area need should
2 take precedence over a specific utility service area
3 need. Next, in Paragraph 5, the major change there is
4 to indicate that the tests which we are about to
5 discuss are now to be used in succession whereas
6 before, they were designed so that an Applicant could
7 choose whichever test it so chose and not necessarily
8 go in succession. Paragraphs 6 and 7 refer to an
9 applicant having to provide either a written agreement
10 or a firm commitment for transmission services in the
11 case of where an applicant is seeking to yield the
12 power from the project to its utility service area,
13 where they are not in the same area.
14 Secondly, any project proponent which is
15 seeking to sell its power to someone else. We already
16 heard earlier today in discussing the Kern River
17 Project, why this kind of condition is necessary to
18 ensure that we can accurately gauge the need for a
19 particular project. This is, once again, not an
20 absolute requirement that there be a written agreement,
21 but at least some kind of firm commitment in order to
22 have an adequate basis for making a need determination.
23 COMMISSIONER GANDARA: Mr. Cohn?
24 MR. COHN: Yes?
25 COMMISSIONER GANDARA: Can I interrupt you

1 now, or are you in the midst of ....
2 MR. COHN: Well, I was just going to go
3 through the differences in each test, but I would be
4 happy to answer any questions up to this point.
5 COMMISSIONER GANDARA: What's the
6 Commission's preference? I have a question on one of
7 these. Item #4, this is a new element here that hasn't
8 been in any of the discussions I've heard thus far.
9 MR. COHN: The one regarding transmission
10 lines?
11 COMMISSIONER GANDARA: Yes. So, I just want
12 to make sure I understand what you are saying here.
13 Are you going to establish a reserve need by area?
14 MR. COHN: No. The reserve needs are
15 statewide.
16 COMMISSIONER GANDARA: So, if there is a
17 reserve need for geothermal power that is going to be
18 largely coming from the Imperial Valley, will that
19 serve as a useful criterion for a power line out of the
20 Geysers area?
21 MR. COHN: No. I don't believe that it
22 would. An example of where this kind of policy
23 statement could be useful could be where an applicant
24 comes in for a transmission line proposal to serve
25 whatever resource you want to choose. You mentioned

1 geothermal, so I'll take that as an example. In
2 determining the need for transmission lines, while we
3 do not have specific statutory regulatory criteria, the
4 Commission practice has been to determine what the need
5 would be for the underlying power plants that the
6 transmission line seeks to serve. At least, as one
7 possible component ....
8 COMMISSIONER GANDARA: Let me say that I sat
9 in on a Need Determination hearing for the GPPL and I
10 can't frankly tell you what the Commission policy has
11 been for a need determination for transmission lines.
12 So, skipping over that one, I just want to know whether
13 here, the reserve need at the table that I look at, is
14 geothermal.
15 MR. COHN: Right.
16 COMMISSIONER GANDARA: Okay. Now there is a
17 complement there that's not separated between
18 geothermal and Geysers. The geothermal..... So, I
19 want to know how I would consider that a reserve need
20 for a transmission line from the Imperial Valley to
21 some place or from the Geysers area to some place would
22 be distinguished by this policy.
23 MR. COHN: Well, what this policy would allow
24 you to do is to consider the entire reserve need for
25 geothermal, among other evidence as being evidence of

1 what power plants would likely be available during the
2 resource planning period. So, in some instance that
3 you could probably contemplate, you could have a
4 situation if we had, for example, a transmission line
5 to serve the Geysers simultaneously with a transmission
6 line to serve the Imperial-Heber area. There could be
7 some question as to how much of that should be for dry
8 steam and how much should be for liquid. So, this
9 policy doesn't really address that issue, basically.
10 It leaves it just sort of ....
11 COMMISSIONER GANDARA: I didn't think it did.
12 The other question I have now is the following. It
13 says that "in determining the need for a transmission
14 line, the Commission may consider a reserve need for
15 resources a transmission line is proposed to serve".
16 MR. COHN: Let me give you an example where
17 it could be used ....
18 COMMISSIONER GANDARA: Generating resources
19 or not, I guess. So, I guess, that's my question,
20 which is--take a look at the Geysers where some place
21 else in the report, it stated "there is a declining and
22 finite resource". Okay, currently, right now, as
23 ambiguous as it was, in any case, looking at the need
24 determination for GPPL they looked at the supply and
25 what was available at the Geysers. Now, that was total

1 supply. Now, according to this reserve need, the
2 reserve need is going to be an incremental need only
3 for the future. So, that could be the situation where
4 the reserve need could be small or nothing, but the
5 actual supply that exists there is quite large, and
6 with this criterion, if there is no reserve need, you
7 will not have a need for a transmission line because
8 the reserve need doesn't roll into it--the existing
9 supply. It's just an incremental.
10 MR. COHN: I don't think that conclusion
11 necessarily follows from the premise that you laid
12 there. I think that in gauging the need for a
13 transmission line, you are looking at a combination of
14 the existing system plus what's likely to be brought on-
15 line. It's that total system that you are looking at
16 when you determine need for a transmission line.
17 An example where this kind of policy could
18 come into play would be where someone proposed a
19 transmission line to serve projects in which there was
20 no reserve need and where an argument could be made
21 where they might want to have such a project go
22 forward, the underlying power plants, perhaps, are not
23 likely to go forward and that could be considered just
24 as the converse of that, where someone could seek to
25 bolster their case that it is likely that projects will

1 go forward since there is a reserve need for that
2 certain type of resource. But, I think what you are
3 looking at is, essentially, a policy statement rather
4 than a key regulatory criterion with any teeth to it.
5 COMMISSIONER GANDARA: Well, that's what I
6 was wondering because it says the Commission may
7 consider whether there is a reserve need. Well, it may
8 or it may not. What does this add? I mean, the
9 Commission may consider reserve need or may not
10 consider reserve need. It may consider unspecified
11 need ....
12 MR. COHN: I think it's really a statement of
13 intent that we don't want to necessarily be limited to
14 looking at only those resources that are likely-to-be-
15 available, using the kind of criteria which had been
16 set up or which might be adopted for likely-to-be-
17 available. So, it's more a statement that we might
18 want to look beyond that at longer range proposals, and
19 one way of doing that would be to examine whether or
20 not there is even a reserve need in an amount that
21 could conceivably be used to bolster particular siting
22 cases.
23 COMMISSIONER GANDARA: I understand that.
24 Not intended to provide any great clarity of
25 implementing criteria, right?

1 MR. COHN: No. To move on then to the first
2 of the four tests that are described, this is the
3 Specified Reserve Need Test. Essentially, this is the
4 same as the test which is entitled Reserve Need Test in
5 the Draft Final, with one major exception, and that is
6 Condition 4 has been added to make this test somewhat
7 more stringent than it was previously.
8 Test 4, as you can see, requires an applicant
9 either show that the power from the facility would
10 match the load conditions of the service area in which
11 power is to be delivered. Or, if it cannot do that,
12 then demonstrate that it provides an overall benefit on
13 the basis of the five statutory factors that I
14 mentioned previously. One other less substantial
15 change is to break out the avoided cost criterion which
16 was previously included. Such as for projects as QF
17 projects where the risk of cost overruns is not borne
18 by the ratepayer, you would have a less stringent cost
19 test than you would for most utility-owned facilities,
20 at least those utility-owned facilities where the risks
21 of cost overruns are borne by the ratepayer.
22 We have also, specifically, set forth that
23 the avoided costs to be used would be that as
24 determined by the applicable rate-making authority, so
25 that there would not be confusion as to whose avoided

1 costs we were to be using in that test. The comment
2 below the reserve need test refers to the Commission
3 maintaining an official summary statement indicating
4 the original size of the reserve need and updating that
5 on a regular basis. I would propose that that be done
6 at the staff level and that that not be any kind of
7 adopted statement of likely-to-be-available resources,
8 but that such determination should be made in the
9 context of individual siting cases. But, this could be
10 helpful, at least, to give some kind of guidance to not
11 just project proponents, but also other interested
12 parties as to what the status is as to the various need
13 categories.
14 The Unspecified Reserve Need Test was
15 originally one part of the integrated need test. That
16 is the test, No. 1, which was contained in the Draft
17 Final Report. Essentially, what you have here is a
18 situation where the project does not come under a
19 reserve need, or at least its reserve need may have
20 been used up already and it seeks to come in under the
21 unspecified category which, as listed on Table 4-12, is
22 approximately 1600 MW, at present. This test is a
23 little tougher than the reserve need, in that the
24 requirement in Condition 4 is that you must demonstrate
25 that there is sufficient remaining total need for

1 energy or capacity in the utility service area to which
2 power is proposed to be delivered, which is basically
3 similar to what the staff currently has been--in the
4 recent past, has been doing in most siting cases.
5 Also, a requirement that to the extent that need for a
6 facility is based on oil or gas displacement, that the
7 Applicant must demonstrate that the facility will, in
8 fact, displace the fuel that it claims to be
9 displacing. Now, the other thing that I would note
10 here is, as I mentioned earlier, we would break down
11 conservation by utility service area. That becomes
12 relevant under this Test 4, and is also incorporated in
13 both of the tests that follow. In that, the total need
14 for energy and capacity would be reduced by that amount
15 of conservation, which is computed for that service
16 area.
17 As Mr. Jaske testified earlier, Appendix 2.3
18 breaks down that 1700 MW total service area by service
19 area. The Replacement Need Test was formerly also part
20 of the first integrated need test but now it's been
21 broken out. This basically indicates where you have,
22 neither a specified or unspecified reserve need
23 remaining. You can still attempt to demonstrate,
24 although it's a rather difficult burden as laid out in
25 Condition 1, that there is an unfilled reserve need for

1 another resource type which is not going to be filled
2 in the 12-year forecasting period. Several examples
3 have been mentioned in today's hearing and in last
4 Wednesday's hearing.
5 For example, where the Public Utilities
6 Commission may decide not to fund programs that we had
7 counted on in the conservation reserve need. Another
8 example would be where there is a major problem in
9 steam availability in the Geysers, or similar type
10 problems with respect to other resources. A further
11 condition on using this test would be that total
12 statewide reserve need is still sufficient to cover the
13 facility, so that if, for example, projects that we do
14 not certify, such as projects under 50 MW have been
15 coming on line at a more rapid pace than we had
16 projected, and so it filled up the entire need for the
17 state, we would not want to then compound that problem
18 by licensing even more facilities. So, the only
19 additional criterion for the Replacement Need Test
20 would be an additional showing that is not required for
21 the unspecified, and that would be that you must
22 demonstrate, once again, overall benefit on the basis
23 of the five statutory criteria. Finally, we come to
24 the System Displacement Need Test ....
25 CHAIRMAN IMBRECHT: Before you move off the

1 displacement--let me just ask. To show the overall
2 benefit on the basis of balancing the five statutory
3 criteria. Isn't that, as opposed to the reserve need
4 that you are attempting to replace?
5 MR. COHN: I think originally there was some
6 ....
7 CHAIRMAN IMBRECHT: You're showing overall
8 benefit in relation to what? If you are trying to
9 build a geothermal plant and you are trying to take a
10 piece of need out of cogeneration ....
11 MR. COHN: I think originally when the ....
12 CHAIRMAN IMBRECHT: Wasn't that the
13 concept...
14 MR. COHN: When the concept was put forth in
15 the Draft Final, that was certainly the thought. Since
16 that time, it was considered that a project could seek
17 to compete, essentially, against another box. But, the
18 way it's been drafted here, is that the only way that
19 you can attack, so to speak, another box, is through a
20 showing that that resources reserve need is not going
21 to occur. Rather than just on the basis of balancing
22 the state-wide benefits. The thought being that the
23 balancing has already been done during the planning
24 stage and there should not be a re-evaluation of that
25 unless you can demonstrate that our assumption on the

1 availability of that resource was incorrect. Finally,
2 on the displacement need test, which is comparable to
3 what was earlier referred to in the Draft Final as the
4 ....
5 CHAIRMAN IMBRECHT: I don't think I really
6 got an answer to my question.
7 MR. COHN: Oh.
8 CHAIRMAN IMBRECHT: Let's look .... Still, I
9 mean, recognize and demonstrate that what had
10 originally been characterized as likely to occur-
11 -likely to be achieved within the reserve need box for
12 another technology, then you are demonstrating an
13 overall benefit vis-a-vis five statutory criteria
14 compared to what?
15 COMMISSIONER COMMONS: Let me ....
16 CHAIRMAN IMBRECHT: In a vacuum or compared
17 to the reserve need that you are attempting?
18 COMMISSIONER COMMONS: In the Draft Final,
19 Mr. Chairman, on Page 5-7, it was written the way it is
20 here. It was not in comparison. In that case, we had
21 done the comparison on having a lesser cost to the
22 ratepayer as compared to in the absence of the proposed
23 facility. We have dropped that lesser cost and it had
24 never been proposed that the judgment be based
25 comparing the project to the other project. If you had

1 found, for example, that this Conservation Program is
2 not going to occur, it doesn't make any sense.
3 CHAIRMAN IMBRECHT: Okay. We're not using
4 that as an example.
5 MR. COHN: Well, Mr. Chairman, I think
6 perhaps what you are suggesting is that it would be
7 insufficient just to show that there is still available
8 need or unfilled need that is not going to be met by
9 what we had thought was going to be one particular
10 resource type. But, that you should also demonstrate
11 that your project, in comparison with other projects
12 that might fill that need, provides a demonstrable
13 benefit and I think that certainly ....
14 CHAIRMAN IMBRECHT: See, the whole point of
15 reserve need applications is to create a picture of
16 diversity that reflects all of the various issues that
17 we have taken into consideration. So, even if all the
18 likely-to-be-achieved congeneration, for example, had
19 not occurred and was not likely to occur in a 12 year
20 period, that still doesn't argue, necessarily, that
21 that should be replaced by geothermal, for example.
22 I am just purely using those technologies for
23 hypothetical purposes. It's not something that needs
24 to be resolved right at this point. I just wanted to
25 raise the issue. That's, at least, how I had expected

1 when we got down to that level, that this test would be
2 applied, which seemed to me, to be a further....
3 Commissioner Gandara understands. Nevertheless, I am
4 trying to lay out the building blocks that I think
5 provide adequate assurances that allow me to conclude
6 that the likelihood of the Conditional RETO be replaced
7 by a new generation technology is extremely difficult,
8 and would only occur under the most limited
9 circumstances.
10 COMMISSIONER GANDARA: I appreciate your
11 keeping me in mind, Chairman Imbrecht, because
12 sometimes as I sit through these things, I believe I
13 must be headed toward a nervous breakdown because these
14 funny thoughts come into my mind. What this brings to
15 my mind is the last time I saw something like this I
16 was doing some work on east-west trade, and this seems
17 to have the same aspects of the Soviet Perennial 10-
18 Year Plan to distribute the wheat surplus that never
19 occurred. I'm just wondering, Mr. Cohn ....
20 CHAIRMAN IMBRECHT: Therefore, there should
21 be no fear about ....
22 COMMISSIONER GANDARA: I'm wondering, is
23 there intention on the Committee's or Commission's part
24 to put these into regulatory form; to express the
25 policy as broad as has been expressed in the BR 1. It's

1 another to be so specific and so unclear in its
2 particular application and the ambiguities that are
3 present in this kind of discussion and so forth. Are
4 we going to embark on a rulemaking proceeding before
5 these things become effective or ....
6 MR. COHN: Well, that has not been proposed.
7 I'll let Commissioner answer that.
8 VICE CHAIR CROWLEY: I was concerned about
9 that, and I thought perhaps it would involve rule
10 making, until I was reading this and saw that it spoke
11 to a facility and dealt, in some detail, with the
12 problem. I thought it would be appropriate to see how
13 it would fit in with our siting procedure.
14 So, I've developed some suggestions as to how
15 one would step through this and square it with, and
16 where we would answer the various questions that
17 occasions as we went through a siting process. I would
18 be very pleased to have this considered community
19 matters for consideration, because I do think it's
20 going to be important to have a sense of how these all
21 fit together. So, this is how we perceive as a way of
22 having it come before the siting committees to overcome
23 some of the problems we saw if it were just dealt with,
24 unspecifically.
25 COMMISSIONER GANDARA: So, I guess that the

1 thought did occur, at least simultaneously. At least,
2 that this would require some regulatory reform changes
3 ....
4 VICE CHAIR CROWLEY: As I say, I would assume
5 regulation would be the place, except that it speaks so
6 specifically to a facility, which I saw as a site-by-
7 site discussion, that I thought maybe should be brought
8 up at this point.
9 COMMISSIONER GANDARA: I know you haven't
10 finished, Mr. Cohn, but let me ask again. I'm looking
11 at your Specified Reserve Need Test. If I am an
12 Applicant and I come to you with a plan--forget all the
13 problems of conservation right now. But, I come to you
14 with a real plan and I say--let's say it's a
15 cogeneration plant, and I look over here at this table
16 and I see there is a reserve need for cogeneration and
17 it's going to be gas-fired, okay? I pass Test 1.
18 Then, it's going to be for 300 MW, so I need Test 2.
19 It won't exceed the unfilled reserve need. Then, I
20 look at Test 3. Let's say the cost performance will be
21 performed by the ratepayers. So, therefore, the cost
22 will probably be less that are equal to the lesser
23 threshold cost. I assume that somewhere in this
24 process, I am going to have enough information to
25 project the costs of this power over the long run. I

1 guess over the life of the plant or at the time of the
2 application, or what?
3 MR. COHN: Well, first of all, the
4 cogeneration facility would most likely come under 3A,
5 because it most likely would be a QF. But, in any
6 event, what we have referred to are the utilities ....
7 COMMISSIONER GANDARA: Okay, let's take 3A
8 then--let's make it a QF. Then, it will be sold to
9 utility at or below the utility avoided cost, as
10 determined by the applicable rate-making authority. I
11 take it that the reference to the rate-making authority
12 is that the rate-making authority determines the
13 avoided cost for the utility, rather than whether it
14 will be sold to the utility, at or below the avoided
15 cost?
16 MR. COHN: I guess I didn't understand the
17 distinction ....
18 COMMISSIONER GANDARA: The last clause--the
19 last phrase, 'as determined by the applicable rate-
20 making authority'. Is that a reference to the avoided
21 cost or is that a reference to the determination that
22 it will be sold to the utility at the low avoided cost?
23 MR. COHN: The reference is to the utilities
24 avoided cost.
25 COMMISSIONER GANDARA: I see. So, the

1 Commission will make the determination as to whether it
2 will be sold at less than avoided cost.
3 MR. COHN: At or below?
4 COMMISSIONER GANDARA: Equal to or less.
5 MR. COHN: Right. It would be my opinion
6 that any QF with an approved avoided cost offer would
7 meet Test 3A.
8 COMMISSIONER GANDARA: So, all they have to
9 do is show us the contract then. We really don't
10 inquire into the avoided cost over the--it hasn't been
11 approved?
12 MR. COHN: If they have a contract, that's
13 either a standard offer, which, essentially, is a
14 contract approved in advance by the Public Utilities
15 Commission, in the case of investor-owned or in the
16 case of municipals by their governing municipal utility
17 board. Otherwise, if it's a non-standard offer, I
18 think we would want some evidence that this would be
19 approved, or at least considered to be at or below the
20 avoided cost by that applicable rate making body.
21 COMMISSIONER GANDARA: Okay, now, I guess
22 this is--perhaps I am misunderstand something about the
23 process, then. So, will you clarify it for me? Am I
24 to make that comparison at or below avoided costs at
25 the time of the application, over the lifetime of the

1 plant, or am I going to have to request a time series
2 of avoided cost prices from the utility. Then, a time
3 series of the price that will be given the qualifying
4 facility?
5 MR. COHN: Are you talking about in the case
6 of a non-standard offer? Because in the case of a
7 standard offer, we have a situation where the rate
8 making body has, essentially, made a generic finding
9 that the contract provides for terms and conditions
10 which are set at the utilities avoided costs. For non-
11 standard offers, I think you would run into a situation
12 where there could be potential trade-offs because of
13 various conditions which affect the cost of the
14 contract, and it would be my position that this is
15 certainly for the Specified Reserve Need Test, and also
16 for the unspecified. That the Commission should not
17 put itself in a position of the rate-making authority,
18 at least to that degree to make a determination whether
19 or not that would be approvable under PURPA.
20 COMMISSIONER GANDARA: Okay, well, I guess
21 what I am trying at is how will I or Commissioner
22 Noteware or Commissioner Crowley--how would the
23 Commission decide that this is less equal to or less an
24 avoided costs, except other than requesting a time
25 series of the expected avoided costs of the utility and

1 a time series of a price to be paid?

2 MR. COHN: The easiest way would be for the

3 applicable rate making body to tell us that this

4 project will be approved as being at or below cost. In

5 fact, our statute provides, in the case of the Public

6 Utilities Commission, for the PUC to come into our

7 siting case and tell us what the financial impacts of a

8 siting case are, so I think this ....

9 COMMISSIONER GANDARA: We would hand off that

10 comparison or that decision to the PUC? We would ask

11 the PUC to tell us whether a non-standard offer here is

12 (INAUDIBLE) equal to avoided costs?

13 MR. COHN: You asked me what would--how you

14 would know. I said the simplest way would be to have

15 the PUC or, in the case of municipal utilities, the

16 governing board come in to our case and tell us that.

17 I didn't say that's the only way. I think for purposes

18 of reserve need and both specified and unspecified,

19 that would probably be most suitable, though, rather

20 than--especially since the idea of the test is to

21 provide some kind of streamlined demand conformance

22 treatment for projects that meet certain specified

23 criteria, so I would ....

24 COMMISSIONER GANDARA: So, what you are

25 telling me that you don't know.

1 MR. COHN: No, I'm telling you that it would
2 be my argument to you that you should not reconsider,
3 for purposes of the Specified and Unspecified Reserve
4 Need Test, the findings of the rate making authority.
5 That would be my recommendation to you as to how to
6 implement that section.
7 COMMISSIONER GANDARA: What is the PUC comes
8 back and says, "Well, look we have standard offers and
9 non-standard offers. We don't know what's going on
10 there. That's your job". You are the one that decided
11 that you are going to compare the costs of the avoided
12 costs, the costs of the price of power and they say
13 they decline. I'm just trying to honestly figure out
14 how I am going to make this decision for a non-standard
15 offer. How would I know that the cost of the delivery
16 power would be less than or equal to the lesser of the
17 threshold costs?
18 MR. COHN: On that event, I think you would
19 have to receive evidence from the parties as to whether
20 or not the project met this specified criterion. I
21 don't think ....
22 COMMISSIONER GANDARA: That evidenced would
23 be a time series of the avoided costs for the utility
24 and time series of the avoided cost of the ....
25 MR. COHN: I am not prepared to tell you,

1 today, what the methodology should be when the PUC has
2 been working after five years and still hasn't
3 developed a methodology. At least, not a permanent
4 one.
5 COMMISSIONER GANDARA: Do we have a
6 methodology for this?
7 EXECUTIVE DIRECTOR WARD: No, Commissioner
8 Gandara, we certainly don't. I think the intent, at
9 least as I understand Committee direction, was that the
10 valid contract, be it a standard offer or non-standard
11 offer contract, in effect did represent avoided costs,
12 at least in the interim, until. we have a better way of
13 calculating it.
14 COMMISSIONER GANDARA: Okay, so this policy-
15 -reserved need test, does not contemplate ever us
16 ruling on a non-standard offer application?
17 EXECUTIVE DIRECTOR WARD: Well ....
18 COMMISSIONER COMMONS: There's a legal issue
19 involved in that, Commissioner Gandara, as to whether
20 or not we have that authority to use a criteria other
21 than avoided costs on a project where there is need..
22 COMMISSIONER GANDARA: Well, I guess I'm hung
23 up here, because I don't know I would make that
24 decision. I guess you are telling me that there is no
25 policy or there is no determination, and that we can't

1 make it. So, but yet, it's part of the test here.
2 COMMISSIONER COMMONS: Would it make sense...
3 COMMISSIONER GANDARA: Is is our problem
4 or...
5 COMMISSIONER COMMONS: Would it make sense
6 for us to have one avoided cost for siting power plants
7 that are under our jurisdiction, and to have a
8 different avoided cost, which may higher or lower, for
9 power plants that sign contracts under PURPA, and are
10 not under our jurisdiction?
11 COMMISSIONER GANDARA: Well, you are asking
12 me to provide an answer to a structure that you
13 provided. I am asking you to provide an answer to me,
14 for example, that I can conceive of under the structure
15 you provided. So, my response to you would be that I'm
16 not sure that I would provide the structure, so
17 therefore, it is not my obligation to fix it. My
18 problem is taking the structure as you proposed it,
19 will it handle the situation that can occur me that's
20 likely to come before us, or that's why I asked if it's
21 a non-problem. Is it not likely to come forth?
22 COMMISSIONER COMMONS: Well, two points on
23 that. First of all, we did not want to create a
24 process that would create a bias for or against
25 facilities that come before this Commission, rather

1 than those that do not. We thought that was critical.
2 Secondly, obviously, we wanted to have a set of
3 criteria that were legal. Mr. Cohn, on the question
4 that Commissioner Gandara had, if I may interrupt just
5 for one short question. When you say that the avoided
6 cost tests--I think you will need to have a point and
7 time because someone may have signed a contract three
8 years ago, which at the time it comes before the
9 Commission, I think there has to be some identified
10 point and time that you have that test.
11 COMMISSIONER GANDARA: That's one of the
12 points I was making. I guess that would be helpful to
13 have. Not just point and time, but also have some way
14 of dealing with an outstanding proposal. Well, in that
15 case, let's assume that I don't have a non-standard
16 project. Let's assume that I have a standard contract
17 project. Now, I am past the first three, okay? I'm on
18 No. 4, and I say to you as an Applicant, the power from
19 this facility matches the load conditions of the
20 service area as described in your Electricity Report.
21 It's an intermediate plan to towards peaker. That's
22 what you said you wanted. It's not baseload--you
23 didn't want that. Does that mean that now, via the
24 balancing and criteria, does that mean that it's
25 automatically approved? Does that mean that I don't

1 have to weigh the environmental consequences? I don't
2 have the weigh the economic growth? I mean, is it
3 automatically approved?
4 MR. COHN: It would mean that provided your
5 evidence was persuasive, that you just mentioned as far
6 as showing that you were going to, in fact, match the
7 condition which we have noted as a general rule ....
8 CHAIRMAN IMBRECHT: For purposes of argument,
9 he has met all those tests.
10 MR. COHN: Right. Then assuming that, you
11 still have not shown that you should be licensed. I
12 mean there are a lot of other factors listed in Sectino
13 25523, for how we determine whether or not a project
14 should be approved and under what conditions ....
15 CHAIRMAN IMBRECHT: That's need only ....
16 MR. COHN: That's correct. This is only for
17 the need determination, not in any way intended to--in
18 any way affect the other statutory or regulatory
19 scrutiny.
20 CHAIRMAN IMBRECHT: Let me try just one
21 simplistic summary statement about what this is
22 designed to do. It is designed to expedite the need
23 determinations in siting cases for as many applications
24 that come before us, as possible. The worst that will
25 occur, if the reserve need categories are consumed in

1 advance of an application, is in essence, a return to
2 status quo where need has to be clearly proven out, if
3 you will, in the individual case. So, what is the risk
4 for potential Applicants here? Well, you want to
5 balance it--a substantial number of Applicants will
6 have this portion of their siting process facilitated,
7 expedited; however you want to characterize it. It is
8 conceivable that some portions of Applicants towards
9 the end of any two year period, might be running up
10 against some of these need determinations. In those
11 circumstances, they in essence, would need--face the
12 same burden which they currently face.
13 COMMISSIONER GANDARA: Well, I think in the
14 absence of understanding fully, perhaps, the table you
15 passed out. I should let you finish the presentation
16 and let this table explain it.
17 MR. COHN: Well, there is very little left to
18 explain. We have one final System Displacement Need
19 Test which is stated to be optional. Basically, what
20 this is is a restatement of the Electricity Report for
21 tests, only a little more stringent test than was put
22 into--or perhaps I should say more specific tests than
23 was contained in the 1983 Electricity Report. In that
24 report, the Commission indicated that even if a
25 facility sought to provide energy beyond the fuel

1 displacement policies adopted by the Commission, that
2 the Commission would consider such a facility on a case-
3 by-case basis, if it could demonstrate environmental
4 and economic benefits. We've incorporated that
5 criterion under Condition 5, but have added basically,
6 the other conditions from the Unspecified and
7 Replacement Need Tests, as well as a condition that the
8 facility provide an overall benefit on the basis of
9 balancing all of the statutory criteria, rather than
10 just the economics. But, clearly laid out, still it
11 must be positive on the economic and the environmental,
12 as well as overall balance. Here, it specifically says
13 that, with respect to economic and environmental
14 benefits, compared to offering the system without the
15 proposed facility, but perhaps, the comments of the
16 Chairman would be applicable here, as well. That
17 should also be in comparison to other potential
18 alternatives.
19 EXECUTIVE DIRECTOR WARD: Mr. Chairman, I
20 might mention, as well as staff, has some initial
21 comments on the various need tests that are here just
22 based on a cursory review that we have time to do
23 during the course of the hearing today. When you feel
24 that will be appropriate, we are prepared to offer
25 them.

1 CHAIRMAN IMBRECHT: Mr. Cohn, do you want to
2 discuss this table at all?
3 MR. COHN: Well, not really. I think this
4 table has been pretty well discussed in the Draft
5 Energy Plan, Chapter 3.1. I don't think I can really
6 add anything to that. I mean that chapter describes
7 how these numbers came into being. The only thing this
8 chapter--excuse me, this table does is to call out yet
9 another column, which is not basically, is in fact,
10 simply the total of reserve need totaling likely-to-be-
11 available and unfilled reserve need. The idea of
12 likely-to-be-available should be treated the same
13 consistently, both with respect to resource categories,
14 as well as with respect to determining overall need in
15 a particular service area or state-wide. As has been
16 mentioned, one possible definition of likely-to-be-
17 available has been laid out as a being a facility
18 that's operating under construction or which has
19 obtained a Critical Path Permit.
20 I think our staff has pointed out that their
21 information is much less than perfect with respect to
22 tracking project status. I would just highlight that
23 as being an area that would probably continue to have
24 to be adjudicated in particular siting cases, due to
25 the fact that our information on which projects are

1 likely-to-be-available is not--is defined, well defined
2 as we would like it to be.
3 COMMISSIONER GANDARA: Let me see if I can
4 just--I want to read the table and see if I read it
5 correctly. Looking at the conservation line, the
6 something 0.3 number was discussed this morning, so we
7 have reserve need, okay? We have not applicable under
8 likely-to-be-available and an unfilled reserved need.
9 Now, how am I to read that column likely-to-be-
10 available, it's not applicable or not available?
11 MR. COHN: It's not applicable in that it-
12 -Conservation does not come before the Commission for
13 licensing. So, in other words, those conservation
14 programs which we have placed in reserve need are not
15 going to come before either us or any other agency in
16 the sense of trying to obtain a permit. Now, arguably,
17 you could, to the extent that we are successful in
18 implementing this need or policy on a state-wide basis,
19 not just within our own Commission, but convince other
20 agencies that they should similarly gauge the need for
21 resource additions, I suppose an argument could be made
22 that you should do that for conservation, as well.
23 But, it was not our intent to do that this time.
24 COMMISSIONER GANDARA: Okay, well all the
25 other tables, if I add the second and third tables, I

1 get the first. Is that correct?

2 MR. COHN: That's correct.

3 COMMISSIONER GANDARA: Now, why is it that

4 the second tier non-residential building standards is

5 not likely-to-be-available. So, why is it in that box?

6 What is the significance of that?

7 CHAIRMAN IMBRECHT: I would ask that same

8 question, frankly.

9 MR. COHN: The--okay the ....

10 CHAIRMAN IMBRECHT: We have the program all

11 the way up until we get to this point. I would think

12 the second tier would be there, too.

13 MR. COHN: I believe it is under reserve

14 need.

15 CHAIRMAN IMBRECHT: Under likely-to-be-

16 available.

17 MR. COHN: My recollection needs to be

18 refreshed. I believe second tier was considered as

19 part of the conditional RETO. So, in fact, it would be

20 part of the 1700 MW total.

21 CHAIRMAN IMBRECHT: Why is it not broken out,

22 then, as likely-to-be-available?

23 MR. COHN: I suppose that would be one way.

24 I think that's just an accounting mechanism. That ....

25 CHAIRMAN IMBRECHT: Yes.

1 MR. COHN: That may be the proper way of
2 doing it. Put that in the likely-to-be-available so
3 that the unfilled reserve need is, essentially, zero.
4 CHAIRMAN IMBRECHT: No, no, no ...
5 MR. COHN: I don't know ....
6 CHAIRMAN IMBRECHT: That would be 300 and
7 some megawatts.
8 COMMISSIONER GANDARA: 1,300.
9 CHAIRMAN IMBRECHT: No, to the contrary, the
10 second tier is 300 some megawatts ....
11 COMMISSIONER GANDARA: Yeah--I'm sorry, the
12 ....
13 CHAIRMAN IMBRECHT: The rest of it is the
14 conservation steam utility, right.
15 COMMISSIONER GANDARA: The second tier is
16 what would be in the PUC, yeah, right ....
17 CHAIRMAN IMBRECHT: At a minimum, I would
18 count the second tier as likely-to-be-available. It's
19 a question of where the PUC gets counted as debatable.
20 COMMISSIONER GANDARA: Well, again, I guess
21 we are at the point at why isn't it there, and if it's
22 there, what's the meaningfulness of it, anyway?
23 MR. NIX: Well, I think you are dealing more
24 with the bookkeeping or accounting issue, at this
25 point. The 1,703 is intended to represent the

1 Committee's direction as to the reserve need vis-a-vis
2 conservation. I believe the programs that comprise
3 that 1,703 are broken out in great detail in the
4 Electricity Report. It's either Table 4-1, 4-2 or 4-3.
5 I don't have it with me, so I can't enumerate it. But,
6 I believe of the 1,703, 1,380 of those megawatts
7 require CPUC authorization, as an example. Whether the
8 Commission considers that likely-to-be-available, and
9 should be listed under that column or not, is totally
10 the Commission's call.
11 COMMISSIONER GANDARA: Well, Commissioner
12 Imbrecht and I agree, here. Let's assume that we all
13 agree today. So, we put in the PVA and the second tier
14 under likely-to-be-available ....
15 CHAIRMAN IMBRECHT: The PVA, remember you
16 were successful on that, and is now in Unconditional.
17 COMMISSIONER COMMONS: You can't count
18 twice.
19 MR. NIX: I might mention that this table was
20 constructed about 10:00 this morning, so it may not of
21 represented any agreements or discussions following
22 that point in time.
23 CHAIRMAN IMBRECHT: Well, we have a scorecard
24 here, Commissioner. One and One. Let's not.
25 COMMISSIONER GANDARA: Well, let's assume we

1 put it in it. You said it's a Commission discretion.
2 The Commission, in its discretion, decides to put it in
3 there. It's about 310 or 320, I forget, diminishes the
4 unfilled reserve need by the same amount. What has
5 changed now? What really difference does that make? I
6 am trying to get the meaningfulness of this in terms of
7 conservation and the reserve need likely-to-be-
8 available and all that. What ....
9 MR. NIX: Okay. The name of the game is to
10 have all of the numbers total up to 6,609 MW, which is
11 the unfilled total need. So, if you add 310 MW from a
12 conservation program, you have two options. One is to
13 diminish the allocation to a supply technology, or to
14 take portion of the unfilled reserve need.
15 COMMISSIONER GANDARA: I could see it worked
16 kind of a linear program if you increase something, you
17 have to decrease something. But, I guess I am looking
18 for the meaningfulness behind that, anyway.
19 COMMISSIONER COMMONS: Let me answer your
20 question. I can do so. Under replacement, you cannot
21 replace likely-to-be-available. That is already under
22 construction. There is nothing that happens to change
23 that. Under the replacement, you can show that a
24 reserve need total may not occur by going through and
25 following the tests that are demonstrated under that

1 siting policy. So, if something goes into the likely-
2 to-be-available column, there is no replacement,
3 displacement for other policies that can address it,
4 even if conditions change.
5 COMMISSIONER GANDARA: I understand that. I
6 just want to understand how that relates to
7 conservation. I want to have a specific example where
8 these numbers have meaning.
9 COMMISSIONER COMMONS: If you move any of the
10 conservation numbers from reserve need to likely-to-be-
11 available, they could not be removed under the
12 replacement tests under any circumstances or
13 conditions, until the next ER occurred. Likely-to-be-
14 available cannot be replaced. Reserve need can be
15 replaced.
16 COMMISSIONER GANDARA: Unfilled or ....
17 COMMISSIONER COMMONS: Likely-to-be-available
18 is a project that is already under construction and
19 there is no way to replace that under the way the tests
20 are construed. One of the reasons I think that Dan,
21 and this is a staff document, not a Committee, is that
22 conservation was put in reserve need, as that if
23 something happened to a conservation item, it could be
24 replaced. That's why it went in reserve need, rather
25 than the likely-to-be-available. Once something is in

1 the likely-to-be-available, for example, look at the
2 nuclear facilities that are currently complete. There
3 is no mechanism in this process to displace that in
4 this ER. That is counted.
5 COMMISSIONER GANDARA: Well, maybe, we can
6 achieve clarity from indirection. This is very
7 confusing. It hasn't been clear, but let me--now,
8 let's go to coal, okay, just for example?
9 MR. NIX: Commissioner, before starting with
10 Coal, can I make one comment on 1,703 MW?
11 COMMISSIONER GANDARA: Sure.
12 MR. NIX: That is actually the total of the-
13 -from reading from the Electricity Report, Table 4-2.
14 It's the sum of the capacity from the expanded utility
15 conservation load management program.
16 COMMISSIONER GANDARA: I understand. I know
17 where it comes from. That's the one Mr. Jaske had one
18 more megawatt in today's--he picked up a stray megawatt
19 that he is going to explain sooner or later.
20 MR. NIX: Plus the second tier of the non-
21 residential building standards, plus 13 MW from the PVA
22 funded retrofit.
23 COMMISSIONER GANDARA: Fine. I know where it
24 comes from. I just want to know what it means,okay,
25 coal.

1 CHAIRMAN IMBRECHT: Alright, we'll work on
2 that, Commissioner Gandara.
3 COMMISSIONER COMMONS: In terms of
4 Conservation, for example, it's much easier for this
5 Commission to take a formal position on matters that
6 will come before it and move it from reserve need to
7 likely-to-be-available, while it probably would not be
8 as wise an idea to move items that have to be approved
9 by another Commission from reserve need to likely-to-be-
10 available, because we don't control that.
11 COMMISSIONER GANDARA: Let's not talk about
12 coal. Let's talk about nuclear since I am more
13 familiar with that. The reserve need for 4312 and
14 likely-to-be-available 4312, I assume that to be San
15 Onofre 2 and 3 and Diablo coming on line?
16 MR. NIX: That's correct. Diablo 1 and 2 and
17 also portions of Palo Verdes.
18 COMMISSIONER GANDARA: So, therefore, there
19 is no unfilled reserve need?
20 MR. NIX: On that sheet. If the Commission
21 deems otherwise, there will be.
22 COMMISSIONER GANDARA: Okay, I understand
23 that. Now, what would happen if there would be less
24 that became available than likely-to-be-available?
25 MR. NIX: In other words, one of the units

1 that we expect to become operational, did not become
2 operational?
3 COMMISSIONER GANDARA: Or, since you included
4 Palo Verdes, I presume you included shares of
5 California utilities. I assume that they sold it or it
6 wouldn't be theirs. Less became available than you
7 project n 4312.
8 MR. NIX: Well, then you would have an
9 unfilled capacity. You would have a deficit that would
10 have to be made up from some other form of supply or
11 conservation.
12 COMMISSIONER GANDARA: You would have an
13 unfilled reserve need of nuclear?
14 MR. NIX: Well, if that increment did not
15 materialize, then that is true.
16 COMMISSIONER GANDARA: Okay ....
17 COMMISSIONER COMMONS: I'm not sure that I
18 agree.
19 COMMISSIONER GANDARA: Wait, let me finish...
20 COMMISSIONER COMMONS: With that statement.
21 No, I don't think the answer is correct.
22 COMMISSIONER GANDARA: He says yes, you say
23 no. I'm going to have a problem implementing this
24 siting policy, I'm afraid. But, which is it, yes or
25 no?

1 COMMISSIONER GANDARA: It's staff document,
2 at this stage. I am saying--my answer to that would be
3 no. Anything under likely-to-be-available is not being
4 reserved by category. It's only be identified because
5 it's under construction, and so it's not a preference
6 of this Commission. It's fact.
7 COMMISSIONER GANDARA: I see. So, my earlier
8 question as to whether the sums of Columns 2 and 3
9 should always add up 1, you are saying is not correct.
10 That if Column 2 is reduced, that need not be made up
11 in 3. So, in fact, there is no fixed relationship
12 between Columns 2, 3 and 1.
13 COMMISSIONER COMMONS: Only in the event that
14 something likely-to-be-available. Let us say that we
15 have been in the State of Washington three years ago,
16 and there were a change in circumstances that no one
17 had reason to expect. That would be an example where
18 the 2 would not add up.
19 COMMISSIONER GANDARA: Okay. Then, Mr. Nix
20 is going to have problems coming up with 6609 down here
21 at the right hand corner, right? Because you've gotta
22 have something over here to add up to that.
23 MR. NIX: Well, it is a fact that if part of
24 the supplies that we are now considering likely-to-be-
25 available do not materialize, that it is a deficit.

1 COMMISSIONER GANDARA: But, in your
2 accounting system, it all balanced out.
3 MR. NIX: Right.
4 COMMISSIONER GANDARA: You've indicated that
5 the 6609 was, in essence, was an overriding--I guess
6 threshold from which some of the--you know, had to add
7 up to 2.
8 MR. NIX: Well, that is the unfilled need.
9 That is California's projected capacity deficit for the
10 next 12 years.
11 COMMISSIONER GANDARA: So, where would it go?
12 Where would it go? You either agree with Commissioner
13 Commons that it doesn't show up in unfilled reserve
14 need. Because if you don't put it under filled
15 reserve, you are not going to add up to 6609.
16 MR. NIX: Well, I would say the Commission
17 can either decide to retain that unfilled need in the
18 category of nuclear or coal or any category where it
19 does not materialize. Or, they can determine to add it
20 to the unspecified. In some areas, where we have large
21 identifiable projects which we can track, then we can
22 say with great precision which will materialize and
23 which will not. But, in other categories, for example,
24 cogeneration, in which we are making estimates on the
25 basis of a large number of projects and which we cannot

1 identify, the specific project which may finally
2 result, then we have only an estimate--say percentage
3 of the total number of projects now in process, which
4 we think will materialize.
5 COMMISSIONER GANDARA: Okay, how ....
6 COMMISSIONER COMMONS: Excuse me, Mr.
7 Gandara. If you were to refer to Figure 4-1 on Page 4-
8 3, that is the language that the Committee is
9 recommending which would show the accounting mechanism,
10 which is not quite consistent with what you have on
11 this table. I don't know if that would help you or
12 hurt you, but I want to identify it for you.
13 COMMISSIONER GANDARA: Okay, well, I will
14 have to think about how they are different. But, I
15 appreciate the effort of clarification. I guess what I
16 need to know now, Mr. Nix, is how, in all its wisdom,
17 the Commission will come to a decision that these
18 numbers for reserve need are what we should have in the
19 categories of reserve need. Why 11--well, let's put it
20 cogeneration, why 2360 rather than 2550 and geothermal,
21 why 1660 as opposed to something else. How did these
22 numbers--how were they arrived at? Mr. Cohn made
23 reference to the fact that these were all in the BR
24 Report. I have to confess that I have read portions of
25 that, particularly with respect to this section, and

1 it's not clear to me how they came about. But, it's
2 also not clear to me why we have one table for reserve
3 need for capacity and we don't have it for energy. I
4 seem to recall a table of energy need and implied
5 capacity. So, I don't know which direction it's going.
6 MR. NIX: The challenge in this process,
7 here, is that we have an unmet capacity need of 6609
8 MW. We have a corresponding energy deficit of 24,087
9 GWh. That implies that the capacity that has to supply
10 that energy would be operating at intermediate or in a
11 peaking operational mode.
12 Let me go back to your question about how
13 those numbers were derived. They start with the
14 utility 1996 projected resource mix. We examined, and
15 this was also reported in the Staff Draft Biennial
16 Report, examined the resilience of that energy mix to
17 certain postulated events. I won't argue that any or
18 all of them are likely to occur. But, rather if they
19 did occur, would we consider the outcome satisfactory.
20 The tests we applied were the no event should cause
21 more than a 10 percent loss of supply or an increase in
22 electricity prices greater than 10 percent. We found
23 the mix to be fairly balanced, fairly resilient. We
24 then compared the ....
25 COMMISSIONER GANDARA: How did you determine

1 that in no increase in electricity price greater than
2 10 percent? How did you determine that? Did you
3 consider the system configuration of scenario in 1996?
4 MR. NIX: Yes, right.
5 COMMISSIONER GANDARA: And compute the
6 electricity prices from that?
7 MR. NIX: That's correct.
8 COMMISSIONER GANDARA: With the same fuel
9 price inputs that we had for the forecasts?
10 MR. NIX: Yes. Then, given the conclusion,
11 that at least in our view, that the system appeared
12 fairly resilient, we then calculated from that as an
13 energy basis, given typical capacity factors of
14 technologies that would use that energy, the megawatts
15 that would be required to provide that electrical
16 energy. Then in turn, compared that capacity to the
17 estimated likely-to-be-available from the Electricity
18 Report. The differences are reported in the Staff
19 Draft Biennial Report.
20 So, I don't know if you have it on that
21 chart, but it's the apparent unfilled capacity, which
22 represents the short-fall between the megawatts
23 required to produce that resilient system and the
24 megawatts that we see developing, the likely-to-be-
25 available. That's the primary basis for the origin of

1 the numbers under the right hand column on the sheet
2 that you have.
3 COMMISSIONER GANDARA: I understand that,
4 perhaps, you skipped a step in there. But, how did you
5 factor in the non-utility passing energy that would be
6 expected?
7 MR. NIX: From third parties?
8 COMMISSIONER GANDARA: Third parties, yes.
9 MR. NIX: Well, I don't know that there is a-
10 -I'm not sure that I understand your distinction.
11 Because we are looking here at energy, regardless of
12 whether it is from a facility owned and operated by a
13 utility, or a third party.
14 COMMISSIONER GANDARA: I misunderstood. I
15 thought you said you looked at utility plans and that's
16 why I assumed that you were looking the utilities own
17 construction plans, rather than the utility
18 expectations also for QF.
19 MR. NIX: Well, we looked at the CFM 5
20 submissions, as provided by California's utilities, and
21 they include a surprising quantity of QF power. There
22 appears to be no significant commitment to additional
23 utility-owned facilities between now and 1996.
24 COMMISSIONER GANDARA: So, the utility plans
25 you looked at included all the expected utility QF

1 power, at least that you would feel comfortable with, I
2 guess, looking at the project status reports and
3 projections and all that kind of stuff?
4 MR. NIX; Well, we know that there is more
5 apparent QF power than space in the system. But, the
6 largest growth area, apart from facilities which are
7 already committed under construction, well in the
8 process appeared in the third party area.
9 COMMISSIONER GANDARA: So, let me see, then,
10 if I understand, then, the reserve need aspect of this.
11 Would it be approximately correct to say, then, that
12 the reserve need derived from such an approach that you
13 took is basically reflective then of the utility plans
14 for these technologies?
15 MR. NIX: I would say that it's the utilities
16 estimates of the way their system may look in 1996,
17 following the policies set forth by the Energy
18 Commission, over a large number of years.
19 COMMISSIONER COMMONS: Okay.
20 MR. NIX: I think if you look at those plans,
21 you will see that they represent a large growth in QF
22 power.
23 COMMISSIONER COMMONS: I understand that, but
24 I guess what I'm saying is that given the estimate that
25 you took from the utility plans--I am assuming a

1 broader definition utility plans, that is, their own
2 planning plus that which they expect to be built by
3 others. I guess I'm asking whether the reserve need is
4 then reflective of those plans. Therefore, there is
5 unlikely to be any additinal capacity beyond that,
6 because it already includes all that they have in their
7 plans. I mean, for example, in cogeneration, you have
8 2360. Is the reason 2360 comes up, is because when you
9 look at the plans of all the utilities in the state,
10 that it is likely or not, that when you sum them up,
11 it's likely to be around 2360 or not. I mean, it's not
12 likely that the sum of the utility plan is going to be
13 4000 and you are recommending a reserve need of 2360.
14 MR. NIX: Well, going back to one of the
15 early steps in the process. When we examined the
16 energy base of the collective state-wide utility plans
17 for 1996, we found it to be reasonably well balanced, a
18 fairly resilient system to incur. It utilizes many
19 more energy sources than California has used in the
20 past. We now have substantial coal, nuclear,
21 tremendous growth in cogeneration, solar, and wind. It
22 was the resilience in the mixture of those energy
23 sources which led us to conclude that the system was
24 reasonably well balanced.
25 COMMISSIONER GANDARA: Okay, well again, I

1 guess I'm getting back to my question. I don't want to
2 persist that somehow I am forcing you someplace where
3 you don't want to be. I am just trying to get an
4 understanding. Your conclusion of the (INAUDIBLE)
5 looked pretty good with basically an affirmation that
6 the utilities plan looked pretty good, okay. What I'm
7 trying to get at is it seems to me that the process
8 that you described, notwithstanding all these different
9 columns and so forth, is basically to--as a rough guide-
10 -you can take a sum of the utility plans for each of
11 these technologies, and that is what results before
12 1996, I guess is what this table is. That's
13 approximately what the reserve need is. I mean, there
14 was no instance where the utility--that some of the
15 utility plants was like 100 percent higher than what
16 you wanted with the reserve need. Or did you ever have
17 a decision to face that you had a reserve need of
18 geothermal of 1660 when the plans only included 800 or
19 something? I am just trying to get to whether the
20 reserve need is largely reflective to some of those
21 plants. It seems like that's the description you've
22 given me for coming up with these numbers.
23 MR. NIX: I'm trying to think back because we
24 did this two months ago. But, I believe the one case
25 that you site there -- the geothermal instance, is a

1 case in which we estimated that the level of energy
2 from geothermal could be larger than that projected by
3 the utilities.
4 COMMISSIONER GANDARA: I see. How much
5 larger?
6 MR. NIX: I don't recall. I would have to
7 check my notes.
8 COMMISSIONER GANDARA: The rough estimate,
9 was it much, much larger? A little bit larger?
10 MR. NIX: I'm sorry. I'd rather check my
11 notes before estimating that.
12 COMMISSIONER GANDARA: Okay. Was that the
13 only situation that you remembered, that stands out in
14 your mind, in which the reserve need that you had was
15 greater than some of the utility plans?
16 MR. NIX: There was no specific enumeration,
17 I believe, of biomass facilities in the utility plants.
18 It was our judgement that there could be significant
19 benefits to California for implementation and for
20 example, municipal solid waste facilities. For that
21 reason, was called out as a Specific Reserve Need.
22 COMMISSIONER GANDARA: Oh, so the resource
23 recovery is under the biomass?
24 MR. NIX: Yes.
25 COMMISSIONER GANDARA: Okay. The utilitis

1 have not included resource recovery in their estimates
2 of QF in their utility plans?
3 MR. NIX: It wsa not enumerated--delineated
4 as such. We had no way of knowing.
5 COMMISSIONER GANDARA: It could have been
6 under generic.
7 MR. NIX: It could have been.
8 COMMISSIONER GANDARA: Is the unspecified
9 category, then, here, is it largely generic?
10 MR. NIX: Is it largely generic?
11 COMMISSIONER GANDARA: Yes.
12 MR. NIX: It is simply unspecified.
13 COMMISSIONER GANDARA: Well, but, I'm trying
14 to understand whether, from the review of the utility
15 plans, the generic equals approximately unspecified or
16 whether the unspecified is actually the 6609 minus the
17 sum of all the utility plant for the other.
18 MR. NIX: It's the latter. But, once again,
19 I want qualification. I wouldn't characterize it as
20 minus the utility plans. For example, I believe, the
21 utility plans were for 800 MW of additional coal and is
22 listed there.
23 COMMISSIONER GANDARA: Okay, thank you very
24 much, Mr. Nix. I understand where the table comes
25 from, I think.

1 MR. NIX: Well, I'm sorry I don't have my
2 notes with me. If you'd like a briefing on it, I
3 can...
4 COMMISSIONER GANDARA: Actually, I would
5 appreciate knowing how the reserve need total compares
6 to some of the utility plans for each one of these
7 technologies, okay? Because if its fairly close, and
8 largely reflective, at least it tells me we are doing
9 nothing more with this reserve need than restating what
10 those plans are. If, on the other hand, it
11 significantly deviates from that, then I have a better
12 understanding where those choices were made. My next
13 question is why is it lower, why is it higher? So, I
14 would like to know that.
15 MR. NIX: I think there are two points that I
16 would like to make here. No. 1 is that I think
17 California utilities are sincerely implementing
18 policies that this Commission has laid out in the last
19 ten years. I mean there has been a major change in
20 direction. All of the private utilities are planning
21 to purchase, not build. I think they are planning to
22 obviously purchase from qualified facilities.
23 COMMISSIONER GANDARA: I have nothing
24 further. I am not criticizing at all. All I'm saying
25 is that I'm just wanting to know whether the reserve

need differs significantly from that which they are expected to do on their own anyway. Therefore, that gives me additional piece of information as to whether an overlay of the complexity of this type is justified in my mind and may be justified in the minds of others, but, I'm searching for ....

MR. NIX: Okay, I think perhaps the most compelling reason for the reserve need concept is that it ensures a broad participation in California's energy future. Under the present system, the present rules, there is no guarantee that you have that diversity. We can hope that it can occur. But, is is probable that one form of supply technology, namely gas-fired cogeneration, could easily overwhelm the entire capacity needs and energy needs for California for the next 12 years, and I would question the wisdom and prudence of that.

COMMISSIONER GANDARA: I understand that. On the other hand, since you don't have reserve needs by service territory, then I guess I also don't quite understand how we have gotten away from the first-come, first-served concept of the preferred siting, that was one of the weaknesses, I guess, that was given. See, I'm not quite so sure that we have a problem that needs to be resolved by this complexity, that's being

1 proferred. But, assuming that we do, then I guess I
2 would like to know, that without having service area
3 reserve need, how we are getting away from this. SCE
4 comes in with 2100 MW of cogeneration reflected in
5 their plan. Let's say not SCE, but maybe--well, who
6 knows, maybe they will in partnership with GE. Then, I
7 guess I'm kind of interested in they eat it all up in
8 one big gulp. Now, where is PGandE left and where is
9 SPGandE left, or LAWP or anybody else. So, I want to
10 know how we got away from the first-in, first-out.
11 Okay, or the first in (INAUDIBLE) so without having the
12 reserved need, I don't know quite how that is handled.
13 In addition to that, I am also interested in how it
14 helps address some of the other problems in siting that
15 we have in the need determination, where we can come up
16 with some things like well, we need the capacity but we
17 don't the energy or we need the energy but we don't
18 need the capacity, and we don't have reserve needs for
19 energy. Again, since we don't even have it for the
20 state, I am kind of curious by service territory how
21 that determination might be made, or whether in fact,
22 that problem no longer would exist--with this concept,
23 I haven't quite followed that one, but I'm still
24 thinking about it. Thank you.
25 CHAIRMAN IMBRECHT: Commissioner Commons?

1 COMMISSIONER COMMONS: Mr. Chairman, I have
2 some comments I would like to make and questions, but
3 they will extend for 10 or 15 minutes. I was thinking
4 that there are a number of parties here and have their
5 cars, and I would like to recommend before I go
6 forward, that we maybe take a break for 10 minutes.
7 CHAIRMAN IMBRECHT: Well, I'd like to
8 recommend more than that. Perhaps you can hold that
9 until Wednesday. We take whatever other parties'
10 comments we have and then we recess for a second ....
11 COMMISSIONER COMMONS: The only thing is,
12 some of my questions go to the essence of this chart.
13 I can make them in five minutes.
14 CHAIRMAN IMBRECHT: You can make them in five
15 minutes?
16 COMMISSIONER COMMONS: Yes.
17 CHAIRMAN IMBRECHT: One or two things in
18 response to Commissioner Gandara that I don't believe
19 that these do sum up to the utility plans. I think
20 that they are significant understatements and
21 overstatements compared to this issue. The whole
22 purpose is to also reflect with other volumnious
23 testimony that was offered to the Committee over,
24 literally, months of hearings, on the other five
25 statutory criteria under Section 125305(e), to show a

1 balancing of environmental, public health and safety,
2 et cetera, et cetera, considerations.
3 My recollection for cogeneration here is
4 smaller than average utility plans, the biomass is
5 significantly larger, I believe when solar is larger;
6 more than anything else reflected there.
7 COMMISSIONER GANDARA: Perhaps when we
8 continue on Wednesday not to prolong this today, I'd
9 like to get a better idea how those balancing factors
10 effected these adjustments, up or down -- either by Mr.
11 Nix or by the Committee.
12 CHAIRMAN IMBRECHT: Okay, Commissioner
13 Commons.
14 COMMISSIONER COMMONS: Okay, First there
15 are two broad outstanding issues that have concern to
16 myself. This first is in the reserve need that all of
17 that need is essentially for oil and gas displacement
18 and yet a question would occur on cogeneration as to
19 whether or not that test should include that it
20 actually is displacing oil and gas in the same sense
21 that we have a similar test for the unspecified. If
22 the only reason we are building a power plant is to
23 dispace oil and gas, it would seem to make sense that
24 we should insure that it is acutally displacing oil and
25 gas.

1 The second main issue that I see is what do
2 we do with out-of-state power? I was willing to see
3 that we should not count it as likely to be available
4 because we're in the mist of negotiations. But do we
5 want to go out and build power plants today or possibly
6 see the line, improvements and additions not being able
7 to go forward because we have not reserve need for
8 them? In the events that those lines were not able to
9 go forward the procedures that we've outlined would
10 allow us to replace that with other facilities. But I
11 am currently of the feeling that we should count and
12 set aside, certainly for the next fifteen months a
13 reasonable amount of energy in terms of imports.
14 COMMISSIONER GANDARA: Commissioner Commons,
15 could I ask a question of clarification here? Does
16 your category here, imported power, now correspond to
17 the changes produced earlier on inter-utility
18 transactions or does imported power include both inter-
19 utility transactions and economy energy?
20 COMMISSIONER COMMONS: First of all, this is
21 not a Committee table. This is staff table which is
22 from the staff and you'd have to ask the staff in terms
23 of what's in it. Let me, I only have five minutes so
24 let me try to get my few points across and ask staff to
25 address. If you did that then the gigawatt hour need

1 and the number that we used in the Electricity Report
2 was 13,000 gigawatt hours which is sufficiantly less
3 than the 30 GWh shown by the utilities in their
4 resource plants. I would be very concerned of going
5 from 30 to zero in this area and not having a set
6 aside. A third is, I've tried to add up, and I look at
7 the 24,000 GWh that's identified with the 6,600 MW and
8 it looks to me like what we've done is taken different
9 facilities. For example, cogeneration, wind,
10 geothermal, etc. and we've run them based on their
11 capacity factors as base hold facilities and that has
12 added up to the 24,000 GWh and then the assumption
13 would be that the unspecified is essentially peakers.
14 And I'd like to know if that is correct by Wednesday as
15 to how we make the correspondence between the megawatts
16 for each of the different energy resources and how it
17 adds up to the gigawatt hours.
18 I'd like to understand that correspondence
19 because of the unspecified as all peakers, then it
20 makes the test that we're suggesting senseless. And
21 also, I don't think it follows the spirit and what
22 we're trying to do which is not to define resource
23 plans but to leave in as significant amount of
24 resources unspecified.
25 Next is, I'm concerned on the geothermal that

1 we make a distinction between the liquid and the steam
2 on the cogeneration. I'm not so sure that the
3 distinction between should be between refinery
4 applications and other, but rather between those
5 projects that would come before us that are over 50
6 megawatts that we have some authority on and those that
7 are under 50 megawatts that would get sited no matter
8 if there is need or not and that would be our best
9 estimate. Those are, I think three or four of the
10 critical issues and I would need to have some backup.
11 Oh, and there's one last one. I'm also concerned,
12 particularly of the need is much greater for capacity
13 than peak, in that we have not included refurbishments
14 which has been one of the primary sources of utilities
15 in providing peak power during summer. There is
16 testimony before us and management cases has suggested
17 that this is a very valuable resources and one of their
18 least cost additions. And for not having a category
19 for refurbishments, also seems to be a very major step
20 in a different direction than what the utility plans
21 are identifying and I'd like to understand why we took
22 that step and again did not include that. So those are
23 my comments.
24 VICE CHAIR CROWLEY: I have not been given
25 any direction as to whether you are going to recess now

until Wedensday, but I see additional cards here. Will there be further comment taken today?

COMMISSIONER COMMONS: I think the Chairman said he'd like to take the comments for those here today.

COMMISSIONER CROWLEY: Okay.

COMMISSIONER GANDARA: Do we need to let anybody go get their car?

VICE CHAIR CROWLEY: I think they probably have. Okay we had Mr. Phillip Hanser. Did you, has he disappeared? These must be cards, would you be so kind as to check that card under there?

COMMISSIONER GANDARA: I don't know the spelling.

VICE CHAIR CROWLEY: No, I don't who that is either. Mike, did you have further comment? We can't tell where the cards are, what's what. Are you wanting to comment?

MR. GARDNER: Commissioner, I don't have any real comments on the Siting Policy papers that were handed out today. I would request though that we be given a opportunity to take a look at those and I frankly don't think that we can give them any sort of thorough analysis and be back prepared to testify to you on Wednesday.

1 VICE CHAIR CROWLEY: Thank you. Mr. Douglas
2 Kerner. Mr. Kerner.
3 MR. KERNER: Thank you Commissioners. Good
4 afternoon. My name is Douglas Kerner. I'm with the
5 Law Firm of Hanna and Morton. On February 28th I
6 appeared before the Committee. Messrs. Imbrecht and
7 Commons recommended against this Commission adopting
8 policies or actions were calculated to create conflict
9 with other regulatory schemes or loss. That
10 recommendation was based on a review of certain staff
11 papers and so forth which are now reflected in the
12 Draft Electricty Report. My recommendation was not
13 adopted and my comments were very narrow and I
14 reflected in the paper which I filed with this
15 Commission last Wednesday, April 24.
16 Rather than read the paper into the record I
17 think I can summarize it fairly briefly. First thing
18 I'd like to point out, notwithstanding Commissioner
19 Gandara's correct apprehension that the proposed Siting
20 Policy promises to be enormously complex. That with
21 respect to Electric Utility Plant, it nonetheless has
22 potential merit. The reason that's true is that with
23 Electric Utility Plant, the cost which rate payers will
24 ultimately incur is directly related to the cost of
25 construction of the plant. And therefore, it's very

1 important for this Commission, in its jurisdiction to
2 determine independently, that there is a need for
3 electric power production represented by that plant.
4 Unfortunately, in our view, the Siting Policy promises
5 to be applied to qualifying facilities which is
6 specifically facilities which qualify for certain
7 regulatory exemptions under PURPA.
8 With qualifying facilities, the cost which
9 ratepayers will incur for the electric power production
10 is not related to the cost of construction of the
11 plant; but rather is exactly equal to the electric
12 utilities' avoided cost which is by definition the cost
13 they otherwise would incur. And hence the power
14 represented from a qualifying facility does not
15 represent an additional expense but a different
16 expense. In the paper we filed and what I alluded to
17 back on February 28th, raises the issue whether a
18 qualifying facility may be denied site certification on
19 the basis that this Commission determines that its
20 electric power, energy or capacity is not needed. And
21 the answer to that question is that no, it may not be
22 denied site certification on that basis.
23 The Federal Energy Regulatory Commission has
24 issued regulations pursuant to PURPA. Those
25 regulations provide the conditions under which

1 qualifying facilities are entitled to sell electric
2 power to electric utilities. Absent a system emergency
3 or a condition of minimum operation resulting in what
4 has been described as a condition of negative avoided
5 cost, qualifying facilities entitled to sell to an
6 electric utility any electric power it can produce.
7 The California Public Utilities Commission must
8 implement those regulations and it has done so. It has
9 determined that there is avoided cost and it has
10 determined what that avoided cost is. The federal rules
11 require it to do so. As the paper describes actions by
12 a State Regulatory Agency which actually conflict with
13 a Federal regulatory scheme are unpermissible. The
14 proposed Siting Policy as applied to qualifying
15 facilities is in actual conflict with FERC's rules as
16 they've been implemented by the California Public
17 Utilties Commission. The paper, of course was based on
18 the April 1985 draft and today we've seen some
19 revisions to it. These revisions do not address the
20 problem which I've just raised.
21 Specifically, the proposed Siting Policy
22 requires a qualifying facility as a condition of
23 obtaining site certification to demonstrate a need for
24 its electric power. To demonstrate that its electric
25 power will not exceed a limit predetermined by this

1 Commission for electric power. The paper describes in
2 detail, in some detail the process by which avoided
3 cost is calculated. And one of the things it discusses
4 is that FERC's rules provide that an element of avoided
5 cost is the electric utilities need for electric power.
6 The California Public Utilities Commission has not the
7 ability to ignore that rule and it has implemented that
8 rule. It follows from that that in any case where a
9 qualifying facility is under contract to receive
10 avoided cost, a determination of need has been found.
11 The problem with the Siting Policy, in a nut shell, as
12 applied to qualifying facilities is that it assumes an
13 independence between avoided cost on the one hand and
14 need on the otherhand, which while true, as I said with
15 electric utility plant, is not the case with qualifying
16 facilities. On that basis briefly, and on the basis
17 more fully described in the paper, which I filed last
18 Wednesday, our recommendation is that the Siting Policy
19 be limited to electric utility plant, and not be
20 applied to qualified facilities. In the absence of
21 that limitation, it is our opinion that it must be
22 rejected.
23 VICE CHAIR CROWLEY: Thank you, Mr. Kerner
24 for your comments. Commissioner Commons.
25 COMMISSIONER COMMONS: I want to make it

1 clear that I'm speaking on behalf of myself and not the
2 Commission. It is my personal viewpoint that PURPA
3 does not, in any way, require a state to overbill
4 facilities. Once a facility has been constructed,
5 PURPA requires the utility to purchase that power and
6 to purchase that power at the avoided cost. It was
7 never intent in PURPA to require a state to build
8 facilities. Furthermore, most of the need that we find
9 in this date that is required for facilities that are
10 not already under construction likely to be available.
11 Or essentially to displace oil and gas. I also do not
12 find PURPA requires us to find that that is a basic
13 need. That is a question in terms of this date as to
14 whether or not that facility ought to be constructed
15 and I think there is a separate question between
16 whether or not a facility ought to be constructed which
17 gets into a balancing of environmental, economic and
18 many of the other conditions that are established
19 within our code as to what are the siting policies of
20 the Commission which are indentified. And that those
21 are the prerogatives of the state in terms of
22 determining whether or not a facility is needed. If a
23 facility is found to be needed, then PURPA applies in
24 terms of the basis the utility has to except that power
25 and so I am in fundamental disagreement with much of

1 your analysis. Again, I just want to make it clear
2 that I'm speaking on behalf of myself and not on behalf
3 of the Commission.
4 CHAIRMAN IMBRECHT: Mr. Cohn.
5 MR. COHN: From a legal standpoint, I think I
6 can echo much of what Commissioner Commons has stated.
7 While I agree with the practical problems that Mr.
8 Kerner has brought up, with respect to attempting to
9 use some kind of avoided cost criterion, particularly
10 one which would be different than what the
11 PublicUtilities Commission or other rate-making body
12 would implement. I cannot agree that, therefore, need
13 determinations under the Warren-Alquist Act have been
14 pre-empted, either by Federal statute or by Federal
15 regulation. In particular, I think we can look at the
16 U.S. Supreme Court unanimous opinion in the PGandE vs.
17 Energy Commission case in which the Court upheld the
18 Energy Commission's siting process against an attack
19 that the laws were pre-empted under the Atomic Energy
20 Act. I think we have an analogous situation here in
21 which there is indeed a Federal regulatory scheme to
22 promote cogeneration and small power production. But
23 we can't interpret that to therefore expressly pre-empt
24 traditional state regulation of the licensing of power
25 plants.

1 CHAIRMAN IMBRECHT: Let me try one item here.
2 These issues were, of course, a concern to the
3 Committee and as a consquence we asked for an analysis
4 of these issues from a legal standpoint. I believe
5 considering the chance that this might be a matter of
6 litigation this ought to best be shared with the
7 members of the Commission as a matter of
8 attorney/client privilege and I'd like to direct
9 General Counsel to make available to the other members
10 of the Commission the legal analysis that was provided
11 for the benefit of the Committee that allowed us to
12 reach... I think Commissioner Commons has generally
13 summarized the essence of what that brief or analysis
14 was.
15 MR. KERNER: Well, as I said, all these
16 points are raised in our paper, we have great
17 confidence in them. The pre-emption in here is in the
18 logic behind avoid cost. And since avoided cost is the
19 exclusive 'balleywig' of the California Public
20 Utilities Commission, who sets avoided cost based on a
21 determination of need. There is a fundamental
22 inconsistency in separately determining lack of need in
23 any case where the California Public Utilities
24 Commission has determined the positive avoided cost.
25 If requires you, in effect, to decide that as to that

1 qualifying facility the avoided cost is zero. First,
2 you don't have the authority to set avoided cost.
3 Second, it's inconsistent with determination of the
4 California Public Utilities Commission.
5 COMMISSIONER GANDARA: Mr. Kerner, I have a
6 question. You've chosen your words carefully. On Page
7 7, you stated I guess as your position, "that a
8 qualifying facility may not be denied site
9 certification on the basis that its electric power
10 production is not needed". You don't go as far as to
11 say that the qualifying facility does not come under
12 the jurisdiction of the Commission if it's over 50
13 megawatts, but it seems to be the logical conclusion of
14 your position here unless you're saying that a QF
15 submits, or is under our jurisdiction but the outcome
16 certain that its going to be cited then.
17 MR. KERNER: I think you clearly have the
18 ability to deny site certification to a qualifying
19 facility on the basis of its failure to comply with
20 relevent environmental regulations and so forth.
21 Those, number 1, there are no in PURPA or FERC rules
22 separate environmental standards which could be applied
23 to qualifying facilities. And second, if understanding
24 the legislative history and so forth of that
25 legislation, it is clear that they intended to leave

1 with the state's determination of that nature.
2 COMMISSIONER GANDARA: So your sole issue
3 then is the one of avoided cost determination which was
4 the issue I raised as to how that's determined?
5 MR. KERNER: It is a separately determining
6 need from avoided cost and denying certification on
7 that basis.
8 COMMISSIONER GANDARA: Then I guess my last
9 question is one more of a general...I don't know if its
10 a question but it's kind of a description since I'd
11 like to reduce these two. At least simpler terms is
12 that in essence, what your recommendations here would
13 involve would be with the adoption of this policy and
14 over-regulated utility sector and an very much under-
15 regulated QF sector. So in that in fact you're moving
16 two different directions at the same time rather than
17 trying to deal with the parity problems of each
18 particular sector. But, is that an accurate
19 characterization? That, in essence, you're putting on
20 the screws to the utilities and freeing up the QF's
21 from...
22 MR. KERNER: No. I make no affirmative
23 recommendation that this be adopted and applied to
24 electric utilities. Merely that, if adopted, it must
25 apply only to the electric utilities. What you

1 characterize as under regulation of qualifying
2 facilities is Congressional purpose.
3 COMMISSIONER GANDARA: Okay, well thank you.
4 MR. COHN: Mr. Chairman.
5 CHAIRMAN IMBRECHT: Mr. Cohn.
6 MR. COHN: I'd just like to point out what I
7 see as one fundamental flaw in this argument and that
8 is that it assumes that economics is the only criterion
9 used in a need determination when as the statute
10 specifies and as we have laid out in the report,
11 economics is one of five criteria that the Commission
12 must balance in determining needs. So need is not
13 under California Law. Perhaps it is under other state
14 laws. I can't answer for the other 49 states. But in
15 California economics is not the sole criterion for
16 need.
17 COMMISSIONER GANDARA: But Mr. Kerner's
18 comments do go to that 3A, 3B part that you mentioned
19 about how you compared the avoided cost to the price of
20 power.
21 MR. COHN: They certainly go to that but I
22 think his argument goes to the entire need process.
23 CHAIRMAN IMBRECHT: The argument's whether or
24 not we're pre-empted in terms of the entire question.
25 And I understand Mr. Cohn's point. Okay, let's try to

1 conclude today's hearing. We have one final witness.
2 Mr. Kerner, thank you very much.
3 MR. KERNER: Thank you.
4 CHAIRMAN IMBRECHT: Next Mr. Nellor. I
5 understand that, but I'm going to get Mr. Nellor up
6 here first and then I'll talk to staff, find out what
7 they want. Is Mr. Nellor present? Talk to Mr. Kelly
8 right away then. Mr. Kelly.
9 MR. KELLY: I'll try to be as brief. Thom
10 Kelly, Chief of the Assessments Division, at the
11 California Energy Commission. I have a few comments
12 that I'll just try to run through and start off by
13 saying that we do appreciate the extra time, the
14 continuance so that we can talk with the Committee
15 Advisors, perhaps with the Committee to flush out some
16 of the questions that we have that are remaining after
17 I give you the main points for what I want to talk
18 about.
19 Some of the questions that I'm not going to
20 go through today are some of the things that you
21 started exploring today, about how test cases might
22 proceed through each one of the cases and how it would
23 apply. I think it will be interesting to get the
24 information from the Biennial Report about how the
25 unspecified needs test might fit with the unfilled

1 needs, or unspecified needs that will be coming out of
2 that. Several things are being asked for in this
3 document that we characterize at the moment as
4 analytical R&D. That is, we don't have the answers
5 quite yet. I understand that we're being asked for
6 that. I'm not sure that it's understood that staff do
7 not have the answers for these things yet. But I
8 though I'd point them out.
9 For instance, on Test 2, 3, we don't have the
10 ability to specify quantitatively how the low
11 conditions might match for each service area. If it's
12 understood that this is a qualitative match where we
13 can talk about general conditons, that's one matter.
14 But if we're expected to list say, 3,216 MW of
15 intermediate load for Southern California Edison, we
16 are not able to do that. I understand in past drafts
17 that may have been considered and as long as it's, in
18 staff preferences, we've said, if you put qualitative
19 low conditions that more accurately describes the kind
20 of analysis that we'd be able to provide instead of a
21 straight numerical precision.
22 COMMISSIONER COMMONS: The draft does not say
23 either quantitative or qualitative and the
24 understanding is that the different parties would bring
25 the best available evidence.

1 MR. KELLY: Okay. Test 3B, it's not a test,
2 it's a condition, 3B on the front page. Excluding
3 needle peak requirements 1, 2, percent of total yearly
4 hours which are usually better served through Load
5 Management Program. The staff can't remember the
6 evidence in the record that creates this and we
7 certainly have no agreement as to how we would go about
8 calculating that and deciding what a needle peak
9 requirement might be. I mean to assign a megawatt
10 value to that is something we could not do at the
11 moment. I assume by putting that in you're asking us
12 to do it. There's no guarantee we'll be able to do it
13 in a acceptable fashion. On Test 4-5 that's another
14 one that we haven't developed a record for in this
15 proceeding. Certainly the staff hasn't developed a
16 methodology that would handle that. We do not know how
17 at the moment, to develop our models so that we'd be
18 able to provide economic with and without conditons or
19 facilities. There's no doubt it could be done in some
20 fashion. The staff phrase is, "If you want it bad, you
21 get it bad." The sooner we would have to provide this,
22 the less comfortable we'd feel with providing it and
23 feeling very comfortable in doing so. In fact, we
24 think it's part of the same kind of calculations we
25 would have to go through for calculating avoiding cost

1 in working with the PUC. So, to that extent perhaps we
2 would feel more comfortable having that as a follow-on
3 as opposed to a strict requirement right now. We don't
4 know how soon we'd be able to provide it in terms of
5 the cases.
6 COMMISSIONER COMMONS: Isn't this part of the
7 existing Siting Policy?
8 MR. KELLY: The statement that other
9 facilities could be considered based on their economic
10 and environmental benefits is in there. We have never
11 been required to provide that kind of test. We do not
12 currently have the ability to provide that kind of
13 test. And we certainly have not proposed using it in
14 any siting cases. That's different from saying...
15 CHAIRMAN IMBRECHT: Commissioner Commons
16 raised a good point. He knows which test that's in.
17 Last one and, obviously, the more stringent and least
18 likely to occur under this scenario either and so, in
19 essence to embrace a phrase that's in an existing
20 Siting Policy that, perhaps hasn't occurred. I'm
21 tired' it's been a long day. Let's wrap this up.
22 MR. KELLY: Okay. Back to the first page
23 then. I'll point out Condition 2. The cost condition
24 specified in the tests below do not apply to
25 demonstration facilities. It's our understanding that

1 nothing to cost conditions, demand forecast or anything
2 else applies to the demonstration facilities.
3 MR. COHN: Let me just interject there that I
4 did mention when I did my introductory comments that
5 it's true that a demonstration facility is not required
6 as are all other facilities to demonstrate in the
7 affirmative that they are needed. That's not to say
8 that the Commission could not go ahead and do a Need
9 Test to take that into consideration along with all the
10 other factors. But it is true that they are not
11 required, in order to be licensed, to be found needed.
12 CHAIRMAN IMBRECHT: Let me ask something.
13 Aside from an academic exercise, what necessity is it
14 to recite these things right now?
15 MR. KELLY: We could communicate...
16 CHAIRMAN IMBRECHT: Can't you communicate
17 this to Committee?
18 MR. KELLY: We could communicate this to the
19 Committee in private.
20 CHAIRMAN IMBRECHT: I want to hear it, but I
21 just not necessarily want to hear it at 6:15.
22 COMMISSIONER COMMONS: We will pay more
23 attention tomorrow Thom.
24 MR. KELLY: In that case, tomorrow.
25 COMMISSIONER GANDARA: Can I hear it on

1 Wednesday?

2 CHAIRMAN IMBRECHT: Why don't you, if you're
3 going to, if you've got that summarized in any fashion,
4 why don't you just distribute that to all members of
5 the Commission?

6 VICE CHAIR CROWLEY: I'd appreciate that.

7 CHAIRMAN IMBRECHT: Commissioner Gandara.

8 COMMISSIONER GANDARA: One last point of
9 information. Again, just going to touch very lightly
10 on it. But I think that next Wednesday we should get
11 clarified what the Commission's Retirement Policy has
12 been because my staff has checked and they indicate
13 that it's been the policy since BR-2 to use 45 years.
14 So there's a discrepancy here that I think needs to be
15 ironed out and maybe a minor point to the big scheme of
16 things, but I want the record to be factually correct.
17 So if I could ask...

18 CHAIRMAN IMBRECHT: As I said today, I made
19 my statement based upon representations made to me by
20 staff.

21 COMMISSIONER GANDARA: Mr. Kelly, maybe check
22 with your staff, but do you have an answer right now?
23 A definitive answer? I really don't know, but I wasn't
24 here for BR-2 or BR-3. But I'm told now that it's
25 State policy since BR-2.

COMMISSIONER COMMONS: Can we continue this to the afternoon on Wednesday so people don't have to sit through the morning since we have a business meeting?

CHAIRMAN IMBRECHT: What's the remainder of the agenda?

EXECUTIVE DIRECTOR WARD: It's relatively short.

CHAIRMAN IMBRECHT: Okay. Get to it whenever we can. You know what happens if we wait until 1:30 we'll be here until 10. We stand adjourned.

(Thereupon the hearing before a Committee of the California Energy Resources Conservation and Development Commission was adjourned at 6:16 p.m.)

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REPORTER'S CERTIFICATE

THIS IS TO CERTIFY that I, Dawn Lofton, Reporter, have duly reported the foregoing proceedings which were had and taken in Sacramento, California, on Monday, April 29, 1985, and that the foregoing pages constitute a true, complete and accurate transcription of the aforementioned proceedings.

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

Dawn Lofton

Reporter

Dated this 17th day of May, 1985.