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STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

BUSINESS MEETING

1516 NINTH STREET
FIRST FLOOR HEARING ROOM
SACRAMENTO, CALIFORNIA

WEDNESDAY, MAY 1, 1985

10:40 AM

REPORTED BY:

DAWN LOFTON

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

COMMISSIONERS PRESENT

1
2 Charles R. Imbrecht, Chairman
3 Barbara Crowley, Vice Chair
4 Arturo Gandara, Commissioner
5 Geoffrey D. Commons, Commissioner
6 Warren D. Noteware, Commissioner

7
8 EX OFFICIO

9 Bill Foley

10
11 STAFF PRESENT

12 Bill Chamberlain, Staff Counsel
13 Gary Fay, Staff Counsel
14 Randall Ward, Executive Director
15 Robert Strand
16 Shibu Dhar
17 Robert Therkelson
18 Kent Smith
19 Susan McGowan, Ph.D.
20 Chris Ellison
21 Chris Elms
22 Hoang "Dan" Nguyen
23 Don Wallace
24 Susan Bakker
25 Steve Cohn

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STAFF PRESENT - (Continued)

Michael Jaske, Ph.D.
Gigi Coe
Thom Kelly
Daniel H. Nix
Lorri Gervais, Secretary

PUBLIC ADVISER'S OFFICE

Ernesto Perez

ALSO PRESENT

Ben Morris, Pacific Gas and Electric Company
Mauricio A. Flores, Pillsbury, Madison & Sutro

I N D E X

	<u>Page</u>
1	
2	
3	*** MORNING SESSION ***
4	Pledge of Allegiance 1
5	Opening Remarks
6	- Charles R. Imbrecht, Chairman 1
7	Agenda Item 1 - Commission Consideration and
8	Possible Approval of PGandE's
9	Request to Amend the Geysers
10	Unit 20 Decision to Allow for
11	a Change in Termination Point
12	for Geysers Unit 20 Transmission
13	Tapline.
14	- Comments by Bob Strand 2
15	- Comments by Ben Morris 6
16	- Commission Questions & Discussion
17	Agenda Item 2 - Commission Consideration and
18	Possible Designation of a
19	Commission Committee to Preside
20	Over the IBM Cogeneration Facility
21	Project Application for Small
22	Power Plant Exemption.
23	(Docket No. 85-SPPE-2)
24	- Comments by Bob Therkelson 8
25	- Comments by Mauricio Flores 17
26	- Commission Questions & Discussion
27	Agenda Item 3 - Contract No. 300-84-011, \$347,439,
28	with ADM Associates, Inc. to
29	Conduct Onsite Surveys of Energy
30	Use Characteristics of Commercial
31	Buildings in the Pacific Gas and
32	Electric, Southern California Edison
33	and Sacramento Municipal Utility
34	District Service Areas.
35	- Comments by Dr. Susan McGowan 23
36	- Comments by Hoang "Dan" Nguyen 28
37	- Commission Questions & Discussion

I N D E X - (Continued)

	<u>Page</u>
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
Agenda Item 4 - Contract No. 300-84-012, \$142,561. with Malcolm Lewis Associates/ Energy Management Consultants, Inc. to Conduct Onsite Surveys of Energy Use Characteristics of Commercial Buildings in the Los Angeles Department of Water and Power, and San Diego Gas & Electric Service Areas	
- Comments by Dr. Susan McGowan	23
- Comments by Hoang "Dan" Nguyen	28
- Commission Questions & Discussion	
Agenda Item 5 - Approval of Minutes	118
Agenda Item 6 - Commission Policy Committee's Report	
- AB-924 (Costa)	51
Committee Recommendation	51
Commission Position	53
- AB-1179 (Naylor)	
Committee Recommendation	53
Commission Position	55
- AB-1666 (Hauser)	55
Committee Recommendation	55
Commission Position	71
- AB-1733 (Hauser)	73
Committee Recommendation	73
Commission Position	77
- AB-2063 (Condit)	77
Committee Recommendation	78
Commission Position	80
- SB-842 (Craven)	80
Committee Recommendation	80
Commission Position	81

I N D E X - (Continued)

	<u>Page</u>
1	
2	
3	Agenda Item 6 - Commission Policy Committee's Report
4	(Continued)
5	- SB-1429 (Rosenthal) 81
6	- SB-1430 (Rosenthal) 81
7	Committee Recommendation 81
8	Commission Position 108
9	
10	Agenda Item 7 - General Counsel's Report 118
11	
12	Agenda Item 8 - Executive Director's Report 119
13	
14	Agenda Item 9 - Public Comment (NONE)
15	
16	Agenda Item 10 - Electricity Report (UNDER SEPARATE COVER)
17	
18	Adjournment 140
19	
20	Reporter's Certificate 141
21	
22	
23	
24	
25	

P R O C E E D I N G S

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3 CHAIRMAN IMBRECHT: Good morning. I'd like
4 to begin the meeting by asking Commissioner Crowley to
5 lead us in the Pledge of Allegiance. Would you all
6 please rise?

7 (FLAG SALUTE)

8 Alright. The first item to come before us
9 today.... Let me.... At the request of Commissioner
10 Commons and contemplation of staff, we will take up
11 the Electricity Report and comment on the Siting Policy
12 relative to the Electricity Report and the Biennial
13 Report, promptly at 1:30 and consume the rest of the
14 time this morning for the remainder of the
15 Commission's business agenda.

16 The first item to come before us today is
17 Commission consideration and possible approval of
18 Pacific Gas and Electric's request to amend the Geysers
19 Unit 20 Decision to allow for a change in termination
20 point for the Geysers Unit 20 transmission tapeline.
21 Pacific Gas and Electric's request is based on changed
22 conditions in the Geysers since the Geysers 20 Plant
23 was certified. Mr. Smith?

24
25

1 MR. SMITH: Yes. Mr. Bob Strand from the
2 Commission's Siting and Environmental Unit will
3 present this item.

4 MR. STRAND: Good morning. My name is Bob
5 Strand. I'm from the Siting Office. And with me is
6 Shibu Dhar from the Engineering Office. We'd like to
7 briefly describe PGandE's request.

8 PGandE has requested Commission approval of
9 a change to the Unit 20 tapeline termination point that
10 was certified in a decision on the Unit 20. The change
11 would be a temporary change from 1985 to 1991, at which
12 time they would reconnect the Unit 20 tapeline as
13 originally certified. The request is based on changed
14 conditions since the Unit 20 proceedings and
15 information that was not available at the time of those
16 proceedings.

17 We have a couple diagrams to show you to
18 illustrate what the change is. The first diagram is
19 the Unit 20 AFC Proposal. This shows the 230 kV system
20 within the Geysers, which consists of the westside
21 collector line running down Castle Rock Junction and
22 the eastside collector, where the change would actually
23 take place. The eastside collector....

24
25

1 CHAIRMAN IMBRECHT: Excuse me. Can I ask you
2 speak directly into the microphone. These are pretty
3 sensitive.

4 MR. STRAND: Yes. How's that? Okay. The
5 eastside collector is composed of two circuits: the
6 Unit 14 collector circuit, in yellow and the Unit 9
7 collector circuit, which is light green. These
8 circuits have a capacity of 622 MW; some are normal
9 conditions. The Unit 20 is shown in red. And,
10 originally, PGandE was planning to string about 100
11 feet of conductor from the Unit 20 Plant to the Unit 13
12 vacant circuit, then run .6 mile of conductor out and
13 terminate on the Unit 14 collector line. That's the
14 original proposal. The conditions at that time
15 included NCPA No. 3, with a capacity of 55 MW; and,
16 Unit 3 was to be connected to the Unit 9 collector line
17 by way of the NCP Unit 2 tapline circuit. This has
18 changed since that time.

19 The next diagram is the new proposal. The
20 conditions that are changed are the NCPA is now 110 MW
21 and is connected to the Unit 14 collector line by tying
22 in with the Unit 16 tapeline circuit. So, that power
23 is going onto a different collector line now. The NCPA
24 Unit 2 is still connected with the Unit 9 collector.
25 Along with this, Unit 20 would be connected to the Unit

1 13 tapline circuit by stringing the 100 feet of
2 conductor down and terminating right there. This puts
3 the Unit 20 capacity on the No. 9 collector, which is a
4 change. It was originally going over to the Unit 14
5 collector. This connection would exist until 1991,
6 then would be changed to the original proposal by
7 stringing the additional .6 mile of conductor and
8 terminating on the Unit 14 collector.

9 PGandE has identified the benefits as
10 approximately \$5,300 per year in a lower LARR, a more
11 reliable hook-up for NCPA Units 2 and 3; because,
12 they're now on independent collectors. Our siting
13 staff has reviewed this. We gave it a full
14 environmental review and engineering review. And, our
15 staff concludes that PGandE's benefits are valid and
16 that the independent connections for the NCPA Units 2
17 and 3, in addition to being more reliable, actually
18 represent compliance with the requirements of the NCPA
19 No. 3 decision. There is a requirement in that
20 decision that PGandE negotiate--or NCPA--negotiate with
21 PGandE to try to achieve this type of connection to
22 independent circuits.

23 In terms of collector line capacity, both the
24 Unit 20 AFC proposal that we saw in Slide 1 and this
25 new proposal are acceptable. Neither one overloads

1 CHAIRMAN IMBRECHT: Alright. Are there
2 questions from members of the Commission? Does anyone
3 wish to speak in support of opposition to the proposed
4 amendment?

5 MR. FAY: I Believe a representative of
6 PGandE is here who could comment on Mr. Strand's
7 representation of the....

8 MR. STRAND: Yes. Ben Morris is here from
9 PGandE if he would like to make comments.

10 CHAIRMAN IMBRECHT: I suspect they're pretty
11 happy with the staff recommendations?

12 MR. MORRIS: My name is Ben Morris. I work
13 in Transmission Planning at PGandE. And, I agree with
14 everything that Bob Strand has said here.

15 CHAIRMAN IMBRECHT: Alright, fine. Does
16 anyone wish to speak in opposition of the proposed
17 amendment? What's the pleasure of the Commission?

18 COMMISSIONER GANDARA: I just have one
19 question, Mr. Chairman.

20 CHAIRMAN IMBRECHT: Commissioner Gandara.

21 COMMISSIONER GANDARA: Is there anybody from
22 SMUD here? Perhaps, staff can answer my question,
23 then. The letter from SMUD was a bit cryptic with
24 respect to one point, that is, their concern over the
25 system load balance. Would you comment on that? It

1 either one of those collector circuits. But, this new
2 proposal is preferred because of the associated
3 benefits. In addition, the staff has shown that no
4 significant environmental impacts are associated with a
5 new proposal and that the impacts associated with the
6 original plan PGandE had identified in the Unit case
7 would simply be deferred until 1991.

8 We've made agency contacts with DWR, NCPA,
9 SMUD, and CCPA. And, none of these agencies object to
10 this plan. However, they do want to comment on any
11 reconnection that's made in 1991 based on conditions
12 that exist at that time. So, we have recommended in
13 the amendment that any reconnection in 1991 would be
14 handled by separate petition for approval; and, we
15 could bring everybody together and discuss it at that
16 time.

17 And, that's basically what we're dealing with
18 this morning. Shibu Dhar is here, who did the
19 engineering staff analysis and Brian Bell. And, we can
20 answer any questions you have on either the staff
21 analysis or anything else on this item.

22 CHAIRMAN IMBRECHT: Alright, fine. Mr. Dhar,
23 do you have anything you want to add to that
24 presentation?

25 MR. DHAR: No.

1 wasn't quite clear to me whether they were saying we
2 have a concern; it can be worked out; whether they were
3 saying, we have concern, address it. I didn't seem to
4 get a resolution of that in the staff's summary remarks
5 other than, again, just reflecting that it was a
6 concern of theirs.

7 MR. STRAND: Yes. It wasn't quite clear to
8 us, initially, what their comments were leading to.
9 So, I discussed the issue with Jim Bringle, who
10 authored the letter. His concerns were over his basing
11 the capacity of these lines at 600 MW. And, on the new
12 plan, we show 556 MW on the No. 14 collector and 608 MW
13 on the No. 9 collector, which SMUD is hooked to. And,
14 he was concerned that if we put 600 MW on that and it
15 has 608 MW on it with a 600 MW capacity, that that
16 would overload it. Actually, the capacity is 622 MW.
17 So, we're well within the limits of the line. And,
18 this resolved his concern. I spoke with him
19 personally, and asked him if he would like to attend
20 today. And, he said that his concerns were resolved.

21 COMMISSIONER GANDARA: Thank you.

22 CHAIRMAN IMBRECHT: Alright, fine. What's
23 the pleasure of the Commission? Commissioner Commons.

24 COMMISSIONER COMMONS: The Siting Committee
25 has reviewed this; and, I so move.

1 CHAIRMAN IMBRECHT: Alright, fine.

2 Commission Commons moves.

3 COMMISSIONER NOTEWARE: I'll second it.

4 CHAIRMAN IMBRECHT: Commissioner Noteware
5 seconds that the decision be amended to reflect the
6 staff recommendation. Any further discussion. Is
7 there objection to unanimous roll call? Hearing none,
8 eyes: five, nos: none. The amendment is adopted. The
9 decision is appropriately modified.

10 The second item to come before us today is
11 consideration and possible designation of a Commission
12 Committee to preside over the IBM Cogeneration Facility
13 Projection Application for a Small Power Plant
14 Exemption. Mr. Smith.

15 MR. SMITH: Mr. Bob Therkelson from Siting
16 Division will comment on that project.

17 MR. THERKELSON: On April 5th of this year,
18 we received a small power plant exemption from the IBM
19 Company for a 65 MW full-service cogeneration power
20 plant. As you're aware, there is no data adequacy
21 period during a small power plant exemption; so, we're
22 simply asking the Commission to appoint a committee to
23 preside over that case.

24 CHAIRMAN IMBRECHT: Okay. I am negligent for
25 not having discussed this with other Commissioners. As

1 the Presiding Member, I have a personal interest in
2 this exemption.

3 COMMISSIONER GANDARA: I have some questions.

4 CHAIRMAN IMBRECHT: Alright.

5 COMMISSIONER COMMONS: I would volunteer to
6 do this, in that it's about the only case that will
7 come before us that would be completed with one term
8 and as a known, Southern California case.

9 CHAIRMAN IMBRECHT: Commissioner Gandara, do
10 you have any particular questions?

11 COMMISSIONER GANDARA: I can't resist the
12 comments that I'll make and then ask my questions.
13 And, I would note that, as Commissioner Commons has
14 indicated that he would not have to live with or
15 interpret the complex siting policies being proposed
16 for this particular case, that really is where my
17 question lies.

18 Mr. Therkelson, are we required..... Is the
19 Commission required to respond within a certain time of
20 filing for an SPPE?

21 MR. THERKELSON: The way the regulations are
22 written, the Commission is given 135 days in which it
23 may, to prepare response, unless more time is required.

24 COMMISSIONER GANDARA: Now, the nature of
25 that response would be that, one, the Commission

1 recommends an exemption or the Commission does not, and
2 therefore, recommends that the Applicant file a regular
3 AFC or what?

4 MR. THERKELSON: Correct. The exemption is
5 based upon two tests: 1) that the facility is needed,
6 and 2) that there are no significant adverse
7 environmental impacts. Under small power plant
8 exemption, the Commission is the lead agency under CEQA
9 and prepares the initial study and negative
10 declaration, if there are no significant adverse
11 impacts.

12 The decision, then, is to grant the
13 exemption, at which time the applicant goes to the
14 local agencies for their permits (the Air Permit, for
15 example and the Land Use Permit). If the
16 application...the exemption is denied, then the
17 Applicant has a choice of either submitting an AFC or
18 discarding the project.

19 COMMISSIONER GANDARA: I guess I have a
20 little bit of a concern here, Mr. Therkelson. My
21 initial question really was more to, why it's before
22 our calendar today, as opposed to the next business
23 meeting. Are we required to respond within a certain
24 time of its filing with respect to appointing a
25 committee or anything like that? No. There is no

1 specific time requirement for the appointment of the
2 committee. Usually on these items, as soon as we
3 receive a small power plant exemption, we request
4 assignment of the committee so that if there are any
5 intervenors, that issue can be dealt with and that the
6 informational hearing can be established and set up.

7 COMMISSIONER GANDARA: Okay. Let me just
8 note for the Commission, the concern that I have--
9 -several concerns. It has not a lot to do with the
10 merits of the project; but, it has a lot more to do
11 with the procedures of where we find ourselves at this
12 particular point in time.

13 Conducted a Need Determination hearing on the
14 Gilroy project, a 150 MW cogeneration facility, only a
15 few miles north of San Jose (same air basin, same
16 service area). Staff testimony was that, under our
17 current situation, it was not needed. So, if we have
18 testimony, at least from the staff, that the Gilroy
19 facility's not needed then, one of the two criteria for
20 even engaging in this process, seems to me is that this
21 plant be.... Is it needed or not?

22 So, I presume the testimony was for the
23 entire PGandE Service Territory of which San Jose is
24 one. So, I would.... One concern I would have is are
25 we embarking on a process where, in fact, we have

1 already had a staff position: the plant is not needed.
2 On the other hand, I can see that the purpose of the
3 committee would be to, in fact, make a need
4 determination and a need examination. And, I mention
5 this concern for purposes of consistency for whoever
6 would be on the committee.

7 The second point I would make is that, we
8 find our Siting Policy with a considerable at this
9 point. And, I have a concern about proceeding with
10 this case when the rules of the Siting Policy are so
11 unclear. It does seem to me that, for example, even
12 though we heard lots of testimony on Siting Policy
13 yesterday, we heard nothing of how it would effect
14 small power plant exemptions. Would small power plant
15 exemptions continue to be processed? Would the Policy
16 be the same? If it is, how does that fit in this whole
17 concept? Now, I don't want to burden this one case
18 with the considerable auxilliary that we have here;
19 but, that's why I asked whether we needed to have it on
20 our calendar today versus some later time when we would
21 have this issue ironed out.

22 The opposite point of view could be that, we
23 can go ahead and appoint the committee; and, by the
24 time the committee holds these hearings, that all this
25 would be clear. That certainly is a viable option;

1 but, I guess given the sort of cusp that we find
2 ourselves in with several cases (Geysers 21, CCPA,
3 Gilroy), I wonder whether we, just as a matter of
4 conserving Commission time, staff time and attention,
5 whether it may not be best for the Applicant, staff and
6 the Commission to defer for a while on setting up new
7 committees and embarking on new investigations until we
8 sort of settle our policy issue.

9 The concern here that I have is that, for
10 example, not knowing what the policy would be in
11 Gilroy, we requested the staff as, you know, Mr.
12 Chairman, from direction or an opinion from General
13 Counsel, that the Electricity Report IV was enforced.
14 Well, no sooner have we done that that we find
15 ourselves in complex situation where we may need to
16 hold additional hearings under additional siting
17 policy. And so, for that reason, I don't know that the
18 Applicant would gain a lot by us forming a committee.

19 The third option, if we form a committee, it
20 doesn't do anything until the whole issue is settled.
21 But, in that case, we're back to where we were, but for
22 the fact that we would have assigned a committee to a
23 small power plant exemption process that might, indeed,
24 be significantly affected by the Siting Policy. And, I
25 would ask, if we're considering modifications to that

1 policy, whether it should also not include the SPPE? I
2 understand we have siting regulations underway, but
3 doesn't address this particular issue. Again, I don't
4 have answers to any of these, Mr. Chairman, I just
5 raise them as concerns; because, in a way, we're kind
6 of conducting business as usual on this application,
7 when business is, in fact, very unusual with respect to
8 where we are in our Commission policy.

9 CHAIRMAN IMBRECHT: I would probably take
10 exception to some of the characterizations that
11 everything is so unclear, etc. But, I think that,
12 frankly, it's relatively easy to answer the questions
13 that have been brought to my attention, in any case.
14 And, all that notwithstanding, I don't think, as you
15 indicated, that that ought to be an issue that becomes
16 a deciding factor in terms of how this case is handled.
17 It seems to me that we ought to treat this in the same
18 fashion that we've treated other applications in the
19 past. I think that all applicants are entitled to that
20 kind of equity, if you will.

21 My inclination would be to appoint the
22 committee and leave it to the discretion of the
23 committee as to the timing of their first hearings in
24 light of an evolution and decision by the full
25 Commission vis-a-vis the Electricity Report and

1 Biennial Report and the encompassed proposal for
2 modification, as I see it, an evolution of our Siting
3 Policy, not a radical departure from our existing
4 Siting Policy. And, the question how small power plant
5 exemptions would be handled, again, to me is a question
6 which has an obvious answer.

7 And, absent attempting to complicate the
8 matter, I don't really see what the problem is. But,
9 perhaps, there is a problem I don't understand or at
10 least, I'll give you an opportunity to elucidate on
11 that further when we get to that this afternoon.

12 But, in any case, my general inclination
13 would be to appoint the committee and leave it to the
14 discretion of those Commissioners in terms of the
15 timing issues that you raised.

16 COMMISSIONER GANDARA: Okay. Just one last
17 comment, then, Mr. Chairman. Not particularly at point
18 to this issue, but I think relevant to this and the
19 other cases I mentioned that, perhaps, it might be
20 worthwhile to plant the bean in the bonnet of all the
21 Commissioners and ask all of us to consider whether, in
22 fact, it might not be worthwhile to hold generic Need
23 Determination hearing for all these cases, so that all
24 these cases have some reasonable prospect of being
25 treated equally under the same standard. Because, as I

1 said before, we do have CCPA, Geysers 21, Gilroy; and,
2 we do have now what would be this SPPE in this area.
3 We have four.... We also have Crockett. And so, we
4 have a lot of siting cases in the same service
5 territory, all of which I think the analysis ought to
6 fairly similar; because, if it isn't we'd have a
7 problem here. But again, it's not a formal motion.

8 CHAIRMAN IMBRECHT: That, potentially, is a
9 realistic proposal. I think we ought to explore that
10 and discuss it with our staff and leave it to counsel
11 about how that might be best pursued.

12 COMMISSIONER GANDARA: Okay. Under the
13 regulations, there is an opportunity to do that, I
14 think, on the motion of a Committee that, in fact,
15 something like that could be done. A consolidation of
16 parts of proceedings can be done. But again, I'm not
17 proposing that now, Im just suggesting it as a way
18 around some of....

19 CHAIRMAN IMBRECHT: Why don't we explore that
20 option and try to come to some resolution make a
21 proposal to the Commission at our next Business
22 Meeting.

23 MR. FLORES: Mr. Chairman?

24 CHAIRMAN IMBRECHT: Yes.

25

1 MR. FLORES: I am Mauricio Flores, I
2 represent IBM. I wonder if I could address the
3 Committee very briefly.

4 CHAIRMAN IMBRECHT: Certainly.

5 MR. FLORES: The point I really want to make,
6 I don't want to get into the merits of this particular
7 application. But, it very important to IBM that we
8 start the ball rolling on the procedures. If the
9 matter is put off, it's going to result in significant
10 delay, which I think will prove to be unnecessary. On
11 the other hand, if it does turn out--I don't think it
12 will--but, If it does turn out that there is some
13 reason to pause in the process to consider some of the
14 problems, some of the factors that Mr. Gandara brought
15 up, then there is certainly room to do that and we can
16 stop at that point. But, it is important to IBM to get
17 this thing rolling.

18 We have--IBM--has received the major permits
19 that are necessary. It's received an Authority to
20 Construct from the Bay Area District. It's.... I
21 believe it's received a Conditional Use Permit from the
22 City of San Jose. The PSD Permit from Environmental
23 Protection Agency is now final. I have it in my
24 briefcase; I'm about to file it with the Docket Unit.
25 And, there are a lot of things about this project that

1 are unique. I won't get into that; but there're a lot
2 of special factors about this project, not the least of
3 which has received all of these permits already and not
4 the least of which...it's really an add on to some
5 existing facilities. I won't get into the merits.
6 But, it is important to get this moving; because, a
7 delay could be very significant to IBM.

8 CHAIRMAN IMBRECHT: I'm going to suggest that
9 we follow the precedent that we used with respect to
10 the Irwindale case and that is, appoint only the
11 Presiding Member relative to this Committee, which does
12 allow for Petitions for Intervention to be handled as
13 well as scheduling of information and presentations to
14 the initial steps in the proceeding.

15 Then, I will fulfill what are, obviously, my
16 responsibilities in consulting the other Commissioners
17 and balancing all of our respective schedules. At the
18 next Business Meeting I would intend to notice the
19 selection of a Second Member, both for Irwindale and
20 for this case as well. And, I will do that in the
21 context of trying to ensure that we have a balanced
22 workload amongst the five members of the Commission.

23 So with that and based upon Commissioner
24 Commons suggestion, I would like to -- unless you are
25 going to withdraw your offer -- I would like to move.

1 COMMISSIONER COMMONS: I'm just saying, I
2 would not be, at all, hurt, Mr. Chairman, if another
3 Commissioner still wants this case. I was only going
4 back to (INAUDIBLE) and I just want you to understand
5 the nature in which the offer is made.

6 CHAIRMAN IMBRECHT: Not having been in the
7 Army, but my dad told me a story about you learn
8 something about when you start to volunteer; and, I'm
9 going to take you up on your offer. So I'm going to
10 move that Commissioner be named the Presiding Member of
11 the small power plant exemption Committee for the IBM
12 Cogeneration Project. Is there a second?

13 COMMISSIONER GANDARA: One last question, Mr.
14 Chairman. Mr. Flores, you indicated that you had the
15 necessary permits. You received the Commission
16 compliance from your APCD or some equivalent thereof?

17 MR. FLORES: Could you run that by me again?

18 CHAIRMAN IMBRECHT: Air pollution: Do you
19 have an Air Pollution Control Permit?

20 MR. FLORES: Yes, we have an Authority to
21 Construct from the Air Pollution Control District.

22 COMMISSIONER GANDARA: Let me just ask staff
23 here: Is that the same step that the APCD represents
24 in an AFC proceeding--the Determination of Compliance?

25

1 MR. THERKELSON: It's essentially the same.
2 During the AFC they present a Determination of
3 Compliance which is generally the same finding that the
4 project does or does not comply with the applicable
5 laws and standards for the district.

6 COMMISSIONER GANDARA: Okay. Well, again,
7 for the benefit of the Committee, not that there is a
8 problem here, but I would like to note that we really
9 have two issues now in some of our siting cases here.
10 We're not only allocating the need component, we are
11 also now finding ourselves in the situation of also
12 allocating, to some extent, the air quality aspects.
13 And, I do know that there had been some expression of
14 concern expressed by the City of San Jose regarding the
15 air quality aspects of the Gilroy case. And, I'm just
16 wondering whether, again, the Siting Committee should
17 not...or the Siting Policy also should not be paying
18 some attention to this issue of first in and first out
19 on the air quality aspects.

20 Because, if we do have claims being made on
21 the air quality...on the emissions then I think that's
22 something that I don't quite know how it balances out.
23 Now, I don't know whether the result of having this....
24 The City of San Jose went away saying, you know, they
25 really....Gilroy was not a real concern, but now,

1 'we're back.' I don't know whether they'll be back,
2 given that now there's been an increase. And so, I
3 just think these cases are linked.

4 I don't need to say anything more about that.
5 I think given the comments that have been made, Mr.
6 Chairman, I don't think we need to belabor this. I see
7 no reason not to proceed with the Committee.

8 CHAIRMAN IMBRECHT: Is that a second to my
9 motion?

10 COMMISSIONER GANDARA: I will second your
11 motion. Definitely.

12 CHAIRMAN IMBRECHT: Alright.

13 COMMISSIONER GANDARA: But, I also want to
14 caution the Committee that, at least given the concerns
15 that I've expressed that, when the Committee returns to
16 the Commission that I would at least scrutinize that
17 area carefully.

18 CHAIRMAN IMBRECHT: I would just ask....
19 Okay, the motion is properly before us. I just want to
20 ask a question myself. In order for you to obtain that
21 Certification to Construct, I presume there was a
22 public process before the Air Pollution Control
23 District?

24 MR. FLORES: Yes sir, there was.

25 CHAIRMAN IMBRECHT: Noticed hearings, etc.?

1 MR. FLORES: I believe there was.

2 CHAIRMAN IMBRECHT: So, it is reasonable to
3 assume that the City of San Jose, being a large and
4 reasonable sophisticated municipality in comparision to
5 others in California, would be aware of public
6 proceedings that affect their community of that nature.

7 MR. FLORES: I wasn't involved in the
8 proceedings to get the Authority to Construct in the
9 Bay Area District. But, I can tell you that there has
10 been a tremendous amount of communication between IBM
11 and the City.

12 CHAIRMAN IMBRECHT: The point I'm trying to
13 make is, I think it's reasonable to assume that if San
14 Jose had an objection from an air quality standpoint to
15 your project, that they certainly would have actual if
16 not constructive notice that such a proceeding were
17 under way by the Air Quality District....

18 MR. FLORES: Yes sir, they have actual
19 notice.

20 CHAIRMAN IMBRECHT: ...in which their
21 jurisdiction is located. So, all of that taken into
22 consideration.... I try to balance equity sometimes in
23 these situations; and, we were dealing with.... Well,
24 I probably shouldn't use.... If were were dealing with
25 a small community, the reality of whether or not, in

1 fact, they were aware of the proceeding might be
2 different than it would be from my viewpoint in terms
3 of San Jose.

4 Alright is there further discussion on the
5 motion? Is there an objection to unanimous roll call?
6 Hearing none, ayes: five, nos: none. The motion is
7 carried. Commissioner Commons is presiding over the
8 case.

9 Third item to coming before the Commission is
10 a contract or proposed contract for \$347,439 with ADM
11 Associates to conduct onsite surveys of energy use
12 characteristics for commercial buildings in the PGandE,
13 SCE and SMUD service areas, and this is as I understand
14 it part of our continuing efforts to improve the data
15 base for our CFM process.

16 MR. SMITH: Yes, Mr. Chairman this contract
17 is also related to the fourth item--the \$142,561
18 contract with Malcolm Lewis & Associates. It's the
19 same project, different service areas. Dr. Susan
20 McGowan from our Assessments Division will comment on
21 these.

22 DR. MCGOWAN: For the record, my name is
23 Susan McGowan. I'm the Lead Senior in the Demand
24 Assessment Office. To my right is Dan Nguyen who will
25

1 be the Contract Manager on both of the contracts for
2 Item No. 3 and Item No. 4.

3 We have in our budget, \$490,000 for
4 conducting onsite commercial building surveys. The
5 object is to get up-to-date energy use characteristics
6 of commercial buildings in order to improve the
7 commercial sector building forecast model, both in its
8 forecasting aspect and its conservation quantification.
9 There are a series of issues which have come up, both
10 in the CFM-4 and CFM-5 proceedings, within the
11 commercial sector that both ourselves and the utilities
12 hope will be resolved by the addition of this data.
13 And, the utilities were supportive in our budget
14 request for '84/'85 of the \$490,000.

15 We released an RFP in January of this year
16 for the onsite survey for approximately 1,200 buildings
17 distributed across the five major utility service
18 territories. We received 33 proposals; and, that came
19 from 13 contractors. Not all contractors bid for all
20 service territories. The Selection Committee narrowed
21 it down to four contractors, interviewed those
22 contractors to clarify questions concerning their
23 proposals and then, on the basis of technical and cost
24 scores, the Malcolm Lewis Associates Energy Management
25 Consultants were deemed or reached the highest score on

1 both technical and cost for the Los Angeles Department
2 of Water and Power and the San Diego Gas and Electric
3 service territories. And ADM Associates received the
4 highest score for the PGandE, SMUD and SCE service
5 territories.

6 If there are any questions concerning either
7 of these contracts or the general issue at point here,
8 I'd be happy to answer them.

9 CHAIRMAN IMBRECHT: Commissioner Commons.

10 COMMISSIONER COMMONS: First, I want to
11 apologize for not taking advantage of the briefing, I
12 just did not have the time to do so. I'll have to ask
13 my questions now. When we had originally set aside
14 these contract funds, I thought that we were intending
15 to only spend somewhere between \$350,000 and \$400,000
16 on this item and that we were going to using the other
17 \$50,000 to \$100,000 for some other contract research
18 work. Could you refresh my memory?

19 DR. MCGOWAN: Initially, we received in the
20 budget \$360,000 for the onsite commercial survey. We
21 supplemented that with money from our EDP budget to get
22 up to the \$490,000; because our primary concern here
23 was to be able to sample a large enough number of
24 buildings for the 11 building types that we are
25

1 concerned with in our commercial building sector to get
2 meaningful information.

3 COMMISSIONER COMMONS: What was the impact of
4 the movement of the \$130,000 from the EDP budget to the
5 contracts? What impact is that having on our
6 forecasting or other capability?

7 DR. MCGOWAN: We have spent something in the
8 order of 60% to 65% of the remaining EDP funds that we
9 have in our budget for the Demand Office; and, that
10 leaves us with more than adequate funds to complete the
11 CFM-6 forecast. That's for the remainder of this
12 fiscal year, through June 30.

13 COMMISSIONER COMMONS: Through June 30? Last
14 year we had a very major issue that we did not have
15 sufficient funds for doing the EDP. Was...?

16 DR. MC GOWAN: And then, we did receive
17 sufficient funds and, if you will, what appeared as if
18 more than sufficient funds. Since we have been running
19 a fairly substantial vacancy rate, we were not doing
20 survey analysis, which is what uses up the largest
21 amount of our EDP dollars. And so, what we did was to
22 transfer some of that money to supplement this
23 contract, realizing we wouldn't be able to spend all
24 the EDP dollars.

25

1 COMMISSIONER COMMONS: In doing an onsite
2 survey, what is the basis that we want to...? The
3 sample size has to be, roughly, the same in each of the
4 utility areas in order to validate the results. What
5 is the need to do all five utilities to generate this
6 information? And, are we doing all building types for
7 each of the areas?

8 DR. MCGOWAN: The sample design is being done
9 by the staff. And, we will select.... We will
10 stratify the sample by the 11 building types so that
11 there will be representatives from each of the building
12 types, within each of the service territories. Now,
13 the sample size will vary by service territory, simply
14 because the service territory size varies substan-
15 tially. So, SMUD is much smaller than PGandE in terms
16 of the number of commercial buildings and, therefore,
17 the commerical electricity and natural gas usage.

18 COMMISSIONER COMMONS: If you remember when
19 this did come up last year, I had objected to--in some
20 of the utility areas, particularly the smaller utility
21 areas--of going into each of the building types that I
22 did not think it was cost effective. I particularly
23 thought that this was the case for San Diego Gas and
24 Electric and for SMUD that there was very little to
25 benefit by going through 11 building types when there

1 is very small energy usage in many of those building
2 types. And, this was my opinion at the time that I was
3 presiding on the committee when we went over the budget
4 amount. And, that's why I had originally supported the
5 360 and not the 500.

6 DR. MCGOWAN: Let me see if Mr. Nguyen can
7 address your question.

8 MR. NGUYEN: Mr. Commissioner your point is
9 quite valid. Your concern is also shared by the staff
10 and by the utility staff. And as of this point we
11 are...the staff are still working with the utility
12 staff in selecting the samples. And possibly for the
13 small utilities like SMUD and San Diego, we will not
14 sample all of the building types. And instead, we will
15 focus on the major building types.

16 COMMISSIONER COMMONS: Well, if we did not
17 sample all the building types, then do we need the full
18 \$490,000?

19 MR. NGUYEN: Yes, we do. Because, if we
20 don't, then we get a very small sample in total; and,
21 that will not be any good for any major, meaningful
22 statistical analysis.

23 COMMISSIONER COMMONS: Dr. McGowan just
24 previously testified that, the intent was to sample all
25 11 building types in all five utility areas. And, if

1 you were not to do all building types in all utility
2 areas, presumably the cost would come down. And, last
3 year I had gone over this issue; and, it had been my
4 recommendation to the Commission and to the.... And,
5 this Commission that adopted that we expend \$360,000 on
6 this activity. I've been a strong supporter of the
7 need for us to get information in this area. It's been
8 obviously a critical area. However, I have always been
9 very concerned that we expend the appropriate number of
10 dollars of doing a particular task. And at that time,
11 I'd come to the opinion that we could do what we need
12 to do for \$360,000.

13 DR. MCGOWAN: If I might answer that. I
14 should say perhaps I misspoke by saying that we would
15 sample all 11 building types within all service
16 territories. We have distributed buildings across
17 service territories to give us as representative a
18 sample as possible and the minimum necessary data
19 points in order to, as Mr. Nguyen said, come up with
20 statistically meaningful information to be able to
21 generalize from the sample data.

22 We have, in the SMJD service territory, a 150
23 buildings. By using all those 150 buildings and not
24 doing all the building types (those which have very
25 small energy consumption), we are simply, then, having

1 the number of buildings that we feel are necessary in
2 order to be able to come up with meaningful numbers
3 about those building types which do use the bulk of the
4 commercial building energy.

5 COMMISSIONER COMMONS: Well, Mr. Chairman, I
6 have not been convinced that the Commission should
7 change its position from where we were when we approved
8 this budget last year of \$360,000. Just because of the
9 fact that the EDP money is available, does not mean
10 that it has to spent here. And I'm not sure that it's
11 not correct, either. But, I did review it a year ago;
12 and, we went over this item fairly carefully at the
13 time of the budget.

14 I'd want to.... Things that I would want to
15 understand would be: Where do we have a discrepancy in
16 the forecast between the utility and the staff work and
17 building type? Some building types, in certain utility
18 areas, we don't have any real difference. And, I don't
19 think it's necessary that we expend resources in those
20 areas. There are other building types where we have
21 significant differences. And, I strongly support the
22 project. I just think we should be careful not to
23 expend a \$130,000 extra.

24 MR. SMITH: Mr. Chairman, if I could comment.
25 My understanding is that the increase in the dollar

1 amount was presented to Budget Committee in one our
2 earlier Quarterly Reviews; and, there was an
3 opportunity for the full Commission to raise any
4 concerns about that, prior to this point. We are
5 coming up on the end of the fiscal year. Certainly,
6 Dr. McGowan and her staff have determined that this
7 particular proposal is a responsible one and
8 accomplishes the work that needs to be done. And, we
9 certainly recommend that we go forward with this as
10 presented.

11 COMMISSIONER COMMONS: If it were brought
12 before the Budget Committee, our office doesn't sit on
13 the Budget Committee. Our office had never been--as I
14 know--notified that this had been increased. I don't
15 remember the issue. And the Quarterly Review....

16 MR. SMITH: I believe the....

17 COMMISSIONER COMMONS: Even if all that is
18 the case, I have not yet heard something that would
19 convince me to change.

20 COMMISSIONER GANDARA: I have a question, Mr.
21 Chairman.

22 CHAIRMAN IMBRECHT: Commissioner Gandara.

23 COMMISSIONER GANDARA: I, again, like
24 Commissioner Commons have not had an opportunity to
25 really focus on this. You may have stopped by my

1 office. I have not been there; so, I apologize for
2 that. But, I would like to be more familiar with this.
3 Because, again, it does deal with one of the most
4 important aspects in the forecasting.

5 But for now, one of the questions I'm most
6 interested in is on your Table 1. You have the results
7 of your average technical score. And, I note that
8 there were two bidders whose technical score was higher
9 than one of the companies you proposed to contract
10 with. And, you mentioned in your write-up that after
11 the technical scores were reached that--I don't know
12 the exact sequence, but you either interviewed all the
13 final four bidders and then you opened up the cost
14 proposals; and, there's no indication here as to how
15 the cost turned out. But I guess my informational
16 question is, when you...? How did the cost turn out?
17 And, since one of the contracts you proposed was
18 significantly lower than one of the other bidders--a
19 little bit lower than an intermediate bidder--I'm kind
20 of curious where and am concerned that, on a technical
21 basis, there would be recommendations for bidders that
22 were not contracting with. And, what is flexibility on
23 the cost basis? Or, are we obligated?

24 DR. MCGOWAN: Your question is a good one.
25 And, what startles me is to look at that Table and to

1 see the 117 from MLA/EMC. Now, I was on the Selection
2 Committee; and, my recollection is that they scored
3 considerably higher on the technical score than the two
4 on there that indicate they're higher. So, I think
5 that's something that it may, in fact, be a
6 typographical error that I think I have to check for
7 you.

8 When we opened the cost scores--the way the
9 technical scores were: 100 passing 200 maximum, the
10 cost scores which were added directly to the technical
11 score was 500--we estimated \$500 per building. Then,
12 we divided it by the cost per building indicated by the
13 cost score and multiplied that by 100 to put it back
14 on the basis. It would 100 if they had scored exactly
15 \$500 for the buildings. And, on that basis, then just
16 added the two scores together and reached these two as
17 the ones which had the highest scores. Now my
18 impression was that MLA and ADM were the highest
19 technical scores also. So, that somewhat startles me
20 when I look at that Table.

21 COMMISSIONER GANDARA: Well, again, I don't
22 know the degree of flexibility that you have. But I've
23 always been concerned about the relative emphasis given
24 to these two areas. And, while I do think we need to
25 be cost conscience, I always place a far greater

1 emphasis on the technical aspects of it. Because, I
2 know contracts get amended or they get down-scoped or
3 oftentimes there're cost augmentations. I'm not trying
4 to suggest that that would be the case here; but, since
5 it is not an unusual circumstance, I think when most
6 things are not at wide variance and you do have a
7 superior technical evaluation, it does seem to me that
8 that is something that should govern.

9 Of course, if it is as you remember it, then
10 that is not an issue here. But the last point that I
11 would like to make--and it's just not directed to you
12 Dr. McGowan, perhaps the Executive Office--but, I have
13 been saying now for four years that the Commission gets
14 very little information with respect to the contractors
15 that's going to contract with or the list of final
16 bidders. And, I think that is unfortunate; because, I
17 think that information is there. And, I have always
18 felt that we should be getting, along with our package
19 of information, some information about the companies we
20 are contracting with. I mean, is there an annual
21 report? Is there a corporate annual report? Is there
22 a firm resume so we can kind of judge these
23 capabilities of firms and in close decisions?

24 In the absence of that, what is troublesome
25 is that one is left only with the information that is

1 included which often is not very full, plus whatever
2 personal knowledge one might have of any particular
3 company which is a bit unfair to other companies and,
4 therefore also, unreliable for the Commission.

5 But, I do know that I do have a concern here;
6 because, again, based only on that type of information,
7 which I have, which is what you have before me, I do
8 know that the quality of at least one of the bidders
9 that did not receive a favorable recommendation is
10 quite high, in fact, also an affirmation--not just of
11 my own judgment but that of the staff--because there
12 are also previous contractees to the staff and in
13 addition to that, contractees to major utility
14 companies as well. So, that's not to say anything
15 negative about the successful bidders here; that's just
16 to say that as a result of not having that information
17 and at least either based on the apparent typo or miss
18 information, it does cause me concern.

19 And so, again, I would make by request again,
20 which I have repeatedly made that I believe when
21 contracts come before the Commission we should know
22 something about the company we contract with. I don't
23 think we need to have resumes of all the bidders; but,
24 I think at least the people that we are proposing to
25 contract with I think would helpful.

1 MR. SMITH: Commissioner Gandara that's the
2 intent of the Executive Office requirement that staff
3 meet with irrelevant committees, provide at least the
4 opportunity for a more indepth briefing on these
5 contracts before they come to the Business Meeting.
6 And, I under the scheduling problems this time. But,
7 in fact, I believe we have been responsive to that and
8 don't disagree. So, the discussion should take place
9 and those questions should be answered.

10 COMMISSIONER GANDARA: And to the extent that
11 I think it's a ever recurring probelm that
12 Commissioners cannot always make the time or find the
13 time, or that often far less then I would like to admit
14 as the case that we see our business agenda probably,
15 for the first time, the night before or on the way to
16 the meeting or stay one item ahead of the discussion.
17 It would be helpful to have that information in the
18 binder.

19 MR. SMITH: Yeah, I think just as a technical
20 matter here we have been, in recent weeks, managing to
21 provide the material at least to each Commissioner's
22 office a week in advance of the meeting. And, that's
23 important to us as well.

24 COMMISSIONER GANDARA: Okay. In any case I
25 think Dr. McGowan now has additional information.

1 DR. MCGOWAN: Yes, she's got the correct
2 numbers which should be somewhat more helpful. The
3 scores place, because this is as I remember it (thank
4 goodness), that we gave the highest technical scores to
5 the MLA/EMC for the service territories they want.

6 They, in fact, for San Diego Gas and Electric...well,
7 not 'the' highest. They got 153.4 and for LADWP 151.6

8 COMMISSIONER GANDARA: So the 117 is wrong?

9 DR. MCGOWAN: That's correct, all the way
10 across, 117 is wrong. For SCE it should be 135; but,
11 they did not win that service territory when the costs
12 were added in.

13 COMMISSIONER GANDARA: And for LADWP it's
14 151?

15 DR. MCGOWAN: .6. And, San Diego Gas and
16 Electric is 153.4. My apologies for the confusion.

17 COMMISSIONER COMMONS: I have a few more
18 questions.

19 CHAIRMAN IMBRECHT: Alright. Commissioner
20 Commons.

21 COMMISSIONER COMMONS: By having two
22 contractors, do we take any risk that the information
23 may not be comparable?

24 DR. MCGOWAN: No. Because, the staff is
25 responsible for the survey instrument that will be

1 implemented within each of the service territories.
2 So, we will ensure that all the data that's being
3 collected by contractors in each of the territories is
4 compatible.

5 COMMISSIONER COMMONS: Are there any
6 increases in the cost by having two contractors rather
7 than one for a similar task?

8 DR. McGOWAN: I.... No. I can say that
9 directly. And our feeling was, when we examined our
10 technical scores that, a single contractor would have
11 been spread to thin to have effectively accomplished
12 the five project tasks. One of our criteria in looking
13 at the bids was who was being used to conduct the
14 actual onsite survey. And, for those contractors which
15 engineering students, we felt that that was not as
16 satisfactory from a technical perspective as those
17 individuals who were using people with backgrounds in
18 energy audits.

19 COMMISSIONER COMMONS: This information will
20 not be available or useful for CFM-6. Is that correct?

21 DR. McGOWAN: CFM-6 is in the process of
22 being completed now. No, it will not. It will go into
23 CFM-7.

24 COMMISSIONER COMMONS: When is the critical
25 date for CFM-7?

1 DR. McGOWAN: What? That the contract be
2 completed?

3 COMMISSIONER COMMONS: That's correct.

4 DR. McGOWAN: I can happily say the date on
5 which we have the end of the term of the contract, we
6 have designed the contract in such a way that the
7 information will be available to us within a timely
8 fashion to analyze for CFM-7 -- do the initial
9 analysis.

10 COMMISSIONER GANDARA: Is this going to
11 better our ability to estimate the commercial square
12 footage issue that was and has been an issue for the
13 past couple of years in the...?

14 DR. McGOWAN: It will help us in that area;
15 and, it will help us, in particular, unraval the
16 question concerning vintage of buildings where the pre-
17 standard buildings had less energy use per square foot
18 than building since the standards.

19 COMMISSIONER GANDARA: How about demolition
20 rates?

21 DR. McGOWAN: Demolition rates, we will not
22 be able to infer from the kind of information; because,
23 we're going to actual operating premises and surveying
24 the energy use characteristics of those premises.
25

1 CHAIRMAN IMBRECHT: I have only one question,
2 although I've generally been familiar with this as a
3 result of the Budget Committee. Is it not possible...?
4 Is it really necessary to do every service area? Is it
5 not possible to...?

6 DR. MCGOWAN: Well one of the things that we
7 feel is....

8 CHAIRMAN IMBRECHT: ...project or
9 statistically compare? I mean, for example, LADWP and
10 Southern California Edison, I think, define a series of
11 commercial buildings in one of those two service areas
12 that would be generally reflective of both.

13 DR. MCGOWAN: Yes. But, I think that the
14 composition of buildings is very different for LADWP
15 than for SCE. SCE is much more of a smaller
16 commercial; whereas, the LADWP has concentrated, high
17 rise, commercial space dominating. So, they have a
18 very, very different mix of commercial buildings.

19 COMMISSIONER GANDARA: I might add,
20 Commissioner Imbrecht, there is also slightly two
21 different issues, I think, that would be assisted by
22 the survey. I think in the SCE area it was more the
23 square footage, the amount and the demolition rate.
24 And, I think in the LADWP area, it was actually more
25 the energy consumption pattern as with respect to

1 industrial audits. So, there are two different....
2 One last questions. Is this contract free of any
3 challenge? There's no problem with that?

4 DR. MCGOWAN: There are no challenges to the
5 awarding. We posted the awards; and then, there's a
6 period of ten days you wait to see whether or not.

7 CHAIRMAN IMBRECHT: Yes. Commissioner
8 Noteware.

9 COMMISSIONER NOTEWARE: Yes, Mr. Chairman, I
10 had the benefit of a very good and thorough briefing on
11 this. And, while I'm concerned with the amount of
12 money that must be spent, still there's a awful lot of
13 commercial buildings throughout the State. And, if we
14 were to cut back on what's being spent here by \$130,000
15 since it's going to cost us about \$300 to \$350 per
16 building, we are looking at eliminating maybe 40
17 buildings.

18 And, I think I'm more concerned that, if we
19 were to do that, we would lose a large porportion of
20 our sample, which we really need. We're barely getting
21 enough to cover the whole area to the extent that is
22 necessary to do so. So, I feel that if the money is
23 available for us to do this that if we were to spend
24 any less, we would stand a very good chance of not
25

1 being able to get the statistical data that would help
2 us to achieve the goal we wish to achieve.

3 CHAIRMAN IMBRECHT: May I take that as a
4 motion?

5 COMMISSIONER NOTEWARE: Yeah, I would move to
6 accept, I guess, both items: 3 and 4.

7 CHAIRMAN IMBRECHT: Moved by Commissioner
8 Noteware. Is there a second? I will second it. The
9 motions are properly.... Or the 'motion' is properly
10 before us to approve both Item 3 and Item 4, the two
11 contracts for \$347,439 and \$142,561, respectively to
12 ADM Associates in the former case and Malcolm Lewis
13 Associates, Energy Management Consultants in the later
14 case. Commissioner Commons?

15 COMMISSIONER COMMONS: Alright, since now we
16 have a motion, I will try to get down to some of the
17 specifics. Of the 400.... First of all, we have heard
18 nothing yet, I feel, from staff as to why we should go
19 from where we were originally of \$360,000 to \$490,000,
20 other than they had saved some money on EDP. Then,
21 funds were available....

22 CHAIRMAN IMBRECHT: Didn't Commissioner
23 Noteware, in essence, address that question?

24 COMMISSIONER COMMONS: No. Because, he
25 stated an opinion that we needed in order to have an

1 adequate sample size. But, that's the same issue that
2 we discussed when we went from 500,000 down to 360,000
3 last year that we could accomplish the needs and
4 objectives of the study without having to expend the
5 \$500,000 and we could have the sample sizes. We would
6 not be doing all building types for all utilities.

7 Now let me go into the specific numbers that
8 we have before us; and, I'll show you where my
9 concerns, I think, are most significant. I look at San
10 Diego Gas and Electric where we have, not substantial
11 differences in terms of the forecast--the issue is much
12 greater in Southern California Edison and LADWP--and we
13 are allocating \$92,000 out of this, just under \$500,000
14 for the second smallest utility in the State. I do not
15 feel we need to spend anywhere near this amount of
16 money, that the information we will contain from
17 comfortable weather zones will provide the information
18 that are needed here, that there is really...that this
19 one particular item seems to be the highest.

20 In the SMUD area, our problem is one
21 situation; and, that's concerning the saturation of air
22 conditioning and the impact of air condition. The
23 problem is not general at all building types. And,
24 again, we're allocating \$55,000 in surveying 150
25 buildings. What we need in SMUD is to hone in on the

1 one issue that is outstanding with SMUD and not go and
2 do a general analysis.

3 I'm going to.... I would like to make an
4 amendment, if I may, and that is to amend to eliminate
5 the San Diego Gas and Electric 200 buildings in that I
6 think it's grossly overestimated vis-a-vis the
7 benefits. And, I'll limit my motion to that amount;
8 because, I don't have the detail to go through in terms
9 of each of the other surveys as to the number of
10 buildings.

11 CHAIRMAN IMBRECHT: Is that a question or...?

12 COMMISSIONER COMMONS: That's amendment
13 to....

14 CHAIRMAN IMBRECHT: Try that again.

15 COMMISSIONER COMMONS: Okay. I want to move
16 to eliminate, at this time, the San Diego Gas and
17 Electric 92,561.

18 CHAIRMAN IMBRECHT: Is there a second?
19 Hearing none the motion dies for lack of a second.

20 COMMISSIONER COMMONS: Alright, then, I'll
21 try a second motion. I would like to move that we hold
22 this item over until next week until we can identify in
23 detail the surveys and assess what is the reason we
24 have gone from 360 to 490,000, and which are the
25

1 building types that really provide us information that
2 are going to help us in further CFM proceedings.

3 CHAIRMAN IMBRECHT: Is there a second?

4 COMMISSIONER GANDARA: I'll second it.

5 CHAIRMAN IMBRECHT: Okay. The motion is
6 properly before us.

7 COMMISSIONER GANDARA: If I could speak to
8 that.

9 CHAIRMAN IMBRECHT: Discussion? Commissioner
10 Gandara.

11 COMMISSIONER GANDARA: Again, Mr. Chairman, I
12 don't have a problem with the contract the way it is.
13 But, I do feel that when Commissioners often request
14 the courtesy of additional time to consider particular
15 issues that are important to them, it's been accorded
16 in the past to other Commissioners. And so, for that
17 reason, I don't believe that the delay would be
18 significant if it were put on our next Business Meeting
19 calendar. And in any case, I think it more is a matter
20 of rule than a problem that I have with the contract.
21 But, I do think that if these things can be worked to
22 the satisfaction of everybody it's best that we try and
23 do so. This is sort of my equivalent of just extending
24 courtesy to Commissioners.

25

1 VICE CHAIRMAN CROWLEY: You're taking up
2 the...?

3 CHAIRMAN IMBRECHT: You're going to take over
4 Geoff's policy, now, of giving courtesy to seconds?

5 COMMISSIONER GANDARA: No, I haven't
6 qualified my seconds the way he did, although maybe
7 deservedly I should. But....

8 CHAIRMAN IMBRECHT: Okay. Maybe we should
9 all issue policy statements about when we will and will
10 not....

11 COMMISSIONER GANDARA: I do know we accorded
12 you a lot of courtesies in consideration of an
13 extension.

14 CHAIRMAN IMBRECHT: I understand that
15 Commissioner Commons asked for in that context. I
16 probably would have been obliging. Let me ask Ms.
17 McGowan, 'Dr.' McGowan is there a...? Are there
18 negative implications for a two-week delay to this.

19 DR. MCGOWAN: It pushes everything off two
20 weeks, is effectively what it does. It puts the start
21 date on the contract later than we would have desired.
22 We are trying to get all of the data from the
23 contractors by the end of 1985 in order to be able to
24 have it available to effectively analyze it for CFM-7.
25 Whether or not the two weeks substantially jeopardizes

1 that or not is contingent effectively on when we
2 can...when we do end starting. And there are a series
3 of control agencies after we meet with the Commission
4 that can vary anywhere from three to more weeks--six
5 weeks.

6 CHAIRMAN IMBRECHT: I am reluctant to see a
7 continually adopted policy or pattern of delaying
8 decisions. But, it's really a discretionary matter for
9 the maker of the motion. Do you have any inclination,
10 Commissioner Noteware?

11 COMMISSIONER NOTEWARE: It strikes me that
12 the downside is certainly worth the potential delay
13 here. And, I share Commissioner Gandara's concern that
14 we try to accommodate anyone who's reluctant to proceed
15 with something that they don't have a full feeling for.

16 CHAIRMAN IMBRECHT: On that basis, I'm going
17 to assume that the maker and seconder of the motion,
18 withdraw the motion. And I will direct staff to
19 renotice this item for the next...both these items for
20 the next business meeting and further direct staff and
21 request Commissioner Commons to excelerate any
22 conversation so we don't have this problem. Is there
23 objections to the minutes as presented? Commissioner
24 Commons?

25

1 COMMISSIONER COMMONS: On Item 8 on the
2 minutes, Senate Bill 80 (Boatwright), there was no
3 objection to the Committee's recommendation. And, I
4 read the recommendation that the Presiding Member
5 opposed and the Second Member had no position. So, I
6 did not quite understand what the....

7 VICE CHAIRMAN CROWLEY: What came of it all,
8 huh?

9 COMMISSIONER COMMONS: Yeah.

10 VICE CHAIR CROWLEY: Yeah. Chris, can you
11 help us with Senate Bill 80. And, I don't have my
12 policy position papers from that legislative policy
13 meeting. Senate Bill 80 (Boatwright): there was no
14 objection to the Committee's recommendation. However,
15 the Committee's recommendation was opposed and the
16 Second Member, 'no position.' So, how did we sort that
17 out?

18 MR. ELLISON: Commissioner, I'm afraid that
19 may have been before my time.

20 CHAIRMAN IMBRECHT: I would read that to mean
21 that we adopted the Presiding Member's position, which
22 is 'opposed.'

23 VICE CHAIRMAN CROWLEY: Chris Elms, what...?

24 MR. ELMS: That's correct. You adopted the
25 opposed position.

1 COMMISSIONER COMMONS: I think the minutes
2 should, then, be amended to say we opposed, so it's
3 clear.

4 CHAIRMAN IMBRECHT: Looks clear to me;
5 but.... It says, "there was no objection to the
6 Committee's recommendations. Presiding Member
7 opposed."

8 In the absence of a Second Member stating a
9 position, the Presiding Member's position, in all
10 Committee proceeding before the Commission since I've
11 been here, reflects what's characterized in Commission
12 proceedings as a Committe position.

13 COMMISSIONER COMMONS: My reading on the
14 Second Member -- and, we may have an ambuguity -- was
15 the Second Member was recommending no position be taken
16 on the Bill. So, the positions were in opposition;
17 but, you may be reading it into different things.

18 CHAIRMAN IMBRECHT: This is after we changed
19 the Committees, isn't it? Sure it is. Since I was the
20 Second Member, I had no position. Okay.

21 COMMISSIONER COMMONS: I just didn't un....
22 When reading it, I didn't know what position we had
23 taken.

24 CHAIRMAN IMBRECHT: We've now established
25 clearly on the record that we took an opposed position.

1 COMMISSIONER COMMONS: Alright. Then on Item
2 10, I believe that the Executive Director was to come
3 back and report to the Commission concerning load
4 management.

5 MR. SMITH: As I recall that item, the
6 direction was to-- this is the conservation staffing
7 issue--it was to work with the Budget Committee. The
8 Budget Committee meeting is scheduled for May 9th. And
9 we're prepared to raise the conservation staffing plan
10 that you had a question during that session.

11 COMMISSIONER COMMONS: That was a later
12 meeting that we went back to the Budget Committee. At
13 this time in the briefing, there was not information
14 presented by the Executive Director. And, we asked you
15 at this meeting.... You were to meet with me and then
16 come back before the full Commission concerning load
17 management at a subsequent Business Meeting. After you
18 had presented that information, we passed it on the
19 Budget Committee.

20 MR. SMITH: If I understand, I think we have
21 the same expectation and that is that we would present
22 the information to the Budget Committee and then
23 following that, it would be presented to full
24 commission as part of the Quarterly Review Report. Is
25 that correct? Or, am I misunderstanding?

1 COMMISSIONER COMMONS: My understanding, is
2 we still have an unresolved issue here; and, it's not
3 reflected in the minutes.

4 MR. SMITH: And the direction is for the
5 Executive Office and Conservation Division to work with
6 the Budget Committee.

7 CHAIRMAN IMBRECHT: Why don't we put this
8 over until after the luncheon recess. Mr. Ward will be
9 with us at that time. He was involved in that
10 discussion. You might inform him this will be an issue
11 that will be raised. Alright, Commission Policy
12 Committe Reports. Commissioner Crowley.

13 VICE CHAIRMAN CROWLEY: Yes, the Legislative
14 Policy Committee met. And, the first item for your
15 consideration today is AB-924 the Costa Bill, which had
16 to do with Solar Tax Credits. The recommendation of
17 the Committee, after discussion, was neutral on this
18 Bill. However, because of its "spot bill" potential,
19 we are having OGA watch this very carefully and keeping
20 track of any changes that may occur. We have received,
21 this morning, a letter from Governmental Advocates,
22 Inc. dealing with their position on this Bill. And,
23 I'd like to circulate that, if I may. The Bill is not
24 yet set in Assembly Revenue and Taxation. And, our
25

1 recommendation is neutral at this point on this
2 measure.

3 CHAIRMAN IMBRECHT: We have not seen these
4 proposed amendments that are outlined in this letter?

5 MR. ELLISON: That's correct, Mr. Chairman.
6 The letter describes a bill which is substantially
7 different than the bill that is currently in print and
8 before you today.

9 CHAIRMAN IMBRECHT: Well, I would, I guess,
10 stick with my original recommendation on this item and
11 suggest that it be re-calendared once we see the actual
12 amended version of the bill. I am always reluctant to
13 take positions on legislation that is not in its actual
14 intended form with serious consideration. And, I'm
15 also further reluctant to take it on the basis of
16 simple letter representations. I like to see the
17 language itself.

18 VICE CHAIR CROWLEY: Indeed. Indeed. So,
19 the recommendation from the Committee is neutral.

20 CHAIRMAN IMBRECHT: Commissioner Commons.

21 COMMISSIONER COMMONS: When is this to be
22 heard?

23 MR. ELLISON: It's not set.
24
25

1 CHAIRMAN IMBRECHT: Is there objection to
2 adoption to the Committee position at this time?
3 Hearing none, that....

4 COMMISSIONER COMMONS: Yes. I prefer it be
5 no position than neutral. I don't think our viewpoint
6 is neutral. We just haven't studied it yet.

7 CHAIRMAN IMBRECHT: I don't find the
8 qualitative difference, frankly. That's fine with me.
9 Do you have objection to that Commissioner Crowley?

10 VICE CHAIR CROWLEY: No. I don't.

11 CHAIRMAN IMBRECHT: The position is 'no
12 position.' It's semantical.

13 VICE CHAIR CROWLEY: The second item, AB 1179
14 is also a Solar Tax Credit Measure. Our recommendation
15 is support with amendments which are shown here in our
16 briefing packet, if 2 is not yet set for its next
17 committee which is Assembly Ways and Means, it is
18 passed Assembly Rev and Tax.

19 CHAIRMAN IMBRECHT: Commissioner Commons.

20 COMMISSIONER COMMONS: I can't understand, if
21 you were to begin work on a solar facility prior to
22 December 31, 1986, why it should require two years. I
23 could understand that you could start work in December
24 and it may not be completed until January or February
25 of the subsequent year.

1 CHAIRMAN IMBRECHT: Or even give it six
2 months if it were multiple family.

3 COMMISSIONER COMMONS: In other words, I
4 would like to see it amended to be January 1, 1988.

5 MR. ELLISON: Commissioners, I would remind
6 you all that the Solar Tax Credit does cover some large
7 wind energy systems, some of which may take a
8 considerable period of time to bring on line. The
9 original Hannegan Bill, which was signed by the
10 Governor in 1982, in which it was virtually identical
11 to this legislation, I believe was primarily supported
12 by the Wind industry for that reason.

13 CHAIRMAN IMBRECHT: Well, I mean, it just
14 strikes me, though, that you're, in essence, creating
15 potential loopholes. I mean, beginning construction
16 is, what, turning a spade of earth and then, in
17 essence, not really...? I don't know. I think
18 there're some definitional problems here that could, in
19 essence....

20 MR. ELLISON: The staff has similar
21 definitional concerns.

22 CHAIRMAN IMBRECHT: ...create an open-ended
23 State General Fund liability that, I would guess, would
24 probably have some problems over with the Department of
25 Finance. And, I would think that generally speaking

1 that Commissioner Commons' proposed amendment would
2 make some sense.

3 VICE CHAIR CROWLEY: We had suggested that
4 the Bill should be amended to restrict definition of
5 eligibility; and, your recommendation is to change the
6 date, then. Is that correct, from January 1, 1986
7 until January 1, 1988, what, 7?

8 COMMISSIONER COMMONS: No. From January 1,
9 1989 to January 1, 1988.

10 VICE CHAIR CROWLEY: Yeah. Okay.

11 CHAIRMAN IMBRECHT: Alright. Is there
12 objection to the recommended position of that position?
13 Alright. Hearing none, that is adopted.

14 VICE CHAIR CROWLEY: I would ask for
15 ratification of the position that was needed to be
16 established because of the meeting of Assembly Natural
17 Resources Committee on the 30th on AB 1666, the Hauser
18 Bill, which had to do with geothermal power plant
19 siting. Our recommendation was support with amendments
20 and would like to ask the Commission's pleasure at this
21 point.

22 CHAIRMAN IMBRECHT: Well, this.... I think
23 there was a solicited Commission position on this. And
24 so, it is ratification. I would urge ratification. We
25 are already in.... The fundamental question here is:

1 Is this Bill necessary? I mean, that's really what it
2 boils down to. The letter that I sent, based upon the
3 representation that we had sufficient support in the
4 Commission for the position, I directed the modified
5 slightly to raise that issue in the communication to
6 Mr. Hauser and that is that the Commission already has
7 a regulatory proceeding underway that would accomplish
8 precisely that which he intends to do with this
9 legislation, which is, in essence, a response to the
10 Auditor General's review of the DWR Geothermal Plant
11 that was approved by the back, I guess, in '78 and
12 '79.

13 COMMISSIONER GANDARA: '81.

14 CHAIRMAN IMBRECHT: '81? Wasn't the NOI in
15 '79? Well, in any case, is there objection to
16 ratification.

17 COMMISSIONER GANDARA: I have objection, Mr.
18 Chairman.

19 CHAIRMAN IMBRECHT: Alright. Commisisoner
20 Gandara.

21 COMMISSIONER GANDARA: Mr. Chairman, I think
22 that the proposed technical amendments really address
23 the wrong problem; and, I think even Mr. Hauser's Bill
24 addresses the wrong problem, really, based on erroneous
25 information. And, I kind of have to really go all the

1 way back to whether there is a problem or what the
2 origins of the problem are and so forth, basically, to
3 indicate that the GAO Report on this issue was in
4 error. And that, I very much regret that there was a
5 letter from you included in the Report that indicated
6 that, in reference to the Commission had said: 'We
7 have reviewed the GAO Report and agree with most of its
8 findings.'

9 Because, the Report was never, at least, sent
10 to my office. I never saw it; so, I don't know if
11 whether 'we' refers to the Commission; but, if it does,
12 it wasn't the case. And so, I don't think that should
13 have been done. In addition to that, I think there was
14 an additional letter recently sent to the GAO
15 indicating we were taking care of this problem. And
16 again, that one was not also reviewed by my office.

17 And, I also regret that the GAO really didn't
18 talk to the Presiding Member of the AFC portion of it,
19 nor to the Hearing Advisor regarding the South Geysers;
20 because, we could've corrected the errors that they had
21 in there. And, briefly, to point out what the problem
22 is is that, in the South Geysers case, as the Report
23 correctly points out, there is...it was the AFC portion
24 of the NOI. And, because it came in under the split
25

1 NOI/AFC there was no requirement of an evidentiary
2 finding, okay, for commercial quantities of steam.

3 The result of that is, however, not as
4 significant when you consider that, in the NOI phase,
5 there is a requirement under the regulation that there
6 be data submitted with respect to the resource and the
7 quality of the resource and so forth. So, in essence,
8 the NOI never really questioned that finding nor was
9 that passed on, really, as an issue for the staff to
10 the AFC.

11 The second point is that, much has been made
12 in the newspapers, as well as in the coverage of this,
13 of a Mr. Buregard really raising this issue. Now, if
14 he raised the issue with DWR, that probably is fine.
15 But, in the entire docket in history of the AFC, such
16 person never appeared before the Committee and never
17 raised the issue of the resource efficiency.

18 There was a person on behalf of a company
19 called R.B. Dick, Mr. Wasserman, who did appear before
20 the Committee and raised three issues. The first two
21 were his principle concern that this disposition of
22 land that would be taken off the South Geysers site.
23 That was his principle concern because DWR was planning
24 to do this without really have reached contractual
25 terms with the property owner, R.B. Dick.

1 In addition to that, his second most
2 principle concern was the location of the tapline. Was
3 it going to be across his property? And, if so, again,
4 DWR had not reached contractual terms. So, he also
5 expressed the concern over a third issue, which we
6 should be careful to distinguish. And that is, not so
7 much whether the resources were insufficient to supply
8 South Geysers, but what the effect would be of the
9 extraction of steam for South Geysers on the resources
10 under his property. The distinction is important;
11 because, the thrust of his direction was not to
12 question the resource reserve, but to question the
13 effect it would have on his property because he planned
14 to build a plant or wanted to reserve that opportunity.
15 And, in addition to that, was supplying another plant
16 -- a PGandE plant.

17 In the context of that, the Committee
18 directed the Hearing Advisor to look into whether the
19 issue of reservoir management, not resource efficiency
20 for the South Geysers, but the issue of reservoir
21 management: Did we have jurisdiction to be looking
22 into reservoir management? And, the information given
23 to the Committee was that, in fact, through a series
24 of both statutory clarification as well as Attorney
25 General opinions, that we, in fact, did not have the

1 issue of reservoir management before us and did not
2 have jurisdiction over that.

3 All that notwithstanding, however, was
4 background information where this issue was never
5 raised as an evidentiary issue, but was raised at the
6 informational hearing. And, by the time we got to the
7 prehearing conference, I recommended to the person
8 concerned, Mr. Wasserman, that he better clarify (and
9 as soon as possible) his request for intervention and
10 basis for intervention; because, we were to embark on
11 evidentiary proceedings. And if, in fact, he wanted to
12 make that an issue, we should proceed.

13 He submitted a petition which was kind of a
14 three-part petition where he asserted both the land
15 issues--land disposal--and he also submitted the issue
16 of tapline. And then, in a bit of a confused way,
17 also, raised the issue, again, of the effect on his
18 property. He wanted to be concerned about the effect
19 of the steam extraction on his property. Because, that
20 was so confused, the Committee granted him intervention
21 status on the first two issues and held in reserve, the
22 third issue until there was a clarification of what he
23 wanted.

24 In fact, his request was so confusing that
25 the Department of Water Resources wrote a letter to the

1 Committee requesting that the Petitioner, the
2 Intervenor, clarify what it was that he was asking in
3 this areaa. The Committee so directed the Intervenor
4 to clarify it. And, he wrote a letter to the Committee
5 indicating that his sole interest in this area was:
6 Should there be testimony offered with respect to the
7 reservoir management, that they wanted to have the
8 opportunity to comment.

9 Given that, at the time of the prehearing
10 conference, which, as you know, was when we set the
11 issues that will be heard before the evidentiary phase
12 of the proceeding, again, he was asked to clarify his
13 intent. And, he merely indicated that they wished to
14 present no direct evidence; they wished not really to
15 raise it as a concern of theirs, but just wanted to
16 reserve an opportunity to comment should the issue
17 arise or should any testimony be presented.

18 Because at the prehearing conference we
19 already had a schedule for the testimony, it was clear
20 that there was not going to be any testimony offered
21 with respect to the resource or the reservoir
22 management. And, therefore, the point was moot. It
23 was not, as was indicated in the Report, that a ruling
24 was made that we didn't have jurisdiction. The point
25 was moot, since the request was merely to be able to

1 comment on any evidence that would be offered. And,
2 since no evidence was being offered, the point was
3 moot. So, therefore, his intervention status was
4 continued on the other two grounds. And, it was
5 clearly made known to him that, should the issue arise,
6 clearly he would be on the mailing list. And so, he
7 would have an opportunity to comment.

8 In addition to that, it is not correct that
9 the issue was, nonetheless, neglected by the Committee.
10 While there was no requirement as there isn't now or
11 was at the time, it had not be scheduled for
12 evidentiary hearing. But, when it was raised as an
13 issue, the Committee requested comments, both from the
14 staff and from the Applicant as to whether there were
15 reserves enough available to be able to supply the
16 plant. The staff, as represented then by the Project
17 Manager, Mr. Kent Murray and Mr. Hawkinson of the
18 Department of Water Resources, both replied that they
19 had, in fact, looked into the issue and that there were
20 adequate reserves for the plant.

21 So, in that regard, I go through the history,
22 mainly, to point out that the proposed legislation is
23 really dealing with a non-issue. It is not necessary,
24 but that part of the reason that this has come about is
25 because the whole characterization of the decision has,

1 in fact, I think, has been based on some fundamental
2 errors that, regretfully, with some, either, checking
3 with the appropriate parties of the case at the time,
4 would have, indeed, been clarified. So, where does
5 that leave us now?

6 Where it leaves us now is: What do we do
7 with the issue that we have? Because, whether it's a
8 real problem or not, it is perceived as a problem and
9 does the legislation address the problem? I have,
10 really, no objection to the idea that there should be a
11 finding required on this particular issue for these
12 applications, whether they be split NOI/AFCs, which I
13 don't think we'll ever see again for the practical
14 matter. But, in any case, it's there for the twelve-
15 month AFC. So, maybe we should have that in
16 conformance.

17 However, it is important to note that there
18 is a suggestion here which the Commission ought not to
19 accept, that because the Applicant was DWR, that we
20 have a responsibility for that finding, that we, as a
21 State agency, it being a State application, we should
22 have had some responsibility. We have an arm's length
23 relationship with all our applicants. We have no
24 business making a distinction between application from
25 another State agency and that, say, for example, which

1 was filed at almost the same time the concurrent
2 proceedings, Occidental Petroleum -- the Occi case. So
3 that, the issue would then become: Do we have a
4 responsibility to, in fact, assure and to have
5 differential treatment there. And, I would say that we
6 don't.

7 But, in any case, that also doesn't get us to
8 the central issue: Do the proposed amendments really
9 get us to what we want to get to? I would suggest that
10 what the present legislation would do is nothing more
11 than to include in the split NOI/AFC proceeding, what
12 is currently in the AFC proceeding. And that, in and
13 of itself, might seem harmless enough, but for the fact
14 that what is included in the AFC regulations is also
15 unclear and, I think, will give us problems.

16 And, I cite the following example that, in
17 the current regulations, there is the phrase used that
18 a finding has to be made of commercial quantities of
19 steam. In the definition section of the regulations,
20 commercial quantities of steam is not really
21 identified. It isn't really clear what we refer to;
22 so, if we're going to have legislation, I think the
23 legislation should be to define that. What do we mean?

24 There have been different viewpoints that
25 have been taken on this. One viewpoint has been that

1 commercial quantities of steam ought to refer to an
2 economic or a cost effective finding that this plant
3 will be cost effective over its lifetime or would
4 produce steam that is cost-effective. I would say to
5 you that we have no way of determining that for an
6 application that would come before us. Because, we
7 would then have to estimate not only the cost of the
8 plant, not only the cost of the steam over its
9 lifetime, but we would also have to speculate and guess
10 about the rate treatment that it would be given by the
11 Public Utilities Commission. I think all those things
12 are quite difficult.

13 On the other hand: What is it that the
14 legislation is intended to do? The legislation is
15 intended to assure that we look critically and that we
16 review whether, in fact, there is enough steam to
17 supply the needs of a plant. Because, I don't think
18 that we really want to waste...from the point of view
19 of all our cases, not distinguishing between a State
20 applicant versus a private sector applicant. But, we
21 really don't want to waste time--the Commission's time--
22 -because of the fact there isn't that finding. So, I
23 kind of think that it is a useful thing to do.

24 But, what the finding ought to be is not
25 there are commercial quantities of steam, we ought to

1 get away from this vague concept of commercial, the
2 implication of economic cost effectiveness by
3 commercial. But, we should, instead, clarify that to
4 mean that there are, as your letter indicates, enough
5 resources to be able to run the plant. Now, what the
6 cost of these resources would be is not something that
7 we really have a basis for having a standard of review
8 for a geothermal plant. That would be different from
9 the standard of review for a cogeneration plant or for
10 a coal plant or for a nuclear plant or any kind of
11 plant where we, in fact, do not have to make a finding
12 of its commercial attractiveness. We do not inquire
13 into the finding of the commercial aspects of the gas
14 supply. We do not inquire into the finding of the
15 commercial aspects of the oil, if it would use that.
16 So, I think that what we're really concerned about more
17 here is a finding that there are enough resources to be
18 able to run the plant. And, that is a direction that
19 all this legislation should take.

20 I regret, again, for the Commission that, in
21 fact, this comes about, really, more at a time when we
22 ought to be ratifying something that we've already
23 taken. But, I would suggest that it's really not too
24 late to point the legislation in the proper direction
25 and that, indeed, we may not need legislation for that

1 as the Bill analysis shows. But, if there is going to
2 be legislation, we should make it such that it should
3 conform to the real issue of the case, which is the
4 question of resources, not a question of the cost
5 effectiveness of those.

6 So, that's what I would recommend, Mr.
7 Chairman. And, I regret, again, that I haven't had an
8 opportunity to convey this to you before, but I was
9 hoping to really sit down and write a memo and go
10 through the entire recitation of the history that I've
11 gone through here and where it should lead us. But,
12 again, we been wrapped up in ERs, BRs and lots of other
13 things. But, I think all this could have been
14 prevented by, really, a more responsive inquiry into
15 this particular issue with the appropriate parties
16 concerned.

17 CHAIRMAN IMBRECHT: Well, I don't want to
18 belabor this. It probably requires some degree of
19 response.... I'll call you in just a second
20 Commissioner Commons. In response to the letter that
21 you're referencing to the Auditor General was prepared,
22 I understand, by the Siting Division and the General
23 Counsel's Office in consultation, in addition, there
24 were conversations with, then, Commissioner
25 Schweickart, when this was first brought to my

1 attention as a result of the investigation that had
2 been initiated by the Auditor General.

3 The thrust of the letter.... I don't recall
4 the letter in any way, commenting on the factual
5 representations other than the fact that there was a
6 disparity between the regulations that guide the 12-
7 month AFC process and the split process and that,
8 further, had been something that had been recognized
9 here at the Commission as, in essence, being an
10 omission in terms of a required finding. I don't
11 believe that there was any reference in the Auditor
12 General's report that the conduct of the AFC or the
13 manner in which it had been handled was, in any way,
14 flawed or inadequate vis-a-vis the regulations as they
15 existed at that time.

16 The thrust of the Auditor General's report,
17 was, as I viewed it, to comment upon, in essence, an
18 omission in our regulations -- or 'an inconsistency,'
19 perhaps would be the better way to characterize it as
20 between the two processes that affect the same types of
21 facilities. Moreover, that that inconsistency had been
22 recognized for some time here at the Commission and, in
23 fact, had been brought to the attention of the Siting
24 and Regulation Committee and further, in fact, that a
25 proceeding had been opened on that in January which was

1 actually in advance of the receipt of the Auditor
2 General's conclusions.

3 And so, the letter that was directed to the
4 Auditor General, in essence, was saying: you have
5 correctly identified the inconsistency in our
6 regulations and we have already taken steps to respond
7 to that inconsistency by appropriately amending those
8 regulations. And, until this moment, I must tell you
9 that I was not aware of any dispute over those
10 particular points, etc. And, all of this was
11 consistent with my conversations with with Commissioner
12 Schweickart on these items.

13 In any case, I agree with you. And, I had
14 not been aware that there had been any interpretation
15 that commercial availability of steam would encompass
16 within it a cost-effectiveness evaluation. I agree
17 with you totally that the appropriate finding for the
18 Commission to make should be, in fact, whether or not
19 there is a fuel stream that will ensure that the plant
20 can operate according to its technical specificationsa,
21 much in the same way that we look at whether or not
22 there is, in essence, a fuel stream for other types of
23 technologies when we look at siting as well.

24 So, to that extent, I believe that requires a
25 modification of communication we've had with

1 Assemblyman Hauser. I would think that that tone or
2 emphasis, perhaps, could be modified. And, I don't if
3 would do any injustice to the earlier communication
4 that was had with the Assemblyman. I would, again, as
5 I mention to you before, Chris, suggest that we
6 continue to reiterate that this really is not something
7 that needs to be dealt with by statute and, frankly, is
8 already being handled here within the regulatory
9 process.

10 VICE CHAIR CROWLEY: The language that was
11 proposed speaks to sufficient quantity--commercial
12 quantities--and I would appreciate having....

13 CHAIRMAN IMBRECHT: To the extent that
14 'commercial' implies cost-effectiveness.

15 VICE CHAIR CROWLEY: Indeed.

16 CHAIRMAN IMBRECHT: That's not what's
17 intended. I must say.

18 VICE CHAIR CROWLEY: No. And, I think it's
19 appropriate that it not be. I would appreciate some
20 change in wording and some recommendation as to how we
21 can proceed, given that this is through Natural
22 Resources.

23 CHAIRMAN IMBRECHT: Probably be very easy to
24 propose a statute that basically defines what
25 'commercial quantities of steam' means.

1 COMMISSIONER GANDARA: Drop commercial.

2 CHAIRMAN IMBRECHT: Pardon me?

3 COMMISSIONER GANDARA: Drop commercial.

4 CHAIRMAN IMBRECHT: Or drop commercial, if
5 that's the appending order. There are sufficient
6 quantities of steam to ensure that the plant can
7 operate with its designed specifications or something
8 of that nature. Commissioner Commons.

9 COMMISSIONER COMMONS: I just want to say,
10 Mr. Chairman, what you said reflects my views. But, I
11 think the responsibility of not having communicated
12 with Commissioner Gandara's office falls on our office,
13 since you asked us to prepare the draft for you. And,
14 I'll have to check to find out why that did not occur.

15 CHAIRMAN IMBRECHT: Alright. With those
16 modifications, is there objection to ratification or
17 letter with modifications to Assemblyman Hausser?
18 Alright then, we'll approve that Committee position.

19 I'm wondering if we should take our luncheon
20 recess now and complete these when we come back.

21 VICE CHAIR CROWLEY: At your pleasure.

22 CHAIRMAN IMBRECHT: I think we ought to do
23 that. Why don't we reconvene at 1:30 or let's make it
24 1:45. Okay. We stand in recess.

25

1 (Whereupon the morning session of the
2 Business Meeting of the California Energy Resources
3 Conservation and Development Commission was adjourned
4 for a luncheon recess at 12:15 PM.)

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AFTERNOON SESSION

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3 CHAIRMAN IMBRECHT: Okay. Let's call the
4 meeting back to order. We are continuing the Policy
5 Committee Report from the Legislative Committee.
6 Commissioner Crowley or Vice Chair Crowley. Excuse me.

7 VICE CHAIR CROWLEY: Chairman Imbrecht, we
8 have moseyed along to AB 1733, the Hauser Bill,
9 regarding the statewide energy curriculum which, though
10 interesting, we recommend a neutral position on; but
11 however, we suggest that we indicate the support for
12 SoCalGas Company's amendment to incorporate into the
13 program appropriate materials that have already been
14 generated. This is not yet set for Assembly Ways and
15 Means; but, we request your concurrence in our
16 recommendation.

17 CHAIRMAN IMBRECHT: Sounds good to me as
18 well. I would just note that there is already a K-12
19 Energy Education Program that is funded. I am very
20 cognizant of that. It went through some substantial
21 debate in Ways and Means and so forth a few years back
22 and it's still there. And, I guess I would question
23 whether or not this proposal is anything new or
24 different or appreciably important for the cost
25 implications. And, I generally would also say that,

1 from a personal philosophical standpoint, I think it is
2 ill-advised for the State of California to impose
3 mandates upon local school districts, particularly as
4 it encompasses curriculum. This is a huge state. By
5 most definitions, we would be free or for individual
6 states. And for central government in Sacramento to
7 dictate what is the appropriate curriculum for all the
8 school districts in California, to me, is idiotic.
9 And, it's not just in terms of this issue, but in terms
10 of other issues, as well.

11 VICE CHAIR CROWLEY: Well, there was some
12 sense of this in our Committee meeting; however, we
13 felt our comments should be germane to the....

14 CHAIRMAN IMBRECHT: I'll note, I think we
15 have 1,700 school districts in California, for openers.
16 And, I think that in some areas of State, vocational
17 education that focuses, perhaps, on agriculture or
18 other issues that are more important to the citizens
19 and the students in that area makes a hell of a lot
20 more sense (excuse the French) than this one. So,
21 neutral is the best that I would go for.

22 VICE CHAIR CROWLEY: Thank you.

23 CHAIRMAN IMBRECHT: If there's no objection,
24 that will be the Commission position.

25 VICE CHAIR CROWLEY: Thank you. Mr.

1 CHAIRMAN IMBRECHT: Commissioner Noteware.

2 COMMISSIONER NOTEWARE: I do have one
3 question. If this Bill is passed, which department of
4 our Commission would be working with it? Who would be
5 affected here? It says that these programs would be
6 developed in consultation with the California Energy
7 Commission. And, I'm wondering how this would be
8 assigned.

9 CHAIRMAN IMBRECHT: Mr. Ward.

10 EXECUTIVE DIRECTOR WARD: I'd be reacting off
11 the top of my head. But, my guess would be, primarily
12 the Conservation Division. I would suspect that would
13 be where most....

14 CHAIRMAN IMBRECHT: Which is already
15 overworked?

16 EXECUTIVE DIRECTOR WARD: Yeah.

17 CHAIRMAN IMBRECHT: I guess I would almost
18 say that neutral is the minimum position. And, I might
19 even look at an opposed position on this one, frankly.

20 VICE CHAIR CROWLEY: Well, if we....

21 CHAIRMAN IMBRECHT: I would almost suggest we
22 ought to track this and suggest the Committee come back
23 with a further recommendation as this bill develops.

24 Commissioner Commons.

25

1 COMMISSIONER COMMONS: I think to be
2 consistent with our previous position, our positions
3 here is, on a policy viewpoint, I have a no problem
4 with a neutral. But, we have always said, provided
5 that any additional workload to us be incorporated as
6 part of the bill.

7 CHAIRMAN IMBRECHT: That's reasonable. So,
8 that ought to be stated in the communication with
9 Assemblyman Hauser. If they're going to impose
10 mandates upon us, there ought to be appropriate
11 appropriations and staff allocations, as well.

12 EXECUTIVE DIRECTOR WARD: Mr.

13 CHAIRMAN IMBRECHT: We don't consider this to
14 be a high priority item.

15 EXECUTIVE DIRECTOR WARD: Mr. Chairman, the
16 only concern I have is that, typically, in front of a
17 Committee, if it's just simply providing information
18 -- and I'm just looking at the Bill analysis now and it
19 looks like the Superintendent of Public Instruction has
20 the primary responsibility for putting this curriculum
21 together. And, I don't think anyone would expect the
22 Energy Commission to know what kind of curriculum
23 should be established, for what grade level, and so on.
24 So, I suspect that we might be in a difficult position
25 in front of a Committee to take an opposed position

1 where it's simply providing information that someone
2 else will be disseminating. And, I also suspect that
3 we could accomplish that within existing resource.
4 But, I do agree with you that we should track the Bill.

5 CHAIRMAN IMBRECHT: So much of how these
6 things are represented to the Committees are a question
7 of tone. And, while we will adopt an official position
8 of neutral, I'd suggest to Mr. Ellison that the tone
9 ought to be highly skeptical.

10 VICE CHAIR CROWLEY: I think you get some
11 sense of that at the Legislative Committee Meeting, as
12 well.

13 COMMISSIONER COMMONS: I'd go further; and,
14 I'd say on bills where we are neutral that we not even
15 testify; that a letter from you is sufficient.

16 CHAIRMAN IMBRECHT: Well, I'd say this is
17 also in terms of.... Mr. Ellison has to deal with the
18 authors and the other proponents of legislation. And,
19 he has to have some direction in terms of how to
20 interact with them. And, I think we've given that to
21 them and I don't hear any objection to this position.
22 So, we'll move on to the next bill.

23 VICE CHAIR CROWLEY: The next bill is AB
24 2063, the Condit Bill, regarding the California Energy
25 Commission building standards authority. This and the

1 Craven Bill, 842.... Well, no. I'm confused. I'm
2 sorry.

3 AB 2063, the Condit Bill: our recommendation
4 is: oppose, unless amended. It will be in
5 Governmental Efficiency Committee second week of May.
6 And, our concerns were that there was a drafting error
7 for starter in the Bill and that what that mandated, we
8 felt, needed clarification or correction.

9 CHAIRMAN IMBRECHT: This is a bill that has,
10 I guess, more broad, generic application than just the
11 Energy Commission. Is that accurate?

12 MR. ELLISON: That's correct, Mr. Chairman.
13 This Bill.... The intent of this Bill is to require
14 agencies throughout State government that are adopting
15 model codes to adopt the most recent addition. It's
16 not focused on our standards, particularly. There is,
17 currently, in the printed version of the Bill, a
18 section which, on its face, would require all agencies
19 to adopt the model code, which would have a profound
20 impact upon our Building Standards.

21 However, I've discussed this with the author
22 as well as with the California Building Industry
23 Association, the sponsor of the Bill. Neither of them
24 intend that result and they would be happy to consider
25

1 amendments to ensure that our standards could remain in
2 place.

3 CHAIRMAN IMBRECHT: The reason I asked the
4 question was, my gut sense, having dealt with some of
5 this type of legislation in the past is that, the
6 Building Industry Association's probably more concerned
7 about a uniform application of health and safety-type
8 building regulations or about the particular economic
9 and other regulatory considerations vis-a-vis
10 individual states. And, my understanding is that the
11 reason for that is that certain products are manu-
12 factured in contemplation dealing with fire and safety
13 regulations and so forth that are available on a
14 national market basis. And, that their concern is
15 availability in California, based upon those consider-
16 ations. Is that a generally accurate understanding?

17 MR. ELLISON: I believe so. Yes. I think
18 this Bill is a step towards resolving that problem. I
19 think the primary concern here is that builders not be
20 faced with applying the 1982 version of the Building
21 Code on one issue and the 1980 version on another issue
22 and the '78 version on another.

23 VICE CHAIR CROWLEY: The Bill, as amended,
24 you're saying we will deal with that?

25

1 MR. ELLISON: The author, as well as the
2 sponsor, have stated that they would be happy to
3 consider amendments that would resolve our problem with
4 the Bill.

5 CHAIRMAN IMBRECHT: Well, the recommen-
6 dation's opposed. Unless amended, I would stay with
7 that recommendation until we get a responsive position.
8 Generally speaking, from a policy perspective, when we
9 take an 'opposed-unless-amended' position, it seems to
10 me that then you ought to bring back--or the Committee
11 ought to bring back--to the Commission, considerations
12 of whether or not we ought to change our position, if
13 in fact, the amendments have been accepted that we have
14 proposed or have accepted it in principle form--I
15 should say in terms of substantive impacts. Is there
16 objection to that recommendation? Hearing none, that
17 is the Commission position. 842, Senator Craven.

18 VICE CHAIR CROWLEY: 842 is the Gasoline
19 Price Data Bill requiring or suggesting a procedure for
20 collection and prepayment of sales taxes by gasoline
21 distributors. A part of it involves the CEC submitting
22 annually to the Board of Equalization, a calculation of
23 the average pre-tax selling price at self-service
24 stations. This has impact on us; and, we have reached
25 a stage of 'no position' on the Bill, as a whole.

1 However, some sense that we should communicate to the
2 author and perhaps the Fiscal Committee, the Fiscal
3 impact of this on the CEC.

4 CHAIRMAN IMBRECHT: Well, that's consistent
5 with Commissioner Commons' earlier comment. I think we
6 ought to emphasize that, in every instance when there
7 is an increased work obligation on the Commission, we
8 ought to call that out very clearly to both the author
9 and to the Department of Finance. Is there objection
10 to that recommended position? Hearing none, that's the
11 adopted position of the Commission. Next, SB-1429 by
12 Senator Rosenthal.

13 VICE CHAIR CROWLEY: Has been set in Senate
14 Energy to the 7th of May. Our recommendation that we
15 discussed among the Commissioners is support, if
16 amended. And, enclosed in your packet are the
17 recommendations: support, if amended, to designate the
18 CEC as a responsible agency for preparation of the
19 study involving the transmission systems. And, there
20 is being generated amendment language by the General
21 Counsel, at this time. Mr. Ellison, have you any
22 further comments on this?

23 MR. ELLISON: Well, this bill, as well as the
24 next one that you'll consider (1430), are companion
25 bills from Senator Rosenthal, intended to address the

1 cost effectiveness of the proposed northwest
2 transmission line. This bill requires a study quite
3 similar to the Stone and Webster Study that the Energy
4 Commission is engaged in at the moment. 1430 would
5 require specific findings in a Public Utilities
6 Commission Certificate of Public Convenience and
7 Necessity proceeding, related to the cost effectiveness
8 of the lines. Because municipal utilities have the
9 majority share of the proposed northwest transmission
10 line, it was the feeling of the staff, as well as the
11 Committee, that if this function is necessary at all,
12 it ought to be housed in this agency rather than the
13 Public Utilities Commission.

14 CHAIRMAN IMBRECHT: Commissioner Commons.

15 COMMISSIONER COMMONS: No, no.

16 VICE CHAIR CROWLEY: In any event, we're
17 asking for ratification.

18 CHAIRMAN IMBRECHT: Whenever you hold your
19 hand up, that generally means you want to speak?

20 COMMISSIONER COMMONS: I was counting.

21 CHAIRMAN IMBRECHT: Well, I would agree with
22 that recommendation. I would just offer a couple of
23 overviews as having been the Commissioner most involved
24 in this issue. It is inconceivable to me that the
25 utilities in California will go forward with this

1 proposal absent adequate assurances that the economics
2 pencil out from a bottom line perspective. Nonethe-
3 less, if the legislature is adamant about an
4 independent reviewing authority, I guess I would,
5 obviously, by virtue of the fact that this a Committee
6 (I sit on this Committee), I would agree very much with
7 the recommendation that it is more appropriate that the
8 agency that has jurisdiction over all the utilities in
9 the state--public and private--ought to be making that
10 determination.

11 The bottom line is that less than 50 percent
12 of the capital costs associated with the Third Intertie
13 will be borne by investor-owned utilities. And so, any
14 determination that might be drawn by the Public
15 Utilities Commission would inevitably be flawed and
16 incomplete if the Bill, as originally introduced, were
17 ultimately enacted. I have skepticism about the
18 necessity for any legislation in this area, for
19 openers, that I would agree with the positions being
20 recommended. If, in fact, Senator Rosenthal feels this
21 is a significant consideration, then it ought to be
22 handled by the agency that has jurisdiction over all
23 the utilities that are involved. Commissioner Commons?

24 COMMISSIONER COMMONS: Bill, do you feel that
25 that would cause any problem at the PUC with the PUC

1 Commissioners?

2 MR. FOLEY: I'm not sure, Commissioner
3 Commons. I don't know the PUC position on this Bill.
4 I think they are taking it up today, just like you.
5 But, if you want a guess, I think there might be some
6 disagreement.

7 CHAIRMAN IMBRECHT: I would guess that, as
8 well.

9 COMMISSIONER COMMONS: Is there any reason
10 that since we have had, historically, transmission line
11 issues with the PUC, that we neutralize our position a
12 little bit, and that it be done together between the
13 two commissions?

14 CHAIRMAN IMBRECHT: That's realistic, as
15 well. That's a fair (INAUDIBLE). I don't want to draw
16 lines in the dirt; because, I'm certainly not in that
17 position.

18 MR. FOLEY: Yeah, as I understand the Bill,
19 it calls for a study. I don't know whether it's a
20 jurisdictional bill, as far as....

21 CHAIRMAN IMBRECHT: I can't, frankly,
22 conceive too many circumstances under which the
23 coalition that's involved here would go forward with
24 this project, absent the kind of reassurances that are,
25 in essence, called for in legislation. I guess I asked

1 the question whether or not it makes since for two
2 agencies to, in essence, conduct similar or nearly
3 exact studies vis-a-vis their respective regular fees
4 and so forth. I think we ought to work this out with
5 the PUC clearly. My general inclination ought to be or
6 is that one of us ought to make the study, rather than
7 two, if that's at all acceptable. But, it ought to be
8 done in close cooperation and consultation so that the
9 results of any such evaluation are equally acceptable
10 to both institutions.

11 COMMISSIONER COMMONS: When Chris came by my
12 office and asked if I supported the Bill, my statement,
13 at that time, was that I would support it, but only if
14 it involved joint cooperation between the two
15 commissions.

16 CHAIRMAN IMBRECHT: Commissioner Gandara.

17 COMMISSIONER GANDARA: Yes. My feeling on
18 this, again, is that we should propose an amendment
19 that indicates that this ought to be a joint study done
20 by the PUC and the Energy Commission. I think for
21 reasons other than the comity or courtesy here, or the
22 issue of jurisdiction. I think there is a real
23 substantive reason why it ought to be done by both
24 agencies.

25 The reason is that there is something falling

1 between the cracks here--that even falls between the
2 cracks in the way that the position has been put forth
3 on the part of the Energy Commission. While we do have
4 jurisdiction over the munies as well, the PUC doesn't.
5 There is an area that they have jurisdiction over more
6 directly than we have traditionally been involved in.
7 Though, I do believe that we do have the least relevant
8 jurisdiction. But, I think the PUC has certainly
9 experienced some data, and that is with respect to
10 natural gas.

11 I have been urging, for at least two years,
12 that this whole issue of the northwest power has a very
13 important element. That is, it requires a mini/max
14 analysis of the effect on a natural gas rate by the
15 importation of northwest power. And, the more power
16 that is imported, you get a displacement of some
17 natural gas which reduces the amount of revenues that
18 cover the fixed costs of the system.

19 Again, it is something that we have not
20 addressed in our analysis. It is not something that is
21 addressed in the ER or the BR; and, it's something that
22 has not been addressed in many of our filings. There
23 was a short reference to it in the testimony filed by
24 one of our expert witnesses, Mr. Marcus. But, it was
25 more reference to it than a real analysis. I do think

1 there is an opportunity here to conduct that kind of
2 mini/max analysis of the trade-offs of the benefits of
3 northwest power to the electric ratepayer and the costs
4 or benefits to the gas ratepayer; because, I have
5 always asserted that the ratepayer gets two bills. He
6 gets the electricity bill and he gets the gas bill.
7 Part of the increase in the gas costs and just the
8 commodity cost of the gas, it also is a result of the
9 displacement of natural gas, and therefore, not being
10 able to cover those fixed costs.

11 So, I think there is a very useful oppor-
12 tunity for productive collaboration here, and notwith-
13 standing the fine work that we have done in this area
14 or even the work that Stone and Webster is doing.
15 There's nothing that I've ever seen that's really
16 addressed this issue. I think that....

17 CHAIRMAN IMBRECHT: I understand your points
18 and I generally agree with them -- a couple caveats,
19 though. And I think these are important ones to lay
20 out there. That is, that these negotiations from a
21 national perspective in terms of federal regulatory
22 agencies are at a very difficult and delicate stage (I
23 think is probably the best way to describe it). I am
24 personally concerned that legislative initiatives in
25 this area have the prospect of perhaps killing what can

1 be and remains to be a potentially great opportunity
2 for the state and for our ratepayers.

3 I guess I remain to be convinced that there
4 is a necessity for this kind of intervention or this
5 kind of legislation in the first place. It's not a
6 question of entirely of just utter confidence in all of
7 our utilities in the State. But, it's a reflection in
8 the real sense that, because of the complex interplay
9 between the publics and the privates on this issue and
10 the fact that these decisions, much more so than many
11 other issues have come before this Commission or before
12 the PUC, I am utterly confident, have been considered
13 at the senior management levels of each of the
14 institutions that are players in this operation.

15 I guess the bottom line: I am less convinced
16 that there is a necessity for regulatory intervention
17 or oversight, over and above that which is already in
18 existence, than might be the case in other
19 circumstances. I can't conceive, as I indicated
20 earlier based upon my personal knowledge of this issue,
21 that, because of the complex inter-relationships
22 between the IOU's and the municipals on this matter,
23 that anyone is going to sign any binding contract until
24 there is a reasonable assurance that, in fact, the

25

1 economics of this project make sense to each and every
2 one of the players.

3 Each and every one of the players, in
4 essence, at this point in time, as signators to the MOU
5 have, in essence, a unilateral veto that can be
6 exercised. And, that represents a degree of leverage
7 that is not ordinarily encompassed within these kinds
8 of discussions.

9 All of that has an overview, I guess my
10 viewpoint is that, in terms of our communication with
11 Senator Rosenthal, we ought to stress those points and
12 suggest that we are not remiss to exercising additional
13 authority, either us or I assume the PUC, in that
14 respect, that we ought to be very sanguine and very
15 cautious about attempting to intrude in what is, in
16 effect, a negotiation and discretion that is
17 substantially down the track, at this point in time,
18 and involves many players well beyond the jurisdiction
19 of either the PUC or the CEC.

20 MR. FOLEY: Chairman Imbrecht, might I ask,
21 are there any negotiations actually going on at this
22 time? There was some question just a couple days ago
23 at the PUC and nobody seemed to know.

24 CHAIRMAN IMBRECHT: Within California or...?
25

1 MR. FOLEY: No, with the northwest. Are
2 there any actually negotiations taking place at the
3 present time?

4 CHAIRMAN IMBRECHT: Well, I don't want to
5 make representations on behalf of the individual
6 parties, but to the best of my knowledge, there are
7 individual discussions going on with various entities
8 in the northwest. All that notwithstanding, I think
9 there is also substantial concern within the California
10 energy community about the variety of regulatory
11 decisions or potential regulatory decisions, as well as
12 judicial interpretations that affect this entire
13 matter. I am personally of the view that it is
14 currently the point where we need to reconvene the
15 California parties and reassess a unified position and
16 to also ensure that, in fact, we are all perceiving
17 these threats in the same or from the same perspective.
18 I frankly think that's likely; but, it's probably
19 useful and healthy that we have that kind of personal
20 meeting.

21 I guess where I come down in terms of these
22 to bills, in essence, is that I think we ought to state
23 very candidly to Senator Rosenthal our concern and
24 reluctance about legislative intrusion, at this point
25 in time, as well as our concomitant representation

1 that neither the PUC or the Energy Commission are going
2 to allow these projects to go forward unless they make
3 sense for the ratepayers in the state.

4 I have talked with Senator Rosenthal on an
5 informal basis; and I guess, in essence -- and I think
6 he is, perhaps, moving in this direction -- that these
7 bills, perhaps, ought to be held in abeyance and
8 represent, in essence, a club, if you will, both for
9 California entities, as well as for northwest entities,
10 that maybe they ought to be, in essence, in deep freeze
11 for the time being, and held out there as a threat to
12 make sure that these discussions move forward. We have
13 spent a lot of time in discussing the nuances of all of
14 this. I think most of us that are fooling with it
15 understand what I am talking about.

16 COMMISSION GANDARA: Mr. Chairman, again, I
17 don't think that we have different views on this. I
18 certainly share your concerns; but, I'm not quite sure
19 where we are on this. For my part, I have been dealing
20 with this since 1981 and have--may not be as familiar
21 with what's currently underway since I have not been
22 involved in the past couple years. On the other hand,
23 since I have been involved in it since 1981, I see
24 several big voids that have not been addressed and one
25 is the issue I just introduced.

1 At least as I see 1429 and 1430--I think they
2 are very different bills, so maybe you can speak on
3 them separately--I think 1429, at least, is an issue
4 that at least is not specifically directed at the
5 specific concern of the northwest. That's been one of
6 my problems that I've had many times with this thing is
7 that at least as I always thought of this issue, I
8 thought of it as an out-of-state power issue, not just
9 as a northwest issue. A lot of times I have been
10 concerned that it has been far more narrowly discussed
11 and posited.

12 But, 1429 is, in fact, an analysis of the
13 statewide transmission system that affects, not the
14 just the northwest issue, but I think affects not only
15 electric utilities but gas utilities, as well. For
16 that reason, I think that we have an opportunity here
17 since we haven't done it on our own--the PUC hasn't
18 done it--is to at least indicate that we think that we
19 think this is an important issue that ought to be
20 addressed.

21 CHAIRMAN IMBRECHT: I don't understand the
22 importance of how it relates to gas utilities.

23 COMMISSIONER GANDARA: Could I finish?

24 CHAIRMAN IMBRECHT: So, could you just
25 clarify that for me?

1 COMMISSIONER GANDARA: Well, what I am
2 suggesting is that the amendment that we would make is
3 that, indeed, that we would do a joint study with the
4 PUC to determine the effect of the importation of power
5 on electric gas rates. That's an issue that, really,
6 we haven't addressed that's an important issue. I
7 don't want to go through the thing again; and, I don't
8 want to put in an adversial context. But, since we are
9 talking about a bill that we support with amendments,
10 I'm suggesting that is an appropriate amendment.

11 I think there is another very big issue that
12 is a statewide issue, that's not simply a northwest
13 issue. Since 1429 calls for an analysis of the
14 statewide transmission system, I think it calls for an
15 analysis of the plans for transmission line systems.
16 We have the odd situation here of having an application
17 before this Commission of a GPPL line from the Geysers
18 area to Sacramento. At the same time, there is going
19 to be an application before the PUC of a transmission
20 line from Sacramento across the Sierra Pacific (the
21 Sierra Pacific line--exactly what they call it). Now,
22 one can think of them independently....

23 CHAIRMAN IMBRECHT: One is the Trans-Sierra,
24 I think it is.

25

1 COMMISSIONER GANDARA: ...one can think of
2 them independently, but I think when you look at the
3 transmission system as a whole, when you roll into
4 that, the discussions and concerns that have been
5 talked about with respect to the Northwest Intertie, I
6 think we have to consider the possibilities, not just
7 inputting power into Sacramento, but frankly, the
8 possibility that there exists for there to be a
9 connection from the northwest and from the Geysers area
10 to Sacramento, and frankly, whether Sacramento can also
11 then wheel that power through the transmission system
12 across the Sierra to Nevada. I mean, power can flow
13 both ways. So, there is a possibility of an integrated
14 system there. And, I don't know whether that would be
15 good, whether that would be bad. I don't know whether
16 that's possible. But again, that kind of analysis I
17 don't see really occurring in the discussions that
18 we've had.

19 Then, last Monday (I believe it was Monday or
20 Tuesday. Its been occurring at such a fast rate, I
21 forget which days I'm on), but, there was the issue of
22 the Electricity Report. And, I had commented that the
23 Report fell locally short of addressing the issue of
24 power pooling and transmission line rationalization for
25 the entire grid as a possible issue to address, both in

1 terms of preference but also in terms of whether that
2 is not a reasonable alternative to the more specific
3 recommendation of increasing reserve margins.

4 So, I think that we would all benefit from a
5 very good transmission line analysis such as 1429
6 indicates. All I'm saying is that we ought to amend it
7 to include the issues that we would like to look at,
8 and the issues that I think the PUC could help us with,
9 as well. 1430 is far more narrow. It, again, reflects
10 the more parochial concern with the northwest; but,
11 that's another issue.

12 Right now, I am talking more about 1429; so,
13 I don't sort of take these efforts as an intervention
14 as much as an opportunity for us to address, I think,
15 some real important State concerns, and for us to
16 gather information. Now, the response can always be
17 'well, we'll do it, but without the legislation.' But,
18 I don't think we've done it. So, since we do have an
19 opportunity here, I think that we should take advantage
20 of it.

21 CHAIRMAN IMBRECHT: Okay. Well, I guess I'll
22 summarize my positions by saying that I'm not adverse
23 to your perspective. Ultimately and vehemently, I'm
24 not quite willing to embrace it, at this point in time.

25

1 Okay? I have expressed my viewpoint earlier on this.
2 Commissioner Commons, did you want to be heard on this?

3 COMMISSIONER COMMONS: No.

4 CHAIRMAN IMBRECHT: No? I guess I
5 misunderstood you. Alright. Come back to the position
6 of whether or not there is objection to the recommended
7 position from the Committee.

8 COMMISSIONER GANDARA: For 1429? We're
9 talking about 1429?

10 CHAIRMAN IMBRECHT: Yes.

11 COMMISSIONER GANDARA: Okay. And, we're
12 talking about...?

13 CHAIRMAN IMBRECHT: Support, if amended.

14 COMMISSIONER GANDARA: Whether we support, if
15 amended?

16 CHAIRMAN IMBRECHT: Yes.

17 COMMISSIONER GANDARA: Okay. Well, I would
18 like to move an amendment, Mr. Chairman, whenever it's
19 appropriate.

20 CHAIRMAN IMBRECHT: Rather than making a
21 motion, why don't you just express your point of view,
22 since we handle Committee Reports a little more
23 informally. Otherwise, we can come down to a formal
24 motion, if necessary. But....

25

1 COMMISSIONER GANDARA: Well, we are taking a
2 position on legislation, you know, I would like to
3 amend what we have here. So, I would like to move that
4 we amend our position on this 1429 so that, one, it
5 would call for a joint study by the Energy Commission
6 and the PUC. And, in addition to the issues that are
7 indicated here, we would look into two additional
8 issues. That is, the issue of the effect on the cost
9 to the gas consumer, with respect to the importation of
10 out-of-state power. And the second amendment would be
11 that we also look at the coordinated opportunities
12 and/or problems that are presented by the combination
13 of the Sierra Pacific or the Trans-Sierra and the GPPL.

14 CHAIRMAN IMBRECHT: Let me ask you. Pending
15 the resolution of those evaluations, how would you
16 anticipate that we should deal with the pending
17 applications and issues before the Commission?

18 COMMISSIONER GANDARA: Okay, I'm.... What
19 pending applications?

20 CHAIRMAN IMBRECHT: Well, GPPL, for openers.

21 COMMISSIONER GANDARA: Well, I don't see that
22 they are related.

23 COMMISSIONER COMMONS: I don't think, Chuck,
24 we have....

25

1 COMMISSIONER GANDARA: We can make them
2 related if we want to. I don't think we want to do
3 that.

4 COMMISSIONER COMMONS: ...we have statutory
5 responsibility, I feel, to complete cases that we have
6 within a 12-month time period.

7 CHAIRMAN IMBRECHT: I understand. I just
8 wanted to understand clearly whether there was a
9 suggestion that such a study would have some impact on
10 the overall decision--the Commission vis-a-vis those
11 pending applications.

12 COMMISSIONER COMMONS: In the timeframe that
13 we had information that came, I would look at it;
14 but....

15 CHAIRMAN IMBRECHT: I just want to get it
16 clearly out there so it's understood that there's no
17 implication by adopting Commissioner Gandara's motion
18 that somehow there was a conclusion or a decision that
19 ought to impact those cases.

20 COMMISSIONER COMMONS: I was going to....
21 I'm willing to second the motion; but, my understanding
22 would be the same as yours, in terms of my second.

23 COMMISSIONER GANDARA: My motion doesn't
24 include anything about the effect on pending
25 applications. I don't think I need to say anything,

1 one way or the other. It's just that I'm more
2 concerned about the political aspects of the study.

3 CHAIRMAN IMBRECHT: Absent that, I think you
4 ought to be careful about your second. Okay? Alright,
5 is there a second to the motion?

6 COMMISSIONER COMMONS: Well, I'll second the
7 motion with a proviso that you mentioned, Mr. Chairman.

8 CHAIRMAN IMBRECHT: That's not the way
9 parliamentary procedure works. You either second the
10 motion, or you don't.

11 COMMISSIONER COMMONS: Okay, well, I'll
12 second the motion for discussion purposes.

13 CHAIRMAN IMBRECHT: Alright, for discussion
14 purposes. Commissioner Gandara, if you want to
15 proceed?

16 COMMISSIONER GANDARA: I don't have anything
17 additional to discuss. I just think it's a good idea
18 and with respect to your concerns, Mr. Chairman, my
19 motion is silent on any effect it would have on pending
20 cases. I think that's a broader issue that I'm really
21 not linking it to that. So, I think it incorporates
22 your concerns, but I'm....

23 COMMISSIONER COMMONS: Can we include in the
24 motion that this motion does not include any impact on
25 our siting cases?

1 COMMISSIONER GANDARA: I don't know what
2 relevance that has. That's fine by me. Whether it
3 does or it doesn't, is not something that I can
4 control. If you want to amend the motion, that's fine.

5 CHAIRMAN IMBRECHT: I am not inclined to
6 support the motion, at this point in time. My general
7 viewpoint is that 1429 and 1430 are, in essence,
8 legislation that's in evolution. I'm not totally
9 confident that Senator Rosenthal has--let me phrase
10 this very carefully--that all of the ramifications of
11 these two bills have been appropriately brought to his
12 attention--is probably the best way to describe it. I
13 am reluctant to take the hard position on either of
14 these two bills today, by virtue of the sensitivities
15 involved, the pending discussions and negotiations.

16 In response to you, Mr. Foley, not
17 necessarily just within vis-a-vis us versus the
18 northwest, but also internally in the California
19 community. It's a delicate balance on the MOU that has
20 been signed, as well as the responses that have been
21 generated from the two presiding Secretaries of Energy
22 that dealt with that MOU. I am very cognizant of the
23 parties involved or, in essence, in flux in terms of
24 sorting out where all these things stand.

25

1 I really think that considering the magnitude
2 of the dollar implications involved, etc., we ought to
3 be very cautious and cherry about asserting ourselves or
4 recommending to the Legislature to assert itself into
5 this process, at this point in time. At the same time,
6 I am not suggesting to you that we ought to back off to
7 the point of not being players. Obviously, that has
8 not been my approach to this issue from the time that I
9 first became involved in it. Nor is it likely to be my
10 approach anytime in the foreseeable future. But, I have
11 used, on occasion, the analogy that this is akin to
12 negotiating peace in the Middle East, and I think that
13 analogy holds.

14 I am very reluctant to charge into these
15 matters without fully understanding the implications of
16 our decision. My personal viewpoint on these two bills
17 is that we ought to express our grave concerns to
18 Senator Rosenthal about the appropriateness of
19 legislative intervention, at this point in time. We
20 ought to also express to him the important issues we
21 consider to be essential to ensure that the upgrade is
22 genuinely in the interest of the citizens of
23 California. I guess, further, from my perspective, we
24 ought to play this one a little bit flexible.

25

1 So, I am not personally, at this point in
2 time, willing to endorse any legislative mandate that
3 there be this kind of evaluation or study absent,
4 understanding clearly the implications vis-a-vis the
5 overall discussions and negotiations. I don't think
6 there is anything that requires us, as was the case in
7 terms of an earlier bill we discussed, that we take a
8 position on this issue today.

9 I think we can give direction to our Office
10 of Governmental Affairs in terms of how these
11 discussions ought to be carried further, and suggest
12 that they report to us on an ongoing basis of the
13 evolution of the Senator's perspective and his staff
14 and, further, come back to us with a hard
15 recommendation, when these issues appear to be mature
16 to the point that they require a hard position on our
17 part. I don't think we are at that point today.

18 COMMISSIONER GANDARA: Can I ask a point of
19 clarification? It's sort of procedurally where we are.
20 I'm confused, Mr. Chairman. I thought that your
21 position--the position was that we were voted on was
22 'support, if amended.' From your conservation, I take
23 it.... I get the impression that you don't support the
24 Legislative Committee position. And so, therefore, I
25 don't know if I was proper in amending a motion that

1 perhaps isn't before us. But, at least my purpose was
2 to support the Legislative Committee position and offer
3 some additional amendments. But, I'm confused as to
4 whether you are speaking against my amendment or
5 against the Committee's recommendation. I was confused
6 because....

7 CHAIRMAN IMBRECHT: Fair question.

8 COMMISSIONER GANDARA: ...because, you're
9 part of the Committee.

10 CHAIRMAN IMBRECHT: That's a fair question.
11 You are absolutely correct.

12 COMMISSIONER COMMONS: It sounds like you
13 might support the amendment and oppose the bill.

14 CHAIRMAN IMBRECHT: That's a fair question,
15 Commissioner Gandara. I guess I would distinguish my
16 perspective on this basis. It is not unreasonable that
17 the legislature feels that it is fundamentally
18 essential that there be an independent evaluation that
19 some authority take that evaluation--I think under
20 those circumstances, we would do better than what is
21 proposed in legislation. But, I have some reluctance
22 that anybody ought to be charging in here. And, to
23 that extent, I probably should have clearly delineated
24 that to Commissioner Crowley. I don't think that I did
25 that.

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COMMISSIONER GANDARA: Where are we?

CHAIRMAN IMBRECHT: I need a 30 second
recess.

COMMISSIONER GANDARA: Okay, fine.

CHAIRMAN IMBRECHT: If you want to continue
the conversation....

COMMISSIONER GANDARA: No. No. We'll
recess, that's fine.

CHAIRMAN IMBRECHT: I'll be right back.

(Whereupon the Business Meeting of the
California Energy Resources Conservation and
Development Commission was adjourned for a recess at
2:40 PM.)

--o0o--

1 amended' position that has already been sent. Now, my
2 amendment....

3 CHAIRMAN IMBRECHT: That's realistic.

4 COMMISSIONER GANDARA: ...my amendment was
5 actually in support of what's already been sent and to
6 amend it to include two additional issues. So, now, I
7 don't know procedurally where we are, whether....

8 CHAIRMAN IMBRECHT: Try those again and let's
9 will take them up.

10 COMMISSIONER GANDARA: I would like to move
11 that we ratify the position taken by, I guess, taken by
12 the Commission informally, or taken by the majority
13 of....

14 CHAIRMAN IMBRECHT: By the Chairman on behalf
15 of....

16 COMMISSIONER GANDARA: Yes, okay. Fine, I
17 would like to amend it to include two additional issues
18 that the study undertaken be a joint study with the PUC
19 and that it include an analysis of the effect on the
20 gas ratepayers, the effect of the importation of out-of-
21 state power, and that it include an analysis of the
22 opportunities and problems that are presented by
23 pending and/or planned transmission lines.

24 VICE CHAIR CROWLEY: So...?
25

1 CHAIRMAN IMBRECHT: State those clearly for
2 me now--one, two, three.

3 COMMISSIONER GANDARA. That it be a joint
4 study with the PUC.

5 CHAIRMAN IMBRECHT: Joint with the PUC. Yes.

6 COMMISSIONER GANDARA: That it include an
7 analysis of the effects of the out-of-state power
8 importation on gas ratepayer bills or costs. And,
9 three, that it include an analysis of the opportunities
10 and problems posed by pending and/or planned
11 transmission lines.

12 CHAIRMAN IMBRECHT: Okay. The motion is
13 before us. Is there a second?

14 VICE CHAIR CROWLEY: I second.

15 CHAIRMAN IMBRECHT: Seconded by Commissioner
16 Crowley.

17 COMMISSIONER GANDARA: I should add, Mr.
18 Chairman, since we are in a discussion phase, that I
19 would see, at least, that my analytical concerns are
20 addressed by the amendment on 1429. If the Commission
21 adopts this, I see no reason to modify the Commission's
22 position as taken, on 1430. We can simply ratify that.

23 VICE CHAIR CROWLEY: Okay, then.

24 CHAIRMAN IMBRECHT: 1429, as I read it....
25 Just let me ask you, Mr. Ellison, if I'm missing

1 anything here. This does not set up a condition of
2 precedent to approval of the Third Intertie, does it?

3 MR. ELLISON: 1429 does not. 1430 does.

4 COMMISSIONER GANDARA: 1429 is kind of a
5 broader study.

6 CHAIRMAN IMBRECHT: Right, I understand. I
7 just want to get that clear.

8 COMMISSIONER GANDARA: Alright, I think we
9 can meet my concerns and your concerns by dealing with
10 the bill separately.

11 CHAIRMAN IMBRECHT: Okay. That's agreeable
12 to me, under the circumstances. Is their objection to
13 Commissioner Gandara's proposed amendment? Hearing
14 none, that will be the approved position of the
15 Commission. Does that dispose of 1430, from your
16 perspective, as well?

17 COMMISSIONER GANDARA: It does, Mr. Chairman,
18 unless you want to include the No. 1 issue of the joint
19 study of the PUC. But, again, I'm

20 CHAIRMAN IMBRECHT: I think I'll pass on
21 this, as this point. But, I....

22 COMMISSIONER GANDARA: Fine.

23 CHAIRMAN IMBRECHT: ...just want to re-
24 emphasize, again, that....

25

1 COMMISSIONER GANDARA: I have no further
2 issues.

3 CHAIRMAN IMBRECHT: ...I think in all the
4 communication to the author, we ought to express some
5 overall skepticism about the necessity of this entire
6 effort. And, that we ought to, in essence, assume this
7 responsibility (or the PUC ought to from that
8 perspective), depending upon the Legislature's
9 judgment, at least, as I see it from a somewhat
10 skeptical overview. I'm not sure this legislation is
11 really needed. Okay....

12 VICE CHAIR CROWLEY: How would the Commission
13 prefer to deal with SB-1430?

14 CHAIRMAN IMBRECHT: 1430 ought to be left the
15 way it is.

16 VICE CHAIR CROWLEY: And ratified?

17 CHAIRMAN IMBRECHT: Yes. If there is no
18 objection, that will be the Commission's order. Thank
19 you, Mr. Ellison.

20 COMMISSIONER COMMONS: Mr. Chairman.

21 CHAIRMAN IMBRECHT: Commissioner Commons,
22 further Committee Reports?

23 COMMISSIONER COMMONS: Concerning
24 legislation. I'd asked at that the last Commission
25 Business Meeting that we have the PVA Proposals brought

1 before us. And I understand the Committee is working
2 on them, but they are not yet available for
3 presentation to the Commission. However....

4 VICE CHAIR CROWLEY: We got kind of stalled
5 on that; because, you said 'PURPA' and we went tearing
6 off after PURPA. So, it sort of set us back.

7 COMMISSIONER COMMONS: I got the first letter
8 right.

9 CHAIRMAN IMBRECHT: Commissioner Crowley is
10 in the best position to answer that.

11 COMMISSIONER COMMONS: What I would like to
12 ask is that we did undertake the study using State
13 funds on LBL. And, I'd like us to officially transmit,
14 for those bills where there are programs that are
15 related to what we have studied, a transmittal of the
16 LBL evaluations.

17 CHAIRMAN IMBRECHT: I believe we have already
18 transmitted the LBL evaluation to the Legislature
19 General, as available.

20 EXECUTIVE DIRECTOR WARD: No.

21 VICE CHAIR CROWLEY: No.

22 CHAIRMAN IMBRECHT: We have not? What's the
23 hang-up on that, Mr. Ward?

24 EXECUTIVE DIRECTOR WARD: I'll have to check
25 and get back to you before the close of the hearing.

1 CHAIRMAN IMBRECHT: I recall signing a letter
2 to relevant Committee chairpersons that transmitted the
3 results of the study. It used a very pro forma
4 'enclosed you will find.' So....

5 EXECUTIVE DIRECTOR WARD: I don't want to say
6 anything now that I can't correct later -- I mean, find
7 out that I'm incorrect later. But, I will check.

8 CHAIRMAN IMBRECHT: In any case....

9 COMMISSIONER COMMONS: I'm not making a
10 request for the whole....

11 CHAIRMAN IMBRECHT: As far as I'm concerned,
12 the results of the PVA Study ought to be transmitted.
13 They have been to the Administration; they ought to be
14 the Legislature. And, I thought that had already been
15 done. If it hasn't been, I think we ought to find out
16 why.

17 COMMISSIONER COMMONS: In any event,
18 notwithstanding what we do with the full report, I
19 would like us, today, to agree that on those bills
20 where there are PVA funds and we have had a specific
21 study that relate to that, that portion of the LBL
22 Report be sent to the respective committees.

23 CHAIRMAN IMBRECHT: I would argue the PVA
24 Report, in its entirety, ought to be sent to the
25 Legislature.

1 COMMISSIONER COMMONS: I agree with you, Mr.
2 Chairman. I am only asking.... I don't know why it
3 hasn't; but, I would like to, at least, see that we get
4 the....

5 CHAIRMAN IMBRECHT: Let me just indicate that
6 it is my inclination that I believe, frankly, it's
7 consistent with the entire legislative intent, etc.,
8 associated with that budget appropriation that the
9 results of that study be transmitted. If they have not
10 been, they ought to be and they will be, absent
11 Commission direction to me, that it is contrary to that
12 perspective.

13 COMMISSIONER COMMONS: Alright, well, Mr.
14 Ward, I would like to pursue why it has not been.

15 EXECUTIVE DIRECTOR WARD: Commissioner
16 Commons, I thought I gave.... I don't know the answer
17 to that. I will get back to you this afternoon. I
18 apologize for not knowing it; but, my intial
19 recollection is that it has not been transmitted.
20 Commissioner Crowley had a briefing on the PVA--the
21 substance of the PVA legislation--and there were some
22 decisions on how we were to handle that. I don't think
23 the substance of the the discussion included
24 transmitting the whole PVA Evaluation of that Report.
25

1 CHAIRMAN IMBRECHT: The PVA Report is
2 entirely separate and apart from legislation, as I see
3 it.

4 EXECUTIVE DIRECTOR WARD: I understand that.

5 VICE CHAIR CROWLEY: I understood what
6 Commissioner Commons is talking about is the Task
7 Force, the LBL thing for the Task Force.

8 EXECUTIVE DIRECTOR WARD: Yeah, I understand
9 the question. I just don't have the answer.

10 CHAIRMAN IMBRECHT: That's under the
11 jurisdiction of the Budget Committee; and....

12 VICE CHAIR CROWLEY: Yes.

13 CHAIRMAN IMBRECHT: ...my viewpoint is that
14 now the LBL Study is complete, it ought to be
15 transmitted to the appropriate--at a minimum committee
16 chairs and vice chairs of the relevant committees. In
17 terms of how we deal with the PVA bills, that's a
18 greater dilemma. And, we ought to just get that
19 out....

20 COMMISSIONER COMMONS: I'm not raising that
21 issue today.

22 CHAIRMAN IMBRECHT: ...table, upfront. I
23 think the Legislature ought to be in the position to
24 deal with the results of that study as they so choose,
25 and interpret the results as they so choose. That was

1 originally the intention behind the study. It was
2 intended to provide a disinterested yardstick, if you
3 will, to the extent possible over all the variety of
4 proposals and provide a analytical tool for both the
5 Administration and the Legislature to draw appropriate
6 judgments as to how whatever funds might be available
7 ought to be expended. Obviously, the big question mark
8 in the entire equation today is the question of whether
9 or not, in fact, there will be money. That is, as I
10 see it, an ancillary issue to a policy decision about
11 expenditure.

12 COMMISSIONER COMMONS: My main concern was
13 there are a large number of bills that were generated
14 concerning PVA and I do not feel that the authors had
15 the benefit of the....

16 CHAIRMAN IMBRECHT: Some of those bills
17 reflect recommendations that were evaluated in the
18 study and others have no relationship to those,
19 whatsoever.

20 COMMISSIONER COMMONS: That's right. And, I
21 think it would be helpful to the Legislature.
22 Concerning our position on PVA: I'm not raising that
23 today. I will wait until the Legislative Committee
24 comes back to us.

25 VICE CHAIR CROWLEY: Not PURPA.

1 COMMISSIONER COMMONS: Particularly after my
2 own mistake, I don't think I could ask more. Do you
3 have the PURPA bills?

4 CHAIRMAN IMBRECHT: I have a genuine
5 recollection that I have signed some letters of
6 transmittal.

7 COMMISSIONER GANDARA: Point of information,
8 Mr. Chairman.

9 CHAIRMAN IMBRECHT: Yes, Commissioner
10 Gandara?

11 COMMISSIONER GANDARA: I don't know, but does
12 my office have a.... Do all Commissioners have a copy
13 of the final report--the PVA Report? I don't recall.

14 CHAIRMAN IMBRECHT: I see that your advisor
15 is indicating 'yes.'

16 COMMISSIONER GANDARA: We do have. Is that
17 the final or is that the draft?

18 MS. COE: I believe it's the final.

19 COMMISSIONER GANDARA: I remember getting the
20 draft. Then, at the last time that I was on the Budget
21 Committee, we were promised a truckload of documents,
22 at some in point in time. But, I don't quite know.
23 We'll check on that, in any case.

24 EXECUTIVE DIRECTOR WARD: Maybe you weren't
25 there when the truck got there.

1 COMMISSIONER GANDARA: There have been many
2 trucks that have stopped by while I have been gone.

3 CHAIRMAN IMBRECHT: Okay. That completes the
4 Legislative Committee Report. Are there other Com-
5 mittee reports for the Commission? Other Committee
6 reports? Alright, hearing none, that concludes it. On
7 the matter of adoption of the minutes, as proposed, Mr.
8 Ward, Commissioner Commons had a question for you.

9 COMMISSIONER COMMONS: I believe on the Execu-
10 tive Director's Report on the date of the minutes that
11 we had before us--what is it, March 6th. At that time,
12 when you made your Executive Director's Report, we
13 asked you to come back to the Commission concerning
14 Load Management. And, that's not reflected in the
15 minutes.

16 EXECUTIVE DIRECTOR WARD: No. My recol-
17 lection, Commissioner Commons, that you asked the
18 Budget Committee to specifically look at Load Manage-
19 ment and Conservation staffing. The Budget Committee
20 will be meeting next week; and, we will be discussing
21 the plan for the various resource allocations in
22 Conservation.

23 COMMISSIONER COMMONS: I believe that is not
24 correct, Mr. Ward. At the last Business Meeting, I
25 made that request after we'd had the second report from

1 the Executive Director's Office, which spelled out in
2 greater detail, how serious the problems were in Load
3 Management. But, we are looking at the minutes in
4 March and not of the minutes of the April meeting.
5 When we come to the April meeting, that was the
6 recommendation, that it go to the Budget Committee.

7 EXECUTIVE DIRECTOR WARD: My understanding,
8 Commissioner, is that we did respond to the initial
9 concern that you had in March, laid out a plan for
10 dealing with that concern. I understand that there
11 were portions of the plan that were unacceptable to
12 you. And based on that, it was your recommendation
13 that the Budget Committee take a further look at this
14 at their next meeting. And, that meeting is scheduled
15 for next week.

16 COMMISSIONER COMMONS: Alright. Mr. Chairman,
17 I would like to request that the Executive Office
18 review the transcript; because, that did not occur in
19 mine.

20 EXECUTIVE DIRECTOR WARD: Well, I apologize
21 if I'm wrong; but, that's my best recollection.

22 VICE CHAIR CROWLEY: Commissioner Commons,
23 could--as a member of the Budget Committee--could I ask
24 your indulgence and patience? We are meeting next
25 week. And, we will be considering this. It will be

1 coming to our attention; and, rather than try to sort
2 out who did what, can we just say we will be looking at
3 it?

4 COMMISSIONER COMMONS: Well, that's fine.
5 It's just that here, we have minutes as if we had
6 approved the Quarterly Report. And, we had
7 specifically held that item over; and, it's still not
8 resolved; and, it's not identified in the minutes.
9 It's just a question of the minutes properly....

10 EXECUTIVE DIRECTOR WARD: Okay. We certainly
11 can amend the minutes, Commissioner.

12 COMMISSIONER COMMONS: ...responding to....
13 It's a very minor point.

14 CHAIRMAN IMBRECHT: Alright, may the minutes
15 reflect the fact that the Executive Director, will be
16 responding to us with a report on this issue.

17 EXECUTIVE DIRECTOR WARD: To the Budget
18 Committee.

19 CHAIRMAN IMBRECHT: Yes.

20 EXECUTIVE DIRECTOR WARD: Okay. Alright.
21 Mr. Chairman....

22 CHAIRMAN IMBRECHT: With those corrections,
23 the minutes are approved as presented. Mr.
24 Chamberlain, I understand you requested an Executive
25 Session at the conclusion of today's hearing for a

1 brief report on the result of some litigation we were
2 involved in. Anything further you want to bring before
3 us in public session?

4 MR. CHAMBERLAIN: I don't believe so, Mr.
5 Chairman.

6 CHAIRMAN IMBRECHT: Mr. Ward, do you have an
7 Executive Director's Report?

8 EXECUTIVE DIRECTOR WARD: Well, first, we can
9 go back to the issue of PVA. Don Wallace, from my
10 office, can bring you up to date. It is my
11 understanding that the letters you signed out went to
12 the Legislature in anticipation of the Governor's
13 Office releasing the report.

14 MR. WALLACE: No, if I may clarify. We
15 asked.... We prepared a variety of correspondence in
16 anticipation of being able to disseminate the report.
17 We've got that letter; we are holding it. And, once we
18 get clearance on the report and are able to release it,
19 then that letter will go out at that point in time.
20 So, the letter is gone nowhere. It's been signed.
21 We're still holding it.

22 CHAIRMAN IMBRECHT: So, when I go through my
23 signing of files daily, that doesn't necessarily mean
24 it's actually going to go out the door when I finally
25 sign it?

1 MR. WALLACE: I think this is one unique
2 case. We were trying to.... We knew....

3 CHAIRMAN IMBRECHT: The only reason it may
4 cause me some difficulty is, I represent to my fellow
5 commissioners that I have done 'X, Y and Z,' with a
6 presumption that it is going to hit the mail after I
7 sign it. What is it that we are waiting for?

8 MR. WALLACE: We are waiting for final
9 clearance from the Governor's Office on the report,
10 itself. The report is going through a publication
11 review process that was instituted about 60 days ago by
12 the Governor's Office; and at this point, we haven't
13

14 CHAIRMAN IMBRECHT: That was initiated with
15 respect...blind to all reports by all agencies. And,
16 it had nothing to do with appropriateness on this
17 particular report. It was designed to review aspects
18 associated with format and printing costs and that sort
19 of thing, as opposed to content.

20 MR. WALLACE: I believe that's correct. Yes.

21 COMMISSIONER GANDARA: This is the first I've
22 heard of this. I have some questions. I didn't know
23 anything about this policy. Was it communicated to us
24 by memo, or what?

25

1 CHAIRMAN IMBRECHT: It was communicated to us
2 by memo and to all our State agencies. It had purely
3 to do, as I recall it, with a review on mechanical
4 aspects of producing various reports. I think the
5 concern that was generated was the fact that, in not
6 the BR type documents or ER type documents, but I guess
7 what would best be characterized as run-of-the-mill
8 daily reporting type documents by some agencies had
9 exceeded what was viewed by the Governor's Office and
10 the Department of Finance, as prudent methods of
11 publication for the cost and so forth.

12 VICE CHAIR CROWLEY: Would it be possible to
13 see that?

14 CHAIRMAN IMBRECHT: Certainly....

15 COMMISSIONER GANDARA: I would like to see a
16 copy of the memo.

17 MR. SMITH: Certainly. We can distribute it.
18 It is an administrative control process. The intent is
19 a ten-day turnaround time. It's a new process; so, it
20 is taking a little bit longer.

21 CHAIRMAN IMBRECHT: I think the key point and
22 the only reason it was distributed is that it was made
23 abundantly clear to us that this was not an attempt to,
24 in any way, affect content of reports, but only format
25 or presentation -- whether it be a printed, typeset

1 document or an offset document or whatever. This
2 particular report, obviously, would not fall into those
3 problem areas. But, they issues a directive that
4 affected all reports of all agencies lined as to type,
5 etc.

6 COMMISSIONER GANDARA: Well, I think for a
7 directive of that import that all commissioners should
8 have automatically received a copy. But, we're
9 receiving a copy now; so, that's fine. I guess my next
10 question is of legal counsel, Mr. Chamberlain. We are
11 an independent, technical agency. When Commissioner
12 Imbrecht says that this applies to all departments, we
13 are not exactly a department, we are not an executive
14 branch agency. I mean, what is the applicability of
15 such directives, really, to an independent commission,
16 such as ours, or the PUC for that matter, or the
17 Attorney General's office?

18 MR. SMITH: I might just add from the
19 technical administrators' standpoint, that the
20 Department of General Services, the State printing
21 plant, are all within the administration outside the
22 Commission. This is the sort of policy that is
23 designed to affect their workloads and expenses. So,
24 it's not just something targeted to the Commission.

25

1 COMMISSIONER GANDARA: I understand. The PVA
2 Report, however, was not printed by the State printing
3 agency, right? It was printed by LBL.

4 MR. WALLACE: No, the original document was
5 submitted to us. We were responsible for reproduction.

6 COMMISSIONER GANDARA: I see. Okay, well, in
7 any case, I am still uninterested in the legal
8 question, Mr. Chamberlain. I mean, what is the
9 applicability of such directives to executive branch
10 agencies to an independent agency such as ours, the
11 PUC, or another constitutional branch like the Attorney
12 General's office?

13 MR. CHAMBERLAIN: Well, I'm not sure that I
14 can answer it in black and white, black-letter, law-
15 type way. These kind of administrative memoranda go to
16 all agencies, other independent agencies. Given that
17 the Governor's Office, as well as the Legislature, does
18 have budget control and other impacts on the
19 Commission, I don't think that you can say that the
20 Commission is entirely an independent agency. The
21 Commission's policies are independent of the Governor.
22 The Governor can't direct us to site a power plant or
23 to take a particular policy action.

24 COMMISSIONER GANDARA: I understand that.
25 I'm asking the degree of our independence with respect

1 to documents such as this. I'm not, by any way,
2 raising an issue of an inappropriate courtesy or
3 anything like that.

4 However, I do recall that we did deal with
5 this slightly before when there was a directive given
6 to all agencies that we make frequent reporting of our
7 legislation and so forth. I do know, that at that
8 time, I said that as a matter of courtesy should
9 comply, but that we should make a distinction to our
10 complying as a courtesy and our complying as an
11 independent agency. I believe we wrote a letter to
12 that effect and have been submitting monthly reports on
13 our particular legislative--I'm sorry, not legislative-
14 -litigation since then.

15 But, again, I think this is a legal point,
16 not a point that presents a realistic problem. But, I
17 would like it answered, and if you need some reflection
18 and you need to write up a memo for us, I would very
19 much appreciate that. I can also appreciate the
20 difficulty of trying to answer that off-the-cuff. But,
21 I think that we do want to have an answer to that. At
22 least I would. So, if my fellow commissioners would
23 confer with that, I....

24 CHAIRMAN IMBRECHT: I am going to offer only
25 one overview perspective. To the extent to which

1 directions of this nature, in any way would be
2 construed as to affecting our independent decision-
3 making process or our ability to adequately communicate
4 those decisions, it seems to me that there is a
5 legitimate point of contention. To the extent to which
6 there is an effort to facilitate economic operations in
7 state government, consistent formatting, etc., etc., it
8 seems to me the best entirely, within the scope and
9 jurisdiction of the executive branch in controlling our
10 agency and others, including the PUC, for budget
11 process. That's the distinction that I would draw.

12 The reason this memorandum was not circulated
13 to Commissioners, and quite candidly, it really comes
14 down, fundamentally, to an issue, whether or not every
15 single directive that I receive as head of the agency
16 should be circulated, and obviously that is--at least
17 it seems to me on the face of that absurd situation. I
18 tried to draw a distinction as to whether or not, in
19 fact, there is, in fact, any even arguable impact upon
20 our independent jurisdiction decision-making process
21 there.

22 When inquiries were made relative to this
23 memorandum, the representation that was made was
24 entirely mechanical-oriented functions that they were
25 attempting to address through the memorandum. Whether,

1 in fact, some agencies have for technical documents
2 that were, in essence, staff documents that were not or
3 techocrat-type documents that were not designed for
4 widespread public dissemination, etc., whether, in
5 fact, it was a justifiable public expenditure to
6 utilize the more expensive methods of reproduction,
7 etc., was the thrust of the memorandum.

8 COMMISSIONER GANDARA: Well, again....

9 CHAIRMAN IMBRECHT: And, I made a point, I
10 might add, further in terms of this issue being raised
11 to ensure that the Biennial Report was specifically
12 exempted from this kind of consideration, by virtue of
13 the fact that it represented a document designed for
14 widespread, public and decision-maker dissemination.

15 PVA Report, from my perspective, whether it's
16 done in mimeograph form or type offset or whatever, is
17 not a fundamentally an important issue. The question's
18 of whether or not the conclusions that are represented
19 within that report are fairly and independently
20 distributed to all the affected people.

21 COMMISSIONER GANDARA: Again, Mr. Chairman, I
22 don't think it's an issue of every single directive
23 being distributed to all Commissioners. I think it's
24 an issue, certainly of the import of the directive.
25 Because I do know, for example, I got in my mail the

1 day before yesterday, a directive from the Governor's
2 Office on a program to reward employees for significant
3 ideas, cost saving ideas, as well as merit things. I
4 mean those come to my office. I frankly would prefer
5 that this kind of memo come to my office instead of the
6 other ones. Some come and some don't come. And, it
7 seems to me this is important. So, I do think that
8 it's not every directive; but, I think it's
9 significant.

10 The second thing is with all the greatest of
11 respect, Mr. Chairman, again, I have to insist that you
12 are not the head of an agency. You used that phrase
13 again. This is a Commission; and, you are Chairman by
14 the Governor's appointment. I think there are
15 significant distinctions between the 'head' of an
16 agency and the 'chairman' of this Commission. I don't
17 want to get into that any further; but, I would urge
18 you, again, to at least consider, at least, that there
19 can be diversity of views on that. I think I have good
20 grounds for, at least, my particular viewpoints.

21 I guess with respect to the BR, I'm assured
22 by the fact that you indicate that there has--is not
23 this particular requirement. I guess I'm confused.
24 You see, all of us have responsibilities for various
25 reports; because since we have responsibilities for-

1 -for example, I have a Biennial Fuels Report,
2 Commissioner Commons has the Electricity Report,
3 Commissioner Crowley as the Conservation Report, and I
4 believe that Commissioner Noteware, undoubtedly, has
5 many reports, given his responsibilities. It's useful
6 for all of us to know these particular requirements and
7 degrees to which we need to incorporate those within
8 our own planning process.

9 But, I guess I'm anxious to know whether, not
10 only the Biennial Report, but the Electricity Report,
11 whether these are documents that are still in great
12 flux. I just received recommendations only this
13 morning or yesterday afternoon, perhaps. It might have
14 been delivered to my office, there is still great flux
15 in the policy. I'm just wondering whether, either
16 because of this directive or because of any other
17 mechanism, since nothing has been decided by this
18 Commission, has the Governor's Office or the Resources
19 Agency been briefed on any particular aspects of this
20 report? Or, are we still awaiting this Commission's
21 determination?

22 CHAIRMAN IMBRECHT: I don't, frankly, see the
23 relevance to the memorandum and the issue of discussion
24 here. In all honesty....

25 COMMISSIONER GANDARA: Well, I don't know....

1 CHAIRMAN IMBRECHT: ...if you are asking
2 whether or not, in fact, the Secretary of Resources or
3 if the Governor is aware of what has been a part of our
4 public dialogue, in terms of the final report, the
5 answer is, yes.

6 COMMISSIONER GANDARA: Our public dialogue on
7 the Biennial Report has not included recommendations
8 and conclusions which I just got yesterday. Have they
9 been briefed with respect to any proposed conclusions
10 or recommendations?

11 CHAIRMAN IMBRECHT: Yes, they have. Have
12 they a veto authority or whatever? The answer is 'no.'

13 COMMISSIONER GANDARA: I guess I am deeply
14 concerned; because, you're telling me that before
15 conclusions and recommendations have been made
16 available to the other standing Commissioners of this
17 Commission, the Governor's Office and the Resources
18 Agency have been briefed on proposed conclusions and
19 recommendations. I think that's most unconventional.
20 And, I think it leads to the issue of the independence
21 of the agency....

22 CHAIRMAN IMBRECHT: First off, we can discuss
23 that issue in due course, if you care to. I don't
24 think it has any relevance, whatsoever, to the issue
25

1 that's directly before us. And, that is the question
2 of the PVA Report, and whether or not....

3 CHAIRMAN GANDARA: Mr. Chairman, I was only
4 trying to determine....

5 CHAIRMAN IMBRECHT: ...whether or not there
6 was a directive that impacted the PVA Report, that is
7 any respect from your perspective....

8 COMMISSIONER GANDARA: I was only trying to
9 determine whether such briefings were a result of
10 trying to comply with this directive....

11 CHAIRMAN IMBRECHT: No.

12 COMMISSIONER GANDARA: ...or whether they
13 were motivated by some other concern.

14 CHAIRMAN IMBRECHT: Fundamentally,
15 categorically, no.

16 MR. SMITH: Commissioner Gandara, I would add
17 that we probably receive in excess of a half dozen
18 administrative memorandums per week. Those that
19 require some action on the part of staff or
20 Commissioners, we circulate to them. Most of them end
21 up in administrative services. Some we simply
22 implement through the Executive Office.

23 COMMISSIONER GANDARA: Thank you, Mr. Smith.
24 I am asking you to spare me the ones that I do get.

25

1 But, that you do send me the ones that are considered
2 important, like these.

3 CHAIRMAN IMBRECHT: Well, the problem is,
4 Commissioner Gandara, I mean, there's no way of
5 understanding what you consider to be important, in
6 advance of that.

7 Those which you receive sometimes, you
8 repudicate. And, those which you have not received,
9 then subsequently you think a decision has been made
10 somehow to avoid telling you these matters. That's not
11 the case and it never has been. They are all dealt
12 with in an utterly--on an utterly routine basis. The
13 extent to which they affect the policy conclusion,
14 etc., of the Commission or our ability to adequately
15 carry on our responsibilities to disseminate the
16 information, etc., are uniformly distributed to every
17 member of the Commission, etc.

18 To the extent to which they represent
19 administrative or mechanical operations of the
20 Commission, they are not. That requires a certain
21 amount of, obviously, discretionary judgment on the
22 part of the Chair. But, frankly, I don't see any other
23 rational way to handle the operation of this operation.
24 Commissioner Commons?

25

1 COMMISSIONER COMMONS: Very short. I'm sorry
2 I raised this item, now. I thought this was a 30
3 second item. I'd like to ask you to direct the
4 Executive Director to give us an understanding of the
5 scope of the memorandum. Does it affect Presiding
6 Member Reports on things? How it's being applied? So,
7 are are there any operating practices that we need to
8 modify?

9 CHAIRMAN IMBRECHT: It is, as I represented.
10 It's a mechanical thing that's been disseminated.

11 COMMISSIONER COMMONS: Then, second, I just
12 want to go back and get an answer to my first question.
13 My understanding is that we can send a xerox copy of
14 this or our own internal--through our own internal
15 mechanisms--we can reproduce this and send it off to
16 the key people in the legislature.

17 CHAIRMAN IMBRECHT: PVA? Absolutely.

18 COMMISSIONER COMMONS: I still haven't gotten
19 an answer to my first question.

20 CHAIRMAN IMBRECHT: It's about a 300 or 400
21 page document, but....

22 COMMISSIONER COMMONS: Well, I would think
23 that we should send a copy to the two key....

24 CHAIRMAN IMBRECHT: As has been indicated,
25 obviously, I have already signed transmittal letters.

1 I was under the impression that this had already been
2 sent. The extent to which it got hung-up by virtue of
3 this....

4 EXECUTIVE DIRECTOR WARD: I might mention. I
5 hope I can save some time here. We did make a draft
6 available to those Committee staff that were interested
7 in seeing it. In other words, we didn't release it.
8 But, they came over and we have had Committee staff
9 come over and look at the draft. We have made it
10 available, here on the premises, to them.

11 COMMISSIONER GANDARA: Let me ask you. Are
12 you going to send to the relevant Senate and Assembly
13 Committees, to the Chairman and the Vice Chairman, now,
14 a copy of this report? Or, are you going to wait for
15 the approval from the Governor's Office?

16 EXECUTIVE DIRECTOR WARD: Well, we were
17 anticipating to wait until the Governor's Office
18 cleared the report. And, I think that's imminent.

19 COMMISSIONER COMMONS: I would like to not
20 wait. I would like to see to the Chairman and the Vice
21 Chairman of the respective Energy Committees that we
22 deal with, that they should have a copy of this report.

23 EXECUTIVE DIRECTOR WARD: Okay, but the one
24 point I would make is I think I suspect that there is
25 some mechanical means of clearing the report so we can

1 get it to publication prior to the release. That's
2 what I suspect is....

3 CHAIRMAN IMBRECHT: What this boils down to,
4 Commissioner Commons, the PVA Report is certainly in
5 excess of 300 pages, maybe much more than that.

6 MR. WALLACE: The two documents together are
7 1,300+ pages.

8 CHAIRMAN IMBRECHT: 1,300 pages. Alright. I
9 mean, it's an incredibly voluminous. All we were
10 trying to avoid is running this thing off on our xerox
11 machine here at the Energy Commission and dealing with
12 it in terms of normal publications.

13 This brouhaha about a memorandum of the
14 Governor's Office is designed entirely to focus upon
15 the economics and appropriateness of mass reproductions
16 of voluminous reports. It is not an attempt to, in any
17 way, deal with the content of the report. It's not a
18 sign-off by the Governor's Office on the content, the
19 conclusions or anything of that nature.

20 My personal feeling is that we ought to....
21 Let me put it this way to you. In the event that we
22 are denied the ability to reproduce this through the
23 normal cost-effective reproduction methods, then I
24 would direct the staff to run the thing off on the
25

1 xerox and send it to all the people you just
2 enunciated. I would even go farther than that, but if
3 we don't get forthcoming and expeditious approval, we
4 ought to do that. But, if we can get approval, we
5 ought to do it in the least expensive fashion possible.

6 COMMISSIONER COMMONS: This report, I
7 believe, was completed when, in February?

8 MR. WALLACE: The final document was actually
9 completed in the middle of March.

10 COMMISSIONER COMMONS: We are now in May.
11 And, I do not consider that expeditious. My original
12 request, Mr. Chairman, was that I thought that a very
13 minor and very simple matter for those projects where
14 there are PVA funding bills before the Legislature,
15 that we send a copy to the Committees of those
16 projects....

17 CHAIRMAN IMBRECHT: For that aspect of the
18 report, that's fine. So directed. Okay?

19 COMMISSIONER COMMONS: Thank you.

20 CHAIRMAN IMBRECHT: Not the entire 1,300-page
21 document?

22 COMMISSIONER COMMONS: No. My original
23 request was very narrow.

24 CHAIRMAN IMBRECHT: Okay. I think that
25 completes the....

1 EXECUTIVE DIRECTOR WARD: Well, Executive
2 Director's Report I had referred back. I had one other
3 issue; and, I believe you are familiar with this, Mr.
4 Chairman, as well. I was contacted following the last
5 Business Meeting by San Diego Gas and Electric, looking
6 for some State contribution to the Heber Geothermal
7 Project. Their request that was made of me, at that
8 time, was: Is there money in the surcharge that would
9 allow for funding of that?

10 They have approximately a \$2 million
11 shortfall, by virtue of the Department of Water
12 Resources pulling out of any capital projects that
13 aren't directly related to the State Water Project, and
14 certainly R&D-type projects, as this one is. There
15 was.... Evidently, we're in receipt--or, the Fiscal
16 Committees--excuse me, are in receipt from at least two
17 members, Senator Marian Bergison and Assemblyman Steve
18 Peace, proposing that the State fund, through the
19 Energy Commission's budget, up to \$600,000 to help fill
20 in the gap of the funds that had been pulled away.

21 I indicated that I felt, initially, that the
22 Commission would probably be opposed to any taking of
23 our surcharge. Certainly, because of the
24 Rosenthal/Naylor Act, which provided for R&D projects
25 to be handled on a competitive basis. But, that we did

1 have another account, Geothermal Resources Development
2 Account, that there may be some funds--additional funds
3 available--that could support the project. At that
4 time, it was unclear to me as to what the mechanics
5 would be, how the Commission would react to that. And,
6 I also informed San Diego Gas and Electric of that,
7 that I was unclear of what the Commission would do on
8 that.

9 Since that time, nothing else has occurred.
10 It has not been in front of either Fiscal Committee.
11 I'm just bringing it to your attention. I suppose I
12 should work with the Budget Committee to let them know,
13 specifically, what the outcome is and what they are
14 requesting.

15 CHAIRMAN IMBRECHT: I guess the best way to
16 handle it--I'm informed and I think this has been
17 -- Commissioner Gandara, you can correct me if I'm
18 inaccurate on this; but, I hope I'm accurate -- in
19 consultation with the Loan & Grants Committee, there was
20 a representation that there is a surplus in the GRDA
21 Account in the neighborhood of \$650,000+. I might be
22 off a little, and that conceivably, at least one year's
23 funding of their shortfall might be provided out of
24 that.

25 EXECUTIVE DIRECTOR WARD: Well, what I....

1 CHAIRMAN IMBRECHT: My general inclination
2 would be that it ought to be limited to the first year
3 and a maximum and certainly not the full extent of
4 whatever might be available from GRDA and that that
5 would provide us an opportunity to pursue the issue
6 with the luxury of a little more time, etc.
7 Commissioner Commons?

8 COMMISSIONER COMMONS: Yes. I'd talked with
9 George Anastas. This has been raised with me, also. I
10 also suggested to him, at that time that Naylor was
11 appropriate. I think there were two or three issues.
12 First of all, I think the appropriate committee is not
13 Budget, except for the question as to whether or not
14 you want to do it for surcharge. If you are talking
15 about GRDA Funds, correct me if I'm mistaken, but I
16 believe its Loans & Grants that handle GRDA. And, that
17 the appropriate committee, if you're looking at GRDA
18 Funds, would be the Loans and Grants. And, if we're
19 looking at a Naylor application, the appropriate
20 committee would be the R&D Committee. That would be
21 the first thing.

22 The second is it's a very important project
23 for California; and, I think it deserves a very good
24 look by us because liquid geothermal resources could
25 play a very major role, particularly in the Southern

1 California area. That project is a very critical one
2 for us.

3 Third, though, is we do have to fall, both in
4 Naylor and in the GRDA Funds, the regulations that we
5 have set forth. And, it would only be appropriate if
6 we followed the due processes that we have established.

7 EXECUTIVE DIRECTOR WARD: Commissioner, the
8 difference here, and I don't have any problem it being
9 the responsi-bility of the Loans & Grants Committee. I
10 fact, I think it's an appropriate request that I get
11 that direction from the Commission. But, this is a
12 little bit different. We don't have control over the
13 process. This is the Legislature implementing
14 something that we have not indicated support for, have
15 indicated a willingness to try to work with them on,
16 and my initial indication to them was that any money
17 that they took had to be over and above and could not
18 infringe upon those projects that had been submitted to
19 the Legislature in April, that the Commission has
20 already approved for funding from GRDA.

21 So, we're not going to have any control over
22 this appropriation or, not going to have total control
23 over it. It's going to be fairly well stipulated to, I
24 suspect, by the Legislature.

25

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2
3 **REPORTER'S CERTIFICATE**

4 THIS IS TO CERTIFY that I, Dawn Lofton,
5 Reporter, have duly reported the foregoing proceedings
6 which were had and taken in Sacramento, California on
7 Wednesday, May 1, 1985, and that the foregoing pages
8 constitute a true, complete and accurate transcription
9 of the aforementioned proceedings.

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

14
15 
16 Reporter

17 Dated this 13th day of May, 1985.
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