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STATE OF CALIFORNIA

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

84-AFC-2

CALIF. ENERGY COMMISSION
JUL 1 1985
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BUSINESS MEETING

1516 NINTH STREET

THIRD FLOOR HEARING ROOM

SACRAMENTO, CALIFORNIA

THURSDAY, JUNE 27, 1985

10:25 AM

REPORTED BY: DAWN LOFTON

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

1 **COMMISSIONERS PRESENT**

2 Charles R. Imbrecht, Chairman

3 Barbara Crowley, Vice Chair

4 Geoffrey D. Commons, Commissioner

5 Warren D. Noteware, Commissioner

6

7 **EX-OFFICIO**

8 William Foley

9

10 **PUBLIC ADVISER'S OFFICE**

11 Ernesto Perez

12

13 **STAFF PRESENT**

14 William Chamberlain, Staff Counsel

15 David Mundstock, Staff Counsel

16 Garret Shean, Hearing Advisor

17 Carol Chesbrough, Hearing Advisor

18 Thom Kelly

19

20 **OTHERS PRESENT**

21 Jan Schori, Attorney, CCPA No. 1

22 Daniel Prideaux, CCPA No. 1

23 Glenn West, Jr., Attorney, Pacific Gas and Electric Company

24

25

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

2 --o0o--

3 CHAIRMAN IMBRECHT: Okay. We'll call the
4 meeting to order. In the absence of a flag, I think
5 we'll simply take judicial notice that we held the flag
6 salute yesterday and infer that into the record,
7 appropriate allegiance withstanding. We have very
8 graciously allowed the Transportation Commission to use
9 our hearing room downstairs, which had been scheduled
10 well in advance of this morning's meeting to consider
11 the CCPA AFC. And, considering the fact that one of
12 our Commissioners from our sister agency, the PUC, is a
13 member of that agency, we should most courteously
14 extend the honor. I think he'll drop in.
15 In any case the only item to come before us
16 today is the consideration of the Presiding Member's
17 Report relative to the AFC on the CCPA Coldwater Creek,
18 their No. 1 geothermal power project. Before we begin
19 today's proceedings -- and we are trying to get a few
20 more chairs; and, I apologize for the inconvenience of
21 obviously meeting in this room -- I'd like to ask, just
22 for matters of the record, if we could ask each of the
23 parties who are present for today's hearing to identify
24 themselves, if they could perhaps use the microphone
25 next to Ms. Brown. And, that would ensure that we have

1 a clear recitation on the record of who is present for
2 today's consideration.
3 MS. SCHORI: My name is Jan Schori. I'm the
4 Attorney for CCPA No. 1, which is a joint powers agency
5 consisting of the Sacramento Utility District and the
6 Modesto Irrigation District in the City of Santa Clara.
7 We are here today as the applicant for the
8 certification of the AFC on the Coldwater Creek
9 Project. Sitting next to me is Dan Prideaux who is the
10 Project Manager.
11 CHAIRMAN IMBRECHT: Thank you. Other parties
12 for the record, please.
13 MR. MUNDSTOCK: David Mundstock, Attorney for
14 the Energy Commission staff.
15 MS. PERRY: Lonnie Perry, Project Manager of
16 the Energy Commission staff.
17 CHAIRMAN IMBRECHT: Other parties.
18 MR. WEST: Glenn West, Jr., Attorney for
19 Pacific Gas and Electric Company.
20 CHAIRMAN IMBRECHT: Thank you.
21 MR. PEREZ: Chairman Imbrecht, on behalf of
22 the California State Farm Bureau, I will be presenting
23 written comment representing their position; and, I
24 have provided a copy to the applicant.
25

1 CHAIRMAN IMBRECHT: Thank you. Other
2 parties.
3 MR. SHARP: I'm Steve Sharp, representing
4 Sonoma County.
5 CHAIRMAN IMBRECHT: Any other parties
6 present? Okay. Thank you. With that, I'd like to
7 call upon Commissioner Commons, the Presiding Member of
8 the Committee that had jurisdiction over this
9 proceeding.
10 COMMISSIONER COMMONS: Thank you Mr.
11 Chairman. In this case, there were essentially three
12 issues.
13 CHAIRMAN IMBRECHT: Pardon me. I neglected
14 to mention also for the record, four members of the
15 Commission are present. Commissisoner Gandara is
16 absent. Thank you. Please proceed.
17 COMMISSIONER COMMONS: First of all, the
18 Committee consists of myself as the Presiding Member
19 and Commissoner Crowley is the Second Member.
20 This case presented essentially three issues.
21 One was steam sufficiency; the second was their need
22 and, third: What conditions, if any, should be imposed
23 on the facility if there were steam and need for
24 transmissison facilities.
25

1 In the Steam Sufficiency hearings, the
2 Committee did find that there was adequate need. And
3 then, it was stipulated by the parties that the two
4 outstanding issues in the case were: one, need
5 determination and second, transmission.
6 Concerning need, the staff and I, as the
7 Presiding Member, both reached the same conclusion,
8 that there was need. There was a hearing as to whether
9 need could be found following the Commission's
10 direction under BR V. And, I allowed the Farm Bureau
11 to come forward to attempt to prove that such could be
12 done. And in my opinion, they were not able to
13 demonstrate that we could find or not find need under
14 BR V. And so, we then proceeded in terms of following
15 BR V, since the applicant was not willing to waive
16 time.
17 One thing that we should all recognize is
18 we're having this hearing today is this is a geothermal
19 plant, located in the Geysers area and that a delay of
20 even two or four weeks in bringing this before the
21 Commission could have a significant impact in terms of
22 losing time to go forward with construction. So a four-
23 week delay in essence, to the applicant, is equivalent
24 to a one-year delay. And so, the decision that was
25 made by the Commission both for the Geyesers 21 and

1 this facility were very significant to the applicants
2 in terms of the timing.
3 So, I encourage my fellow Commissioners that,
4 one way or another, today we tried to resolve this case
5 and render a decision. Because if we do not, we've in
6 essence delayed this project one year.
7 So concerning the need we have a fairly
8 significant difference in the record that occurred in
9 the Geysers 21 case and in this case. And, normally I
10 think it's in the interest of this Commission that we
11 have two cases that are as similar as these two cases
12 are and come up as close together in that that opinions
13 on the two cases should be on a similar ground or on a
14 similar bases.
15 When the Geysers 21 case came before us, I'd
16 ask the Commission the question as to if we could put
17 into the record the fourth quarter data, which was not
18 availabe at the time that the Geysers 21 case was being
19 heard for that case. It would've.... If the
20 Commission.... If I had made the motion and if the
21 Commission had granted that motion, it would have
22 required a delay on the case. And, since the question
23 as to the need was not an issue, I, yesterday, put
24 forth my concurring opinion. It's just a question on
25 the basis on which you find need under ER IV that I did

1 not think it was appropriate at that time to get into
2 that issue.
3 As to this case, the Presiding Member's
4 opinion as to the basis of need is gone into in fairly
5 great detail. These two cases are fairly isolated;
6 because, BR IV or ER IV no longer exists; and, there's
7 not a lot of precedence setting value in terms of how
8 we find. I think the Commissison should focus, in the
9 need discussion, as to the real issue which is: Do we
10 needd a power plant? The worse thing that we can do is
11 to site a power plant that is not needed. And so, the
12 focus should be on that question which was discussed in
13 great length within the proceeding. That's the
14 critical decision for this Commission to make sure that
15 we are siting a power plant that, in fact, is needed.
16 On the transmission line issue there are
17 three alternatives. They're outlined in the Report.
18 Historically, the Commission has not required
19 transmission line hook-up as a condition. It's raised
20 an issued within the proceeding. I don't feel that my
21 value judgment in this is any better than any of my
22 fellow Commissisoners. And, I think it's an items that
23 we should look at; because, the issue could come up in
24 subsequent cases involving QFs. And, it's one I think
25 we should deliberate and discuss amongst ourselves here

1 in a public setting; because, I think it's an important
2 consideration.
3 And I don't intend to go into that in terms
4 of my discussion in detail at this time. I think the
5 three alternatives are outlined. I think we'll hear
6 discussion on them later; and, it would be more
7 appropriate to come back and focus on that at that
8 time. And, I would, maybe, suggest to you, Mr.
9 Chairman, that we try to handle the need issue or any
10 other issues that parties want to raise and then handle
11 the transmission issue and then handle the case, since
12 the issues are so very different.
13 CHAIRMAN IMBRECHT: Well I, frankly, would
14 prefer to simply ask each party to speak to the issues
15 which they care to raise. And then, I think we'll
16 reserve that methodology for Commission discussion.
17 And take up the issues in serial fashion.
18 COMMISSIONER COMMONS: But, I see no reason,
19 unless...to go through in detail, all of the various
20 findings. They're in writing; and, I think that....
21 CHAIRMAN IMBRECHT: I understand.
22 COMMISSIONER COMMONS: ...the writing speaks
23 for itself.
24 CHAIRMAN IMBRECHT: I agree. As was the case
25 with the Geysers 21 decision, the Second Member of the

1 Committee concurs with the principle findings, but also
2 has a different perspective as to methodology employed
3 for certain portions of those findings. And so, for
4 that reason I would also, then, call upon Commissioner
5 Crowley as the Second Member to express her perspective
6 on the case; and then, we'll ask the parties to speak.
7 VICE CHAIR CROWLEY: There has been an
8 alternate opinion by the Second Member distributed
9 regarding this issue. And it speaks to demand
10 conformity. And it also has some recommendations to
11 the transmission line conditions. The alternative
12 opinion is.... Because we believe that it is
13 appropriate for similar siting cases to be treated in
14 more conformity, my opinion is somewhat different.
15 Would you like me to read my alternative opinion? Or,
16 how would you...?
17 CHAIRMAN IMBRECHT: Well, I think it's before
18 us and either yourself or any staff person you care to
19 call upon....
20 VICE CHAIR CROWLEY: Okay. I'm
21 particularly anxious that it be on the table at this
22 time; because, I believe it would appropriate for staff
23 to have the opportunity to comment on it as well as the
24 Presiding Member's Report. I believe, as well, we've
25 circulated the amendments to Alternative 3, which is

1 the one that I would believe would be appropriate and
2 would, find that one.
3 CHAIRMAN IMBRECHT: Relative to transmission?
4 VICE CHAIR CROWLEY: Relative to transmission
5 and with different dates which are in an amendment
6 we've also circulated, I do believe. Is that
7 available?
8 CHAIRMAN IMBRECHT: I think.... Do all the
9 parties have copies?
10 MR. SHEAN: I've handed the.... This is
11 Garret Shean. I'm one of the Commission's Hearing
12 Officers; and, I've handed the Alternative Transmission
13 to all the parties who identified themselves on the
14 record earlier in the proceeding.
15 COMMISSIONER COMMONS: I just want to note
16 that I received the transmission line recommendation
17 this morning at 10:00.
18 VICE CHAIR CROWLEY: And, I would suggest
19 that they are date changes.
20 CHAIRMAN IMBRECHT: The representation to me,
21 Commissioner Commons, is that they are technical
22 amendments as opposed to substantive amendments. But I
23 suggest, perhaps, you ask one of your staff people to
24 review the changes and be in a position to advise you
25 as to whether or not they feel that's the case.

1 Okay. With that, then I think we'll, first,
2 turn to the applicant and the staff and other parties;
3 and, we would ask that you comment on the outstanding
4 issues as outline by Commissioners Commons and Crowley.
5 Ms. Schori.
6 MS. SCHORI: Yes. Thank you. Jan Schori,
7 the Attorney for CCPA No. 1. We would first like to
8 thank the Commissioners for being willing to meet today
9 in this special meeting or continuance of yesterday's
10 Business Meeting. As Commissioner Commons mentioned,
11 timing is of the essence for us if we are allowed to go
12 forward in light of the fact that the construction
13 season is running; and, we would like to get to work.
14 So, we do appreciate your willingness to hold this
15 special meeting to consider our project today.
16 We endorse the Proposed Decision prepared by
17 the Presiding Member, with two exceptions; and, those
18 are the two critical items that have been mentioned by
19 both of the Committee members. The Presiding Member's
20 Report finds that the project is not needed to meet the
21 State's oil and gas displacement goal as set forth in
22 BR V. Instead, the Committee (the Presiding Member's
23 Report) has found need based on economic and
24 environmental benefits. We disagree with this
25 approach; and, we recommend that the full Commission

1 adopt the alternate decision that was proposed by
2 Commissioner Crowley this morning -- and that is, make
3 a determination that is consistent with that in the
4 Unit 21 case.
5 The second item of disagreement is that the
6 Presiding Member's proposed decision apparently
7 recommends selection of Transmission Alternate No. 2.
8 And, we would favor Transmission Alternate No. 3; and,
9 we support the recommended amendments that were
10 suggested by Commissioner Crowley this morning, with
11 respect to Transmission Alternate No. 3.
12 We have filed written comments on June 24th;
13 and if I could, I'd like to just briefly summarize some
14 of the points that we made. Pages 16 through 27 are
15 the critical pages in the Proposed Decision on Demand
16 Conformity. And we believe that it is critical in the
17 interest of preserving consistency between this case
18 and the Unit 21 case, that Commissioner Crowley's
19 approached regarding third quarter data and the use of
20 oil and gas cogeneration to displace oil and gas with
21 respect to the Commission's adopted oil and gas
22 displacement goal be the adopted position of the full
23 Commission in this case, as well as in the Unit 21
24 case. The testimony in our case is clear that this is
25 the most reliable data upon which this Commission

1 should base its decision. And moreover, I would note
2 that it is the only data which a qualified witness was
3 willing to sponsor in our case for purposes of making a
4 decision.
5 We're in agreement with the economic and
6 environmental benefits analysis that is contained in
7 the Proposed Decision prepared by the Presiding Member.
8 Nonetheless, in the interest of consistency, we do
9 think that it is critical that the Commission adopt the
10 alternate decision which leaves in the economic and
11 environmental benefits analysis, but couples it with
12 the fact that this project is needed to meet the
13 State's oil and gas--adopted oil and gas displacement
14 goal--in BR IV.
15 I'd like to briefly comment on the written
16 comments prepared by Mr. Geringer on behalf of the Farm
17 Bureau. His comments are addressed to the BR V issue,
18 namely whether or not this project passes the Threshold
19 Cost Test. And he is concerned about the fact that in
20 the power plant efficiency testimony there's testimony
21 with respect to levelized cost of the project that it's
22 higher than the levelized cost in BR V. Subsequently,
23 the staff provided testimony through one of their staff
24 members that the project cost is lower than the cost
25 provided in BR V. I think the critical fact that this

1 Commission needs to know is that, when doing a
2 levelized cost analaysis the assumptions are absolutely
3 critical to the results that you end up with. And, it
4 was Mr. Ringer's testimony that the assumptions used in
5 developing the cost that is lower than the threshold
6 cost are the assumptions that were used in developing
7 the threshold cost in BR V. So it is inappropriate for
8 Mr. Geringer to have compared the power plant
9 efficiency levelized cost calculation to the threshold
10 cost that is contained in BR V.
11 With respect to the transmission issue,
12 CCPA's position has been consistent throughout this
13 proceeding. And that is that it is our intent to
14 connect the Coldwater Creek project to the Geothermal
15 Public Power line, which is a project we're all
16 familiar with in licensing at the moment before the
17 Commission. It is our view that that is still a
18 feasible solution for transmission for this project.
19 Admittedly, the NOI has encountered some delays; but,
20 there is no reason that that project cannot come online
21 in a timely manner to meet the needs for transmission
22 out of the Coldwater Creek project.
23 However, if you wish to assume that that
24 project encounters delays or for some reason is not
25 approved, even if the Coldwater Creek project is added

1 to the existing PGandE transmission system out of the
2 Geysers, it can be accommodated. PGandE's testimony,
3 both in our case and in the Unit 21 case is that
4 transmission would be available on an interim basis for
5 the Coldwater Creek project. CCPA No. 1 believes that
6 an acceptable agreement can be negotiated with PGandE,
7 if the need so arises to connect this project to the
8 PGandE system.
9 In light of the above comments, I'd like to
10 turn specifically to the three alternative transmission
11 proposals that are contained in the Proposed Decision.
12 Alternative Proposals 1 and 2, are both unacceptable to
13 CCPA No. 1. Both proposals require that CCPA No. 1
14 obtain firm transmission before it is allowed to go
15 forward with the project. We think that this is
16 unnecessary from a practical perspective, since, as I
17 have indicated, the testimony in both Unit 21 and the
18 Coldwater Creek case is that transmission is availble
19 at the time that this project is scheduled to go
20 online.
21 We would submit that if the Commissison were
22 to adopt either Alternate No. 1 or No. 2 in the
23 Presiding Member's Proposed Decision, that you would be
24 making a significant change from adopted policy. This
25 Commission has previously not required any applicant

1 that we know of to demonstrate firm transmission before
2 a project is required to go forward. There is no
3 provision in the Warren-Alquist Act which requires such
4 a finding. And there is no provision in the
5 Commission's own regulations which require an applicant
6 to meet that burden.
7 Moreover, we think that there are more
8 significant policy reasons why the Commission should
9 not change from its adopted position. There are
10 serious anti-competitive consequences involved with
11 making such a decision. In essense, we think that the
12 Commission, by making such a decision, would be
13 granting PGandE a monopoly over geothermal development
14 in the Geysers. PGandE, admittedly, has a transmission
15 monopoly coming out of the Geysers right now. Such a
16 decision would permit PGandE to extend its transmission
17 monopoly into the generation area, as well.
18 We think that this Commission has taken a
19 strong position in the past favoring competition in the
20 utility industry; and, I would point most recently to
21 the brief that the Commission has filed in the
22 Bonneville proceedings, where the Commission is in the
23 position of urging, very strongly, that the Bonneville
24 Power Administration consider the anti-competitive
25 impacts of the policies with respect to the Intertie

1 Access Policy that they are currently implementing. So
2 we would submit that there are very strong policy
3 reasons why the Commission should not adopt either
4 Alternative 1 or 2, in addition to the fact that there
5 is really no legal basis for such a requirement.
6 I'd like to turn specifically to Alternative
7 No. 2, as that appears to be the recommendation made by
8 the Presiding Member. The errata sheet filed by the
9 Presiding member has deleted equipment from the dollar
10 limitations contained in the Proposed Decision. That
11 was one of our principle objections; because, we simply
12 could not go forward with equipment purchases and
13 committing equipment to fabrication with the dollar
14 limits that are set forth in the Presiding Members
15 Report.
16 In addition to the objections that we have to
17 No. 2, though, on the basis of the fact that is is
18 requiring us to obtain firm transmission before we are
19 allowed to go forward, we think that the suggested
20 result or the suggested approach in the second
21 alternative will end up resulting in a delay in the
22 project in light of the fact that the Committee is
23 recommending that we come back to the Commission and
24 obtain approval from the Commission on every equipment
25 purchase that we make for this project. Now, I have

1 computer runs that show that large numbers of equipment
2 that we...of equipment purchases that we will have to
3 subsequently go through at CCPA. Moreover, we have
4 already committed a significant amount of...committed
5 CCPA to a significant number of equipment purchases,
6 many of which are contigent on going forward with
7 approval on today's decision. We do not see this as a
8 workable decision.
9 Moreover, the critical item for us is whether
10 or not equipment can be released to fabrication to
11 maintain the schedule. We would have to sit here today
12 and have this Commission approve a large number of
13 pieces of equipment so that we could go forward with
14 fabrication in order to meet the online date. Just to
15 mention two items, the condensers and the turbine
16 generator. We have to get those into fabrication
17 almost immediately; or, we will not be able to maintain
18 our online date with the project.
19 And those are very, very significant items in
20 terms of dollar expeditures. As I mentioned in our
21 written comments, we have no way, today, of estimating
22 what the cancellation cost would be if we did have to
23 cancel those purchases or delay them sometime in the
24 future. The ability to direct the construction or the
25 fabrication of those pieces of equipment are left up to

1 the manufacturer; so, we are not able to maintain a
2 dollar hold on how far they go with any particular
3 item.
4 We also think that Alternate 2 is
5 unnecessary. Alternative 3 provides the assurance to
6 the Commission that it desires that transmission will
7 be available for this project in a timely manner in
8 1988. Alternate 3 is workable; it sets up various
9 trigger dates that are tied to the progress of the GPPL
10 project. If it appears that GGPL is going to be
11 delayed or that it is running into trouble and might be
12 denied, CCPA is required by virtue of Alternate 3 to
13 come in and file for a transmission tap line into the
14 PGandE system. We think that the should provide
15 adequate assurance to the Commission that there will be
16 a tap line, the transmission will be available when the
17 project is scheduled to go online.
18 We would recommend that the Commission adopt
19 the alternate dates that have been proposed by
20 Commissioner Crowley with respect to Alternate 3 in
21 light of the fact that the first unit is scheduled to
22 go on line in roughly April of 1988. The testimony in
23 the case is that there is one construction season
24 required to build a tap line into the PGandE systems;
25 so, that would back us to the Spring and Summer of

1 1987. So as long.... Even if you were to take a full
2 12 months to do an AFC certification on the tap line,
3 we could come in as late as the Spring and Summer of
4 1986 and still allow the Commission its full year
5 opportunity to review the tap line and allow us an
6 adequate opportunity to construct the tap line without
7 delaying the project's online date.
8 I have a few other minor commnets. There are
9 certain staff changes which have been proposed in their
10 comments; and, we're prepared to agree to those. Most
11 of them are non-substantive changes; they're correcting
12 amendments. We are also stipulating to the proposed
13 new condition H(8) provided by Sonoma County; and so,
14 we are willing to have that included In the final
15 decision.
16 I would like to reserve the right to offer
17 further comments after the conclusion of comments
18 offered by other parties in case there's something I
19 left out.
20 CHAIRMAN IMBRECHT: Alright. Thank you very
21 much. Questions from members of the Commission. Thank
22 you. Now for staff.
23 MR. MUNDSTOCK: There are two sets of staff
24 comments on the Proposed Decision; and, we had extra
25 copies if Commissioners or anyone else need them.

1 VICE CHAIR CROWLEY: Mr. Chairman, my
2 comments--my proposal--has to do with staff's
3 consideration and support of the reliability of third
4 quarter resource analysis versus the fourth quarter.
5 And I would ask, if I may, to have staff speak to this
6 and tell us its testimony in the proceedings regarding
7 its matter.
8 CHAIRMAN IMBRECHT: I would anticipate that
9 that would be the case. I think they have both in a
10 memorandum I've received from the Executive Director as
11 well as comments from Mr. Mundstock and others on the
12 staff that were involved in the proceeding, have
13 expressed opinions on those subject and I would ask
14 that you reiterate those today.
15 MR. MUNDSTOCK: We can summarize our
16 position. On demand conformance, the staff testimony
17 in Geysers 21 and this case is virtually identical
18 finding, that both projects are needed under the ER IV
19 Simple Accounting Test. Staff, therefore, supports
20 Commissioner Crowley's alternate opinion so that the
21 decisions in both these cases will be consistent.
22 On the transmission line issue, Alternatives
23 3 on pages 125 to 126 of the Proposed Decision is an
24 agreement between staff and applicant to provide a
25 flexible approach to solving the transmission problems.

1 Commissioner Crowley's proposed amendments are
2 acceptable to staff; and, we continue to recommend
3 adoption of Alternative 3 as amended by Commissioner
4 Crowley.
5 All of the other staff concerns have been
6 taken care of by the Committee's errata sheet; and we,
7 therefore, support the Proposed Decision.
8 CHAIRMAN IMBRECHT: Alright. Thank you.
9 Alright. Other parties that wish to address the
10 Commission. Would you care to summarize the Farm
11 Bureau Federation? Mr. Perez. Thank you.
12 MR. PEREZ: The State Farm Bureau did file a
13 comment on the Committee's Proposed Decision which was
14 docketed yesterday, June 26, 1985. I won't duplicate
15 the areas which, I believe, applicant's attorney
16 correctly summarized other than to note the fact that
17 in the area of levelized cost, the State Farm Bureau's
18 position on the facts in the matter were that the
19 testimony improperly excluded inflation costs in
20 determining the expense item.
21 The major comment by the State Farm Bureau
22 which was not noted in the applicant's presentation is
23 that it objects, as a matter of law, to the Commissions
24 failure to comply with Public Resources Code Section
25 25309(b), 25523(f), 25305(e), 25505.5, 25520(e), and

1 25524, which require the Commission to make a positive
2 determination that a proposed project conforms with the
3 recently adopted 1984 Electricity Report and concludes
4 by stating that it is respectively submitted that the
5 Committee's proper findings and conclusions, relating
6 to conformity of the Demand Forecast are Findings and
7 Conclusions Nos. 1 and 2 on Page 37 of the Committees
8 Proposed Decision i.e., that there is not need for
9 additional capacity in the Northern California planning
10 area by 1994 and no need for additional energy in the
11 Northern California planning area, either for load
12 growth or to meet the Commission's adopted field
13 displacement goals in the 1985 Electricity Report.
14 Additionally, the Committee should find and
15 conclude that, under the ER V Need Test, CCPA No. 1
16 does not meet the threshold cost of producing
17 electricity from a baseload facility as set forth in ER
18 V. So it's a legal objection.
19 I also have a question of inquiry and that is
20 with respect to a comment, dated June 9, 1985, docketed
21 in the proceeding on June 12, 1985 by Mr. Anthony A.
22 Cerar. And Mr. Cerar is a 30-year resident of the
23 Geysers area. He filed comments on the Committee's
24 Proposed Decision, raising questions as to the steam
25 adequacy for CCPA, transmission capacity and noise

1 impacts. And, I was just wondering for the record
2 whether or not the Committee had ever responded or
3 acknowledged Mr. Cerar's comments?
4 MS. CHESBROUGH: Carol Chesbrough, Hearing
5 Officer for CCPA No. 1. The Committee received that,
6 as was noted in the docket, a few days after it was
7 docketed. They have not responded at this time to
8 those comments.
9 MR. PEREZ: My concern as Public Adviser is
10 that, as we conduct proceedings in a functionally
11 equivalent process, one of the things that we have
12 integrated from our traditional CEQA system is the
13 final Environmental Impact Report, which under
14 California law, clearly requires the lead agency to
15 respond to or acknowledge the receipt of public
16 comments on major projects of potential environmental
17 impact.
18 It's not clear to me -- and I would certainly
19 defer to the General Counsel's judgment on this point
20 for this case -- what the level of responsibility by
21 the Commission is under its Functionally Equivalent
22 Certification process in dealing with public comments
23 like this, which do go to the question of potentially
24 significant environmental impacts.
25

1 COMMISSIONER COMMONS: Mr. Perez, did that
2 just come in on Tuesday, I believe, this week.
3 MR. PEREZ: Well, sir, it's dated as received
4 and docketed on June 12, 1985.
5 CHAIRMAN IMBRECHT: Thank you. Mr.
6 Chamberlain, would you like to comment on that?
7 MR. CHAMBERLAIN: Mr. Chairman, I think I'd
8 have to look at the document for a while before I can
9 offer an opinion.
10 CHAIRMAN IMBRECHT: Was Mr. Cerar a party to
11 the proceeding? Or, is this...?
12 MR. PEREZ: No. He filed this as a comment
13 to the Proposed Decision.
14 CHAIRMAN IMBRECHT: As public comment. I
15 see. Alright, fine. Any other party wish to be heard
16 on this matter? Mr. West.
17 MR. WEST: Glenn West, Attorney for Pacific
18 Gas and Electric Company. PGandE takes no position
19 concerning the need issue in this particular case, nor
20 does it oppose the construction or certification of
21 construction of the plant, as such. However, we are
22 vitally concerned about the transmission issue. The
23 Geysers is a very, very strange area. It sort of
24 captures the imagination, I think, in term of, you
25 know, fires deep in the earth, heating, and turning it

1 into steam, fossil water, water that sunk into the
2 ground hundreds of thousands of years, perhaps, and
3 being able to put this to good use for our State and
4 for our people. It also does strange things to
5 people's judgment.
6 Transmission is very, very limited coming out
7 of the Geysers. This Commission and Mr. Chairman is
8 painfully aware of that, I'm sure, as a result of the
9 GPPL hearings. Pacific Gas and Electric Company is
10 fully committed to development of the Geysers and
11 building plants at the Geysers. We have contract
12 rights, we believe, for enough steam to carry through
13 our plans to build through Units 24 at the Geysers.
14 And, we do intend to build those units. By the same
15 token, we have contract obligations to our steam
16 suppliers. And, these obligations say that we must
17 build as the steam suppliers develop their steam in an
18 orderly way.
19 The basic problem we face is this. The GPPL
20 -- Geysers Public Power Line -- which PGandE fully
21 supports, is, I fear, not a certainty. There's a lot
22 of problems that it faces. It faces an unusual amount
23 of opposition. And, none of us, I don't think, can sit
24 here at this time and say for certainty that that line
25 is going to be built. Now, there may be sufficient

1 additional capacity at the Geysers on the PGandE system-
2 -on the existing system--to take the power from CCPA 1
3 out of the Geysers for a certain number of years until
4 PGandE does build its units. But, one of these years,
5 that capacity is going to be needed by PGandE for its
6 units. We're vitally concerned about the problem of
7 recapture when that occurs. That is, so we can take
8 this capacity back and use it on a firm basis for our
9 own units as planned for the benefit of our own
10 customers.
11 Even though we might have a contract which
12 says that the CCPA 1 has to get off the line or has to
13 take an inferior brand of service when that occurs,
14 there's no certainty as such that that contract can be
15 enforced. The first thing we have to do is go to the
16 Federal Energy Regulatory Commission and ask for
17 permission to change the nature of the service. The
18 FERC and the Federal Power Act considers transmission
19 service as being dedicated; and, your contract, even if
20 it says that it's terminable, is not enforceable as
21 such. You have to actually go the FERC and get their
22 permission to change service.
23 Secondly, assuming you can overcome that
24 hurdle and get their permission to switch to an
25 inferior brand of service or ask the CCPA 1 to get off

1 the line entirely, then we have two levels of
2 certification here in the State of California. We have
3 to convince the CPUC that assumes public convenience
4 and necessity, that PGandE build that particular unit.
5 We also have to convince this Commission that assumes
6 public interest, that PGandE build that particular
7 unit.
8 It's very difficult to see that such decision
9 would come very easily if PGandE is coming in and
10 asking to build a new unit that would, in effect, take
11 an old unit off the line--an existing unit. It's a
12 rather uneconomical thing; and, I don't know that it
13 would be in the public interest to do so.
14 I think the matter was very well summed up
15 Mr. Dan Whitney who was a witness for CCPA. In the
16 course of his testimony, he, first addressed the
17 question of a long-term contract as was proposed as one
18 of the alternatives that the project not be permitted
19 to be built unless there is a firm long-term contract
20 for transmission. He responded to that by saying:
21 "The expectation that such an
22 agreement could be equitably
23 reached between the parties is
24 really not reasonable. Not because
25 of anything associated with the

1 desire of the two parties not to
2 agree, but rather because they
3 (referring to PGandE) have
4 justified needs in that planning
5 process. They have committed
6 resources and have developed a
7 capability to transmit for their
8 own purposes. To suggest that that
9 be reassigned to another is
10 probably not reasonable, that we
11 could consider that they would
12 agree to that."
13 Then he addressed the question of a short-
14 term contract such as has just been suggested, namely a
15 contract, somehow, that would carry CCPA 1 through
16 until the GPPL can be built even if there are delays in
17 building it.
18 "If we were to proceed with a
19 short-term agreement, an agreement,
20 say, until 1991 or some such thing
21 other than a 30-year period, but
22 for some intermediate period, there
23 is likewise significant concern
24 that we would be able to reach an
25 equitable understanding. The

1 reason is that they (PGandE) were
2 to do that, if they were to do
3 that, we would then be connected
4 onto that line. And, any
5 subsequent hearing for licensing of
6 new pipelines (Probably that's new
7 transmission lines.) for their
8 purpose would, of course, require
9 that we be taken off the line. If
10 an alternative path were not
11 available, it would be hard to
12 imagine that the Commission would
13 grant a construction license for
14 another facility competing for the
15 same transmission with no hope of
16 achieving that."
17 I think Mr. Whitney has very well stated the matter.
18 Again, our concern is: Should we make
19 transmissions available on a short-term basis, how can
20 we get that transmission back when we need it, as we
21 will one of these days, for our own customers? For
22 this reason, we think it would be imprudent, at this
23 time, to authorize/certify this plant to be built
24 unless there is long-term assurance that there will be
25 transmissions. It was our suggestion, previously (and

1 I will make the suggestion again) that any certifica-
2 tion be conditioned upon GPPL being certified, itself.
3 I think anything short of that would be imprudent and
4 akin as another entity once made the mistake of going
5 ahead and building a plant without having adequate
6 steam proven up. Therefore, we urge this Commission
7 to, at the very least, adopt the position taken or
8 recommended that certain limits be put on the ability
9 of CCPA to construct until GPPL is a certainty. And we
10 even urge further that the plant be conditioned on GPPL
11 being authorized at all.
12 CHAIRMAN IMBRECHT: Would you like to speak,
13 specifically, to one of the three alternative that have
14 been posed, which you find preferable?
15 MR. WEST: Well, I forget which the
16 alternatives are. I think the second alternative is
17 the one that sets certain ceilings on the amount that
18 can be spent before GPPL is certified. That, perhaps,
19 is one way to go. I am concerned by what I heard. I
20 wasn't aware that there was an errata sheet that had
21 taken out with reference to equipment. That seems like
22 you are opening the door rather wide. I would think
23 that would be the only acceptable basis for allowing
24 anything to be constructed along with the Geysers, to
25 actually start construction at this time. There are

1 just too many uncertainties to do transmission
2 question. We would prefer, but again it's the risk of
3 the owners. But it would seem to be prudent, to me,
4 that they not construct at all until they know that
5 they have transmission.
6 COMMISSIONER COMMONS: That would be, I
7 believe, Alternative 1, Mr. Chairman.
8 CHAIRMAN IMBRECHT: Alright. Thank you.
9 Questions from members of the Commission? Anything
10 further, Mr. West? Thank you. Further parties that
11 wish to address the Commission?
12 MS. SCHORI: I'd like to have an opportunity
13 to respond, if I may.
14 CHAIRMAN IMBRECHT: You'll be given that
15 opportunity; I assure you. We expect some extensive
16 discussion. Are there no other parties that wish to be
17 heard on this matter pending before the Commission?
18 Alright, Ms. Schori.
19 MS. SCHORI: Yes. Thank you. I think the
20 real issue that has been raised by the comments offered
21 by Mr. West, on behalf of PGandE, is whether or not
22 CCPA should be foreclosed from going forward today
23 because PGandE someday, sometime off in the future,
24 might want some of their space on their transmission
25 line back again. I would suggest to you that PGandE,

1 through its Stanislaus commitments, has already made
2 that decision. It answers the question of whether or
3 not they, at least, would allow us onto their
4 transmission line in 1988.
5 They have worked out an agreement with the
6 Anti-Trust Division of the Department of Justice. It's
7 a commitment that's been filed in connection with
8 licensing of their Diablo Canyon facility, and has also
9 been filed with FERC. And, I would suggest to you that
10 if PGandE is unwilling to negotiate an acceptable
11 solution for transmission, there are remedies that
12 would be available to CCPA outside of this Commission
13 to secure such transmission.
14 I'd like to respond to some of the practical
15 consequences of the issues that are raised by Mr. West;
16 because, we recognize that PGandE does have additional
17 development plans. Right now, those plans would
18 indicate that in 1991, if everything was proceeding as
19 scheduled, we would begin to have transmission--a need
20 for additional transmission capacity. If you don't
21 have that generation, you don't have a problem. This
22 project is not the project that triggers the need for
23 system expansion. So, that if there is a delay in that
24 generation coming online, whether it's from PGandE, QFs
25

1 or other developers in the Geysers, you are not going
2 to have a problem with the transmission system.
3 If GPPL is online, as we are currently
4 proposing, the three CCPA members are all members of
5 the Joint Owners; and, we are proposing to have the
6 GPPL online in time, by 1991, to meet those needs.
7 Again, you don't have a problem. So, the problem that
8 you may have in 1991 is if you do have additional
9 generation coming online and you don't have GPPL. I
10 would suggest to you that this may be somewhat similar
11 to the situation that we all faced in the Geysers while
12 we were waiting for the Geysers 16 Line to be
13 energized. There are many possible outcomes. And I
14 would say that that's the point at which the utilities
15 seriously start to negotiate. There's two practical
16 solutions. You either do something to the generation
17 or you do something to the transmission.
18 Now, while we were waiting for Geysers 16's
19 transmission lines to come online, PGandE negotiated
20 with a number of utilities, agreements that provided
21 firm transmission, but had curtailment priorities built
22 into them. And the utility that was curtailed lost
23 capacity credits for either the period of the
24 curtailment or some negotiated period. With respect to
25 SMUD Geo, you lose one month's capacity credits if you

1 have to be curtailed. So, that's one feasible
2 solution.
3 NCPA had a little tougher road to hoe. They
4 were forced to go with interruptible transmission
5 capacity for a while. But, they eventually secured not
6 only firm transmission, they secured an ownership right
7 in the new line that was built. These are problems
8 that utilities face everyday. And they do work them
9 out.
10 The 1,900 MW limit is a single line
11 contingency outage criteria. It's a planning criteria
12 at which transmission planners say you should be
13 thinking about bringing a new line on. But, the
14 testimony has been clear that the normal planning
15 criteria is 2,150; so, there's a little room to move,
16 is what I'm suggesting, on the generation site. If you
17 can't move on the generation site, if you really have
18 large quantities of generation coming on, and you are
19 really in serious transmission trouble, then you have
20 to start looking at modifications to the PGandE
21 transmission system.
22 We filed a transmission proposal in this
23 case, Exhibit 11, that identified certain modifications
24 that could be made to the PGandE system, that would
25 accommodate limited expansion of that system. We agree

1 fully that if PGandE builds what they are planning to
2 build, and if our expectations of what other people are
3 planning to build actually go through, you need a third
4 line. That's why we are before you with the GPPL
5 transmission line proposal. This Commission is the one
6 that's going to have to make the projection,
7 ultimately, about what's going to happen up there.
8 But, all I'm saying right now is that there are
9 solutions that will be available. There are options.
10 We are not foreclosing options that may be available to
11 us in 1991 or later, by allowing this project to go
12 forward today. That would conclude my comments.
13 CHAIRMAN IMBRECHT: Alright. Thank you.
14 Questions from members of the Commission. Alright.
15 Anyone else wish to be heard on this matter?
16 MR. CHAMBERLAIN: Mr. Chairman?
17 CHAIRMAN IMBRECHT: Mr. Chamberlain.
18 MR. CHAMBERLAIN: Yes. Mr. Chairman, I have
19 had an opportunity to look at this document and to
20 review the regulations. The document was apparently
21 authored and sent on June 9, a day before the comment
22 period had ended. It was not received, however, until
23 June 12, the day in which the Presiding Member's final
24 Proposed Decision was issued. And therefore, the
25 Proposed Decision did not specifically address this

1 document. On the other hand, it does appear that the
2 Proposed Decision discusses, in some detail, all three
3 of the issues raised in the document. Therefore, I
4 believe that it would comply with all CEQA criteria.
5 CHAIRMAN IMBRECHT: Alright. Thank you very
6 much. Alright. The matters is before the Commission.
7 Would either of the members of the Committee like to
8 respond or make any other points relative to the issue
9 before us? Commissioner Commons?
10 COMMISSIONER COMMONS: I believe the proper
11 thing to do would be to put a motion before the
12 Commission.
13 CHAIRMAN IMBRECHT: I agree.
14 COMMISSIONER COMMONS: So, I would move the
15 Presiding Member's Report.
16 CHAIRMAN IMBRECHT: Is there a second? As a
17 courtesy, I will extend the second. And, the motion is
18 now properly before us. Are there other motions?
19 VICE CHAIR CROWLEY: Yes, pardon me, Mr.
20 Chairman. I would request the opportunity to make a
21 secondary motion to adopt the alternative opinion on
22 Demand Conformity in Attachment A, as has been given to
23 the Commission as the decision of the Commission on
24 Demand Forecast Conformity, and also move the adoption
25 of Alternative 3 as the decision of the Commission on

1 Transmission System Planning and Engineering with the
2 amendments, and also the ones that we presented to the
3 Commission.
4 CHAIRMAN IMBRECHT: Commissioner Crowley's
5 motion to amend the Proposed Decision has been stated.
6 Is there a second?
7 COMMISSIONER NOTEWARE: I'll second it.
8 CHAIRMAN IMBRECHT: Seconded by Commissioner
9 Noteware. The amendment is now properly before us. I
10 would suggest, then, that if you have any discussion,
11 Commissioner Commons, now would be the appropriate
12 time.
13 COMMISSIONER COMMONS: Well, I would like to
14 request that we divide the amendment into two parts. I
15 think they are two separate issues. I would like to
16 request that Commissioner Crowley make them as two
17 separate amendments.
18 CHAIRMAN IMBRECHT: I think that's a
19 reasonable request.
20 COMMISSIONER COMMONS: Yes, divide them. My
21 motion would be regarding Demand Conformity and then
22 the motion regarding the Transmission.
23 CHAIRMAN IMBRECHT: Without objection, the
24 maker of the motion will withdraw the motion, I'm sure
25 with the concurrence of the seconder. Then, a new

1 motion would then be offered by Commissioner Crowley to
2 amend the main motion with her proposed Demand
3 Conformity text. Is that a proper statement of your
4 motion?
5 COMMISSIONER COMMONS: Yes, and the
6 attachment that we provided, as well.
7 CHAIRMAN IMBRECHT: Moved by Commissioner
8 Crowley and seconded by Commissioner Noteware. Now
9 that individual amendment is before us. Commissioner
10 Commons?
11 COMMISSIONER COMMONS: Alright, so, which one
12 are we taking first?
13 CHAIRMAN IMBRECHT: Just Demand Conformity.
14 COMMISSIONER COMMONS: Alright, on the Demand
15 Conformity, we have a separate record in this case
16 which includes fourth quarter data. That information
17 was not in the record of Geysers 21 and was not
18 discussed as part of Geysers 21. So, when we say that
19 we are going to be consistent, one case to the next
20 case, it's very difficult to be consistent when we
21 couldn't even discuss the issue that is before us in
22 the Geysers 21 case. So, I think the discussion has to
23 be on the merits, which we have not had any discussion.
24 I have not heard from Commissioner Crowley or from any
25 of the parties today as to why the Proposed Decision is

1 incorrect in terms of its assessment of the fourth
2 quarter data and the appropriateness of how to go
3 forward.
4 I think the policy issues go fairly deep. We
5 are talking in ER IV or BR IV that there was a need for
6 energy. And all parties have stipulated there was no
7 need for capacity. What is the risk to the people in
8 Northern California if we were not to site a power
9 plant where the need is solely for energy. It's not
10 the same problem as for capacity. We are talking about
11 the question as to oil, price, discrepancies vis-a-vis
12 geothermal price discrepancies. Since the time we
13 adopted BR IV, oil prices have dropped dramatically.
14 We have adopted ER V. We find that there's not an
15 energy shortage problem in N orthern California.
16 Now, for us to close our eyes and pretend
17 that since last September, that there have been no
18 power plant agreements signed by Northern California
19 utilities and that none of those power plants are going
20 to come to construction, is for this Commission to act
21 with it's head buried in the sand. We have that data
22 available. It's part of this record. And if we were
23 to adopt the amendment, we would essentially be saying
24 those contracts that were signed in good faith by
25 PGandE, with third party contractors, are non-relevant

1 to this decision. I don't think that we can exclude,
2 from consideration, the discussion of the merits of
3 projects that have been signed that people with full
4 intent intend to go forward with.
5 So, essentially, the issue is not one of
6 consistency. Because we have one set of information on
7 the record in this case; and, we have a different set
8 of information on the record in the Geysers 21 case. I
9 think the Commission has to arrive at the basis of its
10 decision, not of the record in one case which didn't
11 include information in this case, but based on the
12 record that is before us in this case.
13 CHAIRMAN IMBRECHT: Commissioner Crowley?
14 COMMISSIONER CROWLEY: I believe that it
15 would be appropriate to ask staff to give us somewhat
16 of a reconstruction of some of the testimony that dealt
17 with this matter in actually the CCPA testimony.
18 CHAIRMAN IMBRECHT: I would request that as
19 well. It's my understanding that there was a
20 difference in the level of analysis with respect to the
21 third versus the fourth quarter data. I think it's
22 important to distinguish that. Mr. Kelly, on behalf of
23 staff?
24
25

1 MR. KELLY: Yes, Thom Kelly, the Assessments
2 Division Chief. The information that we had
3 available....
4 CHAIRMAN IMBRECHT: May I just inquire. Did
5 you offer the testimony on Need for this proceeding?
6 MR. KELLY: Part of it, yes. Yes, sir. And,
7 it was done under my direction.
8 CHAIRMAN IMBRECHT: Thank you.
9 MR. KELLY: We had the third quarter data
10 available to us at the time we filed our final staff
11 testimony on Need for CCPA and Geysers 21. They were
12 due about the same time; and, we had not gotten the
13 fourth quarter information--couldn't provide any
14 analysis. So, at the time we provided the best
15 information we had which was a detailed project-by-
16 project evaluation of all the projects that we knew
17 about on the information sheets. That was the
18 information that we used.
19 Subsequent to that time, we received
20 additional information, new signed contracts, new
21 projects we had heard about. Our estimate was to do-
22 -with the amount of new information available--to do a
23 thorough job as we did in the third quarter to make our
24 information as solid as we could, would take
25 approximately another four months, which was too long

1 to be provided in any realistic timeframe for these
2 cases.
3 The CCPA proceeding, then, with the Presiding
4 Member leading the direction, got the staff to re-
5 evaluate the fourth quarter data based upon the numbers
6 that were found in the Electricity Report. The
7 Electricity Report methodology was completely different
8 from the case-by-case analysis; because, we simply
9 didn't have time to do the case-by-case analysis for
10 the Electricity Report either, for any purpose. We
11 were just unable to do it. Based on.... It was agreed
12 by staff, and in discussions with the Committee, that
13 we would use the result of the PGandE survey of
14 contracts and projects as the basis for our best
15 estimate in the Electricity Report of the kinds of
16 power that would be made available.
17 During that testimony, we also cautioned
18 against using that in a siting case; because, we
19 indicated that was what our best guess would be with
20 the limited resources for the Electricity Report time
21 period, not necessarily information we would propose to
22 use in a siting case. For siting cases, we believe the
23 project-by-project personal analysis is by far the best
24 means to establish what 'likely to be available' is.
25 Subsequent to that initial recommendation, we have

1 evaluated that PUC survey and found that it can be
2 misleading, in some respects, in that the critical path
3 permits that were identified in that process are not
4 necessarily the same critical path permits that we
5 would find. Yes, they are critical; but, there are
6 others. In some cases, they ignore air quality
7 permits, it's my understanding, for projects air
8 quality could be a concern.
9 COMMISSIONER COMMONS: Excuse me, Mr.
10 Chairman, point of order.
11 CHAIRMAN IMBRECHT: Commissioner Commons,
12 state your point.
13 COMMISSIONER COMMONS: I believe the
14 testimony that is now being presented goes beyond
15 information that was in the record, and is inadmissible
16 in this proceeding.
17 CHAIRMAN IMBRECHT: Mr. Chamberlain, do you
18 want to give us a recommendation on othat?
19 MR. CHAMBERLAIN: I think it would be
20 inadvisable for the Commission to take additional
21 testimony today, unless it is prepared to give notice
22 to all the parties that it is going to do so, and allow
23 them an opportunity to cross-examine the witness. I
24 don't believe that's been done. I understood the
25 initial part of Mr. Kelly's statement, though, to

1 simply be a summarization of what had been done before.
2 I think perhaps if he goes further to explain
3 additional data that has come to his attention, though,
4 since the last hearings in this case, that probably
5 would be.... If the Commission wants to decide today,
6 it would be preferable that he not give that testimony.
7 CHAIRMAN IMBRECHT: Would that be in the
8 context of testimony? Or is he in a position to offer
9 a simple comment that doesn't carry the same
10 evidentiary weight?
11 MR. CHAMBERLAIN: Well, I suppose anyone is
12 in that position. Just so it's not relied upon by the
13 Commission to make the finding.
14 COMMISSIONER COMMONS: I would like.... Can
15 I move to strike, procedurally at this time?
16 CHAIRMAN IMBRECHT: I presume you can make
17 that motion.
18 COMMISSIONER COMMONS: Alright, I'd like to
19 move to strike the testimony that has been presented
20 that has gone beyond the scope of testimony presented
21 as part of the case. That is information that has come
22 in subsequent to--that is the last portion of the
23 statements concerning new evidence.
24 CHAIRMAN IMBRECHT: Is there a second?
25 Hearing none, the motion dies for lack of a second.

1 Let me just indicate, Commissioner Commons, I
2 appreciate the sensitivity which you are raising. I
3 would just indicate that, while I intend to express my
4 own viewpoints on this issue and the others that will
5 be before us, I frankly feel that we are in a position
6 to render a judgment simply upon the record as it
7 existed at the time your decision was filed. At the
8 same time, the context of simple additional
9 information, I don't personally see that there is a
10 procedural effect that's generated unless, in fact,
11 members of the Commission were to rely upon that and
12 cite it as such their explanation as to their position
13 on the case.
14 COMMISSIONER COMMONS: Mr. Chairman, it's
15 inconsistent with my attempts in Geysers 21 to bring
16 forth, even if the Commission were not to rely
17 additional information which the Committee was aware.
18 I think you are putting the proceeding in a legal
19 quagmire; the Commission is doing so. And I think it's
20 inappropriate. But since there was no second, I won't
21 debate the motion.
22 CHAIRMAN IMBRECHT: I won't make that
23 concession. I would just suggest, Mr. Kelly, that you
24 be very circumspective in your remaining comments. If
25 so, I will exercise the gavel.

1 MR. KELLY: I did testify during the CCPA
2 proceedings that staff believed that the estimates
3 using the 28% would not accurately reflect the fourth
4 quarter information that we would have if we did a
5 project-by-project analysis. I also indicated that it
6 was extremely difficult for us to veri....
7 CHAIRMAN IMBRECHT: That 28%, would you put
8 that in some context for me, please. Is that the
9 discount factor associated with...?
10 MR. KELLY: That's the....
11 CHAIRMAN IMBRECHT: ...discount factor used
12 in the Electricity Report. Is that correct?
13 MR. KELLY: Well, it's the complement of the
14 discount factor. It's those contracts that--those
15 projects, of all the total projects that the survey
16 revealed would be likely to have critical path permits
17 and likely to be sited. So, it's 28% of all known
18 projects would, in fact, occur. We indicated we
19 thought that would be an erroneous estimate
20 of...compared to a project-by-project analysis.
21 CHAIRMAN IMBRECHT: You did indicate that on
22 the record in the proceeding?
23 MR. KELLY: Yes, we did indicate that on the
24 record. Also, that 28% rule would be difficult to use
25 as updating any kind of information because of the fact

1 that it would overlap with already existing
2 information. Those things would tend to make it
3 overcount; and, we did enter that into the record.
4 CHAIRMAN IMBRECHT: Alright, fine. I think
5 that that's probably as far as you should go.
6 Commissioner Commons?
7 COMMISSIONER COMMONS: I'd like to respond.
8 The statement that was made by Mr. Kelly is he was not
9 sure whether or not it would be the same number. At
10 subsequent hearings, Susan Bakker of his staff, came
11 and testified, specifically, that according to her
12 estimates (and she had not gone through and checked
13 everything in detail), it appeared that the two
14 methodologies would result in roughly the same amount
15 of QF power in the third quarter. So, the information
16 on the record (and I'm asking Sy to find the
17 transcripts) was that the two methodologies came out
18 roughly the same QF numbers in the same quarter. So,
19 that the only issue that was then left with the
20 Committee was: Do you look at the fourth quarter data
21 or do you not, since the methodologies were roughly
22 equivalent to the terms of the assessment of historical
23 data? And, if you would like to call Susan Bakker
24 here....
25

1 CHAIRMAN IMBRECHT: No, because from my
2 perspective, when the staff, as a party, sponsors
3 testimony or offers a conclusion of the Commission, it
4 must reflect what the official position of the staff
5 is. It seems to me that's not the controversy, at this
6 point in time, since all of the material that has been
7 provided to us, both in writing and in earlier
8 statements by staff ultimately reflect a different
9 conclusion. It seems to me that's their position.
10 COMMISSIONER COMMONS: Well, no. There is an
11 issue on the table that is raised by Thom Kelly which
12 includes information that was not part of the
13 proceeding, and that the two methodologies come up with
14 roughly the same QF number using third quarter data.
15 That's a very important issue as to how you find need
16 in the case. Now, if the two methodologies are
17 inconsistent, you have one type of issue. The two
18 methodologies are consistent, then you have subsequent
19 data that makes a very large difference in terms of how
20 one might want to look at this need assessment. So,
21 that....
22 CHAIRMAN IMBRECHT: It seems to me the
23 testimony of the staff is that (or the position of the
24 staff, I think, is probably a better way to
25 characterize it) the two methodologies were

1 inconsistent and that the level of analysis available
2 for the fourth quarter information was inferior to the
3 level of analysis available for the third quarter....
4 COMMISSIONER COMMONS: That's an incorrect
5 statement as to what transpired in the case. The
6 testimony....
7 CHAIRMAN IMBRECHT: No. I didn't... I'm
8 being very careful, Commissioner Commons. That was a
9 statement as to what the staff's position was or is.
10 COMMISSIONER COMMONS: No. That's incorrect.
11 That's not what it was....
12 CHAIRMAN IMBRECHT: Commissioner Commons,
13 I....
14 COMMISSIONER COMMONS: I'm sorry.
15 CHAIRMAN IMBRECHT: I have before me
16 documents filed by the attorney representing the staff
17 and also by the Executive Director stating what the
18 staff's position is on that issue. I'm quite confident
19 that I have just accurately reflected that position.
20 Now, then, as to whether or not you feel that there was
21 contradictory testimony offered in the course of the
22 proceeding, that's obviously your prerogative; and,
23 it's in your best interest, it seems to me, in this
24 juncture, to try to persuade us that that was, in fact,
25 the case. All I said was trying to clearly state what

1 the staff's position, as I understand it to be, the
2 official position that they are representing to the
3 Commission on this issue.
4 COMMISSIONER COMMONS: Alright, point of
5 order then. The official position of the staff appears
6 to be based on information that was received subsequent
7 to the time of the case. This Commission cannot rely
8 on position of the staff that is developed subsequent
9 to the time of the hearing of the case, which is based
10 on new information and new evidence without opening the
11 proceedings.
12 MR. CHAMBERLAIN: Mr. Chairman? I think I
13 might....
14 CHAIRMAN IMBRECHT: I don't believe that's
15 the state of it. Mr. Chamberlain. Yes.
16 MR. CHAMBERLAIN: My own interpretation would
17 be that that is not a correct statement. Commissioner
18 Commons indicated that there was testimony by the staff
19 that third quarter--that under third quarter data--they
20 reached a roughly comparable result with either of
21 these two methodologies. That is not the same as
22 concluding that in every quarter thereafter, the same
23 conclusion will be reached.
24 The staff decided that, notwithstanding the
25 fact that they reached the same result with both

1 methodologies in the third quarter, they preferred the
2 more rigorous methodology that they used to present
3 their testimony for further quarters. And they did not
4 mean to agree that it would necessarily be the same in
5 all future quarters. So, I think that each of you are
6 stating correct readings of, in your case, the staff's
7 position, and in Commissioner Commons' case, the
8 staff's testimony. But they are not necessarily
9 inconsistent.
10 CHAIRMAN IMBRECHT: Commissioner Commons?
11 COMMISSIONER COMMONS: I'm sorry, Bill, your
12 statement is not compatible with the statement made, I
13 feel, either by the Chairman or by Thom Kelly. My
14 understanding of the Chairman's statement was that the
15 staff testifies now that the two methodologies come up
16 with inconsistent results on third quarter. And that's
17 the issue that we are talking about now. Not whether
18 or not....
19 CHAIRMAN IMBRECHT: No. That's not. That
20 is....
21 COMMISSIONER COMMONS: Alright.
22 CHAIRMAN IMBRECHT: I want to disallow that.
23 If there's any... I'm quite certain that's not what I
24 said. But, let me make that abundantly clear on the
25

1 record that that was not what I said nor did I intend
2 anything close to that.
3 I said the following: That it is the staff's
4 position in a proceeding that the level of analysis
5 available for the third quarter data was superior to
6 the level of analysis available for the fourth quarter
7 data. And, as a consequence, it is their recommenda-
8 tion that third quarter data be relive in a Need
9 Determination on the grounds that in order to have a
10 similar level of analysis, there would have been a time
11 delay of, I believe you said, four months in a
12 proceeding. That's all I said. It's quite
13 inconsistent with what you're representing.
14 COMMISSIONER COMMONS: Let me go and argue
15 from there.
16 CHAIRMAN IMBRECHT: Okay.
17 COMMISSIONER COMMONS: Alright. The staff
18 further testified in the proceeding that using the
19 approach that this Commission has adopted for BR V,
20 that they then went back and they applied that approach
21 to the third quarter data. The testimony of the staff
22 was applying that approach to third quarter data came
23 up with roughly the same, roughly equivalent, QF demand
24 in the third quarter. In other words, the application
25 of the BR V approach and the application of the staff

1 approach, the third quarter data came up with a similar
2 number.
3 Then the Committee was faced, when the
4 methodology did not appear to be the major issue, with:
5 Do you or do you not include fourth quarter data which
6 the staff has the capability of evaluating, using the
7 methodology that has already been adopted by this
8 Commission, which would be applied under all cases
9 under BR V? And, for us not to take into consideration
10 and look at that data, to me, is totally inappropriate.
11 But, going further on the issue is the
12 methodology that was employed by the staff is a
13 methodology that has never been used by the staff
14 except in Geysers 21 and CCPA. It's a methodology that
15 was never adopted as part of ER IV, was never brought
16 to the Commission for approval, approved by any
17 Committee, evaluated by any Committee, rather was
18 applied. It's a cumbersome methodology. It's a
19 burdensome methodology. It has an inability to be
20 updated to take under consideration significant short-
21 term changes and events which clearly transpired during
22 the third and fourth quarters of last year and the
23 first quarter of this year. It's a methodology that we
24 have not approved. In fact, we've disallowed it,
25 essentially, in BR V, saying we want a methodology

1 whereby we can adjust information and facts in a
2 relatively frequent manner and it required the staff to
3 be able to provide us with updates. So, it's
4 inconsistent with the operating policy of the
5 Commission, as of today.
6 For this Commission, where we have the
7 alternatives here.... And, of course, the issue we are
8 talking about doesn't go to the substance. We all
9 recognize that the issue we are discussing here--both
10 approaches found that this project was needed. It's a
11 question of: Do you find need where you are using a
12 methodology that has serious questions raised about it
13 or the appropriateness of the methodology? Or do you
14 go and look at the heart of the project, which is what
15 ER IV encourages you to do? Is this a good project on
16 economic and environmental grounds or is it not? And
17 not to use some procedural devise whereby the staff
18 claims that they need four months to update the
19 methodology, so you don't look at updated data. I just
20 don't think that the Commission should resort to that
21 type of approach. When you have another alternative
22 that the staff testified came out with roughly the same
23 results.
24
25

1 CHAIRMAN IMBRECHT: Alright, I think we
2 understand your position very clearly. I'll just speak
3 for myself and try to move this along.
4 First, as I understand Commissioner Crowley's
5 motion, the findings which she recommended to the
6 Commission relative to the economic and environmental
7 benefits of the project would be complemented by,
8 rather than supplanted by the additional discussion of
9 the utilization of third quarter data as recommended by
10 Commissioner Crowley, the staff, the applicant, and I
11 believe those were all the parties that spoke as to
12 that issue.
13 As a consequence, it seems to me to be an
14 issue of whether or not we choose to buttress the
15 foundations of your recommended decision in this area
16 or not. I guess I would lean towards the perspective
17 of buttressing and stating clearly all of the
18 appropriate foundations along which need can be
19 determined by the Commission in this proceeding.
20 Lastly, I think the only other question I
21 would have to express an opinion on is, I really
22 question the propriety of we, as a Commission in
23 essence, attempting to ratify or circumscribe the
24 methodologies employed by any independent party of the
25 proceeding, including the staff, that they choose to

1 use in presenting their testimony before the
2 Commission. I frankly don't see a distinguishing
3 characteristic considering the circumstances under
4 which we set on these proceedings from us, in essence,
5 ratifying the methodology employed by the applicant or
6 any other interested party in this proceeding. It
7 seems to me that as each party offers testimony in a
8 siting proceedings, they bear the burden of persuasion
9 or proof, as the case may be, with respect to the
10 efficacy of their position. It is up to them to defend
11 their methodology, etc., and then finally, for the full
12 Commission, in the context of rendering its decision,
13 to choose which of the methodologies that may be at
14 odds with one another, should be appropriately applied
15 in rendering a full decision. That's, in essence,
16 where I'm at on this particular amendment to the main
17 motion. Any other Commissioners wish to be heard on
18 this matter?
19 COMMISSIONER NOTEWARE: Yes, Mr. Chairman.
20 CHAIRMAN IMBRECHT: Commissioner Noteware.
21 COMMISSIONER NOTEWARE: I, too, have read the
22 alternate opinion prepared by Commissioner Crowley, and
23 inasmuch as it doesn't change the bottom line, but as
24 you suggest, merely buttress the conclusion, I feel
25 that it's quite appropriate to include it here.

1 CHAIRMAN IMBRECHT: Okay. Anything further?
2 COMMISSIONER COMMONS: One short rebuttal.
3 CHAIRMAN IMBRECHT: Commissioner Commons.
4 COMMISSIONER COMMONS: I'm only going to
5 rebut what you said. The amendment ratifies
6 methodology; the proposed decision does not.
7 CHAIRMAN IMBRECHT: Alright. If that's your
8 perspective, that's fine. Alright, anything further?
9 If not, will the secretary please call the roll on the
10 amendment. The motion before us is whether or not to
11 adopt the alternative opinion relative to Need
12 Conformance presented by the Second Member of the
13 Committee, Commissioner Crowley.
14 MS. GERVAIS: Commissioner Commons.
15 COMMISSIONER COMMONS: No.
16 MS. GERVAIS: Commissioner Noteware.
17 COMMISSIONER NOTEWARE: Aye.
18 MS. GERVAIS: Commissioner Crowley.
19 VICE CHAIR CROWLEY: Aye.
20 MS. GERVAIS: Chairman Imbrecht.
21 CHAIRMAN IMBRECHT: Aye
22 Ayes: 3, Nos: 1. The Need Conformance
23 addition has been added to the proposed main motion now
24 before us. Commissioner Crowley?
25

1 VICE CHAIR CROWLEY: Mr. Chairman, then, I
2 would like to do the second part of the original, which
3 is move the adoption of Alternative 3, Pages 125 and
4 126 in the Decision, as the decision of the Commission
5 on Transmission System Planning and Engineering with
6 the amendments that we provided, in writing, which were
7 non-substantive but were date changes.
8 CHAIRMAN IMBRECHT: Alright, fine. That
9 motion is before us. Is there a second?
10 COMMISSIONER NOTEWARE: I'll second it.
11 CHAIRMAN IMBRECHT: Seconded by Commissioner
12 Noteware. The amendment is properly before us.
13 Commissioner Commons, would you like to speak to it?
14 COMMISSIONER COMMONS: Yes, I'd like to argue
15 that one. First of all, I think Alternative 3 is the
16 worst of all alternatives. And that includes the
17 fourth alternative, which is to have none. I think it
18 is totally inappropriate for us to have Condition 4 as
19 part of Alternative 3.
20 CHAIRMAN IMBRECHT: Hang on just a second.
21 COMMISSIONER COMMONS: For us to site a power
22 plant and have no control over the amount of funds that
23 could be spent and then for us to subsequently say that
24 we could halt construction, when there may have been
25 $100 million expended on the project, I think is an

1 outrage to the ratepayers of SMUD, Modesto Irrigation
2 District and Santa Clara.
3 If the Commission is not pleased with
4 Alternatives 1 and 2, my recommendation to the
5 Commission would be to have no Condition 3 and have no
6 condition as to transmission. I would vote against and
7 I intend to vote against this case if Condition 3 is
8 included. I've not made up my mind as to how I would
9 vote if we did not have Condition 1 or 2. I think
10 Condition 3 is a disservice to the State of California
11 to put a potential for halting a power plant that has
12 been under construction in a significant sense, and
13 have that threat hang over the ratepayers, the people
14 of California. I will discuss it a subsequent time if
15 Amendment 3 does not pass my viewpoints on Alternatives
16 1 and 2. But, so long as Condition 4 is in Alternative
17 3, I do not believe that this Commission should adopt
18 that.
19 Now, there are other issues that I think have
20 been raised. First of all, the question that was
21 raised by the applicant of transmission availability
22 over the life of the project: What is the difference
23 between transmission availability and steam
24 sufficiency? Do we site a power plant that has steam
25 for eight years or six years? No. Should you site a

1 power plant that does not have transmission? It's my
2 belief, you ought not to. Then you get the
3 situation.... Well, what happens if the transmission
4 line were to go down? You can get unusual
5 circumstances; that we all understand.
6 But, the reason we go through an NOI and an
7 AFC in transmission lines is, transmission lines are
8 often built to service many projects. So, you don't
9 have to have a project in order to justify a
10 transmission line. You have a BR which says you have a
11 need. We've set out that we have a reserve need for
12 geothermal. So, it's appropriate for us to look at
13 prospective projects in terms of the long-term energy
14 needs of the State of California or the particular
15 utility area in ascertaining our transmission
16 requirements.
17 It's not appropriate to also force
18 transmission lines by building the projects. If you
19 have a large project that requires its own transmission
20 line and the transmission line issue and the project
21 issue should be done hand-in-hand. If you have no
22 transmission lines and you have a project, PGandE...no
23 utility in the state goes and builds a power plant that
24 doesn't have transmission. That makes no sense.
25

1 In this case, you also have a situation of
2 taking, essentially, from another utility. I don't
3 think this Commission should prefer a municipal utility
4 to an investor-owned utility. If it had been PGandE
5 who was the applicant and CCPA owned the transmission
6 line, my position would be the same. Someone has gone
7 through a Public Utility Commission, through their
8 Board of Directors, and has gone and built a facility.
9 They built that facility as part of their own resource
10 plans that were approved for their own needs. It's not
11 appropriate for this Commission to take away, in
12 essence, that resource from another utility on the
13 basis of the information in the record in this case.
14 There has been no showing or demonstration by the three
15 utilities that if this power plant weren't built, that
16 they would not have adequate energy or capacity.
17 The only thing that this power plant does are
18 two things. It would result in less purchases by these
19 utilities from PGandE. (So in other words, it would be
20 an allocation of the costs.) And, it would displace an
21 additional amount of oil and gas in the Northern
22 California area. There is no issue in this case as to
23 whether or not there's going to be sufficient amount of
24 energy. So, essentially, we are talking about a
25 situation (I think PGandE put it quite appropriately)

1 of, by siting this power plant, we either are going to
2 have a power plant built that doesn't have transmission
3 line. we are going to require to take from PGandE
4 where we have already called the shots and said that we
5 are going to have a GPPL without having yet approved
6 either an NOI or an AFC.
7 What is the difference between Alternatives A
8 and B and Alternative C? Alternative B actually allows
9 the applicant to go and do all the necessary work to
10 make that site avaialble and involves a fairly
11 significantly expenditure of money. In relationship to
12 the overall project, it's not the type of money that is
13 not unreasonable for this Commission to allow, where we
14 do have, I think, a real likelihood of GPPL being able
15 to go forward. The applicant has testified that they
16 are able to complete their construction schedule on
17 time, following Condition No. 2. But, without having
18 the exposure to the utilities ratepayers, in case there
19 was not transmission line of not having gone and
20 started the heavy construction work on that
21 transmission line, does not go forward.
22 So, from a practical point of view, the
23 second alternative does not delay this project,
24 whatsoever. What it does do, is that it minimizes the
25 risk to the ratepayers in these three municipal

1 utilities in case they are not successful in getting
2 transmission line. It also means that this Commission
3 does not take the position vis-a-vis investor-owned
4 utility and a municipal utility in case that additional
5 transmission lines are not, in fact, certified.
6 The real question in my mind was: Were we
7 putting forth too many dollars and allowing too much
8 risk vis-a-vis the benefits? I think there can be a
9 strong argument that actually we should take the
10 approach of the first alternative; because, there has
11 been no showing in this case that there is any
12 emergency in the three utilities and that this power
13 plant has to be built this year rather than next year.
14 What has happened is, they have gone and made
15 commitments prior to having certification from the
16 Commission which will result in some loss of monies to
17 the utilities if the project were, in fact, delayed.
18 Whether or not it's appropriate for them to have
19 encumbered themselves prior to having certification,
20 and that that should be the basis for us to push forth,
21 I think that is a very questionable and dubious....
22 That's very questionable and also dubious.
23 But, there is no problem in terms of these
24 three utilities if they don't have the energy from this
25 project this year and they have it one year later.

1 There are some needs in terms of SMUD for short-term
2 capacity. Given their contract, PGandE has testified
3 extensively if there were short-term requirements, if
4 they were willing to reach reasonable agreement for
5 short-term extensions on their existing capacity
6 contracts to take care of the only problem that has
7 been raised. And PGandE does clearly, in the short
8 term, have excess capacity and does have a capacity
9 agreement with SMUD. Thank you.
10 CHAIRMAN IMBRECHT: Okay, further Commission
11 comments? I'd like to ask a couple of questions. Ms.
12 Schori, can you give me some idea of project finances
13 and the essence of flow chart of expenditures, if you
14 would?
15 MS. SCHORI: Yes, we have.... The amount of
16 money that is in the Committee Decision, 5.5 is roughly
17 the correct amount for site preparation work. $20
18 million would take us through construction, one
19 construction season. It would not allow us to proceed
20 and does not include money previously committed on
21 equipment. We have already incurred expenditures of
22 about $10 million in engineering work on equipment
23 purchases. Then, beyond that, we must release, for
24 fabrication, the turbine generator, the condensors and
25 several other items of equipment. We must do that

1 immediately. Otherwise, we will not have the project
2 on time. We have not.... So that the contracts are in
3 place, we can proceed with the work. We do not owe
4 that money yet; because, we have not yet released it
5 for fabrication. But as I mentioned earlier, I don't
6 have a good ballpark idea to tell you what the
7 cancellation charges would be if we had to. But we
8 have about $41 million in additional charges that we
9 could have to pay. That's the ultimate purchase price
10 of the equipment that I'm talking about.
11 So, we are talking about a significant sum of
12 money; and, I think that has been the whole point with
13 the issues that have been raised by Commissioner
14 Commons in the proceedings. The dollar limits that are
15 in the Proposed Decision simply would not allow us to
16 proceed in a timely manner. And if Alternative 2 was
17 adopted as it stands, we would not have the project
18 online in time; because, we would not be able to
19 release for fabrication certain critical equipment
20 items.
21 CHAIRMAN IMBRECHT: What's the total project
22 cost?
23 MS. SCHORI: The total project cost, I
24 believe, is $225 -- $225 million.
25

1 CHAIRMAN IMBRECHT: So, if I read that
2 correctly then, in essence, you're safe from the
3 viewpoint that Alternative 2 would authorize the
4 expenditure of $25.5 million. And you believe an
5 additional $51 million would be necessary to proceed in
6 a timely fashion. Is that an accurate...?
7 MS. SCHORI: Well, the other problem is that
8 you have...the fact that that's only enough money to
9 get through this season. We would want to continue
10 with work through the winter to the extent that we can.
11 And then, when construction would start again next
12 April, we would have no money to go forward with
13 construction next year.
14 CHAIRMAN IMBRECHT: Commissioner Noteware.
15 COMMISSIONER NOTEWARE: Yeah. I would like
16 to ask the applicant: How do you feel about
17 Alternative No. 3 with that Condition 4 in there about
18 the potential for the Commission having authority to
19 halt construction?
20 MS. SCHORI: This condition was debated
21 vigorously by the CCPA No. 1 Commission. And, we did
22 not stipulate to it without thinking it through quite
23 carefully. Basically, we feel that, by the requirement
24 that the full Commission must make this decision, that
25 it will give us an opportunity to thoroughly present

1 our viewpoint; moreover, the CCPA Commissioners are
2 proceeding very cautiously on this matter themselves.
3 And they don't intend to get themselves in the position
4 where you would ever take action under No. 4. So, all
5 I.... I can represent to you today that they did
6 debate this. They thoroughly considered it; and, they
7 gave us the authority to stipulate to it.
8 COMMISSIONER NOTEWARE: Thank you.
9 CHAIRMAN IMBRECHT: Further comments? I'd
10 like to offer few myself. I just want to look this
11 over. What's the total anticipated construction time.
12 Is it approximately three years?
13 MS. SCHORI: I'll ask Mr. Prideaux to
14 respond. I think it's thirty-six.
15 MR. PRIDEAUX: The construction period is
16 currently scheduled to begin approximately July 1st.
17 And the first unit would be online in April of 1988;
18 the second unit would be online approximately October
19 of 1988.
20 CHAIRMAN IMBRECHT: So, roughly three years?
21 MR. PRIDEAUX: Approximately three years.
22 CHAIRMAN IMBRECHT: Okay. What would be your
23 anticipated expenditures in the second year of project
24 construction? My figures are 75. -- approximately 76.5
25 for the first year.

1 MR. PRIDEAUX: Okay. The difficulty that I
2 have is in previous testimony. We've been discussing
3 the actual cost of onsite construction work as a
4 separate cost item. I do not have those broke out here
5 in front of me. The overall project cash flow -- and
6 this includes the approximately $10 million that we've
7 spent to date -- the total cost through 1984 was
8 approximately $2 million. The total cost by the end of
9 1985 will be approximately $19 million. In 1986, we
10 project $63 million; in 1987, $66 million and $14
11 million in 1988. Now, those are the direct costs on
12 the project. That did not include the project
13 management, labor and things like that.
14 CHAIRMAN IMBRECHT: That only gets me up to
15 $164 million.
16 MR. PRIDEAUX: Pardon me.
17 CHAIRMAN IMBRECHT: That only get's me up to
18 a $164 million.
19 MR. PRIDEAUX: What I was saying is, that's
20 the direct costs for the project. In addition to that,
21 we have the owner's cost which would be the
22 construction management staff. You also have the
23 contingency and the AFUDC (or accumulated funds used
24 during construction) -- the interest on that money. I
25 can give you those cash flow amounts. At the end of

1984, total project, including AFUDC, is $3 million. In 1985, the expenditure of 1985 will be approximately $21 million. In 1986 it will be $75 million. In 1987, it's approximately $90 million. In 1988 $31 million; in 1989 $2.2 million. Those are final operation costs and operator costs. That gives you a total of $225 million.

CHAIRMAN IMBRECHT: Okay. I want to offer a couple of comments to the issue and I'll, perhaps, propose an idea or two here. I think it will be appropriate to take a luncheon recess and let people chew on this for a little bit and see what kind of response we might have.

First off, I want to take issue with a couple of items, Commissioner Commons, that you said. I do not believe that it is appropriate to characterize the decision today, were we to adopt Item or Alternative 3, as a taking away of something from Pacific Gas and Electric or that industrial utility and it's respective parties of interest. What, in essence, would occur is nothing more then what is the status quo. And that is a question of contractual negotiations with the clear understanding that, at least from my perspective, that PGandE is largely in the driver's seat in that kind of a negotiation. There are remedies available through

1 federal regulatory bodies, as Ms. Schori indicated, in
2 the event that those negotiations were to come to a
3 stalemate. However, my guess is the burden is fairly
4 great with respect to the applicant under those
5 circumstances.
6 I agree with the statement you did make,
7 which I wrote down verbatim, that "no utility bills
8 without transmission." It's my own perspective that
9 the risks associated with not having adequate
10 transmimssion has, not only been reasonably evaluated
11 by the applicant, but I think the position has been
12 fairly open and above board. And I might say, as well,
13 that I think that the characterization of this being
14 quite similar -- analogous, if you will -- to the
15 circumstances that faced the NCPA Geothermal Unit are
16 also appropriate.
17 It reflects, in the very real sense, that a
18 legitimate business decision -- one where you're
19 talking about utilities which are guided by publiclly
20 elected officials and who I would have to assume face
21 their responsibilities when you're dealing with a
22 project of this magnitude and this dollar cost to the
23 same degree of seriousness -- that certainly the Board
24 of Directors of any investor-owned utility approach
25 such decisions as well.

1 Now, I realize there is a contrast in the
2 sense that there are no shareholders, in essence, to
3 share that risk. But in fact, it's the taxpayer or
4 ratepayer within those effective jurisidictions. But,
5 I guess, I do have a certain degree of confidence that,
6 in projects of this magnitude of locally elected
7 officials, generally the thing to bear is the same
8 degree of wisdom as State officials in terms of caring
9 out their public responsibilities.
10 I also note, and I think it's important to
11 note that the applicants for this proceeding or in this
12 case, obviously are demonstrating more than just a
13 little of good faith effort to secure additional
14 transmission capacity by virtue of the fact that most
15 of them are the major proponents in the NOI proceedings
16 with respect to GPPL.
17 I would also just note and I, obviously, have
18 to be quite circumspect in this context; because, I
19 don't want to mix records from two proceedings, though
20 they, obviously, are greatly interrelated with one
21 another. Mr. West, today, in his statement, I think
22 more succinctly in circumspect than it was done by
23 anyone in a course of the record of GPPL, stated the
24 reasons both from a financial standpoint as well as
25 from an operating standpoint as to the necessity for

1 some additional transmission capacity out of the
2 Geysers Geothermal Area.
3 All that notwithstanding--and it should be
4 obvious from those comments that both in terms of what
5 I consider to be a basic question of equity and
6 fairness that when we deal with proceedings, we do have
7 some responsibility, absent clear demonstration as to
8 why we should not, in essence, follow the precedence
9 that this Commission has followed in the past; and I
10 don't believe that showing has really been made;
11 because as I said, I do find this analogous to the NCPA
12 certification -- that we ought to attach a different or
13 separate type of condition to the construction of this
14 facility when, I believe, there is more then reasonable
15 circumstances to suggest that there would be adequate
16 transmission capacity even on the existing line for
17 some period of time and why we should impose additional
18 conditions. And with all of that, I would just raise
19 the prospect that, perhaps, some middle ground might be
20 found here. I guess I don't, at this juncture,
21 understand the pessimism of Mr. West relative to the
22 GPPL project, considering the fact that I think delays
23 which have been incurred to date are not likely to
24 occur at least from a procedural standpoint in terms of
25 the remainder of the proceeding, assuming that the

1 appropriate documents, etc. are filed together in a
2 timely and in a good faith fashion.
3 But as I indicate, it seems to me that if, in
4 fact, there were desire to establish some financial
5 thresholds at least triggered upon Commission adoption
6 of the NOI, it seems to me that the thresholds which
7 are encompassed within Alternative 2 are inappro-
8 priately low. And perhaps some approach might be taken
9 that would deal with thresholds triggered by an NOI
10 decision by the full Commission and finally filing by
11 the applicants, assuming that were a favorable decision
12 but, at the same time, ensure that adequate amount of
13 funds be allocated to ensure that the first year would
14 move forward.
15 Now, if my rough calculations are accruate,
16 it sounds to me, in essence, that we're talking about
17 roughly a third of the total dollars being in question
18 at stake for the first year of construction and which
19 would not compromise the development time, it seems to
20 me, that the applicant has put forward. So I guess I
21 would.... In the context of, obviously, my preference
22 for Alternative 3, but also trying to reflect upon some
23 of the points that you have argued, if you would care
24 to comment on that or if you prefer to take some time
25

1 to go over it at the luncheon recess and perhaps ask
2 the other parties if they would have comments, as well.
3 COMMISSIONER COMMONS: Well, let me make two
4 comments. We are moving closer together. First of
5 all, I want to disagree with one of your comments.
6 Then, I will get back to, I think, what heart of the
7 statement is. If I were a municipal utility in this
8 proceeding, I have gotten good advice that legally, if
9 GPPL is turned down, then I'm going to be able to
10 secure transmission capacity. And the only person I
11 can secure that capacity from is PGandE. And so, I
12 disagree with your disagreement with myself tht PGandE
13 is not at risk in this proceeding if we license the
14 facility without transmission.
15 The one thing that non of us want to see in
16 this is to see the power plant built and for it not to
17 be able to operate because they don't have
18 transmission. And GPPL does not go forward, there's
19 only one place they can get that transmission and
20 that's from PGandE. And so, when PGandE testifies that
21 they wanted to see the condition of GPPL, I'm not
22 saying that that is the correct course. In fact, my
23 decisions or recommendation for a decision says either
24 they reach an agreement with PGandE or they have GPPL.
25

1 Because, I think both of those are acceptable solutions
2 within the project. So I disagree with on that point.
3 On the second question: first of all, we
4 have as a Commission, enumerated, I think historically,
5 a very strong preference for geothermal. We've
6 enumerated in the reserve need in BR V that we have a
7 real need for additional geothermal. The record in
8 this case clearly shows that it costs less to have
9 geothermal energy than the oil and gas it displaces and
10 whether we displace 35% or 30% or 25%, we're saving the
11 ratepayers money when we can displace oil and gas with
12 geothermal at least at this time in the Geysers area.
13 And so, I think there's reason to have
14 optimism that, one way or another, we will work out the
15 transmission line problems that we foresee. So, if
16 this Commission were to allow for more risk, so long as
17 that risk has been endorsed by the municipal utilities
18 recognizing it, I would not find that objectional. So,
19 if you look at the numbers that I had, which are $25
20 million, which takes care of the need for funds in 1984
21 and 1985 (based on the testimony that we heard today;
22 they showed they had a need for $24 million), and then,
23 if you say that upon the acceptance by this Commission
24 of the NOI that we would allocate, rather then using
25 the procedure that I suggested were they come back to

1 the Committee or to the Commission. I have no problem
2 if we wanted to go further and say that they could then
3 expend the 1986 money of $75 million.
4 CHAIRMAN IMBRECHT: Well actually, let me
5 distinquish that. It's my understanding that there is
6 more at stake immediately than simply $25.5 million.
7 But rather, it's the question of whether or not the
8 major equipment that would go into the facility that
9 has long fabrication lead times could be ordered on a
10 timely fashion so that it would be available for
11 installation. And I, frankly, would even guess that
12 some of that equipment, considering the worst case
13 scenario that somehow, someway this project ultimately
14 were not completed, that is the equipment that I think
15 is fairly fungible, as well and might have an alternate
16 market. But in any case....
17 COMMISSIONER COMMONS: I want you to note
18 that we would be talking about, not a third of the
19 project, but we would be talking $100 million out of
20 $225 million. That's very substantial....
21 CHAIRMAN IMBRECHT: My understanding of the
22 testimony was more in the context $75.5. But maybe Ms.
23 Schori might clear that up.
24 MS. SCHORI: Yeah, if I could.... I'm
25 attempting to get Mr. Prideaux to me a list of

1 everything that we have going at the moment; because,
2 the numbers he was giving you were cash flow. But I do
3 want to bring one additional point into the record. We
4 filed written comments on this question and that is the
5 issues of us obtaining financing for the project.
6 The bond markets right now for municipal
7 bonds are very favorable. We would want to go to
8 market to bond for the entire cost of the project and
9 not just $75 million. If we receive a final decision
10 that has dollar limits in it with respect to the amount
11 of money that we are being legally authorized to spend,
12 it raises questions about whether or not we could go to
13 the bond market right now. There's a lot of
14 uncertainty about if we tried to bond right now. We
15 think we can get a fairly favorable deal. Next year,
16 in light of the new Reagan Tax Proposals, ie don't know
17 what the impact is going to be on the bond market. So,
18 I expressing some concerns that are being expressed by
19 other people in the room.
20 CHAIRMAN IMBRECHT: I understand. Those are
21 the points that.... Would you anticipate literally
22 bonding the full $225 in one issue or...?
23 MS. SCHORI: Yes. I getting nodding heads
24 from the wall.
25

1 CHAIRMAN IMBRECHT: ...for some series of
2 rolling interest?
3 COMMISSIONER COMMONS: One of the problems
4 is, if you have a condition attached, it makes the
5 bonding very much more difficult. If the condition is
6 tied to funds, they're not. I'm arguing against my
7 case; but, I think the more important thing is to be
8 pragmatic about the situation than to argue for your
9 case.
10 CHAIRMAN IMBRECHT: You've convinced me,
11 Commission Commons. Alright fine. Does anyone else
12 care to offer any comments at this juncture? And we'll
13 either decide whether we're prepared to go to a vote or
14 whether we should take a rest with lunch and try to
15 resolve this immediately at that point and time.
16 What's the please of the Commission?
17 COMMISSIONER COMMONS: We have a motion.
18 There's no other testimony, we might as well vote.
19 CHAIRMAN IMBRECHT: Alright. Fine. Okay,
20 I'm not going to offer any further amendments; so, I'll
21 leave it at that. Alright. The motion is before us.
22 Is there further discussion?
23 COMMISSIONER NOTEWARE: That's motion to...?
24 CHAIRMAN IMBRECHT: ...to adopt the
25 Alternative 3 without any changes, other then those

1 which were enumerated in the document provided by
2 Commissioner Crowley.
3 COMMISSIONER NOTEWARE: Yeah.
4 CHAIRMAN IMBRECHT: Secretary, would you
5 please call the roll?
6 MS. GERVAIS: Commissioner Commons.
7 COMMISSIONER COMMONS: No.
8 MS. GERVAIS: Commissioner Noteware.
9 COMMISSIONER NOTEWARE: Aye.
10 MS. GERVAIS: Vice Chair Crowley.
11 VICE CHAIR CROWLEY: Aye.
12 MS. GERVAIS: Chairman Imbrecht.
13 CHAIRMAN IMBRECHT: Aye.
14 Commissioner Commons, as courtesy to you,
15 what's your preference? Would you prefer to go to a
16 vote on the full case at this point? Or would you
17 prefer...?
18 COMMISSIONER COMMONS: I'd prefer to go to
19 lunch.
20 CHAIRMAN IMBRECHT: Pardon me.
21 COMMISSIONER COMMONS: Prefer to go to lunch.
22 CHAIRMAN IMBRECHT: Alright. Fine. We'll
23 recess until 1:30, at which time we will come back for
24 resolution of the main motion.
25

(Whereupon the morning session of the Business Meeting of the California Energy Resources Conservation and Development Commission was adjourned for a luncheon recess at 12:05 PM.)

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1 **AFTERNOON SESSION**

2 --o0o--

3 CHAIRMAN IMBRECHT: Okay. We'll call the
4 meeting back to order. I believe we've had a chance to
5 reflect a little bit on this morning's proceedings. We
6 are still at the stage of Commission discussion of the
7 main motion as amended. Commissioner Commons.
8 COMMISSIONER COMMONS: I'd like to move, as
9 we were discussing in.... Well, I'd like to move that
10 on Page 126 in the amended version of Alternative 3
11 that we eliminate the words "halt construction or."
12 CHAIRMAN IMBRECHT: Second. The amendment's
13 properly before. I would note that that would leave
14 Alternative 3 in tact with the date changes provided by
15 or offered by Commissioner Crowley and would retain
16 authority for the Commission under the circumstances
17 specified to modify the construction schedule if each
18 of the dominos which have been enumerated were actually
19 to fall. I think that's probably the best way to
20 describe it. I personally feel that retains sufficient
21 latitude for the Commission and I think responds to the
22 principle concerns which you had expressed. So would
23 be prepared to support that amendment. Further
24 discussion? Ms. Schori, would you like to speak?
25

1 MS. SCHORI: Yes. we would agree with that
2 amendment. We note that the verification paragraph
3 also contains the same language.
4 CHAIRMAN IMBRECHT: Thank you. I think we
5 probably would want to remove the word "halting."
6 COMMISSIONER COMMONS: "halting or."
7 CHAIRMAN IMBRECHT: Alright. Fine. We'll
8 take that as a friendly amendment offered, again, by
9 Commission Commons, seconded by myself. And so, with
10 those two specifications, that's the amendment which is
11 before us. Is there further comment? Okay. Is there
12 objection to unanimous roll call? Hearing none, ayes:
13 4; nos: none. The decision is further amended.
14 Now then, as to the main motion, which is now
15 before us: Does any other member of the Commission
16 wish to be heard? Commissioner Commons.
17 COMMISSIONER COMMONS: Yes. I would like to
18 request permission of the Commission, as was granted in
19 the Geysers 21 case, to file a separate concurring
20 opinion.
21 CHAIRMAN IMBRECHT: Is there objection?
22 COMMISSIONER COMMONS: And, I would like to
23 request.... I believe our next Business Meeting is on
24 the 10th of July, which would be the same two-week
25 period....

1 CHAIRMAN IMBRECHT: ...for filing, but
2 the....
3 COMMISSIONER COMMONS: ...for filing.
4 CHAIRMAN IMBRECHT: But, assuming that the
5 vote is affirmative today, the application will be
6 granted as of today's date.
7 COMMISSIONER COMMONS: The same as was done
8 for Geysers 21?
9 CHAIRMAN IMBRECHT: Precisely -- procedure
10 followed in Geysers 21. Alright. Fine. With that
11 objection, that courtesy will certainly be extended.
12 Is there further discussion of the Commission? Does
13 anyone else which to be heard on this matter? Alright.
14 Is there objection to unanimous roll call? Hearing
15 none, ayes: 4; nos: 1 -- Commissioners Commons,
16 Crowley, Noteware, and Imbrecht, in the affirmative;
17 Commissioner Gandara, absent.
18 Are there further matters to come before the
19 Commission today?
20 MR. PEREZ: Chairman Imbrecht, I just one
21 item related to the proposed agenda for July 10. And,
22 I offer this more as a note for the full Commission so
23 that none of you get caught by surprise. But
24 Commissioner Crowley is proposing to consolidate
25 virtually all of of the cogenerating proposals before

1 the Commission now, specifically Gilroy, Sycamore,
2 Crockett, Placerita, Sprekels, IBM and, I understand,
3 also Irwindale, into a generic proceeding so that the
4 need determination issue can be examined by the full
5 Commission.
6 Obviously, the noticing that will go out for
7 this proceeding will include notice to each one of
8 those individuals proofs of sevice. And it would not
9 surprise me if the Commission receives a number of
10 inquiries about the item. So, I wanted to take this as
11 an opportunity to inform the full Commission that this
12 is a proposal.
13 VICE CHAIR CROWLEY: Mr. Chairman.
14 CHAIRMAN IMBRECHT: Commissioner Crowley.
15 VICE CHAIR CROWLEY: I'm not exactly sure
16 that it will be cast in this fashion. But however, it
17 seems to me appropriate that you bring it to our
18 attention. The objective simply would be to effectuate
19 the language of BR/ER V to establish the escrow account
20 and notice that those numbers have been dealt with.
21 And as I say, I'm not sure it will be cast in this
22 form.
23 CHAIRMAN IMBRECHT: I appreciate calling that
24 to my attention, Mr. Perez. I expect to have some
25 further conversations later this afternoon before

1 certification of the agenda. I believe that there are
2 a couple of alternative approaches we might take to
3 deal with that issue. And, I'll expect to have that
4 conversation with Commissioner Crowley and take your
5 viewpoints into consideration as well. Commissioner
6 Commons.
7 COMMISSIONER COMMONS: Concerning the issue,
8 I think there are two separate issues. One was the
9 initiation of the escrow account, which I think would
10 be and I'd like to request that if it's not already
11 noticed that that be noticed and be part of the agenda.
12 I'm not sure if it's part of Commissioner Crowley
13 recommen-dation as read.
14 CHAIRMAN IMBRECHT: I'll discuss this with
15 you, as well.
16 COMMISSIONER COMMONS: And.... Alright.
17 Well then, I can do this outside of the Business
18 Meeting.
19 CHAIRMAN IMBRECHT: Okay. Alright, fine.
20 Okay. I should.... I was negligent in not expressing
21 appreciation to the members of the Commission staff
22 that worked so diligently in the preparation of this
23 proceeding, in the conduct of this proceeding. I
24 certainly expressed appreciation to the Committee;
25 though coming out to the final conclusion from

1 different perspectives, did ultimately reach the same
2 judgment. I express that appreciation on behalf of the
3 Commission and certainly to all the parties that were
4 participants in this proceeding, as well. And the AFC
5 is granted on a four to nothing vote.
6 There's nothing further to come before the
7 Commission. We stand in adjournment. Thank you very
8 much.
9 (Thereupon the Business Meeting of the
10 California Energy Conservation and Development
11 Commission was adjourned at 1:45 PM.)
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1 **REPORTER'S CERTIFICATE**

2 THIS IS TO CERTIFY that I, Dawn Lofton,
3 Reporter, have duly reported the foregoing proceedings
4 which were had and taken in Sacramento, California, on
5 Thursday, June 27, 1985, and that the foregoing pages
6 constitute a true, complete and accurate transcription
7 of the aforementioned proceedings.
8 I further certify that I am not of counsel or
9 attorney for any of the parties to said Business
10 Meeting, nor in any way interested in the outcome of
11 said Business Meeting.
12 Dawn Lofton
Reporter
13
14
15 Dated this 28th day of June 1985.
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