

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

CALIF. ENERGY COMMISSION

OCT 21 1999

REMOVED IN DOCKETS

HEARING ROOM A
CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, OCTOBER 6, 1999

10:00 A. M.

ORIGINAL

Reported by:
Valorie Phillips
Contract No. 150-99-002

COMMISSIONERS PRESENT

William Keese, Chairman
David Rohy, Vice Chairman
Robert Laurie, Commissioner
Michal Moore, Commissioner
Robert Pernell, Commissioner

James Boyd, Ex Officio Member

STAFF PRESENT

Bill Chamberlain, Chief Counsel
Kent Smith, Acting Executive Director
Marc Pryor, Siting Project Manager
Jeff Ogata, Chief Project Manager
Eileen Allen, Project Manager
Cheri Davis, Project Manager
Sandy Miller, Account Manager
Gabe Herrera
John Sugar
Eurlyne Geiszler, Contract Manager
Ken Koyama
Jon D. Edwards, Contract Manager
Monica Schwebs

SPEAKERS

Allan J. Thompson
Roger Garratt
Bob Raymer

SPEAKERS (continued)

Michael Hodgson

Chris Chouteau

Yole Whiting

Gene Rodriguez

Frank Spasaro

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P R O C E E D I N G S

1
2 CHAIRMAN KEESE: We'll call this meeting
3 of the California Energy Commission to order.

4 Commissioner Moore, would you lead us in
5 the pledge please?

6 (Thereupon the Pledge of Allegiance was
7 said in unison.)

8 CHAIRMAN KEESE: Thank you. Item one,
9 the Consent Calendar -- the item has been removed.

10 Item Two, La Paloma Generating Project,
11 Possible adoption of the Committee's Proposed
12 Decision on the Application for Certification for
13 the La Paloma Generating Project.

14 COMMISSIONER LAURIE: Mr. Chairman, good
15 morning.

16 CHAIRMAN KEESE: Mr. Laurie.

17 COMMISSIONER LAURIE: While folks are
18 getting settled, I'd like to make an opening
19 comment on behalf of the La Paloma Hearing
20 Committee, which was myself and the Honorable Dr.
21 Rohy.

22 CHAIRMAN KEESE: We have a problem I
23 believe with the microphone. It's on, but could
24 you check to see if it's on.

25 (Thereupon a recess was

1 taken.)

2 COMMISSIONER LAURIE: Let me again
3 proceed. Okay, we are now happy, thank you.

4 Let me offer for the record a statement
5 and then I will open it up to the parties, which
6 include staff, the Applicant and intervenors. I
7 want to ensure that the Commission understands the
8 action that the Committee is recommending for
9 today.

10 The Committee, again which was
11 constituted by Dr. Rohy and myself, issued a PMPD
12 for the project on July 20th of this year. The
13 Committee held a conference to receive comments on
14 August 24th and at that time the Applicant
15 requested that we hold the PMPD in abeyance
16 pending submission of a revised final DOC,
17 necessitated by minor changes to the DOC and
18 reopening of the evidentiary record to receive the
19 revised DOC and supporting evidence.

20 The revised DOC was submitted last week
21 and on Thursday, September 30th, the Committee
22 issued an order reopening the evidentiary record
23 and errata to the PMPD. This document was
24 delivered to the Commissioner's offices and sent
25 to the parties in the proceeding on the same day.

1 Therefore the documents for
2 consideration today are the July 20th PMPD as
3 amended by the order and errata issued last
4 Thursday.

5 A little bit of background, the La
6 Paloma is a 1,048 megawatt natural gas fired
7 combined cycle power plant located near the town
8 of McKittrick. And, as an aside, on behalf of
9 Commissioner Rohy and myself, I'd really like to
10 acknowledge the efforts of the townsfolk in
11 McKittrick who were extremely accommodating to
12 this proceeding. And I want to make sure that we
13 give our thanks to their representatives.

14 The project will be built in an area of
15 declining production in the existing oil fields.
16 Based upon the evidence presented it will comply
17 with all applicable laws. The La Paloma Project
18 will have the ability to use the innovative SCONOX
19 emissions control technology on one of its four
20 power trains if the technology is commercially
21 available.

22 The project has obtained its water
23 supply from West Kern Water District, which
24 evidence shows, has ample entitlement to State
25 Water Project water.

1 One of the major issues resolved during
2 the case concerned routing the transmission
3 intertie across sensitive habitat. Commission
4 staff and the parties worked closely with Fish and
5 Game and the federal authorities to achieve an
6 acceptable mitigation package.

7 The Committee conducted various events,
8 including the final evidentiary hearings in the
9 town of McKittrick. Based upon the public
10 participation and comment it is evident that the
11 local community supports the project, which we
12 found to be a very positive event during these
13 proceedings.

14 The project represents a capital
15 expenditure of approximately \$500 million. We
16 will call upon the parties for comment, but first
17 I'd like to ask my associate on the Committee, Dr.
18 Rohy, if he has any comments?

19 VICE CHAIRMAN ROHY: I'd just like to
20 echo the comments of Commissioner Laurie that this
21 case went exceptionally well. In fact the
22 townspeople have been very supportive and it's
23 probably been a very good one for me to work with
24 you. I appreciate your help on it.

25 COMMISSIONER LAURIE: And thank you,

1 Commissioner Rohy.

2 I'd like at this time to call upon the
3 Applicant for any comments you may have, sir.

4 MR. THOMPSON: Thank you very much, Mr.
5 Commissioner. My name is Allan Thompson. I'm CEC
6 Project Counsel for PG&E Generation Company in
7 this project.

8 We also have here Roger Garratt, who is
9 the PG&E Project Manager, Bill Chilson to my
10 right, PG&E Manager of Environmental Permitting
11 and Bill Steiner, whom most of you know from URS
12 Woodward Clyde.

13 This has, in many ways, been a model
14 client for me, and I think a model applicant for
15 this Commission and its process. A half hour ago
16 upstairs one of the staff members asked me if PG&E
17 Gen would be willing to do seminars for its
18 competitors. I allowed as to how they may not
19 want to do that, but we were flattered by the
20 thought.

21 I want to thank the staff, really going
22 out of its way in a number of areas. We had some
23 difficulties with California Fish and Game in a
24 glitch in the regulations that I'm not sure we
25 could have solved, given a lot of time by

1 ourselves.

2 The Committee and the staff worked very
3 hard in helping resolve that issue. The air staff
4 of -- the air section of the staff worked closely
5 I believe with the District, EPA and other
6 interested agencies and in those two areas we
7 were, you know extremely happy with the results.

8 Marc Pryor is the Project Manager, he's
9 a great one, unflappable and worked very hard
10 protecting the staff's interests, but
11 accommodating to our arguments. I don't think
12 that we would be here today without Mr. Pryor's
13 efforts.

14 Lastly I want to thank the Committee.
15 The Committee representatives mentioned the local
16 populace, I think that's a two-way street. This
17 Committee was very accommodating in holding
18 workshops and hearings and giving notice in the
19 locale to offer a full measure of participation by
20 the local members of the community down there.
21 And I think that that works as it always does, I
22 believe, to the project's benefit.

23 I know Mr. Garratt would like to say
24 something. Bill, did you want to say anything?
25 If I could have Mr. Garratt as Project Manager say

1 a few words, I'd appreciate it.

2 MR. GARRATT: Thank you. I'm Roger
3 Garratt, the Project Manager for La Paloma and I
4 just wanted to echo the words of thanks that Allan
5 Thompson gave to the staff, to the administrative
6 law department, to the Committee and to the
7 Commission.

8 Allan mentioned the issues of air and
9 biology where I think everybody on the CEC side
10 worked very hard to get some pretty complex issues
11 resolved and that's very much appreciated by us.

12 I think generally, as I was thinking
13 about it over the last day or two, what impressed
14 me -- I mean to back up a step. Doing a project
15 like this, a lot of what you're trying to do is
16 sort of the 80-20 rule, focus 80 percent of your
17 attention on 20 percent of the issues. And what I
18 saw with this Energy Commission and with the staff
19 was focusing that attention on what I believe were
20 the right 20 percent of the issues. And to me
21 that shows the sophistication and professionalism
22 of the people involved here.

23 And so, in conclusion, it seems to me
24 that this process has really been good for us and
25 I think it's made the project a better project and

1 we're looking forward to getting started. So,
2 thank you.

3 MR. THOMPSON: One final word, if I may,
4 I neglected to thank Jeff Ogata and the legal
5 staff who worked with us quite closely. You saw a
6 joint motion here over the last week, relatively
7 easy to get done, given the willingness of staff
8 and ourselves to work together. I very much
9 appreciate it. Thank you.

10 CHAIRMAN KEESE: Thank you.

11 COMMISSIONER LAURIE: Mr. Chairman, I'd
12 like to call upon staff at this time, if I may and
13 Mr. Pryor to give any comments -- or Mr. Ogata?

14 STAFF COUNSEL OGATA: Good morning
15 Commissioners, I'm Jeff Ogata. I'm staff counsel
16 for the project and to my right is Mr. Pryor who
17 is the Project Manager.

18 First of all, we'd also like to thank La
19 Paloma for helping us out. They really did a great
20 job and our staff did work extremely hard and we
21 appreciate their comments.

22 I would like to comment on the
23 Committee's order. As Mr. Thompson pointed out,
24 staff and the Applicant jointly moved for
25 reopening of the record to have the final DOC put

1 into the record. And with respect to all the
2 errata proposed, the staff has no opposition to
3 any of those changes.

4 As Mr. Thompson pointed out, Mr. Pryor
5 has been very effective at protecting staff's
6 interests and with that in mind we have one
7 additional proposal that we'd like to make at this
8 time as a just, again, purely what we believe is a
9 clarification, just to ensure that everyone is
10 clear about what the decision does and I'll let
11 Mr. Pryor explain that.

12 PROJECT MANAGER PRYOR: Good morning,
13 Mr. Chairman, Members of the Commission, Mr. Boyd.
14 My name is Marc Pryor, I'm the Project Manager for
15 La Paloma.

16 Yesterday I sent you a memo, the
17 Committee a memo proposing that a sentence be
18 added to order five, page three of the PMPD. It's
19 a clarification, essentially that site preparation
20 be considered under the -- under site
21 construction. If I may read that into the record
22 now.

23 We would propose "all conditions in the
24 decision take effect immediately upon adoption and
25 apply to all construction and site preparation

1 activities, including but not limited to, ground
2 disturbance, site preparation, and permanent
3 structure construction."

4 COMMISSIONER LAURIE: Question, Mr.
5 Pryor.

6 PROJECT MANAGER PRYOR: Yes, sir.

7 COMMISSIONER LAURIE: Has site
8 preparation -- was site preparation one,
9 adequately defined, two, included in the project
10 description and three analyzed as part of the
11 project analysis?

12 PROJECT MANAGER PRYOR: Site preparation
13 in and of itself was not explicitly in the project
14 description. Staff considered it as part of
15 construction and in their analyses they took it
16 into consideration in their conditions. We
17 believe that it was addressed in all of our work,
18 not explicitly. That is the reason for this is to
19 bring it to the fore and say we believe this needs
20 to be clarified that we considered site
21 preparation as part of construction.

22 COMMISSIONER LAURIE: Your proposed
23 language states that the conditions are to go into
24 effect immediately, is that correct?

25 PROJECT MANAGER PRYOR: Immediately upon

1 adoption, yes, sir.

2 COMMISSIONER LAURIE: That's the law, is
3 it not?

4 PROJECT MANAGER PRYOR: Yes, sir, I'm
5 not an attorney, sir.

6 COMMISSIONER LAURIE: Mr. Ogata?

7 STAFF COUNSEL OGATA: Yes, we believe it
8 is, Commissioner Laurie. As we said, this is
9 purely a clarification. We believe that, as Mr.
10 Pryor indicated, that site preparation has always
11 been included in staff's analysis as part of
12 construction, but just to be as clear as possible
13 about any of these things, we wanted to add this
14 in and we would also, I assume, propose that this
15 be added to possibly every final decision, again,
16 just to ensure that everyone is clear about what
17 we mean by this.

18 But, yeah, you're right, if we believe
19 it is the law we're basically telling them to
20 abide by the law, which it seems like it's not
21 necessary to do, but to avoid any misunderstanding
22 we wanted to be sure these words were included.

23 COMMISSIONER LAURIE: Does staff have
24 any additional comments?

25 PROJECT MANAGER PRYOR: No, sir.

1 COMMISSIONER LAURIE: Mr. Chairman,
2 could I call upon either CURE as an intervenor or
3 any other parties to see if they have comments on
4 the proposed project at this time?

5 CHAIRMAN KEESE: Yes, I'd like to ask --
6 interject a question, does the Applicant have a
7 problem with this addition?

8 MR. THOMPSON: We do not. A very small
9 amount of --

10 CHAIRMAN KEESE: Clarification --

11 MR. THOMPSON: Right, a small amount of
12 background. This concerns underground pipes that
13 are presently on the site and when we think of
14 site preparation, at least in my experience, we
15 don't normally think of having to take out stuff
16 that's already there. So I believe that this
17 clarification on the part of staff was intended by
18 staff all the time and I think it would be
19 beneficial here and in other cases as well. And
20 we accept it and we will obey the law.

21 CHAIRMAN KEESE: Thank you. Let's hear
22 from intervenors.

23 Any intervenor care to comment on this
24 application?

25 Hearing none, Mr. Laurie do you have a--

1 COMMISSIONER LAURIE: Just one more
2 question, Mr. Thompson, are there any local
3 permits required for the site preparation work?

4 MR. THOMPSON: We have California
5 Department of Oil and Gas closure permits that we
6 need to obtain.

7 COMMISSIONER LAURIE: Mr. Chairman, I
8 would ask if any other member of the audience
9 other than intervenors wishes to comment on the
10 project at this time?

11 Seeing none, Mr. Chairman, I would just
12 offer a note of appreciation to our Hearing
13 Officer, Mr. Valkosky, who took care of everything
14 from lining up the -- making the arrangements for
15 court reporters to performing during the course of
16 the hearings to assist us in preparation of the
17 decision. We consider Mr. Valkosky's job to have
18 been done excellently well.

19 I'd also like to offer commendations to
20 Mr. Pryor and his staff for work well done. We
21 feel the Applicant performed in a proper,
22 sophisticated and professional manner. I think
23 this case also points out the importance of proper
24 site selection. As good as this project
25 proceeded, a good deal of the effort has to be

1 credited to simply a good site and I think we will
2 see the difference in various projects that will
3 come through the process.

4 Before I make a motion, I'd just ask --
5 like to ask Commissioner Rohy again if he has any
6 closing comments?

7 VICE CHAIRMAN ROHY: I won't repeat all
8 your excellent comments, because I agree with all
9 of them. And I know from our personal contact
10 with people in the town of McKittrick that they're
11 looking forward to this project, at least the ones
12 that I personally talked to in cafes and stores.
13 Let me correct it, the cafe and the store.

14 (Laughter.)

15 VICE CHAIRMAN ROHY: So I think that
16 again, the site selection was a key towards making
17 this process go smoothly. Thank you.

18 COMMISSIONER LAURIE: Thank you,
19 Commissioner Rohy.

20 Mr. Chairman, in that light I would
21 offer a motion to adopt the July 20th, 1999 PMPD
22 as modified by the September 30th order reopening
23 the evidentiary record and errataed to the PMPD,
24 as further modified by staff's proposal as put
25 forth today.

1 VICE CHAIRMAN ROHY: I'll second the
2 motion.

3 CHAIRMAN KEESE: We have a motion and a
4 second. Since we've already thanked everybody in
5 the audience, I'm not sure any other Commissioner
6 dare say anything.

7 (Laughter.)

8 CHAIRMAN KEESE: Commissioner Pernell.

9 COMMISSIONER PERNELL: I have no
10 comments, Mr. Chair.

11 CHAIRMAN KEESE: Any further comments
12 from the audience?

13 All in favor?

14 (Ayes.)

15 CHAIRMAN KEESE: Opposed?

16 Adopted five to nothing.

17 Congratulations.

18 CHAIRMAN KEESE: Item three, Otay Mesa
19 Generating Company Data Adequacy Recommendation.
20 Committee consideration of the Executive
21 Director's data adequacy recommendation for the
22 Otay Mesa Generating Project Application for
23 Certification. Mr. Smith.

24 ACTING EXECUTIVE DIRECTOR SMITH: Just a
25 brief comment. On the 29th of September I sent a

1 memo to you with an attachment listing the areas
2 required for data adequacy. Most of those were
3 complete. One was incomplete at that time and
4 that was air quality and I indicated in my
5 memorandum to you that we were awaiting a letter
6 from the air pollution control district.

7 That letter arrived on Friday. We sent
8 out a supplement to the memo on the 29th. That
9 supplement was dated October 1st and we're now
10 recommending that it be deemed data adequate.
11 I'll let staff comment further on this.

12 PROJECT MANAGER ALLEN: As Mr. Smith
13 said, the staff has completed its data adequacy
14 review of the Otay Mesa AFC originally submitted
15 on August 2nd, '99, the supplement submitted on
16 September 10th, 1999 and September 28th and the
17 district's October 1st, 1999 letter.

18 The staff has concluded that the AFC,
19 including the supplements and the letter now
20 contain all the information required by the
21 California Code of Regulations. Your packet
22 marked Addendum to Data Adequacy Recommendation
23 contains a revised check list for data adequacy
24 showing that each area is complete now.

25 Attachment B contains revised air

1 quality data adequacy sheets, indicating that that
2 area is now adequate. And finally attachment C is
3 the letter that arrived on October 1st from the
4 air district, saying that they regard the
5 application as complete.

6 CHAIRMAN KEESE: Thank you.

7 Do we have any -- do you care to make a
8 statement Mr. Thompson?

9 MR. THOMPSON: Let me be very brief, Mr.
10 Keese.

11 We appreciate the staff's efforts in
12 getting this to you for a decision today.
13 Normally we would like for you to have the letter
14 from the district and other information for a
15 longer period of time, but two things prompt us to
16 ask for your consideration today.

17 One is the fact that this project is
18 going to be located in San Diego, which is an area
19 that very much needs new capacity, and that will
20 be one of the things that we would like to explore
21 with the assigned Committee as soon as possible.

22 The second as my understanding is that
23 there may not be a meeting two weeks hence and so
24 we would very much like for your consideration of
25 the data adequacy today.

1 I would like to add that as soon as
2 possible after the data adequacy determination and
3 selection of an assigned Committee we would like
4 to have a workshop on three items. One is air.
5 As you all probably know that it's going to be a
6 novel or new approach to air offsets working with
7 the district and we think the sooner that we can
8 get the Energy Commission staff and the Committee
9 involved the better off we are.

10 The second is the need for capacity in
11 San Diego. We would like to solicit the views of
12 the ISO and your staff on whether or not the
13 anticipated 12-month schedule is sufficient or if
14 there are things that we should do to alter that
15 schedule.

16 And the third is a look at the
17 technology. We are proposing to use SCONOX. And
18 my suspicion is that the engineering staff will
19 have questions about how to demonstrate the SCONOX
20 technology. It will be sufficiently proof enough
21 for the project.

22 So, with that, I would ask that you
23 positively consider data adequacy today.

24 CHAIRMAN KEESE: Thank you. Do any
25 Commissioners, prior to asking for a comment from

1 the audience?

2 Do we have anybody in the audience who
3 cares to comment regarding this request for data
4 adequacy?

5 Hearing none, do I have a motion on this
6 issue?

7 COMMISSIONER LAURIE: I'll move for data
8 adequacy for the Otay Mesa Generating Project.

9 VICE CHAIRMAN ROHY: Second.

10 COMMISSIONER MOORE: Mr. Chairman?

11 CHAIRMAN KEESE: Motion and a second.
12 Commissioner Moore?

13 COMMISSIONER MOORE: On the motion, I'm
14 going to oppose the motion. I think that there is
15 ample evidence that staff is moving in many ways
16 to try and accommodate needs here outside what you
17 consider to be a good public process for review.

18 I'm sensitive, very sensitive,
19 especially considering the Sutter case and
20 potential for actually another case that Allan is
21 working on over in the Bay Area for delays at the
22 out end to the project developers.

23 But, on the other hand, it seems to me
24 that if what we're running here is an open, above
25 board and consistent public process, that in many

1 ways the items that were just referred to, for
2 instance, the reliance on SCONOX or the need to
3 have something -- and I'm quoting Allan now,
4 "novel," unquote in the air arena means that all
5 of that innovation, all of that inquiry in areas
6 that we haven't explored before takes place within
7 the one-year time period.

8 That means that when the pressure comes
9 to meet the time deadline it's on our nickel, and
10 I've been on the other end of that pressure, and I
11 don't want to go there again. I don't think
12 there's a responsibility on the part of this
13 Commission to speed things up in order to
14 accommodate novel or new procedures.

15 The one-year time period is constraining
16 enough and if you look at just in the most recent
17 cases, the examples of the difficulties that can
18 come in dealing with the air districts, trying to
19 get the permits, trying to get the DOC in time.
20 It seems to me that we need a better more rigorous
21 and consistent data adequacy process, and my
22 comments on that are well known.

23 Frankly, I do not consider the process
24 that we have today comprehensive. I certainly
25 don't consider it rigorous and I'm open to

1 debate -- I'm more than willing to go to debate on
2 that one, any time, any place.

3 So when we reach out and try and
4 artificially constrain the process and
5 simultaneously constrain what would be an open
6 public inquiry period, then I think we've
7 overstepped our bounds. And I think that this is
8 the case today, even if every piece of the
9 information was in that satisfied what will
10 undoubtedly be questions and concerns about the
11 approaches of the air district in the future.
12 Even if all that was in today, and it is not, then
13 it seems to me -- and if there was no public
14 comment at all, it seems to me we still have to
15 open the process for the opportunity for the
16 public to comment on this properly before we start
17 to lock ourselves in with the one-year period.

18 So with that, and I hope my comments
19 indicate that there is not a shred of prejudice
20 against this application or the Applicant, but
21 more desire to rein in and make consistent and
22 hopefully start bringing some rigor to our own
23 analytics, on that basis I will oppose the motion.

24 CHAIRMAN KEESE: Thank you, Commissioner
25 Moore.

1 For myself I generally feel that the
2 adoption of this data adequacy recommendation
3 starts the public process versus having --
4 considering anything prior to the acceptance, to
5 be part of the public process.

6 We have a motion and second, any further
7 comment here?

8 Comment from Mr. Thompson.

9 MR. THOMPSON: Thank you.

10 One of the constraints that we feel is
11 the participation of the staff in the formative
12 stages of these plans. And we asked the staff if
13 we could brief them on our air plans and have a
14 workshop on them and my understanding is that the
15 regulations prohibit that until data adequacy.
16 Then they can notice a proceeding and we can
17 really start the process.

18 We very much want the staff involved and
19 have been constrained up until now. So that would
20 be another reason that I would advocate that
21 adequacy today.

22 CHAIRMAN KEESE: Thank you.

23 Any comment from any member of the
24 public?

25 Hearing none, all in favor of the

1 recommendation to accept data adequacy?

2 (Ayes.)

3 CHAIRMAN KEESE: Opposed?

4 (No.)

5 CHAIRMAN KEESE: Adopted, four to
6 nothing.

7 COMMISSIONER MOORE: Four to one --

8 CHAIRMAN KEESE: Four to one, sorry.

9 (Laughter.)

10 CHAIRMAN KEESE: Four to a very firm
11 one.

12 COMMISSIONER LAURIE: I'd just like to
13 note that as the Siting Committee moves into an
14 analysis of issues with the Siting Division, this
15 winter, data adequacy will be included among those
16 issues to be discussed in an OIR.

17 CHAIRMAN KEESE: Thank you.

18 Commissioner Rohy.

19 VICE CHAIRMAN ROHY: I'd like to comment
20 on a meeting that will be held later this month.
21 We have our peer conference on October 25 through
22 27 in San Diego. On the 28th we will have a
23 meeting on the emission characteristics of
24 different prime movers and different technologies.
25 It will be a public meeting. There will be no fee

1 charged. It will be at the, I believe, the Hilton
2 Hotel -- Hyatt. It's on Mission Bay, someone can
3 help you. Hilton, Hyatt always mixes me up, but
4 we will have speakers in there.

5 No power plant case will be discussed.
6 It will only be a technology meeting, so it will
7 be an opportunity to talk about some of these
8 technologies and their status.

9 EX-OFFICIO MEMBER BOYD: Mr. Chairman?

10 CHAIRMAN KEESE: Mr. Boyd.

11 EX-OFFICIO MEMBER BOYD: I feel a little
12 bit compelled to make a comment here. As a non-
13 voting member I chose not to say anything during
14 the discussion on the motion, but I don't have the
15 background that some of you have on Commissioner
16 Moore's concerns and so I'm a little concerned and
17 curious. And as a former airhead, I guess I'm
18 particularly concerned about the, you know, the
19 air quality aspects of this being problematic.

20 So I will be following this a little
21 more closely than I might normally some other
22 issues. I was operating on the assumption that
23 since I didn't see anything in the record -- since
24 the local district had said data was adequate and
25 secondly I didn't see any grievances from the Air

1 Resources Board that perhaps this was going in the
2 right direction.

3 I must confess that this use of offsets
4 is extremely novel and I'm dying of curiosity to
5 see the application, but that didn't influence me
6 against the project. So, just for the record and
7 so you know, I am concerned about Commissioner
8 Moore's comments and would like to see that this
9 gets rectified and hopefully the air issues don't
10 mess up the very short one-year timeframe. But by
11 the same token this is a novel arena and we'll
12 follow it reasonably closely.

13 CHAIRMAN KEESE: Thank you, Mr. Boyd.

14 ACTING EXECUTIVE DIRECTOR SMITH: Just a
15 brief comment.

16 CHAIRMAN KEESE: Mr. Smith.

17 ACTING EXECUTIVE DIRECTOR SMITH: The
18 communication we received from the air district, I
19 think also acknowledges that this is going to be
20 the subject of further hearings and review by the
21 air district. In their second paragraph they say
22 that the completeness determination therefore
23 commences a 180-day period available to the
24 district to take action on the application for
25 authority to construct.

1 So there will be a public process
2 dealing within that region with the air quality
3 issues in addition to our process.

4 CHAIRMAN KEESE: Thank you, Mr. Smith.
5 I do want to say, I share the feelings around
6 here. I am very concerned that the issues being
7 -- that are important and I would have applied the
8 same word as Mr. Boyd did, that this is a novel
9 approach. But I believe that these discussions
10 should take place in an open forum after the open
11 process has been started.

12 So I look forward to Commissioner
13 Laurie's work in this area to make sure that we
14 can focus on these things in a process that allows
15 everybody notice and ability to participate.

16 Mr. Thompson, you wanted to say
17 something?

18 MR. THOMPSON: Thank you, very much.

19 We have been meeting extensively with
20 EPA, CARB and the district and have really been
21 constrained mostly with meeting with your staff,
22 and we can now meet fully with your staff, but let
23 me respectfully suggest that if there is a way to
24 get around those noticing requirements so that we
25 can involve your staff at an earlier stage, I

1 think that that would be beneficial to all.

2 CHAIRMAN KEESE: And I would be
3 supportive of that as long as it's an open
4 process. We have to -- we don't want to -- I
5 don't believe that deals should be cut before we
6 have the filing. That would be my concern in this
7 area.

8 Any further comment on this issue?

9 COMMISSIONER PERNELL: Mr. Chairman, let
10 me jump in here for a minute.

11 CHAIRMAN KEESE: Commissioner Pernell.

12 COMMISSIONER PERNELL: I too understand
13 Commissioner Moore's concern, but I would have to
14 say that from the limited time I've been here and
15 dealing with this issue with the siting process,
16 the staff has been very professional in what
17 they're doing and I think they've held the
18 Applicant to a rigorous standard. I expect that
19 to continue, so although we're concerned with some
20 of the air issues, and I understand there might be
21 some other issues there with water contamination,
22 I have the utmost confidence in staff that they
23 will either make sure that the Applicant mitigates
24 this or the process won't be going forward.

25 CHAIRMAN KEESE: Thank you.

1 Item four, Committee Assignment for the
2 Otay Mesa Generating Project. Possible approval
3 of a Committee for the Otay Mesa Generating
4 Project Application for Certification proceeding.

5 I will nominate Commissioner Rohy to be
6 lead on the Otay Mesa Project and Commissioner
7 Laurie to be second on the process.

8 COMMISSIONER MOORE: Second.

9 CHAIRMAN KEESE: Motion and second. Any
10 discussion?

11 All in favor?

12 (Ayes.)

13 CHAIRMAN KEESE: Opposed?

14 Adopted five to nothing. Thank you.

15 You have a Committee to work with.

16 MR. THOMPSON: Mr. Assigned Commissioner
17 and Mr. Second Commissioner we look forward to
18 working with you again. Thank you very much.

19 CHAIRMAN KEESE: Thank you.

20 Item five, Energy in Agriculture
21 Program. Possible approval of energy efficiency
22 loans to dairies totaling up to \$141,000. These
23 dairy loans are for the purchase and installation
24 of adjustable speed drive vacuum and milk pump
25 systems and a high efficiency ventilation system.

1 MS. BOYNTON: Good morning.

2 CHAIRMAN KEESE: Good morning again.

3 MS. BOYNTON: I'm Elizabeth Boynton from
4 the Energy Efficiency Division.

5 CHAIRMAN KEESE: Thank you, Elizabeth.
6 I did note that we had a budgeted amount that we
7 were going to be spending in the agricultural
8 program, and that was approximately?

9 MS. BOYNTON: For this program?

10 CHAIRMAN KEESE: Yes.

11 MS. BOYNTON: \$803,000.

12 CHAIRMAN KEESE: And this is another
13 \$141,000 of that?

14 MS. BOYNTON: Actually, it has been
15 changed to \$115,738 for these three loans.

16 CHAIRMAN KEESE: So we have a different
17 resolution than is before us?

18 MS. BOYNTON: No, the resolution is
19 correct. The notice that went into the agenda had
20 a up to figure.

21 CHAIRMAN KEESE: Okay.

22 MS. BOYNTON: And we had reduced that
23 from four loans to three loans today.

24 CHAIRMAN KEESE: Okay. So the
25 recommendation is for \$115,738. Is there anybody

1 who cares to hear details of our fifth milk
2 project?

3 COMMISSIONER MOORE: We almost never let
4 Elizabeth say anything, we almost never let her
5 say anything.

6 (Laughter.)

7 CHAIRMAN KEESE: Is there anything
8 special you'd like to say to us?

9 MS. BOYNTON: No, not at this time, if
10 they don't need it.

11 CHAIRMAN KEESE: Do we have a motion?

12 COMMISSIONER MOORE: Moved.

13 COMMISSIONER PERNELL: Second.

14 CHAIRMAN KEESE: Motion and a second.

15 Any comment?

16 All in favor?

17 (Ayes.)

18 CHAIRMAN KEESE: Opposed?

19 You've got your project.

20 MS. BOYNTON: Thank you.

21 VICE CHAIRMAN ROHY: Mr. Chairman, I'd
22 like to add that I believe that's a confidence in
23 the Commission that we are voting with the limited
24 amount of presentation by staff.

25 CHAIRMAN KEESE: I concur with you --

1 Dr. Rohy and I also would note that it's probably
2 because the Members of the Commission have read
3 the materials.

4 Item Six, Reconciliation of Retailer
5 Claims, 1998 Report. Possible approval of the SB
6 1305 report, "Reconciliation of Retailer Claims
7 1998," which requires the Energy Commission to
8 annually prepare and submit a report to the
9 California Public Utilities Commission about
10 retail power source claims made to consumers. The
11 Draft Report is available via the Commission's web
12 site or by contacting Bob Grow.

13 COMMISSIONER MOORE: Mr. Chairman.

14 PANEL CHAIR COLLIER: Commissioner
15 Moore.

16 COMMISSIONER MOORE: This has come to us
17 via the Ad Hoc Information Committee. It's one of
18 our last products prior to going out of business,
19 as it were, at the end of this year. One of the
20 things that we were set up to try and construct,
21 and we've been through several iterations of the
22 report to try and get it to a point where we were
23 satisfied, Dr. Rohy and myself, that this met the
24 needs of the legislation and also would meet our
25 needs in terms of moving us further towards a

1 regional tracking system of some kind that we
2 could -- that would be verifiable in and of itself
3 in the future.

4 It's been a growth experience trying to
5 understand what could and could not be considered
6 an audit. We went down, perhaps, a trail that
7 with more information we wouldn't have gone down,
8 but in the end I think the product is going to be
9 utilizable and provide us a platform for taking
10 the next step, which is going to be far simpler
11 than the last step. And with that, I might just
12 ask Cheri Davis to amplify on the report itself.

13 PROJECT MANAGER DAVIS: So would you
14 like a summary of the report?

15 COMMISSIONER MOORE: Just a summary, I
16 think, is fine.

17 PROJECT MANAGER DAVIS: Okay. The
18 purpose of Senate Bill 1305 was to ensure that
19 retail suppliers of electricity disclosed to
20 consumers accurate, reliable and simple-to-
21 understand information on the sources of energy
22 that are used to provide electricity services.
23 Toward that end the law requires retail suppliers
24 of electricity to disclose fuel source information
25 to consumers about the electricity being sold,

1 using a format developed by the Energy Commission,
2 and that format has come to be called the Power
3 Content Label.

4 The law allows for the Energy Commission
5 to obtain information from retail suppliers and
6 from generators through system operators,
7 permitting some verification of the information
8 disclosed to consumers and, as Commissioner Moore
9 has said, we hope that certificates will also help
10 with this.

11 Specifically, all retail suppliers of
12 electricity that make claims differentiating their
13 power mix as different from the California system
14 mix are required to submit to the Energy
15 Commission detailed information about their power
16 purchases and sales, using a format that we call
17 the Annual Retail Supply Report.

18 At the same time, the law provides for
19 the Energy Commission to obtain generation and
20 fuel source information, at least for California
21 generators, for the dual purposes of verifying
22 information disclosed to consumers and for
23 calculating net system power for the California
24 power mix.

25 Using this detailed information from

1 retail suppliers and generators, the Energy
2 Commission is then required to produce this
3 report, which we used to call the comparison
4 report and we've now titled reconciliation of
5 retailer claims for 1998. And this report does
6 compare information that's been disclosed to
7 consumers with information that we receive from
8 the retail suppliers and information that we
9 receive from generators.

10 The Energy Commission received Annual
11 Retail Supplier reports from seven different
12 companies which collectively claimed specific
13 purchases from 26 generating facilities. The
14 companies that submitted reports to us were Clean
15 and Green, Edison Source, Green Mountain.Com,
16 Keystone Energy Services, PG&E Energy Services,
17 SMUD and the Automated Power Exchange. The
18 Automated Power Exchange is not a retail supplier
19 but they are crucial to -- they are a renewable
20 pool and information on the Automated Power
21 Exchange is crucial to validating the claims from
22 some of the other retail suppliers.

23 In order to prepare this report properly
24 it was necessary to gather generation data for all
25 26 of the generating facilities that were claimed

1 by the seven retail suppliers. Though information
2 from generators reporting to the Energy Commission
3 under SB 1305 was not available for the full 1998
4 calendar year, Energy Commission staff were able
5 to piece together information from the Energy and
6 Information Administration and the Renewable
7 Technology Program to gather a complete data set.

8 Once these data were found, the
9 comparison of retailer claims of generation data
10 was relatively simple because there were few
11 sources to be compared. Retailers claimed
12 specific purchases totally 350 gigawatt hours from
13 generators that generated in excess of 4,300
14 gigawatt hours. So it was easy for staff to check
15 to ensure that retail claims for a given generator
16 were less than or equal to the amount of
17 generation reported by that generator.

18 For all generators for which the Energy
19 Commission staff were able to obtain generator
20 specific data, the generation far exceeded the
21 claims. So, given the information available, all
22 companies reporting to the Energy Commission
23 appeared to have purchased sufficient amounts of
24 power and in many cases more power than what was
25 required to meet their claims to consumers.

1 As Commissioner Moore mentioned, another
2 vehicle we have for validating the retailer claims
3 is the mandatory audit. According to the
4 regulations all retail suppliers that submit an
5 annual retail supply report are required to
6 undergo an independent auditing process to verify
7 both their claims of specific purchases and their
8 retail sales. This year the Energy Commission
9 worked for the Center for Resource Solutions, a
10 non-profit organization that oversees the Green E
11 Electricity Product Certification Program to
12 develop a set of auditing procedures.

13 All but one of the seven companies
14 reporting to the Energy Commission sell Green E
15 certified products and were required to undergo an
16 independent audit as part of their certification.
17 Because the information to be verified for the
18 Green E Program was similar to the information we
19 needed to be verified, it made sense for us to
20 work together and to develop an audit protocol
21 that would work for both programs.

22 The Energy Commission has since learned
23 that actual "audits", audits in quotes, of the
24 type of information involved are prohibitively
25 expensive. The Green E Program relaxed their

1 requirements and allowed retail suppliers to
2 provide verification of their purchases and sales
3 using a slightly different verification standard.

4 The Green E Program subsequently
5 received positive verification reports for all of
6 their participating companies and submitted a
7 formal request to the Energy Commission that we
8 accept the verification reports for purposes of
9 our program. The Green E reports appear to be
10 sufficient and since they also represent the most
11 practical way to conduct the mandated comparison,
12 the Energy Commission agreed to accept the Green E
13 reports for 1998. And the one company that was
14 not Green E certified was able to provide Energy
15 Commission staff with sufficient information to do
16 the verification ourselves.

17 We will be working with
18 PriceWaterhouseCoopers to develop an audit
19 protocol or a verification protocol in the future
20 that will be more simple and more standardized.

21 So that concludes my summary of the
22 report and staff requests that the Energy
23 Commission adopt the report titled, Reconciliation
24 of Retailer Claims, 1998, so that it may be
25 forwarded to the CPUC.

1 CHAIRMAN KEESE: Thank you. This is the
2 first report we're doing on this subject?

3 PROJECT MANAGER DAVIS: Yes.

4 CHAIRMAN KEESE: And we audit generator
5 information? Was most of that from California?
6 Is this mostly California generated?

7 PROJECT MANAGER DAVIS: Most of it is,
8 but in this case because we were able to rely on
9 Energy Information Administration data, which is
10 nationwide, we were able to check on generators
11 outside of California as well. Not all the
12 generators claimed were located in California.

13 CHAIRMAN KEESE: Okay, and are we going
14 to be auditing whether, for instance, a generator
15 in Nevada would be overselling by, you know,
16 selling 50 percent of their generation in
17 California and 50 percent in Oregon and 50 percent
18 in Washington?

19 COMMISSIONER MOORE: You're double
20 counting.

21 PROJECT MANAGER DAVIS: This report does
22 not allow for that kind of information. However,
23 if we are able to develop a regional tracking
24 system, then that's the kind of system that will
25 turn up that kind of discrepancy.

1 CHAIRMAN KEESE: Thank you. We've
2 received the report and we have the recommendation
3 of the Committee.

4 COMMISSIONER MOORE: Mr. Chairman, I'm
5 pleased to move for approval of the report and to
6 tell you that we'll continue to monitor this after
7 the Ad Hoc Information Committee ceases to exist.
8 The report and the responsibility for it is
9 intended to move to the Renewables Committee where
10 it will be overseen there.

11 CHAIRMAN KEESE: Thank you.

12 VICE CHAIRMAN ROHY: Second the motion.

13 CHAIRMAN KEESE: We have a motion and a
14 second.

15 COMMISSIONER PERNELL: Mr. Chairman.

16 CHAIRMAN KEESE: Commissioner Pernell.

17 COMMISSIONER PERNELL: You mentioned a
18 standard that we will be looking towards in the
19 future in terms of how to track this information?

20 PROJECT MANAGER DAVIS: I referred to a
21 standard for a verification process that could be
22 conducted by auditors.

23 COMMISSIONER PERNELL: Would that be a
24 regional standard as well?

25 PROJECT MANAGER DAVIS: The standard

1 would be voluntary. It requires -- our
2 regulations require that all retailer suppliers
3 undergo this independent verification process.
4 Right now we call it an independent audit, but we
5 would like to change that terminology. And we are
6 trying to develop a standard set of instructions
7 that will allow auditors to easily step in and
8 verify these types of information so that the
9 reports that we receive from auditors are
10 standardized. And we will not be requiring the
11 auditors to follow those sets of procedures that
12 we develop, but we think that in most cases the
13 auditors will be willing to do that.

14 And so that set of procedures will apply
15 to all retail suppliers that submit an annual
16 retail supplier report to us.

17 COMMISSIONER PERNELL: Okay, my mistake.
18 I thought you were talking about an administrative
19 standard versus a standard questionnaire, I guess.

20 PROJECT MANAGER DAVIS: Right.

21 COMMISSIONER PERNELL: Thank you, Mr.
22 Chairman.

23 CHAIRMAN KEESE: Any further comment
24 from the Commissioners?

25 Anybody in the audience care to comment

1 on this issue?

2 We have a motion and a second. All in
3 favor of adoption?

4 (Ayes.)

5 CHAIRMAN KEESE: Opposed?

6 Adopted five to nothing. Thank you.

7 Agenda Item Seven, Emerging Renewables
8 Resources Account Guidelines. Possible approval
9 of a proposed change to the Guidebook for the
10 Renewable Technology Program, Volume 3, Emerging
11 Renewables Resource Account. The proposed change
12 would allow PV concentrator modules successfully
13 tested and listed by Underwriters Laboratories or
14 other accredited testing laboratory to be
15 eligible.

16 When we adopted these guidelines we
17 suggested that proposals for amendments should
18 come from the Committee. Commissioner Moore.

19 COMMISSIONER MOORE: Yes, Mr. Chairman,
20 we have had a process ever since we started the
21 renewables of being in update mode constantly, at
22 least open to it, where we continually go back and
23 review our own performance and review how the
24 guidelines are working within the context of the
25 market.

1 We have, on occasion, held workshops
2 open to the public where we entertain comments to
3 try and find out whether or not we are adequately
4 serving the need. Or we have asked staff to
5 report back where they've seen difficulties in
6 administering the program, take those suggestions
7 under advisement and, as I said, continuously try
8 to fine tune the program so as to keep it workable
9 and keep it affordable for the people who are
10 participating.

11 This is a case of what amounts to a
12 minor change in the guidelines but one which will
13 probably bring some long-term benefit. When we
14 proposed this we had a counter proposal come to us
15 from PV International asking a change in the
16 sunset for the one-year reliability option change
17 that would push it out a year.

18 On reflection, it looks as though -- and
19 I'll ask Mr. Herrera to comment on that, but on
20 reflection it looks as though it's not needed and,
21 in fact, we can go ahead with the minor change
22 that we're proposing and still accommodate this
23 should it become necessary in the future.

24 But let me ask for just very brief
25 comments from Sandy about the nature of the change

1 that we're proposing and then ask Gabe to comment
2 on the letter that came in to us. This comes to
3 you as a recommendation from the Committee
4 following our deliberations. Sandy.

5 ACCOUNT MANAGER MILLER: Thank you,
6 Commissioner. My name is Sanford Miller. I'm the
7 account manager for the buy-down program.

8 We have this change for PV concentrator
9 modules. The guidebooks as presently written
10 require for this type of technology a one-year
11 reliability period in operation in order to
12 qualify them for the program.

13 The change that we're proposing would
14 allow a successful testing of this technology by
15 an accredited institution such as Underwriters
16 Laboratory to be eligible for the program. So in
17 the process we have proposed a sunset date for the
18 reliability operation option and we initially put
19 in the December 31st, 1999 option. Commissioner
20 Moore discussed the PVI's proposal to extend that
21 date out to 2000.

22 So staff has no objections to this
23 proposed change. So, I'll let Gabe take over from
24 here.

25 MR. HERRERA: Gabe Herrera with the

1 Legal Office. Just to remind the Commission, at
2 the September 8th Business Meeting staff came
3 forward with a set of changes to the emerging
4 account guidelines. One of those changes dealt
5 with the change we're dealing with today, dealing
6 with the options for having equipment certified
7 and becoming eligible to participate in the
8 emerging account.

9 Based upon feedback we got from
10 stakeholders we decided to pull this portion of
11 those changes from the September 8th Business
12 Meeting. And based on subsequent comments,
13 including PVI, we've decided to modify that.

14 Now according to the guidelines the
15 Commission adopted last year, changes can be
16 either substantive or nonsubstantive.
17 Nonsubstantive changes can be implemented upon the
18 Renewable Committee's recommendations.
19 Substantive changes require approval by the
20 Commission.

21 What we have here is a situation where
22 we're extending the sunset date on the one-year
23 reliability option. In my view that would be
24 nonsubstantive in nature. So, for that reason I
25 don't think it's necessary for this item to be

1 renoticed and brought back before the Commission.
2 It would be proper for us to make these changes
3 now.

4 COMMISSIONER MOORE: Thank you. Any of
5 us are open for questions.

6 CHAIRMAN KEESE: Let me just clarify,
7 Commissioner Moore. I have an attachment here,
8 the revised proposed page seven. And do I
9 understand that we're adopting it with the date in
10 the fifth from the last line being changed to
11 December 31st, 2000?

12 ACCOUNT MANAGER MILLER: Yes, that's
13 correct.

14 CHAIRMAN KEESE: Okay.

15 COMMISSIONER MOORE: So move.

16 CHAIRMAN KEESE: Motion.

17 COMMISSIONER PERNELL: Second.

18 CHAIRMAN KEESE: Motion and a second.

19 Any further comment up here?

20 Any comment from anybody in the
21 audience?

22 All in favor?

23 (Ayes.)

24 CHAIRMAN KEESE: Opposed?

25 Adopted five to nothing. Thank you.

1 That brings us to Item Eight, LD Bond
2 and Associates. Possible approval of Contract
3 700-98-003, Amendment 3 for \$12,500 for an expert
4 witness to provide assistance to staff in
5 evaluating groundwater impacts from the proposed
6 project -- from a proposed project somewhere.

7 Good morning.

8 COMMISSIONER LAURIE: I see nobody from
9 Siting Division.

10 MR. BROWNELL: I'm here, Jim Brownell

11 COMMISSIONER LAURIE: Oh, there we are,
12 thank you.

13 MR. BROWNELL: I supervise the Biology,
14 Water and Soil Resources Unit within the Siting
15 and Environmental Division.

16 Item Number 8 is an amendment, the third
17 amendment to expert witness contract for
18 groundwater evaluation. It started with the La
19 Paloma and High Desert projects and there is
20 continuing work needed on the High Desert project
21 that requires additional funding for us to
22 continue the analysis.

23 COMMISSIONER LAURIE: Mr. Chairman, I
24 move the recommendation.

25 VICE CHAIRMAN ROHY: I'll second the

1 motion.

2 CHAIRMAN KEESE: Motion and a second.
3 All right, Commissioner Moore.

4 COMMISSIONER MOORE: I have a question
5 before we vote on the motion and that is is this
6 now the third amendment.

7 CHAIRMAN KEESE: Yes, it is.

8 COMMISSIONER MOORE: And so clearly
9 we're putting a fair amount of money into getting
10 this analysis. If you backcast, look back to the
11 front end of this project, if you had perfect
12 vision, would you be able to say that the changes
13 that we've undergone and the complexity that's
14 involved continuing inquiry in this, is a result
15 of the complexity of the project that just keeps
16 getting more and more detail that's needed for
17 analysis, or did we misread the project at the
18 front end, did we misdefine it so that we couldn't
19 define what the needs would be?

20 MR. BROWNELL: The original contract was
21 for the expert witness on the groundwater matter.
22 We did not understand the full complexities that
23 we were getting into in the High Desert Project.
24 It has been an evolving project in terms of water
25 usage and the issues related to the groundwater

1 use and recharge.

2 So it is very much, as you characterized
3 this as a particular project that has taken on
4 issues of its own during the siting process.

5 COMMISSIONER MOORE: Well, I guess that
6 brings me to my second question, and that would
7 be, if, in the process of scoping this project at
8 the front end, the process that we would go
9 through when we're determining what a project
10 makeup is, the kind of resources that we're going
11 to have to throw at it in order to accommodate our
12 timelines, for instance, could we have anticipated
13 some of these needs by a different kind of scoping
14 or a different type of front end analysis, whether
15 that's data adequacy or not, I don't know.

16 But was there room now, as you backcast,
17 to have a different analytic technique that would
18 have anticipated some of these demands?

19 MR. BROWNELL: Based upon several years'
20 experience here on the siting cases, I do not
21 think that would have been possible in this
22 instance. This is an issue that's developed
23 during this particular project and it's required a
24 lot more expert analysis time and changes in the
25 proposal in the models that are being used and so

1 forth that were not anticipated initially.

2 COMMISSIONER MOORE: So there's no
3 definition of the project. And you've suggested
4 that this project was more complex than, perhaps,
5 we anticipated. There was no set of questions
6 that might have revealed that complexity up front?
7 There was no definition of the project that would
8 have led us to a greater understanding and a
9 greater forecast of our personnel needs at the
10 front end?

11 MR. BROWNELL: I don't think so. It's
12 just one of those things that you get into a
13 siting project and issues come up that aren't
14 anticipated and the complexities of those issues
15 have to get resolved and they take time to do it.

16 COMMISSIONER MOORE: Thank you.

17 CHAIRMAN KEESE: Thank you.

18 Commissioner Pernell.

19 COMMISSIONER PERNELL: This is just a
20 matter of clarification I guess for me -- the
21 contractor LD Bond and Associates, I'm assuming
22 that's not a bonding agency but that's --

23 MR. BROWNELL: That's a correct
24 assumption. Linda Bond is a hydrologist with
25 about 15 years experience in this area and she has

1 her own company which is called LD Bond and
2 Associates.

3 COMMISSIONER PERNELL: The other
4 question that I just recognized on page four is
5 that this is a sole source contract, and can you
6 elaborate on that as to why we went --

7 MR. BROWNELL: I can't go real far on
8 this. This is an expert witness contract, which
9 is different than a sole source contract and I
10 really would ask somebody from the contracts to
11 get into the details of that difference.

12 CHAIRMAN KEESE: Mr. Smith may be able
13 to help us out here.

14 MR. SMITH: Yeah, I'd just comment that
15 under the rules for contracting, the agency is
16 permitted to enter into expert witness contracts.
17 That's an exception to the approval process for
18 sole source, so we have the authority to approve
19 this ourselves.

20 COMMISSIONER PERNELL: Okay. I just see
21 sole source. Probably it would be helpful if we
22 just put expert witness.

23 CHAIRMAN KEESE: Thank you, Commissioner
24 Pernell.

25 EX-OFFICIO MEMBER BOYD: Mr. Chairman, I

1 have an extension of Commissioner Moore's
2 questions. Are we gaining some insight and
3 information from this experience that will help in
4 the future with regard to forecasting rather than
5 backcasting, forecasting these kinds of needs on
6 future needs on future siting cases, or is this
7 just so unique that we wouldn't know if an
8 equivalent example would come along in the future?

9 MR. BROWNELL: I would say that the
10 water issues related to siting of power plants,
11 when they aren't by conventional district proving
12 water through normal water service, are likely to
13 get into substantial questions as to the water
14 source and what happens. Particularly if
15 groundwater is bumped, I think almost every one of
16 the siting projects we've had recently that have
17 required bumping of groundwater there have been
18 substantial issues raised during the project of
19 impacts upon agriculture and in this case impacts
20 on riparian zones along the Mojave River that are
21 very difficult to fully see at the time that
22 you've reviewing the initial data.

23 CHAIRMAN KEESE: Thank you.

24 I would trust that staff is getting
25 experience and with every case we'll be better

1 able to handle the next case.

2 We have a motion and a second. All in
3 favor?

4 (Ayes.)

5 CHAIRMAN KEESE: Opposed.

6 Adopted five to nothing. Thank you.

7 Item Nine, Rand Corporation. Possible
8 approval of Contract 400-99-006 for \$99,832 to
9 conduct a study to address the questions of
10 whether the efficiency program is justified in the
11 new deregulated environment and whether potential
12 benefits justify future efficiency efforts.

13 COMMISSIONER LAURIE: Mr. Chairman, if I
14 may.

15 CHAIRMAN KEESE: Commissioner Laurie.

16 COMMISSIONER LAURIE: As the Commission
17 is aware the Commission has been mandated by the
18 Legislature to submit a report by December 31,
19 1999 responding to a number of questions relating
20 to the public energy efficiency program currently
21 under the jurisdiction of the Public Utilities
22 Commission.

23 As part of that reporting requirement,
24 we have been directed to have an independent
25 review of the need for such a program. It is our

1 interpretation of the appropriate legislation that
2 that independent review is to be conducted
3 concurrently with the submittal of our report.

4 It is the view of the Energy Efficiency
5 Committee that, especially given the time
6 constraints in doing this report, that the most
7 available, the best expertise for this matter
8 would be in the hands of Rand, thus the foundation
9 for this proposal. Mr. Sugar can elaborate.

10 MR. SUGAR: Thank you, Commissioner.

11 COMMISSIONER LAURIE: By the way, I'd
12 like to introduce John Sugar as the manager of the
13 team responsible for the report. You are
14 responsible for the report, are you not, Mr.
15 Sugar?

16 MR. SUGAR: I am.

17 COMMISSIONER LAURIE: Thank you.

18 MR. SUGAR: In the budget trailer bill,
19 just as a bit of background, the Legislature
20 directed the Energy Commission to provide two
21 reports on the Public Goods Charge Energy
22 Efficiency Program and these are due January 1 of
23 2000.

24 The first report is a transition plan
25 which would discuss how the Energy Commission

1 would transfer this program from the Public
2 Utilities Commission to the Energy Commission.

3 The second report is an operation plan
4 recommending the administrative structure that the
5 Commission would prefer to use for the program.

6 The operational plan report is also to
7 address the issue of the amount of future funding
8 that's appropriate for the program when the
9 current legislatively directed minimums end at the
10 beginning of the year 2002.

11 In his veto message Governor Davis noted
12 that the legislation assumes continuation of the
13 program. He directed the Commission to address
14 the issue of whether the program is needed. He
15 further directed that there be an independent
16 review to ensure that the study is valid and based
17 on performance measure.

18 The staff and Committee have discussed
19 at length what would constitute an independent
20 review and what options we have to ensure that a
21 review is independent. We are proposing to
22 contract with the Rand Corporation to study the
23 issue of the value of improving energy efficiency
24 and the public benefits that these energy
25 efficiency programs can provide in the future.

1 We're proposing this as a sole source
2 contract because of the time constraints we face.
3 The reports to the Legislature are due at the
4 beginning of the year. Given that this study
5 basically underpins the decision as to whether the
6 programs should continue in the first place, it
7 should be complete either at the beginning of the
8 year or very shortly afterwards so that it could
9 be included in the administration's discussions
10 and in the legislative considerations.

11 We are recommending Rand for this work
12 for three reasons. The first is that Rand is
13 independent of the Public Goods Charge Program,
14 the efficiency program. They are not involved in
15 the program, they receive no income from the
16 program.

17 Second, Rand is staffing the independent
18 panel that is reviewing the peer program. From
19 that work, the Rand staff are familiar with the
20 issues related to public goods and the Public
21 Goods Charge Program in the state.

22 The third consideration is that Rand
23 personnel have experience in the field of
24 estimating impacts and benefits of energy
25 efficiency programs. They've done this at the

1 national level. They are proposing to do this
2 looking at the California economy.

3 The contractor will assess the economic
4 benefits of past efficiency efforts in California.
5 They will estimate the economic value of
6 efficiency improvements that the state has
7 experienced. They will then evaluate factors
8 which are leading to a natural decline in the
9 efficiency of energy use. They'll estimate the
10 public benefits to California's economy of
11 maintaining and improving energy efficiency.

12 Staff recommends that the Commission
13 approve the contract.

14 COMMISSIONER LAURIE: Mr. Sugar --

15 CHAIRMAN KEESE: Thank you, we have
16 Commissioner Laurie.

17 COMMISSIONER LAURIE: Mr. Sugar, is it
18 your belief that the work program as outlined in
19 this agreement would satisfy the language as
20 provided by the Governor?

21 MR. SUGAR: Yes.

22 COMMISSIONER LAURIE: And what is it
23 that leads you to that belief?

24 MR. SUGAR: We have spoken with
25 representatives of the Department of Finance who

1 seem to be familiar with the administration's
2 interest in this area. While they're not in a
3 position to give any kind of a, you know,
4 definitive answer, they seem to believe this meets
5 the needs.

6 COMMISSIONER LAURIE: I'm sorry, I
7 didn't mean to interrupt, have you -- well, of
8 course I did.

9 (Laughter.)

10 COMMISSIONER LAURIE: But let me
11 apologize for doing so. Have you passed a draft
12 of the work program through the Department of
13 Finance?

14 MR. SUGAR: Yes, we did.

15 COMMISSIONER LAURIE: And has there been
16 any response to that?

17 MR. SUGAR: No, there hasn't. They said
18 if they had substantial questions they would call
19 back.

20 COMMISSIONER LAURIE: Thank you, sir.
21 Thank you, Mr. Chairman.

22 CHAIRMAN KEESE: Thank you. I have a
23 process question -- Commissioner Pernell, do you
24 have --

25 COMMISSIONER PERNELL: Yes, I have. Mr.

1 Sugar, first of all let me say that I do agree
2 with the contract with Rand. They are familiar,
3 they are very credible and I don't have a problem
4 with the sole source on the contract to Rand.

5 I do have some questions on the process
6 and the work plan and I'm looking at "I" on the
7 second, back of the first page, where it talks
8 about doing a draft report to the Governor and the
9 Legislature.

10 I have some questions on that, as well
11 as on Exhibit A, where it talks about doing a
12 draft and a final report directly to the
13 Governor's Office and the Legislature. And the
14 reason I bring this up is, first of all I don't
15 know that we need to be doing a draft report to
16 the Legislature. If we're going to do a report,
17 then we should do a report.

18 But, more importantly, I'm a little bit
19 uncomfortable with doing a report to the
20 Legislature and not having it go through, not
21 necessarily a review, but the fact that someone in
22 this agency and surely someone in the Resource
23 Agency, mainly the Secretary, should see the
24 report, not necessarily to change it, but at least
25 know what's in it in case there's some questions

1 from the Governor's Office.

2 So my concern and maybe my question to
3 you is, the definition of independence in my mind
4 means that as long as we don't infer with the
5 report, then the report is independent. But to
6 the extent that we are contracting with an agency
7 to do a deliverable to the Governor's Office that
8 we know nothing about, I'm a little bit
9 uncomfortable with that, and I would suggest that
10 the work statement be changed to at least allow
11 the Commission and certainly the Resource Agency
12 to review this report. And I'm not advocating
13 changing it or any of that, but certainly we need
14 to see it before it gets to the Governor's Office.
15 And that's my personal feeling there.

16 COMMISSIONER LAURIE: Mr. Chairman, in
17 response to Commissioner Pernell's adroit comments
18 and before Mr. Sugar has a chance to respond, it
19 would be my understanding, John, that -- and I
20 agree that the verbiage here is an issue. I would
21 not expect that the Governor and the Legislature
22 receive a draft report and I don't believe that
23 that's the intent.

24 My understanding is that the intent is
25 that a draft report be submitted to you for review

1 and comment before a final report is submitted to
2 the Governor and the Legislature. I concur that
3 we don't deliver the Legislature a draft report.
4 What is your understanding of what the intent of
5 the language is?

6 MR. SUGAR: Well, the intent of the
7 language originally was based on our concern that
8 the report, or results from the report, be
9 available as soon after the beginning of the year
10 as possible. But we can certainly make it clear
11 that the draft report comes to the Commission and,
12 if appropriate, to the Agency. And that the final
13 report, copies go to the Commission and the Agency
14 prior to -- either prior to going to the Governor
15 and Legislature or that the Commission and Agency
16 provide copies then to the Governor and
17 Legislature.

18 CHAIRMAN KEESE: Let me make a
19 suggestion, Commissioner Laurie. I would
20 propose -- I won't make a motion, I'll just
21 propose for your consideration, that deliverable
22 to read that Rand will prepare a draft report of
23 the findings for this task and submit the report
24 to the Commission. And that Item 3 read, Rand
25 will prepare a final report of the findings for

1 this task and submit the report to the Commission,
2 the Governor's Office and the Legislature. But
3 put the Commission first, which would indicate
4 clearly that we should have a copy first or
5 contemporaneous with the submittal of the report
6 to the Governor's Office.

7 I think Commissioner Pernell's reading
8 of this would indicate it could go to the
9 Governor's Office and then the Legislature and
10 sometime later come to the Commission and it
11 should be the other way around. Would that be
12 acceptable?

13 COMMISSIONER LAURIE: Well, except I
14 have a -- frankly I have a problem, which I
15 probably should have noted before. But it had
16 been my understanding that the efforts of the
17 independent report would be submitted
18 contemporaneous with our report, and that is not
19 what is proposed.

20 MR. SUGAR: No. We're getting as close
21 as we can, given the time that it will take Rand
22 to produce the report. So we're currently
23 expecting the draft to be available, probably at
24 the end of the first week of January.

25 COMMISSIONER LAURIE: Mr. Chairman, I

1 would ask that this matter be tabled until the end
2 of the agenda. I would like to get some
3 additional information on it and have a chance to
4 discuss it with Mr. Sugar before the Commission
5 takes action on it.

6 CHAIRMAN KEESE: Thank you. I think
7 that -- we'll do that. Put this item over
8 temporarily.

9 Item Ten, Building Industry Institute.
10 Possible approval of Contract 400-99-007 for
11 \$194,000 to provide builder training. this
12 training raises the builder's level of
13 understanding of and compliance with the state
14 energy code and thereby achieves the goal of
15 increasing the energy efficiency of new homes in
16 California and Nevada.

17 CONTRACT MANAGER GEISZLER: Good
18 morning.

19 CHAIRMAN KEESE: Good morning.

20 CONTRACT MANAGER GEISZLER: I'm Eurlyne
21 Geiszler with the Buildings Office of the Energy
22 Efficiency Division.

23 For this item, in a joint effort the
24 Commission and the Building Industry Institute
25 submitted a proposal to the Department of Energy

1 for a grant to continue the builder training
2 program that has been provided to builders in
3 California and Nevada. The Commission was awarded
4 the grant.

5 This item is to put into place the
6 contract with the Building Industry Institute.
7 This is a continuation of the four-year builder
8 training program originally funded under the 1995
9 DOE progressive state solicitation. The training
10 has won acclaim by participants and has provided a
11 measured improvement in compliance with the energy
12 codes.

13 This training will continue to focus on
14 the largest, most influential builders in the
15 major markets. In addition to building the
16 majority of the homes in California and Nevada,
17 these builders tend to drive the markets. Once
18 the large influential builders begin to accept
19 energy efficiency, quality and comfort as
20 marketing benefits, the rest of the market will
21 follow.

22 The objective of this training program
23 is to raise the level of understanding and
24 compliance with the state energy code. The
25 training program has four main parts, review and

1 critique of recent energy code compliance
2 documentation; classroom training; onsite
3 inspection training; and follow-up training and
4 evaluations.

5 Evidence of the results of the training
6 come from the follow-up training component of the
7 program. During follow-up the instructors revisit
8 a builder on site approximately six months after
9 the initial training to both reinforce the
10 training and evaluate the effectiveness of the
11 initial training.

12 The follow-up inspections have measured
13 a seven percent improvement in the energy
14 efficiency of the homes built by the participants
15 due to this training.

16 A third --

17 VICE CHAIRMAN ROHY: Excuse me, if I can
18 interrupt for a moment. I think that we recognize
19 the very great importance of this program and its
20 tremendous success and I'd like to make a motion,
21 Mr. Chairman, to move this item.

22 COMMISSIONER MOORE: Second.

23 CHAIRMAN KEESE: I've got a motion and
24 second.

25 Commissioner Pernell.

1 COMMISSIONER PERNELL: I do have some
2 questions.

3 We submit every year in partnership with
4 the building industry on this particular item?

5 CONTRACT MANAGER GEISZLER: We have for,
6 I believe, the last three years.

7 COMMISSIONER PERNELL: For the last
8 three years and to train superintendents and to
9 look for energy efficiency in homes? I mean I'm
10 paraphrasing, but that's basically what the
11 contract does?

12 CONTRACT MANAGER GEISZLER: Yes.

13 COMMISSIONER PERNELL: And, you know,
14 maybe this is a question for the applicant, for
15 someone from BIA rather than you, I guess. You
16 might have to identify yourself --

17 MR. RAYMER: Yes, Commissioner, I'm Bob
18 Raymer. I'm Technical Director with the
19 California Building Industry Association and I'm
20 also Technical Director for the Building Industry
21 Institute.

22 COMMISSIONER PERNELL: Right. Let me
23 just say up front, we're happy to have you as a
24 partner on this. Does the training that goes
25 through the agency train only -- let me rephrase

1 the question.

2 You have, your association has
3 memberships?

4 MR. RAYMER: Oh, yes.

5 COMMISSIONER PERNELL: And their
6 training is specifically for your membership or do
7 you train other outside folks with this particular
8 grant?

9 MR. RAYMER: Actually we -- it's not
10 that people are precluded, but you need to
11 understand CBI's membership, our members put
12 together and produce each year about 80 percent of
13 California's residential dwellings. So I don't
14 think there is major builder in the state that is
15 not a member of CBIA.

16 To that extent, have we ever had someone
17 attend that has not been a member? I mean
18 certainly they're precluded.

19 MR. HODGSON: Commissioners, it's Mike
20 Hodgson from ConSol, also Chair of the California
21 Building Industry Association Energy Committee and
22 one of the subcontractors on this contract.

23 Commissioner Pernell, the way the
24 program currently is marketed is through the local
25 BIAs. However, that's not exclusive. Anyone who

1 responds to the solicitation can attend, whether
2 it's a building official, an architect, a
3 nonmember, anyone who is interested in improving
4 the quality of construction.

5 COMMISSIONER PERNELL: So you're saying
6 you solicit statewide? Or you only solicit to
7 your members? You're saying anyone who responds
8 to the solicitation. My question is who do you
9 solicit to?

10 MR. HODGSON: The local BIAs send to
11 their members and post on their websites the
12 availability of training. As an example of a
13 membership, if we look at Sacramento, the local
14 building officials are members of the BIA. In
15 addition, as it goes to a website anyone who is
16 linked to HUD, which would include energy
17 efficiency mortgages, could pick up that notice
18 and be informed of the seminar coming up in the
19 next six to eight weeks.

20 COMMISSIONER PERNELL: Right. Let me
21 just cut to the chase here. We've talked about
22 this and I appreciate you guys coming in. What
23 I'd like to do, though, is to be able to have this
24 opened up to other members or other business folks
25 in the community other than just BIA.

1 Now I understand that BIA may be doing
2 some matching funds, and just looking at this
3 contract from last year it says a special effort
4 will be made during this year to include other
5 companies and builders in the training programs
6 and increase the resources available to provide
7 effective building training.

8 MR. HODGSON: We have brought in another
9 company, Timberleaf Management has been brought in
10 as a subcontractor.

11 COMMISSIONER PERNELL: Right. This is
12 not a -- I just want to be on record as saying,
13 with you guys up here listening to this, that we
14 want to be able to, at least in my mind, be
15 inclusionary and just be -- provide this training
16 to an association membership, which is where --
17 and I'm not sure that we're on firm ground in
18 doing that.

19 So I would just ask next year that we
20 make a concerted effort, BIA make a concerted
21 effort not to be exclusionary, not just in the
22 training provider, but in the general public and
23 who's receiving the training. Or maybe do some
24 training of the trainers and have it -- we want to
25 try and spread it out and get it as much in the

1 public as possible. But certainly when you're
2 only training membership that, to me, is a red
3 flag.

4 MR. RAYMER: Commissioner, Mike and I
5 were in Southern California and part of the group
6 that was attending our discussion was the incoming
7 President of the California Building Officials,
8 Steve Patterson. He and I have a very close
9 relationship that we've developed over the last
10 decade and I know that he would like to bring some
11 of the building officials, the enforcement
12 community, into similar programs. So I would
13 welcome the opportunity for the two of us to meet
14 with you and your staff.

15 COMMISSIONER PERNELL: And maybe we can
16 get some additional resources out of some of those
17 building inspectors. My point is very simple and
18 I think you guys know that, that we want to be
19 able to be inclusionary with this training. And I
20 don't want anybody to point their finger -- I know
21 a lot of people in BIA are friends of mine and I
22 don't want them to point fingers at you saying
23 you're only training your membership and, you
24 know, that can happen.

25 MR. HODGSON: Commissioner Pernell, I

1 think percentagewise, if you look at who's
2 attending the sessions, the sessions are getting
3 more and more outside the membership. One,
4 because the membership has been trained. But in
5 addition the value of the training has been
6 acknowledged in the field and it's been growing.

7 We have been asked this year -- excuse
8 me, next year to actually pursue continuing
9 education credits through the AIA for this course.
10 In doing so we have obviously a larger percentage
11 of architects attending this training who are not
12 members within the Building Industry Association,
13 but think the training is valuable and have
14 requested sessions which we have done off contract
15 for them.

16 COMMISSIONER PERNELL: Right, but what
17 do you mean off contract? They have paid you to
18 do the training.

19 MR. HODGSON: No, we've actually done
20 the training at no charge to an AIA chapter
21 meeting. We've also gone to four architectural
22 offices this year and done training specifically
23 for their groups of architects.

24 COMMISSIONER PERNELL: Okay, I don't
25 want to belabor this, but just on the record, will

1 you agree that we want to be inclusionary in this
2 training and if we can find some additional funds
3 or if we can partner with somebody to help spread
4 that out, let's do that.

5 MR. HODGSON: Absolutely, yes.

6 COMMISSIONER PERNELL: But I think it's
7 questionable when we go in to DOE for funds and
8 we're only training a certain segment of our
9 population, certain business segment. Thank you.

10 CHAIRMAN KEESE: Thank you. Any other
11 comments?

12 We have a motion and a second.

13 Any further comment up here? I'm going
14 to take that as your statement?

15 MR. RAYMER: Yes.

16 CHAIRMAN KEESE: I noticed you inching
17 up towards the microphone, we'll consider that,
18 Bob, your statement.

19 Any other comments from the audience?

20 MR. HODGSON: Commissioner Keese, I
21 actually have prepared comments, but I understand
22 this meeting is moving quickly, so I'd just like
23 to make one brief comment. And that is that
24 actually the Deputy Assistant Secretary, Mr.
25 Ginsberg, has acknowledged this program as the

1 leading training program on energy codes in the
2 nation. He did that in the Southern Nevada Home
3 Builders Association Meeting just last month and
4 also at the DOE regional meeting six weeks ago.

5 So I think that's kudos to the
6 California Energy Commission and also to the
7 California Building Industry Association of
8 forming a good partnership and a good quality
9 program.

10 CHAIRMAN KEESE: Thank you, that was a
11 good addition. I have also heard the comments
12 regularly from Washington. They're very proud of
13 this program and we should be too.

14 COMMISSIONER PERNELL: And we do want to
15 continue that.

16 CHAIRMAN KEESE: All in favor?

17 (Ayes.)

18 CHAIRMAN KEESE: Opposed.

19 Adopted five to nothing. Thank you.

20 Commissioner Laurie, are you prepared to
21 return or do you want to -- we will return to Item
22 Nine for a continuation. Would you --

23 COMMISSIONER LAURIE: On Item Nine my
24 concerns over the timeframes have been satisfied.
25 I am satisfied that, in fact, the process is being

1 properly served and we are not mandated to have
2 the independent review submitted in final form
3 concurrent with our own report, and I believe that
4 to be true.

5 I would propose to modify the scope of
6 work or the work program to indicate that, in
7 fact, the report is submitted to the Commission.

8 CHAIRMAN KEESE: Thank you, so I will
9 take that to mean that Rand will prepare a draft
10 report of the findings for this task and submit
11 the report to the Commission. And item three,
12 Rand will prepare a final report of the findings
13 for this task and submit the report to the
14 Commission.

15 COMMISSIONER LAURIE: That's correct.

16 And, of course, the Commission will
17 respect the independence and not modify, but our
18 responsibility to forward it.

19 CHAIRMAN KEESE: Thank you.

20 COMMISSIONER MOORE: Is there a motion
21 on the floor?

22 COMMISSIONER LAURIE: I move the
23 recommendation with that modification, Mr.
24 Chairman.

25 CHAIRMAN KEESE: We have a motion.

1 COMMISSIONER PERNELL: Second.

2 CHAIRMAN KEESE: We have a second.
3 Commissioner Moore.

4 COMMISSIONER MOORE: Two points on the
5 motion. First of all, I am able to vote on the
6 motion. I have no continuing or any other
7 association with Rand, so I'm in a position, I
8 believe, without any shred of conflict to vote on
9 the motion.

10 Second, on the timing, it seems to me
11 that we need to be careful -- we face this in the
12 renewables arena as well, where we've got a
13 similar type of report to generate under the same
14 time deadline. And I think it's important to
15 remember that we are tasked with doing this and
16 that meeting that deadline is important and
17 shouldn't be -- I'd say minimized.

18 To that end, it seems to me we have
19 every -- we should have every intention of getting
20 the broadest possible review and oversight of it
21 as we can, but we should keep in mind that the
22 report is called for in the legislation by us.
23 And so outside party review or something else, it
24 seems to me is nice, but if we run up against time
25 deadlines, we've got to hold to the time deadlines

1 and not be pushed off by external reviews that
2 might --

3 COMMISSIONER LAURIE: Thank you,
4 Commissioner Moore. The time deadline is in
5 reference to our report and not the independent
6 review. We will meet that time deadline. We will
7 be scheduled to bring the final of that report
8 back to the Commission on December, I believe,
9 it's 14 or thereabouts for final adoption, so we
10 will meet that.

11 The Governor's language does not have a
12 timeframe attached to it. It was our feeling,
13 however, that in order to serve the public the
14 best, that it should be submitted basically,
15 contemporaneously with and concurrent with the
16 submittal of our own report.

17 CHAIRMAN KEESE: Thank you.

18 COMMISSIONER PERNELL: Mr. Chairman.

19 CHAIRMAN KEESE: Commissioner Pernell.

20 COMMISSIONER PERNELL: Mr. Chairman, I
21 concur with the amended work plan and would
22 certainly commend Commissioner Laurie for
23 addressing my concerns.

24 CHAIRMAN KEESE: Thank you.

25 Commissioner Rohy.

1 VICE CHAIRMAN ROHY: I guess I'd like to
2 extend my comments on what Commissioner Moore
3 started. Is this a sole source contract?

4 COMMISSIONER LAURIE: Yes.

5 VICE CHAIRMAN ROHY: I'm not challenging
6 that, but does that not require extra time to get
7 through the approval process in the Department of
8 General Services?

9 COMMISSIONER LAURIE: Let me respond,
10 Mr. Sugar. Commissioner Rohy, we have a good
11 faith belief that in this case, no.

12 VICE CHAIRMAN ROHY: Okay, thank you.

13 CHAIRMAN KEESE: Thank you. Any public
14 comment?

15 All in favor?

16 (Ayes.)

17 CHAIRMAN KEESE: Opposed.

18 Adopted five to nothing.

19 Mr. Sugar, I would like to be briefed on
20 the process. Let me just mention for all the
21 Commissioners and for some of our friends in the
22 audience that the Energy Commission has been
23 charged with approximately ten major studies out
24 of this legislative session. If you read them you
25 will see at the end of virtually all the

1 legislative provisions there is a waiver of a code
2 section. That is the code section that requires
3 the Legislature to allocate funds for the studies
4 that they ask for.

5 In all cases that section was waived.
6 So we have been asked to absorb approximately ten
7 studies. This one, whether this falls under that
8 aegis or not, we see immediately \$99,000 flying
9 out of our hands here for a study that, in theory,
10 we should have gotten funding from. I have
11 received some commitments that we may be able to
12 take care of this in January.

13 So I will work with all the
14 Commissioners here. Staff is working diligently
15 to prepare an outline of all the requirements that
16 have been put upon the Commission. It's going to
17 be necessary, I believe, for the Legislature to
18 deal with this issue if they are going to throw
19 these studies at us.

20 I like the details, I heard the word
21 veto. I saw the word on the Governor's budget
22 message. I'd like to get the genesis of how this
23 was created, while I fully support what we're
24 doing here.

25 COMMISSIONER LAURIE: Mr. Chairman.

1 CHAIRMAN KEESE: Commissioner Laurie.

2 COMMISSIONER LAURIE: If I may, I very
3 much appreciate your comments as they relate to
4 cost.

5 I would note as an aside, however, that
6 although these reports do impose a substantial
7 challenge for this Commission, I think they also
8 provide an outstanding opportunity for us. We
9 are, in fact, being asked for our view. I think
10 that is what is supposed to happen, and despite
11 the tough timeframes and the imposition on
12 resources, I am pleased to take up those
13 challenges and avail ourselves of the
14 opportunities to make our feelings known on the
15 subjects requested by the Legislature. It's a
16 great opportunity for us to express our views.

17 CHAIRMAN KEESE: Thank you. I would
18 reflect for Commissioner Pernell who chairs the
19 Legislative Committee, that that is the view that
20 we shared with the Legislature when we were asked
21 or ordered to do these studies, that we would be
22 happy to do them. We did point up this side
23 effect and hope for relief next year.

24 COMMISSIONER PERNELL: Mr. Chairman.

25 CHAIRMAN KEESE: Commissioner Pernell.

1 COMMISSIONER PERNELL: On this subject I
2 would -- Mr. Sugar, you're excused.

3 (Laughter.)

4 COMMISSIONER PERNELL: I would commit,
5 though, that as we go forward with the 2000
6 legislative session that the Committee will be
7 looking to ensure that we're not -- the provision
8 that allows us resources for these studies won't
9 be waived. And I see my adviser is making a note,
10 so we will make sure as we go through and these
11 studies come before us legislatively that there
12 are some resources there, at least that we are
13 asking for resources, certainly not agreeing for
14 them to be waived.

15 CHAIRMAN KEESE: Yes, and one final
16 comment, I will say we don't appreciate hearing
17 from the Department of Finance that obviously
18 we're overfinanced and we can absorb all these
19 studies without any funding.

20 Item Eleven, Southern California Gas
21 Company. Possible approval of Contract 500-99-002
22 for \$240,000 to demonstrate the technical and
23 economic feasibility of small-scale methane
24 liquefaction technologies to purchase methane and
25 liquefy, transport, store and dispense liquefied

1 natural gas at \$.30 per gallon.

2 COMMISSIONER MOORE: That's not the
3 retail price.

4 CHAIRMAN KEESE: Correct.

5 MR. KOYAMA: Good morning,
6 Commissioners. My name is Ken Koyama. I'm with
7 the Energy Technology and Development Division.

8 The purpose of this project is to
9 demonstrate technology that may bring low cost LNG
10 into California. We fully expect future clean
11 fuel trucks to use LNG, but currently LNG cannot
12 compete pricewise with diesel.

13 We have been monitoring recent progress
14 in LNG production technologies and we notice some
15 significant advancements in the technology, which
16 actually may bring costs down and with the added
17 benefit of having production here in California.

18 We've talked about this project with
19 several air districts and three of them have
20 agreed to co-fund this program. With their
21 funding and the Energy Commission's funding, we
22 sent out an RFP for \$740,000 to fund three sites
23 and up to three technologies.

24 We received ten proposals, five passed
25 technical merit. We have chosen three to fund out

1 of this RFP. This is the first of these contracts
2 and SoCal Gas is the prime of the first. SoCal
3 Gas will be using technology that's been developed
4 at Idaho National Lab. It takes advantage of the
5 pressure difference between the main cell gas
6 pipeline and the distribution line that goes to
7 the customers.

8 This pressure difference is aided by a
9 turbo expander which amplifies the refrigeration
10 of the natural gas. If the technology works as
11 expected, LNG could be produced for less than \$.30
12 per gallon of LNG or a diesel equivalent at retail
13 of about \$1.20 to \$1.25 per gallon. Current
14 diesel price as of last week was \$1.40 per gallon
15 California.

16 Staff recommends that this project get
17 approved. Thank you.

18 CHAIRMAN KEESE: Thank you.

19 The Energy Commission putting in \$40,000
20 worth of PVEA funds?

21 MR. KOYAMA: That's correct, for the
22 SoCal Gas contract.

23 CHAIRMAN KEESE: South Coast is putting
24 in 200,000?

25 MR. KOYAMA: That's correct.

1 CHAIRMAN KEESE: SoCal Gas is putting in
2 1.6 million.

3 MR. KOYAMA: That's correct.

4 CHAIRMAN KEESE: Okay. And if this
5 project continues on we would expect PG&E for 1.6
6 million. Is DOE committed to the one million?

7 MR. KOYAMA: DOE is committed to the one
8 million, yes.

9 CHAIRMAN KEESE: Okay, so we already
10 have one million.

11 MR. KOYAMA: Yes.

12 CHAIRMAN KEESE: And each of those
13 entities doing it in kind. Thank you.

14 COMMISSIONER MOORE: Move for approval.

15 COMMISSIONER PERNELL: Second.

16 CHAIRMAN KEESE: Motion and a second.

17 EX-OFFICIO MEMBER BOYD: Mr. Chairman.

18 CHAIRMAN KEESE: Mr. Boyd.

19 EX-OFFICIO MEMBER BOYD: I may have been
20 a little thick when I was reading this, but I had
21 a lot of trouble digging the facts of the
22 presentation. Let me ask some questions for
23 myself.

24 Did I finally deduce correctly that the
25 demonstration project in question is to be built

1 here in Sacramento?

2 MR. KOYAMA: There will be a
3 demonstration project here in Sacramento, but
4 that's a different contract which we hope to bring
5 up in November.

6 EX-OFFICIO MEMBER BOYD: Like I said, I
7 had a lot of trouble figuring out what project
8 this writeup was about, so can you help me a
9 little bit, because you've got PG&E, SoCal Gas,
10 Sacramento -- I had a little trouble figuring out
11 where this project is.

12 COMMISSIONER MOORE: Jim, part of what
13 you're experiencing here is the fact that staff is
14 talking about the whole range of projects that we
15 intend. This is the first one to get the award
16 and so therein is part of the confusion. Ken,
17 maybe you can elaborate on exactly where -- where
18 this is, where the tap off the main is.

19 MR. KOYAMA: Right. The facility will
20 be located at a SoCal Gas facility in Pico Rivera
21 in Southern California.

22 COMMISSIONER MOORE: Where they can go
23 off the main --

24 MR. KOYAMA: That's where a pressure
25 let-down point is in the SoCal Gas --

1 EX-OFFICIO MEMBER BOYD: Right, it makes
2 sense, if you're using a SoCal pipeline, it's not
3 going to be a project here in Sacramento, but as I
4 said I had a little trouble figuring it out.
5 Other than that, I'm very supportive of this
6 concept, having fooled around with LNG myself for
7 a long time.

8 COMMISSIONER MOORE: Right, I should
9 just add on the motion, just to back it up. We're
10 very sensitive, especially at the Committee level,
11 how we're using the PVEA money, what's left of it,
12 and how we can maximize the gains. And frankly
13 we've been restructuring the way the Committee
14 does business, trying to get a better handle on
15 the broadest possible scheme that will look at
16 heavy duty facilities, look at alternative fuels
17 and look at different sorts of vehicle designs to
18 maximize the use of the remaining funds that we've
19 got.

20 So when you see something coming from
21 the Fuels Committee that has PVEA funding sources
22 attached to it, rest assured we have wrestled that
23 dog hard to try and get a sense of how best to
24 manage the dwindling PVEA funds.

25 EX-OFFICIO MEMBER BOYD: Mr. Chairman,

1 one more question, if I might, regarding the \$.30
2 per gallon. Is that a goal that's kind of a hope
3 for or is that an absolute cliff that has to be
4 met, so to speak in the project demonstration?

5 MR. KOYAMA: The RFP asks for \$.30 a
6 gallon or lower. The proposals that we've
7 received indicated that that goal could be met.
8 And the indications are that once the project is
9 built and operating, that we will get that price
10 at the plant gate. Which means, of course, that
11 at retail it might be significantly higher
12 adjusting for taxes, etcetera.

13 EX-OFFICIO MEMBER BOYD: Is there a
14 penalty in this project if they don't meet that
15 goal or is that just a hope for on all of our
16 parts?

17 MR. KOYAMA: There is no penalty at this
18 point. We still have to negotiate the final terms
19 of each of the contracts, but we do fully expect
20 to achieve that goal. If we do not meet that
21 goal, we need to see specifically that we can't
22 and, you know, at some point we may have -- we may
23 be in a position of having to say that this
24 project can't go forward.

25 COMMISSIONER MOORE: It's a good call

1 and we'll put the question of penalties in when we
2 begin to develop contracts, it's a good point.

3 EX-OFFICIO MEMBER BOYD: I recognize
4 it's research, though, and you take your chances
5 when you're doing research.

6 CHAIRMAN KEESE: It's research and it's
7 leveraged rather heavily with our \$40,000 of PVEA
8 funds and \$5 million of private funds.

9 COMMISSIONER PERNELL: Mr. Chairman,
10 just one final -- Ken, can you -- in terms of
11 location, can you give us just a very brief
12 description of the other two projects that's in
13 the queue.

14 MR. KOYAMA: Okay the other two
15 projects, the PG&E facility will be located here
16 in Sacramento. In fact it will be on Front Street
17 a few blocks away from here. The facility in San
18 Diego will be located at a landfill site on the
19 Sea of San Diego property and, as I said, both of
20 those projects we expect to come up to the
21 Commission in November.

22 CHAIRMAN KEESE: Thank you.
23 Commissioner Rohy.

24 VICE CHAIRMAN ROHY: Just a short
25 comment on penalties. From a commercial point of

1 view, in my experience, when people accept
2 penalties they also want a bonus clause in there
3 so if they have a penalty for getting \$.31 they
4 get a bonus for getting \$.29. Be careful when you
5 negotiate at the table.

6 MR. KOYAMA: Thank you.

7 CHAIRMAN KEESE: All in favor.

8 (Ayes.)

9 CHAIRMAN KEESE: Opposed.

10 Adopted, five to nothing.

11 MR. KOYAMA: Thank you.

12 CHAIRMAN KEESE: Thank you.

13 Item Twelve, Optiswitch Technology
14 Corporation. Possible approval of Contract 500-
15 98-038 for \$494,239 to novate from Energy
16 Compression Research Corporation to Optiswitch
17 Technology Corporation. No other changes are
18 being made to the contract. This is essentially a
19 technical issue.

20 CONTRACT MANAGER EDWARDS: Essentially
21 this is a legal issue, actually. Novation is just
22 substituting a new legal agreement for an older
23 one.

24 CHAIRMAN KEESE: And you see no
25 particular problem with this?

1 CONTRACT MANAGER EDWARDS: None
2 whatsoever.

3 VICE CHAIRMAN ROHY: Move the
4 recommendation, Mr. Chairman.

5 COMMISSIONER MOORE: Second.

6 CHAIRMAN KEESE: Motion and a second.
7 All in favor.

8 (Ayes.)

9 CHAIRMAN KEESE: Opposed.

10 Adopted, five to nothing.

11 Item Thirteen, we have no minutes.

12 I would propose, Commissioner Laurie, at
13 this time to move our -- unless anybody has
14 anything that they want to rush on the agenda, I
15 would propose at this time we hear -- are we
16 hearing under the Executive Director's report or
17 where are we hearing from our special
18 presentation?

19 COMMISSIONER LAURIE: I think it's under
20 Committee Reports, so --

21 CHAIRMAN KEESE: I mean would it be all
22 right with everybody if we moved to Committee
23 Reports and start that, Commissioner Laurie has a
24 time constraint here.

25 COMMISSIONER PERNELL: I think we're

1 there now anyway.

2 CHAIRMAN KEESE: All right, under
3 Committee Reports --

4 COMMISSIONER LAURIE: Mr. Chairman, as
5 part of the process in reviewing the matters
6 necessary for completion of the public good charge
7 report, it was felt that it would be helpful to
8 all of us to get some history of the programs
9 currently under the auspices of the PUC.
10 Specifically for the past couple of years, what
11 programs have the utilities been administering,
12 number one. And number two, over the next couple
13 of years a definition of the direction of those
14 programs.

15 Accordingly, we have asked for and we
16 have graciously received the willingness of
17 representatives of the utilities to appear before
18 us today. With us, and I will ask them to
19 introduce themselves again, as they get seated,
20 Mr. Chris Chouteau, from PG&E; Ms. Yole Whiting
21 from SDG&E; Mr. Gene Rodriguez from SCE; and Mr.
22 Frank Spasaro from Southern Cal Gas.

23 All of these folks are extremely
24 experienced in working with this issue. Many have
25 worked on the issue for many many years. So, let

1 me turn the matter over to Chris, and, sir, if you
2 can again reintroduce your colleagues. And let me
3 take this opportunity to apologize.

4 Commissioner Rohy and I are obligated to
5 attend a siting hearing and we have to leave this
6 afternoon. Commissioner Rohy and his staff got
7 the last two seats on the four o'clock,
8 necessitating my departure on an earlier flight.
9 So I will be leaving here perhaps before the end
10 of your presentation and that's rude and I
11 apologize for that in advance.

12 Mr. Chouteau.

13 MR. CHOUTEAU: Thank you very much.
14 Good morning. It's a pleasure for us to be here.
15 I wanted to thank all of the Commissioners for
16 making this possible.

17 Let me just do a quick time check with
18 you, Commissioner Laurie. We have scheduled this
19 to be a short presentation. We have about five
20 slides, I think you have copies, and hoping to
21 have an emphasis on question and answer and
22 dialogue. Do you have a specific time by which
23 you would like us to --

24 COMMISSIONER LAURIE: No, don't worry
25 about me.

1 MR. CHOUTEAU: How long do we have you?

2 COMMISSIONER LAURIE: The Commission has
3 set aside up to an hour, according to their
4 schedules and don't worry about timeframe. As I
5 may have to leave, I will just sneak out.

6 MR. CHOUTEAU: Okay, very good.

7 First, let me continue with the
8 introductions and just to let you know, what is
9 represented at the table here are the four IOUs
10 who have been managing the energy efficiency
11 programs in California. And I'm Chris Chouteau
12 with Pacific Gas and Electric Company.

13 My job for the last four years has been
14 the management of the energy efficiency programs
15 and the cleaner transportation programs for the
16 company. I've been working on energy efficiency
17 for about 20 years and this job is sort of the
18 culmination of my career. I've recently made a
19 job change and I am focusing now on the strategic
20 positioning in the future of these programs. And
21 I'm happy to be here today in that capacity, but I
22 bring with me my recent experience.

23 MS. WHITING: Good afternoon. I'm Yole
24 Whiting from San Diego Gas and Electric Company.
25 I have also been involved in these programs for 20

1 years or so, started when I was very young, of
2 course. And have been involved in, as they've
3 evolved through the years to the programs that we
4 have today. I'm currently responsible for the
5 management implementation analysis, all of the
6 regulatory and policy issues associated with all
7 of SDG&E's energy efficiency and low income
8 programs.

9 MR. RODRIGUEZ: Good afternoon,
10 Commissioners, I'm Gene Rodriguez with Southern
11 California Edison Company. I can proudly say that
12 for my entire career at Edison, starting first in
13 the law department, then within the program area
14 and finally where I am today, as Director of
15 Energy Efficiency, I've been involved in the
16 company's energy efficiency and low income efforts
17 as well as other matters.

18 MR. SPASARO: And I think it's still
19 morning, good morning. I'm Frank Spasaro, with
20 Southern California Gas Company. I've been with
21 the company about 16 years, the last ten of which
22 have been focused primarily on energy efficiency,
23 demand side management issues with a little
24 diversion in R and D for a while, which is where
25 Commissioner Rohy and I have met in the past. I

1 did a lot of work on the development of the peer
2 activity in its infancy. The same kind of
3 responsibilities as pretty much everybody else has
4 mentioned here on the panel.

5 MR. CHOUTEAU: The reason we're here
6 today really grew out of conversations we had with
7 Commissioners Laurie and Pernell and staff
8 concerning the report the Commission is doing for
9 the Legislature on the future of energy efficiency
10 programs. And in those discussions the idea put
11 forward that it might be useful for the Commission
12 to have an opportunity to get a little bit more
13 familiar with what the existing programs are, and
14 as they consider the future of these programs and
15 the changes that might come about as a result of
16 their report or their action in the Legislature.

17 So really the purpose for us today is
18 really to give you an overview of existing
19 programs, give you a sense of their size and
20 complexity and the directions -- historically, the
21 directions they've taken, the changes we've made
22 in the last couple of years and where we see the
23 programs going in the next two years.

24 As you may know, the programs are
25 currently funded through the end of 2001 and we

1 are currently administering the programs in that
2 timeframe.

3 The first page, if you flip, actually to
4 page two, topics to be covered, I wanted to say
5 just a little bit about how we're going to
6 present. We decided that it would be probably
7 most effective for us to present as a panel, so as
8 we go through these slides each of us may be
9 commenting on the material in the slides and/or
10 answering questions that you may have. And I do
11 encourage you to ask questions and make this as
12 much of a dialogue as is possible.

13 The first slide here, topics to be
14 covered, just takes us through the general
15 structure of this presentation. There's only four
16 more slides. Essentially we're going to go over
17 the general characterization of the programs and
18 our overview and then we'll talk a little bit
19 about the history of these programs, starting
20 around 1990. As you may know, these programs go
21 back to the seventies, but there was a major shift
22 in emphasis in these programs in 1990 and we're
23 going to cover that period.

24 Then we'll talk a little bit about the
25 changes we've made in the last two years on the --

1 basically since the restructuring of the electric
2 industry and the advent of AB 1890. And we will
3 talk, in the last slide, a little bit about the
4 directions we see in the next two years, these
5 programs going.

6 MR. SPASARO: One thing to note here,
7 too, is that we're focusing just simply on our
8 energy efficiency activities over this timeframe,
9 not our low income programs or the direct
10 assistance programs, although there may be some
11 tangents in here a couple of places, but it's
12 focused on energy efficiency.

13 MR. CHOUTEAU: So the next slide is
14 energy efficiency funding sources. Just to give
15 you a sense of the size of this enterprise, the
16 four utilities here sitting at the table run
17 programs statewide that are currently funded, in
18 1990, at over a quarter of a million dollars.
19 That breaks down, based on the contributions in
20 rates from residential customers, about a hundred
21 million dollars and from nonresidential customers
22 about a hundred and fifty million dollars.

23 The programs that were budgeted for 1999
24 allocated programs in approximately that
25 proportion, with a hundred five million dollars

1 allocated to residential customers and \$149
2 million allocated to nonresidential customers.

3 The dollars represented here, our
4 program expenditures, do not include expenditures
5 at the Commission for the --

6 COMMISSIONER LAURIE: Mr. Chouteau, I'm
7 sorry, who determined that allocation?

8 MR. CHOUTEAU: This allocation is part
9 of a very complex public planning process that
10 involved public input. The advisory board the
11 Commission has appointed, which is the California
12 Board for Energy Efficiency. The utilities
13 proposed plans and then an advice filing process
14 at the Commission with public comment, with a
15 final decision at the Commission, which was
16 received this year in April, which was later than
17 usual. We usually get it in December.

18 MR. RODRIGUEZ: Commissioner Laurie,
19 also responsive to that is the fact that in the
20 CPUC's adopted policy rules, pertaining to the
21 programs for the last two years, there is, in
22 fact, guidance that we ought to follow. As Mr.
23 Spasaro pointed out earlier, if you were to add in
24 the low income energy efficiency efforts, in fact
25 the low income side percentage would be even

1 higher.

2 MR. CHOUTEAU: Yeah, that's about \$60
3 million in low income programs statewide, which
4 are obviously residential in nature.

5 This \$254 million is divided amongst
6 approximately 190 individual programs managed
7 across the four utilities. Several of these
8 programs are now managed on a statewide basis, but
9 there are a fair number of programs that respond
10 to the opportunities on a local area basis, based
11 on geography, climate, infrastructure in place in
12 the various service territories.

13 There are over 350 people managing these
14 programs. These are -- this does not represent the
15 entire commitment of the utilities since there's
16 lots of support functions in market assessment,
17 legal, financial, and customer representatives.
18 But the primary workforce has over 400,000 --
19 4,000 person years of experience in managing these
20 programs.

21 Much of this work is contracted out.
22 Most of this money is spent in the private sector.
23 This work currently encompasses more than 600
24 contracts, individual contracts held and managed
25 by the four utilities. Every customer is

1 contacted in any given year. So for PG&E that
2 would be over four million customers contacted at
3 several times during the year with these programs.
4 More than a million customers statewide
5 participate in these programs every year.

6 COMMISSIONER PERNELL: Excuse me,
7 customers contacted, so you just send a
8 solicitation in a bill or how is that done?

9 MR. CHOUTEAU: Yeah, there are bill
10 stuffers for all customers. When I say every
11 customer is contacted that's the primary --

12 COMMISSIONER PERNELL: Mechanism for --

13 MR. CHOUTEAU: -- for contacting all
14 customers. There are many other mechanisms by
15 which customers receive information. We have
16 phone lines, 800 numbers. We have an energy
17 center, actually several utilities have energy
18 centers. We have websites. We have
19 advertisements, we use, TV, radio, print media.
20 But when I say every customer is contacted, the
21 way I know that is because it goes in the bill.

22 CHAIRMAN KEESE: What we're talking
23 about is, in general, something like a rebate for
24 energy efficient air conditioning?

25 MR. CHOUTEAU: Yes, when I say a million

1 customers participated that would include rebates.
2 Over half a million customers received rebates or
3 audits or some service, some specific service.

4 CHAIRMAN KEESE: Rebates, audits,
5 insulation, whatever the -- and I would like to
6 hear the whole program. Let me ask two questions,
7 just going back to process. Is this somewhat a
8 wires charge, through the way you get the 250, you
9 just add to everybody's bill?

10 MR. CHOUTEAU: Yes, there is a specific
11 line item. Yes, there is a specific line item in
12 each utility bill for the public goods charge
13 which includes these programs as well as research
14 and development.

15 CHAIRMAN KEESE: Based on energy usage?

16 MR. CHOUTEAU: Based on energy usage,
17 yeah.

18 CHAIRMAN KEESE: And it's administered
19 by each company separately?

20 MR. CHOUTEAU: It is put in the rates
21 for each company separately, that's correct.

22 MS. WHITING: The electric portion is
23 part of -- was legislated through AB 1890 as part
24 of the public goods charge. There is a specific
25 amount per utility that is to be collected and

1 allocated to these programs every year. That is
2 collected in the public goods charge which also
3 includes low income programs, renewables and
4 research and development programs.

5 CHAIRMAN KEESE: Okay, and so it's the
6 broad parameters that are set by your efficiency
7 board, your board, but then it is administered
8 directly by each company for its --

9 MS. WHITING: For our customers.

10 CHAIRMAN KEESE: -- territory.

11 MR. CHOUTEAU: That's correct.

12 CHAIRMAN KEESE: And the companies
13 themselves contract with each of these -- you said
14 private groups or public interest groups that run
15 the program.

16 MR. CHOUTEAU: The programs are
17 delivered in a variety of manners, but there is --
18 a majority of the money is spent in the private
19 sector with engineering firms, energy service
20 firms, marketing firms. The utilities also
21 participate in the delivery of these programs, but
22 the majority of the money is spent in the private
23 sector.

24 CHAIRMAN KEESE: And each company would
25 contract with contractors in their territory

1 separately or do you --

2 MR. CHOUTEAU: Some of the programs now
3 are run statewide. For instance, in appliance --
4 in the residential appliance and lighting program
5 we have a single vendor statewide that all four
6 utilities have a contract with to deliver a single
7 program. But there are also local programs which
8 are delivered by local vendors.

9 MR. SPASARO: I would like to add one
10 clarification, natural gas has not collected a
11 surcharge yet. So it's not a separate line item
12 on the bill, it's embedded in the rates as
13 electricity was prior to AB 1890. That's still an
14 outstanding issue on how natural gas is going to
15 be handled as a surcharge. It's been something
16 taken up in the Legislature in the last couple of
17 years that has not yet been resolved.

18 MS. WHITING: But as we're talking
19 today, we are talking about both gas and electric
20 activities. We do treat them together. They're
21 all part of these programs in all of the
22 information that we're presenting to you.

23 CHAIRMAN KEESE: So for PG&E the
24 electric surcharge contributes but there's gas
25 programs?

1 MR. CHOUTEAU: That's correct. We also
2 collect in rates for our gas programs separate
3 from the line item that I mentioned for the public
4 goods charge.

5 CHAIRMAN KEESE: But the 254 million is
6 a lumping of what comes under 1890 and what is the
7 gas allocation.

8 MR. CHOUTEAU: Yes, that's correct.

9 MS. WHITING: Yes.

10 VICE CHAIRMAN ROHY: You mentioned
11 earlier that there were 350 people approximately
12 working on this project statewide. Rough
13 calculations say that's a \$25 million payroll.
14 What's your overhead on the program as a whole?
15 Out of the \$250 million how much of it is
16 delivered in benefits and how much is in overhead
17 to run the program?

18 MR. CHOUTEAU: Yes, that's a question
19 which often comes up. And the difficulty we
20 have -- I can give you a very quick answer which
21 is, you know, how much money we spent on payroll.
22 But the problem we have is that much of the labor
23 that goes into these programs is directed at the
24 actual implementation of the program.

25 In other words, you have an employee who

1 is not just overseeing a contract, delivering a
2 program, but you have an employee who is out in
3 the field contacting vendors, working with
4 customers, developing or commenting on a design
5 for a new building, so you have implementation
6 activities which really aren't overhead in the
7 sense of, you know, the administration or managing
8 of this \$250 million program.

9 When I look at PG&E, look at it in the
10 past, it looked like roughly on the order of 17 to
11 20 percent of our expenditures were internal to
12 the utility. So you could say that, gee, they're
13 spending 20 percent of this program at the
14 utility, that's a 20 percent overhead. But that
15 would be really an unfair characterization since
16 the majority of our work within the utility is in
17 the implementation of programs, not in the direct
18 administration.

19 So I think it's probably safe to say
20 that it's probably more on the order of five to
21 ten percent, but I don't have an exact figure for
22 you right here.

23 VICE CHAIRMAN ROHY: Thank you.

24 COMMISSIONER PERNELL: Let me follow up
25 on that for a minute. The 350 people that you

1 mentioned earlier, approximately, those are
2 utility employees?

3 MR. CHOUTEAU: That's right, they're the
4 utility --

5 COMMISSIONER PERNELL: That kind of
6 administers contracts. You do an RFP for a
7 service, a contractor bids on that, they get it.
8 And that RFP is for a certain amount so in terms
9 of overhead that amount is off the table for
10 utilities?

11 MR. CHOUTEAU: That's correct.

12 MR. RODRIGUEZ: One clarification,
13 Commissioner Pernell, and that is that is correct
14 as to programs that are administered in that RFP
15 fashion. Part of the complexity of the program is
16 that when we talk about it generally as an energy
17 efficiency program that we're lumping together
18 many many many different interventions strategies,
19 all of which are targeted at what is the most
20 expeditious and efficient way of getting the
21 desired program effect to occur.

22 Some of them include, as my colleague
23 was pointing out, actually utility personnel who
24 are in the implementation end of the program. So
25 that's not delivered on an RFP basis. Others are

1 educational efforts and things of that nature.

2 COMMISSIONER PERNELL: Right, so you're
3 saying that's not part of the 350 --

4 MS. WHITING: It is.

5 MR. RODRIGUEZ: That is and that's the
6 clarification that I'm trying to make. The 350
7 represents for all of these various strategies and
8 all of the various activities that utilities are
9 currently doing in their role as administrator,
10 which includes some implementation activity,
11 facilitation of others' marketing activities, our
12 own administrative functions, goodness gracious,
13 everything under the sun, that's all wrapped up in
14 this number and that's why it's difficult to draw
15 a conclusion about the 350 represents any specific
16 thing.

17 MS. WHITING: For example, we have folks
18 that are involved in going out and expecting
19 installation by private contractors. We have
20 folks that are involved in analyzing and measuring
21 the efforts of the programs, reporting, various
22 regulatory reporting that we need to do. So there
23 are a number of functions.

24 COMMISSIONER PERNELL: But the overall
25 question of overhead I think this is one that

1 certainly Commissioner Laurie will be looking at.
2 The overall question of overhead as described in
3 contractors' proposals is approximately what
4 percentage of their amount that you give for
5 public good charge? You mentioned 20 and then you
6 went down to five. Well, that's a large disparity
7 there.

8 I'm just trying to get a handle on
9 approximately what percentage of your funds are
10 overhead, given the 350, approximately 350 people
11 that kind of runs the overall program, which would
12 be charged to your overhead.

13 MR. CHOUTEAU: Right, and I think I
14 don't have a satisfactory answer for you today
15 about that, but I think it's important to realize
16 that, you know, as we've said, there's many
17 different ways to look at the overhead. And you
18 could say that any expenditure that isn't directly
19 related to the direct purchase of -- or
20 implementation of a measure, you know, on a
21 customer premise, you could call all of it
22 overhead.

23 These are very high overhead in that
24 sense, because market interventions require a lot
25 of information and a lot of coordination amongst

1 many different parties to make a market
2 transformation happen. But I think if you look
3 at the people that are working on this you would
4 see that one source of overhead would simply be
5 the regulatory process that is in place for
6 managing these programs.

7 In other words, there is a governance
8 currently by the Public Utilities Commission and
9 one source of overhead would be the reporting and
10 interaction with the Commission, with the
11 Commission's Board and with the public, since
12 these are -- these programs take a high degree of
13 public input in the design of the programs.

14 And the kind of overhead that I would
15 look at as an administrator would be on the order
16 of when you have a contract how many people does
17 it take to negotiate the contract, to manage the
18 contract. When somebody else is really doing it,
19 that's what I would call overhead. And, as I
20 said, most of the 350 people are not doing that
21 kind of administration. They're actually
22 implementing programs.

23 They are engineers. You know, they are
24 working with -- or they are marketing folks and
25 they are working with customers, working with

1 vendors, doing the technical implementation of the
2 program.

3 COMMISSIONER LAURIE: Mr. Chairman, just
4 let me state, that it was not our intent to put
5 these folks on the spot regarding sensitive issues
6 such as overhead --

7 COMMISSIONER PERNELL: I don't think we
8 can here.

9 (Laughter.)

10 COMMISSIONER LAURIE: I think, in light
11 of especially their graciousness in attending
12 today, they were specifically warned that it was
13 not our intent to enter into a discussion relating
14 to issues surrounding the question of past or
15 future administration of this project. But rather
16 the invitation was specifically extended to deal
17 with programming issues and educate us as to
18 programming issues and that's the emphasis of the
19 information as proposed.

20 So I don't fault Mr. Chouteau from
21 lacking the information specifically sought. That
22 information will be sought, perhaps more directly,
23 in some other forum.

24 MS. WHITING: Before we leave this slide
25 there is one other point. In the funding as it's

1 allocated, we've divided for you between
2 residential and nonresidential customers and noted
3 that includes all activities associated with them,
4 retrofit and new construction.

5 Embedded in these numbers is about
6 nearly \$40 million statewide that is dedicated to
7 new construction programs and a variety of
8 activities there that cross over -- programs that
9 are specific to residential customers, specific to
10 nonresidential customers and other efforts
11 statewide that cross over both market segments.

12 CHAIRMAN KEESE: Can you give us an
13 example of what those might be for new
14 construction?

15 MS. WHITING: We have programs that --
16 where we work with the designers in the early
17 stages of construction activity to provide them
18 with assistance and in some cases financial
19 incentives to incorporate energy efficiency
20 designs that exceed Title 24 standards.

21 The idea behind this approach for
22 several years has been that at some point it
23 pushes the standard, raises the standard to go
24 into being incorporated into the next round of
25 standards, Title 24 standards, as they are

1 revised. And so we try to work early in the
2 process with the designers and the builders and
3 the owners of the projects to get them to start to
4 incorporate those kinds of things.

5 CHAIRMAN KEESE: Help me with an example
6 of, you know, modern lighting for a building may
7 pay for itself in 18 months, through it's
8 efficiency. If the owner of a building is going
9 to replace the ballasts, is that something you
10 give a subsidy for too? I mean, if it will pay
11 for itself in 18 months it's cost effective.

12 MS. WHITING: Well, it's interesting in
13 all of these, not just in new construction, but
14 you can show a customer, any customer, you know,
15 that something will have a payback, may or may not
16 be acceptable to them and they either aren't
17 convinced it's going to happen or aren't sure
18 about, you know, adopting that technology and even
19 though it appears to be cost effective and
20 something that should be done anyway, it doesn't
21 happen. That's why, you know, we need to have
22 these programs to overcome these barriers.

23 CHAIRMAN KEESE: You have a generic
24 program and if somebody chooses to do it, your
25 program will help.

1 MS. WHITING: We try to encourage them
2 to do it.

3 MR. RODRIGUEZ: And actually,
4 Commissioner, your example brings about, I think,
5 a very important point and that is to say the
6 programs that we offer, the portfolio programs
7 more accurately attack that very issue from many
8 different ways.

9 For example, as you point out, if you
10 pencil this stuff out energy efficiency makes good
11 sense and you would expect people to act as
12 rational economic actors and adopt something --
13 make an investment that, in fact, pays for itself.

14 So we do have education efforts aimed at trying
15 to educate people that energy efficiency does make
16 sense on a real dollars-and-cents basis, to use
17 sense a different way.

18 We also work in the new construction
19 area to make sure that the building community
20 understands the benefits of what they can build
21 into for, you know, an incrementally small
22 investment, in fact, makes better livable
23 buildings that they should be proud of and that
24 they should develop a market for.

25 We also do work, as you say, in direct

1 intervention, where, under the Commission's, you
2 know, current set of policy principles, the
3 societal benefit back is greater than the
4 investment that we make on behalf of the rate
5 payers of California to do that.

6 So we don't take single rifle shot
7 approaches at dealing with the very very complex
8 issues of getting efficiency adopted in the State
9 of California and keeping energy efficiency as one
10 of the hallmarks of what we do very well in
11 California. We take very complex approaches that
12 have interactive effects and try to make sure, in
13 that way, that we have sustainable progress here.

14 CHAIRMAN KEESE: And on balance with
15 people beating down your doors to get the benefits
16 of this versus people being educated and drug into
17 the program, are you at equilibrium in that --

18 MR. CHOUTEAU: There are plenty of
19 opportunities to go out and find people who are
20 not beating down our doors, and a lot of our
21 programs focus on that. I think the sense is that
22 there is a large opportunity for energy efficiency
23 that is not taken advantage of for a number of
24 different reasons.

25 And I think your example is really good,

1 because in the case of new construction, if you
2 look at the design, the architect may not, you
3 know, may know through common knowledge or through
4 trade publications that, in fact, money can be
5 saved with energy efficiency lighting, but he may
6 not have the design tools at his desk that would
7 allow him to compare the impacts on the surfaces
8 he's trying to light of the various options of
9 lighting. And so he would be at risk in
10 recommending an energy efficiency lighting design
11 because he wouldn't be comfortable with what
12 visually the output would be.

13 So one of our programs looks at
14 developing tools that would allow him to generate
15 graphics and see and compare different lighting
16 strategies.

17 You also can look at a developer who may
18 be incented to put the cheapest first cost item in
19 to a building because he's not going to be there
20 paying the energy bill. He's going to sell that
21 building at, you know, the best price he can get
22 and somebody else is going to pay the bill.

23 MR. RODRIGUEZ: But perhaps more
24 directly to your point of whether or not we've
25 established an equilibrium, I would say the answer

1 to that is yes, but the way we get there from the
2 program design for the whole portfolio is not
3 based on some, you know, 50-50 or anything like
4 that that we go and predetermine.

5 What we look at is what's working in the
6 marketplace, what's finding acceptance, and we
7 track, you know, the program successes over time.
8 We increase where there are continued
9 opportunities that we think that we can capture,
10 and where we see that either successes are there
11 or approaches aren't working we tailor back in
12 those areas. So it is a very fluid situation.

13 MS. WHITING: And the other element of
14 that is looking at the individual market segments.
15 Some market segments are much easier to reach than
16 others. We've struggles for years and have, you
17 know, given a lot of attention, for example, to
18 the small commercial market, which is one of the
19 hard-to-reach markets, because small commercial
20 customers are too busy running their businesses,
21 and in many cases don't have the time or
22 understanding or people to devote to looking at
23 energy efficiency opportunities.

24 And so it's one of the hard-to-reach
25 markets, it's one that has to get a different kind

1 of attention. And as we work with that market, as
2 Gene was pointing out, looking at what works for
3 them, what doesn't work for them, what's the best
4 way to try to reach them, what are the barriers
5 that need to be overcome and at what cost. I'm
6 sure that, you know, that if everything were given
7 away for free that we'd get a lot more interest,
8 but that's not the right balance to make in these
9 efforts.

10 COMMISSIONER PERNELL: Well, certainly
11 from my experience in the new construction, I
12 think the utilities have done an excellent job
13 when you start talking about energy efficiency in
14 buildings. And I know that we've seen studies
15 that were jointly commissioned by us and a utility
16 that talked about daylighting in schools.

17 That is an area that we know in
18 California that we have to work with, building
19 some 700 new schools, and I think that when you
20 talk about the architectural -- giving aids to the
21 architects in this area and educating them around
22 energy efficiency in the design, that that's a
23 very efficient use of these funds. So I would
24 certainly commend you for you that and hope to
25 work with you in the future on that area.

1 MS. WHITING: And it's also important,
2 just -- one of the terms of art is lost
3 opportunities, that if they're built into the
4 schools to begin with, the chances are, you know,
5 they won't happen later.

6 COMMISSIONER PERNELL: That's true. To
7 come back and retrofit is too costly, so we should
8 do it correctly the first time.

9 MS. WHITING: Right.

10 MR. RODRIGUEZ: Absolutely.

11 COMMISSIONER PERNELL: Certainly that's
12 a good area.

13 MR. CHOUTEAU: So I'll flip the page and
14 we'll hopefully breeze right through the history.
15 1990 to 1997, we called it a collaborative era,
16 not because we aren't currently collaborative,
17 which we still are, but I think this era was
18 started by a collaborative process that involved
19 both Commissions, the customers, the utilities and
20 special interest groups in designing a new way to
21 approach energy efficiency and enlivening the
22 energy efficiency programs in California.

23 The focus was on resource acquisition.
24 The idea was California was going to build some
25 power plants or purchase power contracts from

1 outside the state, over the next ten years, and
2 energy efficiency was a more -- in many cases a
3 more cost effective resource.

4 Making this a resource acquisition meant
5 that the focus really needed to be on the least
6 cost resource plan. You knew exactly how much to
7 acquire by the cost and by the supply side
8 alternative that you were considering. The
9 utility role was the acquisition of these
10 resources. There was a very heavy emphasis on
11 measurement. Since you had to count on these
12 resources, you had to show that what you paid for
13 you got.

14 As many supply side engineers would tell
15 us, they could meter their output, they wanted us
16 to meter our megawatts. So the emphasis was on
17 hard wire kind of solutions, not behavioral
18 solutions, things that were easier to find an
19 engineering measure for.

20 Overall the programs were quite
21 successful during this era. Along with
22 acquisition of resource we got over a \$3.5 billion
23 net savings out of the programs. California was
24 a leader, still is a leader in energy efficiency,
25 but certainly during this period was a leader in

1 resources acquisition in terms of savings
2 generated and in terms of the size of the programs
3 run.

4 This Commission and the Public Utilities
5 Commission played a major role in that.

6 CHAIRMAN KEESE: I would imagine that
7 most of the activities that you engaged in in this
8 period will have a continuing benefit. The
9 benefits aren't done?

10 MR. CHOUTEAU: Absolutely.

11 CHAIRMAN KEESE: They're going to roll.

12 MR. CHOUTEAU: There's several ways. Of
13 course all of the equipment that was in place has
14 a life, you know, from five to twenty years,
15 depending on what the equipment is, so we're
16 continuing to collect year after year on the
17 equipment that was installed.

18 We also, of course, have seen many
19 transformations in markets over this period, where
20 we have now standards for equipment that has
21 increased the efficiency of equipment required in
22 buildings. And, of course, Title 24 is a good
23 example of that.

24 MR. RODRIGUEZ: And I think it's fair to
25 say that the efforts that California made, those

1 great strides we made in measuring the
2 sustainability of these energy efficiency
3 improvements that were, in fact, from this era,
4 has made the, I guess, the knowledge base for the
5 rest of the country much much improved as to for
6 how much and how long you can count on various
7 energy efficiency interventions.

8 MR. CHOUREAU: Turning the page to the
9 last two years, '98-'99, new market transformation
10 programs. As I just mentioned, the focus in the
11 past was on resource acquisition, but, in fact,
12 over that period we did transform markets, even
13 though we were focused on acquiring each kilowatt
14 hour. In the act of doing that, we got new
15 standards, we did transform markets.

16 But, starting in 1998, with the advent
17 of the public goods charge on the bill for the
18 electric part of the public benefit, AB 1890 and
19 the subsequent decision by the CPUC, there was a
20 shift in emphasis in these programs and the shift
21 was towards focusing on the market transformation
22 part, not the resource acquisition part.

23 Now, our programs still acquire
24 resources. We still collect and save kilowatt
25 hours, but when we think about the design of the

1 programs, we developed over the last two years
2 several new programs and approaches, the intent of
3 which were to target the transformation of the
4 market rather than the specific acquisition of the
5 kilowatt hour.

6 And an example of this would be in the
7 case of say motors. We had a hard time getting
8 people to respond to rebates for motors. When
9 somebody's motor went down in an industrial
10 process or in a commercial building, they wanted a
11 motor fast, they took what was on the shelf.

12 So putting a rebate out for motors and
13 for resource acquisition might not be in --
14 certainly wasn't very effective for us. However,
15 we've found now that if we move upstream in that
16 market and we start to incent the distributor to
17 stock energy efficient motors, then when
18 somebody's motor goes out and they go to buy a
19 motor, they've got an energy efficiency choice
20 there. And so that would be an example of moving
21 upstream in the market and focusing on changing
22 the market.

23 I think it would be fair, at this point,
24 to try to define market transformation for you.
25 There are as many definitions as there are people,

1 I think, involved in energy efficiency, but the
2 general concept is that with a rebate or with some
3 other intervention for the acquisition of a
4 resource, you take an action, you get the
5 resource.

6 For market transformation it's looking
7 at, well, what happens after you stop providing
8 the rebate or you stop providing the service?
9 Does the market continue to be efficient in some
10 way? And a standard would be a perfect example of
11 that. When you write something into standards you
12 don't have to give rebates anymore. It's required
13 by law and by code that the energy efficient
14 equipment be used.

15 COMMISSIONER PERNELL: On that point,
16 though, if the product -- and we can use the motor
17 for an example. If the motor is efficient and the
18 consumer knows that, I mean, the market
19 transformation or the rebate will allow you --
20 draw you to the product. Once you get the
21 product, if the product is efficient enough to
22 save you money in the usage, then the
23 transformation should continue. I mean that's my
24 theory, maybe it's a hypothesis.

25 (Laughter.)

1 MS. WHITING: And you need to get at
2 this from both sides. You need to get at what we
3 call the upstream side, as Chris was describing
4 with the manufacturers and distributors and the
5 vendors to make sure that the products are
6 available, that new efficient products are
7 developed and that they're on the shelf and
8 available to consumers. And you also have to make
9 sure that the consumers have -- that there's a
10 demand for those products, consumers understand
11 and are informed, so we do provide information and
12 education to consumers and in some cases rebates
13 to get them to try them.

14 Once they try an energy efficient
15 product -- when compact fluorescents first started
16 there was a lot of concern about that technology.
17 And over the years as more people have used
18 compact fluorescent lighting it's much more
19 accepted.

20 I can remember at one point you'd go
21 into Home Depot and not see any and now you do.
22 So that's the kind of thing that you're trying to
23 change over time, but it means addressing many
24 different areas, not just one, not just being very
25 narrow and focusing on just the manufacturers or

1 just the customer.

2 MR. RODRIGUEZ: And not to grossly over
3 simplify it, but to run with that example, because
4 I think it is an excellent one, as we look at it,
5 in very very crude terms, energy efficiency isn't
6 something that you do to people. Energy
7 efficiency is something that people choose to do.
8 And the Home Depot example, I think, is a terrific
9 one. If you're like me you've got a lot of chores
10 that you haven't finished yet, so you'll be at
11 Home Depot this weekend, as will many other
12 people.

13 They will walk by the lighting area and
14 you will see up there some funny squiggly light
15 bulbs that weren't there before. The CFBS now are
16 finding their way onto the shelves so people can
17 have the opportunity to pick them up. So in that
18 market the difficulty is to get them to grab that
19 off the shelf instead of a standard item. And
20 it's a very dynamic activity.

21 It's a very complex relationship, mainly
22 because people are involved. This is about
23 choices that people make, not really about getting
24 into their house late at night and replacing their
25 light bulbs while they're in bed.

1 VICE CHAIRMAN ROHY: I hope I
2 misunderstood Chris that market transformation was
3 getting it into the regulation. I would call that
4 regulation transformation, not market
5 transformation. That I would believe it's more of
6 the choice that I was just hearing from some of
7 the other panel people that people have the choice
8 or they have the information and they choose
9 something. To me that's market transformation.

10 MR. RODRIGUEZ: Absolutely, but there is
11 a connection there as well, because, as you all
12 know, it's difficult, if not impossible or futile
13 to continue to ratchet up standards, if, in fact,
14 there's not an acceptance in the marketplace to
15 comply.

16 One of the things that these programs do
17 is to make more and more higher levels of
18 efficiency a new standard that people are
19 comfortable and willing to adopt, and that allows
20 us, at your end, to continue to ratchet up.

21 VICE CHAIRMAN ROHY: But I won't belabor
22 a point that I've been known to say, that the
23 products have to work.

24 MS. WHITING: Yes.

25 VICE CHAIRMAN ROHY: And they have to

1 delight the customer, and quite frankly many of
2 them do not today that are available at Home
3 Depot, and I'll stop there.

4 MR. RODRIGUEZ: We would agree.

5 COMMISSIONER PERNELL: Please continue.

6 MR. CHOUTEAU: Yes. Just to mention at
7 the bottom of the page, I just want to highlight
8 that some of the things are different about the
9 programs in the last couple of years. The
10 utilities have gotten together and developed
11 several statewide programs, some of which I
12 mentioned earlier, and this is a major step
13 forward, I think, for the state, because, although
14 there are specific opportunities that really
15 require local programs, there are also statewide
16 opportunities and there are some real advantages
17 in certain areas to having a unified approach and
18 one program, and we've been doing that.

19 Also I want to say that we have
20 increased the involvement by the private sector in
21 our work with local governments and these are just
22 a couple of areas where we see additional
23 opportunities. The private sector has
24 participated in a number of ways, but one way is
25 by looking for new innovative ideas, we've put out

1 simple proposals for third parties to come forward
2 and propose their own programs and their own
3 ideas, and we've had several successes.

4 The school -- daylighting program in
5 schools is one of those, where productivity was
6 shown to increase for students in schools with
7 daylight and that was a third party proposal. It
8 came, you know, completely from the private sector
9 and was adopted in one of our programs.

10 And for local governments there's really
11 a very large untapped partner here for the
12 delivery of these programs. Local governments
13 obviously are involved in building inspection, in
14 providing information to citizens and they have
15 taken an interest. We certainly -- in a number of
16 different ways in San Diego there's a regional
17 energy center that San Diego Gas and Electric has
18 been working with. We've worked with the City of
19 San Jose and with the local government's
20 commission on a couple of pilot programs, so we're
21 expecting to see more activity in that area.

22 MR. RODRIGUEZ: And if I might, just to
23 put a hallelujah to your chorus earlier, one of
24 the things that we're doing with the local
25 governments that I think that is very very

1 instructive is rather than taking a central
2 planning about what sorts of programs we ought to
3 force upon the citizens for us, working not just
4 with local government commissions, but directly
5 with the citizens within Santa Monica and Irvine,
6 we're looking to them to tell us what it is about
7 energy efficiency that delights them and what it
8 is they could give a rip about, to be perfectly
9 honest.

10 And we're trying to focus and tailor our
11 existing program offerings toward their desires,
12 not just what we perceive to be from a planning
13 mentality as their needs, but what they tell us
14 their wants are. And that's one of the source of
15 things we're bringing to it.

16 MR. CHOUTEAU: Turn the page and we're
17 looking at the future, 2000 to 2001. I feel like
18 Steven Hawkins brief history of time here.

19 (Laughter.)

20 MR. CHOUTEAU: Our designs for the
21 future basically intend to address two issues and
22 one is continuity. And we haven't had a chance to
23 really talk about that today, but it turns out
24 that the one thing that there is a general
25 consensus on by all of the parties, I think, who

1 have been involved in providing these programs and
2 working with customers and regulating these
3 programs is that a discontinuity in programs
4 creates real problems in the market, that people
5 plan, have a long planning horizon, they learn to
6 count on these programs and if you start to either
7 have disruption in the programs or quick drastic
8 changes in the programs, that customers leave the
9 program and it takes a long time to bring them
10 back.

11 So one of our designs is to build on the
12 existing programs we have. And the second focus
13 is to innovate and bring improvement to these
14 programs, which we're very interested in and
15 constantly doing, but to do it in such a way that
16 we don't lose whole markets in the process of
17 being innovative, that we bring these innovations
18 in and do them on a pilot basis, make smaller
19 changes to existing programs to let things grow
20 naturally as the market accepts, because it really
21 is the market that determines the success of these
22 programs. It's not the brilliance of the design.

23 It's, you know, does the customer really
24 like what the customer is getting? And in some
25 cases continuity, especially for larger

1 organizations that have long-term planning
2 horizons, continuity is very important, that they
3 know these programs are going to be out there.
4 They know when they're planning to construct
5 something in two years, they know the rebate is
6 going to be there or the design assistance is
7 going to be there.

8 So those are the two drivers for 2000
9 and 2001. And we're continuing to emphasize the
10 market transformation principles, focusing on
11 decision makers in the market and changing the way
12 markets function. We are very interested in
13 continuing to build on the private sector
14 involvement in this.

15 We have very strong programs with energy
16 service companies and with private vendors to
17 deliver services to customers and we would like to
18 continue and to expand the efforts statewide. And
19 just one caveat here, as I mentioned earlier,
20 statewide isn't necessarily the approach to use on
21 all programs, but where we have opportunities
22 we're going to seek to work together on those.

23 The innovation for the next years, the
24 most important areas I see are the hard-to-reach
25 markets and emerging technologies. These are

1 markets that we have had trouble reaching in the
2 past primarily because of the structure of the
3 market, for instance apartment renters.

4 It's hard to reach apartment renters
5 because many of the physical kinds of changes you
6 might make to an apartment, many of the capital
7 kinds of investments, the landlord is not
8 interested in because the landlord is not paying
9 the bill. And in some cases, of course, the renter
10 may not be eligible. But there are ways to
11 address this market and we are approaching that.

12 We have an apartment size refrigerator
13 program. That's an area where apartment dwellers
14 can participate in a number of programs that we'll
15 be looking at, especially small commercial where
16 you have rented spaces. New construction has been
17 a hard-to-reach market, especially the spec
18 builders that I've mentioned earlier. Mobile
19 homes, non-English speaking participants in
20 programs, all of these represent opportunities
21 that we'll be focusing on.

22 Again, we'll be expanding partnerships
23 with local governments and expanding our work with
24 third party initiatives. And we also are working
25 with the Commission on codes and standards and

1 looking at using some of these programs to do some
2 of the outreach on Title 24 to enhance and to
3 supplement what the Commission is doing on Title
4 24.

5 MR. SPASARO: One thing I'd like to
6 clarify, the energy technologies isn't necessarily
7 a hard-to-reach area. It's just that there was
8 some confusion, I think, as to what the level of
9 activity was in the state amongst the four
10 utilities.

11 So this year what we're trying to do is
12 put a renewed emphasis on the specifics of what
13 we're doing with emerging technologies. For
14 example, what we're trying to do is create a
15 council amongst the four utilities where we can
16 coordinate and have a central repository, if you
17 will, of all this information so people can access
18 it.

19 It's also expected to be a better link
20 with the CEC's peer program, so we're going to try
21 and incorporate the peer activity into this so
22 that there's again a better linkage between the
23 energy efficiency research that's going on there
24 than what the utilities are doing amongst their
25 commercialization activities or their own R and D

1 activities.

2 CHAIRMAN KEESE: Let me ask one question
3 and I don't think baseline is the right word, but
4 for my purpose it's what I'm thinking. We're
5 talking about baseline energy efficiency. We're
6 talking about energy efficiency, I guess, that
7 saves all the time whenever we use it on a daily
8 basis. Let me give you what I'm -- which is what
9 I'm concerned about.

10 As we'll be discussing next week, we see
11 a problem coming in the next couple of years on
12 the one day a year on average when we use eight
13 and half percent more electricity than we use at
14 other times. So when we have this needle peak up
15 here, it goes all the way up and comes down. Has
16 any thought been done -- I mean that it is or will
17 be an efficiency in the future to avoid use of
18 power at that moment. Is there any place that
19 that fits in this program at all?

20 MR. CHOUTEAU: That's something that we
21 have done a lot of work on in the past, peak load
22 reduction. Demand side management used to
23 incorporate both the concept of energy efficiency
24 and the concept of peak load reduction, so it's
25 not just kilowatt hours saved, but kilowatts in

1 place, the kilowatt demand on the system that was
2 being managed.

3 The emphasis of these programs is on the
4 energy efficiency, on the baseline as you call it,
5 but there are opportunities. And, in fact, you
6 know I think that's an area that really would be
7 productive to look at. Because a lot of the
8 things we do, in fact, reduce the peak, but that's
9 not our focus right now. I mean that hasn't been
10 our focus, and yet I think that is growing --
11 obviously that's a growing area of concern with
12 the price and what happens on the spikes.

13 CHAIRMAN KEESE: There will be an
14 incentive, paying for it on an hourly basis will
15 create an incentive for whoever does pay for it on
16 an hourly basis. But our conclusion --
17 everybody's conclusion seems to be that you're not
18 going to invest in a plant to build and meet that
19 top 4,000 megawatts. We're going to have to
20 figure some other way to handle it. And my
21 question, hearing this presentation is, is there
22 something in the efficiency area?

23 MR. CHOUTEAU; I think there's a real
24 opportunity to utilize these programs in
25 conjunction with, so I think that that's really a

1 fertile area for whoever is managing these
2 programs being close to those who also are
3 managing the peak and looking at the
4 opportunities, yeah, absolutely.

5 CHAIRMAN KEESE: Thank you.

6 Any other questions here?

7 COMMISSION PERNELL: Yeah, let me just
8 take the opportunity to thank everyone on the
9 panel. I know we held you past lunch and I really
10 want to thank you for sharing your programs with
11 us. I, for one, have just envisioned several
12 opportunities for us to work together. And I'd
13 like to pursue those, so before you leave let me
14 have your card. And, again, we'll be, if I can
15 just step in here, I'm the second Commissioner on
16 the energy efficiency, so along with Commissioner
17 Laurie, we'll be looking at the transformation of
18 the program into this house and we certainly want
19 your input on that and hope that you'll
20 participate and be a part of that process.

21 MR. RODRIGUEZ: We're pleased to give
22 you all the help we can on this very important
23 issue.

24 CHAIRMAN KEESE: Thank you. Anybody else
25 here?

1 Excellent presentation.

2 MR. CHOUTEAU: Thank you, Commissioners.

3 CHAIRMAN KEESE: I'm going to jump back
4 to the agenda.

5 We have Item 13, which is minutes. We
6 have no minutes today.

7 We took this one up as a Commission
8 Committee and oversight function. Do we have any
9 other oversight?

10 Chief Counsel's Report.

11 CHIEF COUNSEL CHAMBERLAIN: Yes, Mr.
12 Chairman, as it happens I have a number of items.

13 CHAIRMAN KEESE: I hope you have a
14 microphone too.

15 CHIEF COUNSEL CHAMBERLAIN: I think it's
16 working.

17 First of all it's my pleasure to
18 introduce to you Monica Schwebs. I hope she's
19 still here. If you could come forward, Monica.
20 Monica is the newest addition to my office. She
21 comes to us with more than ten years of legal
22 experience. More than five years at Sidely Austin
23 in Washington, D. C. and the last five years she
24 spent at the U. S. Department of Justice in their
25 Environmental Defense Division. And so we're very

1 pleased to have her in my office. We expect her
2 to be doing some siting cases and possibly some
3 PUC work.

4 CHAIRMAN KEESE: I was thinking of that.
5 Welcome aboard.

6 MS. SCHWEBS: I'm very happy to be here
7 and I really look forward to serving the
8 Commission. Thank you for the opportunity.

9 CHAIRMAN KEESE: Well, we're going to
10 give you lots of opportunities to practice.

11 CHIEF COUNSEL CHAMBERLAIN: Second item,
12 just very briefly you are aware that we currently
13 have a meeting scheduled on the 13th and this
14 morning I had a conversation with Chris Ellison,
15 representing Duke, there may be an opportunity --
16 Duke and Morro Bay have been discussing the matter
17 and they may be sending me a letter that would
18 allow us to postpone the consideration of that
19 data adequacy debate until November 17th.

20 So I will let you know for sure. I know
21 that's on your schedule and it should stay on your
22 schedule for now, but I'll let you know for sure.

23 CHAIRMAN KEESE: Well, let me ask Mr.
24 Smith, and that's the only item that we had on the
25 agenda for that meeting?

1 ACTING EXECUTIVE DIRECTOR SMITH: That's
2 right.

3 CHIEF COUNSEL CHAMBERLAIN: So you may
4 be able to avoid that meeting. I know there are a
5 number of other things scheduled that day also.

6 CHAIRMAN KEESE: Let me just ask the
7 Commissioners if everybody planned to be here for
8 that meeting, so far?

9 COMMISSIONER MOORE: I have a hearing
10 that day, I believe, in this room.

11 CHAIRMAN KEESE: We were going to make
12 sure that -- we gave them a timeframe -- well,
13 we'll give the audience -- that's a week from
14 today, the 13th. We will give the audience notice
15 that it was a one agenda item and we didn't plan
16 to do any other business. We planned to start a
17 committee meeting so the meeting was going to
18 start at nine, but watch our schedule, because we
19 might not have it. Okay, thank you.

20 CHIEF COUNSEL CHAMBERLAIN: Then I had
21 two items that were requested by Commissioners.
22 One of them was Commissioner Laurie, and since
23 he's gone you may wish to postpone that discussion

24 CHAIRMAN KEESE: I think that's a great
25 idea no matter what it is.

1 CHIEF COUNSEL CHAMBERLAIN: That had to
2 do with the Western Interconnection Organization.
3 I've sent you some notes of the meeting last week
4 in Las Vegas. And there are a number of issues
5 that you may wish to provide input on to the
6 Western Interconnection Coordination Forum, but
7 you may want -- if you haven't had a chance to
8 read those notes, I provided them to you on
9 Monday, you may want to do that rather than going
10 through a presentation that I had prepared for
11 today, given how late it is.

12 CHAIRMAN KEESE: That sounds
13 appropriate, yes, let's put it over.

14 CHIEF COUNSEL CHAMBERLAIN: The other
15 item that I was going to -- at the last Business
16 Meeting when I went back to my office, after the
17 office I found on my computer that I had been sent
18 a copy of the Federal Energy Regulatory
19 Commission's decision on the new generation
20 interconnection policy of the ISO and I wanted to
21 provide you all copies of that today.

22 CHAIRMAN KEESE: I believe we may have
23 copies of that, but thank you. This will make
24 sure we have copies of it.

25 CHIEF COUNSEL CHAMBERLAIN: This

1 decision is not a particularly long one, but I did
2 find it a little bit difficult to follow and
3 really you only need to read from about five to
4 page ten. Page five and six and most of seven
5 provide background for understanding the decision,
6 also part of eight.

7 The Commission's decision starts on page
8 eight and goes through -- onto page 11.

9 CHAIRMAN KEESE: I would -- were you
10 going to give us a presentation on this right now?

11 CHIEF COUNSEL CHAMBERLAIN: No, I was
12 not.

13 CHAIRMAN KEESE: Well, let me just put
14 it in a context here, that at the IEP, Terry
15 Winter of the ISO suggested that the FERC just
16 didn't understand their petition.

17 CHIEF COUNSEL CHAMBERLAIN: Yes, I had
18 that impression also.

19 CHAIRMAN KEESE: Just didn't understand
20 their petition. As I recall staff here, before we
21 put something out to the public, indicated that
22 the odds were ten to one that FERC would reject
23 the ISO's because the ISO just didn't understand
24 FERC's position, essentially.

25 So I would appreciate it if, taking into

1 consideration the filings that you're aware of and
2 this response and what -- where the Commission was
3 with the position that we could have submitted had
4 we done it, that you'd outline it very briefly for
5 us, the issue.

6 CHIEF COUNSEL CHAMBERLAIN: You mean at
7 the next meeting or --

8 CHAIRMAN KEESE: In writing or at the
9 next meeting would be fine. I think it would be
10 helpful for us, who agreed to support staff and
11 for whom FERC made a decision that you've
12 predicted, and some people seem to feel that that
13 wasn't going to happen, I think it would be nice
14 for you to clarify it for us.

15 CHIEF COUNSEL CHAMBERLAIN: I'll do my
16 best. I've read the decision now four times and
17 it is a little bit difficult. I can understand
18 why the ISO believes they didn't understand the
19 issue. But I do think that the substance of what
20 they decided was, indeed, the way we expected it
21 to come out.

22 CHAIRMAN KEESE: Correct. I just think
23 it would be helpful if all of us got the same
24 analysis so that we all formed the same judgment
25 so that we could discuss it with you.

1 COMMISSIONER MOORE: Mr. Chairman.

2 CHAIRMAN KEESE: Commissioner.

3 COMMISSIONER MOORE: I might suggest
4 that waiting for the next meeting might be too
5 long a wait and that if it could be done in
6 writing a little before that, I think the topic
7 will be discussed in several forums before, if you
8 don't meet next week, before the next meeting
9 takes place. So I suggest, perhaps, it would be
10 more timely if Mr. Chamberlain could render it to
11 writing.

12 CHAIRMAN KEESE: Okay.

13 Anything else on the Chief Counsel --
14 Executive Director's report.

15 ACTING EXECUTIVE DIRECTOR SMITH: The
16 only thing I was going to mention is the next time
17 we are meeting formally in this room in November
18 at a Business Meeting, we're going to have a
19 substantially upgraded sound system, visual
20 display system, refurbishing of the dais, so
21 you'll notice some improvements I think after
22 today. They'll be appreciated.

23 CHAIRMAN KEESE: Wonderful.

24 And we'll bring cards that go from one
25 to ten and we'll vote.

1 (Laughter.)

2 COMMISSIONER PERNELL: Put a button up
3 with a red and green light, so I know when my mike
4 is on.

5 (Laughter.)

6 CHAIRMAN KEESE: All right. That's the
7 Executive Director's report.

8 Public Adviser's Report? I saw her
9 here, but she probably also was on the 1:30
10 airplane.

11 Public comment, anybody?

12 Thank you to the diehards who stuck with
13 us here, all one of you now.

14 The meeting is adjourned.

15 (Thereupon the October 6, 1999 Energy
16 Commission Business Meeting was
17 adjourned at 12:55 p.m.)

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CERTIFICATE OF REPORTER

I, VALORIE PHILLIPS, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Business Meeting; that it was thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of October, 1999.


VALORIE PHILLIPS