BUSINESS MEETING

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:)
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Business Meeting)
)
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CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

WEDNESDAY, FEBRUARY 15, 2006

10:04 A.M.

Reported by:
Peter Petty
Contract No. 150-04-001

COMMISSIONERS PRESENT

Joseph Desmond, Chairperson

Jackalyne Pfannenstiel, Vice Chairperson

Arthur Rosenfeld

James D. Boyd

John L. Geesman

STAFF and ADVISORS PRESENT

B.B. Blevins, Executive Director

William Chamberlain, Chief Counsel

Betty McCann, Secretariat

Elaine Sison-Lebrilla

Kerry Willis

Ram Verma

William Pennington

Mary Ellen Bronson

Joseph Wang

Adel Suleiman

Tom MacDonald

Atlas Hill

PUBLIC ADVISER

Margret J. Kim

ALSO PRESENT

Peter McClellan

Michael Mahan
California Water League

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P R O C E E D I N G S

10:04 a.m.

CHAIRPERSON DESMOND: I'd like to call this meeting to order. Good morning, everyone. Please rise and join me in reciting the Pledge of Allegiance.

(Whereupon the Pledge of Allegiance was recited in unison.)

CHAIRPERSON DESMOND: I'd like to thank everyone for coming here today. I note that we have two speakers on agenda item number 3. And I don't know if we have anyone else on the phone. Okay.

First item on the agenda is the consent calendar.

COMMISSIONER BOYD: Move approval.

COMMISSIONER GEESMAN: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved.

Second item is the 2005 geothermal program solicitation. Possible approval of five proposed projects totaling $3.4 million from the

geothermal resources development account for fiscal year 2005/2006 which resulted from the 2005 geothermal program solicitation. Ms. Sison-Lebrilla.

MS. SISON-LEBRILLA: Yes, good morning. My name is Elaine Sison-Lebrilla, Manager of the Energy Generation Research Office.

Staff is requesting approval of the proposed projects resulting from the 2005 geothermal program solicitation totaling $3.4 million from the geothermal resources development account, also known as GRDA.

The request is for approval for four awards -- for awards for four projects and a conditional award to the fifth, which is to Mammoth Pacific Limited Partnership. And Kerry Willis from our legal office will explain that later on.

The proposed awards are based on ranking of the scores of the project proposals and have the approval of the Research and Development Committee. Projects are proposed for funding in the order of ranking beginning with rank one. Funding of the proposed projects is contingent upon the Energy Commission receiving the projected

GRDA revenues and the authority to spend those revenues for fiscal year 2005/06.

In according with geothermal program regulations the Energy Commission must allocate at least 25 percent of the GRDA available funding to projects in each of the three project categories: resource development, planning and mitigation.

The Energy Commission may allocate remaining funds to any of the three project categories. Staff is proposing one planning project, one mitigation project and three development projects.

The planning project is to the town of Mammoth Lakes for structuring geothermal heating district for Mammoth Lakes for $191,176.

The mitigation project is for Image Air, Incorporated; application of InSAR to the monitoring and mitigation of surface subsidence from increased geothermal development in the Imperial Valley, California, for $292,726.

The three development projects are to Bottle Rock Power Corporation; increasing steam production from an existing well using near-horizontal drilling technology; $880,237.

To Fort Bidwell Indian Community for

geothermal exploration of drilling, assessment and demonstration in Indian country; for $1,139,814.

And to Mammoth Pacific LP for the Rhyolite Plateau Geothermal Exploration Project for $896,047.

The geothermal program solicitation proposed awards supports California's goal to meet the accelerated 20 percent eligible renewable goal by 2010 and a longer term goal of 33 percent by 2020 per the Integrated Energy Policy Report.

In July 2005 the geothermal program released a program opportunity notice to announce new solicitation for geothermal projects. The notice announced that up to 3.9 million was available from the geothermal resources development account, GRDA, to fund projects that relate to geothermal research, development and demonstration, geothermal planning or environmental mitigation.

On August 30, 2005, the Energy Commission received 15 qualifying preapplications. On October 12, 2005, written comments on the proposed projects were sent to each preapplicant for consideration in preparing a final application. These letters provided comments on

the competitiveness of the proposals and suggestions on possible improvements.

On November 14, 2005, the Energy Commission received 13 of the preapplications as qualifying final applications, requesting 10.2 million, and providing 11.4 million in matching contributions. Each final application was screened for completeness and reviewed by Energy Commission Staff and external technical consultants.

Then a Technical Advisory Committee, also known as TAC, reviewed, evaluated and scored the 13 qualifying final applications using criteria prescribed in program regulations. The TAC recommended the projects proposed for funding in the order of ranking beginning with rank one in each of the categories of planning mitigation and development. This recommendation was approved by the Research and Development Committee.

The funding amount recommended by staff is up to 3.4 million for GRDA projects based on the current GRDA funding condition. Funding cannot exceed the specified amount for each project.

I will now read the project description

and suggested conditions for each project.

For the planning project for the town of Mammoth Lakes, the town of Mammoth Lakes has long been recognized as an attractive candidate for the development of geothermal district heating.

The elements which contribute to this assessment include a proven geothermal resource, substantial local interest, and the opportunity to significantly displace the use of gas by geothermal energy.

Despite these positive attributes no project has ever proceeded beyond the discussion phase. This project proposes to develop the first comprehensive planning study covering the organizational and financial structure for a geothermal district heating system.

Project activities would include assessment of various organizational and financial structures, legal implications of those structures, cost effectiveness and the marketing need to gain acceptance and participation by new and existing property owners. No recommended conditions were placed by the TAC on this project.

The next project is with Imageair, which is a mitigation project. Land-based methods for

detecting and mapping surface deformation that may accompany geothermal power production is laborious. However, such surveys are important because subsidence and inflammation can be important impacts in regions where large-scale power production is underway.

Interferometric synthetic aperture radar, InSAR, has a potential to allow rapid surface deformation surveys of large areas of high resolution. This proposal will evaluate the ability to use former ER as -1 and ER as -2 current radarsat and envisat and future ALOS satellite data, as well as airborne systems to map surface elevation changes in the vicinity of power production sites in the Imperial Valley.

It is anticipated that the current installed capacity of 500 megawatts in the Imperial Valley will increase over the next decade by an additional 2000 to 3000 megawatts. This increase in geothermal energy production must remain compatible with the present agricultural industry uses of the Valley floor, and the delicate balance involved in continuing the salt-leaching technology.

InSAR may provide a cost effective

technique for monitoring surface movement in this region and provide the technical data necessary for the design of any needed mitigation strategies.

Recommended conditions for this project is the applicant working with the geothermal developers need to describe and validate value of the data that will be used as match prior to the reimbursement of Energy Commission funds. And also that applicant needs to confirm that she, which is their PI in Imageair, is able to fulfill the obligations of current contracts, as well as those for this project, prior to the approval of the funding agreement.

Now we're starting with the development projects. The first one is Bottle Rock Power Corporation. The Bottle Rock geothermal field, located at the Geysers known geothermal resource area, shut down in 1991 after six years of service due to declining steam production. It is now proposed to reopen this facility and restore power generation by using new drilling techniques to increase production of geothermal fluids.

The approach being considered is to adopt horizontal drilling technology that has

successfully been employed by the oil industry to increase production.

The project is expected to increase the amount of electricity being generated at the Geysers geothermal field by 4 megawatts over the next 15 years. The direct economic benefit will be approximately 15,768,000, as well as enhanced employment opportunities for the local community.

This project would also significantly contribute to the achievement of the California's renewable portfolio standards goals. If successful, this project would also provide important demonstration value for expanding similar drilling approaches to other geothermal power production sites throughout the state, compounding the impact of this technology on meeting RPS goals.

Recommended conditions for this project is if drilling is not successful the applicant must provide matched share to abandon their well appropriately. And also there's prevailing wage conditions that Kerry Willis will talk about later.

The next development project is with the Fort Bidwell Indian Community. The U.S.

Department of Energy geothermal program is funding an exploratory well, targeting the upflow zone of the Fort Bidwell Indian Reservation geothermal system.

The purpose of that project is to discover and characterize a likely moderate- to high-temperature geothermal resource capable of electrical power generation and potential cascaded direct uses.

However, recently there has been an unexpected steep rise in the cost of steel, drill rig rates, well services and fuel, all of which have effects on exploration and the drilling project underfunded. This proposal seeks GRDA funds to complete the well and to expand, deepen and test it. The cost-sharing with DOE would share the financial risk, increase the likelihood of completion of the well with a successful outcome, increase the value of data obtainable from the well, and increase the costs of a development project, should one follow this drilling project.

The recommended conditions for this project is all permits must be in place before this project begins, and prior to the

reimbursement of any Energy Commission funds. And if drilling is not successful the applicant must provide matched share to abandon the wells. There are also prevailing wage conditions that Kerry will discuss later.

The third and final conditional award is to Mammoth Pacific Limited Partnership. Mammoth Pacific Limited Partnership currently holds federal geothermal leases for several tracts in the Rhyolite Plateau region of the Long Valley caldera, which is not far from Mammoth Lakes.

This region is a largely unexploited known geothermal resource area. This proposal seeks funding for further exploration and resource assessment for the Rhyolite Plateau.

The exploration and assessment would include geotechnical study and the permitting and drilling of one geothermal well. The results from this project would significantly contribute to the long-term goal of obtaining the required information to complete the design and permitting of a 50-megawatt, estimated, geothermal power plant. Completion of that project would significantly contribute to achieving California's RPS goals. And this project has a prevailing wage

condition that Kerry will now talk about.

MS. WILLIS: Good morning. I'm Kerry Willis, Senior Staff Counsel. First, I'd like to talk about the prevailing wage issue. Three of the proposals have indicated that they are not a public work, and therefore not subject to prevailing wage.

However, the reviewers of these proposals have noted that these projects involve drilling and/or construction activities, usually considered to be public works.

In order to resolve this issue, before executing the grant agreement, the applicant will either concur that the project is a public work and revise their budget accordingly; there will be no additional funds from the Commission for this, however.

Or, if they prefer, they can get a determination, a coverage determination from the Department of Industrial Relations. If DIR finds that the project is a public work, then the applicant will once again need to submit a revised application to include prevailing wage. If DIR determines the project is not a public work, then the proposal does not need to be revised.

So that, I think that will be going out in a letter to them following this meeting. And they will have up to six months if they decide to go through the Department of Industrial Relations. We did discuss this with an attorney there, and it appears that their opinion, at least initially, is that these projects are a public works, and would be subject to prevailing wage.

The second area I'd like to address today is that, as many of you know, we are the lead agency for CEQA compliance with these proposals. We're asking today for approval of four of the proposed projects, the first four on the list. And a conditional approval for Mammoth Pacific.

Our staff did a CEQA analysis of each of the projects, and the first two proposals are basically paper projects of the involved planning, analysis and data collection. Therefore, they did not fall under the definition of project under CEQA, so that will be -- we will be filing a notice of exemption for those first two projects.

The third -- 3(a) Bottle Rock Power Corporation, the horizontal drilling of the existing well, that applicant has obtained all of

their permits through the County. They have an existing use permit, and through the Air District. So we found that to be in CEQA compliance.

The 3(b), the Fort Bidwell, is an existing DOE, Department of Energy project. And it was assessed through the NEPA process. They received a categorical exclusion determination. This exclusion is parallel to a CEQA categorical exemption class 1. The land has already been prepared and pads have been constructed. So we found that project also to be in CEQA compliance.

3(c) is Mammoth Pacific. Currently this project does not meet CEQA compliance. The applicant is currently in the process of completing its environmental assessment to be submitted to the Bureau of Land Management. The other projects that -- they have several other projects adjacent to this particular site, and each of those projects have received a negative declaration in the past. And we anticipate that this project will not be any different.

The process may take four to six months, however, and once they're in compliance, then we would come back before you again to ask for a final approval. But at this point in time we feel

that a conditional approval would be appropriate.

CHAIRPERSON DESMOND: Thank you. Discussion, comments or questions?

VICE CHAIRPERSON PFANNENSTIEL: I have a question.

CHAIRPERSON DESMOND: Commissioner Pfannenstiel.

VICE CHAIRPERSON PFANNENSTIEL: Elaine, on the write-up you mentioned that there was 4.9 million available --

MS. SISON-LEBRILLA: Three point nine.

VICE CHAIRPERSON PFANNENSTIEL: I'm sorry, 3.9. Say it's now estimated at 3.4 million is available. What happened to the half-a-million dollars?

MS. SISON-LEBRILLA: Well, when we first started solicitation in July 2005 -- this is the 2005/2006 fiscal year -- we got an estimate from Budgets that we would have 3.9 million.

When we came to the Policy Committee we asked Budgets, well, what is the estimate now, and they said 3.4. So we used the 3.4 million number.

I don't know if half-a-million went away. It's just that their estimates were modified and so we chose the lower number.

VICE CHAIRPERSON PFANNENSTIEL: That would be interesting to follow up, though, --

MS. SISON-LEBRILLA: Sure.

VICE CHAIRPERSON PFANNENSTIEL: -- to find out why the --

COMMISSIONER ROSENFELD: Maybe you could tell us in a sentence or so where the 3.9 or 3.4 comes from anyway.

MS. SISON-LEBRILLA: Geothermal resources development account gets its money from geothermal royalties on federal land leases. These royalties go to the government, the federal government, and half come to California. Of that half, 30 percent come to this program to fund geothermal projects.

So, for fiscal year 05/06 it would be the money that, the royalties that are collected during 05/06 that we're trying to encumber. And that won't be over until June of 06, so we don't know exactly how much there is in the GRDA account. So when we release the solicitation we get the best estimate from our accounting office; and we refine it when we go to our Policy Committee. And we use the best-guess estimate at that time.

CHAIRPERSON DESMOND: Okay, thank you.

COMMISSIONER ROSENFELD: This came before the R&D Committee and I'm pleased to move it.

COMMISSIONER GEESMAN: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved.

Agenda item number 3, Building Standards Compliance Option for Evaporatively Cooled Condensing Unit. Possible approval of a compliance option for evaporatively cooled condensing units for use with the 2005 building energy efficiency standards. Approval of this compliance option will provide appropriate compliance credit for installing evaporatively cooled condensing units in residential buildings. Evaporatively cooled condensing units use less energy compared to conventional air-cooled air conditioning units. Mr. Verma.

MR. VERMA: Good morning. My name is Ram Verma. Staff is seeking approval of a compliance option for evaporatively cooled

condensing units. Evaporatively cooled condensing units are similar to conventional -- system units except that water is sprayed on the condenser coils. These units are more efficient and save energy during peak periods.

Currently these units don't get credit under time-dependent valuation of energy. With approval of this compliance option all evaporatively cooled condensing unit that meet the eligibility requirements will get appropriate credits.

Staff has evaluated this option -- this proposal, including energy saving, environmental impact, and water use. Staff has determined that this proposal is technically justified and will result in reliable and sustainable energy savings.

This proposal has been approved by the Energy Efficiency Committee. Any questions?

CHAIRPERSON DESMOND: I have no questions. I know that we do have two speakers who wish to address the Commission here on this issue. Mr. McClellan.

MR. McCLELLAN: Hello.

CHAIRPERSON DESMOND: Good morning. For the record, please state your name and the

organization.

MR. McCLELLAN: My name is Peter McClellan; I'm a mechanical engineer here in Sacramento. I am not affiliated with any organization.

CHAIRPERSON DESMOND: Thank you.

MR. McCLELLAN: My main concern, actually with this proposal is in concern with water consumption of the proposed units.

The units use, I believe, more water and therefore more energy, and use a more -- use more of our natural resources than we would be led to believe.

I do have supporting documentation for what I am going to speak about, if you do care to look through it.

Specifically, some of the manufacturers that we've looked at, specifically a Freus unit, claim to use 7.38 gallons per hour for a five-ton unit, which gives you a usage of approximately 1.47 gallons per hour per ton. Theoretical water consumption for this unit, the capacity being 58,500 Btus per hour, comes out to be approximately 1.49 gph per ton, which is higher than the consumption they've claimed.

That theoretical basis does not take into account the losses to the atmosphere, does not take into account, you know, any sort of imperfections in the heat transfer between the evaporative condensing section, the evaporative cooling section, along with the condenser section. And it assumes basically a perfect situation, which just simply does not happen.

It also assumes a lack of bleed; talks about also does not take into account any sort of blow-down, loss of water that way.

In a --

COMMISSIONER ROSENFELD: Mr. McClellan.

MR. McCLELLAN: Yes.

COMMISSIONER ROSENFELD: I just want to understand. You're saying that the Freus calculations are just engineering calculations, they aren't measurements, is that what you're telling us?

MR. McCLELLAN: I am saying that they are not measurements, that is correct.

COMMISSIONER ROSENFELD: Fine.

MR. McCLELLAN: Okay. There was a report conducted by Algo Chemical regarding silica buildup, specifically talking about the issues of

scaling and having to keep a limit of 120 parts per million to avoid scaling on units.

The reason I bring this up is because you basically have to go into a continuous bleed to avoid scaling in many parts of the state because of the high silica content.

There are water sources here in California, specifically there was a study done in Davis. The water content there, I believe the silica content is about 60 parts per million.

The silica scales cannot be removed by traditional methods. They have to use hydrochloric acid. This is something that has to be done mechanically; has to be sprayed on; has to be scrubbed. It's damaging to the media, it's damaging to the unit, itself. I feel that this is not something to be undertaken by building owners; not something that will be upkept; and will reduce the efficiency of these units over time.

In regards to water consumption, PG&E did a study on these units in 1998. Specifically a 2.5 ton unit in Davis that did monitor the water flow of usage by this unit. It's, as far as I know, the only independent test that is published on a similar system to these.

The water consumption over the course of this test was rated at 5.28 gallons per ton hour, which is less than the Freus system claims, but less than 1.5. The reason that this was so high was because they had to keep that continuous bleed to avoid silica buildup.

In a hypothetical, say that they did a intermittent purge on this, they said basically that the water consumption would be cut by half. It's still, you know, at 2.64 gallons per hour per ton, which is much higher than that 1.5.

The annual water maximum consumption that I use in this analysis was a maximum -- I'm sorry, just a moment, lost my place there -- the actual value tested in the Davis 2.5 ton system was just under 10,000 gallons. I believe Freus is claiming that the maximum 7500 gallons, the actual tested being 10,000.

I don't believe that a system such as a five-ton unit for a typical home in Sacramento would use the 1600 gallons that has been represented for an average home, which Freus has claimed. I believe that the total is more towards a, almost a 10,000 gallon value -- I'm sorry, rather more like 50,000 gallon value in some parts

of the state.

COMMISSIONER GEESMAN: Mr. Chairman, --

MR. McCLELLAN: Yes.

CHAIRPERSON DESMOND: Commissioner Geesman.

COMMISSIONER GEESMAN: Could you walk through that arithmetic for me?

MR. McCLELLAN: Yeah, I will in just a moment. Based on the testing done by PG&E they came up with 5.28 gallons per ton hour. Based on a cooling load -- that was on a 660 hour cooling load with a 2.5 ton unit.

If you go into a high consumption rate, somewhere in the southern Valley, something like that where you have dry conditions, high silica content that can go up to something between 1500, 1800.

COMMISSIONER GEESMAN: Hours?

MR. McCLELLAN: Hours, yes. And --

COMMISSIONER GEESMAN: Again, assuming the 2.5 ton --

MR. McCLELLAN: No, I'm assuming a 5 ton for a typical house.

COMMISSIONER GEESMAN: Okay.

MR. McCLELLAN: For a typical home.

COMMISSIONER ROSENFELD: I think he went up a factor of four, he doubled the tonnage and doubled the hours.

MR. McCLELLAN: Yeah, double the tonnage, double the hours used, or actually a little bit more than doubled the hours used. Comes up with an extrapolated data value of 44,000 for 1500 ton hours and 1800 for -- I'm sorry, 52,000 for 1800.

Even if you cut that in half, based on the intermittent purging, that still comes up with 26,500 or so, which is much larger than that 7500 claimed.

COMMISSIONER GEESMAN: Thank you.

MR. McCLELLAN: I think that we should have some sort of testing on the units. There needs to be some sort of independent testing for each one of the units before these things are approved. We don't know how much water the system uses, but we do know that the water the system uses is much greater than what manufacturers claim.

We do know it's physically possible to test it, but we do know it's physically impossible that it uses the amount of water that it claims.

Because of the water conditions in California it's going to have to use a whole lot more than theoretical values. And before any of this is accepted by the Commission it should be independently verified by a third party.

That's all I have.

CHAIRPERSON DESMOND: Thank you.

COMMISSIONER ROSENFELD: I have a question for you, Mr. McClellan, and then for Ron Verma. I don't know the economics very well. If you take your estimate for the water usage, so 25,000 gallons or something, assuming the partial bleed, and let's not discuss Sacramento where water is pretty much free, but you take costs of water in Bakersfield or something.

MR. McCLELLAN: Right.

COMMISSIONER ROSENFELD: How do the economics work out? We still have a more efficient air conditioner, so there's a tradeoff here. And I can't tell --

MR. McCLELLAN: Talking about the economics --

COMMISSIONER ROSENFELD: Yeah.

MR. McCLELLAN: -- to the consumer?

COMMISSIONER ROSENFELD: Yeah.

MR. McCLELLAN: To the consumer. I am not familiar with water rates throughout the state. I am simply looking at water usage and the fact that we are continuously in drought in this state.

COMMISSIONER ROSENFELD: But we're also continuously paying bills for electricity in this state.

MR. McCLELLAN: I understand that. I do.

COMMISSIONER ROSENFELD: Maybe Mr. Verma has some comments.

MR. VERMA: Yes, I do. I don't believe it's possible to consume 5.28 gallons per ton. It's not simply possible by physics laws. And because even if you take one ton is like 11,000, 12,000 -- per hour. And (inaudible) 980 --

COMMISSIONER ROSENFELD: No, his problem is all this darn bleeding, it's not the evaporative cooling.

MR. VERMA: Yeah, bleeding is not -- actually bleeding is, in this model, a fraction of the total water consumption. And this unit flush the water tank once for every eight hour of compressor run.

COMMISSIONER ROSENFELD: I'm sorry, Ram, say that again?

MR. VERMA: The water tank is flushed once for every eight hour of compressor run time. And that's very small compared to evaporation. The main consumption is from evaporation which is we have (inaudible) in different regions. And in the worst region, in the Imperial Valley, it's 6000 gallons per year. In Sacramento it's around 1200 gallons per year.

MR. McCLELLAN: This is per ton?

MR. VERMA: No, is total for the unit; I said for 3 ton unit.

MR. McCLELLAN: For a 3 ton unit.

COMMISSIONER ROSENFELD: Well, Ram, do you have the economic answer that I was asking? That is, even if you were to use -- I wouldn't have a problem if you were to use Mr. McClellan's rates and it still turned out to be economic then I would be comfortable. Otherwise we've got to figure out whose rates are right, water rates.

MR. VERMA: Yeah. I can at least show that these rates are extremely high. I can show with engineering calculations that these rates that we have used are appropriate.

VICE CHAIRPERSON PFANNENSTIEL: Mr. Chairman.

CHAIRPERSON DESMOND: Commissioner Pfannenstiel.

VICE CHAIRPERSON PFANNENSTIEL: I know that we have another person who wants to address the subject, and I suggest that we move on to that. I believe that these technical discussions probably need to happen outside of the --

COMMISSIONER ROSENFELD: Right.

VICE CHAIRPERSON PFANNENSTIEL: -- you know, Commission meeting. I think that we probably need to do some more technical analysis here, but we should perhaps hear from the other speaker.

CHAIRPERSON DESMOND: Thank you.

COMMISSIONER ROSENFELD: I'm sorry to the next speaker, I didn't mean to interrupt in the middle of the discussion. I forgot there's a second speaker.

MR. McCLELLAN: Would you like a copy of this?

COMMISSIONER ROSENFELD: Give it to him.

CHAIRPERSON DESMOND: Please. Thank you, Mr. McClellan.

MR. McCLELLAN: Yes.

CHAIRPERSON DESMOND: Second speaker is Mr. Mahan for the California Water League.

MR. MAHAN: Good morning, Commissioners. My name is Michael Mahan. I'm here on behalf of the California Water League. We represent a number of interests including farming uses and small hydro projects.

And from my review, which has only been a few days of the documents here and making a few phone calls, it's my understanding that staff is accepting the manufacturer's specifications rather than any outside testing of this device.

And it's also my understanding, just based on what the discussion went on right here, is the staff is talking about the evaporative cooling water supply, but Mr. McClellan was talking about the purge, getting rid of water to avoid silica buildup on the unit.

The manufacturer details one per eight hours, but we know from the silica content of water in various parts of the state that it can be such that a continuous purge would be required, or at least purging about four times as often as the manufacturer is detailing for us.

So the water use in that instance is going to be many times of what has been indicated by the manufacturer. And if we go back and look at just the evaporative cooling effect of using water, this is unlike a swamp cooler where you basically use all the air coming out. Just looking from the diagrams, this device purges cooled air into the outside atmosphere, outside of somebody's house.

And so the water use -- I mean that cooled air has to be cooled somehow, and it's cooled by the evaporative water. And if we can look from their diagrams it looks like their device is about 55 percent efficient. So if we double the amount of water use for the purposes of cooling, because there's cooling air going outside the house and cooling inside the house, we'd have to double the amount of water being used. Because that water is being used to cool the outside air as well as the inside air.

And the staff has mentioned that they believe that there'd be an energy savings as well as a positive environmental impact and positive for water use. We just know that they cannot purge this once per eight hours, one cycle per

eight hours because the silica buildup is going to be too much. When you evaporate the water out you have all the salts, all the remainder stuff, all the impurities in the water, whatever they're going to be.

And some of the standards for silica are relatively high in this state. And so if we allow the silica buildup to continue, number one, the energy efficiency will go down rapidly on the device if they have to purge it quite frequently. And number two, silica and other saline discharges provide environmental hazard for our water supplies. It has to be treated.

And one thing that's not being considered at all is the time value of water. Water is a reservoir for energy, if you think about it, water. It's our most scarce resource in California. And we're having an incredibly high use of water in this device. The water has to be transported there; generally it's going to be potable water because it's not being pulled off a river. It's going through, you know, city supplies, so there's a lot of energy use involved there.

And moreover, water, our probably most

time-dependent value resource in California. I mean when it's hot and people are using air conditioning, that's when water is most scarce, because it's evaporating into the atmosphere.

One of the other miscalculations --

COMMISSIONER ROSENFELD: Excuse me, one small point. If we do the economics correctly, all of the cost of delivering water to my house will be taken care of in the price of water. So, you're sort of double-counting in your objections.

I mean, it's true, water takes electricity to pump it and it took the distribution system to get it to me, and so on. But, I pay for that.

So if the staff does the calculations and shows that it's still economic that would take care of your perfectly legitimate concern.

MR. MAHAN: Well, the calculations, I mean for water, are not time dependent. It requires much more energy to provide you with water in the same time it's providing you -- when it's requiring much more energy to cool your system just running electricity through it.

COMMISSIONER ROSENFELD: I would say that's a problem that the water agency should

really address, but not us.

MR. MAHAN: Okay, I understand, Mr. Commissioner. But the factor is that there's a lot of energy required to move this water. And this system is understating the energy, both on their evaporative cooling effect and also on their purging effect.

So whatever calculation is there needs to be redone. And it's my understanding that there's been no outside testing of this device. They seem to state that they've been certified by ETL, but ETL has not certified this device.

All of their water use is based on speculative calculation, which doesn't take into effect the two main factors that they don't purge it enough, and that they aren't efficient enough. That means they're sending cold water out into -- or cold air out into the atmosphere.

So the energy savings really isn't true because there's too much water being thrown through here. The environmental impact is they're going to be purging silicates, you know, into the water supply; whether it has to be scrubbed, or whether you count that energy consumptions or not, it's not a positive environmental impact. And I

don't think it's been accounted for.

Number three, the water use is just vastly understated. It's probably understated by, you know, a factor of ten at most.

I, being an attorney, probably know less about these calculations than anybody in this room, however my review of just basic science there isn't a conservation of energy going into this system, it's, you know, only 55 percent efficient; it's bleeding cold air into the atmosphere; and those calculations are not provided for by the staff report.

Moreover, it's my understanding that the applicant has based some of its calculations on the cost of energy and water on kind of a misleading standard. They look to the cost of producing hydroelectric power, however most of the water that is in hydroelectric projects and reservoirs, et cetera, has multi-uses, whether it's recreational, whether it goes off to farmers, whether it's just for flood control.

To look at the global conditions, or to look at the overall conditions of the state and assume that all water gets used only for the creation of hydroelectric power vastly understates

the cost, because there are more benefits that are received for the same cost of keeping that water around.

In fact, -- if I can thumb through here --

COMMISSIONER ROSENFELD: Mr. Mahan, I think the fact that there are concerns means we will have to hold this discussion over. And --

MR. PENNINGTON: Could I comment just for a second?

COMMISSIONER ROSENFELD: Yes, Bill.

MR. PENNINGTON: I'm Bill Pennington, the Manager of the Buildings and Appliances Office. I apologize that this is taking up so much of the Commission's time here. Neither of these speakers made their comments to staff or brought this information to us over the last three or four months when we've been trying to evaluate this project. Nor came to the workshop that we held.

We have been actively working with California local water use agencies to review the water use of this equipment, and have come to an understanding with that Association on the appropriateness of the water use for this device.

This is a potential breakthrough technology from the energy efficiency vantage point for saving energy on peak and throughout the year. It also uses significantly less water than most evaporative technologies.

And the manufacturer's taken a number of measures to reduce water use in the system. And we also have developed additional mitigations for water use as a condition for this approval.

Having said that, I think we need to address these comments. And we'd be glad to do that and bring the item back.

VICE CHAIRPERSON PFANNENSTIEL: Mr. Chairman, I'd like to move that we hold this item until both the engineering and the economic analyses have been further vetted with the staff, given these comments. I know the staff has held public workshops on this. And I don't know, as Mr. Pennington said, why this information hasn't been derived previously.

But we have it in front of us; I think that we will all need to take another look at it and have it brought back to us.

COMMISSIONER GEESMAN: I'll second Commissioner Pfannenstiel's motion, and add the

observation, your backup material does indicate that during the public workshop the California Urban Water Conservation Council had raised concerns. And you proposed some mitigation measures to address those concerns.

Before you bring it back I'd like some written indication as to whether the California Urban Water Conservation Council now believes this is a good idea or not. During our IEPR process last year we took quite a bit of testimony from the Urban Water Conservation Council and others about the desirability of promoting an integrated view of water and energy efficiency.

And I think it would be important for us before we take any action to have a better understanding of how well integrated this particular proposal is.

MR. PENNINGTON: Great.

CHAIRPERSON DESMOND: Okay. Then, -- Commissioner Rosenfeld.

COMMISSIONER ROSENFELD: I'd like to make one -- I echo a little bit Commissioner Geesman's point. Obviously we need an integrated approach and the two points that I found disappointing in trying to learn something from

Mr. McClellan and from you, is that there wasn't a single dollar figure mentioned comparing the electrical savings with the water costs. I mean water is very valuable, but it's not holy, it is worth something in dollars.

And secondly, there's this discussion of the silica problem. And there was no indication whether the numbers you're using are for the worst 1 percent of the state or for the whole state. We are divided into climate zones, and we could take that into consideration. But I got no information about that, either.

So, I think we have to look at this as a function of where in the state we're discussing it. So, that's just some small points that have to be worked out.

COMMISSIONER BOYD: Mr. Chairman.

COMMISSIONER ROSENFELD: But let's go ahead with the vote.

CHAIRPERSON DESMOND: Commissioner Boyd.

COMMISSIONER BOYD: Well, I want to agree with everything I've heard here today. I find it rather ironic we're having this debate after, in our first item, approving a water energy policy symposium to take place next month.

Perhaps some of these integrated issues will be discussed at that time, as well.

So, I'm in support of the idea of holding this until the questions are resolved.

CHAIRPERSON DESMOND: Well, there have been a number of questions. I want to thank both the speakers today for raising these issues. I'm sure staff will go back and address all the concerns that have been made, both in terms of the purging, the reliance of the manufacturer on his own internal data. I'd also ask them to consider whether or not there have been any field studies done in other states that they've looked at for the comparison between actual and manufacturer-rated water consumption.

And so we'll look forward to hearing back again before we take this issue up. So, it's held over for further discussion. Thank you.

MR. McCLELLAN: Thank you.

MR. MAHAN: Thank you.

MR. VERMA: Thank you.

CHAIRPERSON DESMOND: Agenda item number 4. City of Capitola. Possible approval of a loan for $40,000 to the City of Capitola to install energy efficient light-emitting-diode traffic

lights. This project is estimated to save about $8,800 annually, with a simple payback of 4.4 years. Ms. Bronson. I'd note we have ten speakers here to address this issue. Just kidding, we don't.

(Laughter.)

CHAIRPERSON DESMOND: We don't.

MS. BRONSON: These are always a point of humor.

My name's Mary Ellen Bronson with the Public Programs Office in the Efficiency, Renewables and Demand Analysis Division.

Staff is here to request your approval of a $40,000 loan to the City of Capitola. The interest rate for this loan will be 4.5 percent. The loan will be used to replace red, green, amber and pedestrian incandescent traffic signals with energy efficient light-emitting-diode modules, LEDs.

The project will reduce the City's annual energy use by over 65,000 kilowatt hours, translating to a load reduction of 7.5 kilowatts.

Installation of the LED modules will save the City approximately $8800 annually in reduced energy costs.

The loan request meets all of the requirements of the Energy Conservation Assistance Act account, ECAA, and/or the bond fund program. The loan has a simple payback of 4.4 years, thus meeting the requirements of the loan program. And staff therefore recommends approval of the loan for the City of Capitola.

Any questions?

CHAIRPERSON DESMOND: Commissioner Pfannenstiel -- oh, Rosenfeld. Go ahead.

COMMISSIONER ROSENFELD: I have one tiny friendly question. The payback time you list as 4.4 years. That's based only on the electrical savings, right?

MS. BRONSON: Yes.

COMMISSIONER ROSENFELD: Because, in fact, as we know, the lamps last, I don't know, five or ten years, and it saves a lot of trucks and climbs up the ladder, and so on, which probably reduces the payback time significantly below that.

But I think your figure is just electric savings.

MS. BRONSON: Yes, it is.

COMMISSIONER ROSENFELD: Yeah. Thanks.

VICE CHAIRPERSON PFANNENSTIEL: Mr. Chairman, this item has come before the Energy Efficiency Committee. It was approved there, and so I move it.

COMMISSIONER ROSENFELD: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you, Ms. Bronson.

Agenda item number 5, City of Victorville. Possible approval of a loan for $54,566 to the City of Victorville to install packaged Ice Bear thermal energy storage systems at two city facilities. The project is estimated to save about $5667 annually, with a simple payback of 9.6 years. Mr. Wang.

MR. WANG: Good morning, Commissioners. My name is Joseph Wang, and I'm the Project Manager for this loan.

This is the second loan from the Commission for the City of Victorville. The first loan was approved in November of 2005 to install a similar systems. And they want to install two more, these thermal energy storage systems at two

more facilities. And this time they will install three additional units.

And each unit is rated at 50 ton hour, and will allow the City to shift a 7.5 ton air conditioner operation for six hours during onpeak period. Or a 5 ton air conditioning unit for nine hours of operation.

And this project will save the City over $5600 a year. And this is only based on energy savings alone. And this project has a single payback of 9.6 years.

And staff has reviewed this project and recommends approval of this loan.

CHAIRPERSON DESMOND: Thank you. Commissioner Pfannenstiel.

VICE CHAIRPERSON PFANNENSTIEL: Just a question. So this is the second one of this same technology that they're installing?

MR. WANG: That's correct. They want to combined both project installation at the same time.

VICE CHAIRPERSON PFANNENSTIEL: And the technology works well?

MR. WANG: Yes.

VICE CHAIRPERSON PFANNENSTIEL: It meets

the specifications? It does what they had expected it to do?

MR. WANG: That's correct.

VICE CHAIRPERSON PFANNENSTIEL: I know that we're considering this technology elsewhere in the building standards, and I was wondering whether this is any kind of pilot for that.

MR. WANG: We have about 15 Ice Bear systems installed in California, and the longest unit has been running for about two years. There's no failure rate at this point.

And they are also planning to come to our Commission's compliance option process; and they are reviewing the data right now.

VICE CHAIRPERSON PFANNENSTIEL: But this is the same -- I assume it's a slightly larger scale technology than we would be considering for home use, is that --

MR. WANG: This is correct. These units are rated at 50 ton hour per unit. And those will be between 20 and 30 ton hours.

VICE CHAIRPERSON PFANNENSTIEL: And then the other question is you mentioned, you note in the writeup that the City buildings will switch to a time-of-use rate. So currently, even though

they currently have these storage systems onsite, they're not on a time-of-use rate?

MR. WANG: The existing rate schedule that these buildings are on are the regular GS2 demand rate schedule, and there's no time element. To take advantage of the time-of-use rate schedule, to save -- you know, energy savings, the City will be switching to GS2 time-of-use option B.

VICE CHAIRPERSON PFANNENSTIEL: Well, was the economics done based on the non-time-of-use rate or the time-of-use rate?

MR. WANG: The economics is calculated based on time-of-use rates.

VICE CHAIRPERSON PFANNENSTIEL: Okay. That's fine. With those answers, then, I'll move the item.

COMMISSIONER ROSENFELD: Second.

CHAIRPERSON DESMOND: Let me just add I think that this technology provides some of the largest opportunities we have right now to address the peak demand situation. I mean the benefits extend both to being able to downsize the distributed solar systems on residential.

But, to me, most exciting is it's field-

retrofittable. Meaning we can --

MR. WANG: That's correct.

CHAIRPERSON DESMOND: -- address the existing market, not just new construction, with this. So very interested in seeing how this does with that.

All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you, Mr. Wang.

MR. WANG: Thank you.

CHAIRPERSON DESMOND: Agenda item number 6, County of Alameda. Possible approval of a $703,917 loan augmentation to the County of Alameda's existing loan of $2,154,848 awarded in September of 2004.

And this argumentation allows the County to install an additional 250 kW module, resulting in a total system capacity of 1 megawatt fuel cell cogeneration.

The additional module is estimated to save the County 1,752 kilowatt hours or $71,828 annually in reduced energy costs, with a simple payback of 9.8 years. Mr. Suleiman.

MR. SULEIMAN: Good morning. My name is

Adel Suleiman; I'm with the Public Programs Office.

In September of 2004 the County of Alameda requested and received a loan from the Energy Commission of $2.15 million to finance the installation of three modules at 250 kW of fuel cell cogen at the Santa Rita Jail in Dublin.

This item before you today is for an additional loan of $703,917 to install an additional module of 250 kW, as well, on the same facility.

This additional module is estimated to save the County 1.7 million kWh; and 200 kW demand savings or approximately $71,828 in annual cost savings.

This loan has a simple payback of 9.8 years. When the project is complete it will provide, this project will provide approximately 50 percent of all electricity needs at the jail, and it will be the largest fuel cell project in the country.

The Energy Commission Staff has evaluated and determined that this loan request is technically feasible and meets the requirements for a loan under the Energy Conservation

Assistance Act and the bond fund program. And staff is seeking your approval on this item. Thank you.

CHAIRPERSON DESMOND: Thank you.

COMMISSIONER ROSENFELD: I have a question.

CHAIRPERSON DESMOND: Commissioner Rosenfeld.

COMMISSIONER ROSENFELD: I apologize, I didn't do my homework last night. Is this cost shared with --

MR. SULEIMAN: Yes. The rebates on this project for the total project, PG&E self-generation incentive program is providing $2.5 million of rebate to this project. The Department of Defense is also providing $1 million. So there's a cost share from the DOD and from PG&E.

COMMISSIONER ROSENFELD: Thanks.

CHAIRPERSON DESMOND: Commissioner Pfannenstiel.

VICE CHAIRPERSON PFANNENSTIEL: If there are no further questions I would move the item.

COMMISSIONER ROSENFELD: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved.

MR. SULEIMAN: Thank you.

CHAIRPERSON DESMOND: Thank you. Agenda item number 7, Western Governors Association and possible approval of contract R650-05-006 for a reimbursement between the Energy Commission and the Western Governors Association.

Under this agreement WGA will provide $100,000 to fund a study of biofuels technology development in California. Mr. MacDonald.

MR. MacDONALD: Good morning, Commissioners. I'm Tom MacDonald with the Fuels and Transportation Division.

As stated, we're requesting approval of this contract with the Western Governors Association which will result in securing an award of $100,000 from WGA to fund a study of biofuel technology development in California.

This project originated last summer with a solicitation from the Western Governors Association's regional biomass energy program. It was passed to us as a request from the Governor's Office to respond to the solicitation.

It required a coordinated effort between energy, forestry and ag agencies as part of their request. So we worked together with the Department of Forestry, Department of Food and Ag to develop a three-part package of separate, but related, project proposals. All three of them were accepted by WGA and funding was awarded.

What we originally pursued as a grant, however, turned out to be a contract to meet WGA's requirements. And that's why we're here for the approval of grant. Wouldn't have required approval but the contract does.

There's a lot of material in the agenda backup package. The service agreement from WGA is there with our proposal and its attachments are in there if anybody requires the details.

CHAIRPERSON DESMOND: Okay. Mr. MacDonald, I just had a quick question. I note that the term of the contract is 18 months. And I'm sure you're aware the Governor has put us on a fast track for addressing the biomass opportunity, including biofuels. And we'll have a report that's due out this March.

Obviously this is very complementary to that effort. We also have a Pavley Bill signed

into law that requires us to deliver a report to the Legislature next May 2007. And I want to make sure that if there's any way we can move up the pace, or at least the schedule, that the information from this contract helps to inform that report when we deliver it to the Legislature.

MR. MacDONALD: Sure. We certainly hope to complete this well before the 18 months. Unfortunately the contract process is delayed to start from what we originally expected, so hopefully we'll be able to get started very soon and at least have some interim results perhaps to feed the bioenergy action plan.

CHAIRPERSON DESMOND: Right, thank you. Other?

COMMISSIONER BOYD: As Mr. MacDonald said, this is the result of a collaborative effort between multiple agencies of the same agencies a working part of the biofuels working group. And it is unfortunate that this has taken much longer than we anticipated. As Mr. MacDonald indicated, we've asked for as many exit ramps as we can have out of this study to meet the requirements of the legislation and the Governor's request.

But this was reviewed quite some time

ago by the Transportation and Fuels Committee and I'd like to recommend its approval.

VICE CHAIRPERSON PFANNENSTIEL: Second.

CHAIRPERSON DESMOND: Commissioner Geesman.

COMMISSIONER GEESMAN: I think this is an important effort, and I'm pleased that state government, in general, is trying to step up our efforts in this area.

I think we should use these activities, including the plan that will come in front of us in March, to try and get a better sense of the Air Resources Board's perspective on greater use of ethanol in our transportation fuel system. We joined with them a couple of years ago to develop a petroleum displacement strategy pursuant to AB-2076. And we touched on the issue in some detail last summer in the Integrated Energy Policy Report process.

But I have the continuing sense that much of the ARB's perspective is shaped by the oxygenate war conducted in the courts over the last several years. Those wars are over now, and I'd like to have a better sense of the empirical basis of what I perceive to be continuing

reservations by the ARB.

I think we can do an outstanding job in documenting the resource potential and the very substantial business development potential, and still be hamstrung by air quality concerns. And I'd like to make ceratin that those are empirically based air quality concerns. And I think our forum is a good one to do that.

CHAIRPERSON DESMOND: Mr. MacDonald, in looking through the contract, as I looked at the tasks, it focused on, you know, the evaluation of previous projects, candidate technologies, estimates of potential. I think that's really straightforward. And then identifying future funding mechanisms. Can you see a way in which Commissioner Geesman's concern can be worked into part of that scope as you go forward?

MR. MacDONALD: Well, I certainly agree that's one of the key constraint issues we hear raised constantly by all the perspective developers of these technologies, is there going to be a market for our product in California. And how can state government better assure us if we build these projects we will, indeed, be able to sell these fuels here. And that's certainly one

of the outstanding issues.

It certainly wasn't our intent to deal with that in a detailed way in this study. This is really a technology-focused study. What's the status, in effect, of the various development of a several dozen actual technology platforms being investigated.

Other than identifying the generic constraints to these technologies, one of which, again, is the marketability of the products. It wasn't our intent to specifically deal with the air quality constraint issues here, although I certainly agree we need to find some way to better address and resolve those issues.

COMMISSIONER GEESMAN: And I don't in any way mean to hold up this contract on it. I know the budget act last year required that we collaborate with the Air Resources Board in developing a transportation-oriented R&D program. I think that's another good forum in which to address these concerns.

But I think that it's important that we try to get to the bottom of these air quality concerns that have emanated from the ARB; and that we try and do that as quickly as we can.

COMMISSIONER BOYD: Mr. Chairman, I might add that as we speak many members of our staff are in an upstairs conference with the ARB and representatives of the environmental community, having discussions exactly aimed at trying to reach a resolution on some of these issues.

And I'm pleased to note that the environmental community, NRDC in particular, has become quite a champion of pursuing some of these questions, and ethanol in particular.

So, hopefully, we can move that issue along.

CHAIRPERSON DESMOND: Thank you. We have a motion --

VICE CHAIRPERSON PFANNENSTIEL: And a second.

CHAIRPERSON DESMOND: -- and a second.

All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you, Mr. MacDonald.

Agenda item number 8. Professor Richard J. Lazarus. Possible approval of a contract 140-05-001 for $25,000 with Professor Richard J.

Lazarus to provide specialized legal services relating to litigation in the United States Supreme Court in which the Commission is a party. Mr. Chamberlain.

CHIEF COUNSEL CHAMBERLAIN: Thank you, Mr. Chairman. As the Commission is aware, the Commission prevailed on appeal in the case of Air Conditioning and Refrigeration Institute v. Energy Commission last year. And a petition for certiori was filed.

We filed an opposition to that and the court issued an order asking the Solicitor General of the United States to weigh in and give his opinion as to what the view of the United States is on this.

This gave us a little bit of time. It makes it probably more likely that the case might be taken, although we certainly still hope that it will not be. It gave us some time to negotiate with an expert on Supreme Court practice. This is a very specialized practice.

And I have met Professor Lazarus; I've heard him speak. He's very knowledgeable of this subject matter, and I think we're very fortunate to have this opportunity to work with him.

CHAIRPERSON DESMOND: Thank you; -- for a motion.

COMMISSIONER GEESMAN: So moved.

VICE CHAIRPERSON PFANNENSTIEL: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved.

Agenda item number 9, California Department of Technology. Possible approval of contract 200-00-003, amendment 2, for $300,000 with the California Department of Technology Services for a three-year time extension at $100,000 per year for three years and a name change.

The contract provides support for various Energy Commission programs and communication services including data storage and various mediums, special printing, land technical support and data processing for accounting and personnel offices; dedicated equipment costs and communication lines for internet access. Mr. Hill.

MR. HILL: Good morning; my name is

Atlas Hill. And I'm here seeking approval for this amendment for a name change and extension of services for what was formerly known as the Teale Data Center.

And basically, as stated, we've been making every effort to try and keep some of these costs down. At one point they were around $1 million. Now we're actually spending somewhat under that $100,000.

So, if there are any questions I can entertain those now.

VICE CHAIRPERSON PFANNENSTIEL: I'll move the item.

COMMISSIONER GEESMAN: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Thank you.

MR. HILL: Thank you.

CHAIRPERSON DESMOND: Agenda item number 10 is approval of the minutes for February 1, 2006.

COMMISSIONER ROSENFELD: I move the minutes.

COMMISSIONER BOYD: Second.

CHAIRPERSON DESMOND: All those in favor?

(Ayes.)

CHAIRPERSON DESMOND: Opposed? So moved. Agenda item 11, Commission Committee Presentations and Discussions. I know Commissioner Pfannenstiel would like to at least raise one issue.

VICE CHAIRPERSON PFANNENSTIEL: Thank you, Mr. Chairman. It's actually more in the way of a Committee report concerning the efficiency standards, appliance efficiency standards that this Commission adopted in December of 2004.

We adopted standards for a number of appliances, some of which have yet to go into effect. And there are some standards for external power supplies that are scheduled to go into effect July 1st of this year, as well as digital television adapters, which are scheduled to go into effect January 1st of 2007.

There was a Committee workshop held last week on these items. And based on the information from that workshop we filed yesterday with the Office of Administrative Law a rulemaking language

proposing four specific changes to the adopted standards.

The four changes were first, to delay the effective dates for the external power supply standards for six months. Actually there were two separate sets of standards going into effect, but the earliest, as I said, would have been July 1st of 2007. So we extended that until January 1st -- I'm sorry, they would have been July 1, 2006; we extended it six months to January 1, 2007.

This delay makes our effective dates consistent with other states, those in other states that have similar standards. It should provide the industry sufficient time to comply. And it really does not penalize those companies that have made good faith efforts to comply with the original dates.

Second, we proposed to exempt power supplies that are used for certain medical applications. And these power supplies are those that are subject to approval by the Food and Drug Administration, so it's a separate category.

Third, we are proposing to eliminate a requirement that some of the external power supplies be tested at 230 volts. This is a

voltage level used internationally but not in California. So we would propose doing labeling difference for those that are tested just at the 115 volts.

And fourth, the final change that we're proposing is to delay the implementation date of the standards for the digital television adapters for a year to January 1, 2008. These digital television adapters, DTAs, are going to be required for those analog television sets that receive over-the-air broadcast beginning in 2009 when the federal government has required that all broadcasters will broadcast in digital transmission, not analog.

The Committee needs to continue to explore some technical options for DTA standards.

The next step is that on March 27th the Committee will hold a hearing for further input on these proposed changes. And sometime thereafter we will bring the proposed modified standard to the Commission.

CHAIRPERSON DESMOND: Thank you, Commissioner Pfannenstiel. Any further? Commissioner Rosenfeld.

COMMISSIONER ROSENFELD: A small

addition to that. As is pretty obvious, it's a small fraction of the industry which is unhappy. But, of course, 5 percent of the manufacturers can make 50 percent of the noise. And so, as Commissioner Pfannenstiel decided, we reluctantly are going to delay.

That, of course, leaves 95 percent of the manufacturers who are ready to comply and who are, of course, upset that we have let them down, I don't know what we can do about that.

But I thought I would say that with the CEC having good relations with the utilities and the energy efficiency programs, I am talking to the energy efficiency program managers at the three IOUs.

And I think there's a good chance that we can get them to give early compliance incentives to the manufacturers who are ready to comply on the present date, and thus make it up to them a little bit. At least it's a show of solidarity, which is encouraging.

CHAIRPERSON DESMOND: Thank you. Nothing further? Agenda item 12, Chief Counsel's report.

CHIEF COUNSEL CHAMBERLAIN: Thank you,

Mr. Chairman. As we have been here at the meeting I have received on email a rumor that a decision was issued by the Superior Court of Sacramento yesterday.

Because there's so many complex issues I hesitate to report to you what the decision was, because I don't really know. But the rumor suggests that the Commission prevailed in that case.

CHAIRPERSON DESMOND: Okay.

CHIEF COUNSEL CHAMBERLAIN: I will certainly provide you a full analysis of it when I receive it.

CHAIRPERSON DESMOND: Thank you.

COMMISSIONER GEESMAN: I think the record should reflect there were no expressions of surprise by anyone in the room.

(Laughter.)

CHAIRPERSON DESMOND: Thank you. Agenda item 13, Executive Director's report.

EXECUTIVE DIRECTOR BLEVINS: I have no report, Mr. Chairman.

CHAIRPERSON DESMOND: Okay. We don't have anyone here for the Legislative Director.

Ms. Kim, Public Adviser's report.

MS. KIM: I have nothing to report.

CHAIRPERSON DESMOND: Nothing, okay. Any additional public comment? Is there anyone who wishes to speak addressing any issue here today? No.

With that, we'll conclude this meeting. I want to thank everyone for coming.

(Whereupon, at 11:17 a.m., the business meeting was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, 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 outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of February, 2006.