

BUSINESS MEETING  
BEFORE THE  
CALIFORNIA ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

In the Matter of:                    )  
  )  
Business Meeting                    )  
  )  
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CALIFORNIA ENERGY COMMISSION  
HEARING ROOM A  
1516 NINTH STREET  
SACRAMENTO, CALIFORNIA

WEDNESDAY, AUGUST 30, 2006

10:02 A.M.

Reported by:  
Peter Petty  
Contract Number: 150-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

Arthur Rosenfeld

James D. Boyd

John L. Geesman

Jeffrey D. Byron

STAFF and CONTRACTORS PRESENT

Scott Matthews, Deputy Executive Director

William Chamberlain, Chief Counsel

Michael Smith, Legislative Director

Bruce Maeda

Bill Pennington

Martha Krebs

Laurie ten Hope

Phillip Misemer

John Sugar

Monica Rudman

Rita Gass

Derek Davis

Jamie Cameron-Harley

Kate Zochetti

Jairam Gopal

Bill Pfanner

Mike Smith

PUBLIC ADVISER

Nick Bartsch

ALSO PRESENT

Steven R. Shallenberger  
American Synergy Corporation

Luke Hermann  
Enalasy

Bobby Locke  
Locke Air Conditioning

Tim Locke  
Western Technical Associates

Patty Avery  
Proctor Engineering

Bart E. Croes  
California Air Resources Board

Manuel Alvarez  
Southern California Edison Company

Raul "Bernie" Orozco  
Sempra Energy

Davis L. Modisette  
California Electric Transportation Coalition

Christopher T. Ellison, Attorney  
Ellison, Schneider and Harris, LLP  
on behalf of South Bay Replacement Project

## I N D E X

	Page
Proceedings	1
Items	1
20 Consent Calendar	1
1 California Certified Energy Ratings and Testing Services (CalCERTS)	2
2 Natural Gas Research Investment Plan	29
3 Western Interstate Energy Board	59
4 National Association of State Energy Officials	60
5 Marin County Cultural Services Department	62
6 Marin County Department of Public Works	63
7 Creatus, Inc.	65
8 Shandam Consulting Services	66
9 Pier Technical Support Contracts	68
10 APX, Inc.	72
11 Marketpoint, Inc.	77
12 South Bay Replacement Project Data Adequacy Recommendation and Committee Assignment	79
13 Minutes	83
14 Commission Committee Presentation/Discussion	83
15 Chief Counsel's Report	86
16 Executive Director's Report	87
17 Legislative Director's Report	89
18 Public Adviser's Report	92
19 Public Comment	92

I N D E X

	Page
Executive Session	92
Adjournment	93
Certificate of Reporter	94

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
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10:03 a.m.

CHAIRPERSON PFANNENSTIEL: This is the Energy Commission business meeting of August 30th. Please join me in the Pledge of Allegiance.

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

CHAIRPERSON PFANNENSTIEL: We will add an item, or we will vote on adding an item to the agenda that's been published. The Recirculate is item number 20, a consent calendar item. Can I have a motion to add this item?

COMMISSIONER GEESMAN: So moved.

COMMISSIONER BOYD: Second.

CHAIRPERSON PFANNENSTIEL: In favor?

(Ayes.)

CHAIRPERSON PFANNENSTIEL: And I suggest that we move it forward and take it up first as the consent calendar item. Does someone move the consent calendar?

COMMISSIONER GEESMAN: So moved.

CHAIRPERSON PFANNENSTIEL: Second?

COMMISSIONER BOYD: Second.

CHAIRPERSON PFANNENSTIEL: In favor?

(Ayes.)

1                   CHAIRPERSON PFANNENSTIEL: Consent  
2 calendar is approved.

3                   Item number 1, possible approval to  
4 recertify CalcERTS as a home energy rating system  
5 provider for the 2005 building energy efficiency  
6 standards. Mr. Maeda.

7                   MR. MAEDA: The building energy  
8 efficiency standards provide for compliance credit  
9 for certain HVAC systems and other efficiency  
10 measures conditional on quality installation of  
11 these measures.

12                   The standards rely upon home energy  
13 rating system raters to test and verify the  
14 quality of these specific measures. HERS raters,  
15 in turn, are trained, certified and monitored by  
16 HERS providers who are approved by the Commission  
17 for these activities as specified in the HERS  
18 regulations.

19                   HERS raters verify such measures as  
20 proper duct sealing; proper HVAC refrigerant  
21 charge and air flow; houses with reduced  
22 infiltration; high efficiency air conditioners;  
23 high HVAC supply fan efficiency; high-quality  
24 insulation installation, as well as other  
25 measures.

1           To reduce the cost of HERS verification  
2           and testing the standards provide for HERS raters  
3           to sample and test as few as one in seven houses  
4           or installations when a developer or building  
5           owner agrees to participate in sampling  
6           verification.

7           The 2005 standards allowed, for the  
8           first time, HERS providers to incorporate third-  
9           party quality control programs as part of their  
10          home energy rating systems. These programs  
11          specially train installers and monitor all  
12          installations for quality assurance by gathering  
13          more data than ordinarily required for the  
14          standards compliance and analyzing the data  
15          gathered in more detail.

16          In exchange, installers train certified  
17          in participating in third-party quality control  
18          programs are allowed to have as few as one in 30  
19          of their installations verified by a HERS rater.

20          In early March of 2006 the Commission  
21          approved CVPCA as a HERS provider, including  
22          approval of the home analysis third-party quality  
23          control system program as part of their home  
24          energy rating system.

25          This particular program utilizes

1       automatic radio frequency transmitted computer  
2       software control data-gathering processes as a  
3       fundamental aspect of the air quality control  
4       process for their trained installers.

5               Today we are looking at approval of  
6       CalcERTS, a recertification of CalcERTS as a HERS  
7       provider. They've been a HERS provider for two  
8       years now. And their new system incorporates two  
9       third-party quality control programs, the Carrier-  
10      Aeroseal and the CheckMe! third-party quality  
11      control program as part of the home energy rating  
12      system for this project.

13              The Carrier-Aeroseal program does  
14      automatic data gathering, data checking similar to  
15      the first approved third-party quality control  
16      program by home analysis. And the CheckMe! system  
17      utilizes a call center and statistical analysis of  
18      data to verify the performance of systems in the  
19      field.

20              CHAIRPERSON PFANNENSTIEL: Thank you.  
21      We have three parties who would like to speak on  
22      this, but first, are there questions from the  
23      dais?

24              Steven Shallenberger from Synergy  
25      Companies.

1                   MR. SHALLENBERGER: Good morning.  
2                   Synergy Companies is a company that's operated for  
3                   the last 24 years in California in the energy  
4                   efficiency industry. And specifically has worked  
5                   throughout the state with HVAC systems.

6                   Our firm, we have offices in northern  
7                   Cal, central and southern California, and have  
8                   worked with, I think, each of the verification  
9                   tools, at least major verification tools, so we  
10                  have experience in the different tools.

11                  And we really have no issue with the  
12                  Aeroseal system, per se. But there are  
13                  significant differences between some of these  
14                  verification systems. Particularly the analysis  
15                  system, which has been approved, uses a set of  
16                  sensors that actually go right into the heating  
17                  and air conditioning system to the supply and  
18                  return that measures air flow. And so it's  
19                  captured electronically.

20                  And what that does is quite significant  
21                  because it means that the technician cannot enter  
22                  the figures. That gives you a pretest. And if  
23                  necessary and warranted, then work would be done.  
24                  And then a post-test.

25                  So, the difference with the CheckMe!

1 system is that the technician has to record the  
2 data; they physically take a measurement and then  
3 they call in the data.

4 And so there is the opportunity to game  
5 with that system. And we think that's a  
6 significant difference.

7 And so these systems, in order to stand  
8 alone, should not be altered by the installer.  
9 And that's quite significant.

10 So what can happen where it is sensed  
11 and captured in the electronic system, for  
12 example, our quality control people the next day  
13 can go to the platform and actually look at the  
14 jobs of the technician. It has the date-stamp of  
15 beginning and end; it's uploaded each night,  
16 that's how the data gets in.

17 We can also look at the ambient  
18 temperature as it moves through the day. So we  
19 can spot quality control things. That's actually  
20 why our firm decided to start using the analysis  
21 system, is we wanted to be able to sleep at night.  
22 You know, we gave 60 or 70 technicians throughout  
23 the state, and so that is a significant  
24 difference.

25 The other thing I think is that

1 California has consistently set standards for our  
2 country. This is an area to verify savings,  
3 that's the purpose. And so we hope that this  
4 process or processes like it, -- Proctor and  
5 Company has an excellent reputation, but this  
6 process, in our opinion, should not be approved  
7 because it can be gamed.

8 CHAIRPERSON PFANNENSTIEL: Thank you,  
9 Mr. Shallenberger. We have Luke Hermann from  
10 Enalasisys.

11 MR. HERMANN: Good morning; my name is  
12 Luke Hermann; I'm with Enalasisys; I'm Vice  
13 President of the company.

14 First of all, I'd like to say that we  
15 are advocates of the energy saving processes that  
16 the Energy Commission has enacted; we're 100  
17 percent behind that. We lead the nation and this  
18 is where our whole country needs to go, as well as  
19 California.

20 In regard to today's application, we  
21 also are in favor of the Aeroseal electronic  
22 computerized process. We believe that's a valid  
23 system. It's unalterable by the installing  
24 technician. The data is validated that way.

25 We do have a problem with the calling

1 system, so we're opposed to that. We believe that  
2 the code is written where the language is supposed  
3 to be such that installers can't alter it. I  
4 actually have that as a handout. If you don't  
5 mind, I'll pass it; just highlight that section.

6 (Pause.)

7 MR. HERMANN: Okay. Basically this is  
8 the residential alternative calculation method in  
9 the ACM manual. Page 2 has the Commission that's  
10 responsible for this. Page 3, paragraph 7.6,  
11 third-party quality control programs. I just want  
12 to jump to the highlighted section.

13 "The data that is collected by the third  
14 party quality control program shall," and then go  
15 to page 4, "shall not be alterable by the  
16 installer."

17 In our opinion, any reasonable person  
18 would interpret the code to include manual entry  
19 being alterable.

20 We have some other contractors that  
21 aren't here today that basically have submitted  
22 letters to the Commissioners. I don't know if you  
23 all received them or not. If you do, then I don't  
24 need to give them to you; but I can.

25 But basically the analysis of the State

1 of California, and a number of over 250 installers  
2 in California have invested in unalterable  
3 processes. And we believe that those are the  
4 standards that were set, that were approved for  
5 the program, and we'd like to see those standards  
6 kept at that level.

7 We believe there's good reasons for  
8 that. We are concerned with, for example, on the  
9 duct testing system for call-in, an installer can  
10 take a measurement, call that number in, whatever  
11 it may be. There's no electronic or independent  
12 way to verify what those numbers are. And  
13 basically we feel that meets the one-in-seven  
14 criteria that's already approved for CalcERTS to  
15 verify HERS systems. It does not warrant the  
16 level or standard of line 30 that they're applying  
17 for.

18 Also the industry it's not unattainable  
19 for checking practices to obtain data in an  
20 unalterable manner. It's very common with today's  
21 technology; and there are many systems available  
22 in order to do that. So we feel it would be --  
23 your program warrants that, based on what's in the  
24 code and regulations.

25 Lastly, for some reason if you consider

1 the CheckMe! post -- process that they perform in  
2 their office to qualify for an installer in the  
3 field, you know, being equal to collecting  
4 unalterable data, and you feel that this meets the  
5 code of 7.6, then we would recommend that you  
6 amend the 2008 language to meet what definition  
7 you might consider for unalterable electronic type  
8 data collecting process by the installers.

9 Do you have any questions?

10 CHAIRPERSON PFANNENSTIEL: Thank you,  
11 Mr. Hermann.

12 MR. HERMANN: Thank you for your time.

13 CHAIRPERSON PFANNENSTIEL: Bobby Locke  
14 from Locke Air Conditioning.

15 MR. LOCKE: Good morning; my name's  
16 Bobby Locke and I have an air conditioning company  
17 in Imperial Valley. And I became a CheckMe!  
18 contractor in about 2000, which I, at that time,  
19 thought that raised the bar for my company's  
20 installations and our performance.

21 But I lost confidence in the program  
22 after I discovered it could be altered very easily  
23 by the technician that had the know-how to change  
24 a few numbers.

25 And I've brought several of the CheckMe!

1 forms with me today that had these numbers that  
2 clearly show that they were fudged on a little bit  
3 here and there. But they all passed.

4 So, I invested in the enalasis program  
5 because I realized that you cannot alter that. My  
6 technicians understand that when they use the  
7 device that it's electronically measuring and  
8 delivering it to a computer.

9 So, the other thing that happened to me  
10 was that a company from another country traveled  
11 to the Imperial Valley and did a lot of CheckMe!s  
12 just to do CheckMe!s, I believe, because I  
13 followed up on some of those jobs and found one  
14 unit that had a CheckMe! done that wouldn't even  
15 operate. So that told me right then that a guy  
16 can call in from his living room and with some  
17 numbers and get it passed.

18 Any questions?

19 CHAIRPERSON PFANNENSTIEL: Thank you.  
20 No, thank you. Then Tim Locke.

21 MR. LOCKE: I'm Tim Locke; I'm the  
22 retiring Executive Director of the CVPCA. I'm  
23 really sorry that I have to be here today to make  
24 this testimony.

25 I don't think --

1                   COMMISSIONER ROSENFELD: Excuse me, can  
2 you talk a little closer to the mike?

3                   MR. LOCKE: I'm sorry. How's that?

4                   COMMISSIONER ROSENFELD: Better.

5                   MR. LOCKE: Thank you, Art. I'm sorry  
6 that I have to be here today. I'd like to shed  
7 some light from a training standpoint. We have  
8 certainly trained. I'm not speaking in  
9 representation of the CVPCA, I'm here as an  
10 individual; I'm here as the prime officer in a  
11 company called Western Technical Associates who  
12 supplies training to CVPCA, among other people, on  
13 these issues, building science, as well as third-  
14 party quality control equipment.

15                   I guess I'd say, first off, that it is  
16 our experience that during the course of training  
17 contractors identify how to cheat equipment, all  
18 equipment, regardless of the system. It all can  
19 be cheated.

20                   Cheating gets caught by statistical  
21 analysis in the long run. A certain number of  
22 jobs are going to get through, but contractors  
23 that are bad apples get weeded out. That's why we  
24 have statistical analysis in systems, as well as  
25 theoretical un-cheat-able software. But the fact

1 is, if you go to your 14-year-old they can hack  
2 the system. And they do.

3 So, you know, it's an end result. We  
4 keep the honest people honest, and we keep the  
5 people that cheat on a consistent basis out of the  
6 system. That's very important.

7 I don't see a difference, quite frankly,  
8 in the systems that are offered up. We can show  
9 you how to play with any of them. All of them  
10 have their problems; they are all in the process  
11 of getting better.

12 To take one and put it out of the loop  
13 and try to identify it as inferior, from my  
14 standpoint is an economic statement, not a  
15 technical statement.

16 I'm not saying anything here today that  
17 I can't back up with solid fact if I have to; and  
18 I don't choose to at this point. I would hope  
19 that you simply understand that the people at the  
20 Commission have done their job.

21 Thank you.

22 CHAIRPERSON PFANNENSTIEL: Thank you.

23 COMMISSIONER ROSENFELD: Mr. Locke,  
24 don't go away. No, come back. Question.

25 It's very reassuring to hear your phrase

1 that statistical analysis, in the long run,  
2 catches the cheaters. But can you elaborate a  
3 little bit about how the statistical analysis  
4 works both for the CheckMe! system and even for  
5 the electronic systems?

6 MR. LOCKE: You know, Dr. Rosenfeld, I  
7 think it would be presumptuous of me to represent  
8 those systems. I have evaluated it in the process  
9 of deciding to use the equipment. The CVPCA has a  
10 strategic partnership with analysis.

11 I'm walking a line here that's going to  
12 cost me a lot personally, standing up here  
13 disagreeing with my organization and our strategic  
14 partners. And I would prefer, if you wouldn't  
15 mind, to not go any further.

16 COMMISSIONER ROSENFELD: Agreed.

17 MR. LOCKE: Thank you.

18 CHAIRPERSON PFANNENSTIEL: Are there  
19 questions? Yes, Commissioner Geesman.

20 COMMISSIONER GEESMAN: I'd like to hear  
21 from the staff what the rationale here is on your  
22 recommendation.

23 MR. MAEDA: Yes, we are recommending  
24 approval of the CalCERTS as a recertification HERS  
25 provider, including the Carrier-Aeroseal and the

1 CheckMe! system.

2 This issue has been around since the  
3 onset of the application, or even before that.  
4 And we were aware of that. We made several -- we  
5 questioned John Proctor of CheckMe! quite  
6 thoroughly about the possibilities of cheating.  
7 We examined it in detail. He modified his system  
8 somewhat, he's already modified his system  
9 partially of his own accord to be more sensitive  
10 to catching possible cheaters.

11 The cheating that has been reported here  
12 occurred as part of utility incentive rebate  
13 programs, which is somewhat different than our  
14 program. Our program is still backed up by a HERS  
15 rater coming in after the fact and still checking  
16 one in 30 installations, regardless of what the  
17 particular, everybody's quality control programs  
18 does.

19 The utility incentive programs had no  
20 backup other than the particular systems like  
21 CheckMe!, or even analysis, I believe, was  
22 involved in some utility incentives programs for  
23 verification.

24 And in addition, when this issue came to  
25 a second wave of concern, we added in some

1 additional features to -- some additional  
2 statistical checks, to make the sensitivity of  
3 catching cheaters even greater.

4 And CalcERTS, as the provider, asked  
5 the, or required the CheckMe! system to improve  
6 its sensitivity with regards to flagging possible  
7 cheaters earlier in the program so that they would  
8 be more sight verifications occurring to again  
9 check cheaters.

10 We looked at the particular allegations  
11 and we asked CheckMe! to run their statistics on  
12 the people, well, people we were aware of, or they  
13 gave us a whole list of their installers. We  
14 looked into one of the cheaters who -- or quote,  
15 cheaters -- people gaming the system that was  
16 reported, was flagged for inspection. Another one  
17 who did considerably less, only modified one  
18 numbers on occasion; system did not come up by  
19 flagging with the current system. But we can't  
20 tell whether additional measures are going to  
21 catch the occasional cheater who doesn't cheat by  
22 very much.

23 But, the consequences of being caught by  
24 cheating, either by the -- well, third-party  
25 quality control programs not so much, but if

1 you're caught by the HERS rater, the consequences  
2 are dramatic.

3 They have to go in and pay for HERS  
4 ratings of an additional 28 systems or possibly 30  
5 systems all together. In addition, they have to  
6 go back and make those systems qualify for the  
7 standards of whatever they were meeting. So the  
8 costs, the deterrence for cheating are much more  
9 significant than in the utility incentive program.

10 And we believe that with the additional  
11 features that we've added, the features that the  
12 CheckMe! system has added since these occurrences  
13 happened, and the measures required by the HERS  
14 rating system, that we will, indeed, either catch  
15 cheaters or deter them from cheating.

16 So, we believe that particular problem  
17 has been resolved.

18 In terms of the interpretation of the  
19 standards, it is our interpretation that, well,  
20 first let me back up a little bit. The third-  
21 party quality control programs were modeled, or  
22 the whole concept was modeled on the two third-  
23 party quality control programs being proposed here  
24 today as part of the CalcERTS system.

25 These were the existing systems in

1 utility incentive programs that we were aware of.  
2 And we tried to draft the language to generalize  
3 what these systems did and make it so that other  
4 people could come in, besides these two particular  
5 companies, to become third-party quality control  
6 programs.

7 And as it happened, Home Analysis came  
8 in, or got in the queue earlier than the CheckMe!  
9 and Carrier-Aeroseal, and it was approved first.  
10 But the whole idea of the language was to  
11 accommodate the programs that we were aware of,  
12 and allow for other third-party quality control  
13 programs to come in, as well and compete. And,  
14 indeed, they did.

15 We have had discussions with the legal  
16 office, both with Bill Stack and Dick Ratliff, and  
17 basically they concur that the standard -- the  
18 interpretation by some of the commenters here that  
19 a system that is totally unalterable or  
20 electronically committed is a too strict of  
21 interpretation of what we were intending. And  
22 indeed would make it possibly infeasible to  
23 approve third-party quality control programs at  
24 all. Because as Mr. Tim Locke mentioned, it's  
25 possible to even alter the data being collected by

1 a laptop before it's uploaded into the Home  
2 Analysis database.

3 So, that's a general background. Any  
4 other questions?

5 COMMISSIONER GEESMAN: If I can  
6 paraphrase that a bit, I think what you said was  
7 that the one-in-30 inspection process, the new  
8 process, will likely catch a cheater. And that  
9 the deterrent, in your judgment, is sufficient  
10 that informed people ought not to be tempted to  
11 cheat.

12 And that when you designed the  
13 regulation in the first place, you contemplated  
14 being able to utilize these dial-in systems where  
15 the installer could, in fact, directly affect the  
16 data.

17 And that finally the recommendations  
18 you've gotten from the legal office is that the  
19 applications in front of us conform to the  
20 standard that you set, and that the proposed  
21 tightening of the standard would prove infeasible.

22 MR. MAEDA: Well, in terms of the  
23 proposed tightening of the standard, I believe  
24 it's possible to make it somewhat tighter, and  
25 possibly limit it to electronic systems in the

1 future. I don't believe that what the current  
2 standards say is --

3 COMMISSIONER GEESMAN: Does that.

4 MR. MAEDA: -- does that.

5 COMMISSIONER GEESMAN: And would it be  
6 better if they did, based on what we know today?

7 MR. MAEDA: I'm not sure I could answer  
8 that. Possibly, might be an improvement. And we  
9 should consider it as an improvement. But we need  
10 to have a discussion about that.

11 CHAIRPERSON PFANNENSTIEL: Commissioner  
12 Geesman, I'd like to make a proposal here. I  
13 think that what we have is movement to new ground,  
14 which I think is necessary new ground. I think we  
15 need third-party quality control people if we want  
16 to insure that our building standards are  
17 capturing the savings that they're intended to  
18 save. So we want to support the growth of this  
19 new tools to do that.

20 This CheckMe! one is clearly one that is  
21 a step farther than we've gone. And I think that  
22 the staff has worked diligently to try to put some  
23 constraints on it to make sure it would work.

24 I think it's perhaps the time, then, for  
25 us to authorize this to go forward, but perhaps

1           conditionally. Perhaps suggest that in, or  
2           require a time period of perhaps six months where  
3           they need to report back, and having done some  
4           statistical analysis, let us know how this is  
5           working.

6                        I think that while we don't want to  
7           discourage moving into something new, we also  
8           don't want to open up our standards and  
9           regulations to more error than whether it is  
10          deliberate or inadvertent than is acceptable to  
11          us.

12                      So I would propose that we require the  
13          staff to come back to us in six months with a  
14          report on how well the CheckMe! system has worked,  
15          and what level of error has been found.

16                      Does that sound credible?

17                      COMMISSIONER ROSENFELD: I was about to  
18          say almost the same thing. And I would actually  
19          like Chairman Pfannenstiel's idea, but go even  
20          slightly further. That is, we did agonize over  
21          this during the Committee meeting; and we felt  
22          that there was a shortage of qualified checkers  
23          around the state. And that we wanted all these  
24          valuable services to keep up for awhile.

25                      But I do think that electronics is

1 getting better; sensors are getting cheaper and so  
2 on. Not only should we have the report, but I  
3 would sort of be in favor of having some  
4 discussion along with that report about a time,  
5 maybe 18 months, during which the CheckMe! folks  
6 should figure out how to do it electronically.

7 So I would give them some time, but I  
8 would give them a deadline in which to try to  
9 move.

10 CHAIRPERSON PFANNENSTIEL: Somebody else  
11 would like to address us. Please come up.

12 MS. AVERY: Thank you, Commissioners.  
13 I'm Patty Avery with Proctor Engineering Group.  
14 Proctor Engineering Group is very glad that the  
15 Commission and others have focused on accuracy of  
16 data and the prevention of gaming by participating  
17 technicians and energy efficiency programs.

18 John Proctor has long been working to  
19 collect accurate data on all of our tests, to  
20 report that information to the utilities, to  
21 prevent gaming, and to enforce the necessity of  
22 collecting accurate data by quickly removing any  
23 technician caught gaming the system.

24 We have never been paid for a job that  
25 was disallowed. But in one program alone, we

1 saved the California ratepayers over \$264,000.  
2 This concern for accurate data is also why we're  
3 constantly upgrading the CheckMe! system; making  
4 improvements to the software and to our post-test  
5 analyses.

6 I would like to stress that the CheckMe!  
7 system is an automated system. It is an automated  
8 system with human checks in place -- forgive me,  
9 my eyes jumped -- with checks in place, and some  
10 of those checks are automated and some of them are  
11 human.

12 Proctor Engineering Group is so  
13 concerned with the data being accurate that we  
14 would not trust our automation alone with that  
15 data. All automated systems have bugs. We have  
16 found from experience that the best automated  
17 systems have human checks in place. Without those  
18 checks, one does not get the full advantages of  
19 the automation.

20 Take, for example, the security  
21 screening processes taking place in our airports.  
22 While technology is constantly being developed and  
23 improved, it is openly acknowledged that security  
24 personnel must also be trained to look at people,  
25 to detect suspicious behavior, to not rely on the

1 technology alone.

2           With CheckMe! we have several checks in  
3 place. The algorithm in the software immediately  
4 analyzes whether the numbers read by the  
5 technician and entered into the software by the  
6 operator are valid numbers. The operator who  
7 enters the numbers listens to the technician. If  
8 the operator hears confusion, questions, or  
9 hesitation, that technician is immediately  
10 connected to the tech on call who provides  
11 assistance and also listens for any other  
12 problems.

13           The software will not accept numbers  
14 that are not possible. That is an automated  
15 check. But the humans on that call provide  
16 additional checks of what is going on the  
17 automation, alone, will not catch.

18           After the call is taken, and the data  
19 secure in the database where it cannot be altered,  
20 weekly and monthly statistical analyses are  
21 carried out to find any pattern data revealing  
22 made-up numbers. Random inspections are routine.  
23 Statistical analyses that reveal potential  
24 problems receive targeted inspections.

25           Anyone caught cheating is immediately

1 removed from the program without change of  
2 reentering.

3 We have found from our experience that  
4 when technicians have the option of recording data  
5 on their own, using laptops or sending data on  
6 their own, that there was a much lower level of  
7 participation and a higher coincidence of gaming  
8 the system.

9 We found that requiring a phone call  
10 actually raised the level of participation  
11 dramatically because of its simplicity. And  
12 studies have shown that people comply more when  
13 they have to pick up the phone and tell someone  
14 what they've done.

15 We have worked with the Energy  
16 Commission Staff and CalCERTS Staff over the last  
17 several months to further insure the quality of  
18 the contractors' work. We appreciate the  
19 recommendations of both of these entities, and  
20 have incorporated their recommendations into our  
21 process. We are happy to participate in insuring  
22 peak kW reductions through proper installation of  
23 a/c's and duct systems.

24 Thank you very much.

25 CHAIRPERSON PFANNENSTIEL: Thank you.

1 Yes, Commissioner Geesman.

2 COMMISSIONER GEESMAN: At the risk of  
3 putting him on the spot, I wonder if we've got  
4 anybody up here with familiarity with the state's  
5 smog check program, which faces similar --

6 (Laughter.)

7 CHAIRPERSON PFANNENSTIEL: Perhaps.  
8 Perhaps we can see if we can find somebody to  
9 address that.

10 (Parties speaking simultaneously.)

11 MR. SHALLENBERGER: I'm not with the  
12 smog --

13 CHAIRPERSON PFANNENSTIEL: Please.

14 MR. SHALLENBERGER: Okay, -- but I think  
15 that is the perfect analogy is that we have a  
16 chance in our state to move the standards up,  
17 maybe not today, but that's certainly where we  
18 ought to be looking. Because smog testing cannot  
19 be gamed. It's collected by sensors and it can't  
20 be adjusted. So that's a good example.

21 COMMISSIONER BOYD: Well, you don't give  
22 benefit to the human species' ingenuity --

23 (Laughter.)

24 MR. SHALLENBERGER: That's true, they  
25 will figure a way out.

1                   COMMISSIONER BOYD: In the beginning --

2                   MR. SHALLENBERGER: Just got to make it  
3 harder.

4                   COMMISSIONER BOYD: In the beginning,  
5 before when highly automated, yes, there was  
6 significant evidence of cheating. And BAR, for  
7 years, ran undercover cars to detect that. And it  
8 has evolved slowly over time to a point that it's  
9 pretty hard to beat the system now. And it had to  
10 go highly automated to accomplish that, with the  
11 data being entered right there at the inspector's  
12 console, and being transmitted immediately to the  
13 DMV, et cetera, et cetera.

14                   But, I was going to say earlier that in  
15 this era of trust, but verify, I think what both  
16 the Chairwoman and Commissioner Rosenfeld  
17 indicated about more or less, as I interpreted it,  
18 moving into this area, but requiring diligent work  
19 on continuing to upgrade the systems and go  
20 electronic, I think is the way to go.

21                   I have incredible faith in the ever  
22 accelerated pace of technology, less faith in the  
23 human species, obviously. And I think that's  
24 where we need to go.

25                   But I also think the staff has done

1 about all you can do at this point in time with  
2 regard to the system we have and the needs that we  
3 have. So, I was prepared to go along with some  
4 form of let's move on it, but let's have them come  
5 back and let's keep the pressure up in terms of  
6 continuing to push in the direction of fully  
7 automated, based on my smog check experience of  
8 the past.

9 CHAIRPERSON PFANNENSTIEL: Mr.  
10 Pennington, did you have a comment?

11 MR. PENNINGTON: Yes. I wanted to react  
12 to Commissioner Rosenfeld's suggestion of, you  
13 know, maybe 18 months out at a date specific  
14 expect something greater of CheckMe! related to  
15 automation.

16 And my reservation with that is that I  
17 don't think that's what the current regulations  
18 require. And so I think we would be outside of  
19 our, you know, regulatory duty here. I think we  
20 would need to change our regulations if we were  
21 going to impose additional requirements like that.

22 Those might be appropriate. I think  
23 actually it's premature to know whether they're  
24 appropriate or not, or exactly what kinds of  
25 changes would be best to be made.

1                   And I would suggest that we consider  
2                   those kinds of changes in the 2008 building  
3                   standards update project where we could propose  
4                   changes to this language if that's appropriate;  
5                   and we could adopt it as regulation appropriately.

6                   CHAIRPERSON PFANNENSTIEL: But, Mr.  
7                   Pennington, the question of coming back in six  
8                   months perhaps with a report to us on how the  
9                   CheckMe! tool is faring?

10                  MR. PENNINGTON: I think that's a very  
11                  good idea.

12                  COMMISSIONER ROSENFELD: I'll go along  
13                  with that.

14                  COMMISSIONER GEESMAN: I'll second that  
15                  motion.

16                  CHAIRPERSON PFANNENSTIEL: All in favor?

17                  (Ayes.)

18                  CHAIRPERSON PFANNENSTIEL: Then the item  
19                  is approved with that concern that the initial  
20                  consideration that you come back in six months.

21                  Thank you.

22                  MR. MAEDA: Thank you.

23                  CHAIRPERSON PFANNENSTIEL: Item 2,  
24                  consideration and possible adoption of 2007 to  
25                  2011 natural gas research investment plan. Good

1 morning.

2 DR. KREBS: Good morning. Good morning,  
3 Chairman and Commissioners. I'm Martha Krebs,  
4 Deputy Director for the Energy R&D --

5 COMMISSIONER ROSENFELD: Martha, is your  
6 mike on?

7 DR. KREBS: Oh, it has to be bright  
8 green; excuse me. Good morning, Chairman and  
9 Commissioners. I'm Martha Krebs, Deputy Director  
10 for the Energy R&D Division.

11 Today I'm asking for approval of the  
12 natural gas investment plan. This plan  
13 complements the five-year electric investment plan  
14 adopted by the Commission earlier this year.

15 The natural gas document is not required  
16 by statute, however R&D division staff committed  
17 to preparing both plans in parallel beginning a  
18 year ago. Two public workshops were held, as well  
19 as dozens of interviews, in 2005 and 2006. And we  
20 received input that shaped the objectives and  
21 research solutions in this plan.

22 Laurie ten Hope, Manager of the energy  
23 systems office, oversaw the preparation of this  
24 plan on behalf of the division. She and her  
25 staff, Kelly Birkinshaw and Phillip Misemer, have

1 particularly been responsible for assuring the  
2 involvement of the Air Resources Board, as  
3 required by SB-76.

4 She will present some details of the  
5 plan and the process.

6 MS. TEN HOPE: Good morning. I'm Laurie  
7 ten Hope, the Manager of the systems office. And  
8 I'm going to provide a brief overview of the plan  
9 and the addendum that you have before you.

10 The natural gas investment plan is  
11 organized around five key energy opportunities.  
12 Those five opportunities are first affordable,  
13 comfortable and energy smart choices for daily  
14 life in a strong economy.

15 That energy area is consumer focused on  
16 life at home and life at work. And includes the  
17 energy efficiency research solutions.

18 The second opportunity area is clean and  
19 diverse natural gas supply. And in this area is  
20 where you'll find research solutions around fuel  
21 diversity and alternative fuel development.

22 The third area is clean and diverse  
23 transportation. Some examples of research  
24 solutions in that area are reducing petroleum  
25 dependence, improved efficiency and the

1 development of alternative fuels.

2 The fourth area is reliable and secure  
3 infrastructure. This is a relatively small area  
4 in the natural gas plan, but includes some key  
5 infrastructure analysis such as natural gas  
6 storage and analysis on energy, natural gas  
7 pricing, production, delivery and use.

8 The final area is an environmentally  
9 sound natural gas system. And some of the  
10 research solutions in this area include climate  
11 change, reduced biological land use, air quality  
12 research, and water-related impacts of natural gas  
13 and emission control technologies.

14 The report is organized around those  
15 five thrust areas. And in each of those areas is  
16 first an articulation of policy, what policy  
17 drivers should be for the identification of the  
18 research. The second area, our strategic research  
19 objectives on what we're trying to accomplish with  
20 the research program. And the third area are the  
21 research solutions for each of those five  
22 opportunities.

23 We had very little controversy in the  
24 content of the report around those five areas.  
25 Stakeholders appreciated appreciation for being

1 engaged in the process. We've had workshops over  
2 the course of a year, and interview process with  
3 internal and external stakeholders. And I think  
4 generally, in terms of the research solutions, a  
5 pretty active engagement in the development of the  
6 plan.

7 The plan, though, was pulled from the  
8 March 15th business meeting when you considered  
9 the electric plan, to allow further time for co-  
10 planning with the Air Resources Board per the  
11 requirements of SB-76.

12 As I'm sure you're aware, SB-76 directs  
13 the Energy Commission and CARB to co-plan a  
14 strategic research plan. And then directs the  
15 Energy Commission to allocate up to half of the  
16 total funds in the natural gas plan, and up to  
17 one-third of the funds for transportation pursuant  
18 to those strategic research objectives.

19 We've had several meetings with the CARB  
20 Staff, and the Executive Director has communicated  
21 with CARB's Executive Director, asking for review  
22 and comment of the plan. And, you know, with the  
23 goal of using the document before you as the  
24 document that identifies our strategic research  
25 objectives. And we have good news on that front

1 that Commissioner Rosenfeld will report on his  
2 communication with ARB.

3 One other element of SB-76 that is  
4 reflected in the plan before you is that we are  
5 required to make a determination of ratepayer  
6 benefits for transportation research and include  
7 that in our annual submittal to the CPUC on the  
8 natural gas plan.

9 Therefore, staff prepared the addendum  
10 that you see in your binder with staff's framework  
11 for how to operationalize SB-76. Basically there  
12 are four elements in that methodology in the  
13 addendum.

14 First, that any project funded would  
15 need to meet the four objectives that are  
16 articulated in SB-76 on energy efficiency, reduce  
17 impacts from air pollution, reduce greenhouse gas  
18 emissions and increase the use of alternative  
19 fuels.

20 Secondly, the methodology includes a  
21 process for determining that there is an electric  
22 and gas ratepayer benefit. And the third area is  
23 that it needs to meet the other legislative  
24 requirements besides SB-76 for PIER, including AB-  
25 1890 and SB-90.

1                   And finally, that projects be screened  
2 through a policy screen to make sure they're  
3 prioritized based on policy directive.

4                   And finally, staff suggests in the  
5 addendum that ratepayer benefits be broadly  
6 defined to include indirect benefits to ratepayer.

7                   I'm here today to ask for your approval  
8 of the document, specifically the version in front  
9 of you today and available to members of the  
10 public on the table, which has a streamlined  
11 addendum, which is slightly -- it edited the  
12 version that was posted on the web to make it  
13 cleaner and correct a couple of editorial errors.

14                   We also ask permission in the adoption  
15 to make a couple of typos that have come to our  
16 attention in the review for you today.

17                   I also want to thank my colleagues who  
18 helped in the preparation of this report. And  
19 alert you that we do have public members who would  
20 like to speak today. You've received a letter  
21 from the -- a joint letter from the utilities.  
22 It's available on the table.

23                   Staff's had productive conversations and  
24 they would like to share their perspective on the  
25 addendum in the report.

1                   CHAIRPERSON PFANNENSTIEL: Thank you,  
2                   Ms. ten Hope. Commissioner Rosenfeld, did you  
3                   have a comment?

4                   COMMISSIONER ROSENFELD: Yes. Laurie  
5                   ten Hope and I had about four phone conversations  
6                   with Dr. Sawyer, the Chair of CARB, yesterday.  
7                   And so Bart and I would like to read a few lines  
8                   into the record for the comfort of you  
9                   Commissioners.

10                  As Laurie ten Hope just said, SB-76 does  
11                  specify that the CEC and CARB shall jointly  
12                  develop a strategic plan; and we've done that.  
13                  And Bart Croes, I'm glad, is in the audience to  
14                  keep me honest here.

15                  The phone calls yesterday were two  
16                  concerns. Dr. Sawyer called to say that he just  
17                  hadn't received the report; it got lost or not  
18                  brought to his attention. And he also didn't have  
19                  a clear idea, not about collaboration on the  
20                  strategy, which is just fine, I think; but on who  
21                  actually plans and implements individual projects,  
22                  which just hasn't been addressed yet.

23                  We emailed him the 79, I think it's 79  
24                  pages, which he reviewed at miraculous speed. And  
25                  called back to say that he's comfortable with the

1 general scope of the strategic planning. And that  
2 we will receive, within a few days, and, Bart, I  
3 guess that means you, will receive detailed  
4 comments.

5 As to the issue of individual projects,  
6 I reminded him that at the staff level these two  
7 agencies have lots of experience in working  
8 together with the PIER electricity projects. And  
9 that it's been a close and fruitful relationship.  
10 It's based on shared interests that has included  
11 the ARB actually conducting solicitations for us;  
12 assisting in defining projects; and in some cases,  
13 even managing projects.

14 We think that this electricity research  
15 is a good model of where gas collaboration should  
16 go. And I hereby am committing ourselves to --  
17 I'm sorry, there are surely some projects where  
18 the ARB just isn't interested in what we do. But  
19 in projects where the ARB has an interest, we're  
20 committed to working with you just exactly as we  
21 did in the electricity area.

22 So, I'm fairly comfortable. Bart, I  
23 don't know whether you want to make any comments?

24 MR. CROES: I don't think that's  
25 necessary -- spoke for me.

1                   COMMISSIONER ROSENFELD: Just so you  
2                   said it, okay. Thank you, Bart Croes.

3                   CHAIRPERSON PFANNENSTIEL: Questions  
4                   from Commissioners? I just have one actually,  
5                   Laurie. You described in each of the five areas  
6                   of research, you pointed out that this plan  
7                   presents policy objectives and what you call  
8                   research solutions in each of those.

9                   It does not, though, give any indication  
10                  of resource availability. What percent, perhaps,  
11                  of the funding in each area would go to, what  
12                  percent of the natural gas funding would go to  
13                  each of these areas of research.

14                  Is that information that will be  
15                  forthcoming later at a further step in the  
16                  process?

17                  MS. TEN HOPE: I'm going to direct that  
18                  to Dr. Krebs.

19                  DR. KREBS: Chairman Pfannenstiel, the  
20                  Commission, through the R&D Committee, submits, on  
21                  an annual basis, a annual allocation of the budget  
22                  that is made available to us by the PUC. And we  
23                  submit that to the PUC.

24                  That annual plan has been reviewed by  
25                  not only the R&D Committee, but also the Natural

1 Gas and Transportation Committees, as well. And  
2 is, I believe, is available to all of the  
3 Commissioners. And we send it on a staff-to-staff  
4 basis to the PUC. In fact, that will go over, I  
5 believe, tomorrow.

6 CHAIRPERSON PFANNENSTIEL: And that's  
7 the one-year look, not a five-year?

8 DR. KREBS: One-year look; not a five-  
9 year look.

10 CHAIRPERSON PFANNENSTIEL: Strategic  
11 one.

12 DR. KREBS: Right.

13 CHAIRPERSON PFANNENSTIEL: All right.  
14 And then the other question is just a process one.  
15 When the comments come in from the Air Resources  
16 Board, I assume, if they're substantive then we'll  
17 make revisions and then have to come back to the  
18 Commission?

19 DR. KREBS: We will do that.

20 CHAIRPERSON PFANNENSTIEL: Okay, thank  
21 you. Now, I do have three parties who would like  
22 to address this item. Manuel Alvarez, Southern  
23 California Edison. And for -- okay, we just  
24 starting --

25 MR. ALVAREZ: Actually, can I let Bernie

1 from Sempra go first?

2 CHAIRPERSON PFANNENSTIEL: Sure.

3 MR. ALVAREZ: Thank you.

4 CHAIRPERSON PFANNENSTIEL: Bernie Orozco  
5 from Sempra Energy.

6 COMMISSIONER BOYD: You drew the short  
7 straw.

8 MR. OROZCO: Thank you, Madam Chair and  
9 Commissioners, good morning. I'm Bernie Orozco  
10 with Sempra Energy representing today San Diego  
11 Gas and Electric and The Gas Company.

12 And as folks have pointed out correctly,  
13 we have jointly filed comments on the proposed  
14 investment plan, natural gas investment plan,  
15 jointly with Pacific Gas and Electric and Southern  
16 California Edison.

17 In the investment plan, particularly we  
18 were making comments on the transportation aspect.  
19 We embrace that program wholeheartedly; we all  
20 have transportation programs that provide services  
21 to our customers.

22 What you've heard about the focus of the  
23 benefits of research projects, we would like to  
24 actually see something less broad and more direct  
25 to say that the benefits would result for our

1 ratepayers. So we would like to see that  
2 narrowed; it's a suggestion.

3 In addition to that, when you do look at  
4 transportation projects to fund through the  
5 program, that the benefits be ranked in a category  
6 of the biggest return for the dollar.

7 And then finally, as part of the 2005  
8 Integrated Energy Policy Report, that report in  
9 regards to transportation highlighted a lot of  
10 great technologies that can be used in this area.  
11 And we just believe that that should sort of be  
12 brought into this investment plan; kind of work  
13 with your 2005 report. You did great work there.  
14 And just incorporate that in there in a little bit  
15 more detail.

16 So, basically bottomline, more focus;  
17 more detail; direct benefit to ratepayers; and a  
18 little less broad. And then I'll leave it at  
19 that.

20 Stepping back for a broader perspective,  
21 and the PIER program in general, we made the  
22 suggestion in the past, if at some point you ever  
23 wanted a more formal process for investor-owned  
24 utilities to participate in the selection project,  
25 we always stand ready to work with you.

1           We've worked with staff closely on this,  
2           so we want to thank them for that. And hopefully  
3           we can just sort of narrow this focus. I want to  
4           let Manuel add comments to this.

5           CHAIRPERSON PFANNENSTIEL: Thank you,  
6           Bernie. Manuel.

7           MR. ALVAREZ: Good morning. Manuel  
8           Alvarez, Southern California Edison. Normally I  
9           don't address issues dealing with natural gas, but  
10          given the convergence of the PIER program and  
11          transportation with electric and natural gas, we  
12          also wanted to put our support in for looking at  
13          direct ratepayer benefits.

14          We think it's critical that you do that.  
15          You know, and you've had a transportation program  
16          over a number of years, and that program can grow  
17          and grow very large very quickly. So we're always  
18          concerned about the demand on the particular  
19          funds.

20          We also respect your comment asking for  
21          the allocation on an annual basis to see what  
22          those particular activities are and where they go.  
23          So, we'll be watching that trend.

24          The other point I want to bring up, in  
25          the letter it's self-explanatory, but the other

1 issue we want to kind of reinforce is we've  
2 offered to the staff that we would work with them  
3 to look at these direct ratepayer benefits, and  
4 look forward to doing that. And perhaps the  
5 Commission can direct that activity to be  
6 undertaken as we proceed.

7 Thank you.

8 CHAIRPERSON PFANNENSTIEL: Thank you.

9 Commissioner Geesman.

10 COMMISSIONER GEESMAN: Is that all the  
11 witnesses we --

12 CHAIRPERSON PFANNENSTIEL: No, we also  
13 have one more.

14 COMMISSIONER GEESMAN: I'll wait until  
15 after that, then.

16 CHAIRPERSON PFANNENSTIEL: Dave  
17 Modisette from California Electric Transportation  
18 Coalition.

19 MR. MODISETTE: Thank you, Madam Chair  
20 and Commissioners. Dave Modisette with the  
21 California Electric Transportation Coalition.

22 Maybe I can try to clarify some of the  
23 issues. I guess, you know, first of all, although  
24 the issue of transportation and ratepayer benefits  
25 is new to the PIER program, it's really not new to

1 utilities or to the Public Utilities Commission.

2 There have been stand-alone proceedings  
3 at the PUC on this issue for about the past 18  
4 years. And I participated as an expert witness in  
5 all those proceedings since 1992.

6 I think, you know, essentially what the  
7 utilities are asking for here is that you apply  
8 the same kind of ratepayer benefits test in the  
9 transportation area that you apply in every other  
10 area of PIER, and that you've developed over a  
11 number of years. That's essentially what  
12 utilities are asking for.

13 I think the way to think of it is that  
14 it's like a three-step test. The first step is to  
15 apply this ratepayer benefits test that you've  
16 already developed. You call it a public interest  
17 screen test one, and I can read those questions if  
18 you want.

19 And then if there is an affirmative  
20 determination based on that test, then you go to  
21 step two, which is now to factor in the other  
22 areas that were added by SB-76, which are  
23 reduction of health and environmental impacts of  
24 air pollution; reduction of greenhouse gases; use  
25 of alternative fuels.

1                   And you factor those in if you can value  
2                   those, you do so. So now you're taking ratepayer  
3                   benefits, plus these additional benefits that are  
4                   required by SB-76.

5                   And the third step, I think, is to try  
6                   to assess the magnitude of those benefits, both  
7                   the ratepayer benefits and the other benefits.  
8                   And essentially rank the projects so that, you  
9                   know, those projects that get selected first are  
10                  the ones that provide the greatest combination of  
11                  these benefits.

12                  I think in essence that's what utilities  
13                  are asking for here; that's, you know, the kind of  
14                  structure that's been in place and has been  
15                  discussed at the PUC for a long long time.

16                  And, you know, there's some specific  
17                  amendment language in the letter, and we would  
18                  urge your adoption of that.

19                  CHAIRPERSON PFANNENSTIEL: Thank you,  
20                  Mr. Modisette.

21                  MR. MODISETTE: Be happy to answer any  
22                  questions.

23                  CHAIRPERSON PFANNENSTIEL: Commissioner  
24                  Geesman.

25                  COMMISSIONER GEESMAN: I take it, Dave,

1       you helped on the letter that was delivered to us  
2       last night?

3               MR. MODISETTE:  Yeah, the utilities did  
4       ask me for my comments on the letter, that's  
5       right.

6               COMMISSIONER GEESMAN:  I thought it was  
7       a pretty good letter.  And, you know, I will say  
8       that I think that the general thrust of Bernie's  
9       and Manuel's comments, and certainly the way you  
10      summarized it is something that I feel in complete  
11      accord with.  I presume Commissioner Rosenfeld is,  
12      as well.

13              I have a little bit, perhaps more than a  
14      little bit of apprehension once we step beyond  
15      that level of generality.  I'm comfortable with  
16      the type of screening and ranking process in the  
17      abstract that the staff has proposed doing.  And I  
18      don't discern any likely differences in outcomes.

19              But Commissioner Rosenfeld and I don't  
20      see these results until there has been an outcome.  
21      And as a consequence, on the R&D Committee I've  
22      been reluctant to try and tinker with staff-  
23      proposed sorting criteria.

24              I suffer from the burden of being the  
25      Commission's lawyer representative.  So when I

1 hear the word direct benefit, in a meaningful way  
2 I don't know the difference between direct benefit  
3 and benefit until I actually see the outcomes of  
4 the screening process.

5           So, I'm hesitant to insert that  
6 particular word because it may mean different  
7 things to different people. I've heard attributed  
8 to the utilities use it; I don't think they have.  
9 But that there is a great deal of apprehension  
10 that the program can be overwhelmed by a  
11 commitment to renewable transportation fuels which  
12 are not necessarily electricity or natural gas.

13           I certainly don't want to foreclose  
14 that. I'd like the science to proceed as we try  
15 and see that it always does, on the basis of  
16 merit.

17           But I think your mention of the PUC  
18 process over the last 18 years is pretty  
19 instructive here. These used to be much larger  
20 programs; and they used to have much higher  
21 aspirations than they've had the last ten years.  
22 And I'm hopeful that the utilities can invest  
23 themselves into our program and other activities  
24 conducted here and at the Air Resources Board to  
25 see that these programs grow significantly in the

1 future.

2 I hear Bernie and Manuel saying a lot of  
3 the same things they said about the transmission  
4 program four years ago. And I think that we've  
5 developed that in such a way that it's in general  
6 satisfaction for them.

7 So I want to encourage you and your  
8 clients to be heavily invested in this process.  
9 But I don't really see a value in inserting  
10 particular ambiguous words into a screening  
11 process. I think we can get to where you want to  
12 be as a result of our process.

13 COMMISSIONER BOYD: Madam Chair.

14 CHAIRPERSON PFANNENSTIEL: Yes,  
15 Commissioner Boyd.

16 COMMISSIONER BOYD: I want to join  
17 Commissioner Geesman in his thoughts, although we  
18 didn't discuss this ahead of time. As the Chair  
19 of both the Natural Gas and Transportation and  
20 Fuels Committees, I invested quite a bit of time  
21 in this process. And what I consider to be an  
22 excruciatingly thorough process, and time-  
23 consuming process, being one anxious to get on  
24 with the mission of getting some research going in  
25 this area that, as Commissioner Geesman indicated,

1 was once an area, both electricity and natural  
2 gas, that the Commission and the utilities and the  
3 Air Resources Board cooperated on. And were very  
4 significant programs, and have been whittled down.  
5 And we're virtually starting all over again in  
6 some of the areas.

7 Not necessarily -- through no fault of  
8 the utilities or the Commission. Through the  
9 fault of lacking adequate funding, and frankly,  
10 the opposition of those who feel their single fuel  
11 would be threatened by the use of natural gas and  
12 electricity, and their opposition from the PUC in  
13 years past.

14 But nonetheless, I received this letter  
15 last night, like the rest of you did, mildly  
16 disappointed it was so late in the process. But  
17 read it multiple times; took the report home and  
18 read it again from cover to cover.

19 And I think I'm building on what  
20 Commissioner Geesman said, but I felt that the  
21 staff did an incredibly thorough job of  
22 referencing all the caveats available in law, be  
23 they the new law or existing law, and in  
24 indicating where there was no guidance, providing  
25 guidance.

1                   And I look at this in the context of the  
2 fact there's no direct policy mandate for this  
3 report to even be prepared at all. So, I think  
4 the Commission and the staff have gone the extra  
5 mile, really, in trying to establish criteria and  
6 a framework within which this program can operate.  
7 And it's probably going to be one of the most  
8 thoroughly screened processes in light of the fact  
9 that three Committees feel like they have some  
10 jurisdiction and responsibility for this.

11                   I think you have to put faith in the  
12 Commissioners and the Committees, as well as in  
13 the staff, to be guided by the laws of California  
14 and the messages in the law, and the intent of the  
15 law, to provide the necessary screening and the  
16 purposeful and deliberate and most beneficial to  
17 the people of California types of research  
18 programs.

19                   So, I frankly thought the requests in  
20 the letter were, except for the one about adding  
21 all the IEPR criteria, which is a no-brainer and  
22 fine by me, was almost excessive.

23                   But, you know, I hear Bernie and I hear  
24 Manuel and I know what they mean. But we're  
25 starting all over again from where we were many

1 years ago. And I think we have to grow through  
2 this a little bit. So I think it's going to be a  
3 real-time process.

4 But I think there's incredible checks  
5 and balances here. In fact, if we asked for many  
6 more screening measures from the utilities I'll be  
7 hard pressed to see how it's legitimate to spend  
8 any money on electric vehicles and natural gas  
9 vehicles, which is what I think they want to do,  
10 in light of the very tight criteria that's been  
11 established. Because it'll be difficult for some  
12 of us to build a track back to direct ratepayer  
13 benefit for some of those kinds of activities vis-  
14 a-vis activities with regard to other alternative  
15 fuels that might bring even greater greenhouse  
16 emission benefits or decrease the use of natural  
17 gas, making the supply more plentiful; and  
18 therefore making the price more competitive for  
19 the direct ratepayer benefit.

20 So, I'm quite comfortable with the staff  
21 proposal as it sits.

22 CHAIRPERSON PFANNENSTIEL: Further  
23 discussion? Yes, Commissioner Byron.

24 COMMISSIONER BYRON: Thank you. I think  
25 I said this in either the Natural Gas or the

1       Electricity -- I'm sorry, Natural Gas or  
2       Transportation Committee, and I don't recall, but  
3       I think the staff has done an excellent job of  
4       something like this, running the gauntlet here and  
5       trying to figure out this process with all the  
6       legislative requirements, et cetera.

7                 And I think the last piece of the puzzle  
8       Commissioner Rosenfeld has provided today, and  
9       that is the approval of the research plan in  
10      conjunction or in cooperation with the ARB.

11                So, I would like to add that this  
12      Commissioner would like to see you continue to  
13      cooperate with the ARB in moving forward with the  
14      research plan.

15                The only other thing I'd say with regard  
16      to Commissioner Geesman, I know it may be a burden  
17      for you to be the attorney on the Commission, but  
18      I think speaking for the rest of us, we're glad  
19      that you are.

20                (Laughter.)

21                COMMISSIONER BOYD:   So burdened.

22                COMMISSIONER ROSENFELD:  I guess you got  
23      to have one lawyer on each --

24                CHAIRPERSON PFANNENSTIEL:  Further  
25      discussion?  Yes, Martha.

1 DR. KREBS: One comment in response to  
2 the question you asked as to whether or not we  
3 would take into account, and then bring back, any  
4 changes associated with the Air Board comments.

5 I was reminded that we have a standard  
6 30-day public review process within which we can  
7 take comments and accommodate them with  
8 appropriate review by the Commission.

9 CHAIRPERSON PFANNENSTIEL: Thank you.  
10 Bernie.

11 MR. OROZCO: One quick follow-up  
12 question. I want to -- this is to Commissioner  
13 Geesman's point, and it ties into something you  
14 just said, Commissioner Boyd.

15 The transmission PIER project, that has  
16 been an excellent project. The utilities have  
17 been heavily involved in that. You know, we don't  
18 select the actual projects that get award funding,  
19 but we get to sit down with PIER Staff and look at  
20 what subject, what areas in transmission you want  
21 to study. And we can help focus the PIER programs  
22 in appropriate subject areas that would be a  
23 direct benefit to our ratepayers.

24 So, I hear what you said, Commissioner  
25 Boyd. You're concerned that, you know, we may be

1 going too narrow of a path in selecting projects  
2 that would just benefit things that we do  
3 directly.

4 But I think there's a balance between  
5 the two comments there, and I think the  
6 transmission has been an excellent example of  
7 where investor-owned utilities can help focus some  
8 of the research, where we do see a great benefit  
9 to our customers.

10 So, that's something certainly to think  
11 about, as this is new and we go forward, something  
12 to think about maybe factoring into this, as well.  
13 Thank you.

14 COMMISSIONER ROSENFELD: No, Bernie,  
15 don't go away. So, the issue remains that we have  
16 your suggestions. And I have, indeed, talked to  
17 Commissioner Geesman, and I have, indeed, talked  
18 to Commissioner Boyd, and I have, indeed, talked  
19 to the staff.

20 So, let's see what we can do now for a  
21 minute or so about your actual suggestions. They  
22 fall in three categories.

23 On page 2, your very first point, you  
24 want to add the word direct to ratepayer benefits.  
25 And I think you've just heard that we don't have a

1 consensus for doing that.

2 There are about eight other places where  
3 every time that it says -- this is your attachment  
4 A -- every time that it says energy you want to  
5 put in the words electric and natural gas services  
6 and products. I think that's absolutely fine.  
7 That's what SB-76 says.

8 There's a third issue on attachment A in  
9 which you actually noticed, I don't know whether  
10 we did, the way this table 2 of the appendix, now  
11 called table A-1, is worded right now. Hold on.  
12 There are the words greenhouse gases in there, and  
13 not the words criteria pollutants. You guys  
14 picked that up and I would propose to add criteria  
15 pollutants and greenhouse gases where you  
16 discussed it in attachment A. I can see you  
17 offline to get the exact place where it goes in.

18 So, having talked with my fellow  
19 Commissioners and the staff, we are not  
20 comfortable with the word direct twice, but we can  
21 accept all of your other suggestions.

22 How does that grab you?

23 MR. MODISETTE: Just for clarification  
24 on the attachment to the utility letter, are you  
25 saying that all of those suggested changes are

1       okay?

2                   COMMISSIONER ROSENFELD:   Except, Dave,  
3       you've gotten into a contortion with ands and ors  
4       and one typo.  And I am proposing that instead we  
5       go to what you call table 2, which is now on  
6       page --

7                   MS. TEN HOPE:   65.

8                   COMMISSIONER ROSENFELD:  -- 65, thank  
9       you, Laurie.  There is a -- the bullets aren't  
10      numbered, but there is a fourth bullet which now  
11      reads:  Does the research seek to reduce  
12      greenhouse gas emissions related to electricity  
13      and natural gas production."

14                  I would like to change it to read:  --  
15      to reduce criteria pollutants and greenhouse gas  
16      emissions..."

17                  I think that that's a simpler change to  
18      accomplish, Dave, exactly what you were trying to  
19      do.

20                  MR. MODISETTE:  I think, you know, one  
21      of the important issues in the structure of the  
22      language in attachment A is that if you look at  
23      SB-76 it requires both ratepayer benefits and  
24      consideration of these other things, the  
25      greenhouse gases, the criteria pollutants.  It

1 requires both of those.

2 And in the current structure of the  
3 language on A1-4, you're not requiring both of  
4 those things. You're requiring just one of those  
5 things because you have a series of or-clauses  
6 here.

7 And I think what you need to do in test  
8 one is to reflect the structure of SB-76 which  
9 requires both ratepayer benefits and consideration  
10 of these other things. It's not one or the other,  
11 it's both.

12 And that's why the language that we  
13 suggested in attachment A does both. It requires  
14 ratepayer benefits, it requires consideration of  
15 these other things.

16 COMMISSIONER GEESMAN: Is Phil Misemer  
17 shaking his head in affirmation of that statutory  
18 interpretation or just jittery?

19 (Laughter.)

20 MR. MISEMER: Both, Commissioner. I'm  
21 going to see what I can do to add to the confusion  
22 here.

23 I believe what staff has recommended  
24 with respect to the utilities' letter is adopt  
25 their attachment A with a minor correction that

1 Commissioner Rosenfeld has suggested, that the  
2 item B should include the concerns from A above  
3 it, so that it should combine reduction of  
4 greenhouse gases or criteria pollutants. Not and.  
5 I think that gets us into a bit a bind, having to  
6 do both at once sometimes.

7 But reduction of greenhouse gases or  
8 reduction of criteria pollutants, and combine  
9 those into one sentence. And this, I believe,  
10 would be -- but their construct here is more in  
11 line with the language of SB-76 than the previous  
12 table that's been referred to.

13 COMMISSIONER ROSENFELD: I'll accept the  
14 staff wording. I must say, in public, I'm too  
15 dumb to understand the difference between and/or  
16 and or.

17 (Laughter.)

18 COMMISSIONER BOYD: You're not alone,  
19 Commissioner.

20 COMMISSIONER ROSENFELD: But if you want  
21 it that way, so be it.

22 COMMISSIONER GEESMAN: So in addition to  
23 your suggestion we will alter the table, as well?

24 MR. MISEMER: The table would need to be  
25 altered to --

1 COMMISSIONER GEESMAN: Okay.

2 MR. MISEMER: -- reflect the changes as  
3 suggested in attachment A.

4 CHAIRPERSON PFANNENSTIEL: Given that, I  
5 think we have in front of us a proposed investment  
6 plan with minor modifications.

7 COMMISSIONER GEESMAN: And I will second  
8 Commissioner Rosenfeld's motion.

9 CHAIRPERSON PFANNENSTIEL: Moved and  
10 seconded.

11 All in favor?

12 (Ayes.)

13 CHAIRPERSON PFANNENSTIEL: It's been  
14 approved. Thank you.

15 COMMISSIONER ROSENFELD: I want to say  
16 once more, in case I didn't, I think that both the  
17 ARB and the utilities responded with amazing speed  
18 and thank you all for doing this at the last  
19 minutes, because this darn thing is going to go to  
20 the PUC tomorrow. Thank you.

21 MS. TEN HOPE: Thank you.

22 CHAIRPERSON PFANNENSTIEL: Item 3,  
23 possible approval of contract 150-06-001 for  
24 \$18,000 to renew the Energy Commission's  
25 membership in the Western Interstate Energy Board.

1 Mr. Chamberlain, are you presenting this?

2 MR. CHAMBERLAIN: I guess I am. I  
3 thought Grace was going to be here, but --

4 CHAIRPERSON PFANNENSTIEL: Excuse me a  
5 second. Excuse me, could you take the  
6 conversation out of the room? Thank you.

7 MR. CHAMBERLAIN: As the Commission is  
8 aware, the Energy Commission has participated in  
9 the Western Interstate Energy Board for at least  
10 two decades, working with other states and  
11 provinces in the west to coordinate energy policy.

12 And this is funded primarily through  
13 dues that each of the states and provinces pay. I  
14 believe we get quite a bit for our \$18,000 here in  
15 terms of potentially having influence throughout  
16 the west, rather than just within the State of  
17 California.

18 CHAIRPERSON PFANNENSTIEL: Thank you,  
19 Mr. Chamberlain. Is there a motion to approve the  
20 contract?

21 COMMISSIONER ROSENFELD: I so move.

22 COMMISSIONER BYRON: Second.

23 CHAIRPERSON PFANNENSTIEL: All in favor?

24 (Ayes.)

25 CHAIRPERSON PFANNENSTIEL: Thank you.

1                   Item 4, Possible approval of contract  
2                   400-06-004 for \$19,390 for dues and meeting fees  
3                   for the Energy Commission's membership in the  
4                   National Association of State Energy Officials  
5                   from September 8, 2006 to June 30, 2007. Mr.  
6                   Sugar.

7                   MR. SUGAR: Madam Chairman,  
8                   Commissioners, my name's John Sugar. We are  
9                   proposing to renew the Commission's membership  
10                  with the National Association of State Energy  
11                  Officials. It's an organization of state energy  
12                  offices that, over the last couple of decades, has  
13                  provided the Commission with the forum in which to  
14                  meet with other state energy officials to discuss  
15                  and develop energy policies.

16                  They also provide advocacy on behalf of  
17                  the state energy offices. In this coming year  
18                  they're going to be focusing on trying to restore  
19                  cuts to the federal/state energy program, and to  
20                  push to obtain full funding for energy efficiency  
21                  and assistance programs that are part of the  
22                  Energy Policy Act of 2005.

23                  We recommend approval of this contract.  
24                  We believe the Commission gets a lot of benefit  
25                  from it.

1 COMMISSIONER ROSENFELD: I move the item

2 4.

3 COMMISSIONER BOYD: Second.

4 CHAIRPERSON PFANNENSTIEL: In favor?

5 (Ayes.)

6 CHAIRPERSON PFANNENSTIEL: The item's  
7 been approved, thank you.

8 MR. SUGAR: Thank you.

9 CHAIRPERSON PFANNENSTIEL: Item 5,  
10 possible approval of a \$326,477 loan to the Marin  
11 County Cultural Services Department to upgrade  
12 lighting and replace six package HVAC units at the  
13 Exhibit Hall. Ms. Rudman.

14 MS. RUDMAN: Good morning; I'm Monica  
15 Rudman with the public programs office. Marin  
16 County has received three previous loans from us.  
17 They're a good risk.

18 This loan will help the County continue  
19 to improve energy efficiency of its buildings  
20 while reducing impacts on the environment. By  
21 replacing inefficient lighting and HVAC systems,  
22 the projects will reduce the Exhibit Hall annual  
23 bill by 33,000 per year.

24 In addition, the County estimates that  
25 these projects will reduce the Exhibit Hall's

1 carbon dioxide emissions by 86 times annually.

2 I've reviewed the proposed projects, and  
3 determine that they meet the requirements of the  
4 loan program. The projects and the loan requests  
5 were approved by the Marin County Board of  
6 Supervisors on August 22nd. The Efficiency  
7 Committee has approved the loan request to the  
8 County, and I recommend approval of the loan.

9 COMMISSIONER ROSENFELD: Monica, just my  
10 usual question. Does Marin also get some rebates  
11 from, say, PG&E?

12 MS. RUDMAN: Yes, they're getting about  
13 \$6000 from PG&E.

14 COMMISSIONER ROSENFELD: And then the  
15 ten-year payback, or 9.something-year payback is  
16 what's left on the loan.

17 MS. RUDMAN: On the loan, right. Yeah,  
18 the total project has about an 11-year payback.  
19 The County is also contributing about 75,000.

20 COMMISSIONER ROSENFELD: Madam Chairman,  
21 I move item 5.

22 COMMISSIONER GEESMAN: I'll second.

23 CHAIRPERSON PFANNENSTIEL: All in favor?  
24 (Ayes.)

25 CHAIRPERSON PFANNENSTIEL: Thank you.

1 And then item 6, also Marin County. Possible  
2 approval of \$553,345 loan to Marin County  
3 Department of Public Works to upgrade lighting,  
4 upgrade heat pump operations and install a  
5 photovoltaic system at 120 North Redwood Drive in  
6 San Rafael. Ms. Rudman, again.

7 MS. RUDMAN: Monica Rudman, again.  
8 Yeah, this is another loan project to the County  
9 Public Works Department. They'll have the same  
10 project manager.

11 In order to maximize the energy savings  
12 Marine County requests another loan which combines  
13 both energy efficiency and photovoltaic system at  
14 an office building. The California Construction  
15 Authority will install the photovoltaic system.  
16 The Authority has developed a program to purchase  
17 PV equipment at a very low cost.

18 For this project the estimated installed  
19 cost is \$6.9 per kW. The total project cost of PV  
20 and efficiency projects is estimated to be  
21 slightly over 1.11 million. Of this amount, the  
22 rebate and the loan will cover about 90 percent of  
23 the project cost, and the County will provide the  
24 remaining costs.

25 To maximize the annual cost savings, the

1 County will switch to PG&E's A6 time-of-use rate  
2 schedule. We have reviewed the project and  
3 determined that they meet the requirements of the  
4 loan program. These projects and loan requests  
5 have also been approved by the Marin County Board  
6 of Supervisors. And the Efficiency Committee has  
7 approved the loan request, so I recommend approval  
8 of the loan.

9 COMMISSIONER ROSENFELD: This darn mike.  
10 I move item 6.

11 COMMISSIONER GEESMAN: I'll second.

12 CHAIRPERSON PFANNENSTIEL: All in favor?

13 (Ayes.)

14 CHAIRPERSON PFANNENSTIEL: Thank you,  
15 it's been approved.

16 MS. RUDMAN: Thank you.

17 CHAIRPERSON PFANNENSTIEL: Item 7,  
18 possible approval of purchase order 06-433-005 for  
19 \$250,000 to Creatus, Inc. for application and  
20 database development and support.

21 MS. GASS: Good morning; my name is Rita  
22 Gass and I'm the project development and support  
23 office manager for the information technology  
24 services branch.

25 We are asking for approval today of a

1 purchase order with Creatus, Inc. This item will  
2 provide information technology services, a means  
3 to obtain timely development, maintenance and  
4 support for the Commission's numerous applications  
5 and database systems.

6 These systems are used by staff to  
7 perform financial and personnel management  
8 functions, as well as staff in the program  
9 divisions to perform functions such as data  
10 collection, analysis, forecasting, generate  
11 simulations and reports.

12 The support provided by Creatus, Inc.  
13 will include system analysis, application support,  
14 obvious automation, web programming, and database  
15 development and administration.

16 Thank you.

17 CHAIRPERSON PFANNENSTIEL: Thank you.

18 Are there questions? Commissioner Geesman.

19 COMMISSIONER GEESMAN: I'll move the  
20 item.

21 COMMISSIONER ROSENFELD: Second.

22 CHAIRPERSON PFANNENSTIEL: In favor?

23 (Ayes.)

24 CHAIRPERSON PFANNENSTIEL: It's been  
25 approved. Item 8, possible approval of purchase

1 order 06-433-013 for \$197,000 to Shandam  
2 Consulting Services for information technology  
3 network engineering and architectures. Good  
4 morning.

5 MR. DAVIS: Good morning. My name's  
6 Derek Davis; I'm the supervisor of network  
7 services and information technology branch. I'm  
8 asking for approval today for a purchase order  
9 with Shandam Consulting to provide network  
10 engineering and architectural services.

11 This is to insure and provide security,  
12 performance and reliability. The Commission's  
13 network is complex and a highly specialized  
14 system. Shandam Consulting will provide  
15 architectural services to insure the best  
16 configuration of physical networks such as core  
17 routers, Cisco switches and wireless access. And  
18 to meet the Commission's needs for performance,  
19 stability and reliability.

20 They will also assist in identifying and  
21 recommending alternative technologies to improve  
22 performance, stability and security.

23 Finally, they will provide insight in  
24 industry best practices to complement the  
25 Commission's staff research, emerging network

1 technologies.

2 CHAIRPERSON PFANNENSTIEL: Thank you.

3 Are there questions?

4 COMMISSIONER GEESMAN: I'll move the  
5 item.

6 COMMISSIONER ROSENFELD: Second.

7 CHAIRPERSON PFANNENSTIEL: In favor?

8 (Ayes.)

9 CHAIRPERSON PFANNENSTIEL: Thank you.

10 MR. DAVIS: Thank you.

11 CHAIRPERSON PFANNENSTIEL: Item 9,  
12 possible approval of four PIER technical support  
13 contracts to provide technical, administrative and  
14 project management aspects of energy science and  
15 energy research development and demonstration and  
16 program management for the subcontractor teams.  
17 Good morning.

18 MS. CAMERON-HARLEY: Good morning. My  
19 name is Jamie Cameron-Harley, and I am the current  
20 contract manager for the three existing tech  
21 support contracts for the energy research  
22 development division PIER program.

23 These contracts expire October 31, 2006.  
24 I am requesting approval of four new contracts to  
25 provide technical support for the PIER program.

1                   These contracts will provide technical  
2                   support to the Energy Commission's research  
3                   efforts in the areas of program and project  
4                   support and technology transfer.

5                   Some examples of specific activities  
6                   include review of projects, program plans, program  
7                   review, comparative evaluation of energy  
8                   technologies, identifying the targets and benefits  
9                   of RD&D, assessment of environmental impacts,  
10                  preparation of feasibility studies and roadmaps,  
11                  assistance in the dissemination of program and  
12                  project results.

13                  In order to be responsive to the  
14                  evolving needs of the program specific work  
15                  authorizations will be developed as needed. These  
16                  full-service prime contractors will provide a wide  
17                  variety of technical experience not available from  
18                  the Energy Commission Staff.

19                  The contracts were the result of an RFP  
20                  issued in late April, and completed in early July.  
21                  A selection team consisting of seven PIER program  
22                  staff evaluated each bidder for 78 technical areas  
23                  of expertise, prime contractor qualifications and  
24                  cost.

25                  Of the six bidders four reached the

1 total number of points necessary to receive an  
2 award. And they are Kema, Incorporated; ICF  
3 Resources, LLC; Navigant Consulting, Incorporated;  
4 and Science Application International Corporation,  
5 SAIC.

6 There is a \$12 million authority for  
7 these agreements; \$4 million each year. And of  
8 that, 3 million is from electricity funding, and 1  
9 million from gas. These agreements have a term of  
10 two years and a one-year option to renew.

11 Due to current legislative constraints,  
12 fiscal year 06/07 or future PIER project dollars  
13 cannot be used at this time. Therefore, I'm  
14 requesting \$4 million, 1 million for each  
15 contract; and plan to amend these agreements for  
16 full funding when fiscal year 06/07 PIER project  
17 dollars are available.

18 Are there any questions?

19 CHAIRPERSON PFANNENSTIEL: Are there  
20 questions? Yes, Commissioner Byron.

21 COMMISSIONER BYRON: Can you tell me, I  
22 don't know what year to ask for, but what was the  
23 previous authority for the other -- for the  
24 contracts that are expiring?

25 MS. CAMERON-HARLEY: From 2001 to 2004

1 it was \$9 million. And then they were amended  
2 twice, in 04/05 it was \$3,600,000; and in 05/06 it  
3 was the same amount, 3,600,000.

4 COMMISSIONER BYRON: Thank you.

5 MS. CAMERON-HARLEY: Um-hum.

6 CHAIRPERSON PFANNENSTIEL: For this  
7 we'll take up each one of the contracts  
8 separately. Contract 500-06-011 for \$1 million  
9 with ICF Resources, LLC. Is there a motion.

10 COMMISSIONER ROSENFELD: I move the  
11 item.

12 COMMISSIONER GEESMAN: Second.

13 CHAIRPERSON PFANNENSTIEL: In favor?

14 (Ayes.)

15 CHAIRPERSON PFANNENSTIEL: Contract 500-  
16 06-012 for \$1 million with Navigant Consulting,  
17 Inc.

18 COMMISSIONER ROSENFELD: I move item b.

19 COMMISSIONER GEESMAN: Second.

20 CHAIRPERSON PFANNENSTIEL: All in favor?

21 (Ayes.)

22 CHAIRPERSON PFANNENSTIEL: Contract 500-  
23 06-013 for \$1 million with Science Application  
24 International Corporation.

25 COMMISSIONER ROSENFELD: I move item c.

1 COMMISSIONER GEESMAN: Second.

2 CHAIRPERSON PFANNENSTIEL: In favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: Contract 500-  
5 06-014 for \$1 million with Kema Consulting, Inc.

6 COMMISSIONER ROSENFELD: I move item d.

7 COMMISSIONER GEESMAN: Second.

8 CHAIRPERSON PFANNENSTIEL: In favor?

9 (Ayes.)

10 CHAIRPERSON PFANNENSTIEL: All approved,  
11 thank you.

12 MS. CAMERON-HARLEY: Thank you very  
13 much.

14 CHAIRPERSON PFANNENSTIEL: Item 10,  
15 possible approval of contract 400-06-005 for  
16 \$3,277,702 with APX, Inc. for the system  
17 development and technical operation of the Western  
18 Renewable Energy Generation Information System,  
19 WREGIS. Good morning.

20 MS. ZOCHETTI: Good morning, Madam Chair  
21 and Commissioners. I'm Kate Zochetti with the  
22 renewable energy office.

23 The item before you is a proposed  
24 approval of the contract between the Energy  
25 Commission and APX, Incorporated, to modify its

1 existing renewable energy generation registry and  
2 tracking system to meet the requirements of the  
3 Western Renewable Energy Generation Information  
4 System, or WREGIS; and to provide the technical  
5 operations of the system.

6 The Department of General Services  
7 conducted the procurement process for this  
8 contract in conjunction with the Energy  
9 Commission.

10 WREGIS consists of two components, a  
11 modified renewable energy registry and tracking  
12 system, which is the software; and the  
13 administrative operations of WREGIS, which will be  
14 located at the Western Electricity Coordinating  
15 Council in Salt Lake City, Utah.

16 On August 2nd the Energy Commission  
17 approved a contract with WECC to conduct the  
18 administrative operations for WREGIS, so the  
19 contract before you deals with the first component  
20 in the system software and technical operations.

21 The term of the contract is September of  
22 this year until September of 2010. The total  
23 amount is \$3,277,702. And the contract will be  
24 funded using the renewable resources trust fund.

25 The system modified under this contract

1 will be used to meet the legislative mandate of  
2 Senate Bill 1078 to design and implement an  
3 accounting system to verify that renewable energy  
4 output is counted only once for compliance with  
5 the renewable portfolio standard in California or  
6 any other state; and for verifying the retail  
7 product claims in California or any other state.

8 And I'm seeking your approval of this  
9 contract with APX, Incorporated. Any questions?

10 CHAIRPERSON PFANNENSTIEL: Is there  
11 discussion? Commissioner Geesman.

12 COMMISSIONER GEESMAN: I'll move  
13 approval. This has been a long time coming. And  
14 the staff has done an outstanding job of  
15 shepherding it through the process. Staff bears  
16 no responsibility for the delays that we've  
17 experienced in this.

18 The Renewables Committee, both when  
19 Commissioner Boyd was on it, and now with you on  
20 it, Madam Chair, has been resolute that we needed  
21 to conform to the Department of General Services  
22 post-Oracle software procurement process. There  
23 were many suggestions made to us over the years by  
24 people outside the Commission that given the  
25 priority attached to this program we ought to seek

1 some alternative to the Department of General  
2 Services' procurement process.

3 But we've consistently said no. I think  
4 we've paid the price for it because it's, I think,  
5 well in excess of a year later than we'd  
6 originally hoped it to be.

7 But it's an important milestone today to  
8 approve this. I know there's been some discussion  
9 as to whether the regional design of the program  
10 is well thought through. I think ten years from  
11 now, when Commissioner Rosenfeld is serving his  
12 fourth term on the Commission, --

13 (Laughter.)

14 COMMISSIONER GEESMAN: -- we will all  
15 look back on this as a significant step in the  
16 regional development of renewable energy resource  
17 in this country. And I think that ten years from  
18 now the Legislature and others will think that it  
19 was wise for us to make this a regional design.

20 I'd also add that we're not that far  
21 past the experience that the state had with the  
22 insufficiently regulated trading process in  
23 electricity. And the verification of claims, the  
24 avoidance of double counting, and ultimately the  
25 monitoring and policing of the marketplace are

1 extremely important elements of this program if it  
2 is to grow at the pace that this Commission and  
3 the Public Utilities Commission and the Governor  
4 have all expressed a desire to see it grow.

5 So I would move approval of this. I  
6 think it's a very good day for our renewable  
7 program, and for the state's, as well.

8 CHAIRPERSON PFANNENSTIEL: I would --

9 COMMISSIONER ROSENFELD: I do have one  
10 small question, --

11 CHAIRPERSON PFANNENSTIEL: Certainly.

12 COMMISSIONER ROSENFELD: -- Commissioner  
13 Geesman. This is western, it's not just  
14 California?

15 CHAIRPERSON PFANNENSTIEL: Right.

16 COMMISSIONER GEESMAN: This is all of  
17 the western states, and the provinces of British  
18 Columbia, Alberta and Baja Norte.

19 COMMISSIONER ROSENFELD: So my only  
20 other question is this is a fair amount of money  
21 from California. What's the cost-sharing  
22 situation?

23 COMMISSIONER GEESMAN: The intent is to  
24 charge fees for participation in the program going  
25 forward. It is yet to be resolved, depending on

1 what those fees are set at, as to whether there's  
2 an effort to recover development costs, or simply  
3 setting the fees at operation and administration  
4 costs.

5 COMMISSIONER ROSENFELD: Sounds great,  
6 thank you.

7 COMMISSIONER BOYD: I'll second the  
8 motion.

9 CHAIRPERSON PFANNENSTIEL: I just wanted  
10 to offer kudos to the staff. It was an amazingly  
11 long, convoluted, complex process. And I think  
12 the staff went into it with great determination  
13 and diligence. And I think that the efforts paid  
14 off. So, excellent.

15 Motion has been made and seconded.

16 All in favor?

17 (Ayes.)

18 CHAIRPERSON PFANNENSTIEL: Contract is  
19 approved, thank you.

20 MS. ZOCETTI: Thank you very much.

21 CHAIRPERSON PFANNENSTIEL: Item 11,  
22 possible approval of purchase order 06-432.01-007  
23 with MarketPoint, Inc. for \$27,000 to renew the  
24 annual MarketBuilder and Analysis Accelerator  
25 licenses. Energy Commission staff utilize these

1       proprietary software packages to run the North  
2       American Regional Gas model, the natural gas  
3       market supply and demand scenario and sensitivity  
4       analyses in the natural gas and electricity  
5       markets. Good morning.

6               MR. GOPAL: Good morning, Commissioners.  
7       My name is Jairam Gopal; I'm with the natural gas  
8       office at the Energy Commission.

9               As stated, this item is for the staff to  
10       renew their license to use and operate the natural  
11       gas model that we use in routine analysis for  
12       infrastructure analysis, sensitivities and  
13       scenarios looking at supply/demand balance for  
14       natural gas.

15               The model looks at the entire U.S.,  
16       although our focus is on the western states and  
17       emphasis on California markets.

18               The three packages that we have here are  
19       one is the actual model, itself; and the other two  
20       are the actual rater packages which help in  
21       speeding up the running of the model.

22               The licenses expired last month. We  
23       need to renew the license so that staff can  
24       continue using it. Thank you.

25               CHAIRPERSON PFANNENSTIEL: Are there

1 questions? Commissioner Geesman.

2 COMMISSIONER GEESMAN: A question for  
3 the Executive Office. And that is, is approval of  
4 this contract prejudicial or value-neutral toward  
5 the analytic review process that the Executive  
6 Office has underway?

7 DEPUTY EXECUTIVE DIRECTOR MATTHEWS:  
8 It's neutral. We will be going through the  
9 analytical process. We will be doing a contract  
10 to evaluate natural gas price forecasts, comparing  
11 NARG versus other alternatives.

12 COMMISSIONER BOYD: I'll move the item.

13 COMMISSIONER ROSENFELD: Second.

14 CHAIRPERSON PFANNENSTIEL: All in favor?

15 (Ayes.)

16 CHAIRPERSON PFANNENSTIEL: The contract  
17 has been approved. Thank you.

18 Item 12, take it as part a. Possible  
19 approval of the Executive Director's data adequacy  
20 recommendation for the South Bay Replacement  
21 project, a natural gas fired, combined cycle  
22 facility with a nominal 500 megawatt output;  
23 docket 06-AFC-3. Good morning, Mr. Pfanner.

24 MR. PFANNER: Yes, Chairman Pfannenstiel  
25 and Members of the Commission, I'm Bill Pfanner

1 and I'm the Project Manager for the Energy  
2 Commission on the South Bay Replacement project.

3 Staff has completed its data adequacy  
4 review and determined that the AFC now contains  
5 all information required by California Code of  
6 Regulations Title 20, section 1704, including  
7 appendix B for a 12-month AFC process.

8 This includes the data adequacy for the  
9 areas of air quality, transmission system  
10 engineering and waste management that were found  
11 to be not data adequate at the August 16th  
12 business meeting.

13 Staff received a formal filing,  
14 supplement A, from the applicant, which includes  
15 the air quality information, a letter from San  
16 Diego Air Pollution Control District determining  
17 that the application is complete pursuant to rule  
18 18 of the District's rules and regulations.

19 For waste management staff received  
20 phase one environmental investigation for the  
21 project site and supporting data to explain  
22 monitoring plans and to verify effectiveness of  
23 mitigation.

24 And for transmission system engineering,  
25 supplemental interconnection facility studies and

1 backup data.

2 Staff has received letter from San Diego  
3 Air Pollution Control District, the City of Chula  
4 Vista, the Port of San Diego, California Coastal  
5 Commission, U.S. Fish and Wildlife Service,  
6 Department of Toxic Substances Control and  
7 Environmental Health Coalition. And this  
8 information will be incorporated into the issue  
9 identification report and the data request  
10 process, which would be the next step in the AFC  
11 review process.

12 So staff is recommending that the Energy  
13 Commission accept the AFC as data adequate based  
14 on new information contained in attachment B,  
15 which was the data adequacy sheets. And staff is  
16 also requesting the Commission appoint a  
17 Committee.

18 I'd be happy to answer any questions you  
19 may have at this time.

20 CHAIRPERSON PFANNENSTIEL: Thank you,  
21 Mr. Pfanner. Mr. Ellison, representing the  
22 applicant.

23 MR. ELLISON: Chris Ellison, Ellison,  
24 Schneider and Harris, representing the applicant.  
25 To my right is Bob Mason, CH2M HILL; and on the

1 phone is Andrew Trump, who is heading up the  
2 Energy Commission process for the applicant, LS  
3 Power.

4 We're here to answer any questions that  
5 you may have. Obviously we're pleased with the  
6 staff's recommendation and we want to thank the  
7 staff for the efforts that they've put in so far.

8 Thank you very much.

9 CHAIRPERSON PFANNENSTIEL: Thank you,  
10 Mr. Ellison. Are there questions, Commissioner  
11 questions?

12 Well, hearing none, is there a motion?

13 COMMISSIONER GEESMAN: I'll move it.

14 COMMISSIONER ROSENFELD: I'll second it.

15 CHAIRPERSON PFANNENSTIEL: All in favor?

16 (Ayes.)

17 CHAIRPERSON PFANNENSTIEL: So the  
18 Executive Director's data adequacy recommendation  
19 has been approved.

20 I would nominate the following Committee  
21 for the South Bay Replacement project. Presiding  
22 Member Commissioner Geesman and Alternate Member -  
23 - Other Member Commissioner Rosenfeld.

24 Is there a motion for that?

25 COMMISSIONER BYRON: I'll move that.

1 COMMISSIONER BOYD: I'll second.

2 CHAIRPERSON PFANNENSTIEL: In favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: That

5 Committee has been approved; thank you.

6 MR. PFANNER: Thank you very much.

7 CHAIRPERSON PFANNENSTIEL: Minutes,  
8 approval of minutes of the August 2nd business  
9 meeting.

10 COMMISSIONER GEESMAN: So moved.

11 COMMISSIONER ROSENFELD: Second.

12 CHAIRPERSON PFANNENSTIEL: I abstain,  
13 having not been here. And I think Commissioner  
14 Boyd, also, abstains.

15 COMMISSIONER BOYD: True.

16 CHAIRPERSON PFANNENSTIEL: Approval of  
17 the minutes?

18 (Ayes.)

19 CHAIRPERSON PFANNENSTIEL: Thank you.

20 And then approval of the minutes of the August  
21 16th business meeting.

22 COMMISSIONER BOYD: I'll move approval.

23 COMMISSIONER GEESMAN: Second.

24 CHAIRPERSON PFANNENSTIEL: In favor?

25 (Ayes.)

1                   CHAIRPERSON PFANNENSTIEL: Commission  
2                   Committee discussion. Any discussion? Yes,  
3                   Commissioner Byron.

4                   COMMISSIONER BYRON: Thank you, Madam  
5                   Chair. The Electricity Committee yesterday was  
6                   involved in conducting a workshop on lessons  
7                   learned from the heat storm. We had a number of  
8                   excellent panelists there. I believe some of my  
9                   fellow Commissioners were in attendance for a  
10                  short while, as well as myself and Commissioner  
11                  Geesman.

12                 COMMISSIONER ROSENFELD: For a long  
13                 while.

14                 COMMISSIONER BYRON: Yes, thank you. We  
15                 identified a number of actions that state agencies  
16                 and the utilities can take to better prepare for  
17                 the next heat storm, was the term that we used.

18                 I wanted to thank the staff very much  
19                 for all the effort they put into that on very  
20                 short notice. I think it went very well, and I  
21                 think we got some good outcome that we'll be  
22                 collecting and passing on.

23                 COMMISSIONER GEESMAN: You know, I would  
24                 add, as well, because I thought it was just an  
25                 excellent workshop. The staff and Commissioner

1 Byron's Office did an outstanding job of pulling  
2 experts together very quickly.

3 But I don't see anybody from PG&E here,  
4 so I'd ask Manuel to convey this to them, just as,  
5 I guess, part of your reciprocity agreement.

6 (Laughter.)

7 COMMISSIONER GEESMAN: I really, I was  
8 very struck by the quality and breadth and depth  
9 of the information that PG&E provided. I think it  
10 was extremely helpful to the discussion that we  
11 had. And I would encourage each of the utilities  
12 and anybody else that comes before us in either a  
13 regulatee or a quasi-regulatee role to try to  
14 emulate that level of detail and conspicuous  
15 evidence of thought, as opposed to a lot of the  
16 slogan-eering and arm-waving that we too often  
17 hear.

18 CHAIRPERSON PFANNENSTIEL: Thanks. I'd  
19 like to offer just an appreciation to the  
20 Electricity Committee for convening the workshop  
21 yesterday, soon enough after the heat storm that I  
22 think it was still fresh in our minds. And yet  
23 with a little bit of distance so that we can do  
24 some thoughtful -- draw some thoughtful  
25 recommendations or conclusions from what happened.

1                   Clearly it was an unusual event, but  
2                   perhaps it is exactly those unusual events that we  
3                   need to worry about and need to do some planning  
4                   around.

5                   So I wasn't able to stay for very long,  
6                   but the quality that I heard for the couple hours  
7                   I was there, and the scope of it was really pretty  
8                   impressive. And I'm assuming and hoping that  
9                   there will be conclusions drawn and reports  
10                  available and recommendations deriving from that  
11                  information.

12                 COMMISSIONER BYRON: Yes, we put our  
13                 Executive Director -- Deputy Executive Director on  
14                 the spot yesterday, and we will be producing some  
15                 results from that. I'm not sure the form they'll  
16                 take yet, but we'll work with him and his office  
17                 on that.

18                 CHAIRPERSON PFANNENSTIEL: Excellent,  
19                 thank you. Any further Commission discussion?  
20                 Chief Counsel's report.

21                 MR. CHAMBERLAIN: Yes, Madam Chairman.  
22                 I have just a brief need for a closed session on a  
23                 matter of potential litigation.

24                 CHAIRPERSON PFANNENSTIEL: Thank you,  
25                 we'll do that after.

1 Executive Director's report.

2 DEPUTY EXECUTIVE DIRECTOR MATTHEWS:

3 Yes, thank you, Madam Chair. This is my  
4 anniversary of being your Chief Deputy for three  
5 years, goes by quickly, doesn't it. And I've been  
6 thinking about those three years and the odd job  
7 that I have. So, when the sewers get backed up it  
8 seems the Executive Director's on vacation and  
9 when there's a heat storm --

10 (Laughter.)

11 DEPUTY EXECUTIVE DIRECTOR MATTHEWS: --

12 it seems that the Executive Director is on  
13 vacation.

14 (Laughter.)

15 DEPUTY EXECUTIVE DIRECTOR MATTHEWS: And

16 one tries to achieve some things as one gets in  
17 the autumn of their career, thinking about what  
18 their legacy will be, and how they will be  
19 remembered.

20 There's been one issue that I have been  
21 encouraged to rectify starting with Chairman  
22 Keese, and then certainly Commissioner Rosenfeld,  
23 among all the issues, including 11:00-at-night  
24 phone calls. He has talked to me about -- he  
25 didn't call me at 11:00 on this issue that I'm

1 glad to report we're finally fixing.

2 And this has to do with our security  
3 system. We're in the middle of upgrading, as you  
4 may have noticed, wires being strung, our security  
5 system. The new system will be more reliable and  
6 efficient. We'll streamline the security  
7 procedures when people check in the door.

8 But most importantly, we're going to  
9 issue new badges. And I don't know if I see  
10 anybody with a badge on -- Manuel's not wearing  
11 his badge today, but if he was you wouldn't be  
12 able -- there.

13 COMMISSIONER ROSENFELD: Under his coat,  
14 invisible.

15 DEPUTY EXECUTIVE DIRECTOR MATTHEWS: And  
16 these are the new badges. And, Art, I believe you  
17 can now read these from across the room.

18 COMMISSIONER ROSENFELD: Terrific.

19 DEPUTY EXECUTIVE DIRECTOR MATTHEWS: And  
20 this will all be implemented in October. And so  
21 we're in the process of getting the systems down,  
22 and then these systems will allow somebody to put  
23 their drivers license in and it spits out these  
24 badges.

25 CHAIRPERSON PFANNENSTIEL: Excellent

1 progress.

2 COMMISSIONER ROSENFELD: Scott, I just  
3 wanted to state in public now that you've done  
4 that, the next chore, I think, and I want all my  
5 Commissioners to look at the screen for a moment,  
6 is to replace that screen with something which is  
7 larger and goes higher. That's the other thing I  
8 can't see from here on many slides.

9 (Laughter.)

10 DEPUTY EXECUTIVE DIRECTOR MATTHEWS: One  
11 thing at a time, Art.

12 COMMISSIONER BOYD: Your fourth term,  
13 Art.

14 (Laughter.)

15 CHAIRPERSON PFANNENSTIEL: Legislative  
16 Director's report. Mike.

17 LEGISLATIVE DIRECTOR SMITH: Good  
18 morning, Chair, Commissioners. Probably the best  
19 thing I have to report today is in about 36 hours,  
20 four minutes and about 30 seconds it'll all be  
21 over.

22 (Laughter.)

23 DEPUTY EXECUTIVE DIRECTOR MATTHEWS:  
24 Just very quickly. There's been three bills of  
25 interest to us that were enrolled this week, AB-

1 1632, which is Blakeslee's power plant or grid  
2 reliability or vulnerability bill.

3 AB-1925, which also is Blakeslee's  
4 carbon dioxide bill. And AB-2264, a bill by  
5 Pavley which would set minimum fuel efficiency  
6 standards, or fuel economy standards for state  
7 vehicles, purchases of new state vehicles.

8 So, we'll be moving enrolled bill  
9 reports through and that whole process will begin  
10 very quickly and end equally quickly.

11 Other bills of note that are on the  
12 horizon that will be coming forward very quickly  
13 soon, are in Assembly concurrence, AB-974, which  
14 Nunez' transmission planning bill. AB-457 also a  
15 Nunez bill, the price-gouging bill. And AB-1881,  
16 a bill by Laird, which would require the  
17 Commission to set efficiency standards for  
18 irrigation systems.

19 Over on the Senate side in concurrence  
20 right now is SB-1059, Escutia's transmission  
21 corridor planning bill. And AB-2927, a bill by  
22 Leno, which Mr. Chamberlain is very familiar with  
23 on public records.

24 We will be working very closely with the  
25 Deputy Director's and the Commissioners' Offices,

1 and, of course, you, Chairman, in moving these  
2 packages forward.

3 Looking forward beyond the legislative  
4 process, at least this session, are legislative  
5 proposals. That time of year is just around the  
6 corner. We're starting to get directions from  
7 Resources Agency. We will be doing legislative  
8 proposals, no more concepts. We're just going  
9 straight to proposals that are due October 11th to  
10 Resources.

11 So it's good to start thinking ahead,  
12 particularly since Resources has also told us that  
13 they want to limit five per department. So, just  
14 want to put that on your collective radar screens.

15 And that's really all I have to report  
16 to you this morning.

17 CHAIRPERSON PFANNENSTIEL: Mike, where  
18 is SB-1250 as of today?

19 DEPUTY EXECUTIVE DIRECTOR MATTHEWS:  
20 It's still in third reading; has not moved as of  
21 this morning.

22 CHAIRPERSON PFANNENSTIEL: Has not  
23 moved.

24 DEPUTY EXECUTIVE DIRECTOR MATTHEWS: Has  
25 not moved as of October -- or August 23rd, I

1 believe.

2 CHAIRPERSON PFANNENSTIEL: It only has a  
3 couple more days to move.

4 DEPUTY EXECUTIVE DIRECTOR MATTHEWS:  
5 Thirty -- about a day and a half, 36 hours --  
6 (Laughter.)

7 COMMISSIONER GEESMAN: Question on SB-  
8 107, where is that?

9 DEPUTY EXECUTIVE DIRECTOR MATTHEWS: 107  
10 is, give me a second, I believe it was -- it's  
11 located in Assembly Appropriations.

12 CHAIRPERSON PFANNENSTIEL: Anything  
13 else? Any other questions for Mike? Thanks,  
14 Mike.

15 DEPUTY EXECUTIVE DIRECTOR MATTHEWS:  
16 You're welcome.

17 CHAIRPERSON PFANNENSTIEL: Public  
18 Adviser's report.

19 MR. BARTSCH: Madam Chair, Nick Bartsch  
20 representing Margret Kim. We do not have anything  
21 new to report at this time.

22 CHAIRPERSON PFANNENSTIEL: Thank you,  
23 Nick.

24 Any additional public comment?

25 We'll then adjourn to my office for a

1           brief executive session.

2                         (Whereupon, at 11:54 a.m., the public  
3                         business meeting was adjourned into  
4                         executive session.)

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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 17th day of September, 2006.

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