

DOCKET

BUSINESS

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BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)
_____)

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

WEDNESDAY, JANUARY 3, 2007

10:03 A.M.

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

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

Arthur H. Rosenfeld

John L. Geesman

Jeffrey D. Byron

STAFF and CONTRACTORS PRESENT

B.B. Blevins, Executive Director

William Chamberlain, Chief Counsel

Harriet Kallymeyn, Secretariat

Joe O'Hagan

Martha Brook

McKinley Addy

Karen Van Egdon

William Glassley

Che McFarlin

Christopher Meyer

Virginia Lew

Garret Shean

Mary Dyas

Jim Woodward

Lorraine White

PUBLIC ADVISER

Nick Bartsch for Margret Kim

ALSO PRESENT

Allan J. Thompson, Attorney

Scott Galati, Attorney
Galati and Blek

Henryk A. Olstowski
Imperial Irrigation District

David Jenkins
Panoche Energy Center, LLC
Bullard Energy Center, LLC

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

I N D E X

	Page
Proceedings	1
Items	1
1 Consent Calendar	1
2 U.C. Davis Center for Aquatic Biology and Aquaculture	1
3 University of California	5
4 AWS Truewind, LLC - (removed from agenda)	1
5 California Air Resources Board	10
6 Inter-Con Security Systems, Inc.	12
7 Bob Lawrence and Associates	13
8 Starwood Power Peaking Project	16
9 Contra Costa Unit 8 Power Plant Project	18
10 El Centro Repower Project	22
11 San Elijo Joint Power Authority	24
12 Bullard Energy Center	27
13 Electricity Resource Plans Forms and Instructions	29
14 2006 Integrated Energy Policy Report Update	32
15 Minutes	42
16 Commission Committee Presentation/Discussion	42
17 Chief Counsel's Report	42
18 Executive Director's Report	44
19 Legislative Director's Report	44
20 Public Adviser's Report	45

I N D E X

	Page
Items - continued	
21 Public Comment	45
Adjournment	45
Certificate of Reporter	46

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

2 10:03 a.m.

3 CHAIRPERSON PFANNENSTIEL: Good morning
4 and happy new year. We'll be in order and we'll
5 begin with the Pledge of Allegiance.

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

8 CHAIRPERSON PFANNENSTIEL: We have one
9 change to the published agenda this morning. Item
10 number 4 has been pulled.

11 We'll begin with the consent calendar.
12 Is there a motion to approve the consent calendar?

13 COMMISSIONER ROSENFELD: I move the
14 consent calendar.

15 COMMISSIONER BYRON: Second.

16 CHAIRPERSON PFANNENSTIEL: All in favor?

17 (Ayes.)

18 CHAIRPERSON PFANNENSTIEL: Item number
19 2, possible approval of work authorization MR-061
20 for \$1 million with U.C. Davis Center for Aquatic
21 Biology and Aquaculture under the U.C. master
22 agreement 500-02-004. Good morning, Mr. O'Hagan.

23 MR. O'HAGAN: Thank you; good morning.
24 Happy new year, too. The proposed project is for
25 \$1 million through the U.C. to establish a

1 research program at the University of California
2 Center for Aquatic Biology to identify and find
3 high priority research to improve instream flow
4 determinations for hydropower relicensing
5 projects.

6 Instream flow refers to the process of
7 determining how much water should be left in a
8 river or stream versus water diverted for
9 hydropower generation or for other uses. This
10 issue has been the most contentious and
11 controversial for almost all the hydropower
12 projects in the state, and will continue to be so.

13 Right now we're anticipating over 1000
14 megawatts of California hydropower generation will
15 be up for FERC relicensing in the next three to
16 five years. FERC issues licenses for 30 to 50
17 years, so establishing proper environmental
18 standards is very important.

19 The instream flow process has been
20 something that's been evolving over the last 30
21 years. But there's been significant criticism of
22 the most prominent processes, determination
23 processes, for being unscientific, hard to
24 validate, very expensive and very time consuming.

25 And so we feel that there's a real

1 opportunity to provide research that would help
2 improve existing processes; validate new
3 processes; expedite the evaluation process for
4 individual projects; and hopefully reduce the cost
5 of this.

6 Obviously instream flow determinations
7 are a tradeoff, direct tradeoff between hydropower
8 generation, environmental protection. And it's a
9 difficult balancing act. And so I think that
10 there's a real need for this. It was identified
11 as a research priority in the 2005 IEPR. This is
12 a project that was approved for last fiscal year,
13 not the current fiscal year.

14 We have talked to many stakeholders,
15 both from the utilities, state and federal
16 agencies, and other groups such as fly-fishermen,
17 whitewater rafters and things like that. And they
18 all agree that this is a high priority research
19 need.

20 Thank you.

21 CHAIRPERSON PFANNENSTIEL: I just have
22 one question. If most of the relicensing will be
23 considered by FERC in the next three to five
24 years, will this work be done in time to feed into
25 the FERC process?

1 MR. O'HAGAN: Yes. The three to five
2 years refers to actually the existing license is
3 expiring. And so it's a lengthy process; and so
4 they will start developing -- many of them will
5 start looking at issues in the next couple years.
6 But a lot of the relicensing processes go on well
7 beyond the term of the existing license, which is
8 just extended.

9 And one of the things that's happened is
10 FERC has changed the relicensing process. And one
11 of the consequences of that is that there is less
12 time for studies to be reached -- conducted, as
13 well as less time for the type of study and the
14 nature of the study to be determined by the
15 different parties.

16 So there is even greater emphasis now on
17 getting things right; getting people to agree on
18 what's the best approach to go forward with these
19 types of evaluations.

20 CHAIRPERSON PFANNENSTIEL: Thank you.

21 Other questions? Is there a motion?

22 COMMISSIONER GEESMAN: I'll move the
23 item.

24 COMMISSIONER ROSENFELD: I second it.

25 CHAIRPERSON PFANNENSTIEL: All in favor?

1 (Ayes.)

2 CHAIRPERSON PFANNENSTIEL: It's been
3 approved.

4 MR. O'HAGAN: Thank you very much.

5 CHAIRPERSON PFANNENSTIEL: Item number
6 3, possible approval of amendment 1, \$3,750,000,
7 to work authorization MR-022 with the Regents of
8 the University of California office of the
9 President, TIEE, under the U.C. master research
10 agreement 500-02-004. Good morning, Ms. Brook.

11 MS. BROOK: Good morning. I'm Martha
12 Brook with the PIER buildings program. This
13 program is a three-year amendment to an existing
14 research product demonstration program within UC
15 and CSU campuses.

16 The first program, funded in 2004, has
17 been very successful. Thirteen PIER building
18 research products have been demonstrated in 15
19 campuses across the state.

20 Because of convincing demonstrations of
21 energy savings, some of these products are now
22 incented by California utilities within their
23 public goods energy efficiency programs.

24 This amendment will expand the PIER
25 building technology demonstrations to other state

1 buildings, such as those owned by the Department
2 of General Services, Caltrans, the Department of
3 Corrections, and the Department of Motor Vehicles.

4 It will also extend the campus
5 demonstrations to California community colleges.
6 This amendment will also facilitate the
7 demonstration of industrial research products in
8 state facilities that fall within the domain of
9 the PIER industrial, agriculture and water
10 program.

11 During the first campus demonstration
12 program there was considerable interest from
13 facility managers to identify energy saving
14 solutions in areas beyond lighting and HVAC.
15 Demonstration of energy efficiency motors,
16 boilers, laboratory equipment and datacenter
17 cooling systems are some examples of industrial
18 technologies that may be demonstrated in the new
19 phase of this program.

20 This item has been approved by the R&D
21 Committee; and I'm here to answer any questions.

22 CHAIRPERSON PFANNENSTIEL: Martha, who
23 would decide on where the money goes?

24 MS. BROOK: There is a -- will be a
25 group of people; it'll be the PIER buildings team

1 lead, myself, as well as CIEE program managers
2 that are running this program; as well as the
3 participating state building facility managers.

4 CHAIRPERSON PFANNENSTIEL: So, how will
5 it work? Will they apply for --

6 MS. BROOK: Yeah, the first --

7 CHAIRPERSON PFANNENSTIEL: -- dollars?

8 MS. BROOK: -- the first demonstrations
9 that's exactly what we did. We built fact sheets
10 of all the -- first of all, we choose the
11 technologies that are ready for demonstration. So
12 we go through our own portfolios; find the ones
13 that just need that little bit of push as far as a
14 demonstration, that are already ready for
15 commercialization. They're already products that
16 are being sold in the market.

17 But nobody knows about them and nobody's
18 convinced of their energy savings. So, we build
19 fact sheets of those technologies. And then we
20 send that out to all participating state building
21 facility managers and invite them to apply for a
22 demonstration. Explain to them what we'll pay for
23 and what they'll pay for.

24 And then we just do a review. We try to
25 have equity. Like for the first time we really

1 wanted equity across both state colleges and U.C.
2 campuses. And we wanted to pick strategic
3 demonstrations that would allow a lot of people to
4 benefit from the case study results that came back
5 from that.

6 CHAIRPERSON PFANNENSTIEL: And so is
7 there any limit on how many dollars go to any one
8 building, or one campus, or one department?

9 MS. BROOK: Yeah. We don't have strict
10 rules, like I couldn't tell you what that number
11 is. But we definitely will spread the
12 demonstrations as far, as wide as possible. And
13 it will -- the second stage it'll be even more
14 important to work with the Energy Policy Advisory
15 Committee, which is an organization of all state
16 building energy managers that meet quarterly to
17 find the most strategic demonstration locations
18 within the state buildings.

19 So, would it be a Department of General
20 Services building; should it be a Department of
21 Corrections building. That's going to take some
22 time. And working with that group that already
23 meet quarterly and communicate well together will
24 be the strategic way to go forward with that.

25 We've already met with them and

1 introduced this program to them. And we're going
2 to go back in the next meeting in March and bring
3 them the first sort of examples of technologies
4 that we're ready to demonstrate with them.

5 CHAIRPERSON PFANNENSTIEL: I see,
6 because it did appear to me that it might be a
7 fairly major administrative task to try to sort
8 through all of the applications and allocate the
9 dollars on some rational basis.

10 But you think the group is already in
11 place to do that?

12 MS. BROOK: Yeah, I do. And it's a
13 pretty workable group. It's not as big as you
14 would think. so, I think it's do-able.

15 CHAIRPERSON PFANNENSTIEL: All right.
16 Other questions?

17 COMMISSIONER ROSENFELD: I'm ready to
18 move the motion.

19 COMMISSIONER GEESMAN: Second.

20 COMMISSIONER ROSENFELD: Item.

21 CHAIRPERSON PFANNENSTIEL: All in favor?

22 (Ayes.)

23 CHAIRPERSON PFANNENSTIEL: The motion's
24 carried; thank you.

25 MS. BROOK: Thank you.

1 CHAIRPERSON PFANNENSTIEL: Item 5,
2 possible approval of contract RMB 600-06-007 for
3 \$100,000 reimbursement from the California Air
4 Resources Board to cofund full fuel cycle analysis
5 work required under AB-1007. Good morning.

6 MR. ADDY: Good morning, Madam Chair,
7 Commissioners. My name is McKinley Addy and I'm
8 the co-lead managing the Energy Commission's full
9 fuel cycle analysis for the AB-1007 project.
10 Barbara Fry is my counterpart at the Air Resources
11 Board.

12 AB-1007 requires the Energy Commission,
13 working with the Air Resources Board, to develop a
14 plan to increase the use of alternative fuels in
15 California. The legislation directs the Energy
16 Commission to conduct full fuel cycle analysis of
17 the alternative fuels proposed in the plan, and to
18 insure that there is no net material increase in
19 emissions from the increased use of such fuels.

20 The Air Resources Board is contributing
21 \$100,000 towards the \$246,000 cost of the fuel
22 cycle analysis task. And staff is seeking your
23 approval to accept from the Air Resources Board
24 and encumber the \$100,000 for the full fuel cycle
25 analysis work.

1 CHAIRPERSON PFANNENSTIEL: And when will
2 this work be completed?

3 MR. ADDY: The current schedule calls
4 for the work to be completed by about the middle
5 of March of this year.

6 CHAIRPERSON PFANNENSTIEL: Thank you.
7 Questions? Yes, Commissioner Byron.

8 COMMISSIONER BYRON: How was the amount
9 determined? How was the amount determined, the
10 \$100,000 that ARB's contributing.

11 MR. ADDY: I think Air Resources Board
12 decided that they had this \$100,000 available; and
13 they felt it was an adequate amount to cofund the
14 full fuel cycle analysis work.

15 COMMISSIONER BYRON: Madam Chairman, as
16 you know we're working closely with ARB in the
17 production of the reports that support the AB-1007
18 work. And the collaboration is going very well.
19 I'm pleased to see that there's also financial
20 participation, because I think it also solidifies
21 the relationship.

22 So, I was just curious as to whether or
23 not they make an offer to us as to how much they
24 are willing to contribute, or how much it's worth
25 to them. But it's been a good process. And, of

1 course, we're more than happy to accept these
2 additional funds, correct?

3 MR. ADDY: Yes, we are.

4 COMMISSIONER BYRON: Yes.

5 CHAIRPERSON PFANNENSTIEL: Well, on that
6 do I hear a motion to accept these funds?

7 COMMISSIONER BYRON: I'll move the item.

8 COMMISSIONER ROSENFELD: Second.

9 CHAIRPERSON PFANNENSTIEL: All in favor?

10 (Ayes.)

11 CHAIRPERSON PFANNENSTIEL: Approved,
12 thank you.

13 Item 6, possible approval of amendment 2
14 to contract 200-05-001 with Inter-Con Security
15 Systems, Inc., to add \$120,000 and extend the term
16 six months for security guard services at the
17 Energy Commission. Good morning.

18 MS. VAN EGDON: Good morning; my name is
19 Karen Van Egdon and I am the contract manager for
20 the Inter-Con Security contract. We're asking for
21 an additional amendment to this contract because
22 the State Personnel Board is still holding up the
23 master service agreement, the new one, due to a
24 concern by SEIU. So, they're going through their
25 process over there.

1 So in order to continue the security
2 guard contracts I need to do an amendment to cover
3 it.

4 CHAIRPERSON PFANNENSTIEL: Questions?
5 Discussion?

6 COMMISSIONER GEESMAN: I'll move the
7 item.

8 COMMISSIONER BYRON: Second.

9 CHAIRPERSON PFANNENSTIEL: All in favor?
10 (Ayes.)

11 MS. VAN EGDON: Thank you very much.

12 CHAIRPERSON PFANNENSTIEL: It's
13 approved.

14 Item 7, possible approval of a grant
15 agreement with Bob Lawrence and Associates, Inc.,
16 for \$55,000 to develop an information-sharing
17 framework for direct-use geothermal applications
18 based on the results of a previously completed
19 cost/benefit analysis in California. Good
20 morning.

21 MR. GLASSLEY: Good morning. My name is
22 Bill Glassley. I am with the energy generation
23 research office.

24 In 2004 we received a DOE grant for
25 about \$100,000 to conduct a cost/benefit analysis

1 for geothermal generation and direct-use
2 applications in the state.

3 The deliverable from that project, which
4 was produced by Bob Lawrence and Associates,
5 demonstrated that significant cost/benefits are
6 achieved through various geothermal applications,
7 power generation as well as direct-use
8 applications.

9 One of the things they identified,
10 though, in their report was an inability on the
11 part of many potential users of direct-use
12 applications to gain access to appropriate
13 information, whether it be technical designs, data
14 research results, that would allow them to
15 actually incorporate what they conceived as
16 potential direct-use applications into what they
17 were thinking of doing.

18 In discussions with the Department of
19 Energy, after that report was completed, the
20 Department of Energy suggested that we submit a
21 proposal requesting additional funding to pursue
22 the development or address that particular need of
23 information transfer.

24 We submitted an application to the
25 Department of Energy; they funded it for \$55,000.

1 And we are requesting approval to expend those
2 funds.

3 The intent of this would be to develop a
4 capability primarily of web-based, web-hosted
5 system to allow easy access to appropriate data
6 for direct-use applications. The deliverable
7 would be a design that would specify both website
8 content and website design. The website would be
9 hosted on the California Geothermal Energy
10 Commission server -- not Energy Commission,
11 there's a Collaborative server.

12 And we expect this to take about 12
13 months.

14 CHAIRPERSON PFANNENSTIEL: Questions?
15 Discussion?

16 COMMISSIONER GEESMAN: I'll move the
17 item, with the observation that this is one of the
18 great under-utilized resources, both in California
19 and throughout the west. DOE's involvement, I
20 think, is well appreciated and well founded.

21 MR. GLASSLEY: Thank you.

22 CHAIRPERSON PFANNENSTIEL: Is there a
23 second?

24 COMMISSIONER ROSENFELD: Second.

25 CHAIRPERSON PFANNENSTIEL: All in favor?

1 (Ayes.)

2 CHAIRPERSON PFANNENSTIEL: Thank you.

3 MR. GLASSLEY: Thank you.

4 CHAIRPERSON PFANNENSTIEL: Item 8,
5 possible approval of the Executive Director's data
6 adequacy recommendation for Starwood Power-Midway
7 LLC's application for certification of the
8 Starwood Power Peaking project.

9 MR. McFARLIN: Good morning, Madam
10 Chairman and Commissioners; I'm Che McFarlin,
11 staff's project manager for the Starwood-Midway
12 project. Staff's counsel, Dick Ratliff, is here
13 with me.

14 And on November 17th Starwood-Midway
15 Power, LLC, filed an application for certification
16 seeking approval from the Commission to construct
17 and operate the proposed Starwood Peaking Power
18 Plant.

19 The site is about 50 miles west, in
20 Fresno County, in an unincorporated area. The
21 project, as proposed, is a nominal 120 megawatt,
22 natural gas fired, simple cycle power plant;
23 powered by two Swiftpac turbine units.

24 The project proposes a 12-month AFC.
25 Has a 15-year contract with PG&E as a result of

1 its 2004 request for offers for new generation
2 resources. Staff has reviewed the AFC and
3 supplemental information; has determined the
4 project is data adequate for the 12-month process.

5 Staff recommends that you find this AFC
6 complete and data adequate. If the Commissioners
7 agree with this recommendation, we would request
8 the appointment of a Committee. That's it.

9 CHAIRPERSON PFANNENSTIEL: Thank you.
10 Comments from applicant?

11 MR. THOMPSON: None, thank you.

12 CHAIRPERSON PFANNENSTIEL: Questions
13 from the Commission? None. All right, is there a
14 motion to approve the data adequacy
15 recommendation?

16 COMMISSIONER GEESMAN: I'll move it.

17 COMMISSIONER ROSENFELD: Second.

18 COMMISSIONER BYRON: Second.

19 CHAIRPERSON PFANNENSTIEL: All in favor?

20 (Ayes.)

21 MR. McFARLIN: Thank you.

22 CHAIRPERSON PFANNENSTIEL: It's been
23 found data adequate. I then would propose a
24 Committee of Commissioner Byron presiding, and
25 Commissioner Geesman as the associate. Is there a

1 motion for that Committee?

2 COMMISSIONER ROSENFELD: I move it.

3 COMMISSIONER GEESMAN: I'll second it.

4 CHAIRPERSON PFANNENSTIEL: All in favor?

5 (Laughter.)

6 (Ayes.)

7 MR. McFARLIN: Thank you.

8 CHAIRPERSON PFANNENSTIEL: Done.

9 Item 9, possible approval of petition to
10 clarify Pacific Gas and Electric's role as the
11 sole owner of the project; remove Mirant Delta,
12 LLC, as a co-owner; and change the name of the
13 project to Gateway Generating Station. And I
14 should say, because it doesn't show up in that,
15 that we're talking about Contra Costa Unit 8 Power
16 Plant project.

17 MR. MEYER: Good morning, Chairman
18 Pfannenstiel, Commissioners. Just as you've
19 probably heard in the last couple times I've gone
20 over this project, it's 530 megawatt, natural gas
21 fired, combined cycle in Antioch -- in Contra
22 Costa County.

23 The facility was co-owned by Mirant
24 Delta, LLC and PG&E. Also mention Scott Galati is
25 here, to answer any questions you have, from the

1 applicant.

2 And back on July 19th you approved an
3 order to add PG&E, change the mileposts on the
4 project, and some minor facility changes. To
5 follow on that, the mileposts were based on the
6 close of the ATA between Mirant and PG&E. That
7 closed on November 28th; and it was requiring
8 them, within three months, to start construction.
9 Just wanted to give you an update. They are ahead
10 of schedule on that, and they look like they're
11 going to start construction again on the 24th of
12 this month, well ahead of the three-month
13 deadline. So that's some good news on that.

14 As you said in your synopsis, this is a
15 very simple change that now that PG&E was added
16 on, Mirant is going to be removed as a co-owner of
17 the project, since they're no longer needed as
18 part of the cooling technology for the project.
19 We have another amendment that we are looking at
20 right now that will change it to dry cooling.

21 And they'd also like to change the name
22 of the project to the Gateway Generating Station.

23 And can I answer any questions?

24 CHAIRPERSON PFANNENSTIEL: Questions?

25 Commissioner Geesman.

1 COMMISSIONER GEESMAN: Am I correct in
2 guessing that you'd prefer to defer any questions
3 on the dry cooling until you come back to us with
4 that specific change?

5 MR. MEYER: My understanding is Scott is
6 available to answer any preliminary questions on
7 that that you may have, but --

8 COMMISSIONER GEESMAN: I think given the
9 sensitivity of the issue in front of the
10 Commission before it, it would be helpful to hear
11 that.

12 MR. GALATI: This is Scott Galati on
13 behalf on PG&E. Commissioner Geesman, what we
14 have done is just a quick synopsis. The reason
15 that PG&E and Mirant were co-owners -- co-holders
16 of the permit was because they were sharing
17 certain infrastructure and water needs that were
18 based on Mirant's water use at the rest of the
19 facility.

20 The ATA has now severed that
21 relationship and we have filed a petition for
22 amendment. We filed it this month on proposing to
23 change the project to a dry cooled plant, and no
24 longer using any of the river water.

25 Because of that there is no need for

1 Mirant to be a co-owner of the permit; or for us
2 to share any of Mirant's existing permits.

3 So the first step is to make sure we are
4 the sole owner of the permit. And we'd like to
5 change the name in accordance with our employee
6 contest. And then second is to bring this before
7 you. We believe the dry cooling amendment not
8 only complies with Commission policy, but we
9 believe there are no environmental impacts
10 associated with this. And we look forward to
11 working with staff.

12 COMMISSIONER GEESMAN: Well, I'm pleased
13 with the direction this appears to be headed, so I
14 will move approval.

15 CHAIRPERSON PFANNENSTIEL: Is there a
16 second?

17 COMMISSIONER BYRON: Second.

18 CHAIRPERSON PFANNENSTIEL: Let me just
19 comment that generally I tend to recuse myself on
20 PG&E cases, but this appears to be a ministerial
21 action at this point. So, therefore I feel that I
22 can vote on this.

23 All in favor?

24 (Ayes.)

25 CHAIRPERSON PFANNENSTIEL: It's been

1 approved; thank you.

2 MR. MEYER: Thank you very much.

3 MR. GALATI: Thank you.

4 CHAIRPERSON PFANNENSTIEL: Item 10,
5 possible adoption of Presiding Member's Proposed
6 Decision, mitigating negative declaration and
7 final initial study in the Imperial Irrigation
8 District's El Centro Repower project small power
9 plant exemption proceeding. Good morning.

10 MR. SHEAN: Good morning, Chairman and
11 Commissioners. What we have before you, the
12 request by the Committee for you to approve the
13 Presiding Member's Proposed Decision, which
14 incorporates by reference the staff's final
15 initial study, which was modified by insignificant
16 errata that did not require the republication of
17 the staff's final initial study.

18 In addition, the staff had prepared and
19 had let out for public review, a proposed
20 mitigated negative declaration for the prescribed
21 period under the regulations of CEQA.

22 And so we come here to you today with a
23 fundamentally uncontested case, with those
24 documents having been brought both up to date, the
25 conditions conformed to the needs of the

1 Committee, and acceptable to the applicant. And
2 therefore, offering to you.

3 CHAIRPERSON PFANNENSTIEL: Comments from
4 applicant?

5 MR. THOMPSON: We have no comments at
6 this time.

7 CHAIRPERSON PFANNENSTIEL: Thank you.
8 Discussion, questions? Yes, Commissioner Byron.

9 COMMISSIONER BYRON: Well, I'm going to
10 move -- thank you -- I'm going to move the item,
11 but I would like to thank you, Madam Chairman,
12 this was my first assigned siting case. It was a
13 relatively straightforward one.

14 But that didn't happen by accident.
15 Garret, thank you very much for your direction on
16 this; and the staff, of course, did a very
17 thorough job in reviewing it. I'd also like to
18 compliment the applicant; if but all applicants
19 were as responsive as you have been. I think
20 that's what made this such a straightforward
21 siting case. So, I'd like to thank you.

22 COMMISSIONER GEESMAN: I'll second it.

23 CHAIRPERSON PFANNENSTIEL: All in favor?

24 (Ayes.)

25 CHAIRPERSON PFANNENSTIEL: It's been

1 approved, thank you.

2 MR. SHEAN: Thank you.

3 MR. OLSTOWSKI: Yeah, I just would like
4 to say a couple words. I'd also like to thank the
5 CEC Staff, along with Mary Dyas, who was the
6 project manager, for effectively working with our
7 project team. I'd like to thank the Commission
8 for approving this SPPE.

9 And I'd also give you a brief update.
10 We're working towards finalizing our local
11 authority to construct; working towards a contract
12 to actually have a contractor construct this
13 project; and ultimately working towards final
14 approval by our board to execute on this project.

15 COMMISSIONER GEESMAN: When do you hope
16 to be online?

17 MR. OLSTOWSKI: It's scheduled to come
18 online in May of 2009.

19 CHAIRPERSON PFANNENSTIEL: Thank you
20 very much.

21 Item number 11, possible approval of a
22 \$911,400 loan to the San Elijo Joint Power
23 Authority of San Diego County for energy
24 efficiency projects at the San Elijo Water
25 Reclamation Facility,. Good morning, Ms. Lew.

1 MS. LEW: Good morning, Chairman
2 Pfannenstiel and Commissioners. My name is
3 Virginia Lew; I'm with the public programs office.
4 And I'm representing Shahid Chaudhry on this item.

5 The San Elijo Joint Power Authority
6 operates a wastewater treatment facility that
7 serves the Cities of Solano Beach and Encinitas.
8 They were informed by their local utility that
9 electricity prices will continue to increase.
10 Since the facility is already spending over
11 \$300,000 a year for electricity, they hired a
12 local consulting firm to identify ways in how they
13 can cut their energy costs.

14 One of the major areas that they focused
15 on was on the activated sludge process which
16 consumes about 56 percent of the total energy used
17 by the entire wastewater treatment plant. Most of
18 the energy associated with this process is in
19 providing oxygen for the aeration basin.

20 The project's being recommended for
21 funding by the loan will mainly help to reduce
22 energy use for this process. The chemical
23 enhanced primary treatment will reduce the organic
24 loading on the activated sludge process, thereby
25 reducing the amount of oxygen needed in the

1 aeration basin. The dissolved oxygen control and
2 variable speed drive blowers will prevent over-
3 oxygenating the aeration basins.

4 The SCADA systems will allow some of the
5 operations to be scheduled to be operated during
6 the nonpeak periods when electricity costs are
7 lower.

8 Energy Commission Staff has reviewed
9 these projects and determined that they are
10 technically justified and meet the requirements
11 for a loan under the Energy Conservation
12 Assistance Account and/or bond fund. The program
13 requires repayment of the loan, interest and
14 principal, within 15 years.

15 This is equivalent to projects having an
16 average simple payback of 9.8 years. As this loan
17 amount of \$911,400 results in a simple payback of
18 9.8 years, it meets the requirements of the loan
19 program. This loan has been approved by the
20 Efficiency Committee. The staff recommends
21 approval of the loan. And I'll be happy to answer
22 any questions at this time.

23 CHAIRPERSON PFANNENSTIEL: Thank you,
24 Ms. Lew. Are there questions or discussion?

25 COMMISSIONER ROSENFELD: I move the

1 item.

2 COMMISSIONER GEESMAN: I'll second.

3 CHAIRPERSON PFANNENSTIEL: All in favor?

4 (Ayes.)

5 CHAIRPERSON PFANNENSTIEL: It's been
6 approved. Thank you.

7 MS. LEW: Thank you.

8 CHAIRPERSON PFANNENSTIEL: Item 12,
9 possible approval of the Executive Director's data
10 adequacy recommendation for the Bullard Energy
11 Center, LLC's application for certification of the
12 Bullard Energy Center.

13 MS. DYAS: Good morning, Chairman,
14 Commissioners; my name is Mary Dyas; I'm with the
15 energy facilities siting office.

16 On November 6, we received an
17 application from the Bullard Energy Center, LLC
18 for the Bullard Energy Center project. This
19 project is in response to the request for offers
20 from PG&E.

21 The proposed project is a 200 megawatt,
22 natural gas, simple cycle, peaking facility
23 located within the city limits of Fresno. Staff
24 has reviewed the application and supplemental
25 information; and has determined that the

1 application is adequate for the 12-month process.

2 Staff now recommends that you find the
3 application data adequate, and we request a
4 Committee assignment.

5 CHAIRPERSON PFANNENSTIEL: Questions,
6 discussion, comments from the applicant?

7 MR. JENKINS: Yes, Chairman
8 Pfannenstiel, Commissioners, my name is David
9 Jenkins; I am with Bullard Energy Center. And I
10 just want to acknowledge the work and persistence
11 of Mary Dyas, Eileen Allen and staff.

12 And also want to acknowledge persistence
13 also of our environmental consultant, URS,
14 represented here by Maggie Fitzgerald; and
15 counsel, which is also present, Allan Thompson.
16 Along with our President, Gary Chandler and EIF,
17 the owners of the project.

18 We're very pleased to be at this
19 milestone, and certainly ask for your
20 consideration this morning. Thank you.

21 CHAIRPERSON PFANNENSTIEL: Thank you
22 very much. Questions or discussion. Commissioner
23 Geesman.

24 COMMISSIONER GEESMAN: I'll move
25 approval.

1 COMMISSIONER BYRON: Second.

2 CHAIRPERSON PFANNENSTIEL: All in favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: It's been
5 approved.

6 MS. DYAS: Thank you.

7 CHAIRPERSON PFANNENSTIEL: Committee
8 assignment. I propose the Committee of
9 Commissioner Geesman, presiding, and Commissioner
10 Byron as the associate.

11 COMMISSIONER ROSENFELD: I'll move it
12 again.

13 COMMISSIONER BYRON: And I'll second.

14 CHAIRPERSON PFANNENSTIEL: All in favor?

15 (Ayes.)

16 CHAIRPERSON PFANNENSTIEL: The Committee
17 is assigned.

18 Item 13, possible approval of reporting
19 requirements in support of the 2007 Energy Report,
20 asking load-serving entities to provide their
21 plans for electricity procurement, and to submit
22 these plans by February 7, 2007. Good morning.

23 MR. WOODWARD: Good morning, Chairman
24 and Commissioners. I'm Jim Woodward with the
25 electricity analysis office here at the California

1 Energy Commission.

2 Staff is pleased to commend for your
3 consideration the Committee report on the forms
4 and instructions for submitting electricity
5 resource plans.

6 These instructions and the forms are
7 revised and simplified and improved from those
8 that were adopted here by the Commission for the
9 previous energy report. That adoption was on
10 January 19, 2005.

11 The changes were presented here at a
12 workshop on November 27th of last year, 2006.
13 Since then two parties provided formal written
14 comments, Southern California Edison and NRDC.
15 And staff has responded to those, accepting many,
16 but not all of those comments; and had many
17 conversations with those that provided the
18 suggestions.

19 Informal comments were also provided by
20 Modesto, Redding, NCPA, PG&E, San Diego Gas and
21 Electric, and others that were representing ESPs.

22 One significant minor change I think
23 worth noting is a new due date for the data that
24 we're requesting will be February 7th. That's a
25 one-week extension. But to provide at least 30

1 calendar days from the date of adoption here
2 today.

3 And that may allow SDG&E to update their
4 own demand forecast, and a new supply forecast.
5 It would be tight, but they are hoping to update
6 with their supply plan based on the most recent
7 data; and they're still hoping to do a demand
8 forecast. And we welcome updates to those
9 forecasts as we received them in 2005 from the
10 IOUs and SMUD.

11 In the last section of the instructions
12 we have some narrative requests of the publicly
13 owned utilities, it's on pages 57 to 61, that
14 describe resource adequacy information that we'd
15 like to request from the medium- and large-size
16 POUs. That's the only narrative assessments that
17 we're requesting this time.

18 Those instructions also describe the
19 voluntary collaborative effort with the small POUs
20 that we're engaged in, soliciting from them their
21 understandings and expectations and formal
22 requirements to remain resource adequate.

23 And I'm pleased to report that the City
24 of Azusa has already provided, in anticipation of
25 this adoption, their year-ahead resource adequacy

1 filing that they previously submitted to Cal-ISO.
2 They're the first, and thus far, only one to
3 provide data in that regard.

4 And I do wish to note that there may be
5 other narrative assessments and other data
6 requests to the load-serving entities that may be
7 developed subsequently by the Committee in support
8 of the analytical capability project.

9 CHAIRPERSON PFANNENSTIEL: Thank you.
10 Are there questions? Discussion? A motion.

11 COMMISSIONER BYRON: I'll move the item.

12 COMMISSIONER GEESMAN: Second.

13 CHAIRPERSON PFANNENSTIEL: All in favor?

14 (Ayes.)

15 CHAIRPERSON PFANNENSTIEL: Those forms
16 and instructions are adopted.

17 Item 14, possible approval of the 2006
18 Integrated Energy Policy Report update. Ms.
19 White.

20 MS. WHITE: Happy new year, Chairman
21 Pfannenstiel, Commissioners. I'm Lorraine White,
22 project manager for the 2007 Integrated Energy
23 Policy Report proceeding. And on behalf of the
24 2007 IEPR Committee I am pleased to present for
25 your consideration and approval the Committee

1 final draft of the 2006 Integrated Energy Policy
2 Report update.

3 As a key interim part of the 2007
4 proceeding, the IEPR Committee developed the 2006
5 Integrated Energy Policy Report to focus on two
6 topics. First, building on the analysis and
7 recommendations of the 2005 IEPR, it provides a
8 mid-course review of progress made to date on the
9 renewable portfolio standard goals. And then
10 makes recommendations to address various barriers
11 that were identified to better achieve the goals,
12 both in the near term and in the long term.

13 Second, the update provides an
14 evaluation of the relationship between land use
15 decisions and energy consequences. And makes
16 recommendations to better integrate land use
17 planning decision processes with the state's
18 energy objectives. Specifically, expanding
19 efforts related to energy efficient land use
20 decision implementation and developing better
21 tools and data for us by local agencies.

22 Both of these initiatives, the renewable
23 portfolio standards and energy efficient land use
24 planning and decisionmaking, are key elements of
25 the state's ability to achieve the reductions in

1 greenhouse gas emission goals.

2 The Committee draft is the result of
3 several public workshops, the support of staff
4 analysis, input from various agencies, and more
5 than 50 stakeholders that include various
6 organizations, associations, utilities and so
7 forth.

8 We have also developed, since the
9 publication of this draft, which was posted on the
10 21st of December, an errata that makes minor
11 clarification edits and then updates certain
12 numbers and values for the renewable portfolio
13 standard estimates, based on current and projected
14 contract information available from the CPUC.

15 These changes don't affect any of the
16 conclusions or the recommendations, and are fairly
17 minor. We provided you that errata this morning.
18 There's also some copies of it out in the
19 entryway.

20 So, if you don't mind, I'll end my
21 remarks there; answer any questions you might
22 have; and, of course, if the Committee wishes to
23 make any comments. But I offer it for your
24 consideration and approval. Thank you.

25 CHAIRPERSON PFANNENSTIEL: Thank you,

1 Lorraine. I would offer simply that as an interim
2 report or an update report the 2006 IEPR really
3 moved our thinking and our analysis on both of
4 these subjects quite a ways. We did so with a lot
5 of public input on the RPS. The Committee has
6 expressed its concern for not being as far along
7 in the RPS as we had thought we would be by now.
8 And really tried to use the public process in our
9 own staff analysis to peel away some of the
10 reasons to get at some of the fundamental root
11 causes that we seem to be stalled, trying very
12 hard to avoid generalizations and to really get to
13 the heart of what the problems were.

14 I don't think we have, either in our
15 analysis or in our recommendations, solved the
16 problem. But I think that we are recognizing some
17 of what needs to be done. We will do more of that
18 in the '07 process just now underway.

19 But I do feel we've made some strides in
20 understanding what's happening with the RPS.

21 The land use planning part of this is
22 one that really was pretty much a blank slate when
23 we jumped into it. Not to say the Energy
24 Commission hasn't been involved in the energy
25 aspects of land use planning in the past. We

1 have. But we've always sort of been around the
2 edges of it.

3 And I believe at this point the
4 Committee has staked a place for the Energy
5 Commission in the discussion of land use planning.
6 To say this is vital to meeting the state's
7 greenhouse gas emission standards, to reducing our
8 use of greenhouse gas fuels, we need to look at
9 land use decisions in the context of our energy
10 goals.

11 So what we did in this update was raise
12 it as an issue; to look at the various sources; to
13 look at the studies that have been done; and put
14 this on the table for much deeper analysis, which
15 it clearly needs.

16 I think that, you know, I would commend
17 the staff in both of these areas. I think we've
18 done a really good job of getting started. But,
19 for both of them I would say there's a lot of work
20 to be done in 2007.

21 Commissioner Geesman.

22 COMMISSIONER GEESMAN: Well, I would
23 compliment your leadership with this effort over
24 the course of the last year; and also the staff
25 and contractors that have worked on this. Both

1 elements of the report, I think, are extremely
2 detailed. They carry with them quite a bit of
3 nuance. And I think that as a consequence of that
4 nuance the text ought to be allowed to speak for
5 itself.

6 My subjective reaction with respect to
7 the RPS is to say this is a classic glass half-
8 full/glass half-empty situation. We're midway
9 through the calendar toward our 2010 target.
10 We've made enormous progress in terms of
11 contracting for energy supplies from renewable
12 sources. What remains to be seen is whether we
13 can actually achieve deliveries under those
14 contracts.

15 I think that over the course of the last
16 several years we have been successful in
17 identifying the roadblock that our transmission
18 system currently presents to achieving our goals.
19 Identifying the roadblock is a lot easier than
20 removing it. But I do think the state agencies
21 and the Cal-ISO are committed to efforts to try to
22 remove those barriers.

23 The recommendations in the RPS chapter
24 make pretty clear that it's important to observe
25 the existing structure of the program. That

1 structure is prescribed by statute. Rather than
2 attempt to re-engineer the program structure to
3 achieve the 2010 goals, the recommendations in the
4 report suggest that we broaden our analysis, fold
5 in the Governor's and this Commission's and the
6 PUC's 33 percent targets for the year 2020.

7 And as Chair Pfannenstiel has indicated,
8 we've got a lot of work to do next year in
9 assessing what larger program design issues
10 confront us in order to provide any optimism about
11 being able to achieve those larger targets.

12 We also make the recommendation, which I
13 think is important, to remove the limitations on
14 penalties in the event that there is
15 noncompliance. I don't have any reason to
16 believe, in contrast to some of our stakeholders,
17 that there will be noncompliance on the part of
18 regulatees.

19 But it's important that in light of the
20 large commitment the state has made in terms of
21 its energy policy goals, and the large impact on
22 utility customers, that all of us recognize we've
23 got skin in this game. And as a consequence the
24 utilities ought not to feel that the penalties
25 don't constitute a significant issue going

1 forward.

2 The land use section, to me the most
3 important element is contrary to probably the last
4 25 years of state policy discussion of land use,
5 the report suggests that we make local government
6 a partner in this.

7 If you look at the AB-32 plan, the
8 Climate Action Team recommendations that went into
9 the AB-32 development, land use improvements
10 constitute an enormous source of greenhouse gas
11 reductions. This report makes very clear the best
12 way to harvest those opportunities is to enlist
13 local government as a partner.

14 And I think that the number of
15 jurisdictions in California that have precommitted
16 to achieving Kyoto targets, the ICLEI members
17 represent extremely strategic partners for us in
18 trying to deliver on the potential that the
19 Climate Action Team has seen from land use.

20 So, I think it's an extraordinary
21 report. And I really compliment the staff and
22 contractors that have worked on developing it.
23 And certainly your leadership, Chair Pfannenstiel,
24 has brought us to, I think, a very important
25 point.

1 I will move approval.

2 COMMISSIONER BYRON: Second.

3 CHAIRPERSON PFANNENSTIEL: Further
4 questions or discussion? Yes, Commissioner Byron.

5 COMMISSIONER BYRON: If I may, being
6 somewhat new to this process, as well, I'd like to
7 compliment staff and Committee, as well, on the
8 production of this update.

9 I feel more familiar discussing the RPS,
10 not to detract in any way from the importance of
11 the land use section, but there are many excellent
12 recommendations in this report, gently worded
13 perhaps, but nevertheless there's some very good
14 and direct recommendations on what needs to be
15 done.

16 I note that some of them are in the
17 purview of the Energy Commission. And many are in
18 cooperation with the FERC, the PUC and the ISO. I
19 read this as somewhat of a charge to
20 Commissioners. And this particular Commissioner
21 is committed to working with these organizations
22 in helping to implement these recommendations.

23 Again, I think they're excellent. The
24 short-term ones seem challenging enough before we
25 have to deal with the longer term ones. And I

1 suspect that as Commissioner Geesman indicated,
2 the '07 IEPR will provide some additional
3 direction there with regard to meeting RPS
4 standards for the longer timeframe.

5 So, if it hasn't been seconded, I'll
6 second -- oh, it has been seconded. Yes.

7 CHAIRPERSON PFANNENSTIEL: Commissioner
8 Geesman.

9 COMMISSIONER GEESMAN: I guess I would
10 also add that it ought not to go unnoticed that
11 the draft report that we released earlier in the
12 fall was greatly strengthened by the participation
13 of Commissioner Bohn and his staff from the Public
14 Utilities Commission.

15 And my view is that the changes that we
16 made since that first draft are represented in the
17 version in front of us today, were improved by the
18 comments made by Commissioner Grueneich at our
19 Energy Action Plan meeting a couple of weeks ago.

20 CHAIRPERSON PFANNENSTIEL: Thank you. I
21 think that's an important point. We've had better
22 and more in-depth participation on the part of the
23 PUC this time than I think we have in the past.
24 And I look forward to that continuing as we go
25 through the '07 full process.

1 No further comments? Shall we vote on
2 the item?

3 All in favor?

4 (Ayes.)

5 CHAIRPERSON PFANNENSTIEL: It's
6 approved.

7 MS. WHITE: Thanks.

8 CHAIRPERSON PFANNENSTIEL: Thank you,
9 Lorraine, for your leadership on this.

10 MS. WHITE: You're welcome.

11 CHAIRPERSON PFANNENSTIEL: Approval of
12 the minutes of the December 13, 2006 business
13 meeting.

14 COMMISSIONER ROSENFELD: I move the
15 minutes.

16 COMMISSIONER BYRON: Second.

17 CHAIRPERSON PFANNENSTIEL: All in favor?

18 (Ayes.)

19 CHAIRPERSON PFANNENSTIEL: Minutes have
20 been approved. Commission Committee discussion;
21 any discussion? Hearing none, we'll move on to
22 the Chief Counsel report.

23 MR. CHAMBERLAIN: Thank you, Madam
24 Chairman. I'm very sorry to have to bring you a
25 load of bad news for my first report in the new

1 year.

2 The first item is I'm just reporting
3 that the Department of Energy has denied the
4 Commission's waiver petition on the clothes washer
5 standard that we adopted in 2005.

6 We are analyzing that decision. It
7 appears to us that DOE has taken a very crabbed
8 view of its ability to work with states in this
9 area. But we are analyzing it from the
10 perspective of whether the Commission may wish to
11 seek judicial review of that decision.

12 In order to do so, we are required to
13 file a petition for reconsideration by January
14 29th. And so it would be my intention to bring a
15 recommendation to you in closed session at your
16 next meeting on the 17th of January to discuss
17 that.

18 CHAIRPERSON PFANNENSTIEL: Bill, can you
19 just make sure that we're all understanding just
20 what was denied? We requested from DOE a waiver
21 on their standard. Why don't you pick it up.

22 MR. CHAMBERLAIN: We are preempted from
23 having a tighter water standard for water use of
24 clothes washers than is provided by federal law.
25 And our standard is significantly tighter,

1 particularly that we actually adopted two
2 standards. One, I believe was a water factor of
3 8.5 that was supposed to take effect in 2007. And
4 then a water factor of 6.0 that was supposed to
5 take effect in 2010.

6 And in order -- it was understood --
7 this was done by direction of the Legislature but
8 it was understood that we would have to get this
9 waiver from DOE. We applied for the waiver in
10 late 2005. And had hoped that they would act
11 expeditiously on it. It took them quite awhile,
12 and then we got this decision, which is very
13 disappointing.

14 CHAIRPERSON PFANNENSTIEL: Thank you.

15 MR. CHAMBERLAIN: Second item, which
16 we'll handle in closed session, has to do with the
17 contract dispute with Applied LNG technologies.

18 CHAIRPERSON PFANNENSTIEL: And we'll
19 take that up in closed session?

20 MR. CHAMBERLAIN: Right.

21 CHAIRPERSON PFANNENSTIEL: Thank you.
22 Executive Director's report.

23 EXECUTIVE DIRECTOR BLEVINS: I have no
24 report, Madam Chairman.

25 CHAIRPERSON PFANNENSTIEL: Leg Director

1 report?

2 Hearing none, Public Adviser report.

3 MR. BARTSCH: Madam Chair, Members, Nick
4 Bartsch representing Margret Kim. We do not have
5 anything new to report at this time. Thank you.

6 CHAIRPERSON PFANNENSTIEL: Thank you.
7 Public comment? Is there public comment this
8 morning?

9 Seeing none, we will adjourn for a
10 closed session in my office. Thank you.

11 (Whereupon, at 10:58 a.m., the business
12 meeting was adjourned into closed
13 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 19th day of January, 2007.

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