

**DOCKET**

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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, FEBRUARY 14, 2007  
10:00 A.M.

Reported by:  
John Cota  
Contract Number: 150-04-001

COMMISSIONERS PRESENT

James D. Boyd, Chairperson

Jeffrey D. Byron

John L. Geesman

Arthur H. Rosenfeld

STAFF and CONTRACTORS PRESENT

William Chamberlain, Chief Counsel

Brian Ellis

Arlene Ichien

Mignon Marks

Scott Matthews

Monica Rudman

Mike Smith

Dora Yen-Nakafuji

PUBLIC ADVISER

Nick Bartsch

ALSO PRESENT

No other appearances

## I N D E X

|  | Page |
|--|------|
| Proceedings  | 1    |
| Items  | 1    |
| 1 Consent Calendar   | 2    |
| 2 Latrobe School District  | 3    |
| 3 University of California, Merced   | --   |
| 4 University of California, Davis  | 6    |
| 5 University of California, Berkeley                                       | 8    |
| 6 Order Instituting Rulemaking for Electric<br>Transmission Corridor Zones | 13   |
| 7 Retail Price Forecast Data Request                                       | 16   |
| 8 Minutes  | 23   |
| 9 Commission Committee<br>Presentations/Discussion                         | 23   |
| 10 Chief Counsel's Report  | 24   |
| 11 Executive Director's Report   | 25   |
| 12 Legislative Director's Report   | 26   |
| 13 Public Adviser's Report   | 34   |
| 14 Public Comment  | 35   |
| Adjournment  | 36   |
| Certificate of Reporter  | 37   |

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

2 10:03 a.m.

3 CHAIRPERSON BOYD: Good morning, welcome  
4 to a meeting of the, business meeting of the  
5 California Energy Commission. Please join me in  
6 the pledge of the flag.

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

9 CHAIRPERSON BOYD: Thank you and good  
10 morning. Chairman Pfannenstiel is out of state on  
11 state business; she is in Washington. And she may  
12 have to remain there awhile based on the weather  
13 forecast. The last I heard this morning she was  
14 planning to fly back today and I heard she was  
15 snowed in.

16 That doesn't bode well for this  
17 Commissioner who is supposed to fly to Washington  
18 tomorrow so I am not looking forward to that.

19 COMMISSIONER GEESMAN: I'm flying today.

20 CHAIRPERSON BOYD: Well let me know how  
21 it goes, John. Anyway, I'm back. It's nice to be  
22 here.

23 COMMISSIONER GEESMAN: We had expected  
24 you would be.

25 CHAIRPERSON BOYD: Well, they really

1 string you out, don't they.

2 All right, let me get to the agenda. We  
3 have one agenda revision. Item number 3 has been  
4 pulled and will scheduled at some future time.

5 With that let me just turn now to the  
6 consent calendar. Is there discussion or a  
7 motion?

8 COMMISSIONER ROSENFELD: I move the  
9 consent, I move the consent calendar.

10 CHAIRPERSON BOYD: There's a motion. Is  
11 there a --

12 COMMISSIONER GEESMAN: Second.

13 CHAIRPERSON BOYD: There's a second.

14 All in favor?

15 (Ayes.)

16 CHAIRPERSON BOYD: All opposed? None.

17 It's unanimously approved, thank you.

18 Item number 2, Latrobe School District.  
19 Possible approval of a \$92,000 loan to the Latrobe  
20 School District to install a photovoltaic system  
21 at Miller's High School.

22 MS. RUDMAN: Hill School.

23 CHAIRPERSON BOYD: Hill School, I'm  
24 sorry. Now that I put my glasses on it's Hill,  
25 isn't it? Miller's Hill School. Good morning.

1 MS. RUDMAN: Good morning. My name is  
2 Monica Rudman.

3 CHAIRPERSON BOYD: Is your mic on? Or  
4 if it's on it's way -- there.

5 MS. RUDMAN: Okay. Is that better?  
6 Good morning, my name is Monica Rudman.

7 First I would like to provide some  
8 background on the Latrobe School District.  
9 Latrobe School District is comprised of Latrobe  
10 School, grades K through 3, and Miller's Hill  
11 School, grades 4 through 8, and is located in the  
12 Sierra foothills in the town of Shingle Springs.

13 School district staff --

14 COMMISSIONER ROSENFELD: Monica, you are  
15 still a little far from your mic.

16 MS. RUDMAN: Okay. School district  
17 staff have been very interested in finding ways to  
18 reduce their school's energy consumption and they  
19 have a positive track record of working with the  
20 Energy Commission to achieve that goal.

21 The Energy Commission has already lent  
22 them funds to improve the elementary school's  
23 energy efficiency. And furthermore the district  
24 has implemented lighting, HVAC and controls  
25 upgrades with their funds at Miller's Hill School.

1           The Commission has inspected that  
2 building and do not see opportunities for major  
3 additional energy efficiency improvements.

4           On January 8 the district applied to the  
5 Commission for loan funds to install a 29.99  
6 kilowatt photovoltaic system at Miller's Hill  
7 School. This project includes all photovoltaic  
8 panels, mounting hardware, all associated  
9 inverters, switch gear controls and monitoring  
10 systems and equipment warranties.

11           The photovoltaic panels will be  
12 installed on rooftops on freestanding structures  
13 and they are expected to have a ten degree tilt.  
14 The total estimated project cost is \$2,820 -- no,  
15 \$282,000, okay.

16           I reviewed the application assumptions  
17 and estimated that after implementing this project  
18 the district could reduce their annual energy  
19 costs by over \$9,000. In order to maximize the  
20 cost savings from the photovoltaic system I am  
21 requiring that the district change from PG&E's  
22 A-10 rate to the A-6 time of use rate.

23           The district doesn't have enough funds  
24 to pay for the entire project itself and is trying  
25 to put together a package of financing. The

1 district was fortunate to get a Solar Schools  
2 Program grant estimated at a bit under \$168,000.  
3 The maximum the Energy Commission will loan the  
4 district based on a simple payback of 9.8 years is  
5 \$92,000. The combined total of the Energy  
6 Commission loan and incentive is about \$260,000  
7 and the district will pay the balance of slightly  
8 over \$22,000 themselves.

9           Since Latrobe School District has  
10 already upgraded the efficiency of facilities the  
11 PV project represents the best way for the  
12 district to save additional energy.

13           I have reviewed the proposed PV project  
14 and have determined that it meets the requirement  
15 of the loan program. The loan request was  
16 approved by the Latrobe School Board on January  
17 16, 2007, so they're behind it, and the Efficiency  
18 Committee has approved the loan request to the  
19 district.

20           Approval of the loan will enable Latrobe  
21 School District to install the under 30 kW  
22 photovoltaic system and I recommend that you  
23 approve it. This loan will help the school  
24 district to further lower their electricity bills  
25 while reducing environmental impacts.

1                   Thank you very much for your time and  
2                   consideration.

3                   CHAIRPERSON BOYD: Thank you, Monica.  
4                   Any questions from the Commissioners or comments?

5                   COMMISSIONER ROSENFELD: This item went  
6                   through the Efficiency Committee so I move it.

7                   COMMISSIONER GEESMAN: Second.

8                   CHAIRPERSON BOYD: There is a motion and  
9                   second. All in favor?

10                  (Ayes.)

11                  CHAIRPERSON BOYD: Opposed? None.  
12                  Thank you.

13                  The next item, Item number 4 on the  
14                  agenda, the University of California at Davis.  
15                  Possible approval of Amendment 3 to PIER Work  
16                  Authorization MR-017 with the UC Davis under the  
17                  UC Master Agreement. Dora, Dora Yen presenting.

18                  MS. YEN-NAKAFUJI: Good morning,  
19                  Commissioners. I think there is an update on this  
20                  that I'll be presenting. I am Dora Yen-Nakafuji.  
21                  I am the technical lead for the wind program under  
22                  the PIER renewables group so I'll be presenting on  
23                  behalf of Michael Kane.

24                  We are seeking Commission approval to  
25                  conduct a, to add a new task to this California

1 Wind Energy Collaborative, thus requesting the  
2 project cost and time extension.

3 The new tasks added will be to request  
4 the application of a methodology, a cost  
5 evaluation methodology that was developed two  
6 years ago and apply it to the 2010 and 2020  
7 scenarios to look at the indirect costs for  
8 integrating renewables onto the existing  
9 electricity infrastructure.

10 The methodology was a publicly vetted  
11 methodology that involved Commission workshops as  
12 well as feedback from the utility industry. There  
13 was definitely discussions on how the methodology  
14 was applied. However, the methodology is the only  
15 methodology that applies it consistently across  
16 all renewable technologies.

17 The Commission conducted, actually it  
18 was yesterday we completed our intermittency  
19 analysis project, which will provide the data  
20 necessary for the methodology to be used. Until  
21 the intermittency analysis project was completed  
22 we had held off this cost assessment due to the  
23 lack of data in projecting forward into a 2010 or  
24 a 2020 scenario.

25 The methodology requires that

1 performance data, a generation portfolio as well  
2 as a transmission infrastructure is in place  
3 before the market assessment or cost assessment  
4 can be done. So the timing is appropriate now  
5 since the IP project is concluding and the data  
6 will be made available.

7 Therefore we recommend that this item,  
8 this new task be conducted at this time.

9 CHAIRPERSON BOYD: Thank you. Any  
10 questions?

11 COMMISSIONER GEESMAN: I'll move the  
12 item.

13 CHAIRPERSON BOYD: It's a motion.

14 COMMISSIONER ROSENFELD: Second.

15 CHAIRPERSON BOYD: And there is a  
16 second. All in favor?

17 (Ayes.)

18 CHAIRPERSON BOYD: Opposed? None.

19 Thank you, it's unanimous.

20 The University of California Berkeley.

21 It's UC Day. Possible approval of Work

22 Authorization MR-063 for \$456,644 for Water,

23 Energy and Climate Change work. And Brian, Brian

24 Ellis.

25 MR. ELLIS: Good morning, Commissioners.

1 This work authorization before you contains three  
2 different projects and I am just going to go  
3 through each one.

4 The first project is a water resources  
5 engineering and economics model. It has already  
6 been used by researchers in the California Climate  
7 Change Center and will be extended to the San  
8 Joaquin Valley. A previous setting model of the  
9 Sacramento Valley water distribution system found  
10 potentially significant impacts to groundwater  
11 levels under one future climate change scenario.

12 So the model being used is relatively  
13 new and has considerable advantages over existing  
14 operations models such as Cal-Sim for modeling  
15 climate impacts and adaptation strategies. It is  
16 an optimization model with much greater  
17 flexibility because the system rules are not hard-  
18 wired into the model like they are in Cal-Sim.

19 The model is especially useful because  
20 it includes hydrology, so it only requires basic  
21 climate inputs of temperature and precipitation  
22 and simulates the surface and groundwater  
23 hydrology from there.

24 So there is a great potential for future  
25 climate change adaptation studies with this model,

1       especially if it continues to be expanded to  
2       places like the delta. With the completion of the  
3       Central Valley in this project different  
4       irrigation practices and crop patterns can be  
5       analyzed for adaptation strategies.

6               The vision is that this model could  
7       complement DWR's Cal-Sim model as a more flexible  
8       alternative that better addresses the impacts of  
9       climate change previous in their planning.

10              The second project is a high-elevation  
11       hydropower model. It was previously used in a  
12       project for the California Climate Change Center  
13       on the SMUD high elevation system. So as a  
14       background, high elevation hydropower represents  
15       50 percent of hydropower electricity generated in  
16       the state. SMUD and other users, and others, use  
17       these systems primarily for peaking power and  
18       secondarily for baseload.

19              So climate change, because it affects  
20       the timing of spring snow melt, has the potential  
21       to significantly affect the energy output and  
22       economics of these systems since they are used for  
23       peaking. So in this project the researchers will  
24       improve the model based on feedback from SMUD  
25       operators about its shortfalls, which have to do

1 with the model having perfect foresight, which  
2 operators don't have. So they'll address that.

3 They will also apply the model to other  
4 elevation systems, likely those in the Southern  
5 Sierra that are owned by Southern California  
6 Edison. And those might also be more sensitive to  
7 climate change than SMUD's system, which seemed to  
8 have pretty good resilience in the first analysis.

9 So in the third project, a study of  
10 household water and energy demand will be done.  
11 This is like an economics study. This will use  
12 newly available, confidential data. So  
13 researchers will perform an economic analysis of  
14 the interaction of conservation measures, pricing  
15 schemes and housing characteristics on water use  
16 in different regions where the state exists.

17 And they are also going to try and  
18 incorporate energy data that is also available  
19 that could show the water/energy relationship in  
20 terms of the amount of energy used for water use.  
21 So the kilowatts per acre foot. And the  
22 relationship between energy and water use on this  
23 close to household level is currently a mystery.

24 So the ultimate goal of this project is  
25 to provide the flexibility to forecast electricity

1 and water demand from households in the long run  
2 over a variety of climate and housing scenarios.  
3 This also meets the 2005 water/energy IEPR goal of  
4 obtaining more information on these relationships.

5 CHAIRPERSON BOYD: Thank you, thank you.  
6 A quick question, Brian. The second stated  
7 objective, the SMUD model of their hydroelectric  
8 system. Is SMUD participating in this in some  
9 way, financially or otherwise? This is obviously  
10 quite a boon to them.

11 I know they just recently negotiated  
12 different regimes for the operations of one of  
13 their, I believe the Middle Fork Dam, for water  
14 reasons and what have you, absent this kind of  
15 knowledge. In any event, what is SMUD's  
16 participation in this exercise? A happy recipient  
17 of results or are they --

18 MR. ELLIS: Yeah, well that was in the  
19 previous project. SMUD was basically the  
20 recipient of the results. The results seemed to  
21 show that their system was pretty resilient in  
22 terms of they had enough storage to keep water  
23 into the summer when the peaking power is most  
24 lucrative, I guess.

25 So in this project SMUD -- you know,

1       they already gave a bunch of comments. So those  
2       comments will be addressed and then this project  
3       will -- is meant to expand the application of the  
4       model into other areas. So I don't think SMUD  
5       will be very heavily involved.

6               CHAIRPERSON BOYD: Okay. So as you  
7       mentioned earlier, it is exportable. Now you have  
8       expounded on that. It is quite exportable to  
9       other areas of the Sierra I take it then.

10              MR. ELLIS: Um-hmm.

11              CHAIRPERSON BOYD: Thank you. Any  
12       questions?

13              COMMISSIONER GEESMAN: I'll move the  
14       item.

15              COMMISSIONER ROSENFELD: Second.

16              CHAIRPERSON BOYD: There has been a  
17       motion and a second. All in favor?

18              (Ayes.)

19              CHAIRPERSON BOYD: Opposed? None.  
20       Carried four to nothing. Thank you, Brian.

21              MR. ELLIS: Thank you.

22              CHAIRPERSON BOYD: Item number 6, an  
23       order instituting rulemaking for electric  
24       transmission corridor zones. Possible adoption of  
25       an order authorizing a proceeding to develop

1 regulations implementing the Energy Commission's  
2 new authority to designate electric transmission  
3 corridor zones under the Public Resources Code.  
4 Arlene Ichien. Arlene.

5 MS. ICHIEN: Good morning, Vice Chair  
6 Boyd. Congratulations on your reappointment.

7 CHAIRPERSON BOYD: Thank you.

8 MS. ICHIEN: And Commissioners. My name  
9 is Arlene Ichien from the Chief Counsel's Office.  
10 This order instituting rulemaking would authorize  
11 the development of regulations to define the  
12 process for the Commission designating the  
13 transmission corridor zones under a newly enacted  
14 statute.

15 And it would also assign a Siting  
16 Committee with Commissioner Geesman as Presiding  
17 Member and Commissioner Boyd, to oversee the  
18 rulemaking process, including sending all  
19 necessary documents to the Office of  
20 Administrative Law on behalf of the Energy  
21 Commission. Including eventually the proposed  
22 regulations once adopted by the Energy Commission  
23 later in the year.

24 CHAIRPERSON BOYD: Did I hear you say  
25 this is under the auspices of the Siting

1 Committee?

2 MS. ICHIEN: Yes.

3 CHAIRPERSON BOYD: Okay. And I heard my  
4 name. I believe you left Commissioner Byron out.

5 MS. ICHIEN: Did I mis-speak?

6 CHAIRPERSON BOYD: I've abandoned the  
7 Siting Committee.

8 MS. ICHIEN: I apologize.

9 CHAIRPERSON BOYD: I have abandoned the  
10 Siting Committee in deference to -- In any event.

11 COMMISSIONER GEESMAN: You'll certainly  
12 be invited to our workshops, though, if you care  
13 to come.

14 CHAIRPERSON BOYD: I have renewed  
15 interest in lots of things, thank you. Any  
16 questions from the --

17 MS. ICHIEN: Commissioner Byron is the  
18 second member of the committee, yes.

19 CHAIRPERSON BOYD: Correct, for the  
20 record. Questions? Comments? Motion?

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

23 COMMISSIONER BYRON: And I'll second it.

24 CHAIRPERSON BOYD: There is a motion and  
25 a second. All in favor?

1 (Ayes.)

2 CHAIRPERSON BOYD: Opposed? None.

3 Carried four to nothing as corrected.

4 Item number 7, retail price forecast  
5 data request. Possible adoption of forms and  
6 instructions for submitting retail price forecast  
7 data. Mignon Marks, good morning.

8 MS. MARKS: Good morning. I work in the  
9 Energy Commission's electricity analysis office in  
10 the unit responsible for preparing a ten-year  
11 forecast of retail electricity prices.

12 This forecast is used by the Energy  
13 Commission's demand analysis office as an input to  
14 its electricity demand model and therefore this is  
15 an important activity within the Energy  
16 Commission's 2007 IEPR work plan. The Energy  
17 Commission staff believes it is necessary to issue  
18 this request for financial data from California's  
19 utilities and energy service providers in order to  
20 prepare this forecast of average retail prices.

21 The forms and instructions document  
22 presented to you this morning will be used to  
23 collect financial data from California's three  
24 largest investor-owned utilities and its five  
25 largest energy service providers who serve direct

1 access customers in California.

2 In addition to the proposed Commission  
3 report the body of work that is called the forms  
4 and instructions also includes an Excel  
5 spreadsheet, or an Excel workbook I mean, for each  
6 investor-owned utility containing four forms and  
7 an Excel workbook for each ESP containing two  
8 forms.

9 At the Energy Commission's business  
10 meeting on February 28 I will return and request  
11 approval for a similar set of forms and  
12 instructions to collect financial data from  
13 California's 13 publicly-owned utilities.

14 I separated the data request for  
15 publicly-owned utilities from this data request  
16 because I needed more time to adapt the data  
17 forms' design for the publicly-owned utilities to  
18 more closely match how they structure their  
19 operating and capital improvement budgets.

20 COMMISSIONER GEESMAN: I think you're  
21 speaking of the 13 largest publicly-owned.

22 MS. MARKS: Yes, I'm sorry. Yes, you're  
23 right.

24 COMMISSIONER GEESMAN: There are 39 in  
25 total.

1                   MS. MARKS: There are many, there are  
2 many. Yes, the 13 largest. Please don't ask me  
3 to tell you which ones they are, though, off the  
4 top of my head.

5                   COMMISSIONER GEESMAN: We will on the  
6 28th. (Laughter)

7                   MS. MARKS: That I can handle.

8                   Anyway, my original design, form design  
9 was more closely, more closely resembled how the  
10 investor-owned utilities have -- how their rates  
11 are unbundled. And the publicly-owned utilities  
12 made it clear to me in comments that they don't  
13 track costs that way. So for ease of their  
14 reporting I am going to be modifying their forms  
15 to more closely match how they do their cost  
16 accounting.

17                   Anyway, these retail price forms and  
18 instructions also follow the issuance of forms and  
19 instructions to support the forecast of the  
20 electricity demand and also for submitting utility  
21 and ESP resource plans. And so these forms and  
22 instructions are asking the utilities and the ESPs  
23 to base their cost projections on the demand and  
24 supply forecast information they have already  
25 submitted to the Energy Commission.

1           As a brief chronology of public  
2 participation in the design of the forms and  
3 instructions presented. It is really a product of  
4 collaboration between Energy Commission staff, the  
5 IOUs, the ESPs and one consumer group, TURN.

6           We published a staff draft of the forms  
7 and instructions in December of 2006 to solicit  
8 comments and suggested improvements. On January  
9 the 16th we held a well-attended public workshop  
10 to answer people's questions and to collect  
11 suggested improvements and in addition people  
12 provided us written comments.

13           Representatives from all three investor-  
14 owned utilities provided us feedback and input on  
15 their set of forms and instructions and we used  
16 our helpful comments to simplify and clarify what  
17 data we are asking for with regard to their annual  
18 revenue requirements and fuel price projections.

19           Since then we have distributed copies of  
20 revised forms to them and they have all given me  
21 positive feedback. But last Friday I did receive  
22 one more suggested change to my form 1.a that I  
23 think has merit. In the current version we ask  
24 that estimated generation costs be divided into  
25 either utility-owned generation of purchased

1 power.

2 We have been asked to modify that form  
3 to add another row called Other Resources. This  
4 addition would enable investor-owned utilities to  
5 report costs for future generation, but that for  
6 which they don't know yet whether it is going to  
7 be utility-owned or purchased power. So it is  
8 kind of creating an Other category.

9 In terms of the form 3, we did get some  
10 feedback from Matt Friedman at TURN. He has  
11 asked, he provided us some suggestions to improve  
12 our form 3. This form collects data on  
13 residential electricity consumption by tier. And  
14 with his input and with input from the IOUs we  
15 have added some survey questions to the  
16 instructions that ask for a tally of the number of  
17 residential consumers that get bumped into tier 3,  
18 4 or 5 at least once a year in 2004 and 2005.  
19 Kind of a historical perspective.

20 And then this data will give us a better  
21 understanding of what typical residential bills  
22 are in different parts of the state and will also  
23 enable us to study how the residential rate freeze  
24 is affecting the bills of all residential  
25 consumers of the IOUs.

1                   In terms of the ESP forms and  
2                   instructions. At the public workshop on January  
3                   the 16th we also received many comments from  
4                   representatives of energy service providers about  
5                   the staff draft versions of their forms. And as a  
6                   result of their input we have reduced the number  
7                   of forms and the scope of the financial data that  
8                   we are requesting of ESPs.

9                   We now have two forms, one for reporting  
10                  power supply costs and another for reporting  
11                  information about any fuel price or other  
12                  escalation factors embodied in their fuel supply  
13                  -- I'm sorry, included in their power supply  
14                  contracts. And also instead of asking for data  
15                  through 2018, as we are asking the IOUs, we are  
16                  scaling back our request to just 2011.

17                  Representatives of the ESPs have  
18                  reviewed the revised forms and have also given me  
19                  positive feedback.

20                  I also added two survey questions,  
21                  though, to the ESPs' instructions to get a better  
22                  understanding of the costs, of other costs other  
23                  than power supply costs being passed on to direct  
24                  access customers, including transmission expenses.  
25                  And also the ESPs' own costs for marketing and

1 billing and metering and regulatory work.

2 The forecast of ESP prices, even though  
3 it is a small part of the forecast project  
4 overall, the effort is I think still worthwhile  
5 because direct access customers are some of  
6 California's largest industrial and commercial  
7 electricity consumers.

8 I don't know if the forms and survey  
9 questions we've designed for ISPs will give us all  
10 the information that we need for a price forecast  
11 but I think we have good communication with ESP  
12 representatives and I think that we share an  
13 interest in coming up with something useful.

14 So unless you have some questions I ask  
15 for your approval of these forms and instructions  
16 with the one change to form 1.a previously noted.  
17 And with your approval today the financial data  
18 would be due on March the 16th, 2007.

19 CHAIRPERSON BOYD: Thank you. I have no  
20 indication that anyone in the audience has asked  
21 to speak to this item or that there is anyone on  
22 the phone. Seeing none I'll ask my fellow  
23 Commissioners if anybody has any questions or  
24 discussion?

25 COMMISSIONER GEESMAN: I'll move

1 approval.

2 CHAIRPERSON BOYD: A motion.

3 COMMISSIONER BYRON: Second.

4 CHAIRPERSON BOYD: And a second. All in  
5 favor?

6 (Ayes.)

7 CHAIRPERSON BOYD: Opposed? None. Four  
8 to nothing. Congratulations, Mignon.

9 Item number 8, Minutes, approval of the  
10 January 30 Business Meeting Minutes.

11 COMMISSIONER ROSENFELD: I move the  
12 minutes.

13 CHAIRPERSON BOYD: A motion.

14 COMMISSIONER GEESMAN: Second.

15 CHAIRPERSON BOYD: And a second. All in  
16 favor?

17 (Ayes.)

18 CHAIRPERSON BOYD: Opposed? None. Four  
19 to nothing, thank you.

20 Item number 9 on the agenda, Commission  
21 Committee Presentations or Discussions. Does  
22 anyone have anything they want to bring forward?

23 I'll just mention one item. I was  
24 reminded of it by the discussion of the contract  
25 with the university system for climate change

1 related work. The climate action team is meeting  
2 today. Commissioner Pfannenstiel and I usually  
3 represent the agency. I'll be attending and  
4 she'll be attempting by phone, I believe.

5 But frankly, one of the items to be  
6 discussed was energy/water relationships so it was  
7 interesting to note we have yet again some  
8 precedent setting in pioneering research on that  
9 subject that will help in that discussion and help  
10 in the future work of the climate action team.

11 With that, hearing nothing else, the  
12 Chief Counsel's report. Mr. Chamberlain.

13 MR. CHAMBERLAIN: Thank you,  
14 Commissioner Boyd. I don't have a legal report  
15 today but I did want to mention that on April 3  
16 the Western Interstate Energy Board will be having  
17 its annual meeting. It is in Denver unfortunately  
18 for us. But one of the main topics there will be  
19 coordinating the action to the western states on  
20 climate change.

21 And it has been somewhat difficult to  
22 determine. There are so many people working on so  
23 many different pieces of this within California it  
24 has been sort of difficult to determine who should  
25 be the principal participant on this. I have

1 asked B.B. to help me identify either someone or a  
2 lot of briefing for me because I haven't really  
3 worked that much in this area. But I just wanted  
4 you to be aware of it.

5 I think there is some -- Obviously the  
6 other states are not acting as aggressively as  
7 California is but there is increasing interest in  
8 this. I think it would potentially pay dividends  
9 to California to participate actively in this and  
10 try to bring the other states along.

11 CHAIRPERSON BOYD: All right. We'll  
12 await the negotiations internally as to whether  
13 you get to expand your r, sum, or whether someone  
14 else deals with that item.

15 Hearing nothing else on that subject the  
16 Executive Director's report. Good morning,  
17 Mr. Matthews.

18 MR. MATTHEWS: The Executive Director is  
19 in the Snowy Mountains of Tennessee. I think  
20 anyway, if he made it that far.

21 CHAIRPERSON BOYD: No sympathy.

22 MR. MATTHEWS: And that's all I had to  
23 report.

24 CHAIRPERSON BOYD: Thank you.  
25 Legislative Director's Report, Mr. Smith.

1                   MR. SMITH: Good morning, Commissioners,  
2                   and congratulations, Commissioner Boyd on your  
3                   reappointment.

4                   CHAIRPERSON BOYD: Thank you.

5                   MR. SMITH: I have a number of things I  
6                   want to report to you this morning and so I'll go  
7                   quickly through them in the interest of brevity.

8                   First I just want to report that last  
9                   week we sent letters to the California delegation  
10                  urging them to contact and intervene with DOE in  
11                  their reconsideration of the Commission's waiver  
12                  request. Excuse me.

13                  We also sent, delivered press releases  
14                  to members over at the State Capitol regarding the  
15                  Commission's action it took on the clean fuel  
16                  school buses. Those press releases were actually  
17                  very well received and several members are using  
18                  them in their districts. So we will be working  
19                  closely with PIO and Claudia Chandler and her  
20                  staff in the future to make a better and more  
21                  effective link between the actions we take here  
22                  and communicating that message to the Legislature.

23                  As I reported last time Senator Perata  
24                  is indeed exploring options for legislation this  
25                  year to streamline the RPS process. As he put it,

1 to introduce limited changes to statute that will  
2 help ensure that we meet the 2010 goal. So we are  
3 working with his staff, with Mr. Lipper in  
4 particular, and other stakeholders to achieve that  
5 aim.

6 Also we have in response to  
7 Congresswoman Pelosi's comments of late about the  
8 fact that nuclear energy may very well be back on  
9 the table in terms of a climate change option. We  
10 are receiving requests from members at the State  
11 Capitol for our updates and information, updated  
12 reports on nuclear power in California. So we  
13 will follow that with interest and keep, keep you  
14 folks apprised of that.

15 Just to -- I reported last time that  
16 there are several committee hearings, legislative  
17 committee hearings coming up March 12. We have  
18 just learned that the Assembly Utilities and  
19 Commerce Committee will be holding its status of  
20 the RPS hearing.

21 Commissioners Geesman and Chairman  
22 Pfannenstiel participated in a similar hearing  
23 last week that the Senate Energy Committee held,  
24 which went very, very well. March 19, again the  
25 Assembly Utilities and Commerce Committee will be

1 sponsoring a hearing or conducting a hearing on  
2 the summer of 2007 forecast.

3 And we just learned yesterday of a  
4 hearing that the Assembly Water Parks and Wildlife  
5 Committee will be holding next Tuesday so a  
6 fairly, fairly short horizon, and has asked the  
7 Energy Commission for information on a water and  
8 energy update report.

9 I believe there was a report that the  
10 Commission put out, it was funded through its PIER  
11 program, this past December on water and energy.  
12 So we are trying to get in touch with the staff  
13 people over at that committee to understand more  
14 clearly what they want from us.

15 I think it is important to note that on  
16 that committee there are several members that are  
17 of particular interest to us from an energy  
18 standpoint so I think we have to pay particular  
19 attention to the goings-on of that committee, and  
20 in particular this hearing. But as soon as I have  
21 more information I will keep you apprised.

22 Since the last business meeting there's  
23 been nine bills that have been introduced which  
24 have some interest to us in one respect or  
25 another. I just want to very quickly summarize a

1 couple of those for your information.

2 AB 236 by Assembly Member Lieu would  
3 require California state departments that have  
4 flexible fuel vehicles to use E-85 to the greatest  
5 extent possible. And it provides some further  
6 direction to the Department of General Services to  
7 report annually to the Legislature on the use of  
8 that fuel and future procurements of vehicles.

9 CHAIRPERSON BOYD: Correct me if I am  
10 mistaken but it seems to me in the last IEPR cycle  
11 we identified one E-85 pump in the state of  
12 California located in San Diego.

13 MR. SMITH: There was one, yes,  
14 commercial or retail E-85 pump, that's correct.

15 CHAIRPERSON BOYD: Okay. I just wanted  
16 to check the statistics.

17 COMMISSIONER GEESMAN: I've read  
18 somewhere, though, that that's been increased by  
19 100 percent.

20 CHAIRPERSON BOYD: Ah, a second.

21 MR. SMITH: The infrastructure is just  
22 fast expanding.

23 CHAIRPERSON BOYD: You said General  
24 Services was asked to report on the gallonage, but  
25 I take it not instructed to provide E-85.

1 MR. SMITH: No.

2 AB 242, which is has been introduced by  
3 Assembly Member Blakeslee. It's at this point a  
4 spot bill; it makes some legislative declarations.  
5 But it is interesting to note that the intent of  
6 the bill is to acknowledge and help ensure that  
7 companies or entities that have been early  
8 adopters in reducing their greenhouse gas  
9 emissions over the past years get credit for those  
10 emission reductions. Not much detail in the bill  
11 yet but it is of particular note.

12 AB 255, which is now introduced by  
13 Assembly Member Kevin de Leon, would establish the  
14 Clean Air and Energy Independence Fund, which  
15 would derive funding from the smog abatement  
16 program. Increase the fees in that program by \$4,  
17 I believe, to generate up to \$45 million a year  
18 that would be used for transportation research,  
19 development, commercialization, the alternative  
20 fuel expansion efforts in California.

21 CHAIRPERSON BOYD: Does it direct who  
22 would do that work?

23 MR. SMITH: Interestingly it's a mirror  
24 image of the budget bill language that was in AB  
25 1811. This year's, one of the trailer bills this

1 year.

2 CHAIRPERSON BOYD: The \$25 million?

3 MR. SMITH: The \$25 million program,  
4 which directs the Air Resources Board to --

5 CHAIRPERSON BOYD: In cooperation with  
6 the Energy Commission?

7 MR. SMITH: Yes, to cooperate with the  
8 Energy Commission in co-planning. It basically  
9 mirrors that language. To be honest with you I'd  
10 have to go back and double check but I am not sure  
11 if the co-planning language is in there. But I  
12 will certainly double check that.

13 CHAIRPERSON BOYD: I didn't see it when  
14 I looked but --

15 MR. SMITH: But everything else, yeah.  
16 Everything else is the same, up to and including  
17 the prohibition of the use of funds for fuels  
18 derived from petroleum, coke, oil and coal.

19 CHAIRPERSON BOYD: We had to intercede  
20 last year to provide for the co-planning. Perhaps  
21 we have that task again.

22 MR. SMITH: Yes.

23 CHAIRPERSON BOYD: As I understand the  
24 fee, it is to be added to those people who are now  
25 exempted from the smog check program by way of

1       having brand new vehicles in effect.  They're not  
2       going to -- If I understood it right they are  
3       going to move the scale up to provide that people  
4       with new vehicles will pay a small fee, which will  
5       add to this.

6                 MR. SMITH:  I believe that is correct,  
7       Commissioner, yes.

8                 And then lastly, SB 210 introduced by  
9       Senator Kehoe appears to be a codification of the  
10       Governor's low carbon fuel standard initiative.  
11       The bill would require California -- excuse me.  
12       The carbon content from transportation fuel sold  
13       and refined in California to be reduced by ten  
14       percent by 2020.  So it pretty much mirrors the  
15       language in the Governor's executive order.

16                And then lastly I just want to report a  
17       correction.  The last time I reported to you I  
18       spoke of AB 114, which is Blakeslee's bill he  
19       introduced regarding a carbon sequestration  
20       program.

21                And at first glance what I reported was  
22       that it seemed to be a correction to a bill that  
23       he had introduced and was enacted last year  
24       directing the Energy Commission to report on  
25       carbon sequestration issues and regulatory

1 barriers by 2007.

2 And we were concerned that that's not a  
3 reasonable or workable time frame because the  
4 WESTCARB research project will not be completed  
5 until the 2010 time frame. And my initial reading  
6 was that this bill was a legislative correction of  
7 that and extending the Commission's requirement  
8 out to 2010. When I read it more carefully it is  
9 actually quite different. It's an adjunct to that  
10 and actually requires the Commission to define a  
11 program to implement carbon sequestration in  
12 California.

13 So it is something quite different than  
14 a legislative correction and it furthers the  
15 Commission's authority or responsibility in that  
16 area, which may or may not be problematic given  
17 the dates and time frames for completion of  
18 WESTCARB and other research activities that will  
19 render the information or provide the information  
20 that we need to define such a program.

21 So anyway that is all I have and if  
22 there's any questions I'd be more than happy to  
23 answer them.

24 CHAIRPERSON BOYD: Thank you, Mr. Smith.  
25 Any questions? I note WESTCARB got quite a bit of

1 notoriety in the press, I believe over the  
2 weekend. The project administered by this agency,  
3 it's interesting.

4 The next item on the agenda is Public  
5 Adviser's Report. I am going to note for the  
6 audience and the record that our Public Adviser,  
7 Margret Kim, has resigned, effective I believe  
8 today. She is going to fulfill what I know to be  
9 a long held desire to work in China on China/US,  
10 China/California issues.

11 I know Margret had that in mind before  
12 the latest development but the latest development  
13 is that the Secretary of Cal-EPA has asked her to  
14 be Cal-EPA's resident staff person in China. She  
15 will be going on their payroll to fulfill the  
16 requirements of MOUs that have been executed with  
17 China over time in the area.

18 So I wish Margret, I'm sure we wish  
19 Margret well. Now, any other report from the  
20 office?

21 MR. BARTSCH: Commissioners, Nick  
22 Bartsch for Margret Kim. No, we do not have  
23 anything else yet except our congratulations to  
24 Margret.

25 CHAIRPERSON BOYD: Thank you, Nick.

1                   Public comment? Anyone in the audience  
2                   or on the phone asked to make any public comment?  
3                   Hearing none I guess we stand --

4                   MR. CHAMBERLAIN: Commissioner Boyd?  
5                   Commissioner Boyd?

6                   CHAIRPERSON BOYD: Oops, oops.

7                   MR. CHAMBERLAIN: Commissioner Boyd, I  
8                   just wanted to mention that given that Margret has  
9                   left I am just reminding you that Section 25217.1  
10                  says the Commission shall nominate and the  
11                  Governor shall appoint for a term of three years a  
12                  public adviser to the Commission who shall be an  
13                  attorney admitted to the practice of law in the  
14                  state and who shall carry out the provisions of  
15                  the other section that describes the duties of the  
16                  public adviser.

17                  There is no specific deadline or  
18                  timeline for you to do that but I just wanted to  
19                  remind you that that is something that you would  
20                  have to do at some point.

21                  CHAIRPERSON BOYD: Thank you. You do  
22                  raise a question in my mind. Do we have to  
23                  designate an acting public adviser or can existing  
24                  staff continue to do the work that they have done  
25                  in the past with no exercise of any authority by

1 the Commission?

2 MR. CHAMBERLAIN: I think they can  
3 continue to do their job. Sometimes in interim  
4 periods the Commission has designated one of the  
5 hearing advisers as sort of an acting public  
6 adviser when there's been several months, for  
7 example, when you have been doing a search or  
8 something.

9 CHAIRPERSON BOYD: Okay. Well we'll sit  
10 down with the Chairman and Executive Director to  
11 see what we do next in that area, thank you.

12 Any other comments? If not, thank you  
13 everybody, we stand adjourned.

14 (Whereupon, at 10:45 a.m., the  
15 business meeting was adjourned.)

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## CERTIFICATE OF REPORTER

I, JOHN COTA, 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 23rd day of February, 2007.

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