

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, MAY 23, 2007

10:04 A.M.

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

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

James D. Boyd

John L. Geesman

Jeffrey D. Byron

STAFF and CONTRACTORS PRESENT

B.B. Blevins, Executive Director

William Chamberlain, Chief Counsel

Harriet Kallymeyn, Secretariat

Stanley Yeh

Jeri Zene Scott

Ron Yasny

Lisa DeCarlo

Gary Collord

John Henry Beyer

Mark Hutchison

Lorraine White

Betty Chrisman

Michael Martin

Martha Brook

Gary Flamm

Ricardo Amon

Clare Laufenberg-Gallardo

Linda Kelly

PUBLIC ADVISER

Nicholas Bartsch

ALSO PRESENT

Scott Galati, Attorney
Galati and Beck
on behalf of Reliant Energy

Mike Alvarado
Reliant Energy

Bruce McLaughlin
California Municipal Utilities Association

Jane Luckhardt, Attorney
Downey Brand Attorneys, LLP
on behalf of Sacramento Municipal Utility District

Audrey Chang
Natural Resources Defense Council

John Weldon
Salt River Project

Norman A. Pedersen, Attorney
Hanna and Morton, LLP
on behalf of Southern California Public Power
Authority

Les Guliasi
Pacific Gas and Electric Company

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P R O C E E D I N G S

10:04 a.m.

CHAIRPERSON PFANNENSTIEL: This is the Energy Commission biweekly business meeting. Please join me for the Pledge of Allegiance.

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

CHAIRPERSON PFANNENSTIEL: We have a few changes to the agenda; in fact, specifically a number of items have been taken off of today's agenda. Items 3, 8, 18, and 21 through 25 are all off for today.

All right, given that, we'll start with the consent calendar. Is there a motion for the consent calendar?

COMMISSIONER BOYD: Move consent.

COMMISSIONER BYRON: Second.

CHAIRPERSON PFANNENSTIEL: In favor?

(Ayes.)

CHAIRPERSON PFANNENSTIEL: Consent calendar is approved.

Item 2, possible -- 2.a. possible approval of the Executive Director's data adequacy recommendation for San Gabriel Power Generation's application for certification of the San Gabriel

1 Generating Station project.

2 MR. YEH: Good morning, Chairman
3 Pfannenstiel and Commissioners. My name is
4 Stanley Yeh; Siting Project Manager for the San
5 Gabriel Generating Station project.

6 On April 13, 2007, San Gabriel Power
7 Generation filed an application for certification
8 seeking approval from the Energy Commission to
9 construct and operate the proposed San Gabriel
10 Generating Station project.

11 The project is located in the City of
12 Rancho Cucamonga, San Bernardino County, adjacent
13 to the site of the existing Etewanda Generating
14 Station.

15 San Gabriel Generating Station would be
16 a natural gas, combined cycle facility including
17 two 280 megawatt combustion turbine generators,
18 two heat recovery system generators and one 340
19 megawatt steam turbine generator.

20 Power from the project would be
21 delivered to Southern California Edison's planned
22 Rancho Vista Substation via a 1100-foot, single-
23 circuit, 525 kiloVolt line.

24 If the project is approved, construction
25 will begin in the fall of 2008 with commercial

1 operation planned by the summer of 2010.

2 Initially, staff found nine technical
3 areas where data was inadequate. These areas
4 include air quality, cultural resources, land use,
5 noise, project overview, socioeconomics, traffic
6 and transportation, transmission system
7 engineering and water resources.

8 San Gabriel Power Generation provided
9 125 copies of the supplement to the application
10 for certification on May 21, 2007, which remedied
11 the data deficiencies.

12 Staff now recommends that the Commission
13 accept the San Gabriel Power Generation
14 application for certification and supplement as
15 complete and adequate.

16 If the Commission agrees with this data
17 adequacy recommendation we would request the
18 appointment of a Committee. I'd be pleased to
19 answer any questions you may have. Thank you.

20 CHAIRPERSON PFANNENSTIEL: Thank you.
21 Are there questions?

22 Is there a motion to approve the
23 Executive Director's recommendation?

24 COMMISSIONER GEESMAN: I move we approve
25 the recommendation.

1 COMMISSIONER BYRON: And second.

2 CHAIRPERSON PFANNENSTIEL: All in favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: So it has
5 been found data adequate. I propose a Committee
6 for this of Commissioner Boyd, as the Presiding
7 Commissioner, and myself as the Second
8 Commissioner.

9 Is there a motion for the Committee?

10 COMMISSIONER GEESMAN: I move we approve
11 the Committee.

12 COMMISSIONER BYRON: And I'll second
13 that.

14 CHAIRPERSON PFANNENSTIEL: In favor?

15 (Ayes.)

16 CHAIRPERSON PFANNENSTIEL: Applicant,
17 I'm sorry, I should have given you an opportunity
18 before. So, words?

19 MR. GALATI: That's okay; thank you very
20 much, Madam Chair and Members of the Commission.
21 We certainly like to speak after the vote, so
22 appreciate that.

23 (Laughter.)

24 MR. GALATI: So we don't un-do
25 something. Thank you again for that. My name is

1 Scott Galati, representing Reliant Energy and San
2 Gabriel Generating Station. And to my left is
3 Mike Alvarado, a Director for that project and
4 that company.

5 MR. ALVARADO: Good morning,
6 Commissioners. I'm Mike Alvarado with Reliant
7 Energy. I'm the Project Developer on this
8 project. Just like to acknowledge the help
9 provided by staff in getting us to this point over
10 the last couple of months, and your time this
11 morning.

12 Have had an opportunity to talk to a
13 couple of you already. Just to reiterate, this is
14 an important project to us. We're part of the
15 SCER process currently, and are hopeful to be
16 short-listed as part of that process, in mid-June.

17 But, in any case, as I've said to a
18 couple of you previously, we're committed to this
19 effort and look forward to working with staff and
20 moving forward from here.

21 With that I'd just introduce Denise
22 Heick (phonetic) with URS, who's a key person,
23 lead project manager from URS on the effort; and
24 also Bob Long, a director of environmental
25 services with Reliant, who's also another key

1 person on this project.

2 Thank you.

3 CHAIRPERSON PFANNENSTIEL: Thank you.

4 I'm sure we'll be seeing a lot of each other.

5 MR. GALATI: Just one thing I'd like to
6 add, too, very specifically, staff member Stan
7 Yeh, Eileen Allen, Mark Hesters and Sheryl Crawson
8 were very particularly helpful in helping us
9 understand what we needed to do. And I just
10 wanted to acknowledge them personally. Thank you.

11 CHAIRPERSON PFANNENSTIEL: I appreciate
12 that; thank you for saying that.

13 Okay, item 4, Los Medanos Energy Center
14 project. Possible approval of an amendment to
15 reduce the particulate matter smaller than 10
16 microns emission limit from 131.6 tons to 69.2
17 tons per year; and to obtain an emission reduction
18 credit from the Bay Area Air Quality Management
19 District. Good morning.

20 MS. SCOTT: Good morning; my name is
21 Jeri Zene Scott. I'm the Compliance Project
22 Manager for the Los Medanos Energy Center. The
23 amendment petition before you this morning is to
24 modify the language in three air quality
25 conditions to reflect the correct PM10 emission

1 limit for the facility and to refund PM10 emission
2 reduction credits to the project owner.

3 Los Medanos Energy Center, formerly the
4 Pittsburg District Energy Facility, is a 555
5 megawatt natural gas fired, combined cycle power
6 plant located in the City of Pittsburg in eastern
7 Contra Costa County.

8 It is owned and operated by Los Medanos
9 Energy Center, LLC. It was certified on September
10 17, 1999, and it has been operational since July
11 9, 2001.

12 The project owner is proposing to modify
13 the language in air quality conditions 21(h),
14 32(d) and 33(d) to reflect lower hourly, daily and
15 annual PM10 emission limits. The proposed changes
16 to the PM10 emission limits are as follows:

17 It would be a reduction in the hourly
18 PM10 emissions for each turbine from 16.3 pounds
19 to 9 pounds per hour. The daily PM10 emission
20 limit for the complete facility will be reduced
21 from 742 pounds per day to 465 pounds per day.
22 The annual PM10 emissions for the facility will be
23 reduced from 131.6 tons per year to 69.2 tons per
24 year.

25 Staff concludes that there will be no

1 significant impacts because the proposed revisions
2 to the conditions of certification can be simply
3 viewed as an administrative change to the
4 Commission decision, because the actual PM10
5 emissions would not increase or decrease as a
6 result of approving this petition.

7 When the project was certified in 1999
8 the PM10 emissions on the GE model 207F gas
9 turbine was estimated to be about 16.3 pounds per
10 hour using manufacturer information. This
11 emission rate may have been set high by the
12 turbine manufacturer to protect against potential
13 liabilities due to lack of missed performance
14 guarantees.

15 The facility started commercial
16 operation in 2001 and after five consecutive
17 annual source tests that consistently showed that
18 the turbine's PM10 emissions never exceeded 9
19 pounds per hour, the project owner is requesting
20 PM10 emission limits listed in AQ21(h), 32(d),
21 33(d) be reduced to reflect the correct lower PM10
22 emissions and return the excess PM10 emission
23 reduction credits to the owner.

24 To date the project owner has
25 surrendered a total of 131.6 tons of PM10 and

1 PM10-equivalent emission reduction credits to the
2 District.

3 During the siting process the project
4 owner provided 98.13 tons of PM10 and 103.48 tons
5 of SO2 as an interpollutant trade of a PM10
6 precursor, emission reduction credits to mitigate
7 the project's 123.55 tons of PM10 emissions.

8 In May 2000 the project owner requested,
9 and received approval for, an amendment which
10 resulted in the project owner providing an
11 additional 8.05 tons of PM10 to the District to
12 reflect an increase in the PM10 levels to the
13 131.6 tons.

14 The PM10 emission limits are being
15 lowered by 62.4 tons per year. Amending the air
16 quality conditions will result in the refund of 62
17 -- that's not quite right here -- this is better.
18 The annual PM10 tons will be reduced to 69.2 tons
19 per year, and the project owner will receive 62.4
20 tons per year as a refund.

21 The public process for this amendment.
22 The petition was filed and docketed on August
23 17th; the notice of receipt was mailed to the
24 post-certification list and agencies; and posted
25 to the Commission website and docketed on October

1 18th.

2 Staff analysis was mailed to the
3 interested parties, docketed and posted to the CEC
4 website on January 17, 2007. No comments were
5 received.

6 The Air District approved the reduction
7 emission limits and refund the ERCs to the project
8 owner on February 2, 2007.

9 The petition meets all the filing
10 criteria of 1769(a) concerning post-certification
11 project modification. Staff recommends that the
12 Energy Commission approve revisions to air quality
13 conditions 21(h), 32(d), and 33(d).

14 That concludes my presentation.
15 Technical staff is available if there are any
16 questions.

17 CHAIRPERSON PFANNENSTIEL: Thank you.
18 Are there questions? Discussion? Motion?

19 COMMISSIONER BOYD: Seems like a good
20 news story.

21 COMMISSIONER GEESMAN: It's a very good
22 news story. We took this up in the Siting
23 Committee a couple weeks ago. I would move
24 approval of staff recommendation.

25 COMMISSIONER BYRON: And I second it.

1 CHAIRPERSON PFANNENSTIEL: All in favor?

2 (Ayes.)

3 CHAIRPERSON PFANNENSTIEL: It's

4 approved, thank you.

5 MS. SCOTT: Thank you. And you guys

6 have a great day.

7 CHAIRPERSON PFANNENSTIEL: You, too.

8 Item 5, Gateway Generating Station. Possible
9 approval of a modification to conditions of
10 certification noise-8 to change construction work
11 hours. Good morning.

12 MR. YASNY: Good morning. Ron Yasny,
13 Compliance Project Manager. This is a
14 modification to condition noise-8 to allow for
15 modification for extended work hours.

16 The Gateway Generating Station is in an
17 industrial area. They are still within the LORS
18 for the community. The noisy activities will
19 still be kept from 9:00 to 5:00. And the only
20 residential impacts is a harbor, which has some
21 live-on boats; and they have not objected. And
22 there is a hotline set up in case there are any
23 objections to the extended work hours.

24 And this is to make up for lost time
25 during the ownership transfer from Mirant to PG&E.

1 So, given all that, Siting is supportive
2 and staff is supportive of approval.

3 CHAIRPERSON PFANNENSTIEL: Thank you.
4 Commissioner Byron, did you have any comment?

5 COMMISSIONER BYRON: One quick question,
6 if I may.

7 CHAIRPERSON PFANNENSTIEL: Certainly.

8 COMMISSIONER BYRON: Mr. Yasny, has
9 there been any public comments received since this
10 went through the Siting Committee?

11 MR. YASNY: There have not.

12 COMMISSIONER BYRON: Thank you.

13 CHAIRPERSON PFANNENSTIEL: Comments?

14 COMMISSIONER GEESMAN: I would move
15 approval of the staff recommendation.

16 COMMISSIONER BYRON: And I second it.

17 CHAIRPERSON PFANNENSTIEL: In favor?

18 (Ayes.)

19 CHAIRPERSON PFANNENSTIEL: It's been
20 approved, thank you.

21 MR. YASNY: Thank you.

22 CHAIRPERSON PFANNENSTIEL: Items 6 and 7
23 are related, but we'll take them up separately.
24 Item 6 is consideration and possible adoption of a
25 negative declaration determining that there will

1 be no significant adverse environmental impact for
2 regulations establishing and implementing the
3 greenhouse gases emission performance standard for
4 local, publicly owned electric utilities under SB-
5 1368. Ms. DeCarlo.

6 MS. DeCARLO: Good morning, Chairman,
7 Commissioners. Lisa DeCarlo, Senior Staff
8 Counsel. Gary Collord, our Project Manager, has
9 prepared a presentation for you on this matter.

10 CHAIRPERSON PFANNENSTIEL: Thank you.
11 Mr. Collord.

12 MR. COLLORD: Good morning,
13 Commissioners. Staff conducted an initial study,
14 analysis and checklist, and prepared a negative
15 declaration for the proposed Commission action to
16 adopt regulations establishing and implementing a
17 greenhouse gases emissions performance standard
18 for local publicly owned electric utilities.

19 Staff found that the proposed project
20 would not necessitate the expansion of existing or
21 development of new power generation or
22 transmission facilities. And therefore the
23 project would not cause any significant adverse
24 environmental impacts upon any of the issue areas
25 examined in the initial study checklist.

1 Staff carefully considered the project's
2 potential effects on energy resources and energy
3 generating facilities. Staff calculated the
4 anticipated power generation needs of the state's
5 publicly owned utilities over the next five to 20
6 years and considered the effect of the proposed
7 regulations, the effect they could have on the
8 availability of energy resources and power
9 generating facilities available to meet those
10 anticipated needs.

11 Staff believes that most of the POUs'
12 near-term needs for additional power generation
13 during the next five years will be met by
14 developing or acquiring renewable energy resources
15 as they work to meet their RPS goals, and
16 therefore the project should have limited impact.

17 Beyond this period the project could
18 cause the POUs to shift their additional energy
19 procurement needs from noncompliant facilities to
20 generating facilities using cleaner sources of
21 energy, such as natural gas.

22 While this shift could place increased
23 demands on facilities that are compliant with the
24 proposed emissions performance standard, staff
25 believes sufficient compliant baseload facilities

1 are available within the Western Electricity
2 Coordinating Council territory to accommodate this
3 shift without necessitating the expansion of
4 existing, or development of new power generating
5 facilities.

6 The Commission recently received written
7 comments from the Center for Energy and Economic
8 Development, CEED, that, in part, respond to some
9 of the initial study conclusions.

10 In particular, CEED believes that the
11 regulations' potential to cause the POUs to shift
12 their future power procurement towards cleaner
13 power generating facilities, particularly those
14 using natural gas resources, will expose
15 California's ratepayers to greater natural gas
16 market reliability risk and price volatility.

17 Notwithstanding these concerns, staff's
18 initial study analysis and recommendation is based
19 on the potential environmental impacts of the
20 proposed project relative to energy resources and
21 energy generating facilities.

22 Based upon a cumulative analysis of
23 these issues staff found that the proposed project
24 would have a less than significant impact on
25 energy resources and energy generating facilities.

1 And no adverse impacts on the other issue areas
2 examined in the study.

3 As a result no mitigation measures are
4 proposed for the project, and staff recommends
5 that the Commission adopt the proposed negative
6 declaration.

7 I should point out that the initial
8 study was prepared prior to the 15-day language
9 changes that are going to be considered next. But
10 these changes should not alter the findings of the
11 initial study.

12 MS. DeCARLO: If I could just add one
13 thing. I just want to make sure that it's clear
14 because concerns have been raised. Our initial
15 study analysis is focused on a five-year time
16 period. AB-32 we expect to be implemented within
17 the five years. We believe at that time things
18 may change. We're required under SB-1368 to look
19 back at the regulations to see if these
20 regulations need to be changed as a result of AB-
21 32 implementation, or another command-and-control
22 type greenhouse gas situation.

23 Because of that we believe it's
24 speculative to go beyond, to look beyond the five
25 years environmental impacts.

1 CHAIRPERSON PFANNENSTIEL: So the
2 negative dec is based on the five years.

3 MS. DeCARLO: Yes.

4 CHAIRPERSON PFANNENSTIEL: Bruce
5 McLaughlin of CMUA has asked to speak on this
6 item. Why don't we hear from Mr. McLaughlin.

7 MR. McLAUGHLIN: Thank you very much,
8 Commissioners. Bruce McLaughlin, CMUA. Thank
9 you, Ms. DeCarlo, for that last comment there, and
10 Gary.

11 Our remaining question is not what the
12 negative declaration does, but possibly to clarify
13 what it does not do. And that, our understanding
14 is that it does not impact the decisionmaking
15 authority of the POUs to determine what type of
16 resources are required to meet their loads
17 ongoing, even in this first five-year period. We
18 have various statutory schemes defined by AB-380,
19 2021, et cetera, where we look at the loading
20 order, we look at various things to meet our
21 needs.

22 And we have had internal concern that
23 some of the language here would possibly impact
24 that. So we'd like just a response from the
25 Commission.

1 CHAIRPERSON PFANNENSTIEL: Ms. DeCarlo,
2 would you like to respond to that?

3 MS. DeCARLO: Well, obviously, the
4 negative declaration, itself, doesn't have any
5 legal impact on what the POU's can and cannot do.
6 Our analysis was strictly limited to the evidence
7 that we had before us. Staff's analysis, we
8 believe that the effect of these regulations will
9 not be to necessitate additional construction by
10 the POU's.

11 MR. McLAUGHLIN: And yet it's not
12 designed to impact our board's determining that
13 possibly construction of generation or
14 transmission might be required to meet our need
15 two years from now, three years from now.

16 CHAIRPERSON PFANNENSTIEL: Mr.
17 McLaughlin, I think that we understand your
18 concern. I believe that we are aware of both in
19 terms of the negative declaration and the
20 regulations, themselves, which we'll take up next.

21 I think we are cognizant of what your
22 point is on that. And we recognized it.

23 COMMISSIONER BYRON: Madam Chair.

24 CHAIRPERSON PFANNENSTIEL: Yes.

25 COMMISSIONER BYRON: The Committee, the

1 Electricity Committee, feels that staff's done a
2 very thorough job in the negative declaration.
3 And we're confident that that assessment is
4 accurate.

5 And I know that may not be the answer
6 you're looking for, Mr. McLaughlin, but I note
7 that there is every single item has been
8 identified as essentially insignificant except for
9 one, I believe, the one that you're raising, and
10 that's identified as less than significant impact.

11 So we're pretty confident that the
12 analysis is thorough and complete.

13 CHAIRPERSON PFANNENSTIEL: And, Mr.
14 McLaughlin, that is why we took up this as a
15 separate issue so that we would go through that
16 entire analysis. The staff has done so.

17 Yes.

18 COMMISSIONER GEESMAN: I guess I would
19 add that as I know you're aware, Bruce, in a
20 negative dec we're supposed to avoid speculative
21 determinations. And, you know, that's not to say
22 that any of your members are precluded by the
23 negative dec from taking some action. Simply that
24 we have declined to engage in a speculative review
25 as to what might happen.

1 In the professional judgment of our
2 staff, and the judgment shared and endorsed by the
3 Electricity Committee, and hopefully the full
4 Commission, we don't see an impact during that
5 five-year period.

6 And we regard any further pursuit down
7 that path as a speculative pursuit that wouldn't
8 really be of any benefit.

9 MR. McLAUGHLIN: I do believe,
10 Commissioner Geesman, that in that paragraph you
11 answered my question to my satisfaction. So, I
12 thank you.

13 COMMISSIONER BOYD: And I would say that
14 that now resolves the issue to my satisfaction. I
15 was having a little bit of uneasiness there, not
16 being on the Electricity Committee and having
17 debated this. But Commissioner Geesman, I think,
18 clarified it in my mind, that as he indicated we
19 find no negative impact over that period of time.
20 But you're at liberty to make the decisions you
21 need to make in accordance with all laws, rules,
22 regulations, et cetera.

23 MR. McLAUGHLIN: Thank you, Commissioner
24 Boyd. Thank you, Commissioners.

25 CHAIRPERSON PFANNENSTIEL: Thank you.

1 With that, is there further questions or further
2 discussion.

3 MS. LUCKHARDT: Can I --

4 CHAIRPERSON PFANNENSTIEL: Please.

5 MS. LUCKHARDT: I'm sorry. This is Jane
6 Luckhardt on behalf of SMUD. I just, after
7 listening to the back-and-forth and the discussion
8 I would have just one item that you might consider
9 adding to the initial study to help clarify the
10 issue, and maybe strengthen it in regards to
11 CEED's comments, which is in the initial study in
12 the section, the first paragraph that's on page 3
13 where you talk about the proposed project.

14 I think it would be helpful there to add
15 the sentence that you have on page 6, fourth
16 paragraph down. The first sentence starts with
17 However. If you move past there and start with
18 SB-1368 directs the Energy Commission to
19 reevaluate and continue, modify or replace the
20 EPS, when enforceable greenhouse gas emission
21 limits are established and implemented by the
22 California ARB, and Assembly Bill AB-32.

23 If you would add that sentence up to the
24 proposed project to help define it as being a
25 five-year time period, I think that that would

1 strengthen the negative declaration in regards to
2 CEED's comments and other concerns that have been
3 expressed.

4 The operative timeframe is, in AB-32, is
5 by January 1, 2012. And that's stated in section
6 38562(a). And I think that that would strengthen
7 it by carefully focusing the negative declaration
8 to that five-year period that we've been
9 discussing.

10 CHAIRPERSON PFANNENSTIEL: I appreciate
11 the comments. I'm not sure, Ms. DeCarlo, whether
12 we need to revise the draft, or just take the
13 information as for our benefit.

14 MS. DeCARLO: You can take the
15 information and include it as part of your
16 adoption of the negative declaration.

17 CHAIRPERSON PFANNENSTIEL: Fine. With
18 that, further comments, discussion, questions? Is
19 there a motion?

20 COMMISSIONER BYRON: Madam Chair, I'd
21 like to move the item.

22 COMMISSIONER GEESMAN: I'll second the
23 motion; and it's my understanding that Commission
24 Byron was incorporating the addition that Ms.
25 Luckhardt had suggested.

1 COMMISSIONER BYRON: Yes, I'm fine with
2 that.

3 CHAIRPERSON PFANNENSTIEL: All in favor?
4 (Ayes.)

5 CHAIRPERSON PFANNENSTIEL: So it's
6 approved with that addition to it.

7 And so that moves us into item 7,
8 consideration and possible adoption of the
9 regulations establishing and implementing a
10 greenhouse gases emissions performance standard
11 for local, publicly owned electric utilities as
12 proposed by the Electricity Committee under SB-
13 1368, and as amended by 15-day language published
14 on May 4, 2007. Ms. DeCarlo.

15 MS. DeCARLO: Thank you. Lisa DeCarlo,
16 again. I worked with the staff and the
17 Electricity Committee in developing the rulemaking
18 package that is before you this morning for your
19 consideration.

20 The rulemaking was initiated in response
21 to enactment of SB-1368, which requires the Energy
22 Commission to establish and implement a greenhouse
23 gases emissions performance standard for local,
24 publicly owned electric utilities.

25 The Electricity Committee and Commission

1 Staff worked closely with the California Public
2 Utilities Commission to insure that these
3 regulations are consistent with those adopted by
4 the CPUC.

5 We also worked with the Cal-ISO and the
6 California Air Resources Board to get these
7 agencies' input.

8 The rulemaking began late last year when
9 the Commission adopted an order instituting
10 rulemaking; and assigned the Electricity Committee
11 to oversee the rulemaking process.

12 Shortly thereafter Commission Staff had
13 several meetings with interested stakeholders,
14 including CMUA, SCPPA, NCPA and the various local
15 publicly owned electric utilities that these
16 organizations represent, as well as other POU's.

17 Staff issued an issues identification
18 paper in November 27 outlining for discussion at
19 the first Committee workshop on December 8, 2006,
20 issues to be discussed.

21 After receiving stakeholder input at
22 this workshop, written comments after the
23 workshop, and input during subsequent discussions
24 with the various parties, staff issued proposed
25 regulations on January 3, 2007.

1 This proposal was the subject of
2 Committee workshops held on January 11th and 18th,
3 2007, where the Committee received additional
4 stakeholder input. Additional comments were filed
5 by parties after these workshops and the
6 Committee, taking all this input into
7 consideration, published proposed regulations and
8 a notice of proposed action on March 9, 2007,
9 starting the 45-day comment period.

10 Written comments were filed on the
11 proposed regulations, and the Commission listened
12 to oral comments at the April 25, 2007 business
13 meeting. In response to these comments the
14 Committee issued a few clarifying changes to the
15 proposed regulations under 15-day language.

16 Six parties have filed written comments
17 on these proposed changes. The Committee has
18 carefully reviewed these comments and determined
19 that no further changes to the regulations are
20 warranted.

21 On behalf of the Electricity Committee I
22 encourage adoption of the regulations before you.
23 If you have any questions I would be happy to
24 answer them.

25 CHAIRPERSON PFANNENSTIEL: Thank you,

1 Ms. DeCarlo. Are there questions of staff? I
2 have a number of parties who would like to speak.
3 But if there are questions, why don't we do that
4 now.

5 COMMISSIONER BYRON: Ms. DeCarlo, would
6 you clarify the six comments are from CMUA, Salt
7 River Project, Environmental Entrepreneurs, NRDC
8 and CEED. Who's the sixth?

9 MS. DeCARLO: I'm sorry, I included
10 Union of Concerned Scientists with NRDC.

11 COMMISSIONER BYRON: Okay, thank you.

12 CHAIRPERSON PFANNENSTIEL: We do have
13 some people who would like to speak to this. Why
14 don't we start with Audrey Chang of NRDC.

15 MS. CHANG: Good morning, Commissioners.
16 Audrey Chang with NRDC. We, as Ms. DeCarlo
17 mentioned, we did submit comments along with the
18 Union of Concerned Scientists in strong support of
19 the 15-day language.

20 We urge you today to adopt those
21 proposed regulations in that language to establish
22 and implement the greenhouse gas performance
23 standard for publicly owned utilities. We support
24 staff's recommendation that no further changes are
25 necessary. We support the changes that were made

1 in the 15-day language, and we believe that they
2 serve to clarify the regulations.

3 We'd like to also commend staff, the
4 Electricity Committee and the various stakeholders
5 for working very hard over the past several
6 months. And we are very satisfied with the
7 results in the resulting proposed regulations.

8 The proposed regulations before you
9 today are very essential to insuring that SB-1368
10 is implemented in such a way that insures that
11 customers across the state will be consistently
12 protected from the significant financial and
13 reliability risks associated with further long-
14 term investments in highly greenhouse gas-
15 intensive generating technologies.

16 The proposed regulations, in our view,
17 will insure that the statutory requirements of SB-
18 1368 will be met. We believe that the proposed
19 regulations are consistent with those rules
20 adopted by the California Public Utilities
21 Commission. We emphasize that it's the same
22 underlying standard that will now apply to the
23 investor-owned utilities, as well as the publicly
24 owned utilities.

25 And we strongly urge your adoption of

1 these proposed regulations today to insure
2 enforcement by June 30th. Thank you very much,
3 and I'd be happy to take any comments or questions
4 that you have.

5 CHAIRPERSON PFANNENSTIEL: Thank you for
6 your help and support in this.

7 MS. CHANG: Thank you.

8 CHAIRPERSON PFANNENSTIEL: John Weldon
9 from Salt River Project.

10 MR. WELDON: Madam Chairperson, Members
11 of the Commission, my name is John Weldon; I'm
12 appearing today on behalf of the Salt River
13 Project Agricultural Improvement and Power
14 District, a political subdivision of the State of
15 Arizona.

16 I'm sure it's a little bit unusual for a
17 non-California entity to appear before the
18 Commission, but I'm here today representing SRP as
19 the operating agent of the Navajo Generating
20 Station, which is a 2250 megawatt coal-fired power
21 plant located in northern Arizona on the Navajo
22 Reservation.

23 Of the six owners of that plant, the Los
24 Angeles Department of Water and Power is one of
25 the owners; and so that sparked our interest in

1 your regulation.

2 We submitted comments on the proposed
3 regulation on April the 5th, April the 24th and on
4 May 21st. And we would like to thank the
5 Commission and its staff for meeting with us and
6 listening to the concerns that we've expressed
7 with respect to the definition, particularly of
8 new ownership investment. And we are particularly
9 pleased with the change in the 15-day language
10 that exempts from the definition of new ownership
11 investment routine maintenance activities.

12 Nevertheless, we have three areas which
13 we still have concerns about with respect to the
14 proposed regulation. The first deals with the
15 application of the regulation to existing, jointly
16 owned facilities. We noted in our last set of
17 comments that we agree with the comments of NRDC
18 that were submitted in late April, that SB-1368
19 was not intended to apply to existing, jointly
20 owned facilities. Nevertheless, this regulation,
21 clearly on its face, does extend to those
22 facilities.

23 The second issue that we have is the
24 absence of any definition of the term investment
25 in the definition of new ownership investment, to

1 distinguish that term from just common
2 expenditures.

3 As we would read the definition today,
4 it is broad enough to encompass basically any
5 expenditure; and so the word investment really is,
6 in our view, rendered pretty much meaningless.

7 Finally, the last issue we have is when
8 the calculation of a potential five-year extension
9 of a plant's life begins to be calculated. It's
10 completely unclear from the regulation when that
11 determination would begin to be made, whether it
12 would be at the termination date of an existing
13 lease for a facility, whether it would be
14 triggered by some improvement to the facility that
15 could extend the operating life of the facility
16 that would otherwise be required to be shut down
17 tomorrow. It's just unclear when that five-year
18 period begins to run and how it be calculated.

19 And so those are the three areas of the
20 regulation that we would like to see changed. We
21 understand that you're under a very short
22 timeframe to implement this regulation, but
23 nevertheless, we wanted to make these additional
24 comments.

25 We appreciate the opportunity to appear

1 before you. And, again, we really appreciate the
2 effort of the Commission and staff to meet with us
3 and listen to our concerns.

4 I'd be happy to answer any questions.

5 CHAIRPERSON PFANNENSTIEL: Thank you,
6 sir. We appreciate your taking the time to come
7 here and become as involved as you have been. I
8 think it's helped the process.

9 MR. WELDON: Thank you.

10 CHAIRPERSON PFANNENSTIEL: Norman
11 Pedersen from Southern California Public Power
12 Authority.

13 MR. PEDERSEN: Thank you and good
14 morning. I am Norman Pedersen, appearing today
15 for the Southern California Public Power
16 Authority.

17 I'm here today to express our
18 appreciation to you, the Committee and the staff,
19 particularly Lisa DeCarlo and Kevin Kennedy, for
20 the Commission's work on the proposed SB-1368
21 regulations, and particularly for the 15-day
22 revisions to the originally proposed regulations.

23 With the 15-day revisions, SCPA
24 believes the Commission has developed a set of
25 regulations that meet the Legislature's objectives

1 while being administratively feasible.

2 We have joined in a CMUA written
3 requests for some nonsubstantive revisions and
4 interpretations which would not delay adoption of
5 the regulations before you today. We do recommend
6 these nonsubstantive revisions and interpretations
7 to your consideration.

8 We look forward going forward to working
9 with the Commission and the staff as we comply
10 with your SB-1368 regulations. Thank you.

11 CHAIRPERSON PFANNENSTIEL: Thank you,
12 Mr. Pedersen. Further comment before we seek a
13 motion on this item? Yes, Mr. McLaughlin?

14 MR. McLAUGHLIN: Thank you. Bruce
15 McLaughlin, CMUA. I want to make sincere thanks
16 to staff and just not a perfunctory thanks, but
17 Gary Collord, Lisa DeCarlo, Karen Griffin, Kevin
18 Kennedy, Dave Vidaver have all been involved in
19 this process.

20 It's been a long and arduous -- or,
21 maybe, should I say short and arduous process --

22 (Laughter.)

23 MR. McLAUGHLIN: Also, my learned
24 colleague, Audrey Chang, thank you very much. We
25 have worked together with NRDC, particularly on

1 some of the language in the first go-round. So
2 we've met many times, and I appreciate all the
3 effort of staff to go back and forth to the
4 Electricity Committee, get clarification where we
5 could offer changes, or at least understand what
6 the regs meant.

7 As mentioned by Norm Pedersen just now,
8 there was one section that we were still seeking
9 some feedback from the Commission; maybe we could
10 have a dialogue right now. And that's on the new
11 section 2907, where it's a request for a
12 Commission evaluation of a prospective
13 procurement.

14 And as written, it uses the
15 investigation process, which, according to the
16 statute, could be a very long process. And we
17 understand that when you come to the Commission
18 for an evaluation you would still have to come
19 back to the Commission with a compliance filing.

20 And so the same, very much the same
21 information could be reviewed again. And so if
22 this is just a pre-review, what do you think about
23 this stuff, staff or Commission? Is this
24 something that we should go forward with, as it's
25 ongoing, we would hope that this would be an

1 expedited process, since we know that you're going
2 to come back on the compliance filing and grab
3 everything anyway.

4 So, we were hoping for input from the
5 Commission on their view of this process.

6 CHAIRPERSON PFANNENSTIEL: Commissioner
7 Geesman, do you have a comment?

8 COMMISSIONER GEESMAN: I do. I
9 certainly think that it should be an expedited
10 process, and I guess I would extend the range of
11 interaction, you know, and we'll learn more as
12 time passes and we have some specific examples in
13 front of us.

14 But I'd extend the range of interaction
15 from a simple phone call to our staff to a formal
16 filing in front of the full Commission. And I
17 think it's because we envisioned such a broad
18 range of interaction that we've not been able to
19 provide more specific guidance in the regs,
20 itself, such as time limits and the like.

21 We also have not imposed any data
22 adequacy requirements of what such a request
23 should contain before it is filed.

24 But I certainly would hope that it be an
25 expedited review process. And I think the spirit

1 in which we addressed these entire collection of
2 regulations would reinforce that belief to you, as
3 well.

4 MR. McLAUGHLIN: Thank you, Commissioner
5 Geesman.

6 COMMISSIONER BYRON: Also, we discussed
7 this at length this morning, as I recall we're in
8 general agreement with counsel and, Ms. DeCarlo,
9 correct me if I'm wrong, that this would, indeed,
10 probably trigger an additional 15-day language.

11 MS. DeCARLO: yes, the proposed change
12 goes beyond the nonsubstantial that is allowed
13 under OAL without notice, and enters into the
14 realm of substantial change that would require
15 another 15-day noticing provision.

16 MR. McLAUGHLIN: So as far as our
17 proposed language you're saying we can't do that
18 and still maintain this current schedule. But
19 what I heard from Commissioner Geesman is that
20 certainly the Commission is interested in
21 expediting this evaluation process. Thank you
22 very much.

23 CHAIRPERSON PFANNENSTIEL: Thank you.
24 Given that, is there a motion to adopt the
25 regulations under SB-1368, the proposed

1 regulations.

2 COMMISSIONER BYRON: Madam Chair, I
3 would like to move the item.

4 CHAIRPERSON PFANNENSTIEL: And a second?

5 COMMISSIONER GEESMAN: Second.

6 CHAIRPERSON PFANNENSTIEL: All in favor?
7 (Ayes.)

8 CHAIRPERSON PFANNENSTIEL: It's been
9 approved, thank you.

10 COMMISSIONER BYRON: Would it be all
11 right if I add a few comments here at the end, now
12 that we've approved this?

13 CHAIRPERSON PFANNENSTIEL: It certainly
14 would be.

15 COMMISSIONER BYRON: Thank you. There's
16 no secret to the fact that this is new process to
17 me, as a fairly new Commissioner. I just wanted
18 to, as Mr. McLaughlin indicated, extend my thanks
19 to a number of folks, and starting initially with
20 staff. All the individuals that he mentioned, Ms.
21 DeCarlo, Gary Collord, a number of our staff,
22 Melissa Jones, Commissioner Geesman's Advisor, and
23 Kevin Kennedy, mine. And there's others that I
24 could go on for a long period of time.

25 But we worked under a very difficult

1 schedule that the Legislature gave us here. I'd
2 like to thank you all personally for the support
3 that you provided the Electricity Committee and me
4 in seeing this through.

5 But it's also been a very challenging
6 set of regulations to implement. But the
7 organizations that participated in our process, I
8 think we had at least three workshops; and of
9 course, we covered comments, as well, at the last
10 business meeting.

11 I think CMUA merits recognition for the
12 efforts that they put forward within their own
13 organization to meet our schedule requirements
14 here. Just extraordinary. And all the other
15 organizations, some of which are here today, I
16 think did just an exemplary job of coordinating
17 their comments, working together. Certainly we
18 provided an extraordinary amount of work for a
19 number of lawfirms, as a result of --

20 (Laughter.)

21 COMMISSIONER BYRON: -- the effort that
22 was done here today. And I'd like to just finish
23 with my sincere thanks to Commissioner Geesman.
24 His invaluable assistance and expertise on this
25 project, and your knowledge of the law was

1 extremely helpful, Commissioner. I'm not sure we
2 could have gotten through this without you, so
3 thank you very much.

4 COMMISSIONER GEESMAN: I guess I would
5 add to that that the Senate Rules Committee
6 certainly recognized the value of your
7 contribution --

8 (Laughter.)

9 COMMISSIONER GEESMAN: -- here recently,
10 and I'm fully confident that the entire Senate
11 will affirm that shortly.

12 This is a significant step in
13 contributing to California's efforts to address
14 greenhouse gas reductions. And you were fortunate
15 enough, I think, to have it as your first
16 assignment. So, way to go.

17 COMMISSIONER BOYD: Can we now say the
18 new guy's initiated and --

19 (Laughter.)

20 COMMISSIONER BOYD: -- no longer can
21 hide behind the new guy.

22 COMMISSIONER BYRON: Thank you.

23 CHAIRPERSON PFANNENSTIEL: I'd like to
24 add the fact that this was -- Jeff, you said it
25 was a new process to you. It was, in fact, a new

1 process to all of us. This is the idea of having
2 such a short timeframe and having to meet very
3 stringent criteria within the legislation; but
4 also having to work collaboratively with the PUC
5 to make sure that our rules meshed with theirs.

6 And all of the various parties that were
7 interested; and in fact, very concerned about
8 this. I think the Electricity Committee and, you
9 know, under your leadership, Jeff, an incredible
10 process. I think it was effective and successful
11 and I think we heard here today that all parties
12 that have been involved in it have, you know, with
13 still -- there's still some issues and still some
14 i's to be dotted, perhaps.

15 But I think that the overall substance
16 has been very effective, so --

17 COMMISSIONER BYRON: So, I apologize to
18 the publicly owned utilities out there what we've
19 given you, but we've done our best to see the
20 implementation of this law.

21 CHAIRPERSON PFANNENSTIEL: Okay, that's
22 it. Thank you all, very much.

23 MS. DeCARLO: Thank you.

24 CHAIRPERSON PFANNENSTIEL: Moving on,
25 then. Item 9, possible approval of contract ROY-

1 06-001 for royalty repayment by Clean Energy
2 Systems, Inc., to the Energy Commission, based on
3 sales of the CES oxy-fuel combustor, called a gas
4 generator. Good morning.

5 MR. BEYER: Good morning, Madam Chairman
6 and Commissioners. I'm John Beyer in the PIER
7 program's environmentally preferred advanced
8 generation group.

9 This item is a royalty agreement that is
10 now been tailored at the end of a regarded very
11 successful PIER project to develop a unique
12 combustion system for power plant generation that
13 results in the only exhaust gas being carbon
14 dioxide, which can then be sequestered or used for
15 other purposes such as enhanced oil recovery.

16 Working with our legal staff, Allan Ward
17 and Mike Heintz, and then negotiating with the
18 chief executive officer of Clean Energy Systems,
19 we've developed a somewhat modified royalty
20 agreement that I think works to the benefit of
21 both the Commission and the State of California;
22 and works very well for this start-up company
23 should its technology ultimately become
24 successful.

25 I'd like to ask for your approval, but

1 if you'd like to discuss details I'd be happy to
2 talk them over with you.

3 CHAIRPERSON PFANNENSTIEL: I have a
4 question that's more structural than detail. This
5 is a new process that we are authorizing a
6 separate royalty agreement under -- separate from
7 the contract that we already have with the Clean
8 Energy Systems?

9 MR. BEYER: Well, we have done this
10 before on some of our PIER projects when the
11 royalty provisions in our standard agreement
12 simply don't seem to adequately fit the situation
13 that has developed with the company and how we
14 would appropriate apply the terms of that
15 agreement.

16 So, what we've worked and developed here
17 is most certainly based upon those terms and
18 conditions. But there's some modifications to it.

19 CHAIRPERSON PFANNENSTIEL: This is just
20 the first time in my three and a half years that
21 I've seen a separate royalty agreement.

22 MR. BEYER: But I have, in fact, --

23 CHAIRPERSON PFANNENSTIEL: I didn't know
24 whether that was a change in the process.

25 MR. BEYER: I see. I have, in fact,

1 brought similar modified royalty provisions before
2 the Commission, I think two previously.

3 CHAIRPERSON PFANNENSTIEL: Okay, fine.
4 Is there discussion or other questions?

5 COMMISSIONER BOYD: Seems to me like
6 another good news story.

7 COMMISSIONER GEESMAN: It is a good news
8 story. I'll move approval. The R&D Committee
9 took this up recently, so I'll move approval.

10 COMMISSIONER BOYD: I'll second it.

11 CHAIRPERSON PFANNENSTIEL: All in favor?
12 (Ayes.)

13 CHAIRPERSON PFANNENSTIEL: It's
14 approved; thank you.

15 MR. BEYER: Thank you.

16 CHAIRPERSON PFANNENSTIEL: Item 10,
17 possible approval of a PIER natural gas grant of
18 \$501,451 to Solar Turbines, Incorporated, for
19 development of an ultra-low NOx supplementary
20 burner for cogeneration applications.

21 MR. BEYER: This is a PIER EPAG project
22 that resulted from a solicitation with natural gas
23 funds. Solar turbines in this project will work
24 with a supplementary burner to be used in combined
25 heat and power systems.

1 The burner, itself, was developed at
2 Lawrence Berkeley National Lab predominately with
3 DOE funds. And now Solar Turbines wants to modify
4 this to work in the environment of the exhaust gas
5 of a gas turbine. So that's what the new work is,
6 the research to be done. Because it'll be
7 operating in a reduced oxygen environment and a
8 very high flow velocity environment as a
9 supplementary burner to add heat for subsequent
10 combined heat and power applications.

11 While it doesn't say so here, Solar
12 Turbines intends to first apply this technology,
13 once they develop it, to their Mercury 50, which
14 is a newly released, highly efficient recuperated
15 gas turbine that starts off being very clean.

16 And the intent is to develop a combined
17 heat and power package that will meet CARB 2007
18 regulations. So, in that sense it's specifically
19 designed for California and the California market
20 to meet these new regulations.

21 So, I would ask for your approval of
22 this project.

23 CHAIRPERSON PFANNENSTIEL: Questions?
24 Discussion?

25 COMMISSIONER GEESMAN: I'll move

1 approval.

2 COMMISSIONER BOYD: I'll second
3 approval. I was very impressed with the potential
4 technology application, particularly as it relates
5 to CHP. Now, I'd just like to see more CHP
6 applications.

7 MR. BEYER: I would, too.

8 COMMISSIONER GEESMAN: There are
9 challenges to clear away the policy underbrush
10 that continues to impede that. We've done a lot
11 on the technology side.

12 COMMISSIONER BOYD: Yes, I have some
13 sticker-thorns in my side.

14 CHAIRPERSON PFANNENSTIEL: Moved and
15 seconded.

16 All in favor?

17 (Ayes.)

18 CHAIRPERSON PFANNENSTIEL: Approved;
19 thank you.

20 MR. BEYER: Thank you, Commissioners.

21 COMMISSIONER BOYD: For fear we would
22 continue that colloquy.

23 CHAIRPERSON PFANNENSTIEL: Yes.
24 Possible approval of reallocation of \$31,500,000
25 to the emerging renewables program from renewable

1 energy program funding sources including unused
2 SB-90 funds and interest earnings on the Renewable
3 Resources Trust Fund. Mr. Hutchison, good
4 morning.

5 MR. HUTCHISON: Good morning,
6 Commissioners. Mark Hutchison with the renewable
7 energy office. The item before you requests
8 approval of a reallocation of \$31.5 million within
9 the renewable resources trust fund. There are
10 four accounts within the fund: the new renewable
11 resources account, the existing renewable
12 resources account, the emerging renewables
13 account, and the consumer education account.

14 The allocation would move approximately
15 \$28.5 million from what we call SB-90, new
16 renewable resources account funds, and \$3 million
17 from available interest earnings in the fund to
18 the emerging renewables account.

19 This reallocation is necessary to cover
20 the spike in reservations received for the
21 emerging renewables program in December 2006,
22 whereby over 2700 applications were received for
23 onsite renewable energy system rebates, primarily
24 for PV.

25 Reallocation of these funds is allowable

1 under Public Resources Code section 25748(b). The
2 Renewables Committee has approved this
3 reallocation. Your approval of this request is --
4 your approval is requested at this time. And I'm
5 available to answer any questions.

6 CHAIRPERSON PFANNENSTIEL: Thank you.
7 Are there questions? Discussion? Motion?

8 COMMISSIONER GEESMAN: I'll move it.
9 This solar program has proven more popular than
10 even the best estimates that our staff have been
11 able to predict. So, I think this is an
12 appropriate redirection.

13 COMMISSIONER BOYD: I'll second the
14 motion.

15 CHAIRPERSON PFANNENSTIEL: In favor?

16 (Ayes.)

17 CHAIRPERSON PFANNENSTIEL: It's
18 approved; thank you.

19 MR. HUTCHISON: Thank you.

20 CHAIRPERSON PFANNENSTIEL: Item 12,
21 possible approval of contract 100-06-002 for
22 \$22,730 with Brand Identity, Inc. to design and
23 produce two publications, the 2007 Integrated
24 Energy Policy Report and a companion executive
25 summary report. Ms. White.

1 MS. WHITE: Good morning, Commissioners.
2 My name is Lorraine White; I'm the Project Manager
3 for the Integrated Energy Policy Report. This
4 rather modest, limited-term contract is for the
5 physical production of the final report adopted by
6 the Commission, currently scheduled for October
7 24, 2007. It will be expected to be completed by
8 the end of the year.

9 If you have any questions, I ask your
10 approval.

11 CHAIRPERSON PFANNENSTIEL: Questions?

12 COMMISSIONER BYRON: I'd like to make a
13 comment. I think this is a pittance to pay for
14 enticing more people to read what's probably one
15 of the better documents that comes out of
16 Sacramento every other year.

17 MS. WHITE: I agree. It looks like a
18 pretty good bargain at this point.

19 COMMISSIONER BOYD: I'll move approval.

20 COMMISSIONER GEESMAN: Second.

21 CHAIRPERSON PFANNENSTIEL: In favor?

22 (Ayes.)

23 MS. WHITE: Thank you.

24 CHAIRPERSON PFANNENSTIEL: It's
25 approved. Thank you, Lorraine.

1 Item 13, possible approval of purchase
2 order 06-433.013 for \$86,940 for Third Wave
3 Corporation to perform a technical assessment of
4 the current appliance database and make
5 recommendations for the integration of new
6 features and technologies that will support the
7 energy appliance efficiency program into the
8 future. Ms. Chrisman.

9 MS. CHRISMAN: Thank you. For the
10 record I'm Betty Chrisman, Program Manager of the
11 Energy Commission's appliance efficiency program.

12 Staff is seeking approval of this
13 purchase order with Third Wave Corporation for
14 \$86,940 to perform a technical assessment of the
15 appliance database and make recommendations for
16 the integration of new features and technologies
17 that will support the appliance efficiency program
18 into the future.

19 The appliance database is the
20 cornerstone of the appliance efficiency program's
21 efforts to insure manufacturer compliance and
22 enables the Commission to collect and publish
23 appliance-specific energy- and water-efficiency
24 data.

25 During my 16 years with this program the

1 management of appliance data and storage systems
2 has transitioned from housing the data on an
3 inhouse mainframe computer to the Commission's
4 network environment. Within the next two months
5 we will complete the transition to a database web
6 application.

7 In the past dozen years the database has
8 grown from approximately 63,000 active models in
9 14 data tables to 766,000 total models, of which
10 237,000 are active models, in 56 data tables.

11 Under the technical assessment contract
12 we expect Third Wave to perform an independent and
13 unbiased assessment of the appliance database,
14 including performance and functionality assessment
15 of the existing database system; to conduct
16 interviews with external users of the appliance
17 data; to collect input on web-based database
18 usability requirements; to perform a technical
19 assessment of the Energy Commission's enhancement
20 list assembled from interviews with internal
21 Energy Commission users of the appliance database.
22 And to recommend design options along with
23 associated tasks and level of expertise that will
24 be assembled into a statement of work for future
25 database development.

1 Six proposals were received in response
2 to the request for offer issued last month. Four
3 contractors were interviewed and Third Wave was
4 selected based on their extensive past experience
5 with both technical and strategic program
6 analysis.

7 With Commission approval of this
8 purchase order today staff anticipates presenting
9 the results of this technical assessment to the
10 Efficiency Committee before the end of 2007 with
11 staff recommendations regarding implementation of
12 the suggested design options.

13 The Efficiency Committee has approved
14 this item. Staff would appreciate your approval
15 of this purchase order. And I'm happy to answer
16 any questions.

17 CHAIRPERSON PFANNENSTIEL: Are there
18 questions? Is there discussion? May I have a
19 motion?

20 COMMISSIONER BYRON: I'll move the item.

21 COMMISSIONER BOYD: I'll second it.

22 CHAIRPERSON PFANNENSTIEL: In favor?

23 (Ayes.)

24 CHAIRPERSON PFANNENSTIEL: It's
25 approved, thank you, Betty.

1 MS. CHRISMAN: Thank you.

2 CHAIRPERSON PFANNENSTIEL: Item 14,
3 possible approval of contract 400-06-018 for
4 \$165,000 with BR Laboratories, Incorporated, to
5 assist the Energy Commission in enforcing the
6 appliance efficiency regulations by selecting,
7 purchasing and testing regulated appliances for
8 compliance with energy and water efficiency
9 standards. Mr. Martin.

10 MR. MARTIN: I'm Michael Martin; I've
11 been working on this appliance program for quite
12 awhile. The appliance efficiency regulations
13 require manufacturers of numerous types of
14 appliances to test their products and certify
15 their performance to the Energy Commission.

16 The regulations require that the
17 efficiency information that manufacturers certify
18 to the Commission be accurate and verifiable using
19 specified test procedures performed by approved
20 testing labs.

21 The regulations provide for enforcement
22 of the regulations by testing sample appliance
23 types to determine whether they meet the minimum
24 performance standards and the claims of the
25 manufacturers.

1 The Energy Commission has previously
2 conducted enforcement testing for selected
3 appliances to verify that the efficiency standards
4 are being met; often to respond to complaints
5 about false claims by specific manufacturers.

6 Staff is requesting the Commission
7 approve a contract with BR Labs to conduct
8 necessary and ongoing lab testing of appliances
9 sold or offered for sale in wholesale and retail
10 outlets in California, and through catalogues or
11 internet sellers offering appliances for sale in
12 California.

13 We've had very good experience in the
14 past with BR Labs. And I'm happy to recommend
15 them to you.

16 CHAIRPERSON PFANNENSTIEL: Thank you,
17 Michael. Do you think this is a growing problem?
18 Are we seeing more appliances, noncompliant
19 appliances? Or is it just something that's being
20 called to our attention more often? What's the
21 issue here?

22 MR. MARTIN: I don't think it's being
23 called to our attention more often. We have been
24 doing these contracts for 20 years now. And
25 sometimes we get a Commission who has an interest

1 in getting this testing done, and other times
2 interests go to other things. So we've had lean
3 times in terms of testing, but the need has been
4 consistently there.

5 It is greater and there are, as Betty
6 mentioned a moment ago, there are far more
7 appliance types than there used to be years ago,
8 which makes it much more difficult to test. But I
9 don't think the need's any greater. I think we're
10 doing better on meeting the need than some
11 previous administrations have done.

12 CHAIRPERSON PFANNENSTIEL: Thank you.
13 Further questions?

14 COMMISSIONER BOYD: I'll move approval.

15 COMMISSIONER BYRON: Second.

16 CHAIRPERSON PFANNENSTIEL: All in favor?

17 (Ayes.)

18 CHAIRPERSON PFANNENSTIEL: It's
19 approved, thank you.

20 MR. MARTIN: Thank you.

21 CHAIRPERSON PFANNENSTIEL: Item 15,
22 possible approval of nine grant applications
23 totaling \$1,286,092 in response to the
24 solicitation cycle 06-01B of the building energy
25 research grant program. Ms. Brook.

1 MS. BROOK: Oh, I thought you were going
2 to read all nine of them into the record.

3 (Laughter.)

4 CHAIRPERSON PFANNENSTIEL: I'm not, you
5 may, if you like.

6 MS. BROOK: No, no, no. I'm Martha
7 Brook with the PIER buildings program. The nine
8 proposals in front of you today are the result of
9 the building energy research grant program's first
10 project solicitation that was held in the fall of
11 2006.

12 We received over 50 grant proposals; 28
13 of these passed screening and were each scored by
14 three to four technical reviewers, and finally by
15 the program technical review board consisting of
16 eight members made up of PIER Staff, a utility
17 representative and technical experts from the
18 larger building energy industry.

19 The PIER buildings program is pleased
20 with both the quality and the diversity of these
21 nine proposals selected for grant awards. The R&D
22 Committee has approved this item, and I'm here to
23 answer any questions that you have.

24 CHAIRPERSON PFANNENSTIEL: I just want
25 to point out how important the PIER building

1 program is, and has been. It's a major
2 contributor to the Energy Commission's building
3 standards. So, I understand that this is a
4 bubbling up of good technologies.

5 MS. BROOK: Yeah, and in fact several of
6 these proposals do have strong connections to
7 future standards. So we're pleased with that.

8 CHAIRPERSON PFANNENSTIEL: We hope they
9 do.

10 Questions, discussion? Is there a
11 motion?

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

14 COMMISSIONER BYRON: Second.

15 CHAIRPERSON PFANNENSTIEL: All in favor?
16 (Ayes.)

17 CHAIRPERSON PFANNENSTIEL: All nine are
18 approved.

19 MS. BROOK: Thank you.

20 CHAIRPERSON PFANNENSTIEL: Item 16,
21 possible approval of amendment 1 to contract 400-
22 04-020 with Architectural Energy Corporation to
23 add \$300,000 and to extend the term one year to
24 June 30, 2009, to finalize the 2008 building
25 energy efficiency standards. Good morning.

1 MR. FLAMM: Good morning; my name is
2 Gary Flamm; I'm Energy Commission Technical Staff.
3 And to my right is Chris Gekas, he's the newly
4 assigned manager of this contract.

5 The Energy Commission has an existing
6 contract with Architectural Energy Corporation to
7 support the 2008 revisions to the Title 24
8 building energy efficiency standards.

9 Staff brings for consideration the
10 possible approval of this amendment to increase
11 \$300,000, and to extend the term for one year.

12 Additional efforts have been needed for
13 this rulemaking including the administration
14 Climate Action Team. The 2008 standards are one
15 of the Commission's early key actions. The
16 Integrated Energy Policy Report goals toward
17 demand response and combined energy and water
18 saving measures; the Commission's new solar home
19 partnership.

20 These amendments will enable successful
21 adoption of the standards and facilitate the
22 expedited process that will be required to
23 complete the statutory mandated publication of
24 updated compliance manuals and software. And this
25 additional funding and time is needed to bring

1 this work to fruition.

2 CHAIRPERSON PFANNENSTIEL: Gary, can you
3 say a little bit about why the additional year is
4 needed?

5 MR. FLAMM: The additional work that was
6 needed took analysis, additional analysis, and has
7 slowed down the process. It brought more
8 stakeholders into the rulemaking; and it required
9 additional technical support, a substantial amount
10 of technical support that was needed to be
11 completed before we can move forward on some of
12 these items.

13 CHAIRPERSON PFANNENSTIEL: And so remind
14 me of the current schedule for the '08 building
15 standards?

16 MR. FLAMM: I believe that the standards
17 are to be adopted by the end of this year, so it's
18 around October or -- or November or December where
19 we're going to be publishing the 45-day language.

20 After the standards are adopted then we
21 have to go through a one year to 18 months to
22 update the manuals and the compliance software.

23 So, the adoption, I believe, is
24 scheduled for the end of this year or the
25 beginning of 2008 for implementation around mid-

1 2009.

2 CHAIRPERSON PFANNENSTIEL: Questions?

3 Discussion?

4 COMMISSIONER BOYD: I'll move approval.

5 COMMISSIONER GEESMAN: Second.

6 CHAIRPERSON PFANNENSTIEL: In favor?

7 (Ayes.)

8 CHAIRPERSON PFANNENSTIEL: It's

9 approved. Thank you.

10 MR. FLAMM: Thank you.

11 CHAIRPERSON PFANNENSTIEL: Item 17,

12 possible approval of contract 400-06-015 for

13 \$50,000 with the University of California Davis to

14 implement -- this is the longest program --

15 implement the energy efficiency and renewable

16 generation emerging technologies, agriculture and

17 food industries loan program.

18 MR. AMON: My apologies.

19 CHAIRPERSON PFANNENSTIEL: Good morning.

20 MR. AMON: Good morning. Is an all-

21 encompassing title. My name is Ricardo Amon; I'm

22 the Manager of the energy and agriculture program

23 in the efficiency and renewables division.

24 I would provide a brief background and

25 context for the item before you to ask for your

1 consideration of the UC Davis loan program support
2 contract.

3 In April of this year the Energy
4 Commission's energy and agricultural program
5 released a new 3.2 percent interest rate loan
6 solicitation. This time targeting the
7 agricultural and food processing industries to
8 invest in energy efficiency and bioenergy
9 technologies.

10 The loan program is targeting the
11 following technologies and market segments.
12 Thermal heat pumps for poultry, creameries and
13 breweries. Electrodialysis member assistance for
14 wineries. Ultra-low NOx efficient burners for
15 canneries and tomato processors.

16 Heating and cooling topping cycle
17 systems for canneries and creameries. Solar
18 photovoltaic systems for agricultural pumps on
19 farm, as well as with irrigation districts. Solar
20 thermal systems, companies like Frito-Lay and
21 other processors like that.

22 Bioenergy gas, electricity and fuels
23 that will recover waste streams from dairies, food
24 industry effluents and biomass resources.
25 Enterprise energy management systems that really

1 will apply to all these types of enterprises.

2 The loan program is using a petroleum
3 violation escrow account funds to provide
4 incentives to the agricultural and food industries
5 to invest in energy efficiency technologies and
6 management practices.

7 We have used PVA funds since 1987, with
8 this loan program being our fourth offering.

9 The unique aspect of this program
10 involves the partnership with the Energy
11 Commission's PIER program and the U.S. Department
12 of Energy's state technology of -- collaborative,
13 STAC. The results of the state and federal
14 efforts have yielded a portfolio of emerging
15 technologies applicable to the food processing
16 industry.

17 For this offering the loan program is
18 targeting selected technologies from projects that
19 completed the evaluation process qualifying them
20 for loan funds to further their commercialization
21 efforts.

22 As an aside, PG&E, SoCalGas and the
23 other utilities are also working to qualify some
24 of these technologies, like the thermal heat pump,
25 for them to become measures eligible for

1 incentives under the efficiency programs.

2 The purpose of the UC Davis contract
3 would be to provide technical support to implement
4 the energy efficiency and renewable generation,
5 emerging technologies, agricultural and food
6 industries.

7 The principal task, we will be issuing
8 work authorizations to UC Davis faculty for three
9 specific tasks. One, to conduct market studies to
10 predict or assess adoption of targeted
11 technologies. Monitor and evaluate loan-funded
12 projects. And prepare and publish case study
13 reports with technical and economic performance
14 all selected funded projects.

15 We expect this contract to help our
16 ability to deliver a cost effective loan program.
17 I move this program, and would ask you to -- we
18 recommend the Commission approve this contract
19 with UC Davis.

20 CHAIRPERSON PFANNENSTIEL: Thank you.
21 Are there questions?

22 COMMISSIONER BOYD: I'd like to move
23 approval of the item on behalf of the
24 Commissioners. And I'd just like to note that I'm
25 strongly supportive of this effort here. And

1 those of us working in the biofuels, bioenergy
2 area have discovered the food processing industry
3 and the waste streams and what-have-you as an area
4 where much work can be done, needs to be done, in
5 order to preserve their economic viability and
6 vitality in this state.

7 And I'm hopeful that this loan program
8 will help this industry, and cross over a little
9 bit into use of that waste stream as an energy
10 source some day. So, I'm hopeful for your
11 program.

12 COMMISSIONER GEESMAN: I'll second.

13 CHAIRPERSON PFANNENSTIEL: In favor?

14 (Ayes.)

15 CHAIRPERSON PFANNENSTIEL: Thank you.

16 MR. AMON: Thanks a lot.

17 CHAIRPERSON PFANNENSTIEL: Item 19,
18 possible approval of contract 500-06-048 with the
19 Center for Energy Efficiency and Renewable
20 Technologies for \$999,714 to develop renewable
21 energy and transmission guidelines to meet AB-32
22 and renewable portfolio standard goals. Good
23 morning.

24 MS. LAUFENBERG-GALLARDO: Good morning,
25 Commissioners and Chairman. I'm Clare Laufenberg-

1 Gallardo from the engineering office in the siting
2 division. And I'm here to present a proposal for
3 \$999,714 agreement with the Center for Energy
4 Efficiency and Renewable Technologies that would
5 be funded from PIER's electric program.

6 If approved, the funds would allow us to
7 take the next logical steps and to advance work
8 that was started on a contract now coming to an
9 end.

10 The existing contract provided a
11 framework for coordinating the development of
12 geothermal projects in the Imperial Valley and
13 wind projects in the Tehachapi region with the
14 transmission necessary to export that power, and
15 produced conceptual transmission plans for
16 renewable generation in those areas.

17 The work of the study groups fostered
18 necessary discussions among renewable power
19 developers, transmission-owing utilities,
20 municipal utilities and regulators, and
21 facilitated cooperation among these parties.

22 But with lag time for transmission
23 projects approaching eight to ten years from the
24 project inception to inservice operation, figuring
25 out what the next major transmission project or

1 projects for renewables should be takes on much
2 more significance if California is to meet its RPS
3 and AB-32 goals.

4 These goals will require large-scale
5 development of renewable resources in several
6 areas of the state, and potentially in neighboring
7 states. In order to meet the RPS and AB-32 goals
8 California must quickly decide which of the many
9 possible renewable resource development scenarios
10 is preferable.

11 Key issues are which resource areas
12 across the state, and which combinations of
13 renewable resources in those areas best justify
14 development and can most quickly pay back the cost
15 of building the transmission to access them.

16 This contract will develop information
17 that the Energy Commission and other state
18 agencies will need to make decisions relating to
19 attaining the RPS and greenhouse gas goals, and to
20 facilitate their implementation. Also, this
21 contract will provide a larger framework for
22 coordinating recent efforts announced by this and
23 other state agencies in pursuit of the state
24 goals.

25 And with that brief introduction I

1 present this item for your consideration.

2 CHAIRPERSON PFANNENSTIEL: This, I
3 understand, has been a very effective project or
4 program contract to date. And this is a
5 continuation of that.

6 MS. LAUFENBERG-GALLARDO: Yes, that's
7 right.

8 CHAIRPERSON PFANNENSTIEL: Questions,
9 discussion? Is there a motion?

10 COMMISSIONER GEESMAN: I'll move it.
11 This has been a very useful model in both the
12 development around Tehachapi and in the Imperial
13 Valley. And it will hopefully now prove equally
14 productive, I would like to think with a faster
15 metabolism, but we'll see, with respect to other
16 renewable resources, principally in southern
17 California and in the neighboring States of Nevada
18 and Arizona, that are foreseeable as contributing
19 to the California market.

20 It's part of our hallelujah, cumbaya
21 initiative in terms of being closely coordinated
22 with efforts at the Public Utilities Commission.
23 And I think over time, you know, the real test of
24 how successful California is going to be in
25 exercising land use jurisdiction over these

1 transmission projects, especially in southern
2 California, is going to be dependent on efforts
3 like this.

4 We need to be able to accelerate in time
5 some of the critical land use decisions associated
6 with transmission projects; and hopefully be able
7 to make the CPCN decision, the maraschino cherry
8 on the top of the sundae.

9 Because I think that with the federal
10 government asserting jurisdiction over the seven
11 southernmost counties in southern California, and
12 also neighboring counties in both Arizona and
13 southern Nevada, if we aren't successful in
14 segmenting those decisions and moving the land use
15 and environmental ones forward in time, these are
16 decisions that are going to be made by the federal
17 government. And I don't think anybody wants to
18 see the surrender of state sovereignty that that
19 entails.

20 But perhaps the presence of the federal
21 government will force our attention onto project
22 like this. So I think it's extremely important,
23 not just for RPS goals and not just for our
24 greenhouse gas goals, but also in trying to more
25 rationally approach the transmission question at

1 the state government level.

2 And I would move our approval.

3 COMMISSIONER BOYD: I'll second the
4 approval, and I'll just note for the record that
5 building on what Commissioner Geesman said, we do
6 have a letter from President Peevey and
7 Commissioner Grueneich in support of this item.
8 And therefore, I presume, in support of the
9 cooperative effort that has been underway for
10 quite some time between the two agencies in this
11 area.

12 COMMISSIONER BYRON: And if I may add,
13 Commissioners, I did speak with Commissioner
14 Grueneich yesterday and our offices agreed to
15 coordinate activities in this regard. We'll be
16 practicing the second verse of cumbaya together.

17 CHAIRPERSON PFANNENSTIEL: Is there a
18 second verse? Is it different --

19 COMMISSIONER BYRON: Commissioner Boyd,
20 I believe, seconded the --

21 CHAIRPERSON PFANNENSTIEL: All in favor?
22 (Ayes.)

23 CHAIRPERSON PFANNENSTIEL: Approved;
24 thank you.

25 MS. LAUFENBERG-GALLARDO: Thank you.

1 CHAIRPERSON PFANNENSTIEL: Minutes,
2 approval of minutes of the March 28, 2007 business
3 meeting. I was not here so I will abstain. But
4 is there a motion for approval?

5 COMMISSIONER BOYD: I'll move approval.

6 COMMISSIONER GEESMAN: Second.

7 EXECUTIVE DIRECTOR BLEVINS: Madam
8 Chairman, you had one more item on the agenda.

9 COMMISSIONER BYRON: I thought so.

10 CHAIRPERSON PFANNENSTIEL: I do, sorry.

11 Item 20. Let's finish the approval of the
12 minutes. It's been moved and seconded.

13 All in favor?

14 (Ayes.)

15 CHAIRPERSON PFANNENSTIEL: Okay. Back
16 to item 20. Possible approval of PIER work
17 authorization MR-070 for \$1,050,000 with the
18 Regents of the University of California Berkeley
19 under the UC Master Research Agreement No. 500-02-
20 004 with the Regents of the University of
21 California Office of the President/CIEE for fault
22 analysis in underground cables. Ms. Kelly.

23 MS. KELLY: Good morning. My name is
24 Linda Kelly; I'm with the PIER distribution
25 research program, and I'm the Program Manager.

1 This three-year contract for \$1,050,000
2 will develop a research effort with the Center for
3 Information Technology in the Interests of
4 Society, it's commonly called CITRIS, at the
5 University of California Berkeley and with PIER;
6 and will focus on full detection and analysis for
7 underground distribution cables.

8 The aging of installed underground
9 distribution cables is really a looming issue
10 facing electric utilities in California and
11 throughout the U.S. A variety of technologies and
12 tests are currently available to evaluate
13 underground cables, but there is often little
14 correlation between the diagnostic results and the
15 actual deterioration of the cables.

16 At a recent distribution IEPR workshop
17 held on May 10, 2007 here at the Commission,
18 utilities reported that thousands of miles of
19 underground distribution cables in California are
20 20 or more years old, and are beginning to reach
21 the age when failures can be expected to increase.

22 One utility in particular reported that
23 they were replacing approximately 70 miles of its
24 26,000 miles of existing underground cable per
25 year. So it is clear that replacement, especially

1 when growth is also acceleration, will not provide
2 a timely solution to the problem of aging cables
3 for this utility or any other utility in
4 California.

5 The solution lies in developing new
6 online approaches and technologies that will
7 enable utilities to prioritize and replace cables
8 that are at the highest risks of failure, and
9 assure that these assets are managed efficiently.

10 This is critical to insure that
11 continued distribution system reliability is
12 maintained in California over the coming years.

13 This project will break ground and
14 evaluate new diagnostic approaches utilizing
15 innovative technologies only developed in the past
16 six or seven years. Some of these technologies
17 were developed in the medical or chemistry area,
18 but this team has connections across all these
19 scientific disciplines, and can reach out to all
20 of them.

21 It is anticipated that some of these
22 newly available technologies can be utilized to
23 improve diagnostic accuracy substantially without
24 interrupting service.

25 And interdisciplinary academic team from

1 Berkeley that includes four senior professors that
2 are experts in the areas of material science,
3 corrosion, electronics and sensors, as well as
4 modeling and design and manufacturing, will join
5 together with the utilities, PG&E, Southern
6 California Edison and San Diego, over the next two
7 years to develop new diagnostic techniques for
8 underground cables.

9 The California team has already gotten
10 interest and support from the National Science
11 Foundation in Washington, the Department of
12 Energy, as well as private sector manufacturers to
13 support a broad public collaborative to develop
14 new scientific approaches and technologies that
15 will lead to new diagnostic approaches for
16 underground cables.

17 I'm available for questions, and ask for
18 your possible approval of this contract.

19 CHAIRPERSON PFANNENSTIEL: Thank you.
20 It sounds like an enormously important project.
21 Is this the center-point of a national effort?
22 You mentioned many national players in this. Is
23 this the single effort that's going on nationally?

24 MS. KELLY: This is the single effort.
25 And I think California's in a unique position.

1 We've found this unique team; there are new
2 technologies; and there's a lot of interest. And
3 we know that nobody else is doing it.

4 So California's going to take the lead,
5 we're going to bring all these other people
6 already who are agreed, this is enormously
7 important. And they'll be joining us in looking
8 to this new science to develop new diagnostic
9 technologies that we feel then these other
10 organizations will take and develop more fully.

11 CHAIRPERSON PFANNENSTIEL: Do our
12 utilities perhaps have a greater percentage of
13 underground cable than other places in the
14 country, do you know that?

15 MS. KELLY: No, I don't.

16 CHAIRPERSON PFANNENSTIEL: I don't know
17 why --

18 MS. KELLY: There's a lot of it out
19 there, though. And we have a program advisory
20 committee for the distribution research program.
21 And I know one thing that even from other states
22 and other utilities, they all echo, this is a huge
23 problem for everybody.

24 I'm sure it's bigger for some and
25 smaller for others.

1 CHAIRPERSON PFANNENSTIEL: Thank you.
2 Other questions, discussion? Yes, Commissioner
3 Byron.

4 COMMISSIONER BYRON: I'd like to move
5 the item. I had the pleasure of a couple years
6 ago being on Ms. Kelly's program advisory
7 committee. And although I'll take some credit for
8 being involved in the formulation of this work,
9 hope you won't ask me any questions about it.

10 Thank you, Ms. Kelly. I move the item.

11 COMMISSIONER GEESMAN: I'll second the
12 item. Those that attended the workshop here a few
13 weeks ago could see from the graphs you presented
14 and some of the testimony that we got, this is a
15 truly frightening prospect going forward, as the
16 existing infrastructure ages.

17 It also represents the largest portion
18 of the capital budgets of each of the California
19 utilities; and also typically utilities around the
20 country put more of their capital budget into the
21 distribution system than anything else.

22 But, it's an area, existing cable
23 underground is the easiest thing to defer
24 reinvestment or replacement on. And as a
25 consequence, there's a natural tendency to allow

1 these problems to accumulate.

2 The graphs Linda showed project an
3 increasing failure rate going forward. We already
4 have records that would establish 90 percent of
5 all customer outages come from the distribution
6 system.

7 If these cables start to fail at a
8 higher rate, I think we're going to be testing the
9 limits of customer acceptability.

10 So this is an extremely important
11 project; and as Linda said, others around the
12 country are watching this quite closely.

13 CHAIRPERSON PFANNENSTIEL: And that was
14 a second?

15 COMMISSIONER GEESMAN: Yeah.

16 CHAIRPERSON PFANNENSTIEL: All in favor?

17 (Ayes.)

18 CHAIRPERSON PFANNENSTIEL: It's
19 approved, thank you.

20 MS. KELLY: Thank you.

21 CHAIRPERSON PFANNENSTIEL: Back to the
22 minutes. Approval of the minutes from the May 9th
23 business meeting.

24 COMMISSIONER BOYD: I'd like to abstain,
25 being absent.

1 COMMISSIONER GEESMAN: I'll move
2 approval.

3 COMMISSIONER BYRON: I can second.

4 CHAIRPERSON PFANNENSTIEL: All in favor?
5 (Ayes.)

6 CHAIRPERSON PFANNENSTIEL: Commission
7 Committee presentations. Are there any items to
8 bring up here? Commissioner Boyd.

9 COMMISSIONER BOYD: I'd just reference,
10 well, maybe two items. Last Friday you and I both
11 attended the very significant event at Lawrence
12 Berkeley Laboratory, University of California
13 campus, the unveiling of the low carbon fuel
14 standards group's first effort in their process of
15 developing recommendations for the state and the
16 Air Resources Board on a low carbon fuel standard.

17 It was a very significant event; well
18 attended; very interesting. Phase one of the two
19 professors' two-phase report has been out for some
20 time, and they detailed that phase two is due out
21 soon. And I think they tipped their hand quite a
22 bit in their public presentation of what that
23 might contain. But it was an interesting event,
24 to say the least, and this has obviously become an
25 issue on the world stage.

1 And, of course, is directly tied to our
2 AB-1007 efforts, having or using the work of all
3 the modeling activities that we've engaged in. So
4 it's becoming quite fascinating to see the
5 interface and the dialogue.

6 Secondly, yesterday afternoon for the
7 entire afternoon the Commission, through research
8 division, has created a plug-in hybrid electric
9 vehicle center at UC Davis, and created an
10 advisory committee to that effort. The first
11 meeting of that advisory took place, which I
12 chaired yesterday at UC Davis.

13 And I would just say it was incredibly
14 interesting, stimulating, technically challenging.
15 And they turned the whole rock over, and there's a
16 lot underneath in terms of technical, societal,
17 social issues that need to be resolved to push
18 this strategy along.

19 This whole effort is a product of the
20 2005 Integrated Energy Policy Report which gave a
21 very strong boost to the use of electricity as a
22 transportation fuel, and the plug-in hybrid
23 electric vehicle as a strong contender to be a big
24 player. And, of course, since we made that bold
25 recommendation in the absence of a lot of support,

1 suddenly there's interest and support almost
2 worldwide in this transportation medium.

3 So this is going to prove to be quite
4 interesting. And I thought the auto industry
5 players who did participate were incredibly
6 candid; something you don't see in too many groups
7 like that.

8 So this should prove to be something
9 that the Energy Commission is going to make a
10 major contribution to.

11 I was concerned to see that the Air
12 Resources Board has an independent research
13 program going at UC Davis for plug-in hybrid
14 electric vehicles. And I'm proposing to sit down
15 with Chairman Sawyer and urge that we combine our
16 efforts. Because the institution is combining its
17 efforts because you can't separate the two. So we
18 really ought to have a joint effort. And I'm sure
19 we'll succeed in carrying that out.

20 That's it for me, thanks.

21 COMMISSIONER GEESMAN: Were the electric
22 utilities engaged?

23 COMMISSIONER BOYD: Yes. All three
24 major electric utilities and SMUD were engaged.
25 And have quite a bit of background in this

1 particular area. And, again, it's the issue of
2 battery technology being a major stumbling block.
3 And cost, just cost of providing a platform.

4 And as the Chairman and I heard at the
5 low carbon fuel standard presentation, General
6 Motors made a presentation last Friday at that
7 event where they, of course, heralded their Volt
8 chassis, and all the work they're doing on plug-in
9 hybrid, but put up as a brick wall that's standing
10 in front of us, that they don't see moving very
11 soon, batteries, available batteries and battery
12 technology.

13 COMMISSIONER GEESMAN: I think it's
14 important that we do what we can to convey to the
15 upper managements of the utilities the value that
16 state government attaches to this plug-in hybrid.
17 It's unattractive business prospect for them, but
18 it's very much a future prospect. And I think
19 that the quite talented staffs in each of those
20 three companies working in this face ongoing
21 budget challenges that we ought to be supportive
22 of.

23 COMMISSIONER BOYD: That's an excellent
24 point.

25 CHAIRPERSON PFANNENSTIEL: Other

1 discussion?

2 Chief Counsel report, Mr. Chamberlain.

3 MR. CHAMBERLAIN: I have no report to
4 make.

5 CHAIRPERSON PFANNENSTIEL: Okay.

6 Executive Director report.

7 EXECUTIVE DIRECTOR BLEVINS: Madam
8 Chairman, I wanted to again update the Commission
9 on where we stand, relative to our budget.

10 Yesterday we completed the public
11 process of the budget hearings in both houses.
12 You will recall that the Commission had 19 budget
13 change proposals; there's a total of 46 positions,
14 and roughly \$4.1 million in contract funds
15 requested.

16 As a result of the process thus far 13
17 of those BCPs are not in conference, so presumably
18 they will be part of the proposed budget to the
19 Governor. That includes 27 positions at \$2.6
20 million in round numbers.

21 Five of the BCPs are headed to
22 conference. Just in terms of categories, PIER
23 electricity, building and appliance standards
24 enforcement, and the two climate change BCPs.

25 In most of these cases they're headed to

1 conference because one of the Houses wanted to add
2 resources. That is typically a step sometimes to
3 move items to conference. Likewise, one of the
4 BCPs was eliminated while another one was approved
5 by the other House, which moved it to conference.

6 We actually have two additional BCPs
7 that we have involvement with that we did not
8 propose. One of those deals with the fact that
9 there's been an addition -- there's been a
10 proposed addition to give us \$100,000 for a public
11 awareness tire inflation program out of the
12 Integrated Waste Management Board's tire fund.
13 Again, that may be just a vehicle to have that
14 item discussed in conference.

15 And then there is one that's fairly
16 complicated -- I'm not going to go into the
17 details here -- that relates to a biomass
18 generation plant in the Tahoe area, in which the
19 Administration is seeking funds from Prop 84 to
20 provide a grant to move that plant forward. And
21 we have come up as a potential delivery of that
22 service, not from a monetary standpoint, but from
23 an operational standpoint, as the grant operator.

24 Again, this is an item that is probably going
25 to conference for a lot of reasons.

1 And finally we did have one budget
2 change proposal that was denied by both Houses and
3 is not going to conference. This is of no
4 surprise to anyone, and was fully expected. And
5 that involved the four positions and the \$600,000
6 in contract funds associated with the William
7 settlement funds proposal.

8 The other item I wanted to mention
9 relates to the ongoing confidentiality
10 negotiations that have been occurring with the
11 investor-owned utilities. At this moment I just
12 wanted to report that on June 6th business meeting
13 we're going to expect, again, the process of
14 hearing five appeals. Four of those are from
15 Edison and one of those is from PG&E.

16 There's still some time to pass here.
17 San Diego Gas and Electric is a little bit --
18 they're in a process that is starting a little bit
19 later. And at this moment they've not requested
20 any appeals, but we still have a few steps there
21 to go.

22 And then finally I just want to indicate
23 that there is no Legislative Director's report
24 today.

25 COMMISSIONER GEESMAN: B.B., that sounds

1 like we're in about the same position vis-a-vis
2 appeals that we were three business meetings ago.

3 EXECUTIVE DIRECTOR BLEVINS: Actually
4 there have been some modifications. There are
5 categories here; and as you know, these forms are
6 complicated. So in some cases I think the number
7 of items on a given form have been reduced.

8 I think, however, you're still going to
9 see some familiar fundamental issues arise
10 associated with the appeals.

11 CHAIRPERSON PFANNENSTIEL: Thank you,
12 B.B. Public Adviser report.

13 MR. BARTSCH: Madam Chair, Nick Bartsch,
14 Public Adviser's Office. We do not have a report
15 for you at this time, thank you.

16 CHAIRPERSON PFANNENSTIEL: Thank you,
17 Nick. Any further public comment?

18 MR. GULIASI: Thank you; Les Guliasi
19 from PG&E. I just couldn't help resist, but I
20 just wanted to give you a progress report with
21 respect to PG&E's discussions with staff on the
22 confidentiality issue related to the forms and
23 instructions.

24 It's my understanding that we are either
25 very close to a resolution or have reached

1 resolution with staff to resolve all outstanding
2 issues. And we should have something before the
3 Commission very soon taking away the issue for
4 PG&E.

5 COMMISSIONER GEESMAN: I think that
6 would be productive. And, frankly, when I read
7 your appeal three business meetings ago, that
8 sounded as if it was a candidate that could be
9 resolved short of us hearing an appeal.

10 So, that's really what I was responding
11 to. And if that's the way it turns out, Les, I
12 think that would be very helpful.

13 MR. GULIASI: I'm hopeful, too. I wish
14 we would have been able to give you that progress
15 report two weeks ago.

16 It was just an unfortunate set of
17 circumstances with spring vacations and various
18 staff members on both sides being away from the
19 office, that we weren't able to reach resolution
20 more quickly.

21 But I'm hopeful that we'll have
22 something before you to resolve this issue.

23 COMMISSIONER GEESMAN: Well, we
24 appreciate the effort.

25 CHAIRPERSON PFANNENSTIEL: Anything else

1 to come before us?

2 We'll be adjourned.

3 (Whereupon, at 11:40 a.m., the business
4 meeting was adjourned.)

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CERTIFICATE OF REPORTER

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of May, 2007.