

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

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

DOCKET BUS MTC
DATE <u>OCT 31 2007</u>
RECD. <u>NOV 09 2007</u>

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

WEDNESDAY, OCTOBER 31, 2007
10:00 A.M.

ORIGINAL

Reported by:
John Cota
Contract Number: 150-07-001

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

James D. Boyd

Jeffrey D. Byron

John L. Geesman

STAFF and CONTRACTORS PRESENT

B.B. Blevins, Executive Director

Barbara Byron

Jack Caswell

William Chamberlain, Chief Counsel

Harriet Kallemeyn, Secretariat

Madeleine Meade

Tim Olson

James W. Reede, Jr., EdD

Rosella Shapiro

Mike Smith

ALSO PRESENT

John A McKinsey, Stoel Rives, LLP, representing
Carlsbad Energy Center

Tim E. Hemig, Carlsbad Energy Center

Alicia Torre, Bright Source Energy

Barbara Fry, California Air Resources Board

Paul Wuebben, South Coast Air Quality Management
District

Michael L. Eaves, California Natural Gas Vehicle
Coalition

Todd Campbell, Clean Energy Fuels

Joe Sparano, Western States Petroleum Association

Jamie Knapp, J Knapp Communications,
on behalf of the Environmental Coalition

Catherine Dunwoody

I N D E X

	<u>Page</u>
Proceedings	1
Items	1
1 Consent Calendar	1
2 Carlsbad Energy Center	2
3 Ivanpah Solar Electric Generating System	10
4 Western Governors' Association	15
5 Governor's Office of Emergency Services	16
6 State Plan to Increase the Use of Alternative Transportation Fuels	21
7 Renewable Energy Program	17
8 Minutes	95
9 Commission Committee Presentations/Discussion	95
10 Chief Counsel's Report	95
11 Executive Director's Report	96
12 Legislative Director's Report	97
13 Public Adviser's Report	104
14 Public Comment	104
Adjournment	104
Certificate of Reporter	105

1 alternative transportation fuel plan last on the
2 regular agenda.

3 But there is an additional consent item,
4 which everybody should have. Before we vote on
5 the consent calendar let me just make an
6 observation that all three of the items are for
7 sponsorship or co-sponsorship of events that are
8 either happening practically as we speak or coming
9 up very soon and I think that that's probably not
10 a very good governance way of doing things. I
11 think we need a little more time to consider
12 whether we want these items to be approved.

13 However, we do have three items on the
14 consent calendar. Is there a motion on the
15 consent calendar?

16 COMMISSIONER BOYD: Move approval.

17 COMMISSIONER GEESMAN: Second.

18 CHAIRPERSON PFANNENSTIEL: The consent
19 calendar is approved.

20 Item 2, the Carlsbad Energy Center.
21 Possible adoption of the Executive Director's data
22 adequacy recommendations for the Carlsbad Energy
23 Center. Dr. Reede.

24 DR. REEDE: Good morning, Chairman
25 Pfannenstiel and Commissioners. I just had to

1 comment on Commissioner Geesman's mask. I thought
2 he was under the understanding that they were
3 going to use fresh water for cooling so I thought
4 he was trying to make an impression.

5 However, on September 14, 2007 the
6 Carlsbad Energy Center application for
7 certification was submitted and staff determined
8 during the initial data adequacy review that it
9 did not meet all the requirements for the 12 month
10 process. Specifically the AFC was deficient in 9
11 of 23 areas.

12 Staff has subsequently reviewed the
13 supplemental information submitted on October 24,
14 2007 and believes the AFC now meets above-listed
15 requirements in all nine of the previously
16 deficient technical disciplines.

17 Staff has determined that the AFC with
18 Supplement A now contains all the information
19 required by the California Code of Regulations
20 Title 20, Section 1704, including Appendix B, for
21 the 12 month AFC process.

22 By the way I forgot to introduce myself.
23 My name is Dr. James Reede. I am the energy
24 facility siting project manager assigned to the
25 Carlsbad Energy Center.

1 The proposed Carlsbad Energy Center
2 project is a 558 megawatt gas-fired, combined
3 cycle power plant proposed for a brownfield site
4 on the same property as the existing Encina power
5 station in the City of Carlsbad, San Diego County.

6 The Carlsbad facility will be using air-
7 cooled or dry-cool technology for turbine cooling,
8 which will avoid the need for connection to the
9 Encina facility's seawater once-through cooling
10 structures. Three existing 1950s units using
11 once-through cooling at the Encina power station
12 will be shut down if the project is granted a
13 license by the Commission.

14 Both the Carlsbad project and the Encina
15 power station are owned by NRG Energy,
16 Incorporated.

17 We have received written comments from
18 several agencies. The San Diego Air Pollution
19 Control District has indicated that the air permit
20 application submitted September 17, 2007 is
21 complete. The California Coastal Commission has
22 indicated by letter that they will not be
23 participating in the Energy Commission's review of
24 the Carlsbad Energy Center project AFC. And the
25 City of Carlsbad has supplied comments which will

1 be addressed during discovery and staff analysis.
2 The State Lands Commission has informed us that
3 they will be submitting a letter, however we have
4 not received it.

5 Staff requests that the Commission,
6 number one, find the AFC data adequate; and number
7 two, appoint a committee. Thank you.

8 CHAIRPERSON PFANNENSTIEL: Thank you,
9 Dr. Reede. Any comments from the applicant?

10 MR. MCKINSEY: Thank you, Chairman
11 Pfannenstiel and Commissioner Geesman and other
12 Commissioners. I'm still a little shocked from
13 your earlier visage.

14 My name is John McKinsey from Stoel
15 Rives, legal counsel for the project, I think you
16 all know me. And I think you may also all know
17 Tim Hemig from NRG who is here to say a few
18 comments about this project.

19 MR. HEMIG: Good morning, Happy
20 Halloween. My name is Tim Hemig. As John
21 indicated I am vice president of the Carlsbad
22 Energy Center and it is my pleasure to be project
23 manager for the Carlsbad Energy Center project.

24 I want to thank the Commission and staff
25 today for your attention in moving forward on this

1 exciting project. I think Dr. Reede described the
2 project very well.

3 Let me just add that we believe it is a
4 vital project serving the needs and interests of
5 California and the local community alike with its
6 558 megawatts of much-needed, energy-efficient,
7 fast response capacity in the San Diego load
8 basin.

9 And as we have been recently reminded,
10 in-basin power generation increases the
11 reliability of the grid, very pointedly last week
12 in San Diego County with the devastating fires
13 that we suffered through as well as some of the
14 extreme, hot summer days of the last couple of
15 years.

16 The project also has its peaking-style
17 capacity but with very excellent efficiency,
18 burning about 30 percent less natural gas than
19 some of the other similar, peaking power plants.

20 And also bring new jobs and increase
21 revenues for the community.

22 And Dr. Reede described what we believe
23 are the substantial environmental benefits as well
24 with air cooling and also the retirement of three
25 of the five boilers, steam boilers at the existing

1 Encina power plant and the retirement of the once-
2 through cooling associated with those three
3 boilers. It also has state-of-the-art air
4 emission control, fast-starting features and burns
5 only the clean, natural gas.

6 Carlsbad Energy Center also compliments
7 the City of Carlsbad's long-term vision in the
8 South Carlsbad Coastal Redevelopment Plan, which
9 calls for reducing beachfront industrial use at
10 this coastal property.

11 So we are very committed and are working
12 closely with the City of Carlsbad, the Energy
13 Commission staff and the Commission itself and all
14 the community to complete the permitting of this
15 important, valuable project in a timely and
16 mutually beneficial manner. Thank you and I can
17 address any questions you may have.

18 CHAIRPERSON PFANNENSTIEL: Thank you.
19 Are there questions from the Commission? Yes,
20 Commissioner Geesman.

21 COMMISSIONER GEESMAN: I am prepared to
22 move our approval of the Executive Director's
23 recommendation but before we get to that I wanted
24 to follow up on Dr. Reede's mention of the Coastal
25 Commission's decision not to participate in the

1 process.

2 Mr. Blevins had shared with me a piece
3 of correspondence that he and Peter Douglas had
4 exchanged regarding the Coastal Commission's
5 intended non-participation in several of our cases
6 along the coast and within the coastal zone, all
7 based on projects that had elected to no longer
8 use once-through cooling.

9 And if I can characterize the letter,
10 Peter Douglas' indication was that it was the
11 impact from once-through cooling facilities that
12 had really driven their concerns and what they
13 felt was the primary environmental impact from
14 these projects in the coastal zone. And I wonder
15 if Mr. Blevins would elaborate a bit on where we
16 stand with the Coastal Commission now in terms of
17 their participation in these coastal siting
18 projects.

19 MR. BLEVINS: First, you have
20 characterized the letter exactly the way it was
21 presented and there have been discussions with the
22 Coastal Commission. While they are not -- you
23 know, they are going to stand by their letter.
24 They do recognize that they have technical
25 assistance that is valuable to our Commission

1 staff and they have agreed to work with us
2 technically as we endeavor to deliver the findings
3 that are expected on coastal issues for those
4 projects.

5 Currently there is a letter being
6 drafted for my signature back to Mr. Douglas to
7 indicate that we appreciate the fact that they are
8 -- we understand the resource constraints they are
9 facing and we appreciate they are willing to
10 continue to assist us in reviewing, again, the
11 coastal aspects of these power plants.

12 COMMISSIONER GEESMAN: We have spent a
13 lot of months and a lot of years frankly
14 litigating these issues within our own cases and
15 hopefully the future coastal projects will go a
16 lot more quickly than the last ones have.

17 I would move that we accept the
18 Executive Director's recommendation on data.

19 COMMISSIONER BOYD: I'll second.

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

22 CHAIRPERSON PFANNENSTIEL: It has been
23 approved.

24 And then the appointment of a committee.
25 I nominate a committee of Commissioner Boyd as the

1 Presiding and Commissioner Geesman as the
2 Associate Member. Do we have a motion for that
3 committee?

4 COMMISSIONER BYRON: I'll be glad to
5 move that item.

6 CHAIRPERSON PFANNENSTIEL: All right,
7 and I'll second it. All in favor of the
8 committee?

9 (Ayes.)

10 CHAIRPERSON PFANNENSTIEL: So that
11 committee is established, thank you very much,
12 gentleman.

13 Item 3 is Ivanpah Solar Electric
14 Generating System. Possible adoption of the
15 Executive Director's data adequacy recommendation
16 for Solar Partners I, II, IV, VIII, LLC
17 Application for Certification of the Ivanpah Solar
18 Electric Generating System. Good morning,
19 Mr. Caswell.

20 MR. CASWELL: Good morning. I am Jack
21 Caswell, the Commission's project manager assigned
22 to the Ivanpah Solar Electric Generation System
23 project application review.

24 At the October 10 Business Meeting the
25 Executive Director's recommendation was one of

1 inadequacy for the application of this project.
2 However, supplemental filings have been provided
3 by the applicant, Solar Partners, LLC, and they
4 staff is now recommending that the project now be
5 considered adequate and ready for a joint agency
6 review.

7 I would like to mention that I say joint
8 agency review. The Energy Commission staff and
9 the Bureau of Land Management are working together
10 to develop a joint document. The Bureau of Land
11 Management manages the lands proposed for this
12 project and they will be conducting the
13 responsibilities related to the National
14 Environmental Policy Act review and the Energy
15 Commission staff, of course, will be doing the
16 California Environmental Quality Act review
17 responsibilities.

18 This joint agency review and subsequent
19 NEPA/CEQA document process is intended to reduce
20 duplication of agency efforts and to streamline
21 the federal and state agency environmental review
22 process. We do have an MOU with BLM and we are
23 developing relationships with their staff and
24 their management and it looks really, really
25 positive. I just left last week for meetings with

1 them.

2 At this point the staff would like to
3 ask the Commission recommend this project as
4 adequate and assign a committee to the process.
5 Thank you.

6 CHAIRPERSON PFANNENSTIEL: Thank you.
7 Is this the first time we have done an MOU of this
8 sort with BLM for this kind of review?

9 MR. CASWELL: We have worked with BLM
10 but not with an MOU, is my understanding. This is
11 the first development of an MOU with BLM.

12 CHAIRPERSON PFANNENSTIEL: Applicant,
13 discussion.

14 MS. TORRE: Good morning. My name is
15 Alicia Torre and I am the project manager for
16 Bright Source Energy for the four projects before
17 you that make up the Ivanpah Solar Electric
18 Generating System.

19 I want to thank staff for the
20 recommendation for data adequacy. Jack has
21 covered some of the things I wanted to thank staff
22 for but we are extremely grateful for the
23 proactive and thoughtful work that has been done
24 on a couple of levels, both in working with the
25 BLM on a memorandum of understanding and how the

1 joint process would work and also Jack spending so
2 much time, so much significant time with a new
3 project manager for the BLM, which I think kicks
4 us all off in a smooth and great direction. So we
5 are very grateful for all those efforts and thank
6 you for covering them.

7 We look forward to working with the
8 joint agency review. We will be as timely as we
9 can be. We think this is a very important project
10 to help California meet its renewable energy goals
11 and we look forward to the next year.

12 I would like to introduce -- No.

13 CHAIRPERSON PFANNENSTIEL: Thank you.
14 Any questions, Commissioners?

15 COMMISSIONER GEESMAN: I will move
16 approval of the staff recommendation. This is the
17 first of many solar projects. It is the first of
18 presumably many joint efforts with BLM and we'll
19 unavoidably learn a lot from it. Hopefully at the
20 end of that process we will all consider it to
21 have been successfully conducted. But there is a
22 lot, there is a lot at stake here. I certainly
23 wish all of you well.

24 CHAIRPERSON PFANNENSTIEL: Yes,
25 Commissioner Byron.

1 COMMISSIONER BYRON: I will second the
2 item but I will also add, I understand it has been
3 a long time since we've had a concentrating solar
4 project at the Commission. I too am hopeful that
5 this will be the first of many.

6 I suspect the staff will be doing a very
7 thorough job on some of the key issues around land
8 use and such. We are very excited about this and
9 the projects that we expect to come forward
10 following it. I agree with Commissioner Geesman
11 this will be a very important project.

12 COMMISSIONER BOYD: I agree with my
13 fellow Commissioners but I did look at a map last
14 night of where this is. You couldn't get much
15 closer to Nevada and still be in our jurisdiction,
16 nor much closer to the middle of nowhere, which
17 probably -- In any event, knowing what is coming
18 shortly I was wondering, how does one get there,
19 but we'll worry about that later.

20 CHAIRPERSON PFANNENSTIEL: We have a
21 motion and second for approval of the Executive
22 Director's adequacy recommendation. All in favor?

23 (Ayes.)

24 CHAIRPERSON PFANNENSTIEL: That's
25 approved. I would appoint a committee of

1 Commissioner Byron presiding, Commissioner Boyd
2 associate. Is there a motion for that committee?

3 COMMISSIONER GEESMAN: So moved.

4 CHAIRPERSON PFANNENSTIEL: Is there a
5 second? I'll second that I guess. In favor?

6 (Ayes.)

7 CHAIRPERSON PFANNENSTIEL: The committee
8 is appointed, thank you all.

9 Item 4, possible approval of Contact RMB
10 150-07-005 with the Western Governors' Association
11 to receive \$204,003 from the WGA to support
12 California's preparation for federal nuclear waste
13 shipments for the Waste Isolation Pilot Project in
14 New Mexico. Ms. Byron, good morning.

15 MS. BYRON: Good morning, Chairman
16 Pfannenstiel and Commissioners. Items 4 and 5 are
17 related and I would request that they be
18 considered together.

19 I am Barbara Byron, nuclear policy
20 advisor at the Energy Commission. Item 4 is the
21 proposed reimbursement contract with the Western
22 Governor's Association for California agencies to
23 continue ongoing work to prepare shipment routes
24 in California for federal nuclear waste shipments
25 to the waste isolation pilot plant in New Mexico.

1 Item 5 is a reimbursement contract with
2 the Office of Emergency Services to pass through a
3 major portion of these WGA funds to the Office of
4 Emergency Services so they can purchase radiation
5 detection instruments and conduct training along
6 shipment routes in California.

7 And I would like to request your
8 approval of both of these contracts. Thank you.

9 CHAIRPERSON PFANNENSTIEL: Thanks
10 Barbara. I should read the second one into the
11 record then. It's possible approval of Contract
12 150-007-007R, \$177,303 with the Governor's Office
13 of Emergency Services to fund state emergency
14 response preparation for federal nuclear waste
15 shipments in California to the Waste Isolation
16 Pilot Project in New Mexico.

17 Are there questions of Barbara, first?
18 Questions from the Commission?

19 Is there a motion on Item 4?

20 COMMISSIONER BOYD: I'll move approval
21 and I guess I will ask a question. I just got --
22 I didn't ask this before Barbara, but the \$3.
23 \$204,003. Did they sweep some change off the
24 table or something?

25 MS. BYRON: I apologize about that.

1 That was the amount that WGA has --

2 COMMISSIONER BOYD: I was just kind of
3 curious.

4 MS. BYRON: They have a formula --

5 COMMISSIONER BOYD: Anyway, I move
6 approval, enough said.

7 COMMISSIONER GEESMAN: Second.

8 CHAIRPERSON PFANNENSTIEL: And this is
9 for both 4 and 5?

10 COMMISSIONER BOYD: Indeed.

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

13 CHAIRPERSON PFANNENSTIEL: They are both
14 approved.

15 MS. BYRON: Thank you.

16 CHAIRPERSON PFANNENSTIEL: Thank you,
17 Barbara.

18 Item 7 -- Item 6, which is the addition
19 to the agenda, which is the possible approval of
20 Renewable Energy Program 2007 Annual Report to the
21 Legislature and its associated appendix. Good
22 morning.

23 MS. MEADE: Good morning, I am Madeleine
24 Meade with the Renewable Energy Program and I am
25 the project manager on the annual report.

1 Since 1998 the Renewable Energy Program
2 has been reporting to the Legislature on program
3 activities and expenditures. These have taken the
4 form of quarterly, annual and biennial reports.

5 In 2004 legislation consolidated these
6 reports into a single, annual report which is due
7 to the Legislature each November 1 and reports on
8 the program on a fiscal year basis.

9 This year's reporting period is July 1,
10 2006 through June 30, 2007. The legislative
11 directive regarding what is to be addressed in the
12 annual report is specific.

13 The report discusses the allocation of
14 Renewable Resource Trust Fund dollars and any
15 reallocations among the REP program elements,
16 information on cash flow, expenditures and
17 encumbrances, transfers and repayments, summaries
18 of program activities and results, projects and
19 funding awards, allocation of interest earned on
20 the Renewable Resource Trust Fund, voluntary
21 contributions to the trust fund made by utility
22 customers. Additionally the report includes a
23 discussion of program activities associated with
24 achieving renewable portfolio standard targets.

25 There is also a new requirement that the

1 report identify the types and quantities of
2 biomass fuels receiving funds from the existing
3 Renewable Facilities Program and their impacts on
4 improving air quality. This is aligned with
5 revisions to the existing program structure that
6 came about due to the enactment of Senate Bill
7 1250 late last year.

8 Beginning in calendar year 2007
9 facilities must reapply for existing program
10 funding on an annual basis and have their
11 applications reviewed and numerous factors
12 evaluated.

13 Because existing program funding award
14 notices for calendar year 2007 were not issued
15 until the '07/08 fiscal year it precludes that
16 information from being included in this year's
17 annual report because it doesn't fall within the
18 reporting period. However, that information will
19 be included in subsequent annual reports. So
20 consequently the 2007 annual report includes only
21 information on facilities eligible for existing
22 program as of December 31, 2006.

23 Lastly, the report's appendix itemizes
24 the various projects, contracts and grants that
25 have been funded by the Renewable Energy Program

1 along with their status and award amounts. Thank
2 you.

3 CHAIRPERSON PFANNENSTIEL: Thank you.
4 Are there questions about the renewable report?
5 Commissioner Geesman.

6 COMMISSIONER GEESMAN: I am prepared to
7 move approval of it.

8 CHAIRPERSON PFANNENSTIEL: Is there a
9 second?

10 COMMISSIONER BOYD: I'll second it.

11 COMMISSIONER BYRON: Madame Chair.

12 CHAIRPERSON PFANNENSTIEL: Yes,
13 Commissioner Byron.

14 COMMISSIONER BYRON: I apologize, I am
15 going to have to abstain from this. I did not see
16 that it was on the agenda and I failed to review
17 it so I am going to have to abstain from this.

18 CHAIRPERSON PFANNENSTIEL: That's fine,
19 okay, thank you.

20 Moved and seconded. All in favor?

21 (Ayes.)

22 CHAIRPERSON PFANNENSTIEL: Approved.
23 Thank you.

24 MS. MEADE: Thank you.

25 CHAIRPERSON PFANNENSTIEL: All right,

1 the item listed as number 6 but Item 7 for our
2 consideration, possible adoption of the State Plan
3 to Increase the Use of Alternative Transportation
4 Fuels in California in response to Assembly Bill
5 1007. This report describes actions and
6 conditions needed to increase use of alternative
7 fuels to reduce petroleum use, curb greenhouse
8 gases and increase California biofuels production.
9 Mr. Olson.

10 MR. OLSON: I would like to make just a
11 short presentation to introduce this, given all --

12 CHAIRPERSON PFANNENSTIEL: Tim, you need
13 to turn down the lights. Thank you.

14 COMMISSIONER BOYD: Madame Chair, I
15 would like to make a few opening remarks before
16 Mr. Olson begins his presentation, if you don't
17 mind.

18 CHAIRPERSON PFANNENSTIEL: Of course,
19 Commissioner Boyd.

20 COMMISSIONER BOYD: And I'll have to
21 apologize for not having a mask today. I was
22 actually going to apologize to the audience and my
23 fellow commissioners for ruining their Halloween
24 and not allowing them to come in costume but that
25 didn't stop them. (Laughter.)

1 Perhaps while not masked nonetheless I
2 think I and Commissioner Byron bring an item that
3 likely will be labeled trick or treat by some
4 people in the audience so you might hear those
5 words today. And I notice Rosella is
6 appropriately dressed to represent the staff on a
7 day like today, the wicked witch of the west,
8 south, north, east, I am not sure which.

9 In any event, as chairman of --

10 MS. SHAPIRO (FROM THE AUDIENCE): I'm
11 the Hamburglar, Jim (laughter).

12 COMMISSIONER BOYD: I'm sorry, the hat
13 is not pointed enough to be the -- I am not going
14 to live that one down. You don't know Rosella
15 like some of us do. I'll pay for this for at
16 least three months.

17 As Chairman of the Transportation Policy
18 Committee I am particularly pleased, especially
19 pleased to submit the state's alternative fuels
20 plan for consideration by the full Commission
21 today. I should really say the Committee and the
22 staff and the ARB working together are pleased to
23 see this finally brought before the Commission for
24 approval.

25 The Committee, which of course is

1 Commissioner Byron and myself, is proposing a
2 Commission resolution which has been distributed
3 to all of you and is available to the members of
4 the audience on the table in the lobby along with
5 all traditional materials. The resolution does
6 outline our recommendations for Commission
7 direction to the staff on the next important steps
8 in carrying out this plan.

9 As many know, AB 1007 required the
10 Energy Commission in partnership with the Air
11 Resources Board to prepare this plan, which is
12 intended to increase the use of alternative
13 transportation fuels. And that for a host of
14 reasons, not the least of which of course is
15 energy security, air quality, greenhouse gas
16 reductions but of course it trickles on through
17 our entire economy, our environmental and energy
18 structures.

19 The Committee's final draft of the plan
20 responds to specific requirements of AB 1007 which
21 called for a full fuel cycle analysis, which is
22 not a foreign subject but is something that we
23 have probably not engaged in in this depth in
24 years and proved to be an extremely interesting if
25 not controversial exercise.

1 The law also recommended, asked us to
2 recommend alternative fuel goals for 2012, 2017
3 and 2022 and asked for recommended policies and
4 measures from the two agencies.

5 In adopting the plan today, should you
6 so choose, the Energy Commission in my opinion
7 will be underscoring the importance of alternative
8 transportation fuels and satisfying multiple state
9 policy objectives. I want to reiterate those.

10 First, reducing our state's petroleum
11 dependance, first called for in a joint report of
12 these same two agencies in 2003, AB 2076, and then
13 explored in-depth by this agency in its first-ever
14 Integrated Energy Policy Report and expanded and
15 ultimately the idea of reducing the state's
16 petroleum dependance was echoed by our Governor.

17 Secondly, promoting the sustainable
18 production and use of biofuels using California's
19 urban forestry and agricultural waste materials.
20 Again, a subject of multiple Integrated Energy
21 Policy Reports, directions from and ultimately the
22 approval by the Governor of an action plan and the
23 issuance of a Governor's Executive Order.

24 Thirdly, curbing greenhouse gas
25 emissions as directed by the Governor and the

1 California Legislature with the passage of AB 32
2 and with the Governor's Executive Order.

3 And lastly what is usually first, or the
4 longest historic objective, improving our state's
5 air quality through the introduction of
6 alternative fuels, less-polluting fuels, lower
7 carbon fuels.

8 The plan should not be viewed as a
9 static document, and I want to underscore that,
10 but rather as part of a continuum. The plan will
11 require updating and refinement of the underlying
12 analyses and assumptions to reflect changes in the
13 market for alternative fuels, which almost seems
14 to change weekly.

15 Changes in the economics of fuels
16 productions and their use and to fill data gaps
17 and support further work needed for the full fuel
18 cycle comparison of the fuel and vehicle
19 combinations which are a key element of the plan,
20 and which frankly have proven to be quite a
21 scientific and technical undertaking with
22 continuous debate.

23 On June 27 of this year this Commission
24 adopted the Full Fuel Cycle Analysis submitted to
25 the ARB for its use in establishing the state's

1 first ever low-carbon fuel standard. And of
2 course all the work done on that analysis was used
3 by the University of California professors in the
4 work they have done for the Air Resources Board on
5 that subject.

6 The Committee recommends that the staff
7 working with its ARB partners continually update
8 all the analyses undertaking and underlying the
9 plan and do that at fairly regular intervals,
10 especially since the Full Fuel Cycle Analysis is
11 so integral to not only the low-carbon fuel
12 standard but I think everything we do in the
13 future in the transportation fuels area, if not
14 the fuels area related to energy production and
15 use.

16 The plan should not be viewed as the
17 end-all in itself and by itself but rather as part
18 of a concentrated state effort to reduce our use
19 of petroleum and to transition to alternative
20 transportation fuels, which effort will require
21 periodic updating.

22 Many of the stakeholders who
23 participated in the plan development continue to
24 bring forward areas where they believe improvement
25 is needed to reflect the cost and the benefits of

1 each particular fuel and vehicle combination. And
2 while staff made a concerted and a continuous
3 effort to seek stakeholder input some issues
4 remain and some are worthy of mention.

5 Precise estimates of needed state and
6 federal research development, demonstration and
7 deployment costs are needed to advance the
8 transportation technologies, and for example
9 electric drivetrain or hydrogen, were not
10 available and still being debated.

11 The role of the technical appendices,
12 both the economic analysis and the so-called story
13 line documents, which will be issued as separate
14 staff reports. This information was used
15 extensively in formulating the plan. But this
16 material is not being proposed by the Committee
17 for Commission adoption today. These separate
18 story lines represent fuel and technology pathways
19 to markets for individual fuels but do not predict
20 the results of fuel-on-fuel competition. We still
21 rely heavily on the market and the ever-changing
22 market.

23 The Committee chose not to incorporate
24 wholesale additional material from the story lines
25 into the plan itself but rather used this detailed

1 information as foundational analysis for the
2 recommended alternative fuel goals. Debate
3 continues on the appropriateness of the cost-
4 effective methodology used which was that
5 methodology adopted by Cal-EPA for use by the
6 climate action team in analyzing greenhouse gas
7 reduction strategies. And undoubtedly that is
8 going to be an issue that needs to be further
9 resolved.

10 The so-called moderate case examples
11 outlined in the plan have been misconstrued and
12 misunderstood by many as they continue to be
13 debated. Let me make clear that these examples
14 were not intended to be predictions of future
15 market penetration or expressions of policy
16 preference for a single fuel or technology. We
17 are not picking winners, as promised in the
18 beginning, but rather we are advocating a
19 diversified portfolio of transportation fuels.

20 These case examples were posed as
21 scenarios to demonstrate that some combination of
22 alternative fuels is needed to achieve the
23 recommended goals for 2012, 2017 and 2022. And I
24 would note that nearly all alternative fuels are
25 ten percent lower in carbon intensity than

1 petroleum.

2 As the plan concludes, the low-carbon
3 fuel standard alone cannot achieve the state's
4 multiple policy objectives reducing petroleum
5 dependance, increasing in-state production of
6 biofuels and curbing greenhouse gas emissions.
7 Substantial private investment and state and
8 federal incentives will be needed to complement
9 the low carbon fuel standard and to meet our
10 reducing our dependance on petroleum objectives.

11 Furthermore this plan recognizes the
12 need for market incentives to bridge the gap
13 between mandated, fuel-specific actions and other
14 policy measures in achieving the state policy
15 objectives. Fortunately with the Governor's
16 signing of Assembly Bill 118 the Energy Commission
17 and the ARB will receive funds for the needed
18 state incentive funding and for all the other
19 activities that this blueprint lays out for the
20 future.

21 The Committee is recommending that the
22 staff move quickly to move the advisory body which
23 is called for in the legislation. The advisory
24 body will provide advice and input to the
25 Commission for a more detailed investment plan for

1 directing our share of this incentive funding to
2 alternative fuels and vehicles.

3 Finally, this plan was developed through
4 an open and public planning process which involved
5 over 50 meetings between our staffs, the staffs of
6 both agencies that is, and key stakeholders, and
7 six public workshops.

8 And in moving adoption of this plan
9 today the Committee asks the 2007 Integrated
10 Energy Policy Report Committee to integrate the
11 plan's key findings and conclusions into the final
12 version of the Energy Commission's Integrated
13 Energy Policy Report.

14 I apologize for the long statement but
15 this was a herculean effort on the part of these
16 two agency's staff. A lot of clarification and
17 additional work was needed. Now I think my fellow
18 commissioner who put so much of his time into this
19 would like to make a few comments and then, Tim,
20 you will get your chance.

21 COMMISSIONER BYRON: Yes, I am familiar
22 with this item. As the Associate Member of the
23 Transportation Policy Committee I second
24 Commissioner Boyd's comments and ask for my
25 colleagues' support of the State Alternative Fuels

1 Plan before the Commission today.

2 I am also sorry that we were delayed in
3 bringing this to the Commission. It was a
4 challenging undertaking. Commissioner Boyd has
5 done an excellent job of guiding us through the
6 development of this plan. Along with the ARB we
7 have completed our responsibilities under AB 1007.

8 The plan includes a Full Fuel Cycle
9 Analysis specific and attainable fuel goals for
10 2012, 2017 and 2022, as well as recommended
11 policies and programs to achieve these goals.
12 This plan lays the foundation for the nation/state
13 of California, the eighth largest economy in the
14 world, to transition away from our long dependance
15 upon petroleum.

16 My sincere thanks to the staff,
17 particularly Tim Olson, of the transportation
18 division, and our own advisors for their excellent
19 work. Although I have never met Assembly Member
20 Pavley I would certainly like to commend her for
21 her foresight as well as the Assembly and the
22 Governor in passing this bill.

23 I want to acknowledge the contributions
24 of the many stakeholders to the development of
25 this plan. Your comments and participation have

1 significantly improved the document. You have
2 also outlined areas where we need to fine-tune our
3 analytical work going forward.

4 However, a plan is no more than that.
5 Alone it does not predict the future nor change
6 it. As our proposed resolution indicates, we
7 intend to update the plan biennially as part of
8 the Integrated Energy Policy Report and I would
9 ask that stakeholders continue to work with us to
10 improve the document through future revisions.

11 I do want to call out specifically our
12 partnership with the Air Resources Board and thank
13 them for their close coordination in this process.
14 It is essential that the two agencies continue to
15 work in tandem for us to achieve our alternative
16 fuel goals and I think we have gotten off to an
17 excellent start.

18 With the passage of AB 118 we have a
19 unique opportunity to truly make a difference in
20 our state's transportation future. It is
21 absolutely essential that all the stakeholders
22 remain engaged as we work to define and achieve
23 the future of alternative fuels in California.

24 We are committed to an open process with
25 ample opportunities for public participation and

1 with adoption of this plan our work is just
2 beginning. I look forward to what we can
3 collectively accomplish to transition away from
4 petroleum to alternative transportation fuels.

5 I would note, however, that nearly every
6 stakeholder is to some extent dissatisfied in one
7 way or another with some aspect of this report. I
8 would also note that there is an absence of
9 comments from stakeholders, I should say from any
10 alternative fuel constituent that feels they have
11 been given sufficient coverage or promotion in
12 this plan.

13 Nevertheless, perhaps because of that, I
14 endorse this report as an objective and evenhanded
15 alternative transportation fuels plan that will
16 guide us at the Commission and our Legislature and
17 our Governor in the steps that need to be taken to
18 meet our goals.

19 CHAIRPERSON PFANNENSTIEL: Thank you,
20 Commissioners. Tim, why don't you do an
21 introduction and then there may be some more
22 further discussion.

23 MR. OLSON: Thank you, Commissioners. I
24 am going to go through this a little faster than I
25 planned. I just want to make a point here.

1 Commissioner Boyd did a very good job describing
2 all the different policy legislative contexts.

3 The key conclusion for us is that as we
4 go forward developing actions programs that we
5 have to look at those actions in terms of how do
6 they address all of these policy goals, all of
7 these objectives. There may be instances where
8 there are in the future single programs that
9 address single policy objectives but we think this
10 is a change for the future, that it has got to be
11 a multiple approach.

12 I just want to recap what the
13 legislation required. It required the development
14 of a plan stemming from the petroleum reduction
15 goals that were created by, adopted by both the
16 Energy Commission and the Air Board in 2003, part
17 of that AB 2076 report.

18 So this idea was, okay, now give us the
19 plan of how you're going to do that. It also told
20 us to emphasize how to reduce environmental
21 impacts. Look at the full fuel cycle approach.
22 It also identified economic impacts that we were
23 asked to evaluate in the course of implementing
24 this plan. And consider consumer benefits and
25 recommend a series of policies which you see in

1 the report and summarized in the resolution.

2 What were those documents? Well the
3 main plan you're adopting is this first bullet
4 here but there were several companion documents
5 that Commissioner Boyd referred to, scenario story
6 lines, economic analysis. You see the whole list
7 here. These are incorporated as companion
8 documents or by reference as Commissioner Boyd and
9 Commissioner Byron mentioned, feeder documents
10 into the analysis.

11 What is the plan if you summarize it in
12 a short -- well, it's kind of a multi-year
13 development growth and evolution of a mix of
14 different fuels and technologies. To kind of
15 summarize the early years, we expect to see
16 domination of fuel blends in the early years going
17 from E5.7 to E10 ethanol, B20 biodiesel. We
18 expect to see this continual growth in the market
19 niches which tend to be off-road, heavy-duty,
20 specialized taxi fleets, refuse trucks. It covers
21 a whole range of alternative fuels.

22 We expect to see in the first five years
23 a pretty significant construction of biofuel
24 production plants, trying to address that need.
25 We expect anywhere from 30 to 60 new plants have

1 to be constructed to meet these goals.

2 We expect to see the expanded
3 introduction of the new vehicle technologies.
4 They are being introduced now. This is an
5 expansion of the plug-in hybrids, the FFVs, the
6 hydrogen fuel cells.

7 Going into the middle years we are
8 seeing that by 2020 full compliance with the low-
9 carbon fuel standard. Still to be determined,
10 what is eligible and what is going to comply. We
11 see the fuel blends possibly expanding into the
12 bio-hydrocarbons. It still needs to be proven.

13 We see a need for technology advances
14 that will lower costs in the vehicles. What we
15 call the small market niches we think can be
16 expanding pretty significantly so they are no
17 longer niches but they are big contributors to
18 petroleum reduction goals.

19 We think in this midterm that
20 hybridization will be a big factor in virtually
21 all vehicles. Whether it actually happens or not,
22 that's another story.

23 We see the biofuel production
24 transitioning from what we have today, waste
25 green, some row crop, more towards cellulosic feed

1 stocks in that mid-term.

2 And then the long-term really is the
3 maturity development where the alterative fuels
4 compete in the marketplace, where the fuel and
5 infrastructure is built out where it is needed and
6 we start seeing some of the benefits of the land
7 use planning and the fuel efficiency efforts that
8 would complement this.

9 Some of the key factors we've considered
10 and this to just kind of sum them up. We use the
11 assumption that there would be sustained, high
12 gasoline and diesel fuel price increases. We used
13 the EIA high price forecast and did a 20 percent
14 high and low from that. That's a key assumption.

15 We think that there have to be several
16 technology advances occurring. These are the
17 assumptions we're seeing, battery technology, on-
18 board storage, whether it's a battery or a fuel
19 tank for gaseous fuel improvements, hybridization
20 improvements, efficiency in the vehicles.

21 We expect that a factor in maximizing
22 biofuels, that production in California has to be
23 environmentally acceptable. Looking at things
24 like water impacts, land conversion costs and
25 impacts.

1 We also think that the deployment, the
2 accessible fuel infrastructure is going to be,
3 needs to meet the 20 percent market penetration.
4 That's about 2,000 stations where dedicated
5 stations are needed. So CNG, LNG, hydrogen, E85
6 stations. That has to be in that range. And that
7 it is complemented with the home refueling, home
8 charging for natural gas hydrogen electricity.

9 We also estimate that at least a \$100
10 billion market investment has to occur here. It
11 could easily be double or triple that by the year
12 2050. But it is not inconsistent with historical
13 investments in this area when you look at what
14 existing players are doing now.

15 We think that the changing industry
16 participants will be an expansion of the
17 alternative fuel industry. What I call re-
18 invention of the automaker industry. Probably
19 some pretty significant efforts from municipal and
20 investor-owned utilities, either in their service
21 territories or even through shareholder
22 investments in some of the technology available.

23 Consumer acceptance. We spent a lot of
24 time in the report describing what we think are
25 how consumers look at the cost of these vehicles.

1 And as we mentioned before there is this kind of
2 phenomenon right now where many of the alternative
3 fuels are cheaper in cost compared to gasoline and
4 diesel. But of course the vehicle differential
5 cost is higher for the alternatives. We see that,
6 those two items as the key things for consumers in
7 their decision-making.

8 And then of course factored in all of
9 this is continued use of that Full Fuel Cycle
10 Analysis for all of our analytical work. Those
11 are the key factors.

12 Just summing up again the key government
13 actions. You've got to have that full
14 implementation of the low-carbon fuel standard
15 regulations. We also -- every stakeholder group
16 felt that the extension of the federal tax credit
17 subsidies/incentives, which many expire in 2009/
18 2010, need to be extended. Many of them were
19 saying around eight to ten years, some were saying
20 twenty. That's a thing that has to happen.

21 And that has to be coupled with the
22 state government incentives. Commissioner Boyd
23 mentioned the AB 118. We were estimating
24 independently from 118 that it would be about a
25 need for about \$100 million a year for 15 years.

1 AB 118 is close to \$200 million for seven and a
2 half years. So maybe reaching the same point in
3 different ways, accelerating what we were
4 expecting here.

5 Quite a few comments about very
6 significant education training outreach. These
7 need to be targeted, they need to be looked at
8 very carefully to make sure they're effective.
9 But there's a lot of misunderstanding, a lot of
10 poor understanding of what the attributes and
11 costs are of these various options.

12 And then there are several actions
13 specific to each of the fuels and technologies.

14 So what we do get out of this? Well, we
15 are not going to have any slippage on the criteria
16 air pollutants. We think we can see future
17 reductions and improvements in water, soil, other
18 environmental impacts.

19 We will meet the petroleum -- With this
20 moderate growth development that we are
21 anticipating we will meet the petroleum reduction
22 goals from 2003. In the resolution there are
23 interim goals that are described that help get to
24 that point, they describe how we are going to get
25 to those points.

1 And we will fulfill the state in-state
2 biofuel production goals with this plan but we
3 will partially meet through alternative fuels the
4 greenhouse gas emission reduction targets if you
5 consider it proportional that transportation is 40
6 percent of the total greenhouse gas emissions in
7 the state.

8 With this plan we are going to be
9 anywhere from two-thirds to three-quarters of the
10 way. It requires other things, land use planning,
11 other efficiency improvements. And that is kind
12 of a summary of what we expect out of this plan
13 and hoping that you will approve this resolution.

14 I think one other thing I'd like to
15 recommend is -- There is a comment from the Air
16 Resources Board, I think they would like to make a
17 comment before we go on to any comments, public
18 comments.

19 CHAIRPERSON PFANNENSTIEL: Yes,
20 absolutely, thank you, Tim. Air Resources Board?

21 COMMISSIONER BYRON: Tim, one quick
22 question while Ms. Fry is coming up. Maybe it is
23 stated in here, and if it is you can point me to
24 it and state it again, but I want to make sure
25 that it is clear here and in the report that there

1 is no backsliding on emissions as a result of this
2 plan.

3 MR. OLSON: Correct, there is no
4 backsliding on criteria air pollution emissions or
5 any of the other soil, water, toxic existing laws
6 and regulations. And in fact we think we will see
7 reduction with this plan of those air pollution
8 impacts.

9 COMMISSIONER BYRON: Thank you.

10 MR. OLSON: I would like to introduce
11 Barbara Fry from the Air Resources Board.

12 MS. FRY: Good morning, Commissioners.
13 As he indicated I am Barbara Fry and I am chief of
14 the Measures Assessment Branch with the Air
15 Resources Board.

16 And I wanted to take this opportunity to
17 thank you. We have worked extensively with your
18 staff in developing this analysis. The Full Fuel
19 Cycle Analysis will be critical in our development
20 of the low-carbon fuel standard.

21 I would like to thank all of your staff
22 as they -- all their commitment and hard work in
23 developing this plan. We urge you to adopt it
24 today. It will be instrumental in our development
25 of the low-carbon fuel standard and we continue to

1 work with you in developing that. So thank you.

2 CHAIRPERSON PFANNENSTIEL: Thank you and
3 thank you for being here.

4 Commissioner Geesman, did you have a
5 question?

6 COMMISSIONER GEESMAN: I wanted to try
7 to get some clarity on the goals for alternative
8 fuels that are in the report and I find them at
9 page seven of the Executive Summary. It's the
10 first numbered paragraph under the heading, Fuels.
11 It says 9 percent in 2012, 11 percent in 2017, 26
12 percent in 2022. Those are percents of what?

13 MR. OLSON: Those are, those are the
14 contributions from alternative fuel penetration in
15 on-road, off-road and -- both the on-road and off-
16 road sectors of California for transportation
17 demand expectations in those sectors.

18 It differs slightly from the 2003 AB
19 2076 report in which we said only on-road. Those
20 original goals were only on-road transportation.
21 These are a combination of on-road and off-road.

22 COMMISSIONER GEESMAN: So would this be
23 characterized as covering all transportation fuel
24 usage?

25 MR. OLSON: Not covering, not all the

1 rail, not aviation and not marine.

2 COMMISSIONER GEESMAN: So no rail, no
3 aviation, no marine.

4 MR. OLSON: No marine.

5 COMMISSIONER GEESMAN: Is this
6 denominator clearly defined in the report
7 somewhere that I haven't found?

8 MR. OLSON: I think it is. It is in the
9 range of over this time frame a range of 16
10 billion gallons of gasoline equivalent up to about
11 22.

12 COMMISSIONER GEESMAN: I am not as
13 concerned with the numbers as I am with the words
14 because this is going to become your report card,
15 our report card.

16 MR. OLSON: We'll have to double-check
17 that.

18 COMMISSIONER GEESMAN: Okay.

19 MR. OLSON: I think it is somewhere in
20 here. I'm not sure where it is, though.

21 COMMISSIONER GEESMAN: Where I am most
22 concerned with it is in the resolution that will
23 be adopted. The second bullet in the resolve
24 clause speaks of establishing targets which
25 increase the use of, and then it repeats the

1 percents that are drawn from the report. But as I
2 read that, that would be increasing our current
3 use by nine percent by 2012. And I think you have
4 just described a much more aggressive goal than
5 simply a nine percent expansion of our current use
6 of alternative fuel.

7 MR. OLSON: Maybe the clarification
8 would be --

9 COMMISSIONER GEESMAN: We can make the
10 clarification off-line. I just want to emphasize
11 a need to understand what's in, what's out, how is
12 the denominator calculated, and then we can come
13 up with the appropriate wordsmithing before we
14 adopt the resolution. But you have told me on-
15 road and off-road, no rail, no air, no marine.

16 MR. OLSON: Right, correct.

17 COMMISSIONER GEESMAN: Thank you.

18 CHAIRPERSON PFANNENSTIEL: And further,
19 that the percentage is as a percentage of all of
20 the fuel used for those purposes.

21 MR. OLSON: Right.

22 CHAIRPERSON PFANNENSTIEL: All the
23 gasoline equivalent used for that purpose.

24 MR. OLSON: Gasoline and diesel.

25 COMMISSIONER BOYD: I appreciate

1 Commissioner Geesman's comments and his catching
2 that. Those of us who have lived with it too
3 closely may have overlooked this. But this is to
4 supplant traditional fuels by these percentages in
5 these time frames.

6 COMMISSIONER GEESMAN: And we're talking
7 the energy content of traditional fuels as opposed
8 to the volume?

9 COMMISSIONER BOYD: On the so-called
10 gasoline equivalent basis.

11 COMMISSIONER GEESMAN: Okay, thank you.

12 CHAIRPERSON PFANNENSTIEL: And I think
13 before we consider adopting the resolution we need
14 to make sure that that is clarified within the
15 language.

16 I have a number of parties who have
17 asked to speak on this. But I think that before
18 we do that I'd just like to offer a couple of
19 observations. First I want to thank the staff,
20 congratulate and thank the staff. This has been a
21 ferocious slug of work and I think it was more
22 than any of us really bargained for.

23 When the legislation was first passed I
24 was the Associate Member of the Transportation
25 Fuels Committee with Commissioner Boyd and we

1 looked at it the time and thought it would be a
2 challenge and that it was going to require a lot
3 of work. But frankly we way underestimated how
4 large a challenge and how much work was going to
5 be needed. So for all of those on the staff who
6 plugged through this, and this is both the Energy
7 Commission staff and the ARB staff. I know that
8 just getting that relationship to work as smoothly
9 as it did was not easy.

10 I wanted to thank also all the
11 stakeholders because I know that this was a
12 process, a very public process with a lot of
13 people providing valuable input. I actually want
14 to thank the Air Resources Board, Mary Nichols
15 there now and her predecessors, whom I know worked
16 very hard to make sure that we could get a joint
17 plan presented.

18 And of course the Committee that is
19 bringing this forward at this point, Commissioners
20 Boyd and Byron have put a lot of their own extra
21 effort into bringing forward a plan for
22 consideration by this Commission.

23 I know it doesn't answer all of our
24 questions and in fact there are a lot of places
25 that we sort of wish that there was more there.

1 But it does, in fact, tell us, give us a lot of
2 guidance in terms of what is possible in
3 transportation fuels. And it gives us an idea of
4 what's needed in order to achieve these goals,
5 what expectations we have in terms of cost and
6 technology, and it gives us a general road map on
7 how to proceed. And I think those are all
8 incredibly valuable for us.

9 The analysis that underlies this will
10 form the basis for our further work in this area,
11 including input to the Integrated Energy Policy
12 Report, which is going on simultaneously in terms
13 of the development of those policy
14 recommendations.

15 So thank you all. Good job. I think
16 that the most negative thing I would say about it
17 is that there is a lot more work to be done but I
18 think we all knew that.

19 So with that why don't I open then to
20 the various blue cards I have, I have a large
21 number of them. I will go through them in the
22 order that I received them. Paul Wuebben from the
23 South Coast Air Quality Management District.

24 MR. WUEBBEN: Good morning,
25 Commissioners. I am Paul Wuebben, Clean Fuels

1 Officer of the South Coast Air District. I would
2 first like to say that in honor of Halloween I
3 considered dressing up in the scariest possible
4 costume so I decided to come dressed as a
5 regulator. I've got my friend Joe back there.

6 COMMISSIONER BOYD: Your reputation
7 precedes you.

8 MR. WUEBBEN: In any case I would also
9 like to just preface my remarks by noting an
10 article in today's *Wall Street Journal* that asks
11 the question, why oil may not stop at \$100. And
12 one of the core facts noted in there is that 70
13 percent of the fields globally that supply crude
14 oil are over 30 years old. So I think that just
15 further underscores the great importance for the
16 plan before you today.

17 We definitely want to indicate up front
18 and very clearly our strong support and
19 endorsement for the plan. We consider it, as
20 previously stated, a very important step and that
21 we really commend your staff for doing a lot of
22 work. It is a comprehensive analysis that they
23 have undertaken. And recognizing that there are
24 still a lot of questions that inevitably entail in
25 this arena that we still believe that the policy

1 recommendations and analysis are a very important
2 step forward.

3 We also want to definitely acknowledge
4 the efforts that were made to modify the report.
5 To bring up with higher profile and in fact
6 clarify and state clearly the importance of air
7 quality. That there are numerous references now
8 in the report. We consider that to be very
9 constructive and appropriate.

10 We also appreciate the modifications
11 that were made in clarifying in one of the
12 examples taking out a reference to E15, for
13 example, and that that's not specifically
14 envisioned. I think that is a very useful
15 clarification given that there are efforts to
16 promote that for the legacy fleet and we do have
17 some serious concerns about that into the current,
18 predictive model for context.

19 I would like to then just make four
20 brief comments about issues kind of going forward
21 here. First is relating to plug-in hybrids. We
22 think that commercialization of the plug-in
23 hybrids is going to be a very important
24 technology. Clearly we have already entered the
25 hybrid era and building on that hybrid era through

1 plug-in technology offers really impressive
2 opportunities to establish the renewable power
3 segment of electricity generation finally flowing
4 in a large portion into the transportation
5 segment.

6 We do think that the ARB and CEC should
7 actively solicit OEM development and production in
8 that area. Perhaps to paraphrase a suggestion
9 that was made at the October 24 workshop, perhaps
10 what is needed is not just a simple trade mission
11 but an emergency trade mission, as I've mentioned
12 to one of the Commissioners.

13 The second area of comment --

14 COMMISSIONER BOYD: Paul, you forgot to
15 say trade mission to where.

16 MR. WUEBBEN: Well, to Detroit. Or to
17 any OEM, so that could be as broad a basis as
18 you'd like.

19 Our second issue really or just a
20 suggestion is that in Table 1 of the plan, which
21 we think will attract a lot of focus relative to
22 the amount of investment needed. We would still
23 suggest that going forward that you indicate that
24 that table was not considered to be a formal,
25 proposed level of funding, what your preferred

1 funding levels were, nor that does not indicate
2 the absolute or relative level of funding relative
3 to the various alternative fuels.

4 A third area is with respect to electric
5 technologies. Clearly this is an important
6 evolving area. We just wanted to reiterate the
7 important areas of advanced metering, recycling
8 facilities and Tier 1 battery production
9 facilities as well as just OEM. I think that the
10 report focuses on OEM but doesn't address this
11 Tier 1 kind of complementary area. Recognizing
12 the international competitive struggles frankly
13 that US manufacturing faces to bring on California
14 or US-based lithium battery production, for
15 example.

16 Lastly we would strongly urge that the
17 CEC and ARB actively solicit OEMs to expand or
18 restart their natural gas vehicle programs in both
19 the light duty and the heavy duty segment. We
20 have done a lot as you have to prime the pump over
21 the last ten years. We think that has achieved a
22 remarkable amount of fleet utilization of natural
23 gas and the vehicles have been optimized. They
24 continue for the last eight years to offer the
25 lowest NO_x of any certified engine.

1 But that pipeline needs to be primed and
2 expanded in the light-duty area. I think this is
3 an area that Europe unfortunately does lead the US
4 relative to the amount of light-duty natural gas
5 vehicles available.

6 So with that we just want to reiterate
7 that we definitely want to thank you and
8 appreciate the efforts made to reflect our
9 concerns in the document. We certainly reiterate
10 our strong commitment to work cooperatively with
11 both agencies to implement and build upon the
12 plan. So thanks very much for this opportunity.

13 CHAIRPERSON PFANNENSTIEL: Thank you.
14 Commissioner Geesman, did you have a question?

15 COMMISSIONER GEESMAN: Paul, I don't
16 know if this falls in your area, South Coast, or
17 not, but in terms of your comment on plug-in
18 hybrids. Commissioner Boyd and I stumbled across
19 plug-in hybrids some number of years ago when
20 nobody else was aware of plug-in hybrids.

21 If you do in fact have a large
22 penetration of that technology in the South Coast,
23 and if in fact were successful in bringing on as
24 much renewable generation as we hope to, you're
25 still likely to have a fairly considerable need

1 for quick-start, gas-fired generation because of
2 all of the intermittency that we will have brought
3 onto the electric system.

4 The ISO has been insistent for local
5 reliability reasons that half of all electric
6 generation serving Southern California be within
7 the Southern California basin. How do you see
8 that fitting into the District's future plans for
9 thermal generation?

10 MR. WUEBBEN: Well, we certainly
11 recognize the baseline ISO obligations. But at
12 the same time we don't think necessarily there has
13 been enough work focused on hybridizing, the kind
14 of plants that we talked about, in fact you
15 approved today. One of the important object
16 lesson going forward are that kind of benchmark in
17 the sand.

18 Hybridizing in the sense that you
19 utilize your scarce natural gas resources to the
20 degree which you need to for those periods of the
21 day where the wind or the sun isn't shining and
22 you're dispatching. You know, your
23 dispatchability is modeled really more on a
24 hybridized model similar to the existing SEGS, the
25 solar energy generating systems.

1 We understand that historically there
2 was a PURPA limit that limited that hybridization
3 to about 25 percent of the gas input. Perhaps,
4 you know, with the dispatching requirements that
5 needs to be moved up to 40. Who knows, I don't
6 know, and you can't ad hoc define that. But I
7 think that areas to further optimize that
8 integration of renewables with maximizing their
9 dispatchability using these hybrid models I think
10 is an area that needs to be looked at.

11 And we think that that along with time
12 of use incentives, and that I think is reflected
13 in our comment letter. This time of rate
14 incentive that could be placed on the vehicle side
15 could further rationalize some of those pricing
16 incentives, if you will, for some of the
17 generation peak loading, et cetera.

18 CHAIRPERSON PFANNENSTIEL: Thank you.
19 Are there questions? Thank you for being here.

20 Michael Eaves from the Natural Gas
21 Vehicle Coalition.

22 MR. EAVES: Good morning, Commissioners.
23 My name is Michael Eaves, I am with the California
24 Natural Gas Vehicle Coalition. I really
25 appreciate this opportunity to make comments as

1 you move forward to adopt this report.

2 I really appreciated Commissioner Boyd's
3 and Commissioner Byron's comments. This report
4 isn't all that it could be for all the
5 participants but it is certainly a lot farther
6 along than we ever envisioned being maybe a year
7 ago.

8 We would support adopting this plan as
9 written. Maybe not as a final report but really
10 as Commissioner Boyd said, as a first step in
11 developing a really long-term, comprehensive
12 alternative fuel plan for the state.

13 I read with interest the recommendations
14 in the resolution, especially the last section
15 where it directs staff to look at this on a
16 biennial basis, refine the economic analysis over
17 time, continue to collect and get data to improve
18 the forecast.

19 So I think that, you know, that it is
20 appropriate that we move forward and we adopt this
21 and get on to the next stages of looking at how to
22 implement criteria for the AB 118, you know,
23 funding.

24 I guess the economic analysis is one of
25 the areas that I thought maybe was most deficient.

1 There's a lot of things from the natural gas
2 perspective that are in there but when we got to
3 the light-duty, natural gas vehicles we were
4 surprised that the economics wouldn't drive a
5 higher forecast for market penetration in lieu of
6 the fact that consumers could achieve \$1.50 a
7 gallon savings on fuel.

8 But it is not just the economics of
9 natural gas. Similarly it is difficult to
10 understand on the economic model how it predicts
11 large penetration of fuel cell vehicles when the
12 incremental price of fuel cell vehicles is in the
13 tens of thousands of dollars out, you know, for
14 30-plus years.

15 So I think that that's kind of two
16 examples of where the economics have to be
17 tightened up. The market is going to make its
18 decision on where it goes and it is probably going
19 to make its decision based on some economic
20 factors and it is important that those get
21 resolved.

22 And I do like the recommendation in here
23 that we improve, that the Commission improve its
24 analytical ability. I think on the economic side
25 that is going to be kind of key in the future.

1 Last week I suggested a state trade
2 mission to Detroit that got a lot of laughs. And
3 possibly because you thought that we were going to
4 be asking Detroit for natural gas. That asking
5 Detroit for natural gas vehicles seemed a rather
6 absurd request.

7 I really wasn't implying that we ask
8 them anything but really sell them as the state of
9 California. I think you might be able to sell
10 OEMs on natural gas vehicles as the state of
11 California if you tell them that they can achieve
12 immediately a 30 percent reduction in greenhouse
13 gases, not by redesigning their SUVs, making them
14 smaller, making their engines more efficient, but
15 simply by displacing the fuel that they have in it
16 from gasoline to natural gas.

17 Tell them that they can earn credits
18 towards CARB's 2016 implementation of their
19 greenhouse gas regulations which target 30 percent
20 reduction. Maybe they'd get early credits just
21 the same way as ATPZEVs do under the ZEV program.

22 That the OEMs have access potentially to
23 state funds for purchase incentives for vehicles.
24 That they will be able to provide the consumers in
25 California the same vehicle utility that they have

1 today and allow customers to save at least \$1.50 a
2 gallon on fuel savings if they have things like
3 home refueling at their homes. Also that the
4 state has incentives to expand infrastructure and
5 provide incentives for home refueling.

6 And that there are state policies in
7 effect that require the state fleet to purchase
8 and use alternative fuels. I think with those
9 selling points I think that maybe a mission to
10 Detroit could be more successful than just asking.

11 I think the coalition looks forward to
12 working with the Commission and the state to
13 achieve the goals of petroleum displacement. We
14 look forward to working on the next elements of
15 this, defining the criteria for how we come up
16 with a plan for 118 monies and the California NGV
17 Coalition is offering our support to do that.

18 So thanks for giving me a chance to make
19 these comments this morning and be a part of this
20 process for well over a year. Thank you.

21 CHAIRPERSON PFANNENSTIEL: Thank you.
22 Todd -- I'm sorry.

23 COMMISSIONER BOYD: If I might make a
24 comment or two, Mike. Laughter does not always
25 mean absurdity. Sometimes, you know, we just need

1 a novel suggestion in this room to brighten our
2 day a little bit. I remember the laughter of the
3 day and it wasn't meant to dismiss the idea. It
4 was such a novel idea that actually makes some
5 sense, quite frankly.

6 And that really ties into your
7 discussion of economics. And I am quite the
8 student of behavioral economics, which does
9 ultimately alter outcomes but are awfully hard to
10 deal with in a pure economic analysis. Which is
11 why the full-fledged economic analysis is but that
12 on its surface and is a satellite report of the
13 whole package. And if we were to be driven
14 totally by economics I think the recommendations
15 would be even different than you see them today.
16 We recognize the ability to influence some folks.

17 But you're right, the economic
18 evaluations are dictated by whether vehicles are
19 present and light-duty vehicles aren't present.
20 Detroit isn't building them. And you're right,
21 hopefully maybe they'll see there is some value.
22 And you are not wrong in the idea of trying to
23 convince them that the pull is there, they just
24 need to provide the rest of the equation and some
25 promise that there will be vehicles available.

1 I thank you for your comments and for
2 having faith and hopefully recognizing that we
3 have faith in the technology that you represent.
4 I'm sure Catherine Dunwoody will have something to
5 say about fuel cells a little later but in any
6 event, thanks.

7 MR. EAVES: Thank you. We've already
8 talked to Tim about trying to revise and bolster
9 the information on economics to make this even a
10 stronger plan moving forward. Thanks.

11 CHAIRPERSON PFANNENSTIEL: Todd
12 Campbell, Clean Energy Fuels.

13 MR. CAMPBELL: Good morning, Madame
14 Chair and honorable members of the Commission. My
15 name is Todd Campbell; I am the director of public
16 policy for Clean Energy.

17 As you know Clean Energy has been
18 extremely supportive of the Governor's and the
19 Legislature's very active role in implementing AB
20 32, the low-carbon fuel standard, as well as even
21 the recently adopted AB 118 program funds. We are
22 all looking very much forward to seeing those
23 funds advance California's ability to reduce
24 greenhouse gases, criteria pollutants and the
25 overall economic and energy health of the state.

1 Clean Energy would also like to commend
2 the Energy Commission and the Air Resources Board
3 for their herculean efforts in putting together a
4 plan that is fairly comprehensive under a very
5 short time frame. And we understand how difficult
6 of a job that is.

7 And clearly, I'm sure there will be a
8 lot of stakeholders that have critiques and
9 comments. We, of course, are one of those. We
10 have a slight critique in terms of our penetration
11 and we think that that is partially due to the
12 constraints and the deadlines, but also maybe we
13 haven't done a good enough job in terms of
14 conveying what we see for our own industry in
15 terms of penetrating not only California's market
16 but the market throughout the United States.

17 As you know, and we repeat this often,
18 people are very proud of it, natural gas vehicles
19 are very clean in all applications. We have
20 achieved ATPZEV standards. We have achieved 2010
21 heavy-duty standards which are critical, critical
22 achievements, not only for air quality but also
23 for driving the industry and demonstrating that it
24 is attainable to achieve such clean standards.

25 Natural gas, of course, is also

1 domestic. There are proven reserves of 77 years
2 and we have done estimates where you could place
3 three million vehicles on the road and actually
4 only consume less than one percent of current use.
5 That's big. Because that demonstrates that not
6 only is natural gas a source that you can count on
7 but it is a source that could wean off our
8 dependance on foreign oil supplies.

9 We also believe that natural gas is very
10 cheap. At our retail stations we are selling it
11 for \$2.44 for a gasoline gallon equivalent. If
12 you were doing a fill it's \$1.25 roughly at
13 today's prices. And that provides consumers with
14 a real opportunity to wean themselves off of our
15 foreign oil dependance but also save some money
16 and also help buy down the incremental costs that
17 are often associated with any vehicle that is an
18 alternative to oil.

19 Then finally, natural gas is supported.
20 Clean Energy has invested over \$55 million, for
21 example, to support the ports' efforts to clean up
22 those ports. With our Boron plant we will produce
23 a maximum capacity of 240,000 gallons per day to
24 support the clean air efforts down there.

25 Second of all we have also entered into

1 additional agreements with Spectrum Energy, which
2 is building another plant on the California/Arizona
3 border which will supply us with another 45,000
4 gallons per day. And that is all an effort just
5 to support the ports.

6 As you know we are very actively
7 involved throughout the state in many markets
8 trying to not only provide an alternative but
9 provide support for many of the state's policy
10 goals.

11 And this has also created strong
12 interest not only from OEMs but also from
13 supporting companies that support OEMs like
14 Kenworth and Freightliner and on and on down the
15 line.

16 We do understand with the development of
17 the report there was some inter-agency debate in
18 terms of our ability to penetrate the market. We
19 can understand that. I think some of the issues
20 that that were cited were vehicle costs, one was
21 that diesel was cleaning itself up. You know,
22 reducing some of the air quality benefits. And
23 also lack of OEMs.

24 And I would say that the problem
25 actually is a shortfall of policy and that's what

1 today this process is changing. AB 1007 in my
2 view is one of the first policies that will drive
3 an alternative fuel market. And that is why this
4 document is so critical.

5 Some have said, what does the AB 1007
6 report really matter? It matters, as you know
7 being a former elected official. Legislators look
8 to you for your guidance. And I see what you put
9 down on paper, and the staff has worked very hard
10 to put down on paper, as guiding principles that
11 legislators will depend upon. That the Governor
12 will depend upon. And so that is why Clean Energy
13 treats this report with the seriousness that it
14 does.

15 But I would say in response to some of
16 the doubts that are being looked at for natural
17 gas vehicle penetration, look to Europe. We have
18 presented -- and I will submit these for the
19 records as well. From the gas report it shows
20 just from 2004 to 2005 we went from worldwide 4.1
21 to 5 million natural gas vehicles. That is
22 extremely intense growth for an industry. That
23 shows that the world is looking for other
24 alternatives that not only meet their energy needs
25 but also combat some of their air quality

1 problems.

2 And I think it would be very wise, of
3 course, for not only the United States but
4 California in particular, because we are often the
5 stick that stirs the drink. We need to invest
6 more and provide more opportunities. Not just for
7 natural gas vehicles but for low-carbon fuel
8 opportunities.

9 I would also like to say that there is a
10 preponderance of evidence of OEMs that are
11 participating in the natural gas vehicle industry.
12 This is a brochure from Daimler-Chrysler touting
13 their E Class Mercedes Benz. This one is the
14 Chrysler Sprinter, which actually comes in
15 biodiesel, natural gas and propane. You have the
16 B Class Mercedes Benz.

17 And this document as well as the other
18 document, and I'll submit these to the Commission,
19 it clearly shows that Citroen, Fiat, Ford,
20 Mercedes Benz, Opel, Peugeot, Volkswagen, Audi,
21 Renault and Chrysler as well as Volvo are all
22 participants in creating OEM light-duty vehicle
23 product for their markets where policy exists.

24 So when I look at this report I see this
25 is a critical turning point that could help expand

1 the light duty vehicle market. And I am raising
2 this because in the report that is before you we
3 have been flat-lined in the light-duty vehicle
4 market until 2050. And I just don't think that
5 that reflects reality.

6 In terms of diesel cleaning up. It is
7 true but the wells are running dry. And I think
8 Mr. Wuebben very accurately brought up a *Wall*
9 *Street Journal* article today that should concern
10 us all. We are facing another rate cut today by
11 the fed chairman because of the record oil prices
12 that touched \$93.53 yesterday.

13 You have to ask yourself, is it wise to
14 continue to depend on countries like Iran and
15 Venezuela and Nigeria. We would like them to be
16 more stable but we don't have everything in our
17 power, obviously, to do that.

18 So I would say that we need to look and
19 to strive to support these markets for low-carbon
20 fuels and not just relying on hybrid electric
21 platforms. I think we need to find ways to marry
22 those, to pair those.

23 Furthermore as a former mayor of Burbank
24 who supported hydrogen by being one of the five
25 cities that put in hydrogen stations in the South

1 Coast Air Basin, I personally love the idea of
2 hydrogen fuel cells. I also was as a former
3 policy director for the Coalition for Clean Air,
4 one of the key people that put in the zero
5 emission bus requirement for the transit bus rule.

6 Unfortunately it is just not a
7 technology that is there yet and the report
8 demonstrates that hydrogen fuel cells or hydrogen
9 vehicles will take over natural gas vehicles by
10 2020. I just don't -- Even though I would like to
11 believe that we could advance the technology that
12 quickly I just don't believe that that is reality.

13 And in fact by demonstrating that kind
14 of a perception or viewpoint I actually think
15 we're going to hinder the development of hydrogen
16 development because we see a very close link
17 between natural gas and hydrogen. We have been
18 working on very many projects where we are
19 blending the two fuels together. And we are also
20 being approached by many OEMs to actually work
21 with them on their stations. Which they are
22 finding that their other energy partners are
23 unwilling to do.

24 So we see the ability to show a light-
25 duty vehicle market that has growth behind it. It

1 is critical not just to expand the natural gas
2 vehicle market but to expand a hydrogen market
3 that promises even greater benefits down the line.

4 Even further, biomethane, which is
5 mentioned but not really analyzed in this report,
6 can provide extremely significant benefits in
7 terms of greenhouse gases. Some predict even up
8 to 200 percent. To me that is one of the best
9 biofuels out there if we can wean that energy
10 source from ag feed lots, from landfills, from
11 sewer treatment plants.

12 So my message today is, we really need
13 to make sure that we are focusing both on blending
14 and non-blending fuels. I am looking at -- Well I
15 would say respectfully urge this Commission to
16 support the Energy Commission's and the Air
17 Resources Board's initial beliefs -- well, that
18 there are some initial beliefs in our industry,
19 maybe some debate, but certainly adopt the revised
20 numbers that we submitted to you on October 24.

21 Quite frankly we think they're
22 conservative. I'll give you a reason why. Just
23 looking at the ports alone we look to displace,
24 you know, 150 million gallons there alone. So
25 when you're looking at the total picture of

1 refuse, transit, school bus, taxi, drayage, all
2 the markets that we participate in very
3 aggressively with the economics behind us, we
4 really think we are going to make significant
5 penetration in this market with our without the
6 reflection of the numbers in the report. But we
7 think it is important for policy-makers to see
8 that, that it is reflected in there.

9 I also would say that we need to signal
10 to the OEMs that you see a natural gas light-duty
11 vehicle market as a viable and necessary market.
12 And that's why the flat-lining of the light-duty
13 vehicle market is problematic for us.

14 So with that I just want to say we are
15 very appreciative of the Energy Commission's and
16 the Air Resources Board's work on this report. It
17 was a very onerous task. We think the staff is
18 very reasonable. We also see the power of policy.
19 One of the examples I brought here is a letter
20 from Kenworth that says that they are willing to
21 put LNG drayage trucks on their factory floor and
22 meet the 5,000 vehicle target in the next five
23 years by the ports of LA and Long Beach. They
24 just need the policy signals.

25 So I leave you with a request of sending

1 the policy signal. Let's get us off of high-
2 carbon fuels and start blending our markets to
3 lower carbon fuels that really can help us get to
4 our AB 32 goals. Thank you.

5 CHAIRPERSON PFANNENSTIEL: Thank you.
6 Joe Sparano, Western States Petroleum Association.

7 MR. SPARANO: Good morning,
8 Commissioners and Happy Halloween. My name is Joe
9 Sparano; I am the president of the Western States
10 Petroleum Association. What I'll say might be a
11 little different than Todd but probably not a
12 whole lot since we both deal in products that are
13 fossil fuel-based.

14 I want to talk very briefly about the
15 process. I made some comments last week that
16 expressed our concern about the process. And I
17 won't go over them, I just want to illustrate why
18 we are so concerned.

19 It may seem like a small point to others
20 but as I spoke last week Commissioner Byron very
21 responsibly asked me if I had more comments and if
22 I would get them in by five o'clock and my answer
23 was no. As I was speaking there were more sheets
24 hitting the website with additional parts of the
25 report.

1 It's really hard for stakeholders --
2 we've got a few people at least who are active in
3 analyzing the hundreds of pages we get. There are
4 many of the stakeholders who don't have that
5 opportunity or the breadth of resources.

6 So I think it is really important, even
7 though I know you are pressed for time and I
8 understand what a tremendous effort this involved,
9 it really would be good if we could figure out a
10 way together, and we're happy to work with you, to
11 get at least more than three or four days to
12 review some of this pretty technical, complicated
13 material. You might find out that we actually
14 give you information that you find useful.

15 So I think that could be said for a lot
16 of the stakeholders who have had this trouble with
17 the same thing that we have struggled with. But
18 enough about process.

19 I do have a few general comments. I
20 think we all need to be careful during the
21 implementation of the plan, which I have no doubt
22 will be adopted, because it tries to satisfy
23 multiple state goals. And I think that was
24 repeated several times today.

25 It would be really good if all these

1 goals for fuel diversity are met. Our members in
2 fact will be the ones who will or are already
3 producing and using many of the products that have
4 been talked about this morning. So there is not a
5 disconnect or an inconsistency there with how we
6 feel about diversity of fuels.

7 But it does seem unlikely that all of
8 these goals, as diverse as they are, can be met at
9 the same time or to the same degree of
10 effectiveness and I wanted to express our concern
11 about that for your consideration. I think it is
12 important that government, this panel, be open to
13 utilizing additional stakeholder input. I think
14 there is going to be a great need to balance
15 tradeoffs that are going to have to be made as the
16 policies that are advocated here are formulated
17 and implemented.

18 We are really concerned about what
19 happens if the plan doesn't go forward as it has
20 been mapped out. And I know Commissioner Boyd was
21 very careful in his opening remarks to say that
22 there are opportunities that will be exercised to
23 look at what is going on and to make course
24 corrections. We appreciate that and I'll have a
25 brief comment at the end. But regardless of that

1 willingness which we appreciate, we are concerned.

2 We are also concerned about providing
3 billions of dollars of incentives for alternative
4 and renewable fuels that may not make it to prime
5 time. I think in the end we are talking over the
6 course of the 2020 and 2030 original goals just a
7 tremendous amount of market penetration which will
8 require mass marketing of the vehicles that we use
9 as transportation fuel.

10 And it isn't that we don't want it to
11 happen. That would be ridiculous because as I
12 said our members are part and parcel of the
13 research and development and in some cases already
14 deploying some of these fuels. We'll still make
15 our base fuels and we'll make lots more of these
16 newer fuels. But it is a concern to us about how
17 quickly mass market penetration takes place and
18 how quickly vehicle makers can get on the
19 bandwagon and join with California in what we are
20 doing.

21 And the last thing we want to see, and I
22 think the last thing that you want to see, is a
23 disruption somehow in the supply of transportation
24 energy that might cause economic harm both to the
25 state and to our consumers.

1 I now will get to the normal part of my
2 comments and I think it bears repeating. We still
3 believe very strongly that forcing petroleum
4 reduction as a way to meet the alternative fuel
5 policy directive and improve the state's energy
6 security is wrong. We believe that adding diverse
7 fuels that are scientifically sound, cost-
8 effective and technologically feasible to already
9 cleaner burning, conventional transportation fuels
10 is the smartest way to go.

11 I don't know any empirical formula that
12 you can use that will make the answer very
13 different if you add really good, new fuels that
14 meet those tests. And without mandates is our
15 position as you know, to an already cleaner
16 burning set of fuels that certainly over time can
17 be made more cleaner burning.

18 And if you do the calculation the other
19 way and eliminate some of the base product I think
20 you run the risk, just my thinking and the
21 thinking of our industry, that there is a great
22 risk that we will end up needing every drop, every
23 molecule of every fuel that ends up working
24 including the base fuels we have now in order to
25 meet future demand and to not allow California's

1 economy to backslide.

2 Certainly we are not going to
3 participate in anything that allows the
4 environmental gains that have been made to
5 backslide, as Commissioner Geesman thoughtfully
6 pointed out this morning.

7 But it is a big concern and I think it
8 bears saying. And I'll just, I'll stop on the
9 comment there other than to say, what would be
10 wrong with embracing all fuels and making them all
11 as cost-effective and clean burning as possible?

12 And that is violently different than
13 what has been developed here. The clear notion of
14 satisfying AB 2076 which said, reduce the growth
15 in petroleum demand. Growth in petroleum demand
16 has been translated into, eliminate a bunch of the
17 products. I just don't think that is great public
18 policy, regardless of what one thinks about which
19 fuels ought to end up at the top of the heap.

20 COMMISSIONER GEESMAN: How do you feel
21 about our military entanglements in the Middle
22 East as great public policy?

23 MR. SPARANO: That is not the subject
24 here, John, come on.

25 COMMISSIONER GEESMAN: How can we avoid

1 that?

2 MR. SPARANO: Well, you know, the Middle
3 East is a really complex, geopolitical situation.
4 It has something to do with oil but it also has
5 something to do with Israel, it has something to
6 do with the factions that have been fighting for
7 thousands of years before we showed up.

8 COMMISSIONER GEESMAN: Let's stay
9 focused on the something that it has to do with
10 oil.

11 MR. SPARANO: Well oil, the Middle East
12 clearly is the center of huge petroleum resources.
13 But if you like Canada more than the Middle East,
14 and I don't see us in any incursions there or any
15 activity there. Canada has 178 billion barrels of
16 tar sands crude that are now calculated as their
17 reserve base, making them second only to Saudi
18 Arabia.

19 And the initial study by the professors
20 who are working on the low-carbon fuel standard
21 looks at making it difficult if not impossible to
22 use those fuels. So pick your place. I don't run
23 national policy nor do you. And I think the
24 response of, what about the Middle East, when I am
25 talking about just trying to work collaboratively

1 and use all the fuels we have, doesn't cut it.

2 COMMISSIONER GEESMAN: Well I'm in favor
3 of collaboration, I am also in favor of market
4 forces. But I think market forces have gotten us
5 into some predicaments which government has felt
6 compelled to use other than market forces to get
7 us out of. And the Middle East is a primary
8 example of what I think is driving national policy
9 from the President on down away from petroleum as
10 transportation feed stock.

11 I understand why your members don't like
12 that. I wouldn't like it either if I were in that
13 business. But it is something that I think we all
14 need to adapt to.

15 MR. SPARANO: You might be right, I
16 don't have public policy expertise in world
17 affairs. But I do know that the activity going on
18 in the Middle East is way more complicated than a
19 barrel of oil. Way more complicated than that.
20 And to make them, to put the barrel of oil in the
21 spotlight serves to point out that there are
22 national policies but I don't think it really
23 describes what is happening there.

24 And I wanted to finish up by remembering
25 that after all these new fuels, after all the data

1 is examined and the proposed actions on these new
2 fuels are being implemented, which they will, you
3 are still going to be the energy agency and it is
4 still going to be a main responsibility to ensure
5 that the California consumers have reliable,
6 affordable and adequate transportation fuels.

7 And we are concerned that the way this
8 process moves forward will be very critical in
9 ensuring that that goal be met. We would like to
10 work as closely with you as possible to ensure
11 that.

12 And to finish up, I want to recommend
13 that instead of the biennial looks at the IEPRs
14 which are done now and which could certainly
15 incorporate a look at this transportation,
16 alternative transportation fuel plan, that you
17 have your staff look annually at the impacts on
18 supply.

19 I think that may be, if there is
20 anything that will make this difficult to
21 implement successfully, it will be the impacts on
22 supply. And some of them borne out of an area
23 where we never fight about, which is
24 infrastructure. And infrastructure is a challenge
25 right now as your agency has said so adequately

1 and accurately for the petroleum-based fuels that
2 we have.

3 We're talking about a whole, new,
4 different infrastructure that needs lands,
5 permits, interest and funding. And all of that is
6 very complicated and in any event can make
7 achieving this plan a big challenge. And we hope
8 that you will work with us to point that out and
9 work with the local agencies who may have a
10 different perspective on what constitutes the
11 right infrastructure in their backyards.

12 So I thank you once again for allowing
13 me to speak and would be happy to answer any other
14 questions.

15 CHAIRPERSON PFANNENSTIEL: Thank you,
16 Joe.

17 COMMISSIONER BOYD: I might make a
18 comment or two. On the latter point, battered and
19 bruised as we may be, we have stood with you to
20 discuss and debate the infrastructure issue over
21 the past several years. As the energy agency as
22 you point out, we have recognized our
23 responsibilities in multiple arenas.

24 You can easily put 2076 aside since that
25 is such an aggravating statement to folks in the

1 petroleum industry and you can set aside the
2 debate on what is going on in the Middle East.
3 But as you pointed out and it has been pointed
4 out, it is now national policy and state policy to
5 reduce our dependance on petroleum.

6 And given that what choice do we have
7 but the three avenues we're pursuing, only one of
8 which is being debated today. Pursuant to a host
9 of other policy goals we are trying to incent the
10 introduction of some, various alternative fuels.

11 And we have already said, there are no
12 silver bullets, there are no winners. We want a
13 mixed portfolio, let the marketplace dictate. And
14 the staff has taken a picture, be it good or bad,
15 of where things are right now. And as you've
16 heard some people think it is not a good picture.

17 The other legs of our stool or the other
18 tips of our spear include vehicle technologies.
19 The introduction of new vehicle technologies. Not
20 only to accommodate these fuels but to improve the
21 efficiency of the transportation system. And
22 thirdly it is the whole arena of the mass movement
23 of people, the reduction of VMT, the improvement
24 of land use and transportation planning, the
25 facilitation of walkable cities.

1 Call it what you want, it is this whole
2 arena that the public is very reluctant to adopt
3 and accept but it is going to have to. And I
4 think it is beginning to be evident, in order to
5 address these very issues of needing to reduce our
6 dependance, needing to cut down greenhouse gases,
7 needing to continue to pursue clean air, and
8 needing to address the sheer congestion that we
9 face by the burgeoning numbers of motor vehicles
10 and what have you.

11 One of these days the auto industry will
12 undoubtedly be in here complaining about land use
13 and transportation planning because it might cut
14 down the market for the sales of motor vehicles in
15 general. But, I mean, as you said, we are the
16 energy agency. That is our responsibility, that
17 is what we are about and we are trying to take a
18 look at the whole system.

19 With regard to why we're doing this
20 today and not later in November as you referenced.
21 We were supposed to do this in June. We are doing
22 it today because we did afford all the
23 stakeholders a lot more time as best we could.

24 But we have an Integrated Energy Policy
25 Report that is required to be submitted. Our

1 objective here is to make sure that the actions we
2 take in this arena get reflected in that strategy
3 document, which is due to the Governor and the
4 Legislature in the month of November. So I think
5 we stretched this out to the last possible moment.

6 And with regard to materials falling out
7 of the sky at the last minute and not having time
8 to deal with that. You've heard all day about how
9 tough this process has been. Commissioner Byron
10 and I find ourselves in the position of not seeing
11 material until after that workshop and that
12 material is not reflected in this final report so
13 it cuts both ways.

14 We will continue our partnership with
15 you and all the other folks. And as the oil
16 industry becomes more of an energy industry, which
17 you have pointed out is happening, it makes it
18 better for all of us.

19 MR. SPARANO: I appreciate your comments
20 and I really appreciate the work the Commission
21 has done on infrastructure. We seem to stand
22 almost alone and together on that one issue.
23 Unfortunately I don't think any of us has seen
24 much reaction from the local venues who, while
25 concerning our industry because of existing

1 infrastructure and the need for more, I think
2 should be a great concern to this panel and to the
3 staff that has done all this hard work to put
4 together the report.

5 As you go to implement it, it is going
6 to rear its head again and somehow, as
7 Commissioner Geesman expressed on July 12 when I
8 testified before you in Los Angeles, the state
9 needs to have some oversight of what is going on.

10 I think you run the risk of having this
11 program which we appreciate, this Alternative
12 Transportation Fuels Plan, run the risk of not
13 succeeding because of infrastructure or by itself.
14 Leave alone the economics, leave alone the costs,
15 leave alone the market penetration. Just the
16 notion of having enough infrastructure to embrace
17 and use all of these different fuels is going to
18 be a big challenge.

19 We don't object to fuel diversity, it is
20 in our core message. Our members are out there
21 spending billions of dollars to achieve that
22 diversity. What we don't think is reasonable or
23 wise is to take away good fuel for the idea of
24 diversity, but rather add as much as you want to
25 it but let's keep using what works and make it

1 cleaner.

2 So in response to your comments, and I
3 know they are thoughtful and reasoned, I want to
4 again express my appreciation for you letting me
5 articulate our position.

6 COMMISSIONER GEESMAN: And I would
7 remind you that in the 15 or 16 quarters since we
8 adopted the AB 2076 report, and I am not
9 suggesting that correlation is causation, but in
10 those 15 to 16 quarters your industry has had its
11 most profitable period in history.

12 MR. SPARANO: And the point is?

13 COMMISSIONER GEESMAN: Just contemplate
14 it, Joe. We are not that bad.

15 MR. SPARANO: I'll leave that one alone,
16 Commissioner. I did like your mask.

17 CHAIRPERSON PFANNENSTIEL: Thank you.
18 Jamie Knapp.

19 MS. KNAPP: Good morning, Commissioners.
20 I am Jamie Knapp, J Knapp Communications. I
21 coordinate the Environmental Coalition, the
22 coalition of organizations that have been working
23 on this plan for the last two years.

24 I don't represent any one of them but I
25 am here today to offer a few brief comments on

1 behalf of the following groups, the American Lung
2 Association of California, the Center for Energy
3 Efficiency and Renewable Technologies or CEERT,
4 the Coalition for Clean Air, Energy Independence
5 Now, Friends of the Earth, the Natural Resources
6 Defense Council and the Union of Concerned
7 Scientists. And there are many others that have
8 weighed in periodically over the last couple of
9 years.

10 First we would like to formally
11 acknowledge staff for their dedication and hard
12 work. Both the CEC and the ARB staff. We know
13 this has been a long process and especially under
14 significant timeline crunch and deadline crunch.

15 Once the process really did get going
16 about a year ago we know that staff worked very
17 hard to engage the stakeholders and we very much
18 appreciate that. Our groups have attended these
19 meetings. As you know we have been here, we have
20 commented along the way. We have provided written
21 comments, sometimes jointly, sometimes
22 individually, and throughout the process.

23 As Chairwoman Pfannenstiel said earlier
24 today, you had said that this report forms the
25 basis for future work. I think those were your

1 words. And that is really why we have watched so
2 very closely. Because we recognize that this is
3 an important foundational report.

4 Last week after the Committee Draft
5 Report -- I'm sorry, earlier this month when it
6 was released many of our groups submitted some
7 comments. And we appreciate in looking through
8 the addendum and errata and the additions that
9 have come out we see that many of them have been
10 incorporated and we thank you for that and we
11 thank staff for that.

12 There are still some aspects of this
13 final report that our groups, we have some
14 questions about. You have heard many similar
15 comments and questions earlier today. I am
16 confident that we will continue to engage with
17 staff to answer these questions and address these
18 ongoing issues.

19 The final document really only has been
20 available for a few days. I think it came out on
21 Friday but I didn't know that until Monday or
22 Tuesday. So we really haven't closely looked to
23 see exactly which piece of the errata -- have all
24 the erratas been incorporated into the document.
25 Has the additional document, what happened to that

1 proposed additions document. Is that in here. We
2 are still trying to figure out all these moving
3 pieces.

4 But that said, there has been a little
5 bit of a problem with the lack of review time. It
6 has been a recurring theme throughout the process.
7 But we know that this is a learning process and
8 that staff will work to build in more review time
9 as the process continues forward.

10 And I guess I think that is the -- the
11 most important message here is that we know there
12 is going to be more work. We know this is the
13 beginning, not the end. That the AB 1007 work is
14 a work in progress. At some point you've got to
15 call it done. We recognize that, we understand
16 that. And we are committed to working with you.

17 Moving forward on AB 118, hopefully with
18 a little more time built in for review. We want
19 to ensure that it is very successful. That
20 alternative fuels are successful in California and
21 that clean, alternative fuels have a fair shot in
22 California.

23 Alternative fuels do need to be
24 environmentally sustainable. And to us that
25 means, as you have identified both in the

1 resolution and in the report, that means reducing
2 our dependance on petroleum, cutting greenhouse
3 gas emissions, meeting or even better yet
4 exceeding our health quality standards, our
5 health-based air quality standards.

6 Reducing toxins in the environment and
7 at the same time not having any other negative
8 effects on our land, on our water, on our food
9 crops or any other living system. So that's our
10 primary concern and we look forward to continuing
11 the discussion. I thank you.

12 CHAIRPERSON PFANNENSTIEL: Thank you
13 very much. The last blue card that I have is
14 Catherine Dunwoody from the California Fuel Cell
15 Partnership.

16 MS. DUNWOODY: Good morning,
17 Commissioners. I am Catherine Dunwoody, Executive
18 Director of the California Fuel Cell Partnership.
19 But I want to clarify that my comments that I have
20 submitted through this process and the ones I make
21 today are my own comments and not representative
22 of our organization or any of its members.

23 First of all I want to apologize for not
24 being able to participate in the October 24
25 workshop. We were finishing up our steering team

1 meeting and I was unable to be here. But I have
2 provided comments at both the recent deadlines,
3 the October 12 and October 19 deadlines.

4 And I want to recognize and appreciate
5 the opportunity to work with the staff on this. I
6 just met with one staff person yesterday and
7 reviewed many of those comments and I appreciate
8 the responsiveness to that. Although I haven't
9 seen -- those were largely to do with the story
10 lines and we haven't seen revisions there.

11 I know this has been a very significant
12 effort, a very challenging project. I think the
13 staff have done a great job to be able to take in
14 comments and address them. I have to say I am
15 disappointed that I have not seen the result of
16 some of the comments I made on October 12 and I
17 really tried to be very helpful and constructive
18 by providing specific suggestions with paragraph
19 numbers and page numbers and a lot of specificity
20 there. I didn't want to just come in and be
21 critical of the report because I think it is
22 important to be helpful and try to suggest
23 alternative language and specific changes.

24 I have heard from staff that these may
25 have been overlooked in the editing process. I

1 just mostly here want to understand if there is
2 going to be an opportunity to clean up the
3 document that you have before you today in a
4 fairly near term time frame as opposed to two
5 years from now. So we just urge that we have an
6 opportunity to further clean up with the comments
7 that have been submitted.

8 As I mentioned in my written comments
9 earlier this month, I can't comment on the
10 economic analysis. It was brought up earlier
11 today. I didn't have time to look into that in
12 detail, although there's others in the fuel cell
13 vehicle community who have provided comments and I
14 know that staff has taken those into
15 consideration.

16 I appreciate the opportunity to help the
17 staff better understand the opportunities and the
18 challenges with fuel cell vehicles and hydrogen.
19 I want to echo comments that I heard Todd Campbell
20 make earlier that I think it is really important
21 for the Energy Commission to build on synergies
22 between these different alternative fuels.

23 I think it is very important to move
24 beyond the competition between fuels. I think
25 that there are many, many synergies and

1 opportunities where success in one arena will
2 breed further success in other arenas. And I
3 think that that is a theme I'd really like to see
4 the Energy Commission carry forward as you work
5 further on this project.

6 So with that, thank you very much.

7 CHAIRPERSON PFANNENSTIEL: Thank you
8 very much.

9 Are there others here who would like to
10 provide comments on the report, the proposed
11 report?

12 If not then we have in front of us a
13 resolution that has been circulated. Commissioner
14 Boyd, did you have revisions to make in the
15 resolution?

16 COMMISSIONER BOYD: A couple of
17 comments. Commissioner Geesman and I have talked
18 about a modification that I'm going to ask him to
19 clarify. I believe he separately discussed this
20 with Commissioner Byron so all three of us didn't
21 violate the law and talk about it together.

22 And just while I have the microphone I
23 just want to express my appreciation to the staff,
24 to the stakeholders, to the ARB, Barbara Fry
25 representing lots of staff people from the ARB.

1 But Barbara and Bob Fletcher in particular I'd
2 like to point out as really having worked very
3 hard with our staff and very much appreciate what
4 they have done. Others, Dean Simeroth, Mike
5 Scheible, have been in and out of this.

6 As the Chairwoman already indicated,
7 Chairman Sawyer of the ARB while he was Chairman
8 really worked very hard with Commissioner Byron
9 and I on this. Chairwoman Nichols has continued
10 that effort in discussions she has had with us and
11 meetings that we have attended with her so we much
12 appreciate, and I think the taxpayers appreciate
13 the extreme cooperation between two state agencies
14 that are evidenced in this document.

15 And at an appropriate time I would
16 certainly like to move Commission adoption of the
17 plan and a proposed Commission resolution. And I
18 will hold that for after Commissioner Geesman
19 makes his suggested amendments.

20 CHAIRPERSON PFANNENSTIEL: Commissioner
21 Geesman.

22 COMMISSIONER GEESMAN: What I would
23 suggest is that the second bullet under the
24 resolve clause be replaced by the following:
25 Establishes targets on a gallon of gasoline

1 equivalent for the use of alternative fuels in the
2 on-road and off-road transportation sector,
3 parentheses, excluding air, marine and rail, close
4 parentheses, including but not limited to
5 electricity, natural gas, propane, hydrogen,
6 ethanol, renewable diesel and biodiesel of 9
7 percent by 2012, 11 percent by 2017 and 26 percent
8 by 2022. And I believe that accurately captures
9 what is expressed in the Executive Summary of the
10 report and what was verbally described by Tim in
11 his presentation.

12 COMMISSIONER BOYD: And I for one
13 certainly accept that as a positive amendment to
14 the resolution.

15 CHAIRPERSON PFANNENSTIEL: Commissioner
16 Byron.

17 COMMISSIONER BYRON: I concur. It
18 addresses all three items that we discussed
19 earlier.

20 CHAIRPERSON PFANNENSTIEL: With that,
21 Commissioner Boyd do you want to introduce the
22 resolution?

23 COMMISSIONER BOYD: Well I would like to
24 move approval of the plan and of the resolution
25 you have before you as amended.

1 COMMISSIONER BYRON: Thank you. I would
2 like to second.

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

5 CHAIRPERSON PFANNENSTIEL: It is
6 approved. Thank you to the Committee and to the
7 staff, good job.

8 Continuing on the agenda. Minutes,
9 approval of the Minutes of the October 10, 2007
10 Business Meeting. Commissioner Geesman, I assume
11 you need to abstain.

12 COMMISSIONER BOYD: Move approval.

13 COMMISSIONER BYRON: Second.

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

16 CHAIRPERSON PFANNENSTIEL: The minutes
17 are approved.

18 Commission Presentations? Nothing?

19 Chief Counsel Report. Mr. Chamberlain.

20 MR. CHAMBERLAIN: Very briefly, Madame
21 Chairman. Last week the County of Alameda filed a
22 petition for a writ of mandate in the California
23 Supreme Court related to the Russell City case and
24 our response will be due early next week. We will
25 be filing that response in the Supreme Court on

1 Monday. That is all that I have to report today.

2 CHAIRPERSON PFANNENSTIEL: Thank you.

3 Executive Director report?

4 MR. BLEVINS: No report. No report,
5 Madame Chairman.

6 CHAIRPERSON PFANNENSTIEL: Yes.

7 COMMISSIONER GEESMAN: B.B., I think it
8 was about two weeks ago Steve Greenlee, who covers
9 the Commission for *California Energy Markets*, had
10 a column describing the electronic outreach
11 Internet policies of various governmental agencies
12 and quite strongly elaborating upon and putting
13 forward a recommendation that former FERC
14 Commissioner Nora Brownell has personally
15 championed here the last couple of years.

16 And that is that agencies like the
17 Energy Commission create an RSS capability, which
18 is an acronym for Real Simple Syndication, where
19 we actually push certain of our material to
20 someone's email address or website. It is a way
21 someone could sign up for one of our distribution
22 lists and be immediately provided with updates on
23 that subject rather than continuously checking a
24 list serve.

25 And I would request that you and your IT

1 department explore the prospects of us doing that
2 and come back to us at some subsequent business
3 meeting and determine whether it is a good idea
4 and an economically realistic idea or not.

5 MR. BLEVINS: We'll do that.

6 COMMISSIONER GEESMAN: Good.

7 CHAIRPERSON PFANNENSTIEL: Thank you.

8 Leg Director report, Mike.

9 MR. SMITH: Good morning Chairman,
10 Commissioners. I was unavailable at the last
11 Business Meeting, which would have been the first
12 Business Meeting after not only the end of session
13 but the signing, vetoing and otherwise passing
14 into law of legislation.

15 Let me just comment that I think it was
16 a banner session for the Energy Commission and for
17 that a banner session for the state of California
18 in general. I think there were some key landmark
19 legislation that was passed that will move
20 California and the Energy Commission forward
21 soundly and strongly into the future. AB 118 was
22 one such piece of legislation that has been talked
23 about in the previous agenda item.

24 I am not going to go through each one of
25 these but just suffice to say that I think the

1 Energy Commission now has some substantial and
2 significant new authority in the areas of
3 transportation, in our appliance and building
4 standards and in the area of distributed
5 generation and combined heat and power. All areas
6 that the Energy Commission for a number of years
7 has been advocating changes and all these changes
8 are now reflected in this legislation.

9 So I am ecstatic about the outcome of
10 this session. I am very proud of the performance
11 of my staff in working with our deputy directors
12 and our program people and the Governor's Office
13 and Resources Agency and key legislative offices
14 to make all this happen. So I think it has been a
15 terrific session, hard-fought in some situations,
16 but the outcome is tremendous for not only the
17 Energy Commission but California.

18 I do want to point out that there are at
19 the end of last session and moving into this
20 session, there are a number of two-year bills that
21 we have to be cognizant of and aware of and ready
22 to react to once the session begins in January.

23 And again I am not going to go into
24 detail on each and every one of those but just
25 again to suffice to say that certainly in the area

1 of CO₂ reduction and carbon sequestration we are
2 going to likely see legislation that will be
3 reactivated in that area.

4 I also want to point out with respect to
5 carbon sequestration. A bill was passed last
6 year, AB 1925, that requires the Energy Commission
7 to prepare a report on various aspects of carbon
8 sequestration in order to ensure its -- move it
9 into a commercial activity.

10 The Energy Commission will be adopting
11 as part of the Integrated Energy Policy Report for
12 2007 a preliminary report for that effort in that
13 legislative requirement. I do want to point out
14 that we have an obligation once the WestCarb
15 research project is completed to finalize that
16 document, which will likely be in the 2010 time
17 frame. But that is going to be an important
18 milestone, an important task to undertake. And I
19 just wanted to point out that that is an
20 obligation that we have made to ensure that it
21 happens.

22 In the area of building standards.
23 Again, an area that is gaining energy efficiency
24 standards in general. But building standards in
25 this case are getting a lot of attention as a

1 vehicle and tool to move us toward AB 32 targets.
2 We likely might see legislation that sets up long-
3 term targets for our building standards so we need
4 to keep an eye on that.

5 In the area of siting, jurisdictional
6 siting. A lot of interest in expanding our
7 authority to include other renewable technologies,
8 PV in particular. We also may see some effort to
9 shorten our siting process to perhaps a six-month
10 period for renewable projects. That may cause
11 some concern for us just given the nature of
12 renewable projects and the type of assessment that
13 is needed in these areas. But we need to be very
14 diligent in reacting to that legislation.

15 We will very likely see at least two
16 pieces of legislation that will give us either
17 expanded authority to collect refinery and
18 petroleum market data. And we worked very closely
19 with the Speaker's office and Assembly Member
20 Feuer's office last year as well as
21 representatives from the oil industry to hammer
22 out and finalize language that we all were
23 comfortable with and would give us appropriate
24 authority to move forward in that area. So we
25 will likely see very early in the session efforts

1 to move those bills forward.

2 And lastly the Energy Commission may
3 find itself in the business of assessing
4 distribution systems for IOUs as well as municipal
5 utilities. That would be an entirely new endeavor
6 for us and a new authority. But we need to be,
7 need to be aware that those bills are on the
8 horizon and may very well come back up early in
9 the session. So unless there is any questions
10 that concludes my report.

11 COMMISSIONER GEESMAN: I had one
12 question, Mike. Your reference to potential long-
13 term building standard targets. Is that the zero
14 net energy home type of proposal that the PUC has
15 made?

16 MR. SMITH: Yes, it's very much akin.
17 Last session Assembly Member Lieber had a bill, AB
18 1065, which set, attempted to set standards --
19 excuse me, targets for building standards going
20 out to 2040 I believe. The effort was to try to
21 get down to a zero net energy home.

22 COMMISSIONER GEESMAN: Thank you.

23 MR. SMITH: Sure.

24 COMMISSIONER BOYD: Chair, if I might.

25 CHAIRPERSON PFANNENSTIEL: Yes.

1 COMMISSIONER BOYD: First Mike, just as
2 a member of the Legislative Committee along with
3 the Chairman let me commend you and your staff for
4 the work you've done this year. As you've said it
5 has ben an interesting and tough year.

6 You might want to mention one of the
7 hearings that we were on tap to handle, the
8 nuclear energy hearing, got cancelled, or maybe I
9 am mentioning it now. It was to be last week or
10 the week before last. I'm losing track. Anyway,
11 it was to be in Oceanside. Senator Kehoe wanted a
12 hearing on nuclear energy. She had asked this
13 agency, she had asked me to kick it off and
14 conclude it. So we had a very big role in this.

15 Unfortunately due to the fires the day
16 before they wisely cancelled the hearing and I
17 haven't heard anything about whether there is any
18 thought of rescheduling that hearing. Have you
19 heard anything?

20 MR. SMITH: We have not. we intend to
21 get back in touch with the Senator's staff to try
22 and find out if it is going to be rescheduled in
23 the future.

24 On the subject of hearings let me point
25 out that come November 14 the Assembly Utilities

1 and Commerce Committee will be having, convening a
2 hearing on the oversight of the Energy Commission.
3 As of yet we are still working with committee
4 staff to understand the areas that they want to
5 focus on, if any, so that we can prepare ourselves
6 and for you to prepare yourselves in testifying
7 before them. So we will continue to keep you
8 apprised of that and work closely with your
9 offices.

10 COMMISSIONER BOYD: Thank you. And I
11 hate to protract this meeting any longer but I
12 have got to bring up AB 118. We've mentioned all
13 the positives about it today.

14 But as I said in the workshop in this
15 room a couple of weeks ago, I was and remain
16 bitterly disappointed about what a nasty,
17 contentious piece of legislation that was in terms
18 of the process of getting it through the
19 Legislature and approved. So I really do salute
20 the Governor for signing the bill in the face of
21 ridiculous editorials and incorrect editorials in
22 the *LA Times*.

23 But I am just disappointed in a lot of
24 the language on the floor of the Senate those
25 closing hours about this agency and what we might

1 do and what we would do if we were given these
2 funds. Of course we're purposefully encumbered
3 with an advisory committee in response to those, a
4 lot of the concerns about what we might do with
5 funds. So obviously we have to do our homework.

6 And I am equally disappointed by the
7 instant discussions about clean-up legislation. I
8 don't think the ink had dried before people were
9 calling for clean-up legislation. I don't know
10 what they want to clean up but obviously we'll be
11 having those dialogues. We'll see what's desired
12 and what the concerns are.

13 It has been a tough road to get to this
14 additional funding for the kind of work the Energy
15 Commission has done historically long before I
16 ever got here and I just hope the Commission is
17 allowed to carry it out long after I am gone from
18 this Commission. So we'll see. Thanks.

19 CHAIRPERSON PFANNENSTIEL: I understand
20 there is no report from the Public Adviser's
21 Office. Any further public comment? We'll be
22 adjourned.

23 (Whereupon, at 12:17 p.m., the
24 business meeting was adjourned.)

25

--o0o--

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 9th day of November, 2007.



JOHN COTA