

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Chairperson

James D. Boyd

Jeffrey D. Byron

Karen Douglas

Arthur H. Rosenfeld

STAFF and CONTRACTORS PRESENT

William Chamberlain, Chief Counsel

Derek Davis

Melissa Jones, Executive Director

Harriet Kallemeyn, Secretariat

John Kessler

Martha Krebs

Galen Lemei

Chris Marxen

Christopher Meyer

Melanie Moultry

Bill Pennington

Malachi Weng-Gutierrez

Ron Yasny

PUBLIC ADVISER

Elena Miller

ALSO PRESENT

Michael Carroll, Latham & Watkins
on behalf of the City of Palmdale

Doug Wheeler, GWF Energy

Jeffery D. Harris, Ellison Schneider & Harris
on behalf of GWF Tracy Combined Cycle Power Plant

Barbara McBride, Calpine

Dale Schell, Dow Chemical

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

I N D E X

	Page
Proceedings	1
Items	1
1 Consent Calendar	1
2 Palmdale Hybrid Power Project	2
3 GWF Tracy Combined Cycle Power Plant	6
4 Los Medanos Energy Center	10
5 UC Energy Institute	--
6 UC Davis	--
7 UC Santa Barbara, Bren School of Environmental Science and Management	--
8 Altostratus, Inc.	--
9 Shandam Consulting Services	18
10 Stanfield Systems, Inc.	21
11 Equivalent Rating Network	24
12 Minutes	29
13 Commission Committee Presentations/Discussion	29
14 Chief Counsel's Report	39
15 Executive Director's Report	41
16 Legislative Director's Report	41
17 Public Adviser's Report	42
18 Public Comment	42
Adjournment	42
Certificate of Reporter	43

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

2 10:00 a.m.

3 CHAIRPERSON PFANNENSTIEL: Good morning,
4 we'll come to order. This is the Energy
5 Commission's biweekly Business Meeting. Please
6 join me in the Pledge of Allegiance.

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

9 CHAIRPERSON PFANNENSTIEL: I am going to
10 make a couple agenda changes. Items 5, 6, 7 and 8
11 I am going to hold until the next Business
12 Meeting. We are still awaiting resolution of
13 Senate Bill 1762, which might affect the overall
14 PIER Program. And so I am going to wait and see
15 the resolution of that. I think those are the
16 only changes to the agenda as published.

17 So we start with the Consent Calendar.
18 Is there a motion to approve the Consent Calendar?

19 COMMISSIONER ROSENFELD: I move the
20 consent calendar.

21 COMMISSIONER BYRON: Madame Chair.

22 CHAIRPERSON PFANNENSTIEL: Yes.

23 COMMISSIONER BYRON: I'll second it but
24 I was sure hoping we could get into the alphabet
25 soup associated with Item 1a. Chief Counsel sent

1 me the nice summary of all the activities going on
2 in this organization. Instead of getting into the
3 alphabet soup we'll just second it.

4 CHAIRPERSON PFANNENSTIEL: Maybe later,
5 Jeff, thanks. All in favor?

6 (Ayes.)

7 CHAIRPERSON PFANNENSTIEL: The Consent
8 Calendar is approved.

9 Item 2a, possible approval of the
10 Executive Director's data adequacy recommendation
11 for the city of Palmdale's Application for
12 Certification of the Palmdale Hybrid Project.
13 Good morning.

14 MR. KESSLER: Good morning, Chairman
15 Pfannenstiel, Vice Chairman Boyd and
16 Commissioners. I am John Kessler. I am the staff
17 project manager for the Palmdale Hybrid Power
18 Project AFC.

19 The City of Palmdale is proposing the
20 project in Palmdale, Los Angeles County, adjacent
21 to the Los Angeles/Palmdale Regional Airport and
22 the Air Force Plant 42.

23 The City of Palmdale filed their AFC on
24 August 4, 2008. Palmdale will be an integrated
25 solar thermal combined-cycle facility similar to

1 the Victorville 2 hybrid power project the
2 Commission approved in July.

3 It is proposed to be a baseload peaking
4 plant consisting of two natural gas-fired
5 combustion turbine generators, one steam turbine
6 generator, and a 250 acre solar parabolic through
7 mirror field capable of providing up to 50
8 megawatts of the steam turbine's output. The
9 project would have a net capacity of 617
10 megawatts.

11 The applicant seeks to secure air
12 emission offsets for NOx and VOC through either
13 the South Coast Air Quality Management District's
14 priority reserve or other market purchase options.
15 And for PM10 by paving of unpaved roads if the
16 Antelope Valley Air District is able to develop
17 such a rule. If the project is approved they plan
18 to begin construction in spring or summer of 2011
19 and commercial operation in 2013.

20 Staff initially found nine technical
21 areas where data was inadequate. These include
22 biological resources, cultural resources, project
23 overview, socioeconomics, soils, traffic and
24 transportation, transmission system design, visual
25 resources and water resources. The applicant is

1 currently preparing an AFC supplement.

2 Staff recommends that the Commission
3 find the Palmdale AFC as data inadequate and adopt
4 the submitted list of efficiencies. And if you
5 have any other questions I'd be glad to try to
6 answer them.

7 CHAIRPERSON PFANNENSTIEL: Thank you.
8 Are there questions? Mr. Carroll, do you have a
9 comment?

10 MR. CARROLL: Yes. Mike Carroll with
11 Latham and Watkins on behalf of the City of
12 Palmdale. We do understand the issues identified
13 by the staff and, as Mr. Kessler indicated, are
14 working on a data adequacy supplement and we would
15 hope to be back before the Commission in the not-
16 to-distant future with a recommendation for data
17 adequacy. So we are in the process of responding
18 to the identified issues.

19 CHAIRPERSON PFANNENSTIEL: Thank you, we
20 appreciate that. So we have in front of us a
21 recommendation by the Executive Director that we
22 find the Palmdale application data inadequate. Is
23 there a motion to support that?

24 COMMISSIONER DOUGLAS: I'll move support
25 of that.

1 COMMISSIONER BYRON: Second.

2 CHAIRPERSON PFANNENSTIEL: All in favor?

3 (Ayes.)

4 CHAIRPERSON PFANNENSTIEL: Thank you.

5 COMMISSIONER BOYD: Madame Chair, could

6 I raise an issue that this item brings up?

7 CHAIRPERSON PFANNENSTIEL: Of course.

8 COMMISSIONER BOYD: But I didn't want to
9 raise it during the discussion of the specific
10 item because it is not really tied to just this
11 item. It is the question of the priority reserve
12 in the South Coast Air Basin and the legal issues
13 relative thereto. That I know our Siting
14 Committee and Commissioners are aware of and have
15 been talking about.

16 But more and more this is going to
17 become a real issue for us as a Commission to have
18 to worry about and deal with as we deal with quite
19 a number of power plant siting cases that fall
20 within the jurisdiction of the South Coast Air
21 Basin. But nothing more than just to acknowledge
22 on the record that we all see this as a
23 significant problem facing applicants and this
24 Commission and others in the future.

25 CHAIRPERSON PFANNENSTIEL: Yes, thank

1 you, Commissioner Boyd. I think every applicant
2 that comes in with the expectation of getting the
3 air permits from the priority reserve is going to
4 have to deal with that. We are going to have to
5 deal with that. Thank you.

6 MR. KESSLER: Thank you.

7 CHAIRPERSON PFANNENSTIEL: Thank you
8 all.

9 MR. CARROLL: Thank you.

10 CHAIRPERSON PFANNENSTIEL: Item 3,
11 possible approval of the Executive Director's data
12 adequacy recommendation for GWF Energy LLC's
13 Application for Certification of the GWF Tracy
14 Combined Cycle Power Plant.

15 MR. MEYER: Good morning, Chair
16 Pfannenstiel and Commissioners. My name is
17 Christopher Meyer. I will be staff's project
18 manager on GWF Energy's -- the GWF Tracy Combined
19 Cycle Power Plant project.

20 On July 18 GWF Energy, LLC filed the AFC
21 seeking approval to modify the existing Tracy
22 peaker plant that was approved during the energy
23 crisis. It was a nominal 169 megawatt, simple-
24 cycle power plant and they will be converting that
25 to a combined cycle power plant with a new nominal

1 generating capacity of 314 megawatts.

2 It would involve replacing the SERs on
3 the two existing GE Frame-7 gas combustion turbine
4 generators with two heat recovery steam generators
5 with higher efficiency, selective catalytic
6 reductions in the HRSGs and a new 145 megawatt
7 condensing steam turbine generator.

8 The project is located southwest of the
9 city of Chula Vista (sic) in San Joaquin County on
10 the existing site of the existing Tracy peaker
11 plant. The power of the project will be delivered
12 to PG&E on the existing site at the Schulte
13 switching station.

14 If approved the project construction
15 would begin in the fall of 2011 with full
16 commercial operations in the second quarter of
17 2013.

18 Initially the staff found technical
19 areas to be deficient and the applicant was able
20 to address those in a draft supplement that we
21 received on September 3. And the staff was able
22 to review the draft supplement and found that the
23 additional information addressed the data adequacy
24 issues in all seven technical areas.

25 And on September 5 issued a revised data

1 adequacy recommendation letter in which staff is
2 recommending that the Tracy combined cycle power
3 plant is found complete and data adequate.

4 CHAIRPERSON PFANNENSTIEL: Thank you,
5 Mr. Meyer.

6 MR. MEYER: Any questions?

7 CHAIRPERSON PFANNENSTIEL: Are there
8 questions? Is there a motion to approve the
9 Executive Director's recommendation?

10 COMMISSIONER BYRON: I'll approve the
11 item.

12 COMMISSIONER DOUGLAS: I'll second it.

13 CHAIRPERSON PFANNENSTIEL: All in favor?

14 (Ayes.)

15 CHAIRPERSON PFANNENSTIEL: Thank you.

16 MR. MEYER: Thank you, Commissioners.

17 COMMISSIONER ROSENFELD: We need a
18 committee.

19 CHAIRPERSON PFANNENSTIEL: Ah, B. Yes,
20 3b, possible appointment of a siting committee.
21 We do have a siting committee to recommend. I
22 recommend a committee of Commissioners Douglas and
23 Rosenfeld with Commissioner Douglas presiding. Is
24 there a motion for that committee?

25 COMMISSIONER BYRON: It would give me

1 great pleasure to make that motion.

2 COMMISSIONER BOYD: And me to second.

3 CHAIRPERSON PFANNENSTIEL: Well we
4 better act on this quickly. All in favor?

5 (Ayes.)

6 CHAIRPERSON PFANNENSTIEL: Thank you.

7 COMMISSIONER BYRON: Would the applicant
8 care to say anything?

9 CHAIRPERSON PFANNENSTIEL: Comments,
10 Mr. Carroll?

11 MR. WHEELER: Doug Wheeler representing
12 GWF. I just wanted to take this opportunity to
13 thank the staff for their very thorough review of
14 our application and look forward to working with
15 the staff and the Commission on the proposed
16 project. Thank you.

17 CHAIRPERSON PFANNENSTIEL: Thank you.

18 MR. CARROLL: Thank you.

19 MR. MEYER: Just a clarification. I
20 think I have been working on Chula Vista too long.
21 I think I did say the city of Chula Vista.

22 COMMISSIONER BOYD: You scared me to
23 death.

24 MR. MEYER: And it is actually southwest
25 of the city of Tracy in an unincorporated portion.

1 CHAIRPERSON PFANNENSTIEL: Got it.

2 Thank you.

3 Item number 4, possible approval of Los
4 Medanos Energy Center, LLC's petition to add a
5 4,950 foot long transmission line from Los Medanos
6 Energy Center to the Dow Pittsburg Facility owned
7 by Dow Chemical Company located east of the LMEC.
8 Good morning.

9 MR. YASNY: Good morning. Ron Yasny,
10 compliance project manager for Los Medanos.

11 As you mentioned the Los Medanos Energy
12 Center is a 555 megawatt natural gas-fired
13 combined-cycle power plant in Pittsburg. It was
14 certified on September 17, 1999 and began
15 commercial operation July 9, 2001. The new
16 proposed modification for the 4950 foot long
17 transmission line is being built to service the
18 needs of Dow Chemical and that will allow them to
19 decommission an older power plant that is on their
20 property.

21 In terms of the public process: We
22 posted a Staff Analysis on August 7. We posted a
23 Revised Staff Analysis on August 20. We received
24 no comments. There was a request from a resident
25 of Pittsburg to receive copies of the analyses.

1 We did contact CAISO and the local
2 transmission system owner, which is PG&E, and they
3 were informed of the project and weighed in. And
4 we are in contact with Contra Costa County that
5 will act as the CEO to ensure compliance with all
6 standards.

7 Staff recommends changes to six
8 conditions of certification, BIO-4 and CUL-6 are
9 merely being updated to allow video tapes for
10 training purposes for workers. BIO-7 requires
11 bird diverters to be put on the highest line,
12 which is a communication line, which is narrow
13 enough that it could be considered a threat to
14 flying birds. So the bird diverters will protect
15 the birds from flying into that thinner line.

16 CULTURAL-10 allows for the use of an on-
17 site monitor to be designated by the cultural
18 resource specialist and keep the on-site monitor
19 on-site as opposed to requiring the CRS to be
20 there. VIS-10 was updated to allow a tower height
21 of 95 feet. Which is in compliance with the local
22 codes which allows 95 feet for tower heights. And
23 lastly, TRANSMISSION SYSTEM ENGINEERING-4
24 underscores and updates the engineering codes that
25 must be met.

1 And with those changes the staff
2 recommends approval of this amendment.

3 CHAIRPERSON PFANNENSTIEL: Thank you.
4 Are there -- Do you have a question? I have some
5 questions.

6 COMMISSIONER BYRON: Go right ahead.

7 CHAIRPERSON PFANNENSTIEL: What is the
8 capacity of the plant that is being decommissioned
9 or allowed to be decommissioned by this line?

10 MR. YASNY: It is approximately 70
11 megawatts. There are three power plants and I
12 think two of them were about 25 megawatts and one
13 is about 16.

14 CHAIRPERSON PFANNENSTIEL: And so the
15 capacity of this transmission line is fully to
16 meet that?

17 MR. YASNY: Is ten megawatts. And I am
18 not sure why they -- Perhaps the applicant can
19 explain that, why they only needed -- why they
20 built 70 way back when, when they only needed ten.

21 CHAIRPERSON PFANNENSTIEL: Mr. Harris.

22 MR. HARRIS: I will smartly defer to
23 Barbara McBride who is the director of
24 environmental health and safety for Calpine.

25 MS. McBRIDE: Part of the load of the

1 Calpine Pittsburg power plant, that is at the Dow
2 facility now, is to serve the Dow load. Part of
3 it actually gets sold to the grid. The Dow load
4 is approximately about ten megawatts, right?

5 Yeah.

6 CHAIRPERSON PFANNENSTIEL: So these ten
7 megawatts now that would have been available to
8 the grid are now just going directly to Dow. This
9 must be a direct access contract then.

10 MR. HARRIS: That's correct. Well maybe
11 an over-the-fence sale actually but it's a --

12 MS. McBRIDE: It's not direct access.

13 MR. HARRIS: It's not direct access.

14 CHAIRPERSON PFANNENSTIEL: It's not
15 direct access?

16 MR. HARRIS: No, but it's an over-the-
17 fence sale.

18 CHAIRPERSON PFANNENSTIEL: I was
19 wondering whether it was somehow grandfathered in.

20 MR. HARRIS: No.

21 CHAIRPERSON PFANNENSTIEL: But I guess
22 adjoining property. I see.

23 MS. McBRIDE: It's a QF.

24 CHAIRPERSON PFANNENSTIEL: Okay. And
25 the capacity of the line is just the ten megawatts

1 that's needed. It is not going to be used for
2 anything other than this dedicated facility?

3 MS. McBRIDE: The capacity of the line
4 is going to be 70 megawatts but the use is going
5 to be 11 megawatts.

6 CHAIRPERSON PFANNENSTIEL: But we
7 approve the entire line even though only 11
8 megawatts of it are going to Dow? I am just
9 confused on the authority of that. Can somebody
10 perhaps help us.

11 MR. HARRIS: There is a representative
12 of Dow who can speak to their --

13 MR. SCHELL: Madame Chair, we did --
14 This certainly garnered our interest in the Siting
15 Committee as well so we asked a lot of these
16 similar questions.

17 CHAIRPERSON PFANNENSTIEL: Okay, thank
18 you. I didn't see them in the write-up.

19 COMMISSIONER BYRON: No, and it is an
20 intriguing project and so a brief explanation by
21 the applicant I think would be very helpful.

22 CHAIRPERSON PFANNENSTIEL: Yes, thank
23 you.

24 MR. SCHELL: I'm Dale Schell
25 representing Dow Chemical. In answer to your

1 previous question. The original power plant was
2 at 70 megawatts because our previous load at Dow
3 Chemical 15 years ago was about 50 to 55
4 megawatts. That load has been reduced because of
5 a plant closure previously so the current load is
6 10 to 11 megawatts.

7 The reason the line is built for 70
8 megawatts is it's a, I guess a discrete operation.
9 You can't string a line at that low of a load to
10 only supply 11 megawatts. The size of the line in
11 order to string this distance, the lowest line
12 size allows you to have a capacity of 70
13 megawatts, even though we are only at this point
14 using 11 megawatts. So that's why the capacity of
15 the line is built for higher. We don't have an
16 option to build for a 12 megawatt load.

17 CHAIRPERSON PFANNENSTIEL: And then it
18 is not intended that the remaining capacity of
19 that line will be used ever?

20 MR. SCHELL: The operation today does
21 not have any more than 11 megawatts. It would be
22 possible I suppose in some future point to use
23 more megawatts. But right now, the load has been
24 this low for the last 15 years.

25 CHAIRPERSON PFANNENSTIEL: Okay, thank

1 you. Other questions?

2 COMMISSIONER BYRON: Madame Chair, as I
3 said we did review this in the Siting Committee
4 and I was intrigued with it, probably in some of
5 the same ways that you are. It seems like
6 somewhat of a unique project. The fact that it
7 falls in our jurisdiction as well as a point
8 interconnection and that it does go over-the-
9 fence. There is no real objection, any objection
10 from the investor-owned utility.

11 And I hope that we will see many more of
12 these kinds of interconnections in the future
13 allowing customers direct access to plants. And
14 decommissioning this aging, what I refer -- I
15 assume it's an old power boiler, is a good thing.
16 I'm sorry, the applicant?

17 MR. HARRIS: It's three gas turbines
18 from 1960s technology.

19 COMMISSIONER BYRON: Okay, so they are
20 old gas turbines.

21 MR. HARRIS: They're quite old.

22 COMMISSIONER BYRON: Sorry?

23 MR. HARRIS: I'm sorry. They're quite
24 old. This is a project that Calpine acquired
25 probably in 1998. So this is going to be a good

1 thing for air quality in the region.

2 COMMISSIONER BYRON: So the Siting
3 Committee did approve it and I will move the item.

4 CHAIRPERSON PFANNENSTIEL: Thank you.
5 Is there a second?

6 COMMISSIONER DOUGLAS: Second.

7 CHAIRPERSON PFANNENSTIEL: All in favor?

8 (Ayes.)

9 CHAIRPERSON PFANNENSTIEL: Thank you
10 all. Appreciate it.

11 MR. YASNY: Thank you.

12 COMMISSIONER BOYD: Congratulations to
13 the Siting Committee on the first transmission
14 siting case that I have seen.

15 COMMISSIONER BYRON: And we did it in
16 less than an hour.

17 COMMISSIONER BOYD: Very novel.

18 CHAIRPERSON PFANNENSTIEL: Moving on to
19 Item 9, possible approval of California Multiple
20 Award Schedule Contract 08 --

21 COMMISSIONER ROSENFELD: Have you done
22 Eight?

23 CHAIRPERSON PFANNENSTIEL: We agreed
24 that we are going to hold Five, Six, Seven and
25 Eight.

1 COMMISSIONER ROSENFELD: Oh, Eight is
2 one of the holds.

3 CHAIRPERSON PFANNENSTIEL: Yes.

4 Possible approval of California Multiple
5 Award Schedule Contract 08-409.00-002 for \$196,500
6 with Shandam Consulting Services for specialized
7 information technology network engineering and
8 architectural services. Good morning.

9 MR. DAVIS: Good morning, how are you
10 doing? Yes, good morning. My name is Derek
11 Davis. I am the supervisor for network services
12 and information technology branch. And I am
13 asking approval of a purchase order for a CMAS
14 contract for \$196,500 for Shandam Consulting.

15 They are going to assist with providing
16 network architectural services. Also for some
17 future IT major projects that come up. To help us
18 change some of our network architecture and some
19 of the things in the project include going to be
20 increasing power load in the server room and some
21 contingency planning for emergency services for
22 disaster recovery and some of the items that are
23 not listed in here.

24 They will help us out with architectural
25 and fill in some of the gaps that are not

1 available in our civil service right now. So we
2 are asking for approval for this purchase order.

3 CHAIRPERSON PFANNENSTIEL: Thank you,
4 Mr. Davis. Are there questions?

5 COMMISSIONER BYRON: One brief question,
6 if I may, Mr. Davis. I was intrigued by the
7 Hearing Room A and B upgrades.

8 MR. DAVIS: Yes sir.

9 COMMISSIONER BYRON: Can you give us any
10 sense of what those might be?

11 MR. DAVIS: Sure. This is a project
12 that came on board with business services to do
13 some retrofitting within Hearing Room A for
14 lighting, audio-visual and computer control units.
15 IT is going to be just part of the services part
16 of this. We are not going to be the major
17 contract on this, we are assisting business
18 services in that. The consultant has some people
19 that have some familiarity with audio-visual and
20 computer control systems. We are just assisting
21 business services.

22 COMMISSIONER BYRON: Okay.

23 COMMISSIONER BOYD: I am most curious
24 about what you might be doing with Hearing Room B,
25 which is barely a hearing room at best and it

1 could use some upgrade.

2 MS. JONES: We are looking at what we
3 are going to do with Hearing Room B. We are
4 trying to look at what different options we have.
5 We know that there are some acoustics problems in
6 that room. It is not currently wired for webcast
7 so we will be taking a look at that. It is part
8 of our regular budget, operating budget expenses.

9 The IT piece is what is included in the
10 contract that Derek has brought forward today. We
11 can back to you once we have a better idea of what
12 we are going to do and a design.

13 COMMISSIONER BOYD: Good luck.

14 CHAIRPERSON PFANNENSTIEL: And all of us
15 who spend so much of our lives in Hearing Rooms A
16 and B really are interested, vitally interested in
17 these projects. With that, is there a motion for
18 approval?

19 COMMISSIONER BOYD: So moved.

20 COMMISSIONER BYRON: Second.

21 (Ayes.)

22 CHAIRPERSON PFANNENSTIEL: All in favor.

23 (Ayes.)

24 CHAIRPERSON PFANNENSTIEL: Thank you.

25 MR. DAVIS: Thank you.

1 CHAIRPERSON PFANNENSTIEL: Item 10,
2 possible approval of Amendment 1 to Contact 3360-
3 56 with Stanfield Systems, Inc. to change the
4 system design deliverable and payment schedule
5 from a single of \$393,900 to five separate
6 payments spread out over the contract term. Good
7 morning.

8 MR. WENG-GUTIERREZ: Good morning,
9 Chairman and Commissioners. My name is Malachi
10 Weng-Gutierrez and I work in the fuels and
11 transportation division. I am the project manager
12 for the DynaSim project, of which the software
13 development portion is being handled by Stanfield
14 systems, Incorporated.

15 We are asking for approval of the first
16 contract amendment for this contract. As it
17 states, it is basically dividing up a single
18 design deliverable, which would have been paid
19 early on in the project, into five separate
20 deliverables which would be developed
21 corresponding with the actual software development
22 and implementation during the project. So there
23 are five separate releases, design phases, within
24 the project. The design work would now correspond
25 with that software development, the software

1 development and releases.

2 The division of the design work into
3 five separate tasks would allow both the staff and
4 contractors the opportunity to learn from and
5 improve the design process throughout the project
6 and it also allows closer collaboration between
7 the staff, users and the development team
8 throughout the project.

9 And we believe that it is a benefit to
10 the California Energy Commission to adjust the
11 contract in this way. In addition, having five
12 separate design phases would actually increase the
13 quality of the final project, and again, we
14 believe that it would be beneficial to the Energy
15 Commission. There would be no changes to the
16 overall cost of the project and the overall
17 project schedule would not be impacted by this
18 change at all.

19 And so with that I would be happy to
20 answer any questions about the amendment.

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

23 COMMISSIONER BOYD: Question.

24 CHAIRPERSON PFANNENSTIEL: Yes,
25 Commissioner Boyd.

1 COMMISSIONER BOYD: Malachi, this
2 division into five components, which in reading
3 this document seems to make sense. Is this
4 something that we, you or management here decided
5 to do or is this something perhaps requested by
6 the state's oversight control agency folks?

7 MR. WENG-GUTIERREZ: It wasn't suggested
8 by the oversight. It had been discussed during
9 the procurement process by a number of the bidders
10 asking if there was some flexibility in how the
11 design deliverable was defined in the RFP. During
12 the procurement process we decided not to make any
13 changes to the RFP because of the delays that that
14 could incur and complications with changing the
15 RFP once it is out to bid. So we decided to
16 address it later and look at it again after the
17 procurement occurred.

18 So this contractor was one of the ones
19 that had brought that up during the procurement
20 process. We looked at their proposed, their
21 proposal for dividing it into five separate
22 deliverables, talked with IT as well as DGS, and
23 we felt that it was a benefit to us.

24 COMMISSIONER BOYD: This in no way
25 affects the time schedule for the delivery of

1 DynaSim, which will happen on my term in office,
2 will it not?

3 MR. WENG-GUTIERREZ: Yes, yes it will.

4 CHAIRPERSON PFANNENSTIEL: Which term,
5 Jim, your next one?

6 COMMISSIONER BOYD: I had to go for a
7 second one to see this. I don't want to go for
8 any more, thank you. Thanks.

9 MR. WENG-GUTIERREZ: Sure.

10 CHAIRPERSON PFANNENSTIEL: Further
11 questions?

12 COMMISSIONER BOYD: The Chairwoman and I
13 have been waiting for this for quite some time.

14 CHAIRPERSON PFANNENSTIEL: Right, it is
15 long overdue. A motion.

16 COMMISSIONER BOYD: Move approval.

17 COMMISSIONER ROSENFELD: Second.

18 CHAIRPERSON PFANNENSTIEL: All in favor?

19 (Ayes.)

20 CHAIRPERSON PFANNENSTIEL: Thank you.

21 MR. WENG-GUTIERREZ: Thank you.

22 CHAIRPERSON PFANNENSTIEL: Item 11,
23 possible approval of an Order finding that the
24 Energy Commission is an Equivalent Rating Network
25 and that its approved energy performance

1 measurement methods are Equivalent Calculation
2 Procedures for specifying newly constructed
3 California homes for federal tax credits. I'm
4 having trouble reading today. Mr. Pennington.

5 MR. PENNINGTON: Hi. In early 2006 when
6 the federal tax credit first was launched the
7 Internal Revenue Service released a notice
8 designating the RESNet, the Residential Energy
9 Services Network, as the sole authority for
10 establishing rules for how calculations would be
11 done relative to qualifying for the federal tax
12 credits and how raters would conduct themselves in
13 the field. So those rules have been there for a
14 couple of years.

15 Those rules provided for having an
16 equivalent rating network that also could be
17 authorized to create rules and oversee programs
18 for tax credit purposes but there was no
19 clarification of who could be an Equivalent Rating
20 Network. And over these past couple of years
21 there hasn't been any further clarification of who
22 could be an Equivalent Rating Network so RESNet
23 has continued to be the sole rule-setter for how
24 tax credits would be pursued in all states.

25 And there are a variety of differences

1 between the rule sets that RESNet has created from
2 what California uses for Title 24 purposes and for
3 Beyond Standards purposes and for the New Solar
4 Homes Partnership. And those differences. They,
5 for example, don't account for time dependant
6 valuation in their calculations, which tends to
7 skew the calculations to favor heating measures
8 more than cooling measures as we would want. You
9 know, the rest of the US, a lot of it is
10 electrically heated and so there is kind of an
11 importance in other parts of the country on
12 electric heating, versus here, where we are really
13 concerned about summer peaks.

14 And there's other differences. We are
15 quite interested in assuring quality construction
16 and we have a whole series of protocols for how to
17 check for quality construction of a variety of
18 things. And we give credit for using those
19 protocols and having them field verified in the
20 field under all of our programs, Standards
21 programs and Beyond Standards programs. And those
22 aren't recognized anywhere similar in the RESNet
23 rules.

24 So these differences have created a
25 situation where the builders would have to qualify

1 for the tax credit using different rules than what
2 they would qualify for other programs. And it
3 becomes a nuisance or a burden to be trying to
4 meet a whole set of rules, more than one set of
5 rules simultaneously.

6 And so that's discouraged participation
7 by builders going after the tax credits and has a
8 situation where we haven't been able to realize
9 potentially an alignment of further incentives
10 that would come out of the tax credits with
11 incentives that we would have so that there could
12 be even more encouragement for builders to build
13 high-performance buildings.

14 And so recently this spring IRS issued a
15 notice that authorized states that have energy
16 performance standards like California and have a
17 well-developed set of rules for software and for
18 field verification for raters to be considered
19 Equivalent Rating Networks. And for the software
20 that gets used in those programs to be considered
21 equivalent calculation methods for purposes of
22 showing certification of buildings to meet the tax
23 credit.

24 And so we actually have an opportunity
25 here that's created pretty late in the time

1 horizon for these tax credits but finally that
2 recognizes states like California to align how tax
3 credits are qualified for with standards programs
4 and other Beyond Standards programs.

5 And so in discussion with the legal
6 office about how best to acknowledge this
7 recognition of IRS of states like us, the
8 conclusion was that the best way to do that was to
9 have a Order approved by the Commission that would
10 conclude that we qualify. That we meet the
11 criteria in the notice that IRS put out. And to
12 let people know that would be affected in
13 California that that is the situation. And that
14 the Energy Commission is an Equivalent Rating
15 Network and we can approve software consistent
16 with our approaches to be used for qualifying for
17 tax credits as well.

18 So I am here to seek your approval for
19 that order.

20 CHAIRPERSON PFANNENSTIEL: Thanks, Bill,
21 good explanation. Questions?

22 COMMISSIONER ROSENFELD: I'm ready to
23 move the item.

24 COMMISSIONER BYRON: I'll second. I
25 will add that not being familiar with this and

1 trying to read through and understand this as best
2 I could. I don't think it quite cuts it to say we
3 are an equivalent rating service. Maybe superior.

4 It's interesting to me on this
5 Commission that we have to figure out how to
6 overcome all of these bureaucratic issues and
7 staff has done an excellent job again. So hope
8 this is successful. I second the item.

9 CHAIRPERSON PFANNENSTIEL: All in favor?

10 (Ayes.)

11 MR. PENNINGTON: Thank you, Bill.

12 MR. PENNINGTON: Thank you.

13 CHAIRPERSON PFANNENSTIEL: Approval of
14 Minutes of the August 27 Business Meeting.

15 COMMISSIONER BOYD: Move approval.

16 COMMISSIONER ROSENFELD: Second.

17 CHAIRPERSON PFANNENSTIEL: In favor?

18 (Ayes.)

19 CHAIRPERSON PFANNENSTIEL: Approved,
20 thank you.

21 Commission Committee Discussion. I have
22 a couple items on committee assignments. Which I
23 understand we will have to do by motion and vote.
24 But let me explain what we have. First, on the
25 R&D Committee we are going to have some upcoming

1 changes in PIER between the legislative directive
2 that we are getting from PIER and the results of
3 the audit that we commissioned, the first results
4 of which we will see I think next month.

5 We are going to be making some changes.
6 So Commissioner Rosenfeld and I have agreed that
7 what we are going to do for the time being is that
8 I am going to take over as the Presiding
9 Commissioner on the R&D Committee and Commissioner
10 Rosenfeld is going to take over as Presiding
11 Commissioner on the Efficiency Committee. And
12 that is going to free up him for more focus on the
13 efficiency and demand response work, including the
14 research and development part of that work. And I
15 will work with Melissa, Martha, Tom and others to
16 incorporate the changes that we need into PIER.

17 By the end of this year, by the end of
18 my current term, we can evaluate whether that
19 arrangement is working and delivering the results
20 we need and then decide we need to go back to some
21 other system.

22 And then the second change, the second
23 committee change. That's actually two changes
24 there. But then another committee change that I
25 would offer is the 2009 IEPR Committee.

1 Commissioner Byron is the Presiding Commissioner
2 on the 2008 Update and the full committee in 2009
3 and I am the Associate on the 2008 Update. But
4 going into 2009 I have asked Commissioner Boyd to
5 be the Associate Member on that committee. Are
6 there questions on discussion or a motion on these
7 changes?

8 COMMISSIONER BYRON: Madame Chair, you
9 know, I don't think everybody understands really
10 outside this room how our committee structure
11 works, nor the number of committees that we have.
12 But I think it is an extremely productive process
13 getting through all the efforts, all the work that
14 we do here at the Energy Commission.

15 I think in the spirit of improved
16 communication, cooperation and cross-pollenization
17 I would like to move this item. I would also like
18 to acknowledge, I am very pleased about the
19 addition of Commissioner Boyd to my IEPR Committee
20 for '09, supplementing the expertise and
21 experience that I have had from my Associate
22 Member on the '08 Committee. So I move the item.

23 COMMISSIONER BOYD: I'll second the item
24 and note that I am beginning my second tour of
25 duty in the IEPR world.

1 CHAIRPERSON PFANNENSTIEL: Well, that's
2 what happen the second term, Jim, you get to do it
3 again. Any other questions or discussion? Okay,
4 moved and seconded. All in favor?

5 (Ayes.)

6 CHAIRPERSON PFANNENSTIEL: Thank you.
7 And then I think there is another discussion on
8 this subject. Commissioner Rosenfeld, did you
9 want to talk about the very successful conference
10 that is going on even now?

11 COMMISSIONER ROSENFELD: I notice that
12 Martha Krebs and Tom Kelly and Mike Gravelly are
13 there and should soak up some of the praise.

14 But I wanted to make a couple of remarks
15 about the PIER Climate Change Conference which is
16 going on over at the convention center. I think
17 there are 380-some people signed up. It's going
18 well and we had lots of interesting talks.

19 I wanted to take two minutes to toot my
20 own horn and talk about the talk which actually
21 got good press coverage in the Los Angeles Times
22 yesterday.

23 COMMISSIONER BOYD: Right.

24 COMMISSIONER ROSENFELD: Which is a kind
25 of new discovery. There's a paper now accepted

1 for publication in Steve Schneider's journal
2 called Climatic Change, talking about white roofs.
3 Not to save electricity, as is important in
4 California and is in fact required by Title 24,
5 but to actually offset global warming.

6 And the punch line that we want the
7 world to become used to is the following: Every
8 time you make a roof white, or require a white
9 roof instead of a dark one, you of course cool the
10 world slightly because heat gets -- sunlight gets
11 reflected back into space, which is transparent,
12 and where it belongs, instead of turning into heat
13 and getting trapped by CO2. We have obviously
14 known this for a long time but we said well, that
15 can't be very interesting because cities are only
16 one percent, in fact two-thirds of a percent of
17 the world's land surface.

18 But it turns out it is a pretty powerful
19 effect. And if you calculate what 1,000 square
20 feet, which is half of a typical California house
21 but more maybe a worldwide house -- anyway, a unit
22 of 1,000 square feet. It turns out to offset ten
23 tons of CO2. Ten tons of CO2 is now trading for
24 \$25 a ton in the European exchange so that's 230
25 bucks worth of CO2 avoided.

1 If you figure that you want to do white
2 -- If you are now encouraged to go beyond cool
3 colors, which we require, and go to white roofs
4 and cooler colored pavements, cooler pavements,
5 concrete colored pavements in California, it turns
6 out that that's worth 30 megatons a year for a 15
7 year program. That's equivalent to about a fifth
8 of AB 32. It is equivalent to getting a quarter
9 of the cars in California off the road for 15
10 years at virtually no cost.

11 If you look worldwide, and this would be
12 an interesting maybe 20 year program. It would
13 take the UN or the Clinton Foundation or something
14 to get behind it. It is equivalent to offsetting
15 40 billion tons of CO2. Which would be equivalent
16 for 20 years of getting a quarter -- no, half of
17 the cars in the world off the road.

18 So it seems like an interesting
19 application of an old idea and we are going to go
20 to bat for it. And it got -- it was PIER
21 supported so Martha and Tom and Mike will be happy
22 to see that we'll get a little press from that.
23 So I am very pleased.

24 CHAIRPERSON PFANNENSTIEL: Fabulous,
25 that's good. Thank you for sharing that. Any

1 other committee discussion?

2 COMMISSIONER BYRON: I would just like
3 to add to Commissioner Rosenfeld's comments with
4 regard to this conference. I had opportunity to
5 attend briefly Monday morning. Unfortunately I
6 was on the train while my fellow commissioners
7 were speaking. But I did get updates via e-mail
8 of your comments and I hope to try and make it
9 over there this afternoon.

10 I was very impressed with the
11 conference, the content and the coverage. It has
12 certainly continued to grow in importance. And a
13 great deal of extremely important material, not
14 just for this state but for the country and the
15 world is being revealed there. There were a
16 number of more articles in today's press as well
17 so congratulations to PIER. I think it is an
18 extremely important conference and I am glad to
19 see it continue to become more successful.

20 COMMISSIONER BOYD: I would just add, as
21 a first day speaker I was very impressed with the
22 size of the audience. I was pleased that
23 Secretary Chrisman of the Resources Agency was
24 there as a speaker. But also just to absorb the
25 magnitude of the audience and the discussion of

1 many of the issues.

2 And speaking of Steve Schneider. He
3 kept commenting to me throughout the morning, and
4 complimenting the Energy Commission for constantly
5 bringing up the issue of energy security as one of
6 the driving, one of the drivers, as speaker after
7 speaker neglected that in their presentations. So
8 at least we have one or two fans out there who
9 recognize the breadth of our responsibility as an
10 agency. And Steve is just a great guy and a
11 valuable asset in the climate change research
12 arena.

13 COMMISSIONER ROSENFELD: I forgot to
14 make one sentence, again looking at my PIER
15 friends. Steve Schneider is one of many people
16 who are -- I guess every scientist and his brother
17 now is talking about not just mitigation, we sure
18 as hell need that, but to talk about geo-
19 engineering. So the white roof issue I'm pointing
20 out is sort of nice because it's the only geo-
21 engineering approach I know of where you change
22 the climate. This is a case of offsetting CO2 but
23 it is not removing CO2. It is not making cars
24 more efficient.

25 But it is the only piece of geo-

1 engineering I know of where it saves money instead
2 of costing billions. And where the environmental,
3 there are probably not going to be any
4 unsuspecting environmental impacts because we have
5 had 3,000 years of experience with white roofs.

6 COMMISSIONER BOYD: And one last comment
7 Commissioner Rosenfeld reminds me of, and that is
8 issue of adaptation, which has been neglected for
9 quite some time. It has had political
10 connotations that people didn't like. If you
11 talked about adaptation you must have been against
12 mitigation.

13 We've gotten past that. AB 32 is
14 heavily mitigation. There was lots of emphasis on
15 adaptation by many of the speakers. Of course
16 Secretary Chrisman, who is charged with pursuing
17 that, mentioned it at length but a lot of us had
18 the opportunity to talk about that. So I think
19 that subject is now well-launched.

20 And frankly, some of the PIER climate
21 research for the past year-plus has been working
22 on adaptation and supporting that subject. So
23 once again this is an area where PIER has been
24 working on the relevant if not ahead of the curve
25 on some of the issues.

1 The last point I want to make is that
2 Terry Ross, who is also a Stanford professor, very
3 preeminent in the biological world I'll just call
4 it, broached a subject that is going to probably
5 prove to be discussed quite a bit in the future.
6 It is something -- we dare not say tradeoffs yet
7 as we discuss programs. But she brought up and
8 talked at length about the magnitude of the
9 dilemma we face with regard to saving species,
10 relocating species, and the fact that it is going
11 to be impossible to save all the species.

12 And there is going to have to be some
13 tough decision-making about, and choices made
14 about where the efforts go and where the decision
15 is made that there is nothing that can be done and
16 we will sit by and acknowledge the likely
17 extinction of certain species. Because we just at
18 this late date in the process don't have the
19 wherewithal to actually save some of them.
20 There's just not enough capacity left if everybody
21 turns to do that.

22 That will be very provocative and is to
23 me quite interesting as we discuss energy
24 tradeoffs, air quality tradeoffs, climate change
25 issues and what have you. And it will probably

1 prove to be quite a topic over the next year-plus,
2 in my opinion.

3 COMMISSIONER ROSENFELD: And Terry's
4 budget, her PIER project funding is going down, as
5 I understand it. Not true?

6 MS. KREBS: I don't know.

7 COMMISSIONER ROSENFELD: You'll find
8 out, Martha?

9 CHAIRPERSON PFANNENSTIEL: Thank you
10 all. Nothing further?

11 Chief Counsel Report, Mr. Chamberlain.

12 MR. CHAMBERLAIN: Thank you, Madame
13 Chairman. One of the more pleasant tasks I have
14 as Chief Counsel is working with my Assistant
15 Chief Counsels, Arlene Ichien and Jonathan Blees,
16 to recruit excellent new legal talent for the
17 Commission. And today I have the pleasure of
18 introducing to you our two newest attorneys.

19 First is Melanie Moultry. Melanie
20 attended Smith College and got a degree in
21 government and French. Went on to Harvard Law
22 School and got her law degree there. And she must
23 have realized that a degree from an eastern law
24 school might not get her a job at the Energy
25 Commission so she went on to UCLA and got a

1 master's degree with an emphasis in environmental
2 law. She spent her first few months as a
3 California lawyer working on Strook & Strook &
4 Lavan's Guide to Greenhouse Gas Regulation.

5 And the second attorney I would like to
6 introduce to you is Galen Lemei. Galen began his
7 career much the same way I did, at the University
8 of California, Berkeley, in the Economics
9 Department. He went on to Minnesota Law School
10 and got a degree cum laude.

11 He then got a job at Gibson Dunn &
12 Crutcher in San Francisco, where he worked for a
13 little over two years in their litigation
14 department. Much the same way I did at Heller
15 Ehrman White & McAuliffe many years ago. Then was
16 ready to do the public's work and he worked for
17 several months at the Center for Resource
18 Solutions and is now part of our legal staff.

19 CHAIRPERSON PFANNENSTIEL: We are indeed
20 fortunate. I am delighted and welcome to you
21 both. I'm sure we will all get to see a great
22 deal more of you.

23 MS. MOULTRY: Thank you.

24 MR. LEMEI: Thank you.

25 CHAIRPERSON PFANNENSTIEL: Thank you,

1 Bill.

2 Executive Director Report.

3 MS. JONES: I just wanted to point to
4 the Commissioners that we have been approving
5 contracts in our Business Meetings. We still have
6 a budget impasse. There's no news on when we will
7 have a budget. I just wanted you to know that
8 when you approve contracts here, because we don't
9 have a budget we can't actually go ahead and sign
10 the contracts. But to do the advance work, make
11 sure we get all the control agency approvals, we
12 are going ahead and processing so that when we do
13 have a budget we can begin work immediately.

14 CHAIRPERSON PFANNENSTIEL: Thank you,
15 Melissa. Questions?

16 Leg Director Report.

17 MR. MARXEN: Good morning, Madame Chair,
18 fellow Commissioners. I don't have anything to
19 report today.

20 CHAIRPERSON PFANNENSTIEL: Thank you,
21 Chris.

22 COMMISSIONER ROSENFELD: Good.

23 CHAIRPERSON PFANNENSTIEL: Yes, that's
24 good.

25 COMMISSIONER BOYD: No news is good news

1 now.

2 CHAIRPERSON PFANNENSTIEL: Public
3 Adviser Report.

4 MS. MILLER: Good morning. Just one
5 quick comment. I just want to say that I will be
6 working from my office on the Tracy project and so
7 I wanted to say I look forward to working with
8 Commissioners Douglas and Rosenfeld. And if there
9 are any questions or concerns please direct them
10 to my attention. Thank you.

11 CHAIRPERSON PFANNENSTIEL: Thank you,
12 Elena.

13 Public Comment. Nothing to raise.

14 We are going to adjourn to my office for
15 an executive session to discuss potential
16 litigation so we will meet there shortly.
17 Otherwise we are adjourned.

18 (Whereupon, at 10:50 a.m., the
19 Business Meeting was adjourned.)

20 --o0o--

21

22

23

24

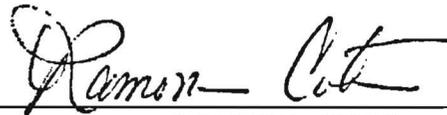
25

CERTIFICATE OF REPORTER

I, RAMONA 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 19th day of September, 2008.



RAMONA COTA