BUSINESS MEETING

BEFORE THE

CALIFORNIA ENERGY COMMISSION

In the Matter of:)
)
Business Meeting)
)

DOCKET
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DATE AUG 10 2011
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CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

WEDNESDAY, AUGUST 10, 2011

10:00 A.M.

Reported by:
Peter Petty

ORIGINAL

CALIFORNIA REPORTING, LLC
52 Longwood Drive, San Rafael, California 94901 (415) 457-4417

Commissioners Present

Robert Weisenmiller, Chair
James D. Boyd, Vice Chair
Karen Douglas
Carla Peterman

Staff Present:

Rob Oglesby, Executive Director
Reneé, Webster-Hawkins, Chief Counsel
Jennifer Jennings, Public Advisor
Lynn Sadler, Public Advisor's Office
Harriet Kallemeyn, Secretariat

(*Via WebEx)

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Interested Parties

Michael J. Carroll, Latham Watkins, LLP for Palmdale Hybrid Power Project
Laurie Lile, City of Palmdale
Thomas M. Barnett, Exec Vice Pres., Inland Energy, Inc
*Lisa Belenky, Center for Biological Diversity

Public Comment

Jane Luckhardt, Downey Brand for DyoCore
*David Raine, DyoCore
*Chad Gerifield, Energy Pros
*Steve DeYoung, BrightSource Energy

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c. EAST ALTAMONT CENTER POWER PLANT PROJECT (01-AFC-4C). Possible approval of a petition to cancel the Energy Commission license for the East Altamont Center Power Plant Project as of March 23, 2011 (the date of the petition).

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P R O C E E D I N G S

AUGUST 10, 2011 10:05 a.m.

CHAIRMAN WEISENMILLER: We'll start the business meeting with the Pledge of Allegiance.

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

CHAIRMAN WEISENMILLER: Good morning. In terms of today's business meeting, we're going to hold Item 2 and we're also going to flip the order of 10 and 11 with 9, so we'll go 8, 10, 11, and then 9. Ten and 11 are both informational items that we want to start bringing more information like this into the business meeting context, but I think it would probably be better to have those brief discussions occur before the Palmdale decision. So, with that, let's turn to the Consent Calendar – oh, actually, excuse me, on the Consent Calendar, we're going to split the Consent Calendar on Item J, which we will take up as a second Consent Calendar item after we deal with the first items. So, with that caveat, then, let's talk about the Consent Calendar, except for Item J.

VICE CHAIR BOYD: Move Consent Calendar, except for Item J.

COMMISSIONER PETERMAN: I second.

CHAIRMAN WEISENMILLER: All those in favor?

(Ayes.) These items have been passed.

Let's now turn to the Consent Calendar, Item J.

COMMISSIONER PETERMAN: I have to recues myself because I was working with Lawrence Berkeley National Lab within the last year. Thank you.

CHAIRMAN WEISENMILLER: Thank you.

COMMISSIONER DOUGLAS: I move Item 1J.

VICE CHAIR BOYD: Second.

CHAIRMAN WEISENMILLER: All those in favor?

(Ayes.) Item 1J passes. Ms. Peterman.

Okay, so Item 2 has been held. Item 3.

MS. MARTIN-GALLARDO: Good morning, Commissioners. I am Jennifer Martin-Gallardo from the Chief Counsel's Office, and this is about appointing committees for the recent complaints that were filed, one filed by CURE, requesting a jurisdictional determination on two geothermal developments in North and East Brawley owned by Ormat, and the second committee would be regarding the complaint against DyoCore filed by the California Energy Commission's Executive Director, Mr. Oglesby.

CHAIR WEISENMILLER: Thank you. So, at this point, let's move forward with the Committees, each of these separately. So, for Item 3A which is the

Complaint and Investigation, that will be referred to a committee chaired by Presiding Member Douglas and I will be the second member.

VICE CHAIR BOYD: Move approval of the recommendation.

COMMISSIONER PETERMAN: I will second.

CHAIR WEISENMILLER: All those in favor?

(Ayes.) This committee assignment passes unanimously.

The second Item B is a complaint against DyoCore and the committee will be Presiding Member Commissioner Peterman, second member, Commissioner Boyd. We have two parties on the phone who would like to speak on this issue.

VICE CHAIR BOYD: Do you want to move the committee first?

COMMISSIONER DOUGLAS: I will move approval of having this committee led by Commissioner Peterman and with Commissioner Boyd.

VICE CHAIR BOYD: I guess I'll second it.

MS. WEBSTER-HAWKINS: Chairman, before the vote is taken, would you like to take the public comment?

CHAIRMAN WEISENMILLER: Yes. So I believe the first one is Jane Luckhardt.

MS. LUCKHARDT: Good morning, Commissioners. I, along with my partner, Steven Meyer, who is also in the audience today, represent two of the distributors of the DyoCore turbines. Those distributors are Solar Point Resources and Desert Power. And they are concerned about the circumstances of the complaints and this proceeding, as you could well imagine. As of the March 4th temporary suspension, Solar Point Resources has 266 R1s, those are complete reservation request forms, and 110 R2s which are the CEC staff issued payment claim forms, pending. And based upon the comments that were made both in the Notice of a Temporary Suspension, the presentation that was made to this Commission at the Business Meeting on March 17th, as well as the statements made at the April 14th Workshop on the Emerging Renewables Program and changes to the Guidebook, they continued to purchase turbines, they continued to develop engineering designs, they continued to have -- to proceed with a development of a master permit for San Joaquin County that included independent outside testing by an independent lab for the electrical interconnections, this was from a safety perspective, from an installer's concern; and at the request of San Joaquin County, they purchased steel, they purchased inverters, they continued to proceed with those

installations. And therefore, they have a considerable amount of financial investment and exposure at this point in time, based upon the suspension of the program and how the complaint is resolved.

We are here today primarily to notify you of the issues that are faced by the distributors to express our concerns. We have had an opportunity to talk initially with Commission staff and express our concerns. We appreciate their willingness to explain their concerns and their knowledge of the circumstances leading up to the complaint, and we look forward to working with the committee, as well as Commission staff, to try and find a reasonable resolution to the issue faced by both the distributors and their customers, many of whom are also facing the same situation. We are also looking for hopefully in the very near future some guidance on how we will proceed and how quickly this will be resolved. At this point in time, they have stopped all installations that have not already proceeded to the point of installing turbines; if they've installed turbines, they're going ahead and completing the interconnections, the final inspections, but they are not installing any new turbines at this time, although I will say they have a large number of turbines which they have ordered and completely paid

for, and a large number that are sitting in warehouses. So, again, we look forward to working with all of you and I can answer any questions you may have at this point.

CHAIRMAN WEISENMILLER: Commissioners, any questions or comments? Thank you. The second caller is David Raine from DyoCore. Hello?

MR. RAINE: Yes, thank you. David Raine with DyoCore. Basically, I would just like to ask a little bit, inquire pertaining to the next steps. We had requested a meeting with the CEC, we still yet have not had no direct correspondence or conversation with anybody pertaining to these allegations, or our data, or the process. In fact, I'm really surprised at this point that we've gotten to this stage and not a single person has picked up the phone and called us, including direct representatives from the CEC, saying that there was even a problem; all we've gotten are these letters to date, or this one draft that keeps going back and forth. So we're a little bit in the dark as to how we participate, at what point are we going to be allowed to actually talk about the process, what had happened, our expectations, and where we are, and our investment in the state, in businesses, our losses, and everything that affects us, as well as our distributors and

hundreds, if not upwards of 1,000 California clients. It seems pretty much that we've been almost thrown into a closet and said, "Okay, sit here until we let you come out." We're getting a little bit anxious sitting in that closet. We'd like to participate. It is my formal request to basically have a meeting with somebody, to actually physically talk to somebody, you know, person to person, and I think this is a really quick, simple resolution for everybody, and it appears that there's contention here, or possibly even intention of drawing this out to cause more damage to us, more damage to our distributors, and substantial damage to the actual program itself. So I would hope that that's not the intention and I would think that it would be a courtesy and a procedure to actually reach out to us and say, "Okay, guys, what happened?" Is somebody willing to do this? Or how do we participate? How do we make that request?

CHAIRMAN WEISENMILLER: Let me first say, obviously, we're moving today on setting up the Committee to expeditiously address these issues, and let me refer to our Acting Chief Counsel to describe the process. But certainly, this is the time to resolve these issues and through the complaint process. Reneé?

MS. WEBSTER-HAWKINS: Yes, Chairman. The

process that has been initiated as a result of the complaint that was filed on July 26th, as stakeholders may know, the Commission under the Chair's signature issued the first procedural Order on July 29th that set forth the service of the Complaint and the deadlines by which the Respondent and the staff can submit their response and assessments. And now that the Committee has been set up, assuming the Commission adopts the recommendation to appoint this committee, it would be in the Committee's purview to set further proceedings and notice of hearings in this matter.

Obviously, when the complaint was filed, it initiated a formal adjudicative proceeding which does invoke the Administrative Procedures Act and the ex parte communication rules, which does prevent individual parties from speaking with the decision maker outside of noticed hearings, except in very limited circumstances. That does not necessarily prevent staff, as one party speaking with another, but that would be outside the purview of the Committee's direction.

MR. RAINE: I'm trying to understand that statement, but it would seem the best course to resolution would be actually speaking to the company that you're claiming committed fraud, wouldn't it? But maybe I'm wrong, and I apologize for not understanding

the procedures, but I would hope that this committee sees in some knowledgeable fashion that the best course of action would actually be to talk to us.

CHAIRMAN WEISENMILLER: Well, again, the Committee cannot talk to you outside of a public notice process; however, certainly we would encourage you and the staff who have filed the complaint to have conversations about ways to settle it. So, with that, also we have Chad Gerifield, who also wants to speak on this topic.

MR. GERIFIELD: Yes, hello, this is Chad Gerifield, Energy Pro, an energy saving company. We are also a DyoCore distributor that has been financially hurt over this recent decision by the CEC and we just want to concur with Jane Luckhardt -- communication earlier to the Commission, however, we do have our separate legal representation and just want to make it clear that we have sustained great financial constraints due to this action and hope that this gets resolved very quickly. Thank you.

MR. KNABB: Mr. Raine, this is Jonathan Knabb, staff counsel at the Energy Commission. I guess I just wanted to say that I can certainly give you a call after the Business Meeting to arrange a meeting with you. We haven’t to date understood that we had received a

request from you to meet, so I apologize for any misunderstanding in that regard and look forward to speaking with you soon.

MR. RAINE: I would appreciate that. That would be a step in the right direction. Thank you.

MR. KNABB: Of course.

CHAIRMAN WEISENMILLER: Thank you. Any questions or comments from the other Commissioners? Then let's take the roll on the pending motion.

COMMISSIONER DOUGLAS: Second.

CHAIRMAN WEISENMILLER: All those in favor?

(Ayes.) This item passes unanimously.

Item 4. Department of Finance. And this is an Agreement for $200,000 with Department of Finance, this is ERPA funding. Kyle, do you want to explain it?

MR. EMIGH: Good morning, Chairman, Commissioners. Kyle Emigh, Budget Officer. I'm here before you this morning requesting a 200K contract approval with the Department of Finance. The funding of this award was called out in the FY '11-'12 Budget Act and the objective of this contract is to determine how the Energy Commission sets its funding priorities based on statute if duplication exists between existing programs, and how the Energy Commission adjusts revenue streams to satisfy requirements for the ERPA and

Renewable Fund. A DOS analysis will likely include testing of some fiscal data and interviewing of policy and executive level staff. The period that is requested to be under review is the previous two fiscal years, with a report due to the Legislature in April of 2012. So I am requesting your approval for this contract and I am available to address any questions you may have.

CHAIRMAN WEISENMILLER: Commissioners, any questions or comments?

COMMISSIONER DOUGLAS: No questions.

VICE CHAIR BOYD: No questions. I'll move approval of the item.

COMMISSIONER DOUGLAS: Second.

CHAIRMAN WEISENMILLER: All those in favor?

(Ayes.)

Item 5. Department of Finance. Approval of a contract for a $74,999 Interagency Agreement. This is again using ERPA funding. And this is Mark.

MR. HUTCHISON: Thank you. Good morning, Commissioners. Mark Hutchison, Deputy Director of Administration. This item before you is an interagency agreement, as you mentioned, with Department of Finance, to provide an independent verification of progress made and planned for Federal Economic Stimulus, State Energy Program funded projects.

The Energy Commission has completed all its work in executing State Energy Program funded projects, and now the remaining work to be done is monitoring project progress, verifying that work will be completed on time, and making any necessary adjustments and reallocations between projects to ensure that the Federal spending deadline is met.

Department of Finance Auditors will provide the Energy Commission with its assessment of the project spending plans by August 31st, 2011. I'm requesting your approval of this agreement and I'm available for any questions.

MR. OGLESBY: If I could, Mr. Chairman and Commissioners? I'd like to provide a little additional context for this request. The Bureau of State Audits did an audit of the program and correctly determined there is a great deal of ARRA funds that remained undisbursed to the project recipients. As Mr. Hutchison reported, the Energy Commission's assignment of awarding of the funds to the projects has been accomplished, but there's a great deal of active monitoring of the progress on the projects. The funds are disbursed in arrears after the work is completed, that is why there is a great balance remaining in our account, and we have an obligation to ensure that progress is proceeding on

time in order to complete the projects by the Federal deadlines next year. In response to the Bureau of State Audits and our own concerns about being actively engaged in the monitoring of the program, and being responsible for completion of the projects in full use of the funds, we are contracting with the Department of Finance, Office of State Audits, to provide an independent review in the field of the documentation and progress on the projects. We are also committed to provide monthly reports to the State Auditor as we go along, so there are no surprises. That's the fuller explanation of why we find ourselves in this place at this point in time, but I think we're on our way to make sure that all the funds get expended in time, and that we're responsibly overseen the progress on the projects.

VICE CHAIR BOYD: Mr. Chairman, a question? Mr. Oglesby, this item you reference, the audit, got a lot of press, got a lot of comments just from fellow citizens. And what we talk about here today will probably not get any press, but nonetheless, can you give us an idea of how comfortable you feel with the fact that the fund will be totally expended or primarily expended, that indeed it is what you just said, it is the lag caused by the fact that we have done all we can do, but people have to process paper to us to get paid,

and that's lagging? Do you have any feeling that there's a dilemma there, and will the Finance team contribute at all to speeding that up?

MR. OGLESBY: Let me clarify that a little bit. To a certain degree, there is a paperwork lag. Projects have to be completed, there's a very extensive recordkeeping project that results in basically reams of paper to document the work that's been done in accordance with State and Federal law. However, there's a great deal of work that remains to be done on the projects between now and April, so it's not just a matter of accelerating the paperwork, which is true to a certain degree, but it also means that there's a great deal of work that still remains to be done and is actively being done now.

The Department of Finance Audits contribution to the process is to do an independent assessment and actually a confirmation in the field of the documentation that will give us greater confidence that the work has been ordered, that the procurement has been lined up, suppliers have been lined up, and people are under contract to verify the documentation.

By the end of this month, in just a couple of weeks, we'll have a report in from the Department of Finance and our own staff that's accompanying them, to

make sure that we've realized and looking at real documentation, we get an accurate assessment of where they are. To date, staff has been monitoring weekly basically with the projects, but most of that has been consultation over the phone, and with some site visits. This is a much more aggressive verification of where we stand on these projects.

At this point in time, I think there will be some reallocations that will probably be necessary before we complete the term of the project. The dimension of that kind of action that will be taken will be easier to assess by the end of this month.

VICE CHAIR BOYD: Thank you. So I infer from your comment that the locust of concern, activity, and what have you, is with the project recipients --

MR. OGLESBY: That's exactly --

VICE CHAIR BOYD: -- not necessarily with the inability of this agency to get the money out the door, so to speak, that never gets reported, but…. Thank you.

MR. OGLESBY: Thank you, Commissioner.

COMMISSIONER DOUGLAS: Just a brief comment. I think this is very important work. As we approach the finish line on Recovery Act projects, it's essential that we really dig in on the status of projects, the increasing rates of draw-down, get as close as we can to

complete confidence that deadlines are going to be met and reallocate as necessary if we don't have that complete confidence. So this expenditure will help us do that job, it's a very intensive effort for many of us, and it's very important that we get to the finish line and we help our recipients get to the finish line, or we reallocate money to those who can. So I'm in strong support of this item and, if there are no more comments or --

CHAIRMAN WEISENMILLER: I was going to make a brief comment, which is that when I was going through my confirmation hearing, it's pretty clear this is very important to the Legislature that the funding, you know, that we basically execute the funding and that occur, and as most of your are aware, I've had since February basically getting monthly reports on the contracting process. I guess the good news is the contracts are now done. At this point, it's time to shift focus from contracting being done to actual implementation being done and invoicing occurring. And so we now have at least moved the process to this phase, but it's important to continue with a very high priority on completion here.

COMMISSIONER DOUGLAS: Move approval of Item 4.

VICE CHAIR BOYD: Second.

CHAIRMAN WEISENMILLER: All those in favor?

(Ayes.)

COMMISSIONER DOUGLAS: I read the wrong item number in my motion. I'll try that again, I move approval of Item 5.

CHAIRMAN WEISENMILLER: All those in favor --

VICE CHIAR BOYD: Second.

CHAIRMAN WEISENMILLER: Second. All those in favor?

(Ayes.) Item 5 is now passed, also unanimously.

COMMISSIONER DOUGLAS: It's nice to know that we approved Item 4 twice, but….

VICE CHAIR BOYD: Well, we love the Department of Finance.

CHAIRMAN WEISENMILLER: Item 6. Lamont Financial Services Corp. This is a contract for $110,000 for Bond Administration funding. Chris.

MR. ESTRADA: Good morning, Commissioners. Chris was unable to attend the meeting today. I am Al Estrada, Chris' supervisor, so I'll be making this presentation.

We're requesting approval of a $110,000 contract with Lamont Financial Services Corporation to

provide financial advisory services to Energy Commission staff in relation to the tax exempt revenue bond program. The contractor will provide investment monitoring and programmatic advice, as well as counsel Commission staff and their administrative interactions with various bond program participants. They will also provide assistance in dealing with outside participants in the revenue bond program.

Additionally, this program's contract has a clause in it that allows the Lamont Financial Services Corporation to assist the Commission in planning, developing, and implementing any new Energy Commission revenue bond series, if needed.

CHAIRMAN WEISENMILLER: Commissioners, any questions or comments?

VICE CHAIR BOYD: Move approval.

COMMISSIONER PETERMAN: I'll second.

CHAIRMAN WEISENMILLER: All those in favor?

(Ayes.) Item 6 passes unanimously.

Item 7. Regents of the University of California. This is a $240,000 contract. This is PIER Electricity funding. Bryan.

MR. NEFF: Good morning, Chairman and Commissioners. A point of correction on the agenda before I get started on the details. The leveraged

funding, DOE match funding, is not $2.1 million, it is $2.03 million, which brings the leveraged funds total to $2,297,000. Also a point of disclosure, under one of the tasks, Lawrence Berkeley National Lab is a key partner. This $240,000 interagency agreement will go to fund --

COMMISSIONER PETERMAN: Just hold on a second? With that new information, Chairman, I need to recues myself from this due to a previous relationship with Lawrence Berkeley National Lab.

CHAIRMAN WEISENMILLER: Okay, thank you.

MR. NEFF: This $240,000 –- oh, she has to leave.

CHAIRMAN WEISENMILLER: Yes. Now you can continue.

MR. NEFF: This $240,000 interagency agreement will go to fund the Pacific Region Clean Energy Application Center, one of eight regional centers throughout the United States. It was originally established by the Department of Energy and the Energy Commission in 2005. The Center encourages the development of environmentally sound combined heat and power resources and distributed generation projects through outreach and education.

The Center is a key resource in promoting and

working towards California's clean energy goals, including greenhouse gas reduction goals of AB 32, the Governor's target of 6,500 megawatts of CHP, and 12,000 megawatts of distributed generation. The Center works with other regional centers, federal agencies such as the DOE and EPA, universities, project developers, utilities, and State energy institutions, bridging the research and business environments.

The Center leverages their knowledge and research of CHP industry with technology research provided by PIER, providing a pathway to market for these technologies. As research comes out of PIER, the Center will facilitate the dissemination of information, allowing businesses to understand technology and policy, so they may apply this knowledge when investing in new energy savings technologies, reducing their energy consumption, reducing emissions, and saving money on their energy bills. Staff requests approval for this contract, and I will be available to answer any questions you may have.

CHAIRMAN WEISENMILLER: Commissioners, any questions or comments?

VICE CHAIR BOYD: No questions, I'll move approval of the item, noting that this item was reviewed by the Research -– the R&D Committee, and recommended

for consideration here today.

COMMISSIONER DOUGLAS: Thank you, Commissioner Boyd. I will second the motion.

CHAIRMAN WEISENMILLER: All those in favor?

(Ayes.) This item also passes unanimously.

MR. NEFF: Thank you, Commissioners.

CHAIRMAN WEISENMILLER: Thank you. Item 8. University of California Irvine. This is a $347,914 contract with the University of California. And this is Pier Electricity funding. Paul.

MR. ROGGENSACK: Thank you, Commissioners. I'm Paul Roggensack with the Pier Industrial Agricultural and Water Team. We're requesting approval for an interagency agreement with UC Irvine for $347,914 and Southern California Edison is providing $117,500 in match funding and is a key partner in the project.

The project is called the Self Audit of Wastewater Treatment Processes to Achieve Energy Optimization Phase 2. This project will develop a software tool to enable wastewater treatment facilities to evaluate the energy performance of their treatment processes. It will be based on mathematical models developed for individual unit operations, and then combined into a single model to determine optimum interaction for an entire facility.

The tool will evaluate energy savings, conduct lifecycle analysis, and make recommendations to improve energy efficiency. In addition to helping wastewater treatment facilities, it will give a tool to Southern California Edison to evaluate energy efficiency measures for their rebate program, to determine the actual dollar amount of a rebate to a wastewater facility.

The proposal is focused on benchmarking individual plants with the actual plant performances vs. what it could be, and what the recommended improvements would be. And this is phase 2; the previous Phase 1 was actually a contract with Southern California Edison, and that did the modeling for primary and secondary treatment. Phase 2 will complete the project and it will do the modeling for all the processes beyond secondary treatment, which include nutrient removal, disinfection, and sledge processing, including digestion.

The University anticipates 15 percent energy reduction at a wastewater treatment facility and, if you extended that statewide, that could potentially achieve a savings of 150 million kilowatt hours per year. If I can answer any questions?

CHAIRMAN WEISENMILLER: Commissioners, any questions or comments?

VICE CHAIR BOYD: I'll then note that this item also was presented to the Research and Development Committee and recommended by that committee for consideration on today's agenda. I do have a question for Paul, and I'm sorry I didn't think of this sooner, but this is all about efficiency, which is great, efficiency is Job 1, and I totally support this effort, as I indicated in our research committee discussion, but it does dawn on me that, in light of other discussions that have taken place of late about bioenergy in California, biopower, biofuels, etc., and the larger emphasis that it is getting, and will get in the future, wastewater treatment plants are a very prime candidate for the development and capture, I should say, of methane, biomethane renewable natural gas. That has nothing to do with the subject of efficiency, but rather than send multiple teams of Energy Commission sponsored folks, I'm wondering if, as a component of doing this work, there is any possibility of just including some reference, some discussion, of the possibilities of the various plants that will be visited to consider developing the potential for biomethane production. I don't know if you can do that, I just plant that seed of an idea with the Executive Director and all the staff, and maybe we can talk later about how to piggyback on

this possibility.

MR. ROGGENSACK: Well, the project will look closely at the digestion process where the methane would be generated, so if it can improve the efficiency of that process, then certainly that would enhance the renewables.

VICE CHAIR BOYD: Okay, I would certainly encourage that. And I will move approval of the item.

COMMISSIONER PETERMAN: Actually, I have one question. I want to follow-up, in just reading the background on this item, I'm struck by the focus was on identifying, making recommendations, and I'm very curious as to what conversations you've had about actually having facilities implement them, to what extent they are going to be active partners in this. It was great to see all these eventually implemented at the facilities.

MR. ROGGENSACK: The prime mover of this project was Edison, who wants to do rebates, so if the utilities can achieve it, you know, get a substantial rebate by energy efficiency measure, then that would be a prime mover for them.

COMMISSIONER PETERMAN: Thank you. With that, I will second the motion.

CHAIRMAN WEISENMILLER: All those in favor?

(Ayes.) This item also passes unanimously.

So now we'll turn to Item 10, which is the informational item on the Palomar Energy Center Project, with Matt.

COMMISSIONER DOUGLAS: And Mr. Chair and Commissioners, before we begin these two informational items, I want to provide a bit of background. Both of these items are items that we discussed in the Siting Committee and I viewed them as significant enough that you might, the thought that it might be a good idea to have the Commission briefed. I think that it's possible that you could get questions or comments about these issues as you go about your business at the Commission.

In the Palomar Energy -– I'm sorry, yes, the Palomar Energy Center project, the issue was a transformer failure and a fire. It was in the local press, it was a fairly hot fire that burned for quite a while, and residents in the area got a reverse 911 call, so there were no toxic releases, there were no injuries, but I thought it would be a good idea for you to get a briefing on that. And also, the Ivanpah Solar Project, we had a Monsoonal storm event that caused some flooding on the site, so that's the other issue that you will get briefed on today. And you will have the opportunity, obviously, to ask questions and we'll have the

opportunity to have any discussion that might be needed.

MR. LAYTON: Good morning, Commissioners. My name is Matthew Layton; I'm with the Energy Commission Engineering Office.

VICE CHAIR BOYD: Matt, I don't think your mic is on.

MR. LAYTON: It is on; I'm just far away from it.

VICE CHAIR BOYD: Get close.

MR. LAYTON: Is that better? Good morning. I'm Matthew Layton; I'm with the Engineering Office of the Siting Division. I oversee the preparation of 12 different areas for siting cases, one of which is worker safety and fire protection. The Siting Committee was very interested in this transformer fire that occurred back in December of '10, and so we've been investigating this, trying to discern what happened, and also talking to the owner and also the responders, to try to better understand again what happened at the site, how the conditions that we had adopted, the Commission had adopted, worked to mitigate the effects of this fire, and to prevent any undo risks to the public.

So we've prepared a report, which was available, I think, when you came in, it's also available on line, and the addresses for that report are

available at the end of this presentation.

This is a quick summary, feel free to ask any questions as I walk through these slides. I'll try not to go too fast.

Palomar Energy Center is a modern combined cycle two-on-one combined cycle, two combustion turbines, two heat recovery steam generators, and one common steam turbine with a generator attached to that. The steam turbine can run with only one of the combustion turbines online, you don't have to have both combustion turbines online to get output from the steam turbine, albeit at half load if one combustion turbine is down.

The power plant is located in Escondido, it's in a business park, light industrial, light commercial, pretty empty right now, but there is development that is coming in. The nearest residence is about a quarter mile from the facility. We licensed the project back in August of 2003, it came online in April of 2006. The report which is online says summer of 2004, we'll correct that and repost the report. The project is owned and operated by SDG&E.

This is a Google Earth which we use now. The transformer that burned is on the north end of the project, the top of this page is the north, there are

two transformers, the white boxes on this figure, which may be hard for you to see, but the upper left white is the Unit 1 Transformer. Also of note on this is the steam turbine transformer, is located in the middle of the project, about 100 feet from the control room. Obviously, the transformers are large industrial devices, but they can be sited safely. Coincidentally, the steam turbine generator has the two blast walls, or two firewalls on it, but of course, the steam turbine generator is open towards the control room, so it's 100 feet away from the control room. Again, the anticipation is that the fire will be controlled and maintained inside the confinement of the blast walls and the catchment basin.

The transformer failed at 12:08 p.m. on December 2nd, the main transformer appears to have internally shorted, tripping the breakers and automatically shutting down the unit. The breakers tripped in three cycles of the particular phase, about a 50,000th of a second, and automatically shut down the unit. The release of energy, obviously, was very large, did rupture the transformer vessel containment, the box that the transformer is located in, and oil started leaking into the catchment basin below. The oil caught on fire and the oil that was leaking also caught on

fire, and so there was an oil fire both inside the transformer and outside the transformer, fed by this liquid mineral oil that was quite flammable, especially when it was heated.

The Escondido Fire Department responded, they were there in 10 minutes, 12:18, and subsequently they called the Hazardous Incident Response Team, the Escondido Police Department, the San Diego Air Pollution and Control District, and also ultimately the Marine Corps Air Station Crash Fire Team.

This is the fire on the first day, this is a picture of the transformer, the wall on the left is about 24-feet high, and so the flames are substantial. What's in the front of the picture are the three phases that come out of the transformer, they underground and go over the switchyard, that's the high voltage side. What you can't see is the box, the transformer box that is burning, well, the oil is burning in it and around it. There was a lot of smoke. Obviously, the fire did stay in the particular -- in this area, and you can see if you look on the bottom of this picture, you can see the basin where the fire is burning across the entire basin. It looks like a nice pool of fire.

When the fire department arrived, they made a pretty early decision to let the fire burn. They didn't

know how much –- well, there is 11,000 gallons of oil in there, they didn't know how long the oil would burn, they issued a reverse 911 call with the police department, they said the fire was contained, would be under control or distinguished in two to three hours, but they really didn't know, but that's what they put out in their first reverse 911. They asked people to shelter in place and limit outdoor activities if possible.

Some of the other things that went into why they let it burn, the oil did not contain any PCBs, the Air District was there with their portable air ambient air quality measuring devices, they did not measure any volatile or organic compounds in the air, but there was a lot of smoke and obviously there was a lot of equipment on the road, and so the Police Department wanted to alert people why there was all the equipment and why the Citracado Parkway may have been blocked off on occasion as the Fire Department and other agencies were staging all their vehicles.

This is the picture of the reverse 911 call, it also shows the proximity of the power plant, which is the black box in the very middle of this circle, to I-15, which is the north-south artery, and State Route 78, which is an east-west artery going from Escondido to the

coast. The Fire Department assumed that the reverse 911 call would be to only people that were down wind, the smoke happened to be moving to the east at the time; when the Police Department actually does their reverse 911, they just do a radius, so everybody got called east and west, north and south, both at 1:00 p.m. in the afternoon, the first call went out, at 7:00 a.m. the next morning when the second call went out, and then when the subsequent all clear call went out, everybody got called. It's not very easy to see, but all the green dots are where a phone picked up, there are a few red dots where the phone never picked up, those few people that don't have answering machines, or just weren't available, or weren't home. But the majority of the phones picked up, probably an answering machine or a person.

One the second day, the fire had diminished quite a bit, a lot of the mineral oil had burned out, you can still see the box in the background. In the upper left, you can see a better picture of the reservoir tank, so there was 11,000 gallons of oil inside this very large box, the transformer box, and then there was also a surge tank to allow for expansion and contraction of the fluid, and that also was feeding the fire. When they finally put the fire out, most of

the oil had burned.

So, the consequences of the fire: there were no injuries. One firefighter had been taken to the hospital, it was not related to the fire, or fighting the fire. The fire was contained, it was limited to this very small part of the site. While the fire was burning, Unit 2 continued to operate. Ultimately, they did shut down Unit 2 because they didn't want to have the Unit 2 energized when people -– when the personnel were in there with equipment, hoses, water, foam, obviously all of that would conduct electricity, and so when they ultimately decided to try to fight the fire, they did de-energize or turn off Unit 2.

Even though the fire was contained, it did obviously burn for 27 hours, that appears to be a problem, but at least in this case, liquid fueled fires are sometimes very hard to put out, and in this case, when the transformer ruptured, the rupture occurred on the other side of the transformer, towards the firewall, and therefore it was very hard for firefighters to get foam or water into the transformer, inside the case, so they may be able to put the fire out inside the basin, the catchment basin, but it's still burning inside the transformer and they couldn't necessarily get any kind of fire control fluids inside the transformer.

Obviously, the residents were inconvenienced, being asked to shelter in place, it's disconcerting. And also, the Unit 1 transformer was a total loss. It was a significant consequence to the operator of the plant, even more so, Unit 1 was down for three months, they did an extensive failure analysis, then ultimately repaired, some transformer replacement. Transformers are very large, expensive devices, not too complicated, but they do handle a lot of energy, so they do have to be developed with some care; replacements are not necessarily readily available. Coincidentally, the Operator actually had a purchase order out for a spare, the spare wasn't available, and so they looked around at other transformers they had at other projects, they looked to borrow a transformer, but ultimately they did replace the transformer and the unit came back online on March 24 of 2011.

VICE CHAIR BOYD: Mr. Layton?

MR. LAYTON: Yes, sir.

VICE CHAIR BOYD: Question. How old was this transformer?

MR. LAYTON: It came on line in April of 2006, so it's approximately four years.

VICE CHAIR BOYD: What kind of warranty applies to the transformer, any?

MR. LAYTON: I don’t know what Hyundai is offering, I’m sure that is being discussed between SDG&E and Hyundai.

VICE CHAIR BOYD: Okay, thank you.

MR. LAYTON: Transformers are not expected to fail in four years –

VICE CHAIR BOYD: Correct.

MR. LAYTON: The industry does monitor their transformers, they do grab samples of the oil looking for gases that might indicate shorts or starting shorts, or failure of the windings and the insulation. SDG&G was installing a continuous monitor, a continuous gas sampler on this particular -– these transformers, all three transformers at this site, they were not operational or calibrated, they attempted to use some of the information that was available from the equipment that were installing to discern what had happened. Ultimately, they think it was just some kind of defect internally that caused this sudden and rapid failure. They did pull apart the unit 2 transformer to look at it, to see if it had any similar problems, and they did not find any. They didn’t find any problems with the oil or any other indications that the Unit 2 transformer may be looking at the same failure.

VICE CHAIR BOYD: Maybe now is a good time to

ask another question. We have a letter from a party in Escondido who states, and I don't know if this is true or not, that this was the third instance of transformer failure at this facility. Do you have any comment on that?

MR. LAYTON: I had not heard that, and I'm not aware of that. We will follow-up and look at that.

VICE CHAIR BOYD: Thank you.

MR. LAYTON: Did you give us a copy of the letter?

VICE CHAIR BOYD: I would presume that all of us got the letter maybe just today, but --

MR. LAYTON: Okay. This, I think, is the only second transformer that we've seen fail at a power plant that we've licensed. We are also aware of a failure at the Vincent substation up near Palmdale. And two transformers ended up burning at that particular occasion. We have not seen very many failures. Obviously, when it does fail, it's catastrophic to the transformer and being down for three months is also, I think, a serious disincentive for the owner to allow too many transformer failures to occur.

Obviously, the Siting Committee was very interested in understanding what happened and, more importantly, the Siting Committee was also concerned

that there wasn't timely reporting to us, the Energy Commission, that this event had started and what was going on. It made it difficult for us to coordinate with the media, or the public, or any inquiries that might come in, and I think that a lot of misinformation did get out there. Some of the reports in the newspaper were not fully accurate. Again, everybody is trying to get information out there as quickly as possible.

So, to that end, staff is recommending that future projects be required to notify the Energy Commission within two hours of an emergency event, and then also provide a detailed incident report within a month of that emergency event. We're also going to send a letter to the operating plants, which would include Palomar, that we're notifying them of these new procedures to provide us notification of emergencies.

The reports are available online, again, we'll try to correct the one error in the report regarding the start-up date, which is not summer of 2004, but actually April of 2006. And that's all. If you have any questions, I'd be happy to answer them.

COMMISSIONER PETERMAN: I have a question, thank you for that, it was very informative. This might not be something within your area of specialty, but I was just curious with the emergency calls that went to

the neighborhood, did you have to have a land line to receive one of those?

MR. LAYTON: I believe you did.

COMMISSIONER PETERMAN: Okay, is that just a general State policy where you would get such reverse 911 calls, or is that specific to that city?

MR. LAYTON: I'm not sure I understand your question.

COMMISSIONER PETERMAN: I'm wondering, if a similar instance were to happen at other plants, would similar reverse 911 calls happen? Or is that something that each city, each fire, a region sets up individually?

MR. LAYTON: I believe it's what each region sets up individually.

COMMISSIONER PETERMAN: Thank you.

VICE CHAIR BOYD: Matt, as you no doubt know, this incident has rippled through other siting cases, and so some of us are more familiar than others, perhaps, with this incident as citizens in other communities have concerns with proposed power plants in their neighborhood, so we do have a lot of discussion. I appreciate your presentation and the recommendations the staff is making. And I trust there will be more statistics and data over time as to manufacturers

success rates, whether it's a universal issue, or applies to maybe only one manufacturer of transformers, and I don't know if there has been any lessons learned with regard to the configuration of a transformer pad, its catchment basin, and blast walls, but your comments that the Fire Department was unable to bear down on the transformer itself, I wouldn't expect there to be an ability to get inside with fire retardant foam, or what have you, unless it had ruptured, but I guess I'm a little concerned if the Fire Department couldn't really get at that part, even to cool down anything while the fire went on inside. So I don't know if the siting folks have given any thought to that aspect of the placement of transformers and how close blast walls are, and fire access. I certainly know it's being discussed in the context of other siting cases, which obviously have to remain anonymous.

MR. LAYTON: The report does contain several pages of discussion about alternatives. There are options to further mitigate fire risk and the consequences if a fire does start, so there is a discussion about those concepts. Staff does not believe that they've been demonstrated to be useful in this case. But, again, it depends on the site configuration, constraints that you might have. When you locate a

transformer underground, you don't use mineral oil, you use SF6, which is not flammable, but obviously has GHG consequences if it does leak. So the Fire Code, which was followed for this particular project in this power plant, does require certain things for the transformer in this project, it did comply with that. Again, we think they worked. Obviously a fire that rages for 27 hours may or may not be considered a success, but no injuries were reported, the fire did not spread, again, we haven't seen that there is a lot of frequency of fires that would dictate changing what we now require on these projects.

VICE CHAIR BOYD: Thank you.

CHAIRMAN WEISENMILLER: Any public comments or questions?

MS. SADLER: My name is Lynn Sadler, I'm the Assistant Public Advisor, and we have a member of the public who was unable to attend today, who sent us comments to be read into the record. And also, for Commissioner Boyd, the letter that you received about the third failure is probably referring to the site visit wherein one of the facility staff said that this is the third Hyundai transformer to fail since Palomar came on line, the failures have been in different areas of the transformers, but this failure resulted in the

worst damage. So that's probably the reference.

VICE CHAIR BOYD: Excuse me, that's the letter from Mr. Rodriguez? Thank you.

MS. SADLER: So now I'm going to read comments from Mark Rodriguez from the City of Escondido and this is what he sent to us to be read: "From the inception of this project, the project operator has been filing misleading information and documents, and the CEC has been looking the other way. The report you all are receiving today reflects that. The project operator did not even inform you of the fire; I did. When the CEC asked for a full written report of the fire, the operator refused to give it to you, so your staff just asked the people who responded to the fire if they did a good job, and they, not surprisingly, said yes. You are receiving this report almost eight months after the fire. The citizens in the area have given up because they do not believe the CEC is serious about monitoring or enforcement of the project. All of the petitions for modifications or variance requests brought forward since the initial licensing of the facility were discussed during the hearing process as weaknesses or faults in the design by the intervener and the public, yet they were deemed unnecessary. Impacts were caused by the facility on a nearby business because of what can only

be identified as improper operation by the owner. These impacts also resulted in increased illnesses in neighboring mobile home parks, but were dismissed because agencies requested the public to supply supporting data at their own expense, including identifying pathogens currently not monitored. One can only assume a private settlement was reached with that business while the surrounding residents and businesses can only pray that no impacts will be felt somewhere in the future. With the opening of the state-of-the-art medical facility soon to open next year, and the clear indication that emergency response time and access to the facility in its constrained space was a major limiting factor, I hope that all efforts will be taken to make this facility safer with noted improvements identified in the EDM Services Report, and the public health and air quality concerns be addressed properly. Proper operation of this facility should not be left in the hands of irresponsible parties that clearly do not have the public's interest in mind." And that is the end of his comments.

CHAIRMAN WEISENMILLER: Thank you.

COMMISSIONER DOUGLAS: If there is no other public comment, maybe I'll ask Mr. Layton if he has any responses or anything he'd like to say based on that

comment.

MR. LAYTON: Well, again, as I noted, the Fire Department was there and called at 12:10 and was there by 12:18, so the timing of this response seemed quite good. And my staff, I think, did a very good job in talking to all the people that did respond to the emergency. I felt they had candid and honest conversations with these people. I guess I don’t share Mr. Rodriguez’s concerns somehow that the Energy Commission is being duped.

COMMISSIONER DOUGLAS: Thank you. I will say that is was not good and not well received that we didn’t hear about the event until we heard from Mr. Rodriguez, so I think that’s something that we need to address, and conditions in future cases, and also address with already approved projects. You know, we also took some time to do our own review, but I think that we have access or were able to see everything that we needed to see in order to do a thorough report, and the Siting Committee took it seriously, and probably had the staff do a lot more research and a lot more -– kind of keep coming back to the item until we were satisfied. So I think that the report is satisfactory. The event was a pretty unfortunate event, it’s just never good, a fire burning for a long time; on the other hand, what is

good out of this is that the fire was contained and the response was at least quick. You know, firefighters sometimes decide not to attack a fire when it doesn't appear to be a danger to people around them, and yet attacking it could easily be a danger to them, and so it's sort of not an unreasonable approach given the nature of the fire that they encountered. So, I did want to make sure that all of you who heard about this event, that you had the opportunity to ask question about it. We all site power plants, we all participate in siting committees, so these items are very much of general interest.

COMMISSIONER PETERMAN: I'd just like to add one other comment. When the Committee follows-up regarding guidance to existing and future projects on incident reports, I would appreciate you all following up around Mr. Rodriguez's comment that there were at least two other issues with that transformer, and perhaps have some conditions regarding reporting incidents that could lead to such trouble going forward, without knowing this was --

CHAIRMAN WEISENMILLER: That's good, I think it was a transformer type as opposed to that specific one on the facility that he raised, but, again, still good to know if there is anything on that transformer

type that might affect us going forward. And I was going to say, as the other member of the siting committee, I certainly shared the notion that we really had to dig into this, and at the end of the day, I guess, when you look at the potential consequences, that the owner might regret the transformer just melted down, but I certainly respect the Fire Department's decision to protect the safety of the firemen in terms of going into an area with hazardous equipment, while making sure that they knew what they were getting into, and then doing a tradeoff. And that's certainly not a decision I want to second guess.

VICE CHAIR BOYD: Mr. Chairman, if I might, I have one more question for Mr. Layton that was raised in my mind by the testimony given on behalf of Mr. Rodriguez. Mr. Layton, there is an allegation that the project operator did not cooperate with the CEC and refused to provide you information, you had to go ask in other places. Do you have any comments on how cooperative the project operator was or wasn't?

MR. LAYTON: The project operator was cooperative. The project operator was careful. I assume there is litigation, but I do not know --

VICE CHAIR BOYD: Yes, I see the lawyers got to them already.

MR. LAYTON: We did ultimately see the reports. Nothing was earth shattering in those reports. What comes out in the litigation we don't know yet. Obviously, we will pay attention to what is going on, we will continue to work with the operator and the other emergency responders to make sure we get the story right, and again, if we need to change conditions, we're going to make sure we do change those conditions because we think minimizing the risk to the facility and to the public is important.

VICE CHAIR BOYD: Out of every incident, there are lessons learned, and I appreciate your comment and previous comments that staff are looking at that with regard to the future. I would just note that the decision to let it burn was a local decision, it had nothing to do with our conditions there, or any authority we would have in that area, and so letting the fire go for 27 hours was the amount of black smoke you get from mineral oil, which I believe is fairly innocuous as a material, is something the locals would have to deal with, whether they want to let something burn like that.

And my last comment is just thanks to – plaudits to the Siting Committee for its pursuit of this question and the decision to bring it to us as an

informational item because -– and I know the Chairman has in mind doing more of these because of the fact that we don't hear about some of these things, other than in a public forum like this and, as I indicated, some of us heard about this quite some time ago as immediately this was brought up as an issue in the debates about other power plant siting cases. And the fire here is certainly referenced and used as an issue that people are uncomfortable with, so again, my thanks.

CHAIRMAN WEISENMILLER: Okay, thank you. Let's go on to Item 11. Do you want to talk about Ivanpah?

MR. LAYTON: Good morning again. I'm still Matthew Layton. The Siting Committee is interested in trying to be more responsive, provide more information on events that happen at projects that we are licensing or have licensed, so this next item is on a July 5th storm event at the Ivanpah Solar construction site.

The Ivanpah was licensed -– Ivanpah is a solar plant licensed at the end of last year, started construction last year, and is under construction. A lot of activity is occurring on Unit 1 in the common area and activities starting on Ivanpah 2 to the north and Ivanpah 3 further north. Ivanpah is located in the desert southeast desert of California, right on the

border with Nevada, where I-15 crosses at Primm on the way to Las Vegas. It's in the Ivanpah Valley. The color map in the middle shows the dry lake to the east of the project, and going upslope is Ivanpah 1, 2 and 3. If you look at the configuration of Ivanpah, the gradient runs from top left to bottom right. The slope for the water as it goes downhill towards obviously the dry lake bed.

The project covers about 3,400 acres, will generate about 385 megawatts when completed, it is a central power tower technology. In the middle of each one of these Ivanpah 1, 2 and 3, is going to be a tower with a heat exchanger at the top and mirrors located all around, focusing the sun up and on to the elevated heat exchanger that is on the power tower. You'll see more of some of the components that are being built out there on some later figures.

On July 5th, there was a large monsoonal storm event at the Ivanpah project. A lot of water came down in a very short period of time. Many of these monsoons out in the desert are very localized. For whatever reason, this particular range storm just kind of sat over the Ivanpah projects, other parts of the valley were dry, and other parts in California obviously are dry. These monsoons are very site specific. We think

this one was about a 15-25 year storm, it dropped approximately an inch and a half of rain in two to four hours over the site, up gradient towards Ivanpah 3, it dropped a little bit more, down gradient down towards the golf course and the dry lake bed, it dropped a little bit less.

The result was a lot of water gathered and then ran off site. What was noticeable is the common area, if you are in between Ivanpah 2 and 3, there is a common area that has a fabrication building, that is the large building on the left, the kind of fabric building, has trailers, has parking lots, it has a lot of grading, a lot of flat surfaces, a lot of disturbed surfaces, a lot of compacted soil, so when the water finally hit the common area, it seemed to gather some momentum and do a little bit more damage. Again, water rushing through the site, and this is in the common area. On the first map of Ivanpah, there were a bunch of red figures with little arrows or red numbers, those were the photos that are in the actual Ivanpah report, the trip report that we provided, on the back table and available online, so I'll try to tell you where the photo took place to hopefully orient you, but most of them were in the common area, the most activity was, and also in Unit 1, where most of the construction is underway. Units 2 and

Unit 3 are not that far along in construction.

This is on Coliseum Road, again, the water gathered, seemed to pick up a lot of the looser soil that had been graded, but not compacted on the side of the road. There were some silt fences around the project, they did seem to channel and gather the water, and then dump it. We think that might have led to additional problems. We recommend that silt fencing be used with some care.

Above the common area, this is actually Photo 13 in the report, again, the water came, hit this berm, and then it started gathering. The berm is incomplete right now because the berm was built all the way up to the right of way that Los Angeles Water and Power has for their transmission lines that went cross the site, BrightSource Ivanpah is negotiating with Los Angeles Department of Water and Power to complete the berm. Since the berm was incomplete, it did dump the water into the common area where the final design is to channel the water, or bring the water further down, and spread it across the heliostat field for Unit 1. The fact that the berm was incomplete, I think, did cause a lot of problems for the common area. We expect that, as projects are being built in the desert, and they're in a partial state of completion, there may be more problems

with a storm event than when you finally complete the project and all the best practices are in place, and a Stormwater Action Plan is in place to alleviate problems with large flows of stormwater.

And again, this is the same berm where the water is coming down and moving towards the black silt fencing, and eventually it dose pop through the silt fence, there’s a red circle in the very middle of this that shows where the water channeled out of that breach in the silt fence and headed straight for the fabrication buildings, and other trailers and such in the common area where, again you saw the first photos of the water flowing through the common area -– it was a lot of water. At the time, during the storm, all the workers were either sheltering in their car or their trailers, and there were lightening strikes, power was knocked out to the site, it was a significant storm event. And this is again the breach in the silt fencing and heading straight for the common area. And this is looking from the west towards the east, maybe southeast -– looking from left to right.

This was a tortoise fence, it’s up in the Ivanpah 3, or actually, it is in Ivanpah 2. We think it’s interior fence, as they clear parks, they build fencing sequentially. We don’t think there were any

tortoises on either side of this fence, however, I think this just exhibits that, throughout the life of the project, there will be maintenance required of silt fencing, of tortoise crossings, tortoise guards. The desert environment is dynamic, and these storms prove how dynamic it is. Obviously, the water picked up a lot of vegetation and collected on the fence, creating the strain on the fence, the BrightSource folks were out rather quickly repairing fencing, or putting up temporary measures to make sure that there weren't any problems with tortoises getting in and out. I think it's going to be a requirement for the long term operation of these particular facilities. Again, once you get past construction, it may not be as marked.

This is also in the Ivanpah 3 and you can see the scour along the fence and the fence posts are exposed. Again, water collecting on the side of a road, getting off the road and collecting and gathering up the loose, less compacted soil next to the road does cause some erosion.

This is Photo 10 in the report, it's at Ivanpah 3, and it just shows that a tortoise guard filled up with sediment. BrightSource has come out and cleared out all the sediment. When we were out there two weeks after the event, they were still clearing out

sediment here and there. Paul Marshall and Chris Dennis were out there five days after the event and this is when a lot of these photos were taken.

This is a desert tortoise. This was not taken during the visit, it's a stock photo. These are the tortoise pens which are located up by Ivanpah 3, they are located up gradient from the common area. You notice that the vegetation is fairly tall, there was some water that moved across the site, nothing of note, some of the walkways were slightly eroded, and they repaired those within 24 hours. Again, notice the height of the vegetation because we'll come back to that when we talk about the heliostat field.

Again, I've already talked a little bit about this, the pens didn't seem to be impacted much and, pretty quickly, BrightSource was up at the pens making sure that nothing had happened to the fencing or to any tortoise. A lot of tortoise came up during the storm event and crawled to higher ground, got on top of the vegetation. When Paul and Chris were there, they also noticed some new tortoise burrows. The tortoise were enjoying the soft soil and getting back underground pretty quickly. I guess they're more familiar with the storm cycles than we are.

This is the heliostat field in Ivanpah 1. The

field is mowed, but it is not graded, so the natural drainage is still more or less there, there are some ring roads that alternate between the heliostats that will be used for maintenance and mirror cleaning. The other thing that is interesting about this, when they put these posts in, they auger the hole, they drill it, but they leave all the soil in the hole and then they vibrate drive the pole in, so there aren't piles of soil around these poles that will get washed away during the storm event. Again, what's out there is pretty much what started out there, except for now posts and mown vegetation. You can see the vegetation is a lot lower. We didn't see much erosion in the heliostat field, the remaining vegetation still had roots, was still alive, and it did seem to control soil erosion. This is a channel run right next to a pole. There are some other pictures where some of the poles were eroded, but nothing of great significance.

BrightSource is maintaining compliance, they do have a drainage, erosion and sediment control plan, they do have a stormwater prevention plan, pollution prevent plan. We think what was out there worked. Obviously, the soil that carried on to the common area, it was troubling, and of particular nuisance to the owner who had to clear all that up, it delayed some of

their construction. Again, we think a lot of it was due to the berm being unfinished. So projects are going to be more vulnerable during the middle of construction. I don't think there's any way you can predict how to time the construction to avoid the summer monsoon season, but I think a lot of what was out there was, again, the magnitude of the storm and also the fact that some parts were just under construction. We think that the tortoise pens worked well, no problem with the tortoise. Again, we think the heliostat fields are going to be a good place to dump the water from the berm, or channel the water around the common area and into the heliostat field. They seem to be able to handle the stormwater flows better than the common area.

And I've already said it, but I think it's really important, I think sediment management is going to be required throughout the life of the project. We think it will go down once you are complete with construction, but you're in a dynamic environment and very intermittent dynamic environment. And similarly, the fencing will have to be maintained throughout the life of the project.

Obviously, we recommend that the stormwater diversion berm be completed as quickly as possible, the Ivanpah BrightSource is talking to the Department of

Water and Power to get the right of way clearance to complete the berm underneath the transmission lines. We continue to recommend that they use best practices and, again, use silt fencing in accordance with the best management practices. We think that some of the silt fencing may have led to some problems, but it's a learning process, as Commissioner Boyd said earlier, this is one of those lessons learned. And we also think that energy dissipation and devices should be placed downstream of culverts just to dissipate some of the water energy. We think the heliostat field will also be very effective at dissipating some of that water energy. Again, the reference are available online and I'm available to answer any questions if you have any.

CHAIRMAN WEISENMILLER: Thank you. Commissioners, any questions or comments?

COMMISSIONER DOUGLAS: I don't think we have any questions or comments. Thank you for both of these presentations.

MR. LAYTON: Thank you.

CHAIRMAN WEISENMILLER: Thank you. We do have from the public a couple of people on the line that have questions or comments. First, let's start with Steve DeYoung of BrightSource Energy.

MR. DEYOUNG: Hi, this is Steve DeYoung, I

actually didn't have any comments. I was here in case there were any questions from the Commission that staff couldn't answer.

CHAIRMAN WEISENMILLER: Commissioners, any questions or comments for him?

VICE CHAIR BOYD: Thanks for being available.

CHAIRMAN WEISENMILLER: Thanks for being available. Also, Lisa Belenky from the Center, is she on the line?

MS. BELENKY: I'm on the line.

CHAIRMAN WEISENMILLER: Do you have any questions or comments?

MS. BELENKY: I'm sorry, can you hear me?

CHAIRMAN WEISENMILLER: Yes, vaguely. If you could speak up a little bit, that would be better.

MS. BELENKY: I actually was on line for the Palmdale matter.

CHAIRMAN WEISENMILLER: Oh, I'm sorry.

MS. BELENKY: This was a very interesting report and we were very pleased to see the report from the staff on this, but I'm really on for the Palmdale matter.

CHAIRMAN WEISENMILLER: Okay, and Jennifer.

MS. JENNINGS: Yes, Jennifer Jennings, Public Advisor. I'm presenting comments from Kevin Emerich and

Laura Cunningham, they were participants in the Ivanpah Project and several others as Interveners on behalf of Basin and Range Watch. And unfortunately, they live in a very remote location and their phone line is down, it has been for about a week, so they asked me to present a few comments. They called my office immediately after they heard of the storm event and they think that it would behoove the public and the Commission if these types of events were noted on the website and very quickly after we become aware of it, and initial information is shared with the public. They frequently have to call around to various members of the staff asking what's been heard about these events at the various solar projects that are currently under construction. So, we are starting to post compliance documents a little more frequently, but it's not as regular as it should be, and they ask the Commission that there be kind of a new portion of our website that would alert everybody because these projects are funded with a great deal of public money and they've been approved by a public agency, so they believe there should be more information available to the public on an emergency basis on situations such as this. Thank you.

CHAIRMAN WEISENMILLER: Thank you. I think as we're going forward, obviously, these two reports sort

of bookend things. On the one hand, we want to get information out as fast as we can, but we need to make sure we've ground truthed it in terms of the accuracy, and so we've got two -– hopefully in the future, we'll be closer to the Ivanpah timeline on getting stuff out, but we'll also need to really make sure that, 1) the information is correct, and b) that we need to always use a filter on what is significant and certainly the committee felt these two items were significant enough for this type of event today, and also to get the reports posted on the website. So, thanks.

With that, let's take a break until a quarter of 12, and then we'll go to Palmdale.

(Recess at 11:31 a.m.)

(Reconvene at 11:49 a.m.)

CHAIRMAN WEISENMILLER: Item 9, Palmdale Hybrid Power Plant. And at this stage, I think Ken Celli is going to call in by phone.

MR. CELLI: That's correct. Can you hear me?

CHAIRMAN WEISENMILLER: Yes.

MR. CELLI: Good morning. Are we ready to go?

CHAIRMAN WEISENMILLER: We're ready to go.

MR. CELLI: Okay, well, good morning, Chairman Weisenmiller and Commissioners. This is Kenneth Celli, C-e-l-l-i on behalf of the committee designated to

conduct hearings on the Palmdale Hybrid Power Project, which I will be referring to as the PHPP. Just a quick mention of the committee, the committee started out as Chairman Pfannenstiel as the Presiding Member and Commissioner Rosenfeld as the Associate. When Commissioner Pfannenstiel cycled off the Commission, Commissioner Byron took over and when Rosenfeld also cycled off the Commission, Commissioner Eggert took over, followed by Commissioner Douglas as Associate members. When Commissioner Byron cycled off the Commission, Commissioner Douglas took over as the Presiding member and Commissioner Boyd took over as the Associate member. And that is the current constitution of the committee at this time, and that is the committee that heard the evidence and put forth the PMPD, the Presiding Member's Proposed Decision.

The PMPD reflects the Committee's careful consideration of all evidence of the parties and all public comment. The PMPD recommends certification because the PHPP is consistent with all laws, ordinances, regulations, and standards, and there are no significant impacts to any environmental or public health pursuant to CEQA.

The project itself, if you look at the map, is located approximately 60 miles north of Los Angeles and

northernmost Palmdale. It is located near the intersection of East Avenue M and the Sierra Highway in Palmdale. The project, as you can see right here, Chairman Weisenmiller, can you see the little cursor?

CHAIRMAN WEISENMILLER: Yes, we can. And it's right now over PHPP.

MR. CELLI: Excellent. That represents the site, which is immediately northwest of the Los Angeles Palmdale Regional Airport and Air Force Plant 42. Air Force Plant 42 is 6,600 acres of support facilities for production, engineering, assembly, and final fly tests of high performance aircraft. The border -– this is East Avenue M I'm showing with the cursor here on this slide, this is Item 4 for the record, and this Powerpoint will be submitted to the docket. This line represents the border between Palmdale and the City of Lancaster. Lancaster is to the north, Palmdale is to the south. By itself, and I don't know if you can see it very well, but this is supposed to be highlighted, this square here, it represents 330 acres of vacant undeveloped land, it's part of a 613-acre property, which is multiple parcels owned by the City of Palmdale. This is all industrial. The site itself would be composed of 251 acres of solar fields, 26 acres of the power block and 56 acres would represent the combined

access roads, setbacks, and drainage, the terrain here is flat; and the project itself is about four miles north of the main population center of Palmdale.

Primary equipment for the project would be two GE framed 7FA natural gas-fired combustion turbine generators rated at 154 megawatts each, two HRSGs, two recovery steam generators, one steam turbine generator rated at 267 megawatts, and 251 acres of parabolic solar thermal collectors and heat transfer equipment ranged in rows. The total nominal output would be 570 megawatts, there would be one cooling tower for the two combustion turbine generators, and an operations building and associated equipment.

The Applicant proposed at 35.6 mile overhead transmission line route, and if you look at this next slide, this is slide 7, the plant site I'm showing here with the cursor, the proposed transmission line route as proposed by the Applicant would run along this yellow line here to the Vincent substation down here. Now, staff has proposed a 12.8 mile half underground, half overhead transmission line. The red dotted line here represents the underground section, and then the dotted yellow line would be getting down to the Vincent substation, would be overhead lines.

Both routes were fully analyzed in the FSA and

in the PMPD. There were no significant impacts associated with either route, and the two routes were not disputed by any parties. So the PMPD certified both routes and allows the project owner to allow whichever route they seek -– they would want to construct that would be their choice.

Natural gas line would be delivered by 20-inch 8.7 mile underground pipeline, which would be constructed and owned by Southern California Gas Company, and you can see this green line represents the gas line route, and it meets up here with the water line, and it follows the same route along existing street. Secondary treated water for construction and tertiary treated water for operations and process water would be supplied by water reclamation plants pursuant to a contract with LA County Water Works. Tertiary treated water would be delivered by a 24-inch recycled water pipeline from Palmdale Water Reclamation Plant which is right here, the plant would intersect at Sierra Highway and Avenue M, so essentially this is the 20-inch pipeline, and when it gets to Avenue M, it would be a 14-inch recycled water pipeline approximately .9 miles to get to the plant site, and that is where it will connect. Drinking water will connect to an existing potable water pipeline which is a mile and a quarter

from the PHPP site. Total water use for the project will be for construction, 75-acre feet of secondary treated water, operations would require 3,000 to 4,000 acre feet a year of tertiary treated water, which would be recycled three to 10 times. A cooling of process water will be treated by VLD system, zero liquid discharge system, which will separate solids for landfill disposal.

The next slide, we're now looking at slide 8, the Palmdale project will pave local roads to generate PM10 ERCs to mitigate impacts. The roads to be paved have to be identified and completed before the commencement of the construction of the site. For the record, what you're looking at shows which candidate roads were being chosen for paving, there are 11 because Barrel Springs Road, down here at the bottom that I'm circling with the cursor, was removed as one of the candidate roads. So roads would be only those 10 remaining roads. These roads are all described in complete detail in PMPD in many sections, but mostly in the traffic section. The roads are predominantly in fully developed residential areas, so paving would not change the character of the traffic or increase traffic in any way.

There were two Interveners in this case, the

Center for Biological Diversity, and the Desert Citizens Against Pollution. CBD was represented by Lisa Belenky and the Desert Citizens Against Pollution was represented by Jane Williams. Their issues were mostly related to road paving under the topics of air quality, alternatives, biology, cultural resources, hazardous materials, land use, public health, and traffic and transportation.

As usual, the public was given the full opportunity to participate at every stage of the proceedings, the committee received a good balance of public comment, mostly concerning air emissions from citizens in Lancaster and in Palmdale. We received statements in support of the project by building trades and unions. We heard some concerns from the City of Lancaster regarding the PM 2.5 emissions and as it related to the future increment under the Federal PS2 Rules. The PMPD addressed and considered all of the public comments received.

The Committee recommends that the Energy Commission adopt the PMPD on the PHPP, along with Errata dated July 26 -– I believe it's dated July 22nd, it was published on July 26th -– and it has already been served on all of the parties. I want to note that we did receive this document entitled "Applicant's Request for

Clarification regarding the Errata to the Presiding Member's Proposed Decision." We just got that Monday. I've had a chance to review the application, and that's part of your background materials, Commissioners. And this isn't a correct statement, these changes that are proposed by Mr. Carroll representing the Applicant, were agreed upon and were omitted inadvertently, and so these changes should be included so that, when we motion -– if there is a motion that the PMPD be adopted, it would also include the Errata dated 7-26-11, and this, Applicant's Request for Clarification. With that, I would submit the matter. I'm happy to answer any questions that you may have.

CHAIRMAN WEISENMILLER: Commissioners, any questions or comments for Mr. Celli before we go on to the Applicant and parties? Okay, Applicant?

MR. CARROLL: Good morning. Mike Carroll with Latham and Watkins on behalf of the Applicant. With me here today, to my right, is Laurie Lile, the Assistant City Manager with the City of Palmdale, and the Applicant in these proceedings. To her right is Mr. Tom Barnett, Executive Vice President with Inland Energy, the company retained by the City to develop the project, and also here with us today, sitting directly behind me, is Sara Head with AECOM, the environmental consulting

firm that was responsible for completing the analysis on behalf of the Applicant of the project.

With the Committee's indulgence, Ms. Lile and Mr. Barnett would like to address the committee briefly.

CHAIRMAN WEISENMILLER: Sure.

MS. LILE: Thank you. On behalf of the City Council of the City of Palmdale, I'd like to thank the Commission for considering this item today. I'd also like to thank the staff, they've done an incredible job of being very thorough in the analysis of this, and we believe that they've responded to all the comments that we've received and have fairly evaluated the project, and look forward to pursuing this development in the future. I'm available for any questions you may have and, again, thank you very much for your consideration.

MR. BARNETT: Yeah, I'm Tom Barnett of Inland Energy and, Mr. Chairman and Commissioners, I want to echo Ms. Lile's comments on behalf of Inland and its team of consultants and attorneys, who were responsible for working closely with the staff, we want to express our appreciation to the staff and to our committee, Commissioner Douglas, Commissioner Boyd, you are the latest, and the ones who are going to take this across the finish line, we hope, and also to Hearing Officer Celli who persevered through this, we've been at this

for a long time, and we went through the downturn in the economy, we went through the pressure to move forward with the renewable projects, and we feel like, at this stage, we've received fair treatment and we're very excited about being able to move forward with the project. So thank you very much.

MR. CARROLL: So just to conclude on behalf of the Applicant, I'd like to add my own personal note of thanks to the staff and to the Committee. We would urge the Commission to approve the Presiding Member's Proposed Decision with the changes set forth in the Errata that was issued on July 26th and the additional clarifications that were included in the Applicant's filing of August 8th. Thank you very much.

CHAIRMAN WEISENMILLER: Thank you. Staff.

MS. DECARLO: Good afternoon, Chair, Commissioners. Lisa DeCarlo, Energy Commission staff counsel. To my right is Felicia Miller, Energy Commission Project Manager. We appreciate the Committee's careful consideration of the issues in this case and we support the adoption of the Presiding Member's Proposed Decision with the Errata, including the clarifications submitted by the Applicant. And we are available for any questions that Commissioners may have.

CHAIRMAN WEISENMILLER: Thank you. Lisa Belenky.

MS. BELENKY: Yes, hi. Can you hear me?

CHAIRMAN WEISENMILLER: Yes.

MS. BELENKY: Okay, hi, this is Lisa Belenky with the Center for Biological Diversity. And thank you for the opportunity to speak. We are an Intervener and party in this matter and I don't entirely agree with what was stated as to our primary purpose. The original impetus for us intervening in this matter was because of the road paving issue, which we've continued to feel has not been adequately addressed. The project proposes to use road paving as an offset for PM10, and I will not go into the many reasons that we have briefed that we think this is not adequate and doesn't adequately address air quality issues in the area, but they are in our brief; and more importantly, most importantly, we do not believe that the CEQA review has been adequate on this question to date, and we do not feel the project can go forward with this road paving as an offset, as a mitigation measure, properly under CEQA. So we've already briefed that, I won't go into too much more detail.

There are a few other matters I just want to briefly state. We have also opposed the way the PM 2.5

analysis has been handled and, particularly in this extremely impaired basin for air quality, and PM 2.5 being an extreme health hazard not only for humans, but also for other species. We do not feel like it's been adequately addressed and there will be a separate process by EPA under the Clean Air Act, and we will certainly be raising those issues there, as well. But we don't believe that the Commission's finding, or the proposed finding, that this meets the laws is correct. We also do not believe that this issue has been adequately addressed under CEQA.

In addition, the greenhouse gas emissions of the project, while we totally understand that a new gas-fired plant and one with this kind of a hybrid component with the solar may have far less emissions than other similar plants that use either gas, or oil, or other fuels such as that, that produce a high level of greenhouse gases, we do not believe that the analysis provided by the Commission to date is adequate on this question, it will still increase greenhouse gases emissions in this area, there is no evidence in this record that this project, if this goes online, will actually take off line any other dirtier projects, but could simply be added into the system, and we do not believe that under a greenhouse gas analysis, this has

been adequately looked at. Again, this is an issue we've briefed extensively. And we ask the Commission, actually, to go back and look at this again because we do not feel that this creates the right way of looking at this when we're looking at the whole system, we really need to get this right, or all we're going to be doing is adding greenhouse gases to the system.

We were also particularly surprised that the logic that was used was nearly identical to the logic that's been used when the Commission has approved solar power plants that have some GHG emissions because they have a gas component. And we do not feel that is appropriate at all, there is an order of magnitude, literally order of magnitude, difference in the greenhouse gas emissions, and the logic does not hold.

So that would be the third, and then one last thing, we feel very strongly that the alternatives analysis is very weak. It did not look at photovoltaic on this site, it did not look at other alternatives that could have avoided this, it did not look at solar, the 33 percent, so that this plant itself could meet the RPS Standard, it didn't look at several other alternatives that, again, we've fully briefed, and we do not feel that the alternatives analysis meets the standards required by CEQA, which as you all know, avoidance is

always the first step under CEQA and it's extremely important. And this area in Palmdale and Lancaster, very high solar resource, there are many PV projects going in, PVs only, without any gas, without any other components, going in. There is no showing that they are not economic or that a PV project on this footprint, even though it would be a smaller megawatt, would not be economically viable, there is no showing of need for a new gas-fired power plant in this area, and we feel that the alternatives analysis was improperly focused on the purpose and need of the Applicant, and again, it does not meet the standards required by CEQA.

So, again, thank you very much for providing us time to raise these issues once again, we believe they've been fully briefed, and we would ask that the Commission deny this application.

CHAIRMAN WEISENMILLER: Thank you. Any other Interveners on the line or in the room? Any members of the public who would like to comment?

Okay, let's first turn to Hearing Officer. Do you have any comments on the comments we received so far?

MR. CELLI: Ken Celli, hello?

CHAIRMAN WEISENMILLER: Ken, yes, do you have any comments that you want to say in response to the

comments received?

MR. CELLI: Thank you, Chairman Weisenmiller. Yes. As Ms. Belenky said, all of the matters that she raised were briefed and were considered by the Committee and have been addressed in the PMPD. The photovoltaic alternative is analyzed, as are all of the other alternatives in the PMPD, so I believe that the PMPD represents a complete analysis of all of the competing interests and competing views of the various parties, and I believe that the PMPD adequately addressed all of the issues raised by CBD.

CHAIRMAN WEISENMILLER: Thank you. Commissioners?

COMMISSIONER DOUGLAS: I'll just make a brief comment. Along with Commissioner Boyd, who I was very happy to work with on this Committee, especially given his great expertise in air quality law and air issues. Commissioner Boyd and I attended the evidentiary hearings, we heard from all sides, we reviewed the issues, reviewed the record, I am comfortable with the PMPD that we've put forward with you. We looked very very hard at some of the issues raised, in particular, the question of PM 2.5, the question of road paving, the potential impacts that could be caused by road paving, potential benefits of road paving, the applicant put on

a witness in this area who provided some pretty helpful evidence in to the record on those points and, so, based on the evidence in the record, I recommend the PMPD to you.

Ms. Belenky expressed a frustration with the alternatives analysis approach of looking at the Applicant's purpose, we're not bound necessarily to look at the Applicant's purpose, but we are entitled and able to use the Applicant's purpose in defining the alternatives analysis, and so the alternatives analysis, I think, was appropriately framed around that purpose. We did not in this proceeding endeavor to prove need, this is a project that I understand does not have Power Purchase Agreement, and so should it be offered a license, it will be out in the world trying to prove its need in order to get a contract, and that's not something that we attempted to prove or opine on in this case. I don't know if Commissioner Boyd has anything to add.

VICE CHAIR BOYD: I would only just second what Commissioner Douglas has indicated in terms of the issues we looked at and the responses to the concerns, and the concern we had for concerns, that we and our staff conducted fairly exhaustive review of the various issues, and offered up the PMPD as evidence and our

conclusions that conditions and issues could be met, and we therefore, as indicated, recommend the project to the full Commission.

COMMISSIONER DOUGLAS: If there are no questions or comments, I will move approval of Item 9.

VICE CHAIR BOYD: Okay, and I will second the motion.

CHAIRMAN WEISENMILLER: And actually, this needs to be clear, Item 9 is the Palmdale Hybrid Power Project, Docket No. 08AFC9 –

MR. CELLI: Chairman Weisenmiller, the motion would have to include also the Errata and the Applicant’s Request for Clarification.

CHAIRMAN WEISENMILLER: Okay.

COMMISSIONER DOUGLAS: Thank you, Hearing Officer Celli. I will try to rephrase my motion. I move to approve Item 9 with the Errata and with the Applicant’s Request for Clarification of the Errata or of the PMPD.

VICE CHAIR BOYD: And I will second this amended motion.

CHAIRMAN WEISENMILLER: So we now have a motion before us. All those in favor?

(Ayes.) This item passes unanimously. Thank you.

MR. CELLI: Thank you.

CHAIRMAN WEISENMILLER: Let's go on to Item 12, the Minutes.

VICE CHAIR BOYD: Move approval.

COMMISSIONER PETERMAN: I'll second.

CHAIRMAN WEISENMILLER: All those in favor?

(Ayes.)

Item 13. Commission Committee Presentations and Discussions.

VICE CHAIR BOYD: I would mention two events. During this meeting, I apologize for glancing at my Blackberry on occasion, but there is a nuclear drill going on at SONGS Power Plant, and they're putting everybody through their paces, so I've paid attention to their responsibility there. I'm glad it's a drill.

Secondly, my references earlier in the day to the issues with respect to bioenergy were somewhat reinforced by the fact that the Governor's Office hosted a meeting of the Bioenergy Interagency Working Group yesterday and there was a charge given to the Interagency Working Group to amend or, I should rather say, upgrade or refresh the existing action plan which is dated the 2011 Plan, however it was done primarily in 2010, and ratified by this Commission and adopted by other agencies. In the mean time, however, it didn't

have benefit of knowledge and information at the time of its preparation of some of the incoming Governor's energy policies, and so the plan will be refreshed, so to speak, to reflect those policies. And secondly, the Administration and the Governor has indicated total support for this subject area and has requested that agencies put some aggressive targets for themselves within the plan. There was general agreement that this plan would have a strong relationship and be related strongly to the Renewable Strategic Plan that this agency is preparing for the Governor, with the biopower being a component of renewables, and a consideration there. It was a pretty strong indication that the group and others need to, you know, some stakeholder group needs to look at the question of the economics of biopower, make a real concerted attempt to monetize all of the social or societal values that are associated with the use of waste streams in California that often cost society or cost environmental damage, and so I think, as I leave the Commission at the end of the year, there will be an updated plan and the Renewables Committee will have the responsibility to oversee at least, certainly, our piece of this. But since this agency still carries, and apparently will continue to carry the responsibility to lead the Interagency Working

Group, why, you all will have a roadmap for the future. So that was a very positive event yesterday and from where I stand in terms of the effort that has been put into this subject for a number of years by many of the state agencies, so that's enough said. Thank you.

CHAIRMAN WEISENMILLER: Thank you. I was going to mention two things, I guess just following up on your report, one of the interesting things when you look at the German Renewable Report, that Germany has not just an electricity goal for renewables, but an overall energy goal, and that includes thermal, you know, liquids, etc., and certainly the biomass piece is very significant on the thermal side, you know, and some of my discussions with the Governor's Office has been, going forward, how much we continue to be just electricity focused, and how much we sort of broaden that. Obviously, the current Strategic Plan will be very electricity focused after starting out by at least mentioning the broader dimensions there. But again, that's something I think the Biomass may fit into that part of the puzzle, too.

VICE CHAIR BOYD: Yeah, I appreciate your mentioning that. We did reference the statistic that was borne out by our own KEMA Report that Germany, 30 percent of their renewable component is made up by

biomass biopower, which is an interesting fact and stimulated quite a bit of interest and discussion, and reinforced the idea that it's doable if we get answers to many of the other questions. And of course, the recent –- there's been a lot of concern that biopower -– biomass power –- is a) expensive, and that we shouldn't burden ratepayers with all the costs associated, and there is a desire to address that, and b) that it provides baseload power that we talk about wanting a lot. But the CCST Report also referenced that, in their opinion, hydro power and biopower, biomass power, are the two best dispatchable baseload type avenues we have available to us, which comes with interest to many of the folks attending the meeting yesterday.

CHAIRMAN WEISENMILLER: Although, again, I would note on that, I had an assignment with Unocal in the '80s where PG&E had talked a lot about desiring dispatch, they're not the guys – very dispatchable, on the other hand, it's a high fixed cost resource, so that once they offered the dispatchability, you could not possibly come to any terms between the two that would compensate the lost revenues to Unocal from switching from baseload to the dispatchable –- PG&E trying to give them the value of the dispatch. So it's a complicated

mix, particularly for anything that has high fixed cost.

VICE CHAIR BOYD: Yes, I certainly agree. I put out that little fact only in that PG&E, of late, has been saying “we’re not interested in baseload, we’re interested in dispatchable,” and we offer this up as dispatchable. So, in any event, more -– watch this space.

CHAIRMAN WEISENMILLER: Watch this space. That was interesting negotiation because I think PG&E at the time was testifying here that dispatch is very viable, but in the negotiations, it had no value. So it was interesting to be in both forums.

But, anyway, another thing I was just going to report on was that, last week, Bob Oglesby, myself, and Panama testified before Skinner, the select Committee on Energy Efficiency and it was a very interesting presentation, we went through the whole spectrum here, it was a very good presentation, those of you who have not really had an opportunity to review that should certainly look at Panama’s testimony, it really deals a lot with not just buildings appliances, but also what we’re trying to do to retrofit existing buildings, and the role of Energy Upgrade California in that, and certainly some of what we’re starting to do to tee up to implement the Skinner Bill. So, again, I certainly

would recommend that to people, I think certainly my comment initially were pretty introductory, as were Rob's, so I'd certainly point people towards Panama's presentation.

COMMISSIONER DOUGLAS: Colleagues, I just wanted to speak in order to clarify that I abstained from Item 12, which is the Minutes for the July 27th, 2011 business meeting minutes. I didn't abstain loudly, but I flipped through my binder to verify that, in fact, I wasn't there, and in fact, I truly wasn't there, I was in the Santa Rosa Mountains in Southern California. So, I have an abstention on Item 12.

CHAIRMAN WEISENMILLER: Great. Item 14. Chief Counsel's Report.

MS. WEBSTER-HAWKINS: No report today, sir.

CHAIRMAN WEISENMILLER: Wow. Item 15. Executive Director's Report.

MR. OGLESBY: I would just add mention of another legislative hearing we had last week on the 1st before the Senate Energy Committee, it was related to the topic we discussed earlier in the day about the ARRA projects and the Bureau of State Audits. I testified, as did Panama Bartholomy.

CHAIRMAN WEISENMILLER: Item 16. Public Advisor's Report.

MS. JENNINGS: Yes. I would just like to take a minute to give you my response to the question that Commissioner Boyd asked about whether or not the Palomar Operators were cooperative in the Staff's investigation of the fire.

The situation was that the Palomar Operator never notified the Energy Commission, that was left to a member of the public to do. They finally prepared a report and provided it to the Commission in April after the fire had occurred in December. In that report, they redacted about 20 plus hours of the incident, giving us the beginning of the fire and the end of the fire. It's my understanding that the Legal Office and others had suggested that they might be subpoenaed to give a full report and ultimately the operators did allow a few members of the staff to look at the report of those missing hours, but not to have a copy of that.

So I would like to suggest that, in my view, that is not something that the Commission should consider cooperation, so I wanted to correct that from my view, from the perspective of the members of the public. I think this kind of approach by an operator just adds to public cynicism and suspicion about what actually occurred, who was in charge of the response, was it the operator more than the local fire department?

What happened that caused them to say that we should not see and have publicly available that 20 plus hours of fire response? Thank you.

COMMISSIONER DOUGLAS: Commissioners, I would just like to make a brief comment on Ms. Jennings' perceptions. We were not notified when the fire happened and that was a problem. And we've communicated that clearly and we will be notified in the future, and this is something we need to make very explicit in our conditions. Now, the Public Utilities Commission was notified, others were notified, we were not. We are not going to be satisfied by a redacted version of a report, we need to do a thorough investigation and, when that was communicated strongly the operator understood and allowed our staff to complete their investigation.

VICE CHAIR BOYD: I, well, more than infer, I believe I heard our staff indicate that among the lessons learned were likely to be standard conditions in future power plant siting cases that would facilitate and require, frankly, not facilitate, but require reporting of such events to the Commission on a timely basis and in complete detail, I would trust.

CHAIRMAN WEISENMILLER: I think so. I guess the other dimension to this is, obviously, the PUC coming out of the energy crisis also, has some degree of

investigation of existing operating power plants, and one of the things we need to be doing is coordinating with them, particularly for utility-owned plants, so that there is a thorough investigation, but not overlap or duplication.

VICE CHAIR BOYD: I'm very familiar with the PUC's authority during a crisis, they were sent out en mass, the electricity crisis, they were sent out in mass looking for figuratively monkey wrenches in machinery in various places for investigating the incredibly high number of failures, and bringing off line of units. So I would agree, we need to talk to each other about our various enforcement activities in the future.

COMMISSIONER PETERMAN: I would just also like to say thank you to Ms. Jennings for bringing the additional information to us and for liaising with the public on this important matter. I also appreciated your comments earlier about the potential opportunity for the Commission to more quickly inform the public of what's going on, whether that's just with whatever information we have immediately, in addition to the longer and more thorough review that Commissioner Douglas noted. So, thank you for that.

VICE CHAIR BOYD: Yes, Jennifer, thanks.

COMMISSIONER DOUGLAS: Yes, that is a good

point. I'll just say, just as a closing point on this fire, sometimes it takes some time to investigate competing theories as to what caused a fire or an event of that sort, and pin down the actual cause, and so one of the difficulties in this report is that initially some people thought it might have been facilitated by a heavy rain and whether there was any water that might have penetrated where the water shouldn't have been. So it took some time to eliminate that possible cause and come up with a fairly thorough or clearer understanding of what was more likely the cause. There is a real interest in helping the public understand what has happened as soon as possible, but it's doing a disservice to say the wrong thing, so it's got to be balanced.

COMMISSIONER PETERMAN: I was wondering, currently on our website in our news releases, do we have -– when situations like this happen, just the news alert, a couple lines saying "a fire occurred at this power plant, details still being investigated," or something along those lines?

CHAIRMAN WEISENMILLER: Again, I would assume between the PUC, the Energy Commission, and the ISO that this sort of information comes out and certainly for a publicly-held company, there is a responsibility. Now,

in terms of in that subset of all the information going out, how to make sure that we're helpful, not necessarily tripping over people, but basically the public gets informed.

COMMISSIONER PETERMAN: That's something I would encourage the Siting Committee, the Public Advisor, and our Media Department to consider, or investigate further.

CHAIRMAN WEISENMILLER: Good, thanks. Item 16. Any public comment? Okay, this meeting is adjourned.

(Whereupon, at 12:31 p.m., the business meeting was adjourned.)

REPORTER'S CERTIFICATE

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were reported by me, a certified electronic court reporter
and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF,

I have hereunto set my hand this 15th day of August, 2011.

Peter Petty

PETER PETTY
CER**D-493
Notary Public