BUSINESS MEETING

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the matter of:)
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Business Meeting)
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CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

WEDNESDAY, NOVEMBER 3, 2004

10:00 A.M.

Reported by:
Michael Mac Iver
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COMMISSIONERS PRESENT

William J. Keese, Chairman

John L. Geesman

James D. Boyd

Arthur H. Rosenfeld

Jackalyne Pfannenstiel

STAFF PRESENT

William Chamberlain, Chief Counsel

Robert Therkelsen, Chief Deputy Director

Betty McCann, Secretariat

Sandra Fromm

Kevin Kennedy

Jim Folkman

ALSO PRESENT

Gary Schoonyan
Southern California Edison Company

Paul Wuebben
South Coast Air Quality Management District

Les Guliasi
Pacific Gas & Electric

Manuel Alvarez
Southern California Edison

Stan Van Vleck
Association of Home Appliance Manufacturers

Matt Allison
Scotsman Ice Systems

Joseph McCabe
Energy Ideas

I N D E X

Proceedings

Items

1	Consent Calendar	4
2	2004 Energy Report Update	4
3	Integrated Energy Policy Report Data Request Forms and Instructions	41
4	AC Transit Hydrogen Development and Demonstration Project	57
5	Appliance Efficiency Rulemaking (moved to future meeting.)	59
6	Beacon Power Corporation (Item Off the Agenda.)	
7	California Power Authority (Item Off the Agenda.)	
8	Minutes	72
9	Commission Committee and Oversight	72
10	Chief Counsel's Report	73
11	Executive Director's Report	75
12	Legislative Director's Report (No Report Given.)	
13	Public Advisor's Report (No Report Given.)	
14	Public Comment	64
Adjournment		77
Certificate of Reporter		78

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

CHAIRMAN KEESE: Good morning. We'll call the Committee of the Energy Commission to order.

Commissioner Boyd, would you lead us in the Pledge, please?

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

CHAIRMAN KEESE: I'm glad to see everybody here. Obviously not everybody stayed up to find out the results of the election and chose to get a little sleep last night.

Consent calendar, do I have a motion?

COMMISSIONER ROSENFELD: I move the consent calendar.

CHAIRMAN KEESE: Motion Rosenfeld.

COMMISSIONER BOYD: Second.

CHAIRMAN KEESE: Second, Boyd.

All in favor?

(Ayes.)

CHAIRMAN KEESE: Opposed?

Adopted five to nothing.

Item 2. The 2004 Energy Report Update. Possible approval of the 2004 Energy Report Update which provides the Governor and Legislature with

an update from the 2003 Energy Report, continuing a focus on upgrading California's energy infrastructure with additional analysis and recommendations on reliability, transmission planning, and renewable energy development.

COMMISSIONER GEESMAN: Mr. Chair, first I want to thank you for this particular Committee assignment. We have conducted 19 days of public workshops and hearings in bringing this update of the 2003 report back to the Commission. We have followed the process you and Commissioner Boyd set in the 2003 report. We have a remarkable population and a remarkable group of stakeholders around these issues. We've docketed more than 230 individual submittals in the docket for this proceeding.

I think over the course of the last year we have developed a lot of good information and heard some very sincerely held viewpoints, many of which did not conflict with each other. One of the strengths I think of our process is its deliberative nature, and the plural aspect of our Commission really requires that.

We've tried to do a job that would be consistent with the spirit of the Warren-Alquist

Act in terms of soliciting public input to these questions. And I believe that we come to you now with policy recommendations that are all the more strong because of that public input. Probably not as efficient or expeditious as simply a simple policy pronouncement coming from one individual's word processor, but I believe the path that we have followed and the result we bring back to you would do Assemblyman Warren and Senator Alquist proud.

I'll let the report itself speak for itself, but Sandra Fromm I think is prepared to provide a brief summary of the recommendations.

MS. FROMM: Good morning.

CHAIRMAN KEESE: Thank you. And for a couple of the Commissioners we've got a little power shortage here at the desk so the on the desk screen is not working.

Sandra.

MS. FROMM: Good morning. I'm Sandra Fromm, the Assistant Program Manager for the 2004 Integrated Energy Policy Report.

Kevin Kennedy is the Program Manager and he's sitting right over there in the front row.

Before I go into the recommendations, I

would like to thank a few people who worked very hard on this project.

First, our editor Elizabeth Parkhurst.

I'd like to thank team leads Kristy Chew, Judy Brown, Pamela Downing, Melinda Merit, Matthew Trask, Al Alvarado, David Eshukian.

And if I've left anyone off, I apologize. There are many people that contributed to this process.

I'd like to thank all the various divisions in the Commission for their contribution.

I'd also like to thank Kevin Kennedy for his calm guidance throughout.

I would like to thank the public who participated by either doing presentations, providing written comments, or attending. Their contribution to this process is considered invaluable.

I believe Commissioner Geesman did a very good job of covering Senate Bill 1389 which guides the Energy Report process.

As he indicated earlier as well, that we received over 230 public documents. I should say comments were docketed. We collaborated with

numerous State agencies and met with stakeholders.

Because aging powerplants is an important issue, I'd like to provide some context on the aging powerplant recommendations. In particular, I would like to review four graphs related to operating reserve margins.

Sufficient reserve margins are necessary to maintain a reliable electricity system. The California ISO has determined that the state needs a seven percent reserve margin to maintain grid reliability. Although the Energy Commission study indicates that 9,000 megawatts is potentially at risk for retiring, predicting the exact number of retirements remains uncertain. Despite this unpredictability, PG&E which serves most of Northern California is expected to have adequate reserve margins under normal and hot weather conditions from 2005 through 2008 under our base-case scenario.

PG&E should also have adequate reserve margins with normal weather under a high-risk scenario, although the reserve margins will become tight in approximately 2008. However, if hot weather occurs, reserve margins would only be slightly above seven percent. As a result,

there's a potential for rotating outages as early as 2008.

In contrast, potential retirements in Southern California can aggravate an already serious outlook for reserve margins. The base-case scenario for Edison in the San Diego area indicates that beginning in 2005 during normal weather Stage 1 emergencies could occur and in hot weather rotating outages.

If the high-risk retirement scenario in Southern California is taken into account, this problem is only exacerbated.

These scenarios are a strong indication that solutions are needed for near-term supply issues. To address these near-term supply and reliability concerns, it is recommended that all IOUs and municipal utilities work aggressively to attain the statewide goal for peak demand reduction.

In the policy report, there are a number of specific suggestions to achieve this goal, such as modification of the tariff design, immediate rollout of advanced metering systems, development of dynamic rate offerings, and load control options.

Additionally, the Committee recommends that the Energy Commission work with the PUC to develop a capacity market which will allow aging powerplants to compete in the electricity market. This market should include tagging and tradeable rights and should link transmission expansions with local reliability, allow longer term purchase contracts, and use cold standby plants for reserves.

The Commission should work with the PUC and all the utilities to enhance supply management by planning and reserve sharing, removing transmission barriers, pursuing cost effective seasonal exchanges, and using existing pump storage facilities more fully.

Although the policy report recommends these short term solutions, long term goals are necessary to ensure a reliable electricity system. In particular, transmission upgrades and expansions are critical to ensuring a reliable electricity delivery system. However, transmission expansions typically have long lead times that must be considered in the planning stage.

Pursuant to recently enacted Senate Bill

1565, the Energy Commission will begin establishing a comprehensive statewide planning process. This planning process should assess statewide transmission needs, examine nonwire alternatives, and improve transmission infrastructure investments that can move quickly into permitting.

The planning process should also examine right-of-way needs, evaluate corridors, and allow longer term corridor banking. Additionally, it should assess transmission costs and benefits using an appropriate social discount rate that recognizes the long and useful life of transmission assets.

To facilitate the timely development in transmission to bring renewables online, the Energy Commission should increase its participation in the joint transmission study group for Tehachapi, work with the PUC to establish a joint study group for geothermal resources in Imperial County, and work with the PUC and the ISO to investigate whether changes are needed to the ISO tariff to meet transmission needs for renewables.

The Committee recommends the State enact

legislation to require all retail suppliers of electricity to meet the 20-percent RPS goal by 2010 and a 33-percent goal by 2020. Ambitious goals such as these are needed to encourage private investment to promote technology innovation and maintain momentum.

Long-term investments in renewable technologies can drive down costs. These lower costs will lead to commercialization, helping the state to take advantage of its abundant renewable resources.

The Committee further recommends that the State enact legislation that allows the PUC to require Edison to purchase at least one percent renewable energy per year until 2020.

The Committee also recommends repowering wind turbines and that the PUC require IOUs to facilitate repowerings in its effort to develop renegotiated QF contracts.

Recent surveys shows that Californians overwhelmingly support solar energy. Because the Energy Commission shares the Governor's interest in stimulating development of PV, we offer the following recommendations for developing a successful solar program. The solar program

should include new and existing homes and businesses and it should leverage energy efficiency approved improvements for new and existing buildings. Additionally, peak demand challenges should be addressed by linking PV installation with price responsive tariffs and advanced metering. This program should also target PV deployment to climate zones with high peak demand, provide long-term declining incentives, and explore a business role in PV deployment for utilities.

With that, I'd like to turn the meeting back over to the Commission.

Thank you.

CHAIRMAN KEESE: Thank you.

COMMISSIONER GEESMAN: Mr. Chair, we ought to see if there are any public comments at this time.

CHAIRMAN KEESE: Well, I'm aware there are some public comments.

Mr. Schoonyan.

MR. SCHOONYAN: Thank you, Chairman Keese.

Gary Schoonyan, Southern California Edison Company.

Before I start, I would like to thank the Committee for preparing and developing from our perspective for the most part a very good and thoughtful update. They addressed some of the key issues facing the state and did it in a very constructive fashion. So with that regard we do want to compliment the Committee.

We do have some concerns. I put together a letter that was distributed to the Commission earlier this week, I'm not sure whether all of you have obtained it or not. I am here today to talk about one of the areas, and it's actually the major area of concern that we have with the update to the 2004 report.

That involves from our perspective the singling out of Edison to a higher and more aggressive level of renewable procurement during the timeframe. I think it was brought forth by Sandra earlier with regards to the recommendation that Edison seek and obtain a higher level of renewables and do it quicker than the other load serving entities in the state. From our perspective, we believe that the resources and the energies of the state would be better served in addressing key integration issues and possibly

incentive mechanisms that need to be addressed to integrate larger quantities of renewable resources.

For example, I think we can all state here that to the extent that 100 percent of all of our resources were intermittent and nondispatchable renewable resources, it would be very difficult to operate as an electric grid. I frankly don't know what the right cut point is as to where the level should be, nor do I understand what the additional costs are as you get to the higher levels of integrating additional levels of renewable resources.

Just as sort of an antidotal comment, I recall from a presentation I saw about two, three years ago with regard to Denmark. They procure approximately one-third of their energy from wind. Quite a commendable record. However, there's a cost associated with that. If you take a look at their loads and resources, they're carrying over a 70-percent reserve margin.

So there are costs associated with integrating the intermittent and nondispatchable-type resources that I understand the Commission is in the process of addressing, but from our

perspective, those sorts of things need to be addressed and resolved prior to coming up with a mandate, particularly one that inequitably from our perspective singles out Southern California Edison.

The reason for us being singled out is that we're a national leader, which we are. We procure nearly one-fifth of the nation's renewable resources, and proud of it.

The other is the result that most of the potential for renewable energy is within or near our service territory. That too is a fact. But from our perspective, there is nothing precluding other utilities from securing, developing the infrastructure necessary to secure those resources. They are on the fringe of our service territory for the most part and there could have been the infrastructure developed. To say just because the potential would be in or near our service territory, we have to be held to a higher standard is from our perspective not equitable and doesn't address the issue as regards to the other utilities being able to access that potential as well.

The final comment I would like to make,

I mentioned it briefly, was with regards to an incentive mechanism. I'm not sure how to design one at this point in time. But from our perspective, the Commission ought to be looking at approaches whereby utilities or load serving entities that exceed the mandated requirement of 20 percent receive some sort of an incentive associated with doing that, as opposed to coming up with a particular mandate, particularly one, as I mentioned, that singles out just one utility.

Thank you.

CHAIRMAN KEESE: Thank you.

COMMISSIONER GEESMAN: Mr. Chairman.

CHAIRMAN KEESE: Commissioner Geesman.

COMMISSIONER GEESMAN: I guess what I had considered the most significant part of your letter, Gary, was your embrace of the report's recommendation that in meeting the challenges that we faced in Southern California this summer, the first order of business should be the adoption of dynamic pricing tariffs for large customers. I think that's a significant indication of support from your company. I think it's one that has taken a fair amount of courage.

I believe it's an important principle

and it will be a difficult principle, but I believe it's vital that the State follow that with some necessarily tough decisions in the next several months. We have provided meters at the expense of the general fund to all of the large customers three years ago and failed to ever adopt the tariff that would go along with those meters.

I don't think that anybody benefits from the current hide-the-ball pricing system which conceals the true cost of service during the peak hours that our system faces each year. And I think that the Edison Company has made a true contribution to this effort by embracing this and I want to thank you for that.

In the renewables area, I do think that it's wrong to look at this as a question of equity or burden to your company. As I think everyone knows, your accomplishments in the 1980s set you substantially ahead of the pack in terms of reliance on renewables.

When the RPS program was developed, your company played a very large role in drafting the RPS statute, and as you're well aware, that statute contains provisions to protect your ratepayers from any overmarket costs associated

with renewable procurement. If the subsidy fund is not available to support such overmarket costs, the obligation to procure is eliminated. Thus far, you've achieved a very high percentage, close to 20 percent, without relying on one dime of that subsidy fund.

As a consequence, I don't think that the report's recommendation that you proceed at the same rate other companies are expected to proceed at, one percent per year, to attain higher targets is in any way unreasonable or for that matter burdensome. I've looked to the era in your company when you were purchasing generation from the largest commercial solar facilities in the world, you had direct investments in the Imperial Valley hot water geothermal field, you were the largest purchaser of output from the Cerro Prieto geothermal fields in Mexico, you sponsored some of the initial commercial development of the wind resource near Palm Springs. Your company had a truly visionary senior management at the time, one which was committed to innovation, one which believed in the power of technology, and one which frankly was quite willing to contribute to state policy objectives.

I think your senior management today is substantially more conservative than that, but I would challenge them to look in the mirror and ask themselves where is the vision. Your performance in this area has been stellar when government has forced you to perform. I'm disappointed that despite your indication a little more than a year ago that you would achieve a 20-percent level this year, that you won't have done so and that the reason for that is that your interim solicitations have not yielded quite the results that you had initially hoped. That interim solicitation has taken nearly a year and a half and has yet to yield any contracts for approval.

The message that comes through to me from that is that when State government puts the pressure on, you perform quite admirably. When the pressure is off, you don't perform as well. And I think that is probably in the nature of a regulated business and as a consequence, I think the regulatory system needs to continue to provide that pressure.

The wellspring of all of this is the public's demand that we do something about our energy system. As you know, the support for

renewables among the public is very significant. The Public Policy Institute in California regularly polls for the question on support for renewable energy. Last year, 2003, some 82 percent of respondents felt that California should double its reliance on renewable sources of electricity over the course of the next decade. This year that number was up to 87 percent. I think that the residents of your service territory are no different than anywhere else in the state, so I would assume a comparable level of support among your customers, as compared to the statewide numbers.

And when they say double the reliance on renewable energy, I look at you guys starting 13, 14, 15 percent, and I get to the high 20s, if not 30 percent over the course of the next decade. That's what I believe the public wants us to do, that's what I believe your customers want you to do. You would suggest to us because you've done so well in the past you ought to have a free pass going forward. I think that's akin to lowering the basketball hoop to about eight feet for the tallest players. And I think you develop a lot of bad habits when you lower the basketball hoop.

So, Mr. Chairman, I think that we've made a well considered recommendation. I don't think that it's something that the Edison Company cannot achieve. I think their ratepayers are completely insulated from any above-market costs from such a policy. And I think the recommendation should stand as we have framed it.

Thank you.

CHAIRMAN KEESE: Thank you.

Mr. Paul Wuebben.

MR. WUEBBEN: Thank you, Mr. Chairman, Members of the Commission.

I am Paul Wuebben, the Clean Fuels Officer for the South Coast Air Quality Management District.

We first want to say that the Integrated Energy Policy Report is a very vital process and we really commend the CEC staff and your Commission for highlighting the issues and for a thoughtful and comprehensive approach to these issues. Overall, we think that the report is a very important step in establishing a coherent energy policy for this state.

I've got a few comments to make. First, we do think the targets for increased conservation

and energy efficiency as you've just discussed are of central importance and we commend the CEC for putting those squarely at the top of your energy agenda.

Now, there are a few areas that we would suggest in all candor that there would probably be some areas of additional strengthening of the report. Particularly, the report reiterates the idea of a one-stop permitting process for petroleum infrastructure and it mentions the failed legislative effort to obtain that goal. And as you know, we have had serious concerns about that particular policy.

The Air Quality Management District did oppose SB-429 by Senator Torlakson and we believe that there are significant air quality benefits that accrue to the community directly from our consistent application of emission reduction requirements and permit conditions on petroleum handling facilities, refineries, et cetera, as well as other stationary sources. We do strongly feel that a wholesale elimination of that authority for the South Coast District or any local air district for that matter in this area would be very counterproductive and basically

inconsistent with State air quality mandates.

So while we certainly appreciate, we remain and you should remain committed to working closely together on this issue, that we think that there are areas where we can expedite permitting. We think we have made some real strides in that area over the last three to five years and will continue to look for any opportunity to make that process more coherent and expedited.

Next, I would like to make a brief comment about the LNG issue. The report notes that such facilities should be encouraged and we certainly agree with that. We do think the report is somewhat silent on the benefits of facilities in terms of diversifying our supply sources and the benefits that such a facility would have in diversifying and providing supply for a fleet of natural gas vehicles, particular LNG vehicles.

Our agency has done quite a bit of work supporting the application of LNG trucks, for example, Orange County Transit District and many others are now operating those. And we think that those kinds of facilities will be extremely important. And as you may know, the engines that use that fuel are consistently at a lower

certification level than their diesel counterparts.

So we think that diversity is security and that the report fundamentally would be strengthened if that linkage were made more explicit.

I guess we could also say that it certainly remains appropriate that your agency and our own agency would remain neutral as far as any particular site because of our permitting authorities, but the general policy thrust we think is important.

The next point I would like to just make briefly regards the AB-2076 goals for reduction of petroleum consumption. We think that those could probably be made in a bit more higher profile. Obviously those goals include not just the 50-percent reduction in petroleum consumption below 2003 by 2020, but the maintaining of that level of demand for the foreseeable future beyond 2020. It also calls for a two-fold improvement in new car and truck fuel economy, a 20-percent of the on-road demand would be nonpetroleum by 2020, and by 2030, there would be 30 percent of that fuel demand as nonpetroleum. We think all of those

were an extremely important part of the AB-2076 process.

Lastly, the report mentions of course the importance of renewable portfolio standards, and we fully support the major contributions that are being made here in the report. We didn't see a mention of the Governor's veto of the bill which would have accelerated the timetable of 20 percent from 2017 to 2010. So we think it would be perhaps helpful if there could be some identification of specific steps to implement both that goal and a 33-percent RPS target.

So with that, I would just like to say in closing that we certainly look forward to working closely with your staff. We think they have done an outstanding job in dealing with some very complex issues, and we appreciate this opportunity to comment on the report.

CHAIRMAN KEESE: Thank you.

Let me ask you a question. You know, it has been unfortunate that a number of air districts have felt that the Energy Commission is impinging on a territorial imperative here. But in my experience of powerplant siting, which we have done quite a bit of over the last six years,

I'm not aware of a case in which we've gone crosswise with an air district. It's been a very successful symbiotic licensing process in that area.

And in looking at the Port situation and the refinery situation where we see, and I'll speak personally here, where we see constrained refineries that probably can't expand and we see a port structure that is moving towards container cargo and away from liquid, and we see that the potential that we're going to have to increase our imports perhaps significantly. If you make an assumption that we're importing five percent and we're going to have to add five percent, you have now doubled the capacity. We look out there and we don't see an ability to handle this situation under the current makeup.

Now, perhaps, you know, I think we should work as cooperatively with you as we can to enhance the structure, but we're not seeing results. And the longer we go and don't see any results, the more pressure it becomes to have a system that can get results. And I just throw that out.

MR. WUEBBEN: Yes, and we fully respect

your concerns in that area. And I would say that our issue is not really a territorial imperative, but it's really more an issue of public health imperative, because, of course, we have the community impacts that are perhaps disproportionate, and I know you recognize that as well.

CHAIRMAN KEESE: And I would say yet again that in the powerplant siting, I believe we have --

MR. WUEBBEN: And it's been a stellar record.

CHAIRMAN KEESE: We probably should get an A+ for our activities in that area. So if we could develop that kind of relationship. You know, and it's not just your district, we have had similar letters from most of the districts.

MR. WUEBBEN: And to just to add briefly, that we do appreciate that there is a growing and really a significant need for bulk handling facilities. And we're not aware of any specific project coming forward to actually review, but when such a proposal does come through in a specific case, we realize that we will have to make some careful determinations.

But if there are a few alternatives available, and as you move to the containerization, you talked about those are impinging on the Port of LA, perhaps disproportionately and we're losing that capacity at the wrong time.

And so, yes, we're aware that those market conditions exist and that we have a responsibility as you do to be pragmatic where possible. It's just that the air quality, particularly the community health effects because of the exposure, both from the trucks and, as you know, because of the alcohol policy has changed to accommodate or to obviously require ethanol blending, and ethanol can't be transported in the pipelines, which means additional truck traffic and handling requirements and blending requirements after the refinery at the gate, all of those conditions have made things even that much tighter.

But because of the volatility of the components, the toxicity of the BTX complex, et cetera, the need to back out some of those high-end products to meet natural volatility requirements, I know Mr. Boyd is fully aware of

all of these details, that there can be very significant air quality impacts at the local level.

And we hear I think a growing chorus about the concentration and the environmental justice implications of having a high concentration of product storage and throughput in areas that are heavily impacted by many other factors environmentally as well. And so we have a vested interest and a commitment really to speak for those health concerns as well as the product requirements of the state.

CHAIRMAN KEESE: I would say that I don't think you're generally beyond where this Commission is. I know that in many of the siting cases, our staff is recommending going beyond what air districts have recommended. So we are in the forefront of that and I don't believe it was our intention to lower that standard whatsoever. But if the result of an institutional structure is such that nobody believes they have a chance of going forward with a project, they're not going to file. And it's not good enough to say we haven't denied any if the structure -- and I'm not speaking of your district alone. If the result is

nobody sees anywhere in California where they can go forward, we're in a bind. And I think that is the genesis of the concept we put forward. And if you can give us a better concept, I'm sure as we proceed to IEPR '05, we'd be happy to look at it.

MR. WUEBBEN: Thank you.

COMMISSIONER BOYD: Mr. Chairman.

CHAIRMAN KEESE: Commissioner Boyd.

COMMISSIONER BOYD: I personally appreciate the dialogue that's just taken place. I want to thank Paul, an old friend, and the District, for being very diligent in participating in the 2004 process. In fact, the most diligent of any of the air districts.

The dialogue that just took place just points out that there is an issue that we need to continue to work on. And as you know, the 2004 update report selected just a few key points to pursue and this was not one of them. And the rest of the report was kind of in progress against the plan for all of those items that were broached in the original 2003 report.

As the Chairman just said, the 2005 total update, which process frankly has already started, becomes the forum for continuing

discussion on this matter. I think there's a lot of communication needed back and forth between the districts and this organization to correct. I think a lot of the misunderstandings of intent and to by all means sweep away all the feelings about this being a turf battle, and I don't want to protract that any further.

With regard to your reference to 2076, as you know, the 2003 IEPR totally embraced the goals in that, and there's reference to progress against plan. And particularly from the position you come from in the District, have properly pointed out that that's something we need to continue to address. And we certainly accept that invitation as I take it from you to continue to work with us on that. It wasn't one of the emphasis points in this particular project, but the 2005 process having already started, it certainly is a key feature of that.

And perhaps when we have some dialogue within the executive and legislative branches about the 2003 and '04 reports, when they're taken together, we can address those particular issues in more detail. But I would -- I don't need to invite you, but I would invite you to bring along

some of your fellow air districts into the dialogue in the 2005 process as we look at the infrastructure issues and the energy diversity and energy security issues that you broach in all the areas of energy.

But you personally are concentrating on transportation, but we really need to look at that with regard to all three legs, as I like to say, of the energy school, be it transportation fuels or electricity or natural gas. And we look forward to your participation and I will just say again that I've been pleased as Commissioner Geesman and I have had hearings that the South Coast District has been very diligent in participating and I ask you to help us recruit some of the others to do that same.

Thank you.

CHAIRMAN KEESE: Thank you.

Do we have any other comment from the audience on Item 2, Integrated Energy Policy

Do we have any comments from Commissioners?

COMMISSIONER BOYD: Mr. Chairman, a comment.

First I want to just, as the associate

member of the Committee, I want to just echo and reinforce the statements of the Chairman of the Committee with regard to commending and compliment the staff for the hard work that they did. And the first 2003 report was a real learning experience. I think we all learned a lot, and we applied what we learned, and the staff in particular, to the 2004 update. And I think they did a marvelous job and it's reflected in the product we see before us today.

Secondly, I want to commend Commissioner Geesman for his Chairing of this effort. I warned him what was involved and he knew what he was getting into, but his efforts, his effectiveness, and frankly, diligence, to seeing that this report got done, got done on time, and produced the product we have before us I think is commendable and I want to commend him for that. I've leaned very heavily on him to do that just as I had to do last year and I think he's done a marvelous job.

And finally, just I want to say with regard to the statute that created the Integrated Energy Policy Report and the process, I've said it before and I'll continue to say that I thought it was a commendable piece of legislation. I think

the beauty of the statute is that it created a requirement that there be an Integrated Energy Policy Report and update process that is frankly continuing in real time and thus providing a continuous forum for the debate of the energy issues that continue to face us in this ever accelerating world and on a very real-time basis.

So it's not like doing reports and putting it on the shelf. We keep at that and the public has almost a virtually real continuous forum to address us on the issues and problems of the day, as well as the disagreements. And, you know, it's one thing to have a disagreement and approve a report and send it off, but it's another thing to have a process that picks up right where that leaves off and continues to address the issues and the disagreements that are brought forward, because we deal with just another chapter in this continuing book.

So I think it's been a really wonderful process and I think as an agency we've got it down pretty good now and I look forward to the 2005 process which is already underway and then a year from now sitting here and talking about the 2005 update which will address many of the problems

that we're hearing about today, as well as certainly lots of other issues.

So thank you.

CHAIRMAN KEESE: Thank you.

And I would like to thank both of you and the Chairman, John Geesman, for your work on this project. The original IEPR identified many issues. And you focus us on three of the most critical issues that we need to approach in depth. And the result of it I believe is that you identified vulnerabilities in the current system and you identified specifically that we have a critical need to approach a local problem in Southern California and put together ideas on how we might do that.

I would like to make one footnote for Mr. Schoonyan and Edison that I join this opinion believing that we have to continue moving forward towards our renewable goals. And I don't think it's going to be beneficial if Edison sits on the side for three or four years with the 20-percent target reached. The Governor has indicated an interest in the 33-percent goal. I think that we're going to have to incorporate that into our thinking and our view.

I do agree that we shouldn't focus on one company with a separate goal. So had I been the draftsman, there would not have been a 35-percent target. But the principle is important here and that principle I believe that this Commission is putting forward is that one way or another the PUC should incentivize or remove any disincentives to everybody moving forward.

I also share your view that the Southern California area, if you want to call it the Edison territory, is home to a lot of renewables potential. And I would like to think that that's where San Diego will go to get their reserves and I would like to think when LADWP decides not to count large hydro as part of their renewable mix, that LA will go to that territory and accomplish it. And it is important to understand that we're going to have renewable energy credit trading of some sort which will allow those resources to be tapped in many locations, perhaps even out of state.

That said, I endorse the document we have in front of us and intend to vote for it.

Thank you for submitting.

Commissioner Pfannenstiel.

COMMISSIONER PFANNENSTIEL: I also would like to thank the members of the IEPR Committee, Commissioners Geesman and Boyd. I think that they presented us for adoption an excellent document that both uncovers some areas of vulnerability in the energy picture in the state and provides some very strong and I think very positive and feasible recommendations for addressing those vulnerabilities.

I think that the document itself is both well organized and well presented. I think the staff who worked on it did just a marvelous job of pulling together and listening to the parties and pulling it together and articulating a set of policies and recommendations for implementing those policies that will serve us all well.

I like how Commissioner Boyd characterized it as a living document. It clearly will change each year and it needs to because the energy circumstances in California are changing every year.

I know that there are some areas on it in the recommendations that are up for debate, and I certainly am sympathetic towards Southern California Edison's concern about being singled

out. I would hope that as Commissioner Geesman described it that the mechanism, the RPS mechanism itself, as it is designed will protect Edison's customers from being penalized or in any way impacted.

But I think more importantly for the policies of the state, what this report is about is about moving us forward in areas like in the adequacy of resources in Southern California to meet those needs, and there are some policy recommendations for how to do that. So in that vein and given the fact that we're looking out a number of years, I think that the recommendations in the report will live very well.

So again I will support and vote for this report and I do appreciate how well it came together.

CHAIRMAN KEESE: Thank you.

Commissioner Rosenfeld.

COMMISSIONER ROSENFELD: I want to make a very brief footnote to Commissioner Pfannenstiel's comments.

I think it's a great report. I'm not willing to change anything in it right now, but with respect to the Schoonyan/Geesman dialogue, I

guess I do want to say that Schoonyan's example did convince me that there's probably some tailoring to be done. I understand that Edison is supposed to held neutral for extra costs and if it's something as visible as a wind farm or a geothermal plant, I think that's easy to do.

Gary, I understand your point that there may be a point where renewables become more expensive because you have to acquire more reserves and that may not be clear. I'm clear that on the one hand you're blessed with a supply of renewables and I'd like to see you increase that fraction one percent a year like the rest of us, but if there are extra costs involved, they should be looked at very carefully. It's a statewide mandate, it's any costs which involve increasing our fraction of renewables should be at the cost of ratepayers statewide and certainly not at the cost of individual Edison ratepayers who have done a great thing. So I'm confident that can all be worked out.

CHAIRMAN KEESE: Thank you.

COMMISSIONER GEESMAN: Mr. Chairman, I would move that we adopt the report with its attached errata page.

COMMISSIONER BOYD: Second.

CHAIRMAN KEESE: Motion, Commissioner Geesman, Second, Commissioner Boyd.

All in favor?

(Ayes.)

CHAIRMAN KEESE: Opposed?

Adopted five to nothing.

Thank you everyone for a great effort.

Thank you staff in particular for your devotion to this effort above and beyond the call of duty.

Item 3. Integrated Energy Policy Report Data Request Forms and Instructions. Possible adoption of a Commission order requiring certain load serving entities to provide data relating to electricity demand forecasts and retail price forecasts.

MR. KENNEDY: Mr. Chairman, Commissioner, thank you. I'm Kevin Kennedy, and I'm the Program Manager for staff for the 2005 Integrated Energy Policy Report. As was just noted in the preceding discussion, work on the 2005 report is already under way, even as we were in the process of adopting the 2004 update. With that adoption, we can now more fully turn our

attention to the 2005 proceeding.

Your consideration of the forms and instructions that are in front of you for load serving entities to provide information on electricity demand and retail price forecasts is very important in that 2005 proceeding.

The information that's requested in these forms relating to retail price forecasts will be useful for staff in developing its own retail price forecast for use in our forecasting efforts. Demand forecast information is intended as a complement to staff's own demand forecast and will aid the Energy Commission in gaining a clearer picture of the overall electricity demand both statewide and at a more disaggregated basis.

Beyond the information requested in the forms today, staff also plans to gather additional information relating to the electricity supply and transmission systems. All of this information will be brought together in hearings in the spring that will be intended to allow parties to understand the level of need for new resources and to participate in the review and discussions of key policy issues relating to the state's electricity and natural gas systems.

The energy report proceeding plays an important role in developing the state's overall energy policy, since we're expected in this proceeding to consider the role of all of the key players and their interactions.

Under SB-1389, which established the requirements for the Energy Report, the Commission has the authority to require submission of demand forecasts, resource plans, market assessments, and related outlooks from electric utilities, transportation, fuel and technology suppliers and other market participants.

The forms and instructions before you today are the first in a series of requests for data that will come before you for the 2005 proceeding. For example, staff, in addition to what you're considering today, staff yesterday posted to the website proposed forms and instructions relating to environmental information that will be discussed at a workshop on November 15th. And staff and the Committee is planning a workshop on November 18th to discuss more generally analyses and supporting data in the forecast for supply.

Proposed versions of the forms that

you're considering today were issued by staff in early September and were discussed at workshops on September 20th and 21st. Staff has revised the forms and instructions in response to concerns raised at the workshop and in written comments. The version of the instructions that have been made available at this stage show in red lines strikeout form the changes that were made from staff's original proposal.

And once the Commission adopts final forms and instructions, we will publish a clean version that reflects the final adopted forms and instructions.

There is one point of concern which has been raised by a number of parties that has not yet been fully addressed, and that relates to how the Energy Commission will handle information that a filer believes is confidential. Various parties have suggested that it would be extremely useful for the Commission to provide guidance on our confidentiality procedures and informal indications of what information would be kept confidential where a load serving entity files a request for confidential designation.

Staff agrees that such guidance will be

useful for the parties and I'm currently working with the Executive Director, technical staff, and legal staff to issue a memo that would provide general guidance which we are hoping to have posted to the web in the next day.

It's extremely unusual for the Energy Commission to provide this type of advance guidance on confidentiality because the determination that must be made is typically very case specific. And that has resulted in it taking a bit longer to complete the memo than I had initially anticipated. I had posted to the website last week an indication that we were planning to have the guidance on the website by last Friday and I apologize to the parties for the fact that the guidance was not available for the business meeting. But we do expect to have the guidance memo posted by tomorrow.

Finally, the data that's being requested of load serving entities in these forms and instructions, as with the additional data that will be proposed over the next few weeks, will support analyses of key issues leading to determinations of the amount of resources that need to be acquired to ensure reliable operation

of the electricity system.

Pursuant to the Committee's direction, we have been talking with the Public Utilities Commission and California ISO to develop improved coordination among these three entities. And in particular, that means that the PUC's 2006 procurement proceeding and the ISO's energy grid planning process. We are hoping that the analytic products that come out of our review in the Energy Report proceeding, based on review of the materials submitted, will be directly useful to these other entities.

With that, I have staff available to answer any questions you may have and I turn it back to the Commissioners.

CHAIRMAN KEESE: Thank you.

Any comments from the public?

Mr. Guliasi.

MR. GULIASI: Les Guliasi from PG&E.

I have a couple of brief comments that I want to make about the data request forms and instructions for the 2005 report. But before I make those comments, I would like to compliment you and the staff on the '04 update. Again, we have heard a lot of compliments made today, but I

just want to reinforce them and echo the compliment, it was a great report and raised some important issues, and I wish you well as your report wends its way through the political process.

The comments I want to make today address both technical issues as well as the very important issue of confidentiality that Kevin just mentioned.

Let me first say that we're committed to engaging in your forecasting effort, and indeed in the entire '05 process fully and cooperatively. The experience that we've had thus far in working with staff leads us to believe that we can have an amicable relationship and a great deal of cooperation throughout the whole process.

Our goal is to assist the staff in fulfilling its research needs, but I just want to ask that the staff and the Commission as a whole think about the principle of flexibility in the data that's required as we go through the process. As we know it's a very tedious process and while it's important to strive for consistency in the data required, we have to remember that one size does not necessarily fit all. And when we work in

filling out these forms, we may find for many parties the specific data requests will not suit everyone's needs. So we will need to negotiate the best we can the specifics of the data we need to provide.

And I just want to illustrate the point with a couple of technical issues. The forms call for calendar year 2003 data, revenue requirement data, actual revenue data and so forth. In our case, in PG&E's case, 2003 was somewhat of an anomalous year. It was the year that we emerged from bankruptcy and for a lot of reasons it may not provide the best source of information if your goal was to look on a going-forward basis.

So what we would like to do in discussions with staff consider alternative years, perhaps 2004 would be a better starting point, a good substitute, at least in PG&E's case. I think if you look at 2004, you'll find that we will have a full year of revenue requirement information available, our regulatory asset is in place. So I think it gives you a much clearer picture and a better reflection of our situation, and we're hoping that 2004 data would serve as a useful substitute rather than just be, you know, slaves

to consistency.

Similarly, I understand that there is a desire to have very detailed data that goes very far into the depths to understand the details of rate forecasts. When we get right down to the details, I think you will find that many of the utilities and many of the load serving entities probably do not have data or produce data in such detailed levels. And I think it's going to require some discussion with staff to find the best ways to accommodate their needs and I'm not prepared at the moment to, you know, imagine exactly what methods might be used to satisfy all those data requirements, but I think we'll need to use some imagination and find ways of providing the staff what it needs when the data are not readily available off the shelf.

So I only bring up those couple of technical issues by way of making the point that we'll need to continue to work cooperatively, we'll need to sit down and work through some of these tough issues, and I'm confident that in those discussions we'll be able to accommodate the staff and provide the necessary information so the staff can do its job.

I'm glad Kevin raised the issue of confidentiality, it's a very important issue, and again we're committed to working with you and through your regulations to ensure that you get the information you need. But I'm sure that we will have some requests for you to treat some of the information confidentially and not disclose that information publicly. When we do make those requests, I can assure you that the requests will be legitimate. We're not going to capriciously just request information because we have some belief that it may be confidential. When we do make those requests, the information that we request we really believe, legitimately believe, that the information should be protected and be held confidential.

I think we've made a lot of arguments over the last nine years to protect confidentially customer-specific data. And I can recall in my career, you know, 10 or 15 years ago addressing some of these issues for the very first time and I'm confident now that the Energy Commission does a stellar job in protecting the confidentiality of customer-specific data. And I'm hopeful that we can draw on those lessons and reach agreements

when we need to with respect to other kinds of confidential information.

There will be proprietary information, for example, like business plans that we may seek to have you keep confidential that may be competitive information. Especially when it pertains to our procurement activities, we may not want to divulge market sensitive information or commercially sensitive information. So when we get to those points, we want you to take our requests for confidentiality seriously. And I do recognize the challenge that you face and I think you're going to hear from many parties through the process. And I'm going to make the same plea to that that I made to you, that is to be respectful of other's requests for confidentiality and approach this process qualitatively yet respectfully.

Thanks very much for your time this morning.

CHAIRMAN KEESE: Thank you, Les.

And, you know, we've reached a rapport of sorts with the PUC on working together, and we're working much better with the ISO. And as you reflect, we are working much better I believe

with the utilities. So this should all inform our IEPR process so that we can lay out a valid viable plan for the state of California.

Thank you.

COMMISSIONER GEESMAN: Mr. Chairman.

CHAIRMAN KEESE: Mr. Geesman.

COMMISSIONER GEESMAN: I don't want to state very much about the confidentiality question because that's really in the purview of our Executive Director, but I think Les and the other utilities, because of their experience, are quite familiar with our process and know that showings they need to make under our statute and our regs. I can easily envision parties that have not been through our process as the utilities may need some advance guidance from the Executive Director and I'm hopeful that he's able to provide that in a way that makes clear our intent to be as cooperative and understanding as our statute and regs allow.

On the earlier point Les made, I think those are well taken observations. And we did, in fact, begin to get into that in the staff workshop, or rather the Committee workshop, that has been held on these forms and instructions.

Staff did most of the talking there. I'd like to add my comments to it and I believe that they are consistent with Les' observations.

We should be seeking the best information available and the most useful information available, and that should be our guiding principle. In coming to that assessment, we need to also incorporate what are the needs of the Public Utilities Commission as they rely on our work product and what are the needs of the Cal ISO as it relies on our work product. And I think with that perspective, we should be able to work through whatever differences we may initially have.

I am concerned, and I certainly heard the concern expressed by a wide range of parties at our workshop, that all of us have allowed the resources we commit to this area to erode quite a bit over the course of the last ten years. So this is not going to be the perfect process, it's not going to yield the kind of result that hopefully our process five years down the road would yield.

But it is troublesome that our forecast for this past summer, which was generally a

consensus forecast that each of the utilities and our staff joined it, that that forecast was exceeded by three times over. To the extent that we relied or perhaps misrelied on forecasts that proved that far off the mark, I think we need to learn how to do things better and I certainly welcome PG&E and the other parties to help us figure out how to do that.

CHAIRMAN KEESE: Thank you.

Any other public comment.

MR. ALVAREZ: Manuel Alvarez, Southern California Edison.

I'll be brief. I think we've expressed our view on the specific data requirements in our letter to you.

I am looking forward to Kevin's confidentiality discussion, I think it's a critical point. But one of the items during the workshop that I offered a suggestion on and I think it supports your comments, Commissioner Geesman, of working together with the three agencies, the ISO, the PUC, and the CEC, and that's the establishment of a working group to deal with some of these critical issues of confidentiality and availability of data and the

assumptions that we feel comfortable making going forward. I've had a couple of discussions with staff on those items, but we still have not come together as a group.

But I think it may be difficult and I understand some of the difficulties in terms of some parties, some market participants' reluctance to participate in the group, and that's why I suggested that that kind of a working group has to be done under the auspices of the Committee itself. Because where we do get to an impasse, the Committee should be aware of where that impasse is among the parties.

So I urge you again to think about the working group proposal. And I believe we can make some progress, we may not make all the progress we want, but we can make some.

Thank you.

CHAIRMAN KEESE: Thank you.

Any other comment?

Commissioners?

Do I have a motion?

COMMISSIONER GEESMAN: Move the order.

COMMISSIONER BOYD: Second.

CHAIRMAN KEESE: I'm sorry, did you --

UNIDENTIFIED SPEAKER: Oh, yeah, I did have a comment.

CHAIRMAN KEESE: We'll have a brief comment here.

UNIDENTIFIED SPEAKER: Okay, very brief.

CHAIRMAN KEESE: We'll pretend nothing happened.

UNIDENTIFIED SPEAKER: My name is Natina and I'm with DC Power, and I work with a distributor in Northern California. And myself and the people that we sell to would like to get a response when we have complaints towards the CEC and the conduct of a few of the -- the establishment.

We tried to write letters and to complain and they just go strictly through Tony Brasil. And he seemingly singles out people and just -- I mean I've got documentation.

CHAIRMAN KEESE: Are you talking about data?

UNIDENTIFIED SPEAKER: Pardon me?

CHAIRMAN KEESE: Are we talking about data?

UNIDENTIFIED SPEAKER: Oh, I'm sorry, I just got here, so I didn't know if this was the

five minute.

CHAIRMAN KEESE: No, no. We'll postpone you for later. We're in the middle of a vote here.

UNIDENTIFIED SPEAKER: Okay. Sorry.

CHAIRMAN KEESE: Okay. I believe I heard a motion by Commissioner Geesman and a second by Commissioner Boyd.

All in favor?

(Ayes.)

CHAIRMAN KEESE: Opposed?

Adopted five to nothing.

We have an open period at the end and we'll come back to you.

Item 4. Alameda-Contra Costa Transit Hydrogen Development and Demonstration Project. Possible approval of a grant for $925,000 with Alameda-Contra Costa Transit for the development and demonstration of a gaseous hydrogen fueling station.

This has been before us before. Would you just give us the status update and we can dispose of this issue.

MR. FOLKMAN: Sure. Chairman, thank you, and Commissioners, appreciate it.

Yes, the status of this right now is in the Commission's budget for this year. It was $925,000 allocated for a grant with AC Transit for this hydrogen demonstration station down there at their facility. It is also proposed it will have a reforming element to reform natural gas to hydrogen there. The total funding for that project is 3.2 million. So there's other partners that are contributing, DOE, I believe, Clean Cities is contributing, Chevron Energy Solutions and others are contributing to this.

It goes in support of Governor Schwarzenegger's announcement in April of this year to emphasize and to try to move forward with hydrogen throughout the state. And we feel that this has some good potential to do that, to support that effort.

With that, I will entertain some questions.

CHAIRMAN KEESE: Any questions?

COMMISSIONER BOYD: Mr. Chairman.

CHAIRMAN KEESE: Commissioner Boyd.

COMMISSIONER BOYD: As indicated, this has been before the Commission before but the money ran out before the process was executed, so

it wasn't appropriated. So this has come and came again before the Transportation Committee and was approved by the Committee, so I would like to move approval of the item.

CHAIRMAN KEESE: Motion, Commissioner Boyd.

COMMISSIONER PFANNENSTIEL: Second.

CHAIRMAN KEESE: Second, Commissioner Pfannenstiel.

All in favor?

(Ayes.)

CHAIRMAN KEESE: Opposed?

Adopted five to nothing.

Thank you.

Item 5. Appliance Efficiency Rulemaking. Consideration of public comments on proposed Appliance Efficiency Regulations published as Express Terms of Proposed Regulations, 45-day language, dated September 10th, 2004.

Commissioner Pfannenstiel, would you like to tell us the status before we get started with this discussion?

COMMISSIONER PFANNENSTIEL: Yes, thank you, Mr. Chairman.

This item was scheduled to consider the adoption of proposed Energy Commission's Appliance Efficiency Regulations. The Commission held a hearing on October 13th and as a result of the comments received at that hearing and other comments submitted right up through yesterday, the Committee recommends we do not adopt today. Instead, the Committee intends to publish a revised proposal and 15-day language, and would recommend that this adoption be put over until the December 15th Business Meeting.

And if people here in the audience have submitted written comments, those comments will be considered and they need not be repeated today. So, therefore, we would not recommend adoption at this time, but rather we pull the item until the December 15th Business Meeting.

CHAIRMAN KEESE: Thank you.

COMMISSIONER GEESMAN: I've got a question and I may be wrong. I thought someone had said that our meeting in December is December 13th?

COMMISSIONER PFANNENSTIEL: That is possible. I just had it as the second Wednesday.

CHAIRMAN KEESE: Well, I think I know.

It's December 1st and December 15th.

COMMISSIONER GEESMAN: Okay.

CHAIRMAN KEESE: And we're not having one on December 29th, which sort of fell in the Christmas season.

We have a number of members of the public who have asked to comment on this. And without totally repeating written submittals, why don't we start with Joe McCabe.

MR. MCCABE: That's for at the end of the meeting. A public comment for in general.

CHAIRMAN KEESE: Oh, I'm sorry. Sorry, you were on the wrong list.

Stan Van Vleck, please.

MR. VAN VLECK: Morning, Mr Chairman and Commissioners. Stan Van Vleck representing the Association of Home Appliance Manufacturers.

We have submitted detailed written testimony and as such my oral comments will be very brief and actually just go into one specific issue.

Specifically, we would like to talk about our opposition to the external power supply matter contained within the proposed regulations.

We have been working with staff and

that's one reason why I wanted to be able to speak with you folks today. And we appreciate the time that the Commission and their staff has put to this. What we're looking at is trying to reach an agreement as it relates to how to deal with this matter.

Right now, the Energy Commission is looking at putting forward something that is different than US EPA is considering. And we're concerned because what the Energy Commission is putting forward at this time we don't believe is as accurate as it could be. And US EPA right now is working hard trying to be able to put something that would be more precise. We realize that you folks are on a pretty tight deadline trying to get this done.

What we would ask and what we would go into with staff is being able to achieve an agreement where once the federal government is able to identify their energy standard that you folks would be willing to consider adopting it. Again, not adopting it, but take a look at adopting it, and review that. It's our understanding that this will be done within a year and that would be consistent with the timelines

under adoption in this regulation.

So we just want to be able to hopefully receive a commitment, not just from staff, but also from the Commission for that review.

CHAIRMAN KEESE: Well, you've presented it and the Committee has heard it. So we will refer it to the Committee for their 15-day language and take it up when we take this one up in a month.

MR. VAN VLECK: Great. Thank you very much.

CHAIRMAN KEESE: Thank you.

Matt Allison.

MR. ALLISON: I had submitted written comments in the form of a presentation that I had planned to give today, and based on the comments I have heard, I'm not sure if I should give that presentation or not.

CHAIRMAN KEESE: I don't think so, because as indicated, you're going to see an amended proposal. So you might want to amend yours after that. It would be more appropriate to do it at our next meeting.

MR. ALLISON: Okay. Thank you very much.

CHAIRMAN KEESE: Thank you.

Is there anybody else who wishes to speak to Item 5, which again we will not take up today, but will be on our agenda in December?

Thank you. That item is over.

Item 6 is off the agenda.

Item 7 is off the agenda.

I think this would be an appropriate time to take up public comments.

So why don't we have Mr. McCabe come forward.

MR. MCCABE: Thank you very much for the opportunity to speak to all of the Commissioners and Executive Director and the staff. And I feel fortunate to come here.

I hope I'm not going to sound like an advocate, but I have some awareness points, having been an expert in solar energy and recognized by the California Energy Commission in the past.

Terry Searles has actually asked me to say what's missing from this whole big picture. I'm here because I'm a little bit troubled. Look at natural gas is going to happen, but I'm troubled that there's another infrastructure needed, the boats to bring it to a port, to pipe

it to facilities, possibly to my house to heat my water and to heat my house or to run to utility plants to make electricity so that I can have it at my house.

I'm troubled because of recent CPUC activity, especially with Diablo Canyon, and you might be operational along with your CPUC brethren on Pacific Gas & Electric's contracting with Westinghouse before the EIR has even happened or any public discussion.

These are the things that are troubling me. And I'm hopefully bringing a solution and some awareness. Efficiency. The utmost respect for your work, especially Rosenfeld's on efficiency. It's the best thing we can be doing. But it is insufficient and it warrants repeating that. Efficiency is insufficient. And I'll use an example from William McDonough that if you're trying to go towards sustainability and let's call that Canada, but you're traveling in the wrong direction, and we'll call that Mexico. Flowing down toward Mexico is not going to get you to Canada. We're going to try to get to a sustainable energy future and I know you all are working at that diligently. There is a lot of

departments here that are also working and I applaud all the efforts.

I'm here to talk about solar. Some visual aids, if you don't mind.

This is a cell manufactured in California. A very important concept, California made. Twenty percent efficient, available in a module today that is monolithic black, aesthetically pleasing and low profile. This is a great solution that gets a lot of support at the state level.

This is a solar thermal cutaway of a box. I had these manufactured just so you can visualize the difference. About the same size, this is three times more effective at converting solar radiation to usable energy. And it is not supported as much as the photovoltaic system for various reasons. The concept is that this does not make electricity.

You have the ability to change that attitude with your leadership. This does make electricity. It makes it at the unused natural gas, so that your natural gas goes further in society when this is on residential buildings. It does not pollute.

One of the challenges also is getting it into the Renewable Portfolios Standards. It's fantastic work the Governor supports. This does not get into RPS. This does not get into Title 24. Yes, there's language on it and if you have professional engineer certification. But your leadership can actually promote this in the zero energy homes work that's going on, and the Title 24 2008. All your reports do not talk about how my roof can convert its radiation to usable energy.

The real thing that I thought I would bring some awareness to is manufacturing in California again, but what is probably most appropriate for the central valley.

No, this is not a terrorist thing, it's integrated collector storage. So if you can conceive of this piping in a box with a selective surface on it, it can collect and store, it's a storage technology, it's distributed generation, it doesn't pollute, it doesn't require electrical lines, it doesn't require siting. All these concepts in new home construction can have a less than eight year payback. It creates jobs.

I'm just going on and on because I

believe that this is something that doesn't get talked about. 1985 was a bad year for this industry. Can we leave those behind and realize the company that makes this in California can make 50,000 of them and has been around for 25 years and supplies Korea and other countries. Israel requires solar thermal on every building, Australia has similar requirements. Your legislative and leadership roles, I'm sorry, not legislative, but policy decision roles can actually get this more into society.

You don't see people getting up in front of the microphone and talking about this, especially a photovoltaic expert. But it's just one of the things that I think I'm hoping I'm bringing a little bit of awareness to that can help your finding more natural gas for the needs of the state. So I very much appreciate this opportunity. As the Commission personalities change, I would love to come back and help any of your departments in any way along these concepts.

Thank you.

CHAIRMAN KEESE: Thank you. Very appropriate your comments, and I would hope -- I know you've been around for a while, as I recall,

and I would hope you can chat with staff after this meeting is over or Commissioner Rosenfeld.

MR. MCCABE: Thank you.

COMMISSIONER ROSENFELD: Joe, it's good to see you back. I just wanted to say that I sound a little bit defensive, but on the zero energy new homes initiative, we're encouraging people to do solar thermal hot water.

MR. MCCABE: I was the only one that got up to the microphone and mentioned it. And, yes, it was talked about, but it's just an awareness point that it's not emphasized. It's got a history here at the Commission of not working, but it actually does work and it can solve a lot of things. Again, I don't -- but efficiency first, solar thermal, solar electric is actually the most cost effective.

COMMISSIONER ROSENFELD: No, I will stand by it. I have a solar thermal hot water system on my house in Berkeley. It was installed in 1980 and it still works fine. But I think one thing I'm a little unclear about, Israel requires them, but I think it's competing with electric resistant heat and not with cheap natural gas. So we have to check our economics there.

MR. MCCABE: It's that numbers thing that just always -- there's another constituency that wins out and you don't see the solar thermal industry having the ability to fight the genius that comes out of UC and all the efficiency programs. So I was trying to bring some awareness.

COMMISSIONER ROSENFELD: Okay. Thank you.

CHAIRMAN KEESE: Thank you.

COMMISSIONER GEESMAN: Mr. Chair.

CHAIRMAN KEESE: Commissioner Geesman.

COMMISSIONER GEESMAN: I had a couple of things. One, the '04 IEPR which we just adopted does make the suggestion that we as a state develop a floating order for the natural gas side the same way that we've done so on the electricity side. I think it would be wrong to interpret that as a likely substitute for LNG, because I think we have a number of uses for LNG in the transportation sector and apart from electric generation. But I do think that that would represent a better approach by the state to evaluate where some of these technologies can cost effectively be moved into the mainstream where

today they are ignored.

Secondly, I think I've said the solar thermal industry needs to organize itself better from a trade association standpoint.

MR. MCCABE: I agree.

COMMISSIONER GEESMAN: And I recall in the '80s when they were considerably better represented by our Chair and before him by his wife.

And thirdly, I would say I don't particularly like your Mexico-Canada metaphor. Until this morning I would have said driving from Florida to Ohio.

MR. MCCABE: It was William McDonough's and I just --

COMMISSIONER GEESMAN: Work on that.

MR. MCCABE: Thank you very much for that suggestion. Maybe I was slightly effective in just getting you to thinking about it more. And I'll gladly follow up.

So thank you for your time.

CHAIRMAN KEESE: Thank you.

Did we have somebody else who wanted to speak?

All right. Why don't we take up the

rest of the agenda, then if she wishes to speak we'll take her up.

Do I have a motion on the minutes?

COMMISSIONER GEESMAN: So moved.

COMMISSIONER ROSENFELD: Second.

CHAIRMAN KEESE: Motion, Geesman, Second, Rosenfeld.

All in favor?

(Ayes.)

CHAIRMAN KEESE: Approved.

Commission Committee and Oversight.

I will just mention that semi-annually, every six months we have the meetings of WIEB, KREPSI and WECC, who met a week ago in Vancouver. We have done yeoman's work at the Commission in activities in these forums and at this meeting in particular we had gas presentations. Mr. Jaski presented the PUC's program for the PUC to the group, and Mr. Chamberlain presented the WREGIS program. You have received reports on all of these. I urge you to look at them. It was a great presentation, I believe, of the expertise of the Energy Commission made available to the other states in the west that they will benefit from.

COMMISSIONER BOYD: Mr. Chair, you

remind me of one that I was involved in. While you were up in Vancouver I was in Tijuana for a meeting, a conference, on Border Energy Forum, the first time held south of the border in a long time and sponsored by one of the border states. And although it got a little notoriety in the press, it was just a conference. But your comment about WREGIS reminded me of a very strong advocacy presentation by one of the panelists, I think known to this organization, Jan Hameron, about WREGIS and about encouraging the Mexican government and the Mexican states to look at WREGIS as a tool that could aid them into joining in that kind of an effort.

So I just wanted to put that on the record as something that has been suggested and would seem to be received reasonably favorably by many folks in the audience, which was predominantly a south of the border audience.

CHAIRMAN KEESE: Thank you.

Chief Counsel's report.

CHIEF COUNSEL CHAMBERLAIN: Thank you, Mr. Chairman.

Just following up on that report on the WIEB, KREPSI, WECC, I'm polishing up my detailed

notes on those meetings and will be circulating them to you when I get them completed.

Two weeks ago, I know this is sort of old news but I will mention it anyway. Two weeks ago as the Commission met, the Supreme Court also met and decided not to take up the Tesla case. So once again your decision has been affirmed.

In addition, I should report that on Monday of this week, I attended the Ninth Circuit Court of Appeals oral argument in the case involving appliance efficiency information requirements that the Commission has. We were somewhat heartened by the fact that one of the panelists on that panel was Betty Fletcher who wrote the Ninth Circuit opinion in the California Nuclear Laws Case, and showed that she was very cognizant of the fact that the courts are supposed to only find preemption if it is the manifest intent of Congress that there be preemption and that it should not go any further than that intent.

However, I will say that the oral argument left me somewhat uncertain where the result is coming down. Betty Fletcher asked only one question of opposing counsel and the other

judges asked I think challenging questions to both sides. So it's very difficult for us to tell right now. The frequently asked questions portion of the Ninth Circuit's website includes a question of how long does it take to get a decision out and their guidance is that it generally takes from three months to a year. So it could come out sooner, of course, but I wouldn't hold your breath at this point.

CHAIRMAN KEESE: Thank you.

Executive Director's report.

EXECUTIVE DIRECTOR THERKELSEN: Good morning, Commissioners.

There was a lot of expressions of appreciation over the 2004 Energy Report Update and I would like to add mine to that, especially the Committee for their leadership, for their guidance, and their willingness to mold the report. I think it's a very good, concise document. And I also want to thank the staff. And there is no rest for the weary, because both the Committee and the staff are marching madly toward the 2005 report. We have workshops on multiple days this month and also next month.

One of the most contentious parts of the

report, or not contentious, but the most critical was the assessment of the 2005 electricity situation, particularly in Southern California. And in developing those analyses of what that projection looks like, we worked very closely, our staff worked very closely with the PUC and the ISO and the former Power Authority in terms of trying to understand what supplies and resources would be available. So that represents an effort by all of the energy entities to get an understanding of what the supply and demand picture is.

We have a lot to do to improve that, and one of the things is looking back at 2004 and understanding what happened and how those lessons would affect what our future projections would be. And the staff is working on that look backwards so that we can learn from that in terms of looking forward.

The other thing we will be doing obviously is monitoring where 2005 is and what kind of progress is being made to deal with that issue. Again, we're working with other state energy agencies and the ISO to get a handle on what options are available, including having a tariff in place for those meters that are already

located down in Southern California.

So those are all things our staff is actively involved in and we'll keep you apprised of progress.

CHAIRMAN KEESE: Thank you. There is no legislative report today. The Public Advisor has informed me there's no Public Advisor's report.

And this is the time for public comment, but I have a feeling that the young lady's concerns have been met?

EXECUTIVE DIRECTOR THERKELSON: I think they're being dealt with.

CHAIRMAN KEESE: Thank you. And with that and there being nothing else to come before us, this meeting is adjourned.

(Thereupon, the California Energy Commission Business meeting was adjourned at 11:38 a.m.)

CERTIFICATE OF SHORTHAND REPORTER

I, MICHAEL J. MAC IVER, a Shorthand Reporter, do hereby certify that I am a disinterested person herein; that I reported the foregoing California Energy Commission proceedings in shorthand writing; that I thereafter caused my shorthand writing to be transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said California Energy Commission proceedings, or in any way interested in the outcome of said California Energy Commission proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this 15th day of November 2004.

Michael J. Mac Iver
Shorthand Reporter