

COMMITTEE HEARING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Preparation of the 2005 Integrated) Docket No.
Energy Policy Report) 04-IEP-1K
)
Re: Availability of the 2005)
Committee Draft Energy Report.)
)
Global Climate Change, Water/Energy)
and Border Energy, Chapters 8,9,10)
_____)

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

TUESDAY, SEPTEMBER 27, 2005

1:04 P.M.

Reported by:
Peter Petty
Contract No. 150-04-002

COMMISSIONERS PRESENT

John Geesman, Presiding Member

James Boyd, Associate Member

ADVISORS PRESENT

Michael Smith

Melissa Jones

STAFF and CONTRACTORS PRESENT

Kevin Kennedy

ALSO PRESENT

Joseph Sparano
Western States Petroleum Association

Eric Larsen
RCM Digesters, Inc.

Devra Wang
Natural Resources Defense Council

Howard Levin
San Diego Gas and Electric Company
Southern California Gas Company

V. John White
Center for Energy Efficiency and Renewable
Technologies

Jane Turnbull
League of Women Voters

Anthony Fisher
Anrafi Associates, LLC
representing NUMMI

Jonathan Changus
Pacific Forest Trust

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P R O C E E D I N G S

1:04 p.m.

PRESIDING MEMBER GEESMAN: This is day 55 of the 2005 Energy Commission Integrated Energy Policy Report process. I'm John Geesman, the Committee's Presiding Member. To my left, Commissioner Jim Boyd, the Associate Member of the Committee. To his left Mike Smith, his Staff Advisor.

Today's hearing is intended to elicit comments on chapter 8, 9 and 10 of the draft Energy Report dealing with global climate change, water and energy issues, and border energy issues.

We're also requesting written comments filed between now and October 14th. So if there are things that you'd prefer to put in writing, or things that occur to you after today's workshop, please don't hesitate to submit those to our docket in writing. We will be taking comments until the 14th.

Commissioner Boyd.

ASSOCIATE MEMBER BOYD: No, I have, thank you, no particular comments. Look forward to other people's comments, quite frankly, on these three areas of extreme interest to us, and

1 particularly some of them to me.

2 PRESIDING MEMBER GEESMAN: Kevin.

3 DR. KENNEDY: Thank you, Commissioners.

4 My name is Kevin Kennedy, and I am the Staff
5 Program Manager for the 2005 Integrated Energy
6 Policy Report proceeding.

7 Before we get started I'd just like to
8 go over a couple of quick housekeeping items.
9 First of all, if you need the restrooms it's out
10 of the hearing room and down the hall to the left.
11 But I encourage folks not to continue in that
12 direction and go outside the building through
13 those doors. Probably at some point this
14 afternoon we will hear the alarm go off when
15 someone does that. So, if you need to leave the
16 building, through the main doors is the way to go.

17 There is also a snack bar upstairs on
18 the second floor. If you go up the stairs, pretty
19 much straight ahead and to the left.

20 We are also making a transcript of this
21 hearing, so when it comes time to make comments
22 you will need to come up to one of the
23 microphones. You can either come up here or the
24 microphone is on at the podium there. I would
25 also encourage folks, to the extent that you have

1 business cards with you, if you're going to be
2 speaking it's extremely useful for the court
3 reporter to get a copy of your business card just
4 before or just after you speak so it can help him
5 keep track of who is speaking.

6 I also want to welcome the folks not
7 just here in Hearing Room A, but also on the
8 conference call or listening on the webcast. For
9 folks on either of those, on the webcast you're
10 able to see the slides, the presentation that I'm
11 doing. For folks on the webcast you can't make
12 comments, but you can call in, and I'll put the
13 phone number up at the end of my presentation.
14 So, as you're listening, if you decide you want to
15 call in and make some comments you'll have the
16 opportunity to do that.

17 Our basic agenda for today is first I'm
18 going to provide a very quick overview of the
19 Energy Report proceeding. And then I will also
20 provide a quick overview of the three chapters
21 that we are talking about today, integrating water
22 and energy strategies, global climate change and
23 energy concerns in the California/Mexico border
24 region.

25 As Commissioner Geesman mentioned, the

1 primary purpose of today is to receive comments on
2 these topics. While we have tried to set the
3 hearings up to focus on particular topics on
4 particular days of the hearings this time around,
5 if you do have some comments on other portions of
6 the Energy Report feel free to put them into the
7 record here. You don't necessarily need to come
8 back five times if you have, you know, one comment
9 to make on each of them. But we are mostly
10 talking about the three chapters that I'll be
11 giving the overview for.

12 And, again, as Commissioner Geesman
13 mentioned, written comments are welcome and are
14 due on October 14th.

15 In terms of the hearing schedule overall
16 for the proceeding, last Friday we had the first
17 of our hearings on the draft Committee reports in
18 this cycle. That hearing focused on the draft
19 strategic transmission plan, which is a separate
20 report called for by Legislation as part of the
21 overall Energy Report proceeding.

22 Today, as we've said, we're talking
23 about water/energy, global climate change and
24 border energy.

25 On Thursday afternoon of this week we'll

1 be talking about the transportation chapter.

2 Next week on Thursday morning we'll be
3 talking about the chapter on demand side
4 resources, distributed generation, renewable
5 resources and other electricity resources,
6 including clean coal and nuclear. Actually, that
7 combines two chapters there. But there's a
8 separate chapter on renewable resources.

9 And then on Friday we have two half-day
10 hearings. In the morning, Friday, October 7th, we
11 will deal with the chapters on electricity needs
12 and procurement policies and the transmission
13 chapter. And in the afternoon, the natural gas
14 chapter.

15 So, we have a fairly full hearing
16 schedule over the next two weeks. I encourage
17 folks to participate as much as you can, to the
18 extent that you have comments or interest in those
19 topics.

20 The schedule for the proceeding from
21 there, as we've said, the written comments are due
22 on October 14th. In early November we're
23 expecting to publish the final Committee versions
24 of the Energy Report, the transmission strategic
25 plan, and the transmittal report.

1 And we're looking to take all of those
2 reports to the November 16th Energy Commission
3 Business Meeting for the full Commission to
4 consider adoption of those reports.

5 We would then turn around and produce
6 the final versions that were adopted and deliver
7 those to the Governor and Legislature in early
8 December.

9 In terms of the proceeding overall, the
10 Energy Report process is called for by Public
11 Resources Code sections 25300 et seq. It calls
12 for a number of main things as part of this
13 proceeding.

14 It calls for the Energy Report process
15 to be the spot for integrated energy policy
16 development. Policy recommendations are to be
17 made based on an in-depth and integrated analysis
18 of the energy issues facing the state.

19 It's also expected to produce a common
20 information base for the energy agencies in the
21 state. The law calls for the state's energy
22 agencies to use the information and analyses
23 contained in the report to carry out their energy-
24 related duties.

25 And in terms of timing, it's a report

1 that the in-depth version is expected every two
2 years. And that's the cycle we're in now, with
3 separate supplement in the off-years. The 2004
4 update that we did last year is an example.

5 In terms of the proceeding so far this
6 year, we have been working in collaboration with
7 numerous federal, state and local agencies; and
8 with many other participants in terms of other
9 stakeholders and interested groups.

10 There have been more than 50 Committee
11 hearings and workshops already. There's more than
12 25,000 pages of docketed materials in this
13 proceeding. Staff and consultants for the Energy
14 Commission have produced more than 50 papers and
15 reports.

16 At this point we are dealing with three
17 draft Committee reports, two of which have been
18 published, the 2005 Draft Energy Report and the
19 Draft Strategic Investment Plan. And a separate
20 report, the transmittal report, to the Public
21 Utilities Commission, which we are hoping to get
22 out in the next week or two.

23 So, with that overview of the overall
24 proceeding I'd like to give a quick headline view,
25 in a way, of the three chapters we're considering

1 today, starting with chapter 8, integrating water
2 and energy strategies.

3 Energy use in the water cycle is an
4 extremely important part of the overall energy
5 picture for the state. California's water
6 infrastructure uses a tremendous amount of energy
7 overall. And in addition, the California
8 consumers also use energy to heat, cool and
9 pressurize water for use in homes and businesses.

10 Combined, these water-related end uses
11 account for roughly one-fifth of the state's
12 electricity consumption; approximately one-third
13 of the nonpower plant natural gas consumption; and
14 2 to 3 percent of the diesel fuel consumption.

15 This is a table summarizing estimates of
16 the 2001 water-related energy use in California
17 from the report. As I say, it's a very
18 substantial portion of the overall energy picture
19 for the state.

20 In terms of energy savings from water
21 efficiency, there are significant untapped energy
22 savings potential that exist in the programs that
23 would focus specifically on water use efficiency.
24 The energy intensity of the water delivery system
25 is actually much higher for water delivered to

1 southern California, so to the extent that we're
2 focusing on energy savings that can come from
3 water use efficiency, focusing on southern
4 California gives a very good payback.

5 Energy savings from water efficiency
6 programs could potentially achieve 95 percent of
7 the energy savings expected from the energy
8 efficiency programs for 2006/2008, adopted by the
9 PUC, at about 58 percent of the cost. And could
10 also produce about 60 percent of the planned-for
11 reductions in peak demand.

12 This table just gives a brief breakdown
13 of the comparison of the energy efficiency
14 programs for 2004 and '5, the ones that have been
15 approved for 2006 through 2008, and what's
16 potentially achievable through water use
17 efficiency programs if you were able to tap the
18 full potential.

19 The key recommendations in the draft
20 report in this area include pursuing cost
21 effective water efficiency opportunities that
22 produce energy savings, especially in southern
23 California; to enhance hydropower production
24 through improved runoff forecasting and decision
25 support models; to look for increased generation

1 from the water system, including in-conduit
2 hydropower and biogas recovery; and for the Energy
3 Commission to collaborate with other agencies
4 through the Ocean Protection Council on assessing
5 and mitigating impacts of once-through cooling
6 systems in the state.

7 Moving on to the chapter on climate
8 change, California is the tenth largest emitter of
9 greenhouse gases in the world with more emissions
10 than any other state in the country, other than
11 Texas. Because of California's large emissions,
12 it's extremely important the actions California
13 takes in this area.

14 And in June 2005 the Governor
15 established the following very ambitious targets
16 for statewide greenhouse gas emission reductions:
17 By 2010, to reduce emissions to the 2000 levels;
18 by 2020, to reduce emissions to the 1990 levels;
19 and then by 2050 to reduce emissions to 80 percent
20 below the 1990 levels.

21 The greenhouse gas emissions from state
22 sources, the largest individual area the emissions
23 come from is from the transportation sector, with
24 more than 40 percent of the emissions. About 23
25 percent come from industrial facilities with a

1 large portion of those industrial emissions coming
2 from petroleum refineries. And then you see out-
3 of-state electricity generation and instate
4 electricity generation both contributing about 10
5 percent. And then other sources contributing
6 about 16 percent.

7 In terms of state activity on global
8 climate change, the California Environmental
9 Protection Agency has been tapped to lead the
10 Climate Action Team. And the team includes
11 representatives from a number of other agencies,
12 including Business, Transportation and Housing
13 Agency, the Department of Food and Agriculture,
14 the Resources Agency, the Air Resources Board, the
15 Energy Commission and the Public Utilities
16 Commission.

17 The Climate Action Team is responsible
18 for implementing strategies to meet the Governor's
19 ambitious targets and to report the progress, with
20 the first report due in January of 2006.

21 The Energy Commission has been very
22 active in the climate change area for some time.
23 Action here at the Energy Commission has included,
24 at the direction of the Legislature convening a
25 Climate Change Advisory Committee, which included

1 members from key sectors of the California economy
2 that would be affected by climate change.

3 And I want to make a point that the
4 Advisory Committee's work has been instrumental in
5 the overall Energy Report proceeding in terms of
6 providing a lot of very valuable input and
7 direction to the Energy Report proceeding.

8 The Energy Commission has also worked
9 with the Center for Clean Air Policy to compile a
10 bottom-up assessment of emission reduction
11 measures in the transportation, industrial,
12 agricultural and forestry sectors.

13 The Energy Commission has prepared and
14 updated the greenhouse gas emissions inventory.
15 And has provided technical support for the
16 California Climate Action Registry.

17 One of the things that the Energy
18 Commission is in the process of doing is providing
19 Cal-EPA and the Climate Action Team the
20 recommendations from the Advisory Committee, the
21 results of the clean air policy assessment of
22 emission reduction measures. And we're also
23 packaging up the portions of the Energy Report
24 proceeding record that relate to climate change
25 for consideration by the Climate Action Team as

1 they put together the report that's due in January
2 of 2006.

3 In terms of ongoing activity at the
4 Energy Commission we will continue to provide
5 technical and analytic support to the Climate
6 Action Team. The Energy Commission will weigh the
7 advisory recommendations of the Advisory Committee
8 in evaluating state-level strategies, look to
9 improve top-down statewide inventory on greenhouse
10 gas emissions, and provide support steps to
11 evaluate the need for a mandatory reporting
12 system.

13 We'll also support efforts by the
14 Climate Action Registry to collect data on a
15 facility level and entity-wide greenhouse gas
16 emission. And also support efforts by the Public
17 Utilities Commission to fully internalize the
18 benefits of reducing carbon generation through a
19 carbon adder required in the utility resource
20 procurement.

21 So, with that overview of climate
22 change, I'll move on to the third of the three
23 chapters today, the energy concerns in the
24 California/Mexico border.

25 Growth in the California/Mexico border

1 area is substantially increasing the demand for
2 energy in that region. New natural gas-fired
3 power plants will be used predominately to meet
4 the growing demand for electricity in the region.
5 And attention is being given in the region to
6 developing renewable energy resources.

7 There are also a number of liquified
8 natural gas facilities being developed or
9 considered in Baja, California Norte to meet local
10 demand and also demand in California.

11 And it's worth noting that the border
12 region is becoming something of an energy corridor
13 as states on both sides of the border develop
14 facilities not only to meet their local needs, but
15 also to export across state and international
16 borders.

17 The energy relationship between
18 California and Baja, California Norte is likely to
19 become even more interdependent in the future.
20 Based on those considerations the Energy Report
21 recommends that the state should establish a
22 cross-border binational policy to accomplish a
23 number of events.

24 To insure that the planning, permitting,
25 construction and operation of infrastructure in

1 the border region is coordinated; and also
2 complies with the highest level of environmental
3 requirements.

4 To implement the common methodology to
5 forecast energy demand in the border region on
6 both sides of the border. To implement a loading
7 order throughout the region to encourage
8 development of most efficient, clean and cost
9 effective options to meet demand.

10 To develop programs to reduce demand and
11 develop indigenous renewable renewable resources.
12 To implement a cross-border emissions credit
13 trading and offsets program. And to provide
14 opportunities to improve the overall efficiency of
15 the transportation systems and goods movement, and
16 expand the use of nonpetroleum fuels in the area.

17 With that very quick overview of the
18 three chapters we're considering today, I just
19 want to remind the folks listening in on the
20 webcast that if you do decide that you want to
21 make comments you can call in and participate in
22 the meeting and make comments. The call-in number
23 is up on the screen if you're looking on the
24 webcast, 888-790-1711; the passcode is hearing;
25 and the call leader is Kevin Kennedy.

1 And a reminder to everyone listening
2 here in the conference room or out there on the
3 phone or on the web, just one last reminder that
4 the written comments are due on October 14th.

5 And with that, we turn to the main part
6 of today's agenda, which is hearing from everyone
7 else. So I'll turn it over to Commissioner
8 Geesman.

9 PRESIDING MEMBER GEESMAN: We tried this
10 format once before, and I simply ask for people to
11 volunteer to come up. But before doing that I do
12 have one blue card. We're not going to require
13 blue cards, but let me try the first one.

14 Joe Sparano.

15 MR. SPARANO: You have me so well
16 trained I just fill out a blue card regardless.
17 So I appreciate this opportunity, Commissioners,
18 Advisors.

19 For the record my name is Joe Sparano.
20 I'm President of the Western States Petroleum
21 Association or WSPA. WSPA's a nonprofit trade
22 organization representing 26 companies that
23 explore for, produce, refine, transport and market
24 petroleum, petroleum products and natural gas in
25 California and five other western states.

1 I've provided WSPA's testimony many
2 times before the Energy Commission on most, if not
3 all, of the subjects covered by both the 2003 and
4 now the 2005 Integrated Energy Policy Report, or
5 IEPR.

6 You have been considerate in accepting
7 our input and patient with my commentary that, at
8 times, has contained dissenting viewpoints. Is
9 that a fair expression?

10 PRESIDING MEMBER GEESMAN: Well put.

11 MR. SPARANO: Today I'd like to supply
12 some brief, over-arching input on the state's
13 energy policy; then I'll focus my comments on the
14 global climate change section of the 2005 IEPR and
15 clarify WSPA's position on greenhouse gas
16 emissions reductions.

17 I realize that the state's efforts on
18 reducing greenhouse gas emissions have been housed
19 under the Governor's Climate Action Team, led by
20 Cal-EPA, but I share the following thoughts
21 nonetheless, as the IEPR does include the topic,
22 as we've just heard.

23 First I'd like to reiterate one of our
24 most important points. California's energy policy
25 needs to include a balance between environmental

1 protection and economic health and growth. That
2 balance will be required for success in every area
3 of California's energy plans and implementation
4 programs.

5 Meeting the state's energy needs over
6 the next several decades will require several key
7 elements. They include a strong base of petroleum
8 supply, growing the base of alternative and
9 renewable fuels, and a prudent reduction in the
10 rate of growth of energy demand through
11 conservation and efficiency.

12 Policy should not, in our opinion,
13 inhibit the marketplace from ultimately
14 determining how to bridge from today's petroleum
15 fuel dominated economy to an economy fueled by a
16 more diversified energy supply portfolio. Fuel
17 neutrality and fuel diversity are not mutually
18 exclusive.

19 The state should allow the transition to
20 more alternative and renewable energy supplies to
21 take place in a rational reasonable economic and
22 technically feasible manner. Although the Energy
23 Commission may not currently consider WSPA and our
24 industry as partners in the development of this
25 transition, we have much to offer and would like

1 to be partners in that transition.

2 Now I'd like to offer specific comments
3 on the global climate change and greenhouse gas
4 emissions reduction elements of the 2005 IEPR. To
5 clarify two points that surfaced during my
6 testimony before the Joint CEC/CPUC hearing on
7 Energy Action Plan 2, for the record, WSPA does
8 not oppose the Governor's intention to address
9 greenhouse gas emissions and global climate
10 change. And secondly, we strongly support energy
11 conservation and efficiency measures.

12 In addition, we support voluntary
13 programs that address global climate change and
14 greenhouse gas emission reductions. We're
15 concerned about how the state deals with the
16 possible effects of global climate change on
17 energy supplies.

18 Let me explain. If the state were to
19 choose using features like mandatory state cap-
20 and-trade programs, it just doesn't feel right to
21 us, as opposed to taking a more flexible,
22 economically competitive approach to managing that
23 issue. It appears in reading the IEPR that you
24 envision room for discussing such approaches and
25 we applaud that.

1 We're also worried about the
2 effectiveness of and possible economic harm from
3 local, state and regional efforts that are not
4 part of a national or international program. And
5 that could put California businesses at a
6 competitive disadvantage.

7 We do support the development of
8 national and international greenhouse gas
9 policies, programs and solutions.

10 In closing, I would like to assure you
11 that our industry is committed to taking action to
12 address greenhouse gas emissions. The API program
13 that Russell Jones shared with you on July 12th is
14 a good illustration of that commitment.

15 WSPA supports voluntary policies and
16 programs, including voluntary reporting programs
17 or audits. We prefer those, of course, to be
18 nationally or internationally based.

19 We want to work with you to develop cost
20 effective energy efficiency measures that reduce
21 greenhouse gas intensity, as well as support
22 research into and development of those
23 technologies.

24 I thank you for giving me the time to
25 offer these comments and would be happy to answer

1 your questions.

2 PRESIDING MEMBER GEESMAN: Mr. Sparano,
3 how comfortable is WSPA with our current national
4 program in this area?

5 MR. SPARANO: I think the national
6 program reflects and is reflected by the API's
7 commitment and program they've had in place for
8 three years to basically be more voluntary in
9 nature than mandates, and broader than regional or
10 local. And we are comfortable as an organization
11 with that approach, and I hope my comments have
12 reflected that tone.

13 PRESIDING MEMBER GEESMAN: Well, I think
14 just to state the obvious, it is our profound
15 discomfort with the national policy that I think
16 has prompted the efforts that the Governor's
17 initiated and the Cal-EPA and our Commission and
18 the Public Utilities Commission are currently
19 pursuing.

20 So I think that we simply start from the
21 premise of agreeing that we have different
22 perspectives on this.

23 MR. SPARANO: Right. And I think it's
24 fair to say that although those perspectives are
25 different, our are not so different in the context

1 of trying to reduce greenhouse gas emissions, but
2 rather exactly how we go about it, and with a
3 strong preference for not entering into situations
4 that might cause California's economy harm because
5 of creating uncompetitive situations. That's
6 really the crux of the concern I've tried to
7 express before this group on several occasions.

8 ASSOCIATE MEMBER BOYD: Commissioner
9 Geesman was, as always, far more diplomatic than
10 my question would have been. My question would
11 have been is there a national program. But we've
12 gotten past that now.

13 MR. SPARANO: I don't do politics except
14 on Tuesdays and -- Wednesdays and Thursdays,
15 sorry.

16 (Laughter.)

17 ASSOCIATE MEMBER BOYD: And as
18 Commissioner Geesman said, lacking a national
19 program, has this happened in other areas in the
20 past, states feel they have no choice. And I
21 guess we're just among the many who feel that by
22 the time 31 states maybe have programs, the
23 national government will get the hint. And then
24 there maybe will be a national program.

25 But absent that, you know, progressive

1 societies feel there's an issue that needs to be
2 addressed. And California, once again, has taken
3 that under its wing and is so pursuing. And as
4 you said, everything is open to exploration, so
5 nobody has made a solid recommendation. And we've
6 turned over all our material and evidence to Cal-
7 EPA, which the Governor gave the lead to, and
8 intend to work with them on it. And I'm sure you
9 and many others will, as well.

10 MR. SPARANO: Yeah, just because my
11 testimony was different, I think, in two ways
12 today, perhaps more attuned to what's specifically
13 in the IEPR in terms of being in favor of and
14 supporting the reductions of greenhouse gases with
15 pretty much, I hope, some clarity. And secondly,
16 not being against any program.

17 We would like to work with you. That
18 may sound different; I hope it doesn't. But to
19 the extent it might, I want to be clear on that.
20 The question is how, and how effective, and how we
21 can avoid unintended consequences and doing harm.
22 And I don't think that makes us so far apart. So
23 I'm hopeful that you will allow us to partner with
24 you.

25 I noticed in reading that section on

1 greenhouse gas emissions that you were careful to
2 identify options and alternatives and things that
3 could be explored, rather than specifically
4 stating in a command-and-control fashion, what had
5 to be done. And again I applaud you for that.

6 ASSOCIATE MEMBER BOYD: I'll let the
7 record stand on what you said about balance on a
8 strong petroleum base with the introduction of
9 alternative fuels until Thursday's hearing, which
10 is on the subject of transportation fuels. But
11 I'm hoping I detect a moderation in what I've
12 heard here before. And I know I shouldn't do
13 this, but I didn't hear petroleum plus once, but
14 maybe I'll hear it Thursday.

15 MR. SPARANO: I'm saving it for
16 Thursday.

17 ASSOCIATE MEMBER BOYD: I was afraid of
18 that.

19 MR. SPARANO: You blew it, you just took
20 away my -- I can't even use now.

21 ASSOCIATE MEMBER BOYD: Okay.

22 (Laughter.)

23 ASSOCIATE MEMBER BOYD: Thank you.

24 PRESIDING MEMBER GEESMAN: Thank you,
25 Joe.

1 MR. SPARANO: Thank you, Commissioners.

2 PRESIDING MEMBER GEESMAN: I'm going to
3 change what I said earlier. I've now gotten so
4 many blue cards that I will call on all blue cards
5 before asking for people simply to volunteer.

6 Eric Larsen, RCM Digesters.

7 MR. LARSEN: Good afternoon,
8 Commissioners. Thank you for giving me the
9 opportunity to speak here today. Forgive me if
10 I'm a little bit disorganized; I was only made
11 aware of the meeting, at no fault of your own,
12 this morning.

13 My name is Eric Larsen; I'm employed
14 with RCM Digesters. I have a couple -- two
15 comments to make today. Firstly, as I paged
16 through your document I see a number of references
17 to net metering like the dairy biogas customer
18 generators. And I wanted to point out that the
19 current CPUC rules that caused the net metering
20 for the dairy biogas generators does not reflect a
21 true kilowatt-per-kilowatt net metering. Dairies
22 are only allowed to net meter the generation
23 component of their total power bill, which
24 comprises about one-fourth of their total bill.

25 Further, CPUC rule 2728.9 says that

1 electricity generated by the eligible biogas
2 digester customer generators during the 12-month
3 period exceeds the electricity supplied by the
4 electric corporation during that same period. The
5 eligible biogas digester customer generator is a
6 net electricity producer and electrical
7 corporations shall retain any excess kilowatt
8 hours generated during the 12-month period. The
9 eligible biogas digester customer generator shall
10 not be owed any compensation for these excess
11 kilowatt hours.

12 Secondly, I wanted to present a
13 component of Anne Choat's paper. She was
14 commissioned by the CEC to write a paper entitled,
15 greenhouse gas emissions from noncarbon dioxide --
16 greenhouse gas emission reduction potential from
17 noncarbon dioxide-related emitters. She's with
18 ICF Consultants.

19 She made a similar assumption in her
20 report. While we find the technical aspects of
21 her report highly accurate in the potential for
22 dairies to reduce greenhouse gas emissions in the
23 State of California, there is not, under the
24 current rules, zero or less-than-zero cost,
25 because these are capital-intensive projects

1 requiring covers, liners, engines and operation
2 costs.

3 So the gist of what I would like to
4 propose is that net metering be true net metering
5 where it's kilowatt-per-kilowatt net metering.
6 And the investor-owned utilities are, in fact,
7 required to pay a fair and reasonable price for
8 the excess energy produced by these resources.

9 I could point you to PG&E's own tariff
10 for the value of energy produced by qualifying
11 facilities, that is energy produced from renewable
12 resources, valued at 7.79 cents per kilowatt hour
13 on seasonal average. Under net metering rules
14 where only the generation credit is allowed to net
15 meter, that value's down to about 3 to 5 cents.

16 We have two clients in the State of
17 California who are capable of producing far in
18 excess of the energy that they are producing. One
19 fellow is running his generator at about 60
20 percent of capacity; another client has accrued an
21 \$18,000 credit for which is going to be zeroed out
22 at the end of his term. He is not able to use
23 that much power. He still has excess biogas that
24 he could operate a second generator with.

25 There are many more dairies in the State

1 of California who are very interested in pursuing
2 anaerobic digester technology but there's no
3 incentive for the dairies to invest that high
4 capital of \$1 million-plus in installing an
5 anaerobic digester if they're not going to see a
6 return.

7 If you have any questions, I will be
8 presenting a formal paper by the October 18th
9 date, will more clearly summarize my thoughts
10 here.

11 PRESIDING MEMBER GEESMAN: Thank you
12 very much.

13 Devra Wang, NRDC.

14 MS. WANG: Good afternoon; thank you,
15 Commissioners and Advisors. My name is Devra Wang
16 with the Natural Resources Defense Council.

17 And I appreciate the opportunity to
18 comment here today on the Integrated Energy Policy
19 Report, as well as the opportunity we've had to
20 participate in the process leading up to this
21 series of workshops.

22 I wanted to comment particularly on the
23 two chapters relating to water and energy issues
24 and climate change. First, I'd like to commend
25 the Commission for looking at the linkages between

1 water and energy issues. You've really put your
2 finger on the button of two of the most critical
3 resource issues facing our state.

4 And we found that the IEPR has provided
5 some very enlightening information about this
6 linkage, especially that there are very
7 substantial energy savings associated with water
8 efficiency programs. So we very strongly support
9 the recommendation in the IEPR that the Energy
10 Commission collaborate with the state's other
11 energy and water agencies to explore the energy
12 saving opportunities that can be achieved through
13 water efficiency. And to integrate those into the
14 investor-owned utilities' 2006 through 2008 energy
15 efficiency portfolios.

16 We would encourage you to expand that
17 recommendation to include integration of water
18 efficiency into the municipal utilities' energy
19 efficiency and water efficiency programs. As you
20 know, the municipal utilities provide about a
21 quarter of the energy or the electricity in our
22 state, and so there are very substantial
23 opportunities for synergies there.

24 I would also request that the Commission
25 clarify one of the tables that Kevin showed us

1 earlier that delineates the potential energy
2 savings associated with water efficiency. The
3 table showed 6500 gigawatt hours of energy
4 savings. We would like to understand a little bit
5 better what energy savings are included in that
6 figure; whether that is both the energy saved on
7 the customers' premises, as well as the energy
8 saved upstream in the pumping and treatment and
9 the wastewater treatment or exactly what went into
10 that number.

11 And in particular, it would be very
12 helpful to know the magnitude of the additional
13 savings that could be achieved through the offsite
14 energy savings. Currently the investor-owned
15 utilities' programs do count the energy savings on
16 the customer premises associated with water
17 efficiency. So if it's a dishwasher rebate or a
18 clothes washer rebate, they are counting those
19 energy savings onsite. But they're not looking at
20 the energy that could be saved through reduced
21 supply of water to the households or the business.

22 So it would be helpful to know what the
23 additional energy savings are that we're looking
24 at, above and beyond what's currently in the
25 utilities' plans.

1 We also support the recommendation to
2 conduct further research to address the energy
3 savings that can be achieved in the water cycle.
4 We would urge you to engage in that in a
5 collaborative effort with the Public Utilities
6 Commission. And to have the research identify the
7 embedded, quote-unquote, energy savings that are
8 achievable through water efficiency by location in
9 the state. So that the efficiency programs that
10 are in the field throughout the state can count
11 those savings. We need to have a little bit more
12 detailed information about what those embedded
13 energy savings are throughout the state.

14 And the Public Utilities Commission, in
15 its decision on the IOUs' efficiency programs last
16 week did indicate that they are going to be
17 looking into this issue further. So we would urge
18 you to collaborate with them on that.

19 Finally, we would urge the IEPR to
20 include a discussion of the need to decouple water
21 utilities' revenues from sales, so that they don't
22 face financial penalties from supporting this
23 effort of integrating water and energy efficiency.
24 Whether it's a publicly owned utility or an
25 investor-owned utility, if the water utility's

1 revenues are tied to the amount of water that's
2 sold, any decrease in sales will potentially
3 jeopardize that utility's ability to recover its
4 fixed costs.

5 And so that's a very important issue, to
6 remove the financial disincentives to allow this
7 effort to be successful.

8 Turning to --

9 PRESIDING MEMBER GEESMAN: If I can
10 interrupt --

11 MS. WANG: Sure.

12 PRESIDING MEMBER GEESMAN: -- on that
13 one, you've made an ongoing point in this regard
14 concerning investor-owned utilities and the
15 decoupling that California policy has accomplished
16 there for the last couple of decades.

17 Are you aware of any similar decoupling
18 model in the municipal utility or the municipal
19 water utility business in the United States?

20 MS. WANG: I'm not aware of a model with
21 municipal water utilities. I understand that
22 there have been decoupling mechanisms for
23 investor-owned water utilities through the CPUC.
24 But, to date, I'm not aware of any models in the
25 municipal utilities sector, whether it's on the

1 water side or the energy side.

2 PRESIDING MEMBER GEESMAN: If you should
3 come across a reference like that, we could
4 benefit from that.

5 MS. WANG: We'll be sure to. So,
6 turning to climate change issues, first again want
7 to commend the Commission for highlighting the
8 issue of climate change very prominently in this
9 report. I don't need to remind you that it's one
10 of the most pressing issues that we face.

11 The update of the greenhouse gas
12 emissions inventory has been very helpful; also
13 very timely with the collaborative effort to look
14 at how to meet the Governor's greenhouse gas
15 targets.

16 In particular I want to commend the
17 Commission for including the emissions associated
18 with our imported electricity in that inventory.
19 As you know, our import of electricity is
20 accountable for about half of our CO2 emissions in
21 the electricity sector. So it's a very
22 substantial component and we're very pleased to
23 see that that's been integrated into the report
24 and into your presentations.

25 In terms of your ongoing work on that

1 inventory it would be very helpful to break out
2 the emissions in particular associated with the
3 natural gas sector. Currently that's bundled into
4 the industrial and residential and commercial
5 sectors. But there are other fuels that are being
6 used primarily in the industrial sector.

7 As you know, at the California Public
8 Utilities Commission there are proposals on the
9 table to implement some type of cap-and-trade
10 program on both the electric and the natural gas
11 sectors, load side cap-and-trade programs. So it
12 would be helpful to specifically call out what the
13 emission are associated with the natural gas
14 sector in addition to the electricity sector.

15 We appreciate that the current IEPR does
16 not have very detailed recommendations in terms of
17 how to reduce greenhouse gas emissions, since
18 we're all working together through the Climate
19 Action Team process. But we do have a couple of
20 recommendations that we're hoping you'll consider
21 for the IEPR.

22 The first is a recommendation that we
23 would like to see in the Public Utilities
24 Commission procurement proceeding, which is going
25 to succeed this process; or else perhaps in the

1 next IEPR. And that is to look at the future CO2
2 emissions associated with the electricity sector
3 under different resource scenarios.

4 I believe the report currently has a
5 business-as-usual projection of emissions out in
6 2020. But it would be very helpful to explore
7 some different scenarios and where the policies
8 that you're considering would take us.

9 For example, what would the emissions of
10 the electricity sector look like if California
11 were to meet all of its baseload needs going
12 forward for the next ten years with new
13 conventional coal plants. What would that mean
14 for our ability to meet the Governor's targets.

15 What if we were to adopt the proposed
16 greenhouse gas standard for new generation, that
17 we strongly support and will be discussing with
18 you on the 6th. What would CO2 emissions look
19 like under that scenario. What if we were to even
20 further substantially ramp up our energy
21 efficiency efforts, get the municipal utilities to
22 rise to the level of efficiency investments that
23 the investor-owned utilities have achieved,
24 further accelerate our renewable energy efforts.
25 What would that look like in terms of where we're

1 heading on the CO2.

2 So doing some of the forward-looking
3 forecasting, in addition to the inventorying of
4 what our emissions have been in the past would be
5 very helpful. It would also illuminate the
6 implications of the policies that this Commission
7 and other commissions are considering, as well as
8 the implications of individual utility resource
9 procurement decisions.

10 Finally, I commend the Commission for
11 supporting the Public Utilities Commission's
12 policy to protect customers of utilities from the
13 financial risks associated with greenhouse gas
14 emissions.

15 As you know, in December the PUC adopted
16 a policy requiring that the utilities protect
17 their customers from that risk through the use of
18 what they call a greenhouse gas adder in both
19 long-term planning and utility procurement
20 decisions.

21 We want to stress, and we hope that you
22 will note in the IEPR, that all utility customers
23 in California face that risk. It's not something
24 that just customers of investor-owned utilities
25 face. And that all load-serving entities should

1 be accounting for the likely cost of CO2 emissions
2 in their resource procurement decisions going
3 forward.

4 On a similar note we would urge the CEC
5 to use the greenhouse gas adder or some other
6 estimate of the financial risk of CO2 emissions in
7 looking at the cost effectiveness of upgrades to
8 the building and appliance standards as you move
9 forward, in a consistent fashion with the PUC's
10 cost effectiveness test for energy efficiency
11 programs.

12 That concludes my comments. I'd be
13 happy to answer any further questions. And,
14 again, we really appreciate the opportunity to
15 comment on this.

16 PRESIDING MEMBER GEESMAN: Devra, let me
17 ask you a couple questions on the adder. It's my
18 understanding that it's a CO2 adder, it's not a
19 greenhouse gas adder. It's directed exclusively
20 to CO2. Is that your understanding, as well?

21 MS. WANG: That is correct. The current
22 values are dollars per ton of CO2. I believe the
23 Commission's decision stated an interest in
24 expanding that to the other greenhouse gases.
25 There's currently no value adopted right now for

1 those other greenhouse gases.

2 PRESIDING MEMBER GEESMAN: And do you
3 think \$8 adequately captures the financial risk
4 associated with prospective CO2 regulations?

5 MS. WANG: This was something we were
6 going to note in our written comments to you. The
7 actual value that the Commission has adopted is \$8
8 per ton CO2 in 2004, escalated at 5 percent per
9 year. So it's actually escalating over time.

10 And we think it's a conservative, but
11 reasonable, estimate of the financial risk. And
12 that's consistent with what other utilities and
13 commissions in other parts of the country are
14 estimating for the future cost of CO2.

15 PRESIDING MEMBER GEESMAN: Okay, thank
16 you.

17 MS. WANG: Thank you.

18 PRESIDING MEMBER GEESMAN: Howard Levin,
19 San Diego Gas and Electric, SoCalGas.

20 MR. LEVIN: Good afternoon,
21 Commissioners, Staff. Appreciate this opportunity
22 to be here. I am the Manager of Environmental
23 Strategy for both SDG&E and SoCalGas. And we're
24 pleased to provide comments on the draft IEPR.

25 We commend the Commission for the

1 comprehensive review of California energy issues.
2 And although my particular comments are primarily
3 with respect to global climate change, I will be
4 making some references to other chapters where
5 there is a distinct connection with climate
6 change. And we'll be making more detailed
7 comments on those other chapters at those
8 particular hearings.

9 With respect to insuring adequate
10 electricity supplies, we believe the Commission
11 correctly notes development of new energy supplies
12 and infrastructure is increasingly unable to meet
13 California's energy needs. And we stress that its
14 policies and programs addressing global climate
15 developed, that as a state we do not create a
16 disincentive for any parties to not enter into any
17 long-term commitments or not construct new
18 generation because of the spectre of some long-
19 time financial obligation addressing global
20 climate change.

21 One of our key concerns is the
22 recommendation of any greenhouse gas performance
23 standard for utility procurement be set no lower
24 than levels achieved by new combined cycle natural
25 gas turbine.

1 Taken literally, such a standard
2 essentially rejects the supply of certain
3 generation sources already existing, including
4 fossil plants -- existing fossil or natural gas
5 plants in California. It also could reject the
6 addition of new peaking plants. And peaking
7 energy is something that California will need
8 vitally in the future, also.

9 We believe conflicts such as these
10 between the need for additional generation and the
11 need to address global climate change issues must
12 be properly resolved to insure the energy-secure
13 needs of California are met with a reliable and
14 diverse energy supply. And allowing the state to
15 achieve greenhouse gas goals.

16 With particular respect to greenhouse
17 gas reduction programs, we were heartened that
18 there's mention of some of our earlier comments,
19 and those of other parties, was included in the
20 draft IEPR on how a greenhouse gas reduction
21 program should be developed. And we continue to
22 believe that for a reduction program to be
23 successful it not create disincentives to
24 additional generation resources, it really need to
25 be a very broad based program.

1 A program that's unique to California,
2 and particularly if it only addressed the electric
3 utilities, would be neither efficient, nor best
4 serve the needs of California.

5 Additionally, although I think it's the
6 intent of the Commission, but the program should
7 address all greenhouse gases and not only CO2.

8 We believe that to be effective the
9 greenhouse gas reduction program must include, at
10 a minimum, multiple sectors of the California
11 economy, including mobile sources. It must be
12 done with or in concert with at least the western
13 region states. And by that I mean the Western
14 Energy Coordinating Council states.

15 An even broader program where California
16 could take credit for actions taken anywhere in
17 the world would certainly be even more effective
18 and efficient in addressing global climate change.

19 As noted in the executive summary,
20 California continues to be a leader in the
21 efficient use of electricity. And quoting from
22 that summary, it said, "While energy use per
23 person in the rest of the nation has increased by
24 45 percent over the last 30 years, California's
25 per capita use has remained relatively flat as a

1 result of the state's energy efficiency measures."

2 I think that statistic addresses two
3 things. Number one, it most importantly
4 recognizes the success of California's long-
5 standing emphasis on energy efficiency. At least
6 to us it indicates that some of the more cost
7 effective energy efficiency measures, which will
8 also help reduce global climate change, lie
9 outside of California. Having a California-only
10 program will restrict access to those low-cost
11 options and increase cost unnecessarily to state
12 residents and our customers.

13 With respect to some of the other energy
14 considerations in the IEPR, we agree with the
15 Commission's recommendation to increase emphasis
16 on energy efficiency programs that provide peak
17 savings. It's also important the Commission
18 support programs that produce energy savings
19 throughout the year so we can maximize the options
20 for program participants.

21 And as noted in the IEPR, given that
22 California's water infrastructure counts for 20
23 percent of the state's electricity consumption, it
24 is very appropriate to insure that there are
25 energy efficiency programs for that very unique

1 sector.

2 We also agree with the Commission's
3 strong support for natural gas efficiency
4 programs, and natural gas efficiency research.
5 Those efforts can have a very positive impact on
6 both the economic cost borne by customers for the
7 use of natural gas, along with contributing to
8 greenhouse gas reductions.

9 Likewise, where economic, we support the
10 increased use of combined heat and power systems
11 in California because that also can have positive
12 energy benefits for the state, along with
13 contributing to greenhouse gas reductions.

14 I thank you for your time.

15 PRESIDING MEMBER GEESMAN: Howard, I
16 wanted to ask you the same question I asked Mr.
17 Sparano earlier, and that is your company's level
18 of comfort with the current national program for
19 greenhouse gas reduction.

20 MR. LEVIN: As far as the two utilities
21 there's probably not a sufficient national
22 program. There's the beginnings of it. Perhaps
23 some of the things that we saw as the energy bill
24 was debated and passed. Maybe some of those other
25 ideas will be coming forward and approved as a

1 national program. But right now it's probably not
2 enough.

3 PRESIDING MEMBER GEESMAN: I think, as I
4 indicated to Mr. Sparano, you need to understand
5 that it's our profound discomfort with that
6 national program -- Commissioner Boyd calls it a
7 nonprogram -- that is motivating the State of
8 California to move forward aggressively in this
9 area.

10 MR. LEVIN: And I understand that, and I
11 also note that, as I'm sure you have, that other
12 states that are on the west coast and other parts
13 of the country are also looking at adopting
14 things, which is why we feel that a larger
15 program, even if it's state-by-state, but in
16 coordination with each other, could be much more
17 effective than California alone.

18 PRESIDING MEMBER GEESMAN: Thank you
19 very much.

20 MR. LEVIN: You're welcome.

21 PRESIDING MEMBER GEESMAN: V. John
22 White, CEERT.

23 MR. WHITE: Thank you, Mr. Chairman and
24 Commissioners. My name is John White; I am the
25 Executive Director for the Center for Energy

1 Efficiency and Renewable Technologies. I had the
2 privilege of being a participant in the
3 Commission's Climate Change Advisory Committee.
4 And unfortunately I'm going to be traveling
5 through the bulk of the rest of your workshops,
6 and so I wanted to come today and offer some
7 observations on the report, as a whole. And which
8 we hope we'll be able to follow with some written
9 comments.

10 First I think the report might want to
11 be updated to reflect the most recent developments
12 in the natural gas market, including some curious
13 developments, such as an increase in storage
14 rather than the decrease that was suggested might
15 occur.

16 Our organization has put a lot of time
17 and effort and worked closely with Dave Maul and
18 others on your staff to better understand the
19 emerging dynamics of the natural gas market. And
20 even we have been surprised by what has
21 transpired. The fact that we hit \$10 and gone
22 well above it I think is a sign of the relative
23 urgency that we need to bring to this issue.

24 And the one part of the report that we
25 continue to have issues with is the assumption

1 that the energy information agencies' projected
2 increase in the productivity of new wells. That
3 we can keep drilling our way to increased
4 supplies. We just don't see that being the case,
5 and we don't think the evidence is there. So we'd
6 urge another look at that section of the report.

7 Also, we think that there just can't be
8 enough said about the urgency of energy efficiency
9 on the gas side, not just for consumers who are
10 going to be faced with very difficult bills to
11 pay, but also with the continuing lack of
12 efficiency in our fleet of power plants.

13 This is something that we just find
14 inexplicable as an outcome for the state as a
15 whole. And we think that perhaps one of the
16 problems lies in the confidentiality aspects of
17 the procurement and planning process, which the
18 report highlights.

19 We think that it's time to open up the
20 procurement planning process and conduct some
21 vigorous oversight of what hasn't been done in
22 terms of investments that would reduce natural gas
23 use in the state.

24 We have available technologies, we have
25 available equipment that's in the ground, and

1 licensed or permitted, and we're simply not
2 getting it done. And there's a lot of
3 explanations, but none of them are satisfactory.

4 And I think this Commission might want
5 to get ahead of what I think will soon be some
6 calls for investigations by the Legislature as to
7 what has gone on and why have we not -- I think
8 the earlier work on the power plant -- the aging
9 power plant study that this Commission did did not
10 paint a pretty picture. And against the backdrop
11 of these natural gas prices, I think we need to
12 ask what have folks in the investor-owned
13 utilities been thinking with regard to their
14 procurement plants. Particularly in light of AB-
15 57, which provided guaranteed cost recovery.
16 There simply aren't excuses that I can imagine
17 that really answers that question.

18 Secondly, with regard to coal, we
19 appreciate the work that the Commission has done
20 and the workshops that this Committee sponsored.
21 But I want to put on the record our opposition to
22 the use of offsets as a means of meeting the clean
23 coal standard. I don't think we want to foster
24 more dependence in this state on conventional coal
25 technology.

1 I think that to the extent that offsets
2 are available we're going to need them to offset
3 the existing plants and the existing
4 contributions. And I don't think that the urgency
5 of our supply problems are such that we need to
6 accommodate further coal development of old
7 technology. I think this is an example where we
8 need some technology-forcing standards, which I
9 think the Committee's draft provides.

10 And I believe that the private sector is
11 responding, and that there is an eagerness and an
12 intensity of interest. And that we need to really
13 push that and let folks know that our market is
14 going to be based on the new coal technologies,
15 not the old.

16 Related to that --

17 PRESIDING MEMBER GEESMAN: John, I want
18 to stop you right there.

19 MR. WHITE: Yeah.

20 PRESIDING MEMBER GEESMAN: Because I'm
21 troubled by this offset subject. And hopefully
22 we'll get into this more with other parties when
23 we take up that particular chapter next week.

24 I guess what I'm principally concerned
25 with is if much of our policy and the Public

1 Utilities Commission's policy in this area is
2 framed as avoiding financial risk, and the
3 financial risk specifically embodied by investing
4 in a new CO2-emitting facility.

5 You can satisfy our temporal concerns
6 about CO2 with an offsets package. I'm not
7 certain that gets you anywhere as it relates to
8 mitigating that financial risk if some future
9 national or international regulatory regime is
10 created. And who knows today what type of
11 grandfather provisions, or recognition of offsets
12 that regime is likely to have.

13 MR. WHITE: I think that's a valid
14 concern, but I also want to stress that our
15 concerns with coal is, in part, in large part,
16 based on the environmental consequences that this
17 state's consumption imposes on our neighbors.

18 PRESIDING MEMBER GEESMAN: Um-hum.

19 MR. WHITE: I think that one of the
20 documents that we hope to provide on the record by
21 the deadline, and if not it will be shortly
22 thereafter, is a piece of work that we have
23 commissioned with our colleagues at Environmental
24 Defense and Western Resource Advocates that's
25 going to identify California's coal footprint from

1 the existing plants.

2 And I think the thing that we need to
3 do, in addition to avoiding new long-term
4 investments in conventional technologies, we need
5 to look at the interaction of new coal investments
6 in advanced technologies as a way to reduce the
7 footprint and the impact of the existing coal
8 fleet.

9 And I think there's another reason for
10 worrying about that coal fleet. As I understand,
11 they are running at about 80 percent of capacity
12 at the moment, which for an aging infrastructure,
13 as we know from the summer of 2000 and the winter
14 of 2001, can cause problems.

15 So I think we need to examine the
16 interaction between existing and the new, and
17 examine policies like offsets with a critical eye,
18 not just to their financial limitations, but also
19 to the signal that they send that we don't value
20 the new technologies as much as we say we do.

21 On solar I was disappointed, and I may
22 have missed it, but I didn't see any --

23 PRESIDING MEMBER GEESMAN: You didn't
24 miss it. It's not there.

25 MR. WHITE: Okay.

1 PRESIDING MEMBER GEESMAN: It will be
2 there in the final report.

3 MR. WHITE: Well, I just wanted to
4 stress that we believe that solar, big and small,
5 are both very important. I think that
6 concentrating solar power technologies, the LUZ
7 technology that we have in place, 350 megawatts,
8 is being utilized now in other countries.

9 In Spain there's a project going up that
10 utilizes some advanced materials and techniques
11 that looks that it can get into the ballpark. We
12 are also intrigued, although a little perplexed,
13 that the magnitude of the commitment made to the
14 Stirling technology, although we are encouraged to
15 see that become part of the portfolio.

16 I think there's a role for this
17 Commission to play, as it has in the past, at
18 helping nurture and jump-start and encourage
19 engagement by both the investor-owned and the
20 municipal utilities in a consortium to develop --
21 in fact, I'd really like to see greater emphasis
22 on big solar than on clean coal in this report.
23 Not that clean coal doesn't have a role to play,
24 but for the west and for California, given our
25 history, big solar has a very important role to

1 play. And I think there's exciting possibilities,
2 particularly given the activity of some of our
3 neighboring states.

4 On the PV policy issues, a couple things
5 to keep in mind that I think are relevant in terms
6 of maybe short-term actions between this
7 Commission and the PUC, we are really grateful for
8 the work that this Commission has done on solar.
9 And we hope that we can have something akin to the
10 collaborative staff work that's been done on the
11 RPS, that occurs on PV and other technologies that
12 are ultra clean in the self-gen program.

13 In particular, a couple things where I
14 think you've really helped us get started. We
15 need to do more work. We really need to get to
16 performance-based incentives. And I think there
17 are some possibilities because of the federal tax
18 incentives that have just been made available in
19 the energy bill. We've now got a 30 percent
20 investment tax credit that will be particularly
21 compelling for commercial users. And I think
22 there's an opportunity with the federal tax policy
23 to help make the performance work in the
24 commercial sector.

25 I also think that this is an area where,

1 because of the failure of the Legislature to enact
2 the Governor's program, we're going to need some
3 interim action at the PUC. And one place where we
4 might want to look at that interim action is the
5 status of the backlog on the self-gen incentive
6 program. And really take into account all of the
7 changes that have occurred in the marketplace and
8 the fiscal incentives, and maybe develop a two- or
9 three-year interim program that would allow us to
10 keep things going in the near term while we
11 transition to performance and to the hoped-for
12 passage of the Governor's and the Legislature's
13 initiative on solar roofs.

14 PRESIDING MEMBER GEESMAN: We intend to
15 devote some attention to that in the final draft.
16 We didn't --

17 MR. WHITE: And, again, I apologize.
18 I'm not going to be able to join you, but I hope
19 there will be some folks that can come and speak
20 on some of these issues. But I wanted to at least
21 mention them.

22 ASSOCIATE MEMBER BOYD: Yeah, John, I
23 was going to say, I hope you can give us some
24 written ideas along that line.

25 MR. WHITE: We hope to. On ethanol

1 policy, again I think recent events called for
2 some new thinking on this subject. I don't think
3 we want to try to have this Commission second
4 guess or challenge the findings of the Air
5 Resources Board with regard to the inadvisability
6 of using low blends on hot summer days.

7 On the other hand, the flexibility given
8 to us under the federal energy law for seasonal
9 flexibility, I think, calls for us to get back to
10 a very serious look at E-85. And particularly to
11 the construct and incentivization of E-85
12 infrastructure and delivery systems.

13 We have probably a quarter-million cars,
14 flexible fuel vehicles, that are capable of
15 running on E-85. I believe there is one or two
16 stations. But it isn't so hard to convert
17 stations. And given the current economics of the
18 retail gasoline market, I think we ought to really
19 get to work. I'm hoping that B.B. Blevins will
20 include a vigorous E-85 fueling infrastructure
21 idea in his work for the Governor's alternative
22 fuel effort that this Commission is going to be
23 doing. Because I think there's a --

24 ASSOCIATE MEMBER BOYD: Well, certainly
25 the IEPR chapter is just full of E-85, all that

1 you said.

2 MR. WHITE: And I think we need to focus
3 on doing this sooner rather than later. And I
4 think the Central Valley, we're going to have some
5 new ethanol plants. And, you know, there's been
6 some controversy about ethanol and low blends, and
7 I don't want to revisit that necessarily, other
8 than to say there seems to be an opportunity to
9 move ethanol into the 85 percent realm as a way of
10 stretching supplies and expanding security, which
11 makes it timely and relevant.

12 So I wanted to at least highlight that
13 as something that we've started thinking about and
14 talking to people about. And I think there may be
15 some near-term opportunities. I'm not sure what
16 the availability of incentives are, but this is
17 something where I think we could really help
18 stretch supplies and also help improve air
19 quality. So we wanted to convey those thoughts to
20 you.

21 Thank you for your attention. If you
22 have any questions I'd be happy to respond.

23 PRESIDING MEMBER GEESMAN: Thanks very
24 much, John.

25 MR. WHITE: Thank you.

1 PRESIDING MEMBER GEESMAN: Jane

2 Turnbull, League of Women Voters.

3 ASSOCIATE MEMBER BOYD: Welcome back,

4 Jane.

5 MS. TURNBULL: Thank you very much.

6 ASSOCIATE MEMBER BOYD: Our most regular

7 witness, I think.

8 MS. TURNBULL: Right. It is a pleasure

9 to be here, thank you, Commissioners and Staff.

10 The topics that we're taking up today
11 are all-important to the League. The water and
12 energy linkages, global climate change and also
13 the energy concerns of the Mexico border region.

14 I am Jane Turnbull and I'm here
15 representing the League of Women Voters of
16 California.

17 The state's water and energy
18 interrelationships are at last being understood.
19 And just as it's become evident that the least
20 expensive new energy resource is conservation, the
21 least expensive new water resource is also
22 conservation. And when water is conserved, so,
23 too, is energy.

24 On the other hand, increasing demands
25 for additional water because of population growth,

1 increased requirements for water treatment, as
2 well as more energy intensive irrigation practices
3 indicate that there may well be increasing
4 pressures on energy supplies, especially at peak
5 power periods.

6 It's vital that the citizens of
7 California come to understand the importance of
8 more efficient use of water. Improvements in
9 dishwashers, washing machines and low-flow
10 showerheads are a good start, but only a start.

11 The time has come for water agencies to
12 follow the example of energy utilities by adopting
13 inverted rate structures. While major
14 agricultural users have become leaders in adopting
15 time-of-use electric rates, thus far the
16 residential and small commercial customers in
17 Marin County are the trendsetters with inverted
18 water rates, since time-of-use water meters are
19 not yet available.

20 Many water agencies have begun to make
21 efforts to become more energy independent by
22 producing power, themselves. Photovoltaic panels
23 and biogas cogeneration are options for many
24 agencies. And small-scale hydro generation,
25 making use of in-system conduits, may be a

1 possibility in some systems.

2 The installation of small-scale pump
3 storage projects and system aqueducts is a very
4 attractive possibility that deserves to be
5 seriously explored.

6 The League agrees with the comments made
7 in the draft report that all self-generation power
8 options should be encouraged by attractive net
9 metering tariffs and by making it feasible for
10 power to be used at more than one location.

11 The potential for additional hydro and
12 pump storage as load-following resources may merit
13 additional incentives if they can be used to
14 mitigate the challenges associated with
15 intermittency of the larger system.

16 Once-through cooling presents a serious
17 ecological consideration. The damage that is done
18 to coastal ecosystems is undisputed. However, a
19 consistent regulatory approach still needs to be
20 sought.

21 While the Regional Water Quality Control
22 Boards have jurisdiction, the Energy Commission
23 should be a participant in all 316(b) reviews and
24 decisions related to energy facilities.

25 Granted, dry cooling options may not

1 always be feasible, but there needs to e
2 clarification of the limits on impacts of once-
3 through cooling. And if the limits are exceeded,
4 the Commission should simply withdraw a plant's
5 license. While this is a national issue,
6 California shouldn't wait for national protocols
7 and guidance.

8 In terms of global climate change, the
9 Governor's goals for reducing the emissions of
10 greenhouse gases over the next decades are
11 laudatory, but until serious efforts are made to
12 reduce the use of gasoline, these goals are not
13 going to be attained. Still, that does not
14 justify ignoring the importance of doing all that
15 can be reasonably done to curtail emissions.

16 The green building initiative is an
17 excellent example of a realistic opportunity to
18 reduce emissions and to conserve both energy and
19 water resources. Local Leagues throughout the
20 state have expressed interest in becoming active
21 in the support of increased use of energy
22 efficiency options in buildings. And I believe
23 that over the coming months most of them will be
24 involved in educating their communities about the
25 benefit of green buildings.

1 The recommendations of the Global
2 Climate Change Advisory Committee have a great
3 deal of merit. Establishment of a multisector
4 cap-and-trade program should be a near-term
5 objective. And electricity that is generated out
6 of state should be included.

7 Adjacent states should be encouraged to
8 collaborate with California in all emissions
9 reductions activities.

10 The draft report points out that the
11 impacts of climate change have not been considered
12 in the strategic planning of state agencies. Thus
13 the potential for coordination of reduction of
14 greenhouse gas emissions has definitely not been
15 realized.

16 The need for improved and integrated
17 analysis is real, because emissions are a product
18 of operating systems. And systems are complex and
19 multidimensional. The need is to both think and
20 collect data on a facilitywide or an entitywide
21 basis. And we're pleased that that point is made
22 in the report.

23 But thus far that need is only just
24 beginning to be addressed. A systems approach is
25 essential if efforts are to be both fair and

1 effective.

2 In terms of the border region,
3 California and Baja, California are geographically
4 linked and already have a significant level of
5 energy interdependence. With the development of
6 one or possible two LNG delivery terminals, this
7 interdependence will become even greater.

8 At present, San Diego Gas and Electric
9 imports about 20 percent of its electricity from
10 Baja, which already generates more power from
11 renewables than does SDG&E.

12 The report recommends the development of
13 a loading order of energy options specific for the
14 border region as a means for fostering the
15 development of indigenous renewables, and to
16 reduce the demand for energy. This proposal has a
17 great deal of merit, as it would have benefits for
18 people in communities on both sides of the border.

19 Furthermore, development of a cross-
20 border emissions trading program would quickly
21 mitigate existing air pollution problems. The
22 need for and the importance of coordination of
23 electricity and natural gas planning for the
24 region as a whole will continue to increase. it's
25 evident that a lack of coordination could have

1 serious negative impacts, both economically and
2 environmentally.

3 Thank you for the chance to be here
4 today.

5 PRESIDING MEMBER GEESMAN: Thank you
6 very much, Jane; and we hope to see you again in
7 the next several hearings.

8 MS. TURNBULL: I expect to be back next
9 week.

10 PRESIDING MEMBER GEESMAN: Good.

11 ASSOCIATE MEMBER BOYD: Thank you, Jane.

12 PRESIDING MEMBER GEESMAN: I'm out of
13 blue cards. Are there others in the audience who
14 care to address us?

15 DR. FISHER: Thank you, Commissioners
16 and Advisors. I'm Tony Fisher representing NUMMI,
17 the Toyota/General Motors automobile venture. I
18 appreciate the opportunity to comment on the
19 global climate change chapter in the 2005
20 Integrated Energy Policy Report.

21 NUMMI is supportive of energy
22 conservation, energy efficiency and cost effective
23 energy source substitution programs. However,
24 NUMMI is opposed to noncost effective, mandated
25 CO2 control strategies like cap-and-trade, carbon

1 adders and abatement. Because these strategies
2 are cost-drivers which make our plant more
3 noncompetitive with similar plants in other
4 states, North America and the world.

5 To put this in perspective, if NUMMI
6 were mandated to reduce its CO2 emissions from
7 electricity and natural gas usage to its 1990
8 levels, one of California's targets, it's
9 feasibility of abatement would be very difficult.
10 Because an approximate 40 percent CO2 decrease
11 would be needed to offset an almost doubling of
12 production at NUMMI from approximately 200,000
13 vehicles in 1990 to about 380,000 vehicles in
14 2004.

15 Also, any abatement CO2 control strategy
16 like cap-and-trade, would be a disincentive to
17 production growth in the future.

18 Thank you. I'd be glad to answer any
19 questions.

20 PRESIDING MEMBER GEESMAN: Tony, I
21 wanted to ask you the same question I asked WSPA
22 and San Diego Gas and Electric, and that is your
23 company's level of comfort with the current
24 national program on greenhouse gas reduction.

25 DR. FISHER: Yes. I would say this, at

1 this point, we see a positive effect moving by the
2 national level. Somewhat different from just a
3 couple months ago. And I'll tell you the reason
4 why.

5 It is noticed that they're over there
6 getting with the Asian consortium, China included.
7 And that is something that is really something in
8 which we worry about, because in order to have any
9 type of an even playing field, okay, on this CO2
10 global warming issue, we got to have those three
11 countries, the major ones, that aren't part of the
12 Kyoto Protocol, outside of the United States.

13 In other words, China, Brazil and --

14 PRESIDING MEMBER GEESMAN: India?

15 DR. FISHER: -- India. So I think, you
16 know, as I said, we believe that they're moving in
17 the right direction. And I just, you know, wanted
18 to leave you on that.

19 PRESIDING MEMBER GEESMAN: Thank you
20 very much.

21 Anyone else care to address us? Anybody
22 on the telephone? Sir?

23 MR. CHANGUS: My name is Jonathan
24 Changus and I'm representing the Pacific Forest
25 Trust today.

1 I'd like to start off by thanking the
2 Commissioners for actively listening and not just
3 hearing this myriad of concerns from different
4 organizations; a testament to your integrity to
5 create the best policy that you can. And I really
6 am thankful for that.

7 I'd like to begin by stating how pleased
8 we were to see that forestry and forest activities
9 are included in the IEPR. We were very supportive
10 of the subCommittee's recommendations that came
11 out in July that suggested including the forest
12 sector in a cap-and-trade system.

13 And I'm just curious if I could receive
14 some clarification about what happened to that
15 recommendation, as it did not make it into the
16 IEPR draft.

17 ASSOCIATE MEMBER BOYD: I'll have to
18 look into that for you. And I mean we tried to
19 boil down, you know, a very substantial amount of
20 data into a very brief, somewhat brief, 176 pages
21 isn't exactly that brief. But let me look into
22 that for you and see.

23 MR. CHANGUS: Thank you, appreciate
24 that.

25 PRESIDING MEMBER GEESMAN: Other

1 comments? Nobody on the phone?

2 UNIDENTIFIED SPEAKER: No questions from
3 the phone.

4 PRESIDING MEMBER GEESMAN: Okay. Any
5 last chance opportunities there in the audience?

6 Okay, thank you very much, we'll be
7 adjourned. Hope to see you again soon.

8 (Whereupon, at 2:20 p.m., the hearing
9 was adjourned.)

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CERTIFICATE OF REPORTER

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of October, 2005.

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