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COMMITTEE WORKSHOP

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Preparation of the 2007 Integrated) Docket No.
Energy Policy Report (IEPR) and the) 06-IEP-1A
2006 IEPR Update)
_____)

CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

THURSDAY, DECEMBER 7, 2006

9:06 A.M.

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

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, Presiding Member

John Geesman, Associate Member

Jeffrey D. Byron

ADVISORS PRESENT

Timothy Tutt

Melissa Jones

STAFF and CONTRACTORS PRESENT

Lorraine White

Bill Knox

Suzanne Phinney

PUBLIC UTILITY COMMISSION

John Bohn, Commissioner

Stephen St. Marie, Advisor

ALSO PRESENT

Steven Kelly
Independent Energy Producers Association

Frank de Rosa
Pacific Gas and Electric Company

Eric Wanless
Natural Resources Defense Council

David L. Geier
San Diego Gas and Electric Company
Semptra Energy

Gregory Blue
enXco

ALSO PRESENT

Diane I. Fellman
FPL Energy
Florida Power and Light, California

Jane Turnbull
League of Women Voters

Gary Allen (via teleconference)
Southern California Edison Company

Les Guliassi
Pacific Gas and Electric Company

Victoria Rome (via teleconference)
Natural Resources Defense Council

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P R O C E E D I N G S

9:06 a.m.

PRESIDING MEMBER PFANNENSTIEL: Good morning; we'll get started. This is the Energy Commission's workshop on the 2007 Integrated Energy Policy Report, the 2006 update.

I'm Commissioner Jackie Pfannenstiel; I am the Presiding Member of the IEPR, Integrated Energy Policy Report, Committee for 2007. To my right is Commissioner John Geesman, who is the Associate Member of the Committee. To John's right is Commissioner Jeff Byron, who is not on the Committee but is sitting in as an interested Commissioner.

To my left is Tim Tutt, my Staff Advisor. To Tim's left is Commissioner John Bohn of the Public Utilities Commission, who has been participating with us throughout this proceeding. And to Commissioner Bohn's left is his Advisor, Steve St. Marie.

This is probably the final workshop on the 2006 Update Report. We circulated a draft report sometime ago that gives the essence of the Committee's views, although I believe it was still a staff report. But we're working towards

1 adopting a 2006 Update Report as of the beginning
2 of 2007.

3 And it will reflect really points,
4 policies on two issues. One being the progress in
5 the renewable portfolio standard; and the other
6 being work that we see being needed for land use
7 energy discussions, for policies on land use and
8 energy.

9 So we have in front of us a document
10 that reflects a number of policy recommendations
11 and we are really here today to get input from the
12 parties on the report that's out there.

13 Before we begin are there other comments
14 from the dais? Commissioner Geesman?

15 ASSOCIATE MEMBER GEESMAN: No.

16 PRESIDING MEMBER PFANNENSTIEL:

17 Commissioner Byron?

18 COMMISSIONER BYRON: No.

19 PRESIDING MEMBER PFANNENSTIEL:

20 Commissioner Bohn?

21 COMMISSIONER BOHN: Not at this time,
22 thank you.

23 PRESIDING MEMBER PFANNENSTIEL: Thank
24 you. Turn it to Lorraine, then.

25 MS. WHITE: Good morning, Commissioners

1 and participants. We're very happy that you've
2 joined us this morning for our Committee workshop
3 on the 2006 IEPR Update. I just have a few
4 remarks to make before we begin our discussions on
5 the RPS chapter and the land use chapter of the
6 document.

7 There's a few announcements that we need
8 to make. For those of you that may not know, if
9 you go out the double doors restrooms can be found
10 to the left; and then we also have a snack shop on
11 the second story, if you just go up the steps when
12 we do have breaks, or would like to have some
13 refreshments, you can find them there.

14 In the event of an emergency that
15 requires the building to be evacuated, we are to
16 exit this room and go out to the left, through the
17 double doors, to reconvene at Roosevelt Park,
18 which is just kitty-corner from the facility here.
19 And then we'll have to wait there until we get an
20 all-clear to return to the building.

21 In addition, we are featuring a webcast
22 for this workshop, as well as seeking input from
23 participants who are here in person. For those
24 that are viewing this on the webcast, you can
25 actually call in to participate and ask questions.

1 The call-in number is posted there, (888) 390-
2 5183. The passcode is IEPR, and the call leader
3 is Lorraine White.

4 For those of you who would like to make
5 comments, the way we have set up the agenda we
6 will be presenting one chapter at a time, seeking
7 comments on that chapter before we move on to the
8 next. The agenda has us addressing the renewable
9 portfolio standard, the mid-course review first;
10 and then the energy and land use chapter second.

11 If you would like to make comments we
12 ask that you fill out a blue card so that we can
13 present it to the Chairwoman and that you can be
14 called in order.

15 In addition, we are transcribing this
16 workshop and a transcript, a written transcript,
17 will be available on the web within 10 to 15
18 working days.

19 As I mentioned, the agenda is to cover
20 the different chapters, as they appear in the
21 report; and then to seek public comment on those.
22 The comment period actually closes on December
23 12th, and we're hoping that as many of you who are
24 interested will be able to supply us with those
25 written comments at that time.

1 The 2007 proceeding has two parts to it.
2 The first is, of course, the 2006 IEPR Update,
3 which brings us here today. But then also we have
4 the rest of the proceeding which will transpire
5 over the course of the next 11 months, with the
6 expectation that we would be able to transmit a
7 final IEPR to the Governor on the 1st of November.

8 This process actually has four major
9 parts. The initial parts are data gathering;
10 we've already initiated that process with our
11 supply forms and instructions and our demand forms
12 and instructions.

13 We'll be issuing data requests over the
14 next couple of months on other topic areas in
15 order for us to do the second part, which is our
16 assessment and forecasting.

17 From this forecasting and assessment
18 we'll develop information on policy issues that we
19 will need to evaluate. And from that effort,
20 develop policy and program recommendations that
21 will be contained in the IEPR document.

22 This slide just briefly lays out the
23 overall remaining IEPR schedule. We initiated
24 this process on May 1, 2006. The document that
25 we're discussing today was issued on the 17th of

1 November. It is the topic of today's workshop.
2 And comments are due, as I said earlier, on
3 December 12th.

4 We're hoping to revise the Committee
5 draft of the IEPR Update in the remainder of this
6 month so that we may be able to adopt it the first
7 part of January.

8 This particular slide, and I won't go
9 into detail, this material will be available on
10 the web -- but it lays out essentially in more
11 detail the process that we will be going through
12 to actually develop and transmit a IEPR to the
13 Governor by November 1, 2007.

14 Just in case you would like to know, for
15 those particularly on the phone, or participating
16 on the webcast, in the event that you need
17 additional information on this proceeding here are
18 the contact people in particular. I should be
19 contacted for general information about the
20 overall proceeding.

21 In terms of questions particularly on
22 the RPS or mid-course review of the RPS, I ask
23 that you direct those inquiries to Heather Raitt.
24 For presentation of the overall summary of the
25 mid-course review chapter, rather than Heather

1 Raitt, we'll have Bill Knox do that presentation
2 today. And then on the topic of energy and land
3 use it's Suzanne Phinney.

4 So, I'd like to hand it over to Bill at
5 this time, unless there's any questions about the
6 overall logistics. Okay.

7 MR. KNOX: Good morning, Commissioners
8 and participants; and thanks for coming out on
9 such a cold and clear morning. I'm going to be
10 talking about the renewable portfolio standard
11 chapter of the IEPR.

12 And basically what we're trying to do in
13 the 2006 IEPR Update is to evaluate some of the
14 challenges to progress in meeting the RPS. We
15 haven't come as far as we would have like to, by
16 any means.

17 And in that evaluation and our analysis
18 to date, leading up to the draft version of the
19 2006 Update that you have available here and on
20 the web, there's a number of findings that we've
21 made. And these are essentially the primary
22 barriers that we see that maybe -- that have
23 prevented us from making more progress to date in
24 terms of additional renewables to meet our goals.

25 First of all, there continues to be a

1 complexity and lack of transparency in the RPS
2 program, itself. It's a complicated process.
3 It's hard for a lot of people to negotiate.

4 And, in addition, there's a lot of stuff
5 that really isn't still known. There's a lot of
6 information that is not public. And that lack of
7 transparency can make it harder on the one hand
8 for bidders; but, also for evaluators to be able
9 to see really, you know, what are the problems and
10 how can they best be addressed.

11 Secondly, probably the biggest barrier
12 of all is the lack of adequate transmission
13 infrastructure to bring renewables to market.
14 Essentially in California the most available, or
15 apparently most available renewables are in
16 pockets where there's a lot of renewable energy
17 available. But in order to access it we need to
18 build transmission in order to connect to these
19 remote renewable resources that are far from the
20 load.

21 Thirdly, we think there needs to be
22 additional attention to the problems of contract
23 failure and delay. Renewable development has been
24 met with a lot of problems in terms of actually
25 realizing the amount of renewable energy delivered

1 that has been contracted for.

2 In addition, typically delays can come
3 up in the contract process and in the development
4 process that threaten our ability to meet our
5 goals.

6 Fourth, most of the parties have
7 expressed the opinion that it's very difficult to
8 finance SEP awards. These are the supplemental
9 energy payments that the Energy Commission
10 administers in order to pay for above-market costs
11 when utilities, or now ESPs, as well, contract for
12 renewable energy that's above the market price
13 referent established by the CPUC.

14 And then finally, one big area that can
15 help a lot in terms of meeting our renewable goals
16 is the repowering of aging wind facilities. But
17 there has not been much progress in that area,
18 either, to date, for a number of reasons.

19 ASSOCIATE MEMBER GEESMAN: Let me ask
20 you a question on this slide. The inadequate
21 transmission infrastructure has become part of the
22 mantra that most people seem to use in describing
23 this program.

24 I presume we're talking Tehachapi,
25 Imperial. Are we talking any other specific

1 areas?

2 MR. KNOX: I think we're talking those
3 areas, specifically, but, also, to some extent,
4 looking at network upgrades that may be needed in
5 order to get renewable power to loads.

6 ASSOCIATE MEMBER GEESMAN: And can we
7 identify where those are, both geographically, and
8 where they are in the planning and construction
9 process? Or is it more of a generic angst?

10 MR. KNOX: Well, there's a significant
11 amount of planning that's gone into specifically
12 both the Tehachapi area and to trying to access
13 the Imperial Valley.

14 ASSOCIATE MEMBER GEESMAN: I'm familiar
15 with that.

16 MR. KNOX: And, of course, in many
17 cases, -- there are a number of different
18 problems, and one of them is the cost allocation.

19 ASSOCIATE MEMBER GEESMAN: I'm familiar
20 with the problems. I'm looking for something
21 other than --

22 MR. KNOX: In terms of problems --

23 ASSOCIATE MEMBER GEESMAN: -- Tehachapi
24 and Imperial, looking for anybody to be able to
25 stand up and tell us, yes, there's a bottleneck

1 here in Kern County, or Sonoma County or Lake
2 County.

3 And in the absence of that, I mean I buy
4 into the general angst, but in the absence of a
5 specific identification I'm going to continue to
6 assume we're talking primarily about problems in
7 Tehachapi and Imperial.

8 MR. KNOX: I couldn't agree more. I
9 mean essentially those are the areas in which we
10 have the greatest potential and the greatest
11 interest. And I'm not aware of any other
12 particular areas.

13 Move on to the next slide and go into
14 the first identified problem and recommendation,
15 which is complexity and lack of transparency in
16 the program.

17 There's a number of recommendations that
18 we've put forward in the 2006 IEPR Update. And
19 first of all, enforcing penalties for IOU
20 noncompliance. And that's been an issue. There
21 have been a number of proceedings that have looked
22 at exactly what the penalties are and when they
23 might be applied.

24 But there perhaps can be additional
25 clarity in this process as we move forward. And

1 at the same time, the penalties need to be
2 meaningful and need to be viewed as real, that
3 they will, in fact, take place. Because I think,
4 in some cases, we need to make sure that the
5 motivation is complete; and that there is good
6 motivation for getting the renewables in on
7 schedule.

8 ASSOCIATE MEMBER GEESMAN: Okay, well,
9 I'm in favor of that, too. But is there a way to
10 bring more specificity to the point you're trying
11 to make? Is the overall number too small? I
12 believe the statute sets the number, so if you
13 want to change the number I think you have to
14 change the statute.

15 Is it too far delayed in time? I
16 suspect the statute sets that. I don't think that
17 there are penalties associated with the individual
18 yearly performance. And it's my understanding
19 that the utilities have satisfied their annual
20 procurement targets.

21 What is it you're driving at here in
22 terms of penalties?

23 MR. KNOX: I think that essentially what
24 we're looking at is we're looking at a situation
25 where there is some uncertainty in terms of what,

1 exactly what the goals are. And what we know is
2 that we have a flexible compliance mechanism
3 that's been adopted by the CPUC. And, to date, it
4 continues to require that in order to meet the
5 goals we're looking at delivered energy in 2010.

6 ASSOCIATE MEMBER GEESMAN: What's
7 uncertain about that?

8 MR. KNOX: I think that's very certain.

9 ASSOCIATE MEMBER GEESMAN: And I think
10 the PUC has reaffirmed --

11 MR. KNOX: As it stands --

12 ASSOCIATE MEMBER GEESMAN: -- that a
13 couple of different times this year.

14 MR. KNOX: Um-hum.

15 ASSOCIATE MEMBER GEESMAN: I think the
16 flexible compliance is embedded in SB-107, which
17 was recently passed this year.

18 MR. KNOX: Um-hum.

19 ASSOCIATE MEMBER GEESMAN: So, what's
20 our concern on the penalty side? Too small?

21 MR. KNOX: I haven't thought about
22 whether or not they're too small or too large. I
23 believe that they were set in an earlier decision
24 at the CPUC.

25 ASSOCIATE MEMBER GEESMAN: Not the

1 statute?

2 MR. KNOX: I don't believe that they're
3 set in the statute.

4 ASSOCIATE MEMBER GEESMAN: Okay. Well,
5 I'm not trying to put words in your mouth, but I'm
6 trying to get things honed down to as much
7 specificity as possible.

8 If you've got concerns about the
9 penalties, which I actually happen to have
10 concerns about the penalties, to me that probably
11 translates into they're too small to be a
12 meaningful motivator to the companies involved.

13 But if there's something else other than
14 just magnitude, please, you or anyone else bring
15 that out.

16 COMMISSIONER BOHN: Can I interject here
17 just a question? Have there been specific
18 incidents to which -- which give rise to this
19 concern? I mean I'm a little perplexed as to kind
20 of what it is that drives this. If it's the
21 penalties are too small; if it's a lack of action
22 by the PUC. I'm not aware of any particular
23 incidents where this has been a problem.

24 I know it's been discussed and people
25 wave their arms about it. But what is it that

1 gives rise to this concern now?

2 ASSOCIATE MEMBER GEESMAN: I think
3 there's an apprehension that by the end of
4 calendar year 2010 we may have a whole lot of
5 energy under contract, but we are unlikely to have
6 20 percent of our energy sales come from delivered
7 renewable sources.

8 COMMISSIONER BOHN: But -- I've heard
9 this discussion, but I don't recall a discussion
10 wherein the discussion did other than reaffirm all
11 efforts to get delivered product by 2010.

12 And I'm frankly much more concerned
13 about the process and the clutter in the process
14 than I am about the clarity of the results. I
15 thought we were pretty clear on that. Am I
16 missing something?

17 PRESIDING MEMBER PFANNENSTIEL: John, I
18 think that the issue that we're kind of talking
19 around is the question of whether we really mean,
20 whether the statute and our regs and your regs
21 really mean 2010. Or is there some flexibility
22 about a couple years thereafter.

23 And we're trying to -- I think what
24 we're striving for is an absolute clarity that by
25 the end of 2010 penalties would be imposed if 20

1 percent of retail sales aren't there by 2010. And
2 it's that clarity, I think, that we're seeking --

3 COMMISSIONER BOHN: So the issue is in
4 the statement of goals, or a suspicion that the
5 goals that I thought we'd all agreed on, would not
6 be enforced? Go ahead with either one, I just
7 need some help on this one.

8 (Parties speaking simultaneously.)

9 PRESIDING MEMBER PFANNENSTIEL: Yeah, I
10 was going to say the latter.

11 ASSOCIATE MEMBER GEESMAN: I think the
12 latter.

13 COMMISSIONER BOHN: Okay.

14 ASSOCIATE MEMBER GEESMAN: And SB-107
15 does provide some wiggle room there. And there
16 are specific outs from the standpoint of the
17 utilities, as I think is appropriate. But there
18 is an apprehension that we are not likely to make
19 the 20 percent delivery goal and any penalties are
20 apt to be insufficient to motivate the companies
21 to accomplish that goal.

22 MR. KNOX: I'll go ahead and move on to
23 the next recommendation regarding complexity and
24 lack of transparency.

25 And that's to better clarify the least-

1 cost/best-fit criteria that are used in selecting
2 bidders into the RPS solicitations. And
3 particularly one of the issues that's come up here
4 that is not specifically addressed in the 2006
5 Update, but that we plan to look at more in 2007,
6 is the way that the transmission cost ranking
7 report is used as a part of that criteria.

8 I think what we have is we have
9 several -- we have three -- from the three IOUs we
10 have three somewhat different processes to make
11 use of this LCBF criteria. And at the same time
12 we can't really fully compare them because, to
13 date, there is still not completely -- there's not
14 public information on some aspects of how these
15 are applied.

16 Moving on, another question that comes
17 up, and I think these next two are both
18 interrelated, but currently there are different
19 natural gas forecasts used in different
20 proceedings and by different agencies, as well.

21 However, what that -- that can set up
22 inequalities in the ways that renewables might be
23 evaluated compared to other bids coming in in all-
24 source procurement.

25 And the fourth bullet here is also

1 connected to that, because essentially one of the
2 things that we're doing is we're highly dependent
3 in the MPR on the natural gas forecast that's
4 used.

5 The MPR is about 75 percent natural gas
6 price. Natural gas prices are extremely volatile
7 and have become increasingly volatile in the last
8 six or seven years. So it's hard to use them as a
9 basis for comparing the value of renewables. And
10 particularly the risk of the volatility of price
11 can be monetized in many capital planning
12 procedures that are typically used by many of
13 America's and the world's largest corporations.
14 Essentially monetize the risk as you're analyzing
15 the value of different investments.

16 And that's not currently being done in
17 the development of the MPR. And related to that
18 is just the idea, of course, that's clear in all
19 kinds of financial management, is that a portfolio
20 of multiple resources is going to be stronger than
21 relying on fewer resources or less diverse set of
22 resources.

23 So, both of these issues should be
24 addressed, as well as standardization of time of
25 delivery factors. There are certain market

1 problems that come up, I think, because a bidder
2 can look at the different time-of-delivery factors
3 that are offered by different utilities, and
4 essentially choose where to bid in their power
5 because of that.

6 And there are ways, also, of gaming the
7 time-of-delivery factors that were discussed at
8 one of the workshops leading up to this draft.

9 So these are all things that need to be
10 dealt with in order to make things a little more
11 transparent.

12 COMMISSIONER BOHN: Help me out on this
13 one, if you would.

14 MR. KNOX: Sure.

15 COMMISSIONER BOHN: The MPR process,
16 we've made some changes in it and all the rest of
17 it. Is there an agreed -- this is a technical
18 question now -- is there an agreed-upon
19 methodology to create a gas forecast? And if
20 there is, where is it? And if there isn't, is the
21 issue competing forecasts of natural gas prices?
22 Or is it some construct around which you hedge and
23 you do all that?

24 I mean I just don't know the answer to
25 that. But, I'm unclear as to what the issue is in

1 this one.

2 ASSOCIATE MEMBER GEESMAN: I can tell
3 you that the approach that we took in drafting the
4 paper, and it was to express concern over the
5 different forecasts being used in different
6 proceedings, arguably for the same purpose. Which
7 came out in one of our earlier workshops.

8 You'd think that you'd use a consistent
9 projection of gas prices in evaluating the cost
10 effectiveness of efficiency programs; how to set
11 the renewable MPR; where the QF avoided cost
12 should be set.

13 There's no underlying rationale as to
14 why you use a different gas projection for each of
15 those proceedings.

16 COMMISSIONER BOHN: Where does the gas
17 projection come from? Is it proceeding-specific,
18 or is there a general kind of agreed-upon state
19 policy, this is what we think?

20 ASSOCIATE MEMBER GEESMAN: I think the
21 MPR has developed a particular methodology which
22 blends several forecasts. One of them is the
23 Energy Commission forecast; and I think two of
24 them are proprietary forecasts that are procured.
25 They're averaged, and then a methodology is

1 spelled out as to how to blend them.

2 Arguably that may be the best one. If
3 it is, it ought to be used in evaluating the
4 efficiency programs and the QF projects and
5 everything else.

6 And I think one of the graphs that we
7 were presented with showed the extreme disparity
8 in forecasts in the early years of the forecast
9 when, from a discounting standpoint, those
10 differences really amount to the most as far as
11 their significance on the end result.

12 MR. KNOX: And, again, I think part of
13 what adds to this is the changing future prices
14 that are shown on the NYMEX. These change day by
15 day and hour by hour and week by week. And so if
16 you use a snapshot of the natural gas market to
17 provide a significant part of your forecast price,
18 then the timing of it is going to be very very
19 important.

20 If you make a forecast now it's going to
21 be different than what you would forecast six
22 months from now, unless by some strange
23 coincidence the market looks the same at that
24 time.

25 And I believe that the MPR currently

1 uses both a combination of market forecast derived
2 from futures market, as well as some additional
3 information that's more fundamentals based.

4 The fifth bullet here, looking at the
5 value of renewables as a hedge against volatility,
6 again that's something that needs to be done in
7 terms of long-term planning. We really do have to
8 look at that volatility and the uncertainties, not
9 only in natural gas prices, but also in carbon
10 adders that can add to the cost of fossil fuel
11 generated electricity.

12 And so both of these need to be
13 recognized and in developing a comparison or a
14 market price referent currently and whatever is
15 used in the future, as well. It's important to
16 include the volatility of natural gas as
17 essentially a cost.

18 COMMISSIONER BOHN: Is this a
19 diversification argument?

20 MR. KNOX: It's a --

21 COMMISSIONER BOHN: Essentially?

22 MR. KNOX: Essentially that's what it
23 is, yes. But I guess the one other thing is that
24 you can essentially monetize that risk to some
25 extent.

1 Another recommendation that we think is
2 important is to require IOUs to accept RPS offers
3 under the MPR, or to document why such offers are
4 not accepted. And, again, this is related to the
5 lack of transparency, because since we can't
6 completely see what's going on in the evaluation
7 process we don't really have a way of being
8 certain that the best choices are being made that
9 will serve California citizens and ratepayers.

10 Finally, there's existing legislation
11 that has never been fully implemented by the
12 state's energy agencies that allow for a higher
13 rate of return to investor-owned utilities, and
14 potentially through them to developers for
15 renewable facilities, which could also make them
16 more financially attractive to the utilities and
17 their partners in development. And so this is an
18 area that could provide an additional incentive
19 that needs to be developed.

20 ASSOCIATE MEMBER GEESMAN: I think
21 Commissioner Peevey has commented on that several
22 times in the last several months as to his sense
23 of amazement that none of the utilities have
24 chosen to take advantage of that provision that
25 has existed in the Public Utilities Code for a

1 number of years. It is fairly amazing.

2 MR. KNOX: Transmission has been
3 identified, as I say, by most as being the most
4 significant barrier to achieving the 2010 goal of
5 20 percent. And there are a number of
6 recommendations that the Energy Commission has
7 made in this draft 2006 Update.

8 And one of them is expediting processing
9 of the CPCNs. Because, in general, I think that
10 anything that we can do to speed up the process,
11 including specifically in the issuance of these
12 certifications which are needed in order to go
13 forward with transmission projects are important
14 to being able to more fully achieve the goal.

15 Secondly, the schedule for full buildout
16 in the Tehachapi region has been slipping.
17 There's been a long process in which many many
18 parties have been involved. And yet there
19 continues to be disagreement and angst I might
20 say, in terms of coming to final proposals and
21 moving forward with the various segments of the
22 Tehachapi transmission development.

23 And what the Committee recommends is
24 that essentially the utility needs to step up to
25 the plate or to allow somebody else to take its

1 place in development and ownership of the
2 transmission, perhaps ownership.

3 Third, in terms of transmission
4 barriers, Edison applied to FERC several years ago
5 to develop a third category of transmission
6 projects recognized by FERC in order to
7 accommodate clusters of renewable resource
8 development.

9 At that time one of the indications from
10 FERC was that such a proposal might be more
11 properly put forward by the Cal-ISO, by the system
12 operator. And we believe it's critical for the
13 state's energy agencies to actively support ISO's
14 efforts at FERC as a way of solving some of the
15 cost allocation problems associated with
16 development of transmission to resource-rich
17 pockets.

18 The next area that we want to look at is
19 contract failure and delays in completion of
20 projects. And we've had several statements from
21 utilities in the workshops leading up to this one
22 that they don't really see a problem in terms of
23 contract risk. And we've also seen the CPUC has
24 essentially said that utilities, themselves, are
25 tasked with procuring enough of a reserve. But

1 it's not clear if that -- it doesn't seem to be
2 enough.

3 In fact, there's a lot of data. There's
4 a report issued by the Energy Commission that
5 looks at the risk of contract failure and the risk
6 of delays, as well. And it's pretty clear that
7 looking at something like 30 percent is a
8 reasonable number to expect. It could be higher
9 than that, especially with the speed at which we
10 need to develop.

11 And for that reason, we think that -- we
12 believe that it would be more enforceable to make
13 utilities responsible for procuring a specific
14 reserve amount. And also to define clearly how
15 penalties will be applied in cases where contracts
16 are in place, but development is lagging behind.

17 We also recommend the adoption of
18 project milestones that are consistent with those
19 milestones that we use for SEP applicants. And to
20 increase the requirements for IOUs to provide
21 complete reports on the status of their projects.

22 Third, there was a green team
23 established during the electricity crisis that was
24 able to help developers move more quickly through
25 the regulatory process. And that's something that

1 we need again at this time, just to help out in
2 terms of understanding the process that is needed
3 for each particular development plan, depending on
4 its size and location and which are the elite
5 agency, and the other agencies, involved in
6 permitting. And anything that could block rapid
7 deployment of renewable facilities.

8 And then finally, many parties have
9 identified a problem with the supplemental energy
10 payments as being unfinanceable. Now, we actually
11 have not seen any go fully through. We have a
12 couple of applications that have not yet been
13 found to be complete, although I think in the next
14 few weeks were likely to get there.

15 So the proof will be in the pudding, so
16 to speak. But at the same time there is a lot
17 of -- there has been a lot of input that SEPs are
18 not financeable, as they are today. And so we
19 need to continue with analysis on how that
20 structure might be altered in order to make them
21 more financeable.

22 COMMISSIONER BOHN: Did you ever get a
23 definitive -- I remember at the last one of these,
24 or one of the ones I was in, a big discussion
25 about the escrow exercise. Whatever happened to

1 that?

2 ASSOCIATE MEMBER GEESMAN: No takers in
3 the Legislature.

4 MR. KNOX: No takers.

5 COMMISSIONER BOHN: One of the issues
6 was whether or not you could do it on your own.
7 And was the decision made that you can't?

8 ASSOCIATE MEMBER GEESMAN: Yeah, that it
9 is currently subject to legislative
10 reappropriation risk and would require a change of
11 statute to be able to set it up outside the state
12 treasury in order to avoid that risk.

13 The report goes into a variety of
14 different options to get around that problem, most
15 of which appear to require a change in statute.
16 But if my recollection is right, there may be a
17 couple that we could do on our own without a
18 legislative change.

19 MR. KNOX: I believe that one of those
20 might be a process by which the load-serving
21 entities took on some of that risk, themselves,
22 which would be easier, of course, for them to
23 assume in most cases because of their relative
24 ability to finance compared to some --

25 COMMISSIONER BOHN: You mean sort of

1 like contingent liability thing?

2 ASSOCIATE MEMBER GEESMAN: Yeah, it's --

3 COMMISSIONER BOHN: -- facility, or
4 something like that?

5 ASSOCIATE MEMBER GEESMAN: If they
6 absorb the risk, you know, arguably they can be
7 made whole with a balancing account.

8 MR. KNOX: Moving on to the last two
9 sets of recommendations. First, the lack of
10 progress in wind repowering. We're looking at
11 more analysis and evaluating what kinds of
12 incentives might be allowed to target the sites
13 that have the best potential for bringing in
14 significant amounts of renewable power through
15 repowering; and replacing older turbines with
16 newer turbines that will not only produce more
17 electricity, but also reduce avian impacts below
18 the levels at which they are now.

19 And besides these recommendations which
20 we think can be worked on immediately and should
21 be, we should make all attempts to adopt these in
22 order to make it -- to facilitate reaching the
23 2010 goal.

24 In the long term there's some additional
25 things that we need to look at. And one of them

1 is the result of the passage of AB-32, carbon
2 emission trading is going to be on the map in
3 California. And there's likely to be a complex
4 relationship between renewable energy certificates
5 and carbon trading. Because right now, according
6 to the RPS legislation, any RECs would contain the
7 environmental benefits of carbon reduction.

8 But yet in the larger picture in which
9 we're looking, not only at electric generation,
10 but also transportation, we're looking at, through
11 AB-32's authority, the state is looking at setting
12 up carbon emission trading. And this could --
13 this can be an additional impetus to bringing on
14 renewables rapidly as we approach 2020, which is
15 really only 14 -- well, 13 years away.

16 And then finally, as we go forward,
17 currently the RPS legislation essentially
18 authorizes the use of SEPs through 2011 and
19 beyond, to the extent that they haven't been fully
20 used up by that time.

21 But looking further along there may be
22 other structures that can provide incentives,
23 including looking at system benefit charges and
24 how those are incorporated in the costs. And also
25 looking at feed-in tariffs that have been used

1 widely throughout Europe, and actually Canada, as
2 well.

3 And at this point if there are any other
4 comments from the dais --

5 ASSOCIATE MEMBER GEESMAN: Just one from
6 me. You touched on the RECs issue as it related
7 to potential emission trading under AB-32, but
8 there's a RECs issue as it relates to meeting the
9 2010 goal, too, is there not?

10 MR. KNOX: There's an issue in that
11 current law does not allow RECs to be counted
12 toward the RPS until a determination is made by
13 Energy Commission and Public Utilities Commission
14 that a tracking system authorized by the
15 Legislature is in place, and is effectively
16 working.

17 ASSOCIATE MEMBER GEESMAN: And we
18 anticipate hitting that at some point in 2007,
19 don't we?

20 MR. KNOX: Well, I'd have to -- I have
21 not been too involved in the development of
22 WREGIS, so I --

23 ASSOCIATE MEMBER GEESMAN: The last
24 Commissioner Pfannenstiel and I were briefed, the
25 staff was sticking to that 2007 date, ambiguous as

1 to when in 2007. But, as a consequence it would
2 seem to me that we're going to have to address
3 RECs in the context of the 2010 goal.

4 MR. KNOX: And I think in a sense we've
5 been moving in the direction of RECs because
6 there's been a certain amount -- the ability to
7 resell electricity rather than actually schedule
8 it in real time across congested areas of
9 transmission moves us in that direction.

10 And I think that there are a number of
11 provisions in SB-107 that also move us in that
12 direction. But in order to assure that there's no
13 double-counting and some of the other goals that
14 have been set by the Legislature and by the
15 Commission in terms of developing the system, we
16 do need to complete that certainly before we moved
17 into any kind of tradeable system.

18 ASSOCIATE MEMBER GEESMAN: Thank you.

19 PRESIDING MEMBER PFANNENSTIEL: I'd like
20 to just make an observation. On the report that
21 we have drafted there is an explicit distinction
22 between what we think can be done and fixed for
23 2010, which is coming up very soon, and changed
24 that we think could be advisable post-2010.

25 We heard from the parties very clearly

1 don't mess around with what we have in order to --
2 currently, in order to meet the 2010 target. It's
3 going to be hard enough to meet without a change
4 in the system.

5 So, we were guided by that. And we
6 said, well, we'll essentially leave the structure
7 in place for 2010 and see what we can fix within
8 that structure over the next couple years.

9 But from my perspective, all bets are
10 off in meeting the 2020 goal. In other words,
11 there are perhaps a number of very fundamental
12 structural changes that we could propose in a
13 policy sense, post, that would go into effect post
14 2010.

15 So the discussion that is in the report
16 focuses primarily on fixes to 2010. But we will
17 be considering what are -- are there some
18 fundamental changes in the RPS system that the
19 state could adopt that would make both a more
20 effective and more efficient system post 2010.

21 Are there other questions? Yes,
22 Commissioner Bohn.

23 COMMISSIONER BOHN: Could I make a
24 comment? I think this is really an excellent
25 report. I didn't -- I confess, didn't read it

1 cover to cover. But I did ask the PUC to do so,
2 and we will file some comments today. They may
3 actually even be out there already.

4 Just comments on behalf of the PUC, we
5 recognize that all has not gone perfectly in the
6 RPS implementation, as the report points out.
7 We've tried to be clear about this, and it's a
8 challenging task. We are identifying the
9 challenges to reaching those goals set by the
10 statute and work through those.

11 I do think some progress has been made;
12 and that we should collectively report on both our
13 successes and the challenges that were made. In
14 this vein, the report should recognize that the
15 PUC has already adopted and implemented a number
16 of the recommendations contained in the draft
17 report.

18 For example, the draft report recommends
19 the adopting of RPS milestone procedures. We did
20 this in May of 2006. While we did not adopt the
21 30-percent contract reserve margin proposed by the
22 CEC, the PUC does require load-serving entities to
23 plan for a reasonable reserve margin or be subject
24 to penalties.

25 The IEPR states that the IOUs should be

1 required to accept all RPS offers or explain why
2 offers were not accepted. The PUC already
3 requires this.

4 The draft report correctly states that
5 the RPS contracts to date have resulted in a
6 relatively small amount of delivered energy. The
7 final report should recognize at least that
8 contracts are a first step, and that the energy
9 will follow.

10 The final report, in our opinion, should
11 reflect that the PUC is actively engaged in
12 resolving the issues raised in the draft report.
13 Based on the results of the PUC's November 2006
14 workshop, it does appear that there is a consensus
15 configuration for the full buildout of wind
16 resources in the Tehachapi area.

17 We assigned a full-time Tehachapi
18 transmission project manager in 2006, which led to
19 a joint SCE/ISO transmission plan of service. The
20 ISO Board expects to consider this plan at its
21 January 2007 meeting. We did approve a backstop
22 transmission recovery mechanism also in May of
23 2006.

24 Lastly, I would add that uncertainty
25 regarding the supplemental energy program does

1 pose a barrier. We went through this last time
2 and I would appreciate the comments that
3 Commissioner Geesman and others have made on this.
4 This has got to be one of those things that is
5 soluble. I mean it just -- there's no point in
6 having money sitting around for the purposes on
7 which we all agree, and being unable to access it.

8 So somehow, maybe either jointly or
9 through some clandestine activity we can figure
10 out a way to get this work, because it really is
11 an important part of the process.

12 Thank you, Madam Chairman.

13 ASSOCIATE MEMBER GEESMAN: Yeah, I think
14 it's important to understand the context here.
15 The statute that set up the program called for us
16 to hit a 20 percent goal in the year 2017. It was
17 the Executive Branch agencies in 2003 that
18 recommended that that be accelerated to 2010. And
19 we've been operating on that accelerated timetable
20 ever since.

21 The Legislature just codified the
22 acceleration in September. Both agencies have
23 been conducting the program on an accelerated
24 basis for the last three years.

25 I think the staffs of both agencies feel

1 a little too defensive about this. And, you know,
2 we ought to acknowledge the fact that we have
3 accomplished a great deal. At the same time, I
4 don't think the program is helped by trying to do
5 a full Rumsfeld on it. If there are problems, and
6 there are, we need to search those out; point them
7 out; and figure out how to resolve them.

8 COMMISSIONER BOHN: Into the vernacular
9 comes a full Rumsfeld.

10 (Laughter.)

11 COMMISSIONER BOHN: John, I think that's
12 going to be around for a long time. I concur with
13 the import of your comment, however.

14 ASSOCIATE MEMBER GEESMAN: You know, I
15 think we are heading the right direction. I think
16 each of the utilities have made a good effort to
17 try and comply. And our task here is to try and
18 make it better. And the Governor's been very
19 clear, as have both Commissions, that nothing ends
20 in 2010. We're moving forward with a 2020 goal.
21 I suspect the AB-32 process will make that quite a
22 bit more significant in the overall context of the
23 climate change program.

24 And we've tried to create a process of
25 inquiry that I think will serve the state well.

1 PRESIDING MEMBER BYRON: Commissioner
2 Byron, comments?

3 COMMISSIONER BYRON: Thank you for the
4 opportunity. I'll be fairly quiet here, I'm
5 observing mostly today. But I agree completely
6 with what Commissioner Geesman just said with
7 regard to our efforts here as Commissioners
8 working together.

9 PRESIDING MEMBER PFANNENSTIEL: Thank
10 you. I have a number of blue cards from parties
11 who would like to comment on the report. And I'll
12 take them in the order that I have them here. If
13 there are others who would like to comment, find
14 the blue cards, I believe out on the table, and
15 hand them to Lorraine and we'll get you up here.

16 Start with Steve Kelly from IEP.

17 MR. KELLY: Thank you, Commissioners.
18 Steven Kelly with IEP, and I'm particularly
19 appreciative that Commissioner Bohn is here from
20 the PUC to participate in this, and his staff.

21 First, let me say I've had an
22 opportunity to review the report and I basically
23 agree with all the recommendations. I think
24 they're all needed. I also think they're pretty
25 much all known.

1 I do think it lacks some specificity
2 particularly in regards to particular fixes that
3 the staff or the Commission might recommend, that
4 might be, from my perspective, a tad too heavy on
5 study, continuous study of issues, rather than
6 specific recommendations.

7 But I'd like to put this study in a
8 little bit of context, particularly in the context
9 that we are, you know, this is kind of a mid-
10 course review. We're now five years into this
11 program. And unfortunately, from my perspective,
12 only about 240 megawatts of new renewable
13 generation has actually come online.

14 And the context that I put it in is I
15 think the terrain has changed a bit, or
16 dramatically with the passage of the greenhouse
17 gas emissions policy this past year.

18 We are now looking at an environment
19 where in order to attain the greenhouse gas goals,
20 you pretty much -- it's highly dependent that the
21 state move to a 33 percent RPS standard by 2020.
22 And the real question, as was alluded to earlier,
23 is setting aside 2010 goals, do we have any chance
24 of meeting a 33 percent standard by 2020 under the
25 status quo. And I would argue that I don't think

1 we do. I think we have major potential problems
2 because of the lack of evidence that new
3 generation is actually coming online.

4 I'd like to comment on the report,
5 itself, in some respects. There are 17 specific
6 recommendations in the report; 14 of them are what
7 are termed as near-term, and the last three are
8 long-term.

9 Of those I quickly jotted down what I
10 thought were the essential regulatory agencies
11 that had the overall responsibility for
12 implementing that change. One was, I think, a
13 FERC matter. That related to some of the
14 transmission stuff.

15 Of the 14 near-term issues that were, or
16 recommendations, I think one was FERC-related,
17 difficult to achieve potentially. Seventy
18 percent, I think, fall in the domain of the PUC
19 primarily. And 30 percent, I think, fall in the
20 domain of the Legislature.

21 And then of the three long-term goals, I
22 think 100 percent of those fall in the domain of
23 the Legislature because they kind of require
24 change in the legislative prescriptions to guide
25 the agencies in the implementation of this

1 program.

2 So, I ask the major question: If these
3 recommendations, 70 percent of the near-term ones
4 that are -- at the CPUC are not fixed by now, why
5 not. What is the impediment to getting most of
6 this stuff fixed?

7 As I'd indicated earlier, I think a lot
8 this is fairly well known. We've been talking
9 about this for a number of years, some of these
10 impediments.

11 So, I ask, is it legislation? Do we
12 need new legislation? Is it a lack of will? I
13 don't necessarily think it is a lack of will at
14 the regulatory agencies; I know the PUC Staff and
15 the Energy Commission Staff are working very hard
16 on these things.

17 Is it a lack of knowledge? We've had a
18 tremendous amount of workshops on these issues. I
19 don't think it's a lack of knowledge, either.
20 It's some combination of the three that seems to
21 be impeding improving the program so that it has
22 some real effect.

23 So I have some specific recommendations
24 to you related to this report in general. And
25 this gets more to the issue of how to make this

1 report more relevant than I think it might
2 otherwise be. This is not a report that I would
3 like to see placed on the shelf at the Legislature
4 or in your agencies, and buried somewhere like way
5 too many reports often happen in this state,
6 because it's a busy state.

7 First, I'd recommend that this report
8 needs to dramatically improve the specificity as
9 to its recommendations. Rather than study issues
10 I think it's now time, as part of the mid-course
11 review, for this agency to move to the next step
12 and make specific recommendations to fix problems.

13 And the key is to fix problems. If
14 there are problems there, let's see language that
15 would fix them. And then let's have that
16 discussion about whether it will fix them or not.

17 Secondly, I think it's now time to
18 really challenge the Legislature. A lot of the
19 problems in the California RPS, I think, are
20 embedded in the legislative law. It's a 50-page
21 code of regulations that are way too complex in my
22 view, and create all sorts of impediments to
23 getting achievement.

24 So I would like to see this report
25 actually move to the step of challenging the

1 Legislature; noting the connection between the RPS
2 compliance, particularly at a 33 percent level,
3 and the ability to achieve the greenhouse gas goal
4 standards.

5 The Legislature and the press has been
6 lauding itself for these goals. They are very
7 good policies. We applaud them. But, in order to
8 achieve them, now what do we have to do. And this
9 RPS is critical to meeting that goal. And I don't
10 think that nexus has been made to them. If it
11 were, I think they would be more inclined to maybe
12 look at the legislation and look at legislative
13 fixes to fix real problems.

14 I think the simplification of the
15 legislation is important. I think it should focus
16 on the goals; clear incentives to the load-serving
17 entities to achieve those goals; and actual
18 clarity on the penalties of what happens if you
19 don't, so that we can hold entities accountable.

20 Along those lines I think this agency,
21 maybe in this report, should maybe address model
22 bill language that is very specific and hopefully
23 very simple that the Legislature consider at this
24 point. Otherwise, we'll go through another six or
25 eight months of legislative hearings and nothing

1 will get done. So I'd like to see this agency, or
2 encourage you to try to jump-start that process.

3 And then finally, I think it's very
4 important that this agency and the PUC focus more
5 on project viability. And that includes the issue
6 of transmission access. You can't have a project
7 that's viable and be able to serve California
8 customers if we don't have adequate transmission.

9 I am somewhat surprised by the language
10 in the PUC comments filed today where they have
11 indicated that -- and I just quote here, "that
12 contract failure is really not that relevant." I
13 don't know if they're using contract failure in
14 the way that I would use it, but certainly
15 contract viability is critical.

16 If we have a backlog of a tremendous
17 amount of megawatts that have been contracted by
18 the utilities, but the probability of those
19 projects actually coming to fruition in any timely
20 manner, we need to know that now so that we can
21 clear that backlog in some way and start moving
22 forward with real viable projects.

23 Now, I'll say this as kind of a
24 parochial interest, I have a lot of members in my
25 Association that have built the renewable industry

1 in California today. They are building throughout
2 the country. Many are not building in California
3 today.

4 As an observation I am struck by how few
5 of these experienced companies have actually
6 achieved or won contracts in the California RPS.
7 It surprises me that that is occurring, as far as
8 I can tell, I mean. A lot of this isn't very
9 transparent, but as far as I can tell, few of the
10 really experienced companies are winning contracts
11 here.

12 That may be fine if there's a lot of
13 innovative companies out there that actually can
14 bring these projects online. But I think it may
15 be a bellwether or a warning sign that we have a
16 real problem about project viability. And if
17 that's true, the 4000 megawatts that have been
18 contracted, wishing that they are there is not
19 going to solve the problem. We need to look at
20 solving problems so these things can really get
21 built.

22 So those are my comments today. I
23 applaud the staff on this report, developing this
24 range of issues. I'd just like to see a little
25 more specificity, I guess, and deal with it.

1 PRESIDING MEMBER PFANNENSTIEL: Steve,
2 your comment about your members who are not
3 building projects in California. You implied that
4 was because they were not winning contracts. Is
5 that the reason, trying to peel back why are
6 people not building in California?

7 MR. KELLY: Well, I don't see their
8 names in the list of contracts being approved by
9 the PUC. Maybe they're using different names and
10 I don't know it. But I don't see it when I check
11 those advice letters of filings for approval.

12 And when I talk to people I ask them are
13 they bidding; historically they were not bidding
14 much because of the -- and we've had those
15 workshops on those issues and that is progressing
16 some. But I still do not see a lot of what I
17 would term to be really experienced companies
18 participating from a development perspective in
19 California right now expanding their resources.

20 They might be expanding the output on
21 their existing sites some. That's occurring a
22 little bit as far as I can tell. Some of the wind
23 resources are being expanded a bit. Even some of
24 the geothermal at existing resources. But I don't
25 see that experience being brought to bear here.

1 And some of these are building in
2 Nevada, by the way. Some of the geothermal
3 facilities are getting --

4 PRESIDING MEMBER PFANNENSTIEL: They're
5 not bidding -- and I'm just trying to figure out
6 what parts of the process aren't working for
7 them -- they're not bidding because they don't
8 like the bid process, because they don't like the
9 transmission prospects, because they don't like
10 the siting process? What parts of it are
11 discouraging them?

12 MR. KELLY: Let me say that they were
13 not bidding. I don't know if they're not bidding
14 today. I mean there's a couple on the street
15 RFOs. I have no idea whether they're bidding on
16 those.

17 Historically, and we'd raised these
18 issues both at this Commission and the PUC, that
19 there were barriers to development that were
20 embedded in the RFP process. Some dealing with
21 the credit issues; some dealing with who could bid
22 and so forth.

23 And as indicated, I thought we were
24 making progress on those, and the utilities have
25 modified their RFO processes over the last year to

1 try to make it a situation where some of these
2 companies would be in a position to bid. So I
3 can't say today that they're not bidding or
4 participating in the last round of RFOs. All
5 that's confidential.

6 But when I look at the companies that
7 are being forwarded to the Commission for approval
8 under a contract, I often don't see their names.
9 And these are some very large and well experienced
10 companies.

11 And I'm not up here arguing that they
12 should get contracts. But I am arguing that that
13 experience that has occurred in California and is
14 occurring in other parts of the United States
15 should be translating in some benefit to
16 California, itself, it seems to me. And I don't
17 see that.

18 So, --

19 COMMISSIONER BOHN: Could I ask a favor,
20 and that is the following: First an observation
21 on this contract failure thing. Try as I might, I
22 cannot get worked up about big numbers of contract
23 failures because the contract process, it is the
24 obligation of the contracting party's utilities to
25 get the contracts that work. Contract failure is

1 things that you will get fired for. At least I
2 like to think that's still true in the private
3 sector.

4 Could I ask a favor? Could you go back
5 and if you want to refresh your data on whether or
6 not the companies that you refer to are, in fact,
7 still having trouble in the bidding process to the
8 extent that you first alluded to, because the
9 Chairperson is exactly correct?

10 My sense is in the discussions that the
11 process has changed sufficiently, and we've gotten
12 rid of at least some of the clutter -- not enough
13 in my view but that's a different discussion --
14 that things have improved and some of these
15 principal players are, in fact, actively
16 participating; and that the climate has changed on
17 that.

18 Would you go back and just write me a
19 letter or come in and talk and tell me, give me
20 that data?

21 MR. KELLY: I'd love to come in and talk
22 to you about this, I think. When companies
23 participate in these RFOs and submit bids, they
24 typically --I think this is true for all the
25 utilities -- sign confidentiality commitments.

1 And to be honest with you I have a hard time
2 finding out anything about these RFOs from my
3 companies because they've signed those agreements.

4 So, what I pick up often is stuff that I
5 see post hoc about who's winning and who's losing
6 and then I'm making inferences from it.

7 I will do what you've asked because it's
8 something that I've been endeavoring to do for the
9 last year and a half, and I will go back and redo
10 that. But there are restrictions --

11 COMMISSIONER BOHN: Well, I don't need -
12 - I don't need the specific data of the deals and
13 all the rest of it, but I'd like some, even if
14 it's only anecdotal, of the dozen or however
15 number of companies are in your universe that
16 caused you to make that statement.

17 I would like to have the responsible
18 executives in those companies, as the current
19 situation is, come back and say, you know, here's
20 some of the problems we have had; it's gotten
21 better; it's gotten worse, whatever it is. I'd
22 like to get a real anatomy of what the problems
23 are, which problems are real, which problems are
24 perceived, and which problems are time-lag.
25 Because we're really concerned about this.

1 PRESIDING MEMBER PFANNENSTIEL: And I'd
2 like to actually add on to that, those companies
3 that have chosen not to bid for other reasons, you
4 know. Maybe it wasn't the bidding process,
5 itself, but other problems in California. What is
6 it that is keeping companies, what series of
7 problems are keeping companies from participating
8 in our program.

9 MR. KELLY: Yeah. I will add to that,
10 because I will do that, last spring I had raised
11 this issue to the PUC and again to the Energy
12 Commission. And there has been, in my view, some
13 significant progress made since that initiative
14 and that effort, talking with your staff.

15 There were a number of workshops and I
16 think there's hopefully a proposed decision coming
17 out from the PUC soon that is going to try to fix
18 some of those problems that were raised in the
19 spring and summer timeframe, if they haven't
20 already been.

21 But there's another issue, too. It's
22 not only who's bidding, but there's a selection
23 process that's not particularly transparent. And
24 my observation is that there's this huge black box
25 and no matter what information is going into it,

1 what I'm seeing coming out on the other side, is a
2 lack of really experienced companies getting
3 contracts that would allow them to develop those
4 projects.

5 What's happening in the black box I have
6 no idea what's going on. And am not ever going to
7 know the answer to that. It's an issue that's
8 been raised by this Commission a number of times,
9 about the lack of transparency in the evaluation
10 and selection process under the least-cost/best-
11 fit model.

12 But I don't have any answers. So I'm
13 just looking, and I could be wrong, but I'm
14 looking at the end-point and going, wow, why
15 aren't the experienced companies that I'm familiar
16 with winning. Is it because they're bidding
17 higher, but they could actually bring their
18 project online, but other projects are being
19 selected? Is it because they're not bidding?

20 I don't know the answers to those. And
21 I don't think I can. I think you might be better
22 positioned to find that out than I.

23 ASSOCIATE MEMBER GEESMAN: We did have a
24 fairly extensive back-and-forth with Florida Power
25 and Light in one of our earlier workshops, and

1 they submitted to our docket a pretty length
2 written statement explaining their perspective on
3 California.

4 I want to take you in a slightly
5 differerent direction, Steven. The WREGIS system is
6 westwide --

7 MR. KELLY: Right.

8 ASSOCIATE MEMBER GEESMAN: -- by design.
9 We determined early on that for commerce clause
10 reasons it was important for the program to be
11 completely open to projects in other states. SB-
12 107 does provide some authority for our reliance
13 on RECs going forward.

14 Up to now the program has been a strict
15 deliverability of electrons program. It seems to
16 me that that could change pretty quickly going
17 forward if we did allow RECs for compliance
18 purposes. That might end up with a lot of out-of-
19 state projects as opposed to instate projects.

20 The AB-32 debate has already highlighted
21 instate versus out-of-state, and in some instances
22 out-of-country issues in climate change. How do
23 you feel about that?

24 MR. KELLY: Well, in my view
25 California's got a couple goals that it is trying

1 to pursue. One is the global issue of greenhouse
2 gas emissions. The other is the more parochial
3 instate issue of fuel diversity and the value of
4 that, and the value of developing jobs and
5 economic growth associated with these technologies
6 being built in the state.

7 I think both can be addressed by what
8 California is going to be doing is being
9 calculating kind of the global issue and assessing
10 imports. But then also there's some
11 deliverability requirements for certified
12 renewables that are going to count for the RPS.
13 You have to at least get to the border under the
14 present status goal before you can count your REC.

15 We have been an advocate of RECs, not
16 only regionally, but also just within California,
17 because of the observation that with the lack of
18 transmission and the concentration of the
19 resources in certain areas, you need a mechanism
20 that allows people to enter into contracts to
21 develop those resources while transmission is
22 getting built. You want to get ahead of the curve
23 so that the transmission might be interconnecting
24 near-built or as-built generation.

25 So we've been a supporter of RECs as a

1 means to create more flexibility for the load-
2 serving entities to achieve RPS compliance.

3 Fundamentally the RPS goals, this is one
4 of the few things in the California legislation
5 that I actually thought was a good thing is
6 supposed to be counted in energy delivered, not
7 capacity contracted with, or anything else. And
8 if you tie the RECs to the energy delivered to the
9 grid, that's a good thing. And it should count.

10 Whether the state is interested in
11 supporting development out of state, or wants more
12 parochial instate development for economic tax
13 reasons or something is something that I don't
14 think has clearly been addressed yet in the RPS
15 legislation. And it's certainly a policy matter
16 that should be -- could be considered in the
17 future if it gets to the point that everything is
18 being developed in Wyoming or Maine and the
19 Legislature doesn't like that outcome.

20 I mean right now, as was pointed out,
21 there are no quote "subsidies" for the RPS
22 development. Nobody's tapping into the SEP funds.
23 Everything is being developed below that. So it's
24 all a benefit compared to the alternative, which
25 would be a nonrenewable resource.

1 ASSOCIATE MEMBER GEESMAN: Thank you.

2 PRESIDING MEMBER PFANNENSTIEL: Thank
3 you, Steve.

4 MR. KELLY: Thank you.

5 PRESIDING MEMBER PFANNENSTIEL: Next we
6 have Les Guliassi and Frank deRosa from PG&E.

7 MR. deROSA: Thanks, Commissioner
8 Pfannenstiel. I'm Frank deRosa, PG&E's Director
9 of Renewables Supply. And I will speak to chapter
10 one, the RPS. And Les, I think, later on in the
11 program will speak to the land use chapter.

12 PRESIDING MEMBER PFANNENSTIEL: Oh,
13 okay.

14 MR. deROSA: I appreciate the
15 opportunity to provide comments. We will also
16 provide written comments, as well, so I'll try to
17 be brief.

18 I want to say a few things about the
19 recommendations in the short-term section; and
20 then a couple in the long-term section, as well.

21 Generally we support most of the
22 recommendations. Probably no surprise we have
23 some concerns about some of them. But I think our
24 main message is to the members of this Committee
25 and to the Energy Commission and the Public

1 Utilities Commission is to maintain a problem-
2 solving attitude toward this.

3 I'd like to echo Commissioner Bohn's
4 remarks a few minutes ago. There has been, since
5 the three years when the program has really
6 started, the RPS program, a total mind shift that
7 has occurred. There's consensus, at least here in
8 California, that global warming is a big problem.

9 On transmission we've gone from talking
10 about debating whether we need new transmission to
11 approving some major transmission lines, as Bill
12 noted, creating a third category for transmission
13 needs specifically for renewables. And
14 implementing a cost-recovery mechanism to make
15 sure that these billions of dollars of investments
16 actually will get built.

17 The utilities have signed over 50
18 contracts for long-term renewable supply. Most of
19 those will be new projects. PG&E, by itself, has
20 in the last two years signed up for 5 percent of
21 its retail load. And we have a big retail load.

22 On this question of contract viability,
23 we are very concerned about contract viability. I
24 share some of Steven's concerns. And that's why
25 we've signed up 5 percent in the past two years,

1 as opposed to the 1 percent that the regulations
2 require, the 1 percent per year.

3 And we plan to continue to go probably
4 beyond the 20 percent because we are concerned
5 that some of these projects will ultimately not
6 get built. So we share that. And it's reflected
7 in our procurement activity.

8 Just a couple other things to, you know,
9 keep in mind on this, really this mind-shift;
10 venture capital money is just pouring into the
11 renewable energy sector. And, of course, we
12 passed AB-32, which was the first law in the
13 country to control greenhouse gas emissions.

14 So, certainly there's a long way to go
15 but I think everybody is motivated, everybody's
16 motivated. Peter Darbee, our CEO, you know, he
17 took a controversial position when he broke from
18 the industry to support AB-32, and to support
19 national legislation on global warming.

20 And, you know, everybody's working hard.
21 I just want to mention one thing. Susanna
22 Churchill, who is a staff person in the energy
23 division at the Public Utilities Commission, she
24 worked the entire Veterans Day weekend, Friday
25 night, Saturday, Sunday, the Monday holiday to

1 draft the resolution and the justification to have
2 the Commission approve our contracts, our RPS
3 contracts that were on the agenda for the next
4 meeting, and keep those projects on schedule.

5 So, everybody is extremely committed to
6 this. And in that spirit I'd like to just address
7 a couple of points on the short-term and the long-
8 term recommendations of this report.

9 Three things on the short term. SEPs.
10 SEPs has been discussed already. I think all the
11 stakeholders agree that we need to fix that. And
12 so now's the time to sit down, figure out whether
13 we need legislation or not, or whether there's a
14 procedural fix that we could do and get that done.
15 And I think everybody in the industry and all of
16 us are committed to do that.

17 I'd like to bring up eligibility. It's
18 the biggest thing --

19 ASSOCIATE MEMBER GEESMAN: Frank, let me
20 interrupt you on the SEPs question and ask in your
21 judgment is that best handled in the context of
22 the first SEP request that we actually get inhouse
23 and attempt to create a workable structure around
24 that first project? Or is it something best
25 addressed in the abstract, trying to envision what

1 kinds of projects we're likely to see, and what
2 their financial needs are likely to be in the
3 future?

4 MR. deROSA: Yeah, I think we should do
5 it separate from an individual request.

6 ASSOCIATE MEMBER GEESMAN: Okay.

7 MR. deROSA: You know, there's been
8 enough concern raised about the financeability of
9 the SEP program that I think that's a problem,
10 whether the first one goes through or not. Yeah.

11 I'd like to bring up eligibility. The
12 Energy Commission is updating its guidelines to
13 implement SB-107. And I strongly encourage the
14 Commission to take the attitude of how to expand
15 the supply. And I think expanding the supply is,
16 I mean not only necessary for 20 percent and
17 beyond 20 percent, but I think that's the
18 underlying factor for some of the things that we
19 just talked about, you know, why certain parties
20 are participating, why they're not. It's clear to
21 us that we have to expand the supply in
22 California.

23 And so the transmission policy is
24 extremely important. And these regs that the
25 Energy Commission will write are extremely

1 important, as well.

2 SB-107 allows for banking and shaping,
3 so that new intermittent resources can be procured
4 and can count. So far the Energy Commission has
5 only had to certify facilities. Now both
6 Commissions are going to have to have to develop a
7 methodology to make sure that transactions from
8 eligible facilities are -- count. And both the
9 seller and the buyer will need to have certainty
10 on that before they're going to go build a power
11 plant.

12 And there's all these new promising
13 technologies that are coming up. Probably small
14 in the short run, but for example, we just signed
15 a biogas contract, gas from a biodigester. We've
16 been working with staff on, okay, where does that
17 fit into the guidelines. How to allow for that.

18 And there's a lot of other technologies,
19 hybrid technologies like solar augmentation for
20 conventional power plants. So things like that,
21 there's real opportunity to, like I said, expand
22 the supply. So we really encourage you to take
23 that attitude when you address the guidebooks.

24 The third point on short term is wind
25 repowering. It's been brought up. It looks like

1 there's progress being made on the local
2 permitting front, on the avian mortality issue.
3 And, again, we would encourage the Energy
4 Commission to use its expertise to perhaps be the
5 honest broker in that for the local agencies, for
6 the local permitting agencies, so that the
7 operating parameters of a repowered facility can
8 be known by the developer so that, in fact,
9 they'll know what their financial picture is, and
10 can then go out and, in fact, repower.

11 In closing, the last part here, two
12 things about the long-term strategy. As Steven
13 said, AB-32 really creates, it's a whole new
14 ballgame with that. And what it does is it brings
15 in some more tools for addressing greenhouse gas
16 reduction.

17 So energy efficiency and conservation,
18 carbon offset credits, renewable distributed gen,
19 all those along with renewable energy, can be part
20 of the solution here. So, we really need -- all
21 of us really need to start talking about how to
22 incorporate the goals of the RPS program into the
23 broader goals of AB-32 and climate change, so
24 they're complementary and not contradictory.

25 And then the last point, again on

1 expanding the supply curve, we've done a number of
2 things. I mentioned biogas; we've announced an
3 initiative on a tidal project here in California;
4 on some solar, new solar technologies; and an
5 initiative to see about the feasibility of
6 accessing renewables from British Columbia, as
7 well.

8 And in our long-term plan filing that
9 we'll be filing next week at the Public Utilities
10 Commission, that will include a proposal for
11 promoting emerging technologies.

12 And so I think the best way for the
13 longer term, as well, for your two Commissions to
14 help meet the goals of the RPS, is to again,
15 expand the supply. Help us to expand the supply
16 of renewable generation.

17 Thanks.

18 PRESIDING MEMBER PFANNENSTIEL: Thank
19 you, Frank. Questions?

20 ASSOCIATE MEMBER GEESMAN: Frank, I've
21 had this discussion with Fong Wan a couple of
22 times. And I'd like to push back a little bit on
23 the technology side. And that is -- and I think
24 frankly that you guys have done some yeoman's work
25 on expanding the range of technologies you're

1 looking at.

2 From the state's standpoint, though, and
3 I think this will be increasingly clear as the ARB
4 develops its AB-32 plan, don't we have more of an
5 interest in the bulk commoditization of some of
6 the existing technologies that can provide energy
7 to your customers at a price below the natural-
8 gas-generated energy that you currently provide
9 your customers?

10 MR. deROSA: Yeah, --

11 ASSOCIATE MEMBER GEESMAN: And I think
12 expanding the supply is a great idea, and I'm all
13 in favor of pursuit of a multiplicity
14 technologies. And as you know, we've got a very
15 aggressive R&D program to do that, that we partner
16 with you on a number of projects.

17 But at root, aren't the big numbers
18 likely to come from some commoditization of
19 resources like existing wind technology?

20 MR. deROSA: Absolutely. These emerging
21 technologies, I think, are there for the 2020
22 goals. And just a comment on what was discussed
23 before as a way to address that, Commissioner
24 Geesman, we've issued now three solicitation,
25 three RPS solicitations, 2004, '5 and '6.

1 And 2005 and 2006 responses to those
2 solicitations were significantly higher than our
3 2004 response to the solicitation. So we got a
4 lot of bids. There's a lot of creativity out
5 there, so not sure, you know, whether all of them
6 will come about.

7 And we do have to report and justify to
8 the Public Utilities Commission, and your staff
9 have participated in this as well, the treatment
10 of every single bid that we get. So, at least you
11 all know kind of what the supply curve looks like.

12 ASSOCIATE MEMBER GEESMAN: When you say
13 you all, I think you mean the Energy Commission
14 from a corporate standpoint. Commissioner
15 Pfannenstiel and I have no access to confidential
16 data, and have no idea what you're talking about.

17 MR. deROSA: Right, and I understand the
18 issue about that, as well. So, back to answering
19 your question. The repowering is a good -- a
20 source of bulk commodity energy, absolutely.

21 ASSOCIATE MEMBER GEESMAN: Should we go
22 back to Congress and try and change the tax code
23 treatment of wind repowering? It's a pretty ripe
24 time right now for altering the ways that the
25 federal government has approached things in the

1 past.

2 MR. deROSA: Yeah, that's the California
3 fix, I think, that you're referring to.

4 ASSOCIATE MEMBER GEESMAN: Yeah. I'm
5 surprised people characterize it that way, --

6 MR. deROSA: Yeah.

7 ASSOCIATE MEMBER GEESMAN: -- but I've
8 been told that is the vernacular.

9 MR. deROSA: Yeah.

10 ASSOCIATE MEMBER GEESMAN: Didn't fix
11 anything from the state's standpoint.

12 MR. deROSA: Well, it's my understanding
13 that if new equipment is installed and there is a
14 significant -- a substantive contract modification
15 that the PTCs are available. And actually Diane
16 can speak to that, from FPL. She's here, as well.

17 So, the major hurdle that we see is the
18 lack of knowledge of the operating
19 characteristics. What are the operating
20 characteristics going to be. And so I'd be
21 interested to hear what Diane says about that.

22 But I do think that repowering is one
23 area. A lot of interest in solar now, I think.
24 And solar, there is a lot of resource there in
25 California. And so I think, you know, there's

1 recently been some contracts announced on that. I
2 think that's a big source. That's going to
3 require transmission upgrades, as well.

4 One of the concerns I have is that a lot
5 of the low-hanging fruit has already been taken.
6 And that, you know, for example, the wind
7 resource. I think, at least at a buss bar cost, I
8 think wind is probably cheaper in Wyoming than in
9 the marginal locations in California. Not to say
10 that there's not more than can be, you know, mined
11 from that.

12 But I worry about when we're talking
13 about hitting that 20 percent, going beyond 20
14 percent, you know, where it is going to come from
15 within the state.

16 ASSOCIATE MEMBER GEESMAN: Thanks very
17 much.

18 PRESIDING MEMBER PFANNENSTIEL: Thank
19 you, Frank.

20 MR. deROSA: Okay.

21 PRESIDING MEMBER PFANNENSTIEL: The next
22 speaker will be Eric Wanless of NRDC.

23 MR. WANLESS: Good morning. I'd like to
24 take a little bit of time just to thank the
25 Commission and the Commission Staff for the

1 opportunity to speak.

2 On the RPS side of things my comments
3 are going to be fairly brief, so i'll just start
4 in and say that NRDC recognizes and agrees with
5 the need for new transmission in terms of bringing
6 in renewables to the state.

7 And we also realize that the preferred
8 and proposed route for the Sunrise line
9 unfortunately has some very real environmental
10 issues. And all I'd like to say at this point is
11 we're appreciative of the document in terms of
12 mentioning the CPUC call for analysis of the full
13 range of alternatives for the Sunrise line. And
14 hope that there is a alternative that doesn't end
15 up going through the park there.

16 That's all our comments on this side of
17 things, thank you.

18 PRESIDING MEMBER PFANNENSTIEL: Thank
19 you. Dave Geier, Vice President of Transmission
20 Distribution for SDG&E. Geier, thank you.

21 MR. GEIER: I'll respond to just about
22 anything, so that's okay.

23 (Laughter.)

24 MR. GEIER: Madam Chairperson,
25 Commissioners, thank you for inviting us to speak

1 today and be a participant in the workshop. And
2 also I'd like to thank the staff for a real good
3 job in putting this draft report together.

4 My comments today will be in both the
5 RPS area and I'll speak some to transmission,
6 also. And I'll try to give our recommendations in
7 the various topics I hit.

8 The first concern, I guess, we have is,
9 and it's similar to Commissioner Bohn's concern
10 about just acknowledging progress that we have
11 taken. And to characterize all the efforts or
12 slow progress, I guess, concerns is if you look
13 where SDG&E started just a few years ago, we were
14 less than 1 percent of renewables.

15 We were in front of you maybe six months
16 ago, and we quoted a number of 13 percent. Today
17 I'm happy to report that we have under contract 16
18 percent. And we hope by early next year we will
19 actually take those contracts and be over the 20
20 percent.

21 Now the viability of contracts is a
22 concern and I'll address that later. But we have
23 made significant progress, and it is a lot of
24 work. And I guess I would just encourage, my
25 first recommendation is to go back and look at the

1 draft report and maybe break this slow progress
2 comment down into the point that really it was
3 about the energy delivered, not about the efforts
4 and about the contracts going in place.

5 ASSOCIATE MEMBER GEESMAN: Before you do
6 that, Dave, let me make one thing real clear. I
7 was at a conference yesterday with Fong Wan from
8 PG&E. And he indicated his company's intent by
9 the time my term ends in 2007, at the end of the
10 year, to have more than 20 percent under contract.

11 And I indicated then that if, in fact,
12 he achieved 30, I would leave early.

13 (Laughter.)

14 ASSOCIATE MEMBER GEESMAN: What I want
15 to be clear about is I make --

16 (Parties speaking simultaneously.)

17 (Laughter.)

18 ASSOCIATE MEMBER GEESMAN: -- I make no
19 such offer to you.

20 (Laughter.)

21 MR. GEIER: We'll still shoot for being
22 over 30, how about that?

23 My second area is in the contract area,
24 and I think the issue of contract viability is a
25 significant issue. Being a small utility and

1 percentages sometimes aren't the best things to
2 look at, we've only had one contract to date
3 that's failed.

4 But if you look back at that it was an
5 early contract, and we, looking back, probably
6 should have never entered into that contract.
7 There was a lot of uncertainties around it.
8 Hopefully we keep learning from that. And there
9 always is this issue about, you know, sort of
10 pushing the technology.

11 If we're going to get there and
12 especially meet the 2010 goal and move forward,
13 there is inherent risk that we have to take. And
14 I think that we really need to recognize that,
15 that these contracts aren't as simple as going
16 and, you know, contracting with a combined cycle
17 unit. So, there is an inherent risk there, and I
18 believe we have to have that balance.

19 One other thing I guess tied to that is
20 that we understand that as a risk, but I sort of
21 agree with Mr. Knox's comments initially that
22 probably even a bigger risk is the ability to get
23 the transmission to these renewable sources.

24 And, you know, I speak primarily -- and
25 I think, Commissioner Geesman, you hit it with

1 really Tehachapi and the Imperial Valley, those
2 are the two areas that there just really is not
3 adequate transmission. And we see that as
4 probably a bigger risk than the contract,
5 themselves.

6 So again, with that, our recommendation
7 is that there is a continued focus from both
8 Commissions on licensing that transmission so we
9 can actually have a combined price that has a
10 transmission and the renewables going forward.

11 We are in agreement that the process of
12 licensing the renewables and the process in
13 general does need additional work. I think it's
14 something we all ought to continue to strive for,
15 to streamline the process.

16 You know, one, I guess, concern I didn't
17 have until I walked into the room today, but this
18 concept of increasing the penalties. We are here
19 to say that we don't believe that works. We are
20 much more -- a big advocate of incentives. We
21 feel that if there is incentive for say every
22 kilowatt hour over the 20 percent, that is going
23 to drive everyone to trying to making that goal.

24 And I get a concern with penalties;
25 we've all been there. That we'll end up arguing

1 about, you know, was there some way to get out of
2 the penalty and, you know, what's the conditions.
3 Incentives are much cleaner. They give us all a
4 clear signal of how to move forward.

5 I think that's worked with PDRs in the
6 past with the PUC. And that's one recommendation
7 is that the Commission strongly consider
8 incentives in lieu of penalties. And especially
9 in lieu of, I guess, of increased penalties.

10 My next comment sort of goes back to
11 transmission and the fact that to have a project
12 we really need, in the end, to bring the
13 transmission projects and renewable projects
14 together. So whatever we can do from a process
15 point of view to look at the work both on the
16 generation and the transmission, bringing those
17 processes together. It's a huge challenge for us
18 statewide. And to really make that happen, it's
19 particularly to meet the short-term goals of 2010.
20 But then looking even further.

21 I think all of us are in agreement that
22 we want to go significantly past the 20 percent.
23 And we just need more transmission in a timely
24 fashion to make that happen.

25 Another comment on the SEP awards.

1 We're in agreement with most of the parties today
2 that it really has to be a viable financial tool.
3 We don't have the answers, but I guess I would
4 agree with PG&E that I'd like to see that move
5 forward proactively. We really can't afford to
6 wait to have a, you know, a real-world case here.
7 I think we should move forward on that.

8 In the transmission areas, first I would
9 really like to thank the Commission for their
10 acknowledgement in support of the Sunrise project.
11 It is essential for us to meet our goals. Also
12 the discussion about Tehachapi area, that will
13 also be very critical for us to meet our goals.

14 And just inherently, I think all of us
15 know this, but the areas that are probably the
16 richest in renewables are the same areas that are
17 very very limited from transmission. And it sort
18 of all goes together in a package where if you
19 need thousands of acres to put a solar site, there
20 aren't many people around. And there's not much
21 load out there. So, we really have to think about
22 how this entire package comes together.

23 And as you pointed out in the report,
24 that the Sunrise project is critical to meet our
25 renewable goals. It's also very important for San

1 Diego from a reliability perspective. We really
2 don't think you can divorce those two. And
3 especially if we're looking at new sources of
4 energy in the future, and we want them to be
5 renewable, it goes hand-in-hand with reliability.

6 I'm happy to report that the Sunrise
7 Power Link is a 1000-megawatt line. If you look
8 at the contracts we have in place to date, we're
9 filling that line with about 750 megawatts of
10 renewable. And, you know, shortly, by next year
11 we hope to be in the 900 range. And, you know,
12 we're asked continuously, can you guarantee that
13 every megawatt that flows over that line will be
14 renewable, and that just, you know, it's an
15 impossible thing to do.

16 But I guess I wanted to make sure the
17 Commission was clear that we are making
18 significant progress to fill that line with
19 renewables. And if you look at the potential for
20 renewables in Imperial Valley, it far exceeds 1000
21 megawatts of that line.

22 ASSOCIATE MEMBER GEESMAN: I think your
23 point on reliability is a pretty important one to
24 recognize, that reliability concerns also
25 constrain the range of alternatives to the line

1 that are viable. You know, some of the proposals
2 drawing lines on a map, I don't think, always
3 reflect NAERC or WECC reliability criteria.

4 And the proposal does serve an important
5 reliability purpose; the evaluation of
6 alternatives to the project really need to take
7 that into account.

8 MR. GEIER: Correct. And the last point
9 is I just really would like to thank the PUC.
10 We're very excited about having our scoping memo
11 have a schedule out there. It's going to be a lot
12 of work for us to move forward.

13 But, as you know, we filed our CPCN on
14 August 4th. The PUC quickly turned around and
15 deemed that as a complete application in
16 September. And we have now dates out there where
17 the draft EIR/EIS will be done in August.
18 Hearings this spring. And a final draft of the
19 EIR/EIS by November, with the decision date of
20 January '08.

21 That, we feel, is a schedule that we're
22 very excited about. We're all going to work very
23 hard to remove all the roadblocks and keep that on
24 track. But I think that is a sign that we are
25 moving forward. And it really is critical for us

1 to meet -- for San Diego, at least, we have both
2 the reliability in 2010 and this renewable need by
3 2010. And keeping on that schedule will insure we
4 get there.

5 So, thank you very much.

6 PRESIDING MEMBER PFANNENSTIEL: Thank
7 you. Questions? Thanks.

8 ASSOCIATE MEMBER GEESMAN: Thanks, Dave.

9 PRESIDING MEMBER PFANNENSTIEL: Greg
10 Blue, enXco Development Corporation.

11 MR. BLUE: Good morning. My name is
12 Greg Blue; I'm here today on behalf of enXco
13 Development Corporation. We are one of those
14 major wind energy developers. And we'd like to
15 share some of our experiences with you.

16 Normally when I appear before you I have
17 a PowerPoint with my comments on it. And I have
18 one here, I just didn't get here in time. So, I'm
19 just going to read off of it.

20 PRESIDING MEMBER PFANNENSTIEL: That
21 happens.

22 MR. BLUE: enXco is a California-based
23 wind energy developer; they are constructors; they
24 operate and they manage wind energy projects
25 throughout the United States. enXco is an

1 affiliate of the French utility, EDF; a part of
2 the EDF Group.

3 They are one of the current major
4 developers of wind energy. And they've developed
5 and currently own and operate, have developed
6 currently about 250 megawatts in the Solano County
7 and Tehachapi area. Currently on the books we
8 have proposed projects of 1500 megawatts in Solano
9 County and the Antelope Valley area.

10 I joined enXco a couple of months ago;
11 and my experience and what I've learned to date is
12 that a lot of things are happening on the
13 developers' side. A lot of things are happening
14 with the utilities. A lot of things are happening
15 with the regulatory agencies. It seems to me that
16 we're moving at almost as fast as we can. There's
17 a lot of issues associated with permitting these -
18 - I'm just going to talk about wind energy right
19 now.

20 There's a lot of complexities in
21 developing a wind energy project. We have right
22 now 450 megawatts in the permitting phase at the
23 local planning commissions, without power
24 contracts at this time.

25 We are participating in all RFOs. We

1 are in discussions with all the utilities, all the
2 time, about projects.

3 So, while -- we're members of IEP, and I
4 agree with Mr. Kelly on most of the things; as he
5 said, some of the information he's not really
6 privy to. But my observations in our company,
7 everybody is as busy as we can be trying to
8 develop these projects.

9 I think I just want to respond, there
10 are a couple of comments I've heard today, and I
11 think I concur with them. One is the tone of the
12 report doesn't reflect the current progress we've
13 made on a lot of these issues, particularly the
14 Tehachapi transmission. There's a lot of progress
15 been made by the PUC, as Commissioner Bohn said
16 earlier, a lot of this, I think, needs to be
17 incorporated. I'm sure it's an easy fix just to
18 get that into this document.

19 We think that the lack of transmission
20 infrastructure is the key impediment. However,
21 there's a lot of activity going on in that. One
22 thing the report is lacking is, and I think you've
23 heard reference to it this morning, is discussion
24 on the import of renewable energies, and the
25 importance of the state getting behind that.

1 I don't know if any of you all have seen
2 a map of the wind energy resources in California,
3 but there's Solano County, there's like Tehachapi,
4 there's Imperial Valley. They're pretty small in
5 relation to the state. Whereas in Wyoming and
6 Montana I call that the Saudi Arabia of wind
7 energy resources. There's a lot of wind out there
8 that we're going to have to tap into at some
9 point.

10 One of the reasons people aren't
11 developing, as well, is they may not have site
12 control. There's a limited amount of sites in
13 California that you can develop renewable energy.

14 I know that the interconnection queues
15 at the ISO are full -- they may not be full, but
16 there's a lot of megawatts in the queue there.

17 So, I guess from our point of view there
18 is a lot of activity going on. And we think that
19 with the flexibility and compliance of the IOUs,
20 they're actually going to get three years, to
21 2013, the way the law is. And so I feel pretty
22 strongly that we're going to attain the goals of
23 20 percent by 2013 for sure.

24 As I said, enXco is a member of CalWEA;
25 we're a member of CEERT; we're a member of IEP.

1 And we, of course, support, in general, most of
2 the things they say. We may have a few different
3 opinions, but mostly we agree with them.

4 I think as far as the update, itself,
5 and on the mid-course review we agree with what's
6 been described as primary barriers to achieving
7 RPS goals. But we look at them as really the
8 barriers to achieving renewable energy
9 development, period. Because there's some of
10 those goals in there are not necessarily
11 impediments to the goals, they're just impediments
12 in general, to development.

13 We heard a lot of talk today about the
14 SEP, the SEP payments. Now, we heard -- in the
15 long-term goals, or long-term recommendations it
16 talks about looking at the SEP payment. We
17 believe that, as others have stated, that energy
18 needs to be brought up. The easiest way to fix
19 that, the financeability of SEPs, is to eliminate
20 them. You don't need them.

21 You either get the money from taxpayers,
22 and it's paid by the government in that portion.
23 Or you get it from ratepayers and it's paid out of
24 rates. You know, at the end of the day, I'm not
25 sure you need the SEP payments. And, anyway,

1 that's what -- and I realize --

2 ASSOCIATE MEMBER GEESMAN: Of course,
3 you don't envision any of your wind projects ever
4 qualifying for the SEPs, do you?

5 MR. BLUE: So far they haven't. You
6 know, as far as I know they haven't, and I
7 don't --

8 ASSOCIATE MEMBER GEESMAN: Do you think
9 it would be likely that any of the wind projects
10 that the utilities contracted with would come in
11 above the MPR and need RECs -- or need SEPs,
12 rather?

13 MR. BLUE: I can't speak for anybody
14 else. And I can't speak, you know, -- as far as I
15 know, our goal is not to, you know, reach that
16 level. But you never know what the future's going
17 to hold.

18 ASSOCIATE MEMBER GEESMAN: Yeah.

19 MR. BLUE: That's the thing in the long
20 run. So, we don't think you need SEPs.

21 Again, I realize that the CEC does not
22 have jurisdiction over the utilities. I realize
23 this isn't a legislative body. But, again, some
24 of our ideas -- and I always try to bring up in
25 the IEPR, is you know, where can we start getting

1 some of these issues on the table and start
2 talking about them. We believe that needs to be
3 brought up.

4 We also support the recommendations to
5 allow the utilities to earn a higher rate of
6 return on renewable power purchase contracts. As
7 we heard earlier, you know, incentives work a lot
8 better than penalties. And that's a great
9 incentive all the way around for everybody.
10 Because that incentivizes contracts to be signed
11 and so forth.

12 I think the other issue on repowering
13 again incentives to make that happen work a lot
14 better. Right now, a lot of the reasons why the
15 repowerings not happening is it's a cost issue. I
16 mean, I think, my understanding is that if we look
17 at that issue and start to even maybe talk about a
18 rate of return for those, as well, some additional
19 rate of return, that would go a long way in
20 providing the incentives.

21 ASSOCIATE MEMBER GEESMAN: The utilities
22 ordinarily earn a rate of return based on their
23 capital investment. Are you suggesting a utility
24 ownership model?

25 MR. BLUE: We're not opposed to that,

1 but nonetheless, we may be alone. But we're not
2 opposed to that. I think in order -- enXco feels
3 that in order to reach the national, which we're
4 going to get to a national RPS goal sooner or
5 later, in order to reach the national goal you're
6 going to end up having to have utility
7 involvement at the end of the day.

8 But we're not putting -- that's not in
9 our comments. That's just our discussions we've
10 had.

11 Of course, some concerns we have with
12 the draft, of course, have already been talked
13 about. The tone of the draft, implying that RPS
14 is not happening. And, in fact, things are
15 happening pretty rapidly from our point of view,
16 as fast as we can go. Permitting's happening.
17 RFOs are happening. Contracts are being signed.
18 So, I think, you know, just the tone of the draft
19 that it's not happening was a concern.

20 We also think that one of the things
21 we're finding out as we do our second and third
22 projects in California we're getting less and less
23 -- well, not less -- less protest in the
24 environmental impact report process at the local
25 level.

1 Now I think some of that's because the
2 public is finally becoming aware of what RPS means
3 to California. And I think that we should keep
4 focusing on that, and recommend some sort of
5 continued public education program for RPS, and
6 what that means to ratepayers at the end of the
7 day.

8 And it may mean higher rates; it may
9 not. But it may mean something, and getting folks
10 to recognize that it's happening also helps on the
11 local permitting side. And I think we're
12 evidencing some of that.

13 ASSOCIATE MEMBER GEESMAN: Based on the
14 experience to date where, you know, we have two
15 projects that are said to be above the market
16 price referent and consequently qualifying for
17 SEPs, what's the scenario where this is a program
18 that increases rates?

19 MR. BLUE: I don't know. I'm just --
20 out in the future, I don't know exactly, you know.
21 Could be greenhouse gas adders that are added in.
22 I mean I'm not sure how. That's more longer term,
23 just in case.

24 I think there are also, in this report
25 another concern we have is that there, you know,

1 if there is concern about RPS or renewable
2 development slowing down, there's no discussion in
3 here about processes that are going on right now
4 that are actually slowing it down and causing
5 uncertainty. And one of them being,
6 unfortunately, the CEC avian guidelines
7 proceeding. You know, that's causing a lot of
8 uncertainty to folks, are they voluntary, are they
9 not.

10 I sat in many of those workshops. I've
11 never heard the word RPS or supply/demand
12 mentioned once in there. They're just worried
13 about the, you know, a lot of studies, pre/post,
14 you know; a lot of additional uncertainties to
15 developers. And I think hopefully when we get the
16 final guidelines out here next year, that will
17 help reduce some of that uncertainty.

18 Finally, in conclusion, I think we do,
19 in general, support the IEPR Update, and we
20 support the Commission, you know, shining a light
21 on a lot of these issues. We do believe that the
22 lack of transmission access infrastructure, excuse
23 me, is the main impediment.

24 But the process is underway. I mean,
25 there's tremendous progress being made in

1 California. I still think we need to focus on the
2 issue of -- there needs to be renewed focus on how
3 we can -- the transmission projects that are going
4 to import more renewable power.

5 Again, I guess one last closing is that
6 not all RPS compliance delays are necessarily the
7 fault of the utilities. There's a lot of, you
8 know, permitting issues that come up. And that
9 should be taken into account when assessing
10 noncompliance penalties in the future.

11 And other than that, again, in general,
12 I think that our company, for one, sees California
13 as a very big market. We are continuing to
14 participate. We're developing -- permitting
15 projects right now in anticipation of signing
16 power purchase contracts with the utilities and
17 any other buyers that might be out there, as well.

18 So, anyway, that's it, and thank you.

19 PRESIDING MEMBER PFANNENSTIEL: Thank
20 you, Greg. Diane Fellman from FPL Energy.

21 MS. FELLMAN: Good morning,
22 Commissioners and Advisors. I'm Diane Fellman;
23 I'm Director of California Regulatory Affairs for
24 FPL Energy.

25 And I just wanted to applaud this

1 Commission for once again putting forth a report
2 that was very thoughtful and thorough and
3 addressed many of the major issues that we see as
4 challenges in California in building renewable
5 projects here.

6 But also we wanted to mention today, and
7 it's something that I think is a theme that's
8 coming up here, there's a commitment on the part
9 of everyone who's trying to do renewable energy
10 projects in California to make this work. We've
11 heard it from the utilities today; we've heard it
12 from the PUC; we heard it -- I mean, you've
13 written it in your report at the Commission. And
14 now you're also hearing it from the developers.
15 You heard it from our trade association.

16 And I think that commitment is not in
17 dispute. And what we noted in the report, we've
18 already, as Commissioner Geesman indicated,
19 submitted some specific comments on the record, so
20 I will not repeat those today.

21 But in this report what stands out is
22 the concept of the green team; the concept of
23 people sitting down and really thinking through
24 what's working, what isn't working, and having a
25 common platform to discuss those issues.

1 Because, as you know, we end up, you
2 know, those of us who are participating in this
3 process, one day we're here, the next day we're in
4 San Francisco. I think, was it right, Steven, I
5 think today we were supposed to be here and in San
6 Francisco on renewable stuff.

7 And, you know, frankly it wears us out.
8 You know, we're trying to contribute; we're trying
9 to follow the process. And, also, what we hear
10 today is that, you know, Commissioner Bohn said,
11 oh, here's some things, you know, we think we're
12 doing that weren't included in the report. And,
13 of course, this Commission is well aware of that.
14 But is there a way to express it so there's
15 unanimity of position? So I want to underscore
16 that in my comments today.

17 And then perhaps for the short-term
18 goals, and we really appreciate the idea of a
19 short-term and long-term goal, for the short-term
20 goals to focus on perhaps one thing, you know.
21 The RPS, I look at, as kind of a juggling act,
22 because -- oh, and then, of course, there's the
23 Legislature -- and the juggling act is, you know,
24 everybody's trying to keep the balls in the air.
25 And then the Legislature comes in and, you know,

1 sort of puts a net over everything and drags the
2 balls out.

3 So, even though the agencies are using
4 their best efforts to come up with something
5 that's rational, that works for the utilities and
6 the developers, and the consumer goals of keeping
7 costs at appropriate levels for ratepayers, while
8 at the same time the societal goal for the
9 citizens of California to have renewables, you
10 know, sometimes that gets completely undermined at
11 the 11th hour in the Legislature. You know, at
12 midnight before, you know, on August 29th we find
13 out there's new provisions in the legislation.

14 Or sometimes the frustration of this
15 Commission, which we've heard expressed, where the
16 Legislature completely, you know, sort of throws
17 out anything that's been said. So that's another
18 concern that we have.

19 And just picking something, for example,
20 SEP reform is such an obvious target. We've all
21 mentioned it today. Linking it to the MPR, as
22 there's been some details laid out in this report,
23 that seems like a first step to go beyond what's
24 already underway.

25 So, coordination; picking something that

1 can be focused and fixed such as SEP reform, which
2 would be our number one priority, if I had to put
3 a number on that. And then, also if there's a
4 green team, or even if there isn't, just like with
5 the Energy Action Plan where the agencies, not
6 only these agencies but the other concerns parts
7 of the government, came together to really have
8 that kind of conversation specifically on
9 renewables. And get into all those details where
10 most people just, you know, glaze over after 30
11 seconds.

12 I know, you know, people here who are
13 working on it, and the people at the Commission,
14 you know, are really making an effort. Like
15 Susanna Churchill working over the weekend on a
16 holiday. And that's the kind of commitment we
17 see. But how can that be manifested in the
18 results that the state wants to have on
19 renewables.

20 Are there any questions on that? I'll
21 pause there. I have another topic to address on
22 repowering.

23 PRESIDING MEMBER PFANNENSTIEL: Let me
24 just clarify something, Diane. The comments you
25 made previously to this Committee and you

1 submitted in writing, talked very specifically
2 about what were the impediments for renewable
3 companies doing business in California under the
4 RPS generally, but I think some issues around
5 California business climate, if you will. And
6 then you had an article published recently along
7 those same lines.

8 I really need some clarification when
9 you talked about some specific concerns with the
10 RPS, did you have specific concerns -- and I don't
11 remember having seen this -- with sort of siting
12 power plants? Are they -- is it a question of
13 sort of local versus state issues?

14 I don't remember having seen that. Yet,
15 your -- both your letter and your article was sort
16 of silent on were there siting issues that you
17 were mentioning?

18 MS. FELLMAN: Actually, we did mention
19 it in the letter.

20 PRESIDING MEMBER PFANNENSTIEL: The
21 specific local siting? Now, I remember there
22 being the avian question, but other than that?

23 MS. FELLMAN: Well, we talked about
24 defined risk for environmental permitting; and we
25 put it in the context, since it was a letter to

1 this Commission, regarding the Commission, in the
2 op-ed piece, which I also happen to have, we
3 brought up the issue which was -- obviously this
4 is over my name, but it is the opinion of our
5 company -- we brought up some frustration we're
6 having in Solano County with our Montezuma
7 project, which is an RPS winner, by the way. We
8 did bid into the 2004 RFO and we were a winner.
9 We're under, I think, -- are we under contract
10 today? Yes. I can say that. With PG&E.

11 PRESIDING MEMBER PFANNENSTIEL: Thank
12 you.

13 MS. FELLMAN: And that's an extension of
14 our Highlands project.

15 PRESIDING MEMBER PFANNENSTIEL: Um-hum,.

16 MS. FELLMAN: So, I may be disagreeing a
17 bit with enXco's representative, Mr. Blue. But we
18 found when we went back to do the permitting for
19 the Montezuma project, which parenthetically if I
20 may share a personal anecdote, when I was on the
21 Commission Staff as a hearing officer, this
22 Commission Staff as a hearing officer, I presided
23 over a coal plant that was called Montezuma, which
24 PG&E had proposed for the Montezuma Hills, and our
25 Solano project, the Shiloh wind projects are

1 actually built, I think, exactly on the same piece
2 of property. So that's some progress that's
3 happened in California.

4 But, when we went back to do our
5 permitting for the Montezuma project there were
6 new requirements as a result of some of the
7 scientific reports that had been issued by PIER
8 Staff at this Commission, which we had discussed
9 in other forum before you, more issues were
10 raised.

11 We had to do more studies. And, you
12 know, people were scratching their heads saying,
13 in this area that is probably one of the most
14 studied wind sites with respect to the particular
15 technology that's going in -- this isn't a
16 question of the old going to new turbines; this is
17 a question of the most efficient modern turbines -
18 - why are we doing more -- we are fully prepared
19 to do our obligations for environmental
20 permitting. But all of a sudden we had to do more
21 things and look at other issues and do more
22 studies. And that project, which we thought would
23 be very quick through and prompt through the CEQA
24 process, ended up taking a long time.

25 And we are dealing with that at the

1 local level.

2 PRESIDING MEMBER PFANNENSTIEL: So, when
3 this Commission or in this report, when we
4 identify a number of barriers to getting renewable
5 development in California, we didn't put on our
6 list local permitting. Would you put that on our
7 list?

8 MS. FELLMAN: I would put that on the
9 list. And, again, this is my opinion, and I
10 shouldn't -- I'm not speaking on behalf of the
11 company right now -- but with respect to -- let me
12 back up.

13 With respect to how our company views
14 that, local permitting in relation to the state's
15 achievement of RPS goals, I think should be on the
16 list. We would say that --

17 PRESIDING MEMBER PFANNENSTIEL: Because
18 we really haven't heard that, other than --

19 MS. FELLMAN: We'd say that should be on
20 the list --

21 PRESIDING MEMBER PFANNENSTIEL: -- this
22 comment.

23 ASSOCIATE MEMBER GEESMAN: You know, I
24 think you need to be pretty careful here because
25 if you'll remember back to January of this year in

1 the session in Los Angeles that was jointly
2 sponsored by the Audubon Society and I think AWEA
3 and CEERT --

4 MS. FELLMAN: Right.

5 ASSOCIATE MEMBER GEESMAN: -- that
6 launched the effort to establish voluntary avian
7 guidelines that the Energy Commission and that
8 working group are involved with, the environmental
9 organizations very vociferously wanted those
10 guidelines to be mandatory; and they also saw that
11 as a precursor to the state becoming the
12 permitting agency for new windfarms.

13 And the industry's position, which
14 frankly it's been my perception the Energy
15 Commission has broadly shared over the years, is
16 that the local process doesn't appear to be
17 broken. There's no real need to inject a state
18 licensing agency into this.

19 Do you perceive that division of opinion
20 changing?

21 MS. FELLMAN: No.

22 ASSOCIATE MEMBER GEESMAN: Okay.

23 MS. FELLMAN: We would agree
24 vociferously that the local permitting authority
25 is the appropriate permitting authority for

1 renewable projects. And --

2 ASSOCIATE MEMBER GEESMAN: You just want
3 to see them exercise their discretion better or
4 more effectively or more promptly?

5 MS. FELLMAN: When Chair Pfannenstiel
6 asked that question my reply was in the context of
7 incorporating the renewable energy goals of the
8 state as part of that local permitting process.
9 And adding that to the balance of interests that
10 are being weighed. Because it is our experience
11 that at the local level there's a recognition, I
12 mean everyone will stand up and say we want wind
13 energy; we want more wind energy; or we want solar
14 energy.

15 But in the actual permitting and review
16 process and consideration that tends to be put to
17 the side for the environmental considerations.
18 And it is appropriate to have an environmental --
19 again, I want to emphasize, I am not suggesting in
20 any way, shape or form, that we should eliminate
21 environmental review for renewable projects built
22 in California. I want to make sure that's clear
23 on the record.

24 PRESIDING MEMBER PFANNENSTIEL: We
25 understood that.

1 MS. FELLMAN: And when you asked, Chair
2 Pfannenstiel, to have that added, it was the idea
3 that not that the state should take over the
4 siting authority as it does on thermal plants of
5 50 megawatts or greater, but rather that the local
6 government should incorporate the considerations
7 of the state renewable energy goals, and now
8 climate change goals, as part of its permitting
9 process. And that's one of the factors that it
10 weighs in permitting the facility.

11 COMMISSIONER BOHN: Can I just follow up
12 on that for a second, having spent a little time
13 years ago in local government. Is it your belief
14 that the, for want of a better term, general
15 recognition of the laudatory objectives of the
16 state's environmental policy, will be voluntary
17 ingested into the local permitting process?

18 In other words, my issue is this. I
19 hear what you're saying. And the conflict is
20 between two goals. And the essence of democracy
21 is that you reconcile goals that are conflicting.

22 It sounds a little like wishful thinking
23 to me when you say well, those things should be
24 incorporated in the local permitting process. I
25 can conceive of a situation where you get a local

1 permitting process that just says no, we're not
2 going to do it, and we don't care what anybody
3 else says because we don't want it in my backyard.

4 In that kind of a situation one could
5 make the argument that state permitting is the
6 broader goal. I'm raising the issue only because
7 I'm not sure that the answer to the question is,
8 gee, I wish it were otherwise, really helps us
9 much.

10 ASSOCIATE MEMBER GEESMAN: I actually
11 think it may open itself up to the AB-32 process
12 which, you know, right now is an empty canvas so
13 people can paint their own expectations upon it.
14 But if local governments are afforded a
15 significant role in meeting the state's AB-32
16 plan, for example, if they are given targets or
17 quotas of CO2 reductions that they need to
18 achieve, perhaps there's some benefit to Solano
19 County of permitting more windfarms.

20 PRESIDING MEMBER PFANNENSTIEL: I would
21 just like to give you the context that I was
22 asking the question, Diane. It's just we're
23 trying very hard, as you can tell, to fix what we
24 can fix. And to make policy recommendations for
25 further work on things that we can fix.

1 And the question of local environmental
2 review, I wanted to make sure that what we were
3 saying is, I think, what you actually did clarify
4 it to be, that the local jurisdictions should keep
5 their authority to do the environmental review.
6 But we should do whatever we can to make sure that
7 they understand and have the information about our
8 statewide goals for RPS for AB-32 for
9 understanding how important renewable resources
10 are. And they should -- we can help them, whether
11 or not, as Commissioner Bohn says, they actually
12 pay attention to our information and advice is
13 ultimately up to them.

14 But you weren't recommending that it
15 become a statewide environmental process, I think.
16 There was not --

17 MS. FELLMAN: I was --

18 PRESIDING MEMBER PFANNENSTIEL: -- an
19 idea of expanding Warren Alquist to include local
20 siting of renewables?

21 MS. FELLMAN: After the full Rumsfeld
22 comment I can't help but say --

23 (Laughter.)

24 MS. FELLMAN: -- not am I now nor have I
25 ever --

1 (Laughter.)

2 MS. FELLMAN: -- recommended that on
3 behalf of myself or the company.

4 PRESIDING MEMBER PFANNENSTIEL: Got it.

5 MS. FELLMAN: So I guess some of us are
6 old enough to know what that means, but --

7 (Laughter.)

8 MS. FELLMAN: -- if I may just respond
9 to your comment, Commissioner Bohn, and then
10 follow up with your comment, Commissioner Geesman.

11 First of all, NIMBYism is a fine
12 upstanding tradition in all jurisdictions at all
13 levels of policy. People don't want affordable
14 housing -- people want affordable housing in San
15 Francisco, but they don't want it in Pacific
16 Heights. I mean, you know, they want it in Bay
17 View/Hunter's Point. So, you know, that is an
18 issue you deal with at all policy levels.

19 And this is, as I was trying to say, and
20 I'll state clearly now, that is the intention to
21 just incorporate it as Chair Pfannenstiel just
22 said.

23 Commissioner Geesman, and I guess in
24 this instance I'll disagree with Mr. Blue, but I
25 believe that, and our company supports, the avian

1 guideline development as exactly getting to this
2 point, that yes, it was something that apparently
3 was missing in the process to have a conversation
4 that would not stop development of renewables,
5 wind power, due to avian issues, but rather would
6 look at those issues in a common forum outside of
7 a permitting process, to reduce it to what this
8 Commission is really good at, which is research,
9 analysis and policy.

10 And then to, you know, to sort of boil
11 that down and then bubble it back out into the
12 local permitting process. So, we see that, even
13 though wind may not be mentioned, and I haven't
14 been sitting in the room, but even though wind may
15 not be mentioned in the room where avian siting
16 guidelines are being developed by the CEC, you
17 know, it's been our company's general
18 understanding that that's exactly why that work
19 was being done here.

20 To allow the development to proceed, and
21 not have -- and this will segue into my next, the
22 next part of my comments on repowering -- to not
23 have that development stopped at the local level.
24 Not necessarily by the permitting process, per se,
25 but by litigation which we've experienced in the

1 County of Alameda.

2 To be stopped by just general, you know,
3 scratching of the head, this is beyond the
4 county's area of expertise; who do we bring in. I
5 think Mr. deRosa from PG&E talked about the
6 Commission being an honest broker, you know,
7 elevating this Commission's science to a point
8 where it can be used and understood as adopted
9 policy. And we can all feel good about pointing
10 to that and saying, hey, here's a roadmap of how
11 to get through this permitting process on a
12 scientific basis.

13 So, thank you for, you know, letting me
14 go right to my next checklist on that. And I did
15 want to say on the repowering side, from our
16 company's perspective there is a financial
17 component to that. There is the issue of what do
18 you do with the existing QF contracts, as well as
19 the PTC issue.

20 But the environmental issues are really
21 paramount, from our perspective. Because until we
22 have a roadmap and a schedule to when the County
23 of Alameda will address the repowering EIR, and I
24 think we will be hearing from them soon; and also
25 how their SRC is going to discuss -- or the

1 scientific review committee, excuse me, that's
2 other jargon outside of this Commission -- the
3 scientific review committee is going to address
4 the science, you know, we're participating in
5 that. We're actively committed to that process.
6 And that will provide some answers that will allow
7 us to make business decisions about what to do
8 next.

9 So, it's not just a matter of money;
10 it's also a matter of the environmental
11 requirements and, you know, we are hopeful, as
12 this Commission has been saying, I think how many
13 years has it been. I think it was in the 2003
14 IEPR that repowering is the best approach to
15 solving the avian mortality issues in the
16 Altamont.

17 So, are there any questions on that?

18 Thank you.

19 PRESIDING MEMBER PFANNENSTIEL: Thank
20 you, Diane.

21 Jane Turnbull, League of Women Voters.

22 MS. TURNBULL: Commissioners, Staff, I'm
23 Jane Turnbull from the League of Women Voters. I
24 had not planned to make any comments today when I
25 arrived because I really think the staff report

1 was very well done. However, a couple of things
2 have come up and I would like to make just a
3 couple comments.

4 First is that the League always supports
5 transparency of process. And we think that the
6 RPS goals are in the public interest and therefore
7 we see transparency as a very vital aspect in this
8 whole endeavor.

9 I really liked Commissioner Geesman's
10 use of the term commoditization. I think that's
11 something that we haven't been thinking of in
12 general. And I'd like to point out that
13 commoditization requires some assurance of
14 replicability. And replicability is fostered by
15 transparency of process.

16 The particular part of the RPS contracts
17 that are already in place that has been of
18 interest to me, in particular, have been the
19 sterling engine central receiver projects in the
20 valleys, the contracts with SDG&E and SCE. Those
21 are many many megawatts of proposed power. And
22 yet we have seen nothing in terms of development
23 of that technology as being a reliable replicable
24 technology.

25 We're counting on those hundreds of

1 megawatts of power as part of this RPS
2 achievement. And yet we have no milestones to
3 move us to any level of certainty that this is
4 going to be a reality.

5 So I think the idea of milestones in
6 this process is something that really needs to be
7 looked at again.

8 And I'd like to also point out that the
9 CPUC's suggestion that there be some evaluation of
10 looking at a standard offer process one other time
11 does make some very good sense. At least to me.
12 And whether the SEP payments could be merged into
13 a standard offer process might be something that,
14 you know, could be given some consideration.

15 To pick up on Diane's comments just
16 before me, I would like to note that the League
17 conducted energy studies throughout the state last
18 year in putting together our new policy positions.
19 And one of the concerns that came up again and
20 again is NIMBYism. And the real problems that are
21 an outgrowth of the NIMBY response.

22 And we do see that the general public
23 interest may very well not be achieved if NIMBYism
24 is always going to be the victor. So, I believe
25 in the second part of the report, the land use

1 report, I think there are opportunities to begin
2 to find ways to address NIMBYism.

3 Thank you.

4 ASSOCIATE MEMBER GEESMAN: Jane, has the
5 League addressed the topic of RECs?

6 MS. TURNBULL: No, we haven't.

7 ASSOCIATE MEMBER GEESMAN: Any intention
8 of getting into that in the future? Or do you
9 have an opinion as to what reliance we should
10 place on RECs going forward?

11 MS. TURNBULL: I think they're an
12 interesting incentive. We have a number of League
13 members who are very actively involved in the REC
14 process on one side or the other. So, I really --

15 ASSOCIATE MEMBER GEESMAN: The voluntary
16 RECs market?

17 MS. TURNBULL: -- have to -- yes. There
18 are several of our active members are
19 professionally involved in the --

20 ASSOCIATE MEMBER GEESMAN: I guess in
21 the question that I'd pose for later, some
22 subsequent workshop, is to address what reliance
23 the State of California should, in fact, place on
24 out-of-state RECs. As we discussed earlier, SB-
25 107, I think, does give us that authority once

1 WREGIS is established.

2 There are a number of reasons why that
3 might be a good idea. The report points out
4 several reasons why it might not be such a good
5 idea. I'm sure we're all going to have a very
6 lively discussion of the topic on probably
7 multiple occasions before the two agencies make a
8 decision on it.

9 But it's something I'd invite your
10 comments on in the future.

11 MS. TURNBULL: Well, in the PUC
12 deliberations of cap-and-trade opportunity, or
13 setting a standard really for greenhouse gases, it
14 was pretty clear that they were thinking of RECs
15 as a vehicle to mitigate greenhouse gas emissions.

16 I think there are other reasons for RECs
17 besides that. But those really are not being
18 factored into the discussions, at least to my
19 awareness at this point.

20 ASSOCIATE MEMBER GEESMAN: Thank you.

21 PRESIDING MEMBER PFANNENSTIEL: Thanks,
22 Jane. We have two commenters on the phone, and
23 I'm not sure whether they were intending to
24 comment on the RPS or the land use portion. So
25 perhaps we can just get them on and ask them.

1 Victoria Rome from NRDC.

2 Ms. Rome, are you there?

3 (Pause.)

4 PRESIDING MEMBER PFANNENSTIEL: Well,
5 perhaps we'll go to Gary Allen from Southern
6 California Edison Company.

7 MR. ALLEN: Good morning.

8 PRESIDING MEMBER PFANNENSTIEL: Good
9 morning.

10 MR. ALLEN: I'm going to keep my
11 comments brief. We've commented throughout the
12 course of the workshops on this effort. And I
13 think I would like to echo a number of the
14 comments that were made that said the tone of the
15 report has not reflected the progress that has
16 been made recently. Greg Blue said it well.
17 There are a lot of things that are happening and I
18 think they are moving in a very positive way. And
19 I don't think the report really does it credit to
20 what all is actually actively going on.

21 And I think the other comments that I
22 would like to make is again echoing some others,
23 is that I'm not sure that we could do anything
24 differently if we were penalized further or
25 harder. We are actively pursuing as many ways as

1 we can at Edison to achieve the state's goals.
2 And it's just a process that's going to take some
3 time to get accomplished.

4 Thank you very much for the time to
5 comment.

6 PRESIDING MEMBER PFANNENSTIEL: Thank
7 you. Do we have Victoria Rome on?

8 MS. PHINNEY: She's on the line.

9 PRESIDING MEMBER PFANNENSTIEL: Ms.
10 Rome, were you planning to address us on the RPS
11 or land use planning?

12 (No response.)

13 PRESIDING MEMBER PFANNENSTIEL: I'm
14 sorry, we're not able to hear you. Do you perhaps
15 have the mute on your phone on?

16 (No response.)

17 MS. PHINNEY: It seems she's stepped
18 away from her phone.

19 PRESIDING MEMBER PFANNENSTIEL: Thank
20 you. All right, I think, unless we have anybody
21 else who'd like to come up and make comments on
22 the RPS part of the report, we're going to move to
23 the next chapter, which is on energy and land use.
24 And with that I'll ask Suzanne Phinney to walk us
25 through what's in the report. Suzanne.

1 MS. PHINNEY: There we go. Yes, I just
2 have a few slides to go over before we open this
3 to public comment. And I'll be talking about the
4 relationship, the chapter that is on the
5 relationship between energy and land use.

6 The scoping order for the 2007 IEPR
7 directed staff to investigate the nexus between
8 land use planning and energy by examining existing
9 studies and policies related to sustainable land
10 use planning and energy savings opportunities, and
11 by consulting with the Governor's Office of
12 Planning and Research, and other parties involved
13 in land use and energy planning.

14 And through this research and comments
15 and presentations that we received from a workshop
16 that we held in September, we found that current
17 land use planning and development practices for
18 the most part do not address energy. And where
19 they do, it's primarily related to transportation
20 energy in vehicle miles traveled, for example.

21 We found that smart growth is a tool
22 that can effectively link land use and energy to
23 create energy savings and allow for better energy
24 planning and land use decisions. That smart
25 growth can help meet the state's energy and

1 greenhouse gas reduction goals through AB-32,
2 through the RPS, through goals for DG.

3 And while that state law outlines land
4 use processes, it's local governments that are
5 responsible for land use. We need to dim these
6 lights, thank you. As such, they hold the key to
7 sound land use decisions, energy savings and
8 greenhouse gas reductions.

9 The Energy Commission believes that
10 further action is needed to integrate land use
11 planning and energy and recommends first that the
12 definition of smart growth we broadened to include
13 all energy saving and planning strategies
14 including proper orientation, location of homes,
15 increasing energy efficiency and planning for DG
16 renewables and energy infrastructure.

17 The state should collaboratively develop
18 legislation that would require local governments
19 to develop greenhouse gas reduction plans in
20 concert with the state's efforts to implement AB-
21 32.

22 The state utilities should be better
23 integrated in land use decisions to take advantage
24 of their expertise and provide for sustainable
25 energy developments. And that the state should

1 provide the information and tools that local
2 governments will need to achieve all of this. And
3 I know the CPUC has made a comment that for one of
4 the tools which the Energy Commission is
5 developing, the IPLACES3 energy module that the
6 utilities be involved in that. And I'm happy to
7 report that we have Southern California Edison,
8 PG&E and SMUD on the advisory committee for that
9 effort.

10 And moving on, additional
11 recommendations include that more research should
12 be conducted on the relationships, processes and
13 outcomes of linking smart growth and sustainable
14 energy planning practices and designs. That
15 stakeholders and policymakers should be educated
16 on the linkage between energy and smart growth,
17 including having case studies and best practices
18 guides that we can provide to local governments to
19 help them with efforts that we're asking them to
20 take on.

21 That the state should identify and
22 promote funding options that could help local
23 governments expand smart growth and smart land
24 use. And that finally the Energy Commission
25 recommends that land use energy partnerships be

1 developed and maintained. And particularly
2 encourages such efforts as the local government
3 commissions, local government sustainable energy
4 coalition.

5 And after that brief presentation we
6 open it to public comments.

7 PRESIDING MEMBER PFANNENSTIEL: Thank
8 you, Susanne. Before we ask for public comment on
9 this, let me just observe here that unlike the RPS
10 discussion where this Commission and the PUC have
11 been at it for a number of years, and we've had
12 many workshops and many studies and a lot of
13 analysis and activity, land use, in terms of the
14 energy impacts of land use decisions, is a
15 relatively new topic to this Commission.

16 And so I look at it as we are beginning
17 what should be, I think, a very important effort
18 that will feed into our Integrated Energy Policy
19 Report. So we're looking to hear from people
20 about what work needs to be done, where some of
21 the directions, is there anything we have missed
22 in terms of setting up this program.

23 We know that there's been work done,
24 some here, mostly not at this agency. And we want
25 to make sure that we're bringing that in. We're

1 also tying the work on land use and energy back to
2 the AB-32 work that we're all going to be embarked
3 upon. So want to make sure we're making those
4 connections firmly and consistently.

5 With that I have a couple blue cards
6 from people who have asked to speak on this. So
7 why don't we start with that, and then ask others.
8 Les Guliasi from PG&E.

9 MR. GULIASI: Thank you and good
10 morning, Commissioners, and I guess now one
11 Advisor.

12 I'm just going to give some brief
13 comments on the second subject of your update
14 report, land use planning and energy use.

15 First of all, I commend the Commission
16 for raising this issue and for putting it on the
17 policy agenda. I agree with you, Commissioner
18 Pfannenstiel, this is a new issue that needs and
19 deserves a great deal of attention. It's a very
20 broad issue that brings in lots of sub-issues.

21 Certainly an issue that PG&E has
22 embarked upon recently. We're very focused on
23 this issue. We recently turned our attention to
24 this issue. And we look forward to working with
25 you on this issue, as you move forward into the

1 next IEPR proceeding.

2 There's no doubt that sustainable
3 development and smart growth deserves our
4 attention. If you just look at one simple fact
5 that California looks to add about 20 million new
6 residents by the year 2050, it's clear that it's
7 not too early to start thinking about planning for
8 our energy use, and thinking about it in new ways.

9 The report did a good job of listing
10 some of the major problems that we'll need to
11 address, such as how current land use planning
12 fails to take into account energy use.

13 I agree with you that as we embark upon
14 the broad discussion of AB-32 implementation and
15 greenhouse gas mitigation, we're going to find
16 ourselves addressing a whole host of topics that
17 we don't even really know about yet.

18 Just by posing these questions I think
19 you've opened up an important dialogue. And as
20 we've been thinking about this problem, we see
21 many opportunities for utilities to play a vital
22 role in helping to solve these problems and
23 address these issues.

24 One of the things that strikes us that
25 utilities have a great opportunity to provide some

1 leadership, to provide our customers with energy
2 solutions for the future. And that brings into
3 discussion a whole host of things, things that we
4 are currently doing, and things that we are only
5 dreaming about doing now.

6 We have a natural advantage in
7 positioning ourselves to be a leader in this area.
8 Our customers recognize the role that utilities
9 play in providing them with solutions to their
10 energy needs. We think we naturally fit into this
11 picture.

12 We also have an advantage in terms of
13 our role as a builder of infrastructure. So
14 combining our knowledge and our expertise and our
15 track record in providing our customers with
16 solutions to their energy problems such as the
17 kind of energy efficiency and education programs
18 we have to offer, we also can provide a solution
19 in terms of how we develop infrastructure to meet
20 customer needs.

21 But what we've done to date really isn't
22 enough. What we really need to do is take our
23 experience and take the programs that we've
24 developed and push them to a new level.

25 Again, the great advantage that you

1 provided for us is to just open the dialogue and
2 to help us begin to think about these problems and
3 new ways of solving the problems. So you're
4 really opening up a conventional topic, but I
5 think you're giving us an opportunity to think
6 about these issues in an unconventional way.

7 At PG&E we recently launched a new
8 initiative in San Francisco, the city of our
9 headquarters. We're calling it the San Francisco
10 Green Initiative. We hope that that initiative
11 will become a model for sustainable development.

12 What we're trying to do with that
13 initiative is integrate all the various programs
14 that we have, the infrastructure development,
15 energy efficiency, the environmental programs,
16 technology development and community involvement.

17 You've heard a little while ago about
18 one of the initiatives here to develop, with the
19 City and County of San Francisco, a tidal project,
20 a demonstration project to use tidal power for
21 energy.

22 But what we hope to do with this whole
23 menu of programs and projects is to paint a
24 picture for the future. We've recently conducted
25 some customer research to find out what customers

1 want from their utility in the future. What
2 expertise do we have; what expertise do they want
3 us to develop to help lead them into the new
4 future.

5 And what we found is that customers want
6 some of that we're all accustomed to. They want
7 fair prices; they want a utility company that runs
8 efficiently; and they want a company that excels
9 in providing customer service.

10 But overwhelmingly what customers are
11 telling us is they want a utility that will
12 demonstrate bold environmental leadership. And
13 that's what PG&E's positioning itself to do.

14 The goal of this demonstration project
15 in San Francisco, this green initiative, is to
16 develop some programs, some projects to paint the
17 picture for the future. And we hope that through
18 some success in this one city it'll provide a
19 model that we could expand and use across our
20 service territory and become a model for other
21 utilities to copy.

22 So as you move forward next year with
23 your project, with your program here, you can
24 expect us to be a partner in your endeavor. And
25 we hope that together we can help to build a

1 future for energy development for California.

2 Thank you.

3 PRESIDING MEMBER PFANNENSTIEL: Thank
4 you, Les.

5 Eric Wanless from NRDC.

6 MR. WANLESS: Thank you, again, for
7 another opportunity to speak this morning, or this
8 afternoon, I guess.

9 But to start off with I'd like to say
10 that NRDC is very pleased that the 2006 IEPR
11 Update contains a lengthy discussion of land
12 use/energy relationship. And shows significant
13 foresight in terms of realizing that all the
14 greenhouse gas reduction tools are going to be
15 needed in meeting the AB-32 targets.

16 Additionally, more efficient transit-
17 oriented land use planning will be critical in
18 meeting these targets.

19 In terms of some of the issues that NRDC
20 has with the land use section of the report,
21 they're focused mainly around the barriers to
22 changing the status quo and allowing for more
23 smart growth.

24 The first barrier listed in the document
25 is, moving toward a smart growth system is a

1 resistance to housing styles that are different
2 from the American dream of a single family home
3 with a yard. And this claim is made in the
4 document without any real basis.

5 In a 2004 survey conducted by the
6 National Association of Realtors and Smart Growth
7 for America, it was found that commute time and
8 walkability in the community were the top
9 priorities for those looking for a home; not the
10 size of the home or the size of the lot.

11 If you look at property values as a
12 proxy for consumer preference what you'll find is
13 that the areas with the highest values are those
14 in the very highest density locations with the
15 best access to transit service.

16 Additionally, smart growth supports a
17 full range of housing options and locations,
18 anything from dense urban settings to well-
19 designed suburban communities that are pedestrian-
20 friendly and have good access to transit.

21 So NRDC recommends that the Update
22 should not assume that smart growth is
23 inconsistent with the American Dream.

24 Are there any questions on that point?

25 The second issue that we have is related

1 to another barrier listed in the report. And this
2 barrier is related to something that's not listed
3 in the report, but is a very significant barrier
4 to going forward with increased intelligent land
5 use planning and smart growth.

6 And this barrier is listed as residents
7 opposition to higher density development in their
8 communities. Residents don't object to having
9 more people in their communities. The primary
10 objection is having more traffic in their
11 communities.

12 And this is related to the way -- in
13 terms of another barrier, this is related to the
14 way the current transportation models are
15 implemented. So that the current transportation
16 models used in environmental impact statements for
17 development now are blind to the benefits of
18 higher housing density and increased transit in
19 reducing traffic.

20 As an example, if you have an urban
21 infill project in a dense transit-rich area, using
22 current models it could be projected to double the
23 traffic in that area. Where, in fact, if you use
24 a more sophisticated model that more accurately
25 addresses the benefits and cost effectiveness of

1 smart growth, you'll find that there could be
2 little to no increase in traffic.

3 In this modeling problem, this
4 disconnect in the models in addressing the
5 benefits and cost effectiveness of smart growth is
6 a primary barrier to achieving smart growth.

7 So we recommend that the CEC consider
8 the role of regional transportation modeling in
9 land use decisions. And furthermore we recommend
10 that the IEPR Update recommend that the
11 metropolitan planning organizations upgrade their
12 models to truly account for the benefits and cost
13 effectiveness of smart growth.

14 And I'll back up in just a second and
15 say that in September when NRDC presented to the
16 Commission on the relationship between land use
17 and energy in California, our presentation did not
18 discuss this modeling issue at that time,
19 primarily because there is Assembly Bill 1020 was
20 on the Governor's table, and we were expecting
21 that to be signed. And that addressed many of
22 these problems with the modeling. And that bill
23 was vetoed. But these problems in the modeling
24 still exist and they need to be addressed.

25 Those are our primary comments on this

1 section of the IEPR. Thank you, again, for --

2 COMMISSIONER BOHN: May I ask a
3 question?

4 MR. WANLESS: Sure.

5 COMMISSIONER BOHN: I live in San
6 Francisco. One of the problem in San Francisco is
7 what I consider a very odd and misguided policy
8 against ownership. Have you considered, or is
9 there any data that relates to some of these
10 issues that deals with the problem of ownership
11 versus rental?

12 In other words, one of the reasons, I
13 spent a lot of time, I've lived in New York and
14 where you have all these rent control exercises;
15 and San Francisco actively and vociferously
16 opposes additional home ownership in terms of
17 condominium, both conversions and that sort of
18 thing in San Francisco. And that result is that
19 the prices of places to live in San Francisco are
20 very high. I would argue inordinately high.

21 And my question is I understand people
22 don't object to high density, per se. They object
23 to traffic. And rather than sort of taking that
24 one on, I'd be interested if you have any
25 observations about the manner in which people hold

1 home ownership as it relates to the issues you're
2 talking about.

3 MR. WANLESS: Unfortunately I'm not one
4 of the NRDC experts on smart growth, but certainly
5 we'll be submitting written comments in addition
6 to this. And we can address that and look at that
7 in the written comments.

8 PRESIDING MEMBER PFANNENSTIEL: Okay.
9 Commissioner Geesman, did you have a question?

10 ASSOCIATE MEMBER GEESMAN: Yeah, with
11 respect to the criticism of the regional
12 transportation models. Are there academic studies
13 or reviews in the literature that you could point
14 us to that would bolster your argument that the
15 existing models use flawed assumptions?

16 MR. WANLESS: I'm sure we'd be able to.
17 Again, I'm not one of the --

18 ASSOCIATE MEMBER GEESMAN: If you'd
19 include those in your written comments it would be
20 helpful.

21 PRESIDING MEMBER PFANNENSTIEL: Thank
22 you very much.

23 MR. WANLESS: Thank you, again, for the
24 opportunity to speak.

25 PRESIDING MEMBER PFANNENSTIEL: Is there

1 anybody else? I'd like to check again and see if
2 Victoria Rome from NRDC is on the line, and if her
3 intention was to comment on the land use section.

4 MS. ROME: Thank you. I can just
5 respond, again, to that last question. There is
6 definitely a lot of research to back up what we're
7 saying are the deficiencies in the current models.
8 And we'll definitely include citations for those
9 in our written comments.

10 PRESIDING MEMBER PFANNENSTIEL: Thank
11 you. Do you have any other comments on the
12 chapter?

13 MS. ROME: No, I don't.

14 PRESIDING MEMBER PFANNENSTIEL: Thank
15 you for --

16 MS. ROME: Thank you.

17 PRESIDING MEMBER PFANNENSTIEL: --
18 joining us. Are there other matters then that
19 anybody here would like to discuss?

20 Lorraine, do you want to make a comment
21 about next steps and schedule?

22 MS. WHITE: Yes, Commissioner. The next
23 steps at this point are to have written comments
24 filed by December 12th. The expectation is that
25 the Commissioners and Advisors will deliberate on

1 those comments and make appropriate revisions to
2 the Committee draft report, to finalize it for
3 presentation to the full Commission for their
4 adoption in January.

5 The revised document will be posted no
6 less than ten days in advance of the business
7 meeting. We have two business meetings in January
8 that we're looking to hear this particular
9 document. The first opportunity is January 3rd;
10 this would require us to actually get that
11 material out prior to the Christmas holiday. If
12 the comments are extensive I would suggest that we
13 actually would be meeting the January 17th
14 business meeting. At which case we'd be able to
15 get out the revised Committee draft by the first
16 of the year for parties' consideration.

17 ASSOCIATE MEMBER GEESMAN: I'm not
18 certain you want to lock yourself into the first
19 of the year. I would suggest you take January
20 17th and subtract ten days from it --

21 MS. WHITE: Okay, the first part of the
22 year, I should say.

23 ASSOCIATE MEMBER GEESMAN: Yeah. And I
24 don't have a view as to whether we ought to shoot
25 for the 3rd or the 17th until we actually see the

1 written comments.

2 MS. WHITE: Yes. And I would hold off
3 actually firmly committing to either of those
4 business meetings until we've seen all of the
5 comments.

6 We've heard quite a few today that I
7 think will require some work to address.

8 PRESIDING MEMBER PFANNENSTIEL: Yes,
9 Les.

10 MR. GULIASI: Thank you, Commissioner
11 Pfannenstiel. Just having heard, again, the
12 proposed schedule, I'm wondering if I may request
13 a couple of days extra time to submit written
14 comments. We're going to supply some comments on
15 the first topic, the RPS topic, reflecting mainly
16 what you've heard our presentation today.

17 But the reason I ask for that short time
18 extension is that the same resources that we have
19 devoted to putting together these comments are
20 also being devoted to putting together our long-
21 term plan filing with the CPUC which will be filed
22 next week. So a little bit of additional time
23 would give us staff time, the ability to put
24 together comments that I believe will be of better
25 quality.

1 PRESIDING MEMBER PFANNENSTIEL: So by
2 the end of the week --

3 MR. GULIASI: Yes, please.

4 PRESIDING MEMBER PFANNENSTIEL: --
5 certainly.

6 MS. WHITE: The 15th.

7 PRESIDING MEMBER PFANNENSTIEL: Um-hum.

8 MR. GULIASI: Thank you very much.

9 PRESIDING MEMBER PFANNENSTIEL: We look
10 forward to your comments. Thank you all for being
11 here. Thank you.

12 (Whereupon, at 11:55 a.m., the Committee
13 workshop 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 Committee Workshop; 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 workshop, nor in any way interested in outcome of said workshop.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of December, 2006.

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