

JOINT COMMITTEE WORKSHOP
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Preparation of the 2007 Integrated)
Energy Policy Report) Docket No.
) 06-IEP-1J
Progress of Publicly Owned Load-)
Serving Entities Towards Resource)
Adequacy)
_____)

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

THURSDAY, SEPTEMBER 13, 2007

2:13 P.M.

Reported by:
Peter Petty
Contract No. 150-07-001

COMMISSIONERS PRESENT

Jackalyne Pfannenstiel, IEPR Committee Presiding
Member

John L. Geesman, IEPR Committee Associate Member;
Electricity Committee Associate Member

Jeffrey D. Byron, Electricity Committee Presiding
Member

ADVISORS PRESENT

Suzanne Korosec

Gabriel Taylor

STAFF and CONSULTANTS PRESENT

Lorraine White

Jim Woodward

ALSO PRESENT

Ernest Hahn
Metropolitan Water District

Tony Braun
California Municipal Utilities Association

Sebstien Csapo
Pacific Gas and Electric Company

James Hanks
Imperial Irrigation District

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

2 2:13 p.m.

3 MS. WHITE: Commissioners, if you would
4 like to say any opening remarks.

5 CHAIRPERSON PFANNENSTIEL: Thanks,
6 Lorraine. This is a Joint Committee workshop
7 between the Integrated Energy Policy Report
8 Committee and the Electricity Committee.

9 I'm Jackie Pfannenstiel, the Presiding
10 Commissioner on the IEPR Committee. To my left is
11 Commissioner Byron, who is the Presiding
12 Commissioner on the Electricity Committee. To my
13 right is Commissioner Geesman, who is the
14 Associate Commissioner on both of those
15 Committees.

16 This is a joint workshop on, as Lorraine
17 said, the progress of publicly-owned load-serving
18 entities towards resource adequacy. And we are
19 here to take comments on the report previously
20 circulated, the staff report of the same name.

21 So, I will turn it over to Lorraine.

22 MS. WHITE: Thank you, Commissioners.
23 For those of you here we're just going to go
24 through some logistics really quick. And then for
25 those of you who have kindly joined us on the

1 Webex I want to touch base on a couple of things
2 to facilitate participation through that process.

3 And then, of course, to touch on some of
4 the relationship of this report in our overall
5 IEPR process.

6 For those of you who might want some
7 refreshments as we go through the afternoon, you
8 can find a snack shop on the second level
9 underneath the awning. We also have restrooms
10 that are behind the elevators or to the left here.

11 In the event of an emergency, if an
12 alarm sounds, we ask that you follow us out of the
13 building and convene across the street at
14 Roosevelt Park. We have to wait there until we
15 get the high sign to return.

16 In terms of our participation processes
17 that we've provided today, we have Webex services
18 that you can utilize by going to our website and
19 following the directions for participation in that
20 process.

21 If you want to actually ask questions
22 you have to call in. That number is 1-866-469-
23 3239. If you're just wanting to listen to the
24 audio and look at the slides that we'll be
25 presenting today, you can go to the Commission's

1 webcast services which allow you to listen in and
2 just see what we're talking about today.

3 For those of you who have joined us in
4 person, to help us facilitate insuring everyone
5 who has a question or comment gets a chance to do
6 so, we have blue cards at the front of the hearing
7 room here that we'd like to have you fill out.
8 Hand them either to me or any of the other staff
9 here. We'll be presenting them to the
10 Commissioners so that they can call you in order.

11 As the Chairman has mentioned, staff
12 produced a report in August that outlined the
13 information that the utilities have provided us on
14 their resource adequacy plans and how they
15 actually meet them.

16 We asked in response to that report that
17 comments from all parties be presented to us by
18 September 10th. To some degree we'll be going
19 over those comments today.

20 Staff will be discussing an overview of
21 the report we published on August 23rd. We've
22 identified several participants who have provided
23 comments, who want to actually make formal remarks
24 before the Commissioners. And then, of course,
25 we've allowed for other time for anyone else who's

1 interested in making comments.

2 And then staff will talk a little bit
3 about the next steps to finalize this work.

4 As I mentioned, staff's report and this
5 workshop are a part of the overall Integrated
6 Energy Policy Report proceeding. Information from
7 what staff has produced and what your comments
8 will be, and input today, will actually be
9 incorporated in the IEPR Committee's draft report
10 that we hope to publish by the end of next week.
11 So we'll be pretty much listening with open ears
12 to see what new information might be available to
13 try and get that incorporated.

14 Ultimately, as we finish this particular
15 analysis, we will be working on finalizing the
16 Committee report, as well. We hope to complete
17 that work and have that document adopted by the
18 21st of November.

19 If you are interested in information
20 about the proceeding as a whole, all the
21 information, staff reports, information on the
22 workshops and the presentations that have been
23 made, comments made by parties, all that
24 information is available on our website if you go
25 to the link for the 2007 Integrated Energy Policy

1 Report.

2 At anytime you can ask me if you have
3 general comments or questions. I'll be happy to
4 respond to them. And, in particular, for
5 questions or concerns about what we're writing up
6 regarding the POU resource adequacy evaluation,
7 the Lead is Jim Woodward, who I'll be introducing
8 shortly.

9 If there's anything else, we'll go right
10 to the presentations.

11 MR. WOODWARD: Thank you very much,
12 Lorraine. I am IEPR Project Manager for help
13 getting this workshop going, for IT Staff, as
14 well. Apologies to those here and listening in on
15 Webex for our slow start.

16 My name is Jim Woodward and I'm glad to
17 be here. Thank you, Commissioners, for this
18 workshop, as well.

19 Very often at the beginning of a
20 workshop like this, staff are a bit nervous. In
21 my case I'm quite relieved that we're underway.
22 This is a workshop that was postponed twice, once
23 July 2nd and once on August 27th. And my co-
24 workers were beginning to ask me if I was going
25 for a record in some regard. And I don't want to

1 know what that record is, so I'm glad you're here
2 and we are underway.

3 I would like to call brief attention to
4 the disclaimer on the title page of the report.
5 It says: This report was prepared by a California
6 Energy Commission Staff Person. No one else has
7 officially approved it or passed upon the accuracy
8 or adequacy of the information in this report.

9 However, I have my own disclaimer.
10 There are lots of people here at the Energy
11 Commission and at the POU's throughout the state
12 who have helped by already pointing out my
13 mistakes and often offering many corrections. And
14 that process continues today.

15 So we're here today to take comments on
16 the report, as Lorraine said. And to field
17 questions if we can, accept corrections to the
18 report that was posted on August 27th.

19 We expect this staff report will be
20 reissued as a Committee report within a few weeks,
21 incorporating the corrections and comments that
22 have come to light, along with direction from the
23 Committees.

24 Written comments were requested by
25 September 10th so that they might be shared, and

1 perhaps addressed here at the workshop. And no
2 formal comments were submitted.

3 There were, however, informal
4 corrections received by email from people like Bob
5 Tang at Asuza Light and Water. More substantive
6 suggestions have come from the Department of Water
7 Resources and the Metropolitan Water District of
8 Southern California. And for these two government
9 entities staff has developed some revised
10 summaries for the report.

11 For MWD, the key corrections are to
12 categorize MWD as an end user, not as an LSE. And
13 their interruptible pumping load totals only 110
14 megawatts, not 210.

15 And for MWD I'd like to read a brief
16 excerpt of that revised summary that should
17 replace the text on pages 51 and 52. Now, I won't
18 read very much today. I was told to be brief and
19 not read too much, but for clarity I'll try to do
20 this for MWD.

21 MWD does not serve retail loads or end
22 use loads of electricity to customers. Therefore,
23 by most definitions, MWD is not considered to be a
24 load-serving entity.

25 One of the major sources of water of MWD

1 is the Colorado River, conveyed over 240 miles of
2 aqueduct. There are five pumping plants along the
3 aqueduct, each equipped with nine pumps to lift
4 the water over and through the mountains west of
5 the Colorado River and through the Mojave Desert.

6 The aqueduct pump loads are referred to
7 as wholesale, to distinguish them from other MWD
8 loads that refer to retail service, received
9 retail service.

10 MWD's Colorado River aqueduct electric
11 system is designed to meet maximum pumping load of
12 about 320 megawatts. In 2006, annual peak pump
13 load was 222 megawatts.

14 To supply its pump load MWD has entered
15 into long-term contracts for power from the Hoover
16 Dam and Parker Dam Power Plants. MWD has rights
17 for up to 310 megawatts from these two facilities.

18 Under an existing agreement with
19 Southern California Edison that dates back to
20 1987, in some ways, SCE serves as the scheduling
21 coordinator at the ISO for MWD's wholesale pumping
22 load and for generating resources that are used to
23 meet that load.

24 MWD has the ability to interrupt up to
25 110 megawatts of pumping at its intake pumping

1 plant at Lake Havasu and its pumping plant two
2 miles west of the lake.

3 Under the agreement with SCE, SCE
4 combines the aqueduct pump loads and resources
5 with SCE's own retail loads and resources. SCE
6 schedules MWD's Hoover and Parker resources and
7 has the right to request MWD's interruption of up
8 to 110 megawatts of pump loads up to 20 times a
9 year.

10 Therefore, for resource adequacy
11 purposes MWD's aqueduct pumping loads are
12 satisfied by MWD and Southern California Edison.
13 And it's included in the aggregated resource
14 adequacy submittals of Southern California Edison.

15 For DWR the changes requested would
16 simply clarify that the State Water Project is the
17 load for which DWR is the scheduling coordinator
18 at the ISO. And the DWR self-schedules its
19 hydroelectric resources and contract supplies to
20 meet SWP load.

21 In large part, the big conclusion that
22 we would echo in some ways is that the resource
23 adequacy programs that have been developed so far
24 are working.

25 California ISO and the California Public

1 Utilities Commission have both credited resource
2 adequacy programs last year in part for the
3 success in meeting record statewide load during
4 the July 2006 heat storm.

5 Capacity was secured and made available
6 to the ISO for dispatch. And for many reasons
7 there was capacity available, both scheduled by
8 LSEs and called upon by the ISO, interruptible
9 load included, demand response programs included,
10 to meet record load.

11 And yet that program is not going to
12 continue. The Federal Energy Regulatory
13 Commission approved the ISO tariff requirements on
14 May 12, 2006, for the interim reliability
15 requirements program, IRRP. And that will expire
16 when MRTU begins, now set for next April.

17 Many of the existing policies that city
18 councils adopted, or governing boards of publicly
19 owned utilities have adopted have an expiration of
20 those policies that is linked to when MRTU begins.
21 So those are, again, interim resource adequacy
22 policies for now that have been made to work by
23 various parties, much like IOUs and ESPs have made
24 a way to work. They've, in some cases, incurred
25 additional expense for capacity-only contracts.

1 Another thing we expect will change is
2 that many of the publicly owned utilities outside
3 of the California ISO balancing authority area are
4 expected to adopt formally some resource adequacy
5 policies by their boards and city councils.

6 The ISO tariff on IIRP basically sets
7 some default criteria, such as the planning
8 reserve margins of 15 percent. And only if a
9 local regulatory authority decided otherwise,
10 could they adopt a different criteria, a different
11 planning reserve margin.

12 So that catalyst has not been in place
13 for the other balancing authority areas or control
14 areas in California, of which there are four
15 others, entirely within the state; and five others
16 partially include territory in the State of
17 California.

18 So, under that tariff, the local
19 regulatory authority is, in fact, the California
20 Public Utilities Commission for the IOUs and the
21 ESPs. And they've adopted the requirements that
22 are now also built into the Cal-ISO tariff.

23 For the POUs their city council, their
24 governing board was named in the ISO tariff as the
25 local regulatory authority.

1 For the rural electric co-ops, of which
2 there are four in California and two within the
3 ISO, so it's not exactly clear who will have
4 authority. These are nonprofit corporations that
5 are registered as such with the Public Utilities
6 Commission, but the ISO tariff recognized that
7 they have local governing boards. So that has not
8 been fully tested. And that relates mainly to
9 Anza Electric and Plumas Sierra, a rural electric
10 cooperative that's part of NCPA.

11 But what this tariff did do was give
12 discretion in three areas: For adopting a
13 planning reserve margin if it might be different
14 than 15 percent.

15 To adopt resource counting criteria if
16 it might be different than those specified. And
17 that was often a result of protracted discussions
18 over several years between PUC, the ISO, other
19 parties, about how to count different resources.

20 And the third area of discretion for
21 LRAs was involving the demand forecast methodology
22 that they would adopt and any adjustment for
23 coincident peak demand.

24 In the report we tried to report the
25 details, all of the salient facts as they became

1 known to us in these areas where there are
2 differences. For example, there are some, like
3 Needles, that have a de facto planning reserve
4 margin of 0 percent or slightly negative, as we
5 presented in May. They're outside Cal-ISO, but
6 it's of interest.

7 Within Cal-ISO we noted Hercules had a 7
8 percent operating reserve margin as their goal;
9 Rancho Cucamonga had a 7 percent planning reserve
10 margin. The City of Industry -- these are very
11 small, many compact utilities under 10 megawatts
12 annual peak -- 10 percent. Anza Electric at 12
13 percent for their planning reserve margin.

14 DWR, we learned, has a 15 percent
15 planning reserve margin, but only for their firm
16 load on the State Water Project. And, again,
17 that's for their share of the coincident peak
18 load. DWR's non-coincident peak is about 600
19 megawatts higher than their load at the time when
20 Cal-ISO typically peaks, which is during the day,
21 in the afternoon; whereas the State Water Project
22 is designed to peak at offpeak hours, their
23 pumping load.

24 Western, as we reported in May, the
25 Western Area Power Administration has adopted a

1 resource adequacy program that has set 10 percent
2 as their planning reserve margin for the months of
3 June through September; 5 percent for the months
4 of October to May.

5 Anaheim, as we also reported on May
6 15th, has, for now, adopted a planning reserve
7 margin that's 12 percent for the months of October
8 to April, plus 10.8 percent for the months of May
9 to September. But they are aiming to get to 15
10 percent by 2010. And I'll discuss a little bit
11 more about Anaheim later in this regard. It was
12 mentioned at our May 15th workshop, as well.

13 There are, of course, other differences
14 to this. The planning reserve margin is one
15 standard kind of metric that's easy to look at and
16 apply, but one would note that we discovered that
17 some LSEs that have all of their supply met by
18 Western or Bonneville, for example, they are full
19 requirements or full-load customers, such as
20 Pittsburg and Lassen and Surprise Valley and
21 Trinity.

22 And as such, these small LSEs have no
23 apparent need to adopt a planning reserve margin.
24 All their supply needs are met by Western or
25 Bonneville.

1 Note also that three utilities, Burbank,
2 Glendale and LADWP, all have a planning reserve
3 standard that's quite different. Not based on a
4 percentage, as we discussed, but based on
5 contingency criteria. Perhaps more closely
6 related to reliability criteria for their systems.

7 And that would, if translated to a
8 planning reserve margin, comparing resources above
9 forecasted load, would have margins that all
10 exceed 15 percent for Burbank, Glendale and LADWP.

11 Also on the plus side we learned
12 Pasadena and Riverside depend substantially on
13 imports. Add 3 percent on top of their planning
14 reserve margin to account for transmission losses.

15 So the tables in appendix A of the
16 report provide a rollcall of 55 publicly owned
17 utilities, using the term broadly, serving load in
18 California. We will make the change not to
19 include MWD in that list, but for consistency in
20 today's presentation the numbers will refer to
21 those that are in the report as posted.

22 The sum total of non-coincident peak
23 loads in 2006 was over 19,000 megawatts for the
24 publicly owned load-serving entities. That's
25 shown on page 87, table A-1.

1 We have produced maps of the service
2 areas and updated maps by our cartography unit,
3 and they're posted to our website. Several
4 entities that are new to us. Many of them small,
5 but all of them interesting in some ways.

6 The list includes 31 municipalities,
7 four municipal utility districts, two public
8 utility districts, five irrigation districts, four
9 rural cooperatives, and two joint powers
10 authorities. Plus we have a community aggregator,
11 a resort improvement district and two utilities
12 that are owned by Native American Tribes, the
13 Morongo Casino; and one on the Colorado River
14 owned by the Fort Mojave Tribe called Aha Macav
15 Power Service. And as someone said when that came
16 to light, a new discovery to us, that was a real
17 aha moment.

18 Anyway, the largest 17 POU's make up
19 about 95 percent of all the total POU peak loads.
20 The smallest 23 POU's make up just 2 percent of the
21 total. And that's, again, from the tables in the
22 appendices.

23 This pattern is even more pronounced on
24 a statewide basis among all LSEs, as shown on
25 table A-3. That's page 91, for all LSE types.

1 The top 20, mid-size and large LSEs, that's over
2 200 megawatts annual peak load, the top 20 have 98
3 percent of all the state's load. The other 25
4 LSEs have the other 2 percent.

5 Now what kind of services do LSEs
6 provide? On page 71 of the report we list some
7 things that seem to be basic services that -- a
8 load-serving entity has to provide at least one of
9 these: Load forecasting; resource planning;
10 resource procurement; scheduling; and coordination
11 with the control area for real time and
12 contingency operations. The larger LSEs do all of
13 those things.

14 Again, this slide I reprised from the
15 May 15th presentation. What the objectives were,
16 what the purpose was for having resource adequacy
17 rules that are most developed within the Cal-ISO
18 balancing authority area, and which were then, by
19 extension, and by state law under AB-380, extended
20 to all publicly owned electric utilities. And
21 giving the Energy Commission oversight to report
22 on progress of POUs in this area.

23 The big picture for large- and mid-sized
24 POUs is that yes, in aggregate, they are procuring
25 sufficient quantities of capacity; whether it's

1 dependable, nameplate, qualifying, how ever it
2 might be counted and totaled. They're doing that
3 to procure the aggregate of their non-coincident
4 peak forecast loads.

5 The group has added significant utility-
6 owned capacity, as noted in the beginning of
7 chapter 4 on page 19.

8 Here is the example on Anaheim; it's
9 figure 7 in the report. Data is the same as
10 previously presented. The columns are formatted a
11 little better so that when it's copied in black
12 and white it stays readable. We'll make that
13 change, I hope, in the Committee report.

14 What one can see with the Anaheim ten-
15 year load and resource balance is that their
16 forecast peak hour load in 2007 was 562 megawatts.
17 And that they have a planning reserve margin, this
18 red line above it, of 12 percent over monthly peak
19 loads. And it transitions to a 15 percent
20 planning reserve margin in 2010.

21 Anaheim, we learned from their filing,
22 plans to achieve a higher planning reserve margin
23 after it installs peaking generation within its
24 service area of about 170 to 200 megawatts. Until
25 that time they'll utilize short-term contracts,

1 that's this area on top, to cover the summer
2 requirements, particularly in 2008, here, when
3 Anaheim's interest in SONGS is expected to no
4 longer be part of their portfolio as a result of
5 an agreement with SCE. Other resource adequacy
6 goals, again we described May 15th.

7 Looking at the report in general, again
8 I think of this as something of a statewide survey
9 of electrical communities in California. In some
10 ways, having done anthropology for 25 years before
11 coming to this work, which I also enjoy, I think
12 of it as a kind of anthropological survey of the
13 state's electrical geography for planning
14 purposes, an inventory of the topological
15 landscape, if you will, in time and space.

16 And for this report for each and every
17 publicly owned LSE, in turn we've summarized their
18 plans to remain or become more resource adequate
19 in both EMIC and EDIC terms. Finding common
20 terminology and using it wherever we could, we've
21 used all the data available, including emails,
22 phone conversations, meetings, a ton of filings
23 that were requested, received and docketed for the
24 IEPR, along with past filings.

25 There's a lot of detail. And some might

1 regard it as trivia. Some findings were a bit
2 counter-intuitive. So for those who may have read
3 the whole report, I included this slide as a
4 little pop quiz.

5 Which agency in the San Joaquin Valley
6 is the load-serving entity that has a resource
7 adequacy obligation? Is it the one in the Fresno
8 area at the Fresno Air Terminal, if you've ever
9 had a baggage tag? Or is it the one in the
10 Bakersfield area?

11 And the answer is it's the Eastside
12 Power Authority in the Fresno area, with 13
13 megawatts peak load last year, described on page
14 62 of the report. Eastside is an LSE in the
15 Fresno area without an exclusive service
16 territory. It has six end use customers; they are
17 three irrigation districts and three water
18 districts.

19 SemiTropic Water Agency is an end use
20 customer of PG&E, with peak load of 14 megawatts.
21 And we describe SemiTropic on page 73 of the
22 report. They have renewable and natural gas
23 peaker generation, but it's always less than the
24 load that they're drawing from the grid.

25 So, again I mention this. It's trivial,

1 it's ironic in some ways, but it's a reminder,
2 too, that the resource adequacy requirements and
3 protocols do not have a one-to-one relationship
4 with capacity expansion. And the small ones have
5 more variation in that regard than the larger
6 ones.

7 The statutory obligation upon us in this
8 report was to report on progress of each and every
9 publicly owned electric utility. We wrote
10 sections of this report going from the specific to
11 the general. Chapter 3 was the last chapter
12 composed, and we did not want to describe the ISO
13 framework for resource adequacy by which other
14 POUs might be judged. But we found it was useful
15 to do that at the outset for what those 37 POUs in
16 the ISO have in common. And then to discuss
17 individually where they are different, distinct
18 and unique in their supply and their plans.

19 My sense in working with POUs throughout
20 the state is that they mind their own business
21 very well; and they have only limited knowledge
22 about how other POUs take care of their business.

23 And in this context, this report may be
24 useful for both describing that diversity and
25 facilitating some convergence. This is a topic

1 with a very short history. And over the next two
2 years more POU's will probably adopt formal order
3 proof policies, including Redding and Imperial
4 Irrigation District, who are represented here with
5 us today.

6 And I expect that other POU's will amend
7 and revise their existing policies and protocols,
8 borrowing from what's seen as effective or useful,
9 from those of others. And towards that end we've
10 included three fairly comprehensive, and yet
11 different, resource adequacy programs as
12 appendices in this report. That from LADWP and
13 from Turlock, and one other I have -- they're
14 there in the appendices.

15 The result, I think, over the coming
16 couple years will be more depth and more
17 comprehensive considerations, and more
18 convergence. And towards that end I think the
19 resource adequacy report that may soon be final,
20 itself, can serve as a benchmark by which progress
21 in future years might be judged.

22 And with that I'd like to turn the
23 microphone over to the Chair and perhaps the
24 public.

25 CHAIRPERSON PFANNENSTIEL: Thanks, Jim.

1 I see that we have an opportunity for comments
2 specifically from the Metropolitan Water District
3 of Southern California, CMUA and PG&E. I would
4 suggest that we just take comments in that order.
5 Is somebody here from the Metropolitan Water
6 District?

7 MR. HAHN: Well, good morning -- good
8 afternoon. My name's Ernest Hahn, representing
9 Metropolitan Water District. I really wasn't
10 expecting to make comments, but I do want to thank
11 Jim for listening to some of my comments and for
12 incorporating a lot of them in the report. It was
13 very good interaction and I thank you very much.

14 CHAIRPERSON PFANNENSTIEL: Thank you.
15 California Municipal Utilities Association.

16 MR. BRAUN: Thank you very much. Tony
17 Braun on behalf of California Municipal Utilities
18 Association. We really have limited comments.

19 Again, thank you to staff for working
20 through a fairly complex issue and one that's
21 evolving with a lot of procurement choices that
22 are being made by the state. So we expect that
23 these numbers and analyses and things like that
24 will continue to evolve.

25 And in that regard I think that when we

1 look at 383 it is very general language; doesn't
2 talk about cost; it doesn't talk about
3 relationship of one entity to another. It talks
4 about meeting minimum reliability standards.

5 And we think actually bringing a lot of
6 the diversity of approaches to meeting those goals
7 is a benefit to the state. And we continue to
8 work towards that end.

9 And we look forward to continuing to
10 work with the Commission and the staff to meet the
11 reliability goals. And I think we have a pretty
12 strong record in that regard.

13 Thank you.

14 CHAIRPERSON PFANNENSTIEL: Thank you.
15 Commissioner Geesman.

16 ASSOCIATE MEMBER GEESMAN: Tony, I think
17 that the premise of AB-380 was that there was
18 something broken. I looked through this report,
19 looked through it several times searching for
20 what's broken. I can't find it.

21 Now, I know the state tends to hate
22 diversity. You know, we have a preference for
23 thinking that there are like three utilities that
24 we need to be concerned with, and they ought to
25 all look the same.

1 But is there something that I'm missing
2 in this report in terms of difficulties that your
3 members have had in provide for resource adequacy?

4 MR. BRAUN: No. I don't -- if the
5 premise of 380 was something was broken, I think
6 that that premise was not correct, despite the
7 wisdom of the Legislature. And I think the
8 history would show that all throughout the crisis,
9 before and after, we've had solid procurement
10 practices going forward.

11 And I think Jim is correct in pointing
12 out that there has been convergence just because
13 of the spotlight that has been put on the issue,
14 and perhaps that good. But at the same time,
15 whether it's treatment of liquidated damages,
16 contracts or counting conventions, it doesn't seem
17 that there's really a demand for identical
18 treatment of those issues. Public policy doesn't
19 call for it, and the benefits of the diversity
20 outweigh any perceived concerns.

21 ASSOCIATE MEMBER GEESMAN: Thank you.

22 CHAIRPERSON PFANNENSTIEL: Is anybody
23 here from PG&E who'd like to make comments? Yes.

24 MR. CSAPO: Good afternoon. Sebastien
25 Csapo from PG&E. Normally Joe Lawlor would be

1 handling these kinds of issues, but on his behalf.

2 First of all, I want to echo what the
3 other parties had said. This is a tremendous
4 report. I can only imagine the effort that went
5 into compiling the information. And it does
6 provide some interesting insight.

7 Now I would like to actually go back to
8 some of the comments and sentiments that PG&E had
9 expressed back at the May workshop. And we
10 followed up those comments actually in writing at
11 the end of May when we had opportunities to file
12 some points.

13 And essentially those comments were that
14 in order to maintain systemwide reliability and to
15 minimize leaning on other systems, having some
16 consistency and uniformity would be helpful.

17 Whether or not AB-380 requires that, I
18 think is open to debate. However, from PG&E's
19 perspective, if we're required to abide by certain
20 rules we would also like those rules to be applied
21 to other entities, as well.

22 So that's kind of my general comment
23 here. If anyone has any questions, certainly I'm
24 open to entertaining them.

25 ASSOCIATE MEMBER GEESMAN: Can you point

1 me to any part of this report that would further
2 document the leaning argument?

3 MR. CSAPO: Well, probably not a
4 specific section, but I think in the opening
5 presentation from Jim where there was a listing of
6 entities that were below the 15 percent planning
7 reserve margin would suggest that that difference
8 is being made up by other entities.

9 ASSOCIATE MEMBER GEESMAN: So that you
10 think that any difference in reserve margins
11 infers, I guess from an engineering perspective,
12 that somebody's leaning on somebody else?

13 MR. CSAPO: It could potentially imply
14 that. Again, I think PG&E's position is that if
15 we can have as uniform of a standard as possible,
16 that would be preferred.

17 ASSOCIATE MEMBER GEESMAN: Well, that's
18 holding out uniformity as a virtue in and of
19 itself. And I understand the logical appeal to
20 that, particularly from a state government that
21 would prefer to deal with fewer entities rather
22 than more.

23 But, from a system planning or system
24 operations or engineering perspective, can you
25 elaborate on why different reserve margins infer

1 leaning?

2 MR. CSAPO: Well, from an engineering
3 standpoint, I don't know if I can. I actually
4 don't represent the engineering side of the
5 operation.

6 I think it's partly due to the notion
7 that if we're held to a certain standard the
8 expectation would be that other entities are held
9 to that standard, as well.

10 And, again, I caveat that by saying that
11 there is some openness in the interpretation of
12 AB-380. And I think it's really going to come
13 down to a policy decision as to, you know, how are
14 we going to set the rules. Are there going to be
15 exemptions or different standards set for entities
16 that are smaller in nature or have different
17 operational needs.

18 ASSOCIATE MEMBER GEESMAN: Well, from a
19 systems planning standpoint, would different
20 systems potentially require different reserve
21 margins? Or is it preferable to just assume,
22 almost as a matter of numerology, that a
23 consistent number is superior in all
24 circumstances?

25 MR. CSAPO: Well, again, I don't think

1 there's a clear answer to that. I think, from a
2 planning perspective, entities that are within the
3 ISO probably would benefit from having a
4 consistent standard.

5 Now, I realize we have different control
6 areas; and individual studies within those control
7 areas might actually suggest a higher or lower
8 planning reserve margin.

9 I mean, one of the things that's being
10 undertaken at the PUC as part of the RA proceeding
11 is --

12 (Alarm.)

13 MR. CSAPO: Should I continue?

14 (Laughter.)

15 MR. CSAPO: -- is the notion that, you
16 know, we have this 15 to 17 percent planning
17 reserve margin, but does that need to be
18 reevaluated in the context of a probabilistic
19 approach, actually looking at the probability of
20 certain outages?

21 And so to that point I think different
22 systems could have different planning reserve
23 margins based on their own specific needs and
24 circumstances.

25 ASSOCIATE MEMBER GEESMAN: Thank you.

1 MR. CSAPO: Thank you.

2 CHAIRPERSON PFANNENSTIEL: I have one
3 blue card indicating somebody who'd like to speak.
4 That's James Hanks from the Imperial Irrigation
5 District.

6 MR. HANKS: Good afternoon, Chairman
7 Pfannenstiel --

8 CHAIRPERSON PFANNENSTIEL: Close enough.

9 MR. HANKS: Close? Commissioners
10 Geesman and Byron, CEC Staff and members of the
11 public. My name is Jim Hanks and I'm a Board
12 Member of the Imperial Irrigation District
13 representing Division 3.

14 I appreciate the opportunity to comment
15 today on the staff's report on the progress of
16 resource adequacy among publicly owned entities.

17 The CEC Staff has accurately stated IID
18 does not currently have a formal Board-approved
19 resource adequacy protocol. However, IID Staff
20 has developed a resource adequacy plan that has
21 been vetted by the District Resource Oversight
22 Committee.

23 IID has been using the 15 percent
24 planning reserve margin for several years in
25 response to the extreme variance in demand due to

1 weather-driven loads.

2 As the report states, the lack of a
3 Board-adopted resource adequacy policy only
4 affects IID; it is not a statewide or regional
5 concern due to our electrical geography. In the
6 event of supply shortages during real-time
7 operation, those shortages would only affect IID
8 customers. To date, that has not happened. And
9 the IID Board is committed to meeting and
10 exceeding NERC reliability criteria. Staff is
11 working on drafting resource adequacy protocols
12 for Board approval.

13 I would like to take this opportunity to
14 highlight some of the efforts we are undertaking
15 to assure that we meet our customer energy needs
16 in the most cost effective, environmentally sound
17 manner possible.

18 IID Staff is moving away from liquidated
19 damages contracts. One expires this year and the
20 other expires in 2011. IID Staff has developed
21 two demand response programs.

22 One of these is an IID Board-approved
23 residential, small business demand response
24 program that addresses residential air
25 conditioners and pool pumps.

1 The other program is a key customer
2 demand response program that will contain an
3 incentive for an on-call demand reduction and a
4 penalty for noncompliance to provide us with
5 assurance of customer response. Staff continues
6 to analyze and investigate new programs.

7 With respect to energy efficiency
8 programs, the IID Board has approved over 15
9 programs which are detailed on the brochure that I
10 made available earlier. A description of these
11 programs is also available on our website.

12 We have also implemented a photovoltaic
13 program compliant with SB-1. For next year we
14 have budgeted approximately 7 million for energy
15 efficiency programs.

16 IID Staff will be available at the
17 workshop Monday, September 17, to address any
18 questions you may have.

19 The IID Board has voluntarily adopted
20 the state RPS requirements. And staff is
21 diligently working to meet the 20 percent
22 threshold by 2010.

23 In conclusion, I would like to thank the
24 CEC Staff for its efforts in working with us on
25 resource adequacy policies. We look forward to

1 working with you on identified issues for the next
2 reporting cycle of the Integrated Energy Policy
3 Report. In fact, IID Staff has recently met with
4 staff of other control areas in the Western
5 Electricity Coordinating Council to begin
6 addressing some of the questions you have raised
7 in your report.

8 I have several members of our technical
9 staff on hand today to answer any questions you
10 may have.

11 Thank you for your time.

12 CHAIRPERSON PFANNENSTIEL: Thank you,
13 Mr. Hanks. I appreciate your being here. Let me
14 ask a question, if I may, about your demand
15 response program. It sounds quite vigorous. Is
16 it a relatively new program, or have you had it
17 for some time?

18 MR. HANKS: It is a relative new
19 program. And in our area, because of the extreme
20 weather, fortunately this year we had no outages.
21 Even had a buffer that we appreciate.

22 But that could -- due to the extreme
23 weather, that could change almost overnight.

24 CHAIRPERSON PFANNENSTIEL: So I was
25 going to ask how often do you call on it? Would

1 you call on it only if there was a possibility of
2 an outage of some level?

3 MR. HANKS: That's correct.

4 CHAIRPERSON PFANNENSTIEL: So you
5 haven't yet had to call on it?

6 MR. HANKS: No, we haven't.

7 CHAIRPERSON PFANNENSTIEL: Thank you.
8 Other questions? Appreciate your being here.

9 MR. HANKS: Thank you.

10 CHAIRPERSON PFANNENSTIEL: Are there
11 others who would like to speak?

12 MS. WHITE: Commissioner, we might have
13 some folks on the phone, if we could un-mute the
14 lines in the event that anyone on the phone who
15 has called in has a question. Please go ahead.

16 (Pause.)

17 CHAIRPERSON PFANNENSTIEL: Lorraine, do
18 we have any Webex questions?

19 MS. WHITE: That's what we're asking
20 now, if there are any persons on the Webex or who
21 have called in who have a question, please ask it
22 now. Or comments.

23 It appears none.

24 CHAIRPERSON PFANNENSTIEL: Hearing none,
25 thank you all for your participation. Thank you,

1 Jim, for the good presentation.

2 We'll be adjourned.

3 (Whereupon, at 3:00 p.m., the Joint
4 Committee 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 Joint 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 September, 2007.

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