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JOINT AGENCY WORKSHOP
OF THE
CALIFORNIA ENERGY COMMISSION
CALIFORNIA PUBLIC UTILITIES COMMISSION

In the Matter of:)
)
1990 ELECTRICITY SECTOR)
BASELINE, CURRENT ENTITY-SPECIFIC) Docket No.
GHG EMISSION LEVELS) 07-011P-01
EMISSION LEVELS)
and)
POLICY ISSUES RELATED TO ALLOWANCE) CPUC
ALLOCATION) Rulemaking:
R.06-04-009

ORIGINAL

CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

FRIDAY, JUNE 22, 2007

10:00 A.M.

Reported by:
John Cota
Contract Number: 150-04-002

CPUC PARTICIPANTS PRESENT

Richard Cowart, The Regulatory Assistance Project,
Consultant to the CPUC

Kristin Ralff Douglas

Julie A. Fitch

Jonathan Lakritz, Administrative Law Judge

Wade McCartney

Scott Murtishaw

Stephen C. Roscow

Charlotte F. TerKeurst, Administrative Law Judge

CEC ADVISORS PRESENT

Karen Griffin

Kevin Kennedy

CEC STAFF PRESENT

Gerry Bemis

Daryl Metz

Marc Pryor

Jim Woodward

ALSO PRESENT

R. Thomas Beach, Crossborder Energy

C. Susie Berlin, McCarthy & Berlin,
on behalf of the Northern California Power Agency

Richard Bode, Air Resources Board

ALSO PRESENT

David R. Branchcomb, Independent Energy Producers Association

Andrew B. Brown, Ellison, Schneider & Harris, on behalf of Constellation NewEnergy

Audrey Chang, Natural Resources Defense Council

Dhaval Dagli, Southern California Edison

Kyle L. Davis, PacifiCorp

Baldassaro (Bill) Di Capo, California Independent System Operator

Kassandra F. Gough, Calpine

Jeffrey L. Hahn, Covanta Energy Corporation

Frank W. Harris, PhD, Southern California Edison

Jeffery D. Harris, Ellison, Schneider & Harris, on behalf of Dynegy

Leilani Johnson Kowal, Department of Water and Power, City of Los Angeles

Jim Lazar, Consulting Economist for Burbank Water & Power

Jane E. Luckhardt, Downey Brand, on behalf of the Sacramento Metropolitan Utility District

Gregory P. Morris, PhD, Green Power Institute

Gary L. Nolff, City of Riverside

Norman A. Pedersen, Hanna and Morton, on behalf of Southern California Public Power Authority

Soumya Sastry, Pacific Gas and Electric Company

Webster Tasat, Air Resources Board

Ray Williams, Pacific Gas and Electric Company

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P R O C E E D I N G S

10:05 a.m.

ADVISOR KENNEDY: Good morning. Good morning, my name is Kevin Kennedy, Advisor to Commissioner Byron here at the Energy Commission.

I would just like to welcome everyone to this morning's workshop. It is the next in an ongoing series of workshops being held jointly by the Energy Commission and the PUC as part of our joint proceeding to develop recommendations to the ARB for how to implement AB 32 for the electricity sector. So with that I want to quickly turn it over to Marc Pryor of our staff for some housekeeping details.

MR. PRYOR: Thank you, Kevin. For those of you who may not be familiar with the building the restrooms are right across through the frosted glass. Don't go through the glass, of course, go through the doors.

The main entry is the one you came in. If you go out the door to the side here on the south you will set off the alarm.

If we do have to evacuate the building just leave everything here. You can go out either door. Follow staff over to Roosevelt Park, which

1 is diagonally across the intersection. Don't get
2 run over by anything. There should be a guard
3 directing you. We will come back if it's safe and
4 when it is deemed safe. When we get over there
5 make sure the people you came with are with you.
6 And then let us know if they aren't.

7 There is a small store up on the second
8 floor where you can get coffee and other things.

9 If you have a business card and if you
10 plan to speak today please provide your business
11 card to our court reporter. If you do not have a
12 business card there are blue cards next to the
13 podium where you will have to go to be heard.
14 Please fill that out and give it to the court
15 reporter. Otherwise they will have to chase you
16 down. If they can't chase you down I will chase
17 you down and you don't want that.

18 Those of you who are on the phone please
19 put your phones on mute. You may not want us to
20 hear something you may be saying.

21 And I believe that concludes my little
22 housekeeping items, Kevin. Oh, please turn off
23 your phones as well.

24 ADMINISTRATIVE LAW JUDGE TERKEURST:

25 Just to kick it off to make it formal. This is a

1 workshop in the Public Utilities Commission's
2 Rulemaking 0604009 and the Energy Commission's
3 docket 07-OIIP-01. I am Charlotte TerKeurst, one
4 of the two administrative law judges assigned to
5 the Public Utilities Commission proceeding.

6 With us today to my far left is Jonathan
7 Lakritz, the other Administrative Law Judge in the
8 PUC's proceeding. To his right is Rich Cowart, a
9 consultant who is working with us in this
10 proceeding. He will be moderating part of the
11 workshop later today.

12 To my immediate left is Steve Roscow,
13 who will be handling a good deal of the discussion
14 today on the baseline and allocation issues. We
15 also have Julie Fitch, the project manager. She
16 will be saying a few words in a moment.

17 And then additionally from the PUC staff
18 is Kristin Ralff Douglas working on flexible
19 compliance issues. To her left -- to her right is
20 Scott Murtishaw, who many of you may have seen the
21 paper that we sent out from him and Karen Griffin
22 a couple of weeks ago on reporting issues.

23 I believe we also have Wade Cadenasso.
24 Is he -- Wade McCartney, sorry, I'm getting names
25 mixed up, who is working on the modeling issues.

1 With that I'll turn the mic over to Julie Fitch.

2 MS. FITCH: We should also say that to
3 my right is Karen Griffin from the Energy
4 Commission and Richard Bode from the Air Resources
5 Board is here as well.

6 I just wanted to say a couple of things
7 to start out. First of all, thanks for being
8 here. I have sensed in the last couple of weeks
9 that folks are a little frustrated or confused
10 about the schedule in this proceeding. We realize
11 that we are completely off schedule from what the
12 scoping memo said. We know that.

13 We also realize that it is completely
14 impossible to come up with a schedule that is
15 going to be true for the next six months. But
16 what we're going to attempt to do is, at least
17 from the staff level, put together what we think
18 is going to happen in the next couple of months
19 and, you know, send it out to all of you so you
20 have an idea of what we're thinking at least, even
21 though I'll say right now it's going to change.

22 The other thing I wanted to say is that
23 in terms of today's discussion our assumption is
24 still that in terms of the discussion that has
25 been going on out in the world about first seller

1 versus load-based. Our assumption for today is
2 the compliance obligation would be placed on the
3 load-serving entity or in the load-based construct
4 or context.

5 But we are going to have a workshop,
6 which most people probably already heard about, in
7 August. August 21st is the date. We haven't
8 developed the agenda yet but we're working on it
9 to address the question of first seller that's in
10 the Market Advisory Committee Report. So
11 hopefully that's the time when we can talk more
12 about what that is, what it means, what it would
13 mean for all the things we're talking about today
14 perhaps. But for today's purposes we're hoping to
15 just keep it, the assumption on the fact that the
16 compliance obligation would be on the utilities or
17 the load-serving entities.

18 And the other thing, the last thing I
19 want to say is just that I think we're approaching
20 this workshop as, the purpose of it being to get
21 issues out on the table. To hear where folks are
22 coming from, what the context is for baseline, for
23 your current emission allocation questions. But
24 we are really very open-minded and, you know.

25 Unlike with some of the other issues

1 where staff may have a sort of idea in mind of
2 where we want to go this really is sort of a,
3 let's just hear from everybody what you think the
4 issues are. And our hope is that at the end of
5 today we will have enough of a distilled list of
6 issues that we can either come up with a proposal
7 or at least ask a more targeted set of questions
8 for written comments after this workshop.

9 So with that I think -- are we moving to
10 the first agenda item? Which is the Air Resources
11 Board talking about the 1990 baseline issue, I
12 believe.

13 MR. BODE: Thank you very much, Julie.

14 I guess as everyone knows in the room
15 the Air Resources Board has some very, very
16 speeded-up time lines here we have to meet,
17 especially in my group which deal with all the
18 emissions inventory requirements.

19 Two of the requirements we have to take
20 -- for this year we have to take to our board are
21 the identification of the 1990 emissions level,
22 which then becomes the 2020 target greenhouse gas
23 emissions target for all of AB 32. We have been
24 holding technical discussions. Quite a few people
25 here in the room.

1 We are also coordinating quite a bit
2 with PUC and CEC staff and we want to really
3 express an appreciation for all the help they have
4 been giving us and we expect to be receiving here
5 in the next three or four months.

6 And then yesterday, and I see at least
7 in the future here, we have been having
8 discussions too about a mandatory reporting from
9 the electrical sector. And that's still ongoing
10 discussion. We had a fairly lively discussion
11 yesterday. And I know we'll have more on that.
12 So I'm looking forward to hearing more ideas.

13 So as part of our agenda item this
14 morning I am going to ask Webster Tasat, who is
15 manager of the emissions inventory analysis
16 section in my group just to give a discussion on
17 the 1990 emissions inventory. Some of the
18 requirements and where we are in that process.

19 MR. PRYOR: Can you see? Yes?

20 MEMBERS OF THE AUDIENCE: Yes.

21 MR. TASAT: Well good morning, everyone.
22 Thank you very much and thank you, Richard, for
23 that introduction. Again my name is Webster
24 Tasat. I am the manager of the emissions
25 inventory analysis section at ARB.

1 And my section has the responsibility
2 for putting together the 1990 base year number
3 that is talked about so much in AB 32.

4 Before I start I'd like to introduce my
5 lead staff person for the electricity sector,
6 that's Larry Hunsaker. Raise your hand there. I
7 brought him today to field any technical questions
8 that might arise a little later.

9 A little bit on -- Thank you. A little
10 bit on the purpose of the presentation today is to
11 briefly summarize the process by which the ARB is
12 reviewing and updating the existing greenhouse gas
13 inventory to establish the statewide 1990
14 emissions level.

15 I don't plan on presenting any new
16 inventory numbers during the current hearing but
17 we refer you to the upcoming dates by which we do
18 plan to release the statewide inventory update in
19 the aggregate as well as individual sector updates
20 and go over the 1990 estimates and the methods by
21 which we -- which we used to arrive at those
22 numbers.

23 Many of you are no doubt familiar with
24 AB 32 and the requirements placed upon the Air
25 Board to determine the 1990 statewide emissions

1 level and establishing a public hearing and the
2 statewide limited equivalent to that level to be
3 achieved by the state by 2020.

4 And to accomplish this in the time
5 frames stipulated under AB 32 we're working in
6 collaboration with other agencies like the PUC and
7 the CEC as well as numerous private organizations
8 and the general public.

9 This slide simply summarizes the overall
10 process and inventory review and update. And I
11 would also like to mention that in building the
12 1990 statewide emissions level we break the
13 inventory apart sector by sector and review the
14 previous estimates.

15 What potential improvements are possible
16 given currently available data and methods. But
17 the goal is ultimately to establish a single 1990
18 aggregated value for the state as a whole revising
19 the sector emissions estimates themselves are a
20 means to get the Air Board establishing a single,
21 statewide number.

22 How the sector estimates may or may not
23 be used in the context of emissions trading scheme
24 and in other regulatory context is an issue there
25 has garnered considerable interest from the

1 regulating community as well as the general
2 public.

3 And inventory clearly has implications
4 beyond a simple accounting of emissions for 1990
5 or any other year for that matter.

6 The scoping plan that the ARB is
7 developing over the next year and a half for
8 example may use the sector-specific portions of
9 the inventory that we're in the process of
10 updating now as a starting point from which to
11 evaluate where reductions may be possible.

12 However from a strict inventory
13 perspective our task, my section's task is fairly
14 clear and relatively strait forward, to use the
15 best available data in the time frame we have to
16 establish the 1990 base year emissions estimates
17 for the state.

18 Now the key message in this slide is
19 really contained in the third bullet. And that is
20 that it's important to note that the limit
21 established for the 2020, for 2020, is statewide
22 in nature. And it's not a sector-specific
23 estimate.

24 When we go to the Air Resources Board,
25 the 11 member Board later on this year, that's the

1 actual number that we will be bringing is a single
2 number for 1990 which by definition is to become
3 the 2020 target or limit.

4 Again that 2020 number is in the
5 aggregate and is what we will be bringing to the
6 Board later on in the year.

7 And as I mentioned earlier we wouldn't
8 be presenting any new estimates in today's meeting
9 but rather what I did want to do is give a sense
10 of the existing estimates and how they break out
11 by source category.

12 So my staff has put together this pie
13 chart based on the current estimates provided in
14 the CEC's inventory release last December with a
15 subsequent update to that that occurred a few
16 after in early January.

17 And we officially took responsibility
18 for that inventory in January of '07. So this is
19 just to give you a framework from which to
20 understand what we're starting with and where we
21 need to go in terms of updating which emissions
22 from which sectors.

23 Now I wanted to briefly give you a
24 summary of the evaluation process upon receiving
25 CEC's inventory earlier this year. The key in

1 this slide is the idea that in general the
2 inventory is top down meaning that the data that
3 are used calculating emissions are at a statewide
4 level.

5 And to the extent that we can obtain
6 facility-specific or bottom up data we will do so.
7 But asking facilities to give through records
8 dating back 17 years in order for us to use
9 facility-specific emissions for 1990 is awful
10 problematic as you can imagine.

11 As we move forward our mandatory
12 reporting process will help us improve future year
13 estimates but will not be used to collect 1990
14 numbers.

15 Part of the effort that we're
16 undertaking is to thoroughly document the
17 inventory for all years from 1990 to 2004.

18 We strongly believe that documentation
19 is the key ingredient in allowing members of the
20 public and other stakeholders to understand how
21 the estimates were calculated.

22 The documentation will be a full
23 estimate of how each estimate for each category
24 within each sector was established, where the
25 underlying data came from and will include

1 relevant references so that users can recalculate
2 the numbers if they wish.

3 As I last checked with the person on our
4 team that is responsible for that the
5 documentation for the inventory was in excess of
6 fourteen hundred pages. So we're continuing to
7 document as we go through and update the
8 inventory.

9 Well in looking at the overall inventory
10 we decided the time constraints that we're working
11 under to focus our efforts on these eight sectors
12 or these eight categories, agriculture and ag/soil
13 management I have as on one line there but.

14 Basically these sectors and categories
15 represent 80 percent of the total 1990 emissions.
16 And so we put most of our effort into these
17 categories.

18 Although in other areas we did do some
19 particular updates as they were warranted. For
20 example, we met recently with some folks that were
21 interested in the emissions estimate that's
22 currently in the inventory for waste combustion.
23 And so we'll be looking at that very, very closely
24 as well even though it doesn't represent, it's not
25 directly involved with one of these categories.

1 This slide summarizes where we're
2 obtaining improved data sources and methods for
3 updating inventory. And as I mentioned some of
4 these data sources are routine for a lot of
5 agencies working on greenhouse gases. So that
6 doesn't come as any kind of surprise.

7 Again we're working in collaboration
8 with the Energy Commission as well as other
9 agencies around the state.

10 Also notice that the second bullet
11 mentions something that you're probably aware of
12 and that's the focussed, technical discussions
13 that the ARB has put together over the last
14 several months. Both on the mandatory reporting
15 side and on the inventory side.

16 To really get to the core of what some
17 of these sectors about, how they operate and what
18 are the key ingredients in coming up with the
19 greenhouse gas estimate and how it plays into
20 mandatory reporting. And they become very, very
21 important to us in terms of getting feedback from
22 our stakeholders.

23 Real briefly because I know I don't have
24 too much time. We had a kickoff workshop last
25 December and we've been having an ongoing,

1 focussed, technical discussions to identify
2 improvements, Snyder Data Sets, emission factors
3 and calculation methods.

4 Now briefly I wanted to give an update
5 of where we are with the overall, inventory
6 review. We completed our review of the major
7 sectors that I noted earlier as well as numerous
8 other sectors as they're brought to our attention
9 as being voiced, as being not accurate. So we
10 spent some time going over the inventory with a
11 fine-toothed comb.

12 And we've incorporated new data and new
13 activity information as appropriate.
14 Methodologically there have been some improvements
15 to some methodologies for certain sectors.

16 Most recently the one we focussed on
17 improving the methodology was our landfill sector.
18 But in general most of the methodologies remain
19 the same.

20 And with respect to the electricity
21 sector we are now working with the CEC and others
22 to see how that can be improved both for in state
23 and improved for power.

24 Again the next two slides are just kind
25 of review slides defining what the 90th emissions

1 level is as stipulated in AB 32 as well as the
2 2020 limit. I think it's important to recognize
3 that it's that 2020 limit that will be presented
4 to the Board at the end of the year which by
5 definition is the same values as the 1990
6 emissions number.

7 A key to remember in this process is
8 that we're working under a very tight schedule as
9 you can imagine. So as you can probably figure
10 out coming out with fourteen hundred pages of
11 documentation takes some time. And it takes a lot
12 of effort to do that.

13 And so the data acquisition process at a
14 certain point, well before the end of the year
15 needs to come to an end and wrap up to give the
16 staff time to really go through it and finalize
17 it.

18 Having said, used now the word finalize
19 maybe that was the wrong word to use because we
20 are going to be presenting a draft inventory. The
21 plan is to release the documentation for that as
22 well as the updated inventory next month.

23 So most of the staff is working
24 furiously to do that. We plan on having an August
25 workshop to present the documentation which will

1 be on CD, available on the web. It won't be hard
2 copy as well as the updates, the updated numbers.

3 We're also working on staff report which
4 is due out later on in the fall. And then, of
5 course, as I mentioned earlier later on this year,
6 towards the end of the year we'll have a hearing
7 to complete our work.

8 Just real briefly on the contacts you
9 know you've been introduced to Richard. Also in
10 the audience is Doug Thompson he's the manager of
11 the climate change reporting section.

12 And his group is working on the
13 reporting regulations which in some sense as you
14 can as I mentioned earlier is connected with the
15 inventory looking forward. It's not necessarily
16 dealing directly with inventory numbers related to
17 1990.

18 And then my name as the manager of the
19 emissions inventory analysis section. We do have
20 a website where we have the current CEC inventory
21 as well as all kinds of information regarding
22 them, coming workshops and working discussions.

23 I would encourage you to visit us.

24 Thank you very much.

25 MR. BODE: Thank you Webster and any

1 questions?

2 MR. PRYOR: I do have a request that we
3 get a copy of the presentation so we can post it
4 on the web and I believe you can make a copy as
5 well.

6 ADMINISTRATIVE LAW JUDGE TERKEURST: Yes
7 like we did for the prior workshop. We will be
8 incorporating the presentation into the record in
9 our rulemaking and I will do that through an
10 administrative, law, judge ruling. So I do need
11 an electronic copy.

12 MR. ROSCOW: Okay let me put this topic
13 into context just for what we're trying to do here
14 today. As you see we are only going to go until
15 10:45 and the reason is recognizing that this is
16 squarely in CARB's proceeding.

17 Our purpose today is really to hear from
18 all of you who are parties in our proceeding
19 whether you have any open issues with what's
20 happening at CARB.

21 What I would do is translate kind of
22 CARB's process into PUC procedure. I think what I
23 heard from some folks in our proceeding is when,
24 there's some concern about what sort of input
25 they've had to date on CARB's process and when

1 they'll be able to comment on CARB's results.

2 And I think what we just heard is CARB
3 will be issuing its results, full calculation in
4 July. And I think that's what, in my mind, starts
5 the opportunity for all of us to comment once and
6 for all on what CARB has been doing.

7 There's been technical, working groups
8 to date but when the numbers are finalized I think
9 it's the first time we're all going to see how
10 CARB came up with these results.

11 And that's your opportunity to kind of
12 have at it, have at those results and question
13 them in any way you want to. And with that in
14 mind we still want to provide an opportunity in
15 our proceeding for you to say anything, make any
16 recommendations that we need to formally make to
17 CARB about the electric sector calculations.

18 That's how we're sort of looking at it
19 at the PUC. And so with that context if anyone
20 has got any comments this morning or questions for
21 CARB we need you to come up to the center dais,
22 the microphone in the center and hop on up there.

23 ADMINISTRATIVE LAW JUDGE TERKEURST: Let
24 me say one more thing just to add to what Steve
25 just said. The scoping memo in this proceeding

1 had contemplated that there would be an assigned
2 commissioner ruling in October providing the
3 Commission's recommendations to CARB in that form.

4 And since this issue is being addressed
5 at CARB we may not need that ruling. So the
6 discussion here will help inform us on whether the
7 process at CARB is moving forward in an adequate
8 manner so that we don't need to make
9 recommendations.

10 That the issues that CARB needs to be
11 considered are fully being addressed there and
12 that the PUC and the Energy Commission may not
13 have a need to provide a unique perspective and
14 recommendations to them outside of their own
15 process.

16 If we do decide to weigh in formally at
17 CARB rather than an assigned, commissioner ruling
18 it may well be a decision that is brought to the
19 two Commissions jointly in the October time frame.

20 So we would need to issue a post
21 decision in September in the Public Utilities
22 Commission proceeding and take comment. And the
23 Energy Commission has its own procedures.

24 So how we handle this matter
25 procedurally is still up in the air but it depends

1 in part on whether we are concerned enough that
2 there may be issues that CARB needs a formal
3 recommendation from on us to pursue the formal
4 routes rather than handling it on a staff-to-
5 staff, informal process through the CARB
6 proceeding.

7 I don't know if that helped. If anyone
8 wants to get further clarification maybe we could
9 talk at the break or something.

10 DR. F. HARRIS: Good morning. My name
11 is Frank Harris. I'm with Southern California
12 Edison, Webster I lost sight of, well wherever he
13 is.

14 I wanted to use this opportunity to
15 thank Webster and other staffers at CARB for their
16 availability and willingness to involve us in the
17 process. We've had communication with them
18 throughout the process. And I think it's been
19 very helpful for us to understand what they're
20 doing and hopefully we've been able to help them a
21 little bit to understand where we are.

22 One of the things that has been
23 mentioned a little bit today but has also been
24 mentioned in the past is the possibility that for
25 the I think actually the plan that CARB has to

1 update the inventory as they get better results or
2 I should say, better methods to estimate past
3 inventory values.

4 And insofar as that may impact the 1990
5 number the question I have is whether that would
6 then roll into a change in the 1990 numbers so far
7 as it establishes the 2020 target. I guess, in
8 other words, my real question is will the 2020
9 target be a fixed number or we see that changing
10 as the CARB inventory number from 1990 gets
11 updated.

12 MR. BODE: Frank, let me address that.
13 We will be as Webster stated we will take to our
14 Board this year two products, one is the
15 greenhouse gas emissions inventory and that will
16 serve as the basis for then identifying what is
17 the 1990 emissions level becomes the 2020 target.

18 And we hope the Board will adopt that
19 level. We will go back over the next year and
20 update the inventories as we improve our
21 methodologies and get better data and move ahead.

22 I don't know what the time, we haven't
23 really discussed what our time frame is. All of
24 that will be handled annually, biennially every
25 other year.

1 If we did see big changes in that
2 inventory, say there was a sector that we felt we
3 had not adequately characterized right and there's
4 a big change in the inventory then we probably
5 would go back to the Board.

6 But we see small changes between
7 categories, especially between the many different
8 sectors going up and down as we move on mostly for
9 the reason of once we set the target the main goal
10 then is to move ahead with reduction strategies.

11 DR. F. HARRIS: Thank you.

12 MS. JOHNSON KOWAL: Good morning,
13 Leilani Johnson Kowal with LADWP. And I just
14 wanted to thank Larry Hunsaker and Webster Tasat
15 for the work that they're doing on this as well as
16 the CEC staff in terms of getting these numbers as
17 accurate as possible.

18 In looking at this the question is do we
19 go forward with this in terms of just the ARB
20 proceeding in terms of looking at the inventory or
21 also drill down and use the PUC, CEC proceedings
22 as an opportunity to see if there's more accurate
23 information.

24 LADWP has provided more accurate plant
25 specific data both for IPP and for Mojave. And

1 when we did that and looked at that in comparison
2 to the inventory numbers for electricity imports
3 for those two plants the inventory actually
4 reflected a lower number on the order of 7.8
5 percent.

6 So to me I think that brings into
7 question the number that is used in Table J11.
8 It's a statistical abstract.

9 My understanding is that it was
10 developed by the Department of Finance. And what
11 I would recommend whether it's in the ARB
12 proceeding or the PUC, CEC is that there be an
13 opportunity to take look a at that particular
14 number, the electricity imports, and see whether
15 or not there is more accurate information that's
16 available.

17 In terms of the Mojave and IPP, the heat
18 rate that was used was 10,000 btu per kilowatt
19 hour and that was incorrect. And the overall
20 gigawatt hour was also incorrect. And so I'm just
21 bringing that into question.

22 If that's the case then what about all
23 the other electricity imports. And in terms of
24 this ultimately becoming the goal coming down to
25 the 1990 level, I would want to go through that

1 exercise, drill down further and see if there's
2 more accurate, specific data that can be used in
3 this.

4 MR. BODE: You know one thing I would
5 add is that I know you've talked to Webster and
6 Larry quite a bit so make sure you get that
7 information to them, and I believe you probably
8 have already.

9 And so we are taking that information
10 and updating our inventory as we've seen. We have
11 identified errors. There are many errors. But
12 information that hadn't gotten in the original
13 report.

14 MS. GRIFFIN: Thanks Leilani for your
15 comments. I want to say that as part of working
16 with ARB our Gerry Bemis, who was head of our work
17 on the inventory before it moved to ARB, has since
18 taken all the individual plant numbers that he
19 used in the inventory, compared them to the EIA
20 reports on individual plants from 1990.

21 And he's sharing that information with
22 Larry. So we have been trying to work directly
23 with ARB to tighten up every individual, known
24 plant that we have.

25 And I think the two of them are now

1 feeling they've got a really good handle on the
2 known generation that they can tie it to
3 contemporary reports of exactly what came out of
4 that unit.

5 But if you have information which is
6 different than what Gerry and Larry have been
7 using as their sort of controls that's great. And
8 I'd just suggest that talk with them and see where
9 they are.

10 I know that Gerry has all his numbers
11 loaded on the P drive and is ready to go. But I
12 don't know that we want to use this proceeding
13 today to go through that kind of detail. But he's
14 ready, available and willing, just please call
15 these guys and talk to them.

16 Because we're trying to get the best
17 number we can. But we want it to happen in the
18 ARB proceeding. Let's all focus our attention
19 there, you know, one place. Get it right there
20 and then we all use it.

21 MR. BODE: You know if I could add one
22 thing too. When Webster talked about the draft
23 numbers that are going to come out in July, when
24 they do come out they'll all be documented.

25 And, in fact, I think that's one of the

1 reasons it's taking a little bit of time to get
2 that out because there's so much documentation for
3 how each of those numbers was calculated. It's
4 going to be a pretty thick amount of, well
5 actually we're not probably going to put it down
6 on paper, we're probably put it down on that CD.

7 But anyway it'll allow stakeholders to
8 look exactly how they internalized what they're
9 looking at.

10 MR. DAVIS: I'm Kyle Davis with
11 PacifiCorp. I'm probably going to ask the
12 questions more unique to a multi-jurisdictional
13 utility.

14 But the question on the inventory that I
15 had, well let me preface it, we're working with a
16 number of other western states to develop their
17 emissions inventory, as most of you know we have
18 utility operations in six western states. But we
19 also have additional thermal generation in three
20 more states. So we're working with nine different
21 states emissions inventories.

22 My question is how much of the inventory
23 number will be linked to this broader, western,
24 climate initiative. And the reason why I'm asking
25 that is because in PacifiCorp's case there are a

1 certain number of out-of-state, thermal units that
2 were acquired post 1990 to serve California retail
3 load.

4 So in a regional context that would be a
5 transfer of some of the 1990 baseline from those
6 existing units to the California current
7 inventory. But as of right now they will be
8 counted in that post-states inventory.

9 So I just wasn't sure if the 1990
10 baseline will be updated in the context of any
11 linking up with other states like what's been
12 proposed with the western climate initiative.

13 And then perhaps linked to that, is
14 there a way to leverage some of the work that a
15 number of utilities are doing in the other states
16 to improve upon their own emissions inventories.
17 To again leverage that work to improve upon
18 California's estimates for power purchases from
19 1990 because we're working on that as well.

20 MR. BODE: Well we are actually meeting,
21 we are having discussions with representatives of
22 the six western states and actually the group is
23 growing too.

24 So we have talked to them. California
25 is definitely way out in the lead compared to what

1 they're doing there.

2 I think some of the work we're actually
3 putting together will probably be a kind of
4 template for how some of the other states move
5 ahead on this.

6 So in kind of getting back to your
7 question it sounds like were you kind of referring
8 to methodologies or referring to actual the
9 coordination.

10 MR. DAVIS: A bit of both. For example,
11 just take a look at the western climate issue.
12 PacifiCorp purchased five different units post
13 1990. But they were in existence in 1990. So
14 they have a 1990 baseline.

15 Those units happen to exist in some of
16 the other states that are going to be part of the
17 western climate initiative.

18 `So when the regional approach kicks in
19 California's baseline theoretically for 1990
20 depending on how you set up the rules could either
21 stay stagnant or grow because those resources
22 baseline were essentially purchased on behalf of
23 California ratepayers.

24 You see where I'm getting?

25 MR. BODE: Yeah.

1 MR. DAVIS: So there's a question. It's
2 linked to the regional approach versus just the
3 California-only approach.

4 MR. BODE: So we're just kind of
5 thinking what for our for 1990 it's going to, our
6 estimate will be basically what we think, our best
7 estimate of what actually occurred in 1990.

8 MR. DAVIS: Okay, thank you.

9 MR. PEDERSEN: Norman Pedersen for
10 Southern California Public Power Authority. When
11 Webster was giving his presentation Richard he
12 said that the qualifications would come out
13 together with the fourteen hundred pages of
14 documentation in July. That's only about a week
15 and a half away.

16 Can you give us a heads up as to a
17 little bit more precise as to when that might be.
18 And then give us an idea as to what kind of time
19 frame we're going to have to work with between
20 that release and when you're going to hold your
21 workshop. It sounds like you're kind of doing a
22 combination between top down and giving what Karen
23 was saying bottoms up.

24 And so if we're going to go through and
25 do the sort of thing Leilani was talking about,

1 look at individual plant data compared to what you
2 have it seems like we'll need a little bit of
3 time.

4 So could you give us a little, tighter
5 time frame than July and August if possible.

6 MR. BODE: You know I don't want to be
7 held to a certain date. But I tell you what we're
8 doing right now we're probably going to freeze the
9 inventory here within the next week or so.

10 And then at that time try to put all
11 the, we've got all the documentation put together.
12 We're then trying to put that in some form that we
13 can make available to the stakeholders.

14 I'm expecting it will probably be
15 probably about the third week in July out there.
16 And that's kind of a real tentative. Part of that
17 process too is getting the product together. But
18 also sitting down with my manager, briefing them.

19 I think I also want to talk a bit with
20 PUC and CEC staff as well and brief them on what
21 we've done with the inventory.

22 Actually what we'll do is we'll take
23 this to a workshop in August. That workshop will
24 probably be about the second week in August. And
25 we still haven't scheduled that one yet.

1 But I think we'll probably put something
2 out here within the next week. That workshop
3 actually will be to discuss how, what we've done
4 once we've received inventory from CEC. What we
5 think of major changes we made in it and basically
6 taking comments.

7 But we'll have an open comment period
8 after that for some time to allow people to then
9 take the information given, the one that is made
10 available in July and the information that we
11 deliver at the August workshop and provide us with
12 comments.

13 We're hoping, and as you heard, as
14 Webster stated, it's a very complex, the database
15 that Gerry Bemis put together, the emissions
16 inventory is a very complex inventory. And we're
17 hoping, of course, that not everyone is going to
18 want to look at all the 1400 I think lines of
19 equations but pick out the ones that are most
20 important to them.

21 Then at the end of that we'll use the
22 comments we get from that again to modify the
23 inventory, to next modify the inventory will then
24 be the one that goes into our staff report that
25 will be involved.

1 And, of course after that time just to
2 kind of close the whole process for you, after
3 we've gotten then a full-staff report and document
4 we still may have an open comment period before it
5 goes to our Board.

6 So there's another comment period after
7 that and allows you to bring information to us.

8 MR. WILLIAMS: My name is Ray Williams
9 from PG&E. I'm Director in the Long Term Energy
10 Policy area. And for those of you that know me as
11 I do I'm going to step back and try to frame these
12 issues a little bit.

13 First off I'd say we very much
14 appreciate the work the CEC and PUC staff is
15 doing. Clearly it is a lot of work. We need to
16 address leakage. And we need to get as accurate
17 as estimates as you possibly can.

18 It's a big issue for the electric sector
19 and the for the success of AB 32. The calculation
20 of this baseline emissions will be used to
21 establish the overall emissions cap that must be
22 met by 2020.

23 If the emissions are too high then the
24 goals of the Legislature will not be achieved. If
25 the baseline emissions are too low then California

1 consumers and businesses will incur costs beyond
2 what was probably intended to be achieved under AB
3 32.

4 We also note from our previous workshops
5 at the PUC and the Energy Commission under AB 32
6 and 1368 this task is complicated by the fact that
7 emissions from imported power must be taken into
8 account for the purposes of both 1990 emissions
9 and also for ongoing reporting and tracking of
10 emissions in the compliance period starting in
11 2012.

12 So from my point of view it's important
13 that whatever methodology is selected for
14 calculating 1990 emissions be consistent with the
15 methodology that is used to count emissions in the
16 compliance period from 2012 to 2020. Otherwise I
17 think there's potential for quite a significant
18 disconnect.

19 Given the magnitude of the power imports
20 overall in terms of GHG reductions this line-of-
21 sight issue for both the compliance period and the
22 baseline period has quite significant implications
23 in both places.

24 So we have spent a little bit of time
25 thinking through how to address this issue. In

1 our view, the CEC inventory may be understating
2 1990 baseline emissions attributable to power
3 imports in the Northwest.

4 Instead of 1990 imports being attributed
5 at 80 percent to hydro and 20 percent to coal we
6 believe that imports probably consist of a much
7 higher percentage of coal and a much lower
8 percentage of hydro.

9 There may also be a similar effect in
10 the southwest. And when we try to go through
11 this. We haven't completed our analysis. So we
12 do not have a specific estimate. And we look
13 forward to working with you all on providing this.

14 But in particular we believe that
15 imports should be analyzed based on California
16 representing the marginal demand for resources
17 from the Northwest as a whole.

18 And if you use this sort of approach it
19 follows that if California had not procured energy
20 from the Northwest during the baseline year, in
21 fact Northwest entities would have sold their low-
22 running cost energy, surplus hydro energy to other
23 entities within the region. And would have backed
24 off the higher-running costs of fossil generation.

25 Given that the Northwest fossil

1 generation is on the margin in this sense then
2 emissions from that generation, not surplus hydro,
3 are probably more accurately attributed to
4 California demand not in region demand.

5 So we recommend that further that this
6 workshop and further technical analysis take into
7 account this methodology as well as a more average
8 methodology for calculating 1990 emissions.

9 And we'll be happy to work with staff
10 and other interested parties to get this right.
11 Thank you.

12 MS. GRIFFIN: Okay, this Northwest
13 emission factor from 1990 actually was adopted by
14 the Commission in 1990. And these issues were all
15 debated in 1990 in ER 90. I happen to remember
16 because I ran ER 90.

17 And in the appendices, page A195, the
18 Commission's conclusion was that the emissions
19 breakdown for non-firm energy from the Northwest
20 was 20 percent coal and 80 percent hydro.

21 I no longer own the work papers behind
22 this but I do remember that we went through these
23 whole debates again. There was a lot of work on
24 what surplus hydro was available and there are
25 pages and pages of tables put together on the how

1 much hydro was available, who was buying hydro and
2 what was coming into California.

3 I just wanted to tell you that since the
4 Commission at that time debated the issue and
5 resolved it. At that time we're inclined to stick
6 with this number rather than go back and try and
7 recreate.

8 Now what I have not checked, to be
9 absolutely sure, is that the southwest breakdown
10 which we used in the inventory is consistent with
11 the emission factors for the southwest which were
12 also adopted at the same time.

13 So I would suggest that you all go back
14 and look at ER 90 appendices on out of state and
15 see the work there.

16 MR. WILLIAMS: Well we'll be happy to do
17 that. Would you characterize that as an average
18 estimate or a marginal estimate or it's done on
19 some other basis?

20 MS. GRIFFIN: I believe it was done on,
21 well it was a lot of, there were a lot of ELFIN
22 modeline runs in terms of what was actually being
23 dispatched at the time. So they were already
24 dispatching the Northwest.

25 It was dispatched on an integrated

1 basis. Allocating Northwest preference to
2 Northwest preference, and this is what people
3 determined was available and coming down the
4 inter-tie. And there was also control totals in
5 terms of what was actually coming in at the time.

6 The details are hazy. I no longer
7 remember how to run ELFIN. But I see that we did
8 deal with it for those kinds of issues.

9 MR. WILLIAMS: I did run Promod 20 years
10 ago but I --

11 MS. GRIFFIN: Oh okay.

12 MR. WILLIAMS: We also have a very short
13 presentation just to provide a short illustration
14 of a marginal approach. Thank you.

15 ADMINISTRATIVE LAW JUDGE TERKEURST: Let
16 me ask Mr. Williams one more question. You just
17 made a reference to a presentation that you had.

18 MR. WILLIAMS: I'm sorry, yes.

19 ADMINISTRATIVE LAW JUDGE TERKEURST: You
20 made a reference to a presentation that you had.

21 MR. WILLIAMS: Yes.

22 ADMINISTRATIVE LAW JUDGE TERKEURST: Are
23 you talking about something in writing that you're
24 distributing or what are you talking about?

25 MR. WILLIAMS: I think he has a copy.

1 MR. ROSCOW: Yes they sent it yesterday
2 afternoon so it's on the web. It's on the CEC's
3 website.

4 MR. WILLIAMS: We sent it yesterday
5 afternoon.

6 ADMINISTRATIVE LAW JUDGE TERKEURST: Oh,
7 okay so it will be made part of this record.

8 MR. ROSCOW: Sure.

9 ADMINISTRATIVE LAW JUDGE TERKEURST: I'm
10 just trying to make sure that I have copies of
11 everything that we're wanting in the record.

12 MR. ROSCOW: Yeah, thanks.

13 ADMINISTRATIVE LAW JUDGE TERKEURST: All
14 right, thank you.

15 MR. ROSCOW: Yeah, all we got last night
16 was one from PG&E and one from SCPPA. And that's
17 it. And I think they're both on the web. Good
18 morning.

19 MR. PEDERSEN: Norman Pedersen from
20 SCPPA. Karen could you help me some. I'm
21 struggling to understand the answer you just gave
22 to Ray Williams.

23 In order to help me understand would you
24 compare the methodology you have used in ER 90 for
25 Northwest to what you and Scott Murtishaw are

1 proposing to develop the path that was used for
2 unassigned imports from the Northwest in the
3 proposed reporting protocol that you've released
4 recently.

5 MS. GRIFFIN: They're very similar in
6 broad outline which is the first one you take out
7 known purchases from known entities. Back in
8 those days we called them firm imports. We now
9 call them specific purchases. It's the same
10 concept.

11 And then for all the rest of the stuff
12 you use a transmission area control, what's coming
13 down the inter-tie as your control total. Say no
14 more than this can be allocated to stuff that
15 comes from the Northwest.

16 You split the Northwest and the
17 Southwest. You look at how much came down the
18 Northwest inter-ties, subtract out what we know is
19 coming from known, or at that time, firm
20 purchases. And then in terms of allocating the
21 non-firm purchases we use as much information as
22 possible in terms of modeling the way the system
23 operates using the Northwest characterization of
24 their system operations, trying to identify what
25 they say is taken from preference customers.

1 Now we can look in greater detail on the
2 diurnal patterns of transmission. We didn't have
3 that kind of information 17 years ago.

4 We in the Northwest worked a great deal
5 together on trying to understand when surplus
6 energy was available. Because that was what was
7 sold at the time as non-firm.

8 So it was looking at the BPA resource
9 from the White Book. You all are familiar with
10 the White Book. You know that was the Bible of
11 characterizing the Northwest at the time.

12 And my memory is a little hazy on the
13 actual, the resource split part of that analysis.
14 But I do remember all the discussions of what was
15 available and when was it available and could it
16 be purchased first in the Northwest? And was it
17 available for sale?

18 And then we had parties from here coming
19 in and saying, yes I buy this kind of resource
20 from the Northwest. I buy this firm, I buy this
21 non-firm.

22 And so that's -- Again, a similar kind
23 of thing that we're doing together. We're putting
24 together lots of different pieces of information
25 to understand the Northwest. You can't use a

1 strict modeling approach to estimate the marginal
2 resources in the Northwest because of the way that
3 hydro is modeled. Hydro is such a specific
4 resource that you have to, you constrain it in the
5 model to take account of all the other factors
6 that are dealt with.

7 So you use the modeling information.
8 You use what the Northwest says they think is
9 going on. You use what people here say they think
10 is going on. And you put it all together to try
11 to get as good a picture as possible.

12 We've been asking parties to give us
13 information on what they purchased in terms of
14 purchases from the Northwest. We've not gotten a
15 lot of responses.

16 We obviously have the FERC Form 1s from
17 the IOUs which lists out their counter parties.
18 So you can get some idea but it terms in what the
19 source that that counter party got it from, again
20 you're having to make some assumptions.

21 BC hydro you can say, yeah that was
22 probably hydro. If it was BPA was it BPA's mix.
23 If it was PacifiCorp what was it?

24 Trying to work it all together, better
25 information supplied by people will give up better

1 accuracy. So I think we're going to be doing a
2 data request to all the retail providers on
3 current things.

4 I don't know that we're going back to
5 1990 because I don't expect everybody has their
6 1990 actuals anymore. But if people want to
7 voluntarily turn that in, particularly people who
8 bought from the Northwest, munis. That would be
9 helpful to the process.

10 But it has to happen now because as
11 Richard has said we're closing down, ARB is
12 closing down this part of it. Having to put a
13 design freeze on this element of the overall
14 process.

15 MR. PEDERSEN: Many of the utilities in
16 our group actually would have information about
17 that going back to 1990. If you would have a
18 model for what you would like to see, sort of
19 something to help us fill in the blanks for you,
20 something that would guide us to the information
21 would be helpful to you, that would be helpful to
22 us.

23 MS. GRIFFIN: Okay. Would Gerry and
24 Larry agree to create that? Okay, we can say that
25 we've just decided to stick Gerry Bemis and Larry

1 with the task of coming up with that little
2 template. Thank you for being here.

3 MR. BODE: And part of that would be
4 actually delivering some data information to us.
5 Only because we've gotten lots of good promises
6 but as people have gone back to try to find their
7 1990 data it's been pretty hard. I mean it's been
8 17 years so. But we're more than willing if you
9 can get that data to us to provide that.

10 MR. DAVIS: Kyle Davis with PacifiCorp
11 just to echo that. I actually brought a copy of
12 our 1990 FERC Form 1 (laughter).

13 And the value of that is that from an
14 investor-owned standpoint we not only have a
15 listing of our power purchases but also what we've
16 sold.

17 And so for the publicly-owned that
18 didn't have to file a FERC Form 1 we can at least
19 reverse engineer what some of the investor-owned
20 sold back to the public. So they can maybe
21 further scrub what they have identified as
22 Northwest purchases or Southwest purchases with
23 utility-specific or generator-specific.

24 So we've been talking about doing
25 something that's more detailed as far as 1990.

1 The question I had is one dealing with the issue
2 of, not so much power available for sale in the
3 wholesale market but from a utility's standpoint.

4 We have what is called a multi-state,
5 process, revised protocol where any resource that
6 is added to our system that is whether a utility-
7 owned asset or QF becomes a system resource.

8 And for ratemaking, in general rate case
9 purposes the cost of those different resources,
10 irregardless of geography, but simply because they
11 are connected to our multi-state system are
12 allocated to the different states according to
13 this revised protocol. It's a cost protocol.

14 Has that type of allocation of benefits
15 been taken into account on this issue of, for
16 example Northwest hydro, and just to give you a
17 very real example, we have a number of Northwest
18 hydro projects --

19 MS. GRIFFIN: Yes, for you it was since
20 we had your data.

21 MR. DAVIS: Okay, because for us it's
22 real important for the multi-state process to be
23 reflected in addition to transmission restraints
24 and other control area issues. Thanks.

25 MR. ROSCOW: Okay, one more and then I

1 think we'll wrap it up.

2 MR. NOLFF: Good morning, I'm Gary Nolff
3 from the City of Riverside Public Utilities.
4 We're a member of SCPPA.

5 And I wanted to get just a little bit
6 more information on the CEC data transfer to CARB
7 and the extent to which that data would include
8 information for municipal utilities.

9 Really the question boils down to, was
10 municipal data, at that time, lumped into
11 investor-owned utility data or was it separately
12 reported. And if it was separately reported
13 somehow by the non-jurisdictional municipalities,
14 and I'll give you a sense of the magnitude.

15 The Intermountain Power Project in 1990,
16 about 20 percent of it was from, between Anaheim
17 and Riverside. Although we were within Edison's
18 control area at the time if it was separately
19 reported by Edison then it's going to skew
20 Edison's numbers up. If it was separately
21 reported for the municipals we had a contractual
22 arrangement which at the time allowed us to paper
23 schedule how we would have used the resource. But
24 Edison actually dispatched it in the control area.

25 So I just wanted to see if there might

1 be some clarification on the source of the CEC
2 data for municipal utilities that was transferred
3 to CARB.

4 MS. GRIFFIN: The source of the data was
5 probably the 1990, well it would have been the
6 1989 CFM filings from all of the utilities. So it
7 was from the electricity report process. At that
8 time everything that was submitted in the ER was
9 not, was public.

10 So it was public data supported by,
11 supplied in the CFM process, compiled by us and
12 recorded in the, these acronyms are all coming
13 back, the ESPAR, electricity supplied planning
14 assumptions report.

15 And so there would have been a, okay you
16 can have no more of IPP than the total of IPP
17 because even at that point the totals were being
18 published and available.

19 MR. NOLFF: I know we're reaching back.
20 This is quite a few years. Would there be a way
21 to tell or maybe we should wait until next month
22 and look at the data.

23 For example, that 20 percent of Inter-
24 mountain was being dispatched by Edison for the
25 benefit of the control area. And we were keeping

1 track on paper how we would have used it. And
2 there was a differential billing arrangement.

3 So if we reported it I would have to, we
4 would need to go back and determine if we reported
5 how we would have used it or if we would have
6 reported how Edison actually used it. In which
7 case Edison hopefully didn't include how they
8 dispatched our resource in their mix.

9 It would tend to skew their greenhouse
10 gases in 1990 up quite a bit because at the time
11 that was a considerable amount of coal even for
12 Edison. Even given Four Corners and Choya and so
13 forth and Mojave.

14 That was the question, maybe it's
15 clarification for the folks analyzing the data
16 before you issue it. If you need clarification we
17 can definitely provide that and kind of track down
18 where our coal was being used in your reporting.

19 But at this point I'm not quite sure who
20 in 1990 would have included that Inter-mountain
21 generation. Whether it would have been investor-
22 owned or whether it would have been municipals.

23 I'm not a regulatory from CFM --

24 MS. GRIFFIN: You would have included it
25 in your own supply assumptions report, your own

1 CFM report.

2 Edison reported what it had to serve its
3 load. You reported what you used to serve your
4 load.

5 MR. NOLFF: And under the contractual
6 arrangement Edison would have counted our
7 resources to serve Edison load of which we were a
8 part of the partial requirements customer.

9 So I suspect that the information is
10 probably skewed. And we'll take a look at it in
11 July if a definitive answer isn't available today.
12 And I can't imagine how it would be. I wanted to
13 point that out though.

14 MS. JOHNSON KOWAL: Leilani Johnson
15 Kowal with LADWP. Just in response to that.
16 LADWP did provide Inter-mountain power plant
17 specific data for 1990 for the whole plant to Air
18 Resources Board staff, to Larry Hunsaker
19 (laughter).

20 MR. ROSCOW: Okay, good, just to wrap
21 this topic up. Going back to the procedural
22 aspects of it.

23 What I heard is we'll see, ARB is going
24 to lock down its number. We're going to see it
25 sometime around the 30th of July. Everybody at

1 that time will get a complete set of work papers
2 and they can dive in. It'll be a very intensive
3 period between that moment and the workshop in,
4 sometime in August.

5 And at the workshop all of our parties
6 will have a chance to ask all these detailed
7 questions. And then ARB will take those questions
8 and the part I'm a little fuzzy on is when you
9 issue, if you do any updating or revisions will
10 you adjust each and every question or would you do
11 it.

12 Let's say there's 50 questions. And
13 they're all kind of detailed. Would you have to
14 put out in writing 50 responses to, is that part
15 of your procedure?

16 MR. BODE: Probably not. You mean
17 putting them in writing, respond to each question.
18 What we do is we try to respond to each one
19 especially if we found new data, updated data
20 things like that. We would respond to it.

21 We wouldn't put out an actual list of
22 question by question.

23 MR. ROSCOW: Okay. Then we'll see any
24 revisions in the staff report, which is out for 45
25 days of comment before the vote.

1 MR. BODE: That's right.

2 MR. ROSCOW: And that's everyone's
3 second opportunity to say anything they wish to
4 say about any satisfaction they didn't get earlier
5 in the process.

6 Then the question it raises for me is
7 that doesn't leave our two commissions any time to
8 do anything separate anyway by the end of the
9 year. So again we're back to making sure that
10 it's done in ARB's process which is what our
11 commissions want.

12 And I'm hearing it'll happen. And you
13 will all be satisfied. But it's just a procedural
14 question that I just want to flag basically. I
15 can't answer it but --

16 MR. BODE: And we'll make sure we notify
17 stakeholders of the, actually the date when we get
18 a firm date on the release of that, the inventory
19 data and the workshops.

20 ADMINISTRATIVE LAW JUDGE TERKEURST: I
21 guess just to wrap it up. As the Administrative
22 Law Judge my job is to carry out the intent of the
23 scoping memo. And the Public Utilities Commission
24 had provided the opportunity for or set a schedule
25 that would allow it to make formal recommendations

1 to CARB.

2 I agree with our staff that it certainly
3 is not my desire to write an order that is not
4 needed. I certainly hope that the parties use the
5 process at CARB to have your issues addressed
6 there.

7 But again our process is still open in
8 case parties make a convincing argument to us that
9 they have remaining concerns that might warrant a
10 formal recommendation to CARB.

11 But as Steve just pointed out the
12 schedule is extremely tight. If you do have
13 concerns that you believe are not being addressed
14 adequately at CARB you need to let us know as
15 quickly as possible so that we would have time to
16 consider that and decide whether we wanted to
17 submit something formally addressing that issue.

18 MR. ROSCOW: Great. With that why don't
19 we take a look at the rest of today's agenda which
20 is up on the board. And I also wanted to pause
21 for a second and introduce a couple of CEC folks
22 that are my partners in this. And they're up here
23 with me in spirit.

24 Marc Pryor is running the show today.
25 And Daryl Metz is on the other side. And we're

1 all three co-assigned to these topics.

2 And any questions on any of the
3 procedural stuff talk to any one of the three,
4 consider starting with any one of the three of us.
5 I think we'll kick it upstairs.

6 The agenda. We're a little behind but I
7 think we can catch up. We have quite a bit of
8 time allotted for the second of our three topics
9 which is current entity-specific emissions.

10 And then we're going to break at noon.
11 We'll start the topic, break at noon for lunch,
12 for an hour lunch break. Start up again, finish
13 the second topic from one to two-thirty, take
14 another break at two-thirty and then start our
15 third topic which may be the most challenging
16 topic. We'll start that at 2:45.

17 Any questions about the timing of all
18 that? We'll try and do the second one in a
19 shorter period of time but I have no guaranteed at
20 this point, Karen.

21 MS. GRIFFIN: We've had a request from
22 the audience that if it looks like we're running
23 long if we could move the allocation in front of
24 the topic two. And so we'll caucus at lunch and
25 see how we're doing because we know that

1 allocation is the most controversial item. And
2 it's Friday afternoon, we understand (laughter).
3 And people want to be here for it but they also
4 would like to get out of here earlier if they
5 could. So we'll try to accommodate it.

6 MR. ROSCOW: Great, okay. So if we go
7 to page five of this PowerPoint. I wanted to
8 start this with some discussion about what we're
9 going to, once we determine what current, entity-
10 specific emissions are, what we're going to use it
11 for.

12 As it says in the scoping memo, we have
13 two purposes for this. Basically we're going to,
14 our modelers, we've hired a consulting firm to do
15 some modelling for us.

16 We expect that this data will be inputs
17 to their modelling process. That's one use of the
18 data.

19 Secondly, it's going to be a factor in
20 the policy making for the allocation scheme that
21 we come up with down the line.

22 And Julie mentioned earlier we're really
23 just starting this entire process today. And we
24 are very much in a listening mode.

25 But those are the two general purposes

1 that we envision for this data. And based on what
2 we hear from you today we're going to refine that.
3 And I think you'll see the conversation is going
4 to become a two-way conversation pretty quickly.

5 So let's go on to the next slide. This
6 entire presentation is the agenda that was sent
7 and the questions that were sent. It was just put
8 into a PowerPoint and a few things were moved
9 around. Namely the definition of the period that
10 we used for current. We put that at the end of
11 this section, not at the beginning. Because we
12 wanted to talk about the possible, methodological
13 approaches first. And we thought that might, what
14 we come up with there might inform the question of
15 what we mean when we say current.

16 So with that in mind we just very
17 generally sketched out two possible approaches.
18 And this is sort of, I have about two more months
19 into this than my CEC partners and my initial
20 thinking was --

21 MR. PRYOR: Steve?

22 MR. ROSCOW: Yes.

23 MR. PRYOR: We have a question from --

24 MR. ROSCOW: A question? Oh, sorry.

25 Susie.

1 MS. BERLIN: I just wonder, are there
2 any copies printed out and available?

3 MR. PRYOR: Are there any copies
4 available?

5 MR. ROSCOW: There were.

6 MS. BERLIN: Of this presentation?

7 MR. ROSCOW: Not of this presentation,
8 no.

9 MS. BERLIN: Okay.

10 MR. ROSCOW: That's why I said there's
11 nothing really new in here. It has been moved
12 around a bit.

13 MS. BERLIN: Okay, thank you.

14 MR. ROSCOW: And it's on the website as
15 well. So my original thinking --

16 MR. PEDERSEN: Which website? Yours or
17 the CEC's.

18 MR. ROSCOW: CEC's

19 MR. PRYOR: It's not on the website yet.

20 MR. ROSCOW: Oh, okay. This right here?

21 MR. PRYOR: Right. We got it too late
22 to put on.

23 MR. ROSCOW: Okay.

24 MR. PRYOR: I haven't had a chance to
25 talk with the webmaster.

1 MR. ROSCOW: Okay. So you'll have to
2 kind of cross reference the pre-workshop
3 questions. Would you rather I work off of that?

4 MR. PEDERSEN: Go by number.

5 MS. FITCH: Is the issue that people
6 can't see that? Would it help if we dimmed the
7 lights?

8 MR. PEDERSEN: No people can see it
9 here.

10 MS. FITCH: They can see it on the web,
11 right? It's being webcast.

12 MR. PRYOR: It is being webcast.

13 MR. ROSCOW: If you look at the pre-
14 workshop questions we're jumping to questions 6
15 through 13. And we're going to kind of tee it all
16 up and open it up for a discussion.

17 So again, there's no change in the
18 agenda at all. One possible starting point that I
19 had thought might be workable was to use the
20 current registry data, the climate action rescue
21 data as the data set that would represent current
22 entities' specific emissions.

23 My understanding just very generally I
24 don't want to get into the details of the registry
25 methodologies. But there really isn't a complete

1 data set right now that's been done based on a
2 consistent protocol.

3 That some similar data has been reported
4 using a different version of different protocols.
5 It's not really usable off the shelf.

6 CEC suggests that a second possible
7 starting point which is the SB 1305 power source
8 disclosure data and perhaps merging the two data
9 sets in order to come up with a usable set that's
10 current and entity specific data.

11 And since then we've had what I'm
12 calling the Griffin/Murtishaw protocol come out
13 for future reporting and we've been thinking the
14 last few days of potentially of the question of
15 whether that's would be usable going backwards.
16 And it may not be.

17 But we thought we'd tee those three
18 things up for our discussion. So with that this
19 is the part where you get to speak and react.

20 And you may need to ask some clarifying
21 questions. And we'll do our best to clarify what
22 we're thinking. But I'd like to kind of throw it
23 open to people. Just based on what you've heard
24 this morning, what you've seen and the pre-
25 workshop materials, if you have any reactions.

1 Remember what we need is a data set of
2 current emissions for this period before the
3 formal reporting kicks in. Yes.

4 MS. SASTRY: Hi this is Soumya Sastry
5 with PG&E. And while I do think that there is a
6 lot of good information both in what we've given
7 voluntarily to the CCAR and what we've submitted
8 in the 1305.

9 It seems for modelling purposes we would
10 like to be as accurate as possible. And I think
11 probably a really good data source for that would
12 be the QFER data that the CEC collects on sources.
13 It's source specific.

14 And over the QFER data we would have to
15 align the imports that we get. Even though we do
16 put facility-specific information where we have it
17 in our 1305 if we have a system purchase like with
18 an entity we would just list the entity. And it
19 wouldn't have the facility on there.

20 So it seems to be as accurate as
21 possible we would want to look at source-specific
22 data such as from the QFER.

23 MS. FITCH: Other questions?

24 MS. SASTRY: Come back, come back
25 (laughter).

1 MS. GRIFFIN: My understanding of the
2 way we do QFER now is it does not map facility to
3 load.

4 MS. SASTRY: Correct.

5 MS. GRIFFIN: So how would what the
6 modelers need here is a load-based resources, a
7 load-based, carbon footprint. How would you
8 adjust QFER to provide that load-based
9 information, PG&E's overall footprint and --

10 MS. SASTRY: So one question would be
11 what is the goal of the modelling? Why do we need
12 to find out the specific, load-serving, entity
13 footprint for the purposes of determining what the
14 impact of the policy would be for the California
15 customers.

16 MR. ROSCOW: One of our main interests
17 is rate impacts. And we think that we're going to
18 want to do that for each IOU and POU. But we
19 think we're going to need that data down the line.
20 So that's the short answer to your question.

21 MS. SASTRY: Well I guess then perhaps
22 we should look at both sets of data to make sure
23 that the entity-specific information does align
24 with what we get in the other data sources.

25 MS. GRIFFIN: We do have the lead of the

1 modelling project Wade McCartney in the audience
2 don't we? And Wade would like to respond?

3 MR. McCARTNEY: Well --

4 MS. GRIFFIN: Come up to the mic.

5 MR. ROSCOW: I'll say while Wade is
6 coming up, our consultant is barely on board so
7 we're going to go easy on Wade this morning.

8 MR. McCARTNEY: Yeah please go easy on
9 me today. The consultant is not on board yet.
10 Yes we would like to get the most accurate data
11 possible that we can get. And we're still going
12 to be looking into it.

13 It's going to be sort of a challenging
14 effort. And I'd be interested in taking a look at
15 several different approaches and perhaps if
16 there's not much difference between them, the
17 approaches, we can sort of choose the best one.

18 MS. GRIFFIN: I think the specific
19 question is why LSE-specific data, why is that a
20 feature of the policy development in this
21 proceeding.

22 And I think to remember a discussion
23 that we're interested in the differential impacts
24 because we know some retail providers have much
25 more significant carbon footprints than others,

1 higher carbon footprints than others.

2 And so if we have different policies on
3 banking or emission reduction measures that there
4 was interest in understanding the differential
5 impact on LSEs exempt. Am I in the right place?

6 MS. FITCH: Yes.

7 MR. ROSCOW: Yes definitely.

8 MR. MCCARTNEY: But that's pretty
9 granular. I mean we do want to determine the
10 economic impact on each load-serving entity based
11 on possible. It's kind of interesting because 99
12 percent of the, I believe it's the kilowatt hours
13 generated is only one half of the LSEs, there's
14 about 65 LSEs in the entire state. So at some
15 point you're going to have diminishing returns
16 from increased accuracy level.

17 MS. FITCH: Yeah I mean we had discussed
18 early on potentially grouping some of the
19 utilities together, especially the small ones or
20 similarly-situated ones for sure.

21 But I think Steve is right, it
22 ultimately comes down to a rate impact analysis.
23 And that's what, we're looking at costs on the
24 sector. And they're going to be differentially
25 borne by different players.

1 And so we want to be able to look at
2 that at least in broad-brush in the modelling
3 exercise.

4 MR. ROSCOW: Probably the next time we
5 all get together may be with the modelers to kick
6 off that process. I think early in their process
7 they have to run a public-input process on data
8 and things like that.

9 So we're kind of jump-starting that with
10 this workshop today. Thanks Wade. Yes.

11 MR. HAHN: Jeffrey Hahn from Covanta
12 Energy. We're an independent power producer. We
13 have about 11 renewable energy plants in the
14 state.

15 Just a question, I came in a little
16 late, I apologize. Are you looking for your CCAR
17 data from independent energy sources that point-
18 of-sale or is this just for LSEs for your
19 modelling approach.

20 Because our data that's in CCAR, what's
21 available publicly is only the broad picture of
22 Covanta not facilities-specific. And we'd have to
23 unbundle that and send it to you separately.

24 So do you need the individual power
25 plant's biomass, biogas by themselves for your

1 modelling effort? Or are you just going through
2 the LSEs?

3 MR. ROSCOW: I'm not personally sure of
4 the answer to that question.

5 MS. FITCH: I think we're focussed on
6 the LSE data right now and not generator-specific
7 data.

8 MR. HAHN: Okay, well please let us know
9 if you change your mind.

10 MR. ROSCOW: You can count on that.
11 Leilani.

12 MS. JOHNSON KOWAL: I seem to be up here
13 a lot this morning. Leilani Johnson Kowal with
14 LADWP. I think I would agree with PG&E in terms
15 of accuracy being a very high priority in this
16 whole process of developing entity-specific,
17 greenhouse gas emissions.

18 The registry of PUP protocol reports
19 emissions from jointly-owned assets based on
20 ownership share. And we do not believe that that
21 is necessarily the most accurate way of looking at
22 it.

23 We would recommend reporting emissions
24 for jointly-owned assets based on actual
25 electricity delivered from the generation source

1 to include line losses and not necessarily
2 ownership share alone.

3 For purchased power the registry only
4 reports line losses for consistency with AB 32.
5 We would recommend reporting generation emissions
6 for all owned and purchased power.

7 And then for unspecified power purchases
8 we would recommend using updated regional averages
9 for Northwest, Southwest, pounds per megawatt hour
10 on a marginal analysis approach.

11 MS. GRIFFIN: Leilani is your SB 1305
12 your net system power report, is that consistent
13 with the recommendations you've just given or are
14 you talking about us getting a new set of data
15 from LADWP?

16 MS. JOHNSON KOWAL: I have not had an
17 opportunity to take a look at that. I would not
18 recommend using SB 1305 net system power because
19 it seems to me that you would have to use some
20 kind of built in assumptions in terms of emissions
21 factors.

22 And that would not necessarily be as
23 precise as actual megawatt hours from your
24 purchases.

25 MS. GRIFFIN: Okay, so you would agree

1 that for us to get the best data for use in this
2 process we should do a data request and get each
3 of you all to submit each of your retail
4 providers, bigger ones. We'll have some kind of
5 exemption for the smalls to provide us your sort
6 of current years starting point.

7 MS. JOHNSON KOWAL: This should not
8 really be that big of an issue. We're not looking
9 back 17 years. We're only looking back maybe 2004
10 to 2006. I'm not sure what time frame you're
11 looking at.

12 But it seems to me that any of those
13 that load-serving entities should be able to get
14 that data without any difficulty.

15 MS. GRIFFIN: Okay, thank you.

16 MR. ROSCOW: Leilani before you go,
17 would there be any confidentiality issues just off
18 the top of your head in the sorts of data that
19 you're talking about if we were to make a request
20 for it.

21 And the reason is it's possible we'd
22 want a data set that is public so that when we
23 start to do things with it people can see the
24 whole data set and understand the calculations
25 that we're doing.

1 MS. JOHNSON KOWAL: For LADWP I don't
2 see a problem. But I can't speak for anybody
3 else.

4 MR. ROSCOW: Okay. Maybe Norman can
5 (laughter).

6 MR. PEDERSEN: Well not everybody else,
7 but certainly a couple of points. First of all,
8 the concerns that Leilani was just laying out so
9 well are actually shared by the SCPPA members
10 generally.

11 And secondly, yes a data request would
12 be helpful. The SB 1305 data we don't think would
13 work well.

14 Leilani also mentioned some concerns
15 about CCAR data works. So we would look forward
16 to a data request.

17 On the confidentiality issue we think
18 that the data should be publicly available. The
19 public should have confidence in this data. If
20 the data is publicly available it'll be
21 transparent, we believe enhance public confidence.

22 And certainly if anybody is concerned
23 about release of data because of competitive
24 purposes, for competitive reasons, this is all
25 historical data. We're going back to 2004, 2005,

1 2006, typically data, anything more than six
2 months old is considered not very valuable for
3 competitive purposes.

4 So we do think it should be publicly
5 available Steve.

6 MR. ROSCOW: Great, thanks. Susie or
7 whoever is next.

8 MR. PRYOR: If I may interject please.
9 For those that did come late if you do speak
10 please provide either business card to the court
11 reporter or a blue card that is to the right of
12 the podium. Please write legibly for their
13 benefit.

14 MS. BERLIN: Susie Berlin for the
15 Northern California Power Agency. I know it's one
16 of the questions on the list that we're supposed
17 to get to at some point today. But I think that
18 maybe if we had an initial discussion on what is
19 the time frame we're talking about. We're saying
20 2004, 2005, 2006. I think that that goes to the
21 relevancy and the accuracy and the exact kind of
22 data we can provide if we maybe narrow down what
23 your thoughts are on that time frame right up
24 front. Thank you.

25 MR. ROSCOW: Sure, do you want to say

1 anything Frank or do you want to hold off on --

2 DR. F. HARRIS: No if you want to
3 respond, go ahead. I'll follow after --

4 MR. ROSCOW: Very briefly, we're just
5 sort of anticipating using the most recent data we
6 can get and using some sort of multi-period to
7 smooth it out is about the extent to which we've
8 thought about it.

9 DR. F. HARRIS: Frank Harris, Southern
10 California Edison. Specifically regarding Karen's
11 question concerning 1305 I share a position
12 expressed earlier that I don't believe 1305 was
13 really, the 1305 report is really the way we want
14 to go on this.

15 And 1305 does not speak to some very
16 specific issues some of which were addressed in
17 Mr. Murtishaw's draft proposal regarding wholesale
18 sales. And 1305 also assumes some emission
19 factors that I don't think we would want to bring
20 into play here.

21 Insofar as 1305 does present a straight-
22 forward reporting of actual energy from specific
23 sources then it is something, at least for
24 Southern California Edison's purposes, is
25 perfectly consistent with FERC Form 1.

1 And so that data is very clear. But as
2 it applies to the generic purchases, the non-
3 specific purchases, I don't believe that the
4 protocol of 1305 is something we would want to
5 consider.

6 And just one other thing in terms of the
7 question of confidentiality, we've talked about
8 this quite a bit. And the data that we've
9 reported, and once again I can't, as was expressed
10 earlier, I can only speak for Edison, but the data
11 that we reported in 1305, perfectly happy to share
12 that with anybody. We sent it up to the CEC
13 presuming that it's going to be available to
14 anybody and everybody. So I don't think that
15 there's much of an issue there.

16 Now insofar as you might be looking at
17 if you're interested in a specific, time-of-use
18 data on the plant level that would bring in a
19 completely issue with regard to confidentiality.

20 But in terms of annual data from plant I
21 don't think there's any confidentiality issue
22 there at all.

23 MS. GRIFFIN: Okay, I just wanted to
24 make one clarification to the record. There is no
25 emission data in the SB 1305. It's purely fuel

1 mix.

2 DR. F. HARRIS: If I mis-spoke I
3 apologize. But what I did mean to say is that the
4 treatment of non-specific purchases in 1305
5 follows the net system power numbers that are
6 published by the CEC. And it's not necessarily
7 the approach we would want to take with regards to
8 AB 32 compliance.

9 MS. GRIFFIN: Okay, that's perfectly
10 fine with us. We're happy to get better data. We
11 were trying to provide to parties something that
12 was they had already done. So we weren't
13 duplicating or increasing regulatory burden. But
14 if you all want to give us better data who are we
15 to say no.

16 MR. BROWN: Hi, Andy Brown with Ellison,
17 Schneider & Harris here for the Constellation
18 Companies, specifically Constellation NewEnergy,
19 which is an energy service provider, and also of
20 Constellation Commodities Group.

21 A couple of observations I guess if you
22 will. The notion of needing LSE-specific data was
23 described as trying to figure out rate impacts.
24 For ESPs there's no such thing as a rate impact
25 because services are provided on a contract-

1 specific basis.

2 And so asking if that is, should be a
3 basis for seeking that information from ESPs or
4 the rationale underlying that. And so that's the
5 first item.

6 The second item is a question regarding
7 essentially the interplay between the resource
8 adequacy capacity requirement and energy that is
9 acquired to serve customer load.

10 All LSEs are subject to the resource
11 adequacy requirement. And some LSEs acquire
12 unbundled capacity. Is the, presumably those LSEs
13 would not then be tagged with the energy related
14 emissions from that capacity unless there was a
15 way to show that that energy was actually going to
16 serve their load.

17 Which brings the next question which is
18 that some entities are essentially acquiring
19 energy from the spot market place or relatively
20 shorter transactions. And how would you attempt
21 to unravel the transactional path from a source
22 that essentially may be provided to loads on a LD
23 basis.

24 And so those were a couple of things
25 that jumped to mind immediately.

1 MS. GRIFFIN: Okay, one, in this
2 proceeding we're talking about actual energy
3 dispatched based on financial settlements. So
4 it's things that happened in the past.

5 So any energy which was dispatched in
6 the past to serve capacity would be part of the
7 energy that was provided. It doesn't matter.

8 The issues that you're talking about
9 actually belong in another track of the
10 proceeding, the reporting and tracking one. And
11 I'd rather talk to you about that off line rather
12 than taking up the time of this workshop.

13 But there is an answer. But let's do it
14 off line, okay?

15 MR. ROSCOW: Great, that's my favorite
16 answer (laughter). I would just say on the ESP
17 question the reason that we want entity-specific
18 is we expect some entities to come back in
19 response to whatever policy comes out saying, this
20 policy is killing us. You can't do this, it's
21 killing us. It's going to put us out of business.

22 And that does get into this data
23 question. And that's why we want the data. So
24 that might be something you may want to think
25 about and how to make your analytical points given

1 that you're somewhat different situation.

2 MR. BROWN: Yeah and related to that
3 issue then would be what kind of assumptions we
4 should be making about the ability to secure
5 things like offsets from other sectors outside
6 electricity?

7 MS. GRIFFIN: This is all historic.
8 It's happened. What happened from 2004 to 2006.

9 MR. BROWN: Right but if you're
10 assigning somebody, well I suppose this is the off
11 topic issue.

12 MS. GRIFFIN: Yes.

13 MR. ROSCOW: Yeah, but I hear you
14 though.

15 MR. BROWN: Okay.

16 MR. ROSCOW: Okay, sorry about that.

17 Next question, comment?

18 MS. LUCKHARDT: Hi, this is Jane
19 Luckhardt on behalf of the Sacramento Municipal
20 Utility District. And I have a question for you.

21 We've had a lot of conversation about
22 the modelling in regards to determining rate
23 impacts. And I'm not saying that rate impacts
24 aren't important. But I'm wondering as we go
25 across sectors if we're going to be looking at

1 something akin to an offset, a traditional, air
2 quality offset like a dollars per ton number as
3 they're comparing how much emissions from each
4 sector are going to be required.

5 And I guess this really is a question
6 for ARB. But if you're going to do modelling is
7 that modelling also going to take some of these
8 other issues into account?

9 MR. BODE: You know I don't know if I
10 have a good answer for you right now what the
11 future may be.

12 MS. LUCKHARDT: Because I think that
13 there's a lot concern within the electricity
14 sector of being singled out. And so I think we
15 want to be sure that when we're doing our
16 modelling we're taking these things into account
17 so that we can compare broad sectors when that
18 time comes.

19 MS. FITCH: As far as the PUC and the
20 CEC modelling exercise, we're assuming that part
21 of the analysis will be to look at different
22 levels of reduction coming from the electricity
23 sector in addition to the impacts on individual
24 entities on a cost basis.

25 So I mean --

1 MS. LUCKHARDT: That's correct.

2 MS. FITCH: In my view the entire
3 purpose of this proceeding really boils down to
4 our recommendations of what the responsibility
5 level should be for the electricity sector to
6 recommend to ARB.

7 MS. GRIFFIN: And the modeling is being
8 designed to feed directly into ARB's macro model,
9 its cross-sector model. So we're just trying to
10 isolate on ourselves first and then provide that
11 information to ARB so they can weigh it with all
12 the other sectors to come up with cross-sector
13 policies. And then that will feed back to us in
14 terms of specifically what is expected out of this
15 sector.

16 We won't know until ARB has been through
17 its whole process what the targets are going to be
18 for the electricity sector.

19 MR. ROSCOW: So I'm hearing that CEC and
20 CPU staff need to come up with some sort of data
21 request template for everybody that reflects the
22 sort of entity-specific data we're looking for,
23 circulate it, get you all to buy off on it, buy
24 into it, and then issue it.

25 And it sounds like procedurally that

1 would work for everybody based on what you're
2 hearing back from us this morning.

3 MR. PEDERSEN: Certainly, Steve from
4 SCPPA's standpoint that's correct. What we saw on
5 the list as we went through them was sort of like
6 you were looking for shortcuts, hey could we look
7 for SB 1305, could we go CCAR, and as we looked
8 more closely to each one of those, we said, well,
9 you know the problems with CCAR.

10 Well there are a lot of problems with SB
11 1335. This is so important that we think you
12 ought to get the accurate data and that's exactly
13 the way to do it.

14 MR. ROSCOW: Okay, good. Gerry, yes.

15 MR. BEMIS: Gerry Bemis, Energy
16 Commission staff. I hope this is helpful, instead
17 of hurtful. I have facility level data, publicly
18 available, from 2004 and 2005 for the in-state and
19 for the known ownership shares for out-of-state.
20 The unknown, we have used emission factors to
21 estimate emissions for that portion, which is a
22 fairly small but not insignificant portion of the
23 overall emissions from generation.

24 To me, it seems to me like that's a good
25 place to start from and then to map those

1 emissions over to load-serving entities to get a
2 load-serving entity level of footprint, if you
3 will. And that's kind of my thinking all along as
4 to how we should proceed. I don't know how that
5 compares with what everybody else is thinking.

6 MS. GRIFFIN: What we could do for
7 parties is just on an informational basis is to --
8 If we post that as an Excel can people download
9 it, your database?

10 MR. BEMIS: Sure.

11 MS. GRIFFIN: We can post Gerry's
12 database and you can look at that and see if it's
13 consistent with your, your know, records on your
14 facilities. It will be handy if it is because
15 that will reduce the data manipulation that has to
16 go on if we've already got a core database.

17 I'm not a computer person to know if
18 there is a way just to have a database which
19 people are updating. It needs sources to loads.
20 But if we can use a consistent format for your
21 input and your sources into Gerry's Excel
22 spreadsheets it would just make all our lives,
23 manipulative faster.

24 We're not going to decide that today. I
25 just make that offer that that might be one way to

1 proceed as fast as we can.

2 MR. ROSCOW: Is it finished? Is it
3 done?

4 MR. BEMIS: I have 2004 and 2005.

5 MR. ROSCOW: Right.

6 MR. BEMIS: For 1990 I've got the in-
7 state portion done except for the imports.

8 MS. JOHNSON KOWAL: Are you talking
9 about ownership share or actual generation
10 received? That's the only thing that I would
11 wonder about.

12 MR. BEMIS: I heard you when you said
13 that a few minutes ago too and I made a note. But
14 yes, it was based upon ownership share. Either
15 actual ownership or contractual share. Like IPP
16 was 70. I think it's like 75 percent owned by you
17 folks and 25 percent contracted by California
18 entities.

19 MS. JOHNSON KOWAL: I would recommend
20 not looking at the ownership share. I would want
21 to look at the actual generation that's received.

22 MR. BEMIS: And as Karen has said
23 before, I'd be happy to receive better data.
24 (Laughter).

25 MS. JOHNSON KOWAL: And we will give it

1 to you.

2 MR. PEDERSEN: I guess another question,
3 Gerry, before you, before you leave. You said
4 that for unspecified use, some kind of factor.
5 Could you help us to understand what sort of
6 factor you were using.

7 MR. BEMIS: What I did was explained --
8 Did we get that paper online, Karen?

9 MS. GRIFFIN: Yes. This is the other
10 track so I don't want to take up time here.

11 MR. PEDERSEN: Okay.

12 MS. GRIFFIN: The explanation is in the
13 report, the resource mix paper. It's part of the
14 reporting. So let's move that discussion into
15 that. But talk to Gerry about it. Nobody is
16 being excluded, the information is already
17 publicly available.

18 MR. BEMIS: Can I just say briefly, what
19 I did was I took all the power plants that were in
20 the Pacific Northwest, subtracted out the known
21 ownership shares. And whatever was left over,
22 took an average for the natural gas and an average
23 for the coal and developed emission factors that
24 way.

25 MR. WILLIAMS: You brought up the issue

1 of rate impacts and modeling so I just, I couldn't
2 resist. So I just want to lay out a couple of
3 scenarios you could have.

4 On the one hand you could have a
5 baseline year where you have a very low number and
6 then you count very differently in the compliance
7 year, very high. And you could, you could have
8 not only -- utilities as compliant entities have a
9 very large amount of allowances they would need to
10 get because of that disconnect in accounting in
11 the baseline year versus the compliance period.

12 You may also kind of inadvertently
13 create a thin market and you may also have a price
14 effect, an upward price excursion as a result of
15 that. On the other hand you could in a baseline
16 year have inadvertently have a very high number
17 that you establish. And if you have a disconnect
18 in the other direction the compliance year you
19 could have emissions rates are too low.

20 And just through the differences in how
21 you count, baseline year versus compliance year,
22 you could actually have -- you could effect a
23 price crash. This depends on how liquid the
24 market is altogether. But, you know, there's
25 counting issues in the baseline year and the

1 compliance year. And dependant on how thin the
2 market turns out or how robust the market is you
3 could have some, some pretty significant price
4 effects one way or the other. So I just wanted to
5 -- You mentioned it so I thought I would just
6 frame it.

7 MR. ROSCOW: Sure, yes. Just for my
8 purposes. When you say baseline year what do you,
9 how are you using that term?

10 MR. WILLIAMS: A 1990 year.

11 MR. ROSCOW: Okay.

12 MR. WILLIAMS: Where that becomes a part
13 of what goes into the target for 2020. And if
14 it's a big reduction then obviously the
15 responsibility on the part of the compliant
16 entities becomes larger.

17 And if you count in the compliance year
18 the emissions associated with unspecified
19 purchases with some other method than what you
20 used for the baseline year you could have a real
21 disconnect in terms of how you, how you set the
22 target and how you did the counting once you got
23 into the 2012 or 2020 period.

24 MR. ROSCOW: Okay. Duly noted, yes.

25 Karen, did you have something?

1 MS. GRIFFIN: No.

2 MR. ROSCOW: Okay, Scott then. Thank
3 you.

4 MR. MURTISHAW: Scott Murtishaw from the
5 PUC. I do want to point out something just in
6 terms -- so that we stay focused a little bit on
7 the numbers and implications of what we're talking
8 about. And I think it's helpful for Ray from PG&E
9 to point out the need to be consistent between
10 1990 and current years.

11 But what we're really talking about when
12 we do that is that we think of the total emissions
13 inventory in 1990, roughly 20 percent of that was
14 related to power consumption. And of that about
15 ten percent was related to imports. And of that
16 we think at least half of that is specified. Is
17 that about right, Karen?

18 MS. GRIFFIN: (Nodded).

19 MR. MURTISHAW: So what we're talking
20 about is trying to make sure that we're getting
21 this five percent of the total accurate. So we
22 need to be consistent, we need to use the best
23 data that we can. But at a certain point we need
24 to keep in mind that we're just trying to adjust
25 this five percent of the total, which is probably

1 itself not going to go up or down by more than a
2 few percent. So I don't think we need to worry
3 about it that much.

4 MS. FITCH: I also just want to add in
5 response to what Ray said. Just to make pretty
6 clear. I mean, I think this was said in multiple
7 ways earlier. Nobody is suggesting that an
8 individual entity's 1990 contribution is somehow
9 going to set their own particular baseline for
10 this whole effort. So just to make sure we're
11 clear on that point.

12 I understand the point about the
13 methodological consistency between the numbers in
14 1990 versus now. But just so we're clear, we're
15 not going to, we're not talking about setting
16 people's individual baselines based on 1990.

17 MR. WILLIAMS: Understood, at least on my
18 part.

19 MS. FITCH: So then the second piece of
20 it though is it's also important to make sure that
21 we're consistent in terms of whatever baseline
22 period, say 2004, 2005, 2006 and the obligation
23 period starting 2012, that we're consistent among
24 those.

25 MR. WILLIAMS: Right.

1 MS. FITCH: One of the options we were
2 talking about before this workshop was, could we
3 ask folks -- well there are sort of two options
4 basically. The first is we could, once the
5 mandatory reporting protocol, the proposed one is
6 out for comment. But once that is finalized and
7 adopted by ARB as part of their process, could
8 that be used to ask folks to report, to sort of
9 back-ass report prior year data in that form as a
10 starting point.

11 The other option is, the starting point,
12 the baseline years for purposes of compliance,
13 don't start until after the reporting period has
14 begun, the mandatory reporting period. In which
15 case we already have the data we need to base the
16 2012 obligation off of.

17 So those are sort of the two options we
18 talked about. There are competing setups in doing
19 it one way or the other, which maybe we should
20 talk about.

21 MR. WILLIAMS: Okay.

22 MS. JOHNSON KOWAL: There is just one
23 thing on that regarding Navajo, I think. In the
24 approach that you're talking about, using the ARB
25 methodology, what Pam Burmich is proposing as one

1 of the options is using part 75 and fuel-based
2 methodology.

3 And we could do that except for going
4 back for Navajo because that is based on fuel
5 sampling. They do not do fuel sampling right now
6 and that would be a difficulty in terms of
7 consistency on both for looking at current year
8 emissions and looking at 2012.

9 MR. DAGLI: Dhaval Dagli from Southern
10 California Edison. In follow-up to your comment,
11 Julie, regarding consistency between the
12 methodology to estimate the current, entity-
13 specific emissions for a compliance period beyond
14 2012.

15 I think one important thing to keep in
16 mind, which is clearly laid out in the
17 questionnaire, the Q&A that Steve and others have
18 prepared, this estimate would also become, I
19 think, a fundamental component of how to allocate
20 allowances now. So it is very important, not only
21 for compliance beyond 2012. For that matter, it
22 may be more important now because a more likely
23 compliance regime beyond 2012 is going to be cap
24 and trade.

25 And where entity-specific compliance is

1 not as relevant, because you are not essentially
2 going to force each entity to quote/unquote
3 comply. They're going to go out in a market
4 mechanism. And so it really is more germane in
5 the near-term of how to allocate allowances.

6 MS. FITCH: That's true, assuming we
7 allocate, which is part three of this
8 conversation.

9 MR. ROSCOW: We've got ten minutes until
10 lunch. We do have a slide on how to define
11 current, the current period.

12 MR. PRYOR: Which page?

13 MR. ROSCOW: I think it's page, page
14 ten. And we might want to just go through that
15 and wrap -- it's possible we could finish this
16 topic by lunchtime. And finish it by deciding
17 what the joint Commissions need to do,
18 procedurally, to keep this going.

19 And it might just be putting out Gerry's
20 file and then following with the data request. Be
21 having some sort of communication around Gerry's
22 file. And that might do it. That's just a
23 thought for you to think about while we talk about
24 our questions about how we can select the current
25 period. So these are right straight out of the

1 pre-workshop comments. Does anything jump out?
2 Did anything jump out for anybody that they would
3 like to comment on right now? It starts on, with
4 question two in the document that went out before
5 the workshop.

6 MS. LUCKHARDT: Yes, Jane Luckhardt
7 again on behalf of SMUD.

8 I think that it has to be a kind of
9 multi-year period for those utilities that do have
10 hydro resources because of the change. And I
11 think you also need to take weather into account
12 and make sure that you don't have just low
13 temperature years. That you've got an average
14 temperature year and some type of average hydro
15 year in there.

16 And I don't know exactly what, you know.
17 We don't have an exact suggestion on what that
18 year would be but just that those factors need to
19 be taken into account. Otherwise you're really
20 going to get a skewed result one way or another.

21 And in fact you may need to look at a
22 couple of different scenarios. One being a high
23 hydro year, one being a low hydro year, or a
24 hotter summer or a cooler summer.

25 MR. WILLIAMS: We support a transparent

1 market but also one where you have a multiple year
2 compliance period. That would suggest that report
3 can be more frequent so that everyone has access
4 to data. I think that would be a good thing for
5 the market.

6 But we also, I think, support something
7 like a 36 month compliance period. Hydro
8 variations, particularly in Northern California,
9 are quite significant. It has quite a substantial
10 impact on our emissions because to the extent that
11 hydro is not available we will backfill with
12 natural gas-fired generation. To the extent that
13 hydro is available in a wet year we will back off
14 natural gas generation.

15 So our emissions are going to vary quite
16 a bit from year to year because we are essentially
17 a natural gas-based utility in terms of our
18 emissions profile. So, you know, we would suggest
19 a 36 month period.

20 Something more frequent than that, let's
21 say annual, could put a number of utilities such
22 as PG&E all short at the same time, causing a very
23 high price. Or it could put us in a position in a
24 wet year where we're all long at the same time,
25 which could result in a very low price. And I

1 think that price volatility is probably not
2 healthy for the market generally.

3 And a 36 month compliance period I think
4 can help moderate some of those, some that
5 fluctuation, which would help the market overall.
6 Thanks.

7 MS. GRIFFIN: I have a question.

8 MR. PRYOR: Sir.

9 MR. WILLIAMS: Yes.

10 MR. PRYOR: Would you mind restating
11 your name.

12 MR. WILLIAMS: I'm sorry. This is Ray
13 Williams from PG&E, director of long-term energy
14 policy. Thanks.

15 MS. GRIFFIN: Okay.

16 MR. WILLIAMS: Yes.

17 MS. GRIFFIN: Our working premise is
18 that our current year load will be based on a
19 three year average of the years 2004, 2005 and
20 2006. That we get that data from you all, average
21 it out and that would be the LSE-specific
22 baseline. Does the 2004 to 2006 period work for
23 you in terms of characterized, being a reasonable
24 characterization of it. And if not what years
25 would you recommend?

1 MR. WILLIAMS: Somebody tells me that
2 was a string of relatively wet years. So I think
3 what we need to do is to go back and check that
4 period and get a good answer back for you.

5 MS. GRIFFIN: Okay. For everybody,
6 let's focus on that. Is it a three year period?
7 Or was 2004 so weird we should just use two years?
8 Or is 2006 so weird? Or if your utility had
9 something really strange that happened in those
10 three years, atypical, how would we approach
11 fixing that for your specific characterization?
12 But we need to move to detail now.

13 MR. DAVIS: Kyle Davis with PacifiCorp.
14 I just wanted to mention. On this particular
15 issue when we debated it in designing the proposed
16 Oregon load-based cap and trade in the median
17 proposal that makes up the draft legislation
18 introduced this year we looked at the three
19 highest years out of a five year period.

20 So essentially you knock out the lowest
21 and the highest years and then average the three
22 together. That became the individual LSE's part
23 of the baseline. And then that becomes the ratio
24 that you multiply against whatever your starting
25 year baseline year is and roll that going forward

1 for allowance allocations.

2 As far as the compliance year that
3 Edison started to talk about. They did look at a
4 36 month compliance period so that you could
5 smooth out for weather-related events, unit
6 outages, things like that.

7 So kind of two separate issues. But
8 again, the first one for initial baseline
9 allocation with each entity's three highest years
10 out of the five year period. Or the average of
11 three years, dropping the high and low in a five
12 year period.

13 MR. DAGLI: Dhaval Dagli from Southern
14 California Edison. Karen, a follow-up question to
15 what you suggested, an average of 2004, '05, '06
16 per entity. To me, that sort of approach could
17 perhaps very easily work for large entities such
18 as IOUs or large munis. Of course, taking into
19 account the comment PG&E made about hydro
20 conditions.

21 But how would that take into account
22 ESPs who perhaps might not even have been in
23 business or 2004 or only had certain contracts in
24 one year, large contracts, and then their business
25 model changed and their business either increased

1 or decreased?

2 MR. ROSCOW: My feeling is -- Do you
3 want to answer that one?

4 MR. WILLIAMS: No.

5 MR. ROSCOW: My feeling is both
6 Commissions get ESP data. And I think it would be
7 in kind of the end game of setting up the data set
8 where we resolve those sorts of questions.

9 MS. GRIFFIN: We may lump all the ESPs
10 together. We might have to do some synthetic
11 years. Clearly there is. The smaller you go the
12 greater possible variation in these years. For
13 the small munis we may use the old Energy
14 Commission thing of lumping together everybody
15 under 200 megawatts, and 200 to 500 megawatts, and
16 just treating them as one big clump.

17 MR. WILLIAMS: I apologize for not
18 reading that question more carefully. But from
19 just some quick discussion. It looks like in
20 terms of averaging out hydro years, 2003 to 2005
21 might be a little better in terms of picking three
22 years that are on average about average. But
23 again, we'll go back and provide data over that
24 four year period and probably make a
25 recommendation.

1 MR. PEDERSEN: And generally for SCPPA I
2 think we would join with the chorus and support
3 using a longer period of time to -- just in virtue
4 of using a longer period of time, normalize out
5 abnormalities that might occur in any particular
6 year. You do that with a three year period. We
7 don't have a particular recommendation but our
8 assumption had being going pretty much along the
9 line of what you talked about, Steve. Using 2004,
10 2005, 2006.

11 We do incline towards, and this goes
12 somewhat towards what you were saying, Julie. We
13 do lean towards using a period before AB 32
14 effective date because you eliminate some problems
15 that you get into if you try to pick a period
16 after the effective date.

17 MR. ROSCOW: Okay, good. Anything else
18 on this topic? No? Good. (Laughter). A moment
19 of drama there.

20 DR. F. HARRIS: I was just sitting down.

21 MR. ROSCOW: Let's see. So to us up
22 here, we're going to put out, take a look a
23 Gerry's file. Based on the reaction to it we'll
24 decide if we need to do a data request or --

25 MS. GRIFFIN: No, we need to do a data

1 request.

2 MR. ROSCOW: Okay. So we have two
3 deliverables then, Gerry's file when it's ready
4 and then the data request template that we'll work
5 together on.

6 And Charlotte asked me, ALJ TerKeurst
7 asked me if there is any template that comes to
8 mind for anybody that we could start with. I
9 think that's a good question. You may want to
10 think about it over lunch. But take a look at the
11 such-and-such reporting form and that might get
12 you most of what you want or something like that.
13 I thought it was a good question.

14 ADMINISTRATIVE LAW JUDGE TERKEURST: If
15 we're trying to wrap up the discussion on the
16 issues that are projected right now, it sounds
17 like we need to take comment on what period of
18 years the parties would like to see used.

19 It sounds like you need to do some more
20 work looking at your historical data and figuring
21 out what years you would be comfortable with or
22 whether you would recommend specific adjustments
23 for weather conditions. We're not ready to
24 resolve that issue today based on today's
25 discussion, correct? I see lots of heads nodding.

1 All right, thank you.

2 MR. ROSCOW: Okay, good, we're back on
3 schedule. Actually we're very much ahead of
4 schedule. So we would start with the third topic,
5 which is allocation issues, after lunch.

6 Is an hour enough time for lunch?

7 MS. LUCKHARDT: Can I ask one question?

8 MR. ROSCOW: Sure.

9 MS. LUCKHARDT: I'm trying to follow
10 your presentation in comparison to the questions
11 you have. Where are you taking into account early
12 action and those types of things? Is that under
13 this Section 2 or was that under Section 3? And
14 if so I --

15 MR. ROSCOW: Let me take a quick look.

16 MS. LUCKHARDT: Okay.

17 MS. GRIFFIN: It's not Section 2.

18 MS. LUCKHARDT: Okay.

19 MS. GRIFFIN: It might be sort of 3B.

20 MS. LUCKHARDT: That's fine.

21 MS. GRIFFIN: Yes.

22 MR. ROSCOW: Where do you see it?

23 Because I'm looking but --

24 MS. LUCKHARDT: It was in one of your
25 questions and unfortunately it's not coming up

1 right now. But I couldn't remember if it was in
2 Section 2 or Section 3 and I was just trying to --

3 MR. ROSCOW: Okay, sorry.

4 MS. LUCKHARDT: But I thought it was in
5 one of your questions where you had --

6 MR. ROSCOW: It is. It's nine, question
7 nine. It's in question nine so we did kind of
8 skip over it. But I think we can do it after
9 lunch as part of allocation just as easily.

10 MS. LUCKHARDT: That's fine. I just
11 wanted to make sure it didn't get forgotten.

12 MR. ROSCOW: It did so thank you. Okay,
13 with that, 1:20 we'll say. Okay, great.

14 (Whereupon, the lunch recess
15 was taken.)

16 --oOo--

1 AFTERNOON SESSION

2 MR. COWART: Good afternoon and welcome
3 back. For those of you who don't know me my name
4 is Richard Cowart. I am an advisor to Public
5 Utilities Commission on this docket and Director
6 of the Regulatory Assistance Project.

7 I have the joyful task of helping to
8 lead us on a discussion on allocations. One of
9 the most lovely issues that we're going to face in
10 this whole docket. I hope you all have the
11 handout because you'll see in the handout that has
12 just now been provided that the questions in this
13 topic area have been recast slightly just to make
14 it more, just to make the conversation flow a
15 little bit better this afternoon. But
16 substantively we're asking the same questions here
17 in the slides were asked in the questions that
18 were supplied to you ahead of time.

19 For those of you who are testing back
20 and forth between the two documents I am happy to
21 tell you when we approach a topic that this was
22 part of question 16 or whatever. Just as a guide
23 to the other document. I would like to begin by
24 just reminding us all of what our goals are this
25 afternoon.

1 The principal goal is to begin a
2 conversation about what we know is a really thorny
3 and important topic. And what we would like to
4 take away from this afternoon is the following.
5 That is, an understanding of what are your
6 concerns, what are your principal concerns. What
7 decision criteria do you think should drive the
8 recommendations for allocations that the two
9 Commissions are going to be making?

10 And I'm reminded to let you know that
11 we're not really asking at this point for anybody
12 to state what would be called a formal position on
13 something. You are not making a formal filing at
14 this point. But rather a clear statement of the
15 criteria, issues if you have them, recommended
16 actions that you think the Commission should take
17 in the next, short time period in order to advance
18 everybody's understanding and a decision, a
19 recommended decision on this general topic.

20 It's possible that as we saw this
21 morning that what is going to follow this workshop
22 is an order of some kind, a request for
23 information or an Assigned Commissioner's ruling
24 that specifies some questions that we will ask
25 parties to respond to. And if you have an idea

1 for something that ought to be in that, in that
2 request then feel free to state that in crisp and
3 clear terms because that will help us to figure
4 out what to ask you all to provide so that the
5 issues can be joined really clearly.

6 Any other comments here about this? And
7 I guess it's also worth stating, as we said this
8 morning, that of course we're talking about
9 allocations in the context of a load side cap and
10 trade. I think it would be, it is going to be
11 very difficult to talk about allocations in the
12 context of other options at the same time as
13 you're talking about it with respect to a -- the
14 point of regulation are the retail service
15 providers.

16 Okay, so let's just -- If we could dim
17 the lights a little bit. Or maybe everybody --
18 Just so people can see the slide, that would be
19 great.

20 So the first question here assumes that
21 allowances are going to be administratively
22 allocated to retail service providers. And then
23 the real question is, what's the formula? What
24 are the allocation rules going to be for that?

25 And what are the pros and cons of basing

1 allocations either on historic emissions, megawatt
2 hour sales, or some demographic criteria? And I
3 guess it is also worth keeping in mind that many
4 analysts recommend at least some portion of
5 allowances be auctioned. And some if not all
6 allowances should be auctioned.

7 So we're kind of open for business on
8 hearing your recommendations on all of that. The
9 floor is open.

10 MS. CHANG: I'll take the first shot at
11 that. Audrey Chang with the Natural Resources
12 Defense Council. I just wanted to start with a
13 few suggested lists, a list of a few suggested
14 principles that we suggest the agencies look at
15 when they're thinking about allocation. This is
16 basically the same list of principles that we had
17 suggested in the previous PUC proceeding, which
18 resulted in the recommendation towards a load side
19 cap.

20 So without looking at necessarily
21 recommending one type of allocation over another
22 we generally recommend that allowances are
23 distributed in the public interest. They should
24 be seen as a public asset since they represent
25 permission to use the atmosphere and to dispose of

1 the global warming pollution.

2 So I have a list of four principles that
3 we suggest for the two Commissions to consider.

4 One is not to create large profits for businesses
5 that are unrelated to actions to reduce greenhouse
6 gas emissions. Two, not penalize early actors
7 that have proactively reduced greenhouse gas
8 emissions already. Three, ensure that emitters
9 are appropriately motivated to make investments
10 that will reduce emissions. And four, reduce
11 costs to customers.

12 The one, I guess, mechanism or
13 allocation mechanism that we distinctly recommend
14 against is that they should not be grandfathered.
15 That is, allowances should not be allocated or
16 given away free to emitters based on historical or
17 current emissions because it does not meet any of
18 the criteria or allowance distribution principles
19 that I have just listed.

20 I will just put that forward and
21 hopefully it kicks off some discussion.

22 MR. COWART: Let me just ask a question
23 about your terminology. When you say, don't
24 grandfather to emitters. Is that different from
25 administratively allocating allowances to load-

1 serving entities?

2 MS. CHANG: Yes. So in this case
3 because we're looking at the load-serving entities
4 or the retail providers as the point of
5 regulation.

6 MR. COWART: As the point of -- So --

7 MS. CHANG: Maybe I'm misunderstanding
8 that question.

9 MR. COWART: I think you probably
10 understood it. I am just trying to make sure that
11 the record is clear on this answer. It is your
12 position that allowances should not be
13 grandfathered to or allocated for free to historic
14 emitters, meaning generators. Or are you
15 suggesting that if there is a load side cap and
16 there is no allocation for free to load-serving
17 entities.

18 MS. CHANG: The second characterization
19 is the one --

20 MR. COWART: Okay. So load-serving
21 entities under that criterium of your proposal
22 would be purchasing allowances at an auction. Is
23 that correct?

24 MS. CHANG: No, not necessarily. I
25 mean, I think there is a possibility for there to

1 be both administrative allocation or auctioning or
2 some combination. But the one thing that we
3 recommend strongly against is an allocation to the
4 retail providers based on historic emissions.

5 MR. COWART: Thanks.

6 MS. CHANG: So there's a couple -- I
7 mean, I'll throw out, I mean. As was outlined in
8 the list of questions for the workshop today, the
9 previous PUC Commission that had determined that
10 the PUC was going to go towards a load-based cap.
11 There are several different ways that you can
12 allocate emissions including a number of customers
13 or a percentage of retail sales. So those are
14 just some options to throw out on the table.

15 MR. COWART: Okay. That's why I was
16 trying to be clear about your proposal. That is,
17 you are not opposed to the idea that retail
18 service providers would receive allowances on an
19 allocated basis. You are just opposed to a
20 formula that would do so on the basis of historic
21 emissions.

22 MS. CHANG: Correct. Thanks for that
23 clarification.

24 MS. GRIFFIN: Audrey, I had a question
25 on your, I just wanted a few more sentences on

1 your first criteria. I wrote, I am not sure I
2 wrote it down exactly correctly. I wrote down,
3 don't give profits to businesses for actions not
4 related to reduction of emissions. Would you say
5 a paragraph about, a little more detail on what
6 you meant by that.

7 MS. CHANG: I think the goal here is not
8 to, I mean, we don't want windfall profits to
9 companies, emitters. I mean, these are sort of
10 general principles that we're also offering I
11 think in the broader AB 32 context for the whole
12 state, so not just electricity. Not just the
13 electricity sector. So these are just a general
14 principle that we don't agree with a mechanism
15 that would --

16 MS. GRIFFIN: Okay. Windfall profits to
17 whom for what? It's the last half of the
18 principle I'd just like to hear a little more
19 about.

20 MS. CHANG: I'm sorry, can you restate
21 that.

22 MS. GRIFFIN: Okay. Profits to
23 customers not related to reduction of emissions.
24 I was trying to understand what was meant by that
25 in terms of -- So profits that were windfall

1 profits related to reductions would be okay?

2 MS. CHANG: Well, I mean, generally with
3 -- I mean, we want to encourage action towards
4 reduction of emissions and not towards any other
5 purpose.

6 MR. ROSCOW: Do you have like an example
7 from the European experience or something like
8 that that would --

9 MS. CHANG: Based on the allocation
10 methodology that happened there, there's a lot of
11 criticism that there were windfall profits that
12 were awarded to the generators there.

13 MR. ROSCOW: Right, okay. So that puts
14 it into some context.

15 MS. CHANG: Yes, thank.

16 MR. ROSCOW: Okay.

17 ADMINISTRATIVE LAW JUDGE TERKEURST:
18 Well I'm still searching for clarity. Could you
19 give an example, realizing that it may not be
20 NRDC's position on what it prefers, but an
21 alternative that you think would meet that
22 criteria.

23 MS. CHANG: I mean, I think there's
24 other. I mean, I think we just need to be careful
25 about how we go about allocating. There's other

1 mechanisms, other mechanisms of allocation such as
2 by customer, number of customers or a percent of
3 retail sales. That wouldn't necessarily --

4 I think we're in a little bit of a
5 different circumstance from the European situation
6 here because we're talking about a load side cap
7 instead of a generator side cap. We don't
8 necessarily come into the same situation.

9 ADMINISTRATIVE LAW JUDGE TERKEURST: But
10 it might be argued that allocations on those bases
11 could also create windfall profits.

12 MS. CHANG: Certainly.

13 ADMINISTRATIVE LAW JUDGE TERKEURST: So
14 that's what is confusing. You're saying, don't
15 create windfall profits but your methodology,
16 those methodologies might create windfall profits.

17 MS. CHANG: No, certainly. And it is
18 just a criteria that we're just recommending that
19 is used in the consideration of what allocation
20 mechanism is picked.

21 MS. GRIFFIN: And is there anything in
22 that criteria which would have to do about
23 emissions reduced within the state versus within
24 the world or the country? One of the issues in
25 this overall proceeding is are we designing it to

1 reduce physical emissions coming from within our
2 geographic borders or are we trying to reduce GHG
3 emissions in the world.

4 MS. CHANG: The consistent --

5 MS. GRIFFIN: Does this criteria address
6 that issue?

7 MS. CHANG: Yes, I think it does. I
8 mean, consistent with the direction provided by
9 AB 32 we do need to look at emissions also, you
10 know, associated with electricity consumption in
11 the state. And those generators may be, those may
12 be emitted outside of the state.

13 ADMINISTRATIVE LAW JUDGE TERKEURST: And
14 another question. Would a methodology that, for
15 example, allocated allowances to a load-serving
16 entity in a manner that allowed them to sell the
17 allowances and make a profit, but at the same time
18 if those profits weren't related to emission
19 reductions that money got -- flowed back to
20 ratepayers in some manner rather than going to
21 shareholders. Is that what you have in mind in
22 terms of tying it all --

23 MR. CHANG: Yeah, I mean, I think --

24 ADMINISTRATIVE LAW JUDGE TERKEURST: --
25 of tying it all together?

1 MR. CHANG: In general if you're looking
2 at an auction we want to make sure that the
3 revenues from the auction or however the way -- if
4 the allowances are allocated in whatever way, we
5 want to make sure that goes back to the public
6 interest.

7 ADMINISTRATIVE LAW JUDGE TERKEURST:
8 Okay, thank you.

9 MR. COWART: Next.

10 MR. WILLIAMS: I don't see any other
11 volunteers at the moment so I'll try to do this in
12 the order that you suggested, Richard. If I don't
13 get it right please let me know.

14 First is in terms of allocation of
15 allowances. We think that it can be viewed
16 independent of the point of regulation. There may
17 be some mechanics that are a little different but
18 the basic principles can be the same.

19 In terms of the principles that NRDC
20 just expressed, I think we are generally aligned.
21 I would say that we particularly agree that
22 entities should not be penalized for early actions
23 and we are, you know, definitely concerned about
24 managing the cost to our customers. And
25 allocating allowances to LSEs, regardless of the

1 point of regulation, is a very important part of
2 this design.

3 In terms of the approach that we would
4 prefer. Initially it would be an output based
5 approach. And over time we would prefer an output
6 based approach and one that adjusts for two
7 categories of changes apart from just sort of
8 straight retail sales. One has to do with the
9 comings and goings relative to community choice
10 abrogation and direct access customers.

11 And then the other has to do with
12 increases in electric demand that result from
13 greenhouse gas-reducing activities, two examples
14 being plug-in hybrids, and for PG&E there is also
15 a possibility in the future of port
16 electrification. There are probably others which
17 may increase electric demand. At the same time it
18 may decrease overall GHG emissions.

19 MR. COWART: On that last point.

20 MR. WILLIAMS: Yes.

21 MR. COWART: Do you have a
22 recommendation? This sounds like a recommendation
23 that would be made to ARB about making allowances
24 available to the power sector from those that
25 would have been apportioned to some other sector.

1 Is that what you have in mind here? Or would you
2 want them to go disproportionately to load-serving
3 entities from other load-serving entities?

4 MR. WILLIAMS: If you are part of a
5 program that reduces emission in some other sector
6 then one would think there would be some transfer
7 to the electric sector to recognize the increased
8 demand in providing, you know, that particular
9 service that may have been provided as part of
10 another sector's activity previously.

11 MR. COWART: Okay.

12 ADMINISTRATIVE LAW JUDGE TERKEURST: I
13 have two questions. The first one is you made a
14 statement that you wanted it, it could be
15 independent of the point of regulation.

16 MR. WILLIAMS: Yes.

17 ADMINISTRATIVE LAW JUDGE TERKEURST:
18 Could I have a paragraph on what you mean, an
19 example.

20 MR. WILLIAMS: Sure. Under the load-
21 base system the load-serving entity has the
22 compliance responsibility. So they would then use
23 the allowances, you know, to help manage their
24 overall compliance responsibility directly. Okay.
25 So that one is relatively straightforward.

1 Under a source-based approach or a
2 first-seller approach if you want to call it that,
3 the load-serving entity would need to introduce
4 those allowances and make them available through
5 some forum, whether it's an auction or some other
6 mechanism, so those that do have the compliance
7 responsibility, namely the first sellers, have
8 those available to them as a means for meeting
9 their compliance responsibility.

10 MS. GRIFFIN: The LSE would get
11 allocations and then --

12 MR. WILLIAMS: Right. I think an
13 important principle apart from what NRDC talked
14 about is just a recognition that the costs of this
15 program are predominately going to flow through
16 the market to customers one way or another.

17 And so a way of helping to mitigate
18 those increased costs to customers is by
19 allocating allowances to the LSEs. You know, for
20 us through our ratemaking mechanism it would go to
21 our customers. In recognition that that's where
22 the costs are, or at least almost all the costs
23 are likely to land.

24 MS. GRIFFIN: And then I had a question
25 on your, don't penalize early action. Is there an

1 agreed upon definition of what constitutes early
2 action or is that something we have to take up
3 here? Like early action starting when or how
4 would you know something was early action?

5 MR. WILLIAMS: I am not, I'll admit to
6 not having thought through that issue probably in
7 the same level of detail as some others in the
8 audience. I just would note that the Commission
9 issued a decision in January of 2004 which
10 required the utilities to use greenhouse gas to
11 evaluate, as part of their evaluation of resource
12 additions.

13 And the law itself, AB 32, was passed in
14 2006 and the first compliance year is 2012. So to
15 use historic emissions essentially provides a
16 motivation to not continue with or to delay early
17 actions so that you'll do better in terms of your
18 allocation beginning in 2012.

19 But I don't have a specific
20 recommendation in terms of what is the right year
21 or how you would recognize early action.

22 MS. GRIFFIN: So we need to find out
23 from the group if there is a general sort of
24 stakeholder consensus on these issues. And if
25 not, which there probably isn't, then that is

1 something we have to ask in our questions for
2 people to specifically address.

3 MR. WILLIAMS: Probably one of the
4 things I'll do is I'll go back and read the MAC
5 report when it's issued. Because I know that they
6 addressed that issue.

7 MS. GRIFFIN: Okay. We need to go
8 beyond the first level of, don't penalize early
9 action. So what is early action?

10 MR. WILLIAMS: Got it, yes.

11 MS. GRIFFIN: We've got to be sure that
12 we're not penalizing it.

13 ADMINISTRATIVE LAW JUDGE TERKEURST: And
14 if I could follow up on that. It seems like there
15 is a fundamental question of would choosing
16 specific base years, 2004, maybe 2003. Would that
17 time period be sufficient to take care of the
18 early action problem? Or are some parties
19 contending that you took early actions even during
20 those years so that an additional adjustment would
21 be needed to your results for those years to
22 account for early actions that affected your data
23 for those years?

24 MR. WILLIAMS: Prior to the 2003, 2004,
25 2005, 2006 period?

1 ADMINISTRATIVE LAW JUDGE TERKEURST:

2 Right.

3 MR. WILLIAMS: Well we'll take the
4 question up. I don't have an answer for you right
5 now.

6 ADMINISTRATIVE LAW JUDGE TERKEURST:
7 Because obviously it would be simpler if there are
8 specific years that work for everyone --

9 MR. WILLIAMS: Right.

10 ADMINISTRATIVE LAW JUDGE TERKEURST: --
11 that resolve the early action issue as well.

12 MR. COWART: Before you depart, a
13 follow-up to your observation that, your dual
14 observations that you'd like what you call an
15 output-based allocation. Which I take it means
16 really a consumption-based allocation. Megawatt
17 hours of sales.

18 MR. WILLIAMS: Sales, yes. Some measure
19 like that, yes.

20 MR. COWART: And your second
21 recommendation that the point of regulation be on
22 generators and that generators then have to buy
23 allowances from retail service providers.

24 MR. WILLIAMS: Right. There would be --

25 MR. COWART: So here is the question.

1 As I take it then that proposal would have PG&E
2 receiving a portion of an allocation of credits
3 based upon megawatt hours of sales. But that the
4 people having to purchase those credits from you
5 would be purchasing in proportion to their
6 emissions, presumably.

7 MR. WILLIAMS: Yes, roughly. You'd
8 figure --

9 MR. COWART: And is it fair to say that
10 PG&E turns -- relatively to the rest of the state
11 PG&E is a net cash winner under those
12 circumstances? (Laughter)

13 MR. WILLIAMS: We are a low emitting --
14 Yes, we are a low-emitting utility, there is no
15 doubt about it. But remember, it does help
16 promote early action. These costs are to the
17 extent that costs to our particular group of
18 customers goes down relative to that. It simply
19 works its way through our expenses and will be
20 refunded to customers. It's not -- This is not a
21 profit-making opportunity for the company.

22 MR. COWART: Right.

23 MR. WILLIAMS: It's done for the benefit
24 of our customers.

25 MR. COWART: Of your customers.

1 MR. WILLIAMS: Yes.

2 MR. COWART: Right. Thank you.

3 MS. BERLIN: Susie Berlin for the
4 Northern California Power Agency. I'd like to
5 respond a little to Karen's question and to ALJ
6 TerKeurst with regard to early action. We also at
7 NCPA would like to see some acknowledgement of
8 early actions taken to reduce an entity's carbon
9 footprint. We don't have a hard and fast
10 definition for what that should be at this time.
11 It's certainly something that we need to explore
12 and we're interested in working further with the
13 group at large to figure out how to go about that.

14 But as a practical matter we believe
15 that it is something that needs to take a look at
16 a period beyond just the 2004, 2005, 2006.
17 Because there are some entities that took early
18 on, concerted efforts with GHG reductions in mind
19 and investing in resources that are both risky and
20 costly in order to reduce the carbon footprint.
21 And we think that those should somehow be taken
22 into account and acknowledged when we determine
23 what allocation, if any, there will be among
24 specific entities. Thank you.

25 MR. COWART: Thanks for that. But can

1 we get -- That's sort of question two. Do you
2 have an opinion on question one?

3 MS. BERLIN: No, I was just following up
4 on the discussion that came out of question one.

5 MR. COWART: Okay.

6 MR. BRANCHCOMB: Good afternoon, my name
7 is David Branchcomb. I am here today for the
8 Independent Energy Producers Association. I want
9 to thank the PUC and the Energy Commission for
10 convening this workshop and the ones that they
11 will have in the future.

12 I think what we are discovering is that
13 this is an extremely complex topic area. Nobody
14 has all the answers, a few of have any of the
15 answers.

16 I wanted to respond to this issue very
17 briefly. IEP is in the process of developing a
18 more broad-based policy position so I'm a little
19 bit out of school on this. But we think that
20 unlike PG&E that the allocation issue is not
21 independent of the point of regulation issue. If
22 it is, there become some very serious problems.

23 Many of our members have fixed price
24 contracts. And this is especially the case if you
25 go to an auction that doesn't allow us a mechanism

1 to pass those costs back through to the purchaser.
2 So there needs to be recognition of that in the
3 course of the allocation.

4 Moreover, while we haven't reached a
5 final conclusion on it we believe at this time
6 that we are rather opposed to the approach that
7 PG&E suggested that they be allocated the
8 allowances and then sell them back to us.

9 We find that to be a little bit of a
10 silly process and we wonder, if you step back and
11 think about how that might work on a statewide
12 basis with the number of individual, load-serving
13 entities and the number of auctions that might
14 occur. And the inefficiencies that would occur in
15 that, in that particular situation.

16 We do believe that there should be an
17 allocation based generally at the outset at least
18 as we transition with this program, based on an
19 emissions profile. Otherwise you create some
20 large disassociations of cause and effect at the
21 outset of the program and while we're easing into
22 a cap and trade and we're all trying to figure out
23 how to make this work.

24 With that I'm happy to answer any
25 questions and that concludes my observations for

1 now.

2 MS. GRIFFIN: As soon as I figure out
3 how to work my mic.

4 MR. BRANCHCOMB: Okay.

5 MS. GRIFFIN: There we go. I lost it
6 again. Thank you. When you say, start out. So
7 you have the concept that there would be a
8 transition process. We might start out with one
9 process and as we get further in?

10 MR. BRANCHCOMB: I think it would be
11 extraordinarily naive to believe that we won't
12 learn as we go in this process.

13 MS. GRIFFIN: Okay.

14 MR. BRANCHCOMB: We won't get it right
15 the first time. We have both been in the
16 regulatory business for a long time and we know
17 that when we undertake significant changes of this
18 order it's seldom that you get it all worked out
19 at the outset. And so you need to have the
20 flexibility to work through and learn from the
21 mistakes that you have made and have the ability
22 to transition through the course of the process so
23 that it works best.

24 MS. GRIFFIN: Okay good, thank you.

25 MR. MORRIS: Hi, I'm Greg Morris of the

1 Green Power Institute and I have a couple of
2 remarks to make. One, I'd certainly like to
3 endorse the principles laid down by NRDC. I think
4 that's a very sound basis to begin with.

5 I think the best and easiest way to
6 avoid the issue of worrying about early actions is
7 to allocate, to the degree that allocation is the
8 method used, based on population served by the
9 utility. And possibly to use some kind of a
10 weather adjustment if a utility has got a district
11 that has a very high air conditioning load or
12 something to that effect.

13 But any allocation that then goes
14 towards historical emissions is going to give you
15 that problem of either penalizing early actions to
16 reduce emissions or rewarding those who have not
17 taken early actions.

18 But my more over-arching comment here is
19 that I think we are really talking about
20 allocation out of context because I think you have
21 to look at it a little bit more holistically.
22 What are we going to do with these allocations
23 once they have been issued or distributed?

24 Are there going to be trading rules that
25 allow people to trade these allocation

1 certificates? Are we going to be tracking the
2 emissions and then matching allocation allowances
3 with emissions liabilities?

4 Are we going to allow the emissions
5 liabilities to flow with their associated energy?
6 Or are we going to let those be unbundled so that
7 a generator who generates liabilities can offer
8 their power, let's say at a cheap price so
9 somebody will take all the liabilities, and maybe
10 charge more if somebody won't and then they'll
11 have to try and get rid of those liabilities
12 elsewhere.

13 And really the most important thing that
14 I think we have to have an understanding for
15 before we talk about allocation is what happens to
16 anybody who ends with an emissions liability and
17 no matching allocation certificate? You know,
18 until we understand what is the consequence of
19 that then it is hard to really talk about what's
20 the meaning of an allocation certificate.

21 MR. COWART: All right. Questions?
22 Thank you.

23 ADMINISTRATIVE LAW JUDGE TERKEURST: I
24 have some. On that last point are you drawing a
25 distinction between a cap and trade type system

1 where a company that comes up short just has to
2 buy allocations in the market?

3 MR. MORRIS: Or what if the market has
4 -- all the allocations for a given year have been
5 matched with liabilities or emissions and somebody
6 still has more emissions for which the market -- I
7 mean, every year there's going to be fewer and
8 fewer allocations, presumably. The point is to
9 try and force emissions down over the long run.

10 And I also think again that it's
11 important that we look at how the electric sector
12 interfaces with all the other sectors. Because
13 after all a ton of CO2 in the air is a ton of CO2
14 in the air, regardless of whether it was emitted
15 by a car or a power plant. And the only way
16 you're going to be able to keep overall the
17 program cost to a minimum is to allow the most
18 cost-effective actions to be taken. And that
19 virtually requires cross-sector trading.

20 ADMINISTRATIVE LAW JUDGE TERKEURST: And
21 getting back to something you mentioned very early
22 on. The possibility of doing allocations based on
23 the number of customers but then potentially
24 adjusting for weather. This is one of the
25 problems that we're struggling with. How to get

1 to something that can actually be implemented from
2 the concept level, and that's a very high-level
3 concept.

4 MR. MORRIS: I offered that as a
5 possibility.

6 ADMINISTRATIVE LAW JUDGE TERKEURST:
7 Yes.

8 MR. MORRIS: But just on the --
9 Especially if we are just talking about California
10 where, you know, there is some amount of
11 different. But both utilities cover large areas
12 that do require air conditioning so -- Or I should
13 say all utilities do in the state.

14 ADMINISTRATIVE LAW JUDGE TERKEURST: And
15 what I was going to get to is I was talking with
16 someone about this yesterday and raised the issue
17 of, we set baseline allowances for the electric
18 utilities, which in a way adjust for weather. Is
19 that something that could be adapted for use as a
20 weather adjustment?

21 I don't know enough about it. I used to
22 know but it's been a while since I've looked at
23 how baseline allowances are calculated. Whether
24 that's something that we could build off of. And
25 realizing also that that's just for the regulated

1 utilities. And I guess I am not just asking you
2 but anyone that has ideas about how you would go
3 about doing a weather adjustment. I'm curious to
4 hear those.

5 MR. MORRIS: And I am not familiar
6 enough with those baseline allocations and how
7 they're made. But in principle it might certainly
8 be a way to go if that realistically reflects the
9 sort of per capita need for energy as it is
10 regionally differentiated. So it might be.

11 MR. COWART: I'm going to do a follow-
12 up. And I am stating this question to you and
13 other people will hear it and maybe be able to
14 comment on it later.

15 In agreeing with NRDC and saying that an
16 allocation should not be based on historic
17 emissions but rather on sales, or perhaps
18 population. I want to focus on the sales for a
19 moment.

20 One of the issues that has been brought
21 to our attention is the issue of historic
22 entitlements to major hydro assets. And that
23 could be characterized by some people as a clean
24 resource choice or something that ought to be
25 credited as some form of early action. And yet

1 are characterized by other people as the accidents
2 of history that confer benefits on some service
3 territories and not on others.

4 So the question to you is, do you have a
5 way, or do you want to recommend to us a way, of
6 untangling what really qualifies for an early
7 action credit. A conscious decision of citizens
8 or a service territory to take certain actions to
9 have a cleaner mix. Versus something that might
10 be in this other category.

11 MR. MORRIS: Boy, that's a tough one.
12 And I don't have a simple solution, as you can
13 imagine. But again, because -- Indeed, the people
14 who have been able to derive a large portion of
15 their power from the cheap, large hydro sources,
16 presumably their utilities would look to the
17 system like an early actor in that sense, even
18 though that is probably not an action that was
19 taken on behalf of greenhouse gases.

20 I don't know how to solve that problem.
21 I don't think that going to historical emissions
22 helps it, I think it only exacerbates the problem.
23 But it's an issue no doubt.

24 MR. COWART: Okay, thank you.

25 MR. MORRIS: Thank you.

1 MS. GOUGH: Hello, my name is Cassandra
2 Gough and I'm with Calpine. And when you started
3 this discussion you started it about asking
4 comments on these questions only as they relate to
5 a load-based program. So I wasn't intending on
6 commenting until I heard PG&E raise the potential
7 for a seller approach. And of course the MAC
8 report addresses that as well. So I guess it's
9 the elephant in the room that I need to say
10 something about.

11 The proposal about PG&E and by the MAC.
12 It is really important here to remember that the
13 utilities are also generators and that they
14 compete in the procurement in the wholesale
15 procurement market. So to allocate, to give the
16 utility free allowances based upon the fact or the
17 thinking that it would somehow reduce rates for
18 customers is really putting them in a competitive
19 situation when it comes to procurement. Because
20 you just basically decreased the cost of their
21 generation versus a Calpine facility, for example.

22 So I wanted to raise that. We are
23 unique here in California with our hybrid market.
24 And just make sure that we all keep that in mind.
25 I think probably a lot of the MAC authors are

1 unfamiliar with California's procurement market
2 but I know you all are. But I did want to raise
3 that as a potential problem and certainly
4 something we would be opposed to, the utility
5 getting free allowances on that.

6 I also wanted to just briefly comment on
7 early action. I think it is a good question and
8 all of us have our own definition. So I would
9 just like to offer, perhaps along with the hydro
10 thinking, what Calpine feels is our early action.
11 And that is the fact that we have spent billions
12 of dollars since 2001 to bring on several thousand
13 megawatts that displaced older units. So we think
14 that our building of facilities which clearly
15 displaced the older, higher-carbon-emitting units,
16 is an early action that should receive credit.

17 We can offer comments on the other but
18 primarily I know you're looking at a load-based
19 approach so we wouldn't have comments, except when
20 it relates to a potential free allowance and a
21 hybrid approach on that.

22 MR. COWART: Okay. You don't have
23 comments on how a strictly load side system should
24 be allocated?

25 MS. GOUGH: No, we agree with many of

1 the principles outlined by NRDC and by PG&E and
2 output based on all that. But I think that's
3 worth thinking about if we have to buy or be given
4 allowances. So if you are, again, trying to limit
5 the debate or the discussion just to a load-based,
6 you know, theoretically, that doesn't impact us.

7 MR. COWART: Well let me just ask you to
8 think about that question. If there is a load
9 side cap and an allocation to retail service
10 providers, and your business is now in the market
11 trying to sell power.

12 MS. GOUGH: We are actually a retail
13 provider.

14 MR. COWART: Yes, of course. And you --

15 MS. GOUGH: We do.

16 MR. COWART: You are also a retail
17 service provider. I'm thinking of the generator
18 side right now.

19 MS. GOUGH: I know.

20 MR. COWART: Okay. So as a generator
21 does it matter to you whether allowances are
22 allocated to retail service providers on an
23 historic emissions basis or on a megwatt hour
24 sales basis or on a population basis?

25 MS. GOUGH: We have always been a strong

1 supporter of output-based, so megawatt sales.

2 MR. COWART: Okay.

3 MS. GOUGH: We have just been a strong
4 supporter of that in any form.

5 MR. COWART: Okay. Thank you.

6 MR. PRYOR: If I may interject. We do
7 have one caller for your information. He does
8 have a question. So I just wanted you to be aware
9 of that. And I believe you were referring to the
10 Market Advisory Committee, the MAC?

11 MR. COWART: That's correct.

12 MS. GRIFFIN: Okay, we have a little
13 traffic control problem here. The audience has
14 set up a nifty system of lineup over here. So for
15 everybody let's just use the chair line-up system
16 the audience has figured out. We seem to be
17 having two paths of people coming up to one point
18 of takeoff.

19 MR. PEDERSEN: So those of us who had a
20 PowerPoint, when and how should we do it?

21 MS. GRIFFIN: I guess join the line and
22 then when it's your turn.

23 MR. DAGLI: Dhaval Dagli from Southern
24 California Edison. First of all we do want to
25 second the comment that PG&E made that allocation

1 can be and perhaps should be viewed as different
2 than point of regulation.

3 Essentially Edison believes the
4 allocation should be based largely on the
5 financial impact of this new compliance
6 requirement. And recognizing -- Regardless of
7 whether it is a load-based system or a first-
8 seller approach, the eventual cost of that
9 compliance will be borne by the retail customers.
10 The allocation perhaps should be made to the
11 customer side.

12 In that regard I did want to make a
13 comment regarding something that IEP said about
14 some generators or sellers may have fixed-price
15 contracts and thus not being able to pass on the
16 cost of these allowances if it was to buy them.
17 If they were made to buy them either from a
18 regulatorily-administered auction or from load-
19 serving entities.

20 I would suggest that the Commission do
21 some of its own homework in terms of how many such
22 contracts do indeed exist. Edison believes there
23 aren't many, if any, such agreements. In Edison's
24 case we do now that essentially all the agreements
25 that we have that extend beyond 2012, or 2012 and

1 beyond, either would not -- this issue would not
2 be a factor or we have contractual provisions for
3 those providers to pass on those costs. So I just
4 wanted to make that comment.

5 And one last comment. Edison does not
6 believe that allocations based on historic
7 emissions should be completely off the table. We
8 believe it does belong as a part of that
9 methodology.

10 MR. COWART: A follow-up question on
11 your financial impacts criteria. I have thought
12 about this some and it's occurred to me there's at
13 least three different ways to consider financial
14 impacts. And one way would be to look at the
15 final rates that are paid.

16 I think the early action advocates would
17 say look, we paid extra, we took early actions,
18 our rate are higher as a result. And therefore if
19 a high-emitting provider has to buy more
20 allowances and that raises their rates up to our
21 level, that's fair. So that's one way of
22 measuring financial impacts.

23 Another way of measuring financial
24 impacts would be to say that the percentage
25 increase in end-user rates should be roughly the

1 same statewide among all service territories.

2 Percentage increase.

3 And the third possibility would be to
4 say we want the rate increase in mills per
5 kilowatt hour to be the same, quantitatively the
6 same, roughly statewide. And if that is the
7 outcome of a decision that is a fair result.

8 Among those three things do you have an
9 opinion when you say, financial impacts?

10 MR. DAGLI: To answer your question, I
11 don't believe the impact on the eventual retail
12 rate should be a criteria for several reasons.
13 Number one, there are inherent differences in
14 terms of how rates are set. Say for example, for
15 an IOU versus a municipality, you know, a POU.
16 And the reason there is their cost of capital and
17 their cost of financing is dramatically different.
18 That in itself is one reason why their rates can
19 be very different. So to try to normalize them
20 across the state would be, I believe, an
21 impossible thing to do.

22 In addition, keeping in mind that a lot
23 of retail providers are not subject to a
24 regulatorily-established rate regime. They are
25 market-based and they essentially cover commercial

1 agreements. For them to work out a commercially,
2 you know, feasible rate with their contractive
3 counter-party. So I don't think that really
4 should be a criteria.

5 I think what we were, what I was
6 referring to is the cost of compliance limited to
7 this compliance requirement itself. So
8 essentially projection in terms of who needs to
9 bear or eventually pay for these new, regulatorily
10 mandated credit requirements. Sort of like an SO2
11 credit would be a good example. There are
12 entities who have a surplus and others who have to
13 buy, but eventually at the end of the day it
14 depends on what is your total projected emissions
15 versus where you need to get from that point.

16 MR. COWART: But the way of measuring
17 whether you succeeded here, what I just heard you
18 say is, something like average cost per megawatt
19 hour due to this program.

20 MR. DAGLI: I think it is not
21 necessarily an issue of how to succeed, it is more
22 a question of what is a fair allocation.
23 Recognizing who is going to pay in the grand
24 scheme of things for these new CO2 credits.

25 So essentially, even if you were to say

1 somebody, a generator is your point of regulation,
2 they need to buy these allocated or auctioned
3 credits and then retire them. That generator is
4 not essentially bearing the cost of their product
5 which a consumer is going to consume. That cost
6 will be reflected in the increased price of that
7 product. So that's the principle that I'm talking
8 about. Does that answer your question roughly or
9 no?

10 MR. COWART: No.

11 MR. DAGLI: Okay.

12 MR. COWART: I apologize. When I say,
13 when I used the term succeed I meant the criterion
14 that the PUC might adopt. If the Commission, the
15 two Commissions were to agree with you that
16 financial impact is one of the chief drivers of
17 how allocations should be done, and we wanted to
18 find out after we did it, did we succeed in having
19 a fair financial impact, would it be success under
20 your proposal if the increase in average cost per
21 megawatt hour in Edison's power supply was X, X
22 cents per megawatt hour?

23 And in PG&E service territory it's also
24 X cents or X dollars per megawatt hour. In other
25 words, the same carbon-price, programmatic

1 increase per megawatt hour in both service
2 territories. Is that how you define success
3 under, under this financial impacts criteria?

4 MR. DAGLI: No, that's not how I'm
5 measuring success.

6 MR. COWART: Okay.

7 MR. DAGLI: What I was trying to
8 communicate, let's say PG&E starts from a carbon
9 intensity that is much lower than Edison's is
10 today.

11 MR. COWART: Right.

12 MR. DAGLI: And eventually everyone
13 needs to -- It is not likely because of the
14 different compositions of utilities' portfolios or
15 energy service providers' portfolios that everyone
16 will have the same carbon intensity.

17 The point here is, in order for everyone
18 collectively to fit into that cap and trade people
19 will have to make economic choices. And those
20 people who need to make harder economic choices
21 should be given the commercial benefit of these,
22 of the value of these allowances.

23 MR. COWART: Okay. So high emitters
24 should be given greater allowances in the early
25 years at least?

1 MR. DAGLI: That's right. Perhaps.

2 (Laughter) I didn't necessarily say that was the
3 only factor you take into account.

4 MR. COWART: No, I --

5 MR. DAGLI: You have at least four
6 factors up there.

7 MR. COWART: Of course.

8 MR. DAGLI: So I'm saying, do not
9 discount completely the current emissions way, you
10 know, as NRDC was suggesting. So in other words,
11 I am not supporting the NRDC position in that
12 regard.

13 MR. COWART: Thank you.

14 MR. WILLIAMS: I'm feel like I'm going
15 slightly out of turn. This is my second time up
16 here.

17 MR. COWART: You've been waiting a
18 while.

19 MR. WILLIAMS: One item of
20 clarification. If a megawatt hour sales-based
21 approach is used then I think strong consideration
22 should be given and PG&E would support using the
23 cumulative effects from customer energy efficiency
24 from 2012 through the compliance period.

25 And the reason for that is you don't

1 necessarily, you don't want to penalize customer
2 energy efficiency through that compliance period
3 relative to supply side non-carbon resources. It
4 essentially is treated as a resource. It
5 essentially is non-carbon emitting. And so when
6 you think about what should the allowance
7 allocation be over time, the cumulative effects of
8 customer energy efficiency from that first
9 compliance year, 2012 for all LSEs, should be
10 taken into consideration. That's one.

11 Second, in terms of auction design. I
12 think Mr. Branchcomb is giving us a little more
13 credit for how we propose doing it. In fact one
14 way of doing it for IOUs would be to have the
15 California Public Utilities Commission oversee the
16 design of the auction and the administration of
17 the auction. And also the -- I see Julie is very
18 excited to hear about that. (Laughter). Or
19 certainly the collection and the distribution of
20 the revenues on behalf of IOUs.

21 I think there is a lot of work that
22 needs to be done here. I just was not suggesting
23 it was going to be necessarily each IOU for its
24 allowances doing separate allocations in a very
25 unstructured and uncoordinated way.

1 MR. COWART: I should comment here that
2 as you probably know, in the WREGIS states there
3 is a lot of attention being given right now to
4 auction design. Because as soon as we started to
5 get to this we realized that it turns out to
6 really matter how the states collectively organize
7 their auction.

8 MS. FITCH: I should just explain my
9 head-shaking. (Laughter) Seriously, I think our
10 expectation would be that all of this ultimately
11 becomes within the ARB's authority. Because this
12 issue is going to cross sectors as well as types
13 of utilities.

14 MR. WILLIAMS: Okay, okay. Fair enough.
15 And next has to do with the question of
16 contracts and pass-through for contracts. First I
17 think, you know, we view that as really a
18 commercial issue. When you negotiate a contract
19 there is a price, there is a performance, there is
20 allocation of risk. And really I don't think it
21 is necessarily a good idea to reach into that
22 bargain at that time and change a particular term
23 for the benefit of one of the parties.

24 And I will also note that if you look at
25 a pass-through it certainly would help coal

1 because their emissions rates are higher. It
2 might be neutral for natural gas, I'm not really
3 sure. And it would not help hydro, which is a
4 non-carbon resource. So I am not necessarily sure
5 that this notion of a pass-through is one that
6 does well in terms of, you know, meeting the goals
7 of AB 32.

8 On another generation issue, in terms of
9 the way we thought about if there is an allocation
10 to LSEs and then an auction back. I think we do
11 recognize that there is a generation
12 competitiveness issue there. That LSEs generally
13 have generation and there are merchant generators
14 that have generation.

15 And their access, you know, through an
16 auction or whatever else, their access to those
17 allowances through an auction should be, should be
18 on an equivalent basis. There should be no
19 competitiveness advantage or disadvantage in that
20 process, however it is defined.

21 And that's all I've got for now, thanks,
22 unless you have questions.

23 MR. COWART: I want to just put an
24 exclamation point, I suppose on your energy
25 efficiency point and make sure I got it.

1 MR. WILLIAMS: Okay.

2 MR. COWART: You're saying if
3 allocations are based on load, sales, you don't
4 want the allocation formula to create a dis-
5 incentive to performance on energy efficiency by
6 rewarding higher sales.

7 MR. WILLIAMS: That's correct. I can
8 give you an example. In 2012 80,000 gigawatt
9 hours for PG&E. Let's just use that as a number.
10 And then we decide what to do in terms of our
11 resource mix for 2013, setting aside lead time and
12 everything else.

13 If we choose a supply side resource,
14 non-carbon, we may have 81,000 gigawatt hours of
15 sales, which puts us in a little better position.
16 If we instead use CEED we may still sit at 80,000
17 gigawatt hours. So that's a way that you could,
18 you know penalize, inadvertently penalize CEED in
19 that kind of an allocation.

20 MR. COWART: Are you proposing -- So
21 that's going forward --

22 MR. WILLIAMS: Yes.

23 MR. COWART: -- as part of an updating
24 formula.

25 MR. WILLIAMS: Yes.

1 MR. COWART: What about retroactively
2 with respect to your performance to date?

3 MR. WILLIAMS: I think that gets back to
4 the early action question, which I was really not
5 able to answer at this point. I was really
6 thinking about it from the first year of the
7 compliance period going forward.

8 MS. LUCKHARDT: Hi, this is Jane
9 Luckhardt again on behalf of SMUD. And there were
10 a lot of questions about early action that I would
11 like to address. And that is that SMUD made a
12 conscious effort starting in about 1990 to develop
13 low-carbon resources. So we are very interested
14 in having early action reach back further than
15 just the 2004, 2005, 2006 time frame.

16 There is a considerable amount of cost,
17 which I know you are all aware of, to developing
18 renewable resources and low-carbon resources. And
19 it is those types of actions that SMUD took on at
20 that time frame. And we just want to make sure
21 that as you're designing a system, you're looking
22 at early action, you're looking at allocation,
23 that you take those early actions into account for
24 folks who did make a concerted effort. That's one
25 of the questions that you guys had.

1 As far as the allocation question, since
2 I'm expecting that you'll ask me this. We're
3 still evaluating different options. We have seen
4 the two various proposals that folks have put on
5 the table and we are still looking at them and
6 trying to determine what we think would be a best
7 fit for our customers as well as for the state as
8 a whole. So we don't have a position yet on that
9 issue at this point.

10 MR. COWART: Do you have some suggested
11 criteria for figuring out which early actions are
12 creditable and rewardable with additional
13 allocations?

14 MS. LUCKHARDT: You know, I think that
15 is something that we need to go back to and
16 provide you written comments on. Because we
17 haven't sat down and made, you know, a concerted
18 effort at making a complete list. But now that I
19 see the direction that you're going we will do
20 that and provide you those.

21 MR. COWART: Thank you.

22 MS. GRIFFIN: I have a question. We
23 have sort of been proceeding as if there would be
24 just one set of allocation rules that everybody
25 follows. And yet we know there are a handful of

1 utilities, mostly Southern California municipal
2 utilities, which have a very high, carbon, coal
3 content of ownership shares that go up to 2027 for
4 IPP.

5 Would SMUD, has SMUD thought about a
6 two-tiered system where there would be one set of
7 rules for everybody else and a kind of a help-the-
8 handicapped system (laughter) for that subset of
9 folk who have an ownership commitment that is, you
10 know, who are just starting out so far behind in
11 terms of reaching a one carbon intensity for all?

12 MS. LUCKHARDT: You know, we have been
13 looking at a variety of different proposals and we
14 have to say, we're still evaluating that. We're
15 still trying to figure out what we think would be
16 something that would work for the state as well as
17 not penalize customers at one end or the other of
18 the spectrum.

19 We're trying to find something that is,
20 that is realistic for the southern folks as well
21 as doesn't penalize those people who have invested
22 a considerable amount in low-carbon resources.
23 And I have to honestly say, we have not found the
24 solution at this point. Or what we see is a
25 solution. So I wish I had more information for

1 you but that's where we are.

2 MR. DI CAPO: Hi, I'm Bill Di Capo from
3 the California ISO. My comments also relate to
4 early actions and really it falls under the
5 category of thinking out loud, really. But I was
6 wondering if maybe in terms of trying to design
7 the regulations to miss early actions, maybe think
8 of it as something that people would come forward
9 with an affirmative showing that they have
10 something that qualifies as an early action.

11 And maybe the result would be they get
12 an additional amount of allocations because they
13 have shown you that something is an early action.
14 That might be a case-by-case type of analysis,
15 sort of like the reliability concept in the
16 decision of the CPUC on the SB 1368, the
17 Environmental Performance Standard.

18 Or you might consider having a workshop
19 where some classes are considered as early
20 actions. And if somebody can show that they just
21 fall within that class then maybe they would
22 qualify for early actions.

23 And in terms of criteria for defining or
24 putting flesh around the concept of what's an
25 early action, versus say a historical accident, it

1 would seem to me that the thing, the measure taken
2 would be something, possibly something that even
3 now one would want to emulate. Something that
4 might serve as an example of something that might
5 be done today.

6 And then maybe with additional factors
7 looking at what was historically -- what was then
8 in the context of that time frame, appropriate or
9 feasible or reasonable.

10 Also the criteria I think should be
11 whether the party who enacted the purported, early
12 action measure contemplated that that's what it
13 was at the time. Because if they didn't it would
14 seem to me that the concept of additionality comes
15 it. They might have done it anyway because they
16 did do it anyway without consideration of the fact
17 that it may have had a carbon benefit.

18 That's really all my comments.

19 MR. COWART: Thank you.

20 MR. DAVIS: Kyle Davis with PacifiCorp.

21 I have a few comments on some of the questions
22 that were raised and then I'll follow up with some
23 specific comments on the bullets that you have
24 there.

25 One thing that we think would be helpful

1 is to really kind of flesh out this concept that
2 people keep referring to as windfall profits. We
3 sort of agree with the Market Advisory Committee's
4 recommendation that grandfathered allocations to
5 sectors where there is sufficient regulatory
6 oversight to prevent windfall profits. And we
7 think that the electricity sector in California is
8 one of those. It really vitiates the concern over
9 any type of grandfathered allocation creating such
10 a thing in the California market.

11 I have been told, and again reading in
12 the Market Advisory Committee, that the Utilities
13 Commission has authority to ensure that any
14 potential windfall profits are passed on to
15 customers. So we would appreciate having a little
16 bit more of an understanding of what the
17 Commission believes is their ability to prevent
18 windfall profits under a grandfathered, allowance
19 allocations mechanism.

20 On the issue of early action. There are
21 different concepts that are out there. One that
22 both Commissions might consider looking at is
23 perhaps borrowing from some portion of a future
24 cap allocation and introducing those allowances
25 into the market sooner rather than later and using

1 those as the means to recognize early action.

2 And examples of early actions that are
3 not the result of historical accidents would be
4 things like incremental hydro improvements that
5 would otherwise not be considered cost-effective
6 today. Potentially nuclear upgrades or new
7 builds. And obviously carbon capture and
8 sequestration technology being put into the
9 marketplace prior to the cap would be examples
10 that are just off the top of my head.

11 One of the questions came as to how you
12 would deal with weather-relate events or
13 adjustments. I could just cite the example that
14 was used in Oregon for its load-based cap and
15 trade as a result of a very poor hydro year. It
16 was not a reallocation of allowances. What it was
17 was a circuit breaker to forestall the decline of
18 the cap on the market for some specified period of
19 time as the result of a particularly poor hydro
20 year.

21 So rather than look at it as an
22 allowance allocation question it really is, what
23 is the compliance burden. And the solution that
24 came up there again was the circuit breaker just
25 to delay the decline of the overall cap for a year

1 or so until the hydro normalized.

2 The issue of first-seller keeps coming
3 up as a multi-jurisdictional. We think the first-
4 seller concept creates some potential
5 constitutional concerns. We provided some
6 comments to the Market Advisory Committee and to
7 the Air Resources Board.

8 And it mainly has to do with the way the
9 Market Advisory Committee's report talked about
10 the proceeds from auctions. The idea of taxing
11 out-of-state actors, generators, et cetera. Of
12 which we will have quite a few that supply us
13 already, either through QF contracts or wholesale
14 power purchases.

15 And then the use of the proceeds. The
16 use of the proceeds by the state are then to
17 somehow benefit California actors only or to
18 mitigate the economic consequences of the policy
19 on the California industry or businesses. We
20 think that may present some interstate commerce
21 clause concerns and that is something that we
22 recommended that an impartial third-party review,
23 the first-seller approach in that context. And
24 there might be some other federally-related
25 concerns along those lines.

1 As far as the types, the position that
2 PacifiCorp has taken on some of these issues that
3 you have laid out here. We have really taken
4 positions in the context of a national program.
5 So I want to just caveat that we probably want to
6 go back and reflect on what I am going to say our
7 position is in the context of the state-only
8 baseload, base cap and trade rule.

9 But I can tell you on a national level
10 we have advocated for historic emissions as the
11 basis for allowance allocation. And the argument
12 being is that you are going to be having
13 allowances allocated that represent a declining
14 cap. And as such those folks that do have the
15 higher carbon-emitting resources will bear the
16 burden of the cost of complying with that policy
17 over time.

18 On the issue of potential windfall
19 profits, just to be on the record, we've said
20 publicly, we are not interested in windfall
21 profits and we would look to the Utilities
22 Commission to make sure that those benefits are
23 passed on to customers.

24 The other point I want to make about
25 basing it on historical emissions is we don't

1 think it is reasonable to penalize investments
2 that have been determined by past Utilities
3 Commissions as having been prudent and made prior
4 to the issue of climate change being considered an
5 environmental concern or a public policy concern.
6 We think that is sort of looking backwards.

7 And for those that have made decisions
8 that were ultimately judged to be prudent we think
9 that that is just a way, if you go the output-
10 based approach, of penalizing those past
11 decisions.

12 On the issue of output-based approach.
13 I know Rich brought this up. This has been a big
14 issue that PacifiCorp has been debating in the
15 Pacific Northwest. Because there are quite a few
16 folks up there that are predominately hydro that
17 would love to see an output-based approach on a
18 national level. The argument we have made up
19 there is that would be a real clear example of
20 potential windfall profits if the dollar are not
21 passed on to customers.

22 And there is discussion up there as to
23 why folks who want an output-based approach.
24 Mainly because they would be generating the type
25 of revenue they think would need to install things

1 like fish ladders or other things that aren't
2 necessarily directly linked to overall carbon
3 reduction.

4 So to the extent you're going to go that
5 route, I think -- And we haven't stated this
6 necessarily as a position. If we were to rank
7 them we probably would start with historic
8 emissions, potentially auction. Because again,
9 the people most interested in going after those
10 allowances would be the ones that are going to
11 bear the cost of the proposal. And then it would
12 have to be some sort of output-based approach with
13 proceeds regulated and insuring some sort of
14 subsequent greenhouse gas reduction.

15 On the issue of demographics, I
16 definitely want to touch on that. Our Northern
17 California service territory is a very small one.
18 We have a disproportionate number of our
19 customers, I believe, compared to other utility
20 service territories that are enrolled in the CARE
21 program and other programs as such. And it's an
22 absolute result of demographics.

23 We do think it is fair to recognize that
24 the impact of the rule will impact certain
25 utilities differently than others. Some have

1 larger customer bases to be able to spread program
2 costs across.

3 And then finally, should some fraction
4 of the allowances be auctioned? We've argued that
5 if you do have some sort of auction, perhaps the
6 basis is to ensure some sort of market liquidity
7 so that you do, actually see some opportunity for
8 trading, that is really critical for the smaller
9 players in the market.

10 And then, of course, the use of the
11 proceeds we think need to be somewhat flexible.
12 But like has been said, ideally go back to the
13 sector from which the auction was conducted. So
14 if the electricity sector has some of auction then
15 the proceeds should be recycled back into
16 investments in the electricity sector. Rather
17 than a statewide allowance allocation auction and
18 the proceeds go off for some other, unrelated
19 budget expenditure by the state.

20 So those are my brief comments. If
21 anybody has questions.

22 MR. COWART: Thank you.

23 MS. GRIFFIN: Are your MAC comments
24 available?

25 MR. DAVIS: Yes, we actually -- Our CEO

1 with MidAmerican Energy Holdings Company, David
2 Sokol, testified before Congress in March. So
3 those comments are available. We can absolutely
4 make them available.

5 MS. GRIFFIN: But not the comments that
6 you gave to the Market Advisory Committee where
7 you talked about your --

8 MR. DAVIS: Yes, those have already been
9 posted to the ARB website.

10 MS. GRIFFIN: Okay great, thank you,
11 I'll go there to get them.

12 ADMINISTRATIVE LAW JUDGE TERKEURST:
13 Following up on that. You raised some potential
14 Constitutional concerns. Are those outlined in
15 the MAC comments?

16 MR. DAVIS: Yes. We don't take a
17 particular position but what we recommend is that
18 there be some sort of impartial review on the, a
19 constitutional review on the first-seller
20 approach.

21 And like I said, what we really
22 highlighted was the suggested use of the proceeds
23 from the auction and how you effectively tax an
24 out-of-state actor and the proceeds are used to
25 benefit California only.

1 There are some other variations where
2 you just simply say that California could then use
3 those dollars in investments throughout the WECC,
4 throughout the west, and that potentially would be
5 a policy compromise I think that probably could
6 survive the Constitutional challenge. But it's
7 something we think needs to be -- If you're going
8 to go the first-seller route you really need to
9 look at it a little bit more closely.

10 And it's particularly burdensome for us
11 because we had in 2005 about 170 counter-parties
12 that purchased electricity from. And again, this
13 might be a peculiarity for a multi-state
14 jurisdictional.

15 But the presumption that, you know, some
16 amount of those electrons are all used to serve
17 California retail load, along with the other five
18 states, would we expect all 170 of those counter-
19 parties to have to bid into the California market
20 to be able to sell electrons to PacifiCorp so
21 PacifiCorp can provide system power into
22 California. There is a little bit of a ripple
23 effect here, even though we have a very small
24 service territory in Northern California.

25 ADMINISTRATIVE LAW JUDGE TERKEURST:

1 Thank you. And --

2 MR. COWART: When -- Go ahead.

3 ADMINISTRATIVE LAW JUDGE TERKEURST: On
4 a different subject. You stated that your first
5 preference is to allocate based on historic
6 numbers. When you say that do you mean the
7 initial allocations or where you end up in say
8 2020?

9 And what is your view on even if, even
10 if you start the allocations on the historic
11 basis, what if you end up with the allocations in
12 2020 being based on an output basis? So parties
13 that have a high-carbon content now just have to
14 ramp down to get to the same place as everyone
15 else eventually.

16 MR. DAVIS: I don't think we've taken an
17 official position on how we transition. Our
18 official position on national legislation, I
19 should be clear, is a wire-speed, two-fund,
20 technology advancement over the next decade or so
21 with hard caps kicking in around the latter part
22 of the 2020, 2030 time frame. So that is our
23 official position.

24 Our allowance allocation approach, like
25 I said, is probably a presumption of a historic

1 emissions-based allocation with some sort of, over
2 time perhaps, to an auction-based approach. More
3 so than an output-based approach. But we haven't
4 done the modeling to come up with a specific
5 position on that right now.

6 Conceptually I think that probably has a
7 fair outcome for those that do have a higher
8 carbon content portfolio.

9 ADMINISTRATIVE LAW JUDGE TERKEURST:

10 Thank you.

11 MR. COWART: When you said, don't
12 penalize past prudent actions.

13 MR. DAVIS: Yes.

14 MR. COWART: I should understand that to
15 mean, somebody builds a coal plant and it was
16 deemed prudent and was a prudent utility
17 management decision at the time it was built.
18 Therefore if we're allocating allowances that
19 owner should be given allowances to respect that
20 history?

21 MR. DAVIS: Well just to give you an
22 example, PacifiCorp has roughly 40 thermal units
23 in the Western United States. All have been
24 approved by six different state utility
25 commissions.

1 Now we are going to have to reduce the
2 emissions, presumably, under either a national, a
3 regional or a state-specific carbon cap. So they
4 will already be challenged by having to have some
5 sort of emissions reductions from those existing
6 thermal units. And that allowance allocation
7 declines as the cap declines over time. So it is
8 just going to get more expensive for those
9 existing units.

10 So our argument is that they're already
11 going to have, be starting out in a short position
12 as far as matching up allowances to their existing
13 emissions. And then over time they are going to
14 lose that additional allocation as their load
15 presumably goes up and emissions potentially go
16 up.

17 So yeah, I think our argument is that
18 because those resources were deemed prudent at the
19 time they were approved that they ought to be
20 allowed to continue through their useful life.

21 We think 1368 will take care of the new
22 resources issue. And over the long run, once you
23 get those older units through their useful life
24 the effect of 1368 is going to get you the lower
25 carbon baseload that you want, much quicker than

1 folks probably realize.

2 MR. COWART: Okay, I'm just boiling this
3 down so that I am sure that I heard what you were
4 saying.

5 MR. DAVIS: Okay.

6 MR. COWART: Because at various times
7 you slipped into talking about output-based
8 allocations. But what you just said is very
9 clearly allocations based on historic emissions.

10 MR. DAVIS: Yes, I'm sorry if I gave you
11 that impression. In responding on output-based
12 approach. Like I said, that would probably be the
13 third and last option.

14 And what I was just trying to say is
15 that in some of the discussions that we have had
16 regionally in the Northwest and some states in the
17 Interior West, the folks that would benefit from
18 an output based allocation aren't necessarily
19 planning to use those dollars for carbon reduction
20 programs. They will use them for other ancillary
21 and equally important, but for other environmental
22 purposes.

23 MR. COWART: Thank you.

24 MR. MURTISHAW: Can I just jump in and
25 make a clarifying comment? I think our

1 terminology -- Scott from the PUC.

2 I would just like to suggest that I
3 think there was confusion there in that whole
4 conversation about the use of the term output-
5 based allocation. And I think what Kyle was
6 talking about was generator side proposals to
7 allocate to sources. You were talking about
8 hydroelectric dams, for example, under a national
9 system.

10 So I think that we just need to be clear
11 and maybe say, load-based allocation. Because
12 output-based allocation makes it sound like
13 something more source-based. Is that --

14 MR. COWART: But to even further
15 clarify, I used earlier, sales-based.

16 MR. MURTISHAW: Or sales-based.

17 MR. COWART: Which I think is even
18 clearer than load-based.

19 MR. MURTISHAW: Okay.

20 MS. GRIFFIN: Let's not jump the queue,
21 these people have been waiting.

22 MR. PEDERSEN: Good afternoon. My name
23 is Norman Pedersen. I work with the Southern
24 California Public Power Authority. If it's all
25 right with the panel I'll go over to the other

1 podium because we do have a PowerPoint.

2 MR. PRYOR: As he is doing so I want to
3 remind you we do have the caller still there.

4 MS. GRIFFIN: Okay, so we're going to
5 take the caller next?

6 MR. PRYOR: After the SCPPA I would
7 suggest.

8 MR. PEDERSEN: Actually I might just
9 mention that Leilani Kowal from LADWP is
10 immediately after me so you might want to take us
11 both together, but it's up to the discretion of
12 the panel of course.

13 MR. COWART: Why don't we take the
14 caller first then and then take both of you.

15 MR. PEDERSEN: That would be absolutely
16 fine, Mr. Cowart.

17 MR. COWART: Thank you. Can you make
18 that happen?

19 MR. WOODWARD: We have on the line a
20 speaker from the Division of Ratepayer Advocates,
21 this is Christine Tam. Go ahead. Go ahead,
22 Christine. Christine Tam, Division of Ratepayer
23 Advocates, go ahead, please.

24 (No response)

25 MR. PRYOR: Well that took care of

1 itself.

2 MR. COWART: All right, thank you. If
3 you all have a joint presentation that would --

4 MR. PEDERSEN: No it's not.

5 MR. COWART: Okay. Why don't you just
6 go ahead then.

7 MR. PEDERSEN: First I would like to say
8 just a few words about the Southern California
9 Public Power Authority. It is a joint powers
10 authority. It has been in existence since 1980.
11 There are 12 members. They are all publicly-owned
12 utilities.

13 I have in the slide that we serve an
14 area, a combined service territory that has 4.6
15 million people. I am told that that actually is
16 probably more like a 1990 figure. We are
17 certainly well over five million. As you know Los
18 Angeles itself is now over four million people and
19 certainly we have over two million customer
20 meters.

21 We do have a resource mix that is
22 weighted towards fossil fuels. Forty-seven
23 percent of our resources -- And we are fully
24 resourced utilities because we are public
25 utilities and we do have an obligation to serve.

1 Forty-seven percent of our fuel mix overall across
2 SCPPA is represented by coal-fired resources, 29
3 percent by gas-fired resources.

4 This morning we were talking about the
5 1990s. Well, this resource mix is a legacy of a
6 period a little further back. If you go back to
7 the '70s, as some of you might recall, if you go
8 back to 1972, we had massive natural gas
9 curtailments in this country. Schools were closed
10 in the winter of '72.

11 By 1975 we had several bills that worked
12 their way through Congress, they were signed by
13 President Carter. One was a Fuel Use Act. You
14 couldn't build a power plant that would be fired
15 with natural gas. That was a premium fuel. You
16 had to go to other fuels. And of course coal was
17 pointed to as being one of the places where you
18 should be going. And so consistent with the
19 direction of the nation, we had a growing service
20 territory, that's where we went. The fuel mix we
21 have was driven by historical circumstances.

22 And this where we have wound up today.
23 The SCPPA members are represented by the far right
24 hand bars. We've broken it out so LADWP is
25 separately stated from the other 11 SCPPA members.

1 The other 11 you see have an even greater
2 dependance upon fossil fuels, an even greater
3 dependance upon coal, than LADWP.

4 We are committed to reducing greenhouse
5 gas emissions. What happened in the 1970s
6 happened. It happened for what were very good
7 reasons at the time. Nevertheless, something has
8 come along which was not foreseen in the '70s and
9 we are responding to the situation we're in today.

10 In 2003, going back to 2003, SCPPA as a
11 group committed itself to a 20 percent RPS by
12 2017.

13 Today in general the SCPPA members are
14 moving towards a 33 percent renewable portfolio
15 standard by 2020. And Leilani may mention that
16 DWP, the City of Los Angeles, is aiming at 35
17 percent.

18 We have a four-prong approach. We are
19 going to aim at efficiencies, renewables,
20 transmission capacity to get the renewable energy
21 to the Southern California load center. That's
22 bringing in geothermal, upgrading the southern
23 transmission system from Utah to bring in
24 additional wind resources from Utah. And lastly,
25 R&D. We are pursuing an R&D project that would

1 examine carbon sequestration at coal plants.

2 So we see the challenge, we're acting on
3 it. But the cost is going to be hundreds of
4 millions of dollars. Probably at the end of the
5 day, given the size of these combined service
6 territories, and our heavy dependance upon fossil
7 fuel resources, we're going to easily be into the
8 billions.

9 We support grandfathered free allowances
10 for electricity service providers.

11 And I should note that we understood,
12 our understanding was that this discussion today
13 would be within the context of the February
14 scoping memo. So for purposes of the discussion
15 today we're assuming load-based regulation as
16 propose by the Commission in February. We're well
17 aware of the MAC report, we're well aware of the
18 first-seller issue, but our understanding is that
19 we're going to be getting to that in a subsequent
20 workshop.

21 If you were not to have free allocation
22 of allowances to the load-serving entities,
23 including POUs. Just for us if you assumed \$25 a
24 ton for emissions, we'd have to buy allowances of
25 approximately \$600 million a year.

1 That would be a cost that these
2 communities in Southern California would have to
3 bear over and above the hundreds of millions of
4 dollars that we're going to be spending, ratepayer
5 money that we're going to be spending, in order to
6 reverse what happened to us as a result of the
7 '70s.

8 The cost of allowances would be
9 completely additional to the cost that we're
10 already facing.

11 So we do propose that there be an
12 allocation of allowances on the basis of
13 historical emissions. Of course there would be a
14 ramping down, a gradual ramping down over time.

15 This is not unprecedented. Being in
16 Southern California you're very familiar with air
17 quality regulations. It is completely consistent
18 with precedent. It's consistent not only with the
19 Acid Rain Program but in Southern California the
20 RECLAIM program.

21 There are several benefits of this. One
22 is it does avoid cross-subsidies. Subsidies that
23 would flow from those who -- if you did not
24 allocate allowances on historical emissions
25 subsidies would flow from those who had to buy

1 allowances to those who had them to sell.

2 if you used any other approach. If you
3 allocated on the basis of kilowatt hours of sales
4 or load, as I think PG&E was just suggesting.
5 Populations I think I might have heard the NRDC
6 representative suggesting. Number of trees in the
7 service territory. Inevitably you would end up
8 with allowances going to utilities that had less
9 of a need for them, fewer allowances going to
10 those who had the greater need. The ones back at
11 the far, right hand side.

12 In that event inevitably you would have
13 cross-subsidization. From a utility regulatory
14 standpoint you would be asking the ratepayers in
15 one utility service territory to be subsidizing
16 the rate payers in another utility service
17 territory. Simply something that consistently is
18 not done in utility regulation.

19 We also think that if you allocate on
20 the basis of emissions you would mitigate market
21 power concerns. And we are very concerned about
22 this.

23 If you were to allocate on the basis of
24 load, kilowatt hours of sales, we've taken a look
25 at it. And as far as we can tell one large

1 utility in Northern California would get
2 approximately -- and now I'm assuming you have an
3 allocation across all sectors. You allocate to --

4 So all emissions get some kind of
5 allowance. Maybe the allowance is to LSEs on the
6 base of load and then others are buying their
7 allowances through auctions. But one way or
8 another the emissions are covered. One utility
9 in Northern California would get approximately
10 five percent of all the allowances.

11 If you assume, if you assume that in
12 general recipients of allowances are going to be
13 using their allowances to cover their emissions.
14 If the transportation sector is going to be
15 getting allowances to cover their emissions. If
16 the recipients are going to be using them to cover
17 their emissions.

18 If one entity were to get five percent
19 of the total allowances, that doesn't sound like a
20 lot. But it could result -- But you could have a
21 very thin market for allowances. So the utilities
22 that need the allowances could have, could
23 experience a very small market, an ill-liquid
24 market in going out to try to buy allowances.

25 And there might not be an attempt to

1 manipulate the market. There could just be by
2 that one utility that got more allowances than
3 they needed, there could just be a banking of
4 allowances for drought conditions that might come
5 along. And the result could be driving up the
6 price.

7 So if you don't have allowances
8 following emissions in our view you create a
9 situation for, if not market manipulation, market
10 distortion and high prices. We went through that
11 once actually with the RECLAIM program back during
12 the energy crisis and we don't think we want a
13 program here that has a built-in exposure to that
14 kind of a problem.

15 Furthermore, I think earlier this
16 afternoon the question about energy efficiency
17 came up. If you allocate on the basis of load, we
18 believe that's a built-in incentive to maintain
19 load. Because these allowances are going to have
20 value. Now I think I was hearing that there could
21 be some fixes built in. We don't know what those
22 would be.

23 Now regarding the methodology for
24 determining entity-specific, historical emission
25 allowances. What the allocation would be. We had

1 quite a discussion of that this morning, I won't
2 belabor it. We do think that it makes sense to
3 use data from a multi-year base period. It should
4 be actual data. Frankly we have just been
5 thinking in terms of 2004, 2005, 2006. The period
6 that immediately preceded the enactment of AB 32.

7 Of course you would reduce energy-
8 specific allocation allowances proportionately at
9 the end of the compliance period.

10 As for adjustments for early action, we
11 frankly don't understand that. I mean, what are
12 we talking about here. Are we talking about Hetch
13 Hetchy? Are we talking about Hoover Dam? Are we
14 talking about the solar panels that we put on the
15 LA Convention Center for the Democratic
16 Convention? What do you count in and what do you
17 not count in?

18 To us, and we have been puzzled by this,
19 to us it is very clear what was meant by early
20 action in AB 32. It was actions that you took
21 after 1/1/07 and before 1/1/12 when the
22 regulations kick in.

23 One of the reasons we do advocate a base
24 period. We think it would be a good idea to look
25 closely at a base of 2004, 2005, 2006. You would

1 automatically reward actions that are taken post
2 1/1/07, pre-1/1/12 because you'd be in a better
3 position when you got to 2012.

4 If you picked a later base period well
5 then you have to figure out how to do some kind of
6 adjustment so you don't give people a dis-
7 incentive to doing early actions, which of course
8 we want folks to do.

9 At any rate our proposal is that you do
10 allocate on the basis of historical emissions. We
11 urge you to take a close look at that. And I'd
12 welcome any questions you might have. We do have
13 one more Southern California speaker.

14 MR. COWART: Right.

15 ADMINISTRATIVE LAW JUDGE TERKEURST: I
16 just had one question. When you say, reduce the
17 entity-specific allowance allocations
18 proportionately, are you talking about say five
19 percent across the board?

20 MR. PEDERSEN: We don't have a specific
21 percentage in mind because we don't know what the
22 sector burden is going to be.

23 ADMINISTRATIVE LAW JUDGE TERKEURST: No,
24 I'm not saying five --

25 MR. PEDERSEN: We're all hearing, you

1 know. Although the electric sector is 20 percent
2 of the emissions we might end up having to bear 29
3 or 30 percent of the load. So that's another
4 issue. But we do have in mind, Judge TerKeurst, a
5 percentage reduction each compliance period.

6 And with regard to the compliance
7 period, we don't have a hard and fast position on
8 that but I think there were some remarks this
9 morning about three years. Just like three years
10 seems to make sense for the historical base period
11 it seems to make sense for the compliance period
12 to even out abnormalities that you might otherwise
13 have to take into account.

14 ADMINISTRATIVE LAW JUDGE TERKEURST:

15 Well I was just throwing the number five out for
16 there to be a number but the point was, the same
17 percentage reduction to all entities. I think
18 you're saying, yes.

19 MR. PEDERSEN: Yes, yes.

20 MR. PEDERSEN: So the bottom line result
21 of that would be, at the end of the period the
22 entities that had higher, relatively higher
23 emissions to begin with would still get relatively
24 higher allowances at the end of the period,
25 correct?

1 MR. PEDERSEN: If you had a proportional
2 allocation, yes. Of course the folks, the folks
3 at the far end, you know, if they came down five
4 percent. The total emissions that they would have
5 to take into account and have to handle in some
6 way would be a lot greater than say the short bar
7 there, SMUD.

8 The total amount of emissions, the cost
9 of the proportional reduction would be much less
10 for the utility that was in a better position at
11 the outset.

12 ADMINISTRATIVE LAW JUDGE TERKEURST:
13 Thank you.

14 MR. PEDERSEN: Thank you.

15 MR. COWART: Do I take it then that you
16 have not thought about and are not recommending a
17 slightly more complicated formula that would over
18 time either by introducing other factors, or by
19 just changing the slope of the curve depending on
20 the starting point. You are not recommending
21 something where LA and SMUD end up roughly in the
22 same emission rate per megawatt hour in 2050?

23 MR. PEDERSEN: We've thought about that
24 a lot. The problem that we have had is if you --
25 I think what you're talking about, Mr. Cowart, is

1 system whereby the allocation emissions would --
2 well, the total allocation of allowances would
3 decline each compliance period. The total amount
4 that were made available.

5 As you went through the compliance
6 periods the amount of allowances, the proportion
7 of allowances that were being made available,
8 would -- an amount would be granted on some other
9 basis such as auction, load, maybe something else.

10 MR. COWART: Population?

11 MR. PEDERSEN: Pardon?

12 MR. COWART: Or population or some other
13 factor that would --

14 MR. PEDERSEN: Trees.

15 MR. COWART: -- that would end up giving
16 you a formula with more than one factor.

17 MR. PEDERSEN: Yes.

18 MR. COWART: Then the purpose of that
19 would be to create a situation where the highest
20 emitting providers would over time clean up
21 proportionately more than the cleanest providers.

22 MR. PEDERSEN: Yes. And by the time you
23 got to 2050, say the goal were 80 percent
24 reduction by 2050. You could end up at the end of
25 the period with everybody receiving an allocation

1 based on load, for example, or whatever the other
2 factor would be and no location on the basis of
3 historical emissions. Yes, absolutely.

4 The problem that we have had as we've
5 thought about that. And actually I should say as
6 a footnote. There really is nothing that we were
7 close to. This is a difficult issue that the
8 state is struggling with. We look at every single
9 option that comes along to look at.

10 But with regard to that one, if you have
11 an increasing allowance each compliance period on
12 some other basis such as load, well you have each
13 compliance period increasing exactly the problems
14 that have been concerning us about allocating on
15 some other basis at the outset.

16 If you have a problem with the potential
17 for cost subsidies. If it's load you have the
18 built-in dis-incentive that you have with
19 allocating on load to do energy efficiency. Which
20 has got to be a big part of the answer.

21 So you have the other problems that
22 we've been seeing. You have the cross-subsidy,
23 the possibility of market manipulation. Of course
24 it's lessened to the degree to which you have
25 allocation on that other factor just in part

1 rather than whole. But you have the other
2 problems. So that is what's disinclined us from
3 the phase-in approach.

4 MR. COWART: Thank you.

5 MR. PEDERSEN: Thank you.

6 MS. JOHNSON KOWAL: Norman, I appreciate
7 your slide there. But being one of the -- This is
8 Leilani Johnson Kowal with LADWP. But being one
9 of those that is quote/unquote, handicapped, I
10 think our numbers actually look cleaner than what
11 I understand them to be.

12 On that note, when I look at that I
13 think, LADWP is more along the lines of 1300
14 pounds, 1303 pounds per megawatt hour. And the
15 bar that goes across actually in 2020 I think
16 would be lower than that, more along the lines of
17 about 519 pounds per megawatt hour.

18 So being one of those that has a
19 tremendous burden moving forward with compliance
20 with AB 32, what LADWP would look for is some kind
21 of glide path. If you could put up your original
22 slide that has the questions for that one section.

23 I heard earlier today from Ray Williams
24 a proposal to do it based on load in terms of
25 distribution of allowances. And for LADWP that

1 just certainly would not work if that was the sole
2 consideration. Ultimately LADWP would become a
3 net buyer of credits from day one and that is
4 something that would be of concern to us.

5 LADWP, just like other publicly-owned
6 utilities, has an obligation to serve. It is an
7 all-city charter. And as such, when we have
8 planned for our resources we have not relied on
9 the market to meet our native load. We have had
10 our generation and transmission and distribution
11 resources to meet those needs.

12 As we move forward with this I think we
13 need to also look at the definitions and the words
14 and terms that have been used today as well as in
15 other workshops. You have the stuff there,
16 historic emissions. And I don't know how everyone
17 assumes, what everyone assumes historic means.
18 But I think maybe a more accurate definition of
19 that would be, generation emissions.

20 In terms of megawatt hour sales. Again,
21 to us that just is not something that would work.

22 LADWP did submit late yesterday our
23 comments to the MAC regarding their
24 recommendations. And I don't know whether it has
25 been posted yet but some of the key issues that we

1 feel with regards to how a market program would be
2 developed needs to take into consideration the
3 fact that POU's that provide an essential public
4 service are not in the same position in terms of
5 having generation to support a wholesale market or
6 a secondary market. Our role is an essential
7 public service for the City of Los Angeles and its
8 residents must also be considered.

9 In terms of early action, LADWP along
10 with the City of Los Angeles, we have now released
11 our Green LA Plan. It was released on May 15 and
12 it is part, it is an attachment to our comments to
13 the MAC. And in that we are looking at very
14 aggressive goals for addressing climate change.

15 And one of those, the cornerstone of the
16 Green LA plan is our goal to reach 35 percent of
17 RPS by 2020. That is something that is very, very
18 aggressive, along with other measures to look at
19 energy efficiency and water conservation measures
20 and things like that. We would want to make sure
21 that any greenhouse gas emission trading market
22 system reward those early actions and not hinder
23 or -- and should not be hindering them.

24 In terms of cost impacts, LADWP serves a
25 large proportion of low-income, minority and small

1 commercial customers than other major sector
2 participants. And that is something that we
3 should take into consideration in terms of
4 allowance allocations.

5 You listed their demographics and I
6 wouldn't say just a population survey. I think
7 the issue of environmental justice has to play
8 some kind of factor in this.

9 In terms of the overall, broad market
10 design. I think taking a step back from this. In
11 one of the discussions that we had last Friday
12 regarding the electricity sector I think it is
13 really important that we talk about
14 proportionality.

15 In terms of making sure that some kind
16 of market program is in place it should include
17 other non-utility sources. Sources that would
18 make up the greatest, uncontrolled block of
19 emissions. In those situations LADWP would be in
20 a position of helping to reduce emissions by
21 promoting things plug-in hybrids, landfill meth
22 and capture, increased efficiency and water
23 conveyance structures and port electrification.
24 And any kind of market design should include major
25 emitters at the program's inception. Let's see.

1 In terms of free allocation versus
2 auction. LADWP supports free allocation. Again,
3 I mentioned the numbers earlier, 1,300 pounds per
4 megawatt hour with an overall goal by 2020 for the
5 overall sector of 519 pounds. We do have a
6 tremendous burden and I think relying on anything
7 like 100 percent auction simply would not work for
8 us. It has not been --

9 Allocations, 100 percent auction of
10 allowances has not ever been done, there is no
11 experience doing that with any previous emission
12 trading programs. And if a large percentage of
13 allowances are auctioned there is a chance for
14 market manipulation.

15 Not only that but I think in terms of an
16 auction, I don't believe that that would be needed
17 to generate revenues to stimulate development is
18 emerging technologies in the electricity sector.
19 We would consider that something that would be
20 reasonable in terms of including a portion of
21 auction would be something along the lines of ten
22 percent or less to accommodate low growth and new
23 entrance. We think that that would be reasonable.
24 If you have any questions. Thank you.

25 MR. COWART: You covered all, you

1 covered all the bullets.

2 MS. JOHNSON KOWAL: Thank you.

3 DR. F. HARRIS: Frank Harris, Southern
4 California Edison. What a spirited discussion
5 we're having. And we've kind of, it seems to me
6 the tenor of the discussion has kind of taken us
7 back and forth between sort of diving deep into
8 the weeds and then coming back up to more of a
9 broad, conceptual level.

10 I'm sure Julie and some of the others
11 here are very pleased that we have all been well-
12 behaved and we stayed away from a debate about the
13 first-seller approach. And I'm not going to get
14 us into that at all. Except to say that --
15 (Laughter). You knew it was coming. That we need
16 to separate some issues, I think, in terms of how
17 we want to analyze these things.

18 And the first one that I want to suggest
19 is that the point of regulation is not married,
20 should not be considered married, to the method of
21 allocation.

22 As I look around I think I see mainly
23 economists, engineers and attorneys in this room.
24 I am an economist. If we look at this from an
25 economic perspective the point of regulation,

1 load-based, source-based, first-seller approach,
2 as opposed to the allocation mechanism, needn't be
3 -- we shouldn't be considering them linked in any
4 way.

5 It's perfectly reasonable to consider,
6 for example, the position that Edison has held in
7 our comments to the MAC and my colleague Mr. Dagli
8 mentioned earlier. And that is that we support an
9 allocation mechanism that is done in such a way as
10 to mitigate the economic harm to the entities
11 subject to regulation.

12 And for our purpose that includes the
13 ratepayers, of course, because whether or not the
14 cost of electricity in the market includes the
15 emission price or that we actually buy electricity
16 in the market and then pay an emission price as
17 well, that price will, of course, get rolled into
18 our retail rates.

19 And as such whether we are in a first-
20 seller or a load-based approach, the cost of the
21 emissions will be included to some degree in our
22 retail rates, whether we see it as a load-based or
23 a first seller approach. It doesn't matter, our
24 retail rates are going to go up based on the value
25 of the emissions. And as such the allocation

1 mechanism should take this into consideration.

2 The other issue that I wanted to mention
3 was one of competitiveness. And Mr. Williams
4 alluded to this earlier. I believe it was a
5 representative from Sierra Pacific, and I know
6 that IEP mentioned this issue at the SEMAC meeting
7 last week, and that was the concern that for
8 utilities that have both a ratepayer role as well
9 as a generation role, allocating to the utilities
10 puts their generation in a competitive advantage
11 over independent generators.

12 This really just isn't the case.
13 Staying at a conceptual level we don't really need
14 to get into a mechanism by which we would see some
15 sort of a ratepayer-sponsored or an entity-
16 sponsored allocation, whether it be through the
17 PUC, which Ms. Fitch was strongly opposed to
18 earlier, or some other mechanism.

19 We would either have to bid, Edison
20 would either have to bid on those allocations and
21 then the revenue then gets circled back to the
22 rates either in a -- however we would end up
23 seeing that. Or if some allocations were given
24 directly to the LSEs the LSEs would need to take
25 into consideration the value of those allowances

1 in the process when we bid into those
2 solicitations.

3 And so there is no competitive advantage
4 here. The value of those allocations are going to
5 be rolled into that generation bid in either case.
6 So it would not be a situation where Edison-owned
7 resources, or any type of utility-retained,
8 utility-owned resources could sort of bid, low-
9 ball, not counting the value of those allowances.

10 I can't imagine the PUC would actually
11 allow us to do that and it certainly wouldn't be
12 something we would want to do. That wouldn't be a
13 good business decision. So I don't see a
14 competitive advantage to generation in that
15 regard. And that's as far as I'll go into
16 discussing first-seller. I don't want to be a bad
17 person here.

18 MR. COWART: Well let me ask you a
19 question not about first-seller. You stated that
20 the goal of allocation would be to mitigate the
21 harm to the entities affected, right?

22 DR. F. HARRIS: Yes.

23 MR. COWART: Okay. Now I am trying to
24 sort out the arguments I've heard so far this
25 afternoon.

1 DR. F. HARRIS: Sure.

2 MR. COWART: If there is a high-emitting
3 entity and an on-average lower emitting entity
4 regulated here. We've heard the argument that the
5 high emitting entity is going to have to acquire a
6 lot of allowances in order to, in order to meet
7 their contractual obligations to the generators
8 they're buying from.

9 DR. F. HARRIS: Correct.

10 MR. COWART: So that seems to suggest
11 that you favor an allocation system that would
12 give that high emitting entity more allowances in
13 order to mitigate that harm to them. Is that
14 correct?

15 DR. F. HARRIS: My high school debate
16 teacher is going to be really happy about this
17 response. Our suggestion is in that way
18 consistent with an emissions-based approach. To
19 make my friend Mr. Pedersen happy. It's
20 consistent with that, yes. That would be a point
21 where we might see some level of consistency of
22 thought.

23 The issue still exists, though, that we
24 would -- We feel that we would need to be
25 recognized. We would need to see recognition for

1 historical early action and clean generation
2 action that's taking place. There has been a lot
3 of discussion about that. I don't necessarily
4 know that I need to get too far into that.

5 But I think we also need to recognize
6 that the reason that a high-emitting entity is
7 going to reduce their emissions is not because
8 they have to buy allowances, it's because there is
9 going to be a price for allowances.

10 And they can make a choice. It's sort
11 of like a buy decision in economics. They can
12 make a choice to reduce their allowances in their
13 portfolio and then sell whatever -- reduce their
14 emissions in their portfolio and then sell their
15 allowances. And that might be -- They can sell
16 their allowances as a mechanism to then go and
17 spend some money to reduce the emissions in their
18 portfolio or they could determine that the
19 allowance market is such that the best way for
20 them to comply is to retain their allowances.

21 But in either event that situation is
22 independent of the allocation issue. It is the
23 fact that there is a secondary market value for
24 these allowances. And so any time that they
25 determine that they are going to continue

1 operating some of their high emission facilities
2 that they have effectively determined that they
3 are going to go ahead and either buy or retain
4 some allowances.

5 And so it is the cap and trade system
6 that is going to cause them to realize a cost of
7 emissions. And it is the cap and trade system
8 that is going to cause them to reduce their
9 emissions in the most cost-effective way for the
10 ratepayers.

11 MR. COWART: Okay. Assuming --

12 DR. F. HARRIS: That's basic.

13 MR. COWART: That's basic to cap and
14 trade.

15 DR. F. HARRIS: Right, I know you
16 understand that, right.

17 MR. COWART: But I'm trying to figure
18 out. I thought you -- I thought I heard two
19 different things in your recommendations. On the
20 one hand I thought I heard that you were
21 recommending an allocation to LSEs based upon
22 sales. And then I also --

23 DR. F. HARRIS: No, I wouldn't say that.

24 MR. COWART: Good, I'm glad I asked then
25 so that I understand. You are, in fact,

1 recommending that if we were choosing between an
2 allocation based on sales and an allocation based
3 on historic emissions that you come down on the
4 side of historic emissions.

5 DR. F. HARRIS: If you're giving me
6 those two choices I would say I like baseball.
7 And I'm not trying to be flip there. I think that
8 it is not an insignificant distinction to say that
9 we really do favor an allocation based on the
10 mitigation of economic harm. And to a certain
11 extent that does mean that higher-emitting
12 resources, higher emitting portfolios will see an
13 initial allocation that is much greater.

14 I think a discussion about the ramp-down
15 is a very valid one. That may be something that
16 we need to get into at some point.

17 I think that an allocation based on
18 sales, strictly on sales, doesn't necessarily
19 address the economic harm that could be suffered
20 just in terms of the short-term need to buy
21 allowances. I believe --

22 I don't think I'm getting out ahead of
23 the Edison headlights on that one. I think that's
24 really a very consistent position that we have
25 held in most of, in all of our comments. We have

1 written two letters to the SEMAC at this point and
2 I think we've commented here. I think we've
3 pretty well held consistent with that position.

4 I understand you're trying to
5 operationalize this position and I think that's a
6 second stage. I think that requires a more
7 intense, in the weeds discussion. So I'm not
8 trying to punt on it but I think that if we're
9 talking about a broad concept that is an important
10 concept to maintain. And that is, we're all going
11 to have to pay a price to reduce our emissions.

12 It is the case that is going to happen.
13 We just need to draw the distinction between the
14 cost of purchasing allowances versus the cost of
15 reducing our emissions. And the cost of
16 purchasing allowances doesn't move us towards the
17 compliance goals set up by AB 32. Are we good?

18 MR. COWART: Thank you.

19 DR. F. HARRIS: Okay, thank you very
20 much.

21 MR. LAZAR: Good afternoon, my name is
22 Jim Lazar. I'm a consulting economist and have
23 been working for the Burbank Water and Power
24 throughout the process of implementing the new
25 state legislation.

1 Burbank is a member of SCPPA and
2 supports the comments that were made by
3 Mr. Pedersen. I wanted to get into one slightly
4 technical issue that has a lot of bearing on
5 what's before you, and particularly some questions
6 that have come from the panel.

7 Burbank has adopted, the city council
8 adopted a renewable portfolio standard of 33
9 percent by 2020. That's pretty aggressive.
10 Bringing that power to -- Developing that power is
11 not going to be cheap and will raise rates in
12 Burbank. Bringing that power to Burbank, the
13 transmission investment required, is not going to
14 be cheap.

15 Several speakers, starting with the
16 first speaker today, addressed some sort of
17 principles. The one that hasn't been stated is
18 one that at least Burbank Water and Power thinks
19 is pretty important. Which is, keep the lights
20 on. And that's not trivial.

21 A hydro-poor utility, and the SCPPA
22 utilities as a group are hydro-poor, that is
23 bringing intermittent resources, wind and solar,
24 into its system, or baseload resources,
25 geothermal, into it's system, both good ideas,

1 needs to be able to shape that power to provide
2 spending reserves for that power and to deliver
3 power to the customers when they need it.

4 Burbank's integrated resource plan
5 includes extensive demand response measures. It
6 includes, we have just extended time of use rates
7 to about a third of the load and that will go to
8 about half of the load as soon as the metering is
9 in place. A lot of things that are happening to
10 try and shape the load to the resources. But when
11 you start bringing intermittent resources in you
12 also need to be able to shape the resources to the
13 load.

14 A utility with a lot of hydro has a
15 wonderful bank to deposit those intermittent
16 kilowatt hours into and can withdraw those
17 kilowatt hours as needed, when needed, with a high
18 degree of reliability. A hydro-poor utility
19 doesn't have that bank.

20 Now there are other storage
21 technologies. Pump storage is a possibility.
22 It's expensive and takes a long time to develop.
23 Compressed air storage may be a possibility,
24 flywheel storage may be a possibility. Neither
25 has been deployed on a utility scale yet. A

1 hydro-poor utility is not going to be able to keep
2 the lights on with the same carbon profile as a
3 hydro-rich utility is.

4 Mr. Cowart asked the question, can you
5 eventually get to the same emission profile as
6 PG&E? The answer is, if there were a statewide
7 allocation of hydro then there could be a
8 statewide allocation of emissions and it would be
9 a level playing field.

10 But without access to those hydro
11 resources that bank into which intermittent and
12 baseload resources can be deposited and withdrawn
13 as needed, it's going to be extremely difficult
14 for the hydro-poor utilities to achieve the same
15 kind of emissions profile as the hydro-rich
16 utilities.

17 If technology and storage evolves that
18 can change, I hope it does. I am cautiously
19 optimistic it will but it is not going to happen
20 quickly.

21 Those are my only comments to add to
22 what Mr. Pedersen had to say and happy to answer
23 any questions.

24 MR. COWART: Thank you.

25 MR. WILLIAMS: I'll try to do this --

1 This is Ray Williams again. I'll try to do this
2 real quickly.

3 The first has to do with Northern
4 California utilities and market power and that
5 sort of thing. I just want to say, if there is
6 that concern and it is determined that there is a
7 need for a market monitoring function as part of a
8 cap and trade program PG&E would wholeheartedly
9 support that.

10 Secondly I actually had some similar
11 comments to the fellow from Burbank. And that is,
12 essentially for us what is scalable to run our
13 system, our natural gas fired resources, because
14 they are the ones you can ramp up and down to help
15 reconcile supply and demand on a daily basis.
16 There is not a lot of new non-carbon base products
17 or technologies that can provide that product.

18 And I think I'll just leave it at that
19 for now, thanks.

20 MR. COWART: Thank you. That's fine.
21 Let me just ask -- Hold on just a second. I don't
22 know how many more there are out there. Maybe I
23 should ask people to raise their hands if you have
24 anything more to say on this subject. The reason
25 why I'm pausing to check is that we have heard a

1 number of comments that pretty much cover all of
2 the questions that you've got in front of you
3 except there are a couple of what I think will be
4 rather quick topics on the succeeding slide.

5 And I wanted to make sure that we had
6 time to cover those without driving people crazy
7 on Friday afternoon. I'm sure we can be out of
8 here by, at least as far as this section goes, by
9 four o'clock. And pausing for a moment to see
10 whether anybody -- We just want to keep powering
11 on here. Sir.

12 MR. J. HARRIS: Good afternoon. I'm
13 Jeff Harris and I'm here on behalf of Dynegy.
14 I'll take that as an admonition to keep my
15 comments short to move forward. I hadn't planned
16 to say a lot. Dynegy is still in the process of
17 formulating a policy position on all these issues.
18 There's a lot of moving parts here and a lot of
19 meetings to go to and a lot of filing deadlines
20 that cross over. So I think we're like everybody
21 else just trying to keep up.

22 But there were a couple of things that
23 were said just in the last couple of minutes that
24 I needed to respond to. And they really go to the
25 issue of the point of regulation and the method of

1 allocation. I just think that that issue is one
2 that with the hybrid market -- and I use the word
3 market in that context very loosely, just so you
4 know what I'm talking about.

5 With the hybrid market you do have a
6 competitive issue. You've heard some people try
7 to provide some assurances on that but I think the
8 only way I would feel good about an allocation to
9 a competitor is if the independent generators have
10 to buy their allocations from the IOUs. I'm okay
11 with that if the IOUs have to buy their
12 allocations from the independent generators.

13 That's a level playing field, that's a
14 market, okay. You don't create a market where you
15 have market participants that you treat in
16 different ways. You don't create a market where
17 one participant gets allocations either free or at
18 a reduced level. And you certainly don't create a
19 market where one market participant has to go to
20 another market participant to buy the key credit
21 that they need to make things go forward. That is
22 not competitive, that won't work.

23 And I can say, even though Dynegy is
24 still formulating their positions, that that one I
25 can say with absolute certainty you need to take

1 into consideration here and fold the hybrid market
2 into your discussions about these things.

3 MR. COWART: Thank you.

4 MS. BERLIN: Susie Berlin for the
5 Northern California Power Agency. And this may be
6 an administrative point and you were going to talk
7 about it towards the end and if so, sorry, but
8 I'll raise it now before we finish.

9 I think, I know there are a lot of ideas
10 put out there, a lot of pro and con discussions, a
11 lot of questions that were raised that maybe
12 parties hadn't fully thought out. And I know that
13 we began the day by saying you weren't sure what
14 the next steps were going to be, perhaps being
15 able to issue a report to have parties comment on.

16 And after hearing the majority of the
17 discussion today, or after hearing all the
18 discussions today, I think that we probably raised
19 more questions than we came up with answers.

20 And I would like to propose that before
21 the PUC/CEC, before the joint agencies take their
22 next step in this process, that it would be more
23 helpful, at least from our perspective, if the
24 parties were able to take a moment and provide
25 written comments to the questions that were

1 presented in both the agenda and the ruling
2 setting forth this meeting. As well as to some of
3 the issues that were raised today, some of the
4 presentations and comments that were made.

5 Before the joint agencies put forth
6 their draft report or proposal. I think that that
7 would allow everybody an opportunity to think on
8 some of the things that we quite frankly said, I'm
9 not sure. Or, wait a minute, that was the first
10 time we've heard this issue.

11 So I'd like to advocate for written
12 comments. Like everybody else in this room I
13 don't want more work to do, I don't want another
14 filing deadline. But in the interest of providing
15 the most meaningful record possible I think that
16 that would be beneficial. Thank you.

17 MR. COWART: Thank you. You definitely
18 anticipated something there.

19 MR. DAVIS: Kyle Davis with PacifiCorp
20 again. I was just going to respond briefly to
21 questions four and five.

22 As far as the issue of an allocation
23 formula that changed over time. I guess again
24 with an emphasis on, over time, which sources are
25 the ones that are most likely to bear the burden

1 of implementing the cost of the policy. I think
2 we are still wedded to a formula that focuses a
3 declining -- again, a declining allocation to
4 baseline, original historic emissions.

5 And perhaps -- And I don't see it up
6 there and that's why I wanted to just bring it up.
7 Rather than a formula weighted to load or
8 demographic factors in later years the other
9 alternative that a lot of folks have been talking
10 about, and maybe I'm just making the wrong
11 presumption here, a formula that actually shifts
12 more towards an auction approach over time as
13 another option that we think ought to be
14 considered and viewed.

15 We haven't formed an opinion on it yet
16 but it ought to be equally considered at the same
17 time you're looking at a formula that changes over
18 time to one that is weighted on load or
19 demographic factors.

20 MR. COWART: Do you mind if I pause
21 right there?

22 MR. DAVIS: Go ahead.

23 MR. COWART: Because if you -- In a load
24 side cap, if you move to more of an auction over
25 time you have LSEs being required to purchase

1 allowances. And then the question arises how to
2 distribute the revenue. Do you have a
3 recommendation on that?

4 MR. DAVIS: Like I mentioned earlier,
5 our position is that as long as the revenue is
6 returned back to the sector to focus on
7 principally technology advancement and enhanced
8 energy efficiency, things that are sector-
9 specific efforts to reduce greenhouse gas
10 emissions, that's conceptually the position we've
11 taken. Consistently the position we've taken.

12 On question number five. Again I think
13 it's a presumption whether or not we would support
14 an allocation that shifts the load on population
15 or other evolving factors.

16 My only comment on that is that the
17 frequency that you change the allowance allocation
18 methodology makes it very difficult for long-term
19 baseload resource planning decisions. So if
20 you're looking at an updated allowance allocation
21 formula, even every ten years, we won't know until
22 that tenth year what the new allowance allocation
23 might be for a resource that we have already
24 constructed and operating for ten years.

25 So I would just discourage a thought

1 outside of a phased-in auction, which is very
2 predictable from day one, what your compliance
3 obligation is likely to be, versus an unknown
4 allocation formula change that you might now is
5 going to be revisited and considered every ten
6 years. But in day one when you're planning a new
7 resource you have no idea what the outcome of that
8 is going to be ten years from now. It makes it
9 really difficult.

10 And we already kind of have this issue
11 today in trying to do, in our case, integrated
12 resource planning and new resource builds, when
13 we're trying to anticipate what carbon policy
14 regulation is going to be nationally. And having
15 to run all sorts of different scenarios and
16 sensitivities on potential carbon policy outcomes.

17 So I would just caution having ever, you
18 know, even an every ten year occurrence, some sort
19 of revisiting to the allocation formula.
20 Especially as it pertains to baseload.

21 And number six. That one is very
22 important to us. But I don't know if I could add
23 anything unique to it other than we think that
24 there has to be some sort of allowance allocation
25 for imported power just to have the, you know,

1 complete picture for the load-based carbon
2 footprint. I don't think we have anything unique
3 to add to that at this point. We'll take that
4 back and chew on it and bring it back with some
5 written remarks on it. Thank you.

6 MR. COWART: Thanks. Mr. Pedersen.

7 MR. PEDERSEN: Norman Pedersen for
8 SCPPA. Just a couple of remarks, Mr. Cowart,
9 about the question you just asked of Kyle
10 regarding an auction.

11 One of our problems with an auction is
12 that we don't see how the money is really going to
13 come back to the party that paid the money. If
14 LADWP or one of the SCPPA members bids into an
15 auction and you were to tell the party, you tell
16 that utility, you're going to get back whatever
17 you paid. We're deeply suspicious that there
18 might be a detour along the way. More
19 fundamentally, we wonder how that's an auction.
20 I'll bid a zillion dollars. So it seems like
21 there's an inherent flaw in the assumption.

22 And then secondly I just wanted to
23 mention with regard to point six. We have looked
24 at the methodologies for determining the 1990
25 inventory, the methodologies for determining

1 current entity emissions. No matter which problem
2 you're looking at it seems like you need to
3 maintain some symmetry.

4 MR. COWART: On the former point.
5 Suppose the recommendation were, move to an
6 increasing percentage auction over time. Then
7 allocate the revenue back to the sector but pay it
8 out to retail service providers, let's say, in
9 proportion to the amount of renewables in their
10 mix. Or in proportion to the amount of delivered
11 energy efficiency. Then it wouldn't necessarily
12 be coming back to the exact same people who paid
13 it.

14 MR. PEDERSEN: But it would provide an
15 incentive.

16 MR. COWART: Right. And I'm asking -- I
17 assume that people who talk about doing an auction
18 in this context don't mean to return the dollars
19 exactly to the people who paid it. Whereas the
20 idea of using the funds to provide incentives for
21 other activities is probably what they're
22 thinking. So what is your reaction to that?

23 MR. PEDERSEN: You would certainly still
24 have an auction in that case so it would get over
25 the first point. But you would still be left with

1 the second point, that from our standpoint we're
2 going to be needing the dollars.

3 One of the reasons why I assumed that
4 you would -- When you were making your suggestion
5 you would have the dollars going back to the
6 utility that had bid in the auction for the
7 emissions allowances was, the way we're situated,
8 we're the ones that need the money. And so we
9 would be put in the position of hoping that we
10 would be the ones who would be getting the money
11 coming back to us to help us fund the millions of
12 dollars that we're going to have to pay to put in
13 the renewables.

14 MR. COWART: Thank you.

15 MR. DAGLI: Dhaval Dagli from Southern
16 California Edison. To the extent the allocation
17 scheme is going to allocate allowances to all
18 load-serving entities, including energy service
19 providers who don't have any firm obligation to
20 serve load. I think the allocation formula over
21 time does need to take into account when an entity
22 gets an allocation in the future, if they are no
23 longer serving any load, what to do about those
24 allocations.

25 The point I am trying to make is, this

1 also ties into the windfall profits issue, if you
2 will. It's presumed here, and correctly so, that
3 allowance allocations to investor-owned utilities
4 essentially will not create any profit potential
5 for the shareholders of those utilities because
6 the revenues from those allowances will flow back
7 to the ratepayers.

8 However, that is not the case for ESPs.
9 As a result, you know, Edison certainly wouldn't
10 like to see a situation where based on historical
11 statistics an entity gets a potful of allowances
12 and then essentially they can quit that business
13 all together and cash out on those allowances over
14 time.

15 MR. COWART: Thank you. Sort of like
16 the reverse of the new entrant problem. The old
17 provider problem.

18 MS. JOHNSON KOWAL: Leilani Kowal with
19 LADWP. With regards to question number four. I
20 think moving forward with this whole program, AB
21 32, is so ambitious and we really haven't done it
22 on this scale.

23 That I would recommend that you leave
24 yourself the flexibility to adjust the allocation
25 formula over time if you see certain types of

1 behaviors in the market occurring that results in
2 things that shouldn't be happening. Whether it's
3 windfall profits, you know, certain things like
4 that. I'm not going to go into detail on that.
5 But I do think that you need to build in
6 flexibility because we will not know up front how
7 that market is going to change over time. So
8 that's one thing.

9 On question number five. One of the
10 periods that was just mentioned earlier was ten
11 years. And I'm just wondering, what are the
12 thoughts of staff on this issue? One year, is
13 that too often an adjustment or three years? Just
14 throwing it out there without any -- I see nods,
15 okay.

16 ADMINISTRATIVE LAW JUDGE TERKEURST: Let
17 me just ask. There are two issues here. One is,
18 when should the formula be changed. And the other
19 one is, when should the allocation be changed.
20 Are you -- Which of those two are you referring
21 to?

22 MS. JOHNSON KOWAL: Well in terms of
23 question number four I'm looking at the overall
24 market in terms of if you see certain things
25 happening.

1 In terms of question number five, with
2 regards to if you see low growth or adjustments.
3 For things like that how often would you -- what
4 time frame? I heard ten years earlier from
5 someone in the audience and I was thinking
6 something more frequent than that. But I wasn't
7 sure what the agencies were looking at.

8 MR. COWART: There may have been some
9 people talking about both things simultaneously.
10 Sometimes it was, how often should you change the
11 formula, go back in and break it open and change
12 it. Versus --

13 MS. JOHNSON KOWAL: Adjustments.

14 MR. COWART: Yes. Versus just using a
15 known formula to --

16 MS. JOHNSON KOWAL: Right. And
17 adjusting for low growth or what have you.

18 MR. COWART: And adjusting for something
19 that's known every year, every three years or what
20 have you, right. Those really are two quite
21 different things.

22 MS. GRIFFIN: In answer to your
23 question, the agencies have not gotten to that
24 point in our discussions even to talk about it.

25 MS. JOHNSON KOWAL: Okay.

1 MR. COWART: All right, thank you. I
2 think we're -- I'm going to put up the last slide.
3 I'm not sure we even need to talk about this very
4 much. (Laughter).

5 MR. PRYOR: You wanted the last one,
6 there it is.

7 MR. COWART: Thank you. A question was
8 raised earlier today about confidentiality and I
9 think we had an adequate discussion of it.

10 I have added to this list also the
11 question about modeling. We also had a
12 conversation about that earlier today and probably
13 don't want to take that up in any more detail
14 here.

15 But I think one comment that I'd ask you
16 to think about is this. The intersection of the
17 conversation we've been having and the modeling
18 that is going to be going on. Because we can't
19 realistically model every possible alternative
20 that we could have dreamed up this afternoon so
21 the modelers are going to have to restrict
22 themselves to a few, realistic scenarios.

23 And that suggests that one of the
24 outcomes of this part of the process is going to
25 have to be sort of a settling in on some basic

1 options or scenarios that will need to be tested
2 in the modeling. So an allocation sort of like
3 this and then an allocation sort of like this and
4 then another one sort of like that would give us
5 perhaps some range to see how impacts change
6 according to the allocation decisions that the
7 Commissions might be making.

8 And that does yield, gets us to the
9 point of the recommendation that was made. That
10 following today's workshop the Commissions issue a
11 report with some guidance to parties and some
12 requests for written comments that will allow us
13 to get to that, that scenario building exercise.
14 And I think we're at that stage.

15 I'm going to turn this back over to the
16 rest of you, the rest of the panel here, to
17 comment on how you think this is going to unfold.
18 Or is that it? We'll think about it and let you
19 know.

20 MS. FITCH: I think we probably want a
21 chance to talk amongst ourselves and decide what
22 we think would be most effective. But I would say
23 at a minimum we would do what Susie suggested,
24 which is essentially, send out a list of questions
25 that would direct a set of written comments.

1 That's sort of a minimum.

2 The remaining question would be whether
3 we think we can sort of that distill that into
4 something that looks more like a proposal. But
5 I'm not sure if we would -- I mean, this was a
6 fairly high-level, conceptual conversation today
7 so I am not sure that we have enough to really
8 decide on what the options should be at this
9 point. But certainly we'll commit to doing a list
10 of questions for written comment.

11 MS. GRIFFIN: Little pathetic whimpers
12 over here. Could we just straight to the
13 questions and not try to come up with a proposal
14 yet. We're just not there yet and the staffing
15 level is impossible.

16 MS. FITCH: Well, I think that's what I
17 was trying to say. But we need to talk about that
18 more before we say probably exactly what we're
19 doing.

20 ADMINISTRATIVE LAW JUDGE TERKEURST: My
21 only comment would be, when those questions come
22 out I really urge the parties to answer in as much
23 detail as possible. We really must get beyond
24 this conceptual stage. And that is going to
25 require you to really dig down and do some deep

1 thinking and come up with concrete proposals and
2 positions so that we can test them and see if they
3 really are workable and something that can be
4 adopted and we can implement.

5 ADVISOR KENNEDY: And I think I would
6 just echo both of those and encourage people to
7 start thinking about fairly detailed written
8 comments based on the questions that were posed
9 for this workshop. But I do think based on the
10 discussion today there is a need for probably some
11 additional questions to come out.

12 So probably in the, I don't know, next
13 week or so, some additional information about more
14 direction in terms of additional questions we
15 might want to add based on the discussion today.

16 MR. BRANCHCOMB: And will those be
17 distributed to the service list or posted or? Yes
18 to all of the above?

19 ADVISOR KENNEDY: Yes to all of the
20 above.

21 ADMINISTRATIVE LAW JUDGE TERKEURST: I
22 assume it will be an ALJ ruling to the service
23 list in the PUC's docket. And then the Energy
24 Commission would --

25 ADVISOR KENNEDY: We would also post

1 them on the page where we have information for
2 this workshop.

3 MS. GRIFFIN: So it's one ruling from
4 both agencies. The vehicle is an ALJ ruling but
5 it and the answers will go into both dockets.

6 MR. BRANCHCOMB: Fine, thank you.

7 MR. COWART: Anything further?

8 MR. PRYOR: I do have how to get to
9 where the presentations are and where the
10 questions and what you were just talking about
11 will be posted. Does anyone want to know how to
12 get there?

13 MR. BRANCHCOMB: Yes.

14 MR. PRYOR: Okay. This is the main
15 page.

16 On the left side, Select Proceeding. AB
17 32 - Greenhouse Gas Emissions. With me so far?

18 Here is our announcement for today. I
19 wanted to make sure I was in the right spot.

20 Main page on the left side under General
21 Information select Joint Meetings: Notices,
22 Documents and Presentations.

23 Here is today's right here under
24 Presentations. Those are in .pdf format now.

25 ADMINISTRATIVE LAW JUDGE TERKEURST: And

1 I will be putting them out in a ruling so that we
2 have them in our record formally.

3 On a related matter, when you do file
4 comments I would encourage you to file them
5 electronically with the PUC. That way they will
6 be posted on our website so that entities who
7 aren't parties in the proceeding would still have
8 access to them electronically.

9 ADVISOR KENNEDY: And I would echo that
10 filing them in the Energy Commission docket.
11 Electronic is better. But we do still need a
12 paper copy to our docket.

13 ADMINISTRATIVE LAW JUDGE TERKEURST: We
14 do not require a paper copy be filed at the PUC if
15 you file electronically. And if you have trouble
16 figuring out how to do that you could contact
17 either Judge Lakritz or myself. The judge who
18 handles that generically is Judge Michelle Cooke.
19 She is the expert on how to do that so my personal
20 preference would be that you contact her rather
21 than me. (Laughter).

22 MR. COWART: Are we adjourned?

23 ADVISOR KENNEDY: I think with that,
24 unless anybody has anything else, we can be
25 adjourned. Thank you all for a very productive

1 day.

2 MR. DAVIS: Hold on.

3 ADVISOR KENNEDY: One more.

4 MR. DAVIS: Just a quick administrative
5 question. Does the CEC have a service list or do
6 we just submit only to the CEC.

7 ADVISOR KENNEDY: To the CEC docket and
8 to the PUC.

9 MS. GRIFFIN: There is an automatic list
10 serve. If you go to AB 32 you'll see where you
11 can sign up and get it. But we don't have a
12 service list. Anybody who wants to signs up and
13 you get automatic notification of everything.

14 ADVISOR KENNEDY: And I think we had one
15 more clarification question coming up.

16 MS. BERLIN: I was just curious when the
17 transcript would be available.

18 ADVISOR KENNEDY: I suspect it is likely
19 to be about two weeks. I don't think we asked for
20 an expedite on this one, unfortunately.

21 MS. BERLIN: Okay.

22 ADVISOR KENNEDY: We will keep that in
23 mind in the future when we're doing things up here
24 at the Energy Commission. Our turnaround is
25 slower than at the PUC.

1 MS. BERLIN: Thank you.

2 MS. GRIFFIN: And we will post it on our
3 websites.

4 (Whereupon, at 4:30 p.m., the Committee
5 Workshop was adjourned.)

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CERTIFICATE OF REPORTER

I, JOHN COTA, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy 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 17th day of July, 2007.

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