

COMMITTEE HEARING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Preparation of the 2008 Integrated) Docket No.
Energy Policy Report Update and the) 08-IEP-1
2009 Integrated Energy Policy Report)
-----)

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

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COMMISSIONERS PRESENT

Jeffrey D. Byron, Presiding Member
 Jackalyne Pfannenstiel, Associate Member
 Karen Douglas

ADVISORS PRESENT

Laurie tenHope
 Timothy Tutt

STAFF PRESENT

Suzanne Korosec, Assistant Director of Policy
 Development, IEPR
 Harriet Kallemeyn, Secretariat

ALSO PRESENT

John A. Bohn, Commissioner
 Stephen St. Marie, Chief of Staff
 California Public Utilities Commission

 Manuel Alvarez
 Jaqueline Jones
 Southern California Edison Company

 Rachel E. McMahon
 Center for Energy Efficiency and Renewable
 Technologies

 Steven Kelly
 Independent Energy Producers Association

 Norman Plotkin
 Plotkin & Zins Associates
 Alliance for Retail Energy Markets

 Kathy Treleven
 Pacific Gas and Electric Company

 Jane Turnbull
 League of Women Voters of California

ALSO PRESENT

Laura Ettenson (via teleconference)
Natural Resources Defense Council

Robert E. Burt
Bobburt
Insulation Contractors Association

Charles Toca (via teleconference)
US&R Powergrid Partners

Tam Hunt (via teleconference)
Community Environmental Council

Nora Sheriff (via teleconference)
Cogeneration Association of California
Energy Producers and Users Coalition

Mohan Niroula (via teleconference)
California Department of Water Resources

Joe Sparano
Western States Petroleum Association

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P R O C E E D I N G S

10:35 a.m.

PRESIDING MEMBER BYRON: Good morning.

Welcome to a scoping hearing for the Integrated Energy Policy Report. I'm Commissioner Jeff Byron, the Presiding Member of the Integrated Energy Policy Report Committee, or as we refer to it, the IEPR Committee.

Allow me to introduce others that have joined me here at the dais. To my left is the Chairman of our Commission and the Associate Member on the IEPR Committee, Chairman Pfannenstiel. To my right is Commissioner Douglas. And back on my left side, again joining us from the Public Utilities Commission, Commissioner Bohn. Thank you for being here.

We also have some staff with us. Steve St. Marie from the PUC is here. My Advisor, Laurie ten Hope and Commissioner Pfannenstiel's Advisor, Tim Tutt. I think that's everyone.

I'd just like to say a few remarks, and then ask my fellow Committee Members if they would like to add any. I first feel very strongly about giving credit to those who come before me.

I believe Commissioner Boyd on the 03

1 IEPR, Geesman on the 05 and Chairman Pfannenstiel
2 on the 07. I've come to realize the importance of
3 the Integrated Energy Policy Report; in fact, the
4 only advice that I received from former
5 Chairperson Desmond when he left the Commission
6 and I joined, was read the IEPR.

7 This has become an extremely important
8 energy policy document for California. It's the
9 source for much of the energy legislation that
10 ends up being passed in this state. The Executive
11 Branch also realize on publicly vetted and
12 objective recommendations that are contained in
13 the IEPR. And the Legislature continues to add
14 more responsibilities to the IEPR, it seems, every
15 cycle.

16 So I certainly like to give my fellow
17 Commissioners my commitment to maintaining, or
18 making every effort to maintain the high standard
19 that they've applied to this Committee.

20 It's extremely important that we get
21 public input to this process, and I'd like to
22 thank you for being here this morning. We will
23 hold many workshops over the next few years. And
24 I'm committed to evaluating and addressing all the
25 information we receive at those workshops and from

1 those of you that participate in writing.

2 We also now have permanent staff that
3 have been assigned to the IEPR. And I'm pleased
4 to have Suzanne Korosec as our new IEPR Program
5 Manager, or actually I believe the official title
6 is Assistant Director of Policy Development.

7 Today we're going to overview the topics
8 for the 08 IEPR update. And before we get started
9 I'd like to thank very much our friend and
10 colleague from -- how did you refer to yourself,
11 Commissioner, the interloper from down south --
12 from San Francisco, the Public Utilities
13 Commission.

14 And please allow me to refer to any of
15 my fellow Commissioners, if they'd like to also
16 make some introductory remarks. Chairman.

17 CHAIRPERSON PFANNENSTIEL: I'd just like
18 to say that we're appreciative of the public
19 support and participation in the IEPR process. My
20 line in past IEPRs is that virtually every living
21 Californian has a chance to participate in the
22 IEPR, and many of them take advantage of it. We
23 have a large list of public participation for the
24 last IEPR.

25 And the content, what ultimately results

1 really reflects the fact that we get a lot of
2 input. And so we try to consider the views, the
3 opinions, the analysis, the issues that are raised
4 in front of us.

5 With that, we'll look in a minute on the
6 issues that we intend to focus on this year. And
7 this is supposed to be, of course, the off-year,
8 the streamlined year, and it never becomes quite
9 as narrow as we might think it should be. But,
10 with that, bear with us and we're really looking
11 forward to your input. Commissioner Bohn.

12 COMMISSIONER BOHN: Yes, thank you.
13 It's a pleasure to be here. I was kidding when I
14 said I was an interloper. The CEC and Chairman
15 Pfannenstiel and Commissioner Byron are very
16 gracious in extending their hospitality for the
17 PUC to come up here.

18 Two observations I would like to make.
19 The first is that this is a very very difficult
20 time in our economy, in our global system. There
21 are a lot of things going wrong and there are a
22 lot of issues that the discussions in the IEPR and
23 the discussion about going forward and load growth
24 and all of the kinds of things that combine the
25 discussions between the PUC and the CEC are going

1 to have to be made in a very very difficult
2 context.

3 This is as tough a financial situation
4 as I have seen in 40-odd years of being in the
5 finance business. There are a lot of these
6 discontinuities that we're going to have to deal
7 with.

8 It's really important, therefore, and
9 certainly on behalf of the PUC, it's really very
10 important that we cooperate in trying to get the
11 numbers right, the assumptions right, integrate
12 and be open with one another about the assumptions
13 and the policies and the modeling that we do.
14 Because we're going to have to integrate a series
15 of things if we have any hope of getting toward
16 the objectives that we have set and the CEC has
17 set, and the Governor's Office has set.

18 So, I'm looking forward to this again
19 this year. But it's going to be very tricky. And
20 that means it's going to depend a lot on input
21 from outside and some pretty vigorous discussion.
22 I welcome the opportunity and thank you.

23 PRESIDING MEMBER BYRON: We're very
24 pleased to have you here, Commissioner, thank you
25 for coming.

1 Commissioner Douglas.

2 COMMISSIONER DOUGLAS: I will just say
3 very briefly that despite the fact that this is an
4 IEPR off-year, so to speak, it's a tremendous
5 opportunity to address some issues, some energy
6 policy issues that the state's dealing with on a
7 real-time basis.

8 So I think we should really go forward
9 and dig in on some of these critical issues. And
10 just be aware that the results of this process are
11 extremely relevant and likely to be picked up and
12 run with in many different ways.

13 PRESIDING MEMBER BYRON: Thank you. So,
14 let me dispense with all of our comments. Ms.
15 Korosec, we're going to turn it over to you and
16 ask if you would take us through this agenda. I
17 also understand we may have some commenters on the
18 phone as we go through this, as well. Okay, thank
19 you.

20 MS. KOROSEC: All right. As
21 Commissioner Byron said, I'm Suzanne Korosec.
22 I'll --

23 CHAIRPERSON PFANNENSTIEL: Suzanne,
24 check your mike.

25 MS. KOROSEC: It's on here. Okay.

1 All right, a few quick housekeeping
2 items. The restrooms are outside the double doors
3 and to your left. There's a snack room at the top
4 of the stairs on the second floor under the
5 awning. And if there's an emergency follow the
6 staff as we run from the building and congregate
7 at the park kitty-corner until we get the all-
8 clear sign.

9 For those listening in on the phone who
10 would like to make comments, the call-in number is
11 888-552-9191; passcode is IEPR; and the call
12 leader is Suzanne Korosec.

13 For those of you in the room who'd like
14 to speak, we'd like you to fill out the blue cards
15 -- they're out on the table in the foyer -- with
16 your name and affiliation and the topic that you
17 wish to comment on. You can hand those to me and
18 I'll make sure the Committee gets them when it's
19 time for the public comment period.

20 It would also be helpful when you get up
21 to speak if you would -- when you come up to
22 speak, it would be helpful if you could give the
23 court reporter your business card so that we can
24 make sure that the name is spelled correctly in
25 the transcript.

1 I'll start out by giving a brief
2 overview of the IEPR process and schedule for both
3 the 2008 and the 2009 IEPR.

4 And then I'll begin the discussion of
5 the topics on the 08 IEPR by giving a brief
6 context of each topic followed by time for public
7 comments.

8 For the 2009 report I'll similarly
9 provide a summary of the statutory requirements of
10 the report; and then we'll move on to the public
11 comment period.

12 So just a quick overview. The Energy
13 Commission's required by Senate Bill 1389 to
14 prepare an Integrated Energy Policy Report every
15 two years in odd-numbered years with requirement
16 for a report in the off-years that covers any
17 issues that may have arisen since the publication
18 of the main IEPR.

19 The IEPR contains an overview of major
20 energy trends, issues facing California; this
21 includes energy supply, demand, pricing,
22 reliability, energy efficiency, along with impacts
23 on public health and safety, on the state's
24 resources, on the economy and on the environment.

25 In preparing the report the Energy

1 Commission is required to consult with a number of
2 other agencies. Those that are identified in the
3 statute include the Public Utilities Commission,
4 the Division of Ratepayer Advocates, the Air
5 Resources Board, the Independent System Operator,
6 Department of Water Resources, Department of
7 Transportation and the Department of Motor
8 Vehicles.

9 The IEPR is really intended to form the
10 foundation for California's energy policies, so
11 the legislation does require other agencies to use
12 the analyses contained in the IEPR when carrying
13 out their energy-related duties and
14 responsibilities.

15 The IEPR is developed through a public
16 process, workshops and hearings where the public
17 and stakeholders can present their comments and
18 concerns. Those then become part of the record
19 and the IEPR Committee uses those in making its
20 final recommendations in the report.

21 Because the Energy Commission needs to
22 collect a great deal of data in coming up with its
23 analyses and recommendations, on April 16th the
24 Commission adopted an order instituting
25 informational proceeding which allows us to begin

1 collection of that data, and also delegates
2 authority for developing the report to the IEPR
3 Committee.

4 So we'll move on to the schedule. The
5 Committee intends to develop the 08 and 09 reports
6 concurrently. The Committee anticipates releasing
7 a scoping order for the 08 update in mid-May;
8 followed by workshops on specific topics in June
9 and July. Hope to have a draft ready in September
10 with a hearing in late September. And adoption by
11 the full Commission in November of 08.

12 For the 09 IEPR the Committee plans to
13 hold a second scoping hearing devoted solely to
14 the 09 report in June of this year. With staff
15 workshops to be held in the first half of 2009,
16 with a draft of the report in September of 09.
17 And adoption in November of 09.

18 So I'll go ahead and move on to the
19 specific topics for the 08 update. The first
20 topic is identifying what's needed for
21 California's electricity system to support a 33
22 percent level of renewables by 2020.

23 Second topic is making the amount of
24 energy efficiency in the Commission's demand
25 forecast more explicit.

1 Third, the report's going to describe
2 progress made towards incorporating portfolio
3 analysis into long-term procurement planning.

4 Fourth, we'll be discussing the joint
5 PUC/Energy Commission recommendations to the ARB
6 that are expected in August of this year on
7 allocation and auctioning of allowances. That
8 decision will likely also identify any additional
9 analysis or outstanding questions that may need to
10 be addressed either in the 08 or the 09 IEPR.

11 Then we'll be providing a summary of the
12 findings and recommendations from the Energy
13 Commission's assessment of nuclear power plant
14 viability as required by Assembly Bill 1632.

15 And finally we'll be summarizing the
16 CEC's evaluation of the PUC's self-generation
17 incentive program, which will be looking at the
18 costs and benefits of providing ratepayer
19 subsidies to renewable and ultraclean fossil
20 distributed generation, which was required by
21 Assembly Bill 2778.

22 As you can see, the first three topics
23 really are going to comprise the bulk of the
24 analysis that will be done for the IEPR. The
25 second three topics are more reporting on analysis

1 and efforts that are going on in other venues.

2 So, let's move on to the first topic for
3 the 08 IEPR update. It's 33 percent renewable by
4 2020. California's RPS currently requires us to
5 have 20 percent of retail sales come from
6 renewable resources by 2010.

7 The Governor and other energy agencies
8 have identified a 33 percent goal by 2020, which
9 we're all familiar with. And we believe that
10 meeting that 33 percent goal is really the key
11 strategy in meeting our AB-32 GHG reduction goals.

12 Right now we're at about 11 percent
13 renewable based on actual deliveries of energy, so
14 we do have a bit of a ways to go.

15 A number of parties have raised concerns
16 about the feasibility of a 33 percent level. Some
17 of the concerns have focused on transmission
18 constraints to access renewable resources. Others
19 on the potential impacts on the operation of the
20 system from integrating large amounts of variable
21 resources like wind. And others have focused on
22 the need for price certainty for developers so
23 that they can get the financing they need to
24 develop new projects.

25 In the 2007 IEPR we began a discussion

1 of the feasibility of 33 percent; that will
2 continue in the 80. And it's likely to also show
3 up in the 09, since this is a rather large topic.

4 What we really want to do going forward
5 is define what California's system is going to
6 need to look like. Once we know what the
7 destination is, then we can start looking at what
8 are the barriers to getting there, and what can we
9 do to address those barriers.

10 The attachment to the hearing notice
11 identified some studies that have been done or
12 that are in the process of being done that have
13 looked at this effort. What we need to do is
14 summarize the findings from these studies, and
15 also identify where there are gaps in our
16 knowledge where we may need additional studies.

17 We'd also like parties to tell us if
18 there are other studies out there that we may not
19 be aware of that can help inform this effort.

20 The attachment to the hearing notice
21 also provided a list of questions that the IEPR
22 Committee believes the 2008 update should be
23 addressing.

24 Briefly, these address how do we bring
25 renewables more fully into electricity

1 procurement. What are the impacts of contract
2 delays for RPS contracts, or cancellations on
3 meeting our renewable goals.

4 What are the potential rate impacts,
5 either negative or positive, of having more
6 renewables in the systems. As well as what are
7 the impacts on natural gas supplies and on prices.

8 Where do we need transmission expansion
9 or upgrades. How do we integrate large amounts of
10 renewables into the system while maintaining
11 reliability.

12 And finally, how do we address
13 environmental concerns with developing large-scale
14 renewable plants, such as the solar-thermal plants
15 that are being proposed in the southern California
16 desert.

17 So, the first question is, are these the
18 right questions. Second, what other questions do
19 we need to answer to better understand where we
20 want to be in developing renewables in California.

21 So, I will go ahead and open this up for
22 public comment. I don't have any blue cards, but
23 I'm assuming people can just come up, and, anyone
24 has any comments on this first topic?

25 MR. ALVAREZ: Manuel Alvarez, Southern

1 California Edison. I hope the format works in the
2 way we structured our presentation. We'll give it
3 a try.

4 First of all I'd like to introduce to
5 you Jaqueline Jones who is sitting on my left
6 here. She's going to be our Project Manager. And
7 similar to the Energy Commission, we're kind of
8 reorganizing our IEPR responsibilities and our
9 activities. And we do take serious the
10 coordination between the IEPR and the long-term
11 planning process. And we see that as a major
12 effort for us.

13 Briefly, we wanted to bring up the 33
14 percent, so I'll let Jaqueline kind of highlight
15 that for you in terms of some of the issues we
16 have. Jaqueline.

17 MS. JONES: Good morning, Commissioners.
18 I appreciate the opportunity to be here. And in
19 echoing some of your sentiments, we at Edison do
20 also believe that this is a very important
21 proceeding and we're really glad to have the
22 opportunity to participate.

23 With respect to achieving 33 percent
24 renewables, Edison just has a few comments. We
25 do, in fact, believe it's a major issue that needs

1 to be discussed. But, with respect to the RPS
2 requirements, which are currently a legislative
3 requirement, as well as covered by a Senate Bill,
4 we believe that it should be applied to all load-
5 serving entities, not just the utilities, you
6 know, evenly across the board.

7 We believe that because transmission is
8 one of the constraining factors in how much
9 renewable energy can be incorporated in the
10 system, in looking at when the 33 percent can be
11 achieved, that that should be one of the starting
12 places to see how much transmission we need, and
13 when it can physically be built in planning when
14 the goal should be achieved.

15 We understand, you know, that it needs
16 to be done as fast as possible, but there are some
17 physical constraints that are limiting how fast it
18 can be done.

19 The environmental impact of those
20 systems is a very large issue. And in planning
21 the transmission, that permitting process for
22 transmission, as well as for the projects,
23 themselves, is a factor in when they can be
24 completed.

25 Also, it would be helpful if renewable

1 energy credits could be unbundled. And the
2 instate delivery requirements that are currently
3 included in the legislation, if they could be
4 relaxed that could accelerate achievement of the
5 goal.

6 We also think that if you could tie the
7 annual procurement targets that each utility has
8 to the transmission projects and their
9 availability it would help support the appropriate
10 setting of goals for all the utilities.

11 Additionally, as was mentioned by
12 Suzanne, the impact of large amounts of
13 intermittent resources is not completely
14 understood. There's a lot of operability
15 concerns, especially with the intermittent
16 resources being wind predominately, but also the
17 inefficient use of other resources to accommodate
18 for the intermittency of wind and other
19 intermittent resources like solar.

20 There are several studies that are going
21 on, but specific local impacts in areas where
22 there's large renewable delivery like 4500
23 megawatts of wind coming out Tehachapi. Are there
24 going to be system impacts in Tehachapi and where
25 it's connected that will impact that area and

1 impact the overall system that are not accounted
2 for in the studies that are currently going on?

3 We do support programs that identify the
4 cost and technical requirements, stability and
5 operational impacts of adding those higher volumes
6 of renewables. Cal-ISO, as an example, has the
7 IRRP program going on. And Edison is also
8 requesting funding to study the renewable
9 integration and advancement project. And we hope
10 you'll support us in that.

11 PRESIDING MEMBER BYRON: Chairman
12 Pfannenstiel.

13 ASSOCIATE MEMBER PFANNENSTIEL: Ms.
14 Jones, I'm really struck by the question of being
15 able to integrate the intermittent resources.
16 That's what we have heard for years as being a
17 major constraint.

18 And yet Edison -- nobody, I guess, has
19 really done the study or the studies, and you're
20 just now seeking funding from the PUC? Is that
21 what you're referring to? You have to be able to
22 do studies?

23 MS. JONES: Additional studies from the
24 ones that are being done by other entities like
25 Cal-ISO.

1 ASSOCIATE MEMBER PFANNENSTIEL: And what
2 do you think the timing of that is going to be?

3 MS. JONES: It's expected to be a two-
4 year study from the time of allocation of funds.

5 ASSOCIATE MEMBER PFANNENSTIEL: So
6 that's putting us sometime a ways into the future
7 before we even get the answer. Have you looked
8 at, or as far as the study are you intending to
9 look at what's been done elsewhere? I'm thinking
10 primarily in Europe where they've had -- they have
11 moved to integrate significant quantities of
12 intermittent resources?

13 MS. JONES: Most certainly.

14 ASSOCIATE MEMBER PFANNENSTIEL: You have
15 looked at that, or you're going to look at that?

16 MS. JONES: We have looked at that.

17 ASSOCIATE MEMBER PFANNENSTIEL: And has
18 that given you any guidance for what you might be
19 able to do?

20 MS. JONES: It's given us guidance for
21 the scope of the study, yes.

22 ASSOCIATE MEMBER PFANNENSTIEL: I see.
23 Thank you.

24 PRESIDING MEMBER BYRON: Commissioner
25 Bohn.

1 MR. ALVAREZ: Also, if I may,
2 Commissioner. The initial work on the integration
3 was undertaken here at the Commission when they
4 did the first PIER work. And I think at that
5 time, I think there was a lot of hope that that
6 would set the foundation by which we would get
7 involved in this issue.

8 And as we discovered during that
9 process, it's a lot more complicated in terms of
10 that initial study, and where the ISO kind of
11 information and operation parameters the ISO needs
12 to have, as well as the utilities, themselves.

13 ASSOCIATE MEMBER PFANNENSTIEL: I know,
14 but we keep hearing this pushback, and yet we're
15 looking for the understanding of how can we get
16 past that. Are there ways? Is it a matter of
17 backup generation? Are there ways that we can do
18 it?

19 We're looking really to the utilities to
20 help us understand that.

21 COMMISSIONER BOHN: Let me, if I can
22 interject just for a moment, I want to give you
23 and members of the audience some political cover.

24 I have some serious reservations about
25 whether 33 percent is do-able. I have some very

1 serious reservations about the cost to our economy
2 and the cost to the ratepayers to do this.

3 I would hope that as we go forward in
4 these discussions you will raise those issues
5 honestly. And I've always had the experience that
6 if we're honest with ourselves we tend to make
7 better decisions. And I would just invite, in
8 case anybody is reluctant, I would invite, and
9 please blame me if there's a problem, I would
10 invite serious comment about the issues of cost
11 impact, how it is distributed.

12 And to the extent that the research and
13 the contributions produce both ideas that will
14 help us get to 33 percent and concerns that we
15 don't now know about, that they will be brought
16 out, as well, I think we'll get a better, more
17 realistic approach to our task, if you all feel
18 free to do that.

19 MR. ALVAREZ: Thank you.

20 PRESIDING MEMBER BYRON: Ms. Korosec.

21 MS. KOROSEC: And there are other
22 parties up at the table who wish to speak.

23 MS. McMAHON: Good morning. Rachel
24 McMahon with the Center for Energy Efficiency and
25 Renewable Technologies. Of course, our comments

1 focus primarily on the 33 percent renewables
2 portfolio standard.

3 I'd first like to commend and thank the
4 Commission for approaching this question in the
5 scoping document as what do we need to do in order
6 to achieve a 33 percent. Not what is everything
7 we need to know before we try.

8 Now, there are certainly integration
9 issues and cost issues that are definitely
10 important to look at. And will be essential in
11 this process. And we look forward to being
12 actively engaged.

13 One, in particular, with regard to
14 integration, that is touched upon somewhat in the
15 scoping memo, but we'd like to offer this forward,
16 is to re-examine procurement practices as well as
17 resource adequacy. To focus on building our
18 energy needs around energy and associated
19 greenhouse gas emissions, et cetera, rather than
20 solely on capacity.

21 And this is an important issue for
22 integrating more renewables. And it's also
23 directly connected to a number of power plants
24 that are proposed throughout the state that could
25 potentially impinge our ability to meet our

1 target.

2 And on the point of rate impacts, I
3 agree it's very important to look at this, but I
4 would also encourage the Energy Commission to look
5 at the rate impacts of achieving a 33 percent RPS,
6 as well as the risk of not achieving it. What
7 does that mean for fossil fuel price risk? What
8 does that mean for greenhouse gas price risk.

9 Thank you.

10 PRESIDING MEMBER BYRON: Excuse me, did
11 I understand you, Ms. McMahon, to say that the
12 portfolio power plants that are under
13 consideration right now could inhibit our ability
14 to meet our RPS standards?

15 MS. McMAHON: Potentially. Assuming
16 that they all go forward. I think that something
17 that would be good in this process, I would
18 recommend to look at all of those proposals and
19 how they impact our ability to achieve our 33
20 percent renewable goal. As well as renewable
21 goals and energy goals out to 2050.

22 PRESIDING MEMBER BYRON: Thank you.

23 MS. KOROSSEC: Go ahead, Steven.

24 MR. KELLY: Thank you. Thank you,
25 Commissioners. This is Steven Kelly with the

1 Independent Energy Producers Association. And I
2 just wanted to respond to some of the matters that
3 are laid out for your attention in this process
4 over the next year, year and a half.

5 First I just want to make the
6 observation that renewables are a product unto
7 themselves. And that we are now working in an
8 environment of trying to pull investment dollars
9 into California for renewables, where there's
10 competition for those dollars not only outside of
11 California in other regions, but globally.

12 We are now looking at a product to
13 provide fuel diversity, but also a mitigation for
14 greenhouse gases. It is having the effect of
15 driving up the cost of renewables.

16 So the thing that I would like to see
17 this Commission look at as we move forward in this
18 IEPR is the extent to which the existing RPS
19 structure which ties renewables to the cost of a
20 gas-based unit is relevant anymore.

21 Recognizing that we've got legislation
22 there may be alternative ways that we can actually
23 move on renewable procurement that takes into
24 account my perception that the existing RPS is
25 almost a barrier to renewable development rather

1 than a catalyst.

2 We have now gotten ourselves in a box
3 where we are comparing new renewables, or even
4 existing renewables that are re-upping in a
5 market, against a gas-based product where we're
6 comparing apples and oranges.

7 It's highly unlikely, in my view, that
8 we're going to realize significant amounts of new
9 renewables while we continue to be tied to a gas-
10 based product. And I understand the legislation
11 under the RPS, 1078, requires that. But I'm
12 thinking we need to start rethinking that box and
13 see if we can get outside of that box to other
14 means.

15 Secondly, related to this issue of the
16 integration of renewables. We've been studying
17 across this country the integration of renewables
18 for a number of years. This is nothing new. And
19 everybody pretty much recognizes that the
20 integration of a high amount of intermittent
21 resources does create some resource issues from an
22 operational perspective.

23 But all the studies that I've seen on
24 this, and ExCel did a very large study last year,
25 year and a half, for the midwest, says that

1 there's not really any problem for renewable
2 penetration until you get up to the 25 percent
3 range.

4 We're moving backward as far as I can
5 tell. I'm looking at the graph that says we've
6 got 11 percent renewables. I thought we had 12
7 last year. So I don't know why -- I think the
8 language about the concern over the integration of
9 renewables is being used out of place. We're not
10 anywhere close to that amount of renewables in
11 California today to warrant that being an
12 impediment to moving forward.

13 If we could double the amount of
14 renewables today we would be at 25 percent; then
15 we might have some of those problems. I don't
16 think we have them now.

17 We support Edison's integration study on
18 this. I think that is a very valuable tool. But
19 as the Commissioner noted earlier, waiting two
20 years for those solutions when every product that
21 I've ever seen, every work study that I've ever
22 reviewed in this matter says that the amount of
23 renewables that California has today, and is
24 likely to have in the next ten years, is almost
25 inconsequential from an operational perspective in

1 this regard.

2 So I would like to see us move beyond
3 the rhetoric of worrying about the integration and
4 move on to the rhetoric of actually developing
5 renewables and getting them in place.

6 That bring me to a third point, this
7 issue of transmission. I recognize, as do many
8 people in the state, that transmission is needed
9 to bring on new renewables. But we haven't hardly
10 brought on any renewables with the existing
11 infrastructure today.

12 It's not clear to me why there haven't
13 been more renewables with the existing
14 transmission infrastructure. And I'm curious as
15 to whether there were significant amounts of
16 renewables that are existing today that don't
17 require new transmission, that were not selected
18 over the last four or five years in the RPS
19 situation, that might have been a little bit more
20 expensive. But could have come online by today.

21 We've asked the Public Utilities
22 Commission in filings in January timeframe this
23 year that maybe it's time, after five years, to
24 look at this program and how it's been
25 implemented; conduct an audit and find out whether

1 we missed some renewables that were instate today,
2 or could be made operational without the
3 investment of new transmission that we bypassed.

4 And is there a way that we can actually
5 accelerate that development while we move
6 aggressively to build the new transmission that is
7 going to be needed to integrate some of the very
8 large resource pockets in California in IID's
9 service territory, in the Mojave and in Tehachapi.

10 But I think there could well be some
11 renewables that are out there that we're not
12 picking up today that we could use for not only
13 RPS compliance, but for greenhouse gas mitigation,
14 that we ought to be considering. They might not
15 have been selected in the RPS because they were
16 more costly than some of the stuff that was
17 selected. But nothing's getting built. And
18 meanwhile we're waiting for new transmission.

19 So, should we go back and revisit
20 whether or not that stuff, in hindsight, might
21 have been more cost effective than not. I think
22 an audit would be helpful in that regard. And I
23 urge this body to be looking at those kinds of
24 issues.

25 Thank you.

1 ASSOCIATE MEMBER PFANNENSTIEL: Mr.
2 Kelly, back to your first point about decoupling
3 the cost or the price that we pay from gas-fired
4 generation. So, what I guess you're saying is
5 move away from an MPR, move away from a market
6 price referent.

7 Then how else would you suggest that the
8 price be determined? Just open in the procurement
9 process with all other forms of generation? How
10 else do you set the price? Or maybe you're saying
11 the whole price should be set in the market and
12 regulators should have no say over it?

13 MR. KELLY: Well, I certainly think
14 regulators should review the price that is being
15 paid. That's their role.

16 But let me put it in this context. We
17 are currently operating what are called all-source
18 RFO solicitations. And in those all-source
19 solicitations the Commission -- the Public
20 Utilities Commission has acknowledged that
21 renewables could, if they wish, bid into that.

22 But essentially what the utilities have
23 been doing in that forum is going out for products
24 that they want. And usually it is a dispatchable,
25 load-following product, or it's a peaking product

1 or something like that.

2 I'm arguing now that maybe we should
3 look at treating renewables as a product, and use
4 the all-source solicitation for the utilities to
5 go out for renewables in that world. Not linked
6 to the MPR. Not linked to the other things that
7 have been constraints in the RPS world. And just
8 look for what is the least cost product
9 competitively that can be procured for a renewable
10 product. Either generally, or solar, or solar PV,
11 whatever you want.

12 Announce it. Give people opportunities
13 to plan to develop projects, and let them bid. At
14 least at that point we'll know exactly what it is
15 going to cost. And then you can evaluate how much
16 of it you want.

17 PRESIDING MEMBER BYRON: Good input,
18 thank you. Please introduce yourself.

19 MR. PLOTKIN: Thank you. Norman Plotkin
20 representing the Alliance for Retail Energy
21 Markets, a coalition of energy service providers
22 serving roughly 10 percent of the load.

23 The problem for energy service providers
24 who are LSEs subject to the renewables portfolio
25 standard of 33 percent is the same as the problem

1 for 20 percent. We have a closed retail
2 marketplace. And it's extremely difficult to
3 operate with the purchase of, you know, set
4 percentage of renewables when we're not sure about
5 the load fluctuation. And no opportunity to go
6 out and serve more load at this point in time.

7 But we agree with Edison -- wanted to
8 leave that hanging for a second, because it's rare
9 that I get to say that, on unbundling of RECs and
10 loosening the instate requirements, and otherwise
11 defining some of the renewables that are in the
12 marketplace today that don't necessarily meet the
13 eligibility for RPS today that many of our
14 customers choose.

15 And speaking of choice, we have with the
16 public consciousness raised over climate change
17 and greenhouse gas reductions, we have an historic
18 opportunity to empower individuals who are
19 welcoming the opportunity to do so. And that is
20 to go out and purchase renewable power.

21 The renewable portfolio standard is
22 invisible to Californians. They have no clue
23 about the renewable power that's purchased on
24 their behalf. They really don't.

25 Now, the utilities are beginning to

1 offer some offerings that are tailored to
2 customers, but it's a push instead of a pull. And
3 we really think that we're missing the opportunity
4 wherein we can empower individuals to make choices
5 about renewable power through their energy
6 purchases, through a competitive supplier.

7 We saw GreenMountain was very successful
8 in the early days of choice in California. There
9 was a customer credit program here sponsored by
10 the Energy Commission that offset some of the
11 higher cost of renewable power. It's a proven
12 track record of people who have a social
13 conscience about renewable power exercising that
14 power through their choice, through competitive
15 market opportunities.

16 And so I'll leave you with that. We
17 want to meet the 33 -- we want to meet the 20
18 percent, but it's tough. We want to meet the 33
19 percent. The clearest path forward for us to meet
20 these renewable requirements is to reopen the
21 retail market and I'm happy to have Commissioner
22 Bohn's ear today.

23 PRESIDING MEMBER BYRON: Commissioner
24 Bohn.

25 COMMISSIONER BOHN: Thank you, I was

1 waiting for that. So your position is renewables
2 at any cost, no matter what the subsidy is, no
3 matter what the taxpayer burden is?

4 MR. PLOTKIN: No. No. Our view is that
5 the marketplace will discipline the cost of
6 renewables. And if you start empowering
7 individuals to make these choices instead of
8 command and control, forcing a specific
9 percentage, and people start drawing on it, the
10 market will grow and it will discipline the prices
11 just the same as the brown power.

12 I mean the market will discipline the
13 prices. Our mere presence disciplines the utility
14 prices and will do the same in the renewable
15 market.

16 COMMISSIONER BOHN: In the situation
17 that you refer to, at least much of the evidence,
18 and much of, certainly, the discussion that we
19 hear, that I hear, is that there are all kinds of
20 empowerment going on. There are all kinds of
21 people waiting for the advanced meters. There are
22 all kinds of people going out and participating in
23 green credits and all of this kind of stuff.

24 So it strikes me that the social
25 conscience that you're talking about is alive and

1 well and doing very well. And, indeed, growing by
2 leaps and bounds.

3 Much of that social conscience, however,
4 does not -- ends up at the feet of the taxpayer
5 and ratepayer in the form of subsidies. Is it
6 your position that all of those should go away and
7 we just let the chips fall where they may, in
8 terms of price?

9 MR. PLOTKIN: The subsidies?

10 COMMISSIONER BOHN: Yes.

11 MR. PLOTKIN: Well, I mean there's been
12 a wholesale restructuring of the RPS in the last
13 year; the supplemental energy payments have gone
14 away. Now they're ratebasing the cost for the
15 utilities for the renewable power purchases. I
16 think we're moving away from that.

17 The green E and the certificates that
18 are sold in the marketplace today, that is an
19 example of people taking those choices. But it
20 doesn't count for RPS. That's part of the
21 problem.

22 So, we want to have the things that are
23 being done now count toward the renewable
24 portfolio standard. And we want to empower
25 individuals at a further rate than is currently

1 happening.

2 We acknowledge that it's happening
3 today, and we're in the middle of that
4 marketplace. But we see exponential growth
5 opportunities that will help you achieve the
6 levels of renewables without a command and control
7 approach.

8 COMMISSIONER BOHN: So your issue is
9 your report card?

10 MR. PLOTKIN: At the end of the day what
11 the customers buy will be the report card. And if
12 we make it available and have the opportunity to
13 market to them, they will.

14 PRESIDING MEMBER BYRON: Mr. Plotkin,
15 the social consciousness that you're referring to,
16 of course, I think of in residential customers.
17 Are you also suggesting that your AREM members
18 will begin to buy renewable power in large
19 portions?

20 MR. PLOTKIN: Absolutely. I mean we're
21 struggling to make the 20 percent now. We have
22 people asking for it. One of our problems is it
23 doesn't always -- it's not always eligible when
24 we're able to purchase, or the renewable
25 certificates that aren't eligible yet. It's on

1 the horizon. But certainly we want to see that
2 opportunity enhanced.

3 PRESIDING MEMBER BYRON: Mr. Tutt.

4 MR. TUTT: Mr. Plotkin, you said that
5 there are parts of the green E certified products
6 that aren't eligible for the RPS. What
7 specifically are you referring to there? Is it
8 just real energy credits, or is it some particular
9 technology, or what?

10 MR. PLOTKIN: No. It's my understanding
11 that most of the green E certificates that we sell
12 for our customers aren't eligible for the RPS.
13 Because it's the renewable attribute that you're
14 purchasing, and because the T-REC program is not
15 up and running, we can't count it.

16 It's on the horizon and we're looking
17 forward to further expansion. But today it
18 doesn't count, so we don't get credit for it.

19 PRESIDING MEMBER BYRON: Okay. Please.

20 MS. TRELEVEN: Good morning,
21 Commissioners. I'm Kathy Treleven from PG&E. And
22 I appreciate a chance to -- and PG&E appreciates a
23 chance to start working with you on the next year
24 and a half of energy issues.

25 And I wanted to speak today on

1 renewables, about how I think that we can continue
2 to move forward while we're studying these
3 important barriers.

4 We have been very active in three areas
5 that have been identified as important barriers to
6 moving forward in getting more renewables. And I
7 think those barriers are important to address
8 regardless of whether we stay at 20 percent, or
9 move steadily forward.

10 Both our transmission side of the house
11 and our generation side of the house have been
12 active in the Energy Commission's intermittency
13 studies. And we've been involved with the ISO's
14 studies, watching them closely. And we will be
15 working with them to move forward. Integration
16 questions are important at 20 percent as well as
17 33 percent.

18 We agree with the Commission that the
19 transmission expansion is important. And we've
20 been very involved with the ready committee. And
21 all of us have been working hard on the
22 transmission queue issues.

23 At this point I'd like to just keep my
24 remarks brief. But if you have any questions I'd
25 be glad to address them.

1 PRESIDING MEMBER BYRON: No, that's
2 fine. Thank you very much.

3 Anyone else care to comment on this
4 initial topic here for the 08 IEPR update, system
5 requirements for 33 percent renewable scenario?

6 MS. KOROSSEC: Do we have anyone on the
7 phone, Harriet?

8 MS. KALLEMEYN: No.

9 PRESIDING MEMBER BYRON: Ms. Turnbull,
10 good to see you.

11 MS. TURNBULL: Good to be here. I'm
12 Jane Turnbull; I'm here on behalf of the League of
13 Women Voters of California.

14 I think the topics that have been raised
15 this morning are valid. And I think in most cases
16 we agree with the initial comments provided by
17 Southern California Edison.

18 PRESIDING MEMBER BYRON: Did you want to
19 pause there for effect, as well?

20 (Laughter.)

21 MS. TURNBULL: We are concerned about
22 the long-term costs of renewables. And we are
23 concerned about the existing RPS standard and
24 wonder why there have been such difficulties in
25 achieving it.

1 You know, transmission has been blamed,
2 and probably there are very valid concerns about
3 the transmission siting that is going on in the
4 state.

5 But also we have heard that there have
6 been problems with the development of the
7 contracts. This has come up again and again, but
8 it has not been a transparent issue. And I think
9 that it would be a good thing to do to look at how
10 the contracts have been developed over the last
11 several years; and define if there have been
12 legitimate problems in the negotiation of those
13 contracts.

14 PRESIDING MEMBER BYRON: Thank you, Ms.
15 Turnbull. Yes, I think it's fair to say, given
16 the comments we've received here this morning, and
17 things I've been reading in the press recently,
18 there's a great deal of interest about why we're
19 not meeting our RPS standard.

20 Commissioner Bohn, you probably noticed
21 the Governor's gotten kind of concerned about this
22 issue of late as well.

23 So, if there's no more comments on
24 that -- none on the phone?

25 MS. KOROSEC: All right, let's move on

1 to the next topic, which is energy efficiency in
2 the Commission's demand forecast.

3 In the 2007 IEPR parties raised the
4 issue of needing to better understand how energy
5 efficiency is accounted for in the CEC's demand
6 forecast. And the 2007 IEPR committed to
7 evaluating this in the 2008 update.

8 The intent of the evaluation is not so
9 much that the CEC expects all parties to agree
10 with our forecast, but it's more that we have to
11 be very clear about what goes into those forecasts
12 so that parties at least understand them, and so
13 that agencies that are using the forecast are
14 using it consistently.

15 The IEPR Committee held workshop on
16 March 11th on this topic. And in that workshop
17 parties stressed the need for coordination between
18 agencies who are using the forecast. The Air
19 Resources Board uses it to come up with their
20 business-as-usual GHG emissions which will
21 ultimately tell us how much reduction that we need
22 to meet our AB-32 goals.

23 The investor-owned utilities use it in
24 long-term procurement. And the publicly owned
25 utilities are using it in coming up with their

1 goals for achieving all cost effective energy
2 efficiency.

3 In the workshop parties also repeated
4 some concerns about the need for consistency in
5 the assumptions about how much of future or
6 uncommitted energy efficiency is embedded in the
7 forecast.

8 Natural Resources Defense Council gave
9 the example of the E3 methodology being used in
10 the greenhouse gas modeling work which assumes
11 that the forecast includes 100 percent of
12 uncommitted energy efficiency versus the Energy
13 Commission's analysis of achieving cost effective
14 energy efficiency potential, which assumes that
15 none of the uncommitted energy efficiency is
16 included in the forecast.

17 We really believe that the Energy
18 Commission should provide a clear explanation of
19 how efficiency is incorporated into the forecast.
20 Parties need to understand how utility programs,
21 standards, codes, all are embedded in the models
22 that are used to develop the forecasts.

23 And we also need to understand what
24 other effects, like price response or market
25 effects, or trends in the market are either

1 included or not included in those models.

2 We need to understand whether there's a
3 large percentage of efficiency that's -- or
4 potential that's embedded in the forecasts. And,
5 if so, what impact that's going to have on
6 decisions to go forward to try to achieve
7 additional potential.

8 The attachment to the hearing notice for
9 today identified some questions that the IEPR
10 Committee believes should guide the discussion of
11 this topic. They're listed here:

12 How do we make embedded energy
13 efficiency more explicit? What new forecasting
14 tools could we use to look at longer term
15 efficiency strategies like zero emission building
16 goals towards our longer term GHG reduction goals?
17 And what kind of collaboration do we need between
18 the utilities, the PUC, the Energy Commission and
19 other parties to really refine our methods of
20 forecasting energy demand?

21 Again, what the Committee is seeking is
22 a sense of are these the right questions? What
23 other questions do we need to add? And what
24 concerns do parties have on this topic?

25 So, with that I'll open it up to

1 comment.

2 MS. JONES: Jaqueline Jones, again, for
3 Southern California Edison. Just a couple of
4 quick comments.

5 We want to recognize the importance of
6 the issue in recognizing the amount of energy
7 efficiency that's in the forecast, because since
8 the forecast is used for so many things, as Ms.
9 Korosec was speaking, there is an element of
10 procurement risk. So if there's not enough
11 procurement, or there's over-procurement, it's
12 detrimental to the ratepayers.

13 From our perspective the main issue is
14 attribution between codes and standards and
15 utility programs. And one of our recommendations
16 in order to identify that is to investigate the
17 potential of coordinating EE forecasting models
18 with demand forecasting models.

19 There are models that are in use today
20 actually in the EE OIR through the PUC that are
21 used for estimating different levels of EE
22 potential. And we feel if those models are
23 somehow coordinated with the CEC's current demand
24 forecasting model we should be able to make better
25 assumptions for the different levels, even though

1 one is measure-based and one is end-use based. We
2 believe that there could be some coordination.

3 It's going to be a difficult process in
4 order to do a calibration between the two sets,
5 but we believe that that's the best opportunity
6 for being able to fully understand what's
7 correctly incorporated.

8 Thank you.

9 PRESIDING MEMBER BYRON: Thank you.

10 ASSOCIATE MEMBER PFANNENSTIEL: John.

11 PRESIDING MEMBER BYRON: I'm sorry,
12 Commissioner, did you have a comment?

13 COMMISSIONER BOHN: I'll wait till we're
14 through.

15 PRESIDING MEMBER BYRON: Okay.

16 MS. TRELEVEN: Kathy Treleven, PG&E. We
17 very much appreciate the hard work that the staff
18 has done over the past eight, nine months to try
19 to understand why our forecast with energy
20 efficiency accounted for -- run higher than their
21 forecasts with energy efficiency, somewhat
22 accounted for.

23 And it's a very very important issue to
24 resolve. And we remain ready to work on it. And
25 we're sort of hoping that we could get a better

1 understanding at this workshop of the next steps.

2 There was an in-depth workshop, very
3 interesting, back in March. We were kind of
4 thinking the next step might be another report
5 from the CEC Staff, and further workshops. And we
6 remain ready to join in at whatever the next step
7 is.

8 Thank you.

9 ASSOCIATE MEMBER PFANNENSTIEL: Kathy,
10 what do you think about Edison's proposal that to
11 use the PUC models to calibrate against our
12 models, that somehow that will give us the answer?

13 MS. TRELEVEN: You know, I'm not expert
14 enough to understand it. I can bring back an
15 answer from our demand folks.. It does seem to me
16 that there was an apples-and-oranges or an apples-
17 and-apple cider kind of comparison problem where
18 different kinds of models were trying to do the
19 same thing.

20 ASSOCIATE MEMBER PFANNENSTIEL: Okay.

21 PRESIDING MEMBER BYRON: Thank you, Ms.
22 Treleven. I understand we have Tim Vonder from
23 San Diego Gas and Electric on the phone. Tim, do
24 you care to comment on this topic?

25 (Pause.)

1 PRESIDING MEMBER BYRON: Seems like
2 we're slow to respond on these. I also understand
3 that we may need to go back and pick up some
4 comments here from others that were unable to get
5 through on the first topic. But we'll stay where
6 we are right now on this topic.

7 MS. ETTENSON: Hi, this is Laura
8 Ettenson from NRDC on the phone. Is this a good
9 time for me to comment?

10 PRESIDING MEMBER BYRON: Okay, Ms.
11 Ettenson, good to have you. And were you going to
12 go ahead with the energy efficiency or do you want
13 to go back to the 33 percent renewable portfolio
14 standard issue?

15 MS. ETTENSON: No, my comments are
16 specific to the energy efficiency, this current
17 topic.

18 PRESIDING MEMBER BYRON: Good, thank
19 you. Go right ahead.

20 MS. ETTENSON: Okay, thank you for the
21 opportunity to comment. I'm sorry I can't be
22 there today in person.

23 NRDC thanks the Commission for your hard
24 work and focus on delineating the embedded energy
25 efficiency in the demand forecast. And we

1 generally support the Commission's questions that
2 will be addressed in the IEPR update.

3 But we'd also urge the Commission to
4 include an examination of the embedded natural gas
5 efficiency in the demand forecast. I think that
6 (inaudible) needs to be addressed.

7 In addition we commend the Commission
8 for identifying the need for increased
9 collaboration among the involved agencies, and
10 suggest that the Commission explore the best means
11 to collaborate now in advance of the IEPR update
12 so that there can be a coordinated effort to
13 address the questions that have been posed.

14 And I thank you for your time, and I
15 look forward to commenting on the 2009 IEPR that
16 will be later.

17 PRESIDING MEMBER BYRON: Thank you, Ms.
18 Ettenson. Yes, sir.

19 MR. BURT: I'm Bob Burt, Insulation
20 Contractors Association. I want to make two
21 general remarks before I start my detail.

22 One is that it's obvious, I think, to
23 everybody that to the extent that energy
24 efficiency succeeds, the total energy demand goes
25 down; and therefore the 33 is easier to achieve.

1 The other point I would make is that
2 most energy efficiency is locatable by its
3 specific grid point. And therefore, it would seem
4 that if an effort is made to map the energy
5 efficiency that we get, it would help this job of
6 trying to tie the energy efficiency forecast to
7 the demand forecast.

8 The other primary reason for my coming
9 up here is welcoming your point that we need to
10 look at what is needed, new attention. And I have
11 two points here.

12 One is on the very large potential for
13 energy efficiency in the walls of the many homes
14 that were built in California before 1970 roughly,
15 when they almost all had empty walls. The reason
16 most of those walls still stay empty, in spite of
17 the considerable potential for use in both heating
18 and air conditioning demand is that when the holes
19 are made in those walls to pump in the insulation,
20 no matter how carefully repaired the holes are, it
21 ends up with an ugly-looking wall unless you
22 repaint it. So the cost of repainting has had to
23 be added to the cost of doing the job.

24 I would propose that the increased cost
25 in fuel and the increased cost of meeting peak

1 demand might make it feasible to redo the energy
2 efficiency calculations on that particular and see
3 if we could add a allowance for painting the wall
4 that is insulated.

5 I say add an allowance for two reasons.
6 Number one, it's the wall that needs repainting,
7 not the whole house. And number two,
8 unfortunately we've found out with the ZIP that
9 there's a very -- we don't want to pay for
10 painting contracts. We found out with the ZIP
11 there's a very large population in California that
12 would love to defraud an energy efficiency
13 program. So let's just figure out an allowance
14 and give it to them. I think there would be a
15 tremendous potential there.

16 The other potential I see is that all
17 through California hundreds and hundreds of point
18 heat sources that could support a small
19 cogeneration. Those are used by renters, rental
20 agencies and rental owners to provide central heat
21 and central water.

22 It's an unfortunate fact -- I have spent
23 a fair amount of my life with close associations
24 with real estate people -- it's an unfortunate
25 fact that their attitude toward expending money is

1 very simple. If it maintains or, better yet,
2 increases rents, let's do it. Grudgingly or
3 willingly, depending on the personality.

4 But if it doesn't do either of those
5 things, it's too expensive. It cannot be done
6 ever. So if you're going to see any utilization
7 of the potential of these many heat sources that
8 have low cogeneration potential, it's going to
9 need upfront public money.

10 Now, the contracts could be written in
11 such a way that they tie in the property to
12 repaying the public for that upfront money by
13 recapturing most of the savings. And I think that
14 that's about the only way it will happen.

15 And if it's done, of course, the large
16 amount of money involved would almost certainly
17 require a bond issue. And that would help the
18 cost because the interest rate on California bond
19 issues is considerably less than the normal
20 interest rate used in calculating the cost/benefit
21 on an energy efficiency program.

22 So my two suggestions are to, number
23 one, take advantage of all those empty walls out
24 there. When a house is built in California,
25 unless there's an accident it lasts 100 years.

1 And to take advantage of all those, fairly, not a
2 large number of point heat sources, exhaust that
3 could be turned into low cogeneration.

4 And I have two more general remarks.
5 One is that I observe that the number of open
6 contracts in the U.S. oil futures market is
7 approximately triple what it was five years ago.
8 That tells me that there's a large number of
9 people in there that are fundamentally
10 speculators. And we can easily guess the source,
11 the hedge funds and so forth.

12 And I suspect that about the only
13 supply/demand thing that's important in the size
14 of that market is looking for counter-parties
15 willing to buy the other side of the contract.

16 So I think we're going to have some
17 considerable effort to expand that amount of
18 speculation in the market, considering how often
19 it's predicted that we're going far higher. And
20 this leads me to look at natural gas.

21 Today the price of natural gas is a
22 spectacular energy bargain compared to oil.
23 Especially when you recognize that oil does not
24 immediately turn into usable energy. You have to
25 spend additional money and use what our present

1 extremely limited facilities to turn oil into
2 usable energy.

3 So I think we should look forward to
4 seeing some of that speculative money going over
5 into the natural gas futures market. And
6 therefore, I don't think we can expect the current
7 extreme bargain price of natural gas to continue.
8 That's strictly a guess on my part, but I think it
9 has a logical basis.

10 With that, I close and ask if you have
11 any questions.

12 PRESIDING MEMBER BYRON: Thanks, Burt.
13 Commissioner.

14 COMMISSIONER BOHN: Thank you. I want
15 to go back to the presentation of Southern Cal
16 Edison. And I will pause for effect.

17 I agree with almost all of that, which,
18 when you go back home, please tell them I said
19 that because it doesn't happen very often.

20 I'm really very pleased that the CPUC
21 and the CEC are working together on this energy
22 efficiency and to refine the current forecasting.
23 It is really important that this be done
24 transparently.

25 As a relative newcomer in this area I

1 find it inconceivable that we can't agree on the
2 process by which we make some of these really
3 important forecasts.

4 I'm hoping that we will get both --
5 we'll get two load forecasts. We'll get a
6 mitigated forecast, that is what we get from
7 utility savings, and then one which we don't.

8 But it's very important that the
9 elements of both the assumptions and the
10 algorithms and all that stuff are known to both
11 sides. This is one of those times when we really
12 can't afford, as a state, to get ourselves all
13 hung up in silos and things. And certainly from
14 the PUC's point of view, I hope it doesn't become
15 a PUC model versus a CEC model. I hope we can
16 just get rid of all that stuff and get down and
17 figure out, and make transparent for people to
18 comment on, what it is that we're trying to do
19 here.

20 And get down to the integration of the
21 energy efficiency thing. These are tricky; it's
22 tricky math and it's tricky science. But the CEC
23 has done a remarkable job over the years in a lot
24 of these projections and things. And I'm hoping
25 that we can contribute with a model, and the staff

1 can sit down together and kind of beat these
2 things around, we'll get a combined result that's
3 really meaningful.

4 So certainly from the PUC's point of
5 view we're happy to do that. And if there are any
6 issues that come up, I will be happy to do what I
7 can to make sure they go away.

8 PRESIDING MEMBER BYRON: Good. Thank
9 you for your commitment to that.

10 Any other comments on the efficiency
11 savings implicit in the CEC demand forecast?
12 Harriet, do we have any more on the phone?

13 MS. KALLEMEYN: No.

14 PRESIDING MEMBER BYRON: None. Okay.
15 We'll just pause for effect.

16 Any other commenters in the audience?

17 MS. KOROSSEC: Do we need to pick up
18 somebody on the phone from the first topic?

19 PRESIDING MEMBER BYRON: Yeah, let's
20 offer that. I understand that there may have been
21 some interest on the part of commenters that
22 couldn't get through on the first topic. So,
23 let's go back and pick up any comments at this
24 time. We'll also be opening up at the end for
25 general comments. But if you'd like to comment on

1 the 33 percent renewable scenario, the system
2 requirements for 33 percent renewables, this would
3 be a good time.

4 MR. TOCA: Can you hear me?

5 PRESIDING MEMBER BYRON: Go ahead.

6 MR. TOCA: This is Charles Toca; I'm
7 with US&R Powergrid Partners. And I wanted to
8 comment on the original comments; I couldn't get
9 through on the phone, but I apologize for being
10 out of order here.

11 Looking at the remarks regarding
12 promising technologies -- and operational changes,
13 I wanted to bring up the whole issue of energy
14 storage again.

15 I think energy storage is an important
16 issue, especially with the advanced energy storage
17 technologies we have available. They can be
18 distributed around the grid, and of course,
19 there's a lot of comment about the usefulness they
20 have for wind energy and integration of wind into
21 the grid.

22 I heard the original comments -- show
23 that we can have the 25 percent participation by
24 wind without really -- the grid. I think the
25 other side of that coin is at a certain cost,

1 there's a cost to integrating that kind of wind
2 energy -- putting lots of backup generation to
3 support that.

4 Storage can be a part of that whole
5 issue. And storage, especially -- storage
6 technology can be placed at the source of the wind
7 energy; it can also be placed and distributed
8 throughout the grid to encourage that and to
9 support that.

10 With regard to the studies that were
11 requested, I have never seen a study where the
12 cost of wind plus storage was compared against
13 some of the other renewables that are promoted,
14 such as solar.

15 My understanding is that the cost of the
16 storage (inaudible). And I'd be interested to see
17 what the cost comparisons would be between energy
18 storage technologies and wind versus solar.

19 The advantage of storage, of course, is
20 one can take wind energy dispatchable. Not only
21 is it going to shift the production from the
22 evening when we're looking at a problem of over-
23 generation, to the day. Technology make it
24 dispatchable, where solar could not be -- at this
25 point.

1 So we'd encourage you taking a look at
2 that and taking a look at fostering that as an
3 alternative.

4 I know one issue again has been that the
5 cost of -- energy storage and technology. I think
6 the answer to that is to value the different
7 benefits that -- to the grid, and being able to
8 take advantage of those different benefits.

9 For example, my company's looking at
10 putting advanced energy storage solutions
11 (inaudible) system at the site of an energy
12 customer. This would be something in distributed
13 energy resource. The customer will be able to
14 benefit with reliability, regional reliability for
15 their services; they don't suffer from any rolling
16 blackout issues. And they also benefit from
17 (inaudible) system.

18 So there's a value in that. There's a
19 value to the local utility because now that
20 customer can (inaudible) demand response, who
21 could not before. Five megawatts (inaudible)
22 different purposes.

23 It also improves the distribution
24 circuit. We take out the cause of disturbances on
25 the grid (inaudible) improve the circuit overall.

1 Also improves the (inaudible).

2 And, of course, the other issue is the
3 services being provided to Cal-ISO. Next year
4 Cal-ISO will allow demand response -- demand, due
5 to the load sources, provide ancillary services
6 and with a large megawatt system like that,
7 provide emergency regulation and demand, some
8 energy services between Cal-ISO.

9 So, this is taking advantage of what's
10 early available for a site of an energy storage
11 device. If we have valued storage devices like
12 this in addition to renewable sources, then these
13 services can be made (inaudible) available for
14 those kinds of issues.

15 So, I would encourage again just that we
16 look at energy storage as a technology to foster
17 and encourage, and probably run a few more studies
18 on how we could do that. I think we've got a lot
19 of studies out there right now that show it makes
20 sense. And perhaps we should just take a look at
21 how we can optimize that and actually make it
22 work.

23 PRESIDING MEMBER BYRON: Mr. Toca, thank
24 you. I assure you energy storage is something
25 that's under consideration with regard to RPS

1 integration issues. And I thank you for your
2 comments.

3 Is there anyone else on the phone that
4 wishes to comment in hindsight on the 33 percent
5 renewable issue?

6 (Pause.)

7 MS. KOROSSEC: They're telling me that
8 they have a party by the name of Tam Hunt on the
9 line but I'm not able to --

10 PRESIDING MEMBER BYRON: Is there a Tam
11 Hunt that wishes to comment?

12 MR. HUNT: I'm going to hold my comments
13 until the end if you don't mind.

14 PRESIDING MEMBER BYRON: Great. That's
15 fine. Then we'll go ahead and continue with
16 development of common portfolio methodology for
17 long-term procurement.

18 MS. KOROSSEC: All right. The third
19 topic in the 08 update was identified in the 2007
20 IEPR. Recommended that utility long-term
21 procurement plans use common assumptions as much
22 as practical; extend over a 20- to 30-year period
23 of analysis; discount future fuel costs at the
24 same discount rate that's used in standard-setting
25 activity unless those costs are shown to be

1 shareholder liabilities; and to evaluate potential
2 cost to consumers in procurement, including
3 environmental impacts.

4 The intent of the IEPR recommendations
5 was really to insure that this portfolio method of
6 evaluating long-term procurement is being taken
7 seriously. And that does seem to appear to be
8 happening.

9 This issue is within the scope of phase
10 one of the PUC's OIR on long-term procurement.
11 And the PUC Staff and CEC Staff are working
12 collaboratively in that phase of the proceeding
13 with the decision, I believe, expected from the
14 PUC in December of this year.

15 Because of the schedule of the PUC's OIR
16 it's not clear how much of the status or progress
17 we'll be able to report on this issue in the 2008
18 IEPR, but in the meantime the IEPR Committee has
19 identified a few questions that they feel should
20 be addressed in the 08 report.

21 First, how do we incorporate
22 environmental impacts into long-term procurement?
23 Second, should utilities be using a 20-year or
24 longer analysis period? And what are the
25 consequences of using a social discount rate?

1 The developments in the current PUC
2 proceeding are likely to affect the scope of the
3 09 IEPR on electricity procurement practices, so
4 phase one is likely to identify the need for
5 additional investigation. And we believe the 2009
6 IEPR is probably the logical forum for that
7 proceeding.

8 So I'd like to go ahead and open this up
9 for comments from anyone.

10 PRESIDING MEMBER BYRON: How about if we
11 lead with someone other than Southern California
12 Edison this time?

13 (Laughter.)

14 PRESIDING MEMBER BYRON: I know we have
15 some commenters on the phone.

16 (Pause.)

17 PRESIDING MEMBER BYRON: We heard a
18 voice. Please introduce yourself.

19 MS. SHERIFF: Yes, this is Nora Sheriff
20 of the Cogeneration Association of California, and
21 the Energy and Producers Users Coalition. Thank
22 you for the opportunity to speak, and also to
23 participate by phone.

24 We have an additional request for
25 inclusion in the 2008 IEPR update, in the 2008

1 Energy Action Plan, two updates.

2 The Energy Commission and the Public
3 Utilities Commission set the joint goal of
4 developing a CHP policy. But this year despite
5 the joint 2008 goal for a combined heat and power
6 policy, combined heat and power is missing from
7 the proposed scope of the 2008 IEPR update.

8 I'm looking at past IEPRs. The Energy
9 Commission's work is largely done in terms of a
10 separate combined heat and power policy. Last May
11 I came before you and urged Energy Commission
12 action to encourage CHP and make your 2020 vision
13 for CHP a reality.

14 And the Energy Commission responded and
15 included the following 2007 IEPR CHP
16 recommendations: The elimination of non
17 bypassable charges and departing load charges for
18 CHIP. Consideration of an annual utility
19 procurement CHP target, or treating CHP as energy
20 efficiency and helping the investor-owned
21 utilities meet their energy efficiency targets.
22 And also recognizing the greenhouse gas emission
23 reductions benefit of CHP.

24 The 2008 IEPR update should explicitly
25 reference and create a policy recommendation for

1 CHP from the 2007 IEPR. The Energy Commission
2 needs to express continued support for the CHP
3 policy recommendations, and for all CHP, including
4 large CHP facilities.

5 Commissioner Byron described the IEPR as
6 an extremely important energy policy statement for
7 California, and it is. And the IEPR gains
8 importance each year.

9 If CHP is not addressed in the 2008
10 IEPR, silence may not be uniformly interpreted as
11 continued Energy Commission support. About 90
12 percent of the existing 9000-plus CHP megawatts in
13 California are from large-scale CHP projects.
14 Without the state's strong policy framework in the
15 1980s in implementing PURPA and the Warren Alquist
16 Act, these facilities likely would not have been
17 built. Policy matters, and the IEPR policy
18 matters.

19 Industrial sites are now looking at
20 special CHP facilities in California. So, our
21 clients, we know of several large CHP sites now
22 under consideration. And each one, if built,
23 would be greater than 20 megawatts.

24 Explicit and strong Energy Commission
25 support and policy recommendations for all CHP

1 would help insure that these and other new and
2 repower projects can be built.

3 So, in the 2008 IEPR update we ask that
4 you reiterate or incorporate by reference the 2007
5 IEPR CHP policy recommendations.

6 Thank you for considering this; and we
7 will also be providing written comments on
8 Wednesday. Thank you.

9 PRESIDING MEMBER BYRON: Thank you, Ms.
10 Sheriff. As you can imagine, the scope of these
11 Integrated Energy Policy Reports continue to
12 expand. They never seem to decrease in size. I
13 can assure you that we'll consider your comment,
14 but in -- also assure you that whether or not
15 these 07 IEPR recommendations are repeated and
16 continue to work on in this Committee, they are in
17 progress in the Electricity and Natural Gas
18 Committees, and at the PUC.

19 And we will continue to work on those 07
20 IEPR recommendations, regardless of whether or not
21 they make it into the scope of the 08.

22 MS. KOROSSEC: Is there anyone else in
23 the room who wanted to comment on this topic? All
24 right, if not, we'll move on.

25 Oh, I'm sorry, go ahead.

1 MS. JONES: Really quick comments.

2 PRESIDING MEMBER BYRON: I think there
3 are others, Ms. Korosec, so we'll have to make
4 sure we give everybody enough time to respond.

5 MS. KOROSEC: Okay.

6 PRESIDING MEMBER BYRON: Please.

7 MS. JONES: Jaqueline Jones again from
8 Edison. Just, like I say, a couple of quick
9 comments. We are very supportive of the
10 coordination efforts between the PUC and the CEC
11 on this subject matter.

12 And in response to a couple of the
13 questions that were asked, Edison thinks that it's
14 appropriate to have a 20-year length of valuation
15 using the last five years -- well, as opposed to
16 having an analysis values for every single year,
17 to have them in five-year increments for the last
18 ten years of the 20. Just because it's so far out
19 and it's very speculative, we think that it's more
20 appropriate to do it in that manner.

21 Also, we believe that we should have
22 targets or goals for the analysis. And have the
23 methods for reaching those goals left open. It
24 would be more suitable to have, say, a GHG target
25 and allow the utility or whoever's doing the

1 analysis the opportunity to select the appropriate
2 technologies for generation, as opposed to having
3 a 33 percent renewable target.

4 And that's it, thank you.

5 PRESIDING MEMBER BYRON: Thank you.
6 Commissioner Bohn.

7 COMMISSIONER BOHN: Is there uniform
8 agreement as to the calculation of the term social
9 discount? Is there a number that everybody
10 understands the pieces of and how they all go
11 together and are agreed upon?

12 PRESIDING MEMBER BYRON: I do not know
13 the answer to that.

14 ASSOCIATE MEMBER PFANNENSTIEL: So I
15 think it's part --

16 COMMISSIONER BOHN: It strikes me as a
17 relatively important issue if we don't know what
18 the social discount number is.

19 MR. ALVAREZ: Commissioner, Manuel
20 Alvarez, Southern California Edison. I'm not sure
21 I can answer it definitively, either, but my sense
22 is that there probably isn't a uniform agreement
23 on what the discount rate should be either social
24 or private.

25 It does involve matters of term and ten-

1 year, and there are, in fact, some issues of
2 philosophy in that particular number that need to
3 be discussed.

4 It is a subject that comes up. It'll
5 probably be a subject that we'll have to deal with
6 during the course of a 2008 process. And we'll be
7 prepared to discuss it, and what we think that
8 appropriate number should be.

9 But, from a decisionmaking perspective,
10 at least from my vantage point, if you understand
11 the ramifications of one particular discount rate
12 over another, and understand what those
13 implications are, I think from a decisionmaking
14 perspective that's the information you'd need.
15 It's not particularly the importance of the
16 number, itself.

17 PRESIDING MEMBER BYRON: Thank you, Mr.
18 Alvarez. Are there any more commenters in the
19 audience or on the phone for this topic?

20 MS. KOROSSEC: There's another gentleman
21 on the phone line (inaudible).

22 PRESIDING MEMBER BYRON: I understand
23 there's someone on the phone. Would you go ahead
24 and please identify yourself.

25 (Pause.)

1 PRESIDING MEMBER BYRON: I have an
2 earlier card here from Mr. Mohan or Ms. Mohan
3 Niroula.

4 MR. NIROULA: Hello.

5 PRESIDING MEMBER BYRON: Yes.

6 MR. NIROULA: I don't have comments here
7 for this item.

8 PRESIDING MEMBER BYRON: Okay, thank
9 you.

10 MS. KOROSEC: All right, shall we go
11 ahead and move on then?

12 PRESIDING MEMBER BYRON: One moment,
13 please. Let me just confer with my fellow
14 Commissioners here.

15 (Pause.)

16 PRESIDING MEMBER BYRON: Just
17 rearranging our schedules here. Let's -- if it's
18 okay with everyone I think what we're going to do
19 is continue on, because we feel we may be close.
20 And so, Ms. Korosec, go ahead and take us to the
21 next topic.

22 MS. KOROSEC: All right. Our next topic
23 is the last three topics within the 2008 update,
24 which were basically summaries of work that's
25 being done in other venues. A summary of the

1 August joint CPUC/Energy Commission
2 recommendations to the ARB on the auctioning or
3 allocation of allowances. And the discussion of
4 any outstanding questions or additional analysis
5 that may be needed as a result of that effort.

6 A summary of the Energy Commission's
7 findings and recommendations regarding nuclear
8 power plant vulnerability required by AB-1632.
9 And a summary of our evaluation of the PUC's self-
10 generation incentive program which is required by
11 Assembly Bill 2778.

12 Obviously the AB-32 work is of major
13 interest to us this year, so we feel that the 08
14 update is an appropriate place to report on that.
15 And the other two items are required to be
16 included in the 08 report by legislation.

17 There's not much more to say about
18 these. As I said, the work is being undertaken in
19 other venues; they have other schedules that will
20 be published concurrently with what's going on
21 with the IEPR on our website.

22 So, is there anyone who has any comments
23 on any of these topics?

24 All right, I wouldn't imagine there was
25 going to be much comment on these. So, if there

1 aren't any other comments, let's go ahead and move
2 on to the 2009 IEPR.

3 Senate Bill 1389 identifies a long list
4 of topics to be included in the IEPR. These were
5 identified in the attachment to today's hearing
6 notice. I won't go over these in any detail, but
7 they generally fall into some broad categories.

8 For the electricity and natural gas
9 sectors we'll be looking at supply, demand,
10 infrastructure including the transmission system,
11 which also includes our Strategic Investment Plan.
12 We'll look at impacts on public health and safety,
13 on the economy and on the environment.

14 This will also likely include a
15 discussion of the effects of load management
16 efforts, as well as a continuation of the scenario
17 and portfolio analysis efforts that were begun in
18 the 2007 IEPR.

19 The transportation sector, we'll be
20 looking also again at supply and demand. Looking
21 at forecasts of wholesale and retail prices,
22 infrastructure needs, alternative transportation
23 scenarios and how to improve efficiency, reduce
24 petroleum dependence, and to improve environmental
25 performance in the transportation sector.

1 We'll also look at environmental
2 performance in the generating sector for new and
3 existing facilities and impacts on those and on
4 system reliability; policy efforts to address
5 impacts of once-through cooling in those
6 facilities.

7 Finally, we'll be looking at public
8 interest strategies. This includes energy
9 efficiency, progress towards our renewable goals,
10 further examination of this feasibility of 33
11 percent by 2020 issue. And then also research and
12 development efforts.

13 As I said a little earlier, the
14 Committee is going to be holding a second scoping
15 hearing in early June on the 09 IEPR. But in the
16 meantime we just wanted to get input from the
17 parties if you feel that there are additional
18 areas of focus, or areas within the ones that I've
19 identified that you feel deserve some special
20 attention.

21 So, with that, we'll move on to comments
22 from people. I have one card from --

23 PRESIDING MEMBER BYRON: Okay, I do have
24 some comment cards from some on the phone, and one
25 present. I think these are more in the category

1 now of general comments.

2 Mr. Sparano, would this be a good time
3 for you?

4 MR. SPARANO: Yes, sir. Good morning,
5 Commissioners. I have about 30 seconds for that
6 to be accurate. Thank you for allowing me to
7 speak. My name is Joe Sparano, for the record,
8 President of the Western States Petroleum
9 Association.

10 I have a few overall comments, a few
11 questions that WSPA would like to see addressed,
12 and some recommendations. And I'll try to be
13 quick with them.

14 I believe, in looking through the
15 materials, that the CEC's major responsibilities
16 still include insuring that California's portfolio
17 of energy supply options provide adequate,
18 reliable and affordable energy supplies to
19 consumers and households and businesses when and
20 where they are needed. I think it's important
21 that that principle be maintained and held dear as
22 far as the 2008 and '9 IEPR efforts are concerned.

23 The 2008 IEPR, from what I could read,
24 does not include transportation fuels issues.
25 Even though the description in the CEC materials

1 states -- I'll try to read it accurately: The
2 2008 IEPR update will focus on the subject of
3 specific energy issues that the Committee has
4 identified as needing immediate attention; and
5 will be developed in a shorter timeframe than the
6 2009 IEPR."

7 No argument with the statement.
8 However, a few questions. Is the Commission
9 satisfied there are no issues related to
10 transportation fuel supplies that require
11 immediate attention?

12 I don't mean to exclude the PUC
13 Commissioner and I apologize for that. But most
14 of our comments are focused on the transportation
15 sector at this point, so I'll be emphasizing that
16 area.

17 What about supplies produced in
18 California that are lagging demand, such that we
19 are net importers as of 2005 of at least gasoline
20 and probably jet fuel? Jet fuel hasn't received a
21 whole lot of attention, but I think California's
22 been a net importer for a long time. So we have
23 those facts at work.

24 How California policies allow meeting
25 increased future transportation fuels requirements

1 in both California and neighboring states that are
2 supplied by California refineries? What about
3 needing to increase, as stated in the 2007 IEPR,
4 or even trying to maintain imports and through-put
5 in an infrastructure that the Energy Commission
6 has described as at or near capacity and needing
7 expansion? How and when will the IEPR address
8 those issues?

9 I think those are the types of issues
10 that, certainly from our perspective, require
11 immediate attention.

12 A recommendation. The 2008 and '9 IEPRs
13 need to focus more attention on all transportation
14 fuels supply adequacy, including the manufacturing
15 capabilities for all petroleum-based fuels, and
16 any and all nonpetroleum-based alternative and
17 renewable fuels, and on meeting infrastructure
18 requirements for all fuels.

19 I typically stand before you and we talk
20 about petroleum-based fuel infrastructure. But I
21 think it will come as no surprise to anyone who's
22 been at these IEPRs for awhile that we're going to
23 have the same type of infrastructure issues with
24 alternative and renewable fuels. And some of them
25 may actually be even more complicated and more

1 difficult for us collectively to address because
2 none of the facilities exist.

3 It took the industry I represent 100
4 years to put the infrastructure in place
5 nationwide and in California. And now we're
6 confronted with the good possibility that we'll
7 have other fuels that burn cleaner and that
8 perhaps we can produce smarter. They're all going
9 to need infrastructure. I think that is a really
10 important issue that probably can't wait.

11 A question on another issue. Is it
12 possible to have California energy policy that
13 insures adequate fuel supplies while emphasizing,
14 and this is to a greater and greater degree each
15 time an IEPR is produced, policy initiatives
16 focusing on reducing carbon dioxide emissions.

17 Our industry not only doesn't have any
18 argument with that, we have taken a leadership
19 position in working with the Air Resources Board
20 in trying to insure that AB-32 and the low carbon
21 fuel standard are implemented successfully. I can
22 give you examples of that, but I won't unless
23 someone is interested.

24 The question at hand is are the two
25 initiatives compatible. I think that's a serious

1 question that begs an answer that maybe wasn't
2 quite such a question three years ago when the
3 2005 IEPR was developed. But it certainly
4 expanded in terms of interest in the last IEPR.

5 Another recommendation. WSPA believes
6 that the Energy Commission needs to seek oversight
7 of California ports policies. Right now, as
8 referenced in the 2007 IEPR, the Energy Commission
9 has asked for the right, through legislation, to
10 appeal policy decisions. We think it needs to be
11 a whole lot stronger than that. The ports are our
12 pinchpoint. They are for petroleum fuels; they
13 may likely be for many of the alternative and
14 renewable fuels that come into California's energy
15 supply portfolio.

16 ASSOCIATE MEMBER PFANNENSTIEL: Excuse
17 me, Joe.

18 MR. SPARANO: Yes.

19 ASSOCIATE MEMBER PFANNENSTIEL: Are you
20 suggesting legislation to give us some kind of
21 regulatory authority over the ports?

22 MR. SPARANO: That's on page 30 of your
23 executive summary. It asks for legislative --

24 ASSOCIATE MEMBER PFANNENSTIEL: Yeah,
25 legislation for --

1 MR. SPARANO: It asks for legislative --
2 ASSOCIATE MEMBER PFANNENSTIEL: But not
3 general authority. I thought that that was rather
4 targeted.

5 MR. SPARANO: I was just trying to
6 repeat accurately what's in the executive summary
7 and in the IEPR. But, by whatever means,
8 Commissioner. I don't -- it isn't for me to say
9 the means. I'm very concerned that the Energy
10 Commission, as we spoke in 2006 or '7, and the
11 Port of Los Angeles, I think you two
12 Commissioners, you and Commissioner Byron,
13 Commissioner Boyd and Commissioner Geesman, at the
14 time, were all present. And for one of the great
15 times in my experience we all agreed completely on
16 an issue. And that was that the Energy Commission
17 needed to be more involved on a state level.

18 And unfortunately, that translated into
19 having the right to appeal. And I think from the
20 standpoint of what is going on in the ports, the
21 state may need a stronger position. That's all I
22 was trying to reflect.

23 ASSOCIATE MEMBER PFANNENSTIEL: I see,
24 thank you.

25 MR. SPARANO: If you'll excuse me just a

1 second.

2 (Pause.)

3 MR. SPARANO: I realize that's somewhat
4 unorthodox, but I'd rather speak than be
5 completely dry and not speak. So, forgive me for
6 that interruption.

7 The other issue I wanted to talk about
8 that concerns me is the Energy Commission, in
9 particular, continues to focus on reducing
10 petroleum dependence. And doing so in
11 quantitative terms that from our calculations will
12 mean 15 to 40 percent of the existing supply of
13 gasoline per CEC objective, and diesel and jet
14 fuel, will go away by 2020. Fifteen to 40
15 percent, depending on where demand goes. And
16 where some of the climate change initiatives end
17 up; 1493 particularly, and AB-32 and the low
18 carbon fuel standard, the results of all those.

19 We're greatly concerned that there is a
20 mandate to produce alternative and renewable
21 fuels; many of them are not yet ready for
22 primetime. I don't know how long it will take,
23 but certainly there are many issues, as was well
24 described -- god bless you -- again -- as was well
25 described in the 2007 IEPR. There are many issues

1 that have to be addressed and overcome for many of
2 those fuels to come to market in mass market
3 quantities.

4 And that means they have to be
5 scientifically sound. Some of that is unproven.
6 They have to be technologically feasible. There
7 has to be a process that works on a commercial
8 basis. And that is cost effective for consumers.

9 Many of those questions are unanswered.
10 And once again, I know I sound like a broken
11 record. This is a major issue, and I think the
12 Energy Commission needs to reconsider its emphasis
13 on getting rid of what the state says are the
14 cleanest burning gasoline and diesel fuels you can
15 buy anywhere on the planet. Every ounce, every
16 day meets specification, is your specification in
17 the State of California.

18 And so I think there's kind of a
19 disconnect there that ought to be address.

20 That extends to ultra low sulfur diesel.
21 Ultra low sulfur diesel is a new product with 15
22 parts per million. It is currently excluded as
23 something we can use to help meet the low carbon
24 fuel standards, and that it is now part of the
25 standard, and there are reductions required in

1 carbon intensity for diesel.

2 We think that the Energy Commission
3 might take a look at that and perhaps come up with
4 a different view than the Air Resources Board
5 currently has.

6 Finally, the permit system. Another of
7 my favorites. We still have, in California, a
8 complicated, confusing, duplicative and often very
9 very difficult permit system that project
10 proponents have to wade through just to get a
11 project built.

12 That means someone who wants to add
13 refining capacity; it will mean someone who wants
14 to build a biofuels unit somewhere; it will mean
15 someone who wants to construct windmills or add
16 solar panels. Everyone is subject to this system.

17 And we think that the Energy Commission
18 ought to, once again, because you have in the
19 past, weigh in on this issue and try to insure
20 that it doesn't complicate and make more difficult
21 our collective desire and ability to bring more
22 energy supplies to market.

23 I thank you for allowing me this time to
24 make these comments. And would be happy to answer
25 your questions.

1 PRESIDING MEMBER BYRON: Mr. Sparano,
2 thank you for your comments. I think a similar
3 response with regard to combined heat and power
4 topics brought up earlier, clearly these
5 transportation fuel issues are extremely
6 important. We're going to continue to work on
7 them.

8 They will be an integral part of the 09
9 IEPR cycle. But trying to limit scope for the
10 interim work so that we don't overpower what
11 really is the emphasis of the IEPR, and that's the
12 two-year cycle. We will take your comments under
13 advisement, but in all likelihood we will try and
14 continue to limit scope for this interim update so
15 that we can focus on these important issues as
16 part of the normal IEPR cycle.

17 Notwithstanding those recommendations in
18 the 07 IEPR do stand, and are important, and we
19 are working on them.

20 Thank you.

21 Let's see, Mr. Plotkin, I have a card
22 from you. Did you care to add some additional
23 comments?

24 MR. PLOTKIN: I would, thank you very
25 much. Norman Plotkin representing the Alliance

1 for Retail Energy Markets. And I will call an
2 audible, however. Given your response to some of
3 the other commenters vis-a-vis the update this
4 year, and I will just then point my comments
5 toward the 2009 IEPR.

6 And along the same lines of the
7 testimony that I gave before with respect to the
8 renewable portfolio standard, 10 percent of the
9 load in California roughly is served in a
10 competitive marketplace. And we have before the
11 Public Utilities Commission, 07-05-025 is the
12 order instituting rulemaking on reopening the
13 retail marketplace.

14 And so it has a major impact. As load-
15 serving entities, we're subject to the renewable
16 portfolio standard, resource adequacy
17 requirements. And so it's very important that as
18 this proceeding moves forward and we contemplate
19 the reopening of the market and empowering
20 individuals to take their energy choices in their
21 own hands, with respect to their overall energy
22 needs, as well as renewable needs, I think it's
23 very important that the 2009 IEPR look into,
24 understand and comment on what's going on at the
25 Public Utilities Commission with respect to the

1 retail market.

2 Because it's going to have a significant
3 impact on planning, procurement and the energy
4 marketplace. We value your input. It may be a
5 little dangerous, we may not like what you have to
6 say sometimes, but we think it needs to be said.
7 And we think it needs to be included.

8 So I'll just leave you with that, with
9 urging you; and I'll follow up with some written
10 comments urging you to please take into
11 consideration, recognizing the Public Utilities
12 Commission OIR on reopening the retail market, and
13 having a look and a discussion in the 2009 IEPR
14 regarding that matter.

15 Thank you.

16 PRESIDING MEMBER BYRON: Thank you. Mr.
17 Plotkin, we've not met. Have you had an
18 opportunity to participate in previous IEPR
19 cycles?

20 MR. PLOTKIN: I have, and I've filed
21 comments, to no avail. We were successful in the
22 Energy Action Plan. So we're hopeful to build on
23 that success. And I've been remiss in not getting
24 in to see you, and will do so.

25 PRESIDING MEMBER BYRON: Well, I

1 encourage your participation. I don't want you to
2 be afraid of the outcome here. We want you to
3 participate so you'll have some input to it.

4 MR. PLOTKIN: Thank you.

5 PRESIDING MEMBER BYRON: Thank you.

6 Please, go right ahead; I'm sorry. I'm
7 sorry. Please introduce yourself.

8 MS. TRELEVEN: Thank you, Commissioner.
9 I'm Kathy Treleven, again, from PG&E. And in
10 surveying PG&E about the 2009 scope, we didn't
11 come up with any large issues that needed to be
12 added to that broad survey.

13 But I did find a few folks interested in
14 expanding the inquiries on the load forecasting.
15 I just wanted to pass those on in the spirit of a
16 workshop as additional ideas.

17 We know that the CEC has been involved
18 in investigating the impacts on load of climate
19 change through the PIER project. And we've done
20 some investigating, ourselves. And would like to
21 see some reflection on the possible variations
22 associated. Especially with peak demand of the
23 load forecast, as we move out into the next decade
24 or two.

25 And kind of similarly another inquiry

1 folks suggested is a broader look at the possible
2 impacts of electrification choices. Within our
3 own basecase we assume a certain amount of plug-in
4 hybrids and a certain amount of electrification of
5 ports.

6 But there are scenarios in which, pushed
7 or pulled, we may find that there is more
8 electrification. And we'd appreciate a survey or
9 help appreciate participating with you in a survey
10 of where that might take us.

11 Thank you.

12 PRESIDING MEMBER BYRON: Thank you.

13 MR. ALVAREZ: Manuel Alvarez, Southern
14 California Edison. There's a couple of items that
15 I want to bring to your attention. But yet I
16 believe they can be handled within the context of
17 the scoping order that's presented. But I do want
18 to bring them up to you.

19 The first issue deals with the effects
20 of the aging distribution system in California. I
21 believe you can handle that under your electricity
22 assessment components. But I want to flag that
23 for you.

24 The second item I want to bring up that
25 I believe I can handle under the transmission

1 corridor planning exercise, but I think it has
2 broader implications. That's land use planning.

3 I think that issue needs to be on our
4 agenda for 2009. A number of occasions for local
5 governments and their relationship to transmission
6 projects, power facility projects in general need
7 to be here at the table to discuss those issues
8 with you.

9 Thank you.

10 ASSOCIATE MEMBER PFANNENSTIEL: Manuel,
11 let me just clarify. When you talk about land use
12 planning are you talking about it specifically in
13 the context of transmission siting, power facility
14 siting? Or is it more general question of land
15 use energy that we have been investigating for the
16 past couple cycles?

17 MR. ALVAREZ: I think it's the broader
18 definition, but specifically we're also interested
19 in the facilities, themselves, since that'll be
20 primarily our implications there. But the broader
21 land use question is the more general topic.

22 ASSOCIATE MEMBER PFANNENSTIEL: Thank
23 you.

24 PRESIDING MEMBER BYRON: Please, Ms.
25 Turnbull.

1 MS. TURNBULL: This is Jane Turnbull
2 from League of Women Voters. It's a remarkable
3 day. I get to follow Mr. Alvarez and largely
4 reiterate exactly what he had to say. Because one
5 of the League's positions was that one of the
6 strongest parts of the last IEPR was the section
7 on land use planning.

8 And the level of initiative that the
9 Energy Commission has taken in this area is
10 commendable and really vital in terms of the long-
11 term concerns of the state.

12 We just see an ongoing relevance for the
13 relationship between land planning and use and
14 energy supplies. Part of it is related to the
15 actual changing nature of the energy business.
16 There will be increased involvement on the part of
17 the people of the state in their energy decisions.

18 Demand response is something that is
19 real. The smart grid is something that's coming.
20 And it's an exciting event to anticipate.
21 Distributed generation is really almost in its
22 infancy, but the potential is great. And we don't
23 know what plug-in hybrids are going to do.

24 All of these things are going to have
25 major impacts. Also the ongoing interrelationship

1 between energy use and greenhouse gas
2 implications, and land planning and greenhouse gas
3 implications is something that is now being
4 understood, but certainly there's a way to go.

5 Little by little there is some sense of
6 blueprint planning going on in the urban areas
7 around the state, but this is really in infancy;
8 and it really needs to be encouraged because if
9 we're going to have optimal use of our resources,
10 we have to understand what the implications of the
11 decisions that we're making now are going to have
12 in the long term. And these do impact on our
13 energy future, but in terms of the state's overall
14 health and economy.

15 PRESIDING MEMBER BYRON: Thank you, Ms.
16 Turnbull. Thank you for being here today, also.

17 MS. KOROSSEC: Are there any comments on
18 the phone?

19 PRESIDING MEMBER BYRON: Let's open it
20 up to the phone if there's anyone that would wish
21 to provide general comments.

22 OPERATOR: Okay, would you like me to
23 just open their line.

24 PRESIDING MEMBER BYRON: Please, yeah.
25 Please identify yourself.

1 MR. HUNT: Hi, this is Tam Hunt with the
2 Community environmental Council. A few general
3 comments on the 08 update. I applaud the
4 Commission for its continuing robust IEPR process.
5 And I understand you have time commitments and
6 time constraints as to the scope of your update
7 and the 09 process.

8 I would, though, agree strongly with
9 WSPA, which doesn't happen very often, that the
10 transmission sectors should be in the 08 update.
11 A little different focus than WSPA highlighted in
12 particular.

13 In particular the 09 -- pardon me, the
14 07 IEPR, -- some supply issues with oil. It is
15 not framed in the way it needs to be framed. The
16 issue of peak oil is becoming more prominent. And
17 in our regional plan, the Santa Barbara region
18 highlight typically the -- between the crises of
19 climate change and peak oil. I think it's very
20 important to get the peak oil issue to the level
21 of the IEPR process because it is a very serious
22 issue.

23 If you're not familiar with this issue,
24 simply peak oil refers to the maximum of oil
25 production on a global basis, at which point

1 production declines.

2 A secondary issue, I mean more -- is the
3 issue of peak exports. And we have, of course,
4 Russia in the news recently announced it's
5 probably past peak. Saudi Arabia announced they
6 are not going to expand production capacity past a
7 million barrels per day when we were expecting 15
8 million barrels per day.

9 Mexico, of course, is declining very
10 quickly in production, 12.5 percent decline, last
11 quarter alone of 2007.

12 It's a very serious issue, and I think
13 the 08 update should, in fact, include this issue
14 and really focus on what happens to our economy if
15 oil keeps on going up. You know, 120 a barrel you
16 see today, higher than \$4 a gallon of gas you see
17 today, higher than 4.50 a gallon of diesel we see
18 today.

19 And really focus on the issue of
20 planning for the more dramatic scenarios, and urge
21 what the government's -- really serious about
22 these issues, because it's really still fairly low
23 on the radar.

24 I have more comments on the '09 process,
25 so I'll hold this till later.

1 PRESIDING MEMBER BYRON: Well, now is
2 later. So, Mr. Hunt, if you have any additional
3 comments, go right ahead.

4 MR. HUNT: In that case, then, in terms
5 of the 09 process, we have raised in the past the
6 issue of lifecycle analysis for electricity and
7 natural gas. And as you know, AB-1007 requires
8 lifecycle analysis, or what they call a full fuel
9 cycle analysis for transportation fuels. We fully
10 support that. It makes no sense from our point of
11 view to require that analysis on transportation
12 fuels but not for electricity and natural gas.
13 We'd urge the Commission to include that in the 09
14 IEPR process.

15 On LNG, this is an ongoing debate. If
16 you're not aware, LNG prices have skyrocketed --
17 fossil fuels globally. And LNG imports, the U.S.
18 has declined precipitously because Europe and Asia
19 are paying a lot higher prices than the U.S. is.

20 So the Commission's long-term support
21 for LNG is running up against the problem of
22 global pricing. When you include also the factor
23 that LNG has much higher associated greenhouse gas
24 emissions because of its lifecycle, that makes, I
25 think, a re-evaluation of LNG, and support by the

1 Commission for LNG timely at this point in the 09
2 IEPR.

3 Thank you.

4 PRESIDING MEMBER BYRON: Thank you, Mr.
5 Hunt.

6 MS. ETTENSON: Hi, this is Laura
7 Ettenson from the Natural Resources Defense
8 Council, again.

9 PRESIDING MEMBER BYRON: Go ahead.

10 MS. ETTENSON: Thank you. Well, I have
11 a few more topics that I would like to include in
12 the scoping of the 2009 IEPR, beginning with the
13 -- utilities, we first want to thank the
14 Commission for your hard work on the first-ever
15 AB-2021 report that was released in December of
16 last year.

17 Moving forward we urge the Commission to
18 include AB-2021 in the IEPR update if possible, or
19 in the 2009 IEPR, to continue the momentum that we
20 started towards achieving the aggressive goals set
21 by the POUs.

22 In particular, we recommend that the
23 Commission outline key guidance points for the
24 POUs to focus on setting rigorous targets pursuant
25 to AB-2021; submitting thorough and complete

1 status reports pursuant to SB-1037; and
2 establishing robust independent measurement and
3 verification protocols.

4 With respect to natural gas, NRDC thanks
5 the Commission for including recommendations in
6 the 2007 IEPR in support of natural gas energy
7 efficiency and also advancing renewable resources
8 for natural gas.

9 Again, looking forward to the 2009 IEPR,
10 we recommend that the Commission include an
11 expanded discussion of this, and further
12 recommendations of how to achieve these goals.

13 With respect to the water/energy nexus,
14 NRDC commends the Commission for including an
15 acknowledgement of the water/energy connection in
16 the 2007 IEPR. And we recommend that the
17 Commission elaborate on this discussion to include
18 specific recommendations for how to encourage
19 water efficiency as it pertains to capturing
20 energy efficiency.

21 And then, as you know, AB-1560, along
22 with AB-1881 and AB-662, authorize the Commission
23 to set water efficiency standards for buildings,
24 appliances, fixtures and irrigation equipment as a
25 way to save water and energy.

1 Therefore we urge the Commission to
2 initiate standard setting procedures, and to
3 include in the 2009 IEPR a recommendation that
4 will insure that the state's fully utilizing
5 whatever water/energy efficiency procedures, as
6 well as other water management tools, such as
7 water recycling and low-impact development, green
8 infrastructure, which all can achieve significant
9 energy savings, as well as greenhouse gas emission
10 reduction by reducing the need for imported water
11 supplies.

12 And lastly, with respect to smart
13 growth, NRDC would like to thank the Commission
14 for their leadership on making the important
15 connection between the land use and global
16 warming, particularly with regard to the
17 connection between land use and climate change.

18 The CEC's important report, the role of
19 land use in meeting our climate and energy goals,
20 continues to serve as the most complete treatment
21 of the issue in California. And furthermore, the
22 work of the land use subcommittee at the Climate
23 Action Team, under the leadership and guidance of
24 CEC Staff, has been extremely productive and
25 beneficial towards this effort.

1 In addition to continued analysis of the
2 issues presented in this report, and the -- draft
3 chapters, NRDC recommends that the CEC in the 2009
4 IEPR first do research and analysis of the
5 relationship between more compact development and
6 energy efficiency, so the compact development can
7 both shorten transmission distances through
8 locating in-fill projects within known service
9 areas and potentially lessen the line loss per
10 household when compared to conventional single
11 family development.

12 Although this may seem perhaps
13 instinctive, further research is needed to
14 quantify the expense of the correlation for the
15 purposes of land use planning -- production. And
16 also NRDC wants to reiterate that improving the
17 transportation models to reflect the benefits of
18 smart growth is a key piece of the puzzle. And
19 while this is touched on in the role of land use
20 report, it seems to have received less attention
21 in the 2007 IEPR. So we recommend including a
22 discussion of this issue and related documentation
23 in the 2009 IEPR.

24 Thank you again for considering NRDC's
25 comments. And we look forward to participating in

1 this process and moving forward.

2 PRESIDING MEMBER BYRON: Thank you, Ms.
3 Ettenson. That was in fast-forward.

4 MS. ETTENSON: That's my New York --

5 PRESIDING MEMBER BYRON: Is there anyone
6 else on the phone that would like to comment.

7 MR. TOCA: Yes, thank you. This is
8 Charles Toca again with US&R Powergrid Partners.

9 PRESIDING MEMBER BYRON: Go right ahead.

10 MR. TOCA: Just putting in one more
11 push, I guess, for gas energy storage. I note
12 that in the IEPR you have a column or section for
13 environmental performance. (inaudible) generation
14 facilities (inaudible) technologies.

15 I just wanted to point out that a recent
16 study by KEMA indicated that the use of advanced
17 energy storage would reduce the emissions of power
18 plants by 70 percent that are used to provide
19 regulation to the Independent System Operator.
20 About 350 megawatts that are set aside by the ISO
21 for that purposes. So it's a pretty significant
22 statement.

23 In addition, by using energy storage,
24 that (inaudible). So I'd encourage you to include
25 energy storage, perhaps in that category.

1 PRESIDING MEMBER BYRON: All right,
2 thank you.

3 MS. KOROSEC: Anyone else on the phone?
4 Anyone in the room?

5 All right, that's a good sign. Just
6 quickly, next steps. Written comments are due
7 April 30th to our dockets office in the process
8 identified in the hearing notice.

9 We'll be issuing a scoping order on the
10 OAI update based on today's comments and the
11 written comments in early May.

12 We'll be holding a scoping hearing for
13 the 09 IEPR in early June, with a scoping order
14 for that in 08.

15 Once we've nailed down the topics for
16 the 08 update, we'll be holding staff workshops in
17 June and July of this year.

18 And I think if there's no more questions
19 or comments, I think that that's it. Thank you
20 very much, everyone.

21 PRESIDING MEMBER BYRON: Commissioners?

22 COMMISSIONER BOHN: Yeah. Suzanne, may
23 I just make --

24 MS. KOROSEC: Oh, absolutely.

25 COMMISSIONER BOHN: -- one comment. And

1 it's kind of a mutual plea on behalf of both the
2 PUC and the CEC. All this, the AB-32 discussions
3 and the pending federal legislation, all of that
4 stuff, for purposes of the private sector
5 utilities, causes a certain amount of confusion
6 and uncertainty.

7 So as we go through the process any
8 tools that we develop that will help, or that you
9 might see as we go through the process, I would
10 encourage those to be brought forward. Because to
11 the extent we can reduce uncertainty, permit
12 people to do their business plans, I think it
13 would be helpful.

14 Thank you.

15 PRESIDING MEMBER BYRON: Madam Chairman?

16 ASSOCIATE MEMBER PFANNENSTIEL: Nothing,
17 thank you.

18 PRESIDING MEMBER BYRON: Well, in that
19 case, thank you all very much. I understand
20 during my tenure at the Commission I've heard it
21 said, our plate has never been fuller than it is
22 right now.

23 Thank you all for your comments and
24 input, particularly those who seem to want to add
25 additional portions to our plate here today.

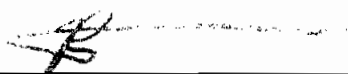
1 Thank you. We'll be adjourned.
2 (Whereupon, at 12:31 p.m., the Committee
3 hearing was adjourned.)
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CERTIFICATE OF REPORTER

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 4th day of May, 2008.



PETER PETTY