BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY COMMISSION

In the Matter of: }
)
Business Meeting )
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CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, December 16, 2009
10:00 A.M.

Reported by:
Peter Petty
COMMISSIONERS PRESENT

Karen Douglas, Chair
James D. Boyd, Vice Chair
Jeffrey D. Byron
Julia A. Levin
Arthur H. Rosenfeld

STAFF PRESENT

Melissa Jones, Executive Director
Jonathan Blees, Acting Chief Counsel
Loreen McMahon, Office of the Public Advisor
Harriett Kallemeyn, Secretariat

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DECEMBER 16, 2009 10:09 a.m.

CHAIRPERSON DOUGLAS: Good morning. We will begin the meeting. Welcome to the California Energy Commission Business Meeting of December 16th, 2009.

Please join me in the Pledge.

(Whereupon, the Pledge of Allegiance was received in unison.)

CHAIRPERSON DOUGLAS: All right, we have a few changes to the Agenda before we begin. On Item 1, the Consent Calendar, Items 1I and 1J will be heard at the end, so they will be heard after Item 12.

COMMISSIONER BYRON: Madam Chair, I was curious to know if there might be any representatives from a number of the cities and counties that are listed in A through G; in the event they were here, they might also be interested in speaking.

CHAIRPERSON DOUGLAS: That is a very good idea --

MR. PENNINGTON: I do not think they are going to be here. We have talked to them and I think it is highly unlikely that anyone is here.

COMMISSIONER BYRON: Thank you.

CHAIRPERSON DOUGLAS: All right, so we will hear Items I and J at the end of the agenda, I and J of the Consent Calendar. Item 8 will be moved to the January 13th Business
Meeting Agenda. And with that, we will begin with the Consent Calendar.

COMMISSIONER ROSENFELD: I move the Consent Calendar.

VICE CHAIR BOYD: Second.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

That item is approved.

Item 2. Strategic Transmission Investment Plan.


MS. GRAU: Good morning. I am Judy Grau with the Commission Strategic Transmission Planning Office.

VICE CHAIR BOYD: Judy, is your mic on?

MS. GRAU: Yes, it is. Can you hear me?

VICE CHAIR BOYD: Barely.

MS. GRAU: First, by way of background, this is the third biennial Strategic Transmission Investment Plan. The first two were published in November of 2005 and 2007, as directed by Public Resources Code Section 25324. Those plans shed light on a number of transmission related barriers and made specific recommendations to overcome those barriers in the areas of transmission planning, corridor planning, and
corridor designation. They also recommended specific
transmission project investments. More recently, the 2008
Integrated Energy Policy Report update focused on the
physical, operational, and market changes needed for
California's electricity system to support a minimum of 33
percent renewables by 2020. That report noted that the
primary barrier to increased development of renewable
resources continues to be lack of transmission to access these
resources, particularly in remote areas of the state.

Building upon this record, a total of three workshops were
held for this 2009 cycle, a staff workshop on transmission
forms and instructions, and two Joint IEPR and Siting
Committee workshops on pressing transmission activities and
issues. We received updates from the Renewable Energy
Transmission Initiative, or RETI, representatives on their
Phase IIA efforts, we received updates from the California
Independent System Operator on their 2009 and 2010 Annual Grid
plans, and from Energy Commission staff in the Northern Tier
Transmission Group on Western Regional Transmission
Initiatives and Projects. We also had several roundtable
panel discussions with stakeholders on topics that include
facilitating coordinated statewide transmission planning to
achieve renewable policy goals, valuing environmental
decisions in transmission planning and permitting using a
programmatic approach, vetting staff's straw man coordinated
statewide transmission planning process, and vetting staff's proposed transmission corridor designation selection methodology. The IEPR and Siting Committees then published their Joint Committees Draft Strategic Plan on September 28th and held a joint hearing on October 8th. The Committees received comments from 11 parties, all of which are available on our website. Those comments were considered by the joint committees and are included where appropriate in the joint committees' final version published on November 23rd. It is this joint committee's final version that is being considered for adoption today.

The committees make a number of recommendations and I want to mention here those that are deemed of highest priority. First is the Energy Commission staff will work with the recently formed California Transmission Planning Group, or CTPG, and the California ISO in a concerted effort to establish a 10-year statewide transmission planning process that uses the Strategic Plan proceeding to vet that plan, as described in Chapter 4 of the document, with emphasis on broad stakeholder participation. Another recommendation is that the Energy Commission staff will work with the California ISO (CAISO), CPUC, and publicly owned utilities to develop a coordinated statewide transmission plan using consistent statewide policy and planning assumptions. Next, the Commission staff will continue to participate in the renewable
energy action team's effort to streamline and expedite the
permitting processes for renewable projects, while conserving
endangered species and natural communities at the ecosystem
scale in the Mojave and Colorado Desert Regions through the
Desert Renewable Energy Conservation Plan. The Energy
Commission staff will ensure that the generation findings in
the Desert Renewable Energy Conservation Plan are considered
in CAISO and CPUC transmission processes.

The Energy Commission, CAISO, and CTPG will
prioritize transmission planning and permitting efforts for
renewable generation and work on overcoming barriers and
finding solutions that would aid their development and the
first priority is placed on the 10 transmission projects
supported by the Energy Commission in the two previous
Strategic Transmission Plans. The second priority will be
placed on the RETI Phase 2 renewable foundation and renewable
delivery line segments that are categorized as least regrets
because they are likely to be needed to meet growing energy
demand, regardless of generation source, and that do not need
new corridors. Also included in this second priority category
are three other least regrets segments that do require new
corridors, but are needed to complete links to the Northern
California load centers. The third priority is to begin
outreach for those least regrets RETI segments that require
new corridors, and to begin developing phased solutions to
interconnect specific renewable zones as generators commit to developing power plants. A next recommendation is that the Energy Commission will continue support for ongoing RETI-related activities, including the Coordinating Committee, Stakeholder Steering Committee, and working groups, by providing appropriate personnel and contract resources. The Energy Commission staff will continue to coordinate with the RETI stakeholders group to incorporate RETI's new information in applying the method described in Chapter 6 of the Strategic Transmission Plan, to reach consensus on the appropriate transmission line segments that should be considered for corridor designation to promote renewable energy development, and finally, of our highest priority recommendations, the Energy Commission will continue participation in the Western Renewable Energy Zone process to ensure consistency with RETI results for both preferred renewable development areas, as well as environmentally sensitive areas that should be avoided.

And one final note, upon adoption of the report, staff is recommending a few changes to bring the document current to the date of publication. This includes, among other things, a few items that were discussed in the future tense in the Joint Committees' final version and a few other late breaking items, such as the California Transmission Planning Group now has a website: www.ctpg.us, and also there
has been some movement on the 10 recommended projects such as
the Transbay Cable is now undergoing testing and should be
commercial early next year, so things like that. Thank you.
Do you have any questions for me?

COMMISSIONER BYRON: Ms. Grau, thank you very much.
Commissioners, I think you all know, but the Strategic
Transmission Investment Plan --

CHAIRPERSON DOUGLAS: I apologize, Commissioner
Byron, I just remembered and found the card for -- I have one
for Item 2. I have multiple piles of cards in front of me and
let this serve as a reminder for anyone else who would like to
speak to please fill out a blue card and indicate the item
that you would like to speak on. Mr. Manuel Alvarez from
Southern California Edison, this is the only card I have on
this item.

MR. ALVAREZ: If it is the only card, you must have
accomplished a lot in this cycle. Actually, I am here to
support the staff's recommendations to the Committee's report.
We actually found this particular cycle to be pretty rewarding
in terms of the complexities the state faces for transmission,
and we look forward to the Energy Commission's coordination
with the Transmission Planning Group and continued effort to
kind of resolve our transmission dilemma in the State of
California. I guess the line I have been using lately is that
everybody wants renewables, but nobody wants transmission, is
kind of the same thing as everybody wants to go to heaven, but
no one wants to die. So I look forward to your efforts in the
next year, and job well done. Thank you.

CHAIRPERSON DOUGLAS: Thank you, Mr. Alvarez. We
have one person on the phone who would like to comment, Ron
Dickerson.

MR. DICKERSON: Can you hear me?

CHAIRPERSON DOUGLAS: Yes, but please speak up. It
is not easy to hear you.

MR. DICKERSON: Well, first of all, I want to thank
you for the opportunity to comment on the process. I also
want to say that the report, as I read it, is really well done
and I do support that the Commission adopts it. I covered
some issues in some written comments and I think Mr. Alvarez
just kind of touched on them about everybody wanting
renewables, but there are some costs to be paid. I feel like
there have been issues that were touched on in this report
regarding loading order, priority, and how those might be
captured in the quality sought. I am also aware that the PUC
has or is developing a framework to analyze the loading order
resources and that they were going to apply it to the
procurement process and the permitting process, but it seems
like there is an uncertainty about the forecasting of these
loading order options or the resources, and it seems to me
that it would be kind of intuitive to consider how distributed
generation development scenarios might fit into the planning processes, and eventually provide another framework for some of that to be captured because it seems somewhat speculative in its nature at this point. Like I said, I do support the Commission's adoption of the SIP, but I would like to see how addressing and incorporating some of the loading order priorities in the future could be provided in any updates, or in any sort of ways forward, because it seems to me that we have got a really big resource in distributed generation that could be captured if there was some coordinated processes where planners were actually incorporating some of that analysis in their planning processes. Right now, I mean, it looks like there is a real bright line where transmission planners are not really looking at evaluating these non-wired alternatives in their analysis, and it seems as though this would be a great approach to assure that California meets its RPS goals. So, yeah, that is my thought. I do not know how they apply to what the Commission can do immediately, but I would like to see that become more clarified.

CHAIRPERSON DOUGLAS: Thank you for that.

COMMISSIONER BYRON: Yes, Mr. Dickerson, thank you very much. And I do not know who you are, but you certainly distinguished yourself in the last couple of days with your thoughtful comments. We appreciate them very much. You realize, of course, we do not do intervener compensation at
MR. DICKERSON: I did not expect any. My compensation is when California gets to that point when we are really using a lot of renewables, and I think distributed generation is one of those key elements in that process. I understand that there may be an eventual determination that some transmission essential generation is going to be necessary in this process, but I think California needs to clarify how we capture some of those distributed gen resources, and I think transmission planning should include that analysis, that I think there are a lot of issues there.

COMMISSIONER BYRON: All right, thank you very much. And thank you, Mr. Alvarez, for coming forward in your support for this document. And of course, there were a number of participants, but we are not going to go through all of those. Ms. Grau did a very good job of summarizing the process that we have gone through. And I appreciate your comments, Mr. Alvarez, I think it was very positive, as well, and we have really benefited from the comments from Southern California Edison, and participation, as well as the other utilities. This step is a mandated report that is part of the IEPR. We are required to do this. When I say "IEPR," the Integrated Energy Policy Report, which we will take up next. And I think our staff did a stellar job of providing, and has done a stellar job in the past, in providing a comprehensive
compendium of all the transmission issues, the priority lines that are needed, and outlining an improved planning framework going forward. I believe this is one of the most underutilized and under recognized things we do here at the Energy Commission, among the very valuable things that we do. The Legislature has given us this responsibility and we must continue to make the most of it. This is a very good plan, and if we follow it, Commissioners, we can be successful in building the needed transmission to serve the growing and changing needs of this state. We have some real challenges in California getting transmission built, we have different agencies doing transmission siting, different than those doing the generation siting, a third agency responsible for much of the state's transmission grid operations, this is not a recipe for easy decision-making, or getting steel in the ground. This Commission, as well as our sister agencies, notably the PUC and the ISO, are committed to building the infrastructure that will allow us to achieve a minimum of 33 percent renewables and a low carbon electricity system. Despite our inefficient and crosscutting agency jurisdiction, we are also committed to working together and getting the infrastructure we need, however, I would like to make it clear that we will only be successful if two things happen, the agencies must continue to collaborate and work together, and we have got to have an inclusive stakeholder process where meaningful input
is solicited and utilized. For that reason, this Commission has been supportive of the Renewable Energy Transmission Initiative, or RETI, as a vehicle to hear from the diverse stakeholders, and also to empower that stakeholder process to come to a consensus. Consensus building is not perfect, it is not a perfect process, but it has been a remarkable effort by many. We are up to, I believe, 30 stakeholders now that participate in the RETI process, stakeholders whose voice is heard and considered and included where appropriate. Of course, not everyone will be satisfied, but when you must make a decision, and we must site additional transmission lines to access renewables, everyone must have a say. This SIP also recognizes and supports the newly formed California Transmission Planning Group, an acronym we all struggle with, the CTPPG, and I cannot believe that CTPG.us had not been taken already. The CTPG will take results from RETI and will look at opportunities to gain efficiencies by identifying joint projects with investor and publicly owned utilities, and do the engineering analysis on the reliability impacts. I met last week with the leaders of the CTPG and President Peevey, and I can tell you that they are all committed to an open and inclusive transmission planning process. RETI, however, is at a crossroads and President Peevey and I just sent a letter to the stakeholders, I believe it went out last night, encouraging their active engagement in CTPG, as well as the
CEC’s Desert Renewable Energy Conservation Plan, or DRECP, and the PUC’s Long-Term Procurement process.

Now, Judy began to outline a process that is put forward in this document to coordinate Strategic Transmission Planning going forward, I encourage you to look at it, it is in Chapter 4, I am not going to bore you with the details, however, I would like to. The key message is that we need to clearly articulate the products out of each planning exercise, the relationship to other planning forums, and conformance with all state policies, not just reliability, and allow ample opportunities for proactive stakeholder engagement. I believe we have made incremental progress on these fronts through the STP process, as well as through our Energy -- EAP -- Energy Action Plan. And also recently the Joint Visioning process that we discussed yesterday at the Energy Action Plan Meeting with the PUC and other agencies. There is a great deal of work ahead, and it is not confined to statewide planning. Transmission planning is a regional issue that requires continued engagement with the Western Energy Coordinating Council and the Western Governor's Association. I am heading to the WGA meeting -- winter meeting -- this afternoon in San Diego, where we will discuss transmission issues. We have a long load ahead of us and the STP is but a small but important piece in this puzzle. My thanks to the staff who diligently prepared it today for our adoption, Ms. Grau, thank you to you
and all of your team. With that overview, I of course welcome
questions and discussion from my fellow Commissioners before I
make a motion.

VICE CHAIR BOYD: If I might. As the second member
of the IEPR Committee and thus somewhat involved in overseeing
this, I want to commend Commissioner Byron for his dedication
and diligence on the subject of transmission, in general, and
in particular, today with ramrodding the effort to get the
Strategic Transmission Investment Plan finished, we work hard
at maintaining a presence in the transmission planning and
implementation business, as is our business as a policy
organization, and Commissioner Byron has done a marvelous job
of planting our flag continuously in carrying this effort
forward, be it the STIP itself, or RETI, or the alphabet soup
of western regional organizations that are involved in this,
he has pressed us forward; and, of course, he could not do all
that without the incredible staff work support that he has
gotten from the staff and from his advisors. So when he makes
his motion, I will take great delight in seconding the
approval of this.

CHAIRPERSON DOUGLAS: Commissioners, I would just
like to chime in and thank Commissioner Byron for his overall
leadership on this issue, which is one of the most important
issues that the state faces in reaching its 33 percent
renewable energy target and moving towards a lower carbon
electricity system, and in particular for your efforts on bringing this document together. I know that it was a long road, you had to work intensively with stakeholders, and our very strong staff team, so I appreciate your efforts and I was very pleased to hear support, strong support, from stakeholders voiced at today's meeting.

COMMISSIONER LEVIN: This is obviously going to be a very controversial vote. No, I too would like to add my thanks, having worked on RETI and the transmission issue prior to coming to the Commission, and since. I think the staff, Judy, your whole team has done a great job, and I also -- as much as he hates it, I want to acknowledge my advisor, Jim Bartridge, who has moonlighted on his own time, and additional time, and I think has been extremely helpful both to me in letting me know what is going on, and also in the development of the Strategic Transmission Investment Plan itself. I really appreciate, Jim that you did that on your own time, on top of everything else going on. I think you all have done a great job and I really hope that all of the collective agencies take the recommendations and continue to find more ways to work together to accelerate transmission development in the right places for renewables, for all of the reasons.

So thank you for this great work, and Commissioners, as well.

COMMISSIONER BYRON: Thank you, Commissioners.

Thank you for your kind remarks. Of course, this is not a
one-man operation, clearly, there are a lot of folks involved.
I am going to take just a second and read off some names.
Judy Grau, of course, I see is the glue behind this operation,
Grace Anderson, Mark Hesters, Don Kondoleon, Melinda Merritt,
Chuck Najarian, Ean O'Neill, Chris Tucker, Clara Laufenberg-
Gallardo, Roger Johnson, Mignon Marks, and Jamie Patterson,
and James Bartridge. I would like to thank you all very much.
With that, may I move the item?

VICE CHAIR BOYD: Second.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

The item is approved.


Possible adoption of the Committee Final 2009 Integrated

MS. KOROSEC: Good morning, Commissioners. The item
before you today is approval of the 2009 Integrated Energy
Policy Report, or IEPR. As you know, California's Public
Resources Code requires the Energy Commission to develop an
IEPR every two years with an update in the intervening years
to assess energy supply and demand and discuss major energy
trends and issues that are facing electricity, natural gas,
and transportation fuel sectors in California. The Report
also provides detailed recommendations to address the
challenges that are facing California's energy systems and to
ensure reliable, secure, and diverse energy supplies for the state.

The 2009 IEPR was developed through an extensive public process with workshops and hearings on a wide variety of topics that were identified in the IEPR Committee's Scoping Order that was released in January of 2009. Over the past year, the staff and the IEPR Committee have held 35 public workshops and hearings on those topics that were identified in the Scoping Order, and oral and written comments received at those workshops were incorporated into the staff and committee documents that provided the underlying information for the IEPR, as well as into the Draft IEPR itself and the proposed recommendations that are before you today. Like the 2007 IEPR, the 2009 IEPR emphasizes the importance of the state's greenhouse gas emission reduction goals, but it also focuses on the many energy policies in place in California today, and how they affect energy users. It also provides the results of the Energy Commission's forecasts of energy demand, and focuses on the many infrastructure challenges that the state is facing in the 21st Century, particularly in the electricity sector. Finally, the report discusses how California can minimize the environmental impacts of energy production and use, while continuing to ensure that its citizens have reliable, secure, diverse, and economic sources of energy.

In terms of energy demand, we are seeing reduced
demand in all sectors as a result of the economic recession, but we also expect to see a return to or even increase in historic levels of demand growth as the economy improves. In the Electricity Demand Forecast adopted at the December 2\textsuperscript{nd} Business Meeting, it shows overall energy consumption growing by 1.2 percent per year from 2010 and 2018, and peak demand growing 1.3 percent per year over that same period. On the supply side, the Energy Commission is experiencing a record high number of applications for power plants, with 30 projects under review, totaling about 12,000 megawatts. The PUC has also approved more than 10,000 megawatts of renewable contracts for the RPS with an additional 4,600 megawatts that are under review.

In the natural gas sector, our demand is down in the near term and, by 2018, is expected to be about 8 percent lower than our prior forecast in the 2007 IEPR; however, as the economy recovers, we expect to see the annual growth rate in natural gas consumption actually exceed the forecasted growth rate from the prior forecast. Natural gas supply was a major issue in the 2007 IEPR because production from conventional natural gas sources had declined in the late '90s and early 2000s. However, as natural gas prices have increased, so have expiration and production, and there have also been advances in driven technologies that allow recovery of natural gas from shale formations. There are also
potential new sources of supply from an existing liquefied natural gas facility that is in Baja, Mexico.

In the transportation sector, the recession has also had an impact on the demand for fuels. California's average daily gasoline sales for the first four months of 2009 were about 2 percent lower than the same period in 2008. Diesel fuel sales for the first three months of 2009 were close to 8 percent lower than the same period in 2008, and demand for jet fuel showed a nearly 9 percent decline over that period. The initial years of the Energy Commission staff's forecasted demand for transportation fuels show a recovery from the recession and a resumption of historical growth patterns over time, but we see the mix of fuel types changing as the state transitions from using gasoline and diesel to using higher levels of alternative and renewable fuels. Annual gasoline consumption will decrease over the forecast period, which is 2008 to 2030, while demand for alternative transportation fuels like natural gas and electricity will increase substantially, along with the number of compressed natural gas vehicles, full electric, and plug-in hybrid electric vehicles. Demand for renewable fuels is also expected to increase, as a result of both the implementation of the Federal Renewable Fuel Standard and the state's Low Carbon Fuel Standard. While there is currently an over-supply of ethanol domestically, it is likely to be temporary as the demand for ethanol increases
with implementation of the RFS regulations. We also expect to see an increase in biodiesel use.

On the supply side, we are seeing a decline in California's crude oil production, and the Energy Commission staff forecast shows an increase in crude oil imports over time, although the federal government has lifted the moratorium on drilling offshore, the coast of California, any significant production from offshore oil is at least a decade away, meaning that the state will continue to rely on imports for crude oil supplies. For alternative fuels, there is currently a surplus of ethanol in the U.S., which I mentioned, which has led to the closure of all of California's ethanol production facilities, that is, as the demand for ethanol increases because of the RFS regulations, California is expected to start importing more ethanol from Brazil since it has a lower carbon intensity than the Midwest ethanol, so it will meet the state's Low Carbon Fuel Standard requirement.

Biodiesel production has also increased dramatically in the U.S. since 2005, and it appears that there will be enough domestic supply from biodiesel production facilities to meet the RFS2 blending requirements for several years.

The 2009 IEPR makes a number of recommendations to address energy challenges facing California energy sectors, and to help focus the state efforts, the IEPR Committee chose in the Executive Summary to focus on top priority
recommendations that they feel are needed going forward, and I
will go over those briefly. Energy efficiency and demand
response continue to be the state's priority resources for
meeting new electricity demand; achieving all cost-effective
energy efficiency is essential to achieving our GHG emission
reduction goals, and also increases the reliability of the
electricity system by reducing the need for new power plants
and new transmission infrastructure. It also reduces energy
costs for businesses and for residential consumers.

Strategies to achieve all cost-effective energy
efficiency include increasing the state's building and
appliance standards, along with better enforcement of those
standards, and promoting the development of zero net energy
buildings. To achieve the state's goals for zero net energy
homes and businesses, the IEPR Committee recommends adopting
and enforcing building appliance standards that put California
on the path to zero net energy residential buildings by 2020,
and commercial buildings by 2030. The IEPR Committee also
recommends that the Energy Commission work with the PUC to
develop and implement audit, labeling and retrofit programs
for existing buildings that achieve all cost-effective energy
efficiency.

Another efficiency issue in this IEPR is the effect
on the Energy Commission's demand forecast from future
efficiency programs and standards that are part of the state's
aggressive energy goals, but for which there are not yet committed programs or funding that is in place. The demand forecast only includes effects from committed or funded programs. But there is a need to estimate the incremental savings that come from future efficiency programs and standards that are reasonably expected to occur, but for which there are not yet committed program designs or funding in place. The Energy Commission staff began working on this effort in the 2008 IEPR update and it continued those efforts in the 2009 cycle, so going forward the IEPR Committee recommends that the Energy Commission work with the PUC and the investor and publicly-owned utilities to improve our ability to distinguish future efficiency savings from savings that are already accounted for in the demand forecast.

For renewable resources, California needs to continue to address barriers to increasing the amount of renewable energy in our supply mix. Resources are key to achieving our GHG emission reduction goals, but there are challenges that include integrating large amounts of renewable energy into the electricity system and certainty about the time line for meeting our RPS goals, the development of renewable facilities and the transmission that is needed to access those resources and potential environmental concerns with that, difficulty in securing project financing, delays and duplication in power plant siting processes, the time and
expense that is associated with new transmission development, the cost of renewable energy in a fluctuating energy market, and maintaining the state's baseline of existing renewable facilities.

As of 2008, California was at 10.6 percent renewable, and the investors and utilities were supplying about 13 percent of their total sales from eligible renewables on an aggregated basis. Clearly, we will not make the 2010 goal of 20 percent renewables, and while both the investor-owned and publicly-owned utilities are showing progress towards meeting the RPS goals, we still have a long way to go.

And given the Governor's Executive Orders requiring 33 percent renewables by 2020, we will need more aggressive efforts to meet our targets.

A related issue is the Governor's target of achieving 20 percent of the RPS for biopower resources. New biomass facilities face challenges from the high cost of emission controls and getting air permits, while existing facilities that provide a significant portion of the state's baseload renewable capacity face challenges from the expiration of production incentives funded by the public goods charge. And integrating high levels of renewables into the system is a challenge since the engineering realities of the system require certain operating characteristics for reliability. Various studies regarding the impacts of 33
percent renewables on the system have been completed, and
others are in process, and these studies have clearly
demonstrated the complexity associated with achieving our RPS
goals.

To help achieve those goals, the Committee
recommends that the Energy Commission, the Air Resources
Board, the PUC, and the CAISO, continue to work together to
implement a 33 percent renewable policy that applies to all
load serving entities and retail providers. Further, the
Committee believes that the state should pursue legislation to
codify the 33 percent renewable target, identifying the
Governor's Renewable Executive Orders to provide the necessary
certainties to the market.

To speed up permitting of new renewable generation
and the transmission needed to serve that generation, the
Committee recommends that the Energy Commission work with the
PUC, CAISO, the Federal Bureau of Land Management, the
California Department of Fish and Game, and other agencies, to
implement specific measures, including eliminating duplication
between the agencies, shortening permitting timelines, and
using planning processes like the Renewable Energy
Transmission Initiative and the Desert Renewable Energy
Conservation Plan.

To meet the Governor's goal for bioenergy resources,
the IEPR Committee recommends that the Energy Commission
facilitates and coordinates programs with other state and local agencies to address barriers like regulatory hurdles and project financing, and that the Energy Commission also encourage additional research and development activities to reduce costs for biomass conversion, biopower technologies, and environmental controls.

Finally, the Committee recommends further analysis to identify solutions to integrate energy efficiency, Smartgrid infrastructure, and renewable resources that could include better coordination of the resource mix of renewables added to the system, as well as the timing of those resource additions, additional research and development on storage technologies, and a better understanding of which new, more flexible and efficient natural gas technologies would best fit into the electricity grid.

The next supply side resource in the state's loading order is distributed generation, which includes combined heat and power facilities. The Committee continues to emphasize the importance of CHP technologies, particularly given the ARB's Scoping Order goal of 4,000 megawatts of new CHP that will be needed to contribute towards our GHG emission reduction goals. During this IEPR cycle, the Commission developed a new study of market potential for these facilities that identified about 3,000 megawatts of CHP potential in the base case, and additional stimulus efforts and incentives on
alternative cases more than doubled that amount to 6,500 megawatts, which is well in excess of the ARB's target. To achieve these levels of CHP penetration, the Committee recommends working with the ARB to remove market barriers to the development of CHP, and continuing to provide analytic support on CHP efficiency requirements and other technical specifications, so that CHP is more widely viewed and adopted as an energy efficiency measure.

Moving on to nuclear power plants, as part of the 2008 IEPR Update, the Commission released the Assembly Bill 1632 Report that evaluated the vulnerability of the state's nuclear power plants to outages because of seismic and plant aging issues. The report made a number of recommendations for additional studies that PG&E and SCE should undertake as part of their license renewable feasibility studies for the PUC, and directed the utilities to report on the status of their efforts in the 2009 IEPR. In addition, in June of this year, the PUC sent letters to both utilities, emphasizing the need to complete those studies as a part of their license renewable feasibility studies. The IEPR Committee therefore recommends that PG&E and SCE should complete all of the studies recommended in the AB 1632 Report and make their findings available for consideration by the Energy Commission, as well as for the PUC and the Nuclear Regulatory Commission during their reviews of the utilities' license renewal applications.
Transmission infrastructure is a key element of meeting the state's electricity needs, and as Ms. Grau mentioned, as part of each IEPR, we prepare a Strategic Transmission Investment Plan. She described that fairly completely, so I will just go past the recommendations, since she covered the top priority recommendations in her presentation.

So those are all pieces of the electricity system, and the 2009 IEPR also discusses the needs of the system as a whole, in terms of coordinated policy planning and procurement efforts to get rid of duplication and to ensure that planners and policy makers understand how statewide energy policy goals interact and potentially conflict. There are numerous agencies involved in electricity planning, and while there is some coordination, the Committee believes that much more is needed. As I mentioned, energy infrastructure is a key focus of the 2009 IEPR, particularly for the electricity sector. There are challenges to integrating the many policy goals in this sector, including reducing greenhouse gas emissions, using energy efficiency, demand response, and renewable resources, adding 3,000 megawatts of solar through the California Solar Initiative by the end of 2016, and increasing combined heat and power capacity by 4,000 megawatts. Next are other environmental goals, like retiring or repowering plants that use once-through cooling to reduce impacts on marine
life, retiring or repowering less efficient aging power
plants, reducing the impacts of siting renewable power plants
and transmission, and improving air quality in the southern
code of the state.

The interaction of these goals will affect
electricity infrastructure planning over the next several
decades. Once-through cooling mitigation efforts will likely
reduce the amount of flexible fossil resources that provide
system reliability, and that can also support the integration
of large amounts of renewable resources, so new plants will be
needed to provide those services, however, the lack of
available emission credits in Southern California will make it
difficult to build new fossil power plants, which may result
in the need to continue to operate older and less efficient
plants. Transmission additions and upgrades will be needed to
access renewable resources to meet our renewable goals, but
there continue to be public concerns about the environmental
land use cost and visual impacts of those lines.

Coordination of electricity and transmission
planning processes among the state's energy agencies adds
further complication, since to date these processes have been
only loosely coordinated among the many agencies. We need
tighter coordination among the agencies to address challenges,
avoid unnecessary duplication, and ensure the use of
consistent planning assumptions so that everyone is on the
same page. In addition, none of the energy agencies is looking systematically at the long-term future, particularly for transmission needs. The electricity demand may be very different 15 to 25 years in the future, for example, increasing as a result of additional transmission electrification, so it is necessary for transmission planning beyond the normal 10-year horizon to prevent short-term decisions from interfering with long-term needs.

The IEPR Committee believes it is essential to find ways to coordinate and streamline the collective responsibilities of the energy agencies in order to meet our energy goals, and they therefore recommend that the Energy Commission work with the PUC and the CAISO, along with other agencies and interested stakeholders, to develop a common vision of the electricity system and to guide infrastructure planning and development. Coordinated plans could be used to guide each agency's own infrastructure approval and licensing responsibilities, and that will maximize coordinated action to achieve our energy policy goals.

A related area of interest to the Committee is how the state should address the current hybrid electric procurement market and improve the procurement process for generation resources. This issue was not covered sufficiently in the 2009 IEPR due to resource constraints, but the Committee believes it is critical to state energy policy and
deserves fuller vetting. The Committee therefore invites the PUC to participate in a more complete evaluation of the existing hybrid market structure as part of the 2010 IEPR Update to identify possible market enhancements and changes to utility procurement processes to facilitate the emergence of merchant investment in the market.

In the natural gas sector, we still depend heavily on natural gas as an energy source, particularly for electricity generation, and we continue to import most of our natural gas, so it is therefore essential that we have a reliable natural gas delivery and storage infrastructure. California has increased its interstate pipeline delivery capacity, utilities have improved their ability to receive natural gas supplies, and utility and independent storage owners have enhanced their storage operations to meet future high demand conditions. However, California does receive this gas through interstate pipelines, and those pipelines serve other customers before reaching California, so there are concerns about whether increased natural gas demand for electricity generation upstream of California, as a result of either increased electricity demand or GHG reduction policies, will reduce the amount of natural gas that is available to the state. In terms of natural gas supplies, I mentioned earlier there are technological advances in exploration and drilling and shale formations that are increasing the supply of natural
gas from these resources, however, there are some environmental concerns related to shale gas development, including carbon emissions and possible groundwater contamination. To ensure that California has an adequate natural gas transmission and storage system, the Committee recommends that California continue to work with western states to ensure the development of a system with enough capacity and alternative supply routes to overcome any disruptions of the system. Also, the Committee recommends that the Energy Commission continue to monitor environmental impacts associated with shale gas extraction, and that the Energy Commission staff work with energy agencies in other states where shale gas development is occurring.

Moving on to the transportation sector, the 2009 IEPR notes the importance of renewable and alternative transportation fuels in meeting our GHG emissions, as well as reducing dependence on petroleum imports and promoting sustainability, however, until new alternative vehicles and technologies are commercialized, petroleum will continue to be the primary fuel source for California's vehicles, so the state needs to enhance and expand existing petroleum infrastructure, particularly at in-state marine ports, while also working to develop an alternative fuel infrastructure. Petroleum infrastructure is strained at marine ports and throughout the distribution system and, with expected
increases in crude oil imports, the existing crude oil import infrastructure will need to expand to ensure continued supplies to refiners of feed stocks. Increased imports of crude oil will also result in more marine vessels coming in to California ports, and the need for more storage tank capacity at those ports, beyond what is already planned. And if offshore drilling is ever opened along the coast, that will require additional infrastructure, including platforms, pipelines, crude oil trunk lines, and pump stations. Also, because California imports a large amount of transportation fuel to Nevada and Arizona, demand growth in real estate could put additional pressure on California's refineries and on the petroleum marine import infrastructure.

For alternative fuels, there are a number of state and federal policies in place to encourage the use of alternative and renewable fuels. As I mentioned, the Low Carbon Fuel Standard, the Renewable Fuel Standard, there is also the recent waiver from the Federal Government allowing California to set initial levels under Assembly Bill 1493, and federal efforts to set higher fuel economy standards. To meet alternative and renewable fuel goals, the state will need to develop the infrastructure needed to support vehicles and refueling requirements. While low level blends of Ethanol and biodiesel can use the existing infrastructure, higher blends like E85 and B20 will require significant infrastructure
modifications. Therefore, to meet the RFS2 requirements for renewable transportation fuels, there will need to be a dramatic increase both in the number of E85 dispensers and flexible fuel vehicles. For alternative fuels like natural gas, the state already has more than 400 refueling stations in place, about a third of which offer public access, however, with the use of compressed natural gas vehicles forecasted to increase from about 17,000 in 2007 to more than 200,000 in 2030, additional stations or home refueling appliances may be needed. As a number of electric vehicles on the market increases, utilities will need to develop procedures, standardize equipment and rates for users needs, and as a part of Senate Bill 626, the PUC is required to adopt rules by July 2011 to help develop an infrastructure to overcome barriers to widespread use of plug-in hybrid and electric vehicles.

With the establishment of the Alternative and Renewable Fuel and Vehicle Technology Program, the Committee believes that California is well positioned to develop a system of sustainable, clean and alternative transportation fuels, and recommends that the state continue on its present course to implement these programs; however, the Committee also recommends that the Energy Commission collaborate with partner agencies and stakeholders to address regulatory hurdles and price uncertainty for alternative fuels, particularly biofuels, and that the state modernize and
upgrade its existing infrastructure to accommodate alternative and renewable fuel technologies as they are developed. Since petroleum will continue to be a primary fuel source, the state also needs to address petroleum infrastructure needs, both to preserve past investments and to expand through-put capacity in the state. And finally, consistent with the loading order concept of efficiency first, the Committee believes that transportation efficiency should be pursued through increased vehicle fuel economy standards and more sustainable land use processes in conjunction with local governments.

Another area where sustainability is important is in land use decisions. The 2009 IEPR discusses the importance of reducing vehicle miles traveled as a strategy in reducing GHG emissions, and the IEPR Committee believes that state agencies need to coordinate more closely to help local governments achieve the benefits of sustainable land use planning, both by improving outreach to local governments to understand the unique problems that they face before we adopt new policies, and by taking into account and addressing the fiscal realities that local governments are facing in this recession.

The Committee recommends that state agencies should collaborate with the Strategic Growth Council and local and regional governments to continue to conduct research, develop analytical tools, assemble easy-to-use data, and provide assistance to local and regional government officials to help
them make informed decisions about energy opportunities and
undertake sustainable land use processes.

Finally, with the need to reduce greenhouse gas
emissions associated with energy production and use,
California will need innovative strategies such as carbon
capture and storage. The 2007 IEPR focused on geologic
sequestration strategies where carbon is captured and injected
into underground formations like oil fields and gas fields,
and there have been technological advancements since
publication of the 2007 IEPR, and developers have expanded the
focus from sequestering emissions associated with coal and
petroleum coke to natural gas and refinery gas, which are the
predominant fossil fuels used in California power plants and
industrial facilities. So the IEPR Committee recommends that
the Energy Commission continue its support and conduct carbon
capture and sequestration research to demonstrate technology
performance, facilitate interagency coordination to develop
technical data and analytic capabilities that are needed to
establish a legal and regulatory framework for this technology
in California.

So that was a very quick overview of the detailed
issues in the 2009 IEPR and the recommendations. There is an
Errata for the 2009 IEPR, which was posted last evening and is
available on the table out in the foyer. I will just go over
those briefly. They include both corrections and changes that
have been made to respond to public comments that we received on this version of the draft. We are proposing several minor corrections related to nuclear plants, procurement in the hybrid market, and carbon capture and storage. We have also corrected the numbers for natural gas capacity for interstate pipelines and California production, and added language describing the potential impact on prices of natural gas demand exceeding reliable supplies. We have added air pollution to the list of environmental issues that the Energy Commission will monitor when looking at shale gas impacts, we have revised the language relating to once-through cooling mitigation in nuclear plants to make the IEPR consistent with the most recent draft once-through cooling policy document that was put out by the State Water Resources Control Board, and also clarify that the Energy Commission will review and comment on studies required in that policy regarding compliance implications and alternatives for the two nuclear facilities. We are also proposing to add language clarifying that, when working towards developing protocols for publicly owned utilities to provide information on their methods and assumptions in estimating and verifying annual efficiency savings, we will also include determining feasible AB 2021 potential and targets as a part of that process. And, also, we have noted that the Energy Commission staff will establish the working group to provide a forum for discussions of
barriers and solutions for publicly owned utilities to capture all cost-effective energy efficiency. Finally, we are proposing language regarding efficiency in the demand forecast to make it consistent with language in the Energy Commission's adopted demand forecast report. And in the recommendations for coordinated electricity system planning, we have added language to clarify that the Energy Commission is in the process of reviewing and evaluating our current modeling methods and that we will initiate steps to incorporate improvements in those models in the 2011 IEPR cycle, after the identified changes have been tested and reviewed.

Now, we did receive some additional public comment early this morning from Northern California Power Agency expressing some concerns about our proposed Errata saying that we would establish a POU working group, that those comments are available out on the table, and they will be posted online on our website, as well.

So with that, I would be happy to answer any questions from the dais before we move to public comments.

COMMISSIONER BYRON: Madam Chairman, may I? Ms. Korosec, thank you very much. You went through a lot of material. Before we get into Errata questions and potential changes from the dais, I guess I would just like to add a little perspective, as well, before we get into what I might be consider to be the more minor points. There is a lot of
policy in this document. It is with a great deal of
satisfaction that the IEPR Committee presents this to you this
morning. I would like to just read something briefly here:
"Overall, the report emphasizes the need to reduce energy
demand, promote development of renewable energy resources,
ensure development of cleaner fossil resources, give consumers
more energy choices, builds on the necessary infrastructure
that will continue to protect the state from future supply
disruptions and high prices. En masse, the IEPR is
evolutionary, not revolutionary, continues the trend of recent
IEPR's, it will continue to provide the broad support and
leadership for programs to promote distributed generation
demand response, Smartgrid, renewable energy, energy
efficiency, environmental improvement, and competitive markets
for energy. From a policy-making standpoint, it is an
essential tool to focus the next efforts where most needed and
to use resources efficiently." Those were not my words, these
are from an article -- a newsletter, actually -- the
California Onsite Generation Newsletter, December 5th, a
newsletter now I read cover to cover every time it comes out.
I like this summary because I think it was from someone else's
hand and, of course, we appreciate the perspective that they
took there. I would like to emphasize one key aspect of this
report, if I may, and then come back to Errata, and then
changes and questions that may come up, as well as questions
from the public, if I may.

First of all, Commissioners, I apologize, we are about a month late in getting the IEPR to you, but I am pleased we will be addressing it before the end of the year in a time for consideration by the Legislature and the Governor for this next year. There are a number of major recommendations, the summary that I just read to you addresses many of them, but there is also continued effort to implement the loading order, with emphasis on efficiency and renewables. We also addressed many of the challenges in planning and building transmission lines to those renewables, and that continues to be a critical issue that we will be facing, going forward.

I would like to highlight one set of changes in the Committee Draft. Based upon the latest comments in the need assessment discussion, this is one of those areas where we received significant comments in the infrastructure planning section, several parties indicated that there was no need for a need assessment, or need conformance; we revised the section to retain the critical importance of improved analytical assessment to guide infrastructure planning and development, but we have chosen to defer the recommendation that is stated after analysis is complete, "conformance of the plan must be demonstrated in individual generation and transmission applications." We also embraced one party's suggestion that
the CEC hold workshops to flesh out these recommendations
before calling for any legislative changes. In summary, we
struck the language of need conformance and need assessment,
and we dropped the recommendation to seek legislation;
however, it is important to realize that there is an important
need for this analysis going forward, and this Commission is
committed to shape infrastructure and investment where it is
most needed. There is also a number of other topics, as Ms.
Korosec mentioned, that need further consideration, and we
only really touched on in our IEPR, the hybrid market and
competitive procurement, the role of distributed renewable
generation in meeting our RPS, and renewable portfolio,
regulation goals, and also renewable integration issues will
continue to be more critical challenge as we go forward.

Madam Chair, thank you for allowing me to just frame
what I think were important changes that we made. We also
received a number of last minute comments and changes -- "last
minute" does not characterize them -- the schedule was open
until Monday night at 5:00, correct?

MS. KOROSEC: Correct, yes.

COMMISSIONER BYRON: And Commissioner Boyd and I
reviewed all those comments in detail yesterday, and we
completed an Errata which is before you. I believe there may
be some concerns around the Errata because of last minute
changes, but I do not believe any of them are substantial. We
did receive even this morning some concerns from the NCPA,
Scott Tomashefsky at the Northern California Power Authority,
and that was with regard to a proposed change in Errata page
225. I believe that there is some miscommunication here, this
is a very positive change to the document that was
recommended. My recollection in workshops that the effort
here was for publicly-owned utilities and investor-owned
utilities to learn from each other on energy efficiency
opportunities, that they could enact in each other's service
territories. The notion of forming a working group is an
added resource requirement on this Commission's part, that I
think it would be very helpful to all the utilities to
participate on a voluntary basis. I do not recommend taking
it out unless there is objection from my fellow Commissioners.
There may be some other concerns that you will hear from
audience members, but I know from the note that I received
from Mr. Tomashefsky this morning, they could not be here on
short notice, so I wanted to include their comment. I would
like to -- I have more to address, but I think it would
probably be best that we open it up now to public comment
and/or the dais, your preference.

CHAIRPERSON DOUGLAS: Well, let me at this point
raise one change which I would like to put forward for
consideration of the Commission, and then let's turn to public
comment. And that is, on page 227, I would like to recommend
that we strike the first recommendation in the RPS Targets section and replace it with the following language: "The state should pursue codification of the 33 percent renewable target, drawing upon efforts that are underway to implement Executive Order S-21-09 and to accelerate the permitting of renewable energy infrastructure in California." The purpose of the proposed change is to recognize the value of analytical work that is underway, and also to acknowledge the tremendous efforts here at the Energy Commission, at the PUC, the ISO, the Department of Fish and Game, the federal agencies, BLM, Fish & Wildlife Service, to really find ways to facilitate the siting of renewable energy infrastructure here in California.

COMMISSIONER BYRON: Madam Chair, that sounds consistent with the recommendation that is there and I assume you have good reasons for making these elaborations at this point. Commissioner Boyd, any difficulty on your part?

VICE CHAIR BOYD: No, actually, as I listen to Suzanne talk about the recommendations we have made, I realize that we have been at this a long time, a lot of things that are recommended be done are actually underway, so to speak, so here is just another area where the language sounds to me like it is of getting current with activities that are underway in an area that is of very high profile in California, renewables. So it sounds fine to me.

COMMISSIONER LEVIN: Madam Chair, could you please
just read the suggested addition again?

CHAIRPERSON DOUGLAS: Yes. "The state should pursue
codification of the 33 percent renewable target, drawing upon
efforts that are underway to implement Executive Order S-21-09
and to accelerate the permitting of renewable energy
infrastructure in California."

COMMISSIONER LEVIN: Could I just suggest two words
to add to that for clarity sake? "...to accelerate the
permitting of renewable energy infrastructure and
facilities...?"

CHAIRPERSON DOUGLAS: Absolutely.

COMMISSIONER LEVIN: Okay, and the rest of it.

CHAIRPERSON DOUGLAS: Very good.

COMMISSIONER BYRON: Thank you, we will add that to
the motion when we get there.

CHAIRPERSON DOUGLAS: Very good. I have a number of
cards from members of the public who would like to speak. I
would like to ask for you to please keep your comments to two
minutes or less, and I would also say that there is a member
of the public who would like to address the Commission if he
is able to stay to the end of this item, he would like to
address us early because of travel difficulty. If you are
able to stay until the end of the item, we will call you up
after this item. Beginning with Mr. Sparano of WSPA.

MR. SPARANO: Good morning, Commissioners, members
of the audience, members of the CEC staff. I would like to enter into the record some brief comments. WSPA appreciates the recent work that has been done by the CEC to address the comments that we provided earlier in the IEPR review process. We are heartened that much of our input has been incorporated into the critical Executive Summary and Recommendations sections of the final IEPR. We continue to encourage the Commission to ensure that the realistic observations contained in the transportation fuels forecast are matched by recommendations that address the challenges facing all transportation fuels, including petroleum-based fuels. These challenges must be clearly identified in the Executive Summary and the Recommendations sections of the IEPR that will be read by key policy-makers. Both federal and state governments continue to provide incentives for the development and deployment of renewable and alternative fuels, however, there is still legitimate debate concerning the greenhouse gas impacts of some of those fuels and their source streams. Policy-makers must ensure that, while we develop and deploy future renewable and alternative fuels for California consumers, that state policies do not result in an energy supply gap. Government policy should be balanced and should not cause a reduction in available supplies of cleaner burning gasoline and diesel fuels before there are sufficient commercial quantities of renewable and alternative fuels to
fill the gap. California consumers in our state's economy must have access to abundant, reliable, and affordable future supplies of all forms of energy. With that, I would like to thank the Commissioners for responding. I spent a lot of time standing before the Commission testifying on four different Integrated Energy Policy Reports, and I am grateful that, in this particular instance, not only did the Commission listen, but acted aggressively to incorporate many of our comments. And for that, I am personally deeply appreciative of your efforts.

CHAIRPERSON DOUGLAS: Well, thank you very much. We appreciate that.

MR. SPARANO: All right, and if there are no questions, I wish you all a safe and happy holiday.

VICE CHAIR BOYD: Thank you, Joe.

COMMISSIONER BYRON: Thank you, Mr. Sparano.

CHAIRPERSON DOUGLAS: Sierra Martinez of NRDC.

MR. MARTINEZ: Hi, my name is Sierra Martinez and I am here representing the Natural Resources Defense Council. Thank you for this opportunity to speak at this meeting. We appreciate greatly the hard work that the staff has put in to the IEPR and recommend that the Commission adopt it. With respect to demand forecast, we appreciate the staff's effort to delineate energy efficiency in the demand forecast, and the inclusion of the demand forecast Errata which outlines the
uncertainties in the current forecast, and the areas that need further analysis. We also appreciate the inclusion in the IEPR, which generally qualifies the results by noting assumptions and the need for improved data and further analysis. This is especially important here since many people only read the IEPR and not the demand forecast. With respect to publicly-owned utilities energy efficiency, we strongly support increased transparency and efforts of the staff to provide a model protocol for the POUs to report information. We appreciate the addition to the proposed protocol of information on methodologies and assumptions for determining AB 2021 potentials and targets. This is necessary to understand the progress to achieving all cost-effective energy efficiency. We greatly appreciate the workshops that staff conducts to highlight the best practices and potential barriers to POU energy efficiency implementation and all of the ongoing efforts of the POUs to increase the energy efficiency programs and collaborate with key stakeholders. We appreciate and strongly encourage the Commission to adopt the recommendation that the Commission will convene a series of working meetings to focus on remaining policy issues and develop solutions to continue the POU's progress. We propose changing the words to "a series of working meetings" instead of "the working group" to take into consideration the staffing constraints at the Commission. With respect to OTC policy, we
support the interagency proposal to conduct a series of studies to examine the consequences of retiring OTC power plants in order to identify replacement options and to analyze those results to determine alternatives that are compatible with the AB 32 Scoping Plan. We also appreciate the removal of references to the wholly disproportionate exemption to accord with the State Water Board's revised draft of OTC policy. With respect to natural gas, we appreciate the inclusion of air pollution in the environmental analysis of natural gas production, especially in light of the recent controversy in Texas over air pollution associated with natural gas such as emissions of benzene, formaldehyde, VOCs, NOx, and particulate matter. These environmental impacts are equally deserving of analysis and discussion. In fact, the Texas Commission on Environmental Quality has recently devoted a website and database for collecting data on these dangerous air pollution associated with natural gas. In conclusion, NRDC appreciates the opportunity to make these comments at this meeting. I thank you for your time and am happy to answer any questions.

CHAIRPERSON DOUGLAS: Thank you, Mr. Martinez.

MR. MARTINEZ: Thank you.

COMMISSIONER BYRON: Mr. Martinez, I will add, though, that we did receive substantial comments from NRDC yesterday afternoon and we did address them in their entirety.
We do have to, however, call the play at some point, and yesterday at 5:00 was when we called it.

MR. MARTINEZ: We appreciate it.

COMMISSIONER BYRON: Thank you.

CHAIRPERSON DOUGLAS: Manuel Alvarez, Southern California Edison.

MR. ALVAREZ: Good morning, Commissioners. On behalf of Southern California Edison, I would like to support the IEPR this year. I think we have done a -- collectively, we have done a yeoman's job here; in fact, I think this document will serve as a guidepost as we look forward. It was not too many years ago in which Commissioner Boyd was having to wrestle with the day ahead market and the hour ahead market, and the difficulties of that, and in the first IEPR, I advised that examining that market is not long-term planning. I think this document puts us back on that road and, as we look forward, the issues you raise of land use, transportation planning, the once-through cooling issues, are all going to have to be integrated into some fashion, and this Commission actually is responsible for balancing those competing state needs. So I commend you and I look forward to our next step and our examination of the hybrid market which will definitely cause some interest in this agency. So with that, I thank you for your effort and am pleased to work with you.

COMMISSIONER BYRON: Mr. Alvarez, I would like also
to respond to your comments. We got tremendous participation from the Southern California Edison this year, we really appreciate that. Geographically, you are challenging for us, you know, we do not go down there and we ask you to come here, and we appreciate that very much. Commissioners, I did meet with executives from Southern California Edison on more than one occasion with regard to the IEPR, I also met with the other investor-owned utility executives, SMUD, LADWP, and members of Northern California Power Association and SCPPA, Southern California Public Power Association, and we got, I think, as a result of that outreach, tremendous commitment and participation. I know that they are not all necessarily happy with the conclusions here. Mr. Alvarez, I take your challenge on the hybrid market and I am glad that your company sees that as an issue that we also need to engage going forward, but, again, my thanks to you and your company.

MR. ALVAREZ: Thank you, Commissioner. I think it is a reflection of our participation and our democracy that one never gets exactly what they want, but hopefully we get what we can work with, and I believe we have a document here that we can work with. So I thank you.

COMMISSIONER BYRON: Good.

CHAIRPERSON DOUGLAS: Thank you.

VICE CHAIR BOYD: Thank you, Manuel, for no analogies like in your first -- I am not up to another
reference to death. And I just wanted to add my thanks to
those of Commissioner Byron with regard to the work that we
have all engaged in, and I appreciate your recognition of the
fact that this is an important document and that is an
important statement to us, and we look forward to you and your
organization helping us make it an important document in the
broader audience than just what we have here today. So thank
you.

CHAIRPERSON DOUGLAS: Our next speaker, I have two
people written down for Alliance for Nuclear Responsibility, David Weisman and Rochelle Becker. If I could ask you to --
I hope that you either will have coordinated, or there is one
person coming forward. Either way, welcome.

MS. BECKER: Thank you. And thank you very much for
the IEPR Report. My name is Rochelle Becker and I am the
Executive Director of the Alliance for Nuclear Responsibility.
Since 2005, this Commission has acted responsibly to ensure
that the state's continued reliance on aging nuclear reactors
on the state's seismically active and eroding coast, and with
an increasing footprint of high level radioactive waste stored
on-site, is based on factual information. Yet, when PG&E
ignored all CEC and legislative recommendations and
directives, it implied that California's Democratic process
was irrelevant. As the state's primary energy policy and
planning agency, the public relies on the California Energy
Commission to provide oversight and guidance and, when necessary, enforcement of its Integrated Energy Policy Report. The Alliance for Nuclear Responsibility asks that this agency fully participate in PG&E's upcoming general rate case to guarantee that the state's energy policy is adhered to, and the state's future generation needs are based on fact and not coercion. PG&E's pre-Thanksgiving license renewal application surprise was a disservice to the local community and to the state. The CEC, who are charged with planning our future energy sources, and the CPUC, who are charged with just and reasonable rates for generation, can no longer rely on PG&E's implied commitment to comply with the IEPR, legislative, or CPUC directives. In fact, when the Alliance raised the probability -- now, a reality -- that PG&E would use its repair funding for a license renewal feasibility study, to unilaterally seek license renewal, the PUC responded [quote], "We have already addressed this concern by requiring PG&E to submit the study to the Commission as part of that application in 2011 on whether to proceed with license renewal. If PG&E fails to do so, we agree with PG&E's observation that the Commission has 'ample means to deal with PG&E's failure to comply with the Commission's order to file an application,' if that should ever come to pass." Unfortunately, the "ample means" were not delineated in the decision. PG&E appears to imply that the state should have no voice, yet this is only
true if the CEC and the PUC allow it. Those who live within
the fallout zone of Diablo Canyon, and ratepayers who are
charged with funding the continued operation of aging
reactors, and taxpayers whose funding is diverted to
supporting the operation of aging reactors on California's
earthquake active and eroding coastal zones deserve to know
that our homes, businesses and generation supplies will be
reliable and affordable. Without the completion and review of
CEC recommended and legislatively approved seismic and other
1632 studies, the public and the state and future reliable
generations are placed at risk. This Commission need only
look at the impacts of the 2007 Earthquake in Japan to
understand that ignoring seismic issues can be costly, and can
result in reliance on polluting technologies and spot market
prices. The Alliance for Nuclear Responsibility asks the CEC
to make it clear to PG&E that its license renewable filing
with the Nuclear Regulatory Commission is in defiance of the
CEC, CPUC, and legislative actions, and that the application
should be placed on hold until the state has decided that
funding this application is in California's best interest.

Thank you.

VICE CHAIR BOYD: Thank you, Rochelle. And I think,
Mr. Alvarez, I will give you another message to carry back. I
did not complement you and Edison vis a vis PG&E on the
cooperation on nuclear; I am very disappointed, and I said so
in the Press, with what PG&E has done, and I think now it is
time to single out Edison for their statement of wanting to
collaborate and cooperate on all of the commitments and
another utility has chosen, as Ms. Becker has indicated, to
kind of go around behind us. I cannot speak for Commissioner
Byron, but I for one know that there was great disappointment
with that action. But we will address it in due time.

MS. BECKER: Are there any other questions? Okay.

CHAIRPERSON DOUGLAS: Thank you very much. Please.

MR. WEISMAN: David Weisman, Outreach Coordinator
with Alliance for Nuclear Responsibility. I know that
Commissioner Byron had mentioned that he did not want anymore
depressing analogies, so I may -- when we received the news of
this announcement -- and I am not a medical doctor, so I
cannot make a diagnosis, but it appeared to me that perhaps
the executives at Pacific Gas & Electric may be suffering from
a case of premature application, and a spate of Viagra
flooding our in-boxes, notwithstanding that that needed to be
looked at, because what they are attempting to do, as you read
in their response to your questions in the IEPR, is to look at
and bring up issues of state's rights, and that is really what
we are looking at here, is the Energy Commission's long
history, going back to what Charles Warren had in mind decades
ago, was to set up a process where the state's rights were
respected in these areas, and attempts to use existing cases
such as the famous 1983 Supreme Court decision in *Energy Commission v. PG&E*, appear really on a more balanced examination to be groundless, and we think you have a right to defend our state's rights and obligations in this case. Thank you.

COMMISSIONER BYRON: Commissioner, I do not think we have given up the possibility of litigation from this Commission either, have we?

VICE CHAIR BOYD: Well, I would say we have not given up anything we have not talked about, so, true.

COMMISSIONER BYRON: Thank you both for your comments.

CHAIRPERSON DOUGLAS: All right. The next card is Dan Patry from PG&E.

VICE CHAIR BOYD: Serendipitous timing.

MR. PATRY: Thank you, Commissioner Douglas. Dan Patry on behalf of PG&E. PG&E would like to commend the Commissioners and staff on a thorough and comprehensive report, and appreciates the considerable amount of time and effort involved in such an undertaking. I should start by saying we recognize that, while the IEPR has made numerous recommendations, we are particularly appreciative for the inclusion of highlighted changes from the draft to the final, as well as highlighted recommendation pegged as priority items for the Commission going forward. It was really quite helpful
in our review process and hope that it served your needs in creating a more substantive response to the report. With regard to the recommendation that the CEC take a deeper look into procurement policy in the hybrid market in the 2010 update, I note that for the draft IEPR workshop back in October, we brought some of our senior procurement folks in to discuss the issue, and we are always available to work with you to address any issues you may have. I would just suggest that any additional contextual information from the CEC regarding which specific areas of procurement policy are priorities for you would be very helpful. On the recommendation that the PUC be committed to imposing penalties for non-compliance with RPS mandates, while we are happy to see that that recommendation was de-accentuated, for lack of a better term, I would still suggest that the recommendation is a little misplaced. As we commented at the October workshop, it certainly is not for a lack of effort that we are where we are, and the need to assure compliance would suggest that the utilities are not doing everything they can to meet the state's goals. As the CEC understands as it faces its own statutory deadlines under Warren-Alquist, there are many external factors which ultimately affect outcomes; for us, if it is not CEQA, it is things like local lawsuits over visual impacts, noise, the Mojave Monument, and so on, that impact RPS. And I say this not to nitpick, but I would hope that the
flexible compliance period shows a little more sunshine, a little more hope on the horizon, and my point in saying this is that we are doing everything we can, if not by 2010, certainly by the flexible compliance period in 2013. We did note the Errata delivered last night and would only say that it has never for us been an issue of completing reports, nor sharing them, it has really been an issue of timing, and I believe our written comments bear that out. And finally, on the recommendation that the CHP ought to be viewed more broadly as an energy efficiency measure, CHP, depending on the application, displaces some fuel, where energy efficiency and renewables for the most part displace fuel and emissions in their entirety, and I would encourage the CEC to look deeply at the kind of loading order implications of that. So with that, I appreciate your time and I will answer any questions you may have.

COMMISSIONER BYRON: Mr. Patry, thank you. Thank you for being here today and for your comments, and also PG&E, Commissioners, was very helpful and responsive to requests of the IEPR Committee in bringing personnel forward, as Mr. Patry indicated.

MR. PATRY: Thank you.

COMMISSIONER BYRON: With regard to this issue of penalties for not meeting RPS compliance, I believe you mentioned flexible compliance -- I do not think that is in the
law, I think that is an artifact of the PUC's decision --

MR. PATRY: Correct.

COMMISSIONER BYRON: -- and we do not have the full
benefit of the record -- I should say I have not reviewed the
full record that has been brought forward as to how they made
that decision -- and we are certainly seeing a lot of movement
in the right direction and the issues that you brought up
around why renewable contracts are not being put in place as
quickly as we want, we are well aware of from this
Commission's perspective, as well. But I do believe that the
aspect of penalty for non-compliance for RPS is in the law,
and maybe someone could clarify me on that, clarify my
thinking on that if I am incorrect, but we did not make that
one up.

MR. PATRY: Right.

COMMISSIONER BYRON: Okay.

MR. PATRY: Duly noted.

COMMISSIONER BYRON: Thank you again.

CHAIRPERSON DOUGLAS: Well, thank you for your
comments. The last card I have is for Mary Lynch with
Constellation and Western Power Trading Forum.

MS. LYNCH: Good morning, Commissioners, and thank
you for letting me speak here today. My name is Mary Lynch.
I am the Vice President for Energy Policy for Constellation
Energy Resources. My brief remarks today are on behalf of
Constellation and also on behalf of the Western Power Trading Forum, a California trade association with members across the broad spectrum of competitive entities in the California energy industry. In the IEPR, the Energy Commission invites the CPUC to participate in a more complete evaluation of the existing hybrid market structures as part of the 2010 Integrated Energy Policy Report update, to identify possible market enhancements and changes to utility procurement practices that would facilitate the re-emergence of merchant investment. The purpose of this evaluation is to address concerns about utility domination of infrastructure investment and its potentially harmful impacts on competitive wholesale and retail markets. Constellation and WPTF strongly support the undertaking of this evaluation. Current infrastructure investment, ownership and control resides to a very large degree with the investor-owned utilities and, as such, relies on utility rate base, or long-term cost pass-through contracts for cost recovery. When regulatory policies provide this form of regulatory cost protection to utility-based investment, the risks associated with merchant investment are simply too high and, more importantly, are unhedgeable and, as a result, merchant investment will not occur. As such, the idea that the market can be divided up between utility-owned generation and merchant investment is fatally flawed. California energy markets are making great strides towards re-establishing
workable and robustly competitive wholesale and retail markets. Progress is being made for establishing competitive markets for energy, ancillary services, capacity, renewable energy, and emissions management. This progress will provide improved price transparency and market liquidity that can support a re-emergence of merchant investment. We are also on the cusp of a small, but important transitional re-opening of retail competition as a result of the passage of SB 695. It is time for policy-makers to recognize, however, that progress towards competition will ultimately be thwarted if their policies maintain the current bifurcated asset investment infrastructure that is imbedded in the hybrid market. It is time to evaluate and implement changes to the utility procurement paradigm, that will better support competitive wholesale and retail markets, so that the benefits of competition and the innovation and downward pressure on prices that competition creates, can be achieved. Constellation and WPTF appreciate the IEPR's attention to this topic and look forward to working with you when the 2010 IEPR begins. Thank you.

COMMISSIONER BYRON: Ms. Lynch, I would like to thank you and I would also like to thank you and a number of other folks that came in and met with me, and we discussed these issues in more detail. I turn to my Commissioners and suggest that, if you get an opportunity to meet with Ms.
Lynch, WPTF, and a number of the other organizations that came in, it is very helpful on this particular subject. Thank you, Ms. Lynch, for your time, and I hope you will make more time for this Commission.

MS. LYNCH: We look forward to it.

COMMISSIONER BYRON: Thank you.

MS. LYNCH: Thanks very much.

VICE CHAIR BOYD: I look forward to you accepting Commissioner Byron's invitation. We have not met and talked, however, I have read your submissions and was impressed with them, and I am equally pleased with your comments today. We hear your message. We are concerned.

MS. LYNCH: Thank you very much. We look forward to working with you.

CHAIRPERSON DOUGLAS: Thank you. I believe this concludes the public comment, unless there are people waiting on the phone, there are not, so this concludes public comment.

COMMISSIONER BYRON: Madam Chairman, I do have some things I would like to say following my motion to adopt the 2009 IEPR with Errata, and the proposed changes here at the Dais this morning. Altogether, I would like to make that my motion to adopt.

VICE CHAIR BOYD: Commissioner Byron was going to offer me an opportunity to speak before he made his --

COMMISSIONER BYRON: Oh, there will be time,
Commissioner, there will be time.

VICE CHAIR BOYD: There will be time?

COMMISSIONER BYRON: Absolutely.

VICE CHAIR BOYD: All right. Well, in that case, since you have made the motion, I will second the motion and reserve the right to make some comments.

CHAIRPERSON DOUGLAS: Very good. We have a motion and a second. And now we will have some comments.

VICE CHAIR BOYD: I will go first. Well, as the second member of this Committee, it has been frankly a privilege of mine to serve on this seventh IEPR that we have done. I have now done four IEPRs, one more than I thought I would ever have to do, but -- and I have either been Chair, or second member, and I recognize there is a big difference between Chair and second member, and I commend Commissioner Byron for his chairmanship. Serving on the Committee in either capacity is a challenge, sometimes very exhausting, but the staff knows that only too well because, if we are challenged and exhausted, they are doubly almost. But it is a lot of responsibility. And I want to return to the legislation that was referenced, and I am going to repeat something I have probably said for every IEPR final approval we have had, meaning this will be time number seven. I thought the piece of legislation that was initially offered by Senator Bowen, who at the time was on the Energy Committee in
the Senate, was basically brilliant. It was -- and she was joined by Senator Sher eventually as the co-sponsor of the Bill, it frankly was one of the bright spots, to me anyway, in what was otherwise a very dark time, i.e., the electricity crisis. And it was a recognition by the Legislature and even the Governor in signing the Bill, that we want to have the Energy Commission look at all energy issues, so maybe we can head off anything like this ever happening again in any energy area. And so was born the IEPR process, which in light of the fact that we do a major one every other year, every odd year, and the legislation authorized an intermediate, or intervening report on any issues that the Commission feels need to be continuously addressed, it provided basically almost a continuous forum for discussion of energy policy issues and concerns in California, and I still see it as that. The IEPR, frankly, touches all facets of energy, it raises important questions, it makes recommendations, it raises policy issues, and it is incumbent on us, and has been all the time, to see that these facts and recommendations are well known within both the Executive and Legislative Branches of California government, so it is incumbent upon this agency to follow-up and to follow through on all that has said, all the issues that are identified, all the policy issues that need to be debated, and certainly to take action as soon as reasonably possible on issues that are identified that are within the
purview of this agency to pursue. And as we have already had
a little tiny bit of discussion today, that happens every
time, and it is has happened this time, the vision
recommendation in the IEPR, which was done quite some time
ago, is already underway between the energy agencies, the land
use issues have been raised, we already have engaged and
created new staff and engaged more deeply in those activities,
and we just need to do much more of that in the future. We
have struggled, I think, to make the IEPR recognized as the
policy document that it is, and we will just keep pushing that
boulder uphill, but I think we have gotten the attention of
more and more policy-makers to the need to pay attention to
this document and what it says. I want to thank the
stakeholders, all of them, who went through this process with
us, including our friends in other state agencies who are
getting more and more involved, like it or not, in the issues
that we deal with. I mean, climate change is the biggest
thing in the world, certainly in California, and you cannot
say "climate change" in the same sentence or in the next
sentence reference energy. So in everything we do, energy
affects that issue. So thanks to the staff for their hard
work and their dedication during these frankly very tough
times, and I think everybody knows what I am referring to. It
is tough to see people down here on furlough days, etc., etc.,
but the folks here have really dedicated themselves to all the
issues that we have to address, and it is recognized and appreciated. I want to say a special thanks to all the advisors, but particularly the advisors to the two Commissioners, who historically always end up with the big burden in the IEPR process, but they help us fulfill our responsibilities. And on that point, I am going to take an unusual detour here for just a moment because there is a large audience, and when we are saluting people, we usually do it at the end of the meeting when there is virtually nobody left in the room, and I just want to point out that, you know, my advisor, Kelly Birkinshaw, this is his last day of work, he is retiring as of the end of this work day. And although he has agreed to show up occasionally around here and help out, I want to wish Kelly well. He has been at the Commission since 1983, he has a wealth of experience, and I have really appreciated what he has done for me since he joined my office in May of 2008. Kelly is -- I really hate to see people retire so much younger than me, but Kelly and his wife are joining the Peace Corps and are pursuing another calling. I do not know if it is a higher calling than what we are engaged in, but in between he is going to do some scuba diving and do some skiing, as well, and he is going to come back here, he promised to help on a few projects -- the only one I will mention is the carbon capture and sequestration collaborative between the head of the DOE and National Energy Technology
Laboratory, and Commissioner Peevey, and President of the PUC and myself, Kelly has single-handedly carried this thing along, and I am not quite sure how we are going to do without him. So, in any event, Kelly, I just wanted to wish you well as part of my comments on the IEPR. I also want to mention that Barbara Byron, who also chooses to sneak away more quietly than you, has already retired, and she has been the nuclear -- the one and only nuclear staff of this agency for longer than I can remember, and I do not think she is even in the audience, but she was critical to the work on the IEPR this year and all prior years, and I am certainly going to miss her. So that is a very long comment with regard to the IEPR, but I think it is important to get all these issues out on the table, even the loss of one Kelly Birkinshaw.

MR. BIRKINSHAW: Well, Commissioner Boyd, thank you very much for your comments, and thank you all, Commissioners, and Chairman. It has been a long time here at the Commission and, you know, it is time for a new chapter and transitions in my life, but I look back with a lot of fondness on all of the folks that I have been able to work with here, and both people that I have been able to call as friends and colleagues, back to 1983. I have to say, I took note of your comments about some of the troubles that we find ourselves in, and I do worry about our state, and the well being of this Energy Commission. I came to the Commission in perhaps a more innocent time. I
do think it is going to require a lot of innovative and very
strong leadership here, and probably going to test the mettle
of all levels of management in this Commission. But that
being said, I really have a lot of respect for the staff at
the Energy Commission. I really have been fortunate to have
all of you as my colleagues, those here and, frankly, those
who have gone before you. And I hope you all have much
success in the future. So thank you very much and I look
forward to seeing you all at the Winter Fest here in just a
few minutes.

VICE CHAIR BOYD: Thank you, Kelly. He tried to
sneak away without recognition, like yesterday when we chose
to embarrass yet another employee. So thank you for the
opportunity to make that statement.

COMMISSIONER ROSENFELD: Can I just add one word of
commendation? I think Commissioner Boyd said everything about
the importance of this that has to be said, but I just cannot
resist saying that, taking 30 something workshops and comments
and boiling them down into 250 pages is a monumental job and a
monumental amount of work, and I am very impressed.

VICE CHAIR BOYD: Well, I appreciate you bringing
that up because I need to commend the Commissioner and the
staff for cutting the number of workshops in half. The last
time I did one of these, it was 60 public workshops, so it has
been a much better process this time.
MS. JONES: Sixty-six.

CHAIRPERSON DOUGLAS: I will chime in and I agree with Commissioner Rosenfeld that Commissioner Boyd said all that needs to be said, but since not all of us have said it, I would just like to add my note of appreciation to the staff for hard hard work on this document, and also to the IEPR Committee for going through all of these workshops, for guiding this process, and for really putting a tremendous amount of work into this. Commissioner Byron, as Chair of the IEPR Committee has had to live with this document from its very inception and has put just a tremendous amount of time and energy into it, and we are at the culmination of that and we have got a document that we can be very proud of, that, as you say, moves us forward in so many directions, and I am very pleased to be in a position to strongly support and endorse it today, and thank the IEPR Committee for its hard work.

COMMISSIONER LEVIN: In the interest of time, I am just going to say ditto to everything said previously, but especially thank you to Commissioner Byron.

CHAIRPERSON DOUGLAS: And with that, we have a motion and a second, and all in favor?

COMMISSIONER BYRON: Madam Chair, I call for the question here.

(Ayes.)

CHAIRMAN DOUGLAS: The item is approved.
COMMISSIONER BYRON: Madam Chair, if you would indulge me for a moment, I know that -- I have a few things that I need to dole out as well, and I apologize to everyone because the clock is ticking for the Winter Fest.

The parties that participated really gave us a lot of thoughtful comments and concerns throughout this entire process. We had really good, active participation. And although the Energy Commission has the responsibility, together we formulated energy policy on behalf of the State of California today, and I thank you all. My thanks also to the Public Utilities Commission for their active participation, valuable comments and input. Commissioner Bohn was able to attend a number of the IEPR Workshops and his perspective and input is always invaluable. Many of our recommendations are directed at the Public Utilities Commission and their staff, and the dedicated staff and commissioners there have made substantial progress in implementing many of our previous recommendations, they may bristle at some, but they are extremely responsive and, for that, we are grateful. I would like to thank the staff, both the IEPR team and all of the technical staff. The first time we have had a dedicated IEPR staff, and whoever succeeds me as the IEPR Committee Chair will be very pleased to have them, as well. Ms. Suzanne Korosec, Lynette Green, Jennifer Williams, Carolyn Walker, and Donna Parro [phonetic]. I hope Donna is back from being sick.
They were tremendous and it was great to have them. As for the technical staff, I could start reading the acknowledgement page, it will give you a sense of the substantial undertaking, all the major contributors in this organization's name are on that page. I hope we did not miss anyone. But I am also not going to start rattling off additional folks, I will offend for overdoing, or I will offend for under-doing if I start there. But for those that provided significant support to this Commission and for this report, you know who you are, and you have my sincere appreciation. Also, there are some that are retiring and this may be their last IEPR, as indicated by Mr. Birkinshaw; for those, you have my special thanks for this year and for your many years of invaluable service to California.

I just want to say one or two more things. I have said this many times and I feel very strongly about this, this Commission is the right statewide organization with the expertise, ability and perspective to set state energy policy. But I will also add that I am not completely satisfied with the quality of our work this year; for a number of reasons, we did not apply sufficient resources and we will rightly so receive some criticism for this report. We will hear persistent criticism again on some issues such as not providing sufficient detail for our recommendations and proper attribution of energy efficiency savings, on and on and on.
But I take great satisfaction in the way the staff conducts themselves in public meetings, putting forth good analytical work sometimes with contractor support, soliciting and responding to comments, and then producing a document that continues to provide clear energy policy direction. It did not seem that long ago that California was without that direction. I do not know that there is another state that does this as well and gets energy policy any better than California.

I need to ask your indulgence for a few more things. To my staff, Tiffany Solorio, Kristy Chew, and Laurie ten Hope for your dedication and invaluable input and hard work, and also to Commissioner Boyd's staff, Sarah Michael, Kelly Birkinshaw, were extremely helpful, as well as all the Commissioners' staffs. And I would like to thank my associate IEPR Committee member, Commissioner Boyd, we spent many days together this past year, I enjoyed most all of them, your steady and guiding hand, I very much value your leadership on this Commission, thank you. And to the godfather of energy efficiency, Arthur Rosenfeld. You know, Art, I would like to dedicate this IEPR to you, it is likely your last one unless there is a Gubernatorial appointment surprise, certainly my last one, I would like to ask you for building a strong following throughout the world around a simple idea, energy efficiency, saving energy, you are a living legend, you give
everyone inspiration, you have demonstrated to all of us, even
the youngest of Commissioners on this dais, that there is much
we can contribute after we turn 40, after we turn 50, after we
turn 60, after we turn 70, even after we turn 80. However,
since you have now voted to adopt this document, I think it
would be inappropriate to put a dedication page in there, so I
have an alternative document that I would like to give you,
Art, that you can read to your great-grandchildren. It is
called, "When Santa Turned Green." And if I just may read the
inscription here, it says, it is December 2009: "Dear
Commissioner Art: We hear that you are a very good elf,
spreading energy efficiency throughout the land and helping to
save Planet Earth. How can we thank you enough? Regards on
your retirement, Santa and the Author, Victoria Perla."
Congratulations, Commissioner, on your time here. We are
going to take every opportunity we can to say good bye to you,
I am sure there will be more.

VICE CHAIR BOYD: You will be back next month, I
understand, so you get more.

COMMISSIONER BYRON: You can read it to your
grandchildren -- your great grandchildren.

COMMISSIONER ROSENFELD: I think you have got it
wrong, I am going to be here the next Business Meeting.

COMMISSIONER BYRON: This is for Christmas.

CHAIRPERSON DOUGLAS: Thank you, Commissioner.
Keith Lewinger, are you still in the audience?

MR. LEWINGER: Barely.

CHAIRPERSON DOUGLAS: Barely. I hope we have not caused you to miss your plane. Commissioners, Mr. Lewinger asked to speak in public comment, but because he has to make a plane, and because he has sat through hours of a meeting in hopes of having an opportunity to address us, I would like to give him his time now.

MR. LEWINGER: Thank you, Madam Chair, members of the Commission. I will make this brief because otherwise I will miss my plane. I am Keith Lewinger, General Manager of the Fallbrook Public Utility District, you have heard in the past from my consultant, Steve Nielson. And I am here today to plead a case of fairness with you. Fallbrook PUD is trying to install a 1 megawatt solar facility at our waste water treatment plant in Fallbrook, which is in Southern California. We have applied under your 1 percent loan program and, in fact, we were one of the first half dozen or so applicants into that program back in September. In the first week of October, our application was deemed complete by your staff, and they were keeping it under review to clear up some questions that they had. Those questions were answered and the review was complete in mid-March -- or, I am sorry, mid-November -- but then there were some changes to the rules and we had to change the contractual arrangements in the
agreement, which we did, and we targeted your December 2\textsuperscript{nd} meeting to bring the contract here for approval, but then in mid-November, new rules were put into the program, where NEPA and SHPA had to be met, these were rules that were not in your original announcement on your website, which we used and referred to when we submitted our application. Within two days of finding out that we had to meet these NEPA requirements, we got the proper documents in to you. We had a meeting with staff yesterday, where they told us that we had not submitted those documents, we looked up our e-mail records and, lo and behold, they did receive those documents, just had misplaced them, and I can understand that with all the documentation they are receiving, and that was sent off to DOD, or DOE, yesterday. However, in the interim, your staff has now deemed our application, rather than being under review, as incomplete, which means that we are out of the queue. And, as you know, this is a first come first serve program. I understand you have a 3 percent program, but the difference between 1 percent and 3 percent for a little district like mine is $30,000 on each million dollars that we borrow -- that is $60,000 a year, that is a lot of money for a little district like mine. All I am asking -- I am not asking for prior approval because I know all the documentation has to be approved by the federal government, the SHPA documentation has to be approved,
all I am asking is that you categorize my application as under
test because you are the ones who changed the rules as to
what was required for a complete application. Our application
was deemed complete, then it was changed to incomplete because
you changed the rules, or your staff did, or DOE did, or
somebody did, as to what constituted a complete application.
I have spent tens of thousands of dollars getting all the
material in place to get this application to you, it was
deemed complete, now it is deemed incomplete through no fault
of ours. I am just asking for fairness.

CHAIRPERSON DOUGLAS: Commissioners, I wanted you to
have the opportunity to hear from Mr. Lewinger and I will
provide my understanding of what is at issue here, and I do
see some staff in the audience who may want to come forward,
as well. The Stimulus Act, while it contained some reference
to NEPA, we did not have guidance on how NEPA would be applied
in this case by DOE until after the guidelines were finalized
and applications began to come in. In particular, what we
needed to know was whether DOE would be satisfied with the
fact that we were doing CEQA documentation on all of these
projects, and also what categorical exemptions DOE would
consider to allow projects to avoid the NEPA process, and,
finally, how the NEPA process would be conducted. As it turns
out, staff learned in late October that the categorical
exemptions that we were to use would allow essentially energy
efficiency projects to move through as exempt, but these solar
PV projects stand alone, not rooftop, solar PV projects are
not categorically exempt, therefore NEPA documentation has to
be produced, it has to be reviewed and approved by DOE, and
there are also in many cases, although I do not know if it is
ture in this one, historical --

VICE CHAIR BOYD: Their review is underway, it will
be complete within the next two weeks.

CHAIRPERSON DOUGLAS: -- there is also historical
review. So the issue that we face is that, as we have moved
forward to implement this program as expeditiously as
possible, we have had to -- we have had to do so with the
understanding that we did not always have all the information
at our fingertips to be able to predict everything that could
happen. Item 8 on the agenda, which we put off to the next
business meeting agenda was similarly held up because it has
not actually been able to complete the review, and that is why
we have had to push it off. So I would like to ask Mr.
Herrera to provide any clarifications or additions that --

MR. HERRERA: Good morning, Commissioners, Gabe
Herrera, I am with the Commission's Legal Office. Mr.
Lewinger is partially correct. There were a change of rules
when the Commission got additional guidance from the
Department of Energy on how the National Environmental Policy
Act and the National Preservation Act was going to be
interpreted and applied by DOE. We were at a fork at the road, we had already gone out with the loan application process under which Fallbrook had applied for a loan. Our options were either to cancel the solicitation completely, return back all the loan applications, and tell folks that the process was going to start anew, and that they were going to have to reapply given these new rules and our understanding of the rules from the Department of Energy, or what we could do was go out with the letter. We understood that there could be some projects that could sail through the process fairly quickly because of the nature of the activity and that there were projects that were going to get hung up, these stand alone PV projects are the type of projects that are going to get stood up -- not stood up, they are going to get caught in the process and require additional review. And so, should the Commission then cancel the solicitation, start again, or go out with a letter informing individuals that additional requirements were needed to be satisfied, and then move as quickly as possible to those projects that could satisfy them quickly. And I think the option that was selected was the second round. It is unfortunate that Fallbrook is kind of caught in this situation, but it would not be in any different situation had the Commission started the clock again, canceled the loan applications and solicitation, and re-issued it once we knew what the rules were.
CHAIRPERSON DOUGLAS: Thank you, Mr. Herrera. As Commissioners know, we are under tremendous pressure to get money out on the street as quickly as possible, and that argues very strongly against canceling a solicitation and starting again, or earmarking certain applications as complete when we are not sure if they actually will be, or when they will be, and so these are some of the policy issues that this commission and working with staff will have to address.

MR. LEWINGER: And, Madam Chair?

CHAIRPERSON DOUGLAS: Please, go ahead.

MR. LEWINGER: All we are asking -- we are not asking for a waiver of these requirements, we will comply with all of these requirements, we are simply asking for a couple months to finish these requirements; if we do not meet them, take us out of the queue, but give us a couple months to satisfy these new requirements without taking us out of the queue. And we have no control over the SHPA review or the NEPA review, they are backlogged also.

MR. HERRERA: Commissioner, if I can comment on that point? That is one option the Commission could pursue, it certainly has discretion to do that, it would put at risk the ability to fund some of these projects that are fundable now quickly; there is the potential that, when DOE reviews the environmental documents that Fallbrook has submitted that it will require additional review, it could come back and say an
environmental study is required, it could jeopardize, I mean, that additional study, and that addition of time could jeopardize this project being able to be completed in time to take advantage of the money. And if the Commission puts the money out there, it is at risk that it might then lose the ability to use it for another viable project. I mean, there are some risks here.

CHAIRPERSON DOUGLAS: Are there questions? This is not a decision item, this has become --

VICE CHAIR BOYD: I do not have a question, I just have a statement and I think this is pathetic -- I am getting tired of hearing complaints about how slow the money gets out there, the President is upset, he ought to kick his own bureaucracy in the backside to move things along. I do not know what we can do and we will have to discuss this procedurally, internally. I hate it. All my career in government when the rules get changed, when the game has already started, so I sympathize with your dilemma, and I guess we will talk about what we can do to deal with these situations. DOE is giving us a black eye with their slowness and their scattered approach, in my opinion, to doing the process. Everybody seems to be afraid of their shadow. So the money, you know, the money is not getting out as it should to accomplish what was the original objective of economic stimulus. Enough said.
CHAIRPERSON DOUGLAS: I think I hear you. I will, though, add that, in fairness, just as we have had a huge job handed to us, the Department of Energy has certainly had a tremendous job handed to them, and so --

VICE CHAIR BOYD: Got to take risks or you do not get any rewards.

MR. LEWINGER: Madam Chairman, I do have some photographs I can leave with you, which show that this site is totally disturbed, it is part of a wastewater treatment plant, it has been part of a wastewater treatment plant for 25 years.

CHAIRPERSON DOUGLAS: Thank you. Please leave it with staff and it will be brought to the dais. I appreciate your being here today.

MR. LEWINGER: Thank you for hearing me.


MR. FAY: Thank you, Madam Chair, Commissioners.

The committee responsible for considering the Avenal Energy Project's Application for Certification is offering for Commission consideration the presiding member's proposed decision or PMPD, which was published on November 10th of this year. The PMPD is based exclusively on substantial evidence from the record, established during the certification process. That record is summarized in the PMPD. The committee also prepared and served on all parties in the case on December 10th.
an Errata document and that was based on comments received by
the parties. The PMPD contains the committee's rationale on
determining that the Avenal Energy Project complies with all
applicable laws, ordinances, regulations, and standards, and
that the project will impose no significant impacts on the
environment. The PMPD recommends that, subject to the
Conditions of Certification contained in the PMPD, the Avenal
Energy Project should be licensed for construction and
operation.

In brief summary, the Avenal Energy Project would
construct and operate a 600 megawatt gas-fired power plant in
the City of Avenal in Kings County. The project would be
built on approximately 34 acres of a 148-acre site that is
just south of the Fresno County line and approximately two
miles east of Interstate 5. The proposed project site is
within the City of Avenal town limits in an area zoned for
industrial use, but is located approximately six miles from
the City's residential and commercial districts. Current land
use at the project site is irrigated agriculture, as is the
surrounding land use. The PMPD also assesses the greenhouse
gas emissions that are likely to result from the construction
and operation of the project, and concludes that the Avenal
Energy Project's GHG emissions will comply with all applicable
laws and will not result in significant impacts. The PMPD
also concludes that the project will be consistent with
California's ambitious GHG goals and policies. I would be happy to answer any questions you may have.

CHAIRPERSON DOUGLAS: Can we hear from the Applicant?

MS. LUCKHARDT: Good morning. This is Jane Luckhardt on behalf of the Applicant today and we received and four different comments have been sent in to the Energy Commission on the proposed decision since either just prior to or since the hearing on the Presiding Member's proposed decision. And what we would like to do is briefly go over those comments and provide our thoughts in response to those comments at this time. And before I do that, we would like to say that we appreciate the Errata that the committee has put together, a lot of it responded to comments that we made, and we appreciate the changes that were made there, so we do not have any concerns with the Errata. And now what I am going to do is go through the comments, there are four different comments, when I get to the last one, which was fairly extensive with the attachments, I will also ask Mr. Gary Rubenstein to go over all of the individual attachments that were included in that. That set of comments is approximately 400 pages long.

COMMISSIONER BYRON: Ms. Luckhardt, if nothing, you have been exemplary in this process and we appreciate your efforts to respond to comments that were even received after
the dates they were due. There were interveners in this process that did not necessarily follow the orders that this committee handed out. I appreciate your efforts to address comments, I do not want to interrupt you again, but I will ask you to please be as brief as you can.

MS. LUCKHARDT: We will and we just intend to address the major points, so I understand that. The first comment was provided by Pacific Environment. They had essentially two major points, 1) they felt that this project was inconsistent with the RPS standard, the 33 percent standard, and is not needed. And I would simply point to, in response to that, Exhibit 203, which is the MRW & Associates Report on their framework for evaluating greenhouse gas implications. I believe that report adequately describes the need for additional gas-fired generation to help move California from where it is now to where it needs to be from a greenhouse gas emissions standpoint. So that is what I would refer to in response to the Pacific Environment comments. Those comments are also substantially similar to comments filed in this proceeding on June 8th of 2009. And then, moving on, the comments that were filed by the Center for Race, Poverty, and the Environment, which the Center for Race, Poverty, and the Environment is an intervener in this case, the comments should have been filed on November 30th, instead they were filed on December 10th, the end of the public comment
period, and they include CRP and other entities' comments on
the prevention of significant deterioration permit at EPA
Region IX. They had essentially three points that they
raised, the first point had to do with concerns about BACT for
both greenhouse gas and criteria pollutants; both of those
issues have been addressed extensively in this proceeding,
both staff and the district have evaluated BACT, that is
included; for criteria pollutants, that is included in the
decision and in the record, and the greenhouse gas analysis in
this proceeding is extensive, as well. CRP also commented
that it had concerns that there was an inadequate air quality
impact analysis done in relation to this project, and those
comments were previously made within the proceeding and were
addressed predominantly at the hearing, itself, the
evidentiary hearings, as well as by the FSA, the Final
Determination of Compliance -- I am sorry, the FSA, the Final
Staff Assessment, and through our testimony, and have been
addressed in the final decision. There were comments filed by
Rory Cox, those comments include Mr. Simpson's comments to EPA
on the PSD Permit again and some additional information. In
Mr. Simpson's comments, he expresses concerns about notices
and other issues, many of the notice issues he had raised in
the proceeding and have been addressed, and then he raises
additional issues that are specific to EPA's review of the PSD
Permit and not applicable here. And he, similarly to CRP, to
Center for Race, Poverty, and the Environment, raised concerns about the BACT, Best Available Control Technology analysis that was done in this case. As I previously mentioned, the Best Available Control Technology analysis was conducted by the district and staff, and presented at the evidentiary hearing. He expressed some concerns about construction impacts, those were also evaluated and addressed in the hearing. And finally, they expressed a concern about growth inducing impacts. Questions about growth inducing impacts from the project were raised by the Center for Race, Poverty, and the Environment during the evidentiary hearing process, and were addressed in the proposed decision. And then, finally, and I am trying to figure out how to do this briefly, Earth Justice filed an extensive letter that they had filed with EPA Region IX on the Prevention of Significant Deterioration Permit. That document and its appendices are very extensive. They made -- I will cover three major points that they made in their letter and then, at your pleasure, we can go through the exhibits, or not at this point. So let me cover the three points and then you guys can let me know if you would like Mr. Rubenstein to briefly go through the exhibits. I believe they go to about Exhibit J. It is approximately A to J. The first major point that is made by Earth Justice in its comments on the PSD Permit is that they believe that the draft PSD permit fails to address Best
Available Control Technology for CO₂. We note that in this proceeding both the staff and the Air District, as well as the Applicant, analyzed and addressed impacts to CO₂ in the context of CEQA, which is applicable to this proceeding, and in the analysis, that is included in the FSA, was addressed at the evidentiary hearing, and is included in the PMPD. In addition, there was an extensive analysis of greenhouse gas impacts in the PMPD. There was some mention of a concern about the efficiency of this particular facility. We note that the FSA did evaluate efficiency, as it always does, and found that this project is comparable to other projects, other combined cycle projects. So the efficiency is comparable, it is not unduly inefficient. The second major point raised by Earth Justice was that the proposed permit -- this again is the PSD permit, fails to analyze Best Available Control Technology for nitrous oxides, carbon monoxide, and particulate matter. We note again that the district -- that is the San Joaquin Valley Air Pollution Control District -- along with Commission staff did an extensive Best Available Control Technology analysis and that they concluded that all of the pollutants and impacts were fully evaluated in the FSA, and those conclusions are contained in the presiding member's proposed decision, and are supported by the analysis from the district and staff. And the final point raised by Earth Justice related to -- or at least contended -- that the
proposed PSD permit did not demonstrate that the project would not cause or contribute to violations of the National Ambient Air Quality Standards for ozone and particulate matter. We note that this is a very narrow regulatory issue in the context of the PSD permit, and how the PSD permit evaluates non-attainment pollutants. We note that, in the Energy Commission's process, as well as in the district's analysis of this project, that both of those analyses covered attainment and non-attainment pollutants, and they concluded that the project complies with applicable laws, ordinances, regulations, and standards, including the National Ambient Air Quality Standards, and that any potential significant impacts were mitigated. And now I will ask whether you would like to have Mr. Rubenstein go briefly through the appendices that were attached to the Earth Justice letter.

COMMISSIONER BYRON: Ms. Luckhardt, I am not sure if that is a question or a threat. The Commissioners -- the appearance of all these late comments give the impression that we were not thorough and exhaustive. I would like to ask Mr. Fay to come forward and address the issue of whether or not we indeed included and listened to and responded to all these comments in accordance with the law, or if we are just re-litigating this issue here once again. Mr. Fay, could you shed a little light on this for my fellow Commissioners, in hopes that we can get through this item on the agenda more
quickly?

MR. FAY: I think your characterization of re-
litigating is accurate. For the last nearly two years, this
proceeding has been before the public, and many of these
commenter's, several that were actually parties in this case,
received direct mail communications of all events, including
workshops conducted by the staff, and hearings conducted by
the committee. At all of these events, there were multiple
opportunities to participate, to comment, and to actually
influence the outcome of the process, and some of these
interveners chose to intervene at the last minute, which of
course naturally limited the time during this long process
that they could participate. Nevertheless, the committee bent
over backwards to get in all the comments that they chose to
provide within the described time limits. So I think it is
disingenuous for them to argue that matters were not covered
or addressed, since they had every opportunity to address the
record, and then the comments that they brought up, we
believe, were addressed specifically in the PMPD. That does
not mean that they did not choose to repeat some of those
comments later, but I think that the committee has done a
conscientious job of addressing the concerns that were brought
before them, both by parties in the case, as well as members
of the public who appeared and made public comments.

COMMISSIONER BYRON: Thank you, Mr. Fay. Madam
Chair, in the interest of time, and I feel badly in that Ms. Luckhardt and the Applicant have been so patient, listening through the first two or three items on our Business Meeting Agenda. I would like to go ahead and make the motion to adopt the Avenal Project, presiding members proposed decision, and the committee Errata that is dated December 10th, 2009, and seek a second, and then open for any discussion here at the dais so that we can proceed to a vote.

VICE CHAIR BOYD: I will second the motion.

CHAIRPERSON DOUGLAS: I will just add that, as the associate member on the committee, I support this decision. The committee went to Avenal, we had an evidentiary hearing, we addressed these issues in the PMPD that is before you, and I am personally satisfied with the way that we were able to address them.

COMMISSIONER BYRON: May I call for a vote?

CHAIRPERSON DOUGLAS: We have a motion and second. All in favor of approving this item?

(Ayes.)

The item is approved.

COMMISSIONER BYRON: If I may, before the Applicant leaves, I would just like to make a couple quick closing comments, just because this is one of the only opportunities I have to speak to you in this capacity. I would like to commend the Applicant, Ms. Luckhardt, the way they conducted
this, I thought, was very good. You are -- and we have other folks to thank, so let me do that also -- Gary Fay, our Hearing Officer, Madam Chairman, you joined me late as the second on this committee and I appreciate it very much. We had about 20 members of the public participate, I do not know how many interveners, but we had great public participation which I think really contributed to this case. And now we have given the Applicant what I consider to be a somewhat valuable and increasingly difficult to acquire approved permit from this commission. And of course, you have earned it in that you have a fully mitigated project, we appreciate this. I would like to ask if you could do us one favor, and that is will you please go build it now? Any comments?

MR. REXROAD: We will do our best to try, for sure.

MR. FAY: And, Commissioner Byron, I am sorry to interrupt, but just before the Applicant made their comments, I neglected to mention that we have Gabi Torres present, and she is a professional translator who helped us immeasurably, allowed some of those 20 members of the public to communicate effectively with the committee, even though their predominant language was Spanish --

COMMISSIONER BYRON: One of the members of the committee did not need a translator.

MR. FAY: Well, some of us were more able than others, but I certainly needed Gabi's help and she was
tremendous. She is here today and is available to assist anybody that needs help translating from Spanish to English to help the Commission understand their views, so I just wanted to get that in.

COMMISSIONER BYRON: Thank you.

MR. REXROAD: Once again, I thank you for the decision that you have made. I would like to make just a couple of short comments. I do not want to stand in the way of a party. I am Jim Rexroad, I am the lead developer for this project. First of all, the CEC staff has done an immeasurable amount of work and effort in their thoughtful and thorough review of this project, and they have had their share of adversity to get to this point, so I appreciate their efforts. Mr. Fay and his staff have done a fabulous job working through the portions of the hearings and those aspects of the project. The Commission has been very helpful in obviously putting us in a position where we can actually move forward with the project, and we are very thankful for that and thankful for the effort that has gone into that. And finally, we are very happy for the decision that we have received today and look forward to further working with the Commission and their staffs. Thank you.

COMMISSIONER BYRON: Good. Congratulations.

MR. REXROAD: Thank you, sir.

CHAIRPERSON DOUGLAS: Item 5. Negative --
COMMISSIONER BYRON: Are there more items on the agenda?


MR. HERRERA: Good morning, Commissioners, Gabe Herrera from the Energy Commission. I am here with Lorraine White, who is with the Appliance and Process Energy Office, and we are here to seek approval of a Negative Declaration that was prepared in conjunction with an initial study to evaluate the environmental impacts associated with the proposed State Energy Efficient Appliance Rebate Program that hopefully the Commission will roll out. The State Energy Efficient Appliance Rebate Program will provide rebates to eligible residential consumers who purchase qualified Energy Star appliances. The program will be funded with money from the American Recovery and Reinvestment Act of 2009, pursuant to a $35.2 million grant from the Department of Energy. Energy Commission staff conducted an initial study pursuant to CEQA to evaluate the environmental impacts of the program, as proposed by draft guidelines, which is the next item that the Commission will consider. The initial study and the Negative Declaration were published and filed with the State Clearinghouse pursuant to CEQA, and those documents were filed on November 10th, 2009, pursuant to Title 14 of the California...
Code of Regulations, Section 15073(A). The public review process for the initial study and the proposed Negative Declaration can be no less than 30 days to satisfy their requirements. A public workshop was held on November 19th, 2009, and that was to receive public comments on both the draft program guidelines and the initial study and proposed Negative Declaration. The initial study demonstrates that the State Energy Efficient Appliance Rebate Program, as proposed in the draft guidelines, will not have a significant environmental effect. In fact, it indicates just the opposite, it indicates that it will have a positive effect on the environment by replacing a significant number of inefficient appliances, by reducing electricity consumption by approximately 32 gigawatt hours, and 943 million gallons of water annually, and these energy savings could translate into emission reductions of approximately 15,000 metric tons of CO₂ and more than 10 metric tons of criteria pollutants. Energy Commission staff recommend that you accept the findings in the initial study and that you issue the proposed Negative Declaration.

COMMISSIONER LEVIN: I move the item and save my comments for the next agenda item on the substantive proposal.

VICE CHAIR BOYD: Second.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

MS. WHITE: Thank you, Commissioners. Good morning -- or afternoon, I should say. My name is Lorraine White, I am with the Efficiency and Renewable Energy Division. The item before you is the guidelines developed for the implementation of the State Energy Efficient Appliance Rebate Program, and these guidelines basically define how the Energy Commission will be implementing this program on behalf of the State of California. It specifies the eligibility rules, it defines the processes, in particular it outlines the claim process. The goal is to implement this program in the spring of 2010, at which time we will be able to make rebates available to consumers for refrigerators, clothes washers, and room air conditioners, and I ask that you consider the item before you and adopt it.

CHAIRPERSON DOUGLAS: Comments or questions?

COMMISSIONER LEVIN: On this item, I would like to thank Ms. White and Mr. Herrera for all of their work. Going back to some of the previous conversation about DOE, they were very late in getting out guidelines and I think, under the circumstances and given all of the different goals of ARRA, of the state, of our other work, Ms. White, you were incredibly
responsive and creative; when one thing did not work, you
immediately looked to the next to make this move forward as
quickly as I think anyone could have. I think you have done a
phenomenal job, Mr. Herrera, too, much as I pester you because
so many things are on your desk, I really appreciate you
trying to move things through the bottlenecks. So I think you
have done a phenomenal job on this. I just want to thank you.

MS. WHITE: I appreciate that. Thank you.

MR. HERRERA: Thanks.

CHAIRPERSON DOUGLAS: I would like to add my words
of acknowledgment and maybe spell out, before Ms. White and
others on staff really dug into this program, there was no
state rebate program in California, state appliance rebate
program. There are rebate programs that are run by the
utilities. Our initial desire was to plug this into existing
utility rebate programs that just did not make sense for the
utilities and for, I think, fairly reasonable reasons, and so
that required Ms. White and others on staff to come up with a
Plan B, and the Plan B was the fairly daunting task of
creating a California rebate program, and one that works
quickly and allows us to get rebates out quickly, and meshes
well with existing programs and secures significant cost-
share, both from utilities and from retailers. And so putting
all of this together has been a tremendous job. I do know
that there are, in order to get this off the ground, there are
some significant additional heavy lifting that is before us, but I have got tremendous confidence in our staff team on this program, and we will lift, as need. So thank you.

MS. WHITE: Most certainly.

MR. HERRERA: Thanks.

COMMISSIONER LEVIN: I move the item.

COMMISSIONER ROSENFIELD: Second.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

MS. WHITE: Thank you.


MS. MAYER: Good afternoon, Chairman and Commissioners. I am Robin Mayer, Staff Counsel. For the record, I need to correct the statute's title on the agenda, it is titled the "Political Reform Act." The Commission proposes to amend the listing of designated positions at Title 20, section 2402, Appendix subdivision 8, to include all current employee positions that involve the making or participation in the making of decisions that may foreseeably have a material affect on any financial interest as set forth in Subdivision A of section 87302 of the Government Code. It
is a fine time to lose my voice, I must say. These amendments also eliminate employee classifications no longer in use, they eliminate disclosure categories no longer considered applicable to a particular classification update and add division headings and job titles to reflect the current organizational structure of the Commission, and correct non-substantive errors. A Notice of Intention to Amend the Code was published in the California Register on October 23rd, 2009, following regulations of the Fair Political Practices Commission, Title 2, Section 18750(C); the amendments were the subject of a 45-day comment period. The public comment period opened on October 30th, 2009 and ended yesterday. During the comment period, the adopted amendments were widely circulated to Commission employees. Fortunately, the amendments proved non-controversial. Staff received two requests for additional information, but received no comments. I request the Commission to adopt the amendments as proposed and can answer your questions.

VICE CHAIR BOYD: I move approval.

COMMISSIONER ROSENFELD: Second.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

The item is approved. Thank you.

MS. MAYER: Thank you.

CHAIRPERSON DOUGLAS: Item 9. California Department
of Food and Agriculture. Possible approval of Contract 500-09-006 for $993,284 with the California Department of Food and Agriculture. Mr. Misemer.

MR. MISEMER: Good afternoon, Chairman and Commissioners. I am Philip Misemer. I work in the Energy Research and Development Division in the Transportation subject area. The project before you brings together expertise from the Commission, California Department of Food and Agriculture, U.C. Davis, and the Growers Cooperatives to provide what we think will be needed information for California in its strategies to promote and implement alternative renewable fuels for the state. I particularly want to note the assistance from the Alternative and Renewable Fuels and Vehicle Technology Program staff, which helped us significantly in incorporating tasks that will provide information on sustainability of these crops, as well. I think this is information that will be beneficial to their program, as well as the state. This project will focus particularly on purpose-grown crops that are suitable to marginal lands, which are a growing problem, unfortunately, in the Central Valley and other areas, but could represent an opportunity to grow crops that would not compete with food crops. With that, I will hopefully be able to answer your questions and seek your approval of this project.

VICE CHAIR BOYD: I would move approval of the item
and just comment that, while the emphasis of -- well, our emphasis for quite some time in the bioenergy area has been use of waste stream, we nonetheless have embraced the idea that it is conceivable there would be opportunities for energy crops to be grown on marginal land, or lands that could even be rehabilitated by certain kinds of crops, crops that would not be foodstuffs, and we had fairly lengthy discussion, as the Chair may recall, in the approval of the investment plan for AB 118 of this very subject where there was initial negative reaction to the idea. But with the provision of a lot of information and knowledge about these possibilities, there was a positive response, so I am glad to see that we are moving in this direction, and fairly early on. In the Bioenergy Action Plan Working Group, we had discussions and we are now getting to the point of doing some work. Oh, that is a motion to approve the item. I thought I said that at the beginning, but I no longer even remember.

COMMISSIONER ROSENFELD: Second.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

That item is approved.

MR. MISEMER: Thank you.

CHAIRPERSON DOUGLAS: Thank you. Item 10.

Bevilaqua-Knight, Inc. Possible approval of Contract 600-09-007 for $263,400 with BKI for the Energy Commission's
membership in the California Fuel Cell Partnership for three
years. Mr. Mizutani.

MR. MIZUTANI: Chairman, I am Chuck Mizutani with
the Fields and Transportation Division. We are seeking
membership fees to be a continued member of the California
Fuel Cell Partnership. We also see this as a very important
forum for information exchange in specific relation to our
Investment Plan process and our Alternative Renewable Fuel and
Vehicle Technology Program.

VICE CHAIR BOYD: Again, I would move approval of
this item and just comment that, 1) it went through
Transportation Committee, 2) this agency is fuel neutral, is
supportive of a diversified portfolio of fuels, and is showing
no biases or prejudice by participating in many organizations
that are interested in a single fuel. Membership in the
Partnership has given us access to data that otherwise would
be difficult to obtain since it, frankly, is confidential on
the part of vehicle manufacturers and technology providers.
So it has provided us a forum to debate the pros and cons of
various approaches, as well as to get kind of information and
data that frankly we need in preparing our recommended
investment plans that are then vetted by our advisory
committee and eventually put into action by this organization.
So I strongly recommend that we continue this relationship.

COMMISSIONER ROSENFIELD: Second.
CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

The item is approved. Thank you. Item 11. U.S. Geological Survey, Southwest Biological Science Center.

Possible approval of Contract 500-09-020 for $322,569 with the U.S. Geological Survey, Southwest Biological Science Center to research desert tortoise survival and reproduction at a wind farm in Southern California. Ms. Spiegel.

MS. SPIEGEL: Good afternoon. Linda Spiegel with the PIER Program. As most of you are aware, wind turbines can impair species that fly within the air space of turbines, but the footprints of wind farms are relatively minor compared to other development types, and therefore ground dwelling species can actually do quite well there. And, in fact, a study done 10 years ago showed that some tortoise population within a wind farm called Mesa was thriving, the population was thriving, while populations around them in other areas were declining. And so the idea here is to go back 10 years later and study the population once again to see if they are still thriving and, if so, to figure out what might be causing that to be, and then come up with some potential recommendations as to how to manage wind farms to benefit the desert tortoise. And this was approved by the R&D Committee.

CHAIRPERSON DOUGLAS: And, Ms. Spiegel, I just cannot help but ask, why might it be that desert tortoises do
better on wind farms?

COMMISSIONER BYRON: I hope it is not dead birds that they are eating.

MS. SPIEGEL: No, there could be a lot of reasons, one is there is less road traffic, so there are going to be less vehicle kills, one could be that there is less foot traffic, so the people are not dropping off pet tortoises that have respiratory disease. The other thing is that some of the footprints like the turbine paths and the roads have the -- the dirt is more friable there, and even in Altamont, it shows small mammals kind of prefer those spots, so it makes it easier there, they live in burrows. It could be something completely different that is promoting biomass, vegetation, which is key. One of the most critical elements to reproduction and survival is to have the food source, so it could be just that, like no grazing or something.

CHAIRPERSON DOUGLAS: Well, thank you. I for one am very interested in learning more about this issue.

COMMISSIONER LEVIN: Ms. Spiegel, I also just want to thank you for continuing your very important path of trying to better understand the interaction between wildlife and renewable energy facilities. Having worked with you on wind turbines and things that fly, I am glad to hear that ground dwelling species may be a little easier. I also want to recommend strongly that we make this -- the fact that we are...
doing this research, and then the results of the research, widely known because I think it is a really important role of the PIER Program and the Energy Commission, generally, to continue to address and conserve wildlife while accelerating renewable energy development, and this is a critical piece of information for the Desert Renewable Energy Conservation Plan, for RETI, for a successful environmentally, you know, as low impact as possible, accelerated renewable energy development. So thank you, and spread the word widely to wildlife conservation groups, the Legislature, others, so they understand that we are doing this really important work.

MS. SPIEGEL: It could be that some of the findings could apply to the solar developments, depending on if they leave groundcover.

VICE CHAIR BOYD: Commissioner Levin, I think you ought to make a motion for that.

COMMISSIONER LEVIN: I would be happy to move for approval.

VICE CHAIR BOYD: Second.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

The item is approved. Item 12, Fruitridge Printing Co. Possible approval of Contract 150-09-002 for an amount not to exceed $20,780 with Fruitridge Printing for offset printing of 1,500 copies of the 2009 Integrated Energy Policy
MS. WALKER: Good afternoon. I am Carolyn Walker on the IEPR team, and now that you have adopted the IEPR, I would like to ask your approval for a contract to print it. Specifically, we would like to ask approval for a contract with Fruitridge Printing for $20,780, an amount not to exceed that, to print 1,500 copies. Those copies will be distributed to the Legislature, the Governor, of course, other stakeholders. We did offer the contract to OSP, the Office of State Printing, they did decline, we went out on an informal bid, and Fruitridge Printing came in as the lowest bidder, so we would like to ask your approval.

COMMISSIONER BYRON: Well, I hope that 1,500 is sufficient to cover my family, too. Ms. Walker, thank you for bringing this forward. I did not realize we have to do this, as well, until I saw the Business Binder, but, Commissioners, I would ask for your approval to print the IEPR.

VICE CHAIR BOYD: And I would be glad to second that.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

The item is approved. The IEPR will be printed.

MS. WALKER: Thank you.

CHAIRPERSON DOUGLAS: We will go now to Item 1I and 1J, and Mr. Pennington, let me ask you, would it make sense to
take these up together?

MR. PENNINGTON: Yes.

CHAIRPERSON DOUGLAS: All right, then we will take them both up together.

MR. PENNINGTON: You might want to make your vote separately, but let’s have the discussion together if that is okay. These are for approval of privately developed software for the 2008 Residential Building Energy Efficiency Standards, and we have been working diligently for some time with the developers of this software to get these programs in shape so that they can be used for the standards that go into effect on January 1st. And we have come quite some distance in getting them ready. We think that they are satisfactory for interim approval right now, we think that there is additional work that we need to conduct here. And one of the things that we have talked to both developers about is working together to cross-compare their coding so that we can get the energy results that they are predicting to be better in alignment between the two programs, and so that would be a major part of the effort that would be upcoming. There also will be sort of inevitable bug fixes that would be expected for software that is being released like this, and so we would be listening to what users have to say about their findings on the programs and getting those addressed also. So our recommendation is that these programs be approved for an interim basis until
March 31st and at that point they come back for final approval
by the Commission.

CHAIRPERSON DOUGLAS: Thank you, Mr. Pennington.

Mr. Raymer, you have been very patient this morning.

MR. RAYMER: Thank you, Madam Chair and
Commissioners. I am Bob Raymer, a Technical Director and
Staff Engineer for the California Building Industry
Association. And my comments today are echoed also by the
California Business Properties Association and the Building
Owners and Managers Association, two very endearing commercial
sector groups. First off, I would like to say that we
strongly strongly support your approval of these two
performance programs today. I would have to say on behalf of
the residential industry, about 98 percent or greater of our
production housing in California uses the performance approach
done by these computer programs. Very very few homes still
use a proscriptive path, and that has been the course of
action for the last two decades. So with that, we support
this. I would like to raise two issues, one long-term and one
short-term. For the long-term, we need access to these
approved programs six months -- at a minimum, six months --
prior to the effective day, the preferable would be nine
months. This really makes the transition from one set of
standards to another very difficult for us. We understand
that have been some problems, we understand the staff has been
burning the midnight oil, and they are to be commended for
that, but we will be working with the staff over the next two
to three years in hopes that, as we get to the next set of
Energy Regs, that we have the compliance material well in
advance; that really helps with transition. Now, the short-
term problem, as Bill mentioned, interim approval would last
until the end of March. That does raise the potential for one
unfortunate problem, hopefully the bugs will be few and far
between and they will be small bugs, not big ones, but in the
event that there are one or more larger bugs that actually
result in substantial variations in the end result, it could
prompt the need for redesign. For example, if all of a sudden
we find something hypothetically that says, well, instead of
being able to comply with the 13 Sear, you have got to bump it
up to a 14.5 or a 15. That raises the issue that, for
production housing, builders will go ahead, get their designs
done, they will then go to product purchasing agents, and
arrange contracts for the various contracts that they build in
these housing projects. You cannot change them mid-stream.
You get the loans at the beginning of the project to handle
this. I am concerned if we do encounter some large bugs, this
could change the end result at which point what is going to
happen to the remaining homes in the production housing
project, they have started complying under Micropas, eight for
example, and then the newer version of Micropas gets
certified. It does raise an issue. That will be something we can work with you over the next two or three months, we do not need to take the time now for it, but we do strongly support your approval today of this. Thank you.

CHAIRPERSON DOUGLAS: Thank you. Thanks for being here and thanks for sticking with us for the last four hours. Questions or comments by Commissioners?

COMMISSIONER BYRON: My only comment would be I do not think we need to separate the items, they were on Consent before and ready to go. I will move Items I and J if that is permissible, Mr. Chief Counsel.

MR. BLEES: As long as there is no other public comment on the item.

COMMISSIONER ROSENFELD: I second it.

CHAIRPERSON DOUGLAS: All in favor?

(Ayes.)

Items I and J are approved.


COMMISSIONER ROSENFELD: I move the Minutes.

MS. JONES: I am sorry, only the Commissioners who were present at that meeting can vote, so that would be Commissioner Byron and Commissioner Levin.

COMMISSIONER BYRON: Madam Chairman, I was present.

I move the Meeting Minutes.
COMMISSIONER LEVIN:  Second.
CHAIRPERSON DOUGLAS:  All in favor?

(Ayes.)
The item is approved with two abstentions.  Item 14.

Is there any Commission Committee presentations or discussion?

COMMISSIONER BYRON:  Madam Chair, I have a comment I would like to make.

COMMISSIONER LEVIN:  None from the IEPR Committee.
COMMISSIONER BYRON:  This is not the IEPR Committee.

Obviously, the audience grows much smaller.  Yesterday we met with our friends at the Public Utilities Commission, the ISO, we had our Energy Action Plan Meeting, and maybe others would prefer to comment on that.  I would like to just thank staff for all the preparation and time put into that.  But I cannot pass up the opportunity to comment on something else that we learned recently, and that is that there is a possible loss of a very good Commissioner at the PUC, I think you all may know, as we read in the Press, that the confirmation hearing for Commissioner Chong will not be held.  And another Commissioner is having his confirmation hearing today, I believe, at the PUC.  That could also be contentious.  And I think it goes to show that no appointee is immune from the political process.  The last couple weeks for me on this Commission have been very difficult at times and I am reminded that we do not want to lose sight of what we are doing here, among other things
today, we adopted the state's latest energy policy report. This is important and essential work. The work of this Commission is paramount. I would like to tell my Commissioners that I renew my commitment to work on things that matter, maintain the integrity and stature of this organization, and do my best to ignore the politics.

CHAIRPERSON DOUGLAS: Thank you, Commissioner Byron.

Item 15. The Chief Counsel's Report.

MR. BLEES: Nothing today.


MS. JONES: Very briefly. I wanted to report that under our State Agency Program, the three-part Energy Efficiency Program, we have gotten Letters of Intent from over 200 Applicants, totaling an amount of $2 billion in requests for that program. So we have had quite a bit of success in attracting people for that program. I also wanted to remind everyone that the Energy Efficiency Conservation Block Grant, the application for those small jurisdictions that we will be providing grants for is due on January 12th, 2010. Thank you.


CHAIRPERSON DOUGLAS: Item 18. Public comment.

Seeing none, we are adjourned. Thanks everybody.

(Whereupon, at 12:59 p.m., the business meeting 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 Business Meeting; 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 meeting, nor in any way interested in outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of December, 2009.

__________________________
PETER PETTY