ENERGY WORKING GROUP
The Energy Working Group may take action on any item appearing on this agenda.

Thursday, April 28, 2005
11:30 a.m. to 2 p.m.

SANDAG, Board Room
401 B Street, Suite 800
San Diego, CA 92101-4231

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ENERGY WORKING GROUP
April 28, 2005, 11:30 a.m.

ITEM # | RECOMMENDATION
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1. WELCOME AND INTRODUCTIONS | 

+2. MEETING SUMMARIES FOR THE MARCH 24 EWG MEETING AND TRANSMISSION WORKSHOP | APPROVE

Attached are the meeting summaries for the Transmission Workshop (March 15, 2005) and the March 24, 2005 EWG meeting. Please review and provide any comments on the summaries.

3. PUBLIC COMMENT AND COMMUNICATIONS | COMMENT

Anyone who wants to address the Energy Working Group on a topic not on the agenda should do so at this time.

+4. UPCOMING WORKSHOPS REMINDER | INFORMATION

Attached to the agenda is the schedule of planned workshops for the remainder of 2005. In addition, workshop announcements are attached for the May 4, 2005 joint SANDAG/Flex Your Power Energy Summit featuring California’s Deputy Secretary of Energy, Joe Desmond and the May 18, 2005 California Energy Commission Border Energy Workshop.

5. SDG&E RATE DESIGN APPLICATION | DISCUSSION/POSSIBLE ACTION

SDG&E’s Director of Rate Design will provide information on their rate design window application including the implications on AB 1X and SB 1.

6. ENERGY POLICY INITIATIVE CENTER | INFORMATION

Michael Shames will provide an update on the recently-formed Energy Policy Initiative Center (EPIC) at the University of San Diego.

7. SDG&E LONG RANGE PLANS | INFORMATION

SDG&E Public Affairs department is scheduling meetings with all local governments to update the region on their long range plans including the 2005 summer outlook and major infrastructure projects. SDG&E will give this presentation to the EWG.
8. **REPORTS FROM EWG SUBCOMMITTEES**

Energy Working Group Subcommittee Chairs will report on issues addressed at their subcommittee meetings.

**A) Public Policy Subcommittee**

The Policy Subcommittee met on April 13 and discussed the rate implications of AB1X and how potential changes to this residential rate cap could impact the rates of other customer segments. The EWG should discuss any future action or recommendations they may want to consider on this issue. The Subcommittee will also discuss other legislative issues being monitored.

**B) Resources Subcommittee**

The resources subcommittee met on April 4 to outline their priorities and discuss the issues that they will focus on in the coming months. The Subcommittee has assigned topics that members will research to bring information back to the full Subcommittee and on to the EWG. These topics will be outlined for the EWG.

9. **ENERGY EFFICIENCY PILOT PROJECT**

The City of Carlsbad was selected for the Energy Efficiency Pilot Program. Staff from the City of Carlsbad, SDG&E, SDREO, and SANDAG met on April 15 for a kick-off meeting. An update on the progress of the pilot for the City of Carlsbad will be provided.

10. **SUGGESTED MEETING TOPICS FOR NEXT MEETING**

Energy Working Group members should suggest items to be discussed at the next or future meeting.

11. **ADJOURN**

The next EWG meeting is scheduled for May 26, 2005 from 11:30 a.m. to 2 p.m.

+ next to an agenda item indicates an attachment.
April 7, 2005

TO: Energy Working Group

FROM: SANDAG Staff

SUBJECT: March 15, 2005 San Diego Region Transmission Workshop Summary

**Members in Attendance**

Councilmember Henry Abarbanel, North County Coastal
Michael Shames, Utility Consumers’ Action Network
Marty Hunter, San Diego/Imperial Counties Labor Council
Albert Huang, Environmental Health Coalition
Jennifer Porter, San Diego Regional Chamber of Commerce (Alternate)
Bill Hays, Port of San Diego
Alan Ball, Qualcomm (Alternate)
Irene Stillings, San Diego Regional Energy Office
Scott Anders, San Diego Regional Energy Office (Alternate)
Steve Hoffman, San Diego Regional Chamber of Commerce
Skip Fralick, Sierra Club

**Others in Attendance**

John Morgan, California Public Utilities Commission
Jim Janney, City of Imperial Beach
Jim Dooley, Member of the Public
Susan Freedman, San Diego Regional Energy Office
David Howarth, WRW & Associates
Bob Burner, Duke Energy
Eric Knight, CEC
David Barnhardt, Duke Energy
Andy Trump, Duke Energy
Shirley Vaine, Member of the Public
Albert Gonzalez, Department of the NAVY
Hank Oung, Department of the NAVY
Dan Perkins, Sierra Club
Paul O’Neal, State Senator Bill Morrow
Jim O’Grady, City of Temecula
Lupita Jimenez, South Bay Greens
Pat Zeitounian, County of San Diego
Mike Nesbit, San Diego Gas & Electric
Mike Evans, Shell Trading
Emily Lyons, Dudek & Associates
Caroline Winn, San Diego Gas & Electric
1. **Welcome**

Councilmember Henry Abarbanel, Co-Chair SANDAG Energy Working Group, welcomed everyone and gave a brief description of the Energy Working Group (EWG), explaining that it is a stakeholder collective with representatives from small and large business, not-for-profit organizations, and local jurisdictions. The EWG works to implement the ideas and policies established in the Regional Energy Strategy (RES) and are currently working with SDG&E to update the Long Term Resource Plan (LTRP).

2. **Overview of the San Diego Regional Energy Infrastructure Study (REIS) and Regional Energy Strategy (RES) process**

During his presentation Michael Shames, UCAN, focused on the San Diego Regional Energy Infrastructure Study (REIS) and Regional Energy Strategy (RES). He explained that the Regional Energy Policy Advisory Council (REPAC) process resulted in a vision for the region’s future energy and transmission needs. The REPAC process was followed by the Regional Energy Infrastructure Study (REIS) that was sponsored by a number of local agencies including San Diego County, the City of San Diego, UCAN and SDREO.

Shames noted the importance of the compromise that was reached in determining a regional energy vision during the REPAC process and highlighted some of the key elements including the commitment to increasing in-basin generation, the importance of renewable resources and emphasis on creating clean Distributed Generation sources. Shames then
discussed the loading order established by the state in the California Energy Action Plan (CEAP), which gives the highest priority to energy efficiency followed by demand reduction and renewables. Based on these documents it can be determined that state and local agencies agree that increasing transmission should be the last resort. SDG&E’s Long Term Resource Plan (LTRP) is also consistent with the CEAP as it recognizes the value of demand reduction through energy efficiency. Shames explained that REPAC’s approach is less balanced than SDG&E’s because it focuses on creating energy independence.

Shames re-iterated the importance of determining the role of transmission, and specifically if the goals and vision of REPAC or SDG&E’s LTRP should be followed. He warned against the stranded costs that can occur as a consequence of transmission development and recommended that broad band over transmission lines be considered as a means of reducing the likelihood of stranded costs. In closing Shames noted that REPAC established diversity as the most important factor in developing energy sources and that it is unclear if increased transmission would facilitate that.

3. Technical Panel

Scott Anders, SDREO, explained that transmission had been chosen as the workshops topic because it incorporates a number of energy planning issues. There are currently several transmission related projects and proposals for the region including SDG&E's transmission line upgrade study and the ongoing Southwest Transmission Expansion Plan (STEP) process. Anders also noted that the CEC’s Summer 2005 outlook brought increased awareness to transmission and that transmission decisions are important to the region’s future. The Technical Panel was then introduced, which hosted a variety of opinions on transmission.

Mark Hesters, Associate Transmission Planner, California Energy Commission

Mark Hesters, CEC, discussed the California Energy Commission (CEC) and its current work on transmission and related policy. He explained that the 2005 Integrated Energy Policy Report (IEPR) focuses on transmission, and specifically on streamlining the transmission planning and permitting process and developing transmission corridor identification and evaluation tools. He also noted that the California Performance Review has discussed the possibility of bringing various agencies together to discuss energy issues in an effort to resolve the disjointedness that can occur when multiple agencies have to be dealt with to solve the same problem. Assembly Bill 1190 is currently in front of the Senate, and would create a single energy agency that would have a secretary appointed by the Governor. That agency would work closely with the California ISO to set energy policy and would also have citing authority over energy production, storage and transmission facilities. The CEC, ISO and CPUC have also discussed the possibility of streamlining resource acquisition and transmission.

The CEC would like to encourage additional transmission by improving their ability to demonstrate increased reliability due to transmission. They also hope to more clearly establish the State’s role in identifying transmission corridors, which would reduce the negative impacts of transmission development and streamline the permitting process. By identifying transmission corridors in advance and getting them in-line with community plans prior to their development, the least amount of people would be affected by their development. This would be made possible by Senate Bill 1059. Hesters also explained that
the CEC has been looking into, and will be holding workshops on renewable and broader issues including the reliability and system cost of the interconnection of intermittent resources. A study is currently underway to determine the location of potential transmission and congestion problems and to see if the development of renewables in those areas would be beneficial. Hesters also discussed the possibility of geothermal in the Salton Sea area and the possibility of a geothermal transmission structure. The possibility for renewable resource development in Mexico may also exist, in which case the CEC would have to determine what their access to those resources is and the type of transmission necessary. The CEC is developing a statewide strategic transmission plan based on the plans required of Load Serving Entities (LSE) and the California ISO’s study. Hesters noted that the CEC has a long way to go before most of these programs are fully developed, but that a reasonable road map will be created for the 2005 IEPR.

Jeff Miller, California Independent System Operator

Jeff Miller, California Independent System Operator, gave some background on the Southwest Transmission Expansion Plan (STEP) and discussed their current work. He explained that STEP’s focus has been on transmission, although generation is not discounted when they analyze existing resources to determine if transmission would make sense. Miller noted that transmission and resources should be looked at jointly because transmission changes the way other resources are used, as well as, the resource mix that can be considered. STEP looks at different resource scenarios as a whole to determine their effect on the transmission plan. STEP encourages anyone interested in energy issues to come to the table and attempts to make the public aware of transmission projects in their earliest stages so potential issues can be dealt with early on.

Miller discussed STEP’s current plan, which determined that existing lines could quickly be upgraded with little environmental impact. That proposal was approved by STEP’s board and is currently in the engineering and construction phase. STEP then analyzed lines that limited California’s ability to import power, and are working with the owners of those lines to make small equipment changes to improve transmission. STEP then considered the best possibilities for new transmission lines which, after studying a variety of alternatives, was determined to be the proposed Palo Verde-Devers line. This new 500 kV line would run into Palm Springs from Palo-Verde, and would parallel an existing line, even sharing the same right of way and towers for a portion of the distance. The STEP board approved the new line in February, which is currently going through the permitting process and is expected to go before the commission within another month. STEP has determined that from a reliability perspective there will be a future need for a line into San Diego. A new line would also allow for some of the renewable generation, primarily geothermal, that is available in the Imperial Valley, to be incorporated into the grid, helping to meet the state’s renewable requirement, or even exported. Miller explained the necessity of incorporating renewables into the grid in order to disburse them, and that transmission plays a significant role in doing that. Miller noted that transmission can incorporate diverse resources, thus adding to any statewide sensible resource plan.

Dave Geier, Vice President Electric Transmission & Distribution, SDG&E

David Geier, SDG&E, described SDG&E’s Long Term Resource Plan (LTRP) as being a balanced and diversified strategy that supports the state’s loading order. The loading order
established in the LTRP puts demand reduction first, followed by renewables and in-basin generation. SDG&E believes that transmission must be considered when determining the reliability and economics of cost-effective generation. Geier emphasized SDG&E’s commitment to partnerships with citizens and other organizations in the region as they work to develop in-basin generation, transmission and demand reduction programs. Geier explained that although SDG&E will be implementing a plan for demand response, energy efficiency and increased generation, additional transmission will be necessary. The LTRP calls for the development of a new transmission line by 2010. Increased transmission infrastructure is expected to play an important role in enhancing system reliability, access to renewables and cost reduction.

Geier then discussed some transmission improvements SDG&E is currently working on including the recently completed Miguel substation and the planned 230 kV transmission line from it. SDG&E plans to collaborate with the Otay Power Plant when it comes on line in 2008, and have already filed an application with the PUC to build a transmission line to deliver that power. Geier explained that SDG&E looks at three characteristics to determine if projects should move forward. Those characteristics are reliability, economics and renewables. All three of which SDG&E has determined would be improved by the development of an additional transmission line. The new transmission line would lessen congestion problems, decrease the need for reliability-must-run (RMR) contracts, and provide increased access to renewables. SDG&E recognizes the challenges in developing transmission and plans to increase community outreach so that community impact issues can be solved in their initial stages, ensuring that the fewest number of people are negatively impacted by increased transmission. Geier ended his presentation by emphasizing SDG&E’s progress including the PUC’s approval of the LTRP and the work done with the CEC on the Senate Bill that would establish transmission corridors.

Andrew Trump, Duke Energy

Duke Energy is a diversified energy company and an active participant in California’s wholesale market, owning and operating 4,400 megawatts of generation in California. Duke is currently working to determine how their facilities can be upgraded, including the South Bay units in Chula Vista. Trump explained that the local benefits of improving the South Bay facility are reduced air emissions, increased fuel efficiency, discontinuing the use of bay water for cooling purposes, as well as, increased employment opportunities and tax base revenue. Improvements to the facility would also provide added grid reliability at a lower cost than would alternative proposals. Duke is supportive of SDG&E’s proposed 500 kV transmission addition, but believes that addressing the synergies between routing and location interconnection is also important.

Duke’s numbers are consistent with those in SDG&E’s LTRP, which Trump described as a good plan that provides a spectrum of resources to fill important energy requirements. Trump noted that even with the proposed 500 kV transmission line, for reliability purposes the system will need at least 1,600 megawatts from existing power plants. Trump believes that the reliability gap will grow soon after the 500 kV transmission line is in place and that either transmission or in-basin generation will be needed. Trump suggested that upgrading existing power plants could provide the additional generation needed, otherwise the region will have to find those resources through additional transmission or other means. Duke
believes that both opportunities should be taken into account when determining the solution. Their proposal is that existing resources are capable of competing with imported energy sources for basic supply capacity and that by using existing facilities pricing would be competitive and contract quality. Trump emphasized that grid reliability and transmission are not exclusive of one another and that transmission alone can not solve everything.

Marcos Valenzuela, Comision Federal de Electricidad (CFE)

Marcos Valenzuela, Comision Federal de Electricidad (CFE), gave an overview of the CFE’s Generation and Expansion Plan for the Baja California system. Valenzuela discussed Baja California’s current transmission system, which is separated into two zones, the Valley and the Coast. The system has an interconnection with the U.S. in each of the zones, one of which is 230 kV and the other 161 kV. Valenzuela also described the load forecast for major cities and the total system, which is expected to grow by 5.4% between 2004 and 2009. Since 1983 nearly 50% of the energy consumed in the Baja system is provided by geothermal sources. Combined cycle generation, oil units and gas turbines are also used in several locations. The CFE has made an effort to split generation according to the demand.

The CFE plans to add combined cycles to the Baja system in order to increase generating capacity. The first of these additions will take place in 2008 and four others will follow in both the Coast and Valley zones. Valenzuela explained that the CFE attempts to maintain a balance between the Valley and Coastal zones as the system expands. This is expected to ease the stress placed on interconnections between the two zones. Two 30 kV lines currently interconnect the two zones. CFE also has plans to develop four generation facilities, two in 2009 and two in 2011. CFE’s goal is to keep a 15% margin reserve for the entire system, which is expected to be met by the projects Valenzuela discussed. In their current plan the CFE did not address the issue of reinforcing the interconnections between their two zones or with the U.S., however, they are open to the possibility and encourage those with an opinion or ideas on the issue to share them.

Bill Powers, P.E., Powers Engineering

Bill Powers explained that his involvement at the workshop and in other energy related work is to ensure that the San Diego Regional Energy Strategy 2030 (RES) is used as an active planning document. Powers’ opinion, which is supported in the RES, is that private generators currently dictate transmission planning due to deregulation. As a result strategic planning occurs after plants are built, which means that poor site decisions made during the build phase have directed the region’s strategic planning process. As a result, power plants are often located in remote areas.

The RES promotes local control of transmission and includes goals of producing 65% of the peak demand in-county by 2010, a 25% increase in renewables by 2020, and achieving 50% of total renewables in County. The RES also determined that from a reliability standpoint, Mexicali plants would be only marginally useful to San Diego due to limited transmission paths. Powers suggested that San Diego County has to decide whether to support the 500 kV loop or 230 kV CFE upgrades to access energy from Mexicali, and explained that the loop would provide a number of local benefits, but would also provide benefits to power generators by increasing the number of markets they are able to serve. Both proposals would provide access to the areas largest wind area and also to geothermal power. CFE has
determined that the 500 kV Imperial Valley – Miguel fault on the southwest power link would potentially cause overloads to occur on the 230 kV lines in Mexico. In Powers’ opinion, the 500 kV loop does not reflect the RES 2030 vision, he also believes that because upgrading the 230 kV lines in Mexico would be essential it should be included in the STEP planning process. Powers suggested that this is also an important opportunity for bi-national cooperation.

4. Discussion

Michael Shames, UCAN, believes that the issue is not the development of transmission, but rather where that transmission will be developed and the costs associated with it. Shames noted that a large portion of the projects proposed by SDG&E would be charged to the ISO and distributed throughout the state. It was explained that Federal Energy Regulatory Commission (FERC) rules determine how much of the cost for additional transmission is paid for by developers and rate payers. FERC dictates that generators pay the inter-connection cost and local utilities are responsible for transmission grid upgrades required to deliver that energy. Renewables are affected by this due to their remote location and the costs associated with connecting them to existing transmission networks, which is placed on the customer. Geier noted that a mid-region transmission link, running close to Interstate 15, would increase the region’s access to renewables.

Scott Anders, SDREO, inquired about geothermal possibilities in the Imperial Valley and the necessary upgrades to transmission to access those resources. Bill Powers explained that the Imperial Valley Study Group, led by the CPUC, is looking into the issue to determine where geothermal could best be linked to the grid. Transmission upgrades will be necessary if geothermal is developed to its full potential. Albert Huang, Environmental Health Coalition (EHC), then asked how transmission development would impact the competitiveness of in-basin renewable energy projects and the ability of community choice aggregators to compete with existing infrastructure. David Geier responded by describing SDG&E’s approach as diversified and noted that due to stranded costs distributed generation (DG) is not ready to move forward. SDG&E does not see the cost of DG coming down fast enough to ignore the present need for additional transmission. Michael Shames then suggested that money currently being spent on developing transmission lines might be used to improve distributed generation technology. Irene Stillings, SDREO, asked about the future of the region’s two reliability must-run (RMR) plants (Encina and South Bay), and mentioned the importance of their maintained service. SDG&E’s LTRP has identified a need for in-basin generation, which will come from either repowering older facilities or a strategically placed new facility. Steve Hoffman, San Diego Regional Chamber of Commerce, mentioned the issue of timing and its importance in the repowering process because plants operate under contract. Repowering is too costly for the owner if a contract isn’t in place to justify the expensive permitting process. Hoffman feels that SDG&E gave the 500 kV line priority, and neglected the economics of repowering projects. The costs of a new transmission line should be compared to those of repowering existing plants. David Geier acknowledged Hoffman’s concerns and explained that SDG&E will be doing further evaluation and comparison as they go through the licensing process. Hoffman pointed out that SDG&E has already made large commitments in existing infrastructure to older plants, additional benefits to repowering existing facilities would be that a source of cooling water has already been established, the site might be used for desalination in the future, and the plant already exists. Hoffman
believes that the region would suffer if these plants were to close and warned that they are owned by third parties, who are concerned with determining the highest and best use of the property. Albert Huang, EHC, expressed a concern over the environmental issues associated with the use of power plants for desalination. Power plants alone have major environmental impacts, and often fall short of federal regulations for killing species and impacting water quality with thermal discharge. Although there are advantages to desalination, the environmental impact of co-locating desalination with power plants can create significant environmental impacts in a small area. Andrew Trump added that the CEC and PUC are currently studying the issue as part of the Integrated Energy Resource Planning process.

Mark Hennenfent, a private consultant, felt that in-basin wind and solar resources were not fairly evaluated in the RFO process. It was explained that the 500 kV line will provide access to a variety of energy sources in Imperial Valley, including wind and solar. After inquiring about the availability of wind power, Dan Perkins, Sierra Club, was referred to a study currently being done by SDG&E, SDSU, and SDREO to analyze the wind and geothermal resources realistically available in San Diego, Imperial County and northern Baja. Irene Stillings, SDREO, added that Sean Tanaka’s report on wind power would also be a valuable resource. Shirley Vaine, the public, expressed concerns about the nuclear waste build up on the coast next to the San Onofre power plant and asked Hesters if it had been considered as a cost of the plants operation. Hesters explained that those concerns were separate from the transmission benefits expressed in his presentation. Lupita Jimenez, Community Activists, asked for clarification regarding the water that would be used for cooling and the air quality impacts associated with the repowering of South Bay. Trump explained that Duke Energy would work with the City of San Diego to receive recycled or title 22 water for cooling purposes, and that the plant could be made 30% more fuel efficient, thus decreasing emissions. Jimenez added that the community would like to see renewables used as much as possible at the facility. Trump responded to a question about access to natural gas from Tim Olson, CEC, by explaining that natural gas would have to maintain price stability before increasing access to it would be worth while. If plants were re-powered the amount of natural gas used would decrease. Jen Badgley, IBEW -569, wondered if employment had been a factor in determining the best energy solutions for the region. Stillings explained that increasing the workforce by encouraging and maintaining as much in-county generation as possible was a goal of the RES. Shames added that the ISO does not consider employment opportunities when analyzing the costs and benefits associated with solutions to energy issues. Jim Dooley then explained that photovoltaic technology supplies most of its power during peak hours and asked if SDG&E had considered giving incentives to customers willing to install the technology. Anders’ response was that customers with time of use meters, mainly large commercial, already receive incentives, he also mentioned that the next step might be to provide those incentives in either smaller intervals or real-time. He then asked how the ISO accounts for renewable capacity and generation coming from Mexico when determining reliability. Miller explained that those determinations are made largely by the CPUC and utility provider, and that the ISO uses typical patterns to develop models of typical generation over the year. Tom Blair, City of San Diego, currently has a net-metering system with SDG&E that credits the City for power that they are producing. He suggested that the utility incentivize peak offset through rate design, making the program more cost-effective.
Susan Freedman, SDREO, asked if climate change impacts, and specifically greenhouse emission impacts from generation sites, are discussed during transmission planning. Miller responded to the question, noting that interest in the topic has been sown from various policy setting agencies on all sides, but that the ISO has mainly focused on direct impacts to the grid. Geier explained that the technical study from the STEP will show alternatives to the proposed transmission line. He informed the group that SDG&E plans to move through the process aggressively in order to meet the 2010 service date, and that the most probable line is the 500 kV line from imperial to Ramona, going through the mountains. SDG&E must, however, see what comes out of the technical study and receive CEC approval.

5. Adjourn

Scott Anders closed the workshop by thanking the participants and announced that the EWG will be hosting a series of similar workshops in the future.
April 11, 2005

TO: Energy Working Group

FROM: SANDAG Staff

SUBJECT: March 24, 2005 Meeting Summary

Members in Attendance
Mayor Art Madrid, East Suburban Cities
Councilmember Henry Abarbanel, North County Coastal
Alan Ball, Qualcomm (Alternate)
Marty Hunter, San Diego / Imperial Counties Labor Council
Robb Anderson, San Diego Gas & Electric (Alternate)
Scott Anders, San Diego Regional Energy Office (Alternate)
Dr. Alan Sweedler, San Diego State University Foundation
Skip Fralick, Sierra Club
Steve Hoffman, San Diego Regional Chamber of Commerce
Stephen Zolezzi, Food and Beverage Association

Others in Attendance
Joe Otahal, Duke Energy
Alejandra Garaldon, City of San Diego
Sandra Williams, San Diego Gas & Electric
Athena Besa, San Diego Gas & Electric
Michael Nesbit, San Diego Gas & Electric
Gary Matthews, University of California at San Diego
Jim Dooley, BPPWG
Jeff Grissom, County of San Diego
Susan Freedman, San Diego Regional Energy Office
Julie Gelfat, IBEW, Local 569 / JA Consultants
Joe Garuba, City of Carlsbad
Greg Claviet, City of Carlsbad
Rob Rundle, SANDAG Staff

1. Welcome and Introductions
Councilmember Henry Abarbanel welcomed everyone and complimented SDREO staff, specifically Susan Freedman, Scott Anders and Irene Stillings, on their work putting together the Transmission Workshop. He also announced that a strategic workshop is being held on September 7, 2005 at the Powerhouse in Del Mar.

2. January 27, 2005 Meeting Summary
The motion was made and carried to approve the January 27, 2005 Meeting Summary.
3. Comments and Communications
There were no public comments or communications.

4. Reports from EWG Subcommittees

A) Policy Subcommittee

Alan Ball, Qualcomm, informed the EWG that the subcommittee will return to meeting once a month due to the significant progress that has been made. The next meeting will be held on April 13, 2005 from 9 to 11 a.m. at Qualcomm. The subcommittee has completed their review of the Long Term Resource Plan (LTRP) and has also identified priority policy issues. Ball specifically thanked SDG&E and SDREO staff including Susan Freedman and Scott Anders for helping the subcommittee to accomplish those goals. Ball explained that the top five policy areas for involvement include the CEC Integrated Energy Policy Report (IEPR) process, transmission, reliability, rates and tariffs, and meeting the loading order. In recent months the subcommittee has discussed options to direct the course of action, and also played a significant role in planning and developing the Transmission Workshop that was held on March 15, 2005.

Ball noted the importance of the EWG’s involvement in the IEPR process due to its close link with the LTRP. Dr. Alan Sweedler, SDSU Foundation, added that the CEC had recently asked him to help draft the border issues section of the IEPR, which he has agreed to do. The CEC has also asked the EWG to host the IEPR border’s issues meeting at SANDAG. Mayor Art Madrid mentioned that the EWG might want to work more closely with SANDAG’s Border’s Committee on border energy issues. Alan Ball added that he had been invited by the lieutenant governor, to attend a luncheon in Tijuana for the opening of a U.S./Mexico trade office. At this event Ball met a number of individuals that were interested in energy issues, and suggested that it would be appropriate to reach out and invite them to the EWG’s upcoming workshops.

Steve Hoffman, SDRCC, asked if the “Rates & Tariffs” policy issue that had been identified by the subcommittee would include cost allocation and a study of related costs, which he explained as an analysis of the cost allocation between the IOU’s rate base and DWR contract allocation issue, and also class cost of service issues and time of use structures. Hoffman believes that cost allocation should be a main concern, especially related to capital projects. Ball explained that the resources subcommittee plans to look into this further and will make suggestions on issues such as generation. He also mentioned that SDG&E will be rolling out a time of use meter for residential customers over the summer. Ball noted that the EWG and subcommittee encourage anyone with expertise on these issues to attend subcommittee meetings. Hoffman asked if the summer role-out of the residential meters would place the customers using that technology into a separate rate class and also inquired about SDG&E’s push to move through the process of developing increased transmission. He pointed out that the EWG will be asked for their opinion on the issue and that they might want to begin to consider what that might be so that they will be prepared. Anderson suggested that SDG&E should present the results of each individual study to the EWG in an effort to avoid asking the EWG for their support in the final stages. Technical studies are expected to be completed in April, which will be a good time for SDG&E to make their first
presentation. Councilmember Abarbanel suggested that the resource subcommittee be proactive and work with SDG&E even before the entire EWG is presented with that information.

Ball continued his presentation by explaining that the subcommittee would be making decisions on the priority policy issues and would be bringing those to the EWG within the next 60/90 days. SDG&E will provide the subcommittee with assistance on making those determinations. Councilmember Abarbanel added that the resource subcommittee would also be involved in making those decisions.

**B) Resources Subcommittee**

Susan Freedman, SDREO, summarized the pilot project that the subcommittee had initiated. She included information regarding the criteria that were used to select a City for the pilot program and what would be done to promote energy efficiency. Resources from both SDREO and SDG&E will be used for the program including rebate and incentive programs. She explained that the City of Carlsbad had been chosen because their City Manager was supportive of the program, they have a staff capable of executing the projects, financing capabilities and a number of potential projects. Freedman also presented a timeline for the project, which showed the first deliverable as being an Energy Efficiency Pilot Agreement, expected in late March followed by the drafting of the EE pilot agreement, a kick-off meeting with the City of Carlsbad to finalize logistics, prioritize policy and technical assistance and develop projects. The goal of the project will be to develop a Comprehensive Energy Strategy for the pilot city, identify the pilot city’s possible barriers to participation in energy saving programs and measures, and developing new program delivery mechanisms. Freedman also suggested that the other cities that had shown interest in being selected for the pilot project would still be helped in doing so by SDREO and SDG&E.

Mayor Art Madrid explained that, as is the case in La Mesa, it can be difficult to encourage City Managers and developers to build Green Buildings because the initial costs are so much higher. He suggested that Green and sustainable building be incentivized because of the benefits that it provides. Hoffman suggested that tools for implementation be developed, such as funding mechanisms. He thought that the EWG might consider working on that issue and developing incremental funding mechanisms and other tools that would make it possible for the community to support green and sustainable building. Skip Fralick, Sierra Club, explained that SDG&E and SDREO already have a number of programs to encourage energy efficiency and that those programs should be used more frequently.

Joe Garuba, City of Carlsbad, was introduced by Susan Freedman, and thanked the EWG for choosing the City of Carlsbad for the pilot project. He briefly spoke about the City of Carlsbad including the development that is currently underway and mentioned that Carlsbad is willing to host any workshops or other events that would help to inform other cities about the EE programs used in the pilot project. Mayor Madrid noted that many jurisdictions have part-time elected officials that might be more encouraging of sustainable development if the EWG reached out to and educated them on the issue and possible programs. Dr. Sweedler added that the pilot project is very encouraging and that he is supportive its cooperative nature and also that the permitting process for green building
can be lengthy and consideration should be given to streamlining it in order to encourage additional development.

Steve Hoffman SDRCC, asked how a City budgets for energy efficiency programs. Joe Garuba, City of Carlsbad, explained that it would depend on the building and type of project. The funding of a new building is usually programmed into the budget, whereas retro-fits are normally funded through a general fund component or through an infrastructure replacement fund. Scott Anders, SDREO, explained that the CEC has a low-interest loan set up to support the funding of energy efficiency building in local government. Jeff Grissom, County of San Diego, explained that the County had used that loan to retrofit a number of buildings. It was noted that funding from the CEC is limited. Hoffman suggested that a steady stream of funding or these projects should be identified to ensure that EE measures are used. Dr. Sweedler recommended that the best way to do that would be to put a small surcharge on the utility bill and suggested that the legislature be lobbied to support a measure that would establish something like that. Hoffman suggested that the subcommittee should connect the issue with the pilot project and identify funding sources that could be provided for through SANDAG. Councilmember Abarbanel asked if the resource subcommittee should develop a plan for the funding of energy efficiency measure that they could ask for SANDAG’s support on and Hoffman offered to take the lead on a project that would do something like that.

C) Funding Subcommittee

Councilmember Abarbanel summarized that the subcommittee had completed their work and that SANDAG staff and SDREO are now working together to put together a funding package. The funding subcommittee will join the resource subcommittee to help with the work associated with the IPER process. The next resource subcommittee will be held at SANDAG on April 4, 2005 from 11 a.m. – 1p.m.

5. Update on California Public Utilities Commission (CPUC) Proceedings

Robb Anderson summarized that the CPUC’s proposed decision on Critical Peak Pricing is expected on March 28, with a final decision on April 21. SDG&E will be holding a workshop on April 4, from 8:30 a.m. – 11 p.m., at the Marriott Mission Valley Hotel, to discuss the impacts of the proposed decisions. SDG&E has not speculated on the CPUC’s decision, but do not expect the proposal to be adopted unchanged. He also explained that the DWR allocation issue and fighting over the cost of the allocation, has been folded into another program and that SDG&E, SCE and PG&E have filed comments on the issue and will hold a conference at some point. Athena Besa, SDG&E, then explained that the first PAG meeting had been held Monday and that program ideas and potential funding had been identified. A public workshop will be held on April 14 to go over more detailed concepts, with another to follow on April 25 in order to finalize program details.
6. Transmission Workshop and Potential Upcoming Workshop Topics

Scott Anders, SDREO, discussed possible topics for future workshops and explained that the workshops are an effort to gather and communicate information on a number of topics that the EWG will eventually have to make decisions on. The suggested topics were selected because they fit into processes that the CEC and CPUC are currently working on. The next proposed workshop topic is for a Summer 2005 outlook, with discussion regarding possible supply problems. Anders mentioned the possibility of partnering with the Flex Your Power campaign on that workshop. Other topics included renewable energy, a legislative briefing that would allow for workshop attendees to get together with the local delegation and discuss some of the bigger issues that the EWG is working on, while planting seeds for the future discussion of these proposals. Councilmember Abarbanel added that it has also been suggested that EWG members should go to Sacramento with members of the local delegation in order to describe the EWG’s ideas and opinions to the appropriate committees at the state level.

Other workshop proposals included the IEPR Border Issues, which the CEC will sponsor, a 2006 Long Term Resource Plan kick-off meeting in response to the IEPR process and release of the White Papers. That workshop would allow the EWG and workshop attendees to view, analyze and discuss the White Papers. Another proposed topic was climate change, an issue of increased concern, especially with the emergence of new technologies and advanced metering. The final topic suggestion would be to focus on emerging technologies such as advanced metering and broadband over power lines.

Dr. Sweedler suggested that the EWG should either help draft the San Diego portion of the White Papers, or make comments on them before they are finalized. Councilmember Abarbanel suggested that the resource subcommittee should discuss how the EWG can comment on the white papers before they are finalized. It was suggested that either Dr. Sweedler or Robb Anderson, SDG&E, should find out what the CEC’s schedule is and bring that information back to the EWG. Anderson suggested that the CEC would most likely be responsive if the expertise available on the EWG were offered.

Councilmember Abarbanel suggested that the EWG could partner with the Scripps Institution of Oceanography for the climate change workshop. Dr. Sweedler noted that on April 8, 2005 there will be Border Legislator Conference taking place in San Ysidro, which will have representatives from all of the U.S. border-states. The conference is intended to raise awareness on border energy issues. Sweedler was not sure if the meeting would be open to the public and will bring that information to staff for distribution.

7. California Climate Change Activities

Alan Ball, Qualcomm, explained that awareness of and concern about issues related to climate change have become increasingly pressing. He recommended that the EWG register with the California Climate Action Registry, an organization that collects data on greenhouse emissions and provides data to the CPUC, helping them to develop their plans to reduce emissions. The California Climate Action Registry is funded by the State of California and the CEC is very active in managing and directing the registry’s work. A number of local organizations including the City of San Diego, SDG&E, UCSD, and
Qualcomm are already registered with the organization. It was suggested that SANDAG’s membership would give SANDAG the opportunity to access and distribute information collected by the registry to local jurisdictions.

Hoffman asked if the greenhouse gas emissions from employees driving to work were calculated. It was determined that those indirect impacts were not calculated for and Gary Matthews, UCSD, added that the calculations only took into consideration the fleet owned by the organization or business and not for the indirect impact of employees driving to work.

The motion that the EWG recommend to SANDAG that they become a member of the registry, thus acknowledging that greenhouse gas and emissions issues are important to SANDAG, was made seconded and carried.

8. Legislative Update

Scott Anders, SDREO, explained that the policy committee had analyzed proposed legislation related to energy and saw the possibility of net-metering in San Diego as an interesting issue. It would allow for a photovoltaic system to be hooked up directly to the SDG&E grid, allowing any overproduction of photovoltaic to go to the grid at large. This program is already in place, and was passed in 1995, however, there are two limits; a limit on the size of the project and also on the total amount that can be net-metered. The initial legislation had a 10 KW project cap and a 1/10 of one (1) percent peak demand for a system cap. In 2002 the bill was expanded, mainly due to the fact that San Diego was so close to that cap. AB 58 increased the project cap to one (1) megawatt and increased the system, or utility territory cap to ½ of 1 percent peak demand. Anders explained that Senator Kehoe recently proposed raising that cap in SDG&E territory, to 1½ percent.

In response to an EWG member’s question, Robb Anderson explained that the cap is necessary due to a funding issue related to the costs originally paid by customers who now installed photovoltaic systems, which is currently shifted onto other customers. The correct overall funding option has to be discussed and determined before the cap is completely lifted. Sweedler added that in reality there should be no cap, however, he suggests supporting any incremental increase in the cap.

Steve Zolezzi, Food and Beverage Association, asked if a customer that provides enough energy for themselves would still have to pay for transmission. Anderson explained that it would depend on the rate structure, but that they would most likely still have to pay a transmission cost, which can increase the costs of installing photovoltaic. It was noted that possibilities for incentivizing some of those costs should be looked into to encourage the installment of photovoltaic technology.

The motion to send a letter to the SANDAG board requesting that they send a letter to support for the bill was made, seconded and carried.

Steve Hoffman, SDRCC, noted that from a business perspective, only the residential customers are served by increasing the cap, that the business community has largely subsidized these programs and that the production of those technologies is intermittent. He
suggested that the business community should not be asked for any other subsidies. Alejandra Garaldon, City of San Diego, explained that the City initiated and supports an increase in the cap and that they are aware of the needs of the business community. Hoffman asked that the business community’s needs should be more significantly addressed and added that AB 1X should also be revisited. He explained that AB 1X was established during the crisis and freezes residential rates, giving them no incentive to conserve. Councilmember Abarbanel recommended that AB 1X be placed on the EWG’s next agenda for discussion in order to determine if it should be addressed by the EWG.

9) Suggested Meeting Topics for Next Meeting

Skip Fralick explained that the Sierra Club’s task force on wind generation may hold workshops on wind generation and thought the EWG might want to become involved. Councilmember Abarbanel suggested that the Sierra Club be included in the renewable energy workshop that had been discussed by Scott Anders.

10) Adjourn

Meeting was adjourned. The next meeting will be held at SANDAG on Thursday April 28, 2005 from 11:30 a.m. – 2 p.m.
## Proposed SANDAG EWG Workshop Schedule

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<tr>
<th>Topic</th>
<th>Date</th>
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| Transmission                                       | 3-15-05       | • Well attended.  
• Good discussion.  
• Format should work for other workshops.                                       |
• CPUC report on Resource Adequacy due out soon.  
• Could offer ratepayers EE/RE/DR tools to reduce electricity use  
• Possible partnership with *Flex Your Power*                                                        |
| IEPR Border Issues (CEC)                           | 5-18-05       | • -CEC requested that EWG cosponsor a workshop at SANDAG on 5-18-05.             |
| 2006 Long Term Energy Plan Kick Off Meeting        | June/July     | • CEC IEPR White Papers due out in “early summer.”  
• CEC IEPR hearings in “summer.”  
• IEPR 2005 is the first step in 2006 planning process.                                        |
| Renewable Energy                                   | Last week of September | • Could coincide with SDREO Solar Week.  
• Renewable Energy Study will be complete.                                                        |
| Legislative Briefing                               | October/November | • Presentation of the region's energy issues.  
• Last day to introduce bills is Feb. 18th 2006.                                                  |
| Climate Change                                     | First week of December | • Could organize jointly with Scripps.  
• CPUC and CEC to integrate climate change measures in variety of efforts |
| Advanced Metering and Broadband over Power Lines   | January/February 2006 | • SDG&E to roll out advanced meters by 2009  
• Discussion of implications of AMI  
• SDG&E considering BPL pilot |
Commercial and industrial energy use in California is predicted to increase more than 10 percent by 2010. To ensure that San Diego has the energy it needs to meet its growth in the near future, we need to manage our energy resources wisely TODAY.

We invite you to join us at the San Diego Regional Energy Summit on May 4th where leading experts will highlight how together we can build the foundation for a prosperous economy. California’s Deputy Secretary of Energy, Joe Desmond, will address this summer’s energy outlook and the actions Governor Schwarzenegger’s administration is taking to ensure a stable energy supply for California. Mr. Desmond will also discuss how the public and private sector can join the Administration in working together to keep the lights on and our energy costs low. Government and business leaders will discuss successful energy-saving steps they are taking to improve their bottom line and boost productivity. The San Diego Regional Energy Office, SDG&E, and Flex Your Power staff will have tools and resources on-hand that can help you manage your energy use efficiently.

We are calling on San Diego’s business and government leaders to attend, so that together we can agree to take action to both protect our economy today and expand our economic potential tomorrow. By pledging to “Flex Your Power,” you will be doing your part to ensure a sustainable energy future.

Be sure to join us on May 4th from 8:30 a.m. to noon at the Qualcomm Auditorium, 6455 Lusk Blvd, San Diego. This event is FREE. For an agenda and to register, visit http://www.fypower.org/feature/regional/. RSVP deadline is April 27th. For more information, contact Allison Quaid, Flex Your Power, at (619) 990-7239.

This event is co-sponsored by Governor Schwarzenegger’s office, San Diego Association of Governments (SANDAG), San Diego Regional Chamber of Commerce, San Diego Regional Energy Office, San Diego Gas & Electric, City of San Diego, Industrial Environmental Association, Qualcomm and Flex Your Power.
CALIFORNIA-MEXICO BORDER ENERGY WORKSHOP

On **May 18, 2005**, the California Energy Commission will conduct a public workshop in San Diego, California, on energy and related issues in the California-Mexico border region. A workshop was held on December 14, 2004, to help define the key energy issues of the region. Based on this feedback, the Energy Commission staff developed the following four white papers:

- *Demographics and Trends in the California-Mexico Border Region*
- *Border Energy Supply and Demand Assessment*
- *Energy-Related Environmental Issues and Opportunities Along the California-Mexico Border*
- *Energy-Related Economic Opportunities and Challenges*

The primary purpose of this workshop is to discuss the topics in these papers, which will be released to the public on May 2, 2005. By November 2005, the Energy Commission will make recommendations in a California-Mexico Border Energy section of the 2005 Energy Report to the Governor and California Legislature. The Energy Report recommendations may lead to new legislation, Governor’s Executive Orders and other policies and programs.

The Energy Commission invites all interested parties to participate in the 2005 Energy Report process and attend the workshop, which will be held from **9:30 a.m. to 5:00 p.m. at the San Diego Association of Governments (SANDAG) Board Room, 7th Floor, 401 B Street in San Diego.** For additional information, please contact Tim Olson at (916) 654-4528 or Jennifer Williams at (916) 654-4710.