MEETING NOTICE
AND AGENDA

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

Thursday, February 23, 2006
11:30 a.m. to 2 p.m.

SANDAG, 7th Floor Conference Room
401 B Street, Suite 800
San Diego, CA  92101-4231

Staff Contact:  Rob Rundle  (619) 699-6949  rru@sandag.org
                Susan Freedman  (619) 699-7387  sfr@sandag.org

AGENDA HIGHLIGHTS

•  UPDATE ON MEETING WITH THE CALIFORNIA ENERGY COMMISSION
•  COASTAL POWER RESOLUTION
•  CALIFORNIA SOLAR INITIATIVE

SANDAG offices are accessible by public transit.
Phone 1-800-COMMUTE or see www.sdcommute.com for route information.

In compliance with the Americans with Disabilities Act (ADA), SANDAG will accommodate persons who require assistance in order to participate in SANDAG meetings. If such assistance is required, please contact SANDAG at (619) 699-1900 at least 72 hours in advance of the meeting.

To request this document or related reports in an alternative format, please call (619) 699-1900, (619) 699-1904 (TTY), or fax (619) 699-1905.
**ITEM #** | **RECOMMENDATION**
--- | ---
1. **WELCOME AND INTRODUCTIONS** | 
2. **MEETING SUMMARY FOR THE JANUARY 23, 2006 MEETING** | APPROVE
   Attached is the meeting summary for the January 23, 2006 meeting. Please review and provide any comments on the summary.
3. **PUBLIC COMMENT AND COMMUNICATIONS** | COMMENT
   Anyone who would like to address the Energy Working Group on a topic not on the agenda should do so at this time.
4. **MEETING WITH CALIFORNIA ENERGY COMMISSION** | DISCUSS
   EWG Co-Chairs met with CEC Executive Director earlier this month regarding funding for the EWG and implementation of EWG’s policy priorities. A draft funding proposal will be sent to the EWG members in advance of the meeting for discussion.
5. **UPDATE ON LONG-TERM RESOURCE PLAN PROCESS** | INFORMATION
   The CPUC is expected to open a rulemaking on the 2006 LTRP process in February. An update on the CPUC activities and EWG actions will be provided.
6. **REPORTS FROM THE EWG SUBCOMMITTEES** | DISCUSSION/POSSIBLE ACTION
   A) **Public Policy Subcommittee:**
   Alan Ball, Qualcomm, will discuss progress on EWG Policy Initiatives, legislative options, and future proposed workshops (see attachment). The next subcommittee meeting will be held March 15, 2006 from 8:30 to 10:30 a.m. at Qualcomm Building A.
   
   B) **Resources Subcommittee:**
   Steve Hoffman, NRG, will discuss the proposed SUNRISE Powerlink in relation to the Regional Energy Strategy, as well as progress on LTRP data acquisition. Detailed review of the transmission line will be ongoing at the Resources Subcommittee. See attachment for a list of information sources re: SUNRISE. Next meeting: March 6, 2006 from noon to 2 p.m. at SDREO.
<table>
<thead>
<tr>
<th>ITEM #</th>
<th>RECOMMENDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>LOCAL GOVERNMENT ENERGY SAVING PILOT PROGRAM</td>
</tr>
<tr>
<td></td>
<td>INFORMATION/ COMMENT</td>
</tr>
<tr>
<td></td>
<td>A year-end report will be presented on the EWG’s Pilot Program with Carlsbad. Report components include a project summary, lessons learned, and recommendations for continued activities with local governments in 2006.</td>
</tr>
<tr>
<td>+8</td>
<td>COASTAL POWER RESOLUTION</td>
</tr>
<tr>
<td></td>
<td>INFORMATION/ COMMENT</td>
</tr>
<tr>
<td></td>
<td>On Feb. 9, 2006 the State Lands Commission deferred consideration of a resolution supporting the elimination of once through cooling in California power generating facilities. This will be readdressed in April and could have a significant impact on the region’s energy generation. EWG subcommittees will discuss in greater detail in March. The proposed resolution is attached.</td>
</tr>
<tr>
<td>+9</td>
<td>CALIFORNIA SOLAR INITIATIVE</td>
</tr>
<tr>
<td></td>
<td>INFORMATION</td>
</tr>
<tr>
<td></td>
<td>The CPUC approved a comprehensive, 10-year solar program to begin January 1, 2007. A summary of program components will be provided along with potential for formation of a San Diego regional consortium to bring solar roofs to municipal governments. Attached is a summary of CSI Program.</td>
</tr>
<tr>
<td>+10</td>
<td>SUGGESTED MEETING TOPICS FOR NEXT MEETING</td>
</tr>
<tr>
<td></td>
<td>APPROVE</td>
</tr>
<tr>
<td></td>
<td>Proposed topics for the March EWG Meeting are attached. Energy Working Group members should suggest additional items to be discussed at the next or future meetings.</td>
</tr>
<tr>
<td>11</td>
<td>ADJOURN</td>
</tr>
<tr>
<td></td>
<td>The next EWG meeting will be held March 23, 2006 at SANDAG from 11:30 a.m. to 2 p.m. in the 7th floor conference room.</td>
</tr>
</tbody>
</table>

+ next to an item indicates an attachment
Action Requested: APPROVE

JANUARY 26, 2006 MEETING SUMMARY

Members in Attendance

Chair Henry Abarbanel, City of Del Mar, North County Coastal
Co-Chair Art Madrid, City of La Mesa, Eastern Suburban Communities
Hon. Steve Castaneda, City of Chula Vista, South County
Hon. Donna Frye, City of San Diego
Hon. Bob Campbell, City of Vista, North County Inland
Pat Zeutonian, County of San Diego
Marty Hunter, San Diego Labor Council
Stephen Zolezzi, Small Business, Food and Beverage Association
Alan Sweedler, San Diego State University Foundation
Irene Stillings, SDREO
Alan Ball, Qualcomm
Rebecca Pearl, Environmental Health Coalition
Paul O’Neal, North San Diego Economic Development Corp.
Ralph Torres, DOD/ US Navy
Patti Krebs, Industrial Environmental Association
David Carey, Port of San Diego
Dave Weil, UCSD

Others in Attendance

Tom Blair, City of San Diego
Susan Freedman, SDREO
Jennifer Porter, SDREO
Skip Fralick, public
Mike Nagy, Chamber of Commerce
Don Wood, C-3
David Hicks, Duke Energy
Joe Otahal, Duke Energy
Sharon Cooney, MTS
Scott Anders, EPIC

Bob Leiter, SANDAG
Alexandra Hart, JA Consultants/ IBEW 569
Julie Gelfat, IBEW 569
Jim McCollum, Solar Turbines
Keri Smith, SDG&E
Mike Gearhart, public
Diane Foote, public
Cecilia Aquillon, Kyocera Solar
Nicole Capretz, Councilmember Donna Frye
Bill Powers, BPPWG
1. Welcome and introductions
Chair Henry Abarbanel welcomed the EWG and called the meeting to order.

2. Climate Change Presentation
Dr. Tim Barnett, Scripps Institution of Oceanography, presented on climate change and western water supply implications. He provided an overview of the scientific basis of climate change, its causes and immediate impacts facing the region.

A working group member asked why the earth’s atmosphere does not block the sun’s energy. Dr. Barnett answered that it has to do with absorption bands in the atmosphere. The sun’s energy has different wavelengths; the short waves associated with solar radiation can get through, while the long waves associated with infrared radiation are reflected back into space.

Art Madrid said that Dr. Barnett should speak at the upcoming California League of Cities meeting at San Diego in September so that elected officials throughout California can hear his message. He said Henry Abarbanel and himself would talk with the League of Cities next Tuesday about possibly getting a space for Dr. Barnett to speak. Dr. Barnett said that he would consider the speaking opportunity.

3. December 15, 2006 Meeting Summary
The Working Group approved the December 15, 2006 meeting minutes.

4. Public Comment
Susan Freedman, SDREO, made a few announcements regarding transmission planning. On January 31, the CPUC will be holding a pre-hearing conference in Ramona at 2 p.m. regarding the Sunrise Powerlink and she would distribute the meeting information via email. In addition, the Energy Commission is holding workshops on February 8 and 9, 2006 in Ontario and Sacramento on state energy corridors.

Don Wood announced that C-3 has not taken a position on the Sunrise Powerlink yet. They would like SANDAG to give an analysis of the proposed transmission line’s relation to the Regional Energy Strategy to help them take a position.

5. EWG Membership Revisions
Henry Abarbanel introduced this item and asked that the EWG take action on adding members. He announced that the County Water Authority dropped out as a member due to meeting conflicts. Paul O’Neal said that he contacted members of the Water Authority and is in the process of inviting them back to the EWG. Rob Rundle added that the Water Authority’s board holds meetings at the same time as the EWG, so they could not commit to have a board member at the EWG meetings. He added that the Water Authority still wants to be on the EWG’s distribution list and wants to stay involved with the issues.

Dr. Alan Sweedler announced that SDREO’s board of directors asked him to request a position for a board member to serve on the EWG. He said that since SDREO is serving as staff, it would be more appropriate to have a Board member represent SDREO. Rob Rundle will look into this matter.
Rundle stated he would forward any finalized membership decisions to the Regional Planning Committee for their approval.

Henry Abarbanel reviewed the membership additions: the addition of EPIC, a potential change in the nature of SDREO’s representation, and the addition of MTS. Rob Rundle added that we previously discussed a representative from the Mexican Consul General’s Office who has not responded yet. Art Madrid suggested that since we are adding MTS, we should consider adding the North County Transit District since energy is a region-wide issue. Bob Leiter said that NCTD already provides staff to too many SANDAG committees and they would likely be satisfied with having MTS represent them on energy issues at the EWG.

Motion: Henry Abarbanel motioned to recommend to the Regional Planning Committee representation from MTS and EPIC, as well as continued discussions with the County Water Authority and the Mexican Consul General’s Office as members of the Energy Working Group. The motion was seconded and passed unanimously.

Skip announced that he is not technically representing Sierra Club and offered three possible solutions to continue his membership. First, he can go back to Sierra Club and negotiate with them. Second, he could go to another environmental organization, or third, he could be an independent environmentalist.

6. Long Term Resource Plan Work Program
The CPUC recently provided a tentative schedule for their 2006 LTRP process. Susan Freedman introduced the group to the work program. It was anticipated that the CPUC would open the new LTRP rulemaking in January, but this did not happen and the exact date is unclear. Therefore, dates for all anticipated workshops from the CPUC are also likely to slide.

7. Reports from the EWG Subcommittees
   A. Public Policy Subcommittee:
      Alan Ball updated the Working Group on the development of the EWG’s top three legislative (policy) priorities for 2006. The first priority is to integrate the state processes with the EWG’s Regional Energy Strategy. In conjunction with this legislative effort, the EWG is also asking for funding. Henry is talking to the CPUC, CEC, and the legislature about being possible funding sources. The second initiative is the empowerment of the San Diego Regional Energy Office to further extend their technical assistance for cities, especially those without energy management programs. And, the third priority is distributive generation, which is turning out to be a highly complex issue, but of great interest to Senator Kehoe and her staff.

      On April 14, 2006, SANDAG will be sponsoring a distributive generation workshop. At the workshop, EWG members will have the opportunity to discuss SANDAG’s overall energy planning work program with the Board of Directors, and to brief them on the EWG’s efforts to establish a permanent funding source. Bob Leiter suggested that in preparation for that meeting, this group review the report that was prepared for the retreat that summarizes the accomplishments of the Energy Working Group, update it, and forward it to the Board. This list of accomplishments can serve as a focus for of the Board’s discussion at the April meeting.
B. Resources Subcommittee
Paul O’Neal provided an update on subcommittee activities.

8. EWG Policy Recommendations to CEC on Climate Change
Jennifer Porter, SDREO, introduced this item. The Climate Action was the result of an executive order signed in the middle of last year. The report is a mandate to reduce greenhouse gas emissions to the 2000 level by 2010, to the 1990 level by 2020, and a reduction to 80% of the 1990 level by 2050. Ms. Porter incorporated EWG comments into a letter for submittal to the CEC responding to the report. Rob Rundle added that SANDAG’s Executive Director feels that it is important to bring this letter to the executive committee before sending it to the CEC; however, the executive committee will not meet until after the CEC comment deadline of January 31, 2006. The CEC is unwilling to extend their due date, but in conversations expressed that they still wanted to receive and review our comments.

Henry Abarbanel motioned to approve the letter with corrections that have been presented here or anything that EWG members give to Rob Rundle by 4:00 p.m. today to ensure that it goes out with the SANDAG stamp in a timely manner. This motion was seconded and passed.

9. Local Government Energy Saving Pilot Program
This topic will be addressed at the next scheduled EWG meeting.

10. Suggested Topics for Next Meeting
Art Madrid added a discussion on the issue of the EWG’s need to respond to issues that arise in a more agile manner than they are currently able to, as illustrated with the CEC letter.

11. Meeting Adjournment
Henry Abarbanel adjourned the meeting. The next EWG meeting will be on February 23, 2006 from 11:30 a.m. to 2 p.m.
PROPOSED SANDAG WEG WORKSHOP SCHEDULE

<table>
<thead>
<tr>
<th>Topic</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear Issues*</td>
<td>March 22, 2006 (to be confirmed)</td>
<td>SDREO will host a half-day forum at its Learning Center. Topics include generation, safety, and waste issues for the region.</td>
</tr>
<tr>
<td>Distributed Generation</td>
<td>April 14, 2006</td>
<td>Coordinate with SANDAG Board of Directors meeting (9a-11a)</td>
</tr>
<tr>
<td>Transmission-Sunrise Powerlink</td>
<td>Spring/Summer 2006</td>
<td>Coordinate with SDG&amp;E, UCAN, ISO</td>
</tr>
<tr>
<td>Bus Tour of Potential Transmission Routes</td>
<td>Spring/Summer 2006</td>
<td>Coordinate with SDG&amp;E</td>
</tr>
<tr>
<td>Repowering in Region</td>
<td>TBD</td>
<td>Coordinate with South Bay, Encina, SDG&amp;E, Cities of Chula Vista, Carlsbad</td>
</tr>
<tr>
<td>Natural Gas and LNG</td>
<td>TBD</td>
<td>Cost of gas and implications on regional energy mix. Costa Azul (Baja California) LNG plant plans.</td>
</tr>
<tr>
<td>“Show Me the Money”</td>
<td>TBD</td>
<td>Keeping San Diego’s contribution to PGC and other funds in the region. Invite CEC Pier staff.</td>
</tr>
<tr>
<td>Legislative Workshop</td>
<td>October 2006</td>
<td>Coordinate w/ senate/assembly schedules. Propose EWG policy priorities for 2007.</td>
</tr>
</tbody>
</table>

* Both SANDAG EWG and SDREO have received requests from members of the public to host an educational workshop on nuclear waste. SDREO has agreed to host a half-day session in its Learning Center. The date is still being confirmed.
SUNRISE POWERLINK

Introduction

On December 14, 2005, SDG&E filed an application for Certificate of Public Convenience and Necessity (CPCN) with the California Public Utilities Commission (CPUC). To access information on this 500kV line proposal, please visit the following sites:

California Public Utilities Commission proceeding page for A0512014
http://www.cpuc.ca.gov/Published/proceedings/A0512014.htm

California Independent System Operator STEP meeting documents (October 28, 2005)

San Diego Gas and Electric Sunrise Powerlink page
http://www.sdge.com/sunrisepowerlink/

Regional Energy Strategy
http://www.sdreo.org/Uploads/Regional_Energy_Strategy_Final_07_16_03.pdf

Utility Consumers’ Action Network Sunrise Powerlink page
http://www.ucan.org/Electric/Sunrise/Sunrisepage.html

Important Dates

- **December 14, 2005** - need assessment filed by SDG&E to CPUC
- **January 31, February 1, 2006** - prehearing conferences in San Diego region with CPUC
- **February 17, 2006** - deadline for SDG&E reply to Commissioner Grueneich, ALJ Malcolm request for information
- **February 24, 2006** - deadline for parties other than SDG&E to reply to Cmr. Grueneich, ALJ Malcolm request for information
- **Spring 2006** - decision by CPUC on bifurcation request
- **Mid-2006** - environmental review documents and formal CPCN to CPUC (expected) by SDG&E
- **Late-2006** - decision on CPCN (expected) by CPUC
RESOLUTION BY THE CALIFORNIA STATE LANDS COMMISSION REGARDING ONCE THROUGH COOLING IN CALIFORNIA POWER PLANTS

WHEREAS, The California State Lands Commission and legislative grantees of public trust lands are responsible for the administering and protecting the public trust lands underlying the navigable waters of the state, which are held in trust for the people of California; and

WHEREAS, the public trust lands are vital to the recreational, economic and environmental values of California’s coast and ocean; and

WHEREAS, the commission has aggressively sought correction of adverse impacts on the biological productivity of its lands including, litigation over contamination off the Palos Verdes Peninsula and at Iron Mountain, the adoption of best management practices for marinas and litigation to restore flows to the Owens River; and

WHEREAS, California has twenty-one coastal power plants which use once-through cooling, the majority of which are located on bays and estuaries where sensitive fish nurseries for many important species are located; and

WHEREAS, these power plants are authorized to withdraw and discharge approximately 16.7 billion gallons of ocean water daily; and

WHEREAS, once-through cooling harms the environment by killing large numbers of fish and other wildlife, larvae and eggs as they are drawn through fish screens and other parts of the power plant cooling system; and

WHEREAS, once through cooling also adversely affects the coastal environment by raising the temperature of adjacent water, killing and displacing wildlife and plant life; and

WHEREAS, various studies have documented the harm caused by once-through cooling including one study that estimated that 2.2 million fish were annually ingested into eight southern California power plants during the late 1970s and another that estimated that 57 tons of fish were killed annually when all of the units of the San Onofre Nuclear Generating Station were operating; and
WHEREAS, regulations adopted under Section 316 (b) of the federal Clean Water Act recognize the adverse impacts of once-through cooling by effectively prohibiting new power plants from using such systems; and

WHEREAS, the Governor's Ocean Action Plan calls for an increase in the abundance and diversity of aquatic life in California's oceans, bays, estuaries and coastal wetlands, a goal which can be better met by eliminating the impacts of once-through cooling; and

WHEREAS, members of the California Ocean Protection Council have called for consideration of a policy at its next meeting to discourage once-through cooling; and

WHEREAS, the California Energy Commission and the State Water Resources Control Board have the authority and jurisdiction over the design of power plants and are conducting studies into alternatives to once-through cooling, such as air cooling, cooling with treated wastewater or recycled water and cooling towers; and

WHEREAS, in its 2005 Integrated Energy and Policy Report, the California Energy Commission adopted a recommendation to work with other agencies to improve assessment of the ecological impacts of once-through cooling and to develop a better approach to the use of best-available retrofit technologies; and

WHEREAS, the Commission recognizes that the coastal power plants currently utilizing once-through cooling make an important contribution to California's energy supply, but believes that the elimination of these cooling systems, through conservation, conversion, construction of new facilities, or utilization of other sources can be feasible and will be facilitated by establishing a deadline for this to occur; therefore, be it

Resolved by the California State Lands Commission that it urges the California Energy Commission and the State Water Resources Control Board to expeditiously complete all necessary studies and develop policies that eliminate once-through cooling from all new and existing power plants in California; and be it further

Resolved, that the Commission shall not approve new leases or extensions of existing leases for facilities associated with once-through cooling after 2020 and calls on public grantees of public trust lands to implement the same policy for facilities within their jurisdiction; and be it further

Resolved, that the Commission's Executive Officer transmit copies of this resolution to the Chairs of the State Water Resources Control Board, the California Energy Commission, and the California Ocean Protection Council, all grantees, and all current lessees of public trust lands that utilize once-through cooling.
The California Public Utilities Commission (CPUC) approved the California Solar Initiative on January 12, 2006 by a vote of 3-1. The Commission received over 50,000 letters in support of the CSI. The following are some details of the decision.

**What it does:**
The California Solar Initiative (CSI) provides $2.9 billion in incentives between 2007 and 2017, divided as follows:

1. The California Public Utilities Commission (PUC) will oversee a $2.5 billion program for commercial and existing residential customers, funded through revenues and collected from gas and electric utility distribution rates.

2. The California Energy Commission (CEC) will manage $350 million targeted for new residential building construction, utilizing funds already allocated to the CEC to foster renewable projects between 2007 and 2011.

**Specifically, the CSI will:**

- Provide incentives to customer-side photovoltaics (PV) and solar thermal electric projects under 1 MW capacity.

- Authorize a pilot solar water heater (SWH) incentive program for customers of San Diego Gas and Electric Company. If successful, the PUC could offer SWH incentives statewide. **The San Diego Regional Energy Office is to develop and implement this program.**

- Set initial PV incentive levels at $2.80 per watt effective Jan. 1, 2006, to be reduced by an average of approximately 10 percent annually. Incentive levels for solar thermal electric projects and solar heating and cooling will be determined in 2006.

- Allocate 10 percent of program funds for low-income and affordable housing.

- Develop a pay-for-performance incentive structure to reward high-performing solar projects.

**Additional statements on CSI Implementation-Administration:**

- Third party administration of the program by one or more nonprofit organizations, initially for the residential retrofit market, will most likely to accomplish CPUC objectives and will not compromise utility operations.

- Current SGIP Administrators, including SDREO, will administer the CSI Commercial program at least initially.

- The SGIP Working Group would not be an appropriate agent for overseeing the CSI.
• The CSI will be coordinated with energy efficiency, advanced metering, demand response, and building standards programs at the energy agencies.

Cost and Rate Impact of the CSI

The estimated average cost to a residential electric customer will be approximately $12 a year; the average residential natural gas cost will be $1.40 per year. However, the total impact on a residential customer's monthly bill is expected to be minimal in most cases, because the cost of this program will be largely offset by the expiration, at the end of 2007, of a surcharge on utility bills to repay rate reduction bonds authorized in 1996 for electric sector restructuring. Industrial rate impact is much higher.

Transition Year for 2006

The agencies' existing solar programs will be consolidated into the CSI by Jan. 1, 2007.

The PUC Self Generation Incentive Program (SGIP) funding and technology categories for 2006 will be modified as follows:

<table>
<thead>
<tr>
<th>Budget by IOU Service Territory</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PG&amp;E</td>
</tr>
<tr>
<td>Admin/M&amp;E</td>
<td>$19.20</td>
</tr>
<tr>
<td>Level 1 – Solar</td>
<td>$136.80</td>
</tr>
<tr>
<td>Level 2- Other Renewables</td>
<td>$18.00</td>
</tr>
<tr>
<td>Level 3- Non-Renewable</td>
<td>$18.00</td>
</tr>
<tr>
<td>Total Budget</td>
<td>$192.00</td>
</tr>
</tbody>
</table>

The CEC Emerging Renewables Program will provide incentives for residential and small commercial solar projects through 2006. After 2006, the CEC will focus on residential new construction as part of the CSI.
SUGGESTED MEETING TOPICS FOR MARCH 23, 2006 MEETING

Introduction

Proposed topics for the March EWG Meeting include:

- Long Term Procurement Planning activities
  - CPUC workshops and Initial data assessments of EWG Resources Subcommittee

- SANDAG BOD Meeting and DG Workshop on 4/14/06
  - Review of EWG Retreat Outcomes Report
  - Discussion of EWG needs, issues, and priorities
  - DG Workshop issues