MEETING NOTICE
AND AGENDA

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

Thursday, April 29, 2004
11:30 a.m. – 2:30 p.m.

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

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ITEM # | ACTION
---|---
1. Welcome and Introductions | 
+2. April 19, 2004 Meeting Summary | APPROVE
   Attached is the summary from the April 19, 2004 Energy Working Group meeting. Please review and provide any comments on the summary

   The Energy Working Group will discuss SDG&E’s recommended resource additions for new, local power resources by 2005. Attached are the goals outlined in the Regional Energy Strategy and a summary of the energy sources provided by SDG&E. The Energy Working Group should consider providing comments to the California Public Utilities Commission before the May 6, 2004 deadline.

+4. Long Term Administration of Energy Efficiency Funds | RECOMMEND
   Attached is a matrix that compares the five proposals that were submitted to the California Public Utilities Commission for the long-term administration of the Public Goods Charge – Energy Efficiency funds. The Energy Working Group will hear a presentation by staff from SDG&E and the San Diego Regional Energy Office. The Working Group should consider providing comments on which elements of the proposals support the goals of the Regional Energy Strategy.

5. Next Meeting/Adjourn | APPROVE
   The next meeting of the Energy Working Group is scheduled for May 27, 2004 from 11:30 a.m. – 2 p.m.

+next to an agenda item indicates an attachment
April 29, 2004

TO: Energy Working Group

FROM: SANDAG Staff

SUBJECT: April 19, 2004 Meeting Summary

ACTION: APPROVE

Members in Attendance:
Councilmember Michael Zucchet, City of San Diego
Mayor Art Madrid, East Suburban Cities
Stephen Zolezzi, Food and Beverage Association
Irene Stillings, San Diego Regional Energy Office
Ramsey Green, San Diego Regional Chamber of Commerce
Bud Irvin, San Diego County Water Authority
Alan Sweedler, San Diego State University Foundation
Robert Resley, San Diego Gas & Electric
Alan Ball, Qualcomm (Alternate)
Albert Huang, Environmental Health Coalition
Dan Perkins, Sierra Club
Scott Anders, San Diego Regional Energy Office (Alternate)

Others:
Julie Gelfat, International 569 Br. of Electrical Workers
Alexandra Hart, International 569 Br. of Electrical Workers
Shirley Vaine, San Onofre Citizens
Mike Smith, The Paradigm Group
Susan Freedman, San Diego Regional Energy Office
Scott Willett, San Diego County Water Authority
Kevin Christensen, The Daily Transcript
Ed VanHerik, San Diego Gas & Electric
Frank Spasaro, San Diego Gas & Electric
Keri Smite, San Diego Gas & Electric
Kurt Kammerer, Independent Consultant
Skip Fralick, Sierra Club
John Moot, Sullivan Wertz McDade & Wallace
Jose C. Cervantes, City of San Diego
Lora Folsom, City of San Diego
Rob Rundle, SANDAG
Bob Leiter, SANDAG
Jennifer Cordeau, SANDAG
1. Welcome and Introductions/Selection of Working Group Chair  
Bob Leiter, SANDAG, welcomed everyone and followed with self introductions. Since there was a lack of elected officials present at the meeting, he agreed to Chair the meeting and to delay the selection of a permanent Working Group Chair until the next meeting.

2. March 22, 2004 Meeting Summary  
Motion. The motion carried to approve the Meeting Summary of March 22, 2004.

3. SANDAG Legislative Program – Energy  
At the March 22 meeting, the Group requested information on SANDAG’s legislative program for energy. SANDAG will look to the Group to designate which items are of a higher priority.

The list of CPUC Commissioners was provided to the Group for their information.

Frank Spasaro, San Diego Gas and Electric, stated that a total of five proposals were submitted to the CPUC. Proposals from the TURN Coalition, National Resources Defense Council (NRDC), Women’s Energy Matters, and Investor Owned Utilities (IOUs) were comprehensive, covering the entire management of the funds, and a proposal from CAL-UCONS targeted a particular market segment. The IOUs proposal suggests a statewide Policy Advisory Committee that would provide policy support, input, and guidance to the Commission. The Commission would maintain the role it currently has now, with the exception of programs. There would also be four regional advisory groups supporting each of the IOUs. The NRDC proposal is very similar to the one proposed by the IOUs, and SDG&E is working with the Council to see if the two concepts can be combined. Initial reply comments on the proposals are due on April 26, and reply comments to these are due on May 10.

Scott Anders, San Diego Regional Energy Office, stated that their office partnered with The Utility Reform Network (TURN), the Office of Rate Payer Advocates of the PUC, the City and County of San Francisco, and independent consultants on the proposal. The fundamental difference in this proposed model was the formation of an independent state-wide organization that would perform the administrative functions, and implementation would be bid-out to whoever proposed the best method. They do not believe that those who administer the funds should also implement them.

Alan Sweedler, San Diego State University Foundation, noted that the EWG needs to have a presence at these proceedings. Before the next EWG meeting, the Group needs to come up with a position that represents the San Diego position and present it to the Commission.

The Group agreed to submit a letter to the Commission expressing its interest in working on a more thorough review of the proposals in relation to the adopted Regional Energy Strategy (RES). It was also agreed that a meeting would be scheduled prior to the regularly monthly meeting to brief the Group on the proposals in more detail, and to focus on the proposal’s relationship to the RES. Staff will provide a report to the Group outlining the similarities and differences of the proposals submitted by SDG&E and SDREO. Action may be taken on this issue at the interim meeting.
Joe Desmond will be appointed as the Energy Advisor under Governor Schwarzenegger. It would be helpful to invite him or one of Governor Schwarzenegger’s local staff representatives to a future EWG meeting.

6. Cost Allocation for Long-Term Energy Contracts
Robert Resley, San Diego Gas and Electric, stated that two IOUs have reached a settlement. If a decision comes from the Commission to adopt the settlement, there will be at a minimum public comments, and ideally public hearings on the settlement. This issue is still ongoing.

7. Energy Working Group Future Meeting Topics
Bob Leiter updated the Group on the available resources to work on issues over the next 6 months. SANDAG will be utilizing staff support from SDREO, is continuing to discuss financial support with SDG&E, and has received offers for in-kind services from independent consultants Kurt Kammerer and Mike Smith.

Kurt Kammerer stated that some of the projects suggested for future meeting topics were very specific down to the project level. He encouraged the Group to focus more on a policy-level and not on individual projects. John Moot echoed the comments stating that the Group should focus more on planning issues. There needs to be planning in the region to deal with what can be done to facilitate new production coming online and to facilitate a region-wide reduction in demand. Robert Resley noted that if the region does not support some specific projects, it will continue to be treated the way it has been.

It was suggested that the Group should relate its priorities to the RES goals and objectives - to focus on what the Strategy’s priorities are in terms of both supply-side and demand-side related issues. The Group needs to select the projects and programs that will have the most significant regional benefit, and make sure that projects on the supply-side or the demand-side have equal consideration. The Group should also refer to the Regional Energy Infrastructure Study for recommendations.

A motion was made that consistent with the RES, it has been identified that there is a need for enhanced in-region generation. The EWG supports development of the in-region generation identified in the RES. The motion was then withdrawn because some members of the Group felt there was not adequate information to take a position, and the issue was not an action item on the agenda. A new motion was approved that whereas the EWG is concerned that there may be insufficient resources, it is requested that this proposal be reviewed in more detail in the hopes that it will meet those lack of resources. This item will be discussed at the interim meeting.

Referring back to identifying issues for discussion at future meetings, it was suggested that if a stakeholder wants to add an item, sufficient information needs to be provided so that the Group can make a judgment about its priority.

In order to determine the highest priorities to focus on over the next 6 months, it was suggested that staff extract a work plan from the RES that looks from both a priority perspective and a short-term focus perspective. Staff will review the RES, the Regional Energy Infrastructure Study, SDG&E’s Resource Plan, and the State Integrated Energy Plan in relation to each other, focusing initially on priorities based on the short-term and the long-term. Emphasis
will be placed on the commonalities and differences of the plans, and will be used as a basis for setting priorities over the next 6 months.

8. Selection of Permanent Meeting Date and Time
   Permanent meetings will be held on the 4th Thursday of each month. The next regularly scheduled meeting will be held on Thursday, May 27, 2004 from 11:30 a.m. to 2:00 p.m. The requested interim meeting to follow-up on the public goods charge energy efficiency alternatives and SDGE’s RFP for new local power sources is scheduled for Thursday, May 29, 2004 from 11:30 a.m. to 2:30 p.m.

9. Public Comment
   Dan Perkins, Sierra Club, will no longer serve as a permanent member of the EWG. Skip Fralick will take his place as the representative for the Sierra Club and Dan will serve as the alternate when needed.

10. Next Meeting/Adjournment
    The meeting was adjourned. The next regular meeting is scheduled for Thursday, May 27, 2004.
April 29, 2004

TO: Energy Working Group

FROM: SANDAG Staff

SUBJECT: Agenda Item 3 – New, Local Power Resources by 2005

ACTION: RECOMMEND

At the last Energy Working Group meeting (April 19, 2004), San Diego Gas & Electric staff agreed to give a presentation on their proposal for new, local power sources that could be available in the 2005 – 2007 timeframe. Attached is some information provided by SDG&E that describes the new power sources proposed to meet the near term demand.

The following goals have been extracted from the Regional Energy Strategy (pages 3 and 4 of the RES). These goals relate to electricity supply and infrastructure capacity. The Energy Working Group will evaluate the SDG&E’s proposed energy sources against the goals of the Regional Energy Strategy. The EWG should consider providing comments to the CPUC regarding the compatibility of the proposal to the region’s short- and long-term energy goals.

Electricity Supply and Infrastructure Capacity

- GOAL 2: Achieve and maintain capacity to generate 65% of summer peak demand with in-county generation by 2010 and 75% by 2020.
- GOAL 3A: Increase the total electricity supply from renewable resources to 15% by 2010 (~740 MW), 25% by 2020 (~1,520 MW) and 40% by 2030 (~2,965 MW).
- GOAL 3B: Of these renewable resources, achieve 50% of total renewable resources from resources located within the County (~370 MW by 2010, ~760 MW by 2020, and ~1,483 MW by 2030).
- GOAL 4: Increase the total contribution of clean\(^1\) distributed generation resources (non-renewable) to 12% of peak demand by 2010 (~590 MW), 18% by 2020 (~1,100 MW) and 30% (~2,225 MW) by 2030.
- GOAL 5: Increase the transmission system capacity as necessary to maintain required reliability and to promote better access to renewable resources and low-cost supply.

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\(^1\) Clean distributed generation resources refer to all non-renewable distributed generation applications that meet the CA PUC Code 218.5 and other relevant APCD requirements.
PROPOSAL FOR NEW, LOCAL POWER RESOURCES BY 2005

BACKGROUND
In April 2003, San Diego Gas & Electric announced its long-term resource plan, calling for a balanced combination of resources to meet the region’s growing electricity needs, including energy-efficiency/demand-response programs, increased renewable supplies, and more transmission lines to be able to import power. The plan also pointed out that new, locally based generation is needed in 2005 through 2007 to ensure continued reliability. To meet that need, SDG&E issued a Request for Proposal (RFP) in May for new generation and other resource additions with criteria that the projects had to be in San Diego County and operational within the 2005-07 time frame. SDG&E received 22 bids and selected a portfolio of projects consistent with its long-term resource plan. The recommended projects will meet the region’s electricity needs, reduce reliance on existing older, less-efficient power plants and provide most of the required reserves needed by the region.

PLAN HIGHLIGHTS

**Demand Response:** This project will reduce the amount of power SDG&E customers use during peak-use hours. Comverge will install devices on air-conditioning systems of small and medium-sized commercial customers who choose to participate in this program and SDG&E will be able to remotely turn off the air conditioners for short periods during peak periods to reduce the amount of power being used. This program will reduce demand by about 30 megawatts (MW) in 2007.

**Renewable Resources:** A 15-year contract with Envirepel will provide 40 MW generated from biomass or “green waste,” (mainly wood, paper and agricultural by-products) in Fallbrook. As well as producing electricity, this technology helps reduce the volume of waste entering landfills and helps meet SDG&E’s goal of having 20 percent of its energy resources from renewables.

**3 New, Local Natural Gas Power plants:** Ramco is a 49-megawatt combustion-turbine intermediate unit SDG&E will purchase; Palomar is a 500 to 555 MW, combined-cycle power plant north of San Diego that SDG&E will purchase from Sempra Energy Resources after its completion; and, Otay Mesa is a 500-MW power plant that will be built to supply electricity to SDG&E under a 10-year agreement.

PUBLIC REVIEW PROCESS
A Procurement Review Group (PRG) was formed by the California Public Utilities Commission (CPUC) to review each step of the bid analysis and negotiations process in detail. The PRG is made up of non-market participants, including representatives of consumer watchdog groups UCAN and TURN, the Office of Ratepayer Advocates, the Natural Resources Defense Council (NRDC), the California Farm Bureau, the CPUC, the California Energy Commission and the California Department of Water Resources. An independent consultant observed the RFP process, including the negotiations with Sempra Energy Resources and Calpine, to provide a report on compliance with the terms of the RFP and with the CPUC’s affiliate guidelines.

NEXT STEPS
A proposed decision has been issued that supports SDG&E’s recommendations. The CPUC will accept comments from interested parties over the next several weeks and hold a public hearing in May. The earliest the CPUC can make a decision is May 6, 2004.
## Recommended Resource Additions

<table>
<thead>
<tr>
<th>Type</th>
<th>Developer</th>
<th>Location</th>
<th>Megawatts</th>
<th>Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable (Biomass)</td>
<td>Envirepel Energy Inc.</td>
<td>Fallbrook</td>
<td>40</td>
<td>2006</td>
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<tr>
<td>Renewable (Solar demo project)</td>
<td>Heliotron</td>
<td>San Diego County</td>
<td>1</td>
<td>2005</td>
</tr>
<tr>
<td>Combustion Turbine</td>
<td>Ramco</td>
<td>San Diego County</td>
<td>45</td>
<td>2005</td>
</tr>
<tr>
<td>Combined Cycle Power Plant (Palomar)</td>
<td>Sempra Energy Resources</td>
<td>Escondido</td>
<td>550</td>
<td>2006</td>
</tr>
<tr>
<td>10-year Power Purchase from Combined Cycle</td>
<td>Calpine Corp.</td>
<td>Otay Mesa</td>
<td>570</td>
<td>2007</td>
</tr>
</tbody>
</table>
April 29, 2004

TO: Energy Working Group
FROM: SANDAG Staff
SUBJECT: Public Goods Charge Energy Efficiency Funds
ACTION: RECOMMEND

At the last meeting of the Energy Working Group, SDG&E staff and SDREO staff provided an overview of the Energy Efficiency administrative structure proposals that have been submitted to the California Public Utilities Commission. It was recommended that staff provide the working group with a summary that identifies similarities and differences among the proposals.

The attached matrix provides the requested information. SDG&E and SDREO staff will discuss this information at the meeting. The Energy Working Group should consider providing comments to the CPUC that reflect the region’s commitment to follow the guiding principles and goals of the Regional Energy Strategy. The guiding principles and Regional Energy Strategy Goals 6 and 8 (which relate to the Energy Efficiency funds) are provided for the EWG’s consideration.

The following are the guiding principles of the Regional Energy Strategy:

- The supply portfolio will be diversified, cost efficient, environmentally sound, self-sustaining, secure and reliable.

- The planning process will be open and inclusive.

- Energy projects, programs and policies will protect the interests of the vulnerable and disadvantaged communities in the San Diego region and Mexico.

- The region will have adequate indigenous resources to ensure reliability and stabilize prices.

- Energy efficiency and demand management programs will be preferred over the development of new fossil-fueled generation resources.

- Future development and land-use planning decisions will reflect progressive standards for energy efficiency and responsible energy supply.

- Energy programs and policies will support economic development activities and the creation of new jobs in the San Diego Region.

- Public awareness and education programs will promote responsible energy decisions by the public.
• San Diego and Baja California, Mexico are an inseparable economic and environmental region, requiring close coordination of energy planning and action. Recognizing this union of economy and environment, energy generated in Mexico for use in the San Diego region should be encouraged to comply with both California and United States environmental and labor laws. Likewise, energy projects located in San Diego should take into account potential environmental effects in nearby Baja California.

• Markets and regulation must be designed and adapted as necessary to maximize the benefits of competition in wholesale markets while protecting the public from inappropriate pricing practices in retail markets.

• All energy usage affects the environment. Any energy policy or program must balance benefits and costs against the impact on the environment.

• Energy is an essential social need. All energy policies and programs must consider environmental justice impacts by ensuring the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income.

The following are the relevant goals of the Regional Energy Strategy:

Electricity Demand
• GOAL 6: Reduce per capita electricity peak demand and per capita electricity consumption back to 1980 levels.

Natural Gas Supply, Infrastructure Capacity and Costs
• GOAL 8: Reduce regional natural gas per capita consumption by the following targets: 5% by 2010 (70 MM therms), 10% by 2020 (190 MM therms), 15% by 2030 (387 MM therms).
<table>
<thead>
<tr>
<th>Proposal Name</th>
<th>NRDC</th>
<th>IOU</th>
<th>WEM</th>
<th>UCONNS</th>
</tr>
</thead>
</table>

**Salient Elements**

1. A single-purpose, statewide Programs Administrator (PA) selects and administers energy efficiency programs.
2. Energy Efficiency Advisory Committee (EEAC) will develop Program Policy Rules and advise the Programs Administrator on program design, and selection.
3. The Programs Administrator does not implement programs.
4. A restructured CA Measurement Advisory Council (CALMAC) conducts all program and portfolio evaluation.
5. Any entity - except the PA - is eligible to implement programs.
6. No funding is set aside for specific implementer types (e.g., utilities or non-utility implementers).
7. No incentives for PA.

1. IOUs administer programs with CPUC oversight
2. Formation of Efficiency Leadership Council (ELC) to assess statewide efforts
3. Formation of Efficiency Solutions Team (EST)
4. Formation of Measurement and Evaluation Council to set evaluation standards
5. ORA to hire experts to verify savings
6. Incentives for IOUs to administer energy efficiency funds
7. 20% minimum set aside for non-utility implementers

1. IOUs administer programs with CPUC oversight
2. Formation of statewide Policy Advisory Committee (PAC)
3. Three regional Program Advisory Groups (PAGs)
4. Identifies Efficiency Partners as entity to manage statewide marketing campaign
5. Integrates resource planning with program administration

1. Creates new “System Director”, which could be CPUC, or CPUC could “delegate” (e.g., CEC) who would provide overall policy and set overall goals.
2. Allows for multiple administrators, ala AB117 (which seems to be the focus of the proposal).
3. Appears to cover only PGC funds.
4. Model is based on Texas program, where programs are “continuously available standard offers.”
5. Only 5% of funds available for “information” programs, like Flex Your Power.
6. Administrators cannot be implementers.
7. EM&V would be managed by the System Director.
8. Payments to implementers based on savings, which may be increased/decreased from the standard depending on the target of the savings (e.g., geographic demand reductions).
9. Not clear how it addresses IRP needs.

Not full administrative model. This proposal focused on a very specific market segment that could be incorporated into any administrative model.