



OFFICE OF THE GOVERNOR

August 8, 2016

The Honorable Kevin De León
Senate President Pro Tempore
California State Senate
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker of the Assembly
California State Assembly
State Capitol, Room 219
Sacramento, CA 95814

The Honorable Jean Fuller
Senate Minority Leader
California State Senate
State Capitol, Room 305
Sacramento, CA 95814

The Honorable Chad Mayes
Assembly Minority Leader
California State Assembly
State Capitol, Room 3104
Sacramento, CA 95814

Dear Leaders of the California State Legislature:

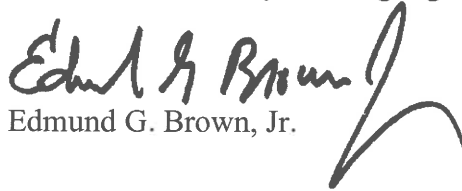
Last year in SB 350, the Legislature expressed its intent that the California Independent System Operator (ISO) transition into a regional grid operator provided certain conditions were met. Implemented correctly, a regional grid will enable greater renewable development, lower costs and carbon emissions and improved electricity reliability.

Since that time, our offices have worked together convening numerous meetings examining a host of issues relating to regionalization; the California Energy Commission has held several public workshops to develop principles for governance of a regional entity; energy regulators and governors' offices from Western states have held productive discussions; and the ISO completed detailed studies examining the economic and environmental impacts of regionalization.

While very significant progress has been made by the ISO on a transition proposal that meets the criteria in SB 350, there remain some important unresolved questions that would be difficult to answer in the remainder of this legislative session.

Accordingly, I have directed my staff, the Energy Commission, the Public Utilities Commission and the California Air Resources Board to continue working with the Legislature, the ISO, interested parties and other state and energy regulators. The goal is to develop a strong proposal that the Legislature can consider in January.

I'm confident that by working together we can get the job done.

A handwritten signature in black ink, appearing to read "Edmund G. Brown, Jr.", with a large, stylized flourish extending from the end of the signature.

Edmund G. Brown, Jr.