

Memorandum

To: ISO Board of Governors
From: Mary McDonald, Director of State Affairs
Terri Moreland, Director of Federal Affairs
Date: August 21, 2007
Re: *Status of State and Federal Legislative Matters*

This memorandum does not require Board action.

State Affairs:

Significant Legislative Bill Deadlines

- June 15 – Budget Bill must be passed by midnight. **Budget passed out of the Senate on August 21st and went to Governor for signing.**
- August 31 – Last day for fiscal committees to meet and report bills to the floor.
- September 3 – 14 – Floor session only.
- September 7 – Last day to amend bills on the floor.
- September 14 – Final day for any bill to be passed and interim recess begins on or before September 14.

Legislative Hearings

The Senate Committee on Energy, Utilities & Communications is holding a subcommittee on Alternative Energy AB 32 oversight hearing on Tuesday, August 28th. The focus of the meeting will be on the joint California Public Utilities Commission and California Energy Commission staff proposal on electricity retailers greenhouse gas reporting.

Governor's Appointment

Dan Pellissier was appointed Assistant Secretary for Energy Policy – Cal-EPA

Overview of Legislation

We have several “hot” bills that we are currently tracking. Listed below are a few bills from the hot bill list that could potentially impact CAISO. From the list, AB 1714 was signed into law. The other bills are pending in Senate and Assembly Appropriations Committees.

[AB 578 \(Blakeslee\)](#) Energy: distributed energy generation: study. (Amended on 7/12/07)

Status: Passed out of Assembly; pending in Senate Committee on Appropriations.

Summary: This bill would require the Public Utilities Commission, in consultation with the California ISO and the Energy Commission, to study and submit a report to the Legislature and the Governor on the impact of distributed energy generation on the states distribution and transmission grid.

[AB 746 \(Krekorian\)](#) Public resources: expediting siting of electrical generation. (Amended on 8/1/07)

Status: Passed out of Assembly; Pending in Senate Committee on Appropriations.

Summary: This bill would, until January 1, 2012, establish a process for the expedited review of applications to construct and operate thermal powerplants that primarily utilize an eligible renewable energy resource.

[AB 1613 \(Blakeslee\)](#) Energy: Waste Heat and Carbon Emissions Reduction Act. (Amended on 8/20/07)

Status: Passed out of Assembly; pending in Senate Committee on Appropriations

Summary: This bill would enact the Waste Heat and Carbon Emissions Reduction Act. The bill would provide that it is the policy of the state that the conversion of waste heat to electricity or other useful energy applications be the preferred generation measure immediately following renewable for the purposes of the leading order. This bill would require an electrical corporation to purchase excess electricity delivered by a combined heat and power system that complies with certain sizing, energy efficiency, and air pollution control requirements, but would authorize the PUC to establish a maximum kilowatthours limitation on the amount of excess electricity that an electrical corporation is required to purchase if the commission finds that the anticipated excess electricity generated has an adverse effect on long-term resource planning, the wholesale generation market, or the reliable operation of the grid. The bill would require the commission to consult the ISO prior to making any determination of an adverse effect on the wholesale generation market or reliable operation of the grid.

[AB 1714 \(Committee on Utilities and Commerce\)](#) Public utilities. (Amended on 5/22/2007)

Status: Signed into law; Chapter 11, Statutes of 2007.

Summary: This bill authorizes the PUC to delay implementation of time-variant pricing for ratepayers with a solar energy system, until the effective date of the rates established in the next general rate case of the state's 3 largest electrical corporations. If the

commission delays implementation of time-variant pricing, the bill would require that ratepayers required to take service under time-variant pricing between January 1, 2007, and January 1, 2008, and that would otherwise qualify for flat rate pricing, be given the option to take service under flat rate or time-variant pricing.

SB 411 (Simitian) (Energy: renewable energy resources. (Amended on 04/17/2007)

Status: Passed the Senate; pending in Assembly Committee on Appropriations.

Summary: This bill would require investor-owned utilities and energy service providers to increase their purchases of renewable energy such that at least 33% of retail sales are procured from renewable energy resources by December 31, 2020.

SB 1017 (Perata) Municipal utility districts: electricity generation: self-service wheeling. (Amended on 6/25/2007)

Status: Passed out of the Senate; to Assembly floor for vote.

Summary: This bill would require an electrical corporation to provide self-service wheeling services upon request by a water district capable of generating at least 25 percent of its annual electrical use to serve off-site loads of the water district. The sponsor of the bill, East Bay Municipal Utility District (EBMUD). Currently, EBMUD generates its own hydroelectric power; however, it sells the electricity at wholesale to the Sacramento Municipal Utility District (SMUD). To serve its own customers, it has to purchase electricity at the retail rate from PG&E, which includes transmission and distribution charges. EBMUD believes that by requiring PG&E to distribute, or wheel, the electricity from their generation facilities to their other locations they will incur savings equal to the difference between the retail and wholesale price for electricity.

Federal Affairs

Both House and Senate are in recess through Labor Day. Before leaving Washington, the Senate confirmed the nomination of Kevin Kolevar as Assistant Secretary of Energy for Electricity Delivery and Energy Reliability. The nomination of Joseph Kelliher as Chairman of the Federal Energy Regulatory Commission was not taken up and is still pending.

Before recessing, the House of Representatives approved both an omnibus energy bill, (H.R. 3221) and an energy tax package (H.R. 2776).

The omnibus bill includes a national Renewable Portfolio Standard of 15% by 2020, with up to 4% of the total from energy efficiency improvements. Municipal utilities and rural electric cooperatives are exempt from the RPS requirement. The bill also includes Smart Grid and Demand Response provisions, which would provide financial incentives for grid modernization, establish requirements for federal facilities to reduce peak electricity demand, require states to produce Smart Grid assessments and plans, increase transmission and distribution research and development within the Department of Energy, and support the development and implementation of Demand Response programs nationwide. Members rejected, by a vote of 245 to 169, an attempt to prohibit federal eminent domain authority for National Interest Transmission Corridors.

The House-passed energy tax package would provide \$16 billion for clean energy initiatives, largely paid for by cutting back tax incentives for oil and gas companies. It would provide incentives for production of electricity from renewable energy and for

investments in solar energy and fuel cells. It would also provide tax credits for energy efficient home appliances.

The House-Senate conference, which will be scheduled after Labor Day, presents some difficult hurdles. The Senate bill, which passed in July, does not include the Renewable Portfolio Standard or the tax provisions, but includes corporate