

# Memorandum

**To:** ISO Board of Governors  
**From:** Mary McDonald, Director of State Affairs  
Terri Moreland, Director of Federal Affairs  
Karen Edson, Vice President of External Affairs  
**Date:** January 18, 2008  
**Re:** *Status of State and Federal Legislative Matters*

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*This memorandum does not require Board action.*

## State Affairs

State of the State Address:

The Governor delivered his State of the State Address on January 8, 2008. In the speech he stated that California is leading on climate change, low carbon fuels, energy efficiency, and clean, green technology. He further indicated his office will be submitting legislative proposals on energy, among other things. We will work with the Governor's office through the development process of any energy proposals.

The focus of the Governor's speech, however, was his plan to tackle the state's \$14 billion shortfall. He outlined his proposal for a cap on state spending. The proposed Constitutional amendment would set up automatic cuts if the state is facing a deficit in November, January or June of each year. The Governor made it clear that there would be no new taxes imposed on Californians.

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**Solar and Clean Energy Act of 2008 – This initiative is in circulation for signatures. Circulation deadline is May 12, 2008.**

The initiative includes the following provisions:

- Requires all utilities, including government-owned utilities, to generate 20% of their power from renewable energy by 2010, a standard currently applicable only to private electrical corporations.
- Requires all utilities to reach 40% of their power from renewable energy by 2020 and 50% by 2025.
- Imposes penalties for noncompliance.
- Fast-tracks approval for new renewable energy plants.
- Requires utilities to sign longer contracts (20 year minimum) to procure renewable energy.

- Creates the Solar and Clean Energy Transmission Account to purchase property or rights-of-way for renewable energy.
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Legislation:

On January 3, 2008, the Legislature began the second year of a two-year session. The deadline for bills to be introduced is February 22nd. We will report any new energy related bills after that deadline.

### **2008 Legislative Calendar**

January 10	Budget Bill must be submitted by Governor
February 5	Presidential Primary Election
February 22	Last day for bills to be introduced
March 13	Spring Recess begins upon adjournment
March 24	Legislature reconvenes from Spring Recess
May 30	Last day to pass bills out of house of origin
July 3	Summer Recess begins upon adjournment, provided Budget Bill has passed
August 4	Legislature reconvenes from Summer Recess
August 31	Last day to pass bills
September 30	Last day for Governor to sign or veto bills

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### **Federal Affairs**

#### **Omnibus Energy Legislation Approved**

Just prior to adjournment for 2007, Congress passed an omnibus energy bill, the "Energy Independence and Security Act" (H.R. 6), by wide bipartisan majorities in both House and Senate. The final version, as agreed to following weeks of House-Senate negotiations, omitted both the renewable electricity standards and energy tax incentives that were included in the version of the bill previously passed by the House. The measure was signed into law by President Bush on December 19.

Among the key provisions of the new law are:

- A 40% increase by 2020 in Corporate Average Fuel Economy (CAFÉ) standards for cars and light trucks, raising the current 25 mpg fleet standard to 35 mpg.
- New energy efficiency standards for a variety of residential and commercial products and appliances, including a mandate for standards designed to phase out conventional incandescent light bulbs.

- Support for large-scale capture of CO<sub>2</sub> from coal-fired power plants and industrial sources.
- Authorization for “smart grid” research, development and demonstration, including a 20% reimbursement for smart grid investments. The bill directs the establishment of a Smart Grid Advisory Committee and a Smart Grid Task Force to advise federal agencies on grid modernization. It also directs state commissions to consider requiring electric utilities to show that they have considered smart grid technologies among other options.

### **Kelliher, Wellinghoff Confirmed**

On December 19 the Senate confirmed FERC Chairman Joseph Kelliher and Commissioner Jon Wellinghoff to new 5-year terms on the Commission. Chairman Kelliher’s term will extend to June 30, 2012 and Commissioner Wellinghoff’s to June 30, 2013.

### **Outlook for 2008**

The House of Representatives will reconvene for 2008 on January 15 and the Senate will return on January 22. In the year ahead, Congress is expected to revisit some of the provisions of the energy tax package that were pulled out of the omnibus energy bill prior to passage, such as extension of existing production tax credits for wind, solar and other renewable energy resources and the establishment of a national renewable energy portfolio standard for electricity. Congress is also expected to consider extending jurisdiction over electronic energy trades to the Commodities Futures Trading Corporation.

Additional debate on climate change legislation is also expected this year. In the Senate, the likely vehicle for debate is S. 2191, the “Lieberman-Warner Climate Security Act,” which was reported out of the Senate Committee on Environment and Public Works in December. The bill would mandate an economy-wide emissions cap-and-trade program for CO<sub>2</sub> and other greenhouse gases aimed at cutting emissions by 70% over 2005 levels by 2050. It would also provide financial incentives for demonstrating and deploying clean energy technologies. The Full Senate could take up the measure in late January. While prospects for House action are still uncertain, Congressman Rick Boucher, who chairs the House Subcommittee on Energy and Air Quality, has vowed to report a bill early in 2008.