

# Memorandum

**To:** ISO Board of Governors  
**From:** Karen Edson, Vice President of External Affairs  
**Date:** December 8, 2008  
**Re:** *Status of State and Federal Legislative Matters*

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*This memorandum does not require Board action.*

## State Affairs

On November 4, voters elected 28 new Assembly members and 11 new Senators to replace those members who had been termed-out or retired. The legislature started new two-year term on December 1, and have already been called into special session by the Governor to address California's budget crisis.

Voters also rejected energy initiatives by large margins. Proposition 7, which would have required that California obtain 50% of its energy from renewable sources by 2025, lost with 64.8 percent no votes. Proposition 10, which would have authorized the state to sell \$5 billion in general obligation bonds for various renewable energy, alternative fuel, energy efficiency and air emissions reduction purposes, was defeated with 59.7 percent no votes.

## **Order S-14-08:**

After these defeats, the Governor lost little time in promulgating his own energy policy in the form of an Executive Order that was issued on November 17. The cornerstones of Governor Schwarzenegger's environmental policy objectives have been reducing greenhouse gas emissions and increasing the state's renewable energy production. Governor Schwarzenegger's Executive Order increases California's Renewable Portfolio Standard from 20 percent in 2010 to 33 percent in 2020. Additionally, he signed a Memorandum of Understanding with federal land management agencies to accelerate the siting of transmission and renewable generation on federal lands.

## **Federal Affairs**

### **Post-election Update:**

Democrats significantly improved their majorities in both the United States House and Senate on Election Day.

In the Senate, Democrats gained at least seven seats, winning open seats in Virginia, New Mexico and Colorado and defeating incumbent Republicans in New Hampshire, Oregon, North Carolina and Alaska.

In the House, Democrats appear to have gained at least 22 seats, achieving a majority of 255-175, with a handful of races still too close to call. The outcome of the congressional race between Republican Tom McClintock and Democrat Charlie Brown for the 4<sup>th</sup> District seat (Granite Bay) left vacant by the retiring Republican John Doolittle, was still undetermined at the time of freshman orientation, therefore both McClintock and Brown attended. On December 3, McClintock was finally determined to be the winner. Republican Duncan Hunter, Jr. replaced his father in the other open delegation seat, representing California's 52<sup>nd</sup> District (El Cajon).

### **Congressional Transition:**

Leadership Votes: Members of Congress were in Washington during the week of November 17 to vote on committee chairmanships and other leadership positions. In a transition characterized by the *Washington Post* as "seismic," Congressman Henry Waxman (D-30<sup>th</sup>, Beverly Hills) defeated Congressman John Dingell (D-MI) for the chairmanship of the House Energy and Commerce Committee, ending Dingell's 28-year reign as leading Democrat on the committee. The result recasts the committee as a more liberal voice on environment and health issues and positions California at the center of climate policy discussions, with Waxman's close allies Speaker Nancy Pelosi and Senate Environmental and Public Works Committee chair Barbara Boxer calling for quick action on the issue. Waxman was the principal sponsor of the "Safe Climate Act" (H.R. 1590), aimed at reduction of greenhouse gas emissions to 1990 levels by 2020 through an economy-wide cap-and-trade program.

Lame Duck Session: Senate Majority Leader Harry Reid (D-NV) directed the Big Three automakers to return to Washington with an industry restructuring plan on December 2, leaving open the possibility that Congress would reconvene the following week to consider legislation establishing a bridge loan for the industry. It is unlikely that the Lame Duck session would extend to other issues.

### **Outlook for the 111<sup>th</sup> Congress:**

Increased Democratic majorities in the House and Senate could put clean domestic energy initiatives at the forefront of next year's legislative agenda. These could include electricity transmission, renewable portfolio standards, renewable energy tax credits, and climate change legislation, all of which have been endorsed by President-elect Obama.

Stimulus Provisions for Transmission and Renewables: President-elect Obama has announced that he will seek a major stimulus package in January that would focus, in part, on “green infrastructure,” including transmission upgrades, “smart grid” technologies, green job training, increased federal authority over transmission siting, extension of incentives for renewable energy development, and support for mass transit and energy efficiency. The size of the plan is not yet clear but Democratic leadership has said that it could be in the \$500 billion range, and that a federal renewable portfolio standard could be part of the agreement. Congressional leaders have announced that they will convene in early January, foregoing the traditional pre-inaugural recess, to work on the stimulus package so that it can be signed into law as soon as possible.

Global Climate: The President-elect has announced that he will pursue greenhouse gas control regulations through the Environmental Protection Agency rulemaking process if Congress does not act quickly on the issue, and his EPA transition team includes several attorneys who played significant roles in the Supreme Court decision affirming the agency’s authority to regulate such emissions. Senator Boxer has offered a potential legislative vehicle for this action as well, announcing last week that she will introduce a new, streamlined cap-and-trade bill in January directing the Administration and EPA to establish the program. This is similar to the model employed in A.B. 32. Boxer also said the bill would authorize billions of dollars for support of renewable energy projects.

### **Administration Transition:**

Obama Administration transition is organized into a dozen teams that will produce agency policy agendas, identify budget needs and constraints and map out the 3300 presidential appointments to federal jobs. The transition team website ([www.change.gov](http://www.change.gov)) enables public input to the process and identifies the members of each policy team.

The group responsible for assessing the **Department of Energy** will be led by Elgie Holstein, a senior energy policy advisor to the Obama campaign who was Associate Director for Natural Resources, Energy and Science at the Office of Management and Budget and Chief of Staff at DOE during the Clinton Administration. Other key transition officials in DOE are consultant Elizabeth Montoya, who was previously Deputy Chief of Staff at DOE, and Susan Tierney, who was Assistant Secretary for Policy at DOE in the Clinton Administration. Dr. Tierney is a principal in The Analysis Group and has written extensively on regional wholesale markets, siting and cost allocation for transmission, and electric system reliability.

The lead transition official at **FERC** is Rose McKinney-James, Managing Principal of Energy Works Consulting and a long-time advocate for alternative and renewable energy. She served as chair of the Nevada Renewable Energy Task Force and was a member of the Nevada Public Service Commission.

At **EPA**, the transition team includes Cecelia Estolano, a former policy advisor in the Clinton Administration’s Office of Air and Radiation who is now the CEO of the Los Angeles Community Redevelopment Agency. The other EPA co-chairs are Robert Sussman, a former deputy EPA Administrator and Lisa Jackson, Director of the New Jersey Department of Environmental Protection.

Decisions on **Cabinet officials** and other high Administration appointments have focused primarily on the President's economic team to date, but quick action on the rest of the Cabinet is expected once that team has been put in place. At this writing, it appears that New Mexico Governor and former Energy Secretary Bill Richardson will be tapped for Secretary of Commerce. Richardson is viewed as an aggressive proponent of the development of renewable energy and other "green" technologies through investment in university-corporate partnerships.