

Memorandum

To: ISO Board of Governors
From: Karen Edson, Vice President of Policy and Client Services
Date: December 9, 2009
Re: **Briefing on Status of State and Federal Legislative Matters**

This memorandum does not require Board action.

STATE AFFAIRS

State Budget Projections

On the heels of the most recent budget crisis, projections for the 2010-11 budget do not look any brighter. The current budget passed last July is already \$6.3 billion out of balance. The legislature's chief budget advisor projects that California will face a \$14.4 billion deficit in the next budget cycle. As temporary tax increases expire and the time comes to follow through on deferred spending promises, the state's budget woes will only get worse.

Water Legislation

After much debate and a special session, a complex water deal consisting of a bond measure and four companion bills was passed by the legislature and signed by Governor Arnold Schwarzenegger. Voters will be asked on the November 2010 ballot to approve an \$11 billion bond measure aimed at new storage, watershed improvements, delta ecosystem restoration, recycling and groundwater cleanup. If the bond is not approved, efforts to implement elements of the water bills may be very difficult.

Legislative Schedule

Jan. 1 - Statutes take effect (Art. IV, Sec. 8(c)).

Jan. 4 - Legislature reconvenes (J.R. 51(a)(4)).

Jan. 10 - Budget must be submitted by Governor (Art. IV, Sec. 12 (a)).

Jan. 15 - Last day for policy committees to hear and report bills introduced in 2009 for referral to fiscal committees (J.R. 61(b)(1)).

Jan. 22 - Last day for any committee to hear and report to the Floor bills introduced in their house in 2009 (J.R. 61(b)(2)). Last day to submit bill requests to the Office of Legislative Counsel.

Jan. 31 - Last day for each house to pass bills introduced in 2009 (J.R.61(b)(3)) (Art. IV, Sec. 10(c)).

FEDERAL AFFAIRS

Congress

Congressional Schedule: Congress has extended the continuing resolution funding government programs at the FY 2009 level through December 18, the revised target date for 2009 congressional adjournment. The original congressional calendar called for adjournment on October 30.

Climate and Energy Legislation: Work is ongoing in the Senate on climate and energy legislation following passage of the Boxer-Kerry climate bill (S. 1733) by the Environment and Public Works Committee on November 5. Senator John Kerry (D-MA), is now working with his Senate colleagues Joe Lieberman (I-CT) and Lindsey Graham (R-SC) on a bipartisan proposal that can garner the 60 votes needed for Senate passage. Kerry has said that he will have a framework of the legislation completed by the Copenhagen international summit in December, and hopes to deliver a final version for floor debate in early Spring, 2010. Meanwhile, the concept of a climate bill focused only on greenhouse gas emissions from the electric power sector has surfaced in the Senate as a “Plan B” alternative to an economy-wide emissions control bill. Staff members are reportedly evaluating a proposal that combines power plant emissions limits (which represent about 40% of total U.S. emissions) with separate programs outside of cap-and-trade that would apply to other sectors. In addition, Senators Jim Webb (D-VA) and Lamar Alexander (R-TN) have introduced a third alternative to cap-and-trade legislation in the form of “mini-Manhattan projects” for development of clean energy technologies. The bill, entitled “The Clean Energy Act of 2009,” would increase the DOE loan guarantee authority to \$100 billion and provide \$750 million annually for advanced batteries, solar energy generation, carbon capture and sequestration, and advanced biofuels and nuclear generation technologies. Majority Leader Harry Reid (D-NV) has now issued a prospective floor schedule indicating that climate legislation will follow action on health care, financial regulatory reform, and a “jobs bill” that will include programs to create additional employment in the energy sector.

Financial Regulatory Reform: There are a number of proposals currently before Congress (H.R. 997, H.R. 3300, H.R. 3795, S. 272, and S. 447) that would, among other things, amend the Commodity Exchange Act to bring greater oversight and transparency to over-the-counter trading of derivatives and require over-the-counter transactions to be handled through a centrally-cleared exchange under the jurisdiction of the Commodity Futures Trading Commission. The House Energy and Commerce Committee, chaired by Congressman Henry Waxman, has announced that it will hold a hearing in December to examine the unintended

impacts that these bills might have on electricity and natural gas markets that are already regulated by FERC.

Norris Nomination: The Senate Energy and Natural Resources Committee approved the nomination of John Norris to be a commissioner at FERC on November 8, but at this writing the nomination has not gone before the full Senate because of a hold blocking it from consideration. A “hold” is a non-binding strategy used in the Senate to prevent an issue or a nomination from coming to the floor for debate. Norris was formerly chair of the Iowa Utilities Board and is currently Chief of Staff to Agriculture Secretary Tom Vilsack.

Garamendi Joins California Delegation: On November 5, Democrat John Garamendi was sworn in as the new representative of the Bay Area’s 10th District. Garamendi won a special election the previous day succeeding Ellen Tauscher, who resigned her House seat to become Undersecretary of State for Arms Control and International Security. Garamendi has been named to the House Transportation and Infrastructure and Science and Technology committees.

Administration

Agreements on Transmission and Renewable Energy Development: On October 28, the Obama Administration released a Memorandum of Understanding signed by nine federal agencies designed to expedite the development of transmission on federal lands. The MOU was signed by the departments of Interior, Agriculture, Commerce, Defense, and Energy and the Environmental Protection Agency, the Council on Environmental Quality, FERC and the Advisory Council on Historic Preservation. The agreement provides for designation of a single federal point-of-contact for all federal authorizations, unified environmental documentation for the siting and permitting process and a single consolidated environmental review, and establishment of clear timelines for agency review. Governor Schwarzenegger and Interior Secretary Ken Salazar have also signed a state-federal agreement to accelerate siting and permitting of renewable energy projects in California so that they will be able to meet the deadlines established for various types of tax incentives and funding under the American Reinvestment and Recovery Act.