

# Memorandum

**To:** ISO Board of Governors  
**From:** Karen Edson, Vice President of Policy and Client Services  
**Date:** September 1, 2010  
**Re:** **Briefing on the Status of State and Federal Legislative Matters**

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*This memorandum does not require Board action.*

## STATE AFFAIRS

### Legislative Schedule

August 31: Last day for any bill to be passed and final recess begins on adjournment.  
September 30: Last day for Governor to sign or veto bills passed by the Legislature before September 1 and in the Governor's possession on or after September 1.  
November 30: Adjournment sine die at midnight.

### Legislation Update

AB 51 (Blakeslee) Net Metering - Permits agricultural electricity customers who have installed solar or wind generation systems to aggregate the electricity use of adjacent properties, in order to use the excess generation from solar or wind systems to offset all of the customer's electricity usage.

AB 1954 (Skinner) Transmission Cost Recovery - Provides rate recovery assurance to utilities for transmission investments necessary to achieve the renewables portfolio standard goals.

AB 2037 (V.M. Perez) - Prohibits utilities from signing contracts with new generation facilities that could contribute to violations of air quality standards.

AB 2514 (Skinner) Energy Storage - Requires the California Public Utilities Commission to determine appropriate targets for load serving entities to procure energy storage systems and requires publicly owned utilities to set their own targets for the procurement of energy storage.

AB 2561 (Villines) Energy Agency Reorganization - The bill would create a Department of Energy (DOE), reconstitute the Energy Commission as the Energy Board within DOE, and resurrect the Electricity Oversight Board as the Office of Energy Market Oversight within DOE.

SB 722 (Simitian) 33 Percent Renewable Portfolio - Negotiations continue on this bill to create a renewable portfolio standard of 33 percent by 2020. In the current version of the bill, 75 percent of renewable energy used to meet RPS compliance must come from in-state generation. This percentage is expected to drop. Renewable energy credits may not account for more than 10 percent of RPS compliance.

SB 1437 (Kehoe) Independent System Operator Activities Report - Would require the independent governing board of directors to annually select a representative of the ISO to appear before the appropriate policy committees of the Senate and Assembly to report on the activities of the ISO.

## **Electoral Matters**

### Governor's Race

According to the latest polls, the race between gubernatorial candidates Jerry Brown and Meg Whitman remains very close, although several pollsters have noted that Whitman appears to be gaining.

### Proposition 23

Proposition 23, the ballot initiative to suspend AB 32 implementation until unemployment drops below 5.5 percent for four consecutive quarters, is expected to be a pivotal factor in the race for Governor. Many view it as a threshold issue, meaning a candidate's stance on it could influence how the candidate is seen overall. According to polls, the measure is running behind.

While Meg Whitman has not taken an official position on Proposition 23, she supports a one-year moratorium on AB 32 implementation because of the further strain she feels it creates on an already struggling economy. Jerry Brown supports full implementation without delay and officially opposes Prop. 23.

## **Energy Platforms**

Whitman and Brown have each unveiled plans relating to energy that they would work to implement if elected.

Brown's plan includes creating 20,000 megawatts of renewable generation by 2020, including 12,000 megawatts of on-site generation. To help accomplish this, he would require state agencies to expedite permitting for new transmission so that the process takes no longer than

three years compared to the six to eight years it usually takes. He reports his plan will create 500,000 new jobs.

Whitman's plans include providing hiring tax credits for green jobs. She also wants to cut down on certain regulations, for example reforming the California Environmental Quality Act by removing duplicate reviews by multiple agencies.

## **FEDERAL AFFAIRS**

Both House and Senate are in recess until September 13.

Following a July 22 meeting of the Senate Democratic Caucus on strategies for passing energy legislation in the Senate, Majority Leader Harry Reid (D-NV) announced he would abandon plans for including either cap-and-trade provisions or a renewable energy standard in the bill. Instead, Reid said, he will introduce a smaller energy bill focusing on oil spill response after the Senate returns from its August recess. The package will also likely include provisions for creation of clean energy jobs through a residential "Home Star" energy efficiency retrofit program and tax incentives for natural-gas-fueled vehicles. Advocates for a renewable energy standard are pushing for inclusion of a national renewable mandate in the bill and assert that they have 62 votes in support of such a provision, enough to prevent a filibuster. A group of 27 Democratic and one Republican Senators have sent a letter to the Majority Leader urging inclusion of a renewable energy standard to bring manufacturing and clean energy jobs to the U.S. The House passed its version of an energy bill including both climate change and a renewable electricity standard in July, 2009.

Before leaving for the August recess, the Senate rescinded \$1.5 billion in DOE loan guarantees for renewable energy projects in order to help offset the cost of a \$26.1 billion state fiscal aid package. Majority Leader Reid has promised that the renewable energy project funds will be restored eventually, but has also noted that DOE has been slow in getting the money out the door. Two billion dollars have already been diverted from the renewable energy loan program to fund the "Cash for Clunkers" initiative designed to stimulate auto sales. DOE was authorized to expend a total of about \$20 billion for renewable energy initiatives. Solar and wind advocates have been pushing hard for the DOE funding levels to be maintained.

The Senate Energy and Natural Resources Committee approved a group of energy bills on August 5, including a bill that would give the Secretary of Energy the power to issue emergency orders for imminent cyber security threats to the electric grid. The measure would also give FERC authority over risks that are not as imminent. The bill, entitled the "Grid Reliability and Infrastructure Defense Act" (H.R. 5026), includes provisions intended to reduce grid vulnerability to terrorist threats as well as the impacts of an electromagnetic pulse or geomagnetic storm. The bill would require FERC to promulgate a rule or order requiring any owner, user, or operator of the bulk power system to take measures necessary to protect the grid. FERC would also be authorized to establish a cost recovery mechanism for prudently incurred compliance costs. The bill would also require the Electric Reliability Organization to issue reliability standards on the availability of large replacement transformers. It is still unclear

whether the committee-approved bills will get floor time after the August recess. The Committee also approved bills to develop more efficient natural gas-fired power plants (S. 2900), to research the effect of plug-in vehicles on the power grid (S. 679), and to provide states with funding for a “ten million solar roofs” initiative (S. 3460).