

# Memorandum

**To:** ISO Board of Governors  
**From:** Karen Edson, Vice President, Policy and Client Services  
**Date:** August 18, 2011  
**Re:** **Briefing on the Status of State and Federal Legislative Matters**

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*This memorandum does not require Board action.*

## STATE AFFAIRS

### Legislature

#### State Budget

After vetoing the first budget package submitted to him, Governor Brown signed into law the revised budget which the legislature passed on June 29. The budget closed the \$26.6 billion deficit without raising taxes, which meant only a simple majority vote was needed. Certain fees were raised, however, and substantial program cuts were made to close the deficit.

Since the budget was passed and signed, the legislature adjourned for summer recess on July 15 and reconvened August 15. The first year of this two-year session will adjourn on September 9 and will reconvene January 4, 2012.

#### American Recovery and Reinvestment Act Hearing

On August 1, the Senate Energy, Utilities and Communications Committee held an informational hearing on the allocation and administration of American Recovery and Reinvestment Act of 2009 funding by the California Energy Commission and Department of Community Services and Development. A July report by the Bureau of State Audits found that more than \$180 million of the \$226 million awarded to the CEC has not been spent, and the agency is facing an April 30, 2012 deadline to expend the funds.

### **Governor's Conference on Local Renewable Energy Resources**

Governor Brown has called for 12,000 MW of renewable power to be generated within the local power distribution grid and sponsored a two-day conference to explore related issues with experts, regulators and interested parties.

The ISO was well represented with three Board members, the CEO, and Director of Regulatory Affairs in attendance. Chairman Foster was the emcee for the first day and Board member Maullin provided key insights from recent interest surveys. CEO, Steve Berberich participated on a policy panel that discussed how the 12,000 MW will fit into California's energy goals. Board member Galiteva and Director of State Regulatory Affairs, Phil Pettingill, served as panel facilitators to discuss integrating variable resources and interconnecting resources, respectively. The Governor's team is collecting the outputs from the multiple panel sessions and expects to produce a prioritized list of action items and a larger set of documentation that identifies a broad set of issues and potential solutions.

## **FEDERAL AFFAIRS**

### **Legislature**

#### Debt Ceiling and Budget Control Act

The debate on a measure to address the nation's debt and deficit dominated the congressional debate during much of July. On August 1, the House passed the Budget Control Act of 2011 (S. 365) by a vote of 269-161. The Senate followed on August 2 with a vote of 74-26, and the President signed the bill into law on August 2. The law raises the \$14.3 trillion debt ceiling through the end of 2012 by \$2.2 to \$2.7 trillion in two installments and will reduce federal spending by \$917 billion over the next ten years. It cuts FY 2012 discretionary spending by \$7 billion and FY 2013 discretionary spending by \$3 billion below the FY 2011 enacted levels. The measure establishes a Joint Select Committee on Deficit Reduction made up of 12 members of Congress, aimed at finding an additional \$1.5 trillion in savings over ten years, and also requires the House and Senate to vote before December 31, 2011 on a constitutional balanced budget amendment.

Both the House and Senate recessed on August 2. The Senate will return on Tuesday, September 6, and the House will return on Wednesday, September 7. Both chambers will hold occasional pro-forma sessions in the interim to prevent the President from using his recess appointment powers. After the recess, congressional appropriators are expected to begin work on a FY 2012 omnibus funding bill incorporating the mandates of the Budget Control Act.

#### Federal Agency Funding

The House on July 15 passed H.R. 2354, the Energy and Water Appropriations bill for FY 2012. The bill would provide annual funding for the Department of Energy, the Bureau of Reclamation, the Nuclear Regulatory Commission, the Corps of Engineers, and various regional water and power authorities. Unlike previous years, the bill does not include any earmarks. During floor consideration the House narrowly passed an amendment offered by Congressman Adam Schiff (D-29<sup>th</sup> District – Burbank) adding \$79.9 million to the budget of the Advanced Research Projects Agency – Energy (ARPA-E), bringing agency funding back to 2011 levels. The House also adopted an amendment barring the use of any appropriated funds to implement the phase-out of incandescent light bulbs. Funding of \$10 million was added to support for Energy Efficiency and Renewable Energy programs within DOE.

While uncertainty over the budget deal stalled the consideration of many of the pending FY 2012 agency funding bills, the House began floor consideration of the Fiscal Year 2012 EPA-Interior spending bill (H.R. 2854/H.Rpt.112-151) during the week of July 25. Final action on the measure was postponed until after the congressional recess. The bill, which was approved by the House Appropriations Committee on July 11 by a 28-18 party-line vote, would cut funding for EPA by approximately 18% over current levels. It also includes a number of policy riders that would defund, restrict, or delay EPA regulation of greenhouse gases and other pollutants from stationary sources under the Clean Air Act. The House is expected to pass the bill, but Senate support is unlikely unless a number of coal-state Democrats cross party lines to vote for passage. The White House has said that it will veto the bill, if passed, because of policy riders and reductions in agency funding.

### Cybersecurity Legislation

Congressional interest in cybersecurity legislation continues. On July 26, the House Energy and Commerce Committee's Subcommittee on Oversight and Investigations held a hearing entitled "Cybersecurity: An Overview of Threats to Critical Infrastructure." The hearing was characterized as the first in a series focusing on cybersecurity threats to electric utilities and other industries within the Energy and Commerce Committee's jurisdiction. Testimony addressed current risks and threats to grid cybersecurity, efforts by the Department of Homeland Security to protect cyber-reliant infrastructure, and challenges faced by the federal agencies in infrastructure protection. A witness representing the Government Accountability Office, which has recently produced a report on cybersecurity issues, testified that their analysis shows nuclear power plants and transmission lines are particularly vulnerable to attacks.

On the Senate side, both Majority Leader Harry Reid (D-NV) and Energy and Natural Resources Committee Chairman Jeff Bingaman (D-NM) circulated letters urging the development of cybersecurity legislation. In response, Minority Leader Mitch McConnell (R-KY) has promised to join in the legislative drafting process.

### Post-Recess Energy Policy Agenda

Senate Majority Leader Harry Reid held a press conference on August 2 to outline his jobs-focused post-recess agenda. Senator Reid specifically included "clean energy" as one of his top three priority areas for consideration, and announced that he will be reviewing committee-approved bills to determine candidates for the initiative. The Senate Energy and Natural Resources Committee, chaired by Senator Jeff Bingaman (D-NM) has approved a number of energy bills on a bipartisan basis that might be included in this strategy, including a bill that would create a national "Clean Energy Deployment Administration" to help finance clean energy projects through loans, loan guarantees and other kinds of support. The measure as proposed would have an initial capitalization of \$10 billion. Chairman Bingaman and Ranking Member Lisa Murkowski (R-AK) have cooperated on moving a number of other energy bills out of committee, including measures aimed at development of offshore energy technologies, small modular nuclear reactors, improved carbon capture methods, and energy efficiency and electric vehicle deployment. Funding offsets for these initiatives have not yet been determined.

## **Administration**

President Obama has nominated David Danielson, a program director at the Advanced Research Projects Agency – Energy, to be Assistant Secretary for Energy Efficiency and Renewable Energy, replacing Cathy Zoi, who resigned earlier this year. The nomination requires Senate confirmation.

Interior Secretary Ken Salazar on July 14 announced approval of four new projects on public lands and other initiatives to help develop renewable energy in the western United States. California-based project approvals included rights of way for the 250 MW Abengoa Mojave Solar Project and the 200 MW Imperial Solar Energy Center-South, as well as approval for the Devers-Palo Verde No. 2 Transmission Project, a 500 KV line from the Colorado River Substation at Blyth to the Devers substation in Palm Springs and then to the Valley Substation in Romoland. In the same announcement, Secretary Salazar noted that the Bureau of Land Management has issued Notices of Intent to initiate environmental analyses of two wind projects and a solar energy project in California.