

# Memorandum

**To:** ISO Board of Governors  
**From:** Karen Edson, Vice-President of External Affairs  
**Date:** July 9, 2007  
**Re:** **Status of State and Federal Legislative Matters**

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***This memorandum does not require Board action.***

## **Executive Summary**

### State Affairs:

The California ISO closely monitors pending legislation to identify those bills that could impact the ISO. Selected bills are summarized below. Most noteworthy is a bill to require all retail sellers of electricity, excluding publicly owned utilities (POUs), to procure at least 33% of their electricity from renewable resources by 2020. This is in addition to the existing requirement on all load-serving entities to procure 20% of their electricity from renewable resources by 2010.

### Federal Affairs:

Energy is a hot topic in Congress this summer, and hearings are underway on a number of issues. Highlights of key events, described more fully beginning on page four, include the following: (1) The Senate passed an omnibus energy bill on 6/21 without renewable tax incentives or a renewable portfolio standard. (2) The House version of the omnibus energy bill is not expected to preempt California's greenhouse gas regulatory program or include provisions on automobile efficiency, alternative fuel mandates, or support for coal-to-liquids technologies. (3) The House has rejected a proposal to block funding for designations of National Interest Electric Transmission corridors. (4) Senate hearings continue on greenhouse gas issues, including a hearing by Senator Barbara Boxer on controlling greenhouse gas emissions from coal-fired power plants.

### **State Affairs:**

#### **Significant Legislative Bill Deadlines**

- June 15 – Budget Bill must be passed by midnight. **To date, a budget bill has not passed.**
- July 20 – August 20 – Legislature on Spring Break if Budget Bill passes.
- August 31 – Last day for fiscal committees to meet and report bills to the floor.
- September 3 – 14 – Floor session only.

- September 7 – Last day to amend bills on the floor.
- September 14 – Final day for any bill to be passed and interim recess begins on or before September 14.

## **Overview of Legislation**

We have several “hot” bills that we are currently tracking. Listed below are selected bills from the “hot bill” list that could impact the California ISO.

**AB 578 (Blakeslee) Energy: distributed energy generation: study.** (Amended on 6/1/2007) Passed out of Assembly; pending in Senate Committee on Energy, Utilities and Communication.

**Summary:** This bill would require the California Public Utilities Commission (CPUC), in consultation with the California ISO, to evaluate the impact of renewable energy generation on the state's distribution and transmission grid and report to the Legislature and the Governor by January 1, 2009.

**AB 1064 (Lieber) Energy: heat corporations: self-generation incentive program.** (Amended on 6/25/2007)

**Status:** Passed out of Assembly; pending in Senate Committee on Energy, Utilities & Communications.

**Summary:** This bill would expand eligibility for the Self-Generation Incentive Program (SGIP) to include rebates for advanced solar thermal, landfill gas, and waste gas technologies.

**AB 1613 (Blakeslee) Energy: Waste Heat and Carbon Emissions Reduction Act.** (Amended on 6/1/2007)

**Status:** Passed out of Assembly; pending in Senate Committee on Energy, Utilities & Communications.

**Summary:** This bill would enact the Waste Heat and Carbon Emissions Reduction Act including provisions to increase incentives for combined heat and power facilities.

**AB 1714 (Committee on Utilities and Commerce) Public Utilities.** (Amended on 5/22/2007)

**Status:** Signed into law; Chapter 11, Statutes of 2007.

**Summary:** This bill authorizes the CPUC to delay implementation of time-variant pricing for ratepayers with a solar energy system, until the effective date of the rates established in the next general rate case of the state's 3 largest electrical corporations.

**SB 411 (Simitian) (Energy: renewable energy resources.** (Amended on 04/18/2007)

**Status:** Passed the Senate; pending in Assembly Committee on Utilities & Commerce.

**Summary:** This bill would require investor-owned utilities and energy service providers other than publicly-owned utilities to increase their purchases of renewable energy so that at least 33% of retail sales are procured from renewable energy resources by December 31, 2020.

**SB 1012 (Dutton) Electrical restructuring: oversight board: power exchange: power authority.** (Amended on 6/19/2007)

**Status:** Passed out of the Senate; double referral to Assembly Committees on Utilities & Commerce and Natural Resources.

**Summary:** This bill would eliminate the Electricity Oversight Board (EOB) and the Power Exchange (PX), and repeal provisions pertaining to the prescribed functions of the Electricity Oversight Board and the Power Exchange.

This bill would also make conforming changes to existing law by deleting certain references to the EOB and the PX. The bill would declare that nothing in the bill is intended to preclude a reorganized PX from winding up its operations pursuant to its bankruptcy plan and FERC.

**SB 1017 (Perata) Municipal utility districts: electricity generation: self-service wheeling.** (Amended on 6/25/2007)

**Status:** Passed out of the Senate; double referred to Assembly Committees on Utilities and Commerce and Natural Resources.

**Summary:** This bill would require an electrical corporation to provide self-service wheeling services upon request by a water district capable of generating at least 25 percent of its annual electrical use to serve off-site loads of the water district. The sponsor of the bill is the East Bay Municipal Utility District (EBMUD). The bill was amended on 6/25/2007 to include language provided by the ISO, which reads as follows: "To compensate the electrical corporation for the use of its facilities, EBMUD shall pay applicable rates approved by the Commission for distribution, or distribution and transmission, or any transmission rates as required under federal law."

### **Federal Affairs**

- **The Senate passed an omnibus energy bill on 6/21 without renewable tax incentives or a renewable portfolio standard.**
- The Senate on June 21 passed a slimmed-down version of its omnibus energy bill after failing to get closure on a proposed \$32.1 billion package of tax incentives for energy efficiency/renewable energy or on a proposed 15% Renewable Portfolio Standard for utilities. Senate Majority Leader Harry Reid (D-NV) said that the Democrats will continue to push the tax incentive and RPS provisions forward separately, or perhaps add them in conference. The Senate-passed bill includes language that would expand use of biofuels, prohibit price-gouging by oil and gas companies, extend appliance efficiency programs, and increase automotive fuel efficiency standards by 10 miles per gallon over 10 years.
- **The House version of the omnibus energy bill is not expected to preempt California's greenhouse gas regulatory program or include provisions on automobile efficiency, alternative fuel mandates, or support for coal-to-liquids technologies.**
- The House Energy and Commerce Committee met on June 27 to mark up its version of an omnibus energy bill. Democratic leaders agreed last week to drop regionally controversial provisions on vehicle fuel efficiency, alternative fuels mandates and support for coal-to-liquids technologies from the measure in an effort to meet Speaker Pelosi's deadline of getting a bill out of committee before the July 4 recess. Among other items eliminated is a provision supported by the auto industry that would federally pre-empt state greenhouse gas regulations for automobiles, such as California's tailpipe emission standards. The agreement followed several weeks of negotiations between Energy and Commerce Committee chairman John Dingell (D-MI), Speaker Pelosi, and other senior Democrats. Any of these provisions could re-emerge during the full committee markup or during floor consideration. Remaining in the bill are energy efficiency standards, development of a "Smart Grid" program within the U.S. Department of Energy, incentives for renewable fuels, programs for alternative vehicle technology development and a package of tax incentives.

- **The House has rejected a proposal to block funding for designations of National Interest Electric Transmission corridors.**
- On June 20 the House voted against an amendment to the Energy and Water Appropriations bill that would have blocked funding for the designation of National Interest Electric Transmission corridors, a provision that was included in the Energy Policy Act of 2005 and is now undergoing preliminary implementation by the U.S. Department of Energy. The amendment was first defeated in committee, and then defeated again on the floor by a vote of 257 to 174. Advocates of the amendment, particularly those from New York and Mid-Atlantic states, invoked states-rights issues in arguing against potential federal pre-emption of state transmission siting processes.
- **Senate hearings continue on greenhouse gas issues, including a hearing by Senator Barbara Boxer on controlling greenhouse gas emissions from coal-fired power plants.**
- Senator Barbara Boxer held a hearing on controlling greenhouse gas emissions from coal-fired power plants on June 28 in the Environment and Public Works Committee, which she chairs. The hearing included testimony by environmental groups, industry representatives, associations such as the U.S. Chamber of Commerce and the financial community. This was the first congressional hearing to review actual legislative proposals after a long string of hearings examining various aspects of greenhouse gas issues. House and Senate leaders are expected to defer legislative action on greenhouse gas control until later in the year.