

# Memorandum

**To:** ISO Board of Governors  
**From:** Karen Edson, Vice President, Policy and Client Services  
**Date:** January 27, 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

### Legislation Update

The December 6 start of the 2011-12 legislative session marked the first opportunity for members to introduce legislation. About 200 bills have been introduced to date, a few of which the ISO is tracking, including a 33% Renewable Portfolio Standard (RPS) bill that is substantially similar to the legislation that was considered last session. The following measures are of the most significance to ISO thus far:

AB 37 (Huffman) Smart Meter Deployment.

This bill would require the California Public Utilities Commission to identify alternative options for customers of electrical corporations that decline the installation of smart meters.

SB 16 (Rubio) Expedited Transmission Permitting.

This bill states that it is the intent of the Legislature to enact legislation to establish a new program to ease and expedite the state permitting process for renewable energy projects and transmission projects within the state.

SB 23 (Simitian) Renewable Portfolio Standard.

This bill would establish a 33% renewable portfolio standard by 2020. At least 50% of renewable energy must have its first point of interconnection to a California balancing authority. That amount will increase to 65% and eventually 75% over the next few years leading up to 2020.

## **Governor Brown**

Governor Jerry Brown was sworn in as the 39<sup>th</sup> governor of California on Monday, January 3. During his first week in office he made several appointments. Mary Nichols was reappointed Chair of the California Air Resources Board. Nancy McFadden, former Senior Vice President at PG&E, was appointed Executive Secretary for Legislation, Appointments, and Policy. Jim Humes, formerly Brown's Chief Deputy while Brown was Attorney General, was appointed Executive Secretary for Administration, Legal Affairs, and Policy. These appointments do not require Senate confirmation. Appointments to the ISO Board of Governors remain under consideration.

## **State Budget Proposal**

On January 10, the deadline for the Governor to introduce a budget, Brown unveiled his proposal. It relies on \$12.5 billion in spending cuts over the next 18 months as well as a five-year extension of taxes set to expire this year. Voters will have to approve the taxes, though, and Brown will ask legislators to put his tax proposal on the ballot for a June special election.

Other highlights of Brown's plan include a restructuring of state government which entails shifting various functions to local governments, an 8-10% decrease in state worker pay and a phasing out of funding for redevelopment agencies.

Governor Brown is also proposing cuts to environmental agencies. Under his plan, funding for the California Environmental Protection Agency, which includes the Air Resources Board and State Water Resources Control Board would decrease by \$71 million for 2011-2012.

## **Legislative Committees**

Assembly Speaker John Pérez announced all committee assignments in mid-December. Assemblyman Steven Bradford will retain his chairmanship of the Utilities and Commerce Committee. Nathan Fletcher (R-San Diego) will act as vice chair. Other members include Assemblymembers: Joan Buchanan (D-San Ramon), Paul Fong (D-Mountain View), Felipe Fuentes (D-Los Angeles), Warren Furutani (D-Long Beach), Jeff Gorell (R-Camarillo), Ed Hernandez (D-Baldwin Park), Jared Huffman (D-San Rafael), Steve Knight (R-Lancaster), Fiona Ma (D-San Francisco), Brian Nestande (R-Palm Desert), Nancy Skinner (D-Berkeley), Sandre Swanson (D-Oakland) and David Valadao (R-Hanford).

On January 6 Senate Pro Tem Steinberg proposed committee chairs. He nominated Senators Alex Padilla (D-Pacoima) and Fran Pavley (D-Agoura Hills) to retain their chairmanships of the Energy, Utilities and Communications and Natural Resources and Water committees, respectively. Committee Chair nominees are subject to Senate Rules Committee approval. As of the writing of this report, Pro Tem Steinberg had not announced full committee assignments, but was expected to do so shortly.

## **FEDERAL AFFAIRS**

### **Administration**

In mid-December, 2010, the Census Bureau published its report on population growth and shifts among the states in the past 10 years, setting up changes in the apportionment of House seats. For the first time since statehood in 1850, California did not gain a House seat after the census. Texas will gain four new seats, Florida will gain two, and Georgia, Washington, Arizona, South Carolina, Nevada and Utah will gain one each. New York and Ohio will each lose two seats, and Illinois, Pennsylvania, New Jersey, Massachusetts, Michigan, Missouri, Louisiana and Iowa will each lose one. California's federal legislative districts will be drawn by a new 14-member Citizens Redistricting Commission established in November, 2010 as an amendment to the state constitution.

### **Congressional Lame Duck Session**

On December 15, the Senate passed an \$858 billion tax package and the House passed it the following day. A major victory for renewable advocates in the bill, which was signed by the president on December 17, was a one-year extension of the deadline for construction in the Section 1603 Cash Grant program that was successfully advocated by Senator Dianne Feinstein.

On December 21, the House and Senate passed a five-month continuing resolution for fiscal year 2012, marking the first time in the 40-year history of the modern budget process that Congress failed to enact any of the stand-alone appropriations bills. The continuing resolution, which was signed by the president on December 22, provides funding through March 4 and includes a small increase over 2010 spending levels, mostly for nuclear weapons and sustaining education grants. It freezes federal civilian worker salaries for two years. Significantly, it does not include new funds to implement the Dodd-Frank Wall Street Reform Act. Both House and Senate will develop a budget resolution setting overall spending levels for the next fiscal year prior to the March 4 deadline.

Prior to recessing in December, the House caucuses determined committee chairs and ranking members for the 112<sup>th</sup> Congress. Fred Upton (R-MI) won the chairmanship of the House Energy and Commerce Committee and former chair Henry Waxman will be ranking member. Doc Hastings (R-WA) will chair the Natural Resources Committee and Ed Markey (D-MA) will be ranking member. Ralph Hall (R-TX) will chair the Science, Space and Technology Committee and Eddie Bernice Johnson (D-TX) will be ranking member. Darrell Issa (R-49<sup>th</sup> District – Vista) will chair the Oversight and Government Reform Committee and Elijah Cummings (D-MD) will be ranking member. The incoming chairs are setting their sights on repeal of the recently-passed health care reform legislation, repeal or delay of Environmental Protection Agency greenhouse gas regulations being implemented under the Clean Air Act, and increased oversight of federal agencies, including Department of Energy and the Federal Energy Regulatory Commission.

Other California Members taking committee leadership positions are Buck McKeon (R-25<sup>th</sup> District – Santa Clarita), who will chair the Armed Services Committee; Dan Lungren (R-3<sup>rd</sup> District – Gold

River), who will chair the House Administration Committee; David Dreier (R-26<sup>th</sup> District – San Dimas), who will chair the Rules Committee; George Miller (D-7<sup>th</sup> District – Concord), who will be ranking member on the Education and Labor Committee; Howard Berman (D-28<sup>th</sup> District – Van Nuys), who will be ranking member of the Foreign Affairs Committee; Zoe Lofgren (D-16<sup>th</sup> District – San Jose), who will be ranking member on the Standards of Official Conduct Committee; and Bob Filner (D-51<sup>st</sup> District – Chula Vista), who will be ranking member of the Veteran’s Affairs Committee.

## **112<sup>th</sup> Congress**

The 112<sup>th</sup> Congress convened on Wednesday, January 5. In the House, John Boehner (R-OH) was elected Speaker. He will preside over 242 Republicans and 193 Democrats – a net gain of 63 seats for Republicans over the 111<sup>th</sup> Congress. The freshman class is made up of 87 Republicans, including Jeff Denham, who replaced Republican George Radanovich to represent California’s 19<sup>th</sup> District. The nine new House Democrats include Karen Bass, who replaced Diane Watson to represent California’s 33<sup>rd</sup> District. Congressman Denham has been named to the Natural Resources Committee and the Committees on Transportation and Infrastructure and Veterans Affairs. As of this writing, Congresswoman Bass has not received committee assignments.

The first order of business for the new leadership was an overhaul of House rules intended to facilitate reductions in taxes and spending as well as to accomplish some of the Republican’s priority issues, including repeal of health care legislation passed last year. The package includes a “cut as you go” program that requires new spending to be offset by cuts to existing programs, a mandate that bills be posted online for three calendar days before they can be taken up on the floor, and a requirement that committees post rules and votes online.

In the Senate, 12 new Republicans and a single new Democrat were sworn in by Vice-President Biden, along with 22 other Senators who won re-election in November. Harry Reid (D-NV) will remain the Majority Leader and Daniel Inouye (D-HI) will remain President Pro-Tem and third in line to the presidency.

Senate leadership is still negotiating new committee ratios and final decisions on committee memberships are not likely before the last week in January, when the Senate returns from a two-week recess.

The outlook for issues related to energy supply, electricity transmission, development of renewable resources and other matters of interest to the California ISO and its stakeholders remains uncertain, although high gasoline prices may ultimately focus congressional attention on energy issues later this year.