

Memorandum

To: ISO Board of Governors
From: Mary McDonald, Director of State Affairs
Terri Moreland, Director of Federal Affairs
Date: May 21, 2007
Re: *Status of State and Federal Legislative Matters*

This memorandum does not require Board action.

State Affairs:

Significant Legislative Bill Deadlines

- May 25 – The last day for policy committees to meet prior to June 11.
- June 8 – The last day to pass bills out of house of origin.
- June 15 – Budget Bill must be passed by midnight.
- 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 a few bills from the hot bill list that could potentially impact CAISO.

[AB 578 \(Blakeslee\)](#) Energy: distributed energy generation: study. (Amended on 04/16/2007)

Status: Pending in Committee on Assembly Appropriations.

Summary: This bill requires the Public Utilities Commission, in consultation with the California Independent System Operator, 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 05/22/2007)

Status: Read second time and amended

Summary: This bill would make waste gas, fuel cell, and wind distributed generation technologies meeting certain requirements eligible for the self-generation incentive program for distributed generation. This bill would also make solar thermal distributed technologies that displace usage of natural gas eligible for the self-generation incentive program, and would require that any incentives authorized by the commission be performance-based so that incentives are earned based on the actual energy savings.

[AB 1613 \(Blakeslee\)](#) Energy: Waste Heat and Carbon Emissions Reduction Act. (Amended on 04/17/2007)

Status: Pending in Assembly Committee on Appropriations.

Summary: This bill would enact the Waste Heat and Carbon Emissions Reduction Act. Provisions of the bill:

- Would provide that it is the policy of the state that the conversion of waste heat to electricity or other useful energy applications be the preferred generation measure immediately following renewables for purposes of the loading order.
- Would state the intent of the Legislature to obtain an *unspecified number* of megawatts of new electrical generation by the year 2015 by achieving improved efficiencies utilizing waste heat through combined heat and power systems, to dramatically advance the efficiency of the state's use of natural gas by capturing unused waste heat, to reduce wasteful consumption of energy through improved residential, commercial, institutional, industrial, and manufacturer utilization of waste heat whenever it is cost effective, technologically feasible, and environmentally beneficial, particularly when this reduces emissions of carbon dioxide and other carbon-based greenhouse gases, and to support and facilitate both customer-owned and utility-owned combined heat and power systems.

[AB 1714 \(Committee on Utilities and Commerce\)](#) Public utilities. (Amended on 4/09/2007)

Status: Read a second time – to consent calendar.

Summary: This bill would seek to amend two sections of the Public Resources Code that pertain to the California Energy Commission, with the remaining provisions amending the Public Utilities Act Code. Most of the bill provisions are non-substantive alterations.

[SB 411 \(Smitian\)](#) (Energy: renewable energy resources. (Amended on 04/18/2007)

Status: Senate Floor for third reading

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

NOTE: Assemblyman Lloyd Levine has a similar bill, AB 94, which did not pass out of committee and is now a two-year bill.

[SB 1012 \(Dutton\)](#) Electrical restructuring: oversight board: power exchange: power authority. (Amended on 5/2/2007)

Status: Pending in Senate Committee on Appropriations.

Summary: This bill would delete 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.

[SB 1017 \(Perata\)](#) Municipal utility districts: electricity generation: self-service wheeling. (Amended on 04/17/2007)

Status: Pending in Senate Committee on Appropriations – hearing scheduled for May 7th.

Summary: This bill would require an investor-owned utility to provide transmission service to specified water districts so that the district's self-generated electricity can be provided to its other utility locations. The charges for this service shall be fair and reasonable and may not exceed the charges imposed for similar service to direct access customers.

Federal Affairs

Congress continues to weigh legislative responses to global warming on numerous fronts. The growing consensus for action has been fueled by the Supreme Court's recent ruling that the U.S. Environmental Protection Agency must either regulate greenhouse gas emissions or offer some scientific basis for failing to regulate them; a series of reports by the United Nations Intergovernmental Panel on Climate Change predicting dire consequences of failure to act; and calls for quick response by scientific experts and political celebrities such as Governor Schwarzenegger and former Vice-President Al Gore. House and Senate committees with jurisdiction over a wide variety of issues have now held dozens of hearings on related topics: the scientific evidence supporting the need for action; the potential effects of climate change on the insurance industry, military facilities and missions, transportation systems and infrastructure, and small business; its geopolitical and national security implications; international responses to greenhouse gas control, etc. While a large number of specific greenhouse gas control measures have been advanced, the legislative strategy and timing of action on a major bill remains uncertain.

In addition to developing mandates for control of greenhouse gases, Congress is focusing significant attention on related matters such as energy efficiency and carbon sequestration. In the Senate, the Energy and Natural Resources Committee has passed by a wide margin S. 1321, a bill sponsored by committee Chairman Jeff Bingaman (D-NM) that includes a federal renewable portfolio standard; billions of dollars in funding to support energy efficiency and renewable energy projects; support for electric vehicles and energy storage technology development; and large-scale testing of carbon

sequestration and storage technologies. The measure also includes a statement of congressional policy to deploy advanced transmission technologies that improve reliability, support real-time pricing, and allow for additional distributed generation and demand response. The full Senate is not likely to take up the measure until after the Memorial Day recess.

In the House, a number of energy efficiency/renewable energy development bills are also advancing. Natural Resources Committee Chairman Nick Rahall (D-WV) is expected to draft portions of an energy bill that would include carbon sequestration, alternative fuels and "smart grid" technology to be included in an omnibus bill.

An additional area for possible congressional action relates to the Department of Energy's designation of two National Interest Electric Transmission Corridors as established in the Energy Policy Act of 2005, and related EPACT'05 provisions on FERC backstop siting authority. On April 26, the Department designated areas of the Mid-Atlantic and the Southwest (including seven counties in southern California) as National Interest Corridors. Some House Members have proposed various measures that would repeal some or all of the related provisions, prevent government spending to support such designations, or provide protections to scenic or historic areas against Corridor development.

FERC Chairman Joe Kelliher's May 10 nomination hearing before the Senate Energy and Natural Resources Committee was uneventful. Kelliher focused his remarks on FERC's work to facilitate congressional directives of the Energy Policy Act of 2005. He received praise from ranking member Pete Domenici (R-NM), who said, "The government needs you. This law we passed needs you." A committee vote on the nomination is not yet scheduled