

California Update: Major Legislative & Regulatory Issues

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Political Context

- A \$20 billion deficit is still looming
- There is no money for any legislation
 - Funding (if any) coming from fees (not taxes), bonds and surcharges.
- 2010 is an election year for the Governor and the Legislature
- Schwarzenegger is a lame-duck
- A new Speaker has been elected (John Perez-D LA) and the committees have changed
- The power of regulatory agencies is continuing to grow (e.g. CARB GHG regulations and Renewable Energy Standard)

Renewable Electricity Standard (RES)

- With the Veto of SB 14 last year the Governor issued an RES Executive Order
- Required CARB to implement what they are calling the Renewable Energy Standard (33% by 2020)
- CMUA finds the ARB staff proposal consistent with our principles, so far
 - No out-of-state limitations, yet.
 - No Tradeable REC limitations, yet.
 - Recognition of POU flexibility in RPS.
 - Exemption for small POUs.

RES (con't)

- SB 722 (Simitian) is the new RES bill; a two-year bill in the Assembly
- Some negotiations between the Gov and Senate staff have begun
 - Minimum in-state requirement?
 - Limit on out-of-state RECs?
 - Annual procurement plans to CEC?

Labor has not weighed into the negotiations yet

Transmission and Renewables

- Renewable Transmission and Integration
 - Billions of Dollars of Needed Lines Identified to Meet 33%
 - Formation of California Transmission Planning Group with IOUs, ISO, and Munis
 - CAISO Identifying Cost of Balancing Intermittent Resources Like Wind
 - FERC "Variable Energy Resource" Rulemaking to Consider National Solutions

Cap & Trade (ARB)

- Economic and Allocation Advisory Committee recommendations:
 - 100% auction of allowances.
 - No funds returned to utilities (LDCs).
- Response from the "Joint Utilities":
 - Electric utilities have disproportionate responsibility.
 - Utilities agree with 33% RES, all cost-effective EE.
 - Allocate allowances administratively to LDCs.
 - Recognize ratepayer impacts.

Cap & Trade (con't)

- Letter from Governor, March 24th
 - “Full auction ... may be too abrupt a transition”
 - Support a phased approach, beginning with very small percentage of auctioned allowances.
 - Assure an ample supply of offsets.
 - Compatibility with federal and international trading programs.

Federal efforts unclear and uncertain

Energy Storage Portfolio AB 2514 (Skinner)

- Requires POU (and the CPUC for IOUs) to adopt by 1/1/2013 procurement targets for cost-effective energy storage systems for 1/1/2015 and 1/1/2020
- POU must report to the CEC demonstrating compliance with the procurement targets. If CEC finds a deficiency, the POU must submit a plan to meet the target in 6 months.

Energy Storage Portfolio AB 2514 (Skinner)

- Requires POU's by 1/1/2011 to develop and submit to the CEC a 5-year plan requiring the cost-effective use of storage to shift on-peak air conditioning and refrigeration
- POU's must consider and incorporate CEC recommendations on location, technologies, and benefits as set forth in the IEPR

Energy Efficiency

- A renewed interest by the Legislature on Energy Efficiency efforts by utilities
- Senate held an informational hearing
- NRDC very active in the debate
- New POU report submitted to CEC
 - Includes EE progress and future targets as required under AB 2021

Proposition 16

- 2/3 vote requirement
- PG&E-sponsored, given \$38 million
- "No" has raised \$64,000
- Ambiguities in language could result in years of litigation, delayed or stopped service and infrastructure investments

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