STATE OF CALIFORNIA
resources
AGENCY

ARNOLD SCHWARZENEGGER, Governor
MIKE CHRISMAN, Secretary

May 19, 2005

James P. Mayer
Executive Director
State of California Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

RE: Testimony of the California Resources Agency before the Little Hoover Commission

Dear Mr. Mayer:

I am responding to the letter you sent to my office on May 16, 2005. My written testimony addresses the three specific questions you have asked. I have carefully considered the proposed California Department of Energy reorganization. I am supportive of the effort to consolidate the functions of several departments, commissions and offices that administer state energy programs. My focus as we move forward with this proposal will be ensuring that all resources continue to be protected and preserved in a coordinated manner. Below are my written responses to your questions.

1. How has the current structure of the California Energy Commission (CEC) within the Resources Agency helped or hindered the state's ability to develop reliable, affordable and clean energy?

The Resources Agency was established to restore, protect and manage the state's natural, historical and cultural resources for current and future generations. The Resources Agency fulfills this mission through eight different departments and seventeen boards and commissions. The California Energy Resources and Conservation Development Commission (Energy Commission), like other boards and Commissions in the Resources Agency, provides a technical understanding of a specific resource management area. Energy is a unique and dynamic area of resource management. To ensure reliability, affordability, and environmental quality in California's energy supply and demand, policy makers must have a technical and integrated understanding in a multitude of complex energy issues.

Given the breadth of natural resources, from wildlife to parks to fire protection, energy is viewed by the Resources Agency as a distinct part of the whole. However, energy is significantly different from the other resource management responsibilities of the agency. Energy is not a purely raw natural resource. Unique environmental and economic concerns must be addressed in order to effectively manage energy. The Energy Commission currently houses four divisions that cover a broad range of energy issues.

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Baldwin Hills Conservancy • California Bay-Delta Authority • California Coastal Commission • California Coastal Conservancy • California Conservation Corps
California Tahoe Conservancy • Coachella Valley Mountains Conservancy • Colorado River Board of California • Delta Protection Commission • Department of Boating & Waterways
Department of Conservation • Department of Fish & Game • Department of Forestry & Fire Protection • Department of Parks & Recreation
Department of Water Resources • Energy Resources, Conservation & Development Commission • Native American Heritage Commission • San Diego River Conservancy
San Francisco Bay Conservation & Development Commission • San Gabriel & Lower Los Angeles Rivers & Mountains Conservancy • San Joaquin River Conservancy
Santa Monica Mountains Conservancy • Sierra Nevada Conservancy • State Lands Commission • Wildlife Conservation Board

The Resources Agency oversees 24 other government entities. With respect to the Energy Commission, the agency oversees contracts, budget, communications, and policy. Given the wide range of responsibilities and technical nature of energy decisions, energy could be most effectively managed by the same body that has an in depth understanding and core competency in that area. While my office has the capability to make effective decisions on specific energy issues and has done so in the past, the current organizational structure could be altered to more effectively form and implement energy policy. Reorganizing the Energy Commission to create a cabinet level, Secretary position would streamline California's energy management and establish a higher level of consistency in state energy policy. The Secretary for Energy would report directly to the Governor and serve as the primary point of accountability to coordinate and implement all energy policies and programs. The Office of the Secretary would consolidate functions that cut across program areas to create a unified, enterprise-wide approach to policy and operations. This integrated, single point of focus approach to energy policy and program coordination and implementation would make the energy policy formation process more efficient in ensuring reliable, affordable and environmentally sound energy solutions for the state.

2. How will separating the Energy Commission's functions from the Resources Agency impact the state's ability to coordinate energy policy with other resource-related policies and programs?

Separating the Energy Commission's functions from the Resources Agency and reorganizing the Energy Commission as stipulated in this proposal would allow the state to better coordinate with other resource related policies and programs.

The reconfigured Energy Commission would be comprised of the Secretary of the Department of Energy serving as the Chair, four public members, and the President/CEO of the California Independent System Operator (CAISO) and the President of the California Public Utilities Commission (CPUC) serving as non voting members. This organizational structure is designed to bring the CPUC and CAISO into the siting and permitting process. The reorganization would enhance the coordination between the Energy Commission, CPUC, and CAISO.

The reconfigured Energy Commission also preserves critical public and stakeholder participation through a commission structure. Additional points of accountability and opportunities for inter-agency coordination would be preserved. The Integrated Energy Policy Report (IEPR) is a primary example. The IEPR is an official planning document that has been formed and continually updated through a series of public workshops. This process has established a method of participation for the public. The Administration has also used this document as a method to solicit input from the various governmental bodies affected by energy policy. This practice will continue after any reorganization, and remain as a method for coordinating energy policy among resource management programs.

Establishing a primary point of accountability will enhance coordination. By vesting in a single agency the obligation to plan and implement state energy policy, we will send a clear, focused message to all of the agencies, departments, and programs within the government. Doing so would make California's overall energy policy more coherent and effective.

3. How will the departments within the resource and environmental protection agencies coordinate their actions with the new Energy Department to improve the speed and quality of decision making and resolve inevitable conflicts involving competing policy goals?

As we move forward with recommending a new California Department of Energy, it is important that we ensure the protection of all resource areas. This will only be accomplished if the Department of Energy coordinates with other environmental and resource agencies. A few examples are described below. The Resources Agency would also work collaboratively with the new Energy Department to ensure all resource areas are appropriately balanced in an efficient manner.

The Resources Agency balances multiple policy goals through the formation and participation in multi-agency working groups. The Bioenergy Interagency Working Group has been formed to facilitate collaboration and innovation in bioenergy policy. Several state agencies have differing and sometimes competing stakes in the bioenergy arena. This working group has been formed to discuss and implement policy goals that further the missions of all the member agencies. This is being done by facilitating regular meetings among decision makers from California Department of Forestry and Fire Protection, the Energy Commission, California Department of Food and Agriculture, Cal EPA, and the CPUC. Two other examples of this mechanism at work are the Interagency Liquefied Natural Gas Working Group and Green Buildings Taskforce.

The Governor's Office of Emergency Services (OES), The Office of Spill Prevention and Response (OSPR) within the Department of Fish and Game, and the Energy Commission have and will continue to effectively work together to prevent oil spills and respond to pipeline breaks.

Working groups can also serve as a mechanism to resolve the normal tension between preserving and protecting the environment and developing energy resources needed for economic growth. Often, these differing interests are represented by separate agencies. Working groups allow numerous state agencies to come together and reach consensus, creating a system of checks and balances for addressing multiple resource issues.

The Resources Agency is supportive of the proposal to create a Department of Energy, with the caveat that all resources and environmental matters continued to be balanced in an equitable manner. I believe that as the complexity of the energy system expands to meet growing demand, it is imperative that the State have an energy organization that is responsive and accountable to the Governor, the Legislature and the public. Right now, no

one agency or department is completely accountable for energy policy development and implementation. This proposed consolidation enables the State to establish, in a single entity, the responsibility for developing and implementing a strategic direction, while maintaining important methods of coordination with other resource and environmental protection agencies.

Thank you for the opportunity to submit testimony on this important matter.

Mike Chrisman

Mike Chrisman
Secretary for Resources