

Department of Energy



Energy Agency Reorganization Plan

*Little Hoover Commission Hearing on
Governor Schwarzenegger's Plan to
Establish a Department of Energy*

Joseph Desmond, Chairman
California Energy Commission
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Importance of Energy for State Policy

- Energy is important to the welfare of all of California, through impacts on jobs, industry, consumers and the environment.
 - Obvious during electricity crisis
 - Impacts through oil, natural gas, as well as through electricity
- State policy is central to the energy system.
 - State-wide energy issues
 - Western region energy issues
 - Role in Federal energy policy
 - Importance of State role has grown over time

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State's Energy Roles

- Regulating utilities
- Guarding against energy market manipulation
- Encouraging energy supply, transmission, and efficiency investments
- Meeting challenges of greenhouse gas emissions and other air and water emissions from energy sector
- Responding to challenges of increased U.S. and world-wide oil and natural gas prices
- Managing state natural gas and electricity purchase contracts
- Development and support of new energy technologies
- Aggressively representing state interests at federal level
- Coordinating regional energy policy with nearby states
- Providing energy information to Californians
- Managing energy price and availability risks

Problems with Current Structure Are Well-Known

- 1984: Little Hoover Commission found the Energy Commission lacks effective mechanisms to put policy recommendations into effect, and that there is overlap and duplication between the Energy Commission and the CPUC.
- 1989: California Senate Concurrent Resolution stated that the existing regulatory system has “resulted in significant fragmentation, duplication, overlap and confusion in the formulation and execution of State energy related functions.”
- 1990: Legislature's Joint Committee on Energy Regulation and the Environment observed that energy policies and agencies were significantly fragmented. It also observed that there is no State energy policy, and that the combination of the two result in a lack of accountability and effectiveness.

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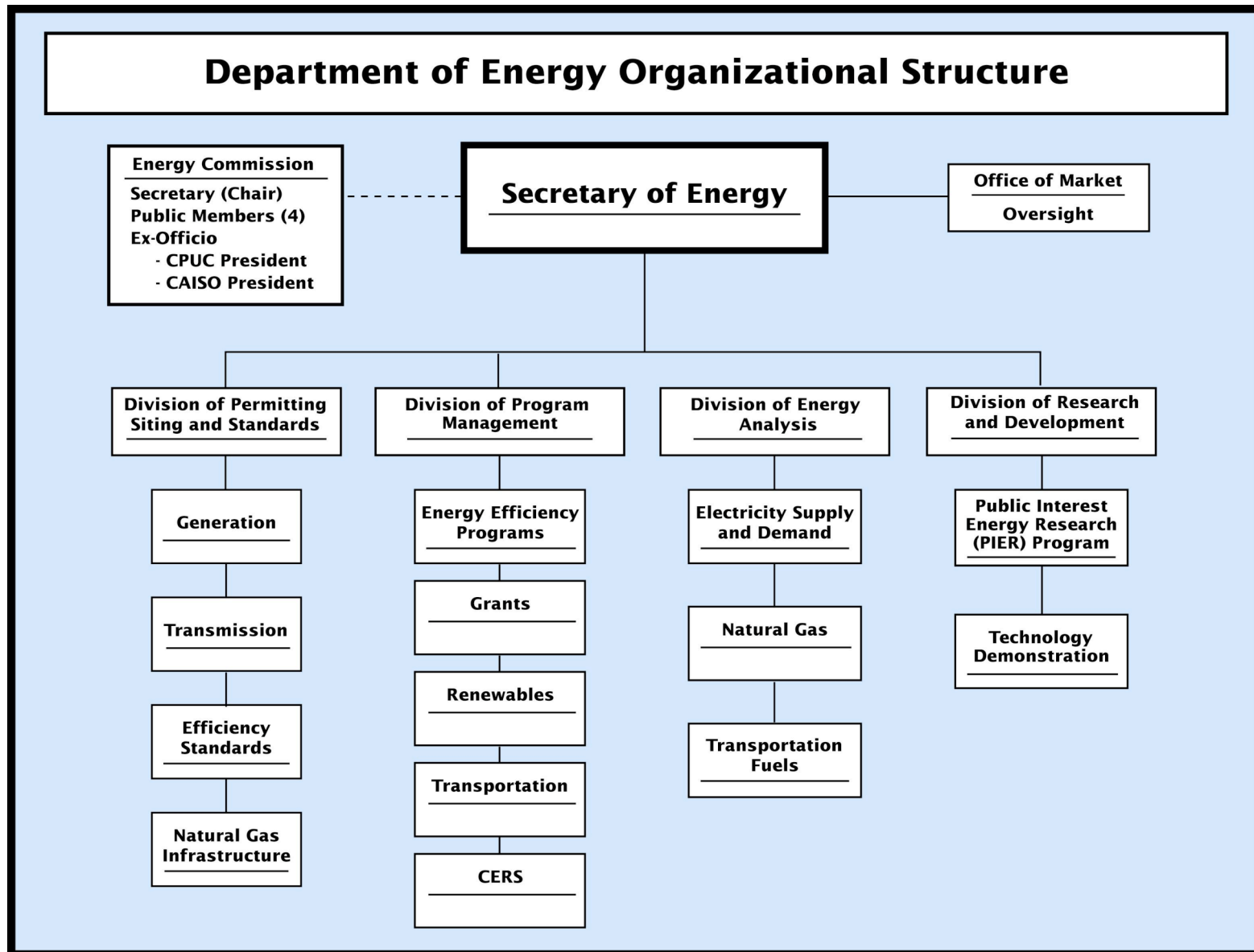
- 1995: Little Hoover Commission declared Governor Wilson's reorganization proposal to be "an important opportunity to align similar functions so that increased efficiency, effectiveness and accountability are achieved."
- 2002: Legislative Analyst's Office observed that existing energy agencies sometimes advocate different policies.
- 2003: Public Policy Institute of California stated that the fractured and overlapping set of agencies leads to inefficiencies and conflicts, and concluded that State energy policy has lost its coherence because the many facets of devising energy policy are addressed in so many separate forums.

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Highlights of the Reorganization Plan

- Creates Department of Energy with cabinet-level Secretary of Energy.
- Consolidates the following existing agencies and departments:
 - California Energy Commission
 - California Power Authority
 - Electricity Oversight Board
 - California Energy Resources Scheduling Division
- Transfers transmission and natural gas infrastructure siting from the CPUC to the Department of Energy.
 - Electric distribution siting remains at the CPUC.
- Maintains Energy Commission structure for generation and transmission siting, appliance efficiency standards and building efficiency standards.
 - Secretary of Energy serves as Chair of the Energy Commission.

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The Department of Energy will be organized around core processes and competencies

Division of Permitting, Siting and Standards

Division of Program Management

Division of Energy Analysis

Division of Research and Development

Office of Market Monitoring and Oversight

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Implementation of State Energy Policy Will Be the Responsibility of the Secretary of Energy

<u>Progress of State Government:</u>	<i>Signifi- cant</i>	<i>On Track</i>	<i>Needs Improvement</i>
• Incorporate the 2003 Energy Report findings and results guide resource adequacy and procurement.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Increase energy efficiency funding/Evaluate and monitor energy efficiency programs.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Maximize energy efficiency of existing buildings.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Rapidly deploy advanced meters/Implement dynamic pricing tariffs.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Explore a core/noncore market structure.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• Accelerate the Renewables Portfolio Standard goals.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• Create a transparent distribution system planning process.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• Consolidate permitting for bulk electricity transmission.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Progress-to-plan is key component of biennial Energy Report process.

Benefits of the Reorganization

- Establishes accountability for the implementation of energy policy, while preserving jurisdictional authority of existing agencies.
- Promotes coordinated and integrated planning processes.
 - Focuses development of energy policy.
 - Reduces fragmentation, duplication, and overlap in the formulation and execution of energy functions.
- Maintains critical public and stakeholder involvement.