

**Outline of Testimony before the California Commission on State Government  
Efficiency and Economy  
Regarding the Governor's Reorganization Plan to Create a Department of Energy  
Wednesday, May 25, 2005**

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- Background and history of CEERT and V. John White on California energy and environmental policy.
- **Process Concerns:** scope and complexity of Governor's proposed energy reorganization is better suited to legislative policy process rather than the "take it or leave it" approach of a Reorganization Plan. A more deliberative process to allow for the development of some level of consensus and common understanding is critical for an issue as important as energy to our economy and environment. Unfortunately, the proposal has been delivered late in the legislative session, leaving little time for necessary discussions and negotiations.
- **Structural Concerns:** Making the Chairman of the Energy Commission also the cabinet level Secretary of Energy may be a good idea because of the potential to provide more cohesion on energy policy, and legislative and public affairs. Transferring critical policy and regulatory authority, and transferring a large portion of the existing staff to the office of the secretary, would reduce public participation and access to decision making.
- The experience at the PUC with the "reform" which made the President of the PUC a pleasure appointee of the governor and in control of the staff and the Commission's agenda has not worked as well as hoped; there have been unintended consequences, and a loss of collegiality.
- At the CEC, Commissioners' involvement in leading power plant siting cases, policy development, and regulatory decisions has provided leadership and direction, while ensuring transparency and public participation.
- It makes sense to abolish the Electricity Oversight Board, but their functions should be transferred to the full CEC, rather than the Secretary, given the scope of the responsibility for market oversight and FERC advocacy.
- The same is true for the development and adoption of the Integrated Energy Policy Report, which should remain the responsibility of the Energy Commission, and not be solely developed and adopted by the Secretary of Energy.

- Energy policy in California has worked best when there has been a high degree of coordination, collaboration, and integration, such as the three-agency Energy Action Plan, and the important work in the 1980's on alternative fuels and low emission vehicles by the CEC, the California Air Resources Board, and the South Coast Air Quality Management District. This is what we should see much more of.
- **Policy Concerns:** We remain concerned that despite the rhetorical commitment to advancing renewable energy, California continues to fall short with respect to results. “Megawords” need to be matched with “Megawatts” of new renewable investment. We believe that any reorganization should be accompanied by a detailed roadmap for achieving renewable targets, and a plan for rationalizing the use of the transmission system, including needed expansions, to achieve our renewable goals.

Second, the recent controversy over California’s prospective involvement in the Frontier Transmission Line to bring electricity generated from coal and renewables illustrates the need for greater coordination and collaboration between the Energy Commission, the PUC, and the California Environmental Protection Agency. Unfortunately, this coordination was lacking, and the Governor signed a memorandum of understanding which put the state on record in support of a project that could have significant adverse impacts on the environment and the state’s commitment to meeting global warming pollution reduction targets, without any public notice, hearings, or briefings, and without the input from other state agencies with jurisdiction and responsibility for utility procurement and environmental protection.

Third, we believe that responsibility for transportation energy and alternative fuels should be transferred to the California Air Resources Board, in the California Environmental Protection Agency, because oil and diesel fuel use and the need to increase the use of clean, alternative transportation fuels are integral to achieving ambient air quality standards and targets. These issues historically have been secondary to the Commission’s focus on electricity and natural gas, and we believe that a transfer of these functions to ARB and Cal EPA will encourage their being integrated with ongoing air quality and climate change programs.

## APPENDIX

### Policy Questions Raised by the Governor's Energy Reorganization Plan

#### **Reorganization and resource adequacy –**

The issue with new power plants (as it has been since before AB 1890) is who gets to build them – utilities or merchant generators? How will this issue be resolved? Will the agency promote retail competition and if so, for which consumers? If so, how will this encourage the construction of new electric infrastructure?

#### **LNG –**

California is becoming dependent on foreign overseas sources of natural gas as it is on foreign oil. How is this good for the long term interests of the state? Should the state allow utilities to enter into long term contracts with LNG importers?

#### **Energy Efficiency and Renewable Energy -**

While the loading order establishes EE and RE as the preferred energy strategies, current law requires these to be cost effective (albeit with support from public funds). EE and RE go first only if they are cheaper than fossil alternatives. Should these rules be changed to include consideration of non-energy benefits such as air quality, national security, etc.?

#### **Frontier line, coal –**

The governor has recognized the danger of global warming, but the Frontier line will provide market access for many new coal-fired plants. Is there a commitment not to participate in this project unless these coal plants sequester their carbon emissions?

#### **Frontier line, wind –**

The state has adequate indigenous renewable resources already, but development is slowed by the lack of commitments by utilities to purchase renewable power. What sense does it make to provide access to wind in Wyoming when wind and geothermal in California are not being utilized? How will the agency ensure that adequate in-state transmission will be built first to serve California renewables? How does the agency plan to increase the rate at which load serving entities purchase renewable energy from any source?

#### **Consumer protection –**

The new agency appears to have the authority to approve projects with significant impacts on gas and electricity rates. What plans are there for ensuring adequate participation by small consumers and environmentalists in agency deliberations? Will consumer and other non-profit advocates be eligible for intervener compensation?

