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January 30, 2013

The Honorable Robert B. Weisenmiller
Chairman
California Energy Commission
1516 Ninth Street, MS-33
Sacramento, CA 95814

Mr. Edward Randolph
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Mr. Keith Casey
Vice President, Market & Infrastructure Development
California Independent System Operator
P.O. Box 639014
Folsom, CA 95763-9014

Dear Chairman Weisenmiller, Mr. Randolph and Mr. Casey:

Thank you for appearing at Monday's informational hearing on energy efficiency and offering a joint presentation on how the California Public Utilities Commission (CPUC), California Energy Commission (CEC), and California Independent System Operator (CAISO) are working together to ensure that the state's energy efficiency investment actually achieves the goal of reducing the need for new power plants.

The committee appreciates your commitment to provide joint specific recommendations for policy or legislative changes that will advance achievement of this goal and address concerns discussed at the hearing. These recommendations should address, at a minimum, all of the following:

- How to improve the demand forecast and procurement planning process that your respective entities conduct to more efficiently reach agreement on how to account for reduced demand from energy efficiency.



The Honorable Robert B. Weisenmiller, Mr. Randolph and Mr. Casey
January 29, 2013
Page 2

- How to improve the design, implementation, and coordination of energy efficiency programs so that they best match grid operational requirements, including reliability and local capacity, with consideration of grid impacts from renewable energy and other state energy policies. Please reference the grid impacts depicted in the attached graph provided by CAISO that was discussed at the hearing.
- How to ensure that energy efficiency investments will be cost-effective, especially as the state increases focus on “market transformation” energy efficiency strategies that the CPUC has stated may not be cost-effective, especially in the near term.

As we discussed at the hearing, several proceedings pending at the CPUC make clear that differences in how the CEC, CPUC, and CAISO account for energy savings from efficiency programs are impacting decisions on whether to build new power plants. At the same time, California is about to increase its multi-billion dollar investment of ratepayer and taxpayer funds in energy efficiency with up to \$550 million per year from Proposition 39 revenue. Thus, your joint recommendations on these issues are critical at this time. The committee looks forward to receiving your recommendations no later than Monday, February 25.

Please do not hesitate to contact us with any questions.

Sincerely,



ALEX PADILLA, Chair
State Senator, 20th District



JEAN FULLER, Vice Chair
State Senator, 18th District

cc: Governor Edmund G. Brown Jr.
Darrell Steinberg, Senate President pro Tempore

Growing need for flexibility starting 2015

