



California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

News Release

FOR IMMEDIATE RELEASE

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

PUC PRESIDENT RESPONDS TO GOVERNOR'S LETTER REGARDING ELECTRICITY POLICY

SAN FRANCISCO, April 28, 2004 – Michael R. Peevey, President of the California Public Utilities Commission (PUC) today responded to a letter from Governor Arnold Schwarzenegger calling on the PUC to rapidly implement reforms to California's electricity market.

In a letter to Governor Schwarzenegger, President Peevey said that he is very pleased to hear that both he and the Governor agree about the major electricity policy issues facing the State. "In particular, I am gratified that your preferences are in accord with the Energy Action Plan, adopted last year by the Public Utilities Commission, the Energy Commission, and the Power Authority, including the "loading order" policy with a preference for environmentally sensitive resources," said President Peevey.

A copy of President Peevey's letter sent to the Governor is below.

For more information on the PUC, please visit www.cpuc.ca.gov.

###



PUBLIC UTILITIES COMMISSION

STATE OF CALIFORNIA
505 VAN NESS AVENUE
SAN FRANCISCO, CALIFORNIA 94102

MICHAEL R. PEEVEY
PRESIDENT

TEL: (415) 703-3703
FAX: (415) 703-5091

April 28, 2004

The Honorable Arnold Schwarzenegger
State Capitol
Sacramento, CA 95814

Dear Governor Schwarzenegger:

Thank you for today's letter on the subject of electricity policy and market structure for California. I am very pleased to hear that we are in agreement about the major electricity policy issues facing the State.

In particular, I am gratified that your preferences are in accord with the Energy Action Plan, adopted last year by the Public Utilities Commission, the Energy Commission, and the Power Authority, including the "loading order" policy with a preference for environmentally sensitive resources. In addition, I agree that the PUC should continue to refine our approach to the implementation of AB57 to require a competitive procurement process that delivers resources to consumers at the lowest possible cost, while still ensuring that utility capital investments are secure.

I also concur with your assessment that the timeframe for our recently adopted resource adequacy requirements, including a minimum reserve margin of 15%, needs to be accelerated to ensure system reliability. We at the PUC are in the process of holding a series of detailed workshops on resource adequacy and expect to continue to improve our resource adequacy policies in the next few months.

Finally, I appreciate your interest and support of a core/non-core electric market structure. I look forward to working with you and your new appointees to craft policies that encourage infrastructure and resource investment while simultaneously working toward lowering electricity rates to consumers.

Sincerely,

A handwritten signature in black ink that reads "Michael R. Peevey".

MICHAEL R. PEEVEY
President

C: Commissioners