



California Public Utilities Commission 505 Van Ness Ave., San Francisco

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PRESS RELEASE

Docket #: R.07-09-008

CPUC ESTABLISHES INSTITUTE FOR CLIMATE SOLUTIONS TO BUILD ON STATE'S ENVIRONMENTAL LEADERSHIP

SAN FRANCISCO, April 10, 2008 - The California Public Utilities Commission (CPUC) today created the California Institute for Climate Solutions (CICS), taking a bold and innovative approach to expanding California's leadership on this most pressing of environmental issues.

The mission of the CICS is based on these essential pillars:

- To facilitate mission-oriented, applied and directed research that results in practical technological solutions and supports development of policies to reduce greenhouse gas emissions in the electric and natural gas sectors, or otherwise mitigates the impacts of climate change in California.
- To speed the transfer, deployment, and commercialization of technologies that have the highest potential to reduce greenhouse gas emissions in the electric and natural gas sectors.

“California leads the nation in aggressively battling global warming with our policies to reduce greenhouse gases and our ambitious energy efficiency and renewable energy goals,” said Governor Schwarzenegger. “I applaud the CPUC for taking another important step by creating the California Institute for Climate Solutions, which will bring together the state's preeminent colleges, universities, and laboratories to fight climate change.”



Commented CPUC President Michael R. Peevey, “Today we have embarked on another groundbreaking path to find solutions to the most pressing problem of our time. Innovation - technological and otherwise - is the key to alleviating the adverse consequences of climate change. The CICS will allow us to devise and deploy the most cost-effective solutions by mobilizing our financial and human capital.”

The work of the CICS will be directed by a Strategic Plan that will identify potential areas of research, maximize consumer benefit, and minimize unnecessary redundancy. The Strategic Plan will identify those areas of research and technological innovation that are most likely to achieve the greatest greenhouse gas reductions in the energy sector at the lowest cost.

The CICS will have a Governing Board that will be responsible for ensuring that it fulfills its mission. In order to retain CPUC oversight, the Governing Board will be co-chaired by the CPUC President and the University of California President, with seats reserved for the State Senate and Assembly, and the Director of the CPUC’s Division of Ratepayer Advocates. Other members will be drawn from other state agencies, universities, utilities, private firms, underserved communities, and consumer/environmental advocacy groups.

A Strategic Research Committee chosen by the Governing Board will be responsible for three main tasks: developing a Strategic Plan by March 13, 2009, and updating it on an annual basis; assisting the CICS officers in developing short-term and long-term strategic plans; and reviewing grant proposals recommended by a peer review committee.

The Governing Board will have the power to establish any subcommittees necessary to perform its duties and responsibilities. At a minimum the following subcommittees will be formed: a Technology Transfer Subcommittee to establish protocols for CICS IP rights and tech transfer policies; a Conflicts of Interest Subcommittee to develop and maintain conflict of interest protocols for CICS as a whole; and a Workforce Transition Subcommittee to study ways to support the energy sector’s transition to a carbon-



constrained future through anticipating and preparing for changes in workforce needs. If the study supports having the CICS fund grants for workforce training, the CPUC may allocate appropriate funds.

The funding for the CICS, \$60 million per year for 10 years, is an investment in California's future and will directly benefit ratepayers, the CPUC determined. The CPUC has charged the CICS Executive Director with obtaining 100 percent matching funds over 10 years in order to maximize ratepayer benefits. The CPUC will maintain extensive continuing oversight over the CICS and will require two external audits - a biennial performance review and an annual financial audit.

The mission of the CICS is consistent with the purpose and findings of Assembly Bill 32, The Global Warming Solutions Act of 2006, and Senate Bill 1368, regulating emissions of greenhouse gas from electric utilities.

The proposal voted on by the CPUC is available at http://docs.cpuc.ca.gov/PUBLISHED/AGENDA_DECISION/81119.htm.

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

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**Statement from CPUC President Michael R. Peevey,
presented at the April 10, 2008, CPUC Meeting**

- As many of you have heard me say, the global climate crisis is the defining environmental challenge of our time. In the words of Dr. Pachauri, Chair of the IPCC, ***“We have a very short window for turning around the trend we have in rising greenhouse gas emissions. We don't have the luxury of time.”*** I believe that history will judge us on how we face up to this test. This state, historically, has been an environmental leader.
- With this item, it is our turn, again, to take bold and immediate action.
- Innovation—technological and otherwise—is the key to alleviating the adverse consequences of climate change.



- To devise and deploy the most effective and lowest cost solutions we must fully mobilize our financial and human capital.
 - Our state's great public and private universities and the California based national labs hold vast stores of intellectual wealth.
 - We must focus this resource on developing solutions to the climate crisis.
 - And we must do it in a way that yields solutions that are truly used and useful.
- With this in mind, I asked UC last year to prepare a proposal for a California Institute for Climate Solutions.
 - The original proposal was circulated with the order that opened this proceeding.
 - The concept and plan for the Institute have been greatly refined in response to the questions and comments of stakeholders, PUC staff, other agencies and my fellow commissioners.
- The decision before us today is the culmination of that process.
 - It establishes the California Institute for Climate Solutions and directs it to do the following:
 - Administer grants for applied research to develop new technologies and other practical solutions to reduce GHG emissions from the electricity and natural gas sectors or help with their adaptation to inevitable climate change.
 - Promote technology transfer and speed the commercialization of these technologies.
 - Explore the need to couple a workforce development function with the Institute's core mission of applied research and development.
 - The decision dedicates to this mission \$60 million in ratepayer funding each year for ten years, a total of \$600 million. There is also a requirement that the Institute secure an equal amount in matching funds over this period.
 - The decision establishes the composition of the Governing Board, rules for governance of the Institute and procedures for ongoing oversight by this Commission.
 - And it requires that the host institution for the hub be selected by the Governing Board via a competitive, peer-reviewed process.
- Some have asked: Why should utility rate-payers alone pay for the institute?
 - The short answer is that they shouldn't— ratepayer financing should serve as seed money to leverage other public and private sources of funding.
 - Broad-based taxpayer financing would certainly be preferable.



- But we cannot wait for the Legislature to allocate funds any more than the US should defer decisive action on climate change until China and India take action.
- Some have said the scope of the Institute's mission should be limited to topics that will directly benefit electric and gas ratepayers. Others have said that the scope should be broad, encompassing all aspects of the climate challenge facing our state.
 - The fact is that the climate challenge breaks down the conventional inter-sector boundaries.
 - We have scoped the Institute's mission narrowly in this decision, focusing it on the electricity and natural gas industries.
 - We also require the development of a Ratepayer Benefit Index and its use in evaluating grant applications.
 - I would prefer to see the mission scoped more broadly as it is clear that the lowest cost GHG reduction opportunities are not all within the electric and gas sectors. Electric and gas customers can benefit from identifying and exploiting opportunities in other sectors of the economy and in locales beyond California.
 - There is no bright line to be drawn here.
 - I hope that we will be able to broaden the Institute's mission as we attract funding from other sources beyond utility ratepayers.
- Some of you have asked, why the hurry? Former Vice President Al Gore, in his Nobel Peace Prize Acceptance speech last year, underscored the need for bold and timely action:

"These are the last few years of decision, but they can be the first years of a bright and hopeful future if we do what we must.

'The way ahead is difficult. The outer boundary of what we currently believe is feasible is still far short of what we actually must do.

"That is just another way of saying that we have to expand the boundaries of what is possible. In the words of the Spanish poet, Antonio Machado, "Pathwalker, there is no path. You must make the path as you walk."

- Today we have an opportunity to blaze one of many new paths to solve the climate challenge. I hope we can all join in this endeavor.
- Before I move the item I would like to offer my thanks to the people who have worked to develop the concept for the Institute and to craft today's decision.
 - ALJ Carol Brown
 - Sach Constantine and Scott Murtishaw of Energy Division
 - My Chief of Staff, Nancy Ryan
 - And My Legal Advisor, Jack Stoddard.



- I would also like to offer special thanks to Commissioner Chong for her yeoman service in shepherding this decision through the final stages of edits.
- And, I particularly want to thank our Governor, who has been supportive from the start.

