

April 22, 2010

Karen Douglas, Chairman
California Energy Commission
1516 Ninth Street
Sacramento, California 95814-5512

Dear Chairman Douglas:

As you are aware the funding of the Public Interest Energy Research Program (PIER), which the commission administers will sunset January 1, 2012 along with the Public Goods Charge which funds it. Before the program extension can be considered, it is important for the Legislature evaluate the program in its entirety.

Accordingly, this committee will be scheduling a series of hearings to evaluate the PIER program. The first hearing will be on Tuesday, May 4th at 9:30. In preparation for our first hearing please provide responses to the following questions to the committee no later than Thursday, April 30th. Please be prepared to have witnesses available at the May 4th hearing who can speak to these issues.

Program Purpose, Activity & Progress

A1. The stated legislative purpose of the PIER program is to develop, and help bring to market, energy technologies that provide increased environmental benefits, greater system reliability, and lower system costs, and that provide tangible benefits to electric and gas utility customers. For each stated purpose, please provide list ten contracts that have been awarded that have achieved that purpose. For each contract list the awardee and summarize its purpose and cost,

A2. Describe, in detail, the benefits the PIER program has provided to ratepayers.

A3. During the last four years, has the PIER program been subject to any public criticism, critical press reports, or been involved in any substantial public controversy, such as a lawsuit (whether justified or unjustified)?

- a) Please describe the nature of the criticism, controversy or litigation, the party or parties who were involved, and your position.
- b) If the controversy was resolved, explain how it was resolved.
- c) Was this resolution satisfactory to all parties? If not, what issues remain in controversy?

A4. Are there other public agencies/departments/other boards or commissions, federal, state or local, or academic which have some of the same or similar duties, responsibilities or functions to those provided by the PIER program? If so, please name them and explain why your entity should not be combined with or sunset in lieu of the other.

A5. Are there any private organizations or businesses that have some of the same or similar duties, responsibilities or functions to those of the PIER program? If so, please name them and explain why the PIER program should not be combined with or sunset in lieu of the other.

A6. What other states currently have programs that perform a function substantially similar to the PIER program? Please list those states, the programs, and funding levels.

A7. Are there some states that have had programs that performed a function substantially similar to the one the PIER program does, but which no longer do? Please describe.

- a) Have any other states, in the last ten years, substantially reorganized an entity similar to the PIER program? Please describe.
- b) Is there any evidence of public harm or public benefit in any of those states from elimination or reorganization of the entity?

A8. Is the PIER program's mission impeded or enhanced by existing statutes, regulations, policies, practices, or any other circumstances, including budgetary, resource, and personnel matters? Explain.

- a) Would statutory changes be needed to improve any aspect of the current program? Explain.
- b) Have you or anyone else proposed such changes? If so, explain whether they were adopted, rejected, or are still pending.

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A9. Are there any federal mandates, federal matching funds, or other local or financial considerations that require the state to continue the PIER program? If so, please describe and provide citations. Could any of PIER's functions be transferred to another entity or program without jeopardizing such funding considerations or obligations?

A10. Explain any efforts, which have been made by the PIER program, or by anyone else, to improve any aspect of your program, other than the legislative or regulatory changes discussed in question A8. Are there any program or organizational changes that the entity is considering to improve its operations and increase the program's ability to operate more in the public interest?

A11. Explain why the PIER program, in your opinion, should or should not be sunset. Provide as much documentation as possible from sources outside the entity (academic or policy studies, newspaper or magazine articles, court decisions, etc.) that would support your position.

A12. The funding for the PIER program is static and is not adjusted over time. If the funding is renewed how would you recommend the funding be structured? At what rates?

A13. Provide an organization chart of the PIER program administrative and staff structures (including committees and divisions if appropriate).

- a) Provide a detailed summary of names and position titles, authorized positions, and actual salary expenditures by job for the past six years.
- b) Also include proposed changes for staff and salary expenditures for the current and next fiscal year (2009-10 and 2010-11)

A14. Does the PIER program staff require or receive any specialized training? If so, please explain the nature of the training, the reason for it, which staff levels and positions need the training, and describe how the training is generally conducted.

A15. Please describe five things that could be improved upon and how they could be accomplished. Also, please explain, in detail, the barriers to such improvement, if any.

Advisory Groups

B1. The Legislature directed the CEC to form an advisory board to provide strategic guidance on funding priorities for the PIER program. Please provide names, affiliations, and appointment dates for each member of the advisory group.

B2. Please provide a list of all meeting dates, agendas and minutes for each advisory group meeting for the past four years.

B3. Has the commission developed guidelines, directives, or objectives for the advisory group or has the advisory group done so?

B4. What role does the advisory group have in setting priorities and program goals for the PIER program? For contract reviews or approvals?

B5. Has the advisory group, in the past four years, made any recommendations to the commission? If so, what were the recommendations and what action has the commission taken on each one?

B6. What organization(s) or group(s) has an interest or stake in the operations of the PIER program, whether cooperative or generally taking positions in opposition to the use of PIER program funds? Please provide as complete a list as possible of those who you regularly deal with or who regularly come before you, along with a description of what the nature of the stake is and contact information.

Program Funding & Contracting

C1. How are PIER program funding objectives established and prioritized? How do you measure whether these objectives are being fulfilled? How often are the priorities reassessed and by whom?

C2. How does the program evaluate proposals for funding? How does the commission ensure that projects funded are consistent with statutory authority?

C3. How many sole-source contracts has the program approved in the last six years? When are sole-source contracts appropriate? What criteria is used to make sure sole-source contracts are necessary and in the public interest?

C4. How has the commission responded to the Department of Finance January 30, 2009 programmatic audit of the PIER program? Specifically, how has the program

addressed the issue of non-compliance with provisions of the Public Resources Code?

C5. Do the program's contracting rules still contain exemptions from state contracting rules? If so, what are the exemptions and why are they necessary? If the exemptions are still in place, why does the commission not concur with the Department of Finance that this fosters an environment of high risk to the state and the PIER program funds?

C6. Please provide a list of each entity, in alphabetical order, that has received funding from the PIER program over the last six years. This list should include, but not be limited to, contract awards, memberships, sponsorships and administrative costs of the CEC. Please list the amount of funding, the purpose, date awarded, and, if a contract for research and/or development, whether the contract obligations and goals were accomplished.

Collaboratives

D1. How many collaboratives has the PIER program or the commission funded? What are the names and locations, and executive staff of each collaborative? How is each collaborative legally organized? Who are the members of each collaborative and each governing board? How does one become a member? What funding has the PIER program or the commission provided to each collaborative? What did each the collaborative do with that funding? Did the funding stay within each collaborative or was it allocated, granted, or contracted to another entity? Do any of the collaboratives or their staff draft official guidelines, rules, or regulations for the commission or any other state department or agency? Please provide information for each question for the last six years.

D2. Why is the collaborative form of an organization advantageous to the PIER program? What does the collaborative form of an organization provide to the PIER program and the commission that could not be provided by issue-specific advisory groups to the PIER program or the commission?

D3. Over the last six years, what advisory groups have been formed by the commission and for what purpose?

D4. Do any commissioners or commission staff or staff of any other state agency, department or division sit on any of the governing boards of these collaboratives? Do any commissioners or staff receive any reimbursements or other payments from

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these collaboratives? Do any state employees or commissioners who are involved in contracting participate in any way with these collaboratives?

D5. Do any commissioners or staff that sit on these boards or attend collaborative meetings take part in the evaluation or ranking of proposals for funding by the PIER program?

Thank you for your cooperation and prompt attention to these questions.

Sincerely,

ALEX PADILLA
Chair