



City of Encinitas

Office of
The Mayor

September 5, 2018

The Honorable Jerry Brown
Governor of California
State Capitol
Sacramento, CA 95814

Catherine S. Blakespear
Mayor

**RE: SB 237 (Hertzberg) Electricity: direct transactions.
Request for Veto**

Joe Mosca
Deputy Mayor

On behalf of the City of Encinitas, I would like to request that you *veto SB 237 (Hertzberg) Electricity: direct transactions*. This bill would raise a current cap on the migration of customers currently served by the investor-owned utilities (IOUs) and community choice aggregators (CCAs) by 4,000 GWh. The City of Encinitas opposes this change for the following reasons:

Tasha Boerner Horvath
Council Member

The Legislature Should Not Risk Another Energy Crisis. California last authorized unlimited direct access in AB 1890 (Brulte, 1996). When spot market electricity prices spiked in the year 2000, costs to utility customers increased, certain direct access providers reaped excess profits, and direct access customers were dumped back to utility service *en masse*. Direct access providers cut and ran when their customers, and the State of California, needed stability most.

Tony Kranz
Council Member

SB 237 Backslides on California's Environmental Policy Goals. The transient nature of both direct access providers' procurement practices and customer base is at odds with California's commitment to clean energy and equity. Even though direct access providers are subject to the Renewables Portfolio Standard and other laws, they do not develop their own resources. They seek out short-term procurement contracts for excess capacity and energy from projects built under long-term contracts with other service providers. That procurement strategy is based on the fact that direct access providers serve their customers under short-term contracts that range from month-to-month agreements up to three years.

Mark Muir
Council Member

Direct Access Excludes California's Disadvantaged Communities. While IOUs and CCAs serve all customers in their communities, including low-income residential customers, direct access providers serve only commercial and industrial customers.

Karen P. Brust
City Manager

The Bill Causes Cost Shifts. The bill does not provide adequate protections for IOU customers and ignores cost shifts to CCA customers. This will result in a large cost shift to CCA customers, who are expected to make up the majority of the state in 2025.

SB 237 Undermines Transparency. The expansion of direct access would also remove critical information from public view and prevent meaningful public oversight. The procurement transactions executed by direct access providers are not subject to CPUC approval or local government approval. Direct access providers routinely assert claims of confidentiality with respect to basic information that is publicly disclosed by IOUs, publicly-owned utilities, and CCAs.

For these reasons, the City of Encinitas is opposed to SB 237, and requests your veto on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Blakespear', written in a cursive style.

Catherine S. Blakespear
Mayor

cc: Senator Robert M. Hertzberg
City Council
JGC Government Relations
Catherine Hill, League of California Cities
Erin Evans-Fudem, League of California Cities