



# Memorandum

**TO: RULES COMMITTEE**

**FROM: Leslye Krutko**

**SUBJECT: SEE BELOW**

**DATE: July 26, 2006**

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Approved

Date

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Council District: All  
SNI: All

**SUBJECT: SB 423 (SIMITIAN) – ALLOWING ENERGY SERVICE PROVIDERS TO GIFT ENERGY TO NONPROFITS**

**RECOMMENDATION**

It is recommended that the Rules Committee recommend to the Mayor and City Council support for SB 423 (Simitian), which would allow an electric service provider to donate free electric commodity source to a nonprofit charitable organization. It is also requested that the item receive a one-week turn around for Mayor and City Council review.

A fact sheet and analysis of the bill is attached.

**COORDINATION**

This memorandum was coordinated with the City Attorney’s Office, the Department of Public Works, the Department of Environmental Services, the Intergovernmental Relations Director, and the City’s Sacramento lobbyist.

  
LESLYE KRUTKO  
Director of Housing

## **SB 423 (Simitian) – ALLOWING ENERGY SERVICE PROVIDERS TO GIFT ENERGY TO NONPROFITS**

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*What's the issue the bill is trying to resolve?*

Under current California law, which was written after the electricity crisis of 2001, a moratorium was placed on direct-access arrangements. Calpine, an electricity generator, has offered to donate free electricity, in-lieu of a cash donation to the Emergency Housing Consortium and the Second Harvest Food Bank. Calpine has made similar arrangements in Houston it would like to replicate, but because of California's law, it is unable to provide the donation.

*How would this bill resolve the issue?*

In response, on June 20, 2006, Senator Simitian (D-Palo Alto) substantially amended an existing bill to permit an electric service provider to donate free electricity to a nonprofit. This gift would only be what is considered the "base" electricity generated, meaning it would not include the costs associated with the transmission, distribution, taxes, fees, or surcharges related to that base electricity. The bill in its current form does not require electric service providers to donate electricity but instead allows those, like Calpine, to provide a gift in-lieu of cash assistance.

*How would the passage of this bill affect San José?*

According to EHC, with a gift of free electricity, its emergency shelters could save an estimated \$90,000 a year. This would enable EHC for example, to offset the costs of keeping the Boccardo Regional Homeless shelter open during the non-cold-weather season, when federal funding is not available. This bill is especially timely as many nonprofits are experiencing financial hardship due to a lapse in donations, likely as a result of Hurricane Katrina and other relief efforts. In recent weeks, struggling shelters have come forward to the Housing Department requesting additional funds for shelter operations.

*Staff's Proposed Position:*

Staff recommends that the City **support SB 423 (Simitian)** due to the potential significant benefit to our area's emergency shelters and food banks.

*Who are the bill's supporters and opponents?*

Supporters include the Emergency Housing Consortium, Second Harvest Food Bank, and the County of Santa Clara. The bill is opposed by Southern California Edison (SCE) and Pacific Gas and Electric (PG&E). SCE has stated that it is concerned that this bill will set a precedent for breaching direct-access suspension, and that it generates uncertainty in rates. PG&E would prefer to allow charitable contributions through their Relief for Energy Assistance through Community Help (REACH) program, which provides low-

income customers who cannot pay their PG&E bill due to a sudden, unexpected financial hardship with a one-time payment through the Salvation Army.

*What is the current status of the measure?*

The bill passed out of the Assembly Utilities and Commerce Committee on June 29, 2006 (10-0). The measure will now go to the Assembly Appropriations Committee for consideration. The bill has not yet been set for hearing, but will need to be scheduled prior to the August 18<sup>th</sup> deadline for bills to pass out of the Appropriations Committee.