



San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Edwin M. Lee
MAYOR

MINUTES

(As approved October 25, 2011)

SPECIAL MEETING

**Joint meeting with the
San Francisco Local Agency Formation Commission**

Note Different Start Time

Tuesday, October 11, 2011

11:00 A.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

Francesca Vietor, President
Anson B. Moran, Vice President
Ann Moller Caen, Commissioner
Art Torres, Commissioner
Vince Courtney, Commissioner

DEPARTMENTS AND ENTERPRISES

Water Enterprise
Wastewater Enterprise
Power Enterprise
Infrastructure
Business Services
External Affairs

Ed Harrington
GENERAL MANAGER

Michael Housh
SECRETARY



ORDER OF BUSINESS

1. Call to Order

LAFCo Chairperson David Campos & SFPUC Vice President Anson B Moran called the meeting to order at 11:08 a.m.

2. Roll Call

Vice President Anson B Moran, Commissioner Art Torres, and Commissioner Vince Courtney were present. Commissioner Ann Moller Caen was excused attendance. President Francesca Vietor joined the meeting in progress at 11:43 a.m.

A quorum of the LAFCO Commissioer was present

JOINT REGULAR BUSINESS

3. Opening Remarks and Discussion of Expectations for the Joint Meeting

Chairperson Campos & Vice President Moran both began this special joint meeting emphasizing the importance and significance of this critical milestone on the path to creation of an active community choice aggregation program and both thanked the SFPUC and SF LAFCO Staff as well as all of the community participants who had been working together so long and hard to reach this turning point. Vice President Moran emphasized that this meeting not only demonstrated great progress achieved to date provided an opportunity to move forward with a practical program that matched what we wanted to do with what was actually possible to achieve.

Chairman Campos recalled the history since the adoption of the 2004 CCA Ordinance and the original goals that had inspired the Community Choice Aggregation (CCA) program that had lead to this point, commending again all of those efforts that had been made. Chairman Campos then noted now that the S.F.P.U.C. and the LAFCo had completed their mandated work that the next steps would be to place the term sheet before the Mayor and the Board of Supervisors to continue moving this important civic effort toward completion. Chairman Campos in particular singled out SFPUC General Manager Ed Harrington, LAFCo Interim Executive Officer Nancy Miller, and LAFCo staffer Jason Fried as well as the many community advocates for their hard work and dedicated leadership in keeping the program on track.

Public comment

No comments were offered

4. Community Choice Aggregation (CCA) Update Report, including a presentation from Shawn Marshall of LEAN (Local Energy Aggregation Network). (Discussion item) *(Campbell/Miller)*

CleanPowerSF Manager Mike Campbell reported the successful effort to pass SB 790 which helped to level the playing field for CCA's and noted that it had been signed in law by the Governor.

Mr. Campbell then introduced Shawn Marshall of LEAN (Local Energy Aggregation Network) and the Marin Energy Authority who next gave a detailed [presentation](#) providing a detailed overview of ongoing CCA activities across the nation.

5. Discussion and possible action to [authorize](#) the General Manager of the San Francisco Public Utilities Commission (SFPUC) **to continue working on a Community Choice Aggregation (CCA) Program, the CleanPowerSF Program, and to negotiate a contract consistent with the parameters set forth in the "Updated Term Sheet Parameters for Program and Contract Negotiations"**, and to submit the "Updated Term Sheet Parameters for Program and Contract Negotiations" to the Board of Supervisors for review and consideration. *(Campbell)*
[Resolution 11-0162](#)

LAFCo Interim Executive Officer Nancy Miller began by reporting the various processes that had taken place to date and that outlined the collaborative efforts that brought the proposed updated term sheet, and noted that this was an amazing opportunity while acknowledging the risks and costs, and recommended that it be approved.

CleanPowerSF Manager Mike Campbell and SFPUC Chief Financial Officer and Assistant General Manager for Business Services Todd Rydstrom next gave an extensive [presentation](#) outlining how we had arrived at this point and detailed exactly what being kind and scale of CCA Program was proposed. Mr. Campbell explained how what was being proposed differed from what had been previously considered and next described the proposed program, the proposed start up costs, and the rationale for them. Mr. Campbell then discussed recent activities toward moving forward on local build out of renewable energy resources.

There followed an extensive discussion among the Commissioners. In response to questions by Commissioner Avalos and Commissioner Torres, Mr. Campbell outlined how the \$19.5 million in collateral investment was determined, and identified the source of the funds as being from Hetch Hetchy Water and Power. In response to follow up questions by Commissioner Torres, Mr. Harrington and Mr. Campbell described how the escrow account and operating reserves accounts would be structured, and the scope of liability should the unlikely event of program termination for any of several reasons should occur. Ms. Miller noted that there was a very small risk of program termination and in any case Shell could sell any power on the market. In response to questions by President Vietor, General Manager Harrington and Mr. Campbell explained how this

escrow account would work, how long the funds would have to remain in escrow, and what the actual liability risks would be. In further response to questions by Chairman Campos, Mr. Campbell and Ms. Miller how these reserves and related risks could be managed.

Mr. Rydstrom then presented an overview of the current situation facing Hetch Hetchy Water and Power. In response to questions by Chairman Campos, Mr. Rydstrom explained how the ongoing power rates subsidies and already existing capital needs of Hetch Hetchy Water and Power were a longstanding pre-existing ongoing issue and that CCA was only an additional factor to take into consideration. Mr. Rydstrom then outlined various models of level of green energy programs that had been considered and what the related rates impacted would be. Mr. Rydstrom then discussed the likely impact on ratepayers of the proposed 100% green energy model proposed. In response to questions by Commissioner Avalos, Mr. Rydstrom explained the underlying rationale for sizing the program at a 75,000 customer base and the proposed 30 Megawatt power. In response to questions by Vice President Moran noting that in the end the Hetch Hetchy funds and General Funds were the same source, Mr. Rydstrom explained the already existing capital needs of Hetch Hetchy and the ongoing revenue imbalance due to this subsidy. Vice President Moran emphasized this importantly served to focus attention on this issue. In response to comments by Commissioner Schmeltzer, Mr. Rydstrom explained how staff proposed to structure the program to maximize program size and minimize risk. Additionally Mr. Rydstrom explained the actual impact on most monthly fixed household bills and broke down the likely impact on a typical PG&E bill, noting only the generation line item was impacted.

In response to question by Vice President Moran, Mr. Rydstrom described how small relatively this addition would be on a typical monthly household bill. Mr. Rydstrom then presented an overview of the current situation facing Hetch Hetchy Water and Power. Mr. Rydstrom then discussed the likely impact on ratepayers. Mr. Rydstrom then discussed in more extensive detail how various approaches to address the revenue and capital needs of Hetch Hetchy funds could be addressed. Mr. Rydstrom then reported other revenues sources such as increased rates or use of General Fund revenues were to be used. In response to questions by Commissioner Pimentel, Mr. Rydstrom and General Manager Harrington outlined various costs scenarios. In answer to questions by Commissioner Avalos, Mr. Rydstrom outlined how Hetch Hetchy funds had been used to support extensive energy efficiency means and how closely any revenues generated by hydro were managed daily to maximize revenues and minimize costs. In response to follow-up questions by Commissioner Avalos, Mr. Rydstrom outlined how new customers and greater efficiencies were already underway to increase revenues to Hetch Hetchy.

Vice President Moran noted a significant reason to pursue CCA would be to provide retail opportunities that would allow us to recoup our investments in energy efficiency. President Vietor then discussed the wider public policy issues involved in how to maximize and maintain the Hetch Hetchy system to achieve the many capital needs and energy efficiency goals and priorities that the city wanted to pursue. Mr. Rydstrom next

outlined all of the reduction in planned capital investment that had already been made and then reported the timeline of next steps including an extensive Rate Fairness Board process of all of these rates. Mr. Rydstrom concluded outlining the policy choices that were before the joint commissioners. Mr. Campbell wrapped up by briefly discussing local build out. In answer to questions by chairman Campos, Mr. Harrington outlined the next steps with Local Power going forward looking at a local build out program. President Vietor noted that a major promise of CCA was in this local build out of local renewable energy resources to make us more independent. Commissioner Courtney called attention to the importance of protecting our existing system and its existing workers. Commissioner Courtney noted the opportunities for providing an array of local jobs in the course of both the CCA Program and doing a local build out using prevailing wages paid for skilled jobs.

Vice President Moran proposed that instead of going out with a 30 megawatt program, we scale the start up at 20 megawatts in order to minimize the one area of unknown risk posed by opt-outs. Vice President Moran pointed to the various issues posed by the mandated opt out and suggested that a more focused opt-in effort could be made to potential customer in an incremental manner. Vice President Moran also proposed specific addition of the underlined change to the Further Resolved clause to read: FURTHER RESOLVED, That if a contract is approved by the SFPUC and Board of Supervisors, the SFPUC intends to authorize the General Manager to launch the program if the following conditions are met to the satisfaction of the SFPUC. This would provide an opportunity to the Commissioners to responsibly consider the entire finalized program when the unanswered questions were answered by the Commission before approving the Program, making clear the intent was to proceed.

There followed a discussion among the joint Commissioners concerning various ways to consider and make decisions concerning the proposed initial size of the program.

Public comment

Mr. Al Weinrub, Clean Energy Alliance reported advocates wanted continued progress on both CCA as well as an integrated build out of local resources, Mr. Weinrub expressed support for moving this item forward to the Board and emphasized that local build out was essential to program success as well as providing significant creation of 1000 local jobs each year over the next five years.

Mr. Eric Brooks, San Francisco Green Party called attention to the recent significant progress going forward after years of struggle with an actual program for an extensive build out of local renewable energy resources.

Mr. Eddie Og, Brightline Defense Project called attention to the potential for creation of significant local jobs in the proposed program urging it be moved forward to the Board of Supervisors with a proviso that there was still a need to identify actual jobs of 100% prevailing wage jobs to be created, and making the point that the larger question of the

revenue implications of ongoing energy subsidy being provided to municipal customers also be considered.

Mr. Jeremiah Dean, Bay Chapter of the Sierra Club, commended the joint efforts by the LAFCO and the SFPUC and recommended that the proposed CCA Program be moved forward. Mr. Dean also expressed appreciation for the attention being devoted to facilitating a rapid local build out of renewable energy resources so that San Francisco could retain its leadership role in changing to a green economy.

Commission discussion

Chairman Campos expressed his view that Vice President Moran's proposed amendment simply clarified language in the draft resolution. Following additional discussion among the joint Commissioners regarding the scale of the initial size of the proposed program it was determined that there was a range of scale for the CCA Program allowable within the proposed contract negotiation with Shell Energy between 20 and 30 Megawatts that could be determined as the contract discussions were finalized between December and March of next year.

Then the LAFCo Commissioners by Commissioer Avalos, seconded by Commissioer Schmelzter moved to amend their resolution to match Vice President Moran's change in the draft SFPUC Resolution on this item.

Motion to approve the item as clarified by Vice President Moran by Commissioner Torres, seconded by Commissioner Courtney Passed 4-0 AYE (Vietor, Moran, Torres, Courtney) unanimously

Public comment

6. Discussion and possible action to [prepare and send a Letter to Governor Brown and California Public Utilities Commission \(CPUC\) Commissioners Urging the Adoption of a Fair and Equitable Methodology for Calculating the Community Choice Aggregation Bond Amount](#) to ensure that the bond amount does not unfairly favor the investor-owned utilities nor create unnecessary costs for Community Choice Aggregation (CCA) programs. *(Campbell)*
[Resolution 11-0163](#)

CleanPowerSF Manager Mike Campbell provided an update concerning recent staff activities, additional background on the outstanding bond amount question, and explained the purpose of the resolution and letter were to encourage Governor Brown and the California Public Utilities Commissioners to quickly address this matter to ensure that the bond amount does not unfairly favor the investor-owned utilities nor create unnecessary costs for Community Choice Aggregation (CCA) programs

Public comment

No comments were offered

Motion to approve by Vice President Moran, seconded by Commissioner Torres Passed 4-0 AYE (Vietor, Moran Torres, Courtney) unanimously)

7. Public Comment

Members of the public may address the Special Joint meeting of the San Francisco Public Utilities Commission and the San Francisco Local Agency Formation Commission on matters that are within either of their respective jurisdictions and not on today's agenda.

Mr. Eric Brooks, San Francisco Green Party, Our City, urged that the LAFCo take up the question of the ongoing subsidy of power rates to municipal customers as a means to encourage greater energy conservation which would lead to lower use and less costs. Additionally, Mr. Brooks again emphasized how all of this needed to be addressed within the context of responding to global warming and repeated his view that a rapid and extensive build out of local renewable energy resources was the key to addressing many of the most challenging aspects of moving CCA forward successfully.

Commission discussion

At this point the SF LAFCo Commissioners briefly took up and addressed the remaining the separate calendar items #8, #9, and #10 on their agenda.

Both President Vietor and Chairman Campos applauded the dedicated efforts by both the SFPUC and LAFCO staff in moving this forward. President Vietor encouraged the community activists to continue to remain involved and engaged in making this program a success. Chairman Campos then briefly outlined the next steps at the Board of Supervisors.

At Chairman Campos suggestion consideration was then given to the best date for the next joint meeting. After some discussion it was the joint consensus among both Commissions that noon on Tuesday December 6th was the mostly likely workable date and time. Chairman Campos requested staff finalize details and to confirm the availability of the Board Chambers for this meeting on that date and time for the next special Joint SFPUC-SF LAFCo meeting on Tuesday December 6th.

There being no further business the special joint meeting was adjourned at 1:14 p.m.

8. Adjournment

Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103