San Francisco Public Utilities Commission  
Citizens’ Advisory Committee  
Power Subcommittee  

Approved Meeting Minutes  

Tuesday, September 4, 2012  
5:30 p.m. – 7:00 p.m.  
525 Golden Gate 2nd Floor O’Shaughnessy Conference Room  

Members  
Doug Cain (D3, Chair) Jessie Buendia (D6) Ted Ko (B-Small Business)  
Stephen Bjorgan (M-Eng./Financial) Walt Farrell (D7) Avni Jamdar (M-Env. Group)  
M = Mayoral appointment, B = Board President appointment  

Staff: Teresa Young  

ORDER OF BUSINESS  

1. Call to order by Chair Doug Cain at 05:36 p.m.  
   Present: D.Cain; W.Farrell; J.Buendia; T.Ko; S.Bjorgan  
   Absent: A.Jamdar  

2. Approval of the July 10 and August 7 meeting minutes  
   W.Farrell moved; T.Ko seconded. July 10 minutes approved by acclamation.  
   J.Buendia moved; T.Ko seconded. August 7 minutes approved by acclamation.  

3. Public Comment:  
   Tom Hardy: Department of Labor at Treasure Island. He is interested in  
   bringing students into process of providing power to Treasure Island and  
   exploring opportunities to provide direct power to the waste treatment plant and  
   Hunters Point. He works with students from the Job Corp.  

4. Report from the Chair: Doug Cain  
   Need Green Test Bed Presentation from staff, so that the subcommittee can  
   revisit and discuss about this more along with metrics coming down the pipeline.  
   PG&E is no longer presenting tonight.  
   We are sending the CleanPowerSF CCA packet to full CAC. Invited Ted Egen  
   to make a presentation about the CCA economic impact for the 9/25 full CAC  
   meeting. T.Young will confirm with T.Jones (Chair of full CAC).  

   ** skipped to item 6  

5. Staff report: Charles Sheehan and Meg Meal  
   - Power Content Label: We’re getting ready to distribute our new power  
     content label. This is a regulatory requirement by CPUC about the  
     makeup of our power supply.  
   - Streetlight Presentation: PG&E no longer presenting today.  
     - T.Ko: As citizens, how do we get PG&E to resolve streetlight  
       problems if it’s not owned by the SFPUC? If there is a level of  
       service, how do we get PG&E to maintain a level of service?
M.Meal: Through the CPUC. I’m not sure if the general rate case (GRC) is the place to do that. I can check on that.

T.Ko: For PG&E streetlights that are hard to maintain, is there a plan or budget to change or replace the old lights? Is the GRC the right place to bring that up?

M.Meal: I do think that the GRC is the place to bring up those issues. We will probably need to go through request for more information through PG&E, because the GRC is pretty broad, but they are talking about LED conversations.

T.Ko: As the CAC, what’s the most appropriate venue/platform to bring up these concerns?

M.Meal: An effective avenue is for them to come in and explain their levels of service. Another avenue is for us to investigate further what the venues are, when customers are feeling LOS commitments are not being met. I think the GRC is a good avenue, because it allows us to submit our discoveries and a formal way of asking questions. Some combination of formal and informal avenues may be effective.

** continued to item 7

6. Presentation and Discussion: New Air Resource Board initiatives regarding cap and trade allowances and how they affect publicly owned utilities
(Meg Meal, Regulatory Specialist, Power Enterprise, SFPUC; Whitney Ramos, City Hall Fellow, Power Enterprise, SFPUC)

Discussion and Q&A:

W.Farrell: If I’m a utility, this means I can produce so many tons of CO2. If I make an improvement on my plant, can I sell the allowances?

M.Meal: Yes, you can sell the allowances and use that money to make improvements or buy renewables. The idea is that it puts a price on carbon and gives decision makers the ability to pay for higher fossil source or invest in renewable energy that would produce less greenhouse gases. We’re learning that this is a new program, everything seems to be going according to schedule, and new systems are put in place to facilitate trading of allowances and we’re setting up accounts. For us, it will be relatively straightforward because we’re a seller of allowances and we’re price takers. The way the auction works is that all of the allowances sold get put into a “big pot” and potential buyers put in bids for the volume they want to purchase and what they’re willing to pay. This all happens on one day in one window. Bids are ranked from highest to lowest. The lowest price that clears with sufficient volume will be the price that all the bidders will buy at depending on their bids.

D.Cain: How are the allowances prioritized in terms of the dedication to the bidders?

M.Meal: I’m pretty sure a pro rata allocation. For example, they’ll go through the lots until they get to 100 units available. They’ll take the highest bids for that 100 and the lowest price in that lot is the clearing price, but all of the bidders above that will get the volume they requested.

J.Buendia: How much are people predicting that it’s going to go for?

M.Meal: I’ve heard a lot of different things. The ARB has established a floor price of $10 per allowance or $10 a metric ton, which is the lowest price. There has to be sufficient volume at that price for us to sell all of our allowances. I’ve heard things about secondary market activity going on with prices in the $15-$25 a ton range, but it’s a very small volume. One of the main purposes of this auction approach as well as having the state auction off allowances of their own rather than giving them to emitters and also providing allowances to distribution utilities as opposed to the GHG emitters is to create a market.

W.Farrell: Is it the situation that if I build a facility that’s going to produce so much of CO2, then I have to buy somebody else’s allowances?

M.Meal: Yes, there’s a gap between the 162 and 95. The gap is made up of a large chunk of allowances that are going to be sold by the state. If you were a new GHG emitter, you would have to buy allowances from somebody else or
group of allowances that’s going auctioned. Some existing GHG emitters, I believe it’s primarily refineries or heavy-duty industrial processes, are being given allowances by the state. You would have to have an existing facility to get free allowances.

W. Farrell: Is this program new or has it been tried before?

M. Meal: You could choose to go out of business and sell your allowances if you are given these allowances. You would be closing down your plant and reducing your GHG emissions. It is a new program for California. Europe has carbon trading and there has been for some time trading in the U.S. of other kinds of pollutants, like oxides of nitrogen and sulfur. There are similar market mechanisms that have worked very well, but this is a new thing for California.

J. Buendia: You had mentioned the different programs that fall under the purview of how the funding can be spent. When staff figures out how to allocate it to the different programs, do you have to submit that to the Commissioners or to the ARB? Who approves this?

M. Meal: The ARB is still working on their regulations for restrictions, and guidelines and requirements for spending. It is clear that we will have to do regular reporting to the ARB. The amount of detail and parameters in spending is pending additional draft regulations. The regulations are being developed in real time as these deadlines are coming along. We will be reporting regularly to our Commission and other advisory committees.

T. Ko: The free allocation allowances, is that typically what percentage of the total emissions for the utility?

M. Meal: It varies a lot. The ARB regulation includes the ARB’s decision about how many allowances are given to the difference utilities. It’s roughly in proportion to existing emissions with the concept that that’s a measure of the cost incurred as a result of the program. Emissions are also granted to recognize early action in improving the emissions content of your portfolio. It’s a combination of both existing emissions, ARB’s estimates of what it will cost for these entities to operate under the programs, and credit for early action.

S. Bjorgan: Would the introduction of CCA impact this?

M. Meal: The CCA situation on cap and trade is different, because CCA customers are distribution customers of PG&E. PG&E is getting allowances on behalf of existing and future customers of CCA. The CCA benefits from the allowances will flow through PG&E. Our allocation is very separate.

D. Cain: Are the allowances based on quantifications on actual analysis? How much is likely influenced?

M. Meal: We did work with the ARB as they were developing these allowances. We provided them information about our historical loads and generation. They did have stakeholder processes showing what they were proposing as allocations.

D. Cain: Does that indicate a certain lack of transparency in part of the analysis or distribution of the analysis?

M. Meal: There was a certain amount of modeling that they were doing that we didn’t have the staff time to get into the nuts and bolts of it. We were looking at it from a standpoint of is this reasonable given where we were compared to other utilities and what our costs are likely to be to comply.

D. Cain: Is California emissions analyses completely verified or is a complete model?

M. Meal: We’ve been doing reporting to the ARB for a few years now, so that ARB can develop a robust GHG inventory. It’s being modified over time as people learn about the accounting. GHG accounting, especially when you’re comparing different fuel sources and different uses of the fuel, is not that straightforward. There are a lot of different parameters, but I believe that California is doing a much better job in consistent GHG inventories.

D. Cain: I’m curious to know if there’s verification of emissions.

M. Meal: There are requirements of third party verification of GHG reporting. We have our GHG reports third party verified. Certain emitters are required to have the third party verification, generally those that are emitting more than we are. Our power enterprise operations don’t burn fossil fuels, so we don’t emit GHGs. The wastewater enterprise burns biogas, but it captures methane rather than releasing it. It’s burning the methane to produce heat to run processes of
digestion, and running that fuel to produce electricity. Our role in these inventories is much lower profile than some of the other manufacturers have to go through.

D.Cain: The secondary market seems to be a huge spread $15-$25 and it looks like an opportunity for market makers to come in and take advantage of. Are there safeguards somewhere in that process?

M.Meal: I don’t know the answers so much in the secondary market. I know the ARB is being very careful about the state run auctions, who can participate, how you identify yourself, and there is a lot of fraud protection in place. The secondary market is regulated by others. It’s a commodities market.

D.Cain: Do you think your allowance was fair?

M.Meal: I do.

J.Buendia: Who represents the SFPUC in the ARB? Is it managed by External Relations, etc.?

M.Meal: It’s a combination of things. That’s one of the tasks of my group – it is to do advocacy work with the ARB, California Energy Commission, and CPUC when it relates to us. Power Enterprise Regulatory Affairs and Legislative Affairs work jointly together on legislative matters. We look out for new regulations, understand them, and look for improvements to make.

W.Farrell: Are these allowances theoretical? Is it specific to technology or generator?

T.Ko: Out of the measurement of GHG, is it decided by technology mix, generator by generator, or facility by facility?

W.Ramos: It’s a different regulation that determines how people report what their emissions are. I think it’s a combination of formulas and measurement.

D.Cain: Measuring technology like a monitor system?

M.Meal: The thing I’m not sure about is any given gas turbine, depending on its age and technology, is going to have a different level of GHG emissions per megawatt hour. We can follow up on that.

J.Buendia: What other entities are in a similar state as SFPUC, receiving allocations, but not major polluters?

M.Meal: We’re probably the lowest GHG emitting electric utility in CA, except maybe Trinity. Other utilities like Alameda and Silicon Valley Power have a relatively high mix of renewables in their portfolio, so they’re more like us. A lot of utilities purchase a lot of power that comes from fossil fire sources. They’re not burning fossil fuels, so they don’t need the allowances to cover their own emissions. But they need them to cover the increased costs that they’ll get charged by the people selling them the electricity.

W.Farrell: Are the allowances good for a year or forever?

M.Meal: These allowances are what we’re getting for 2013. Those allowances don’t expire, but our only option for selling them is to sell all of them through the 2013 auction process. We don’t have the option to hold onto the allowances and use them later. There is a bit more information in the memo on how the auctions work, which includes the details of dates and quantities. Keep your eye out on November 14, as that will be the first real significant market activity.

Public Comments:
Tom Hardy: You had mentioned Silicon Valley Power. They were mentioned recently buying dirty coal from Albuquerque.

** skipped back to item 5

7. Future Agenda Items: Members will email Chair with suggestions. C. Sheehan will also work with AGM Power Enterprise Barbara Hale for additional topics.

Public comment:
Tom Hardy: Job creation with energy and small business development, local veterans.

8. Announcements/Comments

9. Adjournment at 06:48 p.m. S.Bjorgan moved; T.Ko seconded.