San Francisco Public Utilities Commission
Citizens’ Advisory Committee
Power Subcommittee

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

Members
Doug Cain – Chair (D3)  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. Chair Cain called the meeting to order at 05:41 p.m.
   Present: D.Cain; W.Farrell; A.Jamdar; S.Bjorgan; T.Ko
   Absent: J.Buendia;

2. Approval of the September 4 meeting minutes
   W. Farrell moved; S.Bjorgan seconded. Minutes approved by acclamation.


4. Report from the Chair: Doug Cain
   The subcommittee will get more information from AGM Barbara Hale (B.Hale)
   about the funds from the cap and trade allowance later tonight. He suggested
   members to provide feedback on future agenda items, which will also be discussed
   later during the meeting.
   ** skipped to item 6

5. Staff report: Teresa Young
   There will be a new date for the Full CAC meeting: the third Tuesday of the month.
   An email was sent out this afternoon notifying members. All concerns and feedback
   should be sent to Terrence Jones (Full CAC Chair).
   B.Hale: Regarding the cap and trade sale of allowances, the first Air Resources
   Board (ARB) auction of allowances will be on November 14. We are required to
   participate in the auction and it is our intention to auction all of the allowances that
   we were awarded by the ARB. The ARB has set a floor price of $10 per allowance.
   At that price, if we sold all allowance in first auction, it is at that floor price. We are
   restricted on spending the revenue on things to assist the state to achieve its
   greenhouse gas (GHG) goals. It is our expectation that because ARB is imposing
   the cap and trade program, the price of electricity will increase generally. We are
   allowed to use the proceeds from sales to mitigate the impact it will have on us. We
   are obligated to provide a statement of the program on how we actually spend the
   money to our Commission and ARB. This is a reporting obligation that we have
   because the allowances we have are from the California ARB. We don’t know how
   much we’re actually going to get in the auction. It’s never happened in CA before.
   We’ll be asking for the authority to spend in those ways, but we need approval
   through the typical budget process. We don’t have a plan at this point. There will be
   a subsequent auction in the first quarter of 2013. The program will further the goals
   of AB32 and benefit our ratepayers as well.
Discussion and Q&A

T.Ko: Are you only opting in half of residents?
B.Hale: We are going out to half of the residential accounts in San Francisco and we expect half of that group will opt out. If more people opt out than what we expected, then we will reach out to more residential customers because we need to hit that targeted megawatt (MW) amount. Under state law, anyone we offer service to during this opt out period is in unless they opt out. What we’re proposing to do is reach out to half of residential accounts in SF and ask them if they are in or out. Anyone who says “no” will not be in the program. Based on our market research, we expect half of the half to say “no”.

T.Ko: What about the other half that you didn’t send the opt ins to?
B.Hale: They may opt in if they wish to. They will remain PG&E customers unless they opt in. In negotiating the contract with Shell, we looked at their financial request from the City, the amount of megawatts they will sell to us and still participate, and that’s how we arrived at the 20 to 30MW figure. When we look at consumption in SF, most SF residential accounts (about 43%) are only tier one consumers, which means they are low energy consumers. When we went out with market information and did our survey to gauge people’s opinion about renewable service and tolerance for paying more, about half of the residential folks said, “no thank you.” In order to take the 20 to 30MW figure knowing how many folks would opt out and their typical consumption, we figured we need about 90,000 accounts to consume 20 to 30MW worth of supply.

W.Farrell: Are these residential customers?
B.Hale: We are proposing to enroll residential customers, but anyone can opt in. If you’re a commercial account and you want into the program, we’ll queue you up to join the program.

T.Ko: Are you going to outreach to anyone to opt in?
B.Hale: We are planning a customer education and notification program, using TV, billboards, and media that is general in their communication. We’ll also do more targeted outreach. As you’re aware, the mayor is very interested in doing some outreach to test enrollment interest. As I get into the modifications to the authority we were given from the Board of Supervisors, you’ll see a strong emphasis in public education.

T.Ko: For local renewable generation, is it only on City owned property or residential home rooftops?
B.Hale: With the GoSolarSF incentive, we intend to build on residential rooftops. In other components of the local build out, it’s not just the individual customer scale, but utility scale. The contract we have with Shell has a clause that allows us to replace supply from them. As customers become interested in the program and we have the finances to build, we can match up those customers up.

W.Farrell: Right now there are no sources of power. PG&E now has solar, so they can say to people that they are getting solar generated energy.
B.Hale: PG&E has about 20% renewables in their portfolio right now, some of that is solar. This program provides is 100% kilowatt (KW) hours are from renewable sources, that’s what is distinguishing this program from PG&E.

W.Farrell: The PG&E bill will be based on solar generation. What you’re wheeling is whether it actually comes from solar or not.
B.Hale: It doesn’t matter what the kilowatt product is, the wheeling costs from PG&E are the same. Shell owns renewable power, and they broker renewable resources already.

A.Jamdar: Are there more resources for Energy Watch?
B.Hale: It’s more energy efficiency dollars for CCA customers. Energy Watch isn’t restricted in that way.

A.Jamdar: In terms of public engagement, along comes with the tenant and landlord issue in multi-family housing. How are you going to address that? It may not be in the landlord’s interest to do energy efficiency. If you’re talking to a tenant, are you going to mobilize tenants to talk to their landlords?
B.Hale: The choice to opt in or out is by the choice of the customer on record. Everyone has an individual electric meter, but not an individual water meter in a multi-family home. Electricity is typically billed per unit. I don’t think we’ll have those barriers as much. We may have low income customers that are tenants and want to engage in the energy efficiency and solar program. In that case, we will need to work with the landlords.

C.Sheehan: We were at Sing Tao Radio last week and began outreaching to non-English speaking communities. We’ve been doing that for the last two years on and off and sent out mailers in three languages. We are building upon the base that began two years ago. I do think that by the time we launch and begin energy service start up, people will be aware. That is our ultimate goal.

S.Bjorgan: What is the level of investment for marketing?

C.Sheehan: We have a marketing/advertising/public education and notification request for proposal (RFP) for $1.4M and we should begin working with the contractor next month. It is for a five year span. In addition to that, there is funding earmarked as the program starts up and generates revenue for ongoing outreach, notification, education and customer retention. The majority of the $1.4M is for the opt out program/period. Once you get a stable customer base, it is more about customer notification and educational updates. It is mostly for a one year plan.

W.Farrell: What is “not to exceed rates”?

B.Hale: We need to understand what affordability means. We need to set a rate that we project will recover all of the costs for running a 100% renewable program and recover the initial upfront investment. Those rates are estimates taken to the Rate Fairness Board (RFB) and our Commission. Once we’ve gotten closer to initiating the program, we will ask Shell to give us a firm price for all services, elements, types of power that we are contracting from them. That price will be used to set the final rate. We will not sign to commit purchasing power unless it results in the rate below the “not to exceed rate” that has been adopted. As staff, we need to have some benchmark for what is a reasonable rate before we make a financial commitment with Shell. By going through this process with the RFB at the “not to exceed” level, we will have that benchmark to go to Shell with a price. They will survey the market and have a price that is good for a 24 hour period. We need to factor that price in our rate model. If it’s below that “not to exceed rate”, then we can recommend it to our Commission for signature. Once we sign that confirmation agreement with Shell, we are financially committed. They must guarantee that price for five years.

A.Jamdar: I’m curious how the Marin CCA program is a benchmark for SF in terms of market research? Is it by affordability?

B.Hale: The Marin customer base is very different. They launched their program with an initial focus on the largest consumers. Our customer base is very different. Most of our residential customers are small consumers and they don’t consume a lot of energy in their homes. We start at a very different place. Marin’s Shell program has both a light and dark component. The base product that they’re offering everyone is not a 100% renewable product. We’re offering something that is very different for customers. The weather there is different enough that the characteristics and use are quite different. They have a greener focus than PG&E and that’s where the similarities end. Our product is a different product.

W.Farrell: Suppose you don’t get enough customers?

B.Hale: We will be making a commitment to purchase up to 30MW. If we have a lot less than that, notwithstanding our efforts to educate customers, we have provision in the contract to unwind the commitment to Shell.

D.Cain: To what extent?

B.Hale: The unwind financial obligation is capped at $16M, but it is a damages style of cap. If they’re able to take the 30MW and resell it for an equal or better price, we will owe them nothing. If they are able to resell for a lower price, we only owe them the difference up to $16 million.

S.Bjorgan: I’m being billed in kilowatt hours. What is 30MW a year in KW hours?

B.Hale: I’ll have to come back to you with that information.

S.Bjorgan: Is there framework on how to spend the $6M investment?

B.Hale: We don’t have the program completely flushed out yet. We just received guidance to have it targeted to low income customers, so we have some work to design those program elements. The GoSolarSF program is more mature for us, so it’s easier to envision how we can target that part of the $6M. The $2M in energy efficiency services is above and beyond the services we already pay for as PG&E
customers. All of us are still able to take advantage of the energy efficiency services that are available as PG&E customers, because we will continue to be PG&E customers under the CCA program. As for the $2M for low income energy efficiency - we need to take a look at what's available to customers from PG&E and how do we augment that with this $2M for target low income.

S.Bjorgan: So if 5% of the population is low income, can they consume the $2M in energy efficiency benefits?

B.Hale: Given our experience with the low income uptake on GoSolarSF, I don't think we'll have trouble spending the money. I think there will be interest, but the challenge here is to make sure we're really reaching folks, educating them, and overcoming barriers.

A.Jamdar: Do you anticipate any malicious push back from PG&E?

B.Hale: I wouldn't expect them to lower their service standards. We participated in a legislative process that established customer protection rules around CCA and counter marketing by other utilities. Unlike Marin when they first launched their program, there are now rules around engagement with customers. You can't mislead. That applies to us as much as to PG&E, which is why this is a customer education and notification program. It is not just our $1.4M program, but also the effort on PG&E to educate customers about their program offerings. PG&E did ask the California Public Utilities Commission (CPUC) to offer a green tariff program, so that they have a 100% renewable product to compete with our 100% renewable product offering.

D.Cain: What is the counter with PG&E?

B.Hale: Part of that goes to the customers' knowledge. That's a heavy lift for us because it's not the same product. What PG&E has proposed to the CPUC is a product that is more reliant on renewable energy credits, and less on bundled renewables.

D.Cain: Why did you bring Nobles Americas on board?

B.Hale: Ultimately, we want to get to the point where our Customer Affairs Bureau is the voice on the other end of the phone with CleanPowerSF questions. As we launch, a lot of communications is going to happen. We want to address that need for additional resources. Nobles Americas provides more than just answering the phone. They are going to manage the data set and get the data ready to share with PG&E, so that customers are appropriately informed. They have to observe customer privacy requirements. It's a service they're providing with Shell to Marin and they provide the same service to direct access service customers. They have a track record with PG&E that keeps this moving smoothly.

D.Cain: Is there quality of service monitoring?

B.Hale: Yes, there is.

D.Cain: Are any of the green test bed projects contributing to local generation? It would be good to see presentation on actual technologies.

B.Hale: The green test bed projects are less mature and less tested. For CCA, we don't want to be testing. We want tested technologies. We have already looked at renewable energy development opportunities on land that we own. We know that there is 60MW of developmental capacity. We haven't developed it, because we don't have a customer base to provide it to. We're not a merchant generator. We looked at the opportunities as a tool for meeting meet our renewable portfolio standard obligations. With the legislation and law having adopted an alternative compliance program for us, which allows us to include large hydro, it became unnecessary to pursue those opportunities. We can develop that for our CleanPowerSF customers.

D.Cain: Is there a future plan to take local generation processes and use it for CleanPowerSF?

B.Hale: That's the long-term vision: to own resources to provide service. We see lots of benefit to have ownership, both on the power and water side.

D.Cain: Because we generate power and sell power, and very possibly, going to buy back the power we're selling, isn't Shell going out to the open marketplace and buying that power?

B.Hale: Shell wouldn't be able to buy Hetchy power because we only sell it to non-profit entities who are consuming it. The contract provides us to use Hetchy power to the extent that we can commit to a schedule. The Hetchy system is operated as a water first system. We don't flow water to create power. We have a hard time committing to say that we will provide an amount on peak to Shell for a set long term.
W. Farrell: Is this a way to bring public power?
B. Hale: It’s decidedly not public power, because fundamentally public power is relying on publicly owned transmission and distribution assets. This program does not. It is a partnership program. The state law requires us to rely on PG&E to provide a lot of services.
W. Farrell: Where does the $19M come from?
B. Hale: It comes from the Hetchy operating revenues.
W. Farrell: Could they use that money to repair and replace some of the upcountry facilities?
B. Hale: Most of that money between $13M of that 19M will not be spent unless we’re in the unwind mode in the program. That is collateral to meet our reserve requirements. We wouldn’t be allowed to spend it. The $6M that we’re spending on energy efficiency, local build out, and GoSolarSF, could be used for Hetch Hetchy capital projects.

Public comment:
Kirk Cowgill: Is the $1.4M going to go to a consultant and they will spend it?
B. Hale: The $1.4M will be for the consultant.

7. Future Agenda Items
   o Update on green test bed
   o Local generation program 60MW
   o Wireless controls streetlights
   o Renewable resources procure to comply with SBX1-2

Public comment:
Kirk Cowgill: Who did you ask to give the PG&E streetlight presentation?
Charles Sheehan: We contacted Ontario Smith.

8. Announcements/Comments:
The next Power Subcommittee meeting on November 6 will be rescheduled to November 13 due to Election Day.

9. Adjournment at 06:47 p.m. D.Cain moved; T.Ko seconded.