San Francisco Public Utilities Rate Fairness Board

Minutes Friday, March 1, 2013

1:30 P.M.
1 Dr. Carlton B. Goodlett Place
City Hall, Conference Room 034
San Francisco, CA 94102

1. Call to Order and Roll Call
Chair Kevin Cheng called the meeting to order at 1:45 p.m.

Present: Kevin Cheng, Donald Hilla, Linda Yeung, Risa Sandler, Anthony Ababon,
Howard Ash (arrived at 2:15)

Patricia Breslin was excused.

2. Public Comment: Members of the public may address RFB on matters that
are within the RFB’s jurisdiction and are not on today’s agenda

Public Comment: None

3. Discussion and possible action regarding the approval of the minutes from
the meeting held on January 18, 2013. Member Yeung and Chair Cheng
submitted corrections to the minutes.

Member Yeung requested revisions including page 1, line 27 – “job reserves” to
read “reserves”; page 1, line 31 – “citing” to read “siting”; page 2, line 71 – clarify
RECs as “Renewable Energy Certificates”; page 2, line 90 – “district attorney” to
read “city attorney.” Member Cheng requested a revision, page 3, line 132 -
correct the spelling of Jim Lazarus’ name.

Member Yeung moved that the revised minutes be accepted, Member Hilla
seconded.

4. Staff Presentation regarding Clean PowerSF
   a. Not-to-exceed rates
   
Director of Financial Planning Crispin Hollings presented the Not-to-Exceed rates
power point and responded to questions from the Board.

Member Ash arrived at 2:15 p.m.

Chair Cheng asked about the feasibility of the moving from one mix of renewables
to another as illustrated on slide 6 of Mr. Hollings’ presentation. Mr. Hollings
responded that any mix is equally feasible prior to signing the Shell contract.
Member Hilla asked if the Shell contract allowed the City to move some of the pricing risk to Shell, thus allowing for a more conservative approach to launching the CleanPowerSF program. Mr. Hollings responded that was correct.

Member Ababon asked for clarification on how moving to a higher mix of type 3 renewables in related to local build-out. Mr. Hollings responded that a higher not-to-exceed rate with a lower-cost renewables mix, one with a higher proportion of type 3 renewables, would allow for allow the program to generate greater reserves that could be used for local build-out. “From the consumer’s perspective” Mr. Ababon clarified, “it’s the same cost to them except that you’re using the difference to build up your reserves.” Mr. Hollings added that the higher not-to-exceed rate allows for greater flexibility in determining the mix of renewables for the CPSF program.

Member Yeung responded that slide 6 was helpful in that it showed the cost drivers for the proposed not-to-exceed rate. Member Yeung asked if there was anything that could be done to reduce the administrative cost of 2.3¢ per kWh or are there other costs that can be addressed to make the cost of this program more reasonable. Mr. Hollings responded that the program’s administrative unit cost was similar to that of the SFPUC’s retail electric rates. Decisions regarding the repayment of reserves and modeling assumptions regarding the number of CARE customers will also impact the not-to-exceed rate. Mr. Hollings offered to add a scenario to slide 6 that showed the impact of these changes.

Interim Director, CleanPowerSF, Cheryl Taylor added that model revisions regarding CARE customers would project lower CARE customer participation, leaving the proposed CARE discount at 20%. Regarding administrative costs, Ms. Taylor added that they included SFPUC staff as well as City Attorney expenses. Member Sandler requested that administrative cost data be presented to the Board in greater detail.

Public Comment:

Jason Fried, LAFCo staff, suggested that the reserve repayment only include a portion of the program reserves over the 4½ year life of the program, in order to reduce the not-to-exceed rate.

Eric Brooks, San Francisco Green Party, Our City, strongly urge not to make the final decision today and that Local Power had developed a plan for green power that did not require a rate premium.

Jim Lazarus, San Francisco Chamber of Commerce, asked how the generation rate could double while the tier 1 electric-only bill increased by only 50 percent. Mr. Hollings responded that generation charges make up only a portion of the total bill. Since charges for other components are not changing, the increase as a percentage of the total bill will be less than the percentage increase of the generation charge by itself.

Jessica Dervin-Ackerman, Sierra Club, expressed concern that the proposed rate was too high and the program should be developed with local build-out.
Cheryl Taylor, Interim Director; CleanPowerSF, gave an update from the
Commission meeting from last Tuesday during which staff presented a summary
of Local Power Inc.’s proposed CleanPowerSF program. Commission members
were clear that they have concerns about authorizing a program requiring a $1
billion investment.

Hunter Stern, President, International Brotherhood of Electrical Workers, Local
1245, urged this Board to get some information regarding Marin’s rates and
Marin’s experience with opt-out customers who did not believe they received
proper notification.

David Pilpel, encouraged staff to check Charter requirements regarding rate
noticing requirements prior to a Commission vote.

b. Polling Results

Ms. Taylor introduced Shakari Byerly, Director of the Research, for Fairbank,
Maslin, Maullin, Metz & Associates who presented analysis of data from a
February 2013 survey.

Member Ash stated that the results did not surprise him and asked Ms. Byerly if it
surprised her as a professional pollster. Ms. Byerly responded that, generally
speaking, people are not willing to pay more for services that they might see as
luxuries or optional, and that it’s remarkable that the program has the proportion
willing to stick with the program even with premium pricing information. There
hasn’t been much fluctuation in opinion over the past three years in opinions so
that gives a high level of confidence that the research is solid and results are
representative of rate payer opinions.

Member Ash asked if the results to the build-out question would have changed if it
referenced a $1.5 billion local build-out. Ms. Byerly responded that there were no
data points for that.

Chair Cheng asked about the probability of finding enough Tier 1, 2, 3, 4, 5
customers to translate into a 30MW load. Ms. Taylor responded that the survey
would result in a heat map showing where there is support in the City for
CleanPowerSF. The heat map will indicate which account holders are likely to
remain with the program, although Tier 1 & 2 customers have historically shown
the strongest interest.

Member Ash asked who, demographically, made up the dark green account
holders. Ms. Byerly responded that more analysis of the data was required to
answer that question but that the survey had demographic information including
age, race/ethnicity, gender and geography.

Public Comment:

David McCoard, Sierra Club, provided his thoughts on the opt out program and
stated that it was important not to set too high a rate.
Jason Fried, LAFCo staff, stated that the results as presented were overly conservative in that “don’t know” respondents are presented as opting out of the program wherein reality, some of them will stay with CleanPowerSF.

Eric Brooks, SF Green Party, Our City, stated that the opt out numbers were too high and the poll should have included questions referring to Local Power rate projections.

Jim Lazarus, San Francisco Chamber of Commerce, stated that the Chamber’s polling of voters indicated about 31 percent would be willing to stay with the program. He raised concerns about money and time spent on a program that was going to be raising rates.

Al Weinrub, Local Clean Energy Alliance, expressed his concern that 50 percent who opted out in the poll would be lost forever and that the actual opt out rate might be higher following a negative marketing campaign from PG&E.

Hunter Stern, President, International Brotherhood of Electrical Workers, Local 1245, stated that he was supportive of local build-out for the jobs it would create. He stated that there would be benefits to pushing PG&E to include actual renewable energy in their green portfolio, not just green credits.

Jessica Dervin-Ackerman, Sierra Club, expressed her concerns about the program structure with Shell and the lack of specifics regarding local build-out.

5. Discussion and possible action relating to Rate Fairness Board presentation to Commission regarding proposed CleanPowerSF not-to-exceed rates.

Chair Cheng stated he would like to prepare a one page summary with bullet points including input from staff, interested parties and guidance from Rate Fairness Board members, to present to the Commission at the March 25 meeting.

Member Yeung asked about the local build-out component of the staff proposal. Ms. Taylor replied that, while the Commission did not want to move forward with the $1 billion proposal, a smaller scale local build-out was still part of the program.

Chair Cheng noted that earlier rate fairness questions had dealt with utilities for which there is no competition, but with these rates there is a competitive challenge with PG&E. The fairness question also involves what will make the program successful. He also suggested that the Rate Fairness Board could revisit these rates six months or a year after the program has been launched.

Member Sandler asked, if the board were to revisit rates in a year, if there would be any contractual obligations with Shell that would prevent rates from being lowered. Ms. Taylor answered that rates could be lowered as long as the program covers its costs but that lowering rates may also reduce revenues for future local build-out.

Member Hilla asked about Marin’s local build-out. Jason Fried responded that Marin had one build-out. Chair Cheng responded that it’s a zero sum game, that program reserves could be used to lower the rate or they could be used for local
build-out. He suggested that the Board can look to its water and wastewater experience to shine the spotlight on the proposed rate structure to determine if it is reasonable. At the end of the day this is not a monopoly situation. Customers have an option of going elsewhere and we can’t offer a program that’s dead on arrival due to the rate. He added that the Board has to determine some kind of counsel to the Commission regarding a rate that makes for a viable program and allows for competition with PG&E and that’s the challenge.

Member Ababon stated that since CleanPowerSF is competing with PG&E, it is important to be clear on the distinctions between the CleanPowerSF proposed program and the PG&E program.

Member Ash stated that rates are fair in that they meet costs and the question before the Board was a political one. He added that the program had been proposed initially without a premium. Now there is a lot of momentum to launch the program even though the product has a premium price. He noted that a small program will have high unit costs while a large program carries high risk.

Member Yeung stated that the question for the Rate Fairness Board was one of customer fairness question, not a political question. The Board is asking the critical questions on how to make this program succeed, and it’s important to understand all the assumptions that go into the rate. She added that the Board doesn’t know what the proposed build-out will look like.

Chair Cheng stated that, unlike water and wastewater, this program is challenged by a lack of data. He suggested that the board revisit the rates as this program is built out.

Member Sandler concurred suggesting the rate review could be tied in with quarterly budget reviews. She requested that staff provide more data regarding the components that make up the administrative cost.

Member Hilla stated that he would hate for the program not to be launched.

Chair Cheng stated that he would circulate a draft summary with Board members and that summary would be reviewed on the Board’s next meeting on March 15, 2013.

Public Comments

Hunter Stern, President, International Brotherhood of Electrical Workers, Local 1245, expressed concerns about customer’s expectations regarding opt in/out and why rates are so high.

Al Weinrub, Local Clean Energy Alliance, made an analogy about opening a restaurant without a build-out plan resulting in the business plan unfolding. He reiterated his belief that the proposed rate was too high.

Eric Brooks, SF Green Party, Our City, stated that checking in next year will be too late and will not work. He suggested that the Board invite Local Power to present
its model and the Board not approve a rate higher than that proposed by Local Power.

Mr. Jason Fried, LAFCo staff, reviewed comments from the Board regarding build out and responded to comments from Mr. Stern.

Mr. David Pilpel noted that the Board could go back and re-review rates at a later date following program launch. Mr. Pilpel also requested a review of action items from today’s meeting.

6. Chair’s Report
No report.

7. Discussion on future meetings, dates, times, and topics
Chair Cheng scheduled the next meeting for Friday, March 15, 2013, from 2-4 pm. Mr. Hollings listed the following items to bring back to the Board:
- Breakout of the administration costs
- A sample bill breakdown to show the multiple bill components
- Show the impact of the premium on commercial customers
- Define the 20 to 30 MW load as a percentage of total city residential load
- Show the impact of a longer reserve recovery timeline and lower CARE enrollment assumptions
- Show a comparison of the CPSF program with Marin’s program and PG&E’s program, understanding the latter hasn’t yet been approved
- Provide additional information regarding CPSF build out proposals.

8. The meeting adjourned at 4:10 p.m.