



San Francisco Local Agency Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 409
San Francisco, CA 94102-4689
Tel. 415.554.6756 Fax. 415.554.5163

COMMISSIONERS

*Connie Chan, Chair
Board of Supervisors*

*Jackie Fielder, Vice Chair
Member of the Public*

*Hope Williams
Member of the Public*

*Dean Preston
Board of Supervisors, Alternate*

*Shanti Singh
Member of the Public- Alternate*

*Jeremy Pollock
Executive Officer*

*Khalid Samarrae
Policy Analyst, San Francisco
Reinvestment Working Group*

*Inder Khalsa
Legal Counsel*

*Stephanie Cabrera
Clerk*

January 20, 2023

TO: San Francisco Board of Supervisors

FROM: Jeremy Pollock, Executive Officer

SUBJECT: San Francisco LAFCo 2022 Year in Review

2022 was a year of transition and laying of groundwork for SF LAFCo. I began as Executive Officer in January with the tall task of living up to the bar set by outgoing Executive Officer, Bryan Goebel. Also in January, we welcomed Khalid Samarrae as Policy Analyst. This position (official on-loan from the Clerk of the Board) was created to staff the newly created San Francisco Reinvestment Working Group, which LAFCo agreed to support. And in September, we welcomed our newest member of the public to the Commission, Hope Williams, who is co-Director of the Radical Real Estate Law School at the Sustainable Economies Law Center.

LAFCo's Fiscal Year 2021-2022 and 2022-2023 work plans were both organized around three priority areas:

- Public Banking: The Reinvestment Working Group
- CleanPowerSF
- Gig Economy: Electric Bike for Delivery Workers Pilot Program

Public Banking: The Reinvestment Working Group

The San Francisco Reinvestment Working Group (RWG) was created by ordinance #87021 and tasked with submitting to the Board of Supervisors and LAFCo, a business and governance plan to establish a City-owned, non-depository lending corporation (a municipal finance corporation or MFC). Also within one year its first meeting, the RWG must submit to the Board and LAFCo a separate business and governance plan for the MFC to become a state-licensed public bank.

LAFCo agreed to support the RWG as part of its work studying municipal financial services. Mr. Samarrae has accomplished the bulk of this work, earning high praises from all parties. A partial summary of the work includes:

Project Planning:

- Creating a webpage on the LAFCo website for the RWG that includes relevant legislation, regulations, reports, and other resources:
<https://sfgov.org/lafco/reinvestment-working-group>
- Conducting orientation interviews with the nine members of the RWG.
- Leading the evaluation of two request for proposals (RFP) for a public banking consultant to write the business and governance plans for the MFC and public bank. (A second RFP needed to be issued after all proposals to the first RFP were deemed non-responsive.)
- Leading contract negotiations with the winning bidder, HR&A Advisors, including negotiation of the scope of work defining the schedule of tasks and deliverables.

Project Execution:

- Clerking the monthly meetings of the RWG.
- Contracting for and managing interpreters for the first seven RWG meetings in Spanish, Cantonese, and for five of the seven meetings, also in Tagalog.
 - We are particularly proud to be one of the only policy bodies to provide both simultaneous translation of presentations and RWG discussions and consecutive translation of public comments.
 - Unfortunately, LAFCo's limited interpretation budget was expended and no outside funding was identified to continue interpretation.
- Coordinating data requests from City departments and meetings with City staff.
- Conducting research and analysis as directed by the RWG and its chair.
- Supporting the consultant in planning, arranging, and conducting focus groups and individual interviews.
- Serving as lead point-of-contact for the consultants, RWG members, LAFCo commissioners, and community members.

Key Accomplishments:

- [Community outreach](#): the RWG worked with Contigo Communication and Milton Reynolds Consulting (subcontractors of HR&A Advisors) to develop and execute a community engagement plan. They conducted four focus groups (with 33 total participants) and many individual interviews with affordable housing advocates, community finance institutions, green energy advocates, and city departments, and synthesized that information into a [community outreach report](#). Many participants expressed that the City is failing its working class:
 - That the working class needs additional support that is not piecemeal (programs and special projects intended to fill a gap) but a comprehensive City-wide effort to financially support the workers who will be physically "greening" San Francisco, and to help them build and buy homes in the City they are helping to bring into the future
 - that the City needs a Public Bank to do this because the future doesn't happen in 5 year increments.
- [Lending Gaps and Priority Analysis](#): HR&A built on the community outreach report to identify market gaps and community needs for lending services to validate the need for a public bank and inform the development of the business plans for the MFC and public bank.
- [Governance Plan](#): the RWG directed HR&A's subcontractor banking experts (Gary Steven Findley and Associates who specialize in supporting de novo banks) to work with identified RWG members and community stakeholders to develop a draft governance plan. Mr. Findley then submitted the draft to the Federal Deposit Insurance Corporation (FDIC) and California Department of Financial Protection and Innovation (CDFPI) for a pre-application review. Mr. Findley then arranged for a meeting with staff from the FDIC and CDFPI to receive their initial feedback.

Next Steps:

- Supervisor Preston has introduced an ordinance to extend the RWG and its deadline to submit governance and business plans for a non-depository MFC and public bank to the Board of Supervisors until September 30, 2023. HR&A Advisors has agreed to a no-cost extension of its contract to accommodate this schedule.
- The current timeline for the RWG is as follows:
 - February 10, 2023: HR&A submits first drafts of the business and governance plans for the MFC and public bank to the RWG
 - March 31, 2023: HR&A submits the final MFC plans as approved by the RWG
 - May 10, 2023: HR&A submits the final public bank plans as approved by the RWG

CleanPowerSF

The Board of Supervisors requested that LAFCo monitor CleanPowerSF (CPSF) in ordinance No. 147-07, adopted on June 12, 2007. That ordinance, and a 2008 Memorandum of Understanding (MOU) between the San Francisco Public Utilities Commission (SFPUC) and LAFCo, outlined LAFCo's role in advising the SFPUC and the Board of Supervisors on all aspects of CleanPowerSF's development, operation, and management.

LAFCo received updates from CleanPowerSF at all of our regular meetings in 2022, and I regularly met with CPSF staff throughout the year, and I greatly appreciate their work in providing renewable electricity to San Francisco.

The following sections detail LAFCo's activities related to CleanPowerSF in 2022:

- 2022 CleanPowerSF Integrated Resource Plan
- Review of 2020 CleanPowerSF Integrated Resource Plan
- LAFCo-PUC Memorandum of Understanding

2022 CleanPowerSF Integrated Resource Plan

LAFCo received and discussed updates from CleanPowerSF on their 2022 Integrated Resource Plan at our March, May, July, September, and October meetings. I participated in three of the four community workshops on the IRP, provided public comment at the SFPUC's October 11 hearing, and met regularly with CleanPowerSF staff throughout the process. I'd like to thank CleanPowerSF staff for their work on both the details of the IRP and the accompanying community engagement process.

My full comments on the 2022 IRP are posted here:

[LAFCo Executive Officer's Comments on the 2022 CleanPowerSF Integrated Resource Plan Modeling Results – 10/21/2022](#)

This summary highlights the recommended actions CleanPowerSF should take based on what we learned through the IRP process.

Challenge of Meeting Peak Winter Demand

- IRP analysis highlights the challenges of meeting peak winter demand with 100% clean power
 - As a cool, coastal area, San Francisco's peak electricity demand comes in the Winter when solar power production is at its lowest
 - Procuring enough 100% renewable electricity to meet winter peak demand would result in significant surplus electricity during much of the rest of the year
 - **Recommended Action #1:** CleanPowerSF should develop strategies for selling its surplus electricity to the market to maximize revenue, minimize risk, and forecast these revenue impact in its planning efforts
 - The IRP does not assume any revenue from sales of surplus electricity, which increases the projected costs of the IRP portfolios
 - **Recommended Action #2:** CleanPowerSF should prioritize work to reduce winter demand—especially as building decarbonization leads to increased electricity usage for winter heating
 - Develop rigorous demand management programs
 - Improve weatherization and energy efficiency for CPSF customers

Challenge of Portfolio Scale

- The IRP's preferred portfolio calls for adding 922 MW of new capacity by 2035
- But the alternative portfolio that would meet the City's goals for electric vehicles and building decarbonization would require 80% more new capacity
- **Recommended Action #3:** CleanPowerSF should commit to procuring enough renewable electricity to meet the City's electrification goals

Cost/Benefit Analysis of Sourcing Electricity In-City or Regionally

- The IRP's "Local Resource" alternative portfolio projects that source 50% of electricity from within the nine-county Bay Area would cost 40% more than the base case during the 2023-2032 period
- We hear strong support from commissioners and the public for in-City renewable power sources to support local resilience from earthquakes, public safety power shutoffs, and wildfires
- It is unclear how strong support is for paying the cost premium for regional Bay Area power sources that do not offer the same local resilience benefits as in-City sources
- **Recommended Action #4:** CleanPowerSF should provide more analysis and solicit community input on weighing the costs, benefits, and feasibility of sourcing electricity in-City vs. within the nine-county Bay Area

Funding Sources

- CPSF ratepayer funds will not be sufficient to meet the City's ambitious renewable energy goals
- **Recommended Action #5:** CleanPowerSF should consider all possible funding options, such as revenue bonds, general obligation bonds, the general fund, new local revenue measures, and state and federal funding

State-Level Issues with the IRP Process

- CPUC requirements for the IRP don't reflect CPSF's real-world planning:
 - Excludes factors like San Francisco's behind-the-meter solar power
 - Doesn't allow CPSF to include projected increased demand from electrification goals
- CPUC repeatedly failed to meet its original timeline for finalizing IRP requirements
 - This forced CPSF to truncate community engagement processes in 2020 and 2022
- CPUC and CAISO take too long to incorporate IRPs into state transmission planning:
 - 2022 IRPs will be used by the CPUC to adopt a Preferred System Plan (PSP) portfolio in 2023, and finally CAISO adopting a 2024-2025 Transmission Planning Process (TPP) that will be used to approve transmission projects in 2025

Community Engagement

- CPSF conducted well-designed community workshops on the IRP in June and October
- But the CPUC's delays forced CPSF to truncate the public comment period
- The drop off in participation between the June workshops (24 attendees) and October workshops (4 attendees) suggests the process could be improved
- **Recommended Action #6:** CPSF should reevaluate its approach to community engagement on the IRP.
 - CPSF should make more explicit which portions of the process are subject to limits to meet CPUC compliance and which portions CPSF has freedom to modify
 - CPSF could emphasize community engagement on earlier parts of the process, such as developing the broad categories of portfolios to be analyzed
 - In the first round of listening sessions, it was unclear how questions such as how to balance the priorities of affordability/reliability/renewable content would be translated into specific IRP portfolios
 - We suggest CPSF engage the community in a public process during the off years from the IRP cycle
 - CPSF should publish more detailed data on the modeling results and the full text of the CPUC filing to compliment the slide presentations
 - CPSF should publish responses to public comments it receives on the IRP

Review of 2020 CleanPowerSF Integrated Resource Plan

LAFCo received and discussed updates from CleanPowerSF on implementation of their 2020 IRP at our January, March, and July meetings. LAFCo Vice-Chair Jackie Fielder also requested that I prepare a summary of LAFCo's comments of the 2020 IRP to inform our participation in the 2022 IRP process. My full memo is posted here:

[Review of LAFCo Analysis of CleanPowerSF 2020 Integrated Resource Plan - 7/15/2022](#)

Key findings included:

- CPUC delays forced CPSF to significantly compress its planned timeline for community input
 - CPSF originally planned four weeks for public comments
 - CPSF published a summary of the IRP one week before the comment deadline, and the full draft IRP three days before the comment deadline.
- LAFCo supported CPSF's the "Accelerated Case" as the preferred portfolio
- LAFCo's comments on the 2020 IRP were greatly supported by the expertise of its renewable energy consultant, Vanir.
- Vanir worked with CPSF to clarify technical details:
 - what percentage of proposed renewable energy resources would be local
 - which PUC-owned sites were included as planned sites of renewable projects
 - how project costs and customer rates were calculated
 - which tax credits were included
- Many public commenters supported preparations for Public Safety Power Shutoffs (PSPS) or other unplanned interruptions
 - CPSF detailed their efforts on using battery storage for resiliency and described the policy choices involved
 - CPSF stated they would develop a communication protocol if future PSPS impacts their energy supply systems

LAFCo-PUC Memorandum of Understanding

In May, LAFCo Chair Connie Chan requested that SFPUC General Manager Dennis Herrera negotiate a new memorandum of understanding (MOU) between LAFCo and the SFPUC. I met extensively with SFPUC staff to discuss the terms and scope of this MOU, and also solicited input from LAFCo commissioners, the San Francisco Department of the Environment, and community stakeholders.

CPSF staff and I came to agreement on terms of the MOU for FY2022-23 through FY2025-26 for an amount not-to-exceed \$800,000. In addition to continuing LAFCo's oversight of CPSF, the MOU would fund LAFCo conducting the following special studies to support CPSF in meeting the City's climate goals:

1. **Natural Gas System Decommissioning:** identifying challenges regarding the decommissioning of natural gas infrastructure;
2. **Battery Storage:** identifying opportunities and barriers to battery storage installations across the city, by use type, including public safety, permitting and other local regulatory issues; and proposing amendments to local and state codes to support installation of battery storage.
3. **Electric Vehicle Charging:** identifying barriers to broader adoption of electric vehicles in San Francisco and analyzing possible solutions that may involve various City departments or State agencies, such as solutions for curbside charging and policies and actions to address access for multi-family buildings, including smart poles, and providing equitable public access to charging infrastructure; and
4. **Green Bank Financing:** identifying opportunities and barriers to financing CleanPowerSF initiatives through green bank models—such as a non-depository municipal finance corporation or a public bank as defined by California Government Code Section 57600—that could access funding available through the federal Inflation Reduction Act's Greenhouse Gas Reduction Fund (Section 134 of the Clean Air Act, 42 U.S.C. § 7434); and
5. **Emerging Clean Energy Technologies:** studies of specific emerging clean energy technologies, as agreed to by the Parties (lower-priority studies conducted by LAFCo staff and/or graduate student interns); an initial study will survey existing literature on the future use of hydrogen fuel within urban environments, e.g., possible use cases, pros/cons of urban hydrogen use and infrastructure, local regulatory considerations, safety, and sustainable fuel production. Subsequent studies may survey technologies such as offshore wind, tidal, or wave power.

The LAFCo commission discussed the MOU at our September, October, and November meetings, and voted to authorize me to execute the MOU at a special meeting on December 9, 2022. The SFPUC held an initial hearing on the MOU on January 10, 2023. Once approved by the SFPUC, we look forward to executing the MOU and getting to work on these important studies.

Gig Economy: Electric Bike for Delivery Workers Pilot Program

LAFCo committed to support and advise the San Francisco Department of the Environment's (SFE) pilot program to provide electric bikes to on-demand delivery workers, which will study the impacts of delivery workers switching from automobiles to e-bikes. The program was one of the recommendations to improve working conditions for gig workers from LAFCo's 2020 Emerging Mobility Labor Study and the report from LAFCo research associate Jackson Nutt-Beers, "San Francisco and an Electric Bicycle Rebate Program for Delivery Workers."

LAFCo [received an update](#) on the program from SFE at its May meeting. The program is to be funded by a grant from the California Energy Commission. The Board of Supervisors had a number of questions about the program, including SFE's process for selecting grant co-applicants, details of the portion of the program dealing with electric vehicle charging stations, and community outreach plans for the program. I supported SFE in meeting with members of the Board of Supervisors and winning unanimous approval for the resolution accepting the grant.

The kickoff of the pilot program was delayed as SFE hired staff for its Clean Transportation team. But staff now onboard, SFE is currently developing the project plan to launch this Spring.

And to further this area of LAFCo's work plan, we are excited to welcome Walker Woodard, a Coro Fellow who will be conducting a survey of potential policies for expanding usage of e-bikes, particularly by delivery workers.