

Date January 23, 2009 Item No. 4

**LOCAL AGENCY FORMATION COMMISSION**  
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- Exceeds 20 pages; see file to review**  
**Available for review at City Hall, Room 244**

Completed by: Linda Wong Date: January 21, 2009

**\*This list reflects the explanatory documents provided**

# San Francisco Local Agency Formation Commission

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TO: LAFCO Commissioners

FROM: Nancy C. Miller, Interim Executive Officer

DATE: January 23, 2009

SUBJECT: Item 4: Overview of SF LAFCO's Activities for New Commission Member.  
(Discussion Item)

Under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, every County in the State of California must have a Local Agency Formation Commission (LAFCO). LAFCOs are responsible for reviewing and approving proposed jurisdictional boundary changes, including annexations and detachments of territory to and/or from cities and special districts, incorporations of new cities, formations of new special districts, and consolidations, mergers and dissolutions of existing districts.

In 2000, San Francisco formed its LAFCO for the purpose of reviewing a proposed Municipal Utility District to provide electricity to the City and County.

On May 27, 2004, the San Francisco Board of Supervisors passed Ordinance 0086-04 calling for a Community Choice Aggregation (CCA) Program to help ensure the "*provision of clean, reasonably priced, and reliable electricity.*" This Ordinance also required the SFPUC and SFE to provide a Draft Implementation Plan for CCA Implementation. In addition, SFPUC was directed to issue a Request for Information from potential CCA suppliers.

In passing this Ordinance, the Board of Supervisors found that, as a Community Choice Aggregator, the City could have a significant additional means of increasing the scale of cost-effectiveness of conservation, energy efficiency, and renewable energy in San Francisco. Further, CCA would provide the City with a means of exercising local control over electricity prices, resources and quality of services, and designing local energy systems to protect against future blackouts and rate shocks.

In June 2007, the SF Board of Supervisors approved Ordinances 0146-07 and 0147-07 to adopt a CCA governance structure, and to adopt a program description, revenue bond plan, and Draft Implementation Plan. The adopted governance structure provided

that the SFPUC would manage and control the CCA Program and SF LAFCO would monitor the implementation process and advise SFPUC regarding the development, implementation, operation, and management of CCA.

Furthermore, SF Board of Supervisor's Ordinance No. 0147-07 provided LAFCO with the authority to issue a Request for Information (RFI) and Request for Proposals (RFP) in the event that SFPUC failed to do so in a timely manner.

In September 2007, the SFPUC issued the RFI from potential CCA suppliers. SFPUC received responses from five potential suppliers, including: Citigroup Energy Inc., the Northern California Power Agency, Constellation NewEnergy, Energy Services Group, and Shell Oil which provided a "letter of interest."

Two months later, in November 2007, LAFCO and the SFPUC issued a joint Request for Qualifications (RFQ) for consultants to assist in the SFPUC in the development and implementation of the CCA Program, and for consultants to assist LAFCO with its advice and monitoring role. Five consultants responded to the SF LAFCO portion of the RFQ and were approved as qualified bidders, including: (1) Davis Wright Tremaine (DWT), which proposed to provide legal advice; (2) GES Engineers & Appraisers (GES), which proposed to provide economic advice on issues such as rate structuring, economic feasibility, and energy provider services terms; (3) Michael Bell Management Consulting, Inc. (MBMC), which proposed to provide assistance with general oversight; (4) Navigant Consulting, which proposed to provide assistance with all tasks listed in the RFQ; and (5) Local Power, Inc. (LPI), which also proposed to provide assistance with all tasks listed in the RFQ.

Following the receipt of these proposals, LAFCO contracted with MBMC to review the RFI and RFP, as well as responses and proposals received in response to the RFI and RFP. MBMC also considered potential modifications to the Draft Implementation Plan adopted in June 2007 and the RFQ/RFP. MBMC provided its report and recommendations to the Commission in June 2008.

Following the receipt of MBMC's final report, LAFCO hired Local Power, Inc. in July 2008, to develop a Program Report on the critical ongoing clean energy programs being developed in parallel with the CCA program, and to identify projects for possible inclusion in the CCA program. LPI also evaluated the benefits and potential impacts of ongoing government programs on CCA, and developed a Best Practices Survey of other CCA-type programs in California and other states. Local Power presented its report and recommendations to the Commission in November 2008.

In December 2008, the Commission authorized the Executive Officer to issue a Request for Bids from qualified consultants to provide additional services to implement the CCA

Program. These tasks will be discussed further during the January Commission hearing (see Item 5).

The Executive Director has been working with SFPUC to ensure that the agencies' efforts are not duplicative, and will effectively move the CCA Program forward. SFPUC recently hired a CCA Director, Michael Campbell, who will manage the entire CCA Program for the SFPUC, including program design, attending LAFCo meetings, setting regulatory strategy, overseeing contractor activities, and managing program implementation.

Based on conversations with the SFPUC's new CCA Director, it is the Executive Officer's understanding that the SFPUC is currently working on a comprehensive review of CCA program renewable energy resources, examining the technical feasibility, economically viable options, the potential cost of resources, and a comparison of several types of resource portfolios. The SFPUC is also pursuing a nationwide survey of CCA projects which will provide "nuts-and-bolts" data about how CCA (and developing CCAs) meet customer power needs, how the rates are structured, and how those rates compare to the incumbent utility rates. Finally, SFPUC will be gathering market research data on the potential CCA customer base to determine customer preferences for price and "green" attributes for the power mix, as well as to help identify the most effective marketing approaches. SFPUC expects that these projects may be completed within the next seven months.

In light of the SFPUC's current activities, the Executive Officer feels that SF LAFCO should now begin to update the Draft Implementation Plan, as recommended by MBMC and LPI, and undertake any additional tasks necessary to submit the Implementation Plan to the California Public Utilities Commission for review and approval.

LAFCO may also want to consider meeting with larger energy suppliers to collect data on customer preferences and effective marketing approaches. Again, these efforts should be coordinated with the SFPUC to ensure that the agencies' activities are not duplicative.