

Date January 23, 2009 Item No. 5

**LOCAL AGENCY FORMATION COMMISSION**  
AGENDA PACKET CONTENTS LIST\*

Memo re Review Proposals from Consultants Bidding to perform various tasks related to the Implementation of the CCA program and Authorize the Award of Contracts

Proposals from Local Power, Inc. (LPI), George E. Sansoucy, P.E., LLC (GES), and Navigant Consulting, Inc. ("NCI")

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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

City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102-4689  
Tel. 415.554.5184  
Fax. 415.554.5163

TO: LAFCO Commissioners

FROM: Nancy C. Miller, Interim Executive Officer

DATE: January 23, 2009

SUBJECT: Item 5: Review Proposals from Consultants Bidding to perform various tasks related to the Implementation of the CCA program and Authorize the Award of Contracts. (Discussion and Action item)

At the December 12, 2008, LAFCO hearing, the Commission authorized the Executive Officer to request proposals from qualified consultants for a number of the tasks identified in the CCA Request for Qualifications (RFQ) that was jointly issued by SFPUC and SF LAFCO on November 21, 2007.

The authorized CCA tasks included:

- a. Evaluate the Costs and Benefits of utilizing other City Agencies' assets, renewable citing, transmission/distribution, or generation to determine if this could lower the costs of 360 MW. If so, determine if such interagency cooperation is feasible and/or practical in light of agency constraints.
- b. Develop Marketable H Bonds.
- c. Regulatory Review: (1) What governmental regulations will apply (outside of AB 117, S.F. CCA Ordinances); and (2) What governmental programs may be able to provide benefits to the S.F. CCA Program?
- d. Program Financial Model: From Customer rates to H Bond repayment and all elements, how will all of the program financial structures work?
- e. Risk Assessment: What are the significant risks associated with the Project?
- f. DBOM Contract: Develop Term Sheet with critical contract elements.

Report on Status of Request for Bids from consultants to perform various tasks to proceed with the implementation of CCA plan.

January 23, 2009

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g. Verify that access to Hetch Hetchy power is feasible, and that other barriers such as the interconnection agreement can be overcome.

Based on the Commission's direction, the Executive Officer issued a Request for Bids on December 22, 2008. The initial Request indicated that Proposals were due no later than January 9, 2009. However, based on requests from a number of the qualified consultants, the deadline for Proposals was extended to January 20, 2009.

Three bids were received from qualified consultants, including Local Power, Inc. (LPI), George E. Sansoucy, P.E., LLC (GES), and Navigant Consulting, Inc. ("NCI"). The following table provides a comparison of the price proposals submitted by the three consultant firms:

Qualified Consultant	Task a	Task b	Task c	Task d	Task e	Task f	Task g	Total
LPI	\$150,000	\$125,000	\$125,000	\$30,000	\$60,000	\$70,000	\$200,000	\$750,000
GES		\$60,000			\$30,000	\$30,000		\$120,000
NCI	\$100,000	\$25,000	\$75,000	\$75,000	\$50,000	\$50,000	\$75,000	\$450,000*

\*NCI indicated that it is open to potential revisions to the scope/budget as necessary or appropriate

The three proposals are also attached for your review, and the Executive Officer will provide additional discussion on this issue during the January hearing. At this time, the Executive Officer recommends that you authorize her to enter into contracts with qualified consultants as necessary to begin work on certain CCA tasks. At this time, the Executive Officer does not expect that all tasks will be undertaken by LAFCO.

The Executive Officer will work with the SFPUC to ensure that the tasks that are undertaken by LAFCO complement the work being performed by the SFPUC and are not duplicative. As discussed in Item 4, such tasks would include those necessary to update the Draft Implementation Plan, as recommended by MBMC and LPI, to prepare for its submission to the California Public Utilities Commission, and to meet with large energy users to collect data on customer preferences and effective marketing approaches.

# Local Power.

Local Power, Inc.  
35 Grove St. #118  
San Francisco, CA 94102  
(510) 451-1727

January 20, 2009

San Francisco Local Agency Formation Commission (SFLAFCO)  
c/o Nancy Miller, Interim Executive Administrator  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

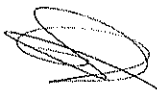
Dear Ms. Miller,

Local Power Inc. (Local Power) is pleased to submit its proposal in response to SFLAFCO's December 22, 2008 Request for Bids to perform work related to the City's Community Choice Aggregation Program. Local Power is prepared to sign the standard form SF LAFCO contract and comply with the requirements of the contract form. The tasks on which Local Power is submitting proposals are:

- a. Evaluate Cost/Benefit of involving City Agencies for use of their assets; renewable siting, transmission/distribution or generation:
  - (1) Determine if this could lower the costs of 360MW
  - (2) If so, determine if feasible/practical, in light of agency constraints
- b. H Bonds – Develop Marketable H Bonds
- c. Regulatory Review: (1) What governmental regulations will apply (Outside of AB 117, S.F. CCA Ordinances)? (2) What governmental programs may be able to provide benefits to the S.F. CCA Program?
- d. Program Financial Model: From Customer rates to H Bond repayment and all elements, how will all of the program financial structures work?
- e. Risk Assessment: What are the significant risks associated with the Project?
- f. DBOM Contract: Develop Term Sheet with critical contract elements
- g. Verify that access to Hetch Hetchy power is feasible, and that other barriers such as the interconnection agreement can be overcome.

We propose to complete all of these tasks in a Six Month Period. Work on some tasks will begin immediately, and others require the results from the completion of the initial tasks. We welcome the opportunity meet with staff from SFLAFCO to further discuss our proposal to perform these tasks. Should you have any questions, please contact me at (415) 728-8443.

Yours Sincerely,



Paul Fenn, CEO, Local Power, Inc.

# Local Power.

**Task A. Evaluate Cost/Benefit of involving City Agencies for use of their assets; renewable siting, transmission/distribution or generation:**

- Determine if this could lower the costs of 360MW
- If so, determine if feasible/practical, in light of agency constraints

**1. Schedule: Four Months from Notice to Proceed  
Deliverable: City Agency Siting Report**

**2. Price Proposal**

**(a) budget: \$145,000 Labor, \$5,000 for direct expenses; this assignment will involve local travel and GIS and production costs for gathering City Agency site identification. There may also be administrative charges, for example, if any property record research is needed and there are fees for access or copies of city property records.**

**(b) not to exceed amount \$150,000**

**(c) hourly rates by personnel below**

**3. Personnel**

**Howard Golub \$495/hr  
John Cutler \$195/hr  
Paul Fenn \$250/hr  
Robert Freehling \$150/hr  
Bill Powers \$195/hr  
Bradley Turner \$250/hr  
Joe Speaks \$175/hr  
Julia Peters \$195/hr  
Mike Marcus \$100/hr  
Eddie Dehdashti \$300/hr  
Rusty Klassen \$195/hr  
Art Medlar \$250/hr  
Mike Kuchkovsky \$130/hr  
Kuloor Soorya \$325/hr**

**4. Approach**

Prospective CCA Suppliers will have to devise rollout plans in advance of commencing service, in order to determine potential costs and to reduce the time needed to install the 360 MW. As San Francisco's CCA Program is developed in preparation for contracting with the ESP, the capacity for siting the required renewable generation, transmission and distribution of the 360 MW roll out needs to be evaluated, to be able to confirm the feasibility and sufficiency of siting opportunities, and to improve the intelligence of bidders in identifying candidate buildings and locations for solar and other renewable energy infrastructure.

## Local Power.

One possible source of siting opportunities are properties and facilities (assets) owned or under the control of CCSF City Agencies.

In theory, it is possible that CCA Program Costs could be lowered by making arrangements with City Agencies to use their property or facilities for siting the elements of the 360MW roll-out. For example, if an agency had a facility with expansive roof space, there could be an efficiency of scale for solar panel installation, or another agency site may be available for CCA siting at low or no cost, both of which would contribute in different ways to reducing the cost of the CCA Program. On the other hand, it may turn out that there are administrative or other barriers to using City Agency assets.

Renewable generation would not be the only potential involvement of City Agencies, efficiency improvement opportunities would also be considered, and again, identification and knowledge of the locations of the agencies' facilities is needed to analyze the potential application of the CCA Program to the agencies.

In order to assess the potential for siting use of City Agency assets, LPI will first compile a summary level identification of city agency properties. Working with information available from agency resources, and city records, and other pertinent information sources, we will prepare an initial asset list for each agency. This list will only include basic, and readily available information, such as the number of buildings the agency has, and their locations.

LPI will then use satellite images to develop a city-wide location identifier for the agencies with larger asset pools. This in turn will be used to identify a narrower pool of agencies with the greatest potential for inclusion and involvement in the CCA Program.

LPI will then meet with the city agencies with higher potential, and evaluate their potential role as participants in the CCA program, and also identify the processes that would be needed to secure their involvement.

Our deliverable will be a report summarizing the City Agency assets suitable for consideration for CCA Program Siting, and identifying the processes necessary to secure the involvement of interested agencies in the CCA Program.

# Local Power.

## **Task B. H Bonds – Develop Marketable H Bonds**

**1. Schedule: Six Months from Notice to Proceed  
Deliverable: H Bond Preparation Report**

**2. Price Proposal**

**(a) budget for each task included in your proposal: \$125,000**

**(b) not to exceed amount \$125,000**

**(c) hourly rates by personnel below**

**3. Personnel**

**Howard Golub \$495/hr**

**Travis Gibbs \$495/hr**

**Paul Fenn \$250/hr**

**Robert Freehling \$150/hr**

**Bill Powers \$195/hr**

**Julia Peters \$195/hr**

**Kuloor Soorya \$325/hr**

**4. Approach**

### **Prepare H Bonds for Issuance**

#### **Task: H Bond Preparation Report**

There are two sides of H Bond preparation. There is the compliance task – ensuring the City's proposed issuance complies with federal, state and city requirements, statutes and regulations as well as Proposition H itself.

The second aspect of H Bond preparation is to design the H Bond issuance so that it is marketable, so the City can attract a powerful response from the financial community – a due diligence action to ensure an optimal outcome.

Before the City puts the H Bonds on the market, we will focus on designing the bonds to optimize a positive response and reduce borrowing costs. This will require, among other things, integrating a well-designed, clearly explained CCA business plan with current financial expectations of potential bond underwriters and purchasers. While the prospects for San Francisco's H Bonds are generally very favorable, this will be a new municipal bond product in a dynamic market. In order to ensure success, Local Power will design it to succeed.

The CCA LPI will review the CCA Program Design, Draft Implementation Plan and H Bond Action Plan adopted by Ordinance 447-078 call for preparation of the Board of Supervisors and city agencies for the issuance of H Bonds under Charter Section 9.107.8.

## Local Power.

H Bonds provide San Francisco with considerable flexibility and can be used to finance renewable energy generating facilities and other revenue producing elements of the CCA program. In addition, H Bonds could be supported by existing assets and enterprises, including a properly structured contract with an ESP. Under some circumstances H Bonds will qualify for tax-exempt status and factors which would affect their marketability and cost.

Before they were part of the Local Power Inc.'s team, Mr. Golub and Mr. Gibbs of Nixon Peabody prepared an analysis of H Bonds for SFLAFCO in 2006. The critical strategic task will be for the Nixon Peabody bond team to work closely with the rest of the LPI team to structure the CCA RFP, the contract with the ESP, and all aspects of the program roll-out, in a manner which achieves all of the objectives of the CCA Program and simultaneously enhances the marketability and reduces the costs of H Bonds. Optimal financing will require careful and innovative attention to tax-exemption, disclosure and credit quality issues, based on the specifics of the Program's design as it evolves.

### **Unique Design Innovation**

Under the Draft Implementation Plan, H Bonds will be used to finance both privately owned and publicly owned green power facilities, and a variety of financing offerings will be made to customers participating in the CCA Program, including potentially a Community Solar Share program in which non-rooftop owners may purchase refundable shares on larger third-party owned rooftops and receive the benefits of ownership on their monthly electric bill. Thus, the H Bond issuance will involve a degree of complexity in addition to the inherent complexity of repaying H Bonds on publicly owned power plants. Local Power will focus on this issue as well as standard marketable revenue bond preparation.

**Deliverable:** LPI will prepare an H Bond Preparation Report on integrating H Bond issues into the CCA Contract, and integrating CCA-specific issues into the H Bond preparation.



# Local Power.

**Task C. Regulatory Review: (1) What governmental regulations will apply (Outside of AB 117, S.F. CCA Ordinances)? (2) What governmental programs may be able to provide benefits to the S.F. CCA Program?**

**1. Schedule: Three Months from Notice to Proceed  
Deliverable: Governmental Regulation and Engagement Report**

**2. Price Proposal**

**(a) budget for each task included in your proposal: \$123,000 labor, \$2,000 direct costs (local travel)**

**(b) not to exceed amount \$125,000**

**(c) hourly rates by personnel below**

**3. Personnel – Howard Golub \$495/hr  
Paul Fenn \$250/hr  
Robert Freehling \$150/hr  
Bill Powers \$195/hr  
Rusty Klassen \$195/hr**

**4. Approach**

**State Agency Coordination - Intervention at California Public Utilities Commission, ISO, CEC - State Agencies Regulatory Report**

From the financial elements of the CCA Program that affect ratepayers through design and construction of the 360MW roll-out, there will be numerous governmental regulations that apply, at the federal, state and municipal level. In order to properly 'ground' the RFP for the ESP and the terms of the DBOM Contract in applicable regulations, the regulatory environment that the CCA Program will operate in must be canvassed and applicable regulations identified and classified by sponsoring agency and category of regulation.

The CCA Program will also require active engagement with certain state agencies, and compliance with their regulatory processes & procedures, rules and standards. LPI will engage the CPUC, ISO and other key agencies like the CEC, and prepare a report on the state agency engagement activities that will be necessary for the advancement and implementation of the CCA Program.

## **a. California Independent System Operator Elements**

In pursuing its energy policy goals, San Francisco faces the challenge of meeting requirements of the California Independent System Operator (CAISO) to have adequate electricity supply. This challenge is compounded by the desire to close the aging Potrero Power Plant's natural gas and fuel oil generators. The plant

## Local Power.

provides 360 megawatts of local generating capacity during the peak hours of demand in the region, and closing the plant can only take place once replacement energy supplies are built. In addition, there is the need to address projected growth in demand; current capacity is expected to be sufficient until summer 2011.

If the City's goals of building local, clean energy infrastructure is to be achieved, then this can only emerge as the preferred option by correcting the criteria and performing an evaluation at the design and project-specific level for the grid reliability impacts of the CCA Program. To date, such an evaluation has not been performed, and this is a major reason why local clean energy infrastructure has not been put forward as a serious supply option. This would be an important approach and task for Local Power.

The CCA Implementation Plan would create a City-wide program of building local renewable and energy efficiency infrastructure. This infrastructure must be carefully designed, financially and operationally modeled, and implemented to achieve certain performance criteria. The criteria would translate the City's clean energy goals into reliability and load shape characteristics that satisfy state regulators. In this way, meeting the City's environmental and energy security goals would be able to successfully appear as a "real option" that can compete with the others.

Any replacement of fossil fuel power plants with renewable and efficiency resources must address local power needs under a variety of planning contingencies. Scenarios and alternative implementation models would be constructed for San Francisco, and a report written that will present model solutions on a graduated scale to ensure that regional transmission grid requirements of the California Independent System Operator (ISO), would be met in each proposed scenario:

1. Evaluation Criteria. Define the proper evaluation criteria for energy infrastructure projects in a manner that is aligned with San Francisco's stated energy policy goals.
2. 360 Mw Rollout. Integrate a "macro-level" model that incorporates the portfolio description established by ordinance in the 360 megawatt roll-out, and constructs these in a manner that meets grid reliability needs in a cost-effective manner
3. Sub-Portfolio Integration. Integrate LPI's "Sub-Portfolio" plan that specifies resource design criteria and siting on a project level to the greatest feasible extent. This would translate the "macro-level" description into a level of specification that will facilitate an Electric Service Provider to bid on the supplier contract and carry out the plan in a manner that meets the goals of the Implementation Plan as well as grid reliability needs.
4. Integration Design. Modeling and design will allow comparison with existing electric supply options, and integration with them in the event that

# Local Power.

they are built, to meet the electric reliability needs of the City. The roll-out infrastructure must also integrate with the balance of the energy supply portfolio for a CCA, and may be integrated with the supply provided by the SFPUC.

5. Coordinate with ISO staff and governing board.

## **b. CPUC Elements PG&E Report**

### **1. New Facility Interconnect, Distribution and Interface Arrangements**

Installing at least 210 MW of solar photovoltaics, renewable generation and demand side measures within the jurisdictional boundaries of San Francisco will require establishment of protocols and procedures with PG&E regarding interconnect and related transactions requiring PG&E cooperation and coordination. Under AB117, PG&E continues to be the Provider of Last Resort (POLR) to the customer, who remains also a captive billing and metering customer of PG&E.

LPI will analyze tariffs published by PG&E for both CCA and interconnect for distributed generation, and seek to meet with PG&E staff and executives to discuss needed planning and procedures, whether under tariffs or special service requests, to effectuate the planning of the 360 MW rollout. LPI will evaluate PG&E's SmartMeter program, Net Metering Program, and California Solar Initiative program, and other programs relevant to the CCA program.

LPI will prepare analysis LPI will prepare and submit a report to LAFCO on its progress, evaluate PG&E tariff and identify special requests for purposes of planning the rollout, and advise LAFCO and SFPUC on formal actions required of the City and County. LPI will analyze relevant Municipal Codes, and interview city departmental analysis on their experiences with PG&E in the recent past. Where appropriate, LPI will draft resolutions or other legislation to address any structural barriers to coordinating effectively with PG&E on rollout planning.

### **2. PG&E Complaint**

AB117 requires that investor-owned utilities "cooperate fully" with local governments that investigate, pursue or implement CCA. However, PG&E has already distributed political mail targeting voters in certain Supervisors' calling for residents to express opposition to the CCA Program Design, Draft Implementation Plan and H Bond Action Plan subsequently adopted by Ordinance 447-07.

PG&E has been accused of non-cooperation by other CCAs in Northern California. PG&E has been accused of interfering in CCA programs by the CCA in the Fresno Area (CPUC Complaint Number C0706025, June 25, 2007) in

## Local Power.

violation of CPUC D.05-12-041 as a result of "marketing and related activities" undertaken "at PG&E's ratepayers' expense to compete against San Joaquin Valley Authority" in the provision of generation services, and accusing PG&E of actively and affirmatively contracting representatives of SJVPA's prospective customers...seeking to dissuade or delay such customers from ...becoming CCA customers." (p.1). CCSF filed a motion to intervene in the CPUC's proceeding on September 7 on this complaint, in order to join SJVPA in its complaint against PG&E, but the motion was denied. That proceeding was subsequently settled as to SFVPA and without establishing rules specifically applicable to CCSF.

LPI will seek standing to file a similar complaint or otherwise intervene to seek redress for PG&E non-cooperation first via the Commission's Alternative Dispute Resolution ("ADR") procedures, as well as directly to assigned Administrative Law Judge Thomas and ALJ Weissman, who is the Neutral Administrative Law Judge in the case, and will report to SFLAFCO on its progress.

### **3. Energy Efficiency Public Goods Charge (PGC) Funds Administration**

LPI will petition the California Public Utilities Commission to become an administrator of the Public Goods Charge (PGC) funds for Energy Efficiency. Every year, San Franciscans pay \$17 million for this program, and Ordinance 447-07 requires that the CCA Program should attempt to get its fair share to support the 107 Megawatts of electricity efficiency measures required by the Program Definition. A California Public Utilities Commission workshop on CCA administration of energy efficiency public goods charge (PGC) funds was scheduled for November 2008, and comments have been solicited from interested parties. This City must apply to administer these funds in conjunction with the CCA program, starting in January, 2010 or as recommended by SFLAFCO.

Clarifying the PGC funds issue is an important part of the CCA Program Basis Report and Request for Proposals, because prospective CCA Suppliers must know what funds to expect or not expect to be available, and on what basic schedule, in order to create revenue adequacy models for their proposed 360 MW rollout implementation, as well as their 51% RPS implementation.

LPI will petition the California Public Utilities Commission immediately to allow the City and County to directly administer Energy Efficiency Public Goods Charge Funds to support the CCA Program as defined. LPI will invite other California municipalities and counties to cooperate with SFLAFCO and the City in this matter. LPI will report to LAFSCO on its progress, analyze implications for the CCA Program Design and make recommendations relative to further actions or any CCA Program Design changes, if any, relative to the Energy Efficiency component of the CCA Program.

# Local Power.

**Task D. Program Financial Model: From Customer rates to H Bond repayment and all elements, how will all of the program financial structures work?**

**1. Schedule: Three Months  
Deliverable: Master Program Financial Plan**

**2. Price Proposal**

**(a) budget: Labor \$28,000, \$2,000 travel**

**(b) not to exceed amount \$30,000**

**(c) hourly rates by personnel below**

**3. Personnel Howard**

**Howard Golub \$495/hr**

**Bradley Turner \$250/hr**

**Christine Coughlan \$250/hr**

**Paul Fenn \$250/hr**

**Robert Freehling \$150/hr**

**Bill Powers \$195/hr**

**Art Medlar \$250/hr**

**4. Approach**

In order to structure the financial terms of ESP DBOM contract, and to prepare for the issuance of H Bonds, an overall financial model needs to be developed for the CCA project. There are a number of types of costs and financial transactions inherent in the process of preparing for and supplying power for all of San Francisco and developing and using the power from 360MW of renewable and efficiency technology. These include:

- CCA Program Management costs, including support services and costs associated with issuing the H-Bonds
- CCA Rate Structure
- Estimated costs for the ESP to design and install the renewable energy infrastructure, and to perform the conservation and efficiency work that will be included in the ESP Contract
- All costs that ratepayers/property owners may have to pay for the installation of renewable technology
- All costs that the CCA may have to pay property owners (public and private) to be able to install the renewable technology
- All collateral costs that the CCA may have to pay for the program, such as permit fees, legal fees, property acquisition or leasing, insurance, etc.
- All rates that the ESP may charge ratepayers

## Local Power.

- Any 3rd party funds that may be available for the benefit of the Program under other State and Federal programs
- Any 3rd party funds that may be available to ratepayers for conservation, efficiency and renewable technology

Local Power will first conduct a more in-depth assessment of all financial elements of the project by category, and then develop individual models of each element. We will then identify all inter-connection points between the financial elements. For example, the 360MW roll-out will involve a range of different capital costs. Some of these costs will be paid for through H Bond Proceeds. Some may also be paid for through applicable government grants or other government funding. And the capital costs need to be considered in structuring the H Bond draws and repayment terms.

Once the inter-connection points have been identified, we will then develop a 'master' Program Financial Model that depicts each financial element of the project, and identifies the nature of their inter-connections.

# Local Power.

**Task E. Risk Assessment: What are the significant risks associated with the Project?**

**1. Schedule: Four Months  
Deliverable: Risk Assessment**

**2. Price Proposal**

**(a) budget: Labor, \$56,000, Travel \$4,000**

**(b) not to exceed amount \$60,000**

**(c) hourly rates by personnel below**

**3. Personnel**

**Howard Golub \$495/hr  
Bradley Turner \$250/hr  
Christine Coughlan \$250/hr  
Joe Speaks \$175/hr  
Paul Fenn \$250/hr  
Mike Marcus \$100/hr  
Eddie Dehdashti \$300/hr  
Rusty Klassen \$195/hr  
Art Medlar \$250/hr  
Mike Kuchkivsky \$130/hr  
Kuloor Soorya \$325/hr**

**4. Approach**

Risk must be well understood and anticipated for any complex public sector infrastructure project to succeed. The SF CCA Project will result in the delivery of a vital service to San Franciscans and will involve many different implementation and operations processes, all of which inherently include risks that could compromise or cause failure of the CCA Project. Beyond the value of an overall understanding of risk, the use of a DBOM Contract provides a number of benefits if risks are well allocated between the governmental agency and the contractor. In order to advance the development of the DBOM Contract, and to prepare the Term Sheet under Task F., the project's risk areas need to be identified and evaluated.

The following are the categories of risk which will be evaluated:

- Technical Performance of 360MW elements
- Durability risk of 360MW roll-out equipment
- Customer Service
- Rate Setting issues
- Economic Justice issues

## Local Power.

- Property/Siting
- Cost Management
- Commercial/Contractual
- 3rd Party/PG&E interface
- Grid Integration issues
- City Liability
- Operational Risks
- High Opt-out levels
- Technical Risks
- Construction process risks for 360 MW roll-out
- Stability of CCA for ratepayers

Local Power will identify and analyze the risk categories based on the specific program structure that has been adopted in Ordinances 86-04, 446-07 and 44-07.

The Risk Assessment will evaluate the likelihood of occurrence, timing implications, the potential cost and other impacts associated with each Program risk, and mitigation measures that can be taken in advance to manage the risks.



# Local Power.

## **Task F. DBOM Contract: Develop Term Sheet with critical contract elements**

**1. Schedule: Four Months**  
**Deliverable: DBOM Contract Term Sheet**

**2. Price Proposal**

**(a) budget: \$66,000 Labor, \$4,000 travel**

**(b) not to exceed amount \$70,000**

**(c) hourly rates by personnel below**

**3. Personnel**

**Bradley Turner \$250/hr**  
**Christine Coughlan \$250/hr**  
**Paul Fenn \$250/hr**  
**Robert Freehling \$150/hr**  
**Bill Powers \$195/hr**  
**Eddie Dehdashti \$300/hr**

**4. Approach**

Local Power will develop the DBOM Contract Term Sheet with its subcontractor, Booz Allen Hamilton Inc., based in part on the information developed in the Program Financial Model and Risk Analysis completed under tasks d. and e. The Program Financial Model will address all costs and payments involved in the program, many of which will involve the ESP and pass through the DBOM contract, and thus must be understood prior to developing the contract. Similarly, as discussed herein, risk allocation is a critical element of major infrastructure project success. The DBOM Contract risk allocation terms will reflect the determinations made in the Risk Assessment.

The DBOM Contract must also reflect all applicable requirements of AB 117 and S.F. Ordinance 86-04 that would apply to the ESP, such as:

- Provisions for ensuring universal access, Reliability and equitable treatment of all classes of ratepayers
- Customer service, customer protection, credit and shut-off procedure requirements
- Provisions for disclosure and due process in rate setting
- Bonding requirements for the cost of re-entry fees
- Compliance with the state's Renewable Portfolio Standard law

### **Factors involved in developing the DBOM Contract Term sheet:**

DBOM contracting is well-suited to the San Francisco CCA Project, because it requires a contractor to provide a full range of services under one contract. This

## Local Power.

'single point of contact' will allow for an expedited implementation process and avoid unnecessary bureaucratic delays. DBOM consolidates responsibilities and places certain risks with the contractor, which enables the risk of variable costs associated with construction of the community's 360 Megawatt rollout to be borne by the Energy Service Provider. Folding development of the new renewable resources into the CCA program will prevent the need for rate adjustments.

The DBOM contracting approach can provide a number of benefits if well developed and implemented. The consolidation of a number of vital project delivery responsibilities places the contractor in an entrepreneurial risk and reward position for the project. Their success will depend on how well they deliver the project and the required services. The contractor takes all design, functionality, integration and durability risks, as well as the risks associated with timely implementation. Better materials and design work can result in reduced maintenance costs and cost stability during the operations phase. Because the contractor controls all phases of the work, a tightly integrated schedule can be used to reduce implementation time.

Our experience indicates that projects where there are few significant scope changes, and the contractor progresses their work well during the initial phases are most likely to be completed on time and budget. The DBOM contract can be structured to provide a number of forms of incentive for strong contractor performance. These do not need to be direct additional payment incentives, for example, sliding milestone payments can be structured where payment amounts available for achievements 'slide' to become part of the final payment amount if the schedule is not met. The ESP's compensation will contain incentives for achieving costs savings for customers.

For success, a DBOM contract must first be well structured and then well managed. Appropriate risk for elements under the contractor's control - not open-ended risks - should be borne by the contractor, and the Owner must support the contractor's performance with timely completion of its responsibilities, and through supporting early design buy-in from stakeholders. The successful use of the DBOM approach begins with a well marshaled procurement process - where clear project expectation and role understanding is built among the prospective vendors. Booz Allen's extensive experience in the successful implementation of DBOM transportation projects will be valuable in working with Local Power to provide best practices and seasoned guidance throughout the course of the S.F. CCA Program.

Local Power's DBOM Contract Term Sheet will reflect all elements of the ESP's scope and role known at the time of its preparation, and will provide a core for further development and completion of the DBOM Contract as other CCA Program elements that will be reflected in the DBOM Contract are developed.

# Local Power.

**Task G. Verify that access to Hetch Hetchy power is feasible, and that other barriers such as the interconnection agreement can be overcome.**

1. **Schedule: Six Months**

2. **Price Proposal**

(a) budget for each task included in your proposal: \$200,000 labor

(b) not to exceed amount \$200K

(c) hourly rates by personnel below

3. **Personnel**

Howard Golub \$495/hr

Paul Fenn \$250/hr

Robert Freehling \$150/hr

Joe Speaks \$175/hr

Eddie Dehdashti \$300/hr

Kuloor Soorya \$325/hr

4. **Approach**

The Draft CCA Implementation Plan provided that the SFPUC “may provide renewable capacity and/or energy, including its Hetch Hetchy assets,”<sup>1</sup> to the CCA Program. Concern has been expressed that Section 6 of the Raker Act would prevent the CCA program from integrating Hetch Hetchy power into the community’s portfolio. Local Power has identified<sup>2</sup> a means of ordering delivery of Hetch Hetchy power to San Francisco ratepayers, and has developed a transaction mechanism which we believe will make it legal for participating San Francisco residential and business CCA customers to pay for and receive the benefits of Hetch Hetchy power under the Raker Act.

**Technical Issue.** Currently, Hetch-Hetchy capacity is limited to a government pool of City agencies and special customers that are eligible to receive the power across PG&E’s lines according to the City’s Interconnect Agreement. However, certain non-City private sector customers are now receiving Hetchy power. Special categories of private sector customers – such as the JCDecaux Street Furniture categorization in last year’s renewal of that Interconnect Agreement— have been added as third party customers, their load being treated as an “unmetered City account.”<sup>3</sup> Similar arrangements were also made during the 1980’s. Currently, however, transactions for Hetch-Hetchy power largely exclude

<sup>1</sup> Draft CCA Implementation Plan, p.93.

<sup>2</sup> Community Choice Aggregation Program Report, Submitted to San Francisco Local Agency Formation Commission on December 31, 2008.

<sup>3</sup> Agreement Between Pacific Gas & Electric Company and City & County of San Francisco, 2007, p.4.

## Local Power.

San Francisco residents and businesses. Local Power's recent report for SFLAFCO studied the question and concluded that this treatment is no longer necessary given the CCA Program's specific mandate of providing power to PG&E electricity customers in San Francisco, as well as fairly recent federal transmission access laws and regulations.

Local Power proposes using existing federal laws and regulations in conjunction with CCA to provide San Francisco customers a retail channel to receive the benefits of Hetch Hetchy power, using a "split delivery" mechanism that would enable the power to be sold directly to a CCA customer. Thus, the SFPUC may finally convey this historic public resource to benefit any San Franciscan who elects to receive it by participating in the CCA program.

**Initial Legal Analysis.** Section 6 of the Raker Act in essence prohibits San Francisco from selling the water or electricity from Hetch-Hetchy to "any corporation."<sup>4</sup> The history of the Raker Act shows that Congress' intent was that the people of San Francisco, not private corporations such as PG&E, should receive the benefits of Hetch-Hetchy. However, the City can and does arrange for the transmission of Hetch-Hetchy power to customers of CCSF. CCSF has had a series of such arrangements (using PG&E as the transmitting entity) on file with the FERC for decades. The City should be able to enter into a similar arrangement with its Supplier without violating the Raker Act. If transmission services are required, either the City or the Supplier should be able to require PG&E to provide transmission service pursuant to the Federal Power Act and Open Access Transmission Tariffs filed thereunder. However, a transaction mechanism is needed to allow for San Francisco CCA customers to receive and pay for the benefits of Hetch Hetchy power on their electric bill.

**Local Power's Proposed "Split Delivery" Transaction Mechanism.** The preliminary review of the Interconnect Agreement also indicates that it should be feasible to structure a similar arrangement with the Supplier insofar as Raker Act compliance is concerned. We would address concerns that the transaction could be challenged as not complying with the Raker Act, and we would give it careful consideration. CCA also potentially provides the City with an alternative method of compliance with the Raker Act, which has not been available in the City's dealings with PG&E. Local Power would seek to establish the feasibility and recommend actions necessary to augment the following transmission access and split delivery transaction mechanism, as proposed in the recent *CCA Program Report*:

*Specifically, the City may use its rights to transmission under the Federal Power Act, to have Hetch-Hetchy power delivered to the City's end-use CCA customers. Under this arrangement, the end-use customer would have two supply sources: Hetch-Hetchy, and the Supplier's portfolio; together these meet the customers'*

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<sup>4</sup> United States v. City and County of San Francisco 310 U.S. 16 (1940).

# Local Power.

*full requirements. Properly structured, the “split-delivery” would be transparent to the end-use customer and revenue neutral between the City and Supplier.*

**SFPUC Comments.** In its comments on our initial draft of this report, SFPUC appears to concede that Local Power’s proposed transaction mechanism would suffice to overcome Raker Act barriers, which if true would put to rest a decades-old barrier to bringing Hetchy power to San Franciscans. However, SFPUC also pointed to its recently renegotiated Interconnect Agreement with PG&E as being the new barrier. “The draft report significantly understates the difficulty that CCSF has had under the existing PG&E IA (Interconnect Agreement) to extending Hetch Hetchy electric generation beyond city load. The draft report incorrectly describes this limitation as an ‘unspoken’ firewall that ‘is not really firewalled.’ Under the Interconnection Agreement with PG&E, CCSF is limited to only serving ‘municipal load.’” SFPUC also remarked that the JCDecaux example involves public toilets, which constitute a “municipal function,” which appears to be their justification within the existing Interconnect Agreement.<sup>5</sup>

Our use of the term “firewall” was used as short-hand, not as a legal description. The important point to observe is that Hetch Hetchy could serve non-municipal load (CCA residential and business customers) using fresh thinking to employ CCA and FERC regulations to achieve widespread access to Hetch Hetchy power and that perceived difficulties arising out of the existing Interconnect Agreement could be overcome.

PG&E has a requirement under FERC regulations to provide open access, and to provide an IA and Wholesale Distribution service to the City according to FERC regulations to achieve widespread access to Hetch Hetchy power and that perceived difficulties arising out of the. Even though the existing agreement does not *currently* provide for serving CCA customers, there is a substantial possibility that impediments created by the current Interconnect Agreement could in fact be overcome.

**Overall Implementation Time Required.** FERC has in place established mechanisms that require PG&E to either reach agreement with the City, or if agreement cannot be reached in a short time frame, to file an “unexecuted Interconnection Agreement” with FERC, which has authority to ultimately determine the appropriate terms and conditions. Under FERC regulations, once an eligible applicant demands the service, PG&E must respond within a period of *months, not years*; if no agreement occurs (either no PG&E response or unreasonable conditions) the applicant may apply to FERC for an *order*. FERC has an enforcement staff hotline whose job is to prevent transmission owners from using delay to deny service to competitors. Federal Open Access rules are specifically designed to prevent such delays. Thus, while the exact timeline of delivering the power to San Francisco CCA customers is hard to predict

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<sup>5</sup> SFPUC’s Initial Comments on “First Draft SFLAFCO CCA Program Report (v. 1.5),” p.15.

## Local Power.

precisely, resolution of the issue should be achievable within the CCA Program's late 2009- early 2010 implementation timeline, provided that sustained and effective efforts are undertaken by the City with alacrity.

There are several factors that could impact how promptly Hetch Hetchy power could be made available to the CCA Program. LPI has preliminarily reviewed the City's 2007 Interconnect Agreement with PG&E. This lengthy (slightly over 100 pages, plus 31 appendices) document could also impact the utilization of Hetch-Hetchy power. The potential for disputes in interpreting the 2007 Agreement is underscored by the fact that the City and PG&E are currently in litigation over the Agreement. Given the importance of ensuring full compliance with the Raker Act, the complexity of the 2007 Agreement with PG&E, and the potential for litigation,

### **Specific Purview of Proposed CCA Hetch Hetchy Access Verification Report:**

- Legal Brief on Existing Interconnect Agreement
- Completed FERC Application Preparation for Transmission Access
- Completed Split Delivery Mechanism Legal Brief

# Local Power.

Summary of Price and Schedule	Month	1	2	3	4	5	6	Budget
Task A. Evaluate Cost/Benefit of involving City Agencies for use of their assets; renewable siting, transmission or generation: Determine if this could lower the costs of 360MW If so, determine if feasible/practical, in light of agency constraints								\$150,000
Task B. H Bonds – Develop Marketable H Bonds								\$125,000
Task C. Regulatory Review: 1. What governmental regulations will apply (Outside of AB 117, S.F. CCA Ordinances)? 2. What governmental programs may be able to provide benefits to the S.F. CCA Program?								\$125,000
Task D. Program Financial Model: From Customer rates to H Bond payment and all elements, how will all of the program financial structures work?								\$30,000
Task E. Risk Assessment: What are the significant risks associated with the Project? (Builds on info from Task 1-4 and 7)								\$60,000
Task F. DBOM Contract: Develop Term Sheet with critical contract elements (Builds on info from Task 1-4 and 7)								\$70,000
Task G. Verify that access to Hetch Hetchy power is feasible, and that other barriers such as the interconnection agreement can be overcome								\$200,000
							Total	\$760,000.00



George E. Sansoucy, PE, LLC  
Engineers & Appraisers

*Via Electronic Mail*

January 19, 2009

Nancy C. Miller, Esq.  
Miller, Own and Trost  
428 J Street, Suite 400  
Sacramento, CA 95814

**RE: Response to Request for Bids to Perform CCA Tasks**

Dear Nancy:

George E. Sansoucy, P.E., LLC (GES) is pleased to provide the San Francisco Local Agency Formation Commission (SF LAFCo) with a proposal for performing the CCA Tasks requested on 12/22/08. As set forth in our letter to the SF LAFCo of 1/1/09, GES indicated that it was in the process of finalizing a task order scope with the San Francisco Public Utilities Commission (SFPUC). As of 1/15/09, SFPUC CCA Director Michael Campbell and GES had agreed upon a task order which included the following tasks, several of which are similar to or incorporate elements of the SF LAFCo request.

**Task 1**

Theoretical and technical potential for renewable energy resource development in the City after consideration of limitations imposed by non-economic factors such as land use restrictions, siting, and/or interconnection constraints. The resources that are expected to be addressed include solar photovoltaic, wind, anaerobic digestion, tidal power, fuel cells, and cogeneration.

**Task 2**

The economic potential of the technically viable resources, identified in Task 1, will be developed based on the levelized cost of these resources using projected capital cost estimates, operating and maintenance (O&M) costs, renewable energy resource financial incentives, and the use of for- and not-for-profit capital structure.

**Task 3**

The levelized cost of each generation resource identified in Task II, under each ownership scenario, will be compared to the levelized cost of out-of-City alternatives that may benefit from lower development costs or greater economies of scale. The levelized cost of the out-of-City alternatives will be developed in a manner comparable to the in-City resources using both for- and not-for-profit financing and renewable resource tax incentives.



**Task 4**

The CCA Program sets forth the type, location, and amount of renewable resources that will be used to supply CCA customers. This task will compare the estimated cost of serving CCA customers, as prescribed in the CCA Program, as well as providing a similar level of renewable resources utilizing out-of-City options or the purchase of green power and/or renewable energy credits (RECs). These alternative scenarios will then be compared with the estimated PG&E cost of serving customers.

**Task 5**

This task will address measures that the SFPUC and/or San Francisco Local Agency Formation Commission (SF LAFCo) could take to enhance both the technical and economic potential for renewable energy resource development in the City.

Since several of the tasks identified above are similar to the SF LAFCo request, GES is only providing price proposals and schedules for those elements of the request that are outside of the tasks issued by the SFPUC. Each of the requests are set forth below along with our comments and the proposed schedule and budget estimate.

**a. Evaluate Cost/Benefit of involving City Agencies for use of their assets; renewable siting, transmission/distribution or generation**

**(1) Determine if this could lower the costs of 360MW**

**(2) If so, determine if feasible/practical, in light of agency constraints**

The elements of this request are incorporated into GES Task 1 with the SFPUC and will be available to the SF LAFCo upon completion.

**b. H Bonds – Develop Marketable H Bonds**

The development of marketable H Bonds is anticipated to be based upon the final renewable energy resources portfolio utilized to serve the CCA Program. The economic potential of the renewable energy resources and the costs associated with serving CCA customers is incorporated into GES Tasks 2 through 4 with the SFPUC. The security for and source of bond repayment will be based upon this final resource portfolio selection. Therefore, GES will provide a draft financing plan and other information necessary to develop the H Bond's pro forma to the SF LAFCo.

The estimated cost of developing this information from the information developed for the SFPUC is Sixty Thousand Dollars (\$60,000) and is estimated to take two (2) months.

**c. Regulatory Review: (1) What governmental regulations will apply (Outside of AB 117, S.F. CCA Ordinances) (2) What governmental programs may be able to provide benefits to the S.F. CCA Program**

The elements of this request as related to the development of renewable energy resources are incorporated into GES Tasks 2 and 3 with the SFPUC and will be available to the SF LAFCo upon completion.

**d. Program Financial Model: From Customer rates to H Bond repayment and all elements, how will all of the program financial structures work**

The elements of this request are incorporated into GES Task 4 with the SFPUC which will include a financial analysis of the cost of service CCA customers utilizing renewable energy resources financed with revenue bonds as well as a comparison to several other potential supply options. This information on the financial impact to potential CCA customers will be available to the SF LAFCo upon completion.

**e. Risk Assessment: What are the significant risks associated with the Project**

There are several risks associated with the CCA Program which include:

- Financial risk to the customers relative to PG&E's rates
- Financial risk and expenses to the City for development of the CCA Program
- Risk of regulatory charges
- Risk of legal challenges by PG&E and others
- Customer migration risk

The greatest risk associated with the CCA Program is that customers will have increased costs of electricity under the CCA Program compared with existing and proposed PG&E rates. This risk is analyzed in GES Task 4 with the SFPUC.

The additional risks identified above are outside of our tasks with the SFPUC and include:

- An analysis of the CCA Program start-up costs and potential working capital and/or line of credit that may be at risk during the CCA Program start-up
- The risk of customers leaving the Program and the remaining customers bearing higher costs

- The impact that fewer customers will have on the prices charged by Energy Service Providers (ESPs)
- The economic impact of legal challenges both on the costs of the CCA Program and costs of delay.

GES Proposes to provide the SF LAFCo with a report setting forth the ranges of potential financial impacts for each of these risks. The budget for this report is Thirty Thousand Dollars (\$30,000) and the estimated schedule is one (1) month.

**f. DBOM Contract: Develop Term Sheet with critical contract elements**

This task is beyond the scope of our tasks with the SFPUC. GES would propose to develop the critical contract elements associated with a Design Build Operate Maintain (DBOM) Contract for technologies similar to those analyzed in GES Tasks 1 through 4 with the SFPUC.

The budget for this task would be Thirty Thousand Dollars (\$30,000) and is estimated to take approximately one (1) month.

**g. Verify that access to Hetch Hetchy power is feasible, and that other barriers such as the interconnection agreement can be overcome.**

This task is primarily legal in nature. Therefore, GES is not submitting a proposal for this task.

In providing the scope of services above, GES will make every effort to comply with the SF LAFCo schedule by making Project Manager Glenn C. Walker available along with other GES staff. If selected as the vendor for any or all of the task items set forth above, GES is prepared to sign the standard SF LAFCo contract and comply with the requirements of the contract form as attached to the RFQ.

If you have any questions, please do not hesitate to call.

Sincerely,

Glenn C. Walker

GCW/dl



3100 Zinfandel Drive  
Suite 600  
Rancho Cordova, CA 95670  
916.631.3200 phone  
916.852.1073 fax

January 20, 2009

Ms. Nancy Miller  
San Francisco Local Agency Formation Commission  
*Via email:*

Re: Price Proposal for Evaluative Services Related to San Francisco's CCA Program

Dear Ms. Miller:

Navigant Consulting, Inc. ("NCI") appreciates the opportunity to submit this price proposal for evaluative services requested by the San Francisco Local Agency Formation Commission ("LAFCO") in support of its Community Choice Aggregation ("CCA") Program. As you are aware, Navigant Consulting is a leading technical consultancy for all matters related to CCA, including feasibility analysis, business planning and implementation services. Our team of experts is currently assisting California's other key CCA programs in evaluating and implementing their respective plans, including the San Joaquin Valley Power Authority (a CCA Program that will provide affordable, reliable electric service to several communities located within California's Greater Fresno Region) and the Marin Energy Authority (a new Joint Powers Agency focused on delivering clean, sustainable electric energy to several municipalities within the jurisdictional boundaries of Marin County).

Consistent with LAFCO's Request for Proposal ("RFP"), dated December 22, 2008, Navigant Consulting has developed a proposal to perform seven unique tasks, which will provide LAFCO with additional information to be used in further assessing the feasibility of San Francisco's CCA Program. Below, please find a proposed scope of services, timeline for completion of the work, budget, and biographies of the key NCI personnel who will be engaged on this project.

#### **Proposed Scope of Work**

*Task A: Evaluating costs/benefits of involving City Agencies in the San Francisco CCA Program for use of their assets, renewable siting, transmission/distribution or generation.*

To complete this task, Navigant Consulting will coordinate with LAFCO to identify a list of available/eligible City Agencies that should be considered during the Cost/Benefit Analysis. Included in this list will be specific buildings/facilities, which will be evaluated based on location, orientation, condition and other considerations to determine the suitability of each for renewable generation siting and/or related infrastructure deployment. Navigant is very familiar with current installed costs of renewable generating and electric transmission/distribution infrastructure but will be relying on LAFCO to provide input regarding the relative qualitative value of locally installed

energy infrastructure (as opposed to out-of-City/County locations) as it relates to the San Francisco CCA Program. During the completion of Task A, Navigant Consulting will identify the likely renewable capacity potential, recommended resource/infrastructure type and projected installed infrastructure costs associated with each available/eligible City building/facility and will prioritize this list based on installed cost per kilowatt hour ("kWh") estimates. This list will provide the basis for a screening-level review of locally-installed energy infrastructure options. Following LAFCO's review of this information, a select number of favorable sites will be included in the modeling efforts described in Task D to determine projected impacts on Program operations.

The aforementioned approach described for Task A is similar to a recent analysis completed by Navigant Consulting for the San Joaquin Valley Power Authority in which municipal facilities of the participating communities were analyzed to determine the potential for disperse large-scale PV solar deployment.

***Task B: Develop Marketable H Bonds***

As written, Task B in LAFCO's RFP includes the description "Develop Marketable H Bonds." Navigant Consulting suggests that much of this work can be performed by one or more investment banks with guidance from Navigant Consulting and the City/County's Financial Advisor. As such, Navigant Consulting proposes a somewhat limited, supporting/advisory role for itself during the process required to develop these bonds. In particular, Navigant Consulting will work directly with the City/County Financial Advisor during discussions with its chosen investment bank(s) to assist in structuring a marketable and effective bond offering. Navigant Consulting believes that it can be most effective in this role, providing Program-specific detail/information to facilitate financing discussions while allowing the Financial Advisor and investment bank(s) to focus on terms and administrative aspects of the financing. Navigant Consulting will continue to provide the aforementioned support on an as-needed basis through financial close/bond sale.

***Task C: Perform current regulatory review to determine potential impacts on and/or benefits to San Francisco's CCA Program related to current/proposed legislation and regulations.***

Navigant Consulting employs a team of policy analysts who regularly monitor federal and state legislation and regulations affecting participants in the energy industry. To ensure the highest quality of information for our clients, our policy analysts are equipped with a variety of specialized industry information resources and commercial research capabilities while maintaining an active presence at various regulatory proceedings affecting California CCAs, municipal utilities and energy policy of California local governments. In support of LAFCO, Navigant Consulting will draw upon these resources to conduct specific research as it relates to San Francisco's CCA Program. Analysis of potential impacts and opportunities, including provisions related to municipal load aggregation, GHG emissions and renewable energy supply objectives as well as available state and federal incentives for resource development will be identified, analyzed and reported to LAFCO on a bi-weekly basis to ensure a thorough understanding of likely CCA Program impacts. Findings identified during this research will also be reflected in the Program Risk Assessment (Task E).

***Task D: Develop a comprehensive financial model for San Francisco's CCA Program to determine potential customer rates required to repay operating costs (including H Bond debt service) under a range of market and/or legislative/regulatory scenarios.***

As the lead technical consultant working in support of the California Energy Commission's CCA Pilot Program/Demonstration Project, Navigant Consulting developed a comprehensive CCA model (spreadsheet format), which determines the customer electric rates that will be necessary to support CCA operations under a range of assumptions (electric load, growth, account type/customer class, power costs, renewable energy supply percentage, utility rates and terms of program financing as well as many other operational assumptions). This model has been peer-reviewed and validated by several economists and consultancies on numerous occasions without the identification of any significant issues or analytical flaws and was used during the CCA Demonstration Project to determine the feasibility of CCA Program operations for participating communities (based on a specific set of goals and objectives).

Based on this experience, Navigant Consulting will develop a similar CCA model for LAFCO, which will be used to determine the operational feasibility of a San Francisco CCA in consideration of the unique goals and objectives expressed by the City/County. Analytical results produced through this modeling exercise will provide LAFCO with valuable information that can be used to refine San Francisco's approach to CCA implementation to ensure the highest probability of Program success under a range of operating scenarios. During Program modeling, Navigant Consulting will also provide training to LAFCO staff regarding the use of this CCA model, which will allow LAFCO to complete independent Program analyses following the completion of this project.

***Task E: Complete CCA Program Risk Assessment to determine and understand key risks potentially affecting Program success.***

Understanding potential Program risks is critically important to Program success. Completion of the Risk Assessment will draw from analyses completed and information compiled in other tasks described herein. The Cost/Benefit Analysis (focused on the use of City facilities) will help LAFCO understand the feasibility of locally-deployed energy infrastructure; discussions with investment banks will determine the costs and conditions under which debt can be issued by the CCA Program; a detailed Regulatory Review will identify potential requirements that must be observed by the Program as well as potential incentives that may be available; understanding the availability of Hetch Hetchy power resources will impact resource planning for the Program; and developing the Program's financial model will allow for a comprehensive analysis of program operations under a wide range of assumptions and market conditions. In concert, the information developed during these tasks will contribute to a thorough understanding of risks potentially affecting the Program, which will be documented in a comprehensive Risk Assessment. This Risk Assessment will not only identify potential risks to the Program but will also provide recommendations for effective mitigation measures/strategies.

***Task F: Develop term sheet, including critical contract elements, to be used as the basis for a Design, Build, Operate, Manage ("DBOM") Contract for San Francisco's CCA Program.***

San Francisco has prepared an Implementation Plan for its CCA program in which certain goals and objectives have been identified. During the research and analysis proposed herein, the commercial

feasibility of certain goals and objectives may likely be supported while others may require additional evaluation or refinement. Ultimately, the market will determine whether or not, and at what cost, these goals and objectives can be achieved. When fully vetted, these goals and objectives will become guideposts during the development of a detailed term sheet, which, in turn, will become the basis for a DBOM Contract underlying the CCA Program. Completion of the work scope described herein, particularly Tasks C (Regulatory Review), D (Financial Modeling) and E (Risk Analysis), will provide valuable information to LAFCo as it proceeds in making decisions related to this Program. In particular, the analyses described herein will help quantify reasonable tradeoffs between Program enhancements (such as increased renewable energy supply and locally developed renewable energy infrastructure) and related costs. In consideration of the analyses described herein and San Francisco's CCA Implementation Plan, Navigant Consulting will assist LAFCo in developing a detailed term sheet that will be used to develop a DBOM Contract for San Francisco's CCA Program.

*Task G: Complete Feasibility Analysis focused on access to Hetch Hetchy electric power, including issues related to resource availability and interconnection.*

To determine the availability and feasibility of Hetch Hetchy electric power production in the CCA's Resource Portfolio, Navigant Consulting will complete a detailed review of all contracts and agreements related to the Hetch Hetchy generation facility, including power sales/off-take agreements with the Modesto Irrigation District and Turlock Irrigation District as well as any existing interconnection agreement(s), to determine: 1) whether or not there is available generating capacity to serve CCA load; 2) whether or not existing agreements will allow San Francisco's CCA Program to economically access any available generating capacity; 3) any new infrastructure that will require construction to reliably serve CCA customer load. Following a review of these contracts and agreements, Navigant Consulting will summarize its findings and will provide related recommendations and next steps to LAFCo for further consideration in CCA planning. Navigant Consulting has a long and successful history and experience in the planning, development, and management of transmission projects, as well as the integration of generation projects onto the high-voltage transmission grid.

#### **Schedule**

NCI is prepared to begin work immediately following contract execution and anticipates an expedited schedule for work completion, which is outlined in the following table.

<i>Project Milestone</i>	<i>Proposed Date of Completion</i>
Contract Execution and Notice to Proceed (provided by S.F. LAFCO)	TBD
Project Kick-Off Meeting	1 week following notice to proceed
Task A: Perform Cost/Benefit Analysis focused on involvement of City Agencies	10 weeks following notice to proceed
Task B: Provide Support to City/County Financial Advisor during financing discussions with investment banks	20-24 weeks (5-6 months) following notice to proceed
Task C: Perform Regulatory Review, identifying potential impacts on/benefits for the CCA	Initial review completed within 8 weeks following notice to proceed; support provided by Navigant Consulting will remain ongoing throughout project schedule
Task D: Develop Comprehensive Financial Model for San Francisco's CCA Program	8 weeks following notice to proceed
Task E: Perform CCA Program Risk Analysis based on information identified during previous tasks and based on sensitivity analyses developed within the CCA Financial Model	12 weeks (3 months) following notice to proceed
Task F: Develop Term Sheet to be used as the basis for a DBOM Contract	14 weeks following notice to proceed
Task G: Complete Feasibility Analysis focused on access to Hetch Hetchy electric power (the specific issues of availability and interconnection will be addressed herein)	16 weeks following notice to proceed
Final Presentation to S.F. LAFCO and model delivery	Within two weeks of task completion

**Project Team**

NCI will establish a project management team consisting of John Dalessi, Patrick Mealoy, Shannon Graham and Kirby Dusel, with support from other project staff on an as-required basis. NCI anticipates that the Project Management Team will coordinate extensively with LAFCO during this project, and has budgeted for several half day meetings during performance of this scope of services.

Brief biographies of the project team are included below.

**John Dalessi, Director** - is a Director in NCI's Energy Generation and Transmission practice in the Sacramento office. With fourteen years of experience in the energy industry, Mr. Dalessi brings a wide array of experience in the areas of electricity market operations, industry restructuring,



regulatory and legislative analysis, cost of service and rate design, load forecasting, demand response, and strategic planning. Mr. Dalessi is project manager on the CCA Demonstration Project in which twelve cities and counties have explored the feasibility of forming CCA Programs. Mr. Dalessi also played a prominent role in developing the CCA Implementation Plan for the San Joaquin Valley Power Authority, and the CCA Business Plans for Marin County, the Cities of Berkeley, Emeryville and Oakland, and the Cities of Beverly Hills and West Hollywood. Mr. Dalessi possesses a Masters Degree in Economics from the University of California. Prior to joining Navigant, Mr. Dalessi held various management positions at the APX.com, PG&E Energy Services, and Southern California Edison Company.

**Kirby Dusel**, *Associate Director* - is a certified Project Management Professional (PMP), Six Sigma practitioner and Associate Director with Navigant Consulting, Inc., has served many public agencies within California and throughout the U.S. Mr. Dusel has eleven years of experience administering Statewide power purchase contracts, managing database development projects, analyzing and reengineering business processes and implementing effective compliance programs (focused on the mandatory reliability standards of the North American Electric Reliability Corporation) within the energy industry. Other proficiencies include the performance of financial and socioeconomic analyses as well as general business planning. Currently, Mr. Dusel is assisting the County of Marin in implementing its Community Choice Aggregation business plan, which will offer 100% renewable energy to Marin residents and business. Mr. Dusel has previously served the State of California's Department of Water Resources as an energy contract analyst and database developer, providing guidance to CERS's executive management regarding contractor performance and carrying out general contract management responsibilities associated with the administration of approximately 50 State-wide power purchase agreements valued at \$35 billion.

**Shannon Graham**, *Associate Director* - is Associate Director in NCI's San Francisco office. Ms. Graham has developed renewable energy (RE) technical assessments and business strategies for a range of NCI clients, including: integrated oil companies, municipal utilities, large industrial players considering entry into the RE space, and government agencies. Ms. Graham joined NCI in 2004, after successfully building her own consulting practice, where she focused on business and market development for new energy technologies in challenging markets. After completing her BA in Mechanical Engineering at Tufts University, she spent six years in Latin America developing RE projects and businesses for off-grid power. In 1999 she returned to the U.S. to pursue graduate studies at the University of California, Berkeley, in Energy and Resources (MA, 2001, policy and economic barriers to clean energy growth), and the Haas School of Business (MBA, 2003, strategic marketing and finance). She has worked in the U.S., Latin America, Asia, Africa and Europe.

**Patrick Mealoy**, *Managing Director* - is a Managing Director with NCI and an economist and policy planner with over 18 years experience in the energy industry. He has extensive experience in strategic planning, market assessment, economic forecasting, and industry trend analysis. His expertise includes assessing the impact of federal, state, and local regulations, as well as developing strategies related to these emerging trends and policies. Mr. Mealoy has been heavily involved in the California electric utility restructuring process since its initiation in the early 1990s. Mr. Mealoy's specialty is strategic planning and developing creative solutions to assist NCI clients' address and successful implement solutions to addressing key challenges and capitalizing on opportunities. He has aided numerous clients in the development and implementation of strategic plans, resource

decisions, and rate designs. In addition, he has prepared filings for FERC, state public utilities commissions, and other state and local governing bodies. An experienced project manager, Mr. Mealoy has managed large multi-disciplinary teams of consultants on a variety of assignments including strategic planning initiatives, municipalization studies, regional power market assessments, resource development, and legislative and regulatory intervention. Mr. Mealoy has served as NCI's Project Manager for our services to the Kings River Conservation District including creating and managing the development of the San Joaquin Valley Power Authority, California's first CCA.

**Subcontractors**

NCI understands there is a 5% Local Business Enterprise ("LBE") subcontracting goal for this contract and intends to work with LAFCO and the San Francisco Human Rights Commission to identify whether a qualified subcontractor exists to meet the LBE requirements under the proposed scope of services or if revisions to the proposed scope of services may be appropriate to secure a role for a LBE.

**Budget**

NCI will provide the services described in this proposal on a time and materials basis at the hourly rates shown in Exhibit A. Budget estimates for each proposed task, which have been developed based on a reasonable approximation of time and specific resources required for completion, are provided below.

Task A – Cost/Benefit Analysis (City Agency involvement):	\$100,000
Task B – Support to City/County Financial Advisor during H Bond discussions:	\$25,000
Task C – CCA Regulatory Review:	\$75,000
Task D – Comprehensive CCA Financial Model development:	\$75,000
Task E – CCA Risk Analysis:	\$50,000
Task F – Term Sheet for DBOM Contract:	\$50,000
<u>Task G – Feasibility Analysis of Hetch Hetchy:</u>	<u>\$75,000</u>
Total Project Estimate:	\$450,000

These budget estimates have been developed based on our assumption that LAFCO will be contracting with Navigant Consulting for the entirety of this proposed work scope. In the event that LAFCO elects to contract with Navigant Consulting for certain, individual tasks, Navigant Consulting and LAFCO will discuss related impacts to estimated project pricing. Navigant Consulting does not anticipate actual costs exceeding these estimates, but recognizes that certain circumstances (examples of which include: delays in decision making, access to key project staff and scope changes) may result in actual costs differing from these amounts.

**Exhibit A: Navigant Consulting, Inc. Rates**

Professional and support services, except testimony, shall be billed at the following Navigant Consulting rates:

<b>Level</b>	<b>(US \$/hour)</b>
Managing Director	\$428
Director	\$344
Associate Director	\$300
Managing Consultant	\$248
Senior Consultant	\$216
Consultant	\$164
Admin Support	\$132

The above rates shall be adjusted each year, commencing January 1, 2010, to reflect the change in rates officially established by Navigant Consulting.

Testimony shall be billed at not less than eight (8) hours per day.

Reproduction, printing, communications, computer services, and other miscellaneous support services shall be billed at rates for such services as determined from time to time and officially established by Navigant Consulting.

Client shall reimburse Navigant Consulting for any applicable sales tax imposed on services rendered by Navigant Consulting to Client.