

**San Francisco
Local Agency
Formation Commission**

ITEM NO. 2

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.7702
Fax. 415.554.5163

MINUTES

**Special Meeting
Friday, February 22, 2002, 9:00 a.m.
City Hall, Board of Supervisors Chambers, Room 250**

Acting Chair: Commissioner Ammiano
Members: Commissioners McGoldrick, Gonzalez and Hall
Alternate: Commissioner Peskin
Clerk: Monica Fish

SPECIAL AGENDA

(There will be public comment on each item)

1. Call to Order and Roll Call

The meeting was called to order by Commissioner Ammiano, Acting Chair, at 9:10 a.m.

Members Present: Commissioners Ammiano, McGoldrick, Gonzalez and Hall

Members Absent: None

2. Interview and possible appointment of Public Member. The candidates are: Marc A. Levin, Diane Fellman, Joel K. Rubinstein, Hope Schmeltzer, and Joseph DeUlloa. (Continued from the February 7, 2002 meeting.) Discussion and Action Item.

Commissioner Ammiano announced that a note was received from Marc A. Levin stating that he had removed himself from consideration. He stated that Diane Fellman made a presentation at the meeting of February 7, 2002 and asked if she had anything to add.

Diane Fellman, candidate, stated that she would be happy to answer any questions.

Commissioner Ammiano stated that the Commission had received a memorandum from legal counsel establishing that there would be no conflict of interest if Diane Fellman were appointed as a public member to SF LAFCo.

Commissioner Ammiano asked Diane Fellman if she had ever worked for or represented Enron Corporation.

Diane Fellman stated she had never worked for or represented Enron in her career.

Joel Rubinstein, candidate, introduced himself at the February 7, 2002, meeting and asked if there were any questions.

Hope Schmeltzer, candidate stated that she is an attorney for the University of California and represents them in environmental and land use matters. Prior to working with the University of California, she worked in the Governor's Office as director of the Governor's Clean Energy Green Team and as a senior policy advisor on energy matters at the Governor's Office of Planning and Research. Her work was particularly on PG&E's proposed divestiture of their hydro-electric facilities. At the Green Team, she worked on permitting issues for power plants and alternative energy sources, particularly in coordinating issues between different levels of government. She lives in San Francisco and sees the potential for the City to do something in this area.

Commissioner McGoldrick asked Hope Schmeltzer if she would highlight the work she did at the Governor's Office as a senior policy advisor, particularly the issues of the divestiture of PG&E's hydro-electric cases, PG&E's general rate cases, the fiber-optic cable installation policies, and other matters.

Hope Schmeltzer stated that PG&E's proposed hydro-electric divestiture proposal was made to the legislature in a closed manner. The Governor's Office did not have a lot of information. She started working on trying to understand and explain the proposal and what it would mean for the state. She had worked with the Resources Agency and all of their different departments to start to figure out what the proposal would mean for state lands and for its impact on the environment. Through that process, the state submitted extensive filings on the CEQA procedure at the Public Utilities Commission. Over the course of the next year, the state participated extensively in scoping procedures under CEQA, commenting on a range of issues such as how it would affect state recreational facilities, endangered species, water quality, and other issues. The state ended up submitting several hundred pages of comments and then worked with the United States Forest Service and several other federal agencies who submitted extensive comments in that process. Before the fiber-optic industry started experiencing financial difficulties, there was a big race to try and lay as much cable as different companies could across the state. The Public Utilities Commission had been giving permission to companies to lay cable; however, the extent of that authority was being misinterpreted and in some cases there was cable being laid in places where there was no permission--occasionally on

state land. They were working with the different state agencies to insure that they were aware what was allowed and not allowed under the given permissions. Those agencies were concerned that a lot of cable was being laid along roadways and rights of way. CALTRANS and Park Lands had a lot of concerns so it was a multi agency coordination effort, as well as a CEQA issue.

Commissioner McGoldrick asked Hope Schmeltzer about her experience in financing programs and stated that her resume indicates that she worked with the Governor's Clean Energy Green Team and that she has experience with financing programs for renewable power sources.

Hope Schmeltzer stated that as the Director of the Governor's Clean Energy Green Team, they worked with companies that were looking to start new alternative energy sources helping them through local permitting procedures by making sure that they understood the procedures and that local governments understood what these types of energy sources were. In addition, they took a look at what is being done nationwide to fund or provide financing to alternative energy sources. They looked at programs in as many states as they could find and looked at local programs as well. They took a look at what was being done in California and made suggestions about what could be done. Some of those things were moved forward in the legislature, such as a new loan financing program through the economic development agencies and other proposals the governor made.

Joseph DeUlloa, candidate was not in attendance.

No Public Comment

Public Comment Closed

Commissioner Ammiano stated that the Commission would be appointing a public member as well as an alternate public member today.

Commissioner McGoldrick nominated Hope Schmeltzer as a regular public member and Diane Fellman as an alternate public member; Commissioner Ammiano seconded. No objection.

Gloria L. Young, Executive Officer swore in the two new appointees and stated they could sit in for the rest of the meeting if they chose to do so.

3. Election of 2001-2002 Officers for the San Francisco Local Agency Formation Commission (SF LAFCo). (Continued from the February 7, 2002 Commission Meeting.) Action Item.

Gloria L. Young, Executive Officer stated that the election would be of a Chair and Vice-Chair.

Commissioner Ammiano nominated Commissioner Gonzalez as Chair;
Commissioner Hall seconded. No objection.

Commissioner Hall nominated Commissioner McGoldrick as Vice-Chair;
Commissioner Ammiano seconded. No objection.

No Public Comment

Public Comment Closed

4. Future Agenda Items

Gloria L. Young, Executive Officer stated that the Commission received five responses to the Request for Qualifications for Energy Consultant. She suggested that she work with the legal counsel to set up a panel to interview the five consultants and to then make a recommendation to the Commission to interview two or three of the finalists. No vote was necessary to proceed.

No discussion was held.

No Public Comment

Public Comment Closed

Chair Gonzalez recommended that Gloria L. Young proceed with her recommendation.

5. Public Comment on Items not on the Agenda

No Public Comment

Public Comment Closed

6. Adjournment

The meeting of the San Francisco Local Agency Formation Commission adjourned at 9:29 a.m.

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MINUTES

**Special Meeting
Friday, February 22, 2002, 9:30 a.m.
City Hall, Board of Supervisors Chambers, Room 250**

Chair: Commissioner Gonzalez
Vice-Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall, and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA

(There will be public comment on each item)

1. Call to Order and Roll Call

The meeting was called to order by Chair Gonzalez at 9:30 a.m.

Members Present: Chair Gonzalez, Vice-Chair McGoldrick, Commissioners Ammiano (noted present at 11:54 a.m.), Schmeltzer, Fellman, and Hall (noted present at 1:15 p.m.)

Members Absent: None

2. San Francisco Local Agency Formation Commission (SFLAFCo) Public Hearing on Public Power.

Chair Gonzalez stated that the San Francisco Local Agency Formation Commission is sponsoring the first of several public information hearings that will investigate the options of providing electricity service to the City and County of San Francisco. The first information hearing will focus on several public power options, and that we look forward to hearing from a number of prominent public power managers in the morning session. There will also be an afternoon session beginning at 1:00 p.m.

with additional speakers. In a few weeks, the San Francisco Local Agency Formation Commission will sponsor another public information hearing which will focus on options of continuing to receive electric service from PG&E and we hope to have appropriate speakers from both Pacific Gas and Electric Company and the Public Utilities Commission to share with us information regarding this option. A date for that hearing will be scheduled in the near future, and there may be additional informational hearings as the need arises to gather more information on any particular subject.

The LAFCo was established in August of 2000 as a result of an initiative petition to create a Municipal Utility District or MUD for the City and County of San Francisco and the City of Brisbane. California law necessitated that the City and County of San Francisco form a LAFCo to review the proposed formation of a district. In addition, the Cortese-Knox-Hertzberg Act authorized the LAFCo to perform studies and to obtain and furnish information that would contribute to the logical and reasonable development of local agencies for specific purposes. Most of you are aware that there was a recent election in San Francisco for the creation of a MUD. The result of the election revealed that there is public support in San Francisco for the consideration of public power.

Following the November election, the San Francisco LAFCo discussed whether there was a continuing need for this LAFCo Commission. After some discussion, the Commission unanimously concluded that there was indeed a public need and strong public support for the thoughtful investigation of public power options for San Francisco. LAFCo therefore decided to continue its work. The Commission felt it was the best vehicle for embarking upon a deliberate and open process of gathering information. By LAFCo establishing a broad information base on this complicated subject, San Francisco would be in a position to make a knowledgeable decision on whether to pursue the matter of public power either as a Municipal Utility District, a Municipal Utility, or in some other form or hybrid. These public discussions may very well lead to another ballot proposition in the future. The purpose of these workshops is to provide an opportunity to gather as much information as is reasonably possible to assist the members of the public and the Commission in our future thinking about how we move forward. The City and County of San Francisco and LAFCo will hopefully be able to assess the information we receive, explore the various options we have, and hopefully make the best decision for San Francisco.

Gloria L. Young, Executive Officer introduced each of the panelists and Donald Maynor, SF LAFCo's legal counsel who facilitated the session and has extensive experience in the area of municipal utilities.

Donald Maynor, Esquire presented an overview of the public power hearing and discussed informal rules for conducting the hearing. Members of the public with questions were invited to fill out a questionnaire form that would be presented to the panelists during public comment at the end of the afternoon session.

Morning Panel 9:30 – 12:00 p.m.

Laura Doll, Chief Executive Officer, State of California Consumer Power and Conservation Financing Authority discussed the purpose and functions of the State of California Consumer Power and Conservation Financing Authority. The “Clean Growth: Clean Energy for California’s Economic Future, Energy Resource Investment Plan” was distributed and is available at the Clerk of the Board’s Office and on their web site at capowerauthority.ca.gov. This plan helps establish what the role of the Power Authority might be and outlines a vision of a “clean energy future” for California.

Linda Davis, Sacramento Municipal Utility District Board of Directors discussed her background and commitment to public power. A discussion was held about positive aspects of a publicly-owned power system versus an investor-owned utility in Sacramento.

Tom Habashi, Director of the City of Roseville Electric introduced Roseville Electric who has been in the electric utility business since 1911 and discussed the differences between a publicly-owned and investor-owned utility, trends in and vision for California, reasons to municipalize, and what’s next for San Francisco. A PowerPoint presentation was made, a copy of which is available at the Clerk of the Board’s Office.

Mary Tucker, Supervising Environmental Services Specialist, City of San Jose is responsible for coordinating a large number of the energy activities in San Jose and described their role in energy-related activities. PG&E supplies the bulk of San Jose’s energy needs as they are not a Municipal Utility District. They have kept informed of the feasibility of establishing a Municipal Utility District or other entity, but at this time are not undertaking any formal feasibility studies or have direction to start in that path.

Chair Gonzalez, Vice-Chair McGoldrick, Commissioners Schmeltzer and Fellman engaged in a question and answer session with each of the panelists.

The Chair and Executive Officer thanked the speakers for participating.

The morning session adjourned at 12:05 p.m.

Afternoon Panel – 1:00 – 3:00 P.M.

The afternoon panel convened at 1:15 p.m.

Members Present: Chair Gonzalez; Vice-Chair McGoldrick (was noted present at 1:49 p.m.); Commissioners Ammiano, Hall, and Fellman

Member Absent: Commissioner Schmeltzer

Gloria L. Young, Executive Officer introduced the afternoon panel and described their background in energy-related issues.

Ed Smeloff, Assistant General Manager for Power Policy, Planning and Resource Development, San Francisco Public Utilities Commission discussed the advantages, future opportunities, and importance of increasing San Francisco's local control of the electric system.

Don Dame, Assistant General Manager of Power Management for the Northern California Power Agency (NCPA) discussed the formation and functions of the Northern California Power Agency headquartered in Roseville, CA. A PowerPoint presentation was made, a copy of which is available at the Clerk of the Board's Office.

Ed Adjayan, former Public Utilities General Manager, City of Anaheim and currently a strategic consultant on energy issues to several governmental agencies and businesses discussed the issues surrounding public power and spoke of deregulation, different options, risks, problems, differences between investor-owned and municipal power systems, building and financing of power plants, and community involvement.

The Commissioners engaged in a question and answer session with each of the panelists.

3. Public Comment

The panelists answered questionnaires presented to them by public speakers and a public comment session was held.

4. Adjournment

Gloria L. Young, Executive Officer thanked the panelists for participating.

The meeting of the San Francisco Local Agency Formation Commission adjourned at 3:31 p.m.

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MINUTES

**Special Meeting
Friday, March 1, 2002, 2:00 p.m.
City Hall, Room 263**

Chair: Commissioner Gonzalez
Vice Chair: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall, and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA

(There will be public comment on each item)

1. Call to Order and Roll Call

The meeting was called to order by Chair Gonzalez at 2:10 p.m.

Members Present: Chair Gonzalez, Commissioners Ammiano, Hall, Schmeltzer, and Fellman

Member Absent: Vice Chair McGoldrick

2. Approval of Minutes of the Commission Meeting of February 7, 2002. Action Item.

Commissioner Ammiano moved to approve the minutes; Commissioner Hall seconded.

Commissioner Fellman stated that on the second page, sixth line of the Minutes, "Energy Energy Inc." should read as "NRG Energy Inc." and "Dynergy" should read as "Dynergy."

Minutes approved as amended. No objection.

Public Comment

No Public Comment

3. Discussion of the San Francisco Local Agency Formation Commission (SF LAFCo) Budget prior to hearings, including use of outside legal counsel and scheduling public hearings for the adoption of the Fiscal Year 2002-2003 Budget.

Gloria L. Young, Executive Officer stated that Commissioner Hall requested discussion of this agenda item. The staff report indicates that there is currently \$364,444 on reserve. Unless directed by the Commission to formally advertise and hold a public hearing for the purpose of reviewing the budget, the remaining amount of the money in reserve and the \$97,000 that we currently have on the books will be what is available to SF LAFCo for Fiscal Year 2002-2003. Expenses include (1) annual dues to the California Local Agency Formation Commission (CALAFCo) in the amount of \$2,070; and (2) a consideration of release of reserves for contracting with the energy consultants. In addition, we have enough funds in the \$97,000 to carry the committee clerk and legal counsel to the end of this fiscal year. We have used some of the services of the Clerk of the Board's staff to support the LAFCo function. As an example, IT staff was used at the February 22 public meeting. There is a line item for services provided by other departments; however, those funds are part of the funds that are on reserve.

Commissioner Hall stated that the \$364,000 plus \$97,000 is \$461,000. He asked for the period of time that the \$364,000 in reserve had been accumulating.

Gloria L. Young stated that the \$364,000 had been accumulating since the SF LAFCo was established in 2000 when it started with a budget of \$754,000. The Board put \$450,000 of that amount in reserve and released about \$254,000, which is the ongoing budget that we've used. The Finance Committee then recommended release of \$100,000 in order to pay outside legal counsel.

Commissioner Hall asked how often the funds are replenished.

Gloria L. Young stated that the first budget process hearing for the LAFCo budget was put in place in 2000, as required by the Cortese-Knox-Hertzberg bill. However, the Controller's Office had set the budget up in the beginning as a project fund, which meant that it would be expended until there were no other funds left. The Board of Supervisors, as a part of the budget process last year, did not increase the LAFCo budget so we have been existing with a budget that has been in place for the past two years.

Commissioner Hall stated that if LAFCo were to continue, it would be up before the Board again and asked how the amount would be determined.

Gloria L. Young stated that the LAFCo Commission would be required to hold a public hearing under its laws in order to review and increase the budget. Legal counsel can talk about the laws regarding a baseline budget. The process required two public hearings prior to forwarding the request to the Board of Supervisors.

Commissioner Hall asked what was spent the last fiscal year on attorney fees.

Gloria L. Young stated that \$154,000 was spent in the last fiscal year for the City Attorney's Office. In the fall of last year, the City Attorney's Office chose to not continue to represent LAFCo, and we were required to seek legal counsel. She hired three firms, Don Maynor, Fred Yanney, and Nancy Miller. The two attorneys who have been supporting LAFCo for the most part have been Don Maynor and Nancy Miller. At this point, we have paid out approximately \$52,000 for both firms for approximately six months. We have tried to keep the costs down by having the attorneys attend meetings only when they are necessary to be here. She has used Nancy Miller when there are areas that relate to LAFCo law and Don Maynor when there are areas that relate to public power.

Commissioner Hall asked if having the attorneys on call works out cheaper than the City Attorney's Office.

Gloria L. Young stated that so far it has. Future costs would depend on LAFCo's direction and how much activity LAFCo enters into.

Commissioner Hall stated that the goal is to be as efficient with our resources as possible. Since the other Commissioners have been on the LAFCo longer, they might have a better idea on how to accomplish that.

Commissioner Ammiano stated that the Commission started the public hearings under the current counsel, and that it would make sense to keep the continuity for the remainder of at least two more public hearings. He asked the Executive Officer to supply the Commissioners with a comparison. The decision on who to retain for legal counsel should not be based only on financial comparisons.

Commissioner Hall asked for a comparison of hourly costs charged by the city attorney versus outside counsel.

Commissioner Ammiano indicated that another consideration should be whether the City Attorney's Office would be interested in representing LAFCo again.

Gloria L. Young stated that she could provide the Commission with city attorney costs from last year, which is a cost per attorney per hour. The cost is significantly less than outside attorneys; however, there were a number of attorneys that were used. The total amount of \$154,000 is what was paid to the City Attorney's Office, and they are not sure that was full accounting for their costs.

Commissioner Hall asked if there is anything that would preclude the Commission from contracting with the City Attorney's Office or different attorneys that may be a specialist in a certain field or if the Commission were to change its scope and go in a different direction. He agreed that the present attorneys should continue throughout this set of hearings.

Gloria L. Young stated that a contract provision would allow us to terminate the contract with legal counsel. She stated that we have enough funds to last through the end of this fiscal year. If we were to contract out differently after this fiscal year, we wouldn't have the funds if we request or use the reserve for energy consultants, etc. She would also defer to Nancy Miller about the budget process. It is her understanding that LAFCo has a window of time to adjust its budget and to make recommendations. She believes that period has to end by the end of June.

Chair Gonzalez concurs with the need for continuity. He shares Commissioner Ammiano's thoughts that the inquiry of what attorney we hang on to should not be solely a financial question.

Commissioner Hall stated that he just wants the flexibility of the specialty that each attorney brings.

Chair Gonzalez stated that there would be a couple of issues that would impact the ability to compare costs. One is the number and length of meetings. In all likelihood, our legal fees should be higher this year than last year if we continue to engage in these long public hearings. The second point is that the Board of Supervisors has a number of different members who have different perspectives on how to pursue public power. All of those members of the Board are relying on the various attorneys in the City Attorney's Office Energy Team to work on individual items. He thinks the LAFCo may have an advantage if it continues with counsel that is not associated with those individual requests. If it gets to a threshold that the cost is too high or we are not getting the appropriate expertise, then a change would be recommended.

Commissioner Hall stated that his inquiry is not related to the quality of service provided to LAFCo by legal counsel. He is new to the Commission and just wants to know where the money is going for attorney expenses and knowing what his options are. He has seen that the perspective that this legal counsel has brought is quite a bit different than the City Attorney's Office, and he can appreciate that it is certainly worth the money that is being paid.

Chair Gonzalez asked if changing the budget requires a public hearing.

Gloria L. Young stated that the requirements under the Cortese-Knox-Hertzberg bill requires a 21-day notice to the public for both the first and second budget hearings.

Public Comment

No Public Comment

4. Future Agenda Items

Chair Gonzalez asked Donald Maynor, Esquire, if he knew when the next public hearings might take place.

Donald Maynor, Esquire stated that he put together a summary of the February 22, 2002 hearing entitled "Highlights of Public Power Public Hearing (February 22, 2002)." Copies were distributed to the Commission. Three energy-related options were discussed at the hearing 1) energy-related activities for non-municipal utilities; 2) aggregation; and 3) Municipal Utility or Municipal Utility District. The LAFCo was primarily looking at the municipal utility district option. One of the issues that came out of the public power hearing are the options for a city that does not want to become a municipal utility district. You heard from the City of San Jose. San Diego is another city that is quite active in areas of energy programs that encourage economic development and conservation. The Commission may have an interest in scheduling future public hearings that discuss issues outside of the LAFCo context and in hearing from other cities or more state agencies as to what kind of programs are available.

Chair Gonzalez stated that various options were clearly expressed at the public hearing, but he would be interested in more specifics on certain issues. If we do have a power authority as opposed to a municipal utility district, what does it look like, how many members is it comprised of, can their decisions be vetoed by the City Council, do they have revenue bond capacity, does that have to be approved, can the Mayor veto, etc. He would be particularly interested in specific instances in which the process worked and didn't work. With the measures that went to the ballot, there was a lot of discussion about the bond capacity, the makeup, and if the members should be elected from the districts at large.

Donald Maynor, Esquire stated that his summary includes possible issues for future informational hearings. One of the issues noted are the steps necessary for San Francisco to form a municipal utility/municipal utility district that include implementation issues. We could bring people in for further discussions at a future hearing. The second item was the aggregation issue. Ed Smeloff pointed out that San Francisco has unusual problems with transmission constraints, and it was discussed that generation is owned by one owner. A.B. 117, which was provided to the Commission, is a pending bill that deals with aggregation. Since direct access may not work, this concept now has renewed interest and may be a viable alternative to direct access for cities like San Francisco to consider. If San Francisco wanted to pursue aggregation, it would not have to form a municipal utility or utility district. The City, outside LAFCo, might want to get actively involved in monitoring and making sure that this bill will work. If you want to include that in the LAFCo process, that is something to talk about as well.

Commissioner Ammiano stated that before the new Board was seated, he was the one who introduced the aggregation issue, and they were finally successful in getting Assemblywoman Migden to sponsor it.

Commissioner Hall stated that when they put through that Resolution encouraging the Board to establish a public power decision, it was based on aggregation. He feels it is one good alternative that could be looked at to help create public power services.

Donald Maynor, Esquire stated that Ed Smeloff spoke at the February 22 meeting about the practical implications about having a utility in San Francisco, including transmission limitations. This is important if the City were an aggregator. The Commission might want to gather more information about transmission limitations and some of the other issues Mr. Smeloff raised so it would be better informed as to what needs to be done to the bill (if anything), what the opportunity is, and how it would work for San Francisco. He had a conversation with PG&E's lawyer who gave a positive response about appearing at the next public power hearing. He asked how PG&E feels about aggregation, and the PG&E lawyer stated that by and large, PG&E would support it with some reservations about some language.

Commissioner Hall stated that he would like to get the attorney from PG&E here and ask them definite questions as to how they see aggregation working in concert or in conflict with them. He has definite ideas and had tried to express them in their elongated debates on public power. They received a unanimous vote to look at a public power division, especially aggregation.

Donald Maynor, Esquire stated that was the purpose of the next hearing. PG&E stated they were reluctant to appear because they felt it would be an abusive process for them. He sent the PG&E attorney a list of issues that LAFCo would focus on. The attorney was comfortable with the list of issues.

Commissioner Fellman asked what group from PG&E would be speaking to the Commission at the informational hearing. Are we getting San Francisco representatives or someone from the corporate or policy level as well? She thinks we should have both levels because the decisions are going to be made at both levels.

Donald Maynor, Esquire stated that he spoke with Jack Fallin, who is the senior lawyer assigned to this issue. He is seeking PG&E people to bring in to the meeting who are knowledgeable on these various issues. Mr. Maynor is not sure whether you are going to get the policy or technical people here for the meeting. He thinks the issues are going to decide who would be brought in.

Commissioner Schmeltzer asked if PG&E expects that the informational hearing would be limited to these issues.

Donald Maynor, Esquire stated that the Commission could add questions to the list. The intent was to give PG&E a sense of where the Commission is going. One of the issues that he wanted PG&E to comment on is the bankruptcy proceeding. The lawyer expressed concern because they are in litigation in the bankruptcy proceeding. There may be some areas that PG&E may want to put a limitation on, but they are willing to address a number of these issues. If there are additional issues you would like PG&E to address, you can give them to Ms. Young, she will give them to him, and he will forward them to PG&E.

Chair Gonzalez stated that he feels PG&E would want to participate, particularly if they are of the opinion that they are providing a service, and that they think that any effort at municipalizing in San Francisco isn't going to benefit the rate payer or government.

Donald Maynor, Esquire stated that PG&E's earlier complaint was regarding fairness. Now, we have put together a process that insures fairness and that invites them in. For them not to accept the opportunity would not look good for PG&E. He expects a positive response from PG&E.

Chair Gonzalez stated that in addition to the commissioners, legal counsel, and the executive officer being present, we might want to consider re-inviting Mr. Smeloff to join us and re-inviting anyone who participated in the original hearings who might be helpful to us. He suspects there is going to be a lot of information that is going to be given out by PG&E and at that time they put out the information, that we understand the parameters of what they are saying as it will be widely watched.

Donald Maynor, Esquire stated that if PG&E senses that they are going to be subject to cross examination, they would be less inclined to share much. In this type of hearing, he would like to get the information flowing. The Commission and its consultants will have opportunities later to look at the information that comes out of PG&E and be able to analyze them to see if there are problems. You can always ask for additional responses back from PG&E in areas where there are exaggerations or incorrect statements.

Commissioner Hall stated that he thinks the Commission is being advised correctly. He sensed last year that PG&E's frustration was that they were not given an opportunity to fully express what they could bring to the issue. That is the way he would like to see them brought in, rather than have people who might cross-examine them and close off that process. He would not want to create an atmosphere where they would withhold information because there is a lot that they can give us in the Commission's attempt to evaluate whether public power and in what form will work in San Francisco. Ideally, everybody would come together and play a part. He does not know whether they will go in that direction until he hears from them and see what they can offer in answering some specific questions. Are they in the generation business, are they not, where are they? How does it help our

situation here? He would encourage a situation where they can talk freely and on friendly terms.

Donald Maynor, Esquire stated there may not be answers for some of these questions. We know there is a lot going on in the industry right now at the PUC and the state level. It is very easy to say "I don't know" as the answer. He would rather have PG&E in a more comfortable frame of mind where they are volunteering information as opposed to the feeling that they have to be defensive.

Commissioner Fellman stated that she had not been involved in the Supervisor's discussion and feels that it is important to bring PG&E in on an information-gathering basis. She asked whether it would be useful to have the informational hearing after the consultants are selected in order for them to get the input into the informational hearings. She feels the list of questions is a good start, but we want to make sure we are getting the right information out to the public in these informational hearings. She feels it would be helpful to focus on the kinds of questions we are asking so PG&E and PUC feels comfortable answering the questions, plus it would feed into the consultant's evaluation process.

Donald Maynor, Esquire stated that we were talking about having a morning and afternoon session, one session with PG&E and the other with PUC in order to get some perspective from the regulatory body on these issues. Two and a half hours is not a lot of time for PG&E to talk about any of these issues. If you get into too much detail, one of those issues can take up two and a half hours. It may be that you want to get as much information as possible to cover the range of issues. That is why when you asked him how many hearings, he said at least two more. You could have follow-up meetings and then have meetings on focused issues. If transmission, for example, is a concern, you can bring in an ISO representative, PG&E, and somebody from the state for answers.

Commissioner Hall agreed and stated that the important thing is to see what they have to offer, and that we could call for specific hearings later to bring in the people we want. The important thing is how they can help us understand this complicated issue and then follow-up.

Commissioner Gonzalez stated that if we get the consultant in the future to look at the issue here in San Francisco, they would be able to look at any transcript and see the hearings themselves and hear what the testimony was.

Donald Maynor, Esquire stated that some of the panelists from the February 22 public hearing were not paid to be there.

Gloria L. Young stated that we were fortunate to have the panelists that were willing to be here. In some cases, the panelists paid their own hotel and airfare costs. If we want to invite anyone back, we would have to pay the incremental costs for airfare and hotel.

Donald Maynor, Esquire asked the Commissioners to look at those possible issues such as aggregation and generation options for future possible hearings. In discussing problems with transmission and market power, you may be interested in distributed generation in San Francisco. It is very easy to get people who are knowledgeable in those areas to come in and talk about it. Resource planning and energy forecasting is something you would do as an aggregator. If you get more interested in what that really entails, we can bring people in to talk about that. Financing was an issue of interest and we have some people available to talk about those issues. One of the issues that was mentioned is the implementation and practical considerations. The Commission may have other areas they want to add on.

Mr. Maynor stated that March 22 is a tentative date for the next public hearing and is waiting for PG&E to confirm. PG&E did not want to be in the same room at the same time as the PUC, so he decided to split it up in morning and afternoon sessions. It might be useful to have the regulator of PG&E, who is concerned about ratepayer costs, and PG&E for one hearing. An invitation has not yet been extended to PUC yet. He asked if the Commission would like to have both PG&E and PUC attend one hearing.

Commissioner Schmeltzer stated she was not available on March 22.

Donald Maynor, Esquire stated that April 12 would be the next possible date.

Gloria L. Young stated that when the Committee Clerk polled the Commissioners, there was a quorum for March 22. There are other dates such as March 29, April 12, and April 26 for the Commission to respond to. It is up to you as to the date you would like to have the hearings and then we could let the speakers know.

Commissioner Ammiano stated he could not attend on March 29.

Gloria L. Young stated that we are having video tapes made of the public hearing that each Commissioner and Board of Supervisors member will be receiving. If any of the Commission members are not present, they would be able to review their tape of the meeting.

Chair Gonzalez asked if we were aware that Commissioner Schmeltzer could not attend on March 22, but since we otherwise had a quorum, March 22 was being considered.

Gloria L. Young stated that was correct.

Chair Gonzalez asked whether the Commission wanted to wait that long to hold a public hearing. He would like to continue having the public hearings and agreed that there are times that the Commissioners may or may not be present because of

their various schedules. He is inclined to not wait an entire month before holding the next public hearing.

Commissioner Ammiano asked about March 15.

Gloria L. Young stated that she and legal counsel would be interviewing the energy consultants on March 15, but that the interviews could be rescheduled.

Commissioner Ammiano stated that process should not be interrupted.

Chair Gonzalez stated that he is okay with three weeks between hearings, but that four or five weeks is too much. If PG&E could not attend on March 22, we should take advantage of that date to take up other questions such as aggregation or financing. Although we have a schedule for three public hearings, in all likelihood we are headed for something like five public hearings.

Donald Maynor, Esquire stated that the Commission may want to have a public hearing at the end to have people come in and comment.

Chair Gonzalez stated that the public hearing dates should accommodate the public member schedules as they are more versed on the subject than the Supervisor members.

Commissioner Schmeltzer stated that she was not available on March 22, but may be there for part of the afternoon.

Donald Maynor, Esquire asked if it is okay to schedule the hearing for March 22.

Chair Gonzalez stated it was okay for March 22, but to keep the public member schedules in mind for the future. On the occasion when PG&E comes in, we should make sure that Commissioner Hall should be present as he has been the most vocal in wanting to see them express their position.

Donald Maynor, Esquire stated that we had a good response from the consultants in doing the studies. Some of them have good expertise in particular areas. Some of them are already under contract with the City. One consultant has been paid money to learn about San Francisco's transmission issues. He discussed the possibility of contracting with several consultants so that there is more than one resource in particular areas of specialty.

Commissioner Fellman asked how the LAFCo process would be coordinated with the San Francisco PUC efforts. She understands the SF PUC is doing their own Energy Plan. There seems to have been confusion on the ballot in November with the two processes. She is interested in seeing a statement of how efforts would be coordinated in order to eliminate confusion.

Commissioner Ammiano stated that the Energy Plan is something that was requested by Supervisor Maxwell which is that every department develop an Energy Plan. That is a little different than PG&E power. There are illuminations and what is going to happen in November. His office will meet with Mr. Smeloff on the implementation of the solar bonds and the correct way of procuring those. He would be happy along with Mr. Smeloff to give the Commission a status report possibly in a month or two.

Chair Gonzalez stated that he does not feel it is necessary for the Commission to direct Mr. Maynor on issues for future hearings, and that he is accurate in identifying issues that the Commission would want to get more information on.

Donald Maynor, Esquire stated that the Commission is not limited to the public hearing process to gather information. Also, future hearings would progress from general to more specific information.

Public Comment

No Public Comment

5. Public Comment on Items not on the Agenda

No Public Comment

6. Adjournment

The meeting of the San Francisco Local Agency Formation Commission adjourned at 3:14 p.m.