

Date May 29, 2009 Item No. 6

LOCAL AGENCY FORMATION COMMISSION
AGENDA PACKET CONTENTS LIST*

- Memo from the Interim Executive Officer** _____
- Proposal from Local Power, Inc.** _____
- Resolution regarding Grant Proposal to the California** _____
Energy Commission _____
- CleanPowerSF Program Timeline, Project Status – 5-29-09** _____
- _____
- _____
- _____
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- _____
- _____

Exceeds 20 pages; see file to review
Available for review at City Hall, Room 244

Completed by: Linda Wong Date: May 27, 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: May 29, 2009

SUBJECT: Item 6: Authorize Submission of a Grant Proposal on Behalf of the Commission to the California Energy Commission on Technology Innovations for Buildings and Communities. (Discussion and Action Item)

Background: In February 2009, the Interim Executive Officer prepared and submitted a grant proposal to the California Energy Commission ("CEC"), requesting funding through its Public Interest Energy Research ("PIER") Program. In late April 2009, the CEC issued its Notice of Proposed Awards on the grant. SF LAFCo's proposal was not one of those selected for funding. The CEC awarded 13 grants out of 54 applications.

One of the proposals funded was one prepared by Local Power, Inc., (LPI) on behalf of San Luis Obispo.

New Grant Proposal: The CEC has another grant proposal due on June 12, 2009. The grant is for a PIER program titled Technology Innovations for Buildings and Communities. Grants are available from \$750,000 up to \$2,000,000. The goal of the research is to decrease building energy use through research that will develop or improve energy efficient technologies, strategies, tools, design guides, and building performance evaluation methods. The Interim Executive Officer believes we have a chance to be funded if we submit a grant proposal as one of Clean Power SF's goals is to improve the energy efficiency of buildings within the City and County of San Francisco.

The upcoming grant proposal requires a commitment to match funds awarded by the CEC for this project. Consequently, the Interim Executive Officer recommends that the Commission approve a resolution committing itself to match any funding awarded by the CEC up to an overall total of \$2,000,000. (The SF LAFCO matching portion would not exceed \$1,000,000.)

Additionally, based on LPI's demonstrated success with CEC grant proposals, the Interim Executive Officer is recommending that the Commission authorize LPI to prepare a grant proposal on behalf of the Commission for the next funding cycle as discussed above. LPI has agreed to prepare the grant proposal in an amount not-to-exceed \$ 30,000.00. Attached hereto, at page 2, is LPI's proposal on preparing the grant application.

If the grant were awarded SF LAFCo would recoup its \$30,000. SFPUC will not be seeking grant funds.

RECOMMENDATION:

The Interim Executive Officer recommends that the Commission approve the attached Resolution (1) committing itself to match CEC funding for this proposal not to exceed \$1,000,000 dollars and (2) authorizing the Interim Executive Officer to contract with LPI to prepare a grant proposal on behalf of the Commission for an amount not-to-exceed \$30,000.

Local Power.

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

May 25, 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 as per our recent discussions. 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:

1. Preparation of LAFCO's Application for RESCO Grant funding
2. Regulatory Review – CPUC and Regulations that need to be identified in the RFP
3. Survey of siting and other interface opportunities with City Agencies
4. Assistance with LAFCO's monitoring, advisory and start-up assistance efforts as required under Ordinance 146-07. This will initially include a peer review of Navigant's Risk Assessment and DBOM Contract Term Sheet. This may also involve other monitoring and advisory tasks as assigned by LAFCO on an on-call budget for five months.

The pricing of our proposal is summarized as follows:

Proposed Tasks:	\$237,000
LAFCO Discretionary on-call Budget June-October for Peer Review, Advisory and Monitoring Support tasks:	\$140,000

We note that there is now an extensive federal stimulus package containing a number of provisions that may be of value to the CCA program. While SFLAFCO has not requested proposals for stimulus package resources, the CCA program may benefit significantly from a review of those matters. We welcome the opportunity meet with staff from SFLAFCO to further discuss our proposal to perform these tasks. For any questions, please contact me at (415) 728-8443.

Yours Sincerely,



Paul Fenn, CEO, Local Power, Inc.

Local Power.

Task 1. Prepare RESCO Application on behalf of LAFCO

1. **Schedule: June 12**
Deliverable: Prepared CEC RESCO Application

2. **Price Proposal**

(a) **budget for each task included in your proposal: \$30,000 labor**

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

3. **Personnel – Paul Fenn \$250/hr**
Robert Freehling \$150/hr

4. **Approach**

LPI will prepare an application by SFLAFCO to the California Energy Commission for its Renewable Energy Secure Communities (RESCO) solicitation. LPI will work with LAFCO staff to define an appropriate proposal to seek matching funding, prepare application materials and documentation, and submit materials to the CEC according to its deadline.

Task 2. Regulatory Review

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

2. **Price Proposal**

(a) **budget for each task included in your proposal: 105,000 - \$103,000 labor, \$2,000 direct costs (local travel)**

(b) **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
Bradley Turner \$250/hr
David Erickson \$150/hr

4. **Approach**

State Agency Coordination – Report and Advice on California Public Utilities Commission, ISO, CEC - State Agencies Regulatory Report

Local Power.

From the financial elements of the CCA Program that affect ratepayers through design and construction of the 360MW roll-out, there will be governmental regulations that will 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 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 goal of building at least 360 MW of 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 of the grid reliability impacts of the CCA Program. To date, such an evaluation has not been performed.

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

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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 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.

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, California Solar Initiative program, and other programs relevant to the CCA program.

LPI will prepare analysis and submit a report to LAFCO on its progress, evaluate PG&E tariffs, identify special requests for purposes of planning the rollout, and advise LAFCO on formal actions required of the City and County. LPI will analyze relevant Municipal Codes, and interview city

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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. Energy Efficiency Public Goods Charge (PGC) Funds Administration

In its the last major CCA ordinance in 2007, the Board of Supervisors said "(t)he CCA Program may be able to secure funds for energy efficiency programs that are currently administered by PG&E... (t)he City will aggressively pursue allocation of these existing ratepayer funds to the City's CCA Program" (Ordinance 147-07, p.6, s.10). Two years later has not been done, and SFPUC staff have recently been quoted in the press saying that it is not yet time to petition the CPUC for the funds.

LPI will participate in CPUC discussions to ascertain options and interview City staff on why the direction of Ordinance 147-07 has not been achieved or delayed, and report to LAFCO on its findings, and make recommendations as to what action is required, including any legislation, if appropriate.

LPI will advise LAFCO on options for the Board of Supervisors or SFPUC to file a complaint to the California Public Utilities Commission or otherwise petition to become an administrator of the Public Goods Charge (PGC) funds for Energy Efficiency.

If successful, CCSF may be able to capture hundreds of millions of dollars in existing ratepayer funds to support ambitious energy efficiency components of the CCA program. Every year, San Franciscans pay \$17 million for this program, which could support the 107 Megawatts of electricity efficiency measures required by the CCA Program Definition in Ordinance 147-07 and 86-04. 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.

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LPI will identify options for CCSF to 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 report to LAFCO 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.

Task 3. Siting

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: \$78,000 Labor, \$2,000 for direct expenses; this assignment will involve travel for gathering City Agency site identification and other related information, and for meetings with city agency staff.

(b) not to exceed amount \$80,000

(c) hourly rates by personnel below

3. Personnel

**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
Kuloor Soorya \$325/hr
David Erickson \$150/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

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needed to install the 360 MW. As San Francisco's CCA Program is developed in preparation for contracting with the ESP, 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.

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 conduct a survey 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 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.

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Task 4. Peer Review and Advisory Assistance

Assistance with LAFCO's monitoring, advisory and start-up assistance efforts as required under Ordinance 146-07. This will initially include a peer review of Navigant's Risk Assessment and DBOM Contract Term Sheet. This may also involve other monitoring and advisory tasks as assigned by LAFCO on an on-call basis. We have identified an on-call budget for five months of \$28,000 a month by using an average of LPI rates at one person full-time equivalent for a month.

Initial Task:

Peer Review of Navigant's Risk Assessment and DBOM Contract Term Sheet

1. **Schedule:** Three weeks from receipt of the Navigant deliverables

2. **Price Proposal**

(a) budget for each task included in your proposal: **\$24,000 direct costs**

(b) not to exceed total amount **\$24,000**

(c) hourly rates by personnel below

3. **Personnel –**

- Howard Golub \$495/hr
- Paul Fenn \$250/hr
- Robert Freehling \$150/hr
- Bradley Turner \$250/hr
- David Erickson \$150/hr

4. **Approach:**

LPI will review Navigant's Risk Assessment and DBOM Contract Term Sheet, and provide a detailed analysis based on the requirements of AB 177, Ordinance 86-04 and applicable regulations.

5. **On-Call Budget for Advisory, Monitoring, Oversight and Peer Review Tasks**

As requested by LAFCO in task orders, LPI will provide additional support for LAFCO in its performance of its advisory and monitoring requirements as required under Ordinance 146-07. LPI has identified an on-call budget for five months of \$28,000 a month by using an average of LPI rates at one person full-time equivalent for a month.

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Budget Summary

RESCO Grant Application							\$30,000.00
Navigant Risk Analysis and DBOM Contract Peer review							\$24,000.00
Siting							\$80,000.00
Regulatory							\$105,000.00

Task Subtotal **\$239,000.00**

Oversight and Peer Review On Call Budget	June	July	August	Sept	Oct		
	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000		
Tasks as assigned by LAFCO						On-call budget	\$140,000.00
						Total	\$379,000.00

1 [LAFCO Resolution to Commit Itself to Match, up to \$1,000,000, Any Funds Awarded to
2 LAFCO Pursuant to the Grant Proposal Submitted to the California Energy Commission,
3 Public Interest Energy Research Program, Buildings End-Use Energy Efficiency for
4 Technology Innovations for Buildings and Communities and Authorizing the Interim Executive
5 Officer to Contract and Partner with Local Power, Inc., to Submit the Grant Proposal.]

6 **Resolution of the Local Agency Formation Commission of the City and County of**
7 **San Francisco Committing Itself to Match, up to \$1,000,000, Any Funds Awarded to the**
8 **Local Agency Formation Commission Pursuant to the Grant Proposal Submitted to the**
9 **California Energy Commission, Public Interest Energy Research Program, Buildings**
10 **End-Use Energy Efficiency for Technology Innovations for Buildings and Communities**
11 **and Authorizing the Interim Executive Officer to Contract and Partner with Local**
12 **Power, Inc., to Submit the Grant Proposal.**

13 WHEREAS, under Ordinance 0146-07, the Board of Supervisors has directed SF
14 LAFCO to assist with the startup of the CCA Program and to advise the Board of Supervisors,
15 SFPUC, and other agencies regarding all aspects of development, implementation, operation,
16 and management of the CCA Program, and to apply for and accept grants; and

17 WHEREAS, by adopting Resolution number 2007-01 on September 28, 2007, LAFCO
18 accepted responsibility to provide CCA services, pursuant to Ordinance 0146-07; and

19 WHEREAS, the California Energy Commission issued a Grant Solicitation for CCA
20 Programs; and

21 WHEREAS, the Local Agency Formation Commission of the City and County of San
22 Francisco submitted a grant proposal to the California Energy Commission, Public Interest
23 Energy Research Program, Buildings End-Use Energy Efficiency for Technology Innovations
24 for Buildings and Communities; and

25 WHEREAS, the grant proposal requires a commitment of the applicant for match
funding;

1 THEREFORE BE IT RESOLVED, that the Local Agency Formation Commission of the
2 City and County of San Francisco commits itself to match, up to \$1,000,000, any funds
3 awarded to the Commission pursuant to the grant proposal for Technology Innovations for
4 Buildings and Communities; and, be it

5 FURTHER RESOLVED, that the Local Agency Formation Commission of the City and
6 County of San Francisco authorizes the Interim Executive Officer to contract and partner with
7 Local Power, Inc. to submit a Grant Proposal to the California Energy Commission requesting
8 funds pursuant to the Grant Solicitation requesting proposals to funding by the Public Interest
9 Energy Research Program, Energy Efficiency Research Office, Building End-Use Energy
10 Efficiency.

11 On a motion by _____, seconded by _____, the foregoing
12 Resolution was passed and adopted by the SAN FRANCISCO LOCAL AGENCY
13 FORMATION COMMISSION, State of California, this ____ day of _____, 2009, by the
14 following vote, to wit:

15 AYES:

16 NOES:

17 ABSTAIN:

18 ABSENT:

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21

Ross Mirkarimi, Chairperson
SAN FRANCISCO LOCAL AGENCY
FORMATION COMMISSION

22

ATTEST:

23

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Nancy Miller
Interim Executive Officer

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Supervisor Mirkarimi
Local Agency Formation Commission

San Francisco CleanPowerSF Program Timeline
Key Milestones & Deliverables
 Project Status – May 29, 2009

	Milestone / Deliverable	Target Date	Status
Feb	Technical-Economic Feasibility – Project Start	2/5/09	NTP on 2/3/09
	Begin Development of RFQ and Term Sheet	2/20/09	1 st Draft 3/2/09
Mar	Advance Work for RFQ Advertisement	Week of 3/9/09	Initial Outreach Complete
	Risk Assessment – Project Start	3/10/09	Approved by LAFCo 4/3/09
Apr	CCA Best Practices Report – Project Start (Revised from 3/9/09)	4/10/09	Task Order Signed 4/1/09
	Pre RFQ-Release Workshop Q&A	4/10/09	Completed
	Issue RFQ	4/24/09	Completed on Schedule
	Complete Technical Potential Study	4/27/09	Draft Complete on Schedule
May	Hold Informational Q&A on RFQ	5/15/09 (revised from 5/8/09)	Completed on Schedule
Jun	Market Research – Project Start	6/3/06	Task order complete
	RFQ Responses Due	6/5/09	Pending
	Economic Potential for Viable Resources Complete	6/22/09	On Schedule
Jul	CCA Best Practices Report Complete	7/10/09 (from 6/4/09)	On Schedule
	Cost Model of Levelized Costs for Resource Portfolio Mix Options	7/20/09	Pending completion of Tech & Econ Potential
Aug	Risk Assessment Report Complete (LAFCo Consultant)	8/1/09	On Schedule
	Publish List of Qualified Bidders	8/4/09	Pending RFQ responses
	Market Research – Project Complete	TBD	Pending Notice to Proceed
	Revisions to Implementation Plan with latest info from consultants and RFQ respondents	End-August	Pending input from RFQ and Consultant Reports
	Advise SFPUC & LAFCo Commissioners of RFP Advertisement	8/25/09	Pending RFP process
Sep	Final Term-Sheet for RFP (Navigant)	9/15/09	On Schedule
	Hold Pre RFP-Release Q&A Workshop	TBD	Pending RFP process
Oct	Issue RFP	10/27/09	Pending RFP process
Nov	Hold Informational Q&A on RFP	11/10/09	Pending RFP issuance
Dec	RFP Responses Due	12/29/09	Pending RFP issuance

On Schedule * Pending – On Target * Pending – Schedule Slip Possible * Behind Schedule