

1 [Community Choice Aggregation Implementation Plan]

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3 **Resolution submitting a Community Choice Aggregation (CCA) Implementation Plan.**

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5 WHEREAS, The primary purpose of the San Francisco Local Agency Formation
6 Commission (San Francisco LAFCo or Commission) under the Cortese-Knox-Hertzberg
7 Local Government Reorganization Act of 2000 is to review public service needs,
8 including utility service, and to determine whether new government entities should be
9 created or changes in existing governments should be made to address the needs of its
10 citizens; and
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12 WHEREAS, The Commission adopted by resolution its Energy Services Study
13 and Recommendations for Electric Utility Service, and recommended that the
14 Commission pursue the feasibility of implementing the provisions of AB 117 (Chapter
15 838, Statutes of 2002) by the City and County of San Francisco; and
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17 WHEREAS, The Board of Supervisors subsequently adopted on May 11, 2004
18 an Ordinance 0086-04 establishing a Community Choice Aggregation Program in
19 accordance with Public Utilities Code Sections 218.3, 331.1, 366, 366.2, 381.1, 394 and
20 394.25 to further the implementation of a program to purchase electrical power directly
21 for the citizens of the City and County of San Francisco and to accelerate renewable
22 energy, conservation and energy efficiency programs; and
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1 WHEREAS, The Ordinance 0086-04 required that the San Francisco Public
2 Utilities Commission (SFPUC) and the San Francisco Department of the Environment
3 jointly prepare and submit to the Commission for review and comment an
4 Implementation Plan; and

5 WHEREAS, The Commission received a Draft Implementation Plan from the
6 SFPUC and a separate Draft Implementation Plan from Public Power representatives;
7 and
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9 WHEREAS, The Commission has held public meetings on both plans in April
10 2005 and May 2005 and attempted to resolve differences between the two plans; and

11 WHEREAS, The SFPUC submitted their plan to the Board of Supervisors in May
12 2005 prior to comment by the Commission; and

13 WHEREAS, The Commission reviewed and commented on the Draft
14 Implementation Plan prepared by Public Power on May 13, 2005 attempting to address
15 comments that had been received during the public hearing process; and
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17 WHEREAS, The Commission is concerned that the final Implementation Plan be
18 consistent with the requirements of Ordinance 0086-04 and that the City and County of
19 San Francisco be diligent in pursuing Community Choice Aggregation and therefore the
20 Commission attempted to resolve the differences in the two submitted implementation
21 Plans; and

22 WHEREAS, The San Francisco Local Agency Formation Commission hereby
23 determines that the Implementation Plan submitted and amended by Public Power shall
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1 be transmitted to the Board of Supervisors of the City and County of San Francisco with
2 the following comments and further amendments and; now therefore be it

3 RESOLVED, That the San Francisco Local Agency Formation Commission
4 accepts and transmits to the Board of Supervisors for the City and County of San
5 Francisco the Implementation Plan as submitted and amended by Public Power with the
6 following comments:

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8 1. During the public hearing process, the Commission noted that the Public Power
9 Implementation Plan focuses on wind power at a 360 MW requirement and an RFP
10 (Request for Proposals) that places the burden of service and risk on an Energy
11 Service Provider. Comments received from the public and SFPUC indicated that
12 amendments were necessary to shield the public from financial risk associated with
13 the financing of the wind power facility. The Commission suggested and the Public
14 Power representative agreed to an amendment that allows for a reduction in the
15 megawatt requirement in the event public participation in the CCA is reduced.
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- 17 2. The Implementation Plan did not explicitly address the allocation of excess revenue
18 or savings. As a result of the public comments, the Commission suggested and the
19 Public Power representative agreed to amendments designating that excess
20 revenue and/or savings would be distributed among the Energy Service Provider,
21 customers and the City and County of San Francisco.
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- 23 3. The Implementation Plan was not clear as to the potential for full municipalization
24 (acquisition of the PG&E system) and as a result of public comment and review the
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1 Commission suggested and the Public Power representative agreed to an
2 amendment allowing for transition to full municipalization if warranted.

- 3 4. The Public Power representative submitted and the Commission accepted an
4 amendment to the Implementation Plan to include a form Resolution for use by the
5 Community Choice Aggregation Task Force created by the Board of Supervisors
6 Resolution 757-04 "Creating a Community Choice Aggregation Citizen Advisory
7 Task Force.
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- 9 5. The Public Power representative submitted and the Commission accepted an
10 amendment to include a form Resolution of Reimbursement for Community Choice
11 Aggregation Contract H bonds.
- 12 6. The Implementation Plan contained a Renewable Portfolio Standard (RPS) for
13 qualifying bidders of 51% RPS compliant resources by 2017. The Public Power
14 representative stated that there was an error in the Table showing the RPS
15 Standard and submitted a revised Table. The Commission concurred in
16 substituting a new Table showing the RPS rollout.
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18 RESOLVED, That the San Francisco Local Agency Formation Commission determines
19 that the Community Choice Implementation Plan submitted by the SFPUC raises a number of
20 policy concerns in their response to the elements of Ordinance requesting guidance from the
21 Board of Supervisors prior to preparation of a final Implementation Plan as set forth in the
22 Summary Matrix attached hereto as Exhibit 1 and incorporated herein by this reference.
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1 WHEREAS, The San Francisco Local Agency Formation Commission determines that
2 it is advisable for the Board of Supervisors to express its support for the Community Choice
3 Aggregation Implementation Plan; now therefore, be it

4 RESOLVED That the Board of Supervisors support the recommendations as outlined
5 and submit an Implementation Plan to the California Public Utilities Commission.
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POLICY AND PROGRAM DESIGN RECOMMENDATIONS

1. SCOPE/ORGANIZATIONAL STRUCTURE AND FUNCTIONAL RESPONSIBILITIES.

Chapter 7 and Appendix A of the Draft Implementation Plan provide discussion and description of a variety of options for the staffing and functional responsibilities of the CCA – from a minimal city role whereby the wholesale supplier undertakes the vast majority of tasks required to implement and operate a CCA on behalf of the city – to a substantial city role whereby a host of functions are staffed by city employees and the public face of the CCA is prominently that of CCSF. Staffing options ranged from approximately ten staff to undertake minimum required regulatory, communications, and contract administration functions for a CCA up to a substantial level of about seventy staff to undertake all the public face functions (wherever the CCA will interact with the public) with a particular emphasis on outreach for the marketing/sales/energy efficiency functions.

Chapter 7 and Appendix A of the Draft Plan also described options for the organizational structure of the CCA – from creation of a new city department to placing the CCA function within an existing agency like the SFPUC.

DRAFT SCOPE AND FUNCTION RECOMMENDATIONS

Program Policy

- **Electric service is an essential service.** If CCSF is ready to take on the responsibility for providing this service, it needs to own that responsibility and commit to staff it appropriately, with accountability to its citizenry as the guiding, good government objective.
- **Citizen's deserve the government accountability that City staffing provides.** The CCA is a new city program. A complaint or request for specific services shouldn't be answered by a private contractor who then has to interpret CCSF rules or use whatever criteria it deems appropriate.
- **CCA program is a CCSF commitment to provide retail power services.** The CCA will be competing for customers with other providers and the customer will be making a commitment to take service from the City. The customer deserves to hear from a City employee what the City is committing to in marketing and providing service.
- **CCA program should offer service to all non-municipal customers in the City and County of San Francisco.** California law requires the CCA program to offer all residential customers service; CCA program economics makes it more cost-effective if other classes of customer are also offered service. CCSF already provides service to municipal customers through its SFPUC.

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Program Design

For these reasons, we recommend the following staffing structure.

- **28 city employees to staff the most important public interface functions of the CCA program.** These functions are:
 - call center functions – Appendix A of the Draft Plan identified 13 full time employees in a steady-state and potentially more (which could be temporary hires) during the mass enrollment process;
 - opt-out supervision and oversight – the notification and opt-out process will involve the vast majority of electric customers within the city. Although the supplier should be directly responsible for the day-day operation of the opt-out function it is vital that this major undertaking occur with the real-time supervision/cooperation of city employees – particularly to help coordinate and deal with problems which are likely to occur. Appendix A dealt with the staffing for on-going actual processing of opt-out (which could be up to 6,000 notices/month) and estimated a need for 4 full time employees. These employees could transition, once the oversight of mass enrollment is completed, into conducting the on-going opt-out function. Expenditures for computer hardware/software to support this function will also be necessary;
 - communications out-reach – this should start considerably before the mass notification/opt-out process for CCA program – Chapter 8 of the Draft Implementation Plan identified the need for at least 2 full time staff on the communications effort with potentially more temporary hire staff;
 - regulatory oversight and oversight/negotiation of the RFP process for a supplier – Appendix A identified a total of 8 employees for this function (which included development of the criteria for the RFP and potentially staffing of the CCSF effort to invest in renewable energy projects). If renewable energy investments would not be undertaken in year 1 of the CCA program it is assumed that only 4 full time employees will initially be necessary, working with 1 city attorney full-time for at least the first two years of CCA program implementation.
- **The wholesale supplier to the CCA program undertakes and staffs the remaining functions.** Specifically, mass enrollment/processing of customer opt-out – either directly or by way of PG&E tariff, bill calculation/presentation and accounts receivable tracking, any billing problems/difficulties with PG&E, as well as all the functions related to power supply contracting and schedule coordination.
- **City staff are assumed to undertake/manage any CCA program energy efficiency efforts for reasons described in Chapter 7 of the Draft Plan.** However, initially there is no specific staffing set aside for energy efficiency. The City should continue to pursue

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administration/management of the PGC funds paid by San Francisco electric ratepayers as a source of funding for this effort.

DRAFT ORGANIZATIONAL STRUCTURE RECOMMENDATIONS

Program Policy

- **The City needs to act quickly.** Establishing a new department to manage the new CCA program could take considerable time. Time may increase the cost of the program to CCA program customers. The City wants to pursue establishment of the CCA program with some urgency to mitigate the risk of its citizenry being allocated additional Cost Responsibility Charges by the CPUC.
- **Leverage existing skill sets where possible.** The City has studied the CCA program implementation issues, advocates on behalf of the City at the CPUC proceeding establishing program rules, and has experience procuring power and providing energy efficiency services. These skills are needed for an effective CCA program and should be leveraged in setting the organizational structure of the program.

Program Design

For these reasons, we recommend the following program design:

- **The SFPUC should be tasked, staffed and funded to implement the CCA program.** SFPUC has extensive experience with and knowledge of CPUC requirements for CCA program design, and the developing requirements for certification by the CPUC. SFPUC is the City Department most experienced with power procurement and delivery. SFPUC has extensive experience with implementing energy efficiency and renewable distributed generation services for municipal departments, which is transferable to other large customers.
- **SFE should be tasked, staffed and funded to assist the SFPUC by undertaking the energy efficiency aspect of the CCA program.** SFE staff have current responsibility for providing certain energy efficiency services and residential solar services to CCSF PG&E customers.
- **The City Attorney's Office should be tasked, staffed and funded to provide legal services to the CCA program.**

DRAFT GOVERNANCE AND OVERSIGHT OF THE STAFF FUNCTION RECOMMENDATIONS

Program Policy

- **The City needs to act quickly.** The City Charter governs city department roles and responsibilities, and modifying it now would undermine our need to act quickly.
- **Assigned staff should be directly accountable to the governing and oversight body.** CCSF CCA customers should have an

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accountable governing body to whom they may bring their views on rates, procurement policy, and service quality.

Program Design

- **Overall governance of the CCA program should fall under the current Commissioners for the SFPUC and SFE.** Issues of rate-setting and consumer protection may well require a specifically focused effort to deal with these vital aspects of the CCA plan. This is described below.

2. City Ratesetting Mechanisms and Costs to Participants

Chapter 3 of the Draft Implementation Plan describes in some detail the different contexts in which energy rate setting will be accomplished – the competitive context, the linkage to the CCA resource planning and preferences, the need for a dynamic process, and the issues that surround more complex ratesetting e.g. for customers choosing distributed generation. However the most crucial aspect of ratesetting is the fundamental consumer protection inherent in a public process to establish and change electric rates. Depending upon rate class CCSF will be responsible for about 35% to almost 70% of the total electric bills of San Francisco consumers. At the state level, under current customer/utility relations, customers expect fair treatment, notification of rate changes, bill information, and a public process for rate-setting. The City must also meet this standard. Some timing issues and competitive context issues of city electric ratesetting can and must be incorporated into an agreement with a wholesale supplier. However, there are also public policy reasons to establish some type of governance structure for rate-setting.

The costs to participants under different electric supply scenarios is fully described in Chapter 4 of the Draft Implementation Plan. There are two types of costs to be aware of:

- 1) The direct costs to consumers, both of the commodity electric rate charged by the CCA and the new CPUC-mandated surcharge which will appear on a CCA customer bill, and
- 2) The indirect costs to consumers, that are also a cost to be incorporated into electric rates, for CCA staffing and overhead as well as a number of operational fees charged by PG&E to the CCA e.g. billing fees.

DRAFT RATESETTING RECOMMENDATION

Program Policy

- **The City should meet or beat the level of due process in ratesetting currently provided under the PG&E/CPUC structure.** San Franciscans should not see a diminution in ratesetting

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accountability and oversight responsiveness when taking electric power service under our CCA program.

- **CCA program staff and governance body should work from a common information base.** It is necessary to have an information and coordination linkage between the staff working directly on the CCA program and any formal governance of ratesetting.
- **The City needs to act quickly.** Potential CCA customers need to be clearly informed of the likely terms/conditions of service as required by state law. Quick establishment of the ratesetting governance is necessary to allow timely dissemination of information to customers.
- **The City has ready models for ratesetting governance upon which it should build.**

Program Design

- **Establish an “Electricity Rate Fairness Board.”** The Board, modeled after the SFPUC Rate Fairness Board responsible for water and sewer rates, would report directly to the SFPUC and be comprised of City staff and citizens appointed by the Mayor and the Board of Supervisors.

[Alternatives – modify the scope of the existing Rate Fairness Board to incorporate electric rates? – appoint a subset of SFE and SFPUC commissioners to act a combined body responsible for ratesetting?]

3. *Benefits of the Program to SF Customers*

Both the executive summary and Chapter 4 of the Draft Implementation Plan set forth the benefits, costs, risks and opportunities available to the City if it chooses to implement a CCA.

DRAFT RECOMMENDATIONS ON PROGRAM BENEFITS

Program Policy

- **CCSF should pursue CCA if it is reasonable to expect that CCSF can achieve the program goals articulated in Ordinance 86-04 – clean, reasonably priced, and reliable electric service.** Electric service is an essential service. Our interest in establishing a CCA program is to achieve these outcomes for our residents.
- **CCSF should identify “off ramps” for program development in the event it becomes unreasonable to expect we can achieve our goals.** The CPUC continues to develop program rules while we are pursuing development of the Implementation Plan, most notably the Cost Responsibility Surcharge all customers will have to pay in addition to any power costs the CCSF CCA passes on to its customers. The response to our RFP is uncertain. Customer response

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is also uncertain. Outcomes in these three areas greatly impact the cost-effectiveness of establishing CCA service.

Program Design

- **SFPUC will evaluate the CPUC rules as they are announced and report significantly negative impacts on program design.** CPUC will reset the Cost Responsibility Surcharge; is presently considering the costs PG&E will be allowed to charge CCAs for related services, like customer billin; and will establish the level of commitment a City must demonstrate for the utility to no longer procure for City customers. Decisions on topics like these impact program cost and allocate risk between PG&E and CCSF, which may in turn effect our ability to achieve our goals.
- **SFPUC will report on responses to the RFP for CCA service and identify any significantly negative impacts on program design and achievement of our goals.**
- **SFPUC will report on the extent and make up of customer opt-out.** Substantial opt-out by larger CCSF electricity customers presents a substantial risk to the economic success of the CCA.

4. Programs ability to meet or exceed the Renewable Portfolio Standards Required of PG&E by the CPUC

Chapters 4, 9, and 10 of the Draft Implementation Plan include sections that address different aspects of CCA Renewable Portfolio Standard (RPS) issues. Chapter 4 presents financial analysis of different pathways for developing renewable generation resources for the CCA portfolio, Chapter 9 examines the CPUC's regulatory proceeding for implementing the rules and procedures for CCA participation in the State RPS program, and Chapter 10 examines the implications of the city-wide Electricity Resource Plan for CCA resource planning and RPS compliance. Taken as a whole, these chapters provide the City with important information about the opportunities and constraints regarding meeting and/or exceeding PG&E's RPS.

SB 1078 established the current legal requirements for PG&E's RPS obligations. By law, PG&E is required to have 20% of its electric sales generated by sources defined as "renewable" by 2017. In 2003, the CPUC accelerated the RPS target from 20% in 2017 to 20% in 2010. Several bills in the Legislature currently propose making this accelerated target the law. In its RPS Procurement Plan, PG&E reports that in 2005 13% of its portfolio resources are renewable. PG&E also forecasts that it will meet the accelerated RPS target of 20% by 2010 with 23% of its resources being renewable by 2014. It is important to note here that, all things being equal, the establishment of a CCA in San Francisco and the departure of a significant portion of San Francisco's electrical load to the CCA will increase PG&E's renewable supply percentage and accelerate its achievement of the RPS target.

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In order to meet and/or exceed PG&E's RPS *requirements*, the Departments examined in Chapter 4 several pathways to achieve 20% RPS by 2010 and 40% RPS by 2017. The main lesson learned from the analysis is that City-financed wind resources could be incorporated into the CCA's portfolio at a scale that would help the CCA eclipse PG&E's RPS percentage in a cost-effective manner.

DRAFT RENEWABLE GENERATION RECOMMENDATIONS

Program Policy

- **The CCSF CCA program should achieve the Electric Resource Plan target goals for increasing renewable generation, on a percentage of customer load basis, over time.** Reliance on renewable generation is consistent with San Francisco's community values and reduces the City's contribution to greenhouse gas emissions.
- **The pace for reaching the renewable target should be set in a manner that does not increase customer rates.** While increasing our reliance on renewable generation is an important policy objective, we must continue to maintain affordability of this essential service for our citizens.
- **The CCA program should include investment in large-scale, cost-effective renewable generation.** Direct investment in renewable generation increases the City's energy independence.

Program Design

- **Initially, expect wholesale power provider to procure baseload power from third parties, which will likely be a mix of renewable and fossil generation.** Many wholesale power suppliers own and operate their own renewable generation facilities. Below in Section 9 we discuss suppliers providing information regarding their renewable generation supply capability including the deliverability of those resources into San Francisco.
- **Retain discretion for how to meet or exceed PG&E's RPS requirements in an Implementation Plan.** The CPUC has not yet determined the extent of its jurisdiction over CCAs regarding the RPS law. The City should express its intentions to increase its reliance on renewable generation, and the options it plans to utilize to fulfill those intentions, but it should retain as many options as possible for meeting this objective in the Implementation Plan filing itself. This will facilitate pacing renewable commitments to avoid rate increases.
- **Encourage distributed renewable generation.** The City should plan on offering a CCA net-metering tariff to encourage its customers to invest in renewable self-generation. However, the issue of how

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renewable distributed generation (DG) counts toward meeting the legal requirements of the RPS statute is still being determined by the CPUC. The CPUC is now considering a decision that states that renewable DG cannot be counted for purposes of the RPS until issues relating to subsidies and the measurement of electrical output from such facilities are resolved. Meanwhile, the City should continue to support expansion of public incentives for distributed solar PV and other renewable technologies.

- **Use municipal bond financing authority to invest in large-scale wind or other cost-effective renewable generation.** Chapter 4 showed this approach to be cost-effective; Chapter 5 describes the steps necessary to be in a position to exercise the authority.

5. Programs ability to meet or exceed consumer protection standards required by PG&E of the CPUC.

Chapter 7 of the Draft Implementation Plan discusses the likely issues that will arise regarding CCA consumer protection. It is of course inherent in the local government process that the consumer protection response should be more accessible, and potentially operate in a more timely way than at the state government level.

DRAFT CONSUMER PROTECTION RECOMMENDATION

Program Policy

- **The City should meet or beat the level of customer protection currently provided under the PG&E/CPUC structure.** San Franciscans should not see a diminution in consumer protection when taking electric power service under our CCA program.
- **The City should include a low income ratepayer assistance program in its CCA program.** Low income customers of PG&E are provided some measure of affordability under a State-mandated rate program. CCSF should develop a comparable program.

Program Design

- **The CCA program staff must be pro-active regarding the likely sources of consumer complaints.** Careful crafting and execution of opt-out processing, billing, and any individual CCA-customer contracts will be necessary and will reduce consumer complaints. However given 350,000 potential CCA customers it is likely that consumer complaints will arise.
- **CCA call center staff will be on the front lines of consumer complaint resolution.** Call center staff training should incorporate consumer complaint issues. Consumer complaints not adequately addressed by call center staff should be referred to the Rate Fairness

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Board [or the chosen structure] [Ask Marge how SFPUC handles water and sewer complaints.]

- **CCA program staff, working with the ratesetting authority, will craft a rate structure for low income customers comparable to the State-mandated program.**

6. How the Program will provide information about any third parties that will be supplying electricity or providing other services under the program, including information about financial, technical, and operational capabilities.

Chapter 6 provides a great deal of information on the various contracting options available to a CCA as well as guidance regarding maximization of RFP response.

DRAFT PROVIDER INFORMATION RECOMMENDATION

Program Policy

- **CCA supplier selection should conform to city contracting policy.** The CCA program represents a substantial business opportunity for an electric service provider. It is appropriate that this new program and the contracting opportunities it provides undergo the rigorous public process applied to other contracting efforts of its magnitude.
- **The CCA program should strive for transparency in the contracting process and bid results disclosure.** The governing bodies – SFPUC, SFE, SFPUC Citizen’s Advisory Committee, and CCA Task Force – should be informed to ensure citizen confidence in the process and in the resulting rate setting process.
- **The RFP should be structured in a manner that will provide needed information about the winning bidder, upon selection.** Once the winning bidder is selected, information about that bidder should be made available.

Program Design

- **As envisioned in Ordinance 86-04, SFPUC and SFE will prepare an RFP.** The RFP will incorporate the direction for program policy and design endorsed by the Mayor and Board of Supervisors.
- **Upon selection, information about the winning bidder will be disseminated.** Potential CCA customers will receive information about the selected provider of services as part of the communications associated with program start-up, and on an on-going basis in response to customer inquiries.

7. Information about Program Termination

CCSF will expend considerable political and financial resources to become a CCA and will likely enter into a multi-year contract for service provision worth millions of dollars. Similarly, CCA customers will make a commitment and may incur costs associated with “switching” between CCA service and PG&E service. Termination of the CCA program would involve complex and costly unwinding of these commitments.

Chapter 6 of the Draft Implementation Plan has provided the Board and the public with information regarding the regulatory and contractual process involved in program termination and events that may precipitate such termination.

DRAFT PROGRAM TERMINATION RECOMMENDATION

Program Policy

- **Program termination can be costly, should be understood upfront, and the consequences mitigated through program design.** Termination could be precipitated by non-competitive CCA power prices, a natural disaster, overall market failure, or failure of the service provider. should be evaluated and planned for.

Program Design

- **Incorporate Draft Plan Chapter 6, sections 2.7, 3.14, 3.15, and 3.17 into the CCA Implementation Plan to be certified by the CPUC.** These sections describe the circumstances under which termination could happen, and the credit and financial assurances, and contracting provisions needed to mitigate program termination costs and disruptiveness.

8. What Functions of the Program should be performed by other entities including Electric Service Providers

Chapters 6 and 7 describe in some detail the functions required for implementation and day-to-day operation of a CCA. In Section 1 above we recommend a limited functional but very public role for City staff.

DRAFT PROVIDER FUNCTION RECOMMENDATION

Program Policy

- **The City needs to act in a timely manner. It recognizes the program complexity and technical sophistication that complexity requires, the scale economies achieved, the experience needed, and the risk mitigation that contracting out for certain functions**

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provides. All non-public face CCA functions should be undertaken by other entities.

- **There should be clear lines of responsibility and decision-making regarding both CCA implementation and day-to-day CCA operation.** This argues for a single CCA provider responsible for all CCA functions apart from those identified above as the responsibility of the City staff.
- **The RFP should invite proposals from qualified providers and not limit bidders to the subset of qualified providers termed “Electric Service Providers”.** Other entities could be other municipal utilities or other forms of public power providers.

Program Design

- **The RFP will give preference to a structure that identifies a single, accountable provider for optimum coordination and integration of CCA implementation and operation.** The single CCA supplier could, and likely will, subcontract for a variety of business needs. However the winning CCA provider should be clearly responsible for the performance of any sub-contractors.
- **The RFP will identify the functions that will be performed by City staff and invite all qualified providers to bid.** Qualified providers will detail the functions they will provide and the reporting relationship among prime and subcontractors, and between prime and City staff.

9. *Contract and Bid Requirements (Items I – V)*

Chapter 3 in its analysis of the competitive rate-setting framework, Chapter 4 in its analysis of various CCA program supply portfolio scenarios, Chapter 5 in its evaluation of the use of Prop H Bonds, Chapter 6 in its discussion of the various contracting options available to the city, Chapter 7 in its discussion of organizational options available for CCA, and Chapter 10 in its discussion of the implications of the 2002 City Electricity Resource Plan for CCA Resource Planning, all help to provide insights and guidance in formulating the following preliminary contract and bid requirement recommendations.

DRAFT CONTRACT AND BID REQUIREMENTS RECOMMENDATIONS

Program Policy

- **CCA supplier selection should conform to city contracting policy.** The CCA program represents a substantial business opportunity for an electric service provider. It is appropriate that this new program and the contracting opportunities it provides undergo the rigorous public process applied to other contracting efforts of its magnitude.

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- **The contract duration should be set to both preserve CCSF's full public power option and ensure the provider a degree of contract stability.** CCA program implementation and operation should be instructive to City staff on issues associated with full-scale public power. Contract should not unduly foreclose this option.
- **Keep it simple.** This is a new program that is complex in nature and will provide an essential service to San Franciscans. Contract and bid requirements should not add unduly to this complexity.
- **The CCSF CCA program should achieve the Electric Resource Plan target goals for increasing energy efficiency and renewable generation, on a percentage of customer load basis, over time.** Reliance on energy efficiency investment and renewable generation is consistent with San Francisco's community values and reduces the City's contribution to greenhouse gas emissions.
- **The pace for reaching the renewable target should be set in a manner that does not increase customer rates.** While increasing our reliance on renewable generation is an important policy objective, we must continue to maintain affordability of this essential service for our citizens.

Program Design

- **Set contract duration for 5 years.** This duration balances considerations regarding risk, the City transactional process to sign any new contract, City considerations regarding municipalization, and a degree of contract stability for the wholesale supplier.
- **The RFP will give preference to a structure that identifies a single, accountable provider.** One service provider for all CCA required services will help to integrate CCA rate-setting, meeting renewable portfolio goals, and resource adequacy goals within one portfolio. It will assure that only one provider has to coordinate with PG&E regarding the day-day operation CCA functions. However, as described above, this supplier should be prepared to integrate into its portfolio, and assure that the City receive proper RPS credit, for any separate renewable energy investment that the City should make as discussed in 4 above.
- **Initial bid requirements for renewable energy goals should be a modest 1% minimum for year 1, 3% minimum year 2, with a retargeting for year 3 depending upon progress the City has made in its own renewable energy investments described in section 5 above.** Rates higher than PG&E's to fund renewable generation purchases in the initial program years undermine program stability and success. Investment in renewable generation, as set forth in 4 above, via direct City investment – and not via the bid – achieves the renewable policy goal more cost-effectively. Implementing a renewable generation target to be achieved by the bidder over time, as the State RPS requires, mitigates the “rate shock” associated with

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implementing the policy. As other program costs drop, like the CRS, the percentage of renewable generation in the resource portfolio that is provided via the bid requirements may grow without increasing rates.

- **Energy efficiency, peak-shaving and load management goals set in the Electric Resource Plan should be met by City staff.** To date the energy efficiency goals from the 2002 Electricity Resource Plan have been met from a combination of the efforts of the SFPUC and SFE. For the reasons stated in Chapter 7 this should continue. There is no need for any RFP to prescribe the types of requirements set forth in Section 3 (9)(III) of the ordinance.
- **The RFP should require any supplier to describe how it will meet the RPS goals set forth for year 1 and year 2 of the contract.**
- **The RFP should require any supplier to enumerate the local economic benefits of its response.** The proposal should make it clear how its bid effects the local economy, e.g. establishment of an office in San Francisco, job creation in San Francisco, and any other local economic benefits.

10. How Prop H Bonds may be used to Augment CCA.

Chapter 5 of the Draft Implementation Plan finds that Prop H Bonds cannot be used for private benefit. This precludes, for example, the use of Prop H Bonds for energy efficiency projects on non-municipal facilities where the investment results in the private benefit of lowered electricity or natural gas bills. However the analysis of Chapter 5 does find, subject to the city obtaining the required credit rating for the SFPUC, that the City could potentially issue Prop H Bonds for renewable generation investment for CCA purposes. Furthermore Chapter 4 of the Draft Plan, as discussed above, has found that such public investments, in e.g. wind generation can meet both RPS goals and well as cost-effectiveness goals.

DRAFT PROPOSITION H BOND APPLICATION TO CCA RECOMMENDATION

Program Policy

- **Proposition H authority should be exercised to the fullest extent lawful and consistent with the other CCA program policies.** Voters clearly articulated their desire for increased energy efficiency and renewable generation investment through the vehicle of revenue bonds. That vehicle should be utilized in the CCA program to achieve the renewable generation targets and, as feasible, energy efficiency targets.

Program Design

- **SFPUC will pursue the steps necessary to take advantage of the Proposition H authority.** These steps are outlined in Chapter 5 of the

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Draft Plan, and include obtaining a credit rating for the SFPUC Power Enterprise.

- **SFPUC will issue an RFQ to ascertain the renewable energy investment opportunities available to the CCA.**

11. With the Assistance of the City Attorney Continue to Participate in CPUC Proceedings On Adopting Rules for Implementing Community Choice Aggregation and Other Relevant Proceedings

Chapter 9 of the Draft Implementation Plan provides details of the proceedings underway at the CPUC and SFPUC and SFE staff participation in those proceedings. SFPUC staff, with City Attorney support, should continue their advocacy efforts to shape program rules most favorable to CCSF.

12. Collect Electric Load Data As Specified in the Ordinance

Chapter 2 of the Draft Implementation Plan provides considerable detail and analysis of the load and customer data gathered and reviewed to date.

CCAIIP - MAPPING THE TWO PLANS

ORDINANCE 86-04

ELEMENTS

LOCAL POWER

SFPUC

<ul style="list-style-type: none"> • Scope and Organizational Structure 	<ul style="list-style-type: none"> • V. 1.4 - page 67 	<ul style="list-style-type: none"> • Chapter 7 and Appendix A
<ul style="list-style-type: none"> • City ratesetting mechanisms and costs to participants 	<ul style="list-style-type: none"> • V. 2.1 – page 67 	<ul style="list-style-type: none"> • Chapter 3
<ul style="list-style-type: none"> • Benefits of the program to SF customers 	<ul style="list-style-type: none"> • II. 5.1 – page 28 	<ul style="list-style-type: none"> • Chapter 4
<ul style="list-style-type: none"> • Program's ability to meet or exceed the renewable portfolio standard required by PG&E 	<ul style="list-style-type: none"> • II. 5.1 – page 28 	<ul style="list-style-type: none"> • Chapter 4, 9, and 10
<ul style="list-style-type: none"> • Program's ability to met or exceed consumer protection standards required by PG&E by the CPUC 	<ul style="list-style-type: none"> • V. 2.2, page 70 	<ul style="list-style-type: none"> • Chapter 7
<ul style="list-style-type: none"> • Program will provide information about third parties that will be supplying electricity or other services 	<ul style="list-style-type: none"> • V. 2.2, page 70 	<ul style="list-style-type: none"> • Chapter 6
<ul style="list-style-type: none"> • Info about the termination of the program 	<ul style="list-style-type: none"> • V. 5.0 – page 102 	<ul style="list-style-type: none"> • Chapter 6
<ul style="list-style-type: none"> • What functions of the program should be performed by other entities including Electric Service Providers (ESP) 	<ul style="list-style-type: none"> • V. 2.6 page 91 	<ul style="list-style-type: none"> • Chapter 6 and 7
<ul style="list-style-type: none"> • Contract and bid requirements – specifics in the ordinance 	<ul style="list-style-type: none"> • III.1.1 – page 46/IV. 3-1, page 52 	<ul style="list-style-type: none"> • Chapter 3,m 4, 6, 7 and 10
<ul style="list-style-type: none"> • Determine how Prop H Bonds may be used to augment CCA 	<ul style="list-style-type: none"> • III.1.1 – page 46/IV. 3-1, page 52 	<ul style="list-style-type: none"> • Chapter 5
<ul style="list-style-type: none"> • With assistance of City Attorney, continue to participate in CPUC proceedings on adopting rules of implementing CCA 	<ul style="list-style-type: none"> • Chapter 9 	<ul style="list-style-type: none"> • Chapter 9
<ul style="list-style-type: none"> • Collect electric load data – specifics in the ordinance 	<ul style="list-style-type: none"> • Chapter 2/Appendix B 	<ul style="list-style-type: none"> • Chapter 2/Appendix B
<ul style="list-style-type: none"> • Preparation of Draft RFP 	<ul style="list-style-type: none"> • II. – 4.3 – [age 21/V. 2.6 page 91 	<ul style="list-style-type: none"> • Chapter 2/Appendix B