

ITEM NO. 3

SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION

RESOLUTION NO. _____

**RESOLUTION ADOPTING ENERGY SERVICES STUDY
AND RECOMMENDATIONS FOR
ELECTRIC UTILITY SERVICE**

WHEREAS, the primary purpose of the San Francisco Local Agency Formation Commission (San Francisco LAFCo or Commission) under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 is to review public service needs, including utility service, and to determine whether new government entities should be created or changes in existing governments should be made to address the needs of its citizens;

WHEREAS, the Commission determined that public hearings should be held to gather information from energy experts regarding the current electric utility service needs of the City and County of San Francisco and the various options that may be available to increase service reliability, efficiency and cost effectiveness;

WHEREAS, the Commission conducted a series of public hearings from February 2002 until April 2002 in which representatives from the following public entities and private organizations provided presentations:

- San Francisco Public Utilities Commission (SFPUC)
- State of California Consumer Power and Conservation Authority (California Power Authority)
- California Public Utilities Commission (CPUC)
- Pacific Gas and Electric Company (PG&E)
- Sacramento Municipal Utility District (SMUD)
- The Cities of Anaheim, Palo Alto, Roseville, San Jose, and Pasadena, California, and Austin, Texas
- Onsite Energy Group (specializing in cogeneration development and operation)
- The Utilities Reform Network (T.U.R.N.)
- Northern California Power Agency;

WHEREAS, the Commission collected the results of the public information process and commissioned an Energy Services Study by energy consultants R.W. Beck, Inc., Henwood Energy Services, Inc., and Flynn Resource Consultants, Inc. for the purpose of exploring various electric service alternatives for the City and County of San Francisco, and in particular, to discuss how each alternative might address the following three key issues that affect electric service in the City:

- High energy prices,
- Reliability (shortages and outages), and
- Local versus statewide control to address energy issues and services;

WHEREAS, the First Draft of the Energy Services Study (First Draft) was prepared and considered at a noticed public hearing on June 17, 2002 and written comments on the First Draft were received;

WHEREAS, the Final Energy Services Study was prepared and considered at a noticed public hearing on August 15, 2002;

WHEREAS, reliable, reasonably priced electric service is vital to the City's economic health and public welfare;

WHEREAS, the Commission finds that San Francisco is uniquely at risk with regard to the cost and reliability of its power supply due to:

- Limited transmission into the Bay Area and San Francisco;
- Old, inefficient, unreliable generation with insufficient capacity to provide self-sufficiency; and
- A changing electric industry regulatory structure that:
 - has resulted in, and will continue to allow, wholesale electric price volatility, and
 - will likely change retail pricing to more closely track wholesale costs and to penalize the City and County of San Francisco for the combination of insufficient generation and transmission congestion; and

WHEREAS, the Energy Services Study concludes that there is a clear need to provide for more resources and/or conservation within the City and County of San Francisco to ensure the importation of power supplies over transmission lines.

WHEREAS, The Energy Services Study identified three alternative models of governing the energy future for the City and County of San Francisco. Those models included:

- The SFPUC as an aggregator of retail electricity loads and an Energy Service Provider (ESP) based on the SFPUC/SFDOE Electricity Resources Plan published in March 2002, the proposed charter amendments to restructure the SFPUC, submitted on June 17, 2002, proposed in AB 117 in the 2001-2002 session of the California Legislature and the conceptual model for SFPUC contained in the Energy Services Study, or
- A separate municipal electric utility created by the Board of Supervisors with an elected governing body or a governing body appointed by the Mayor or Board of Supervisors; or
- A separate municipal utility district created with voter approval provided certain state law changes are made or an appropriate additional public entity is identified.

NOW, THEREFORE, THE SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION RESOLVES AS FOLLOWS:

The San Francisco Local Agency Formation Commission hereby adopts the Energy Services Study.

The San Francisco Local Agency Formation Commission hereby recommends the following strategic plan for power supply, transmission, and distribution to the City and County of San Francisco:

1. Development and adoption of a conceptual model of governance for the energy future of the City and County of San Francisco by:
 - a. The SFPUC as an aggregator of retail electricity loads and an Energy Service Provider (ESP) based on the SFPUC/SFDOE Electricity Resources Plan published in March 2002, the proposed charter amendments to restructure the SFPUC, submitted on June 17, 2002, the enactment of AB 117 to permit community aggregation, and the conceptual model for SFPUC contained in the Energy Services Study; or
 - b. A separate municipal electric utility created by the Board of Supervisors with an elected governing body or a governing body appointed by the Mayor or Board of Supervisors.

2. Development of an integrated Long-Term Resources Plan, including financial and competition plans for support.
3. Confirmation or modification of the preferred energy supplier role for SFPUC, including a risk assessment and an evaluation of benefits provided to customers, as compared to costs and services that are likely to be available from competing service providers;
4. Assuming confirmation of an energy supply role for SFPUC, monitor and support legislative and regulatory activities that provide for Direct Access and Community Aggregation (e.g. AB 117);
5. Development of a Risk Management Plan for the selected energy service model and development of an Implementation Plan;
6. Consideration of SFPUC's acquisition of PG&E's distribution system in accordance with the Energy Services Study.
7. Development of a Financing Plan to fund the costs of the Energy Services Study recommendations.

On a motion by Commissioner _____, seconded by Commissioner _____, the foregoing Resolution was passed and adopted by the SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION, State of California, this _____ day of _____, 2002, by the following vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

_____, Chair
SAN FRANCISCO LOCAL AGENCY FORMATION COMMISSION

ATTEST:

Commission Clerk