

San Francisco
Local Agency
Formation Commission

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. 415.554.4441
Fax. 415.554.5163

TO: SF LAFCo Commissioners
Legal Counsel

FROM: Gloria Young, Executive Officer

DATE: October 28, 2002

SUBJECT: Direction to the Executive Officer to pursue entering into a contract with R. W. Beck to study the follow-up recommendations listed in the Resolution adopting the Energy Services

As a follow up to the Commission's adoption of the Resolution regarding the Energy Services Study, and its discussions about its Future Work Plan, I met with Kenneth Mellor and Mike Bell from R. W. Beck, and Nancy Miller, our legal counsel, on October 28, 2002, to discuss follow up. Attached is a letter from R. W. Beck reflecting the outcome of that meeting. It includes an outline of the course of action with respect to pursuing further strategic planning studies, sets timelines, and provides more detail.

The SF LAFCO will need to provide directions to the Executive Officer regarding entering into a contract with R. W. Beck to study the follow-up recommendations.

If you have any questions, please feel free to contact me at 554-7747.

Attachment



integrated into, a comprehensive supply/demand model for use in projecting financial results for different San Francisco utility scenarios.

Assuming that the data and resources of the SFPUC are available to R. W. Beck, our estimate of the cost of producing a Long-Term Resource Plan to support the financial pro forma is \$50,000.

- R. W. Beck Personnel Assigned: Ken Mellor, Mike Bell, Steve Rupp, and Sebnem Tezsezen

- Timeline: 60 days from Notice to Proceed

3. Confirmation or modification of the preferred energy supplier role for the 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.

Given the recent passage of AB 117, we would envision an analysis of the potential for consumer savings under a community choice aggregation scenario, as opposed to acquiring PG&E's distribution system. R. W. Beck has assumed that it would work closely with SFPUC staff to ensure that there is no duplication of work effort already performed by the SFPUC.

The estimated cost of this study is \$75,000.

- R. W. Beck Personnel Assigned: Ken Mellor, Mike Bell, Glen Justis, John Wengler, Scott Martin, and Sebnem Tezsezen

- Timeline: 75 days from Notice to Proceed

4. Monitor and support legislation and regulatory activities.

As mentioned above, for reasons of independence, R. W. Beck does not support legislative activities.

5. Development of a Risk Management Plan for the selected energy service model and development of an Implementation Plan.

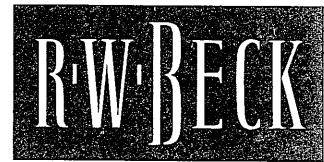
R. W. Beck has been notified by the SFPUC that it has been selected to assist the SFPUC in developing risk management policies and procedures for its Hetch Hetchy Water and Power Division. Completion of this work will definitely be useful in determining a larger plan for risk management assuming a different energy service model. We estimate the cost of refining the Risk Management Plan to be \$50,000.

- R. W. Beck Personnel Assigned: Ken Mellor, Mike Bell, Glen Justis, John Wengler, and Scott Martin

- Timeline: This work schedule will be dependent on work performed for the SFPUC. The current schedule for that project is 90 days, not counting project implementation.

6. Consideration of the SFPUC's acquisition of PG&E's distribution system in accordance with the Energy Services Study. Initiation of this task may be dependent on Task 3.

An independent review of the costs/benefits of various energy supplier roles will be critical to objectively determine the future role of the City/County in the provision of energy services. No firm has better experience at evaluating the risks and benefits, quantifying them, and explaining



conclusions than R. W. Beck. It is anticipated that a budget of \$150,000 will be sufficient to complete recommendations.

- R. W. Beck Personnel Assigned: Ken Mellor, Mike Bell, Nancy Hughes, Glen Justis, Scott Martin, and Sebnem Tezsezen
- Timeline: 90 days from Notice to Proceed

7. Development of a Financing Plan to fund the costs of the Energy Services Study recommendations.

This particular aspect of planning is closely aligned with Recommendations 3 and 6. In order to estimate the costs of energy service scenarios, reasonable assumptions regarding financing need to be established. Therefore, most of the framework for Recommendation 7 will be established during the course of work on Recommendations 3 and 6.

We would envision this task as a simple refinement of the plan used in our economic analysis of alternatives, and framing the ultimate Financing Plan for use with potential investors and underwriters, rating agencies, and bond insurers. R. W. Beck has an excellent reputation with each of these based on the complete and thorough work that we perform in this area. Our estimate of cost for this item is \$20,000.

- R. W. Beck Personnel Assigned: Ken Mellor, Mike Bell, and Sebnem Tezsezen
- Timeline: 45 days from conclusion of either Recommendation 3 or 6

As we have identified under several of the recommendations, many of these tasks are interrelated. It may be possible to utilize work performed in one area to reduce cost in another. Given what we know today, this represents our best estimate of the cost of providing for these services. We would not proceed with any task until receiving instructions from San Francisco LAFCo, allowing the Commission to control costs and schedule. The San Francisco LAFCo may wish to select from the following menu of tasks, depending on the outcome of the election:

1. Conceptual Model of Governance.....	\$25,000
2. Long-Term Resource Plan	\$50,000
3. Preferred Energy Service Provider Role	\$75,000
4. N/A	
5. Risk Management Plan	\$50,000
6. Acquisition of PG&E.....	\$150,000
7. Financing Plan.....	\$20,000

During our discussion on October 28, we discussed the potential value of a projection of PG&E rates to serve as a benchmark for evaluating energy service scenarios. This is a very large effort and not included in the scope for the above tasks. We are seeking participants to spread the costs of such a study and will keep you informed as to our progress.

Ms. Gloria L. Young
October 30, 2002
Page 4



Thank you for the opportunity to provide you with our expression of interest and cost estimate. If you have any questions, please do not hesitate to call me at 916-614-8265.

Sincerely,

R. W. BECK, INC.

Michael A. Bell /jm
Michael A. Bell
Principal

c: Ken Mellor
Nancy Miller (via e-mail)