



Services of the San Francisco Public Utilities Commission



Local Build-Out Technical Review Committee

San Francisco Public Utilities Commission Review of
Local Power Inc. Draft Financial Deliverable

November 30, 2012

Comparison of Program Characteristics

Item	CleanPowerSF (Phase 1 as approved by Bos)	LPI Proposed Program
Size	20-30 MW	Unknown
Renewable Energy Mix	100% at Launch	20% at Launch; 51% by 2018
Rates	Premium Rate (PG&E Gen. Rate: \$0.0723, CPSF Gen. Rate: \$0.1457; 101.5% increase)	4% in 2014; 3% in 2015; 2% in 2016-17
Bill Comparison	Up to 28.9% Premium (as % of PG&E Electric & Gas Bill)	28% Premium in 2013
Rates Stability	Multi-year fixed power costs to support fixed rates	Unknown
Customer Base	Primarily residential (opt-in service offered to commercial customers)	Primarily commercial (via mandatory commercial opt-out enrollment)
Enrollment	60-90K residential accounts	Entire City, commercial <i>and</i> residential
Avg. Monthly Electric Bill Premium	\$11.54 (Tier 1 residential customer)	<i>No sample bill impacts provided</i>
Performance Risk	None (until local build-out commences)	<i>Unknown (likely High)</i>
Financial Risk	\$13.5M appropriated by City for launch	\$1.5 billion debt issued 2012-17 to finance infrastructure; unknown cost of power
Services Offered	Generation Services	Generation, Natural Gas, and Steam Services

SFPUC Review of Local Power Inc. Draft Financial Deliverable

LOCAL POWER INC. FINANCIAL DELIVERABLE	SFPUC QUESTIONS AND CONCERNS
<p>Renewable energy mix short of 51%; LPI believes 51% Renewable Portfolio Standard (RPS) will be achieved by 2017 if all technologies are factored into portfolio model. L1 Expected RPS: Jan 2013: 100% (provided by Shell) CY 2014: 33% CY 2015: 32% CY 2016: 31% CY 2017-22: 51%</p>	<p>The SFPUC's CleanPowerSF program achieves 100% California-eligible RPS at program launch in October 2013 and sustains this level for 4.5 years.</p>
<p>Mandatory enrollment with opt-out necessary for commercial customer enrollment (approximately 66% of consumption by commercial and industrial classes beginning in 2014).</p>	<p>Program structured for residential mandatory opt-outs; commercial customers may enroll if residential opt-outs are high.</p>
<p>17-18% of generation to come from Behind-the-Meter (BTM) infrastructure, owned and installed by the City, beginning in 2014 on private commercial property (629,096 MWh/year in 2017). L2 Numerous BTM Combined Heat and Power (CHP) constrained to 60MW (including one district facility, 15 MW) in financial deliverable, but capacity will be increased in final model. L3</p>	<p>Aggressive timeline for CEQA approvals and for entering into contracts with unspecified number of property owners for BTM installations.</p> <p>“Shared savings” agreements with customers, but financial deliverable assumes 100% of the savings accrue to CPSF and 0% to customers – not realistic and not competitive with alternative providers.</p>
<p>Draft Site Assessment Plan – expected to be delivered January 2013 – to provide detail on the locations, quantities and sizes of installations.</p>	<p>Commercial feasibility concerns:</p> <ul style="list-style-type: none"> • Why would profit-maximizing property owners share cost savings across entire CPSF customer base rather than retain all savings for themselves? • Why aren't property owners already making these cost-saving investments? • Where is the nexus with CCA?

^{L1} Local Power Inc. October 11, 2012 memo, page 2.

^{L2} See table on slide 6.

^{L3} LPI memo, page 3.

SFPUC Review of Local Power Inc. Draft Financial Deliverable (continued)

LOCAL POWER INC. FINANCIAL DELIVERABLE	SFPUC QUESTIONS AND CONCERNS
<p>Between \$1.1 and \$1.4 billion debt issued by 2022 to finance infrastructure, majority of which installed on commercial/ industrial property. Majority of this debt is tax-exempt.</p> <p>Additional \$100 million debt issued to finance CCSF energy efficiency prior to 2014 to make Hetch Hetchy power available to be sold to CPSF.</p> <p>Of the above amounts, up to \$205 million¹⁴ available by January 2013.</p>	<p>Bonds will likely require unsecured asset liens for installations on/in non-City-properties.</p> <p>Installations on privately-owned property trigger private activity limit of \$15 million for tax-exempt issuance or higher rate for taxable issuance, if assets owned by or solely benefiting, a private property owner. Effect of this limit not applied by LPI in financial assumptions.</p>
<p>Assumes that excess Hetch Hetchy power currently sold through Western System Power Pool (WSP) would be sold to CleanPowerSF.</p> <p>Assumes historic price for Hetchy power adjusted for inflation.</p>	<p>Hetchy power availability appears unrealistically optimistic.</p> <p>The market price of excess Hetch Hetchy power fluctuates based on conditions and prices offered by other sellers. When we have excess, most other hydro producers do too. This market reality not incorporated by LPI.</p> <p>Scenarios appear to assume SFPUC Power Enterprise provides power to CPSF at below-market prices.</p>

¹⁴ Reflects (a) \$100 million in debt to finance CCSF energy efficiency improvements prior to 2014 to make Hetch Hetchy power available to be sold to CPSF and (b) up to \$105 million presented in financial deliverable for 2013.

SFPUC Review of Local Power Inc. Draft Financial Deliverable (continued)

LOCAL POWER INC. FINANCIAL DELIVERABLE	SFPUC QUESTIONS AND CONCERNS
<p>Bill parity with PG&E assumes that CPSF also becomes the gas and steam energy provider to CPSF customers.</p>	<p>New business lines/utility services add risk to program; CPSF is only contemplated to be the City's community choice aggregator of electric energy; no City policy on providing these new utility services (and no collateral, surety or reserves assumed in the LPI financial deliverable).</p>
<p>Market purchases comprise balance of generation portfolio (2,789,601 MWh/year in 2017).^[5]</p>	<p>Energy purchased on spot market, no collateral or surety assumed (additional collateral/credit would be needed to support any longer-term hedges to mitigate market price exposure).</p> <p>Spot-market energy purchases jeopardize cost certainty and customer rate stability that Shell contract provides.</p>

^[5] LPI memo, page 3. See table on slide 6.

SFPUC Review of Local Power Inc. Draft Financial Deliverable (continued)

LPI Customer Count and Consumption in MWh, 2017

	Customer Count	Baseline Consumption	BTM (DG & DSM)	Consumption (MWh net of BTM)
Residential	236,577	968,173	33,636	934,537
Small_Commercial	22,914	465,948	59,769	406,178
Medium_Commercial	2,376	451,788	162,573	289,215
Large_Commercial	988	686,461	265,642	420,819
Industrial	79	844,034	107,475	736,559
Agricultural	17	1,593	-	1,593
Street_Lights	131	473	-	473
Traffic_Lights	102	227	-	227
Subtotals				
Residential	236,577	968,173	33,636	934,537
Non-Residential	26,607	2,450,524	595,460	1,855,064
GRAND TOTAL	263,184	3,418,697	629,096	2,789,601

Source: Local Power Inc. draft financial model deliverable, October 25, 2012.

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