

Date: April 25, 2008

Item No. 3

**LOCAL AGENCY FORMATION COMMISSION**  
**AGENDA PACKET CONTENTS LIST\***

<input type="checkbox"/>	<u><b>Memo from the Interim Executive Officer regarding timeline</b></u>
	<u><b>of tasks that will be performed by Consultant(s)</b></u>
<input type="checkbox"/>	<u><b>Excerpt from the CCA Implementation Plan</b></u>
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Completed by: Linda Wong

Date: 4/23/08

**\*This list reflects the explanatory documents provided**

# **San Francisco Local Agency Formation Commission**

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TO: LAFCO Commissioners

FROM: Nancy C. Miller, Interim Executive Officer

DATE: April 25, 2008

SUBJECT: Item 3: Consideration of the Timeline of Tasks that will be Performed by Consultant(s) related to CCA Program and Outreach Efforts (Discussion and Action)

On April 4, 2008, LAFCo selected Michael Bell Management Consulting, Inc. (MBMC), to begin performing Tasks 2 and 3, as set forth in Ordinance 0146-08, section (1)(b). A contract for these services was entered into between LAFCo and MBMC, effective April 7, 2008.

As set forth in Tasks 2 and 3, MBMC shall review the RFI/C, RFP, and responses/proposals received, and recommend potential modifications to the CCA Implementation Plan. A draft report on MBMC's findings and recommendations shall be submitted to LAFCo on May 23, 2008. Staff recommends that the Commission schedule its May meeting for Friday, May 30, 2008, to allow the Commission an opportunity to hear the draft report. MBMC shall submit a final report to LAFCo on June 9, 2008.

Following the submission of MBMC's final report, the following Timeline of Tasks will be performed, as set forth in the Draft Implementation Plan. However, to the extent that MBMC recommends modifications to the Implementation Plan, the following timeline and tasks may change.

## Timeline and Tasks

- Revise the Draft Implementation Plan based on the modifications recommended in MBMC's final report, and submit the revised plan to the Board of Supervisors for approval.
- Submit the revised Draft Implementation Plan to the California Public Utilities Commission (CPUC).

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- Within 90 days of receiving the Draft Implementation Plan, the CPUC shall certify that it has received the Implementation Plan and request any additional information necessary to determine a cost recovery mechanism.
- Prepare a CCA Program Basis Report concurrent with CPUC review of the Draft Implementation Plan. This report may take between 60 to 180 days to develop. The SFPUC shall provide a written task approach, document outline, completion schedule, and proposed budget for the Program Basis Report.

The Program Basis Report will provide an overall view of the program and will form the basis for drafting the Request for Proposals (RFP) to solicit potential CCA suppliers, including: (1) The results of analysis and decisions that must be completed before the RFP can be drafted; (2) Analysis of potential impacts to the successful implementation of the CCA Program; (3) Risk Analysis; (4) Review CCA programs in other states; (5) Hydro Options analysis; (6) Low Income Ratepayer Assistance Program; (7) Overall Financing Plan and Detailed Project Cost Estimate; (8) PG&E and City Database Integration; (9) PG&E Interface Plan; (10) Customer Service Center Analysis; (11) Customer Service Center Design; (12) Communications, Marketing, and Outreach Plan; (13) 360 MW Portfolio; (14) PG&E Technical Interface Design; (15) Property Acquisition/Siting/Permitting Analysis; (16) Identification of Applicable Regulations and needed Support for CPUC Process; and (17) Rate Setting Advisory Board development.

Additional detail regarding the Program Basis Report is included in the attached excerpt from the Draft Implementation Plan.

- If the SFPUC fails to submit a draft Program Basis Report to LAFCo, or LAFCo does not accept the approach proposed by the SFPUC, LAFCo shall recommend the acceptance of a LAFCo drafted Program Basis Report.
- A draft CCA Request for Qualifications (RFQ) to solicit potential CCA suppliers shall be developed within 60 days from the completion of the Program Basis Report.
- A draft CCA Request for Proposals (RFP) to solicit potential CCA suppliers shall be developed within 90 days from the completion of the Program Basis Report.
- Within 15 days of receipt of the draft RFP publication, the Budget and Finance Committee shall evaluate a draft RFQ and RFP, and shall approve or request further work on the draft RFQ and RFP.

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- At its next regularly scheduled meeting, the Board of Supervisors shall hold a hearing and amend or approve the RFQ and RFP for publication.
- The RFP shall be published in all major Bay Area Newspapers, and also in any state, national, and international energy industry trade publications.
- Proposals in response to the RFP shall be submitted 90 days after publication of the RFP.
- The Board of Supervisors adopts an ordinance to award a contract to the chosen CCA supplier.
- The CPUC shall establish terms and rates for all transaction-based costs of notices, billing, metering, collections, customer communications, or other services to be recovered from the CCA. The CPUC shall also determine the investor owned utility meter costs.
- Register with the CPUC.

### Consulting Services

In developing the Program Basis Report and the completing the remaining steps required to develop the CCA Program, SFPUC and/or SF LAFCo may hire consultants to provide services at such times as those services are required, as contemplated by Ordinance 146-07. Such services include providing advice and analysis regarding the following aspects of the CCA Program:

- Compliance with applicable requirements established by the Public Utilities Code, decisions of the CPUC, and the Charter and Municipal Codes, as well as other applicable laws.
- Applying for and accepting grants, fees and other allocations from federal, state, and local agencies and private entities that may be available for the advancement or benefit of the CCA Program.
- Acquiring any real property or property rights necessary or convenient for the development, implementation, operation and management of the CCA Program.
- Issuing H Bonds or approving other debt necessary to fund elements of the CCA Program.

- Adopting policies and procedures to govern the development, implementation, operation and management of the CCA program, including the following:
  - Measures necessary to protect the confidential data of each customer;
  - Procedures for handling and responding to customer complaints;
  - Financial management protocols;
  - Budgetary requirements;
  - Procedures for reporting to the Board of Supervisors on a regular basis; and
  - Collection of electrical load data, including, but not limited to data detailing electricity needs and patterns of usage, as determined by the CPUC.
- Negotiating and contracting with energy suppliers and other entities for services necessary to develop, implement, operate, and manage the CCA Program as described in the Implementation Plan.
- Recommending for or against acceptance of an RFP respondent's proposed rates for the CCA Program.
- Entering into cooperative or joint development agreements with other public or private entities for any purpose necessary or convenient for the development, implementation, operation, and management of the CCA Program.
- Presenting and promoting the CCA Program to the public, the media, and governmental and regulatory entities.
- Reviewing the finances or performance of any aspect of the CCA program undertaken by the SFPUC and reporting the results of any such review to the Board of Supervisors with recommendations as to policy, staffing or budgetary changes.

#### 5.3.2.4. New CCA Customers

All new retail electric service accounts in San Francisco (with the exception of new municipal accounts) will automatically be enrolled in the CCA program. However the CPUC requires that all new accounts receive an opportunity to opt-out of the CCA program. At this stage of program development it is recommended that the CCA "batch-process" new customer accounts on a quarterly or biannual basis to provide one opt-out notice to these customers.

#### 5.3.2.5 Methods for Entering and Terminating Customer Agreements

This section describes the process by which customers agree to take service from the CCA, and the process by which customers may terminate service, except as may be provided in utility tariffs.

Customers who do not choose to opt-out of the CCSF implementation of CCA automatically shall become CCA customers. This shall occur after an ordinance is adopted by the City awarding contract to the City's chosen supplier, with two customer notifications from the City over a 60 day period prior to transfer of customers onto the new service, and two more notifications over 60 days as described in this Implementation Plan:

Opt-out notifications shall present the City's new proposed service in a transparent comparison of terms and conditions of service before and after switching to the City's chosen new service, such that a consumer can easily compare the prices and the intended resource portfolio of the CCA service with the prices and resource portfolio of PG&E. If a customer chooses to opt-out during this period by checking and returning the postage paid detachable opt-out card to the City or to PG&E, under law, there shall be no charge to that customer by any party, PG&E or San Francisco for electing to opt-out. As with PG&E, customers may obviously relocate from San Francisco and leave its service as a result, without any charge for leaving the CCA's purchasing contract with the supplier. After a new resident or business comes to San Francisco, they will be given the opportunity to opt-out after being automatically enrolled in the City's CCA program.

#### 5.3.3 Program Basis Report

The Program Basis Report (PBR) provides an overall view of the program with the express intent of forming the basis for drafting the supplier Request For Proposal (RFP). The PBR will cover all the primary subject areas of the program including basic service, renewable infrastructure and efficiency. Its objective is to define features and design criteria for the detailed technical specifications, for governing body approval, and ultimately for implementation (there are outstanding issues on this point regarding how much background and analytical material must be provided by the City in an RFP versus how much of this effort should be left to the respondents to the RFP). The PBR will answer the key questions about the program such as:

- Which needs will be met by the supplier and which by existing organizations?
- What will customer service look like?
- How will the top technical issues be solved?
- What does the near- and long-term operating organization look like?
- What is the recommended procurement strategy?
- How will program risks be mitigated?
- How will we measure success?

The actual process of developing the PBR also has a purpose. Employing a disciplined and rigorous process to solicit input from stakeholders achieves the first level of stakeholder buy-in.

The LAFCO will complete the Program Basis Report, which will include:

- ESP Roles and Responsibilities
- ESP Procurement Strategy
- 360 MW portfolio definition – technology - siting
  - Wind
  - Solar
  - DG
  - Conservation
  - Efficiency
- Customer Service, Consumer Protection, Credit and Shut-off procedure Requirements
- Provisions for ensuring Universal Access, Reliability and Equitable Treatment of all classes of Ratepayers
- Provisions for Disclosure and Due Process in Rate Setting
- Stakeholder interface Management for Procurement, Implementation and Operations Phases
- PG&E Interface Requirements
- Commercial and Contractual parameters for the ESP Contract
- Detailed Program Cost Estimate for Implementation and Operations Phases
- Communications and Outreach Requirements
- Identification of regulations applicable to the CCA Program
- All 3<sup>rd</sup> party contributions available for the benefit of the program; such as grants, tax benefits and other financial benefits, as well as non-financial resources, such as research assistance

1. A core purpose of completing the Program Basis Report is to gather the results of critical analysis and decisions that must be completed before the RFP can be drafted. As such, the Program Basis Report will comprise the results of various research and data analysis efforts, some of which are described in further detail in items 3, 4, 5, 7, 9, 10, 11, 12, 13, 14, 15 and 16 below.

## 2. Identify and Remove Barriers to Program

An analysis of potential impacts to the successful implementation of the Program will be conducted, and for each, identify required mitigation measures. This analysis will address items such as: ratesetting equity issues, potential impacts of compliance with federal, state or municipal regulation, property/siting issues, safety issues, environmental issues, customer service requirements, and financial management issues, and any other issues determined to present potential barriers to the success of the Program.

## 3. Risk Analysis

The Risk Analysis of the Program will include the following perspectives:

- Technical
- Customer Service
- Rate Setting
- Property/Siting
- Cost Management
- Commercial/Contractual
- 3<sup>rd</sup> Party/PG&E interface

The Risk Assessment will evaluate the likelihood of occurrence, timing implications, the potential cost and other impacts associated with each Program risk, and mitigation measures that can be taken in advance to manage the risks.

## 4. CCA Lessons Learned

TheLAFCO will work to gain the benefit of lessons learned and best practices developed by CCA Programs in other states. This will include obtaining and reviewing key documents from the other CCA Programs, and requesting information on what worked well, and what didn't.



## 5. Hydro Options Analysis

The LAFCO and SF PUC Staff will review options for integration of Hetch Hetchy and other hydro power into the CCA power generation resource mix.

## 6. Design Low Income Ratepayer Assistance Program

The SF PUC/SFE will develop the Low Income Ratepayer Assistance Program.

## 7. Develop Overall Financing Plan and Detailed Project Cost Estimate

The LAFCO will work with the SFPUC to develop the overall financial plan and model for the Program. The Plan will address the following:

- CCA Program Management costs, including support services and costs associated with issuing the H-Bonds
- CCA Rate Structure
- Estimated costs for the ESP to design and install the renewable energy infrastructure, and to perform the conservation and efficiency work that will be included in the ESP Contract
- All costs that ratepayers/property owners may have to pay for the installation of renewable technology
- All costs that the CCA may have to pay property owners (public and private) to be able to install the renewable technology
- All collateral costs that the CCA may have to pay for the program, such as permit fees, legal fees, property acquisition or leasing, insurance, etc.
- All rates that the ESP may charge ratepayers
- Any 3<sup>rd</sup> party funds that may be available for the benefit of the Program under other State and Federal programs
- Any 3<sup>rd</sup> party funds that may be available to ratepayers for conservation, efficiency and renewable technology

## 8. PG&E and City Database Integration

PG&E is required to provide ratepayer data to the CCA Program. The data must be managed for confidentiality and security purposes, and integrated with City databases to provide the information needed to advance the CCA Program.

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The PG&E database(s) may require data conversion to provide the information needed for the CCA Program. The LAFCO will develop and implement security and confidentiality measures appropriate to protect the data.

#### 9. Develop PG&E Interface Plan

As PG&E will continue to provide distribution and billing services, the commercial and non-technical interface requirements between the CCA Program and the ESP with PG&E will be developed and any implementation activities identified. The LAFCO will work with PG&E representatives to identify all interface points, and activities necessary to implement the transition.

#### 10. Customer Service Center (CSC) Analysis – Existing or new?

SF PUC/SFE will conduct a cost/benefit analysis of different CSC options to develop the recommended approach for the CCA CSC.

#### 11. CSC Design – Processes and Systems

Once the CSC analysis has been completed, the SF PUC/SFE will develop the design to achieve the required CSC functions and capability.

#### 12. Develop Communications, Marketing and Outreach Plan

The LAFCO will work with the SFPUC to develop the Communications, Marketing and Outreach Plan for the Program to develop and distribute the wide range of information that will need to be communicated to ratepayers and other stakeholders over the course of the program. The Success of the program will depend in part on how well it is marketed and communicated to its customers. The Plan will include the following:

- a general marketing campaign to publicize the program and to inform ratepayers of how the program will work, and how they will benefit from it
- a more targeted marketing campaign to work with larger commercial and industrial power consumers to educate them on the Program structure, and to work to encourage their participation
- the statutorily required communications regarding ratepayer's opt-out rights
- ongoing general publicity and media outreach to generate support for the program, and to inform ratepayers of the ongoing successes and benefits of the program to encourage their ongoing participation in the Program
- maintenance of one or more program websites where information on the Overall performance of the program - power generated through clean energy technologies, conservation and efficiency achievements are available
- one or more CCA Program multi-media promotion sites in prominent city locations to provide live and historic CCA Program information

### 13. Design 360 MW Portfolio

For the installation of each element of renewable power generation technology and for the conservation and efficiency measures to be implemented under the CCA Program, the LAFCO will work with SF PUC/SFE to develop the specific approach to be used. For all installations, a technical description of what will be built, and the location and time frame for the installation will be identified. Similarly, for the conservation and efficiency measures, the specific approaches that will be used to achieve the required efficiency improvements and conservation measures will be identified, and cost estimates will be developed.

Building on the determinations made as to how and where the renewable power generation technology and efficiency and conservation measures will be implemented, there will be a determination of which elements of the work are to be conducted by the CCA, and which are to be conducted by the ESP. Some Wind power infrastructure and conservation and efficiency measures will be conducted by the SF PUC and SFE. Once these technical definition, location, responsibility and schedule determinations have been made, the allocation of funds for the infrastructure elements, and ownership issues will be addressed, and detailed cost estimates will be developed.

### 14. Design PG&E Technical Interface

In addition to the business and organizational interface with PG&E described above in item no. 9, there may also be technical issues associated with the transition to having PG&E distribute power supplied by the ESP, and conduct the billing process. The SF PUC/SFE will work with PG&E to identify all such technical issues so that the RFP for the ESP will identify technical requirements necessary for the ESP/PG&E interface.

### 15. Property Acquisition/Siting/Permitting Analysis

Depending on the selection of specific approaches for meeting the 360MW requirements of Ordinance 86-04 as described under item no. 13 above, the LAFCO will conduct an analysis of required siting and property acquisition for the infrastructure installation. Maps will be developed showing relevant data for the renewable infrastructure implementation.

Once determination of the locations for the 360 MW implementation have been made, the LAFCO will work with SF PUC/SFE to conduct an analysis of all required permits, to identify those permits necessary for the CCA to obtain prior to implementing the project, and those that the ESP will need to obtain. If any complex permits, such as an E.I.S., are required, the process, timeline and resources needed for obtaining the permit will be identified.

### 16. Identify applicable regulations and support CPUC regulatory process

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In addition to the specific parameters the CCA Program must comply with under AB 117 and Ordinance 86-04, there may be existing state, federal and local regulations applicable to the work to be conducted by the ESP, and to other elements of the CCA Program. The LAFCO will work with the SF PUC/SFE, and the City Attorney to develop a policy analysis to identify all regulations that will or may apply to the CCA Program, and the measures that will be needed for ongoing compliance.

#### 17. Develop Rate Setting Advisory Board

The LAFCO and SF PUC/SFE will establish a Rate Setting Advisory Board to advise the Board of Supervisors on CCA rate setting.

#### 5.3.4 Needs Analysis, Stakeholder Surveys And Interviews

To prepare the Program Basis Report LAFCO will identify the key requirements and features across all program functional areas. Territories to be covered include:

- Goals and objectives
- Technical elements
- Customer services
- Stakeholder engagement
- Commercial and contractual issues
- Public policy
- Program support including training and outreach
- Program management, schedule and phasing

This is a classic needs analysis. The implementing entity should employ two approaches to conducting the needs analysis. On the one hand, it is a straightforward process of tapping internal and external experts to leverage best practices and develop the new, creative elements. On the other hand, there is a survey and interview process conducted with a broad range of stakeholders to make sure their voices are heard and that the program addresses elements seen as key in their eyes. The constituency analysis discussed in the Outreach Section of this plan provides a good resource for determining how San Francisco residents and businesses should be engaged in the PBR process, such as the design of energy efficiency program and solar photovoltaic lay-away program, employment opportunities, and interface with community institutions.

#### 5.3.5 Procurement Strategy