

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 *ms for GY*

DATE: October 14, 2002

SUBJECT: SF LAFCO Future Work Plan

At the September 20, 2002 SF LAFCO meeting, the Commission requested that each individual Commissioner comment on his/her input regarding its Future Work Plan.

Chairperson Gonzalez requested that a request be made to the Board of Supervisors to elicit their input as well.

Attached is a letter from R. W. Beck responding to the items listed in the Resolution Adopting Energy Services Study and Recommendations for Electric Utility Services and specifically addressing whether or not their organization could undertake the tasks as well as estimate the costs.

I have had contact with each of the Commissioners and the following is a list of their input regarding the Future Work Plan.

Commissioner Smeltzer

- Resolve the follow up strategic plan recommendations associated with the Energy Services Study
- Determine the long-range costs and timeframe for pursuing the recommendations outlined in the Resolution adopting the Energy Services Study

Commissioner Ammiano

- Concentration on the recommendations associated with the Energy Services Study

Commissioner Gonzalez

- Follow up on the strategic plan recommendations associated with the Energy Services Study
- Participate with the City in a study of tidal current generation

Commissioner Fellman

- Follow up on the strategic plan recommendations associated with the Energy Services Study
- Prepare an implementation plan in order to take the recommendations associated with the Energy Services Study to the next step
- Explore desalinization

Commissioner McGoldrick

- Follow up on the strategic plan recommendations associated with the Energy Services Study
- Concur with Commissioner Gonzalez regarding participating with the City in a study of tidal current generation

Commissioner Hall

- Review the services provided by publicly-funded non-profits
- Study the implementation of the use of recycled water

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

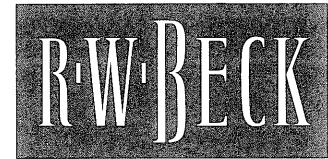
Attachment

September 30, 2002

Via U.S. Mail

Ms. Gloria L. Young
Executive Officer
Local Agency Formation Commission
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, California 94102-4689

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2002 OCT -1 AM 10:47
BY _____



Subject: Strategic Plan for Power Supply, Transmission, and Distribution

Dear Ms. Young:

This letter is in response to your request on September 20, 2002, for an expression of interest and cost estimate for the implementation of a Strategic Plan for Power Supply, Transmission, and Distribution to the City and County of San Francisco. R. W. Beck, Inc. is very much interested in providing continued assistance to the City and County of San Francisco as it evaluates its energy options and implements those that provide the highest level of benefits and reduced cost to utility customers in San Francisco.

For the sake of simplicity, we have outlined our estimates to correspond to the seven items contained in the San Francisco Local Agency Formation Commission (San Francisco LAFCo) Resolution Adopting Energy Services Study and Recommendations for Electric Utility Service. We have changed the order of the items, since a couple of the recommendations are interrelated.

In summary, R. W. Beck is prepared to assist the San Francisco LAFCo in all areas other than Recommendation 4, Monitor and Support Legislative and Regulatory Activities. Our Firm does monitor and support regulatory activities, but in order for us to maintain our independence, we do not participate in legislative activities.

1. Development and adoption of conceptual model of governance for the energy future of the City and County of San Francisco ...

As the San Francisco LAFCo is aware, based on the recently completed Energy Services Study, there are multiple governance structures available ranging from use of existing departments, such as the SFPUC/SFDOE, to the creation of new City/County entities. To a large extent, the best governance structure will depend on the ultimate course of action (i.e., aggregation versus full municipalization).

R. W. Beck's estimate for the cost of development of the model of governance is \$25,000.

2. Development of an integrated Long-Term Resource Plan, including financial and competitive plans for support.

Given the current reliability problems that are being experienced in San Francisco as a result of insufficient generation and transmission resources in the Bay Area, this component is quite important to relieving reliability problems and, just as important, to protecting San Francisco ratepayers from price exploitation due to the generation and transmission insufficiencies. The SFPUC appears to be on its way to creation of just such a plan.

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 is \$50,000. This estimate assumes that substantial work has been completed by the SFPUC. We would like to confirm this assumption before committing to a not-to-exceed price.

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; and



6. Consideration of the SFPUC's acquisition of PG&E's distribution system in accordance with the Energy Services Study.

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 3 and 6.

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 (HHWP) 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.

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

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.

1. Conceptual Model of Governance	\$ 25,000
2. Long-Term Resource Plan	50,000
3. Preferred Energy Service Provider Role and	
6. Acquisition of PG&E.....	150,000
5. Risk Management Plan	50,000
7. Financing Plan	<u>20,000</u>
	\$295,000

Ms. Gloria L. Young
September 30, 2002
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Thank you for the opportunity to supply you with our expression of interest and cost estimate. If you have any questions, please give me a call at 916-614-8265.

Sincerely,

R. W. BECK, INC.

A handwritten signature in cursive script that reads 'Michael A. Bell'.

Michael A. Bell
Principal

MAB:jm