File No. 111371

Committee Item No. 7
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee **Date** 09/12/2012

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Completed by: Victor Young **Date** September 7, 2012
Completed by: Victor Young **Date** _____

[Administrative Code - CleanPowerSF Funds and Appropriating $19,500,000 of Available Fund Balance to Support Required Reserves and Creating Special Funds for the CleanPowerSF Program at the Public Utilities Commission]

Ordinance appropriating $19,500,000 of Hetch Hetchy fund balance at the Public Utilities Commission to support CleanPowerSF Community Choice Aggregation program consistent with the contractual requirements and budgetary authorizations as approved by the San Francisco Public Utilities Commission and the Board of Supervisors and adding administrative code sections 10.100.372 and 10.100.373 to establish the CleanPowerSF Customer Fund and the CleanPowerSF Reserve Fund.

Note: Additions are *single-underline italics Times New Roman*; deletions are ~~*strikethrough italics Times New Roman*~~. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available in Fiscal Year 2012-2013.

SOURCES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
5TAAAAAA – Hetch Hetchy	TBD	99999B	Available Fund Balance	$19,500,000
Total SOURCES Appropriation				**$19,500,000**

Section 2. The uses of funding outlined below are herein appropriated in FY 2012-2013 for CleanPowerSF and reflect the projected uses of funding to support the Public Utilities Commission's contractual obligations under the CleanPowerSF Community Choice Aggregation Program.

USES Appropriation

Fund	Index Code/ Project Code	Subobject	Description	Amount
5TXXXXX – Community Choice Aggregation	CUH978	097XX	Lockbox Reserves – Working Capital	$4,500,000
5TXXXXX – Community Choice Aggregation	CUH978	097XX	Operating Reserves– Working Capital	$1,500,000
5TXXXXX – Community Choice Aggregation	CUH978	097XX	Security Reserves– Energy Cost, Termination Contingency	$7,000,000
5TXXXXX – Community Choice Aggregation	CUH978	067XX	FY 2012-13 CCA Program Incentives, $1M each for GoSolarSF for CCA Customers, CCA-Owned	$3,000,000

Fund	Index Code/ Project Code	Subobject	Description	Amount
			Generation and Energy Conservation & Efficiency for CCA Customers	
5TXXXXX – Community Choice Aggregation	CUH978	067XX	FY 2013-14 CCA Program Incentives, $1M each for GoSolarSF for CCA Customers, CCA-Owned Generation and Energy Conservation & Efficiency for CCA Customers	$3,000,000
5TXXXXX – Community Choice Aggregation	CUH978	097XX	Operating Reserves – Customer Services	$500,000
Total USES Appropriation				**$19,500,000**

Section 4. Adding Section 10.100.372 to the Administrative Code, establishing the San Francisco Public Utilities Commission's CleanPowerSF Customer Fund.

Section 10.100.372 CleanPowerSF Customer Fund

(a) Establishment of Fund. The Public Utilities Commission's CleanPowerSF Customer Fund is hereby established as a category eight fund for the purpose of serving as a depository and operating fund used to procure clean and greenhouse gas free electric power for customers of the CleanPowerSF Community Choice Aggregation Program.

(b) Use of Fund. All monies deposited into the fund shall be expended for implementation, operation and maintenance of the CleanPowerSF Community Choice Aggregation Program. Allowable uses shall include the cost of electric energy, customer service costs, administrative costs and other related CleanPowerSF operating and maintenance costs as well as customer rate stabilization reserves.

(c) Administration of Fund. The General Manager of the San Francisco Public Utilities Commission is authorized to accept customer deposits into this fund and approve payments from this fund for electric energy provided through CleanPowerSF as well as associated costs, including reimbursement of CleanPowerSF Reserve Fund advances related to working capital or other CleanPowerSF related needs. Establishment of this fund is subject to final approval of the San Francisco Controller.

Section 5. Adding Section 10.100.373 to the Administrative Code, establishing the San Francisco Public Utilities Commission's CleanPowerSF Reserve Fund.

Section 10.100.373 CleanPowerSF Reserve Fund

(a) Establishment of Fund. The San Francisco Public Utilities Commission's CleanPowerSF Reserve Fund is hereby established as a category two fund for the purpose of serving as a fund to hold reserves for unanticipated fluctuations in the cost of energy, customer service payments, working capital needs, CCA Program Incentives for GoSolarSF for CCA Customers, CCA-Owned Generation and Energy Conservation & Efficiency for CCA Customers and other charges.

(b) Use of Fund. All monies deposited into the Reserve Fund shall be expended or otherwise utilized, to the extent appropriated above and therefore, for the implementation and operation of the CleanPowerSF Community Choice Aggregation Program to offer GoSolarSF for CCA Customers,

CCA-Owned Generation and Energy Conservation & Efficiency for CCA Customers, and for termination costs in the event the program is discontinued.

(c) Administration of Fund. The General Manager of the San Francisco Public Utilities Commission is authorized to transfer moneys from the CleanPowerSF Reserve Fund to the CleanPowerSF Customer Fund as needed by that fund to smooth fluctuations in cash receipts and cash payments. Funds from the CleanPowerSF Reserve Fund that represent advances for working capital needs for the CleanPowerSF Community Choice Aggregation Program shall be administered consistent with the Board of Supervisor's approved power purchase contract between the San Francisco Public Utilities Commission and the CleanPowerSF power provider(s). Establishment of this fund is subject to final approval of the San Francisco Controller.

Section 6. The enumerated amounts are hereby appropriated and can only be used as required for CleanPowerSF program contractual requirements and budgetary authorizations as approved by the San Francisco Public Utilities Commission and the Board of Supervisors.

Section 7. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles.

Section 8. In the event the CleanPowerSF Program is discontinued or terminated all unspent appropriation, including any of the $6,000,000 related to CCA Program Incentives for GoSolarSF for CCA Customers, CCA-Owned Generation and Energy Conservation & Efficiency for CCA Customers shall be hereby de-appropriated and returned to Hetch Hetchy Power Enterprise fund balance reserves.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____

Deputy City Attorney

FUNDS AVAILABLE
Ben Rosenfield, Controller

By: _____

Date: July 17, 2012

FILE NO. 111371 Version 2

LEGISLATIVE DIGEST

[Appropriating $19,500,000 of Available Fund Balance to Support Required Reserves and Creating Special Funds for the CleanPowerSF Program at the Public Utilities Commission]

Ordinance appropriating $19,500,000 of Hetch Hetchy fund balance at the Public Utilities Commission to support the CleanPowerSF Community Choice Aggregation program consistent with the contractual requirements and budgetary authorizations as approved by the San Francisco Public Utilities Commission and the Board of Supervisors and adding Administrative Code sections 10.100-372 and 10.100-373 to establish the CleanPowerSF Customer Fund and the CleanPowerSF Reserve Fund.

Existing Law

The City currently does not have any special funds for the CleanPowerSF program.

Amendments to Current Law

CleanPowerSF Customer Fund

The proposal would amend the administrative code to create a CleanPowerSF Customer Fund under the San Francisco Public Utilities Commission ("SFPUC"). The fund would be used to obtain clean and greenhouse-gas-free electric power for customers of the CleanPowerSF Community Choice Aggregation Program. Monies in the fund could be used for, among other things, paying for the costs of the electric energy itself, as well as customer service, administration, and other related CleanPowerSF operating and maintenance costs. The fund could also be used for customer rate stabilization reserves.

The ordinance would authorize the SFPUC General Manager to accept customer deposits into the fund and to approve payments from the fund for authorized costs, including reimbursement of reserve fund advances related to working capital or other CleanPowerSF-related needs.

Establishment of this fund would be subject to final approval of the Controller.

CleanPowerSF Reserve Fund

The proposal would also amend the administrative code to create a CleanPowerSF Reserve Fund under the SFPUC. The SFPUC would use the reserve funds to smooth out unanticipated fluctuations in the cost of energy, make customer service payments, and pay for working capital needs, Community Choice Aggregation (CCA) program incentives for GoSolarSF for CleanPowerSF Customers, CCA-owned generation and energy conservation and efficiency for CleanPowerSF customers and other charges for the CleanPowerSF program.

The ordinance would authorize the PUC General Manager to transfer moneys from the reserve fund to the CleanPowerSF Customer Fund as needed to offset fluctuations in cash receipts and cash payments. And the General Manager would have the authority to advance monies from the reserve fund to the Funds CleanPowerSF Community Choice Aggregation Program for its working capital needs, consistent with the Board of Supervisor's approved power purchase contract between the SFPUC and the CleanPowerSF power provider(s).

Establishment of this fund would be subject to final approval of the Controller.

Background

According to the SFPUC's website, "CleanPowerSF is the City's custom-tailored Community Choice Aggregation (CCA) Program, which allows cities and counties to pool their citizens' purchasing power to buy electricity. CleanPowerSF will enhance local control, create competition, and provide San Franciscans with an alternative, 100% renewable energy supply." CCA programs are authorized by California Public Utilities Code Section 366.2

The Board of Supervisors will consider approval of a contract with Shell Energy to provide services to the CleanPowerSF program in Board File No. 111340.

Items 6 & 7 Files 11-1340 & 11-1371	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

File 11-1340: The proposed resolution would authorize the Public Utilities Commission (PUC), subject to conditions, to (1) implement the CleanPowerSF Program, (2) approve local sustainability services for CleanPowerSF customers, and (3) authorize the PUC General Manager to execute a contract with Shell Energy North America (Shell) for a term of four years and six months for services required to implement the CleanPowerSF Program.

File 11-1371: The proposed ordinance would (1) appropriate $19,500,000 from the PUC's Hetch Hetchy Fund balance for (a) required reserves of $13,000,000 under PUC's proposed contract with Shell Energy North America (Shell) (File 11-1340), (b) $6,000,000 in local sustainability services; and (c) $500,000 for related start-up costs, (2) add Section 10.100.372 to the City's Administrative Code to establish the CleanPowerSF Customer Fund, and (3) add Section 10.100.373 to the City's Administrative Code to establish the CleanPowerSF Reserve Fund.

Key Points

- The proposed resolution and supplemental appropriation ordinance are components of Phase I of CleanPowerSF, which would allow San Francisco residents and businesses to purchase electricity from 100% renewable sources. As proposed, the cost of electricity generation would result in a 77.2% increase in the cost-per-kilowatt hour (kWh) paid by CleanPowerSF participants, which would result in an $18 or 23.3% total increase on the average combined gas and electricity bill. The proposed resolution would authorize the General Manager of the PUC to enter into a four-and-a-half year contract with Shell to provide CleanPowerSF customers with electricity.
- CleanPowerSF participants would continue to receive electricity transmission, distribution, and billing services from PG&E.
- Under the proposed contract, the City would guarantee Shell the purchase of an average electric load of 30 megawatts (MW), the equivalent of approximately 90,000 residential ratepayers, or approximately 24% of the City's approximately 375,000 residential ratepayers.
- Board of Supervisors approval is not required for CleanPowerSF electricity rates. However, the Board of Supervisors has the authority to reject electricity rates for CleanPowerSF customers, once those rates have been reviewed by the PUC's Rate Fairness Board and determined by the PUC, and prior to CleanPowerSF being implemented.
- File 11-1340 approves a contract term of 4.5 years with Shell. However, the Energy Purchase and Sale Agreement, which is part of the Shell contract, has a term of five years. The Budget and Legislative Analyst recommends that the proposed resolution be amended to authorize a contract term of five years instead of 4.5 years, consistent with the contract terms. Such an amendment would not have any impact on the program or program costs.
- If Shell terminates CleanPowerSF before the end of the proposed contract period, CleanPowerSF customers would revert to PG&E customers at no additional cost to the City, or to CleanPowerSF participants.

Fiscal Impact

- The total proposed supplemental appropriation of $19,500,000 in Hetch Hetchy Fund balance includes allocations of (1) $7,000,000 for the required Security Reserve; (2) $4,500,000 for the required Program Reserve; (3) $1,500,000 for the required Operating Reserve; (4) $6,000,000 for local sustainability services; and (4) $500,000 to fund related start-up costs.
- The appropriation of $6,000,000 for local sustainability services includes $2,000,000 to the following three programs: (1) GoSolarSF for CleanPowerSF participants; (2) energy efficiency programs for CleanPowerSF participants; and (3) studies of local build-out of renewable energy facilities.
- The operating costs of CleanPowerSF, which has been estimated to total $162,965,670,or an average of $36,214,593 per year for 4.5 years, would be paid in full through CleanPowerSF participant utility rates.

Policy Considerations

- The PUC would be liable to compensate Shell for up to $15,000,000 for any actual audited losses incurred by Shell, in the event that the City is unable to enroll a sufficient number of CleanPowerSF customers (approximately 90,000 electric utility customers) for an average electricity load of 30 MW. Such losses would be paid from a combination of the $7,000,000 Security Reserve, $4,500,000 Program Reserve, and up to $3,500,000 in additional PUC revenue. If the City were to cancel CleanPowerSF at a point when CleanPowerSF was operating according to contract terms, but before the end of the proposed five-year contract period, the City would be liable for Shell's actual audited losses, up to and above $15,000,000.
- The public opinion research firm FM3 reported to the PUC that there was sufficient interest and support for CleanPowerSF among San Francisco ratepayers for the CleanPowerSF Program to be successful. After FM3 conducted its market research to assess public support for CleanPowerSF, PG&E announced a separate Green Energy Program that would give San Francisco customers an opportunity to support 100% renewable energy, in direct competition to CleanPowerSF and at a cost that is expected to be less than CleanPowerSF. PG&E's Green Energy Program is still subject to State regulators, and although the two programs are not completely comparable, the PG&E program would make it substantially more difficult for CleanPowerSF to enroll and maintain a sufficient number of participants to guarantee its sustainability.
- The proposed contract would not be fully enacted until the PUC approves CleanPowerSF electricity rates and the rates are not rejected by the Board of Supervisors. If the Board of Supervisors rejects CleanPowerSF electricity rates, the City would not be fiscally or otherwise liable to Shell for not implementing CleanPowerSF.
- According to the PUC, negotiations on the final contract terms with Shell are ongoing, and the City Attorney's Office has been drafting edits to the proposed resolution and ordinance that would conform to such changes to the contract with Shell.

Recommendations

- Amend page 1, lines 3 and 4, of the proposed resolution (File 11-1340), replacing "four years

and six months" with "five years" so that the resolution agrees with the contract term.

- Amend the proposed ordinance (File 11-1371) to place the proposed $6,000,000 for the CleanPowerSF sustainability services on Budget and Finance Committee Reserve pending detailed appropriation plans for those sustainability services.
- Approval of the proposed resolution and ordinance, as amended, are policy matters for the Board of Supervisors.

MANDATE STATEMENT AND BACKGROUND

Mandate Statement

File 11-1340: In accordance with City Charter Section 9.118(b), contracts requiring anticipated expenditures by the City and County of $10,000,000 or more are subject to approval of the Board of Supervisors.

File 11-1371: In accordance with City Charter Section 9.105, amendments to the appropriation ordinance, as finally adopted, may be adopted in the same manner as other ordinances. Under City Charter Section 2.105, passage of an ordinance or a resolution requires an affirmative vote of a majority of the members of the Board of Supervisors.

Background

California Public Utilities Code Section 366.2 allows public agencies to establish Community Choice Aggregation (CCA) programs, aggregating the electrical load of interested electricity consumers within their jurisdictional boundaries. In 2004, the City established its CCA program, CleanPowerSF, with the goal of accelerating the introduction of renewable energy, conservation, and energy efficiency. Under CleanPowerSF, San Francisco's residential and commercial electricity consumers would have the option to purchase their electricity from renewable sources at a price that would be somewhat more expensive than PG&E's electricity generation rates.

Previous Board of Supervisors Actions to Date

Several steps in the City's effort to implement CleanPowerSF have required previous Board of Supervisors approval. Table 1, below, summarizes previous Board of Supervisors actions to date.

Table 1. Previous Board of Supervisors Actions on CleanPowerSF

File No.	Date Approved	Description
04-0236	May 18, 2004	The Board of Supervisors approved the creation of CleanPowerSF, the City's CCA program.
07-0501	June 19, 2007	The Board of Supervisors approved the adoption of the CleanPowerSF Draft Implementation Plan (Draft IP),set g oals and policies for CleanPowerSF, directed the PUC to issue a Request for Information (RFI), and approved further CleanPowerSF implementation measures.
09-1161	November 3, 2009	The Board of Supervisors approved the issuance of a Request For Proposals (RFP) for a firm to provide electricity to the CCA under the CleanPowerSF Program.
10-1061	March 2, 2010	The Board of Supervisors approved a revised Implementation Plan for CleanPowerSF, and authorized the filing of the Implementation Plan with the California Public Utilities Commission (CPUC).

Program Description

Pacific Gas and Electric Company (PG&E) is the electricity supplier for San Francisco's residential and commercial electricity customers. As conceived by the PUC, with public input and approval from the Board of Supervisors, CleanPowerSF would allow San Francisco's residential and commercial electricity customers the option of purchasing electricity from 100% renewable sources, as defined under Section 399.16(b) of the California Public Utilities Code. The 100% renewably sourced electricity is to be provided by an entity or entities under contract to the City, and the energy would be delivered by PG&E over PG&E's existing distribution network. PG&E would continue to provide system connectivity and maintenance to current PG&E customers that opt to participate in CleanPowerSF. In addition, PG&E would continue to bill all CleanPowerSF customers, and would collect charges for electricity generation on behalf of CleanPowerSF.

As proposed, CleanPowerSF would be implemented in at least two phases. In Phase I, the City would guarantee the purchase of an average electric load of 30 megawatts (MW), the equivalent of approximately 90,000 residential ratepayers, or approximately 24% of the City's approximately 375,000 residential ratepayers. In order to enroll 90,000 residential ratepayers, approximately one half of the City's 375,000 residential ratepayers would be selected at random to be enrolled in CleanPowerSF. As required by the State Public Utilities Code, these ratepayers would have five months to opt out of the program without fee.[1] Customers would still have the option of opting out of CleanPowerSF after the no-fee opt-out period, but may be subject to a one-time fee of $5 as recommended by the PUC.

Based on market research conducted by the public opinion research firm FM3, the PUC estimates that following the opt-out period, approximately 90,000 San Francisco residential utility customers will remain in CleanPowerSF. However, if the average electric load is lower than 30MW following the opt-out period, the PUC would need to enroll additional customers in order to achieve the 30MW average electric load. The PUC could do so by (1) encouraging enrollment by commercial electricity customers; (2) encouraging enrollment by customers not previously automatically enrolled; or (3) initiating an additional phase of automatic enrollment of residential ratepayers.

Following implementation of CleanPowerSF, PG&E would continue to bill all residential and commercial electricity, including CleanPowerSF customers. For CleanPowerSF customers, PG&E would collect the full electricity bill, and would retain the full amount of the bill, less the cost of electricity generation, which PG&E would pay to the PUC or to an account specified by the PUC.

Competitive Process

On November 3, 2009, the Board of Supervisors approved the issuance of a Request for Proposals (RFP) for a firm to provide the City with electricity supply and other services related to CleanPowerSF (File 09-1161). The San Francisco Public Utilities Commission (PUC) issued the RFP in November of 2009 and received five responses. In January 2010, the PUC selected

[1] The five month opt-out period consists of the three months prior to the commencement of CleanPowerSF and the two months following the implementation of CleanPowerSF.

Power Choice, LLC as the highest ranked proposer. However, negotiations with Power Choice, LLC were not successful.

In response to the unsuccessful first RFP, on March 2, 2010, the Board of Supervisors approved a Revised Implementation Plan for CleanPowerSF to allow more flexibility in the program design and implementation (File 10-1061). On August 5, 2010, the PUC issued a second RFP seeking an electricity provider for CleanPowerSF. However, none of the bidders for the second RFP met the minimum qualifications. Therefore, on February 28, 2011, the PUC Commission authorized the PUC General Manager to negotiate with creditworthy respondents to the second RFP to create a CCA Program that most closely achieves the City's goals. The PUC engaged in negotiations with two creditworthy RFP respondents: (1) Shell Energy North America (Shell) to provide renewably sourced electricity, and (2) Noble Americas to provide customer and billing services. Both firms currently provide CCA Program services in the County of Marin, which is the only CCA Program that has been implemented California.

The proposed contract with Shell (File 11-1340) and supplemental appropriation ordinance to fund contract requirements (File 11-1371) are the subjects of this report. According to Ms. Cheryl Taylor, Principal Administrative Analyst for the PUC, the PUC is still finalizing a proposed contract with Noble Americas to provide supplemental CleanPowerSF customer and billing services that may be subject to future Board of Supervisors approval, if the contract meets the City Charter threshold for contracts requiring review by the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

File 11-1340

The proposed resolution would authorize the Public Utilities Commission (PUC), subject to conditions, to (1) implement the CleanPowerSF Program, (2) approve local sustainability services for CleanPowerSF customers, and (3) authorize the PUC General Manager to execute a contract with Shell Energy North America (Shell) for a term of four years and six months for services required to implement the CleanPowerSF Program. The proposed contract, which consists of the following three major components, would allow for the provision of electricity for Phase I of CleanPowerSF:

- The **Energy Purchase and Sale Agreement** which sets the general terms and conditions under which the City, representing the ratepayers, will purchase particular amounts, quantities, and types of electric products. Under the Energy Purchase and Sale Agreement, Shell will provide CleanPowerSF customers with electricity from 100% renewable sources, and the City will guarantee purchase of a minimum quantity of such electricity.
- The **Security Agreement**, which provides both Shell and the PUC financial assurances in the event that either party cancels the CleanPowerSF Program prematurely. Under the Security Agreement, the City must provide $13,000,000 for program reserves. (File 11-1371).
- One or more **Confirmations**, which specify the price, quantity and type of products for specific electricity purchase transactions.

Assurances to the City

Under the Security Agreement portion of the proposed contract between the PUC and Shell, if at any point during the contract period Shell is unable to provide electricity to CleanPowerSF customers, the City is authorized under the proposed contract with Shell to purchase replacement electricity from a separate vendor and charge the difference in price to Shell. Furthermore, under the proposed contract, if Shell provides less than 90% of the renewably sourced electricity required in a given year, Shell must pay the City a fee equal to 25% of the contract price for every megawatt hour (MWh) that Shell failed to deliver.

Assurances to Shell

$13,000,000 required under the proposed contract consists of the following assurances to Shell:

(1) $7,000,000 designated as a Security Reserve, to be deposited into an escrow account as security in the event that the City is required to make a contract termination payment to Shell.

(2) $4,500,000 to fund a Program Reserve (AKA Lockbox Reserve) to be deposited into a Customer Revenues Secured Account, for use by Shell. The Program Reserve amount is the program's "overdraft protection," intended to provide security to Shell that there will be sufficient cash on hand in a Customer Revenues Secured Account to cover Shell Energy's monthly bills. Any use of the Program Reserve would be replenished by CleanPowerSF's Operating Reserve and/or customer payments.

(3) $1,500,000 to be held in an Operating Reserve, managed by the PUC. The purpose of the Operating Reserve is to provide for short-term unanticipated costs associated with startup and initial operations of CleanPowerSF.

Compensation to Shell for Losses from Program Termination

As is discussed in the Fiscal Impact section below, under the proposed resolution, the PUC would be liable to compensate Shell up to $15,000,000 for any actual audited losses if the City is unable to enroll a sufficient number of CleanPowerSF customers (approximately 90,000 electric utility customers) for an average electricity load of 30 MW. Further, if the City cancels CleanPowerSF at a point when Shell was operating according to contract terms, but before the end of the five-year contract period, the City would be liable for Shell's actual audited losses, up to and above the aforementioned $15,000,000.

Confirmations and Further Negotiations

The contract price for renewable energy and minimum and maximum monthly renewable energy usage for CleanPowerSF are still to be defined under the Confirmations included in the proposed contract. The proposed resolution requires that energy rates for participating CleanPowerSF customers must be sufficient to fully cover the cost of CleanPowerSF. Once the electricity rates for CleanPowerSF customers have been determined, those rates will be subject to PUC approval. Furthermore, the proposed resolution authorizes the PUC General Manager to enter into additional Confirmations with Shell, on approval of the PUC, so long as the proposed rates do not exceed the cost of the CleanPowerSF Program. The City Charter does not require additional

Board of Supervisors approval of the CleanPowerSF electricity rates. However, the Board of Supervisors has the authority to reject electricity rates for CleanPowerSF customers, once those rates have been reviewed by the PUC's Rate Fairness Board and determined by the PUC, prior to CleanPowerSF being implemented.

File 11-1371

The proposed ordinance would (1) appropriate $19,500,000 from the PUC's Hetch Hetchy Fund balance for $13,000,000 in required reserves under the PUC's proposed contract with Shell (File 11-1340), $6,000,000 in local sustainability services, and $500,000 in other start-up costs; (2) add Section 10.100.372 to the City's Administrative Code to establish the CleanPowerSF Customer Fund; and (3) add Section 10.100.373 to the City's Administrative Code to establish the CleanPowerSF Reserve Fund.

$19,500,000 Appropriation

The proposed ordinance would appropriate $19,500,000 as follows:

- $13,000,000 for reserves required under the Security Agreement portion of the proposed contract between the PUC and Shell, described above (File 11-1340). The $13,000,000 consists of (1) $7,000,000 for the required Security Reserve; (2) $4,500,000 for the required Program Reserve; and (3) $1,500,000 for the required Operating Reserve.
- $6,000,000 to fund local sustainability services, including: (1) GoSolarSF incentives for CleanPowerSF participants; (2) energy efficiency programs for CleanPowerSF participants; and (3) studies of local build-out of renewable energy facilities. These three sustainability services would be managed by PUC staff. The three local sustainability services would each receive $1,000,000 in FY 2012-13 and another $1,000,000 in FY 2013-14, for a total of $6,000,000. However, specific uses for the $6,000,000 sustainability services have not been developed as of the writing of this report.
- $500,000 to fund additional start-up costs as well as a potential contract termination payment to Noble Americas to cover reasonable risk and costs that might be incurred by Noble Americas should the program cease operations during the contract period.

CleanPowerSF Customer Fund

File 11-1371 would add Section 10.100.372 to the City's Administrative Code to establish the PUC's CleanPowerSF Customer Fund, a depository and operating fund. PG&E will deposit all CleanPowerSF customers' electricity payments into the Customer Fund. The PUC would exclusively have the authority to retain any customer deposits, from which it would (1) make payments from the Customer Fund for costs incurred by the CleanPowerSF power provider (proposed to be Shell), and (2) pay third-party customer service providers (proposed as Noble Americas), and other costs related to the implementation and administration of CleanPowerSF. The Attachment, provided by the PUC, is a flow-chart showing the proposed payment flow.

CleanPowerSF Reserve Fund

File 11-1371 would add Section 10.100.373 to the City's Administrative Code to establish the PUC's CleanPowerSF Reserve Fund. According to the PUC, the Reserve Fund would be a multi-tiered fund housing the Program Reserve and Operating Reserve. The CleanPowerSF Reserve Fund would be managed by the PUC. CleanPowerSF Reserve Fund monies could only be

expended on CleanPowerSF related costs, and then only for the purpose of smoothing any potential fluctuations in cash receipts and cash payments. Establishment of this Fund is subject to final approval of the Controller. Under the contract provisions, the Program Reserve is only available for Shell's use to cover any revenue shortfalls that result in insufficient funds to pay their costs. Per the contract, it can only be used to satisfy any payment obligation to Shell not satisfied by customer revenues. The PUC can use the Operating Reserve to cover any CleanPowerSF payments, whether to third-party vendors, for fees, or for related City staff and operating costs. Further, CleanPowerSF must replenish the Program Reserve if it falls short of the $4,500,000 balance.

FISCAL IMPACTS

File 11-1340

The proposed resolution, authorizing a contract between the PUC and Shell for the implementation of Phase I of CleanPowerSF, requires $13,000,000 for program reserves (File 11-1371). Aside from these required program reserves, the proposed resolution requires that CleanPowerSF costs be fully covered by ongoing electricity revenues paid to the PUC by CleanPowerSF customers (the ongoing operating costs of CleanPowerSF, estimated to be $36,214,593 per year for 4.5 years, or a total of $162,965,670, would be paid in full through CleanPowerSF participant utility rates). The funding source for the required $13,000,000 program reserves would be Hetch Hetchy's Fund balance. The unappropriated and unencumbered Hetch Hetchy Fund balance totaled $64,800,000 as of June 30, 2012.

Under the proposed resolution, the PUC would be liable to compensate Shell up to $15,000,000 for any of Shell's actual audited losses in the event that the City is unable to enroll a sufficient number of CleanPowerSF customers (approximately 90,000 electric utility customers) for an average electricity load of 30 MW. Such losses would be paid from a combination of the $7,000,000 Security Reserve, with the balance of $8,000,000 coming from any remaining Program Reserve funds and from additional PUC Hetch Hetchy Fund balance, for which the PUC General Manager would be required to request a supplemental appropriation, subject to Board of Supervisors appropriation approval.

Further, if the City cancels CleanPowerSF at a point when CleanPowerSF is operating according to contract terms, the City would be liable for Shell's actual audited losses up to and above $15,000,000. The PUC General Manager would be required to request a supplemental appropriation for any amount above the combined $11,500,000 total of (a) the $7,000,000 Security Reserve and (b) $4,500,000 Program Reserve, and any supplemental request from the PUC General Manager would be subject to Board of Supervisors appropriation approval.

File 11-1371

The proposed ordinance would appropriate $19,500,000 from the PUC's Hetch Hetchy Fund balance to fund reserves required in PUC's proposed contract with Shell Energy North America (File 11-1340), as shown in Table 2 below.

Table 2: Uses of the Proposed Supplemental Appropriation

Use	Amount
Security Reserve	**$7,000,000**
Program Reserve (AKA Lockbox Reserve)	**4,500,000**
Operating Reserve	**1,500,000**
Sustainability Services	**6,000,000**
GoSolarSF	2,000,000
Energy Conservation and Efficiency	2,000,000
Local Clean Energy Generation	2,000,000
Customer Services Startup and Reserves	**500,000**
Total	**$19,500,000**

Under the proposed contract, Shell will make an annual review of the remaining risk and exposure. If Shell's estimated exposure drops below $7,000,000, the total Security Reserve can be reduced, and the value of the reduction would be returned to the PUC's Hetch Hetchy Fund balance.

POLICY CONSIDERATIONS

The Average CleanPowerSF Customer Would Pay Approximately $18 More, Per Month, for Electricity, Compared to Existing PG&E Rates

Electricity rates for CleanPowerSF customers have yet to be determined. Rates for CleanPowerSF will be established based on cost estimates developed by PUC using market information and information provided by Shell. The proposed resolution requires that any electricity rates for CleanPowerSF customers be sufficient to pay for CleanPowerSF ongoing program costs in full. Once electricity rates for CleanPowerSF customers have been determined, such rates will be subject to review by the PUC's Rate Fairness Board[2] and the PUC's approval. The Board of Supervisors has the option to reject these rates within 30 days of the PUC's action.

Due to fluctuations in the price of electricity, the cost differential between existing PG&E rates and CleanPowerSF rates will vary. As of the writing of this report, the PUC estimates that CleanPowerSF customers would pay a rate of $0.1281 per kilowatt hour (kWh) for electricity generation, or $0.0558/kWh (77.2%) more than the current price of $0.0723/kWH paid by PG&E's San Francisco customers. As shown in Table 3 below, the average San Francisco electric utility consumers would pay approximately $17.99 more, per month, or from an average monthly utility bill of $77.27 to an average of $95.26, an increase of 23.3%, by enrolling in

[2] The PUC's Rate Fairness Board was established by Measure E in November 2002. Its responsibilities include (1) setting utility rate policy goals: (2) holding public hearings; and (3) providing utility rate and rate policy recommendations to the PUC.

CleanPowerSF. As is noted in the Background section, above, CleanPowerSF customers can opt out of CleanPowerSF and return to receiving electricity from PG&E. There would be a five-month no-fee opt-out period at the beginning of CleanPowerSF, and CleanPowerSF customers who opt out after that period could face a one-time fee of $5, if recommended by the PUC. The PUC anticipates 90,000 residential utility customers will participate in Phase I of CleanPowerSF.

Table 3. Anticipated CleanPowerSF Electricity Rate Premium

Tier (based on electricity usage)	Average PG&E Utility Bill Before Premium	Total CleanPowerSF Premium	Estimated Average CleanPowerSF Utility Bill	% Increase
Tier1	$39.95	$9.06	$49.01	22.7%
Tier2	$84.34	$18.99	$103.33	22.5%
Tier3	$131.87	$26.73	$158.60	20.3%
Tier4	$233.30	$39.91	$273.21	17.1%
Tier5*	$521.39	$73.88	$595.27	14.2%
CARE 1**	$30.70	$10.08	$40.78	32.8%
CARE 2	$59.88	$18.98	$78.86	31.7%
CARE 3	$96.96	$37.44	$134.4	38.6%
All-Electric Customers	$45.51	$18.59	$64.1	40.8%
Weighted Average* **	**$77.27**	**$17.99**	**$95.26**	**23.3%**

* Tier 5 includes group home settings.
** CARE = (California Alternate Rates for Energy) program. CARE rates shown in Table 3 do not reflect 20% discount for CARE customers that the PUC is planning to recommend to the Rate Fairness Board.
*** Weighted average based on PUC's program participation estimates.

The cost of electricity consumed is only one portion of a utility customer's electricity bill. The costs of transmission and distribution must still be paid by customers to PG&E. As noted in the Background section above, CleanPowerSF customers would continue to receive one electric utility bill from PG&E that would include all CleanPowerSF costs as well as transmission infrastructure and other related utility costs. All told, CleanPowerSF is estimated to cost approximately $32.4 million to operate in the first year during ramp-up, and $36,214,593 in subsequent years, to be paid by CleanPowerSF customer premiums. There would be no cost to PG&E ratepayers who do not opt to participate in CleanPowerSF.

The Contract Term in the Proposed Resolution Does Not Match the Contract Term in the Energy Purchase and Sale Agreement

The proposed resolution (File 11-1340) is for a contract term of 4.5 years. However, Article 11.1 of the Energy Purchase and Sale Agreement sets the Term of Agreement as five years. While the 4.5 year period in the proposed resolution matches the actual period of power provision, the Budget and Legislative Analyst recommends that the proposed resolution be amended to authorize a contract term of five years instead of 4.5 years. Such an amendment would not have any impact on the program or program costs.

PG&E Has Proposed a Competing Program with CleanPowerSF, Threatening the Fiscal Sustainability of CleanPowerSF

Despite the actual and proposed mitigating efforts described above, after the public opinion research firm FM3 conducted its market research to assess public support for CleanPowerSF, PG&E announced the creation of a new, separate Green Energy Program that would give San Francisco customers an opportunity to support 100% renewable energy, in direct competition to CleanPowerSF and at a cost that is expected to be less than CleanPowerSF. PG&E's Green Energy Program is still subject to State regulators, and although the two programs are not completely comparable, the PG&E program would make it substantially more difficult for CleanPowerSF to enroll a sufficient number of San Francisco participants to guarantee its sustainability.

Future Action Is Required of the PUC and the Board of Supervisors Before CleanPowerSF Can be Implemented

In addition to the proposed resolution and supplemental appropriation ordinance, other objectives must be met before CleanPowerSF can be implemented:

- The PUC and Noble Americas must draft a contract for Noble Americas to provide CleanPowerSF customer services. Depending on the contract terms, such a contract may be subject to Board of Supervisors approval.

Electricity rates for CleanPowerSF customers must be determined, such that they are sufficient to cover the CleanPowerSF Program costs, and those rates must be approved by the PUC. Once the PUC approves electricity rates, the Board of Supervisors has the option to reject such rates within 30 days. According to Deputy City Attorney Ms. Jeanne Sole, the proposed contract is not fully enacted until the PUC approves CleanPowerSF electricity rates. Therefore, if the Board of Supervisors rejects CleanPowerSF electricity rates, the City would not lose any of its reserves.

In addition, the California Public Utilities Commission (CPUC) has required a CCA program bond of $100,000 prior to implementing CleanPowerSF. The PUC has posted this $100,000 CCA program bond. However, according to Mr. Michael Campbell of the PUC, the CPUC may further increase the CCA program bond amount.

Additionally, as is noted above, the proposed resolution and ordinance only apply to the implementation of Phase I of CleanPowerSF. At such time as the PUC is prepared to implement additional phases of CleanPowerSF, such legislation–possibly including but not limited to new or revised contracts, increased reserve amounts, and additional supplemental appropriations–will be subject to Board of Supervisors approval, to the extent required under the City Charter.

However, California State law requires that the CleanPowerSF eventually be offered to all San Francisco residential customers.

There Are No Detailed Appropriation Plans for the $6 Million Sustainability Services

As is noted above, under the proposed ordinance, $6,000,000 of the $19,500,000 initial cost of CleanPowerSF would be used to fund local sustainability services for CleanPowerSF participants, including $2,000,000 for each of the following sustainability services: (1) GoSolarSF incentives for CleanPowerSF participants; (2) energy efficiency programs for CleanPowerSF participants; and (3) studies of local build-out of renewable energy facilities. Each of these local sustainability services would receive $1,000,000 per year in FY 2012-13 and FY 2013-14. However, detailed appropriation plans for these $6,000,000 in sustainability services have not yet been developed by the PUC. Therefore, the Budget and Legislative Analyst recommends placing the $6,000,000 in funding for sustainability services on Budget and Finance Committee Reserve, pending the development of detailed appropriation plans for those sustainability services.

RECOMMENDATIONS

1. Amend lines 3 and 4 of page 1 of the proposed resolution (File 11-1340), replacing "four years and six months" with "five years" so that the resolution agrees with the contract term.
2. Amend the proposed ordinance (File 11-1371) to place the proposed $6,000,000 for CleanPowerSF sustainability services on Budget and Finance Committee Reserve pending detailed appropriation plans for those sustainability services.
3. Approval of the proposed resolution and ordinance, as amended, are policy matters for the Board of Supervisors.

CleanPowerSF
Monthly Average Funds Flow

Program revenues & expenditures
Appropriation; available
Appropriation: not available unless program terminates

CPSF Reserve Fund
Category 2 Fund

Operating Reserves – Working Capital
$1.5M appropriation
City-controlled*

Lockbox Reserves – Working Capital
Secured Amount
$4.5M appropriation
****Shell's sole use with contract safeguards****

Security Reserves – Energy Cost, Termination Contingency
City Performance Assurance Account
$7M appropriation
****To Trustee with contract safeguards****

Transfers to replenish lockbox as necessary

Available to Shell to address Revenue lags

Available balance can be used to replenish Lockbox Reserves, or pay CPSF expenses.

CPSF Customer Fund
Category 8 Fund

Customer Payments from PG&E
± $2.8M

Operating Reserves – Customer Services
$500K appropriation
City-controlled*

Payment to Shell
±$2.3M

CPSF Appropriation thru 6/2011: $6M
5T-AAA-ACP
(~$2.6M remaining)

CPSF Payments for program administration
±$500K:

Noble Americas (customer service)
$140K

PG&E Service Fees
$40K

City Costs
$230K
(+$60K to LAFCo until 6/2013)

Marketing
$60K

Finance Cost
$7K

Operating Reserves available to CPSF; can be used to address leads and lags in expenditures and revenues

Monthly Timeline

Start

Daily – Customer payments from PG&E

10th Day – Invoice(s) from Shell

25th Day – Payment to Shell

26th Day – CPSF Payments for program administration

30th/31st Day – CPSF Reimbursement to SFPUC Power Enterprise

End

Operating Reserves available to CPSF; can be used to address leads and lags in expenditures and revenues

ATTACHMENT

San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

1155 Market Street, 11th Floor
San Francisco, CA 94103
T 415.554.3155
F 415.554.3161
TTY 415.554.3488

December 23, 2011

The Honorable Mayor Edwin M. Lee
The Honorable Board of Supervisors
Controller Ben Rosenfield

Subject: SFPUC Supplemental Appropriation
CleanPowerSF Community Choice Aggregation $19,500,000

Ladies and Gentlemen:

Attached is a completed copy of the request for Supplemental Appropriation to support the CleanPowerSF Community Choice Aggregation program for San Francisco electricity rate payers.

Funding for this supplemental request will come from Hetch Hetchy's Fund Balance.

Sincerely,

Ed Harrington, General Manager
San Francisco Public Utilities Commission

Attachments: Supplemental Appropriation Request Form
SFPUC Resolution

Edwin M. Lee
Mayor

Anson Moran
President

Art Torres
Vice President

Ann Moller Caen
Commissioner

Francesca Vietor
Commissioner

Vince Courtney
Commissioner

Ed Harrington
General Manager

W:\FINANCE\DATA\ADMINPUC\SHORTERM\BUDGETS STAFF\ JACOBO Carlos\SUPPLEMENTAL APPROPRIATION\LETTERS\Supplemental Appropriation LTR. $19,500,000.Ltr..12.21.11.Doc

REQU. .T FOR SUPPLEMENTAL APPROF ATION

DEPARTMENT SFPUC **DIVISION** _____ **DATE** 12/21/11

To the Mayor:

Request is hereby made for supplemental appropriation from the following appropriations(s) or fund(s) in the amount(s) indicated:

APPROPRIATION NUMBER	DESCRIPTION OF APPROPRIATION OR FUND	AMOUNT
FD/GROUP FD 5TAAAAAA DEPT-DIV-SEC 32-00-00 INDEX 3200000 CHAR/SUB-OBJ 99999B	**Fund Balance**	**$19,500,000**

to the credit of the following appropriation(s) or fund(s) in the amount(s) indicated:

APPROPRIATION NUMBER	DESCRIPTION OF APPROPRIATION OR FUND	AMOUNT REQUESTED	AMOUNT APPROVED MAYOR
FD/GROUP FD 5TAGTCCA DEPT-DIV-SEC 32-00-00 INDEX CUH978 CHAR/SUB-OBJ 097XX	**CleanPowerSF**	**$19,500,000**	

There are no surpluses in any of this department's appropriations available for transfer for the requested purposes(s). Complete detail as to the necessity for THIS appropriation is stated below.

APPLICABLE BOXES MUST BE CHECKED.

[ ] This request includes capital projects (s.o.2020 or 2030); a separate copy has been sent to the Chair, Capital Improvement Advisory Committee
[X] These funds have not been previously requested.
[ ] These funds were previously requested by: [ ] Supplemental Appropriation or
[ ] Budget Estimate and were [ ] reduced or [ ] denied by: [ ] The Mayor, or [ ] The Board of Supervisors.

CERTIFIED AS TO FACTS AND AMOUNTS AS ABOVE STATED, AND RECOMMENDED: _____ (Department Head)
Todd Rydstrom, AGM Business Services & CFO, SFPUC

APPROVED: _____ (C.A.O., Board or Commission)
Ed Harrington, General Manager, SFPUC

Recorded Controller's Budget Division

By _____ **Date** _____ **Request No.** _____

FOR MAYOR'S USE

To the Controller:

The above request meets with my approval, as indicated above. You are hereby requested to prepare the necessary appropriation ordinance.

APPROVED:

Edwin M. Lee **By** _____ **Date** _____
MAYOR

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 11-0194

WHEREAS, The San Francisco Board of Supervisors established a Community Choice Aggregation (CCA) program in 2004 (Ordinance 86-04) and has implemented the program, called CleanPowerSF, through the work of the SFPUC in consultation with the San Francisco Local Agency Formation Commission (Ordinances 146-07, 147-07, and 232-09); and

WHEREAS, The SFPUC, in response to direction from the Board of Supervisors, issued two Request for Proposals (RFPs) seeking suppliers to provide key services for CleanPowerSF; and

WHEREAS, The SFPUC RFPs stated the City's goals of meeting the state's Renewables Portfolio Standard, providing 51% renewable energy at prices that meet or beat PG&E rates, developing new renewable energy resources, and providing these benefits with no financial risk to the City; and

WHEREAS, Upon advice from LAFCO and the SFPUC, and approval of the Board of Supervisors, the first RFP, CS-978R, was issued on November 5, 2009 for electricity supply, renewable project development and customer care and billing services; and

WHEREAS, In order to elicit the largest possible pool of respondents, CS-978R afforded respondents flexibility with respect to meeting certain City goals for CCA including the timeline to achieve the requested renewable portfolio content and development of new renewable resources; and

WHEREAS, The SFPUC received five (5) responses to CS-978R on December 29, 2009, from Fotowatio Renewable Ventures, Invenergy, LLC, Main Street Power, Power Choice, LLC, and Shell Energy North America, but only two (2) of these included electricity supply; and

WHEREAS, Negotiations with the highest ranked proposer (Power Choice, LLC) were not successful; and

WHEREAS, After further consideration and review by the SFPUC and LAFCO, a decision was made to provide for development of new renewable resources by the City through a separate process, and a second RFP, CS-160, was issued on August 5, 2010, for electricity supply and customer care and billing services for CleanPowerSF; and

WHEREAS, The SFPUC received four (4) responses to CS-160 on November 3, 2010, from Constellation Energy, Noble Americas, Power Choice, Inc, and Shell Energy North America, and none met the minimum qualifications and minimum proposal requirements of the RFP; and

WHEREAS, On November 15, 2010, respondents were informed of the deficiencies in their proposals and were given until December 10, 2010, to supplement their proposals; and

WHEREAS, The revised proposals were received on December 10, 2010, and still failed to meet minimum qualifications and minimum proposal requirements set forth in the RFP, including a comprehensive pricing proposal that meets or beats PG&E rates; and

WHEREAS, The General Manager of the SFPUC determined that the RFP could not be altered and reissued in a manner likely to attract responsive offers; and

WHEREAS, On February 8, 2011, the SFPUC authorized the General Manager to negotiate with one or more creditworthy firms for power supply and customer care and billing services for CleanPowerSF; and

WHEREAS, SFPUC staff began negotiations with Shell Energy North America and Noble Americas in February 2011 for electricity supply services and customer care and billing services that most closely achieve the City's goals; and

WHEREAS, The SFPUC reaffirms its commitment to pursue the local build out component of CCA and recognizes that local build out is essential to a successful CCA program; and

WHEREAS, The SFPUC anticipates the immediate commencement of the local build out once)1 Local Power has concluded its scope of work, 2) sufficient revenues are generated or identified to commence the build out, 3) the SFPUC considers the environmental analysis of any impacts of a local buildout program and makes appropriate findings, and 4) the SFPUC approves a plan, budget and timeline for the local build out ; and

WHEREAS, SFPUC has negotiated a draft contract with Shell Energy North America that would (i) mitigate program risks by using a phase-in approach, (ii) offer customers a 100% renewable product, (iii) require a $19.5 million initial appropriation to fund program security and reserves ($19 million) and additional start-up costs ($500,000), and (iv) allow for development of new renewable resources to be added in to the electricity portfolio as a customer revenue stream is established; and

WHEREAS, Phase One of the CleanPowerSF program will follow the state-mandated opt-out process, enrolling sufficient customers to meet the contracted volume of electricity not to exceed an average of approximately 30 MW, and any customer within San Francisco will be eligible to participate during Phase One; and

WHEREAS, As reflected in the attached term sheet, SFPUC staff is negotiating an agreement with Noble Americas for startup, data management, customer information, billing administration and periodic reporting services, and intends to require Noble Americas to make commercially reasonable efforts to locate a call center in San Francisco that will provide local jobs; and

WHEREAS, The contract terms negotiated with Shell Energy and the Draft Term Sheet reflecting negotiations with Noble Americas do not represent any binding agreements, and SFPUC and the Board may each in its sole discretion approve or reject any proposed contract with Shell Energy or Noble Americas submitted to such body for its approval; now, therefore be it

RESOLVED, That the SFPUC approves the contract with Shell Energy North America to purchase up to 30 MW of electricity under terms that are substantively similar to the attached drafts and authorizes the General Manager to execute the contract subject to approval by the Board of Supervisors; and be it

FURTHER RESOLVED, That the SFPUC General Manager is authorized to continue negotiating with Noble Americas for customer care and billing services for the CleanPowerSF program consistent with the terms described in the attached and to bring to the Commission a final contract for its review; and be it

FURTHER RESOLVED, That the SFPUC General Manager will not be authorized to sign a final contract with Noble Americas until after such contract has been approved by the SFPUC in its sole and absolute discretion irrespective of whether or not such contract reflects the terms set forth in the "Draft Term Sheet"; and be it

FURTHER RESOLVED, that the SFPUC finds that this action is not subject to the requirements of the California Environmental Quality Act because it can be seen with certainty that this action will not result in any physical change to the environment; and be it

FURTHER RESOLVED, That the SFPUC approves the use of $19.5 million for the initial phase of the CleanPowerSF program for the purposes of providing financial security to its supplier counterparties, as well as ensuring sufficient financial capacity for the program's financial health over the term of the initial contract; and be it

FURTHER RESOLVED, That to mitigate the financial risks associated with starting a Community Choice Aggregation Program the initial opt-out notices shall be directed to a portion of the available residential accounts in San Francisco, in order to provide a reserve of residential accounts that could be offered the program should opt-outs be higher than estimated; and be it

FURTHER RESOLVED, The SFPUC will only authorize the General Manager to launch the program so long as the contract with Shell is approved by the Board of Supervisors, and the following conditions required for contract effectiveness are met to the satisfaction of the SFPUC: (1) CleanPowerSF rates are approved by the SFPUC and Board of Supervisors through the process established in section 8B.125 of the City's Charter, and the SFPUC has determined that those rates are sufficient to cover the cost of power and services provided by Shell as well as other costs required for the program, (2) the California Public Utilities Commission (CPUC) has made its final determination of the CCA bond amount required by Public Utilities Code Section 366.2 and the SFPUC has the resources and all necessary authorizations to obtain the bond, (3) all appropriations required by the CCA supplier contracts have been authorized, and (4) the SFPUC Power Enterprise has rates in place to be financially stable and in compliance with its reserve policies, (5) a contract for customer billing, data management and other administrative services with Noble Americas or another entity has been approved; and be it

FURTHER RESOLVED, That the General Manager shall return to the SFPUC for additional approval before the initial Confirmation with Shell is signed; and be it

FURTHER RESOLVED, That the SFPUC authorizes the General Manager to submit the draft contract with Shell and the appropriation of $19.5 million to the Board of Supervisors for its review and consideration.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of December13,2011

Michael Hosah

Secretary, Public Utilities Commission