

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO.: 17-0226

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, In 2002, the Board of Supervisors adopted the "Greenhouse Gas Emissions Reduction" Resolution (158-02), updated in 2008 (Ordinance 81-08, San Francisco Environment Code § 902), committing San Francisco to reduce citywide greenhouse gas (GHG) emissions to 80% below 1990 levels by the year 2050; CleanPowerSF program can be a key contributor to achieving those goals; and

WHEREAS, In 2002, the State of California established the California Renewable Portfolio Standard (RPS) under Senate Bill 1078, accelerated in 2006 under Senate Bill 107 and expanded in 2011 under Senate Bill 2 and in 2015 under Senate Bill 350 (Public Utilities Code § 399.11-32), mandating that 33% of electricity sold to consumers must be generated by eligible renewable resources by 2020 and 50% by 2030; and

WHEREAS, The complementary objectives of the CleanPowerSF program are to (1) provide electricity and related services at affordable and competitive rates while promoting long-term rate stability, energy security and reliability for San Francisco; (2) reduce, and eventually eliminate, the greenhouse gas emissions associated with the use of electricity in San Francisco; (3) support, to the greatest extent possible and affordable, the development of new clean energy infrastructure and new employment opportunities for San Franciscans; and (4) provide long-term rate and financial stability to CleanPowerSF and its customers; and

WHEREAS, On May 12, 2015 (Resolution 15-0112), the Commission set initial "not-to-exceed" rates, finding that the CleanPowerSF retail rates must be adequate to support CleanPowerSF's operations, including recovery of program reserves and allow for the Power Enterprise to be financially stable and in compliance with its reserve policies; and

WHEREAS, The Commission adopted a ratemaking methodology for the CleanPowerSF program that is intended to result in bills that are equal to or less than PG&E bills for customers enrolling in the default product during an auto-enrollment phase; and

WHEREAS, A primary factor in ensuring that the "not-to-exceed" rates are equal to or less than PG&E's bills will be procuring competitively priced energy to support the CleanPowerSF program; and

WHEREAS, On December 8, 2015 (Resolution 15-0267) the Commission adopted Business Practice Policies for the CleanPowerSF program, addressing product content, rate setting, phasing, supply management, reserves and program performance reporting and metrics; and

WHEREAS, The Commission-adopted Phasing Policy states that the CleanPowerSF program will be phased-in throughout San Francisco in a manner that is financially prudent and

operationally feasible and shall be conditional upon: (1) program rates being sufficient to cover program costs, (2) program rates for a subsequent phase are projected to be at or below PG&E rates at the launch of each phase, (3) program supply commitments are sufficient to meet new projected customer demand, (4) staff and systems and/or qualified third party service providers can handle additional energy sales and customer account volumes, (5) sufficient and reasonably priced credit, collateral and working capital support is available, and (6) all rate, contracts and financial support approvals have been obtained; and

WHEREAS, On May 9, 2017 (Resolution 17-0102) the Commission modified the CleanPowerSF Program to increase the target renewable energy content of the Green (default) product from 35% to 50% by the end of 2020, or sooner if possible, and enroll 100% of eligible San Francisco customers by July 2019, or sooner if possible; and

WHEREAS, CleanPowerSF is currently serving approximately 65 MW per year (average) and its potential citywide demand is equal to approximately 435 MW per year (average), assuming a citywide program opt-out rate of 5%; and

WHEREAS, On June 22, 2017 SFPUC issued a Request for Offers for Renewable Energy Supplies, PRO.0077, seeking bids for energy, environmental attributes and capacity from new and existing Eligible Renewable Energy Resources, as defined in California Public Resources Code Section 25741, to support citywide enrollment in the CleanPowerSF program no later than the summer of 2019; and

WHEREAS, PRO.0077 sought renewable energy produced and delivered by new or existing generating facilities with an initial contract delivery date as early as May 2018 and as late as December 2021 for contract terms of one to 25 years, plus optional extensions, including, to the extent available, the Resource Adequacy ("RA") Capacity for any generating facilities that have achieved or are expected to achieve full capacity deliverability status; and

WHEREAS, On September 12, 2017 SFPUC issued a Request for Offers for Shaped Energy Supplies, PRO.0089, seeking bids for shaped energy, short-term renewable energy, environmental attributes and RA Capacity to complement the renewable energy offers provided under PRO.0077; and

WHEREAS, PRO.0089 sought bids for short-term shaped energy, renewable energy and carbon-free energy products that meet the following criteria: (1) minimum annual energy delivery of 25 MW (average) per year, (2) an initial contract delivery date as early as May 2018 and as late as April 2020, and (3) contract duration ranging from one year to a maximum of three years; and

WHEREAS, PRO.0089 also sought bids for a sufficient quantity of RA Capacity to satisfy the applicable requirements for CleanPowerSF's projected citywide loads, with a minimum delivery term of one year and no more than three years; and

WHEREAS, The SFPUC received 71 project proposals responsive to PRO.0077, the Request for Offers for Renewable Energy Supplies, and on August 24, 2017, notified the following pool of qualified respondents offering proposals with initial contract delivery dates in 2018 and 2019 that some or all of their proposals submitted under PRO.0077 were selected for further consideration: 8minutenergy Renewable LLC; Avangrid Renewables LLC; Calpine Energy Services L.P.; E.ON Climate & Renewables North America LLC; First Solar; Frontier Renewable; FTP Power LLC, dba Sustainable Power Group (sPower); Morgan Stanley Capital Group Inc.; NextEra Energy Resources Acquisitions LLC; Shell Energy North America (US)

L.P.; SunPower Corporation Systems; Terra-Gen LLC; Wadham Energy L.P.; and Wind Wall Development LLC; and

WHEREAS, On September 6, 2017, notified the following pool of qualified respondents to PRO.0089 offering proposals with initial contract delivery dates in 2020 and 2021 that some or all of their proposals submitted under PRO.0077 were selected for further consideration: 8minutenergy Renewable LLC; E.ON Climate & Renewables North America, LLC; EDF Renewable Development, LLC; EDP Renewables North America LLC; First Solar; Lendlease Energy Development LLC; NextEra Energy Resources Acquisitions, LLC; NRG Renew, LLC; Sempra Renewables, LLC; SunPower Corporation, Systems; and

WHEREAS, The SFPUC has placed a priority on contracting with the following respondents offering energy under PRO.0077 with initial contract delivery dates as early as 2018 and as late as 2021: Calpine Energy Services L.P.; E.ON Climate & Renewables North America LLC; First Solar; Frontier Renewable; FTP Power LLC, dba Sustainable Power Group (sPower); Morgan Stanley Capital Group Inc.; NextEra Energy Resources Acquisitions LLC; SunPower Corporation Systems; Terra-Gen LLC; Wadham Energy L.P.; and Wind Wall Development LLC; and

WHEREAS, The SFPUC received five proposals responsive to PRO.0089, the Request for Offers of Shaped Energy Supplies, and on September 27, 2017, notified Calpine Energy Services L.P., Constellation, Direct Energy Business Marketing LLC, Morgan Stanley Capital Group Inc., Shell Energy North America (U.S.) LP, that they had been shortlisted and that their proposals were selected for further consideration; and

WHEREAS, The SFPUC is preparing a risk assessment for the proposed portfolio of contracts that will be completed prior to a decision to launch the next phase of the CleanPowerSF program; and

WHEREAS, this approval does not constitute a "project" under the California Environmental Quality Act (CEQA) Guidelines Section 15378 because there would be no physical change in the environment; now, therefore be it

RESOLVED, That the Commission approves the pool of qualified respondents identified in this Resolution for renewable energy, shaped energy and Resource Adequacy Capacity solicited through PRO.0077 and PRO.0089 and authorizes the General Manager to negotiate energy supply contracts with one or more of the respondents; and be it

FURTHER RESOLVED, That the Commission conditionally authorizes the General Manager to execute energy supply contracts with one or more of the respondents, subject to the following conditions, and to seek Board of Supervisors approval, if required, subject to the following conditions:

- (i) the total cost of the executed contracts is consistent with the rate setting methodology adopted by the Commission in Resolution 15-0112;
- (ii) the renewable energy supplied under a contract pursuant to either PRO.0077 or PRO.0089 is from resources eligible to be counted as California Renewables Portfolio Standard Portfolio Content Category 1 or Portfolio Content Category 2 resources;

- (iii) counterparties to any contract must maintain an acceptable credit rating or provide equivalent credit support or performance assurance for the duration of the contract through an acceptable credit mechanism;
- (iv) the total combined volume of power procured under PRO.0077 and PRO.0089 shall not exceed 435 MW per year (average);
- (v) the duration of any contract under PRO.0077 shall not exceed 25 years, unless the Commission approves a contract extension;
- (vi) the duration of any contract under PRO.0089 shall not exceed three years;
- (vii) the total quantity of Resource Adequacy Capacity procured shall not exceed the expected quantity as established by state law and regulation for load of 435 MW per year (average); and
- (viii) the total cost of all energy supply contracts shall not exceed \$175 million per year; and be it

FURTHER RESOLVED, That the Commission intends to review the expected costs of CCA service and consider authorizing the General Manager to finalize the schedule of rates and charges for the initial offering, prior to commencement of the opt-out process for the next planned auto-enrollment; and be it

FURTHER RESOLVED, That the contracts will not be effective until the SFPUC has reviewed the CleanPowerSF risk assessment for the proposed portfolio of contracts to be executed; and be it

FURTHER RESOLVED, that the General Manager will report to the SFPUC on the final schedule of rates and charges for the initial offering, prior to commencement of the opt-out process.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of November 14, 2017.



Secretary, Public Utilities Commission