

BOARD of SUPERVISORS



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DATE: September 17, 2015
TO: Members of the Board of Supervisors
FROM: *ACC* Angela Calvillo, Clerk of the Board
SUBJECT: 2014-2015 Civil Grand Jury Report "CleanPowerSF At Long Last"

We are in receipt of the following required responses to the San Francisco Civil Grand Jury report released July 16, 2015, entitled: CleanPowerSF At Long Last. Pursuant to California Penal Code, Sections 933 and 933.05, the City Departments shall respond to the report within 60 days of receipt, or no later than September 14, 2015.

For each finding the Department response shall:

- 1) agree with the finding; or
- 2) disagree with it, wholly or partially, and explain why.

As to each recommendation the Department shall report that:

- 1) the recommendation has been implemented, with a summary explanation of how;
- 2) the recommendation has not been implemented, but will be within a set timeframe as provided;
- 3) the recommendation requires further analysis and define what additional study is needed, the Grand Jury expects a progress report within six months from the publication of the Report; or
- 4) the recommendation will not be implemented because it is not warranted or reasonable, with an explanation of why.

The Civil Grand Jury Report identified the following City Departments to submit responses (attached):

- Mayor's Office (consolidated response)
Received September 14, 2015, for Findings 1 through 5 and Recommendations 1 through 5
- Public Utilities Commission (consolidated response)
Received September 14, 2015, for Findings 1 through 5 and Recommendations 1 through 5

These departmental responses are being provided for your information, as received, and may not conform to the parameters stated in California Penal Code, Section 933.05 et seq. The Government Audit and Oversight Committee will consider the subject report, along with the responses, at an upcoming hearing and will prepare the Board's official response by Resolution for the full Board's consideration.

C:

Honorable John K. Stewart, Presiding Judge
Jay Cunningham, 2015-2016 San Francisco Civil Grand Jury
Alison Scott, 2015-2016 San Francisco Civil Grand Jury
Janice Pettey, 2014-2015 San Francisco Civil Grand Jury
Philip Reed, 2014-2015 San Francisco Civil Grand Jury
Kate Howard, Mayor's Office
Chris Simi, Mayor's Office
Harlan Kelly, Jr., Public Utilities Commission
Juliet Ellis, Public Utilities Commission
Donna Hood, Public Utilities Commission
Jon Givner, Deputy City Attorney
Rick Caldeira, Legislative Deputy
Severin Campbell, Budget and Legislative Analyst
Debra Newman, Budget and Legislative Analyst
Jadie Wasilco, Budget and Legislative Analyst



September 14, 2015

The Honorable John K. Stewart
Presiding Judge
Superior Court of California, County of San Francisco
400 McAllister Street
San Francisco, CA 94102

Dear Judge Stewart:

Pursuant to Penal Code sections 933 and 933.05, the following is the official City and County of San Francisco response to the 2014-2015 Civil Grand Jury report, *CleanPowerSF – At Long Last*.

We want thank the Civil Grand Jury for its report on CleanPowerSF. Transitioning from fossil fuels to renewable sources of power is an important component of our City's climate action strategy and one that the Mayor and San Francisco Public Utilities Commission (SFPUC) fully support.

At the beginning of the year, the Mayor worked with Board President Breed to call on the SFPUC to develop a new version of CleanPowerSF, the City's renewable energy alternative to PG&E. Since then, the SFPUC has made great progress. The new version of CleanPowerSF will be greener and competitively priced compared to PG&E, not rely on renewable energy credits, and create new job opportunities.

We have worked closely with President Breed and the Board of Supervisors to enact legislation to quickly move the program forward. SFPUC is on track to launch the first phase of CleanPowerSF in January 2016. Most importantly, consumers can be confident that the new version of CleanPowerSF is a much improved program that is affordable and delivering real renewable energy.

A detailed response from the Mayor's Office and the San Francisco Public Utilities Commission to the Civil Grand Jury's findings and recommendations follows.

Sincerely,

Handwritten signature of Edwin M. Lee in black ink.

Edwin M. Lee
Mayor

Handwritten signature of Harlan Kelly in black ink.

Harlan Kelly
San Francisco Public Utilities Commission

Finding 1: CleanPowerSF will be a relatively small, low-risk program at startup, but must grow quickly to meet the City’s timeline for reducing greenhouse gas emissions.

Disagree with finding, partially. The Mayor’s Office and the SFPUC agree that the program will be relatively small and low-risk at startup. We disagree, however, with the Civil Grand Jury’s report that the SFPUC use unbundled RECs to grow CleanPowerSF. CleanPowerSF is designed to not rely on unbundled RECs.

The long term success of the program, and therefore, the ability of the program to achieve significant greenhouse gas reductions, depends on offering consumers a product that is reliable, transparent, and affordable. SFPUC has designed the program to offer such a product.

Furthermore, the City has a comprehensive climate action strategy and is not solely depending on CleanPowerSF to reach its targets and timelines. The City has reduced its greenhouse gas emissions by 23% below 1990 levels while the City’s economy and population have grown. The City is on track to reach its goal of reducing greenhouse gas emissions 25% below 1990 levels by 2017 and 40% by 2025. CleanPowerSF is one of several strategies to achieve the City’s greenhouse gas reduction goals, including improving the energy-efficiency of municipal, commercial and residential buildings, significantly increasing sustainable modes of transportation like walking, biking, and transit, and achieving the City’s Zero Waste goal.

Recommendation 1: That CleanPowerSF be designed, first and foremost, to be financially viable and to grow quickly without undue risk.

The recommendation has been implemented. CleanPowerSF is designed to be financially viable and to grow quickly without undue risk.

The Mayor’s Office and the SFPUC, however, reject the Civil Grand Jury’s suggestion that the program use unbundled RECs as a tool to support the program’s growth and financial viability.

We believe purchasing unbundled RECs to claim non-renewable power as renewable is not appropriate for the City’s community choice aggregation program. Moreover, unlike the experience of Marin Clean Energy recounted in the report, San Francisco is procuring supply for a CleanPowerSF program at a time when electricity prices – including bundled renewables – are quite low, and projected to remain low. As a result, San Francisco’s program at launch is expected to be affordable with bundled renewable supplies, avoiding the arguments explained in the report about the degraded quality of programs reliant upon unbundled RECs.

CleanPowerSF is designed to not rely on unbundled RECs. We believe that the program will grow more quickly if consumers have the confidence that the renewable power procured and claimed by the program is high quality renewable. We have made the policy decision to only launch the program if the affordability goals can be met with bundled renewables supplying the program.

Finding 2: CleanPowerSF’s rates will be lower and more affordable to all San Franciscans, if it is free to use unbundled RECs as needed, and to provide less than 100% green power.

Disagree with finding, partially. The Mayor’s Office and SFPUC agree with the finding that CleanPowerSF “provide less than 100% green power.” In January 2015, the Mayor asked for a program that

included a default product with a higher renewable energy content than PG&E at a competitive price, and a premium 100% renewable option. The SFPUC has designed CleanPowerSF accordingly.

Given today's low electricity prices, we disagree that CleanPowerSF needs to use unbundled RECs to meet affordability goal for its customers. And, as mentioned above, we believe the use of unbundled RECs is not appropriate for CleanPowerSF.

Recommendation 2: That CleanPowerSF be free to use unbundled RECs, and to provide less than 100% green power, as needed to meet its goals of financial viability and early expansion.

The recommendation will not be implemented. CleanPowerSF is designed to be financially viable without using unbundled RECs. Moreover, as previously stated, the Mayor's Office and the SFPUC reject the use of unbundled RECs for CleanPowerSF to meet its financial goals or increase the growth of the program. CleanPowerSF will be honest and transparent about the renewable content of the power it is procuring for its customers.

There is a growing consensus against the use of unbundled RECs. In July 2015, the Board of Supervisors passed 8-0 an initiative ordinance including the following language:

"It is the City's policy that the use of unbundled renewable energy credits for CleanPowerSF customers *shall be limited* to the extent deemed feasible by the SFPUC, consistent with the goals of the program." (Italics added for emphasis)

As discussed above, however, the recommendation to include a renewable power option that is less than 100% has been implemented.

Finding 3: Local job creation, while desirable, is not the chief purpose of CleanPowerSF, and should not cause further delay in implementing the program.

Disagree with finding, partially. CleanPowerSF is a program designed to provide ratepayers with a competitively priced renewable energy product that will help the City reduce its greenhouse gas emissions. Local job creation, however, is more than "desirable." The Mayor expects local jobs to be created through the implementation of the program and has requested a plan from the SFPUC, which is in the process of creating one.

Recommendation 3: That CleanPowerSF be designed to provide as many local jobs as it can, without compromising its financial viability and potential for early expansion.

The recommendation has been implemented. CleanPowerSF is designed to provide as many jobs as it can and add more jobs with its growth.

Finding 4: There are ample resources of renewable power to support CleanPowerSF, including local rooftop solar installations such as those funded through the GoSolarSF program.

Agree with finding.

Recommendation 4: That SFPUC integrate the GoSolarSF program into CleanPowerSF to take advantage of their complementary relationship.

The recommendation has not been implemented, but will be implemented in the future. The CleanPowerSF program design envisions its customers will be able to access GoSolarSF incentives. The amount of funding CleanPowerSF will contribute to GoSolarSF has not yet been determined.

Finding 5: Political discord has at times delayed implementation of CleanPowerSF.

Disagree with finding, wholly. There have been delays to the implementation of CleanPowerSF due to vigorous and substantive policy debates about the design of the program. We disagree with the Civil Grand Jury's characterization of the policy debate as "political discord."

Today's version of CleanPowerSF is a much improved program with a high likelihood of success and minimal risk as a result of the policy debates. As currently designed, CleanPowerSF will offer a default product that: is priced at or below PG&E base rate; has more renewable energy content than PG&E without using unbundled RECs; and is administered by the SFPUC. The SFPUC has designed a program that provides its ratepayers with reliable and affordable power that is greener than PG&E.

Recommendation 5: That local officials, including the Mayor, put the full weight of their offices behind the success of the CleanPowerSF program.

The recommendation has been implemented. The Mayor, Board President Breed, San Francisco Board of Supervisors, and the SFPUC have been working to ensure the success of CleanPowerSF.