Item 2 **File 18-0560**	**Department:** San Francisco Public Utilities Commission (SFPUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution will authorize exercise of the first amendment to the contract between SFPUC and Calpine Energy Solutions, LLC (Calpine). The proposed amendment would (i) extend the contract by three years to October 31, 2021, with the option of extending the contract for an additional three years to October 31, 2024; (ii) increase the contract not-to-exceed amount by $14,030,000, from $5,600,000 to $19,630,000.

Key Points

- The San Francisco Public Utilities Commission (SFPUC) implemented a CCA, CleanPowerSF, in 2015 to provide electricity from more renewable resources to residents and businesses. PG&E provides the infrastructure for electricity transmission and distribution. SFPUC uses a third party to provide the customer and technical administrative services. SFPUC approved the original contract with Noble Americas Energy Solutions in 2015 to provide customer and technical administrative services; Noble was acquired by Calpine in 2016.
- Under the existing contract, CleanPowerSF pays Calpine using a tiered structure depending on the number of meters Calpine is servicing. Under the proposed first amendment, CleanPowerSF will pay a flat rate of $1.15 per-meter-per-month.
- Current CleanPowerSF enrollment is 87,000, which is expected to increase to 115,000 during the July 2018 enrollment period, and to 375,000 by July 2019. Enrollment may be expedited to 2018 if the California Public Utilities Commission approves an increase to the fee charged by PG&E to customers who switch service to CleanPowerSF in 2019. The fee charged by PG&E is to cover generation costs acquired prior to a customer's change in service provider. Enrolling customers in CleanPowerSF in 2018 rather than 2019 could result in a lower fee charged to these customers by PG&E.

Fiscal Impact

- Total actual and projected expenditures under the existing contract between SFPUC and Calpine are $3,244,225, and estimated expenditures under the proposed first amendment are $14,030,000, plus a contingency of $1,495,000, for total contract expenditures of $18,769,225.

Recommendations

- Amend the proposed resolution to reduce the contract not-to-exceed amount by $860,775, from $19,630,000 to $18,769,225.
- Amend the proposed resolution to clarify that exercise of the second and final option to extend the contract by three years to October 31, 2024 is subject to future Board of Supervisors approval.
- Approve proposed resolution as amended.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

State law allows cities and counties to develop Community Choice Aggregation (CCA) programs, through which local governments supply electricity to serve the needs of participating customers within their jurisdictions while the existing private utility (PG&E in San Francisco) continues to provide various services including billing, transmission, and distribution.

The San Francisco Public Utilities Commission (SFPUC) implemented a CCA, CleanPowerSF, in 2015 to provide electricity from more renewable resources to residents and businesses. PG&E provides the infrastructure for electricity transmission and distribution. SFPUC uses a third party to provide the customer and technical administrative services SFPUC entered into the original contract with Noble Americas Energy Solutions LLC (Noble) in 2015, selected through a competitive process, to provide meter data management, billing, and customer services for CleanPowerSF. The contract was for an amount not-to-exceed $5,600,000 and for a three-year term from September 1, 2015 to October 31, 2018, with two three-year options to extend the contract to October 2024. Noble was acquired by Calpine Corporation on December 1, 2016, and SFPUC executed an amendment to the contract certifying the name change.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution will authorize exercise of the first amendment to the contract between SFPUC and Calpine Energy Solutions, LLC (Calpine). The proposed amendment would (i) extend the contract by three years to October 31, 2021, with the option of extending the contract for an additional three years to October 31, 2024; (ii) increase the contract not-to-exceed amount by $14,030,000, from $5,600,000 to $19,630,000.

The services provided by Calpine will remain the same and include:

- Management of CleanPowerSF customer accounts and billing
- Exchange of customer usage, billing, and payment data with PG&E
- Handling of CleanPowerSF customer service calls

The increase in the contract not-to-exceed amount accounts for increasing the number of customers enrolled in CleanPowerSF. CleanPowerSF has enrolled approximately 87,500 customers, and is adding 27,500 customers in July 2018.[1] Service will be expanded to include

[1] SFPUC implemented Phase I of CleanPowerSF in 2016, which automatically enrolled residential customers in selected neighborhoods (who could opt-out). CleanPowerSF's May 2017 Growth Plan calls for citywide enrollment into CleanPowerSF by the end of FY 2018-19, with the next major auto-enrollment phase to occur in July 2018.

385,000 commercial and residential customers by July 2019. The program automatically enrolls eligible PG&E electricity customers within the City and County of San Francisco and these customers are then given the opportunity to opt out of participating if they choose. According to Ms. Julia Allman, Utility Specialist with CleanPowerSF, 96 percent of customers enrolled have remained with the program since service commenced in May 2016.

Rate Adjustments

Under the existing contract, CleanPowerSF pays Calpine using a tiered structure depending on the number of meters Calpine is servicing. Rates were set at $1.55 per-meter-per-month for the first 100,000 meters, $1.30 per-meter-per-month for meters 100,001-200,000, $1.25 per-meter-per-month for meters 200,001-300,000, and $1.15 per-meter-per-month for all meters over 300,000. Under the proposed first amendment, CleanPowerSF will pay a flat rate of $1.15 per-meter-per-month. This fee consists of $0.20 per active meter for customer services and $0.95 per active meter for administration.

CleanPowerSF intends to assume some or all of the customer service calls function during the three-year contract extension. If CleanPowerSF takes over this function from Calpine, the per-meter-per-month customer service fee will be reduced.

FISCAL IMPACT

Total actual and projected expenditures under the existing contract between SFPUC and Calpine are $3,244,225, and estimated expenditures under the proposed first amendment are $14,030,000, plus a contingency of $1,495,000, for total contract expenditures of $18,769,225, as shown in Table 1 below.

Table 1: Actual and Projected Contract Expenditures May 2016 to October 2021

Time Frame	Approximate Number of Meters	Average monthly rate per meter	Average monthly invoice	Total
Existing Contract				
Spending to date [a]	-	-		$2,410,175
June 2018	87,000	$1.55	$134,850	134,850
July 2018-Oct. 2018	115,000	$1.52	$174,800	699,200
Subtotal Existing Contract				$3,244,225
Proposed First Amendment [b]				
Nov. 2018-March 2019	115,000	$1.15	$132,250	$661,250
April 2019-Oct. 2021	375,000	$1.15	$431,250	13,386,750
Subtotal First Amendment				$14,030,000
Contingency				1,495,000
Total	**-**	**-**		**$18,769,225**

Source: Invoicing and Projections provided by CleanPowerSF

[a] Spending from May 2016 to May 2018 was based on per meter rates that varied based on the number of meters. CleanPowerSF paid Calpine $1.55 per meter for the first 100,000 meters, $1.30 per meter for meters 100,001-200,000, $1.25 for meters 200,001-300,000, and $1.15 per meter for all meters over 300,000.

[b] Under the proposed first amendment, CleanPowerSF will pay Calpine $1.15 per meter regardless of the number of meters.

Current CleanPowerSF enrollment is 87,000, which is expected to increase to 115,000 during the July 2018 enrollment period, and to 375,000 by July 2019. According to Mike Hyams, CleanPowerSF Director, SFPUC included a contingency of $1,495,000 in the event that CleanPowerSF needed to expedite enrollment in 2018 if they foresaw an increase in the Power Charge Indifference Adjustment (PCIA).[2] The PCIA rate that a customer pays is based on the year that the customer starts service with CleanPowerSF, SFPUC may choose to enroll customers in 2018 to secure a lower PCIA rate for those customers if they anticipated that the PCIA rate might increase in 2019.

The proposed resolution should be amended to reduce the not-to-exceed amount by $860,775, from $19,630,000 to $18,769,225, shown in Table 1 above.

[2] The PCIA is a charge assessed by PG&E to cover generation costs acquired prior to a customer's change in service provider. PG&E collects the fee from customers who switch service from PG&E to CleanPowerSF. SFPUC sets CleanPowerSF rates to account for the PCIA paid by customers when they switch from PG&E to CleanPowerSF (i.e, CleanPowerSF rates are reduced to offset the cost of the PCIA). The California Public Utilities Commission regulates the PCIA; if the CPUC increases the PCIA charged to customers who switch service from PG&E to CleanPowerSF in 2019, then CleanPowerSF rates would be adjusted downward to offset the increase in the PCIA.

RECOMMENDATIONS

- Amend the proposed resolution to reduce the contract not-to-exceed amount by $860,775, from $19,630,000 to $18,769,225.
- Amend the proposed resolution to clarify that exercise of the second and final option to extend the contract by three years to October 31, 2024 is subject to future Board of Supervisors approval.
- Approve proposed resolution as amended.