

File No. 121188

Committee Item No. 4

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date 01/23/2013

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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Completed by: Victor Young Date January 18, 2013

Completed by: Victor Young Date \_\_\_\_\_



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

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December 10, 2012

Angela Calvillo  
 Clerk of the Board of Supervisors  
 1 Dr. Carlton B. Goodlett Place  
 City Hall, Room 244  
 San Francisco, CA 94102

*121188*

**Subject: Community Choice Aggregation Program**  
**Release of Reserve, \$1,443,500**

Dear Ms. Calvillo:

I would like to request your assistance to have calendared the release of reserve for the Community Choice Aggregation Project CUH978.

The release of the reserved funding is needed to contract the services of an outreach education and marketing firm to provide public education, community engagement, program advertisement and outreach services for CleanPowerSF, the City's Community Choice Aggregation Program.

These funds were placed on reserve by the Budget and Finance Committee at meeting of December 8, 2010.

The \$1,443,500 will allow the SFPUC to begin the implementation of a comprehensive, highly targeted, pre-enrollment Customer Notification and Education Plan for CleanPowerSF.

Regards,

*Harlan L. Kelly, Jr.*  
 Harlan L. Kelly, Jr.  
 General Manager

**Edwin M. Lee**  
 Mayor

**Art Torres**  
 President

**Vince Courtney**  
 Vice President

**Ann Moller Caen**  
 Commissioner

**Francesca Vietor**  
 Commissioner

**Anson Moran**  
 Commissioner

**Harlan L. Kelly, Jr.**  
 General Manager



<b>Item 4</b> <b>File 12-1188</b>	<b>Department:</b> Public Utilities Commission (PUC)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objective</b>	
<ul style="list-style-type: none"> <li>Request to release \$1,443,500 on Budget and Finance Committee reserve for the Public Utilities Commission (PUC) to fund the marketing and outreach costs to implement CleanPowerSF, the City's Community Choice Aggregation (CCA) program.</li> </ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>Under CleanPowerSF, San Francisco's residential and commercial electricity consumers will have the option to purchase their electricity from 100% renewable sources. On September 18 2012, the Board of Supervisors authorized the PUC to implement the CleanPowerSF Program and execute a five-year contract with Shell Energy North America to provide the 100% renewable energy to San Francisco residents (Files 11-1340 and 11-1371).</li> <li>Phase I of CleanPowerSF is scheduled to begin distributing statutory opt-out notices to potential customers in August 2013, prior to the scheduled October 2013 enrollment.</li> <li>Prior to the provision of electricity, State and City provisions require the PUC to conduct an outreach and education campaign to potential CleanPowerSF customers. The PUC has contracted with Davis &amp; Associates, based on a competitive request for proposals (RFP) process, to provide outreach and education services for CleanPowerSF.</li> <li>The Board of Supervisors appropriated \$5,000,000 for CleanPowerSF in the PUC's FY 2006-07 annual budget. \$1,443,500 of the \$5,000,000 is currently on Budget and Finance Committee reserve, pending the PUC providing the Board of Supervisors with CleanPowerSF program implementation details. The PUC has since met the Board of Supervisors' requirements for release of these reserved funds.</li> <li>The PUC has proposed to expend \$1,399,442 of the \$1,443,500 reserved funds on its contract with Davis &amp; Associates.</li> </ul>	
<b>Fiscal Impacts</b>	
<ul style="list-style-type: none"> <li>The \$1,443,500 in reserved funds were appropriated as part of the PUC's FY 2006-07 annual budget for CleanPowerSF. The source of funds are proceeds of the sale of electric power from the Hetch Hetchy Water and Power System.</li> </ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"> <li>Approve the proposed release of reserved funds.</li> </ul>	

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

Section 3.3 of the City's Administrative Code provides that the committee of the Board of Supervisors that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place requested expenditures on reserve, which are then subject to release by the Budget and Finance Committee.

**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 will have the option to purchase their electricity from 100% renewable sources, as defined under Section 399.16(b) of the California Public Utilities Code, at a price greater than standard Pacific Gas and Electric (PG&E) electricity rates.

The Board of Supervisors' prior legislative actions on CleanPowerSF are summarized in the Attachment to this report. The Board of Supervisors' most recent action on CleanPowerSF took place on September 18, 2012, when it approved a resolution (File 11-1340) and a \$19,500,000 supplemental appropriation ordinance (File 11-1371) to authorize the PUC to implement the CleanPowerSF Program and execute a five-year contract with Shell Energy North America (Shell) to provide 100% renewable energy to San Francisco residents under CleanPowerSF.

The PUC will implement CleanPowerSF in at least two phases. In Phase I, the City will guarantee the purchase of an average electric load of up to 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 up to 90,000 residential ratepayers, approximately one half of the City's 375,000 residential ratepayers will be selected at random to be enrolled in CleanPowerSF. As required by the State Public Utilities Code, these ratepayers will have four billing cycles, or 120 days, to opt out of the program without payment of a fee.<sup>1</sup> 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, the amount of which is still to be determined. Phase I of CleanPowerSF is scheduled to begin distributing statutory opt-out notices to potential customers in August 2013, prior the scheduled October 2013 enrollment.

Based on market research conducted for the PUC 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 will need to enroll additional customers in order to achieve the 30MW average electric load. The PUC can do so by (1) encouraging enrollment by commercial electricity customers; (2) encouraging enrollment by customers not

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<sup>1</sup> 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.

previously automatically enrolled; or (3) initiating an additional phase of automatic enrollment of residential ratepayers.

*Requested Release of Reserved Funds*

In the PUC's FY 2006-07 annual budget, the Board of Supervisors appropriated \$5,000,000 for CleanPowerSF, funded from the proceeds of the sale of electric power from the Hetch Hetchy Water and Power System. Of this \$5,000,000 appropriation, \$1,826,500 was used to fund initial PUC staff positions and outside consultant costs to prepare the CleanPowerSF Implementation Plans, and \$3,173,500 was placed on Budget and Finance Committee reserve pending PUC providing status updates on CleanPowerSF. Implementation of CleanPowerSF has taken several years longer than originally anticipated, due to the technical and legal complexity of the program. To date, the Budget and Finance Committee has released \$1,730,000 of the \$3,173,500, resulting in a balance of \$1,443,500, the subject of this request, as summarized in Table 1, below.

**Table 1: Releases of Reserve, To Date**

Description	Amount
Amount initially placed on Budget and Finance Committee reserve pending PUC providing status updates on CleanPowerSF as part of the FY 2006-07 PUC budget	\$3,173,500
Amount released on July 8, 2009 to issue a Request for Proposals to select an energy service provider to operate CleanPowerSF	(1,300,000)
Amount released on December 8, 2010 to fund City Attorney and consultant expenditures to assist the PUC in negotiations to select a preferred energy service provider	(430,000)
<b>Total Released to Date</b>	<b>(\$1,730,000)</b>
<b>Balance of Budget and Finance Committee Reserve (subject of this request)</b>	<b>\$1,443,500</b>

This balance of \$1,443,500 was continued on reserve by the Budget and Finance Committee on December 8, 2010, pending (a) the Board of Supervisors approval of a contract between the City and the selected energy service provider to operate CleanPowerSF, and (b) the PUC providing the Budget and Finance Committee with (i) background and experience on the selected energy provider, (ii) details of how the proposed CleanPowerSF program would be implemented, (iii) anticipated sources and amounts of renewal energy, (iv) proposed electricity rates, (v) anticipated CleanPowerSF total program costs, and (vi) financial and liability issues of the CleanPowerSF program.

As is noted above, the Board of Supervisors authorized the PUC to proceed with the implementation of CleanPowerSF on September 18, 2012. However, prior to approving the resolution, File 11-1340 was amended in committee to urge the PUC "to undertake an extensive public education and outreach campaign, in multiple languages, and with particular attention to low-income communities, to ensure that prior to the opt-out process targeted residents in each phase are fully aware of the program, its features and its costs." This effort is in addition to State of California-mandated outreach and notification requirements.

## DETAILS OF PROPOSED LEGISLATION

The PUC is now requesting the release of the remaining \$1,443,500 on Budget and Finance Committee reserve to fund a public education and customer notification plan. As is noted above, the PUC is required to undertake an extensive public education and outreach campaign as part of the implementation of CleanPowerSF, as required by both the State and City.

The PUC has entered into a five-year contract with the firm Davis & Associates to provide customer education, marketing, and outreach services. According to Mr. Charles Sheehan, Power Enterprise Communications Manager of the PUC, Davis & Associates "will provide direct mail, television commercials, branding services, online education, graphic design, and other forms of marketing and outreach to support education and public notification for CleanPowerSF." Davis & Associates was selected by the PUC through a competitive Request for Proposals (RFP) process, which included three qualifying respondents that were selected for oral interviews. In issuing the RFP, the PUC estimated total services at a cost of \$1,400,000, and as shown in Table 2 below, the PUC has provided a budget for the contract totaling \$1,399,442. The contract was not subject to Board of Supervisors approval because it is less than 10 years and will have a total cost of less than \$10 million.

The PUC has proposed that its public education and customer notification plan will include:

- Door-to-door outreach and phone banking, targeting 20,000 households, with the goal of having 5,400 conversations about CleanPowerSF, beginning in March 2013;
- Partnerships with community-based organizations to provide education about CleanPowerSF;
- Citywide early notification via mail and community events, from August through December 2013; and
- Education about CleanPowerSF via broadcast media, such as television and billboards.

As noted above, the \$1,443,500 was placed on Budget and Finance Committee reserve pending (a) the Board of Supervisors approval of a contract between the City and the selected energy service provider to operate CleanPowerSF, and (b) the PUC providing the Budget and Finance Committee with (i) background and experience on the selected energy provider, (ii) details of how CleanPowerSF program would be implemented, (iii) anticipated sources and amounts of renewable energy, (iv) proposed electricity rates, (v) anticipated CleanPowerSF total program costs, and (vi) financial and liability issues of the CleanPowerSF program. As is noted above and in the Attachment to this report, the Board of Supervisors approved such a contract with Shell on September 18, 2012. Further, the PUC provided the Board of Supervisors with all the information that was required for the release of the \$1,443,500 in reserved funds.

## FISCAL IMPACT

Approval of this request would result in the release of the remaining \$1,443,500 on Budget and Finance Committee reserve. These funds were originally appropriated in the FY 2006-07 PUC annual budget from proceeds of the sale of electrical power from the Hetch Hetchy Water and

Power System. A budget for the uses of the \$1,443,500 in reserved funds, as requested for release by the PUC, is shown in Table 2, below.

**Table 2. Proposed Uses for Reserved Funds**

Uses	Cost
<b>Davis &amp; Associates Contract Costs</b>	
<b>Early Notification Period</b>	
Postcard Mailer	\$40,220
Door to Door/Telephone Banking	49,000
Partnerships with Community Based Organizations	49,000
<b>Early Notification Period Subtotal</b>	<b>\$138,220</b>
<b>Statutory Opt Out Period – Community Outreach</b>	
Four Opt-Out Mailers	\$287,232
Door to Door/Telephone Banking	45,000
Partnerships with Community Based Organizations	45,000
<b>Statutory Opt Out Period Subtotal</b>	<b>\$377,232</b>
<b>Statutory Opt Out Period – Broadcast Media</b>	
Television	\$403,490
Outdoor Advertising	258,000
Newspapers	72,500
Online Advertising	40,000
<b>Total</b>	<b>\$773,990</b>
<b>Two Polls</b>	
Polling Costs	\$110,000
<b>Polling Subtotal</b>	<b>\$110,000</b>
<b>Total Davis &amp; Associates Contract Costs</b>	<b>\$1,399,442</b>
<b>Additional CleanPowerSF Implementation Costs:</b>	\$44,058
<ul style="list-style-type: none"> <li>• Professional services/consulting on resource adequacy regulations and their impact on CleanPowerSF</li> <li>• Purchasing updated customer data from PG&amp;E</li> <li>• Opinion of outside counsel on final terms of Shell energy purchase and sale agreement and confirmation</li> </ul>	
<b>Total Uses of Reserved Funds</b>	<b>\$1,443,500</b>

Source: PUC

As shown in Table 2, above, the PUC has provided a budget totaling \$1,443,500, including \$1,399,442 for the contract with Davis & Associates. The Budget and Legislative Analyst notes that in the PUC's RFP, the PUC estimated that the work to be completed by Davis & Associates would cost \$1,400,000.

## RECOMMENDATION

Approve the requested release of reserved funds.

**Previous Board of Supervisors Actions to Date**

Several steps in the City's effort to implement CleanPowerSF have required previous Board of Supervisors approval, as summarized in the table below

**Previous Board of Supervisors Actions on CleanPowerSF**

<b>File No.</b>	<b>Date Approved</b>	<b>Description</b>
04-0236	May 18, 2004	The Board of Supervisors approved the creation of CleanPowerSF, the City's CCA program.
06-0726	June 20, 2006	The Board of Supervisors approved the Citywide Interim Consolidated Budget and Annual Appropriation Ordinance, including \$5,000,000 for CleanPowerSF.
07-0501	June 19, 2007	The Board of Supervisors approved the adoption of the CleanPowerSF Draft Implementation Plan (Draft IP), set goals 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).
11-1340	September 18, 2012	The Board of Supervisors approved a resolution authorizing the PUC 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 contract allows for Shell to provide electricity for Phase I of CleanPowerSF.
11-1371	September 18, 2012	The Board of Supervisors approved an ordinance to (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) establish the CleanPowerSF Customer Fund; and (3) establish the CleanPowerSF Reserve Fund.