



San Francisco Local Agency Formation Commission

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TO: San Francisco Civil Grand Jury

CC: Mayor Ed Lee
San Francisco Board of Supervisors
San Francisco Public Utilities Commission

FROM: Jason Fried, Executive Officer

DATE: September 30, 2015

SUBJECT: 2015 Civil Grand Jury Report

On behalf of the San Francisco Local Agency Formation Commission I would like to thank you for all the hard work that went into your report "CleanPowerSF - At Long Last". The report did a good job in highlighting many of the issues that the CleanPowerSF program has faced over the years. Your section on Renewable Energy Credits (REC's) was well written and describes how REC's work. REC's continue to be a point of discussion and confusion. I have referred people to review your report for an easy-to-follow explanation of REC's and how they work.

While there are plenty of good points in the report, there are some references to LAFCo and in particular to a report from an outside consulting firm (EnerNex) did on CleanPowerSF that we wanted to clarify. There are also other details that may not be technically correct and warrant a second look. Below you will find two sections of comments. The first section is areas that pertain to LAFCo and the work we have completed. The second section is other areas that we view as not technically correct or might need some clarification for the lay person to better understand these issues.

Should you have any questions on this, please do not hesitate to contact me.

LAFCo Items mentioned in the report:

As previously stated, over all, Civil Grand Jury (CGJ) report did a good overview of the CleanPowerSF program, but on pages 17 and 18 it misinterpreted the purpose, reasoning, and results of the EnerNex report that LAFCo commissioned. As background, in

August of 2013, the SFPUC Commission decided not to set rates and innumeraed many reasons why it did not want to move forward. By the beginning of 2014, LAFCo believed no real progress was being made, so an RFP was issued to have an independent expert look at the design of the program. Concerns from the SFPUC Commission and the Mayor were reviewed to see how to best address them and get the program moving forward again. EnerNex issued several drafts of the report and issued its final report to LAFCo in January 2015.

On page 17 in the CGJ report, it states “Be that as it may, the Civil Grand jury concludes that ‘job creation’ in relationship to clean power is a red herring, not helped by the EnerNex report.” LAFCo has issue with this comment given that the lack of job creation was one of the reasons given for why the program was not moving forward. One needs to look no further than the January 26, 2015 joint press release by Mayor Ed Lee and Board of Supervisors President London Breed that stated, “The report also identified potential renewable energy projects and estimates for job creation...the Mayor was pleased to see some progress on a key aspect of the program that was missing in the previous iteration of CleanPowerSF. The Mayor considered the report a good starting point.” These basic comments were repeated at the joint LAFCo/PUC meeting held January 30, 2015.

In LAFCo’s opinion, the report did exactly what it was intend to do address the concerns that had been raised and give suggestions on how to change or modify the program to address those concerns. Without this report, I am not sure the program would be on its current path to launch in early 2016.

Also on page 17 in the CGJ report it states “The estimates in the report are debatable and were criticized at the meeting as being too optimistic.” This statement is overly simplified and can confuse people. First, we do not agree that the numbers for any project are “debatable.” The estimates are based on the National Renewable Energy Laboratory (NREL) and Jobs and Economic Development Impact (JEDI) models that focus on the size and type of renewable generation. While the accuracy of the JEDI model can be debated, the EnerNex report is based on an industry standard methodology as represented in the JEDI models. While this is not the same system that the City uses, the NREL and JEDI systems are very similar to models that are used by the City and city staff had no objection to NREL and JEDI being used. Secondly, the estimates are not overly optimistic, but are representative of what could happen if all the projects got built. As stated in the report and repeated by both EnerNex and LAFCo staff at various meetings, not all the projects are currently viable options based on cost and, in some cases, may need additional fine tuning. While not widely known, the report left out some projects, mainly the in pipe water delivery small hydro area, since the SFPUC has a water-first policy which requires further study to determine impacts on water delivery and ensure no negative impacts occur to water delivery as a result of installation of power generation along the system.

On page 18 of the CGJ report states “Because just as the majority of new clean energy projects are geographically far away from San Francisco, so are the jobs

associated with building them.” The report indicates that about half of the potential jobs created are in or near San Francisco. EnerNex used the City’s local hire ordinance to determine local/regional, as those projects would need to ensure that a percentage of the jobs are given to San Franciscans, even if the project is not within San Francisco itself.

The CGJ report also states on page 18 that “More than one interviewee suggested that the real opportunity to create local jobs lies not in generating renewable energy, but rather in energy efficiency.” The EnerNex report also reaffirms this statement because no clear amount of funding and a lack of actual programs were known at the time of the report it could not create a jobs estimate for those programs. Instead EnerNex gave some suggestions and steps that are needed before the energy efficiency estimate can be created. In LAFCo’s opinion, the SFPUC has been following this path so that it might be possible to have an estimate for the program by the end of year, or early next year.

Non LAFCo/EnerNex report related matters in the CGJ report:

The Civil Grand Jury report focused in several areas on how jobs seem to be a driving force but were not part of the original planning of the program. While, from a technical point, job creation was not central to the program when first conceived, it does directly relate to what was discussed at the time. From the start, building and owning its own renewable generation system along with large amounts of energy efficiency and load demand reductions were part of the program being discussed here in San Francisco. Jobs would need to be created in order to accomplish all the new generation, energy efficiency, and load demand reductions. Over time, these goals and job creation simply became one discussion, since the more new generation, energy efficiency, and load demand reductions that get completed the more jobs are created. The main discussion now tends to be about how many jobs are created, and that simply translates to how quickly are we building new generation and reducing our electricity needs on the whole, which has always been part of the discussion related to the creation of a CCA program here in San Francisco.

The size of the program is also discussed in several areas about how small our CCA program is compared to other CCA programs. It is not always clear in the CGJ report if they are comparing our program at launch to the other programs at launch as they are today. In either case it should be noted that the other programs have the ability to serve various local governmental loads in their jurisdiction, whereas San Francisco already has its own generation system to serve its load. If you took out the municipal load of the first phase of the other programs you would likely see that their program at launch for phase one is not as small compared to the other 2 programs. While LAFCo agrees that we should get to city wide full service as soon as possible, the current plan of the SFPUC does a good job of balancing risk of launching a new program with desire for a program.

On page 7 of the report it states that “Members of the Board of Supervisors and the Mayor publicly expressed disapproval of contracting with SENA...” While this

statement is correct it should be noted that while members of the Board of Supervisors did at the time expressed dissatisfaction with contracting with SENA, it remained supportive of doing so with a super majority approving the contract with SENA. It was viewed simply as a bridge contract to help get the program moving forward, similar to what occurred in Marin.

On page 9 of the report it states “Mayor Lee, the City's Commission on the Environment and members of the labor movement objected that unbundled RECs are not green energy.” LAFCo disagrees with this statement. Neither the Environment Commission nor the labor movement have officially objected to REC's. Some of the members of the Environment Commission at its August 2013 meeting tried to pass a motion claiming that the CCA was no longer green because of REC's. This motion failed so the position that the Environment Commission took in 2012 in support of the program still stands and can be found here:

http://www.sfenvironment.org/sites/default/files/agenda/attach/res_009-12-coe_support_of_cleanpowersf.pdf

LAFCo has also found no position taken by the local labor movement against REC's. In 2013, the San Francisco Labor Council took a position that supported the creation of CCA, as long as they followed some basic labor friendly principals, with no mention of RECs, which can be found here:

<http://sflaborcouncil.org/wp-content/uploads/2013/05/05-13-13ResSptLbrFrndlyCCA.pdf>

In many cases this report tends to refer to labor as one united body, yet seems to only refer to the position of one labor union, IBEW 1245. There have been several unions that, for some time now, have been supportive of the creation of the CCA program which are not acknowledged in the report. In many cases, when the report refers to “labor” it really means to refer to IBEW 1245's position.

At the bottom of page 11 the report mentions that “unbundled RECs usually represent power generated at a distance.” LAFCo does want to note that unbundled RECs can also be produced both in state as well as in city through such programs as GoSolarSF. Treating all unbundled RECs as energy produced far away is not always correct. On a similar subject matter on page 13, the report states “In 2010 almost all of MCE's renewable energy derived from unbundled RECs generated outside California. Today unbundled RECs represent about half of its renewable energy.” LAFCo would like to note that at the time of MCE'S launch this was the only way to launch as the first CCA in the state. Over time they have been moving away from out of state unbundled REC's. By next year, they will have a very small amount of their energy coming from out-of-state unbundled REC's.

For the rate section on page 14, it should be highlighted that this is a generation line item. This is not how the average person looks at their bill, which is usually based on either total electricity portion of the bill or total gas and electricity costs.