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FOR IMMEDIATE RELEASE
Date: August 2, 2013

CleanPowerSF to Focus on Citywide Build-Out of Renewable Local Power

San Francisco – July 9, 2013, at the joint hearing of San Francisco Public Utilities Commission (SFPUC) and the Local Agency Formation Commission (SFLAFCo), the City's new CCA Director, Kim Malcolm, presented an important programmatic realignment for CleanPowerSF, the City's Community Choice Aggregation (CCA) plan. Malcolm and SFPUC staff proposed its new strategy to center the program on local power – the construction of local, renewable energy generation facilities in the City of San Francisco.

"Unlike Marin, San Francisco was conceived as a build-out program as well as a procurement service to customers," explained CleanPowerSF Director Malcolm in the public hearing. "So it is a little bit different business model and they have different circumstances." California's first CCA, the Marin Energy Authority, primarily focused on the purchase of electricity from the grid. San Francisco will provide 100% renewable power from the grid, but lower costs to generate surplus revenues and focus on building local renewable power from day one, as recommended by Local Power Inc. (LPI) in its recent work for the SFPUC.

The SFPUC staff plan was a significant shift from the Agency's earlier focus on grid power procurement from the existing market, a strategy that allowed the City more control over the green house gas content of the electricity at a premium price, but would have been too expensive to afford investment in local resources that are needed to make the transition from distant supply-based generation to local renewable sources and efficiency in the City, a core business plan change that is crucial to delivering scaled localization. SFPUC's new direction is an indication that CleanPowerSF can stay on track to meet the "neighborhood solar" approach called for by San Francisco CCA and H Bond supporters, Local Power Inc. and activists for over a decade - and will finally answer the mandate of San Francisco voters when they approved the City's solar finance authority, Proposition H - the "Neighborhood Solar Initiative" in 2001 which has remained a key component of CleanPowerSF's "build-it approach" until recent years, and has now returned to center stage.

In its work for SFPUC completed in March, LPI presented a business case for $1B in H Bond investment, all repaid for by program surplus revenues at rate parity, for extensive solar roof installations, extensive efficiency measures, co-generation, wind, and other competitive technologies matching local needs and local resources. SFPUC's Chief Financial Officer projects an H Bond carrying capacity of $200M in the CleanPowerSF program – with this capacity now on the table, the only remaining question facing San Francisco is how much local renewable investment city leaders will authorize – in the near-term, how much in early 2014 when the City's power service is set to begin; in the long-term, how much investment in a 10 year planning horizon.

"The City's renewed commitment to an "In-City Buildout" from day-one, is an auspicious change that was necessary for a scaled Build-Out to be realized. Locally generated clean power on a City-wide scale is a new kind of power which departs from the highly centralized model of traditional utilities, and requires Local Power's proposed business model. Energy localization - local ownership, local renewable generation and energy efficiency, means that CleanPowerSF will take a behind-the-meter approach to energy service, and this is the essential leap required to stop imitating conventional supply side utilities," said Local Power Founder and President Paul Fenn, who authored the nation's original CCA laws including California (AB117). The model also establishes local control, community energy security and physical energy independence – unlike strictly green supply products like PG&E's proposed green tariff, which "monetize" benefits to other parties but do not change physical supply or dependence on fossil fuels and nuclear power.

The Board of Supervisors and SFPUC Commission may appropriately provide guidance to accelerate offering service citywide to any eligible resident or business, in order to raise more revenue and increase debt-carrying capacity. Under the rules of the H Bond Authority, the Board of Supervisors must authorize issuance of bonds by ordinance. SFPUC staff appears to have internalized the need to make localization the integral priority of CleanPowerSF – rather than that of in Marin and other CCAs, where the focus has been more on Renewable Energy Credits (RECs), with the supplier, Shell North America in greater control. Now it is just a matter of magnitude – and schedule.

"Local Power's deliverables to SFPUC have proven that a $1B investment in localization will deliver a $600M return in investment to the City over ten years - at rate parity for San Francisco consumers," said Fenn, **(Download LPI posted work here)**. San Francisco's leadership gives a strong signal to a significant and rapidly growing Community Choice Aggregation movement all over the country in recent years, now resulting in some 1200 cities across the country pursuing the aggregation strategy as a means to dramatically reduce greenhouse gas emissions with no bill increases – even surpluses. Among them, another longstanding Local Power Inc. client, Sonoma County, is now pursuing a similar localization strategy. In addition to the H Bond Authority, Local Power has written numerous City ordinances, plans, studies, program designs, and specifications totaling many hundreds of pages of documents, including the original CCA ordinance adopted and signed by Mayor Newsom in 2004. SFPUC's return to the localization business model includes a number of detailed recommendations made by Local Power Inc. in our recent deliverables:

- **The In-City Buildout will begin at program launch in 2014** rather than waiting until later. SFPUC predicts the CCA revenue alone will provide a $200M bonding capacity over 2.5 years. Staff is preparing an In-City Buildout map. SFPUC has stated that In-City Buildout funds are assured, and that the program has headroom for reducing the rates further.
- **SFPUC pursued LPI's advice to renegotiate lower prices with its supplier, Shell North America, and use lower cost Renewable Energy Credits to reduce the cost of achieving 100% renewable content, creating the surpluses to invest in the In-City Buildout.** SFPUC renegotiated with Shell and reduced "not-to-exceed" rates to 11.5 cents, but expects it could set rate comfortable under 11 cents. With PG&E at nine cents CleanPowerSF is within striking distance of a competitive rate - within a couple of dollars of PG&E's proposed all-REC tariff, and some are calling on the Commission to meet or beat the tariff.
- **The SFPUC will integrate GoSolarSF** as a component of CleanPowerSF, bringing financing for customers into the service's business model. SFPUC also changed its procurement strategy, both in terms of Renewable Portfolio Standard definitions and in terms of getting lower prices from Shell so that surpluses are created for H Bond financing of localization.
- **SFPUC will use city-owned hydroelectric power at Hetch Hetchy to reduce power costs and fossil fuel dependence in the community's power portfolio.** As we recommended, SFPUC will build up the agency's transmission scheduling capability internally and create new in-house expertise in Behind-the-Meter renewable generation projects, demand response and energy efficiency applications, and is hiring a full-time manager to advance Behind-The-Meter opportunities - the revolutionary opportunities that unlock decentralized energy on an even playing field with conventional power plants, utility cost of service, and retail power providers.

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