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4281 Piedmont Avenue Oakland California 94611 local.org

San Francisco Commission's Community Choice Report, 2003

In order to realistically assess the potential benefits and risks of Community Choice Aggregation, San Francisco's Local Agency Formation Commission (LAFCO) hired the national energy consultancy, R.W. Beck, to study the issue and report their findings. In its August, 2003 report, R.W. Beck found that Community Choice Aggregation "holds significant benefits for the San Francisco Community," including "significant annual savings" estimated at \$11 Million to \$18 Million per year and concluded that "the potential benefits of Community Aggregation warrants LAFCO recommending to the City and County consideration of the development and filing of an Implementation Plan with the California Public Utilities Commission."

These savings would result largely from the freedom to choose less expensive power resources than PG&E's on the grid. The savings could be used to defray the initial costs of implementing cost effective energy efficiency technologies and renewable resource technologies, which, when combined, would lower San Franciscans' electric bills further. Beck reported that, by introducing Community Choice Aggregation, the City would put itself in a position to improve both its energy security and reliability, while saving money. Californians have endured wild energy price insecurity and unreliability in recent years. Through the expanded use of efficiency techniques and renewable energy, the city would permanently reduce its vulnerability to the expected rate hikes and price fluctuations of electricity from gas-fired power plants. (Secretary Abraham of the DOE, on May 16th, cautioned Americans to prepare for price shocks for natural gas and gas-fired electricity due to "increased depletion rates and less productive new drilling.")

Finally, said Beck, being a Community Choice Aggregator will enable the City to negotiate to close old and highly polluting power plants that threaten the public health at Hunters Point and Portrero Hill, and influence regional transmission planning. In short, the report said the City has positioned itself to "resolve energy issues that have negatively impacted the city in recent years," such as the continuing rate impacts of bailouts, bankruptcy and new gas plant power contracts now being negotiated by PG&E.

Based on their analysis of the options and opportunities presented to the City and County of San Francisco by AB117, it is Beck's "conclusion that Community Choice Aggregation under AB117 holds significant benefits for the San Francisco community, including the potential availability of low cost Hetch Hetchy, Moscone solar, other renewable energy and distributed generation projects, the ability to ensure that locally paid public benefits charge funds are invested locally, and the opportunity to improve San Francisco's electricity system reliability. "[T]he City can achieve significant annual savings by providing for its own resource supply to retail customers. By finding competitively priced power and seeking to make existing city-owned generation available to San Franciscans, the aggregation will yield significant benefits to consumers...."

Beck is confident that the opt-out rates of consumers will remain below 10%, enabling the City to "start with a large customer and load base over which to spread start-up and operating costs. This will also help in obtaining competitive pricing for large blocks of power and for contracting for any services that are out-sourced" by the new Electric Service Provider, such as energy efficiency, solar photovoltaic, wind power, tidal power or other infrastructure.

Beck predicts that annual revenues from power sales at a 10% opt-out rate should approximate \$225 million annually and predicts annual savings, a "surplus" of \$11 to \$18 million per year in addition to available state and federal subsidies. Finally, Beck reports that Community Choice Aggregation makes this possible without requiring the City to assume any significant risk beyond what it presently suffers under PG&E. "It would appear that the downside risk of implementing Community Aggregation in San Francisco is low, " Beck's Assessment Report concludes.