



Overseer's Undercurrent: And Promises to Keep

April 20, 2007

The news release promised "Visuals: examples of solar panels and local activists." But here it was, noon on the appointed day, and there was nothing of the sort on the Polk Street steps of San Francisco's City Hall, just pigeons and people on their way to lunch.

For the second week in a row, it seemed, San Francisco's community-choice aggregation implementation plan had been waylaid. Eventually, I tracked down Brad Johnson, who was handling media relations for the event on behalf of the Sierra Club, the Local Power coalition, and San Francisco supervisors Chris Daley, Ross Mirkarimi, and Tom Ammiano. Profuse apologies later, I came to understand that the CCA event was hoping against hope for Mayor Gavin Newsom to appear as a bonus visual. That's why the announcement had been postponed from last week to this week, and why it was again being delayed until 1:30 p.m. rather than noon.

How fitting for community choice, I thought. More than six years after the state law enabling local governments to act as electric power buyers on behalf of their aggregated constituents was passed, more than three years since San Francisco first floated a CCA proposal and ordinance, and now - a week and 90 minutes later than promised - supervisors were finally going to bring an implementation plan before the board.

Also fitting: when the event eventually got under way (with activists in green T-shirts and a single solar panel sheet as backdrop), the mayor was nowhere to be seen. Nor was there any obvious representation by the S.F. Public Utilities Commission or the Hetch Hetchy Department of Water and Power, which, although tasked with developing the CCA plan several years ago, remain somewhat ambivalent about whether it can all work as promised.

The promises are legion. According to the speakers at the dais and related handouts, community-choice aggregation will grant San Francisco energy independence, protection from rate hikes and blackouts, improved local reliability and public safety, the nation's most aggressive package of local renewable energy development including "no money down" solar power, greenhouse gas reductions far beyond the state's ambitious goals, over 100 MW of energy-efficiency installations, 150 MW of wind farms - all in four years. On top of it, a rate structure guaranteed to "meet or beat" comparable energy tariffs from Pacific Gas & Electric with no rate surprises in the future and "no disproportionate impacts on ratepayer classes." There will be no risk to consumers, because whichever energy service provider is contracted to deliver on these promises will be "double bonded" against failure.

"Today is a great day for solar power and lower rates," declared Ammiano, possibly overstating the economics of the situation. "We will have control over our rates and we will be protected from blackouts."

Mirkarimi pledged that community-choice aggregation will "wean us off the fossil-fuel syringe" and added that the aggregation plan is "as close as possible to municipal power as we should come." But he might have meant something different; he did get carried away with his own rhetoric.

Paul Fenn, head of Local Power and the principal architect of community choice nationally, looked forward to a "public-works-scale response to the climate crisis" through the use of nearly \$6 billion in revenue bonds that "should deliver us to groundbreaking one year from now." But that's not all, he said. San Francisco's community-choice aggregation program "should dispel the despair felt by many that the energy community has failed to address the climate crisis."

Adding to the increasingly giddy mood was John Passacantando, executive director of Greenpeace USA. "What does happy look like?" he asked. It looks like jobs, he answered, and like all of San Francisco's rooftops covered with solar panels.

I try not to be cynical, honest. But I worry that people are putting a lot of faith in a community-choice regime that cannot possibly live up to such grand expectations.

Yes, there is an opportunity to contract for a different mix of power generation than the standard utility blend, but that energy will still flow over the same wires and through the same ancient substations as before. So I'm unclear as to how reliability will be improved.

Yes, in the mind of many San Francisco activists, any energy service provider would be better than PG&E. But I wonder what single company is going to be capable of (a) procuring market energy and acting as the transmission scheduling coordinator, (b) siting and building 100 MW of renewable facilities within the city, (c) installing 100 MW of efficiency and conservation, (d) siting and building a 150 MW wind farm somewhere and getting the power into town, (e) matching PG&E's rates while still making a profit, and (f) being around for 15 years.

It's not impossible, but it strikes me as a stretch of the imagination. Perhaps if I put on a green T-shirt and repeat the phrase I found in the supplemental materials: "Yes! It's ambitious but doable . . ."

San Francisco is not the only locality pursuing community choice, and it's not even the furthest along the implementation path. That honor goes to the Kings River Conservation District, the Fresno-based water district that has successfully convinced 13 other communities to join its community-choice aggregation program. And while every bit as optimistic about its "ambitious but doable" program, KRCD general manager David Orth seems much better grounded in the realities and practicalities of CCA than I perceive the assembled San Francisco visuals to be.

KRCD also had some good news to report this week, though it was not well publicized (perhaps they need better visuals). It appears that the California Public Utilities Commission is going to certify the community-choice aggregation implementation plan that was filed in January, allowing the group to move ahead with negotiations for service agreements with utilities PG&E and Southern California Edison.

Negotiations with an energy service provider, CitiGroup Energy, are proceeding on a path that will provide community-choice aggregation participants with market-based energy at an across-the-board 5 percent reduction off comparable utility generation tariffs, without a lot of added administrative expenses.

A 14th member has joined the consortium, as Tulare County supervisors on April 17 voted unanimously to enter the community-choice aggregation program. Tulare brings with it another 60,000 meters and some 230 MW of peak load. That will raise the total KRCD aggregation to about 360,000 meters, 6,100 GWh per year of energy use, and 1,500 MW of peak load.

The group also released a request for proposals for 400 MW of renewable energy projects, with a preference for locally sited generation within the San Joaquin Valley, to spur economic development and assist with the difficult air-quality problems there. And it is preparing for a tax-exempt public revenue bond issuance that will finance the construction of a 500 MW combined-cycle power plant in the future.

Many of the elements of the Kings River community-choice aggregation program echo the best hopes of San Francisco's plan - local control over energy decisions, employing professional agents to secure the best possible deals, use of public bonds to finance new facilities, and a coming together of disparate communities.

But Kings River has learned many important lessons in the three years it has been developing its community-choice aggregation plan. One lesson that really stands out to me is that it doesn't expect one energy service provider to do everything. CitiGroup Energy will buy and schedule power, some other companies will bid to provide renewables, another experienced group will build the power plant, and KRCD itself will issue and administer the revenue bonds.

Another lesson learned is about risk and reward. Orth recognizes that the group cannot lay all of the risk off onto others without paying a substantial premium. There were lots of companies that wanted to invest in Kings River's community-choice aggregation dream, Orth told me. But their proposed "success fees" and other costs far outstripped their initial returns and threatened to sink the economics of the program. So the consortium will do without that money and rely on traditional public financing tools and rate collections to make the program work.

"We believe we've reached a significant threshold," Orth said. "There's still a pretty steep slope ahead, but we expect service to begin in November."

San Francisco's community-choice aggregation advocates might well take their eyes off the stars and closely watch what happens with the Kings River plan between now and then.

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