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CITY OF OAKLAND

AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Public Works Agency
DATE: December 16, 2008

RE: **Supplemental Report On A Resolution Receiving The East Bay Cities Community Choice Aggregation Business Plan And Directing The City Administrator To Re-Allocate Three Hundred Ninety Thousand Dollars ($390,000.00) To Implementing The Energy And Climate Action Plan**

SUMMARY

At the Public Works Committee meeting on October 28, 2008, the Committee directed staff to take questions from Committee members on the Community Choice Aggregation Business Plan through November 7, 2008 and continued the item to the December 16, 2008. Staff received questions from Committee Chair Nadel and Councilmember Kernighan. .Copies of the questions as received are included as Attachment A. Responses to the questions are contained in this report.

FISCAL IMPACT

The resolution directs the City Administrator to allocate $390,000 of budget from its current appropriation in the City Facilities Energy Conservation Fund (4450), City Attorney: Administration Organization (04111), Williams Settlement Energy-Savings Funds Project (C256510) and appropriate the funds to the City Facilities Energy Conservation Fund (4450), Environmental Services: Energy Group Organization (30689), Electrical and Energy Efficiency Program (IN07) in an Energy and Climate Action Plan (ECAP) implementation project to be established. Funds to prepare the ECAP are already allocated.

BACKGROUND

An East Bay Cities Community Choice Aggregation Business Plan (Business Plan) was prepared for the Cities of Oakland, Berkeley and Emeryville to jointly analyze the feasibility to create the opportunity for Community Choice Aggregation (CCA), an enterprise that could buy electricity in bulk for resale to local customers. In the Business Plan, the goals of a CCA are to:

- Provide lower electricity rates compared to Pacific Gas and Electric Company (PG&E)
- Buy 50% of electricity generation from renewable energy resources by 2017
- Build and operate renewable power plants at lower cost than PG&E

- Build and operate renewable power plants at lower cost than PG&E
- Capture economies of scale by acting with Berkeley and Emeryville
- Create opportunities for General Fund revenue
- Protect the City's budget from potential obligations to pay for a CCA's losses
- Use more stable and reliable power supplies
- Create access to money for local energy efficiency and conservation programs
- Provide ratepayers access to a locally appointed governing body

Although CCA appeared promising in the preliminary analyses, after a comprehensive review, the Business Plan does not support a recommendation to move forward at this time. The following are the major barriers to recommending that Oakland join Berkeley and Emeryville in creating a Joint Powers Authority (JPA) to implement a CCA:

- Customer risk is too great, with estimated total electricity rates up to 6% higher than PG&E
- Lenders may require that the City guarantee payment of JPA financial obligations, a possibility that cannot be confirmed until a CCA solicits binding bids.
- Regulations covering CCA are uncertain and potentially expensive. A CCA may face legal challenges that could slow progress toward becoming fully operational and meeting renewable energy goals and could add cost that is not included in the Business Plan assumptions.
- The environmental benefits gained from the CCA would diminish if new legislation is adopted by the State requiring 33% renewable electricity content.

Due to the probable high price of meeting the identified goals of establishing a CCA, plus the known and unknown financial and legal risks to the City associated with operating a $228 million a year enterprise, staff recommended not moving forward with a CCA.

To continue toward the important goals of reducing Oakland's electricity and natural gas demand through conservation and efficiency, and meeting new generation needs with renewable energy and cogeneration, staff is developing an Energy and Climate Action Plan (ECAP) (with public input) through spring 2009. A written report to Council is expected by fall 2009. Funding to develop the ECAP has been allocated. No funds have been allocated to pay for taking new action after the ECAP is approved. This supplemental report recommends that the $390,000 requested in the October 28,2008 report be placed in a project for implementing recommendations resulting from the ECAP process.

KEY ISSUES AND IMPACTS

The recommendation to not move forward with a CCA was based on four issues:

- higher prices to customers
- financing issues in today's credit market
- regulatory uncertainties concerning CCA
- possible reduction of the direct environmental benefits of a CCA

The answers to the questions raised by the Public Works Committee provide background information on three of these issues: higher prices, regulatory uncertainty and direct environmental benefits. Financial markets were also a significant factor in the recommendation, and they remain important as key issues regarding the viability of this business enterprise.

INTRODUCTION

The CCA proposal provides for two types of financing – short term borrowing to pay start up costs and meet working capital needs and a long-term financing to pay the capital costs of sustainable energy producing facilities. As a result of the current global financial crisis, short term commercial paper financing has become very problematic. The little liquidity (readily-available investment funds) remaining in the market is concentrated in top quality paper (AAA-rated credits). The CCA Cities would be required to guarantee the Authority's short term borrowing. Even with the Cities' guarantees, their underlying credit ratings would not currently be sufficient to insure effective (re)marketing of the short term debt. The City of Oakland's underlying credit is a single-A.

Longer term financing is problematic as well. A number of factors, including transmission costs and future market energy costs, result in greater perceived risk of the CCA by the investment community. As with shorter term borrowing, the investment community has become very conscious of credit quality. As a result, a number of public sector borrowers have deferred borrowing until a later date or experienced failed marketing of their long term bonds. The yield curve (relative cost of short term and long term borrowing) has recently steepened, resulting in increased costs to borrow for longer terms. These higher rates have made long term borrowing costly. Because alternative energy projects, such as wind generation, normally have high capital costs relative to on-going operating costs, the costs to build the facilities, including the costs to borrow funds, are critical in determining the feasibility/sustainability of the project.

RESPONSES TO THE PUBLIC WORKS COMMITTEE QUESTIONS

Staff has organized the questions received in Attachment A into sections: Process, Technical, and Legal.

PROCESS

Q: "If it took two years to produce the Navigant report, why was the decision rushed to committee within 10-14 days of making the report public? Why wasn't there an opportunity for more public input on this decision?"

A: The City's sunshine ordinance requires publication of an agenda item 10 days prior to being heard in committee. This procedure was followed to allow the Public Works Committee to engage in public discussion as soon as possible after public release of the Business Plan.

Q: "Please provide an update regarding decisions in Emeryville and Berkeley."

A: As of November 21, 2008 the status is as follows:

- Berkeley: a staff report with same recommendation as the Oakland City Administrator's was heard at the Berkeley Energy Commission on October 22, 2008. The Commission continued discussion to its next meeting on December 3, 2008. The item will most likely be scheduled for the Berkeley City Council to hear in February 2009.
- Emeryville: the Utility Committee considered the report and the staff recommendation to terminate any further CCA participation, and recommended termination to the City Council. On November 18, 2008, the Emeryville City Council approved staff's recommendation to accept the CCA Business Plan, terminate further CCA activities, and continue to work with Berkeley and Oakland on increasing energy efficiency and renewable energy opportunities.

Q: Page 7 of the Business Plan covers electric resources "Can we hear from a potential supplier about availability and dates of availability? Who are some 3rd party suppliers? Are EBMUD and Northern California Power Agency a part of this picture? If not, how would collaboration with them affect the current analysis in the Business Plan?"

A: Responses were received from several potential suppliers. While this is useful in terms of testing the assumptions in the business plan, the actual terms and rate impacts will be dependent upon specific market conditions at the time that a solicitation is conducted. EBMUD and NCPA could provide services to the JPA. Their costs are assumed to be similar to private service providers.

Q: "Who was asked and who responded to the cities' RFI" mentioned on Page 9 of the Business Plan?

A: Navigant Consulting, the author of the Business Plan, requested information from 23 firms. The following six firms responded: Constellation Energy Commodities Group, Coral Power

L.L.C., Citigroup Energy Inc., Aces Power Marketing, Northern California Power Agency, and Goldman Sachs.

Q: "I know staff is not supporting CCA, but who would be a potential executive leader if the decision were to go in that direction; Navigant suggests this choice is essential before expending additional funds on implementation."

A: A national executive search would be required to find a person with the necessary skills to start and operate a new $228 million per year enterprise.

Q: Page 15 of the Business Plan says that "PG&E is compelled by law to assist cities in their efforts to establish CCA programs.' How does that jibe with PG&E actively lobbying against it with councilmembers, and bringing speakers from its advisory committee to speak against it?"

A: No comment.

Q: "The Business Plan recognizes the potential to sell excess energy back to the market but this isn't quantified. Do studies on demand response, or other 'efficiencies' give some idea about this?"

A: According to Navigant Consulting, the CCA would attempt to size its resources to match its energy requirements and would not seek to become a wholesale seller of electricity as this would present additional risk to the rate payers because capital costs would need to be recovered via uncertain market prices rather than through rates controlled by the CCA.

Q: "Would an East Bay CCA be similar to any of the dozen or so existing municipal utilities in California, in terms of market goals or purchasing capacity, size, renewable targets; would it be beneficial to analyze one or more as an administrative or operational model?"

A: There are significant differences between municipal utilities and CCAs. Municipal Utilities have ownership and control over the distribution system, amortized capital and, in some cases, preferential contracts for low-cost federal power resources, which severely limits the opportunity to make a clear comparison to CCA.

Q: "The Business Plan assumes such a low rate of efficiency component (only 0.2% of the year 10 retail demand). What are the assumptions here? Is this consistent with other studies for Northern California? If efficiency and conservation are higher, how would that affect the estimates in the business plan?"

A: The Business Plan assumes that a CCA would offer energy-related programs that supplement offerings administered by the PG&E, resulting in energy efficiency benefits that are greater than the figures shown in the Business Plan. The Plan further assumes that energy efficiency programs can be enhanced over time. Higher energy efficiency and conservation do not significantly impact the estimates in the Business Plan. The Plan focuses primarily on CCA electricity generation rates per Kilowatt-hour (kWh). Energy efficiency and conservation can help minimize customer bills by minimizing the number of kWh a customer uses.

Q: The "resolution asked to reallocate the remaining $390,000 to the Energy and Climate Action Place (ECAP) – still in development through 2009. What is the process and timeline for public input on the ECAP?"

A: Public input will be integrated into the ECAP at key points in the process. A public workshop will be held on December 11, 2008 to discuss criteria for setting priorities within the ECAP and strategies. Information on the process, public documents, and opportunities for stakeholder input will be posted on www.sustainableoakland.com. Additional Public workshops will be held in Spring 2009. Staff will bring recommendations on setting energy and climate action targets and evaluation criteria for presentation to the Public Works Committee for consideration in spring 2009. The final report will come to the Public Works Committee in fall 2009 for consideration. The request is to set aside the $390,000 to use for implementation of the actions and measures in the Energy and Climate Action Plan, once identified.

Q: Regarding Page 4 of the Business Plan, "Other JPA's in process – Though we know that San Francisco's CCA failed to get voter approval in this recent election, is there any information from the San Francisco research that can inform the East Bay analysis? What is the status of Marin County's CCA proposal?"

A: Staff is not observing the details of San Francisco's CCA efforts closely enough to answer this question because the San Francisco model would not include a Joint Powers Authority (JPA), making it significantly different than an East Bay CCA. According to staff at Marin County, the effort to create a CCA is moving forward. Currently they are forming a JPA. The JPA will allow local governments throughout Marin County to join as partners in a CCA venture, or for other non-CCA energy and climate sustainability activities.

Q: "Staff report says, 'City is likely to be required to guarantee payment of JPA financial obligations.' Navigant report says, 'The JPA would create a "firewall" between the Authority and the Cities' general funds by specifying that debts and assets of the JPA are not debts or assets of the respective Cities…'[Navigant P.2.] Please explain the contradiction."

A: Both statements are accurate. The Agenda Report statement pertains to the likelihood that creditors will require the member cities to guarantee payment in exchange for lending money to a new JPA with no credit history. The Navigant report's position correctly refers to the law governing JPAs. In summary, although the JPA could legally create a firewall, obtaining financing at rates that support the stated goals for a CCA may not be possible.

LEGAL

Q: Page 5 of the Agenda Report reads "Furthermore, the CPUC decided that City governments may be required to guarantee payment for debts of a CCA, even if the Cities are members of a JPA that becomes independently credit-worthy.' Staff should also refer to CPUC Decision 08-09-016 (September 4, 2008) and Decision 08-04-056---April 25, 2008, as **this statement is incorrect**. The JPA can assume liability on its own **without jeopardizing the General Funds** of participating cities."

A: Staff stands corrected on this point. According to CPUC Decision D0809016, dated September 4, 2008, page 4, "Consideration of whether there is a need for members to assume joint and several liability should be part of the consideration of the overall creditworthiness of a particular CCA's creditworthiness review". **Therefore staff believes that the CPUC may impose credit-related obligations on a CCA, possibly including joint and several liability, if the CPUC determines that the JPA is not fully credit-worthy.**

Q: Page 6 of the Agenda Report reads "For example, the CPUC could overrule CCA rate-setting decision if the CPUC decided the rate was unjustifiable. CPUC regulations governing CCA will evolve over time, and some are left to be decided in the future.' According to CPUC representatives, the state does not have authority under state law to set or in any way, alter generation rates for CCAs, so this statement should be changed or deleted."

A: The CPUC has some limited authority over CCAs that may extend to rates as events unfold. According to CPUC Decision 05-12-041 page 2, *Re Implement portions of AB117 Concerning Community Choice Aggregation*, the CPUC's role is "...to assure that the CCA's plans and program elements are consistent with utility tariffs and consistent with Commission rules designed to protect customers"; and to "assure that a CCA's policies, practices and operations do not compromise the operations of the utility or services to utility customers." Staff's position is that the CPUC could challenge, and possibly overrule, a rate element that the CPUC believes violates basic consumer protections or compromises operations of the utility or services to utility customers.

Q: "Is there a viable means to separate the JPA from the City administration and General Fund liability? What is the recent case law on this?"

A: From a strictly legal perspective, certainly. However, investors may demand some guarantee of payment by the member cities. Regarding case law, the Office of the City Attorney identified the 2001 case of *Tucker Land v California* (94 CA4th 1191), in which the appellate court held that members of a JPA are not liable for contractual obligations of a JPA when the JPA specifies that the members are not liable. The court further noted that its position is supported by Gov. Code sec. 970.8, which requires that local public entities include sufficient funds in their budgets to pay all judgments, specifically excluded JPAs from its application.

TECHNICAL

Q: "Staff should indicate the assumptions that led to:

a. The conclusion that CCA customers could have electricity rates up to 6% higher than PG&E's, and

b. The assertion that the potential cost of carbon allowances could be $13 million in the first year of the CCA

c. That PG&E rates would be less vulnerable to carbon related regulations since they own a large proportion of carbon-free sources. (What would prevent the CCA from buying this non-emitting energy from PG&E?)"

A: The assumptions are as follows:

a. The estimate that rates may be up to 6% higher was made by applying the possible 10% premium for CCA generation rates to the average total cost per Kilowatt-hour. The average cost was used for the reasons described on page 4 of the Agenda Report because the percentage of the generation component of rates varies from one rate type to another.

b. In the joint CEC/CPUC draft Final Opinion and Recommendations on GHG Regulatory Strategies of October 2008, Section 5.2.1.1 titled Distributions in Proportion to Deliverers Historical Emissions states that "one option would distribute allowances to deliverers in proportion to their historical emissions in a fixed prior baseline year or multi-year period." Accordingly, staff assumed that the first year's emissions allowance may be equal to the prior year's emissions, allocating a fixed number of carbon emissions allowances to the CCA based PG&E's historic average level of emissions per kWh.

Using hydroelectric and nuclear supplies, PG&E's average emissions are 222 Metric Tons of CO2 equivalent (MT CO2e) per GWh (1,000,000 Kilowatt-Hours). In Year 1, a CCA supplying from 20% renewable and 80% combined cycle natural gas-fired (400 MT CO2e per GWh) sources would emit 800,000 MT CO2e, or 244,000 MT more than its allocation, based PG&E's historic emissions. Purchased carbon emission allowances at $55 per MT CO2e, the cost in the first year would be approximately $13 million.

c. PG&E rates would be less vulnerable to carbon related regulations in the early years of a CCA (until the CCA achieved about 45% renewables) because a CCA would be obligated to buy emissions credits in the marketplace that PG&E would not need, and the CCA's initial sources would most likely be from natural gas generation. A CCA would not be prevented from buying renewable energy from PG&E.

Q: "Regarding Business Plan Page 3, 4 bullet points in middle of page – please provide some trend graphs for these costs."

A: Trends were not used as the basis for the four bulleted items on page 3 in the Business Plan. The analysis method in the Business Plan considered how much change would result in CCA prices based on changes in many areas. The four areas that created the most change were:

- Transmission congestion charges or other unanticipated energy cost increases
- Renewable Energy Prices
- Natural gas and wholesale electricity prices
- Potential changes in PG&E rates

Q: In the Business Plan "Page 8, Table 2 – what does this mean with respect to an actual ratepayers bill? If the CCA were to invest in greater conservation and efficiencies, is it possible that the ratepayer could be using less energy than he or she is today, and could potentially pay less than the PG&E rate?"

A: According to Navigant Consulting, a typical residential customer's monthly bill impact would be an increase of $0.84, assuming no change in usage. Staff's conclusion is that energy efficiency programs from PG&E or a CCA would result in less energy usage; however, energy efficiency influences on rates per unit of energy used are assumed to be negligible.

Q: On Page 32 of the Business Plan regarding "Program Phase in - In trying to understanding the magnitude of power needed, if we take these numbers of 2,770 million KWh, how much power could be generated if every household had solar panels on their roofs? How much energy is produced by the Altamont Pass windpower field?"

A: If all of Oakland's 148,000 households made 100% of their electricity (from 2007 data) with solar power, 684 GWh would be needed. At 1,400 kWh of annual energy produced per kW installed, 488 Megawatts (MW) of solar panels would be required. The Altamont wind resource area has approximately 370 MW producing 580,000 MWh. An additional 390,000 MWh per year is estimated to be available from repowering the existing turbines in the Altamont area.

Q: "What is the status of the "near term" renewable supplies mentioned on pg 51 of the business plan? The sources of potential medium to long-term power all seem to be quite distant, albeit west coast."

A: According to Navigant Consulting, the types of resources listed on page 51 remain viable for near term utilization. The viability of these resources could change if the CPUC changes its regulations to allow counting Renewable Energy Credits as meeting the State's renewable electricity content requirements.

Q: "Are these the sources (pg.51) thought to have the "regulatory barriers" mentioned in the staff report? What are those barriers?"

A: No, the Agenda Report did not mention regulatory barriers. The report stated in the summary on page 1 that "The following are the major barriers to recommending that Oakland join Berkeley and Emeryville in creating a Joint Powers Authority (JPA) to implement a CCA...", including "Regulations covering CCA are uncertain and potentially expensive. A CCA may face legal challenges that could slow progress toward becoming fully operational and meeting renewable energy goals and could add cost that is not included in the Business Plan assumptions."

Q: Page 54 of the Business Plan "has some closer locations for windpower generation. Are there any other local opportunities for solar power generation sites and clean cogeneration that would be more likely to provide local jobs as well as power? How do changes in regulations, such as AB 2466, potentially affect solar expansion throughout the city, electricity demand, and future rates? All increases in renewables would hedge against the rising cost of natural gas."

A: Yes, there are likely opportunities for local solar and clean cogeneration. The changes brought by AB2466 will improve solar power expansion, with or without a CCA.

Q: "Has the increased volatility in energy markets (and PG&E recent rate increases) changed any of the key assumptions of the Business Plan, or the conclusions cited on Page 4 of the Staff report---that CCA generation rates would be higher than PG&E's?"

A: According to Navigant Consulting, it is possible that the recent PG&E rate increases would change the 3% premium expected in early year CCA rates; however energy prices available from the market have also increased. Staff concludes that a CCA would need to buy from much the same market as PG&E and that it is unlikely that the conclusions in the Business Plan would materially change.

Q: "The staff report seems to suggest that a CCA could not have the energy efficiency programs that PG&E currently implements. There are, however, PG&E programs, funded by the state, which could also be tapped by a CCA. Staff should identify PG&E energy conservation programs, and ascertain show how each is funded."

A: CCA customers would have access to PG&E programs administered by PG&E (the CPUC has stated that CCAs are not allowed to administer the energy program funds without explicit CPUC authorization). Staff continuously reviews PG&E programs for energy efficiency, demand response, and renewable generation opportunities to apply in Oakland.

Q: "The staff report estimated CCA rates up to 6% higher than PG&E. When were PG&E comparison rates determined – before or after recent PG&E increases? What are projected increases in PG&E rates in next 10 years?"

A: Comparison did not include the upcoming increases. PG&E historically forecasts rate changes for the start of the next calendar year and does not typically forecast beyond a year ahead, partly because of volatility in market prices that impact electricity rates.

Q: "Please elaborate on the point made in the staff report that said that future requirements for PG&E to purchase renewable energy would have a negative impact on the JPA. Why would this be the case?"

A: Staff's position is that higher mandatory renewable energy percentage requirements will negatively impact the <u>cost effectiveness</u> of the direct impacts of a CCA. If the whole state is required to buy 33% renewable electricity, then the size of the differential impact of a CCA is smaller compared to the impact of a CCA when the mandatory renewable requirement is 20%.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council accept the CCA Business Plan and approve the resolution authorizing the City Administrator to allocate $390,000 (earmarked earlier for CCA or alternative programs) to a $390,000 project for Energy and Climate Action Plan implementation, as requested in the October 28, 2008 Agenda Report and Resolution.

Respectfully submitted,

Raul Godinez II, P.E.
Director, Public Works Agency

Reviewed by:
Brooke Levin, Assistant Director

Reviewed by:
Susan Kattchee, Environmental Services Manager

Prepared by:
Scott Wentworth, Energy Engineer
Environmental Services Division

Attachment A

APPROVED AND FORWARDED TO THE
PUBLIC WORKS COMMITTEE:

Office of the City Administrator

November 7, 2008

To: Susan Kattchee, Environmental Services Manager
From: Councilmember Nancy J. Nadel, Public Works Committee Chair

Re: Questions regarding Community Choice Aggregation, October 28 Public Works Committee

Given the complexity of the issues at stake and the potential economic and environmental opportunities as well as risks to consider, it is imperative that City Council have as much clarity as possible before making a policy decision on CCA. It is clear, from previous decisions on fleet conversion, zero waste, support for transit, green buildings, and more, City Council is determined to keep the sustainability initiatives moving forward. Supporting local clean energy is part of this agenda and it should be a component of any CCA program, providing the meat and bones of long term benefits.

I appreciate Public Works staff's research and progress on Community Choice Aggregation. Since this is such a far-reaching issue, one that may take a long time to resolve, it would be most helpful if staff revised information presented to the City Council (including the last staff report, as appropriate) so that all stakeholders may make decisions based on current facts.

With respect to regulations pertaining to the CCA, staff should consult directly with the California Public Utilities Commission, which has pointed out that some of the assertions in the staff report regarding state policy need correction and/ or clarification. Here are some examples:

1. Pg 5 "Furthermore, the CPUC decided that City governments may be required to guarantee payment for debts of a CCA, even if the Cities are members of a JPA that becomes independently credit-worthy." Staff should also refer to CPUC Decision 08-09-016 (September 4, 2008) and Decision 08-04-056---April 25, 2008, as **this statement is incorrect**. The JPA can assume liability on its own **without jeopardizing the General Funds** of participating cities.

2. Pg 6. "For example, the CPUC could overrule CCA rate-setting decision if the CPUC decided the rate was unjustifiable. CPUC regulations governing CCA will evolve over time, and some are left to be decided in the future." According to CPUC representatives, the state does not have authority under state law to set or in any way, alter generation rates for CCAs, so this statement should be changed or deleted.

3. The staff report seems to suggest that a CCA could not have the energy efficiency programs that PG&E currently implements. *There are, however, PG&E programs, funded by the state, which could also be tapped* by a CCA. Staff should identify PG&E energy conservation programs, and ascertain show how each is funded.

4. Staff should indicate the assumptions that led to:
    a. The conclusion that CCA customers could have electricity rates up to 6% higher than PG&E's, and
    b. The assertion that the potential cost of carbon allowances could be $13 million in the first year of the CCA
    c. That PG&E rates would be less vulnerable to carbon related regulations since they own a large proportion of carbon-free sources. (What would prevent the CCA from buying this non-emitting energy from PG&E?)

Additionally, with respect to the consultant's Business Plan:

5. Page 3, 4 bullet points in middle of page – please provide some trend graphs for these costs.
6. Page 4 – Other JPA's in process – Though we know that San Francisco's CCA failed to get voter approval in this recent election, is there any information from the San Francisco research that can inform the East Bay analysis. What is the status of Marin County's CCA proposal?
7. Page 7, Electric Resources – can we hear from a potential supplier about availability and dates of availability? Who are some 3rd party suppliers? Are EBMUD and Northern California Power Agency a part of this picture? If not, how would collaboration with them affect the current analysis in the Business Plan?
8. Page 8, Table 2 – what does this mean with respect to an actual ratepayers bill? If the CCA were to invest in greater conservation and efficiencies, is it possible that the ratepayer could be using less energy than he or she is today, and could potentially pay less than the PG&E rate?
9. The above raises the question about why the Business Plan assumes such a low rate of efficiency component (only 0.2% of the year 10 retail demand). What are the assumptions here? Is this consistent with other studies for Northern California?
   If efficiency and conservation are higher, how would that affect the estimates in the business plan?
10. Page 9, Financial Plan – who was asked and who responded to the cities' RFI?
11. Page 11, Conceptual Implementation Schedule – I know staff is not supporting CCA, but who would be a potential executive leader if the decision were to go in that direction; Navigant suggests this choice is essential before expending additional funds on implementation.
12. Page 15, "PG&E is compelled by law to assist cities in their efforts to establish CCA programs." How does that jibe with PG&E actively lobbying against it with councilmembers, and bringing speakers from its advisory committee to speak against it?
13. Page 32, Program Phase in – In trying to understanding the magnitude of power needed, if we take these numbers of 2,770 million KWh, how much power could be generated if every household had solar panels on their roofs? How much energy is produced by the Altamont Pass windpower field?
14. Page 51, What is the status of the "near term" renewable supplies mentioned on pg 51 of the business plan? The sources of potential medium to long-term power all seem to be quite distant, albeit west coast.
15. Are these the sources (pg.51) thought to have the "regulatory barriers" mentioned in the staff report? What are those barriers?
16. Page 54 has some closer locations for windpower generation. Are there any other local opportunities for solar power generation sites and clean cogeneration that would be more likely to provide local jobs as well as power? How do changes in regulations, such as AB 2466, potentially affect solar expansion throughout the city, electricity demand, and future rates? All increases in renewables would hedge against the rising cost of natural gas.
17. The Business Plan recognizes the potential to sell excess energy back to the market but this isn't quantified. Do studies on demand response, or other "efficiencies" give some idea about this?
18. Has the increased volatility in energy markets (and PG&E recent rate increases) changed any of the key assumptions of the Business Plan, or the conclusions cited on Page 4 of the Staff report---that CCA generation rates would be higher than PG&E's?
19. Would an East Bay CCA be similar to any of the dozen or so existing municipal utilities in California, in terms of market goals or purchasing capacity, size, renewable targets; would it be beneficial to analyze one or more as an administrative or operational model?
20. Please provide an update regarding decisions in Emeryville and Berkeley would be appropriate.

Questions from Committee Member Kernighan:

Staff report estimated CCA rates up to 6% higher than PG&E. When were PG&E comparison rates determined – before or after recent PG&E increases? What are projected increases in PG&E rates in next 10 years?

If it took two years to produce the Navigant report, why was the decision rushed to committee within 10-14 days of making the report public? Why wasn't there an opportunity for more public input on this decision?

Resolution asked to reallocate the remaining $390,000 to the Energy and Climate Action Place (ECAP) – still in development through 2009. What is the process and timeline for public input on the ECAP?

Staff report says, "City is likely to be required to guarantee payment of JPA financial obligations." Navigant report says, "The JPA would create a "firewall" between the Authority and the Cities' general funds by specifying that debts and assets of the JPA are not debts or assets of the respective Cities…"[1] Please explain the contradiction.

Is there a viable means to separate the JPA from the City administration and General Fund liability? What is the recent case law on this?

Please elaborate on the point made in the staff report that said that future requirements for PG&E to purchase renewable energy would have a negative impact on the JPA. Why would this be the case?

[1] Navigant p. 2.