

1 [Sale of combustion turbines.]

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3 **Ordinance authorizing the Public Utilities Commission, working in conjunction with the**  
4 **City Attorney, to sell the four combustion turbines transferred to the City as part of the**  
5 **Williams Settlement in a manner that maximizes the public benefits to the City**  
6 **consistent with the State Agreements.**

7 NOTE: Additions are *single-underline italics Times New Roman*;  
8 deletions are ~~*strike-through italics Times New Roman*~~.  
9 Board amendment additions are double-underlined;  
Board amendment deletions are ~~strike-through normal~~.

10 Be it ordained by the People of the City and County of San Francisco:

11 Section 1. Background and Findings.

12 (a) In January 2003, the Board of Supervisors adopted Ordinance No. 01-03,  
13 approving settlement of a lawsuit against the Williams Energy Companies. As part of the  
14 settlement, the City took ownership of four combustion turbines ("the CTs"), which could be  
15 developed into small power plants, subject to certain terms and conditions imposed by the  
16 State of California, through the California Attorney General, the California Consumer Power  
17 and Conservation Financing Authority and the California Department of Water Resources  
18 (collectively, the "State Entities") under agreements with the City. Copies of those  
19 agreements are on file with the Clerk of the Board in File No. 090710 (the "State  
20 Agreements"). The State Agreements set forth requirements associated with the transfer of  
21 the CTs to the City, and provide funding to reimburse the City for its costs of developing  
22 power plants using the CTs. The State Agreements also provide that the City may, in its sole  
23 discretion, determine not to proceed with development of such power plants, and set forth a  
24 procedure for selling the CTs and allocating the proceeds of sale in such event. If the City  
25 decides not to use the CTs, the State may purchase the CTs from the City for \$2.5 million per

1 unit. If the State declines to purchase the CTs from the City, then the City must sell the CTs  
2 through a public bidding process. In such case, the City is entitled to retain the first \$2.5  
3 million from the sale of a unit plus 5% of any amount in excess of \$2.5 million per unit.

4 (b) In January 2003, the Public Utilities Commission undertook development of two  
5 small power plants using the CTs. In Resolution 08-0133, the Public Utilities Commission  
6 stated that it no longer supported development of these projects and recommended that the  
7 City take any actions necessary to initiate sale of the CTs.

8 (c) While the CTs have been placed under the administrative jurisdiction of the PUC  
9 in anticipation of the possible development of the power plant projects, the CTs are not, and  
10 will not become, an operational part of the PUC's Power Enterprise unless the City were to  
11 proceed with development of the power plant projects.

12 (d) Entities other than the City have expressed interest in modifying current or  
13 planned steam heating plants in San Francisco to cogenerate electricity for local consumption.  
14 This electricity production could add to the reliability of the San Francisco electric system and  
15 help remove ISO requirements for the continued operation of the Potrero Power Plant.

16 Section 2. Sale of the CTs.

17 (a) The Board of Supervisors authorizes the Public Utilities Commission to work  
18 with the City Attorney to exercise the City's rights under the State Agreements and cooperate  
19 with the State Entities to achieve the purposes of this ordinance. Because the State Entities  
20 control the sale of the CTs under the State Agreements, once the City notifies the State  
21 entities that it does not intend to use the CTs, the price, terms and conditions of any sale of  
22 the CTs under the State Agreements shall not involve any further approval by the Board of  
23 Supervisors.

24 (b) Concurrent with the preparation of the CTs for sale in Fiscal Year 2009-2010, as  
25 authorized in this ordinance, the PUC is instructed to analyze the feasibility of local

1 cogeneration projects. If any of these projects demonstrates initial feasibility and  
2 environmental benefit, and requires purchase from the City of a CT unit, the PUC is instructed  
3 to report to the Mayor and Board of Supervisors on what actions would allow for consideration  
4 of this project or projects.

5 Section 3. Appropriation of Funds.

6 Funds received by the City from the sale of the CTs and that are allocable to the City  
7 under the State Agreements shall be deposited in the General Fund to be appropriated  
8 through the City's budget process.

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10 APPROVED AS TO FORM:  
11 DENNIS J. HERRERA, City Attorney

12 By: \_\_\_\_\_  
13 Theresa L. Mueller  
14 Deputy City Attorney