

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 20-0011

WHEREAS, On June 5, 2018, the voters of the City approved Proposition A, amending Charter Section 8B.124 (Proposition A), which among other things, authorized the San Francisco Public Utilities Commission (SFPUC) to issue revenue bonds, including notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities or combinations of water, clean water and power facilities under the jurisdiction of the SFPUC, or for any lawful purpose of the power utility; and

WHEREAS, On January 29, 2019, PG&E Corporation and its subsidiary, PG&E, filed for bankruptcy due to tens of billions of dollars in liabilities for the devastating wildfires caused by PG&E equipment in 2017 and 2018; and

WHEREAS, In a letter dated January 14, 2019, Mayor London Breed asked the SFPUC to prepare an analysis of the options for ensuring safe and reliable electric service within the City, including the possibility of acquiring the PG&E electric distribution and transmission infrastructure assets that serve the City (PG&E Assets); and

WHEREAS, On March 14, 2019, Mayor Breed and City Attorney Dennis Herrera submitted a letter to PG&E notifying it that the City had commenced work to determine the feasibility of the City's acquisition of the PG&E Assets; and

WHEREAS, On April 9, 2019, the Board of Supervisors (Board) adopted Resolution No. 174-19 determining that the public interest and necessity require changing the electric service provided in the City and requesting the SFPUC to prepare a report on options for improving electric service in the City through acquisition, construction, or completion of public utilities pursuant to Charter Section 16.101; and

WHEREAS, On May 13, 2019, the SFPUC submitted a report to Mayor Breed and the Board (SFPUC Report), which is hereby declared to be a part of this Resolution as if set forth fully herein, analyzing three options for power independence, including (1) continued reliance on PG&E for electricity distribution service, (2) targeted investments in electric grid infrastructure to lessen the City's reliance on PG&E, and (3) full power independence through acquisition of the PG&E Assets; and

WHEREAS, The SFPUC Report concluded that acquisition of the PG&E Assets is the only option that would allow the City to meet its goals for affordable, safe, and reliable service; protection of the environment and climate goals; transparency and public accountability, and; workforce development and equity; and

WHEREAS, The City has engaged a number of expert consultants to provide analysis and advice for the acquisition of the PG&E Assets, including in the areas of utility asset valuation, finance, utility rates, labor, engineering, and operations; and

WHEREAS, On September 6, 2019, Mayor Breed and City Attorney Herrera submitted to PG&E a non-binding indication of interest (IOI), which is hereby declared to be a part of this Resolution as if set forth fully herein, to acquire the PG&E Assets for \$2.5 billion in connection with the PG&E bankruptcy cases (Proposed Acquisition); and

WHEREAS, On September 17, 2019, the Board adopted Resolution No. 403-19 supporting the IOI and urging PG&E to work cooperatively with the City on the Proposed Acquisition; and

WHEREAS, On September 19, 2019, Mayor Breed and City Attorney Herrera submitted a second letter to PG&E, which is hereby declared to be a part of this Resolution as if set forth fully herein, to provide additional information on the City's offer and proposing to work with PG&E to include the City's offer in PG&E's September 9, 2019 bankruptcy plan of reorganization; and

WHEREAS, SFPUC anticipates that in addition to the purchase price for the Proposed Acquisition, funds will be required for the SFPUC's transition to ownership and operation of the PG&E Assets, including but not limited to work to separate the PG&G Assets from the remainder of the PG&E grid; expanding personnel capacity; acquiring equipment inventory and software; and establishing operating reserves; and

WHEREAS, The City has a long history of working productively with its unionized workforce, and will work in good faith to transition current PG&E unionized employees to City employment; and

WHEREAS, Pursuant to Charter Section 8B.124, the Board may approve by ordinance revenue bond financing for any lawful purpose of the City's power utility and in furtherance of, among other things, the City's clean energy goals and enhanced safety and reliability for electric service; and

WHEREAS, The SFPUC intends to authorize the issuance of Power Enterprise revenue bonds to fund the Proposed Acquisition if and when the six conditions specified below are met; and

WHEREAS, The Bureau of Environmental Management determined that this action does not constitute a project under the California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(4), and subsequent action by this Commission to approve any specific activities at a particular location, or the Proposed Acquisition, is conditioned upon completion of environmental review in compliance with CEQA, the CEQA Guidelines, Administrative Code Chapter 31, and Proposition A; now, therefore, be it

RESOLVED by the San Francisco Public Utilities Commission, as follows:

Section 1. Conditional Issuance of Bonds. The Commission is authorized to issue Power Enterprise revenue bonds for the Proposed Acquisition in an amount not to exceed \$3,065,395,000, inclusive of the \$2,500,000,000 acquisition cost plus additional funds SFPUC anticipates will be required for the transition to ownership and operation of the PG&E assets, including but not limited to work to separate the PG&E assets from the remainder of the PG&E grid; expanding personnel capacity; acquiring equipment inventory and software; and establishing operating reserves, and funding bond financing costs; subject in all respects to the satisfaction in the future of each of the following six conditions prior to the issuance of the SFPUC bonds herein authorized:

(1) The City has negotiated a binding agreement or agreements with PG&E for the acquisition of the PG&E assets, or is otherwise legally authorized to acquire the assets, with terms and conditions that protect the interests of the City and electric customers;

(2) Commission staff has prepared an analysis of electric rates and proposed rate structures, including but not limited to rates for low income customers;

(3) Commission staff has obtained and delivered to the Commission and the Board the certifications required under Charter Section 8B.124(a) and (b);

(4) Commission staff has determined that the Power Enterprise revenue bonds can be issued on terms and at interest rates that will make the Proposed Acquisition financially feasible, including to the extent available under law exemption of interest on such Power Enterprise revenue bonds;

(5) The Commission has adopted a resolution approving the binding documents required for acquisition and all forms of associated financing documents; and

(6) The Board of Supervisors has adopted an ordinance by a two-thirds vote providing final authorization to the SFPUC to issue Power Enterprise revenue bonds for the Proposed Acquisition in accordance with Charter Section 8B.124.

Section 2. CEQA Findings. The Commission, in approving this Resolution, is not providing final approval of the issuance of the Power Enterprise revenue bonds or approving the Proposed Acquisition within the meaning of CEQA. The Commission retains absolute discretion to decide whether to approve the issuance of revenue bonds and to proceed with the Proposed Acquisition, and the Commission will not take any discretionary action committing the City to approve the Proposed Acquisition until the Commission has reviewed and considered any environmental documentation prepared by the City in compliance with CEQA and adopted any appropriate findings in compliance with CEQA.

Accordingly, the Commission retains discretion to, among other things, modify the terms of the Proposed Acquisition to mitigate any significant environmental impacts, require the implementation of specific measures to mitigate any significant environmental impacts of the Proposed Acquisition, to approve or reject the issuance of revenue bonds for the Proposed Acquisition, and to approve or reject the Proposed Acquisition.

Section 3. Effective Date. This resolution shall take effect immediately after its adoption.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting January 14, 2020.

A handwritten signature in black ink, reading "Alonna Wood". The signature is written in a cursive, flowing style.

Secretary, Public Utilities Commission