


MEMO

DATE: November 22, 2017

TO: Theresa Mueller
Deputy City Attorney

FROM: Rosie Scott 
Record Retention Coordinator
SFPUC Power

RE: MOU between SFPUC and SFMTA
Low Carbon Fuel Standard Program (LCFS)

Please find attached signed version of the Memorandum of Understanding between the SFPUC and SFMTA and the resolution approved by the SF Public Utilities Commission. The California Air Resources Board (CARB) adopted the Low Carbon Fuel Standard Program in 2009 to reduce by 10 percent the 2010 baseline level for carbon intensity of transportation fuels use in California.

Enclosure: Attachment

MEMORANDUM OF UNDERSTANDING

between

THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

and

THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION

THIS MEMORANDUM OF UNDERSTANDING (this MOU) is made this _____ day of September, 2017, in the City and County of San Francisco, State of California, by and between the San Francisco Municipal Transportation Agency (SFMTA) and the San Francisco Public Utilities Commission (SFPUC) (collectively, "Parties").

RECITALS

A. The California Air Resources Board (CARB) adopted the Low Carbon Fuel Standard Program (LCFS Program) in 2009 to reduce by 10 percent the 2010 baseline level for carbon intensity (CI) of transportation fuels used in California (State Target). The applicable regulations are found in the California Code of Regulations, Title 17, Sections 95480, et seq. (CARB Regulations). The LCFS Program is expected to continue through at least 2022.

B. AB 162 (Statutes of 2009) and Senate Bill 1305 (Statutes of 1997) require retail electricity suppliers to disclose information to California consumers about the energy resources used to generate the electricity they sell. Based on SFPUC's 2016 Power Content Label, SFPUC's resource portfolio consisted of 100% greenhouse-gas (GHG) free resources. San Francisco has reported being 100% GHG-free since 2011 when it began its Power Content Label reporting to consumers.

C. The SFPUC provides the SFMTA with greenhouse gas-free electric energy to operate its electric public transit fleet, pursuant to SFPUC rate schedule M-2.

D. Using the electricity provided by the SFPUC, the SFMTA operates its electric public transit fleet (electric trolley buses, cable cars and light-rail vehicles) with a CI below the State Target, and therefore accumulates credits, which can be sold via the CARB's market place to energy producers, such as refiners and fuel importers, with a CI above the State Target in order to balance State deficits. Each credit represents one metric ton of CO₂ equivalent (greenhouse gas) emissions avoided. The market-based value of credits has continued to increase since the Program began.

E. The SFMTA registered for the LCFS Program in September 2016 and began accumulating credits on a quarterly basis, starting in the fourth quarter of calendar year 2016. The estimated value of the credits accumulated by the SFMTA to date is roughly \$680,000. Estimated revenues could be between \$1 and \$2 million per year at current prices.

F. The SFMTA and the SFPUC desire to sell credits in order to fund projects that will (1) advance the SFMTA's sustainability and climate action initiatives and goals, as described in the SFMTA Strategic Plan for the transportation sector Climate Action Strategy, the Departmental Climate Action Plan, the SFMTA Clean Air Plan, and the agency's APTA Sustainability Commitment (Green Projects); and (2) support the SFPUC's clean energy operations.

NOW, THEREFORE, the SFMTA and the SFPUC agree as follows:

I. Responsibilities of SFMTA and SFPUC

A. Creation of Workplan: The SFMTA and the SFPUC will annually create a Workplan identifying how each agency will achieve completion of the following tasks while minimizing costs and avoiding duplication of effort.

B. SFMTA

1. **Calculation of Credits.** The SFMTA, as Account Administrator, will submit the necessary quarterly and annual reports to CARB to calculate the amount of credits available for sale under the LCFS Program in accordance with CARB regulations. The calculation will take into consideration disaggregation of vehicle electricity usage from total meter readings and other technical issues.
2. **Regulatory changes.** The SFMTA will be responsible for keeping the Parties up to date on the CARB regulations, including notifying the Parties of the changes in a timely manner.

C. SFPUC

1. **Billing Support.** The SFPUC will provide meter and billing data and technical support in a timely manner to allow the SFMTA to submit required information regarding energy usage to CARB to receive credits; provide supplemental documentation as needed; and meet CARB data retention requirements associated with the creation of credits.
2. **Credit Sales.** The SFPUC will monitor the market and manage the sale of credits under the LCFS Program in compliance with the CARB regulations and the strategies jointly developed by the SFPUC and SFMTA in Section D.1.
3. **Reporting.** The SFPUC will provide the administrative support needed for the sale of credits, track and record sales revenues, and provide necessary data to SFMTA to allow it to prepare the quarterly and annual reports, as required under the CARB Regulations. The SFPUC will also report to the SFMTA after each sale has closed, with a description of the amount of the sale, the number of credits sold, and, if available, the identity of the purchaser of the credits.

D. Joint Tasks

1. **Credit Sales.** The SFMTA and the SFPUC will coordinate in developing a mutually acceptable strategy, method, and timing for the sale of credits.
2. **Legislative/Regulatory Changes.** The SFMTA and the SFPUC will coordinate in developing mutually acceptable strategies for the introduction or negotiation of any legislative or regulatory changes to the LCFS Program.

3. **Public Meetings.** The SFMTA and the SFPUC will collaborate in developing mutually acceptable presentations for their respective boards, for other City boards and commissions, and for other public meetings.
4. **Outreach.** The SFMTA and the SFPUC will conduct outreach, public relations, and media activities for the LCFS Program.
5. **Coordination.** The SFMTA and the SFPUC will consult and agree on any significant expenses associated with the Program. This includes, but is not limited to, retention of outside consulting or brokerage services, and extensive participation in a regulatory or legislative proceeding
6. **SFPUC-specific LCFS Pathway.** The SFMTA and SFPUC will work together to allow the SFPUC to file a SFPUC-specific LCFS Pathway application to CARB reflecting the SFPUC's GHG emission profile.
7. **Cost Tracking.** The SFPUC and the SFMTA will each track administrative and other program costs on an hourly or actual cost basis (including overhead) using standard City Work Orders and tracking of time through City index codes.

II. Allocation of Net Revenues

- A. **Net Revenues.** "Net Revenues" means proceeds from the sale of credits less Administrative Costs.
- B. **Administrative Costs.** Administrative and other program costs are to be paid from the proceeds from the sale of credits. The Parties will seek to keep costs within any estimates prepared as part of the Workplan, but in no event may the Administrative Costs for each Party exceed five percent of the total revenues from the sale of credits.
- C. **Allocation Between Parties.** Net Revenues will be allocated 50% to SFMTA and 50% to the SFPUC.
- D. **SFMTA Use of Net Revenues.** The SFMTA will manage the disbursement of the Net Revenues allocated to the SFMTA to Green Projects.
- E. **SFPUC Use of Net Revenues.** The SFPUC will use its share of Net Revenues for its clean energy operations.

III. Term and Termination.

- A. **Base Term.** The term of the MOU will commence on the last date of signature below and end five years thereafter.
- B. **Option.** There will be an option to renew the MOU for an additional five years, to be exercised through an amendment to this MOU.
- C. **Termination.** This MOU may be terminated for any reason by either party upon 90-days' notice from the party terminating the MOU to the non-terminating party. A final Allocation of Net Revenues will be performed and settled not later than 10

days after receipt of the proceeds from the sale of credits following notice of termination.

IV. Disputes

Any disputes regarding the provisions of this MOU that cannot be resolved by the Chief Financial Officers of each Agency shall be elevated to the Director of Transportation of the SFMTA and the General Manager of the SFPUC.

V. Miscellaneous

- A. Modification.** This MOU may not be modified, nor may compliance with any of its terms be waived, except by written instrument executed and approved in the same manner as this MOU, except that the SFPUC General Manager may approve non-material amendments consistent with the intent of this MOU.
- B. Notices.** Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications hereunder shall be in writing, shall be addressed to the person and address set forth below and shall be deposited in the U.S. mail or emailed.

To SFPUC:

San Francisco Public Utilities Commission
Attn: Barbara Hale, Assistant General Manager, Power
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
Email: bhale@sflower.org

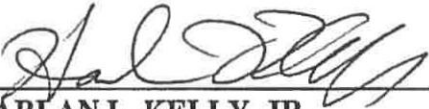
To SFMTA:

San Francisco Municipal Transportation Agency
Attn: Sonali Bose, Chief Financial Officer
One South Van Ness Avenue, 3rd floor
San Francisco, CA 94103
Email: sonali.bose@sfmta.com

IN WITNESS WHEREOF, the Parties have caused this MOU to be duly executed as of the date first specified herein.

**SAN FRANCISCO PUBLIC UTILITIES
COMMISSION**

**SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY**

By: 
HARLAN L. KELLY, JR.
GENERAL MANAGER

On: 10-6-17

By: 
EDWARD D. REISKIN
DIRECTOR OF TRANSPORTATION

On: 10-23-17