

LEGISLATIVE DIGEST

[Approving Transmission Facilities Agreement - Pacific Gas and Electric Company - Electric Grid Interconnection - \$21,165,000]

Ordinance approving a Transmission Facilities Agreement with Pacific Gas and Electric Company to interconnect City-owned transmission facilities to the electric grid for a total cost of \$21,165,000 and a term of four years and three months commencing in April 2021 and ending in June 2025, and waiving certain provisions of the Administrative and Environment Codes.

Existing Law

The San Francisco Municipal Code contains many contracting requirements for the procurement of goods and services. The Board of Supervisors may exempt contracts from these requirements via ordinance.

Amendments to Current Law

The ordinance does not amend current law.

Background Information

The Public Utilities Commission (PUC) is nearing completion of the construction of the Bay Corridor Transmission and Distribution project (BCTD), a \$166.6 million project which consists of a high voltage electric transmission line, transmission substation (Davidson Substation), distribution lines, and related electric facilities in the southeast area of the City. When completed, the PUC will deliver 100% greenhouse gas free Hetch Hetchy power to PUC customers along Pier 50 to South of Islais Creek through BCTD. The BCTD will allow the PUC to bypass PG&E distribution services, thereby avoiding the excessive delays and costs associated with PG&E distribution service.

The Davidson Substation must be connected to PG&E's transmission system in order to energize the BCTD and deliver Hetch Hetchy power to PUC customers. The BCTD will interconnect to PG&E's Potrero Switchyard and PG&E must construct certain transmission facilities to accommodate the BCTD, including upgrades to PG&E's equipment at the Potrero Switchyard and a high voltage underground cable (Upgrades). The PUC must enter into a Transmission Facilities Agreement (TFA) with PG&E for the construction of the Upgrades, reimbursement to PG&E for the cost of the Upgrades, and monthly charges for PG&E's ownership, operation, maintenance, and repair of the Upgrades. If the PUC does not execute the TFA, the BCTD cannot go into operation.

The total cost of the TFA is estimated at \$21,165,000. The cost of the Upgrades is \$18,600,000 and includes engineering work, equipment and materials, construction, and testing and commissioning. To date, the PUC has made a \$1,750,000 payment for engineering work and a \$3,000,000 payment for equipment under two previous agreements with PG&E. These amounts will be credited to the PUC against the \$18,600,000 cost of the contract.

When the Upgrades are completed and the BCTD is energized, the PUC will pay PG&E \$57,000 per month for the remaining term of the TFA. The TFA will expire on June 30, 2025 and the PUC estimates that the BCTD will be energized in October 2021, resulting in 45 months of monthly charges for a total of \$2,565,000. When the TFA expires in 2025, the PUC anticipates that it will enter into a second TFA with PG&E for the continued operation and maintenance of the Upgrades. The PUC will obtain all required approvals for the second TFA at that time.

The TFA is a form agreement that was approved by the Federal Energy Regulatory Commission (FERC) as part of PG&E's Transmission Owner Tariff and the TFA must be approved by FERC. Because the TFA is a tariffed form agreement, PG&E will not agree to include the terms and conditions for City contracts in the Administrative and Environment Codes. Therefore, the ordinance seeks waivers of certain provisions of the Administrative and Environment Codes for the TFA.

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