

File No. 190477 Committee Item No. 4
Board Item No.

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Transportation Committee Date July 29, 2019

Board of Supervisors Meeting **Date** _____
Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
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- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
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- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

1 [Requesting the San Francisco Public Utilities Commission to Report on Options for Improving
2 Electric Service through Acquisition, Construction, or Completion of Public Utility]

3 **Resolution determining that the public interest and necessity require changing the**
4 **electric service provided in San Francisco; and requesting a report from the San**
5 **Francisco Public Utilities Commission, under Charter, Section 16.101, on options for**
6 **improving electric service in San Francisco through acquisition, construction or**
7 **completion of public utility or utilities.**

8
9 WHEREAS, The Board of Supervisors seeks to ensure reliable, safe, affordable, clean
10 electric service to all customers in San Francisco from a utility that is responsive to the needs
11 of its customers; and

12 WHEREAS, Pacific Gas & Electric Company's (PG&E) history raises questions about
13 whether the utility has the ability and commitment to provide such service; recent examples
14 that cause concern include the following:

15

16 i. PG&E's safety violations in its electric and gas operations have caused
17 significant suffering, loss of life, and damage to property;

18 ii. PG&E's repeated failure to meet the obligations and manage the risks of its
19 business while remaining financially healthy, as demonstrated by PG&E's
20 current voluntary bankruptcy, its voluntary bankruptcy in 2001, and the
21 bankruptcies of several affiliates in 2003;

22 iii. PG&E's failure to provide safe and reliable electric service in San Francisco over
23 many years, including a major power outage in December 1998, three fires at
24 the Mission Substation between 1996 and 2003, and several incidents of
25 underground explosions throughout the City;

- iv. PG&E's primary focus on financial performance and public image and its failure to develop an effective safety culture, as found in two reports prepared for the California Public Utilities Commission;
- v. PG&E's retail rate increases that make its electric service among the most expensive in the nation, with more increases expected as a result of the bankruptcy; and
- vi. PG&E's consistent use of its monopoly status to delay, prevent, and increase the cost of the wholesale service it is required to provide to the City under a tariff approved by the Federal Energy Regulatory Commission, resulting in service delays and increased costs to critical City facilities—including public schools, affordable housing, health care facilities, streetlights and traffic controls, the Port, and basic city infrastructure—and the disruption of services provided to the public; and

WHEREAS, Article XI, Section 9 of the California Constitution grants cities the right to supply electricity if they choose to do so; and

WHEREAS, The City has been operating an electric utility since 1918, and has considered several times expanding service to all customers in San Francisco, as envisioned by the Raker Act (Pub. L. No 41, 38 Stat. 242 1913), which granted the City the right to develop the Hetch Hetchy clean water and hydropower resources for the benefit of the people of San Francisco; and

WHEREAS, For more than 100 years, San Francisco has been producing 100% greenhouse gas-free electricity to power our essential city services: hospitals, parks, schools, airport, public housing, and other city properties; and

1 WHEREAS, In 2016, despite years of opposition funded by PG&E, San Francisco
2 launched CleanPowerSF, to provide clean renewable energy to residents and businesses,
3 another incremental step toward energy independence; and

4 WHEREAS, According to climate scientists, we must take immediate steps to make the
5 difference between catastrophe and a clean new future and cut carbon pollution in half within
6 11 years; and

7 WHEREAS, The electric power sector is the largest contributor to U.S. global warming
8 emissions and currently accounts for approximately one-third of the nation's total emissions.
9 Natural gas, while producing lower emissions than coal or oil when used, nonetheless
10 generates high levels of air pollution and other environmental impacts through extraction and
11 production; and

12 WHEREAS, In a January 14, 2019 letter, on file with the Clerk of the Board of
13 Supervisors in File No. 190367, Mayor Breed asked the San Francisco Public Utilities
14 Commission (SFPUC) to evaluate in a preliminary report all options for changing how electric
15 service is provided to ensure a safe, clean and dependable power grid; and

16 WHEREAS, Section 16.101 of the Charter states: "It is the declared purpose and
17 intention of the people of the City and County, when public interest and necessity demand,
18 that public utilities shall be gradually acquired and ultimately owned by the City and County.
19 Whenever the Board of Supervisors, as provided in Sections 9.106, 9.107 and 9.108 of this
20 Charter, shall determine that the public interest or necessity demands the acquisition,
21 construction or completion of any public utility or utilities by the City and County, or whenever
22 the electors shall petition the Board of Supervisors, as provided in Sections 9.110 and 14.101
23 of this Charter, for the acquisition of any public utility or utilities, the Supervisors must procure
24 a report from the Public Utilities Commission thereon"; now, therefore, be it

1 RESOLVED, That the Board of Supervisors determines that the public interest and
2 necessity require changing the electric service provided in San Francisco, and these changes
3 may include the acquisition of PG&E's electrical system serving San Francisco, construction
4 of new facilities by the City, or completion of the City's own electric system; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors requests a report from the
6 SFPUC within 45 days of this Resolution to help City policymakers and the public understand
7 and evaluate the City's options.



City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 190367

Date Passed: April 09, 2019

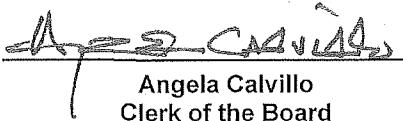
Resolution determining that the public interest and necessity require changing the electric service provided in San Francisco; and requesting a report from the San Francisco Public Utilities Commission, under Charter, Section 16.101, on options for improving electric service in San Francisco through acquisition, construction or completion of public utility or utilities.

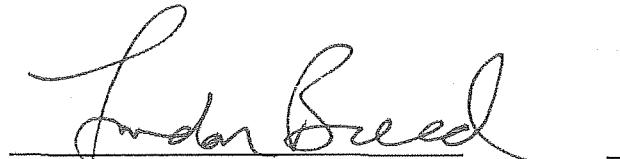
April 09, 2019 Board of Supervisors - ADOPTED

Ayes: 10 - Brown, Fewer, Haney, Mandelman, Peskin, Ronen, Safai, Stefani,
Walton and Yee
Absent: 1 - Mar

File No. 190367

I hereby certify that the foregoing
Resolution was ADOPTED on 4/9/2019 by
the Board of Supervisors of the City and
County of San Francisco.

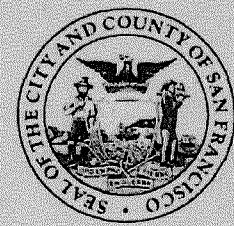

Angela Calvillo
Clerk of the Board


London N. Breed
Mayor
4/19/19
Date Approved



**San Francisco
Water Power Sewer**

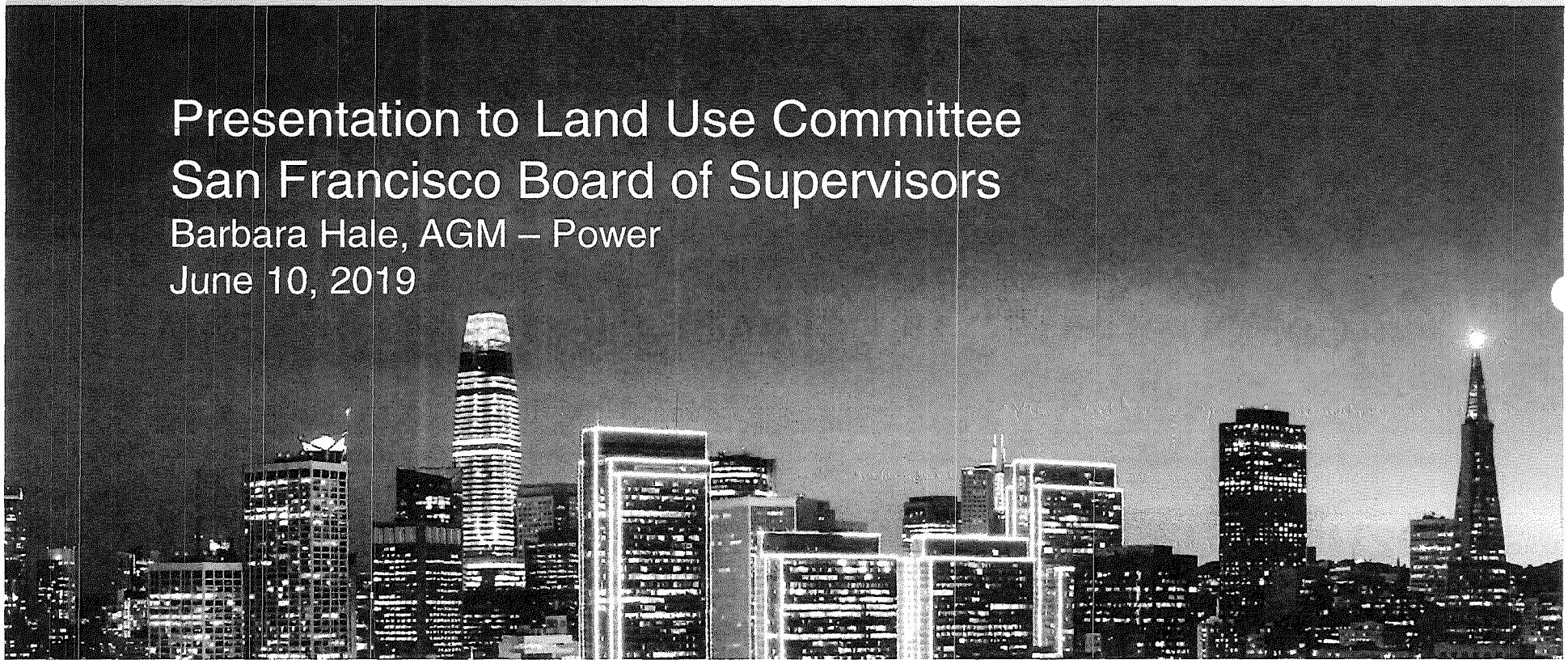
Services of the San Francisco Public Utilities Commission



Preliminary Report on Electric Service Options

May 2019

Presentation to Land Use Committee
San Francisco Board of Supervisors
Barbara Hale, AGM – Power
June 10, 2019





San Francisco
Water
Power
Sewer

Today's Presentation will summarize...

1. History of Power Provision in San Francisco
2. Context of Report
3. Review of Options
4. Next Steps



San Francisco
**Water
Power
&
Sewer**

History Of Power Provision



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SFPUC Power Operates Public Power & Community Choice Programs

Hetch Hetchy Power, San Francisco's publicly-owned retail electric utility

- 385 MW of hydro generation, 9 MW of solar generation, 4 MW biogas, and over 160 miles of transmission and distribution lines
- 150 MW of GHG-free power across 3,500 customer accounts including essential City services

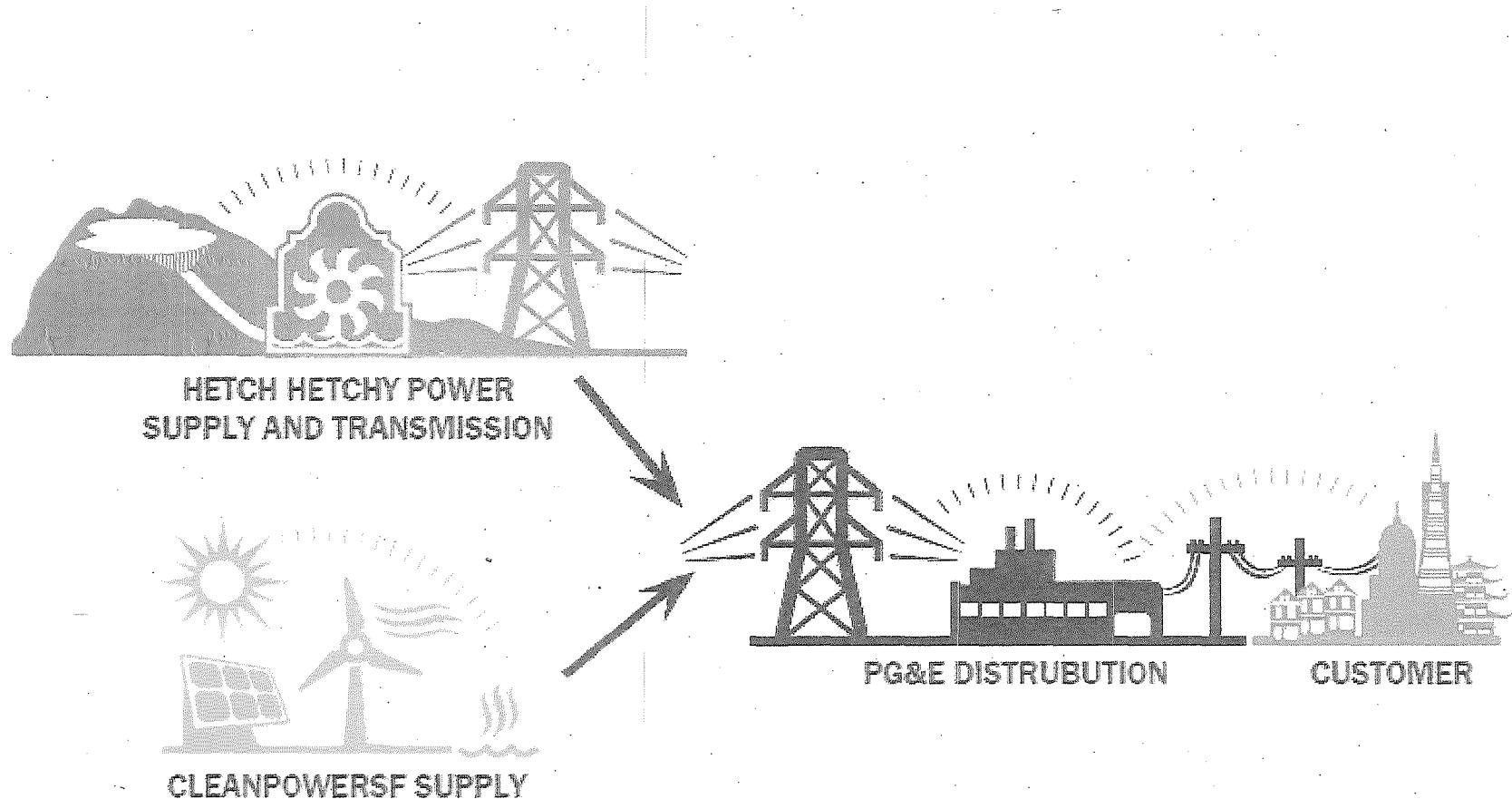
CleanPowerSF, the City's CCA program

- 360,000+ accounts with more affordable and cleaner power supply than PG&E



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Historically, the City has paid PG&E for distribution services





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The City's trajectory of measured independence from PG&E

San Francisco's increasing power independence over time

Year	Event	Independence Milestone
1918	Early Intake Powerhouse starts operation.	
1925	Moccasin Powerhouse starts operation (and is reconstructed in 1969).	
1960	Holm Powerhouse starts operation.	Reducing reliance on PG&E for supply and transmission
1969	Kirkwood Powerhouse starts operation; transmission lines to Newark completed.	
1997	SFPUC assumes responsibility for all electric service on Treasure and Yerba Buena Islands.	Reducing reliance on PG&E for distribution
2007	SFPUC invests in distribution to serve the homes and businesses at "The Shipyard," a development at the former Hunter's Point Shipyard.	
2010-2015	SFPUC takes responsibility for scheduling and balancing its supplies to match its demands and managing supply market risks.	Eliminating reliance on PG&E for supply balancing services and market risk protection
2016	SFPUC invests in distribution to serve Transbay Transit Center and begins construction of the Bay Corridor Transmission and Distribution project.	Reducing reliance on PG&E for distribution
2016	SFPUC launches CleanPowerSF, offering San Francisco residents and businesses a choice of affordable, cleaner energy supplies.	Reducing reliance on PG&E for supply



Who provides which electric services today?

Supply

Hetch Hetchy Power and
CleanPowerSF
70-80%

PG&E
10-20%

Direct
Access
10%

Grid
Delivery

Hetch
Hetchy
Power
(with dependence on
PG&E's grid)
15%

PG&E
85%



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Context of Report



Context of Report

Reliance on PG&E distribution services:

- Causes **delays and increases costs** for City projects
- Creates **roadblocks** for city initiatives, such as affordable housing
- **Compromises** the City's climate goals

PG&E's reliability, safety, and financial challenges

- Cited with **alarming safety violations**
- Filed for **bankruptcy** protection in January 2019

Mayor Breed and Board of Supervisors request report to explore **electric service options**



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The City's Options

Three Options

- **Limited Independence** – pay PG&E to provide distribution service
- Targeted Investment for **More Independence** – continue **strategic investment** in distribution that PUC would own and pay PG&E to provide the service where we don't
- **Full Independence** through Acquisition – where we **pay PG&E a fair market value** and own and operate the system serving San Francisco



Preliminary Comparative Statistics

HETCH HETCHY POWER COMPARATIVE STATISTICS

(Preliminary Staff Estimates)

STATISTIC	LIMITED INDEPENDENCE	MORE INDEPENDENCE	FULL INDEPENDENCE
Accounts	3,500	7,000	400,000
Generating Capacity	150 MW	300 MW	1,000 MW
Estimated revenues from Hetch Hetchy sales (all estimates exclude supply revenues currently under contract with SFPUC)	\$100 million/yr	\$220 million/yr	\$500-\$700 million/yr
Investment	\$25-\$100 million varies annually	\$10-300 million per investment	Dependent on Fair Market Value analysis; could be a few billion dollars initially

CONSIDERATIONS FOR SAN FRANCISCO'S ELECTRIC GRID AND RELATED CLIMATE ACTION GOALS



GRID CONSIDERATION	LIMITED INDEPENDENCE	MORE INDEPENDENCE	FULL INDEPENDENCE
Public Funds Flow To PG&E to Build Out Its Grid in San Francisco	Yes	Yes With some reductions	No Funds are used only for public ownership and investment in San Francisco's Grid
Decision Making and Grid Control	In some cases	In some cases	None
Achievement of San Francisco's climate action goals	PG&E California Public Utilities Commission Subject to PG&E cooperation Continues	PG&E California Public Utilities Commission Subject to PG&E cooperation Continues	San Francisco San Francisco voters, Board of Supervisors, Mayor Driven by San Francisco Fully integrated



Limited Independence

The City would continue fighting for fair treatment and reasonable service from PG&E

- Customer **growth through transfers** of customers choosing SF
- PG&E continues to impose requirements that **negatively impact** the City's ability to serve customers
- This option has grown **increasingly untenable and unnecessarily expensive**

EXAMPLE OF PG&E'S UNREASONABLE REQUIREMENTS

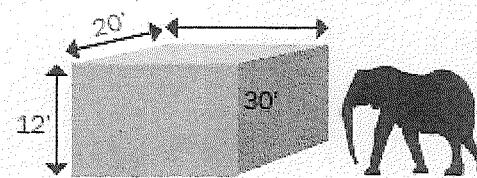
For a new transit worker restroom, PG&E tried to require the City to install equipment that takes up 600 square feet and costs half a million dollars.



SFMITA RESTROOM
CAPITAL COST:
\$60,000



APPROPRIATE ELECTRICAL EQUIPMENT SPACE
CAPITAL COST: \$5,000
LIFETIME OPERATING COST:
\$3,000



PG&E REQUIRED EQUIPMENT SPACE*
CAPITAL COST: \$500,000
LIFETIME OPERATING COST:
\$150,000

ELEPHANT FOR SCALE ONLY, NOT CURRENTLY REQUIRED BY PG&E



Targeted Investment for More Independence

The City has shifted towards more aggressive investment in building its own electric distribution systems

- Represented in Power Enterprise Business Plan 2016
- Enabled by the passage of Proposition A in 2018

SFPUC has already made targeted investments

- Hunter's Point Shipyard, Transbay Transit Center, & Bay Corridor Transmission and Distribution Project

Hardships remain where City has not made the investments

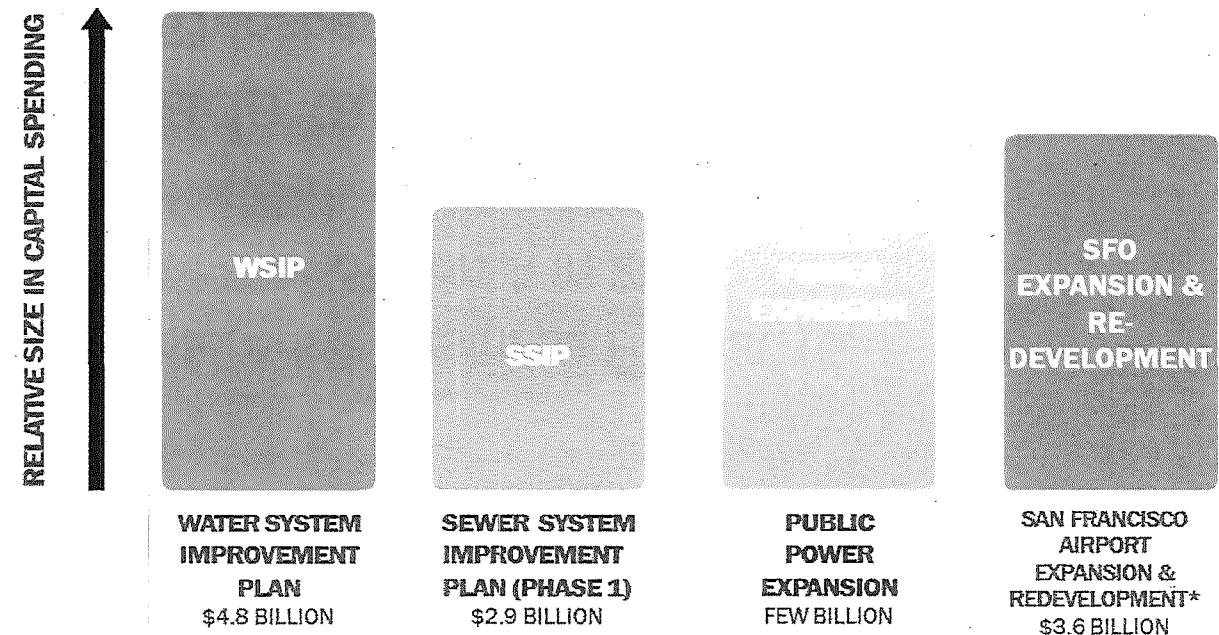


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Acquire PG&E Assets for Full Independence

- **Expand the City's existing publicly-owned utility**
- Investments would be **revenue bond-funded**
- Initial staff estimates put acquisition costs in range of **a few billion dollars**

CAPITAL SPENDING COMPARISON



*This includes San Francisco Airport's terminal redevelopment and groundside projects.



Acquire PG&E Assets for Full Independence

Power independence is a **complex undertaking** and comes with **risks and challenges** that need to be assessed

- Condition of PG&E assets is largely unknown
- Potential impacts on PG&E's remaining customers
- Impacts on costs and rates
- Workforce expansion
- Integration of PG&E's operational systems and technologies
- Possible disproportionate impacts to communities and residents of the City



Acquire PG&E Assets for Full Independence

Likely long term benefits relative to investment costs and risks:

- Durable, long term cost savings
- Timely and cost-efficient modernization of the grid
- Meeting the City's priorities on affordability, clean energy, safety, reliability, workforce development, and equity

Maximum community engagement and accountability



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Next Steps



Continue to Evaluate Public Power Expansion

Report concludes: study work should **focus on acquisition** of PG&E electric assets serving San Francisco

- Assess **which assets** to purchase and the current **condition and value** of those assets
- Assess PUC **operational readiness** for expanded responsibilities and City's overall **organizational capacity**
- Assess **equity implications**
- Understand **system engineering impacts**
- Understand **impacts on remaining PG&E customers**
- Develop a **transition plan**



Continue to Evaluate Public Power Expansion

- **Bankruptcy timeline accelerates** the study effort
 - PG&E has exclusive right to form a Plan of Reorganization until September 29th
 - Working to position City to be ready to engage
- Any successful effort could include a **few year transition period**
 - Complete regulatory approvals
 - Perform any facilities reconstruction to separate PG&E and City systems
 - Staff up, train up



Continue to Evaluate Public Power Expansion

Answer this big question:

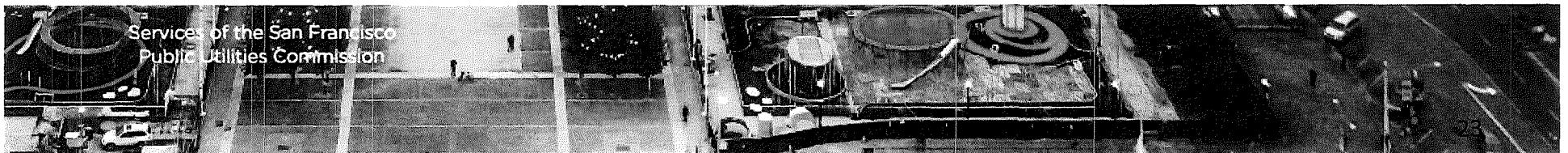
Can San Francisco purchase the assets, invest in separation costs, and provide affordable, reliable, safe public power service, consistent with our values on clean power content and equity, while meeting our financial requirements?



San Francisco
**Water
Power
Sewer**

THANK YOU

Barbara Hale, SFPUC Assistant General Manager – Power



BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Harlan Kelly, Jr., General Manager, Public Utilities Commission
FROM: Erica Major, Assistant Clerk, Land Use and Transportation Committee
DATE: June 10, 2019
SUBJECT: HEARING MATTER INTRODUCED

The Board of Supervisors' Land Use and Transportation Committee has received the following hearing request, introduced by Supervisor Ronen on April 30, 2019:

File No. 190477

Hearing to receive a report from the San Francisco Public Utilities Commission on options for improving electric service through acquisition, construction, or completion of public utilities, pursuant to Resolution No. 174-19, adopted April 9, 2019, and in accordance with Charter, Section 16.101; and requesting the San Francisco Public Utilities Commission to report.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Juliet Ellis, Public Utilities Commission
Donna Hood, Public Utilities Commission
John Scarpulla, Public Utilities Commission
Christopher Whitmore, Public Utilities Commission

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2019 APR 30 PM 4:20
Time stamp
or meeting date

BY

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning :"Supervisor" [redacted] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [redacted] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. [redacted]
- 9. Reactivate File No. [redacted]
- 10. Topic submitted for Mayoral Appearance before the BOS on [redacted]

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Ronen; Peskin, Fewer

Subject:

Hearing on SFPUC preliminary report on ensuring safe, reliable, clean, affordable electric service to San Francisco.

The text is listed:

On April 9, 2019, the Board of Supervisors adopted Resolution No. 174-19, resolving that public interest and necessity require changing electric service provided in San Francisco and requesting the San Francisco Public Utilities Commission to Report within 45 days, in accordance with Section 16.101 of the City Charter, on options for improving electric service through acquisition, construction, or completion of public utility. San Francisco PUC to present report.

Signature of Sponsoring Supervisor:



For Clerk's Use Only