

LEGISLATIVE DIGEST

Administrative Code - Electric Facilities at Development Projects

Ordinance amending the Administrative Code to authorize the Public Utilities Commission to contract with developers that are installing infrastructure pursuant to a development agreement, to install electric equipment that the Public Utilities Commission would otherwise be required to install without competitive bidding, subject to specified conditions.

Existing Law

Administrative Code Chapter 99 requires the City and County of San Francisco (“City”) to “consider the feasibility of supplying electricity to all new City developments, including, without limitation, military base reuse projects, redevelopment projects, projects occupying any portion of public land, and projects funded in whole or in part by local, State, or Federal funds and other City projects.”

Amendments to Current Law

The proposed amendment to Chapter 99 would waive the City’s competitive bidding requirements for construction projects to enable the Public Utilities Commission (“PUC”) to contract directly with developers to install electric facilities at new development projects, provided: (i) the City has entered into a development agreement that: (a) requires the developer to complete infrastructure for the project; and (b) includes a workforce and job creation program that, among other things, requires nondiscrimination and the payment of prevailing wages; and (ii) the PUC has reasonably determined that the amount payable to the developer for the PUC work is equal to, or less than, the amount the PUC would expect to pay to perform the same work itself through its standard contracting process.

Background Information

Consistent with Chapter 99, the City will include in new development agreements a requirement that, where feasible, electric service to these new developments shall be provided by the PUC, provided that the costs of that service, which includes the capital refund structure for the applicable service, is comparable to or less than the prevailing market rates in San Francisco for comparable types of service.

Pursuant to Chapter 99, the PUC has conducted feasibility studies for a number of development projects and determined that it is feasible for the PUC to provide electric service to a number of projects, including Hunters Point Shipyard and Candlestick Point, Treasure Island and Yerba Buena Island, Mission Rock, Pier 70, Sunnydale HOPE SF, and Potrero

HOPE SF. These are all mixed-use projects that will, among other things, provide new housing for residents of San Francisco (including significant affordable housing), parks and open spaces, and office and retail space.

As repeatedly recognized by the Board of Supervisors, the City faces a severe and continuing housing crisis, and the City has adopted many measures to try to alleviate the crisis, including building additional affordable housing.

In 2017, the PUC adopted the Power Enterprise Rules and Regulations Governing Electric Service (“Rules”). Consistent with standards for electric utilities, Article XV of the Rules requires the PUC and developers to share the responsibilities and costs to install the electric infrastructure that is necessary for the PUC to provide service to these new developments. Under existing development agreements, developers are responsible for constructing significant infrastructure for dedication to the City. Under the Rules, the costs to install new electric facilities and equipment to serve the developments are shared between developers and the PUC. Developers are responsible for the costs to install overhead or underground structures and other infrastructure. The PUC is responsible for the costs to install new conductors and equipment to connect to the infrastructure completed by developers, including protective devices, switches, transformers, and meters.

Developers constructing infrastructure for the City under development agreements can install the PUC’s facilities at lower costs and in a more expeditious manner than can the PUC, as part of their ongoing work at the project sites. Developers are also better able to schedule and complete this work so as not to conflict with other construction, and to ensure that it is completed in the time frame needed to meet project schedules. Because developers are already constructing infrastructure for the City with significant job and workforce requirements and protections, and meet all City imposed requirements for the completion of this work as set forth in the applicable development agreement, the addition of the PUC work will not pose any new or increased risk but will result in the expeditious completion of projects and other public benefits at lower cost.

It is reasonable and in the public interest for the PUC to contract directly with developers for this work, without obtaining bids and quotes from other contractors, because developers are already subject to City workforce development requirements. Every City development agreement includes a detailed workforce development program with Local Business Enterprise nondiscrimination, prevailing wage, and local hire or first source hiring requirements.