

[Energy Security, Cost Reduction and Environmental Protection]

CHARTER AMENDMENT

PROPOSITION ____

Describing and setting forth a proposal to the qualified voters of the City and County of San Francisco to amend the Charter of the City and County by amending Sections 8B.120, 8B.123, and 9.107 to address the need to change electricity production, delivery, and use to ensure environmentally sustainable and affordable electric supplies for residents, businesses, and City departments and to require the Public Utilities Commission to comprehensively study and determine the most effective means of providing clean, sustainable, reliable and reasonably-priced electric service to San Francisco residents, businesses and City departments.

The Board of Supervisors hereby submits to the qualified voters of the City at an election to be held on November 4, 2008, a proposal to amend the Charter of the City by amending Sections 8B.120, 8B.123, and 9.107, to read as follows:

Note: Additions are single-underline italics Times New Roman.
Deletions are ~~strikethrough italics Times New Roman~~.

SEC. 8B.120. PREAMBLE.

(a) The Public Utilities Commission operates the Water, Clean Water and Power Utilities of the City and County of San Francisco. Hetch Hetchy Water and Power System is an irreplaceable asset of the people of the City and County of San Francisco. The system is fundamental to the economic vitality of San Francisco and the Bay Area. The voters of the City and County of San Francisco are committed to preserving and protecting the system as well as safeguarding the extraordinary quality of the water from

Yosemite and local watersheds. The voters find that the protection, maintenance and repair of the system are among their highest priorities.

San Francisco faces an unprecedented challenge: to restore its aging water system to ensure a reliable Bay Area water supply through the next century. Repairs must be accomplished as quickly as possible to avoid system outages, which could be caused by natural disasters such as earthquake. In planning for its future needs and those of its wholesale customers, the City must promote water conservation and responsible stewardship of its natural resources. The effectiveness of the City's Public Utilities Commission, which has jurisdiction over the system, is essential to achieving these goals.

In addition, San Francisco must upgrade and repair its clean water system to meet changes in state and federal water quality requirements, and to ensure reliability of the system, parts of which are outdated, aged or seismically vulnerable. The voters find that the operation of the clean water system should not unnecessarily place a disproportionate environmental burden on any community.

This measure is intended to enhance public confidence in the City's stewardship of public utilities by:

1. Clarifying that the Public Utilities Commission has exclusive control of water, clean water and power assets owned or maintained by the City and County of San Francisco;
2. Establishing rates sufficient to meet operation, maintenance and financial needs of the system based on costs and sound budgeting and auditing procedures to protect retail ratepayers and reduce interest paid on bonds and other indebtedness while ensuring public review;
3. Establishing the Public Utilities Commission as an independent revenue department not subject to undue financial pressures to contribute to the City's general fund;

4. Requiring the development of long term Capital, Financial and Strategic Plans to ensure that the utilities are operated efficiently in accordance with best public utility practice;

5. Authorizing the Public Utilities Commission to independently enter into certain contracts;

6. Giving the Public Utilities Commission the ability to finance needed capital improvements through revenue bonds or other financing methods consistent with the powers of other major public utilities in California; and

7. Promoting labor stability to ensure that the Capital Improvement Plan is completed expeditiously and efficiently.

(b) The City has recognized the imperative to change electricity use and production to ensure environmentally sustainable and affordable electric supplies for residents, businesses, and City departments. The Mayor, Board of Supervisors, Public Utilities Commission, and Department of the Environment have adopted various initiatives to promote energy conservation measures, greenhouse gas (GHG) reduction, renewable energy and environmental justice. The City spends millions of dollars each year on these initiatives. These measures and programs would be more effective as part of a long-term integrated resource plan that sets forth in one document the City's requirements for transmission, distribution and electricity resources over the next ten years, and the most effective and economic plan to meet these.

Residents and businesses in San Francisco pay hundreds of millions of dollars in electricity costs each year. The rates for such customers are established by the state of California, and include costs related to energy efficiency, renewable energy, and GHG reduction. The City continues to investigate ways to improve electric service and reduce costs to these customers, including through measures such as Community Choice Aggregation.

The electricity generated by the City's Hetch Hetchy project for City facilities pursuant to the Raker Act is clean and reasonably priced. The City pays millions of dollars each month to ensure delivery of this electricity to City facilities. The City faces substantial cost increases for delivery of Hetch Hetchy electricity in 2015 when the current transmission contract expires. It is imperative that the City commence now to explore alternatives to deliver the Hetch Hetchy electricity to the City after the contract expires.

The City has an aggressive goal to reduce its GHG emissions by 20% below 1990 levels by 2012. The City should analyze, identify and pursue strategies that maximize GHG reductions from the electricity sector at the minimum cost.

SEC. 8B.123. PLANNING AND REPORTING.

(A) Planning and Reporting

The Public Utilities Commission shall annually hold public hearings to review, update and adopt:

- (1) A Long-Term Capital Improvement Program, covering projects during the next 10-year period; including cost estimates and schedules.
- (2) A Long-Range Financial Plan, for a 10-year period, including estimates of operation and maintenance expenses, repair and replacement costs, debt costs and rate increase requirements.
- (3) A Long-Term Strategic Plan, setting forth strategic goals and objectives and establishing performance standards as appropriate.

The Capital Improvement Program and Long-Range Financial Plan shall serve as a basis and supporting documentation for the Commission's capital budget, the issuance

of revenue bonds, other forms of indebtedness and execution of governmental loans under this Charter.

(B) Citizens' Advisory Committee

The Board of Supervisors, in consultation with the General Manager of the Public Utilities Commission, shall establish by ordinance a Citizens' Advisory Committee to provide recommendations to the General Manager of the Public Utilities Commission, the Public Utilities Commission and the Board of Supervisors.

(C) Energy Resource Planning

(1) Within 120 days after the effective date of this measure, the Public Utilities Commission shall produce a comprehensive study evaluating the options for providing clean, secure, cost effective electricity for City departments and residents and businesses of San Francisco. Following the study, the Commission shall identify steps to implement the most effective and economic means of promoting these goals over the short and long term. The study shall consider, without limitation, the following:

(a) Transmission needs to transport Hetch Hetchy generation and cost-effective renewable resources into the City. Alternatives evaluated will include at a minimum, construction of City owned transmission lines, contracts or joint transmission projects with other municipalities and participation in the California Independent System Operator transmission markets.

(b) Transmission and distribution needs within the City to support reliability and facilitate distributed generation and renewables, including connections between substations and the 115 and 230 kV transmission systems within the City, and transmission and distribution needs to meet new City developments.

(c) Resources needed to meet municipal electric loads, Community Choice Aggregation (CCA) loads, and other potential City loads, including options to maximize cost-effective energy efficiency and demand-reduction and local and remote renewable resources. The analysis shall include alternatives for use of renewable fuels, clean and flexible resources, and storage alternatives as needed to firm renewable resources and meet the City's resource adequacy capacity obligations.

(d) Cost-effective options to reduce GHG emissions from the electricity sector and to offset GHG emissions from other sectors.

(e) Costs and benefits of municipalization of the electric system in San Francisco, including the acquisition, construction, or completion of any public utility pursuant to Charter Section 16.101.

(2) The study shall include peer review by independent experts. The Commission shall hold at least one hearing on the study within 30 days after issuing it. Within 30 days after the hearing, the Commission shall issue a report setting forth recommendations with respect to the options considered in the feasibility study and a schedule for the expeditious implementation of the selected options. The report shall identify those actions that the Commission has taken or plans to take to implement the recommendations in the report, and those measures that require action by the Board of Supervisors or other agencies or officials. The report shall document the recommendations by the independent experts and shall provide an explanation for any dissenting views or recommendations. The Commission shall conduct a hearing on its recommendations within 30 days and shall promptly transmit a final report to the Board of Supervisors, which shall conduct a hearing on the matter within 30 days of receipt.

If the Board of Supervisors, pursuant to Charter Section 16.101 and in light of the PUC report and review by the independent experts, finds that the public interest or necessity demands, then the Board of Supervisors may direct the PUC to immediately prepare a plan for acquiring the electric system that serves the City through municipalization or other means.

SEC. 9.107. REVENUE BONDS.

The Board of Supervisors is hereby authorized to provide for the issuance of revenue bonds. Revenue bonds shall be issued only with the assent of a majority of the voters upon any proposition for the issuance of revenue bonds, except that no voter approval shall be required with respect to revenue bonds:

1. Approved by three-fourths of all the Board of Supervisors if the bonds are to finance buildings, fixtures or equipment which are deemed necessary by the Board of Supervisors to comply with an order of a duly constituted state or federal authority having jurisdiction over the subject matter;
2. Approved by the Board of Supervisors prior to January 1, 1977;
3. Approved by the Board of Supervisors if the bonds are to establish a fund for the purpose of financing or refinancing for acquisition, construction or rehabilitation of housing in the City and County;
4. Authorized and issued by the Port Commission for any Port-related purpose and secured solely by Port revenues, or authorized and issued for any Airport-related purpose and secured solely by Airport revenues;

5. Issued for the proposes of assisting private parties and not-for-profit entities in the financing and refinancing of the acquisition, construction, reconstruction or equipping of any improvement for industrial, manufacturing, research and development, commercial and energy uses or other facilities and activities incidental thereto, provided the bonds are not secured or payable from any monies of the City and County or its commissions.

6. Issued for the purpose of the reconstruction or replacement of existing water facilities or electric power facilities or combinations of water and electric power facilities under the jurisdiction of the Public Utilities Commission, when authorized by resolution adopted by a three-fourths affirmative vote of all members of the Board of Supervisors.

7. Approved and authorized by the Board of Supervisors and secured solely by an assessment imposed by the City.

8. Issued to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation, or other utility facilities pursuant to Section 16.101 of this Charter.

Except as expressly provided in this Charter, all revenue bonds may be issued and sold in accordance with state law or any procedure provided for by ordinance.

If any part or provision of the amendments to the Charter provided herein, or their application to any person or circumstance is held invalid, the remainder of the

amendments, including their application to other persons or circumstances, shall not be affected by such a holding and shall continue in force and effect. To this end, these amendments are severable.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____
Deputy City Attorney