

MEMORANDUM

September 6, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer
Executive Director

SUBJECT: Request (1) a rescission of Port Commission Resolution 12-90, (2) endorsement of the PG&E ZA-1 Embarcadero-Potrero 230kV Transmission Project Revised Term Sheet and (3) authorization to enter into a Negotiation Agreement with PG&E, all related to onshore and submerged Port land between Pier 28½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002)

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Background

On November 13, 2012, the Port Commission approved Resolution 12-90, endorsing the ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet ("Original Term Sheet") between the Port and PG&E and authorizing Port staff to enter into a Negotiation Agreement with PG&E, all related to onshore and submerged Port land between Pier 28 ½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002), commonly known as the "Hoedown Yard" (see Exhibits A and B).

Since November 13, 2012, Port staff has engaged in periodic negotiations with PG&E in concert with the Office of Mayor Ed Lee and the Office of Economic and Workforce Development. These negotiations have resulted in a revised Term Sheet between the City, acting through the Port and the Office of Economic and Workforce Development, and PG&E. This report is an amended and restated version of the November 13, 2012 staff report to the Port Commission reflecting the revised terms of the proposed Term Sheet ("Revised Term Sheet").

THIS PRINT COVERS CALENDAR ITEM NO. 13A

Introduction

Pacific Gas & Electric ("PG&E") proposes to construct a new, single circuit, 230 kV transmission line between its Embarcadero Substation and its Potrero Substation to increase reliability of electric service to downtown San Francisco and provide operational flexibility ("ZA-1 Project"). Exhibit C to this staff report shows the service area of the existing Embarcadero Substation that will benefit from this reliability improvement.

One of the proposed routes for the proposed project contemplates transmission line installation along submerged land in the Port's jurisdiction, subject to the Port's proprietary approval. On August 14, 2012, Port staff and representatives of PG&E delivered an informational presentation to the Port Commission describing the proposed project. On November 13, 2012, the Port Commission approved Resolution 12-90, endorsing the ZA-1 Embarcadero-Potrero 230kV Transmission Project Original Term Sheet between the Port and PG&E. Exhibit A to this staff report shows the proposed route for the submarine alternative for the project along Port submerged land. Subsequent to the Port Commission's approval of Resolution 12-90, PG&E submitted an application to the California Public Utilities Commission ("CPUC") to commence a public process to review the cost-effectiveness and environmental impacts of the submarine route, subject to other required proprietary and regulatory approvals, including approval by the Federal Energy Regulatory Commission ("FERC") and the California Independent System Operator ("CAISO").

In August 2013, the CPUC published a Draft Mitigated Negative Declaration and Supporting Initial Study ("Draft MND") for the ZA-1 Project to obtain public comment on its environmental analysis. Port staff circulated the Draft MND for comment to sister City departments. The timeline for public comment on the Draft MND requires that written comments are received by the CPUC no later than 5:00 PM September 16, 2013 at the following address:

Billie Blanchard
California Public Utilities Commission
c/o Aspen Environmental Group
235 Montgomery Street, Suite 935
San Francisco, CA 94104-3002
embarcaderopotrero@aspene.com

A copy of the Draft MND can be found at:

http://www.cpuc.ca.gov/Environment/info/aspen/embarc-potrero/dmnd/Embarcadero-Potrero_230_kV_Transmission_Project_Draft_MND-IS.pdf

City staff has reviewed the Draft MND and based on initial review do not intend to submit comments.

Port staff requests (i) endorsement of a Revised Term Sheet attached as Exhibit D to this staff report outlining the basic terms between the City and County, acting through

the Port Commission, and PG&E for use of Port lands by PG&E for the proposed submarine route and (ii) authorization for the Port Executive Director to enter into the negotiations agreement, as further described below, with PG&E. As further described in this report, the Revised Term Sheet contemplates:

1. a long-term, non-exclusive license to construct and operate the ZA-1 Project,
2. a transferable option for the Office of Economic and Workforce Development (“OEWD”) to purchase PG&E-owned land at Illinois and 22nd Streets (see Exhibit B) subject to CPUC approval pursuant to Section 851 of the California Public Utilities Code, and
3. a requirement for PG&E to screen or otherwise enclose the Potrero Substation which is situated along Illinois Street between 22nd Street and 23rd Street (see Exhibit A), subject to review by the Waterfront Design Advisory Committee (“WDAC”), environmental review pursuant to CEQA and other required approvals.

Project Description

The proposed Embarcadero-Potrero cable, or ZA-1, would provide a third cable into Embarcadero Substation. Seismic risk is a key consideration in its design and routing. If approved, ZA-1 also will connect PG&E’s 230 kV system in San Francisco with both the Trans Bay Cable (“TBC”)¹ and PG&E’s existing 115 kV systems in San Francisco, providing operational flexibility to both the 230 kV and 115kV systems. Both PG&E and City staff consider the Embarcadero-Potrero 230 kV Transmission Project a high priority because of the impact that outages would have on downtown San Francisco.

The project will involve both transmission line work and substation work. Three major elements are:

- Construct an approximately 3-mile, 230 kV submarine cable between the Embarcadero and Potrero Substations;
- Terminate the new cable into a 230 kV bus (to be upgraded as part of a separate reliability project that is underway) at the Embarcadero Substation; and
- Construct a new 230 kV switchyard adjacent to the Potrero Substation, terminate the new cable there, and interconnect the new 230 kV and existing 115 kV switchyards at Potrero Substation via two new 230/115 kV transformers.

The submarine cable route would run in a reinforced underground duct bank about 2 city blocks along the TBC alignment as it exits the Potrero Switchyard and enters the Bay. It would then continue in the Bay along the general alignment and several hundred feet to the west of the TBC, and then return to land 2-3 city blocks from the

¹ On August 7, 2007, by Resolution 414-07, the San Francisco Board of Supervisors approved a 66 year license for the construction and operation of the Trans Bay Cable on Port submerged land.

Embarcadero Substation, where it would be installed in a reinforced underground duct bank to the substation. Both landings from the Bay to land will be accomplished through horizontal directional drilling.

Negotiation Agreement

Port staff and representatives of PG&E have negotiated a negotiation agreement (“Negotiation Agreement”), a copy of which is on file with the Port Commission Secretary. Under the Negotiation Agreement, PG&E is responsible for obtaining all regulatory approvals for the Project and will pay expenses reasonably incurred by Port directly and solely related to the Project for, including, but not limited to, time spent on the Project by Port staff, the services of real estate and economic consultants, and legal services. PG&E will also pay the Port’s costs for legal services associated with the Project that were incurred prior to the execution of the Negotiating Agreement.

Appraisals

To calculate the value of the license area, and for purposes of the option to acquire the Hoedown Yard (discussed below), Port staff commissioned an appraisal through the Department of Real Estate’s (“DRE”) as-needed appraiser pool. The City selected Associated Right of Way Services, Inc. to conduct the appraisal, and PG&E concurred with the selection. This appraisal indicated industrial land values that exceeded the expectations of both Port and PG&E staff. PG&E requested the Port’s authorization to conduct a second appraisal, which Port staff granted, and PG&E conducted its own appraisal, subject to appraisal instructions approved by the Port, utilizing David Tattersol & Associates, an appraiser also listed in DRE’s as-needed pool.

In both instances, appraisal instructions were to determine:

- (a) the fee simple value of the Site assuming raw clean undeveloped land subject only to current zoning (M-2) i.e. market value; and
- (b) the fee simple value of the Site “AS-IS” with all faults using assumptions as to the cost of compliance with the Site Management Plan and any other documents provided ... that affect value.

The conclusions of these appraisals were presented in a November 23, 2012 final appraisal report by Associated Right of Way Services, Inc. and a February 13, 2013 final appraisal report by David Tattersol & Associates, done in compliance with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). The average of the land value indicated by these two appraisals is \$68.50 per square foot which affects both the submerged license area and the Hoedown Yard.

The approach to establishing rent for the submerged license area is based on industrial upland values. The process for valuing the Hoedown Yard requires the same analysis. City staff and PG&E representatives therefore agreed to use a single appraisal (using the same set of comparable land values of \$68.50 psf) for purposes of valuing both the submerged license area and the Hoedown Yard.

In establishing rent for the proposed license area, most of which is submerged land, Port staff and PG&E agreed on the following formulas:

- Exclusive use areas: 50% industrial upland value (\$68.50 psf) x 8% capitalization rate
- Compatible (non-exclusive) use areas: 25% industrial upland value (\$68.50 psf) x 8% capitalization rate
- Upland underground areas: \$0.031562/sf, based on the rate for like property in the Hunters Point-Potrero license area
- A two year construction period rent for the same areas, reduced by 75%

The parties agreed to a prepaid rent structure for the initial forty (40) year term of the agreement utilizing a 6.5% discount rate, which is the current estimated blended average of the Port's costs of funds.

Proposed Terms

Port staff and representatives of PG&E have negotiated a Term Sheet for the project. The following are the high-level terms for the proposed non-exclusive license, which are provided in greater detail in Exhibit D:

License Area: 508,992 sf of underground and submerged land, generally along the route depicted in Exhibit A

Term: 40 years, with a 2 year reduced rent construction period, and one 26 year PG&E option to renew

Pre-Paid Rent: \$14,820,258

Option Period Rent: Fair Market Value rent, paid either annually or prepaid (at PG&E's option), with rent determined by appraisal. If rent is prepaid for the 26 year option period, the FMV rent will be determined by appraisal, using the same formulas used to establish the initial rent, including an 8% capitalization rate and a discount rate set at the average of the Port's future taxable and tax-exempt bond interest rates.

OEWD Option: Transferable option to OEWD to purchase PG&E Hoedown Yard near Pier 70 (see Exhibit B) at \$63.67/sf for 130,600 sf of industrial land at Illinois and 22nd Street, totaling approximately \$8,315,302, subject to CPUC approval by Section 851 approval

Potrero Substation

Screen: Within 10 years after executing the ZA-1 License, the City may designate its preference ("Preferred Screen") for 1) enclosing the

Potrero Substation (see Exhibit A) in a building, or 2) surrounding a significant portion of the Potrero Substation with a perimeter screen. PG&E will use commercially reasonable efforts to obtain rate reimbursement and other approvals required for these improvements. The City may elect to utilize IFD proceeds from the Hoedown Yard or other nearby PG&E property to fund screening improvements not funded through utility rates.

Option to Acquire the Hoedown Yard

As a condition of the license, City staff has negotiated a transferable OEWD option to acquire the PG&E Hoedown Yard at Pier 70, which includes a portion of Irish Hill. A map of the Hoedown Yard is attached as Exhibit B. Current uses at the Hoedown Yard include parking, equipment storage, stockpiling and temporary storage of drilling mud, concrete, soil, sand, gravel and asphalt associated with PG&E utility projects. While these uses are important functions, they represent a fundamental land use conflict with the Port's planned development efforts at Pier 70. The Hoedown Yard is located at Illinois Street and 23rd Street. Port staff expects that 23rd Street will be a major entry to the Pier 70 Waterfront Site² and that relocation of the Hoedown Yard is a necessary step to attract private investment to the Waterfront Site (shown in Exhibit E).

The Original Term Sheet approved by the Port Commission contemplated that the Hoedown Yard purchase option would belong to the Port. After further consideration, Port staff concluded that it would be best for another City department to acquire the option under the agreement, because the Port should not utilize its proceeds to acquire non-trust property with the intention of developing it for non-trust purposes. OEWD agreed to take the option in the Port's stead.

The proposed OEWD option to purchase the Hoedown Yard is transferable, allowing the City to transfer this purchase right to another private entity. Since the Hoedown Yard is an asset of a regulated utility, PG&E's sale of the Hoedown Yard is subject to CPUC approval pursuant to Section 851 of the California Public Utilities Code.

Not unlike the surrounding Pier 70 area, the Hoedown Yard contains known contamination. PG&E has completed site investigation and a human health risk assessment. The findings of this assessment indicate that arsenic is present in soil within an approximately 20,000 sf (by approx. 5 ft. deep) area in the northwest corner of the site at concentrations that pose a potential human health risk to future construction workers (not to current or future commercial/industrial workers). All other contaminants investigated are at concentrations below levels of concern.

The San Francisco Bay Regional Water Quality Control Board ("Water Board") has approved these investigations and agrees that no remediation is warranted under

² On May 28, 2013, the Port Commission approved Resolution 13-20 endorsing a Term Sheet between the Port and Forest City Development California, Inc. ("Forest City") for the mixed-use development of the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, shown in Exhibit E. The Term Sheet was subsequently endorsed by the Board of Supervisors on June 11, 2013.

current or anticipated future conditions, provided that activities at the site comply with a Site Management Plan (“SMP”) and land use is restricted to commercial/industrial uses through a deed restriction.

PG&E has developed and Water Board has approved a SMP for the Hoedown Yard. The SMP specifies measures to protect workers, minimize dust, prevent contamination of stormwater, and other measures to manage potential risks from soil contamination. PG&E has also filed a deed restriction limiting future uses of the site to commercial and industrial uses.

Port environmental staff has reviewed the SMP and the deed restriction and has found that Hoedown Yard site conditions are suitable for future commercial or industrial use. If the City desires to acquire the site for residential purposes, further remedial actions (such as removal or capping of arsenic-contaminated soil) would likely be required, along with approval of the Water Board to lift the residential deed restriction. The Revised Term Sheet provides that PG&E will consent to lifting the residential deed restriction subject to the parties establishing a reasonable mechanism agreeable to the City and PG&E, to allocate risks of existing site conditions associated with residential development on the Hoedown Yard..

Subject to approval by the Board of Supervisors, OEWD intends to utilize any net proceeds between the purchase price and its sale price to a third-party developer based on its rezoned value as a source of funds for the Potrero Terrace and Annex HOPE VI project, a major priority of Mayor Ed Lee. For more information about this project, see <http://www.rebuildpotrero.com/>.

Pursuant to the Waterfront Site Term Sheet with Forest City, Forest City will include the Hoedown Yard in the proposed Special Use District for the Waterfront Site for purposes of rezoning and design for development controls. The SUD is expected to be ready for consideration by the Planning Commission and the Board of Supervisors by mid-2016, after environmental review of the Waterfront Site mixed use development is complete, which means that the Hoedown Yard would be rezoned and ready for sale to a third-party within that timeframe, subject to required regulatory approvals.

Based on preliminary analysis – subject to change depending on market factors and site specific development risks – Port staff estimates that the difference between the as-is purchase price of the Hoedown Yard and its future rezoned value for commercial office use is \$4-\$7 million. The City and Forest City will continue to examine the highest and best use of the Hoedown Yard during development of the SUD and associated environmental review.

Potrero Substation Screening

As evidenced by the Pier 70 Waterfront Site proposed development and evolving plans to redevelop the adjacent former Potrero Power Plant site, the Central Waterfront, south of Mission Bay and east of the I-280 freeway (the “Central Waterfront”), is undergoing a significant change of use from heavy industrial uses to mixed use areas that include continuing heavy industrial operations (such as the Pier 70 Shipyard). In most mixed

use areas of the City, PG&E has enclosed substations (such as the Larkin Substation or the Embarcadero Substation) which are more compatible with surrounding mixed use development than the current open air Potrero 115 kV Substation (“Potrero Substation”), located along Illinois Street between 22nd and 23rd Streets.

The Revised Term Sheet acknowledges that Plan Bay Area, the Bay Area’s first combined Sustainable Communities Strategy as required under Senate Bill 375 (SB 375), focuses a significant amount of regional growth in its transit served cities, with almost 15% of that growth projected for San Francisco. The Central Waterfront area is a significant Priority Development Area where the City plans to accommodate this projected growth. City staff believe that development of the Central Waterfront will require substantial changes to the existing PG&E Potrero Substation to accommodate this planned growth.

As part of the public benefits of the ZA-1 Transmission Line, Port staff has also negotiated for PG&E to obtain the approvals for and construct screening (or otherwise enclose) the Potrero Substation, subject to review by the Waterfront Design Advisory Committee, environmental review pursuant to CEQA and other required approvals. As a condition to and additional consideration for the License, PG&E will either enclose a substantial portion of the existing Potrero Substation within a building or construct a screen around the perimeter of the Potrero Substation (either, a “Screen”).

Potrero Substation Screening Approach and Approvals

Within 10 years after executing the ZA-1 license, the City may provide notice designating its preference (“Preferred Screen”) for 1) enclosing the Potrero Substation in a building, or 2) surrounding a significant portion of the Potrero Substation with a perimeter screen.

- Following the notice of the City’s Preferred Screen, PG&E will initiate applications for required regulatory approvals to construct the Preferred Screen, including applications required for rate-reimbursement and compliance with CEQA. The project description and conceptual design for the Preferred Screen will include architectural and aesthetic qualities consistent with PG&E’s customary protocols for screening dense urban substation facilities.
- PG&E will (i) present to the Port’s Waterfront Design Advisory Committee (“WDAC”) PG&E’s proposed design for the Preferred Screen, (ii) incorporate into its proposed Screen design WDAC’s recommendations to the extent they would not materially adversely impact the operation of the Potrero Switchyard (“Revised Screen Design”), and (iii) obtain confirmation from WDAC that the Revised Screen Design has adequately addressed WDAC’s prior recommendations.
- Following confirmation from WDAC that the Revised Screen Design has adequately addressed WDAC’s prior recommendations, PG&E will use commercially reasonable efforts to (i) obtain any necessary governmental approvals to commence construction of the Revised Screen Design and (ii) obtain all other required approvals to commence construction of the Revised

Screen Design. Subject to force majeure events, or its failure to obtain required approvals, PG&E shall complete construction of the approved Revised Screen Design no later than five (5) years after the City presents the notice of its Preferred Screen.

Alternative Funding Approach to Potrero Substation Screen

The expense to screen the Potrero Substation is expected to be considerable, and this expense requires approval to be included in the utility rate base. If the Potrero Substation Screen cannot be funded with capital funding approved in the utility rate base, PG&E and the City will have to examine other potential funding mechanisms for this work.

To that end, the Revised Term Sheet provides for a potential infrastructure financing district (“IFD”) mechanism to partially fund the City’s Preferred Screen using future tax increment from the Hoedown Yard and/or the existing Potrero Substation. If the City forms a Pier 70 IFD project area that includes the Potrero Substation and the Hoedown Yard, the City will use good faith efforts, subject to applicable law and the sole and absolute discretion of the Board of Supervisors, to permit IFD proceeds from the Potrero Substation and the Hoedown Yard to finance improvements related to the Revised Screen Design that have no utility rate-based funding source. PG&E will not be subject to assessment in connection with the IFD.

Additional Public Benefits

City staff believes that the ZA-1 project provides critical transmission reliability benefits to the City, and that the OEWD option to acquire the Hoedown Yard and the PG&E obligation to pursue screening of the Potrero Substation are major public benefits of the proposed project.

The proposed License is subject to the Port’s Southern Waterfront Community Benefits Policy. As such, Port staff will set aside 8% of project rents to the Southern Waterfront Community Benefit Fund (“Fund”), or \$665,224. The Fund is used to pay for open space and related public improvements in the Southern Waterfront.

Project Schedule

PG&E is pursuing the following Project schedule:

- | | |
|--------------------------------|-------------------------------|
| 1. Initiate CPUC Application | November 2012 |
| 2. CPUC CEQA Review | November 2012 – November 2013 |
| 3. Resource agency permits | December 2013 – January 2014 |
| 4. Onshore cable installation | December 2013 – May 2015 |
| 5. Offshore cable installation | May 2015 – November 2015 |
| 6. Operation | December 2015 |

Recommendation and Next Steps

Port staff recommends approval of the attached resolution which approves the Term Sheet and authorizes the Executive Director to enter into the Negotiation Agreement. If the Port Commission approves the resolution, Port staff proposes the following next steps:

- Negotiate a non-exclusive license for use of submerged Port land for the ZA-1 230 kV Embarcadero-Potrero Transmission Line with PG&E consistent with the Term Sheet;
- Continue to review environmental analysis conducted by the CPUC regarding routes that involve Port property, in consultation with other City departments (underway);
- Further evaluate the development potential of the Hoedown Yard, in consultation with the City's Pier 70 development partners;
- If the CPUC process determines that the submerged alternative is the preferred project alternative, submit for Port Commission and Board of Supervisors consideration a long-term license for construction and operation of the project.

Prepared by: Brad Benson, Special Project Manager

For: Monique Moyer, Executive Director
Tony Winnicker, Senior Advisor to Mayor
Ed Lee

Exhibits

- A. PG&E Route Alternatives for Proposed ZA-1 Project
- B. Hoedown Yard Map
- C. PG&E Embarcadero Substation Area Map
- D. Revised Term Sheet
- E. Pier 70 Waterfront Site Conceptual Land Use Plan

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13-34**

- WHEREAS, California Statutes of 1968, Chapter 1333 (the "Burton Act") and the San Francisco Charter Section B3.581 empower the San Francisco Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and
- WHEREAS, Pacific Gas & Electric ("PG&E") proposes to construct a new, single circuit, 230 kV transmission line between its Embarcadero Substation and its Potrero Substation, along onshore and submerged land in the Port's jurisdiction generally within the area bounded by Pier 28 ½ and portions of the shoreline at the foot of 23rd Street (the "Project"), to increase reliability of electric service to downtown San Francisco and provide operational flexibility, as further described in the staff report accompanying this resolution; and
- WHEREAS, At the Port Commission's August 14, 2012 meeting, an informational presentation about the Project was made by Port staff and Port staff was directed to negotiate a term sheet for use of Port lands for the Project; and
- WHEREAS, At its November 13, 2012 meeting, the Port Commission approved Resolution 12-90, endorsing the ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet ("Original Term Sheet") between the Port and PG&E and authorizing Port staff to enter into a Negotiation Agreement with PG&E, related to onshore and submerged Port land between Pier 28 ½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002), commonly known as the "Hoedown Yard"; and
- WHEREAS, Port staff and City staff have negotiated revised terms to the Original Term Sheet, as described in both the staff report and Exhibit C accompanying this resolution ("Revised Term Sheet"); and
- WHEREAS, Port staff and PG&E have also negotiated the terms of a negotiation agreement ("Negotiation Agreement") on file with the Port Commission Secretary, which among other things, provides for reimbursement by PG&E to Port of Port's costs associated with the Project, as further described in the staff report accompanying this resolution and the Negotiation Agreement; and
- WHEREAS, Because PG&E is a regulated utility, the Project is subject to the review and approval of the California Public Utilities Commission ("CPUC"); and
- WHEREAS, The parties acknowledge that the Revised Term Sheet is not itself a binding agreement that commits the Port or PG&E to proceed with the approval or implementation of the Project and that the Project will first

undergo appropriate environmental review under the California Environmental Quality Act (“CEQA”) and will be subject to public review in accordance with the processes of the Port Commission, other City departments and offices, the CPUC, and other government agencies with approval rights over the Project before any entitlements and other regulatory approvals required for the Project will be considered; now therefor be it

RESOLVED, That the Port Commission hereby rescinds Resolution 12-90 and its prior endorsement of the Original Term Sheet; and, be it further

RESOLVED, That the Port Commission hereby endorses the Revised Term Sheet and the Negotiation Agreement and authorizes and directs the Executive Director of the Port, or her designee, to execute the Negotiation Agreement and present the Revised Term Sheet to the Board of Supervisors for its endorsement; and, be it further

RESOLVED, That provided the Board of Supervisors endorses the Revised Term Sheet, the Port Commission authorizes the Executive Director to work with PG&E to negotiate the terms and conditions of any license and related documents (collectively, “Transaction Documents”) for use of Port lands for the Project based on the terms of the Revised Term Sheet, with the understanding that the final terms and conditions of the Transaction Documents negotiated between Port staff and PG&E will be subject to the approval of the Port Commission and as applicable, the Board of Supervisors and the Mayor; and, be it further

RESOLVED, That the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the Negotiation Agreement that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the City, do not materially decrease the benefits or otherwise materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to complete the transactions which the Revised Term Sheet and the Negotiation Agreement contemplate and effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of such additions, amendments or other modifications to the Negotiation Agreement; and be it further

RESOLVED, That endorsement of the Revised Term Sheet and entering into the Negotiation Agreement does not commit the Port Commission or the City to approve final Transaction Documents or implementation of the Project or grant any entitlements to PG&E, nor does endorsing the Revised Term Sheet or executing the Negotiation Agreement foreclose the possibility of considering alternatives to the proposal, mitigation measures or deciding not to grant entitlement or approve or implement the Project, after conducting appropriate environmental review under CEQA, and while the Revised Term Sheet identifies certain essential terms of a proposed

transaction with the Port, it does not necessarily set forth all of the material terms and conditions of any final transaction documents; and, be it further

RESOLVED, That the Port Commission will not take any discretionary actions committing the Port to implement the Project, and the provisions of the Revised Term Sheet are not intended and will not become contractually binding on the Port unless and until the relevant bodies have reviewed and considered environmental documentation prepared in compliance with the CEQA for the Project and the Port Commission, and as applicable, the Board of Supervisors and the Mayor, have approved final Transaction Documents for the Project.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 10, 2013.

Secretary