

LEGISLATIVE DIGEST

[Administrative Code - Establish Low Carbon Fuel Standard Credits Sales Fund - Authorizing Agreements to Sell Low Carbon Fuel Standard Credits - Public Utilities Commission]

Ordinance delegating authority under Charter, Section 9.118(a), to the General Manager of the Public Utilities Commission to enter into one or more agreements to sell Low Carbon Fuel Standard Credits accrued by the Municipal Transportation Agency when revenue from such an agreement will be \$1,000,000 or more; and amending the Administrative Code to establish a Low Carbon Fuel Standard Credits Sales Fund to receive funds from the credits sales for use in connection with projects that will reduce San Francisco's carbon footprint and/or advance its sustainability goals.

Existing Law

Section 9.118(b) of the San Francisco Charter requires approval by the Board of Supervisors for agreements with a City and County of San Francisco ("City") department or agency when revenue from such agreements will be \$1 million or more.

Amendments to Current Law

The proposed ordinance would amend the Administrative Code to establish the Low Carbon Fuel Standard Credits Sales Fund to receive the proceeds from any sales of Low Carbon Fuel Standard ("LCFS") credits by the San Francisco Public Utilities Commission ("SFPUC").

Background Information

In Assembly Bill 32, entitled the Global Warming Solutions Act of 2006, the Legislature required California to reduce its greenhouse gas to 1990 levels by 2020.

In 2009, at the direction of then Governor Schwarzenegger, the California Air Resources Board ("CARB") adopted LCFS regulations to partially implement Assembly Bill 32 ("LCFS Regulations"). Under the LCFS Regulations, transportation providers that use fuels with a carbon intensity (or greenhouse gas emissions) lower than the target established by CARB generate LCFS credits that can be sold.

The San Francisco Municipal Transportation Agency ("SFMTA") uses greenhouse gas-free electric energy provided by the SFPUC to operate its electric public transit fleet (electric trolley buses, cable cars and light rail vehicles). Because this fleet operates with a carbon intensity below the State target, the SFMTA accumulates credits that can be sold.

The SFPUC estimates that the LCFS credits it has accumulated to date can be sold for more \$10 million at current prices. The SFPUC further estimates that, in subsequent years, it could accumulate credits worth in excess of \$4 million per year at current prices.

In October 2017, the SFPUC and the SFMTA entered into a Memorandum of Understanding (“MOU”) setting forth the roles and responsibilities of the two agencies with respect to sales of the LCFS credits. Among other things, the agencies agreed that they would: (i) share equally the net revenues from the LCFS credits sales; and (ii) use the revenues generated from selling the LCFS credits to support general operations that reduce San Francisco’s carbon footprint and/or advance the City’s sustainability goals.

In Resolution No. 17-0199 dated September 12, 2017, the SFPUC approved the MOU, authorized the SFPUC’s Power Enterprise to sell the LCFS credits, delegated to the SFPUC’s General Manager the authority to enter agreements necessary to effectuate those sales, and authorized the SFPUC to seek Board of Supervisors approval of any sales under the LCFS program that would exceed \$1 million.

The proposed ordinance would authorize the SFPUC to sell the SFMTA’s LCFS credits, through one or more contracts, including contracts with revenues of \$1 million or more.

The proposed ordinance would also amend the Administrative Code to establish the Low Carbon Fuel Standard Credits Sales Fund as a category eight fund to receive, and account for the expenditure of the proceeds, from the LCFS credits sales. The SFPUC will be responsible for administering the fund and distributing the net revenues in accordance with the MOU.

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