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July 8, 2022

Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

Subject: Release of \$12 Million Reserve for Transmission Lines 7/8 Upgrades

Dear Madam Clerk:

I would like to calendar the release of \$12 Million in Budget and Finance Committee reserve for the San Francisco Public Utilities Commission (SFPUC) Transmission Lines 7/8 Upgrades.

There are hundreds of proposed electric generating projects, called “Clusters”, that seek to interconnect with the electric transmission system controlled by the California Independent System Operator (CAISO). Clusters that impact the grid are required to pay the owner of the affected facilities for mitigation of any impacts. The SFPUC is the owner of the facility affected by projects that seek to connect to the grid; in order for the projects to connect to the grid, the project owners pay SFPUC mitigation payments. The mitigation payments assist SFPUC in upgrading the lines that connect these projects as well as SFPUC’s facilities to the grid.

On January 15, 2013, the Board of Supervisors passed Ordinance 4-13, authorizing the SFPUC to enter into mitigation agreements for projects that impact SFPUC power assets, requiring that any future funds in excess of \$100,000 for a given mitigation agreement be placed on Budget and Finance Committee reserve.

SFPUC is ready to begin work on upgrading Transmission Lines 7/8 and the project is now entering the construction phase. On June 28, 2022, the SFPUC Commission approved the award of contract HH-1007 Transmission Line 7/8 Upgrades.

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.

London N. Breed
Mayor

Anson Moran
President

Newsha Ajami
Vice President

Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

Dennis J. Herrera
General Manager

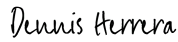


To date, the SFPUC has completed 11 mitigation agreements related to Lines 7/8 and has received \$20.86 million from developers for mitigation funding. An additional \$5.21 million in Hetch Hetchy Power capital program bond funds has been appropriated for this project. There are currently ten mitigation agreements still in negotiation with other developers that could result in additional funds. In September 2020, the SFPUC requested, and the Budget and Finance Committee approved, a release of \$9.46 million in mitigation payments and accrued interest for the Transmission Lines 7/8 project.

The total estimated cost of the Transmission Lines 7/8 Upgrades project is approximately \$37.97 million. The SFPUC is requesting Budget and Finance Committee approval to release \$12 million (including accrued interest) from Budget and Finance Committee reserve, consistent with the available reserve balance for the Transmission Lines 7/8 project.

As additional funds are received from other renewable generation project developers, the SFPUC will return to the Budget and Finance Committee to request funding releases to reimburse capital program (bond) funding.

Sincerely,

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Dennis J. Herrera
General Manager
San Francisco Public Utilities Commission