

BOARD of SUPERVISORS



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MEMORANDUM

TO: Harlan Kelly, General Manager, Public Utilities Commission
Sophia Kittler, Liaison to the Board of Supervisors, Mayor's Office

FROM: Erica Major, Assistant Clerk, Land Use and Transportation Committee

DATE: March 3, 2020

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Transportation Committee has received the following proposed legislation, introduced by Supervisor Peskin on February 25, 2020:

File No. 200223

Resolution affirming the City's continued good faith efforts to acquire the PG&E assets necessary to provide clean, green, and affordable electric power delivery and service in San Francisco, contingent on key conditions and priorities.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: erica.major@sfgov.org.

cc: Juliet Ellis, Public Utilities Commission
Donna Hood, Public Utilities Commission
John Scarpulla, Public Utilities Commission
Andres Powers, Mayor's Office

1 [Affirming City Support to Acquire PG&E Assets Contingent on Key Conditions and Priorities]

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3 **Resolution affirming the City's continued good faith efforts to acquire the PG&E assets**
4 **necessary to provide clean, green, and affordable electric power delivery and service in**
5 **San Francisco, contingent on key conditions and priorities.**

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7 WHEREAS, The City and County of San Francisco has sought to provide electric
8 service to all of San Francisco since at least 1913 and has provided electric service to City
9 facilities since 1918; and

10 WHEREAS, In a letter dated January 14, 2019, Mayor Breed asked the San Francisco
11 Public Utilities Commission to prepare an analysis of the options for ensuring safe and reliable
12 electric service within the City, including the possibility of acquiring the PG&E electric
13 distribution and transmission infrastructure assets that serve the City (PG&E Assets); and

14 WHEREAS, On April 9, 2019, the Board of Supervisors adopted Resolution No. 174-
15 19 determining that the public interest and necessity required changing the electric service
16 provided in the City and requesting the SFPUC to prepare a report on options for improving
17 electric service in the City through acquisition, construction, or completion of public utilities
18 pursuant to Charter, Section 16.101; and

19 WHEREAS, On May 13, 2019, the SFPUC submitted a report to Mayor Breed and the
20 Board of Supervisors (SFPUC Report) analyzing three options for power independence,
21 including (1) continued reliance on PG&E for electricity distribution service; (2) targeted
22 investments in electric grid infrastructure to lessen the City's reliance on PG&E; and (3) full
23 power independence through acquisition of the PG&E Assets; and

24 WHEREAS, The SFPUC Report concluded that acquisition of the PG&E Assets is the
25 only option that would allow the City to meet its goals for affordable, safe, and reliable service;

1 protection of the environment and climate goals; transparency and public accountability;
2 workforce development; and equity; and

3 WHEREAS, The City has engaged a number of expert consultants to assist it with
4 analyzing the acquisition of the PG&E Assets, including in the areas of utility asset valuation,
5 finance, utility rates, labor, engineering, and operations; and

6 WHEREAS, On September 6, 2019, the City and County of San Francisco submitted to
7 PG&E a non-binding indication of interest (IOI), to acquire the PG&E Assets for \$2.5 billion in
8 connection with the PG&E bankruptcy cases; and

9 WHEREAS, This \$2.5 billion would compensate PG&E for the value of its assets and
10 provide funds that could be used to benefit ratepayers or pay fire victims; and

11 WHEREAS, The asset purchase would be financed using revenue bonds approved by
12 the San Francisco Public Utilities Commission (SFPUC) and the Board of Supervisors under
13 Charter, Section 8B.124, and repaid from the revenue collected by providing electric service
14 throughout San Francisco; and

15 WHEREAS, On January 14, 2020, the Board of Supervisors adopted Resolution 30-20,
16 conditionally approving the issuance of up to \$3,065,395,000 of Power Enterprise Revenue
17 Bonds to acquire certain Pacific Gas and Electric Company electric distribution and
18 transmission assets to provide affordable, safe, and reliable electric service throughout the
19 City, subject to the future satisfaction of six specified conditions, including additional approvals
20 by this Commission and the Board of Supervisors; and

21 WHEREAS, Funding a PG&E assets acquisition through revenue bonds allows the City
22 to avoid drawing from its General Fund; and

23 WHEREAS, On January 14, 2020, the SFPUC conditionally approved issuing these
24 revenue bonds, through its Resolution No. 20-0011, subject to the same conditions adopted
25 by the Board of Supervisors; and

1 WHEREAS, The City has consistently indicated that its pursuit of acquiring PG&E's
2 electric assets and any final approval of said acquisition would necessarily be predicated on
3 the City's ability to ensure that the following key priorities could be satisfied:

4 1) Financial Stability. City leaders will need to ensure that the City can afford to
5 purchase the electric assets, including financing the purchase price, transition costs,
6 maintenance and replacements over time, and financial reserves. This determination
7 will require confidence that the revenues will be more than adequate to cover these
8 costs while charging reasonable rates.

9 2) Support for Utility Workforces. San Francisco is committed to treating its
10 employees, those it can recruit from PG&E, and those who remain with PG&E fairly.
11 The City expects to recruit a talented workforce as part of this acquisition, by offering
12 stable careers with competitive pay and benefits, into its community-based and safety-
13 based workplace culture. The City has a long history of working productively with its
14 unionized workforce and will work in good faith to transition to City employment current
15 PG&E unionized employees who choose to make the transition.

16 3) Community and Worker Safety. The City is committed to providing safe and
17 reliable utility service and safe working conditions that protect employees and the
18 public.

19 4) Climate Change Prevention and Mitigation. The SFPUC already supplies
20 over 70% of the electricity in San Francisco through its Hetchy Power and
21 CleanPowerSF programs, which both provide cleaner energy than PG&E at lower
22 rates. Acquiring PG&E's delivery assets would accelerate the City's ability to meet its
23 ambitious decarbonization and climate resiliency goals.

1 5) Affordability and Equity. Providing electric service that is more affordable for
2 customers, especially those in lower income and disadvantaged communities, and
3 better incorporates local needs is of utmost importance to the City. The SFPUC is an
4 industry leader in providing community benefits and prioritizing equity, inclusion, and
5 environmental justice in its programs. In addition, the City's analysis indicates that its
6 acquisition would not significantly impact PG&E customers outside of San Francisco,
7 because San Francisco is a small part of PG&E's service area, in terms of both size
8 and revenue.

9 6) Operational Excellence. Local control of the electric grid would allow San
10 Francisco to invest in its infrastructure and provide high-quality programs and services
11 in a way that prioritizes community involvement and engagement, with improved
12 accountability from a locally-elected Board of Supervisors and Mayor. The SFPUC
13 already provides electric transmission and distribution service, and is working to
14 identify and prepare for the increases in staff and service offerings that would be
15 necessary to provide service throughout San Francisco.

16 7) Improved Service to City Departments. The City started providing electric
17 distribution service to key facilities in 1918 and gradually increased that service, while
18 depending on PG&E to provide essential parts of the service. In recent years, PG&E
19 has obstructed service to City facilities by delaying connections and requiring
20 unnecessary, expensive facilities. The SFPUC will be able to provide more responsive,
21 efficient service that supports essential functions of the City; and

22 WHEREAS, The City and County of San Francisco continues to move forward with
23 preparations to ensure that these priorities can and will be implemented successfully,
24 bolstered on the Public Utility Commission's long track record of safe and affordable water
25 and power delivery; now, therefore, be it

1 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
2 affirms its support for the City's continued good faith efforts to acquire the PG&E assets
3 necessary to provide clean, green and affordable electric power delivery and service in San
4 Francisco; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors of the City and County of San
6 Francisco affirms its commitment to the key priorities and conditions identified in this subject
7 Resolution and prior policy resolutions; and, be it

8 FURTHER RESOLVED, That the Board of Supervisors of the City and County of San
9 Francisco directs the Clerk of the Board to transmit this Resolution to our State Legislative
10 Delegation and the Governor's Office upon final adoption.

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