

1 [Ordinance approving agreements for the development of the City Combustion Turbine  
2 Projects at San Francisco International Airport and at 25<sup>th</sup> and Maryland Streets and adopting  
3 environmental findings.]

4 **Ordinance approving agreements necessary for the development of the City**  
5 **Combustion Turbine Projects to be located at North Access Road and Clearwater Drive,**  
6 **San Francisco International Airport, and at Property Adjacent to the MTA Metro East**  
7 **Facility at 25<sup>th</sup> and Maryland Streets in San Francisco, including a design-build**  
8 **agreement, a power purchase agreement, a turbine upgrade agreement, electric and**  
9 **gas interconnection agreements and granting specified waivers; and approving a**  
10 **jurisdictional transfer of property and a lease modification to accommodate the**  
11 **proposed projects, subject to further agreements among the affected City departments;**  
12 **and making environmental findings and findings of consistency with the General Plan**  
13 **and the Priority Policies of Planning Code Section 101.1.**

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16 Note: Additions are single-underline italics Times New Roman;  
17 deletions are ~~strikethrough italics Times New Roman~~.  
18 Board amendment additions are double underlined.  
19 Board amendment deletions are ~~strikethrough normal~~.

20 Be it ordained by the People of the City and County of San Francisco:

21 **Section 1.** The Board of Supervisors of the City and County of San Francisco hereby  
22 finds, determines, and declares that:

23 (a) Background

24 (1) In May 2001, the Board of Supervisors adopted Ordinance 124-01,  
25 establishing human health and environment protections applicable to new electric generation  
in San Francisco. Among other things, Ordinance 124-01 required the Board of Supervisors

1 to approve any agreement for or related to new electric generation and required that the San  
2 Francisco Public Utilities Commission (PUC) and Department of the Environment develop an  
3 energy resource plan for submission to the Board of Supervisors.

4 (2) In December 2002, the Board of Supervisors unanimously adopted  
5 Resolution 827-02, endorsing the Electricity Resource Plan which provides for closure of the  
6 old, dirty power plants in San Francisco and their replacement with a combination of energy  
7 efficiency, renewable energy, clean distributed generation, transmission upgrades, and  
8 cleaner, more reliable and flexible fossil-fueled resources. The Electricity Resource Plan  
9 identifies eight goals that were developed through public comment and used to guide the plan:  
10 maximize energy efficiency, develop renewable power, assure reliable power, support  
11 affordable electric bills, improve air quality and prevent other environmental impacts, support  
12 environmental justice, promote opportunities for economic development, and increase local  
13 control over energy resources.

14 (3) In January 2003, the Board of Supervisors adopted Ordinance 1-03,  
15 approving a settlement with the Williams Energy Companies. As part of this settlement, the  
16 City took ownership of four combustion turbines (CTs), which could be developed into small  
17 power plants. The Board of Supervisors also approved Resolution 830-02, approving a  
18 contract with the California Department of Water Resources (CDWR) under which the State  
19 would purchase the electricity generated by the power plants. As part of the settlement, the  
20 City entered into an Implementation Agreement with the California Attorney General, the  
21 California Consumer Power and Conservation Financing Authority (CPA) and CDWR.  
22 Pursuant to the Implementation Agreement, the City received the CTs transferred to the State  
23 by Williams for the purpose of developing, constructing and operating electric generating  
24 facilities in the City. The Implementation Agreement also provided funding for the City's costs  
25 of developing the projects.

1 (4) In November 2004, the Governing Board of the California Independent  
2 System Operator (ISO) adopted the San Francisco Action Plan (ISO Action Plan) which  
3 detailed the need for the four CTs and a number of transmission projects to displace the  
4 reliability need for the Hunters Point Power Plant and the Potrero Power Plant. The ISO  
5 Action Plan is on file with the Clerk of the Board of Supervisors in File No.\_\_\_\_, and is hereby  
6 declared to be a part of this ordinance as if set forth fully herein.

7 (5) The ISO Action Plan identified fifteen projects needed to permit the  
8 closure of the old power plants in the City, and in March 2007, the ISO identified an additional  
9 transmission project, the Martin-Hunters Point Cable, that was necessary to permit the closure  
10 of the Potrero Power Plant. In recent communications with the City, such as those on April 8,  
11 2008, January 28, 2008, October 19, 2007, and July 12, 2007, the ISO has continued to  
12 require compliance with the ISO Action Plan in order to replace the reliability need for the  
13 Potrero Power Plant.

14 (6) The projects required for the shut down of the Hunters Point Power Plant  
15 have been completed and in May 2006, the Hunters Point Power Plant was permanently  
16 closed.

17 (7) Most of the remaining transmission projects identified in the ISO Action  
18 Plan have been completed or are close to completion, such that when the City's CT Projects  
19 are operational, Potrero Unit 3 will no longer be needed for reliability. Thereafter, completion  
20 of any remaining transmission projects identified in the ISO Action Plan and the new Martin-  
21 Hunters Point cable will allow for closure of Potrero Units 4, 5, and 6.

22 (8) The Potrero Power Plant cannot be relied on to ensure reliability beyond  
23 2008 because the water discharge permit for Potrero Unit 3 expires on December 31, 2008,  
24 and the Regional Water Quality Control Board has stated its intention to deny further permit  
25 extensions unless Mirant upgrades the plant's cooling technology or shows that the Bay is not

1 harmed by the plant's discharges. (Order Number: R2-2006-0032, NPDES Permit No.  
2 CA0005657, May 10, 2006.)

3 (9) On October 30, 2007 the City and Mirant executed a term sheet under  
4 which Mirant would close the existing Potrero Power Plant when it is no longer needed for  
5 reliability, subject to assistance from the City in redeveloping the site. The term sheet is on  
6 file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_, and is hereby declared to  
7 be a part of this ordinance as if set forth fully herein.

8 (b) Development of the City's Combustion Turbine Project

9 (1) Pursuant to Ordinance 1-03 and Resolution 830-02, the PUC proceeded  
10 with development of the four CTs. The PUC held numerous community meetings to discuss  
11 the City's CT Projects and modified the location, scope, and design of the projects in  
12 response to community concerns. The PUC has reviewed the City CT Projects in numerous  
13 Commission meetings, and public hearings, including most recently meetings on July 24,  
14 2007, October 19, 2007, October 23, 2007, and October 31, 2007. The PUC adopted  
15 Resolution 07-0188 on October 31, 2007, authorizing the completion of negotiations and the  
16 execution of agreements relating to the development of the City CT Projects.

17 (2) Since its initial approval of the Williams Settlement, the Board of  
18 Supervisors has held a number of public hearings to discuss the development of the City's CT  
19 Projects, including, most recently, hearings in the Land Use Committee on October 29, 2007  
20 and January 28, 2008. The Board of Supervisors adopted Resolution 617-07, supporting the  
21 development of the City CT Projects, on October 30, 2007.

22 (3) As required by state law, the City submitted an Application for  
23 Certification (AFC) for the CT project to be located at 25<sup>th</sup> and Maryland Streets (the Potrero  
24 CT Project, also known as the San Francisco Electrical Reliability Project) to the California  
25 Energy Commission (CEC), the state agency charged with licensing thermal power plants

1 larger than 50 megawatts (MW). Over a two-year period, the CEC conducted a public review  
2 of the project, including a number of public workshops and public evidentiary hearings in San  
3 Francisco and Sacramento. In addition to the PUC, a number of other City departments  
4 participated in the CEC and public review process. The City's witnesses included experts from  
5 the PUC and the Department of Environment. The Departments of Environment, Planning,  
6 Public Health and the Port provided input into the City submittals to the CEC. The CEC's  
7 expert staff conducted an independent analysis of the City's proposed project and submitted a  
8 detailed report in February 2006. This independent analysis, called a Final Staff Assessment,  
9 is on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_, and is hereby declared  
10 to be a part of this ordinance as if set forth fully herein. The CEC approved the City's AFC on  
11 October 3, 2006. The CEC decision was appealed to the California Supreme Court. The  
12 Supreme Court denied the appeal in February 2007.

13 (4) The CT project to be located at the Airport (Airport CT Project) was  
14 reviewed by the Planning Department during a two and one-half year process. The Planning  
15 Department issued a Final Mitigated Negative Declaration for the Airport CT Project on  
16 January 12, 2007.

17 (5) The PUC issued two requests for proposals for a design-build agreement  
18 to construct the City CT Projects and received no compliant bids. (DB-108, on February 9,  
19 2006 and DB-108-R on August 10, 2006.) The PUC continued its efforts to develop the City  
20 CT Projects considering a variety of alternatives for construction of the projects.

21 (6) On July 12, 2007, the Power Plant Task Force adopted a resolution  
22 recommending approval of the City CT Projects by the Board of Supervisors; this resolution is  
23 on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_, and is hereby declared to  
24 be a part of this ordinance as if set forth fully herein.

25

1           **Section 2. Description and Benefits of the City's Combustion Turbine Projects**

2           (a)     Description of the CT Projects

3                   (1)     The City CT Projects consist of (i) the Potrero CT Project, a three CT  
4 facility with a combined output of 145 MW located adjacent to the MTA Metro East Facility in  
5 San Francisco at 25<sup>th</sup> and Maryland Streets and (ii) the Airport CT Project, a one CT facility  
6 with an output of 48 MW located at the San Francisco International Airport at North Access  
7 Road and Clearwater Drive.

8                   (2)     The City will finance, construct, own and operate the City CT Projects.  
9 Through 2015, the City will sell the electricity generated by the projects to the California  
10 Department of Water Resources who will use the electricity to ensure reliable service to utility  
11 ratepayers, including those in San Francisco.

12                  (3)     The PUC has reached agreement with Industrial Construction Company,  
13 Inc., (ICC) to design and construct the City CT Projects. The PUC will contract with site  
14 representatives and inspectors experienced in electric plant construction to oversee and  
15 monitor construction of the projects. The PUC will contract with General Electric to upgrade,  
16 test, and transport the CT generators. The PUC will contract with PG&E to design and  
17 construct facilities to interconnect the City CT Projects to the electric grid. The City will  
18 contract with an experienced firm to operate and maintain the City CT Projects once they are  
19 constructed.

20                  (4)     The estimated cost to the City of this project is \$ 238,442,360, which  
21 consists of \$15,858,202 in Phase 1, a four-month design and procurement phase, and  
22 \$222,584,158 in Phase 2, an eighteen-month full construction phase. The \$222,584,158  
23 construction cost consists of \$146,102,634 for the Potrero CT Project and \$76,481,524 for the  
24 Airport CT Project.

1           (5)     Concurrent with this ordinance, the PUC has submitted to the Board of  
2 Supervisors a resolution (the Financing Resolution) approving a financing package for the  
3 execution and delivery of certificates of participation in an amount sufficient to finance the City  
4 CT Projects and related contracting documents, as well as a Memorandum of Understanding  
5 between PUC and the Director of Public Finance setting forth the obligation of PUC to include  
6 payments of debt service in its annual budget. See Section 9, below.

7           (6)     The Potrero CT Project will connect to the power grid through the PG&E  
8 Potrero Substation. Natural gas will be delivered through the existing natural gas  
9 transmission line located at Illinois and 25<sup>th</sup> Streets. The Airport CT Project will connect with  
10 the PG&E electrical transmission system and the Airport's electrical system. In an emergency  
11 that disables the power grid, the Airport CT Project can by-pass the PG&E transmission  
12 system and provide power directly to the Airport. Natural gas for the Airport CT Project will be  
13 provided from the existing natural gas pipeline west of South Airport Boulevard.

14           (7)     Air Quality features. The City CT Projects will employ the best available  
15 technology (BACT) to control emissions of criteria pollutants. In addition:

16                   (A)     The emissions increases of precursor organic compounds from the  
17 Potrero CT and oxides of nitrogen (NOx) from both City CT Projects will be mitigated by the  
18 purchase of emission reduction credits from offset holders within San Francisco or from  
19 credits held by the Bay Area Air Quality Management District.

20                   (B)     The Potrero CT Project's particulate emissions will be mitigated to  
21 a level of less than significant by the implementation of a local high efficiency street sweeping  
22 program. The local street sweeping program will target ground-level sources of emissions  
23 that contain higher concentrations of hazardous materials than the particulate matter emitted  
24 from the Potrero CT Project and will address pollution at nose level where impacts are most  
25 severe.

1 (C) The Potrero CT Project will implement a community benefits  
2 package that includes tree planting, asthma education, and indoor air quality mitigation.

3 (8) Water Quality features: The City CT Projects require water for cooling  
4 towers, NOx emission control and other processes.

5 (A) The Potrero CT Project will use only recycled water. After use at  
6 the power plant, the water will be returned to the combined sewer system rather than being  
7 discharged into the Bay. Stormwater runoff from the Potrero CT Project site will be routed into  
8 a vegetated swale that will treat the surface runoff prior to discharge into the Bay.

9 (B) The Airport CT Project will be equipped with dual plumbing to allow  
10 for use of recycled water when it becomes available.

11  
12 (b) Objectives and benefits of the City CT Projects include the following:

13 (1) The City CT Projects will result in the shutdown of older, more polluting  
14 in-City power plants, as required in the City's adopted Electricity Resource Plan, and  
15 supported by the ISO Action Plan.

16 (2) The City CT Projects will be equipped with the best available pollution  
17 control technology. Replacing older more polluting in-City generating units with these new  
18 units will improve air quality. Local air emissions will be further reduced by the  
19 comprehensive air quality mitigation program that is a condition of the CEC license and the  
20 community benefit package that the City has developed. The City has also purchased local  
21 emission offsets for NOx emissions from the Potrero CT Project.

22 (3) The City CT Projects will provide firm electric generation on the San  
23 Francisco peninsula. CAISO studies show a need for local generating capacity to provide  
24 greater system reliability and operational flexibility. The quick starting capability of the CT  
25 technology allows for a fast response to electrical system load needs. This capability allows



1 units to be shut off when not needed, reducing fuel consumption and emissions. This is a  
2 distinct advantage over Potrero Power Plant Unit 3, which must run continuously at low levels  
3 even when the electricity is not needed in order to be available when needed.

4 (4) City ownership of electric generating supplies can reduce the risk of  
5 market power abuses and enable the City to mandate the use of cleaner fuels when feasible  
6 or to close down any such generation when it is no longer needed.

7 (5) The City CT Projects will assist the City with meeting regulatory  
8 requirements designed to ensure adequate electric supply. Federal and state regulations  
9 require electric utilities, including the City, to have available a specified amount of electricity  
10 based on the total electric load they are serving. Further, a percentage of this supply of  
11 electricity must be available within constrained locations such as San Francisco. If the City  
12 begins serving any additional customers pursuant to Community Choice Aggregation, the  
13 amount of supply that is required of the City will increase.

14 (6) The City CT Projects will eliminate power plant water discharge into the  
15 Bay from the San Francisco waterfront. The existing Potrero Power Plant uses 226 million  
16 gallons of bay water each day to cool the plant, sucking in and killing hundreds of millions of  
17 larval fish and organisms each year. The Bay ecosystem is impacted by this loss of aquatic  
18 life and habitat. The water discharged from the Potrero Power Plant into the Bay includes  
19 numerous harmful pollutants, including copper, mercury, dioxins and PCBs. This heated,  
20 polluted water is discharged back into the Bay in shallow water where there is inadequate  
21 dilution of the chemicals. This shallow water discharge also stirs up polluted sediments and  
22 redistributes them into the Bay. This poses a serious risk to residents who rely on  
23 subsistence fishing in this area. For these reasons, the City has worked for many years to rid  
24 the Bay of the outdated technology utilized by the Potrero Power Plant. See for example  
25 Board of Supervisors Resolution Nos. 254-06 and 84-05.

1 (7) The City CT Projects are operationally flexible and ideally suited to  
2 complement the City's aggressive goals for the deployment of renewable resources. The ISO  
3 has indicated an increasing need for such flexible power plants with the increased  
4 development of renewable energy resources in the state. See, for example, the ISO's report  
5 *Integration of Renewable Resources*, dated November 2007, especially page 8, items 11 and  
6 12. <http://www.caiso.com/1ca5/1ca5a7a026270.pdf>

7 (8) The City CT Projects use newer technology with a proven record of  
8 reliability in contrast with the Potrero Power Plant, which has had an outage rate well above  
9 the system average for power plants operating within California.

10 (9) The Airport CT Project will provide emergency backup power to the  
11 Airport in the event of electric system emergencies. This provides economic and security  
12 benefits to the City and the region.

13 **Section 3. Environmental Review and Findings.**

14 (a) Environmental Review

15 (1) On October 3, 2006, in Order No. 06-1003-01, in Docket No. 04-AFC-11,  
16 the CEC approved the application for certification of the Potrero CT Project, subject to the  
17 conditions of certification in the Final CEC Decision (the CEC Order and Final CEC Decision  
18 are referred to herein as the "CEC Decision"). The Potrero CT Project and its related facilities  
19 are subject to CEC licensing jurisdiction. (Pub. Resources Code § 25500 et seq.) During  
20 licensing proceedings, the CEC acts as lead agency under CEQA (Pub. Resources Code §  
21 25519(c) and § 21000 et seq.) As authorized by CEQA, the CEC's regulatory process,  
22 including the evidentiary record and associated analyses, is the functional equivalent to the  
23 preparation of an Environmental Impact Report ("EIR"). (Pub. Resources Code § 21080.5  
24 and §§ 15250 to 15253; § 15251(j).) The full text of the CEC Decision and CEC Order are on  
25 file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_ and are incorporated herein

1 by reference. The CEC found that the Potrero CT Project would result in no significant  
2 environmental impacts. The Board of Supervisors has reviewed and considered the CEC  
3 Decision and CEC Order in exercising its independent judgment over approval of the Potrero  
4 CT Project.

5 (2) On January 12, 2007, the City Planning Department issued a Final  
6 Mitigated Negative Declaration (Final MND) for the Airport CT Project. The City Planning  
7 Department found that, with mitigation, the project would not have a significant effect on the  
8 environment. A copy of the Final MND is on file with the Clerk of the Board of Supervisors in  
9 File No. \_\_\_\_\_ and is incorporated herein by reference. The Board of Supervisors has  
10 reviewed and considered the Final MND in exercising its independent judgment over approval  
11 of the Airport CT Project.

12 (3) On October 31, 2007, the PUC adopted Resolution 07-0188 authorizing  
13 the PUC General Manager to complete negotiations and execute agreements related to  
14 developing the City CT Projects. Pursuant to the California Environmental Quality Act  
15 (CEQA) (Pub. Resources Code §§ 21000 et seq.), the PUC adopted environmental findings in  
16 Resolution 07-0188 for the Potrero CT Project and Airport CT Project. The CEQA Findings  
17 set forth in Resolution 07-0188, including attachments and exhibits (referred to herein as "07-  
18 188 CEQA Findings"), include extensive CEQA findings regarding the City CT Projects'  
19 potential environmental impacts, the sufficiency of mitigation measures, responsibility for  
20 implementation of mitigation measures including mitigation and monitoring reports for each  
21 City CT Project, as well as additional CEQA findings including, but not limited to, findings  
22 pursuant to Sections 15162, 15252, and 15253 of the CEQA Guidelines (Cal. Code of  
23 Regulations, Title 14, Ch. 3, §§ 15000 et seq.). The 07-188 CEQA Findings are on file with  
24 the Clerk of the Board of Supervisors in File No. \_\_\_\_\_ and are incorporated herein by  
25 reference.

1           On the basis of the 07-0188 CEQA Findings, the PUC determined the City CT  
2 Projects will have no significant effect on the environment and approved the Resolution. On  
3 November 7, 2007, the PUC filed Notices of Determination for the City CT Projects in  
4 accordance with Public Resources Code Section 21152, copies of which are on file with the  
5 Clerk of the Board of Supervisors in File No. \_\_\_\_\_ and incorporated herein by reference.

6           (b) Findings

7           (1) Potrero CT Project. Based on the record as a whole, the Board of  
8 Supervisors finds that construction and operation of the Potrero CT Project as authorized by  
9 this Ordinance will not alter the project as described in the CEC Decision. The PUC shall  
10 require that construction of the Potrero CT comply with all the technical requirements set forth  
11 in the City's August 9, 2006, Request for Proposals for design and build of the City CT  
12 Projects. The site, the technical requirements, planned operations, and environmental  
13 impacts of the City CT Projects remain unchanged.

14           The Board of Supervisors finds that based on substantial evidence and in light of  
15 the whole record: (1) no substantial changes have occurred in the Potrero CT Project  
16 proposed for approval under this Ordinance that will require revisions in the CEC Decision  
17 due to the involvement of new significant environmental effects or a substantial increase in the  
18 severity of previously identified significant effects; (2) no substantial changes have occurred  
19 with respect to the circumstances under which the Potrero CT Project is undertaken which  
20 would require major revisions to the CEC Decision due to the involvement of new significant  
21 environmental effects, or a substantial increase in the severity of effects identified in the CEC  
22 Decision; and (3) no new information of substantial importance to the Project has become  
23 available which would indicate (a) the Potrero CT Project will have significant effects not  
24 discussed in the CEC Decision, (b) significant environmental effects will be substantially more  
25 severe; (c) mitigation measures or alternatives found not feasible which would reduce one or

1 more significant effects have become feasible; or (d) mitigation measures or alternatives  
2 which are considerably different from those in the CEC Decision would substantially reduce  
3 one or more significant effects on the environment.

4 Based on the foregoing and in light of the whole record, the Board finds that the  
5 07-0188 CEQA Findings remain applicable to the Potrero CT Project, and the Board therefore  
6 adopts the 07-0188 CEQA Findings as its own and incorporates them herein by reference.  
7 The Board in its independent judgment, finds that all significant environmental impacts will be  
8 mitigated through adoption of mitigation measures contained in the Mitigation Monitoring and  
9 Reporting Program ("MMRP") attached as Exhibit 1 to Attachment B of the 07-0188 CEQA  
10 Findings and incorporated by reference herein. The Board has reviewed and considered the  
11 entire record, including the CEC Decision, and hereby adopts the Potrero CT MMRP.

12 (2) Airport CT Project. Based on the record as a whole, the Board of  
13 Supervisors finds that construction and operation of the Airport CT Project as authorized by  
14 this Ordinance will not alter the project as described and analyzed in the Final MND. The  
15 construction of the Airport CT Project must be of a utility grade and comply with all the  
16 technical requirements set forth in the City's August 9, 2006, Request for Proposals for design  
17 and build of the City CT Projects. The site, the technical requirements, planned operations,  
18 and environmental impacts of the Airport CT Project remain unchanged.

19 The Board of Supervisors finds that based on substantial evidence and in light of  
20 the whole record: (1) no substantial changes have occurred in the Airport CT Project  
21 proposed for approval under this Ordinance that will require revisions in the Final MND due to  
22 the involvement of new significant environmental effects or a substantial increase in the  
23 severity of previously identified significant effects; (2) no substantial changes have occurred  
24 with respect to the circumstances under which the Airport CT Project is undertaken which  
25 would require major revisions to the Final MND Decision due to the involvement of new

1 significant environmental effects, or a substantial increase in the severity of effects identified  
2 in the Final MND; and (3) no new information of substantial importance to the Airport CT  
3 Project has become available which would indicate (a) the Airport CT Project will have  
4 significant effects not discussed in the Final MND, (b) significant environmental effects will be  
5 substantially more severe; (c) mitigation measures or alternatives found not feasible which  
6 would reduce one or more significant effects have become feasible; or (d) mitigation  
7 measures or alternatives which are considerably different from those in the Final MND would  
8 substantially reduce one or more significant effects on the environment.

9           Based on the foregoing and in light of the whole record, the Board finds that,  
10 the 07-0188 CEQA Findings remain applicable to the Airport CT Project, and the Board  
11 therefore adopts the 07-0188 CEQA Findings as its own and incorporates them herein by  
12 reference. The Board in its independent judgment, finds that all significant environmental  
13 impacts will be mitigated through adoption of mitigation measures contained in the Mitigation  
14 Monitoring and Reporting Program ("MMRP") attached as Exhibit 1 to Attachment C of the 07-  
15 0188 CEQA Findings and incorporated by reference herein. The Board has reviewed and  
16 considered the entire record, including the Final MND, and hereby adopts the Airport CT  
17 MMRP.

18

19           **Section 4. Design-Build Agreement.**

20           (a) The PUC has negotiated an agreement with Industrial Construction Company,  
21 Inc. (ICC) under which ICC will design and build the City CT Projects. This proposed  
22 agreement is on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_ and is  
23 incorporated herein by reference.

24           (b) The agreement with ICC is consistent with design-build agreements typically  
25 entered into by the City. The key terms of this agreement include the following:

1           (1)    ICC will design and build the City CT Projects consistent with the  
2 schedule and specifications contained in the contract documents and turn the projects over to  
3 the City in fully functional and operational condition.

4           (2)    Under the agreement with ICC, the City CT Projects will be completed no  
5 later than 24 months after the initial notice to proceed.

6           (3)    Contract Sum. The total contract sum will be \$155,459,247. The City will  
7 pay ICC based on milestone payments as shown in the contract documents. The contract  
8 sum includes \$99,945,547 for the Potrero CT Project and \$55,513,700 for the Airport CT  
9 Project.

10          (4)    Incentives, Liquidated Damages. The agreement with ICC provides for  
11 several incentives and liquidated damages, including the following key provisions:

12               (A)    ICC will pay the City \$80,000 per calendar day in liquidated  
13 damages for delay in completion of the projects as specified in the contract. The amount of  
14 liquidated damages for delay and performance guarantees under the contract will not exceed  
15 twenty-five percent (25%) of the total contract price, or approximately \$39 million.

16               (B)    City will pay ICC a bonus of \$40,000 per calendar day for early  
17 completion of the projects as specified in the contract. This bonus will not exceed ten percent  
18 (10%) of the total contract price.

19          (5)    Security for Design-Build Agreement. In lieu of the corporate surety  
20 bonds required under section 6.22(A) of the San Francisco Administrative Code, ICC will  
21 furnish performance and payment bonds, each with a penal sum in the full contract amount,  
22 secured by two personal sureties. Said personal surety bonds are authorized under sections  
23 3247 and 3248 of the California Civil Code. The personal sureties will provide the City with  
24 irrevocable trust receipts issued by an authorized trustee acceptable to the City for the full  
25 penal sum of the bonds.

1 (6) City Contracting Requirements.

2 (A) Article 9 of the ICC contract states that the contract is subject to all  
3 applicable provisions of the City's Charter and Administrative Code. In addition, Chapter 6 of  
4 the Administrative Code: Public Works Contracting Policies And Procedures, is incorporated  
5 by reference in its entirety by Article 9.

6 (B) The ICC contract includes the following required provisions: Noise  
7 Control Ordinance, Industrial Waste Ordinance, Resource Efficiency Requirements and Green  
8 Building Standards, Resource Conservation Ordinance, CityBuild/First Source Hiring,  
9 Disadvantaged Business Enterprise Ordinance and Subcontracting Goals, Nondiscrimination  
10 in Contracts and Benefits, Prevailing Wage Requirements, False Claims Act, Tropical  
11 Hardwood and Virgin Redwood Products Ban, Nondisclosure of Private Information, and  
12 Prohibition on Using Funds for Political Activity.

13 (c) The Board of Supervisors approves the ICC contract and authorizes the PUC  
14 General Manager to execute and award the contract, contingent upon the receipt of  
15 performance and payment bonds as required by the contract documents and deemed  
16 satisfactory by the PUC General Manager and the City Attorney.

17  
18 **Section 5. Combustion Turbine Upgrade Agreement.**

19 (a) In 2003 the PUC entered an agreement with GE to store and maintain the GE-  
20 built CTs and provide extended warranties. PUC requested and the City granted sole source  
21 waivers for this agreement based on the following considerations, among others:

22 (1) The GE LM6000 CTs are proprietary and strictly controlled by GE. In  
23 order to maximize and preserve the warranties, the City would need GE, as the Original  
24 Equipment Manufacturer, to service, upgrade, test and transport the equipment. GE also  
25



1 provides the required insurance and quarterly maintenance and inspections for the units, as  
2 required by the GE warranty.

3 (2) Storage of the units by GE helps preserve the value and condition of the  
4 turbines since GE is familiar with appropriate conditions, including provision of 4 acres of high  
5 security storage space.

6 (3) The City would need GE to reassemble the turbine units as the gas  
7 turbine engine is currently disassembled from the remainder of each unit to prevent corrosion  
8 and degradation while in long-term storage.

9 (b) The PUC will enter a new agreement with General Electric (GE) to refurbish,  
10 transport, and deliver the CTs to the project sites from the current storage location in Houston,  
11 Texas, at an estimated cost in excess of \$10 million. Under the new GE agreement, PUC  
12 anticipates that GE will refurbish and transport the CTs to the Potrero CT site (3 CTs) and the  
13 Airport CT site (1 CT) and be responsible for, among other things, implementing applicable  
14 service bulletins and product bulletins for the CTs, conducting necessary testing of the CTs,  
15 and loading, transporting, and unloading the CTs.

16 (c) Contract Requirements and Waivers. In view of the considerations identified  
17 above in subsection (a) and the benefits to the City from this contract with GE, the PUC  
18 requests that the Board of Supervisors determine that GE is a sole source for purposes of this  
19 contract and approve contract provisions and waivers that reflect standard industry practice  
20 for this type of service.

21 (1) PUC requests approval of binding arbitration and assignment provisions.

22 (2) PUC requests waiver of the following provisions of the Administrative  
23 Code or other code as stated: Minimum Compensation Ordinance (Chapter 12P), Health  
24 Care Accountability Ordinance (Chapter 12Q), Non-discrimination in contracts (Chapter 12),  
25 Competitive Bidding requirements (Chapter 21.1), Audit and Inspection of Records language

1 (Section 21.34), Conflict of Interest language (Campaign and Governmental Conduct Code  
2 Article III, Chapter 2), False Claims language (Section 21.35), First Source Hiring (Chapter  
3 83), Earned Income Credit (Chapter 12O), Local Business Enterprise (Chapter 14), MacBride  
4 Principles (Chapter 12F), Political Activity with City Funds (Chapter 12G), Civil Service  
5 Requirements, and Resource Conservation (Environment Code Section 500).

6 (d) The Board of Supervisors authorizes the PUC General Manager to enter a  
7 contract with GE to refurbish and transport the CTs. The Board of Supervisors finds that it is  
8 reasonable and in the City's interest to approve the contract provisions and waivers set forth  
9 above in subsection (c) for this GE contract.

10  
11 **Section 6. Amended and Restated Power Purchase Agreement.**

12 (a) In Resolution 830-02, the Board of Supervisors approved a power purchase  
13 agreement (PPA) with the California Department of Water Resources (CDWR) under which  
14 CDWR agreed to purchase the electricity generated by the City CT Projects. The PUC has  
15 worked with CDWR to amend the PPA to reflect changes in operational requirements and in  
16 the regulatory environment since the original agreement was adopted. The PUC and CDWR  
17 continue to finalize the details of this agreement.

18 (b) The key terms of the Amended and Restated PPA are as follows:

19 (1) Price for capacity. \$171 kW-year (may be shaped monthly to reflect  
20 value of capacity at different times of the year). In addition, a price to cover variable operation  
21 and maintenance, escalated annually at CPI over the term.

22 (2) Fuel. Procured by CDWR.

23 (3) Term of payments. Commercial operation date through December 31,  
24 2015.

1           (4)    Output. CDWR will be entitled to 100% of the output of the facilities and  
2 to direct their operation, except during a system emergency that precludes delivery of  
3 electricity from the Airport CT Project to the electric transmission system.

4           (5)    Backup power to the Airport. During a system emergency that precludes  
5 delivery of electricity from the Airport CT Project to the electric transmission system, the City  
6 may use the Airport CT Project to provide back up power to the Airport.

7           (6)    Commercial operation of the City CT Projects. If one facility achieves  
8 commercial operation before the other, it will receive a pro-rata capacity payment based on  
9 the rated capacity of the facility. If the second facility does not achieve commercial operation  
10 within six months, CDWR may cease making capacity payments to the City for the first facility  
11 until the second facility achieves commercial operation. The City is not obligated to operate  
12 either facility if CDWR ceases to make capacity payments.

13          (7)    Guarantees of Performance. City must meet certain performance  
14 requirements or be subject to damages consistent with industry standards for Availability,  
15 Heat Rate, and Starting Reliability.

16          (8)    Novation. CDWR may require the City to enter into a replacement  
17 agreement with terms identical to the PPA, except those relating to CDWR's status as a  
18 governmental entity, provided that such replacement agreement may not jeopardize the City's  
19 tax exempt financing.

20          (9)    Termination Rights.

21                (A)    City may terminate at any time prior to the commercial operation  
22 date if the financial risk of continuing with the development and construction of the facilities  
23 becomes unacceptable.

24                (B)    CDWR may terminate if the City fails to meet reasonable deadlines  
25 to commence construction and achieve commercial operation.

1 (C) CDWR may terminate if the facilities, considered together, fail to  
2 achieve a weighted average monthly availability of 60% for any two consecutive six-month  
3 periods.

4 (c) The PUC anticipates that additional minor amendments to the Amended and  
5 Restated PPA may be required in order to execute a final agreement with CDWR. The Board  
6 of Supervisors approves the key terms of the Amended and Restated PPA as set forth herein,  
7 and authorizes the PUC General Manager to execute an Amended and Restated PPA  
8 consistent with those terms and including additional amendments that do not materially alter  
9 the balance of benefits and burdens of the contract.

10

11 **Section 7. Interconnection Agreements with Pacific Gas & Electric Company.**

12 (a) Agreements with PG&E are necessary in order to (1) connect the City CT  
13 Projects to the electric grid, (2) connect the City CT Projects to the natural gas lines operated  
14 by PG&E, and (3) grant easements to PG&E and to access the interconnection facilities.

15 (b) Three agreements with PG&E related to electric interconnection are required:  
16 two agreements for the Airport CT Project and one for the Potrero CT Project. The PUC has  
17 entered into two agreements, which require term extensions. The PUC must enter into a third  
18 agreement for the Airport CT Project. The agreements related to interconnection are pro-  
19 forma agreements, with terms established by the Federal Energy Regulatory Commission  
20 (FERC) for general use. Individual terms, such as the cost of the specific interconnection  
21 facilities to be built, are approved by the FERC.

22 (1) Generator Special Facilities Agreement for the Airport CT project (GSFA).  
23 The GSFA establishes the costs of the interconnection facilities for the Airport CT. The  
24 agreement is on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_ and is  
25 incorporated herein by reference. The agreement has been approved by the FERC. It

1 provides for the construction by PG&E of facilities to interconnect the Airport CT Project to the  
2 electric transmission system.

3 (A) The PUC will pay PG&E's actual costs of constructing the  
4 interconnection facilities, estimated to be \$5,374,000. Approximately \$5 million of this  
5 amount, plus interest, will be refunded to PUC over a five-year period commencing upon  
6 commercial operation. PUC must also pay a one-time cost of ownership charge of \$121,737.

7 (B) The current GSFA will expire within nine years and eleven months  
8 after it becomes effective. The GSFA term must be extended to a term concurrent with the  
9 term of an interconnection agreement for the Airport CT Project. (See Section 7(b)(2), below.)

10 (2) Interconnection agreement for the Airport CT Project. This agreement  
11 governs the non-rate terms and conditions under which the Airport CT Project will be  
12 physically interconnected to the electric system. The terms of this agreement will be  
13 substantially similar to the terms of the interconnection agreement for the Potrero CT Project  
14 (see Section 7(b)(3), below) and consistent with the pro forma agreements approved by  
15 FERC, except that the costs of the Airport interconnection will be as described in the GSFA  
16 (see Section 7(b)(1), above).

17 (3) Standard Large Generator Interconnection Agreement (LGIA) for the  
18 Potrero CT Project. The LGIA for the Potrero CT Project is an agreement between the PUC,  
19 PG&E and the ISO. The agreement is on file with the Clerk of the Board of Supervisors in File  
20 No. \_\_\_\_\_ and is incorporated herein by reference. The agreement has been  
21 approved by the FERC. It provides for the construction by PG&E of facilities to interconnect  
22 the Potrero CT Project to the electric transmission system. It also sets forth the technical  
23 requirements for on-going interconnection of the Potrero CT Project to the electric  
24 transmission system.

25

1 (A) The PUC will pay PG&E's actual costs of constructing the  
2 interconnection facilities, estimated to be \$4,451,000. Approximately \$1.3 million of this  
3 amount, plus interest, will be refunded to PUC over a five-year period commencing upon  
4 commercial operation. PUC will also pay a one-time cost of ownership charge of \$1,498,339.

5 (B) The current LGIA will expire within nine years and eleven months  
6 after it becomes effective. The term will be extended to a period of ten years from the effective  
7 date, with automatic renewals for each successive one-year period thereafter, until the  
8 agreement is terminated.

9 (c) Natural Gas Agreements. PG&E will provide transportation and balancing  
10 services for the natural gas fuel for the City CT Projects. To obtain transportation and  
11 balancing services from PG&E, the City will be required to enter into a pro-forma Natural Gas  
12 Service Agreement for both the Potrero CT Project and the Airport CT Project. A copy of this  
13 proforma agreement is on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_ and  
14 is incorporated herein by reference. PG&E will provide these services pursuant to rate  
15 schedules and rules adopted by the California Public Utilities Commission (CPUC). During  
16 the term of the PPA with CDWR, CDWR will be responsible for charges incurred under the  
17 Natural Gas Service Agreement related to providing fuel for the City CT Projects. The term of  
18 the Natural Gas Service Agreement is twelve months from the effective date and continues  
19 from month to month until terminated by the PUC upon thirty days notice to PG&E, or by  
20 PG&E upon the approval of the CPUC.

21 (d) Easements. In conjunction with the electric and gas interconnections, PG&E will  
22 grant the City rights to access certain PG&E property and the City will grant PG&E rights to  
23 access certain City property.

24 (e) City Contract Requirements and Waivers. The terms and conditions governing  
25 PG&E's gas and electric interconnections are set forth in pro-forma agreements and governed

1 by rate schedules and rules adopted by the CPUC and FERC. Thus, it is not feasible to  
2 include all City contracting requirements in these agreements, and the required services  
3 cannot be provided by any other vendor.

4 (1) The gas and electric interconnection agreements state that they are  
5 subject to all applicable laws, including federal, state, and local law. The agreements contain  
6 insurance and indemnity provisions that have been approved by the City's Risk Manager,  
7 pursuant to Administrative Code Section 1.24. PG&E is generally in compliance with certain  
8 required City provisions even though those provisions are not reflected in these  
9 interconnection agreements, including the Equal Benefits Ordinance and the Minimum  
10 Compensation Ordinance.

11 (2) PUC requests that the Board of Supervisors waive certain City  
12 requirements established in the Administrative Code: Minimum Compensation Ordinance  
13 (Chapter 12P), Health Care Accountability Ordinance (Chapter 12Q), Non-discrimination in  
14 contracts (Chapter 12), Competitive Bidding requirements (Chapter 21.1), Earned Income  
15 Credit (Chapter 12O), LBE (Chapter 14), False Claims (Chapter 21.35), and Private Use of  
16 City Property: Possessory Interest Taxes (Chapter 23.38). These waivers are reasonable  
17 since these interconnection agreements are for services governed by tariffs and regulated by  
18 state and federal agencies.

19 (f) The Board of Supervisors:

20 (1) Approves the GSFA, and authorizes the PUC General Manager to extend  
21 the expiration date of the GSFA to a term concurrent with the term of an interconnection  
22 agreement for the Airport CT project.

23 (2) Authorizes the PUC General Manager to enter into an interconnection  
24 agreement for the Airport CT project with terms substantially similar to the terms of the LGIA  
25 for the Potrero CT Project and consistent with the pro forma agreements approved by FERC,

1 except that the costs of the Airport interconnection will be as described in the GSFA (see  
2 Section 7(b)(1), above).

3 (3) Approves the LGIA for the Potrero CT project, and authorizes the PUC  
4 General Manager to extend the term to a period of ten years from the effective date, with  
5 automatic renewals for each successive one year period thereafter.

6 (4) Authorizes the PUC General Manager to enter into a Natural Gas Service  
7 Agreement for the Potrero CT Project and for the Airport CT Project with a term of twelve  
8 months from the effective date that continues thereafter from month to month until terminated  
9 by the PUC upon thirty days notice to PG&E, or by PG&E upon the approval of or an order of  
10 the CPUC.

11 (5) Approves the waiver of provisions identified in Section 7(e), above.

12 (6) Approves the granting of easements to PG&E that are necessary for the  
13 construction and operation of the interconnections described herein.

14  
15 **Section 8. Compliance with Other City Requirements.**

16 (a) Ordinance 124-01. In Ordinance 124-01, the Board of Supervisors adopted  
17 human health and environment protections applicable to new electric generation in San  
18 Francisco. Section 3 of that ordinance required Board of Supervisors approval for any  
19 agreement for or related to new electric generation. The Board of Supervisors finds that the  
20 City CT Projects satisfy the requirements of Ordinance 124-01 for the reasons identified in  
21 Section 2 of this ordinance and elsewhere in this file. In view of the approval here of the City  
22 CT Projects, the Board of Supervisors waives the approval requirement of Section 3 of  
23 Ordinance 124-01 for other agreements related to the City CT Projects.

24 (b) Administrative Code Chapter 29.  
25



1           (1)     The Board of Supervisors finds that the requirements of Chapter 29 do  
2 not apply to the City CT Projects for two independent reasons. First, the City CT Projects are  
3 exempt from those requirements under Section 29.1(c)(2) because the Board of Supervisors  
4 approved the City's acceptance of the CTs and obligations to pursue project development as  
5 part of the settlement of the Williams litigation under Ordinance No.1-03, in File No. 021893  
6 and Resolution 830-02, in File No. 021916. Second, the CT Projects are exempt under  
7 Section 29.1(c)(4) because the CT Projects are utility capital improvement projects under the  
8 jurisdiction of the PUC.

9           (2)     Even though Chapter 29 does not apply to the City CT Projects, the  
10 Board of Supervisors finds that the City CT Projects are fiscally feasible and responsible  
11 under the criteria established by Section 29.2(a) of the Administrative Code. In making this  
12 finding, the Board of Supervisors has considered all of the information presented to the Board  
13 of Supervisors on the City CT Projects, including the following: (1) direct and indirect financial  
14 benefits of the City CT Projects to the City, including the potential for cost savings or new  
15 revenues from the City CT Projects; (2) the cost of construction; (3) available funding for the  
16 City CT Projects; (4) the long-term operating and maintenance costs of the City CT Projects;  
17 and (5) debt load to be carried by the PUC.

18

19           **Section 9. Companion Legislation Regarding Financing.**

20           The Financing Resolution identified in Section 2(a)(5), above, has been submitted  
21 concurrently herewith and is an integral part of the transactions contemplated under this  
22 Ordinance. The provisions of the Memorandum of Understanding between the PUC and the  
23 Director of Public Finance as to the budgeting and payment of debt service by the PUC are  
24 hereby made a part of this ordinance for purposes of setting City policy under Charter section  
25 4.102(1).

1  
2           **Section 10. Jurisdictional Transfer; Agreements for Land Use Between City**  
3           **Departments.**

4           (a)     The Potrero CT Project will be located on City-owned property at 25<sup>th</sup> and  
5 Maryland Streets in San Francisco. The Airport CT Project will be located on City-owned  
6 property at the corner of North Access Road and Clearwater Drive (SFIA Plot 20) at the  
7 Airport. Agreements for the use of these properties will be finalized by the affected City  
8 departments and approved by their respective commissions, as required.

9           (b)     The Potrero CT Project will be located at a 4-acre site at the corner of 25<sup>th</sup> and  
10 Maryland Streets in the City, as shown in the maps on file with the Clerk of the Board in File  
11 No. \_\_\_\_\_ (the "Potrero Site"). The Potrero Site is currently under the jurisdiction of the  
12 City's Port Commission but occupied by the Municipal Transportation Agency (MTA) in  
13 perpetuity under the terms of Memorandum of Understanding No. M-12654, dated as of  
14 January 25, 2001, between the Port Commission and the MTA (the "Existing Potrero MOU").

15           Staff from the Port Commission, the MTA and the PUC have engaged in negotiations  
16 of a Memorandum of Understanding (the "New Potrero MOU") providing for the transfer of  
17 jurisdiction over the Potrero Site to the PUC for purposes of financing, constructing and  
18 operating the Potrero CT Project, as well as matters relating to the MTA's Metro East project  
19 adjoining the Potrero Site and other issues stemming from the transactions contemplated  
20 under the Existing Potrero MOU. Under the New Potrero MOU, the PUC would pay \$9.2  
21 million to the MTA for the Potrero Site, and the Port would consent to the jurisdictional transfer  
22 in consideration of a trust option and a potential trust exchange as more particularly set forth  
23 in the New Potrero MOU.

24           The effectiveness of the New Potrero MOU is conditioned upon the approval of each of  
25 the Port Commission, the MTA Board of Directors and the PUC, each in their sole discretion,

1 along with this Board's approval of the jurisdictional transfer of the Potrero Site from the Port  
2 to the PUC.

3 (c) The Airport CT Project is to be located on certain premises owned by the  
4 City at San Francisco International Airport as shown in the maps on file with the Clerk of the  
5 Board in File No. \_\_\_\_\_ (the "Airport Site"). The Airport Site includes a 2-acre parcel  
6 located at the corner of North Access Road and Clearwater Drive that is to be used for the  
7 plant itself as well as a portion of land currently leased by United Airlines ("United") that is to  
8 be used for interconnection facilities. All components of the Airport Site are under the  
9 jurisdiction of the City's Airport Commission.

10 Staff from the Airport Commission and the PUC have engaged in negotiations of  
11 a Memorandum of Understanding (the "New Airport MOU") providing for the lease of the  
12 Airport Site to the PUC for a period of 30 years for purposes of financing, constructing and  
13 operating the Airport CT Project, as well as matters relating to the payment of fair market  
14 rents to the Airport and the construction and operation of the Airport CT Project. The New  
15 Airport MOU also addresses the modification of the United lease to accommodate the use of  
16 the Airport Site by the PUC for the Airport CT Project. The Airport has the right to pursue  
17 such a modification under an existing agreement with United.

18 The effectiveness of the New Airport MOU is conditioned upon the approval of  
19 the Airport Commission and the PUC Commission, along with this Board's approval of the  
20 Airport Commission's modification of the United leasehold.

21 (d) Approvals.

22 (1) The Board of Supervisors hereby approves the transfer of  
23 jurisdiction of the Potrero Site from the Port to the PUC, conditioned upon the approval of the  
24 New Potrero MOU by the Port Commission, the MTA Board of Directors and the PUC and  
25 subject to the terms of the New Potrero MOU. The Board of Supervisors directs the City's

1 Director of Property to transfer jurisdiction of the Potrero Site to the PUC upon the receipt of  
2 such approvals and satisfaction of the conditions set forth in the New Potrero MOU for  
3 transfer of the Potrero Site to the PUC, without further action by this Board, and this Board  
4 waives the process and procedure set forth in Administrative Code Chapter 23 relating to  
5 such jurisdictional transfer.

6 (2) The Board of Supervisors hereby approves the modification of the  
7 United leasehold as required to accommodate the PUC's use of the Airport Site for the  
8 purpose of the Airport CT Project subject to the terms of the New Airport MOU agreed to by  
9 the parties.

10

11 **Section 11. General Plan Conformity.**

12 (a) The Board of Supervisors finds that the Potrero CT Project is consistent with the  
13 City's General Plan and with the priority policies in Planning Code Section 101.1. This finding  
14 is consistent with the findings of the Planning Department, which are on file with the Clerk of  
15 the Board of Supervisors in File No. \_\_\_\_\_ and incorporated herein by reference.

16 The Board of Supervisors adopts these findings as its own and finds that the proposed  
17 Potrero CT Project is consistent with the City's General Plan and with Planning Code Section  
18 101.1, for the reasons set forth by the Planning Department.

19 (b) The Board of Supervisors finds that the Airport CT Project is consistent with the  
20 City's General Plan and with the priority policies in Planning Code Section 101.1. This finding  
21 is consistent with the findings of the Planning Department, which are on file with the Clerk of  
22 the Board of Supervisors in File No. \_\_\_\_\_ and incorporated herein by reference.

23 The Board of Supervisors adopts these findings as its own and finds that the proposed Airport  
24 CT Project is consistent with the City's General Plan and with Planning Code Section 101.1,  
25 for the reasons set forth by the Planning Department.

1           **Section 12. Alternative Fuels.**

2           In a further effort to address the City's environmental challenges and develop  
3 additional renewable sources of energy as described in Resolution 827-02 and the City's  
4 Electricity Resource Plan, the Board of Supervisors directs PUC and other City staff to explore  
5 the feasibility of using renewable fuels to power some or all of the City's CT units. This  
6 investigation shall consider the impacts of using renewable fuels on the reliability, security and  
7 economic benefits of the City CT Projects, as well as other relevant information.

8  
9           **Section 13. Modification of Project Scope.**

10           (a)    The primary goal of construction of the City CT Projects is to secure the  
11 closure of the Potrero Power Plant on the most expeditious basis available. Under the Mirant  
12 term sheet, the removal by the ISO of the Potrero Power Plant's reliability status is the key  
13 condition for the closure of the plant. As described above, the ISO has reiterated its stance  
14 that the successful completion and commercial operation of both the Potrero CT Project and  
15 the Airport CT Project are necessary to replace the reliability need for the Potrero Power  
16 Plant. Therefore this Ordinance authorizes the construction of both City CT Projects.

17           (b)    The agreement with ICC for the construction of the City CT Projects  
18 contemplates two phases: a first phase of approximately four months of preliminary work and  
19 equipment ordering, and then a second phase encompassing a full notice to proceed on the  
20 projects as a whole. If after the approval of this ordinance but prior to the issuance of the full  
21 notice to proceed under Phase 2 of the ICC contract, the ISO states in writing that the  
22 installation of three or fewer of the City's combustion turbines will be sufficient (in combination  
23 with other projects already constructed or expected to be completed by the scheduled  
24 completion of the City CT Projects) to replace the reliability need for the Potrero Power Plant,  
25 then the PUC shall

1 (1) The PUC General Manager shall prepare a proposal (a “GM  
2 Proposal”) of actions to be taken to revise the project scope to allow for the development of  
3 the fewest number of turbines that would still be reasonably expected to replace the reliability  
4 need for the Potrero Power Plant in light of the most recent statements from the ISO. A GM  
5 Proposal shall include a description of the progress of the City CT projects to date along with  
6 a discussion of any significant financial, environmental, operating or other impacts that would  
7 result from actions taken to reduce the scope of the projects.

8 (2) The PUC General Manager shall submit the GM Proposal to the  
9 Mayor and the Board of Supervisors for their consideration, and shall refrain from issuing the  
10 notice to proceed on Phase 2 for a period of at least 30 days from the date of submission of  
11 any GM proposal under this section (the “GM Proposal Review Period”).

12 (3) The Board of Supervisors and the Mayor shall have the GM  
13 Proposal Review Period to introduce legislation directing actions to be taken in light of the ISO  
14 statement and the GM Proposal.

15 (4) If no such legislation is introduced by the end of the GM Proposal  
16 Review Period, then the PUC General Manager shall be authorized and directed to implement  
17 the GM Proposal and to take all other actions consistent with achieving the revised project  
18 scope set forth therein, including the issuance of the full notice to proceed on the components  
19 of the project that would still be pursued under the GM Proposal project scope.

20

21

22 APPROVED AS TO FORM:

23

24 DENNIS J. HERRERA, City Attorney

25

By:

\_\_\_\_\_  
Theresa L. Mueller  
Deputy City Attorney

25