



May 3, 2021

To: SFPUC Commission and the Board of Supervisors

The SFPUC has negotiated an agreement with General Electric Renewable US LLCC (“GE”) to rehabilitate the generators at the Moccasin Powerhouse. As explained in detail in the Agenda Item and Resolution before the Commission and the Resolution before the Board, the negotiated agreement contains a comparable fault indemnity provision, which requires the Risk Manager’s recommendation and the approval of the Board of Supervisors under Admin. Code Section 6.22(c). For the reasons that follow, it is my recommendation to the Board of Supervisors to approve the proposed Resolution, which would permit the SFPUC to include the comparative fault indemnification clause in its agreement with GE.

The Moccasin generators are twenty years past their expected life expectancy. There is a serious risk that one or both may fail without rehabilitation. There is a very limited pool of firms qualified to perform the work. None of the qualified firms will agree to the City’s standard construction contract indemnification provision. The comparative fault indemnification provision for which the SFPUC seeks approval is the best indemnification protection that the City is able to obtain for a contract to rehabilitate the Moccasin Powerhouse generators.

As explained in detail in the Agenda Item and Resolution before the Commission and the Resolution before the Board, the potential catastrophic failure of the two generators would make it impossible for the SFPUC to deliver water to the bay area from Hetch Hetchy. Further, the SFPUC estimates the City is likely to lose in excess of \$24 million per year in electricity sale revenues should these units fail during peak demand and an emergency repair would take three years. Work under this proposed agreement is scheduled to avoid peak time outages over its three year duration.

For the foregoing reasons, I recommend to the Board of Supervisors to approve the proposed Resolution to permit the SFPUC to include the negotiated comparative fault indemnity provision its contract with GE for the rehabilitation of the Moccasin Powerhouse Generators.

Best regards,

A handwritten signature in blue ink that reads "Matt Hansen".

Matt Hansen, Director
Risk Management Division