

## LEGISLATIVE DIGEST

[Administrative Code - Purchase and Sale of Electricity and Related Products - Public Utilities Commission]

**Ordinance amending the Administrative Code to approve the use of certain form contracts to purchase and sell electricity and related products by the Public Utilities Commission (PUC), grant waivers of specified contract-related requirements in the Administrative and Environment Codes for these transactions, and delegate to the General Manager of the PUC authority under Charter, Section 9.118, to execute certain contracts with terms in excess of ten years or requiring expenditures of \$10,000,000 or having anticipated revenue of \$1,000,000 or more subject to specified limitations through June 30, 2027.**

### Existing Law

Chapter 21 of the San Francisco Administrative Code establishes the procurement procedures for commodities and services.

Section 9.118(b) of the Charter requires approval by the Board of Supervisors for agreements with an expected term longer than ten years or requiring expenditures of 10 million dollars or more.

The San Francisco municipal codes contain many contracting requirements for the procurement of goods and services. In certain instances, the Board of Supervisors may exempt contracts from these requirements via ordinance.

### Amendments to Current Law

This ordinance would amend the Administrative Code by adding Section 21.43 which would delegate authority to the General Manager of the Public Utilities Commission (PUC) to enter contracts for the purchase of electricity and related services that exceed ten years in duration for more than 10 million dollars. The ordinance makes the procurement approval subject to several conditions, including: the duration of any individual contract does not exceed 25 years, inclusive of contract extensions, and; the total cost of the contracts does not exceed 150 million dollars per year. It would also delegate authority to the General Manager to enter into contracts for the sale of power and related products having anticipated revenues in excess of one million dollars per year. The annual revenue cap for the agreements could not exceed 10 million dollars per year. This annual expenditure and/or revenue cap could be increased by Board of Supervisors Resolution.

This ordinance also would authorize the PUC to use two industry standard agreements – the Western Systems Power Pool Agreement and the Edison Electric Institute Master Agreement, the PUC’s power purchase, storage and sale agreements, and form contracts developed by

California Community Power. These contracts have terms that deviate from the City's standard contract terms and the ordinance would allow the General Manager to waive certain City contracting requirements for these agreements if it is not feasible to include those requirements.

The procurement authority granted in this ordinance is for a term of five years.

### Background Information

The PUC operates two power businesses—its municipal electric utility, Hetch Hetchy Power (HHP), and its community aggregation program, CleanPowerSF (CPSF). HHP mostly uses clean hydro power from Hetch Hetchy and renewable energy from City facilities, but it sometimes needs to engage in other purchases and sales. CPSF obtains all of its energy through purchases, to meet the needs of enrolled San Franciscans (380,000 accounts) under PG&E tariffs approved by the California Public Utilities Commission (CPUC). PG&E provides transmission, distribution and billing service for CPSF customers. The program has grown from 8,000 customers to 380,000 customers in five years. CleanPowerSF competes for wholesale power supplies in the highly competitive and highly volatile California Independent System Operator energy market and competes with PG&E and private energy suppliers for customers in San Francisco.

CPSF must enter into a large number of contracts for a variety of electricity products and services under compressed timelines to comply with state law and CPUC regulations. This makes Board approval of every power and related service contract in the usual manner neither practical nor possible.

For these reasons, CPSF has sought Board approval through a series of Ordinances for its power and related services contracting. In every instance, the Board has approved the proposals which permit the large power purchases necessary for CPSF to serve San Francisco and meet regulatory compliance starting in 2015. Due to growth of the programs and the number of energy procurements needed in the future, the PUC now seeks delegated authority and contract waivers for CPSF and HHP procurements through June 30, 2027.

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