

BOARD of SUPERVISORS



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December 20, 2017

File No. 171308

Lisa Gibson
Acting Environmental Review Officer
Planning Department
1650 Mission Street, Suite 400
San Francisco, CA 94103

Dear Ms. Gibson:

On December 12, 2017, Supervisor Peskin introduced legislation for the following proposed Charter Amendment for the June 5, 2018, Election:

**File No. 171308 Charter Amendment - Revenue Bonds for Public Utilities
Commission Power Facilities**

Charter Amendment (First Draft) to amend the Charter of the City and County of San Francisco to authorize the Public Utilities Commission to issue revenue bonds for power facilities when approved by ordinance receiving a two-thirds vote of the Board of Supervisors; at an election to be held on June 5, 2018.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

Alisa Somera
By: Alisa Somera, Legislative Deputy Director
Rules Committee

Attachment

c: Joy Navarrete, Environmental Planner
Laura Lynch, Environmental Planner

1 [Charter Amendment - Revenue Bonds for Public Utilities Commission Power Facilities]

2
3 **Describing and setting forth a proposal to the voters at an election to be held on June 5,**
4 **2018, to amend the Charter of the City and County of San Francisco to authorize the**
5 **Public Utilities Commission to issue revenue bonds for power facilities when approved by**
6 **ordinance receiving a two-thirds vote of the Board of Supervisors.**

7
8 Section 1. Findings.

9 (a) The Public Utilities Commission (PUC) has been producing clean, greenhouse-
10 gas-free electricity at facilities in the Hetch Hetchy system for delivery to San Francisco facilities
11 since shortly after the passage of the Raker Act in 1913. The PUC provides clean electric power
12 to all City departments, public agencies like the San Francisco Unified School District, and other
13 purposes such as affordable housing developments.

14 (b) The PUC's provision of electric service saves the City approximately \$40 million
15 every year.

16 (c) The PUC's provision of electric service also provides revenue that PUC reinvests
17 into the City's clean and renewable energy facilities.

18 (d) Currently, the PUC's provision of greenhouse-gas-free electricity reduces the
19 City's carbon footprint by 387 million pounds per year. This service supports the City's
20 sustainability goals, including the goal, adopted in Board of Supervisors Resolution No. 349-11,
21 of meeting 100% of electricity demand in San Francisco with renewable and/or greenhouse-gas-
22 free sources of supply by the year 2030.

23 (e) From 1945 to 2015, the PUC provided service under a series of contracts that
24 were approved by federal regulators. On expiration of the final contract in June 2015, the City
25 was required by federal law and regulations to own more facilities in order to serve its

1 customers. The financing authority proposed here is necessary for the PUC to pay for these
2 facilities in an efficient and cost-effective way.

3 (f) The PUC will be able to provide service to its power customers with fewer delays
4 and at lower cost if it has the ability to finance required facilities in the same manner as the
5 PUC's water and clean water utilities, the Port, and the Airport, as well as municipal utilities
6 operated by other jurisdictions. These new power facilities can enhance reliability and safety
7 and increase sustainability by incorporating technologies like energy storage and electric vehicle
8 charging.

9 (g) Revenue bonds issued under the authority proposed in this measure would be
10 subject to the review and oversight of the Public Utilities Revenue Bond Oversight Committee,
11 Administrative Code Sections 5A.30-5A.36, in addition to the requirements stated in Charter
12 Section 8B.124, subsections (a) and (b).

13 Section 2. The Board of Supervisors hereby submits to the qualified voters of the City
14 and County, at an election to be held on June 5, 2018, a proposal to amend the Charter of the
15 City and County by revising Section 8B.124, to read as follows:

16 NOTE: **Unchanged Charter text and uncodified text** are in plain font.
17 **Additions** are *single-underline italics Times New Roman font*.
18 **Deletions** are *strike-through italics Times New Roman font*.
Asterisks (* * * *) indicate the omission of unchanged Charter
subsections.

19 **SEC. 8B.124. WATER, ~~AND CLEAN WATER,~~ AND POWER REVENUE BONDS.**

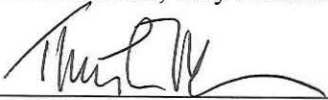
20 Notwithstanding, and in addition to, the authority granted under Charter Section 9.107,
21 the Public Utilities Commission is hereby authorized to issue revenue bonds, including notes,
22 commercial paper, or other forms of indebtedness, when authorized by ordinance approved by a
23 two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing,
24 expanding, repairing, or improving water facilities, ~~or clean water facilities,~~ *power facilities,* or
25

1 combinations of water, ~~and~~ clean water, and power facilities under the jurisdiction of the Public
2 Utilities Commission.

3 * * * *

4 APPROVED AS TO FORM:
5 DENNIS J. HERRERA, City Attorney

6 By:



7 THERESA L. MUELLER
8 Deputy City Attorney

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LEGISLATIVE DIGEST

(First Draft, 12/12/2017)

[Charter Amendment - Revenue Bonds for Public Utilities Commission Power Facilities]

Describing and setting forth a proposal to the voters at an election to be held on June 5, 2018, to amend the Charter of the City and County of San Francisco to authorize the Public Utilities Commission to issue revenue bonds for power facilities when approved by ordinance receiving a two-thirds vote of the Board of Supervisors.

Existing Law

Charter section 8B.124 allows the Public Utilities Commission (PUC), when approved by a 2/3 vote of the Board of Supervisors, to issue revenue bonds for water and/or clean water facilities.

Amendments to Current Law

This amendment would allow the PUC to also issue revenue bonds for power facilities, when approved by a 2/3 vote of the Board of Supervisors. Bonds issued for power facilities would be subject to all of the other requirements of Section 8B.124 that currently apply to the PUC's water and clean water utility enterprises.

Background Information

1. Under Charter sections 9.107(6) and (8) PUC already has the authority to issue revenue bonds for some power facilities, but this authority is limited to certain types of equipment.
2. Electricity customers are already required to pay the costs of equipment needed to serve them, but with the proposed authority PUC will be able to plan for and finance power infrastructure in a more efficient and cost-effective way. In some cases, PUC may be able to build one facility that can serve multiple locations instead of building duplicative facilities for each customer. This can reduce the delays and disruptions caused by equipment installation and reduce costs.
3. The bond authority proposed here would allow the PUC to incorporate solar electricity, storage, electric vehicle chargers and other grid-connected assets that are important for sustainable and innovative electricity service.
4. Federal law provisions that became applicable to the City in July 2015 require PUC to own more of the equipment used to deliver electricity to customers than was previously required.

5. Revenue bonds issued under the proposed authority would be subject to the requirements already followed by the PUC's water and clean water programs. In addition to Board of Supervisors approval, PUC would need to satisfy the following requirements:

- a. The PUC Commission must review and approve proposed revenue bonds.
- b. Revenue bonds are subject to review by the Public Utilities Revenue Bond Oversight Committee, Administrative Code Sections 5A.30-5A.36.
- c. The PUC is required to retain an independent engineer to certify that bond-financed projects meet cost and schedule standards, and that estimated net revenue will be sufficient to meet debt service coverage and other requirements.
- d. The SF Planning Department must certify that bond-financed projects comply with the California Environmental Quality Act.

6. The PUC provides clean electricity that is primarily sourced from the City's Hetch Hetchy hydroelectric system. Currently, the PUC's provision of greenhouse-gas-free electricity reduces the City's carbon footprint by about 387 million pounds per year as compared to electricity provided by PG&E. The PUC explains that this number is based on the 955 million kilowatt hours of electricity used by City departments and municipal agencies, multiplied by PG&E's most recently released power emissions factor (2015) of 405 pounds of carbon dioxide per megawatt hour. PG&E voluntarily reports this number to the Climate Registry. The Climate Registry is a non-profit organization formed in 2007 as the successor to the California Climate Action Registry, pursuant to State statute, to develop a central database for the uniform and verifiable reporting of GHG emissions.

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