

# Background and Current Status

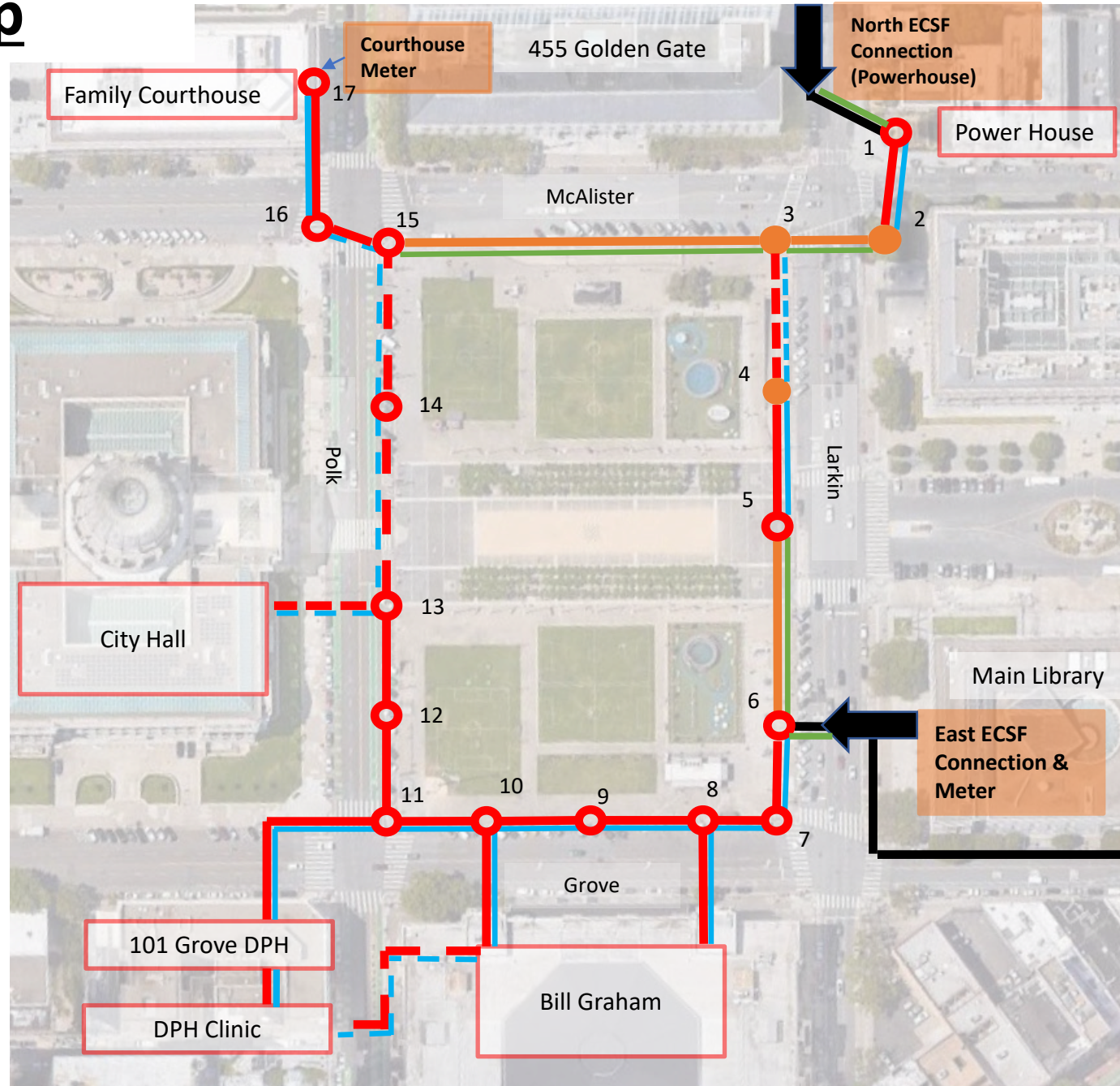
- The Steam Loop is City owned and was built in 1915.
- It is currently under the jurisdiction of the Real Estate Division.
- The Steam Loop runs along McAllister, Larkin, Grove and Goodlett.
- It provides heating and hot water to BGCA, 101 Grove, City Hall and the Superior Court building.
- The steam loop has long suffered from deferred maintenance and in early October 2022, the Steam Loop piping cracked causing hot steam escape through two manholes: one directly across City Hall's main entrance and a second at NE corner of Polk and Grove.
- In FY22, the City budgeted \$300,000 dollars for maintenance.
- In FY23 the City budgeted \$3M in one-time funds to make necessary repairs.

# City Steam Loop

San Francisco Civic Center

Schematic Layout

03/20/2023



## Key

- Steam Supply (ECSF)
- Serviceable Steam Pipe
- Serviceable Condensate Pipe
- - Failed/Near Failure Steam Pipe
- - Failed/Near Failure Condensate Pipe
- 107 Year old Steam Pipe
- 107 Year old Condensate Pipe
- Serviceable Utility Vault
- Utility Vault Requiring upgrade
- Building Connected to City Steam Loop
- ECSF Steam Metering

# Reason for the Steam Loop Transfer

- RED did an analysis of the costs to properly maintain the Steam Loop.
  - \$4.9 MM to do the emergency repairs
  - \$12 MM to replace old corroding pipes and valves (estimate that the 60% - 70% of the pipes need replacing)
  - \$300,000 annually for on going maintenance
  - Unknown costs for property damage and personal injury claims
- It is cheaper and more cost effective to buy steam from ECSF like any other steam customer.
- The transfer of the ongoing costs and liability exceeds the fair market value of the steam loop in its current condition and the \$3.1 MM the City will pay ECSF to do the repairs.
- ECSF is familiar with the system and has in-house staff to do the work
- The City is the only steam customer that maintains its own steam pipes.

# Terms of the Agreement – City obligations

- City to transfer ownership of steam loop to Energy Center San Francisco (ECSF) for \$1
- City to pay ECSF \$3.1 MM to make emergency repairs to the steam loop to bring it to operable condition.
- City to indemnify ECSF for damages that occurred before the transfer and the claim is made within 3 years of the transfer.
- City to grant ECSF 2 easements one in the Civic Center Garage and one at the Power House so ECSF can access and maintain the steam loop that crosses those City properties.
- City to continue to buy steam from ECSF for the next 5 years.

# Terms of the Agreement – ECSF obligations

- ECSF to make the emergency repairs based upon the agreed upon scope, amount and timeline.
- ECSF, as owner of the Steam Loop, will be responsible for future replacements, repairs and maintenance at ECSF's expense.
- ECSF to assume all liability for damages and personal injury that occur after the transfer.

# Reason for Easement

- Upon transfer, ECSF will operate and have access to the Steam Loop under its existing Franchise Agreement (FA) which governs its use of its steam network in the City
- However, the FA only governs those portions of the Steam Loop that are located in the public Right of Way and not the portions located into the Civic Center Garage or on the Power House property.
- The easement is necessary for ECSF to be able to operate, maintain and access the Steam Loop facilities located in the Garage and at the Power House.
- The easement provides the contractual mechanism by which the City can ensure Garage and Power House property are protected, the City indemnified for damages and in the case of the Garage, operation revenues are not disrupted.

# Reason for the Indemnification

- Although ECSF will be responsible for all liabilities in the future, they will not be responsible for property damage and personal liability that occurred prior to their ownership.
- Given the statute of limitations, 3 years was determined to be a reasonable period of time where a past claim might be presented.
- Typically claims are presented within months of the incident. We don't anticipate any claims coming up in the future that would fall under this provision.

# Thanks and Questions

- Thank you to:
  - The Mayor and City Administrator Carmen Chu for their leadership and support on this item
  - President Peskin for sponsoring this legislation
  - Masoud Vafaei from RED for his technical expertise and help in negotiating the deal
  - Nancy Taylor from the City Attorney's Office for her legal expertise and hard work on drafting the documents.