

**Resolution Authorizing the General Manager of the San Francisco Public Utilities Commission and the Treasure Island Director to Enter into a Long-Term Interconnection Agreement with the Port of Oakland for the Use of the Davis Electric Transmission Substation to Serve Treasure Island and Yerba Buena Island for a term of 20 Years, with a Guaranteed Maximum cost of \$8,000,000**

**SUMMARY OF PROPOSED ACTION**

The proposed resolution would authorize the General Manager of the San Francisco Public Utilities Commission ("SFPUC"), together with the Treasure Island Director of the Treasure Island Development Authority ("TIDA"), to jointly enter into a long-term Interconnection Agreement with the Port of Oakland, which would:

- (1) Replace the existing 1998 Interconnection Agreement with the Port of Oakland, approved by SFPUC Resolution No. 98-0242 on September 29, 1998, which provides for the use of the Davis Substation;
- (2) Contract with the Port of Oakland to continue the use of the Davis Substation capacity and associated electric services for a term of 20-years at an annual charge of \$125,000 with an annual escalation based on the San Francisco Area Consumer Price Index ("CPI") and the payment of \$567,792 for uncollected operation and maintenance charges by the Port of Oakland from October 2008; and
- (3) Provide a contractual path to a point of delivery for the low-cost Federal National Defense Act ("NDA") power supplied by the U.S Department of Energy's Western Area Power Administration ("WAPA") to Treasure Island and Yerba Buena Island ("TI/YBI").

**BACKGROUND**

In 1993, Naval Station Treasure Island ("NSTI"), consisting of both Treasure Island and portions of Yerba Buena Island, was designated for closure and disposition by the Base Realignment and Closure Commission acting under Public Law 101-510 and its subsequent amendments. The Department of Defense subsequently designated the City and County of San Francisco ("City"), and later TIDA, as the Local Reuse Authority ("LRA") responsible for the conversion of NSTI under the federal disposition process.

The City and the Navy entered into the Base Caretaker Cooperative Agreement executed March 12, 1997, as amended from time to time (collectively, the "Cooperative Agreement"), for the interim management and operation of NSTI during the disposition process. Under the Cooperative Agreement, the City agreed to assume certain responsibilities for (i) operation and maintenance for the water, waste water, storm water, electric and gas utility systems on the Base, security and public health and safety services,

(iii) grounds and street maintenance and repair, and (iv) property management and caretaker services. These caretaker responsibilities were later assumed by TIDA in 1998.

Since 1997, the SFPUC has provided these utility services on NSTI on behalf of TIDA, including the operation and maintenance of the active NSTI utility systems and the delivery of utilities to the occupants and users of NSTI. SFPUC activities include delivery of electricity, gas, water, stormwater and the operation and maintenance of the existing wastewater treatment plant and related facilities and pipe network on NSTI.

The SFPUC has a power purchase agreement with WAPA through December 31, 2024 to supply electricity to TI/BYI that was approved by the Board of Supervisors on January 22, 2001 (Resolution No. 56-01). The delivery point for the WAPA power is the Davis Substation in Oakland, California. WAPA power is delivered at transmission level (i.e., 115,000 volts) and is transformed at the Davis Substation to distribution level (i.e., 12,000 volts).

Under the 1998 Interconnection Agreement with the Port of Oakland, electrical power is supplied to Treasure Island from the Davis Substation located on Port of Oakland property via overhead lines crossing the former Oakland Army Base and a submarine cable connecting Treasure Island to the mainland.

The Davis Substation was previously owned and used by the Navy to serve the electric requirements of the Navy facilities at TI/YBI and the former Fleet and Industrial Supply Center in Oakland (FISCO), and the U.S. Department of the Army (“Army”) at its former Oakland Army Reserve Base. By a Quitclaim Deed recorded with the Alameda County Clerk-Recorder on June 15, 1999, the Navy conveyed its interest in the FISCO including the Davis Substation to the Port of Oakland, subject to the covenant, among others, that the Port of Oakland continue to provide an interconnection point at and share in the capacity rights of the Davis Substation pursuant to the 1998 Interconnection Agreement.

The 1998 Interconnection Agreement provides the delivery point for WAPA power and the use of at least 33 percent of the Davis Substation capacity rated at 40 megavolt-amperes (“mVa”), which is calculated to be 13.34 mVa. The 1998 Interconnection Agreement stipulated a fixed charge of \$37,500 per year with an annual escalation based on the San Francisco area CPI.

After the conveyance of the Oakland Army Reserve Base from the Army to the City of Oakland in October 2008, the City of Oakland entered into an agreement with the Port of Oakland for use of the Davis Substation. With three parties sharing the capacity of the substation, the Port of Oakland performed an assessment of its historical costs in operating and maintaining the Davis Substation and determined that its actual apportioned expenses exceeded the payments made by the City under the 1998 Interconnection Agreement.

With a new Interconnection Agreement under negotiation, the Port of Oakland continued to bill the City the 1998 Interconnection Agreement fixed charge and accrued an operating deficit of \$567,792. This outstanding receivable amount will be payable in four equal

installments on annual basis through the first four years of the new Interconnection Agreement.

The funding to cover the costs associated with the use of the Port of Oakland's Davis Substation and the services provided by the Port of Oakland have been and will continue to be recovered through the Treasure Island electric utility charges.

## **DISCUSSION**

A replacement agreement to the 1998 Interconnection Agreement is necessary to establish terms and conditions for the continued use of the Davis Electric Transmission Substation subsequent to the Navy transfer of Treasure Island and Yerba Buena Island to the City. TIDA and the SFPUC propose to jointly enter into a long-term Interconnection Agreement with the Port of Oakland, which would:

- (1) Replace the existing 1998 Interconnection Agreement with the Port of Oakland which provides for the use of the Davis Substation and will terminate with the land transfer of Treasure Island and Yerba Buena Island ("TI/YBI");
- (2) Contract with the Port of Oakland to continue the use of the Davis Substation capacity and associated electric services for a term of 20-years at an annual charge of \$125,000 with an annual escalation based on the San Francisco Area Consumer Price Index ("CPI") and the payment of \$567,792 for uncollected operation and maintenance charges by the Port of Oakland from October 2008; and
- (3) Provide a contractual path to a point of delivery for the low-cost Federal National Defense Act ("NDA") power supplied by the U.S Department of Energy's Western Area Power Administration ("WAPA") to TI/YBI.

The TIDA Board of Directors and San Francisco Public Utilities Commission have both acted to approve the proposed Interconnection Agreement for the continued use of the Davis Substation to provide electrical power for service demands of TI/YBI and to authorize the Treasure Island Director and the General Manager of the SFPUC to enter into the Interconnection Agreement subsequent to Board of Supervisors Approval. At the January 14, 2015, meeting of the TIDA Board of Directors, the Board adopted resolution 15-1-1/14 authorizing the Treasure Island Director to enter into the Interconnection Agreement, and the SFPUC Commission at its meeting of February 10, 2015, adopted resolution 15-0041 similarly authorizing the SFPUC General Manager to enter into the Interconnection Agreement.

## **RECOMMENDATION**

It is recommended that the Board of Supervisors approve the Interconnection Agreement and authorize General Manager of the SFPUC and the Treasure Island Director to execute

and deliver the Interconnection Agreement in substantially the form on file with the Clerk of the Board with such additions or changes as they, upon consultation with the City Attorney, determine are in the interest of TIDA, the SFPUC, and the City and do not materially increase the obligations of TIDA, the SFPUC, and the City.

**EXHIBITS**

- A. Interconnection Agreement

Prepared by:



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