

1 [Support for development of City-controlled electric generation project.]

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3 **Resolution supporting the Combustion Turbine project proposed by the Public Utilities**
4 **Commission for the development of a City-controlled combustion turbine project to**
5 **promote the goals of the City's Electricity Resource Plan, and endorsing the financial**
6 **term sheet for the CT project.**

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8 WHEREAS, In December 2002, the Board of Supervisors unanimously adopted
9 Resolution 827-02, endorsing the Electricity Resource Plan (the Plan) which provides for
10 closure of the old, dirty power plants in San Francisco and their replacement with a
11 combination of energy efficiency, renewable energy, clean distributed generation,
12 transmission upgrades, and cleaner, more reliable and flexible fossil-fueled resources; and,

13 WHEREAS, The Plan identifies eight goals that were developed through public
14 comment and used to guide the Plan: maximize energy efficiency, develop renewable power,
15 assure reliable power, support affordable electric bills, improve air quality and prevent other
16 environmental impacts, support environmental justice, promote opportunities for economic
17 development, and increase local control over energy resources; and,

18 WHEREAS, The goals identified in the Plan continue to be essential for the City's
19 environmental and economic health and the health and well-being of its citizens and,
20 therefore, it is critical for the City to continue implementation of the Plan and to update the
21 Plan on a regular basis; and,

22 WHEREAS, This resolution urges the San Francisco Public Utilities Commission (PUC)
23 to move forward expeditiously with a City-controlled electric generation project which
24 promotes several of the goals identified in the Plan; and,

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1 WHEREAS, In January 2003, the Board of Supervisors adopted Ordinance 1-03,
2 approving a settlement with the Williams Energy Companies. As part of this settlement, the
3 City took ownership of four combustion turbines, which could be developed into small power
4 plants. The Board of Supervisors also approved Resolution 830-02, approving a contract with
5 the California Department of Water Resources (CDWR) under which the State would
6 purchase the electricity generated by the power plants; and,

7 WHEREAS, Pursuant to Ordinance 1-03 and Resolution 830-02, the PUC has
8 developed a combustion turbine project consisting of 145 megawatts in the Potrero
9 neighborhood of San Francisco and 48 megawatts at the San Francisco International Airport
10 (Airport) (City CT Project); and,

11 WHEREAS, In November 2004, the Governing Board of the California Independent
12 System Operator (ISO) adopted the San Francisco Action Plan (Action Plan) which detailed
13 the need for the City CT Project and a number of transmission projects to displace the
14 reliability need for the Hunters Point Power Plant and the Potrero Power Plant; and

15 WHEREAS, The projects required for the shut down of the Hunters Point Power Plant
16 have been completed and in May 2006, the Hunters Point Power Plant was permanently
17 closed; and

18 WHEREAS, The Action Plan identified fifteen projects needed to permit the closure of
19 the old power plants in the City, and in March 2007, the ISO identified an additional
20 transmission project, the Jefferson-Martin Cable, that was necessary to permit the closure of
21 the Potrero Power Plant; and,

22 WHEREAS, Most of the transmission projects identified in the Action Plan have been
23 completed or are close to completion, such that when the City CT Project is operational,
24 Potrero Unit 3 will no longer be needed for reliability. After that, completion of any remaining
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1 transmission projects identified in the Action Plan and the new Jefferson-Martin cable will
2 allow for closure of Potrero Units 4, 5, and 6; and,

3 WHEREAS, The Potrero Power Plant cannot be relied on to ensure reliability beyond
4 2008 because the water discharge permit for Potrero Unit 3 expires in 2008 and the Regional
5 Water Quality Control Board has stated its intention to deny further permit extensions unless
6 Mirant upgrades the plant's cooling technology or shows that the Bay is not harmed by the
7 plant's discharges; and

8 WHEREAS, Mirant has indicated in public meetings that it is willing to close the Potrero
9 Power Plant when it is no longer needed for reliability, subject to assistance from the City in
10 redeveloping the site; and

11 WHEREAS, Local control of in-City generation can reduce the risk of market power
12 abuses and enable the City to mandate the use of cleaner fuels when feasible or to close
13 down any such generation when it is no longer needed; and

14 WHEREAS, The City CT Project would improve air and water quality relative to
15 continued operation of the Potrero Power Plant; and

16 WHEREAS, The City CT Project uses new technology with a proven record of reliability
17 in contrast with the Potrero Power Plant which has had an outage rate well above the system
18 average for power plants operating within California; and

19 WHEREAS, In addition to being integral components of the Action Plan, the City CT
20 Project is operationally flexible and ideally suited to complement the City's aggressive goals
21 for the deployment of renewable resources; and

22 WHEREAS, The Airport CT would provide emergency backup power to the Airport; and
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1 WHEREAS, The California Energy Commission (CEC) has approved the application for
2 certification for the in-City project and the San Francisco Planning Department has issued a
3 final mitigated negative declaration for the Airport CT; and

4 WHEREAS, The Board of Supervisors has not yet reviewed or adopted the CEQA
5 findings in the CEC Decision or the final mitigated negative declaration; .and

6 WHEREAS, PUC issued two requests for proposals for a design-build agreement to
7 construct the City CT Project; and,

8 WHEREAS, PUC received no compliant bids; and,

9 WHEREAS, PUC has engaged in discussions with a developer to construct the City CT
10 Project and to transfer the plants to the City at the conclusion of a term of 10 to 13 years and
11 has entered into a non-binding letter of intent in this regard; this letter is on file with the Clerk
12 of the Board of Supervisors in File No. , and is hereby declared to be a part of this
13 resolution as if set forth fully herein; and,

14 WHEREAS, The developer will require a lease or license for in-City land and land at
15 SFIA, a sale, lease or license agreement for the combustion turbines, and an assignment of
16 the December 2002 Power Purchase Agreement between CDWR and the City and County of
17 San Francisco; and,

18 WHEREAS, On July 12, 2007, the Power Plant Task Force adopted a resolution
19 recommending approval of the City CT Project by the Board of Supervisors; this resolution is
20 on file with the Clerk of the Board of Supervisors in File No. , and is hereby declared to be
21 a part of this resolution as if set forth fully herein; now, therefore, be it,

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1 RESOLVED, That the Board of Supervisors supports the CT Project which will provide
2 significant benefits to San Francisco and its citizens, including economic benefits and
3 improved reliability, public health, and environmental quality; and, be it

4 FURTHER RESOLVED, That the Board of Supervisors endorses the financial term
5 sheet for the CT Project attached to this Resolution; and, be it

6 FURTHER RESOLVED, That the Board of Supervisors urges the PUC staff to move
7 expeditiously to finalize documents and agreements necessary to develop the project and to
8 present those documents and agreements to the Board of Supervisors for review and
9 consideration; and, be it

10 FURTHER RESOLVED, That the Board of Supervisors urges other City Departments,
11 including the Mayor's Office, the Port, the Municipal Transportation Agency, the Airport and
12 the City Attorney, to work with PUC to expeditiously complete the work necessary to develop
13 the project and present it to the Board of Supervisors for review; and, be it

14 FURTHER RESOLVED, That the Board of Supervisors urges the Mayor's Office to
15 complete the agreement with Mirant for the closure of the Potrero Power Plant.

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