

LEGISLATIVE DIGEST

Ordinance authorizing, pursuant to Charter section 9.118(a), a System Impact Mitigation Agreement with North Star Solar, LLC, requiring North Star Solar, LLC, to pay the Public Utilities Commission the costs necessary to mitigate the impacts to the City's electric system caused by the interconnection of North Star Solar, LLC's solar project to the electric grid; and authorizing similar mitigation agreements with other projects in the future; and appropriating funds from these agreements to pay the costs of mitigation work.

Existing Law

Section 9.118(a) of the City's Charter requires Board of Supervisors approval of a contract with anticipated revenues in excess of \$1 million.

Amendment to Current Law

None.

Background Information

There are hundreds of proposed electric generating projects that seek to interconnect with the electric transmission system controlled by the California Independent System Operator (CAISO). The CAISO studies the impacts of the projects on the electric transmission system, including on the systems of neighboring utilities such as the SFPUC. The CAISO studies indicate dozens of proposed projects that may impact the City's transmission facilities. Unless mitigated, these impacts can affect the City's ability to provide reliable electric service to its customers. The CAISO requires an interconnecting generator to mitigate the adverse impacts of its project on another transmission system.

SFPUC staff and experts have determined the costs of mitigating the impacts on the City's electric system caused by the proposed projects and allocated responsibility for those costs among the projects. The SFPUC anticipates that it will be required to enter a System Impact Mitigation Agreement (Mitigation Agreement) with 20 or more projects over the next few years.

North Star Solar, LLC (NSS) proposes to build a 60 Megawatt solar generating facility that will interconnect with the electric grid at a location near the City's transmission lines in the Central Valley. The cost of the work necessary to mitigate the impacts on the City's electric system caused by NSS' project is currently estimated to be \$2.9 million, but this amount is subject to change based on new study results from the CAISO. There will be no direct or indirect costs to the City or the SFPUC as a result of executing a Mitigation Agreement.

No mitigation projects have been approved or are being approved at this time, and any mitigation work that is ultimately undertaken by the SFPUC will be subject to the usual steps

for planning, design, review and approval, including environmental review, Commission review, and Board of Supervisors review, to the extent required.

The key terms of the Mitigation Agreement include: (i) NSS initially will give SFPUC a nonrefundable payment of 30% of the mitigation cost allocated to NSS; (ii) NSS will pay the remaining 70% prior to construction; (iii) NSS will post security for the 2nd payment (70% of total cost) in the form of a letter of credit or cash collateral; and (iv) upon final payment, the City will release the project from any further mitigation obligation to the City.

The SFPUC Commission approved the Mitigation Agreement with NSS on August 14, 2012, in Resolution No. 12-0143 and authorized the General Manager of the SFPUC to execute similar mitigation agreements with other interconnecting projects that impact the City's electric facilities. The SFPUC Commission also authorized the General Manager to administer any funds received from NSS and any funds received from similar interconnecting projects in the future, and to establish the appropriate special revenue accounts and funds with the City Controller.

The funds received from North Star Solar, LLC, as well as the funds from any future mitigation agreements, will be used to mitigate the impacts on the City's transmission system of interconnecting projects.

The proposed ordinance would authorize the General Manager to execute a System Impact Mitigation Agreement with North Star Solar, LLC . It would also authorize the SFPUC to execute similar mitigation agreements with other interconnecting projects that impact the City's electric facilities even where those agreements result in revenues in excess of \$1 million.