

1 [Ordinance approving agreements for the development of the City Combustion Turbine
2 Projects at San Francisco International Airport and at 25th and Maryland Streets.]

3 **Ordinance approving agreements necessary for the development of the City**
4 **Combustion Turbine Projects to be located at North Access Road and Clearwater Drive,**
5 **San Francisco International Airport, and at Property Adjacent to the MTA Metro East**
6 **Facility at 25th and Maryland Streets in San Francisco, including a turbine upgrade**
7 **agreement and electric and gas interconnection agreements and granting specified**
8 **exceptions to the Administrative Code.**

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10 Note: Additions are *single-underline italics Times New Roman*;
11 deletions are ~~*strikethrough italics Times New Roman*~~.
12 Board amendment additions are double underlined.
13 Board amendment deletions are ~~strikethrough normal~~.

14 Be it ordained by the People of the City and County of San Francisco:

15 **Section 1.** The Board of Supervisors of the City and County of San Francisco hereby
16 finds, determines, and declares that:

17 **Combustion Turbine Upgrade Agreement.**

18 (a) In 2003 the PUC entered an agreement with GE to store and maintain the GE-
19 built CTs and provide extended warranties. PUC requested and the City granted sole source
20 waivers for this agreement based on the following considerations, among others:

21 (1) The GE LM6000 CTs are proprietary and strictly controlled by GE. In
22 order to maximize and preserve the warranties, the City would need GE, as the Original
23 Equipment Manufacturer, to service, upgrade, test and transport the equipment. GE also
24 provides the required insurance and quarterly maintenance and inspections for the units, as
25 required by the GE warranty.

1 (2) Storage of the units by GE helps preserve the value and condition of the
2 turbines since GE is familiar with appropriate conditions, including provision of 4 acres of high
3 security storage space.

4 (3) The City would need GE to reassemble the turbine units as the gas
5 turbine engine is currently disassembled from the remainder of each unit to prevent corrosion
6 and degradation while in long-term storage.

7 (b) The PUC will enter a new agreement with General Electric (GE) to refurbish,
8 transport, and deliver the CTs to the project sites from the current storage location in Houston,
9 Texas, at an estimated cost in excess of \$10 million. Under the new GE agreement, PUC
10 anticipates that GE will refurbish and transport the CTs to the Potrero CT site (3 CTs) and the
11 Airport CT site (1 CT) and be responsible for, among other things, implementing applicable
12 service bulletins and product bulletins for the CTs, conducting necessary testing of the CTs,
13 and loading, transporting, and unloading the CTs.

14 (c) Contract Requirements and Waivers. In view of the considerations identified
15 above in subsection (a) and the benefits to the City from this contract with GE, the PUC
16 requests that the Board of Supervisors determine that GE is a sole source for purposes of this
17 contract and approve contract provisions and waivers that reflect standard industry practice
18 for this type of service.

19 (1) PUC requests approval of binding arbitration and assignment provisions.

20 (2) PUC requests waiver of the following provisions of the Administrative
21 Code or other code as stated: Minimum Compensation Ordinance (Chapter 12P), Health
22 Care Accountability Ordinance (Chapter 12Q), Non-discrimination in contracts (Chapter 12),
23 Competitive Bidding requirements (Chapter 21.1), Audit and Inspection of Records language
24 (Section 21.34), Conflict of Interest language (Campaign and Governmental Conduct Code
25 Article III, Chapter 2), False Claims language (Section 21.35), First Source Hiring (Chapter

1 83), Earned Income Credit (Chapter 12O), Local Business Enterprise (Chapter 14), MacBride
2 Principles (Chapter 12F), Political Activity with City Funds (Chapter 12G), Civil Service
3 Requirements, and Resource Conservation (Environment Code Section 500).

4 (d) The Board of Supervisors authorizes the PUC General Manager to enter a
5 contract with GE to refurbish and transport the CTs. The Board of Supervisors finds that it is
6 reasonable and in the City's interest to approve the contract provisions and waivers set forth
7 above in subsection (c) for this GE contract.

8 **Section 2. Interconnection Agreements with Pacific Gas & Electric Company.**

9 (a) Agreements with PG&E are necessary in order to (1) connect the City CT
10 Projects to the electric grid, (2) connect the City CT Projects to the natural gas lines operated
11 by PG&E, and (3) grant easements to PG&E and to access the interconnection facilities.

12 (b) Three agreements with PG&E related to electric interconnection are required:
13 two agreements for the Airport CT Project and one for the Potrero CT Project. The PUC has
14 entered into two agreements, which require term extensions. The PUC must enter into a third
15 agreement for the Airport CT Project. The agreements related to interconnection are pro-
16 forma agreements, with terms established by the Federal Energy Regulatory Commission
17 (FERC) for general use. Individual terms, such as the cost of the specific interconnection
18 facilities to be built, are approved by the FERC.

19 (1) Generator Special Facilities Agreement for the Airport CT project (GSFA).
20 The GSFA establishes the costs of the interconnection facilities for the Airport CT. The
21 agreement is on file with the Clerk of the Board of Supervisors in File No. _____ and is
22 incorporated herein by reference. The agreement has been approved by the FERC. It
23 provides for the construction by PG&E of facilities to interconnect the Airport CT Project to the
24 electric transmission system.

1 (A) The PUC will pay PG&E's actual costs of constructing the
2 interconnection facilities, estimated to be \$5,374,000. Approximately \$5 million of this
3 amount, plus interest, will be refunded to PUC over a five-year period commencing upon
4 commercial operation. PUC must also pay a one-time cost of ownership charge of \$121,737.

5 (B) The current GSFA will expire within nine years and eleven months
6 after it becomes effective. The GSFA term must be extended to a term concurrent with the
7 term of an interconnection agreement for the Airport CT Project. (See Section 7(b)(2), below.)

8 (2) Interconnection agreement for the Airport CT Project. This agreement
9 governs the non-rate terms and conditions under which the Airport CT Project will be
10 physically interconnected to the electric system. The terms of this agreement will be
11 substantially similar to the terms of the interconnection agreement for the Potrero CT Project
12 (see Section 7(b)(3), below) and consistent with the pro forma agreements approved by
13 FERC, except that the costs of the Airport interconnection will be as described in the GSFA
14 (see Section 7(b)(1), above).

15 (3) Standard Large Generator Interconnection Agreement (LGIA) for the
16 Potrero CT Project. The LGIA for the Potrero CT Project is an agreement between the PUC,
17 PG&E and the ISO. The agreement is on file with the Clerk of the Board of Supervisors in File
18 No. _____ and is incorporated herein by reference. The agreement has been
19 approved by the FERC. It provides for the construction by PG&E of facilities to interconnect
20 the Potrero CT Project to the electric transmission system. It also sets forth the technical
21 requirements for on-going interconnection of the Potrero CT Project to the electric
22 transmission system.

23 (A) The PUC will pay PG&E's actual costs of constructing the
24 interconnection facilities, estimated to be \$4,451,000. Approximately \$1.3 million of this
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1 amount, plus interest, will be refunded to PUC over a five-year period commencing upon
2 commercial operation. PUC will also pay a one-time cost of ownership charge of \$1,498,339.

3 (B) The current LGIA will expire within nine years and eleven months
4 after it becomes effective. The term will be extended to a period of ten years from the effective
5 date, with automatic renewals for each successive one-year period thereafter, until the
6 agreement is terminated.

7 (c) Natural Gas Agreements. PG&E will provide transportation and balancing
8 services for the natural gas fuel for the City CT Projects. To obtain transportation and
9 balancing services from PG&E, the City will be required to enter into a pro-forma Natural Gas
10 Service Agreement for both the Potrero CT Project and the Airport CT Project. A copy of this
11 proforma agreement is on file with the Clerk of the Board of Supervisors in File No. _____ and
12 is incorporated herein by reference. PG&E will provide these services pursuant to rate
13 schedules and rules adopted by the California Public Utilities Commission (CPUC). During
14 the term of the PPA with CDWR, CDWR will be responsible for charges incurred under the
15 Natural Gas Service Agreement related to providing fuel for the City CT Projects. The term of
16 the Natural Gas Service Agreement is twelve months from the effective date and continues
17 from month to month until terminated by the PUC upon thirty days notice to PG&E, or by
18 PG&E upon the approval of the CPUC.

19 (d) Easements. In conjunction with the electric and gas interconnections, PG&E will
20 grant the City rights to access certain PG&E property and the City will grant PG&E rights to
21 access certain City property.

22 (e) City Contract Requirements and Waivers. The terms and conditions governing
23 PG&E's gas and electric interconnections are set forth in pro-forma agreements and governed
24 by rate schedules and rules adopted by the CPUC and FERC. Thus, it is not feasible to
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1 include all City contracting requirements in these agreements, and the required services
2 cannot be provided by any other vendor.

3 (1) The gas and electric interconnection agreements state that they are
4 subject to all applicable laws, including federal, state, and local law. The agreements contain
5 insurance and indemnity provisions that have been approved by the City's Risk Manager,
6 pursuant to Administrative Code Section 1.24. PG&E is generally in compliance with certain
7 required City provisions even though those provisions are not reflected in these
8 interconnection agreements, including the Equal Benefits Ordinance and the Minimum
9 Compensation Ordinance.

10 (2) PUC requests that the Board of Supervisors waive certain City
11 requirements established in the Administrative Code: Minimum Compensation Ordinance
12 (Chapter 12P), Health Care Accountability Ordinance (Chapter 12Q), Non-discrimination in
13 contracts (Chapter 12), Competitive Bidding requirements (Chapter 21.1), Earned Income
14 Credit (Chapter 12O), LBE (Chapter 14), False Claims (Chapter 21.35), and Private Use of
15 City Property: Possessory Interest Taxes (Chapter 23.38). These waivers are reasonable
16 since these interconnection agreements are for services governed by tariffs and regulated by
17 state and federal agencies.

18 (f) The Board of Supervisors:

19 (1) Approves the GSFA, and authorizes the PUC General Manager to extend
20 the expiration date of the GSFA to a term concurrent with the term of an interconnection
21 agreement for the Airport CT project.

22 (2) Authorizes the PUC General Manager to enter into an interconnection
23 agreement for the Airport CT project with terms substantially similar to the terms of the LGIA
24 for the Potrero CT Project and consistent with the pro forma agreements approved by FERC,
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1 except that the costs of the Airport interconnection will be as described in the GSFA (see
2 Section 3(b)(1), above).

3 (3) Approves the LGIA for the Potrero CT project, and authorizes the PUC
4 General Manager to extend the term to a period of ten years from the effective date, with
5 automatic renewals for each successive one year period thereafter.

6 (4) Authorizes the PUC General Manager to enter into a Natural Gas Service
7 Agreement for the Potrero CT Project and for the Airport CT Project with a term of twelve
8 months from the effective date that continues thereafter from month to month until terminated
9 by the PUC upon thirty days notice to PG&E, or by PG&E upon the approval of or an order of
10 the CPUC.

11 (5) Approves the waiver of provisions identified in Section 3(e), above.

12 (6) Approves the granting of easements to PG&E that are necessary for the
13 construction and operation of the interconnections described herein.

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APPROVED AS TO FORM:

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DENNIS J. HERRERA, City Attorney

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By:

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Theresa L. Mueller
Deputy City Attorney

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