

File No. 140482

Committee Item No. 8
Board Item No. 4

COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date June 11, 2014

Board of Supervisors Meeting

Date JUNE 24, 2014

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>PUC Resolution No. 14-0032</u> |
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Completed by: Linda Wong Date June 6, 2014
Completed by: L.W. Date 6/12/14

1 [SFPUC Power Revenue Bond Issuance—Not to Exceed \$~~112,346,843~~ ~~111,326,843~~]

2
3 Ordinance approving the issuance and sale of power revenue bonds by the San
4 Francisco Public Utilities Commission in an aggregate principal amount not to
5 exceed \$~~112,346,843~~ ~~111,326,843~~ to finance the costs of various power capital projects
6 benefitting the SFPUC Power Enterprise, pursuant to Section 9.107(8) of the City
7 Charter; declaring the Official Intent of the Commission to Reimburse Itself with one
8 or more issues of tax-exempt bonds; and ratifying previous actions taken in
9 connection therewith.

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

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

15 Section 1. Findings. The Board of Supervisors (the "Board") of the City hereby finds
16 and declares as follows:

17 A. Pursuant to Charter Section 9.107(8), the San Francisco Public Utilities
18 Commission (the "Commission") is authorized to issue revenue bonds, without a vote of the
19 voters, to finance or refinance the acquisition, construction, installation, equipping,
20 improvement or rehabilitation of equipment or facilities for renewable energy and energy
21 conservation; and

22 B. By Resolution 14-0032 adopted by the Commission on February 11, 2014 (the
23 "Commission Resolution") the Commission has determined to issue revenue bonds (the
24 "Revenue Bonds") to finance the costs of various capital projects benefitting the SFPUC
25 Hetch Hetchy Power Enterprise (the "Capital Improvement Projects"), pursuant to the
Charter, and has formally requested this Board of Supervisors to authorize the issuance and

1 sale of such revenue bonds for such purposes, such Commission Resolution being on file
2 with the Clerk of the Board in File No. 140482, which is hereby declared to be a part of this
3 Ordinance as if set forth fully herein; and

4 C. The Commission has paid, beginning no earlier than 60 days prior to the
5 adoption of this Ordinance and will pay, on and after the date hereof, certain expenditures
6 (the "Expenditures") in connection with the acquisition, construction and/or equipping of the
7 Capital Improvements Project.

8 D. This Board of Supervisors, on behalf of the Commission, hereby determines that
9 those moneys previously advanced and to be advanced by the Commission on and after the
10 date hereof to pay the Expenditures are available only for a temporary period and it is
11 necessary to reimburse the Commission for the Expenditures from the proceeds of the
12 Revenue Bonds, which shall be issued on a tax-exempt basis.

3 E. This Board of Supervisors, on behalf of the Commission, adopts this Ordinance
14 as official action of the Commission in order to comply with Treasury Regulation §1.150-2
15 and any other regulations of the Internal Revenue Service relating to the qualification for
16 reimbursement of Commission expenditures incurred prior to the date of issue of the
17 Revenue Bonds.

18 F. In order to finance the costs of the Capital Improvement Projects, the Board now
19 desires to authorize the issuance and sale of power revenue bonds for such purposes.

20 Section 2. Approval of the Revenue Bonds. The Board hereby approves the
21 issuance and sale of the Revenue Bonds from time to time by the Commission pursuant to
22 Charter Section 9.107(8) and in accordance with the Commission Resolution in an
23 aggregate principal amount not to exceed \$112,346,843 ~~111,326,843~~ (inclusive of related
24 financing costs), at a maximum rate or rates of interest of not to exceed twelve percent
25 (12%) per annum to finance a portion of the costs of the design, acquisition and construction

1 of various capital projects in furtherance of the Capital Improvement Projects. The
2 Commission is hereby authorized to determine the timing, amount and manner of sale (i.e.,
3 competitive or negotiated methods of sale) of each series of Revenue Bonds issued
4 pursuant to this authorization; provided however, the Commission's authorization to issue
5 Revenue Bonds is subject to approval by the Commission's Board of the substantially final
6 form of offering document prior to the issuance of any bonds herein authorized.

7 Section 3. Declaration of Official Intent. The Board, on behalf of the Commission,
8 hereby declares the official intent of the Commission to reimburse the Commission with
9 proceeds of the Bonds for the Expenditures with respect to the Capital Improvements
10 Project made on and after a date that is no more than 60 days prior to the adoption of this
11 Ordinance. The Commission reasonably expects on the date hereof that it will reimburse
12 the Expenditures with proceeds of the Bonds. Each said Expenditure was and will be either
13 (A) of a type properly chargeable to a capital account under general federal income tax
14 principles (determined in each case as of the date of the Expenditure), (B) a cost of
15 issuance with respect to the Bonds, (C) a nonrecurring items that is not customarily payable
16 from current revenues, or (D) a grant to pay a party that is not related to or an agent of the
17 issuer so long as such grand does not impose any obligation or condition (directly or
18 indirectly) to repay any amount to or for the benefit of the Commission. The maximum
19 principal amount of the Revenue Bonds to be issued for the Capital Improvement Projects is
20 \$112,346,843 ~~111,326,843~~ (inclusive of financing costs).

21 The Commission will make a reimbursement allocation, which is a written allocation by
22 the Issuer that evidences the Commission's use of proceeds of the Revenue Bonds to
23 reimburse an Expenditure, no later than 18 months after the later of the date on which the
24 Expenditure is paid or the component of the Capital Improvement Projects is placed in service
25 or abandoned, but in no event more than three years after the date on which the Expenditure

1 is paid. The Commission recognizes that exceptions are available for certain "preliminary
2 expenditures," costs of issuance, certain *de minimis* amounts, expenditures by "small issuers"
3 (based on the year of issuance and not the year of expenditure) and expenditures for
4 construction projects of at least 5 years.

5 Section 4. General Authority. The Controller, Treasurer, the City Attorney and other
6 officers of the City and their duly authorized deputies and agents are hereby authorized and
7 directed, jointly and severally, to take such actions and to execute and deliver such
8 certificates, agreements, requests or other documents, as they may deem necessary or
9 desirable to facilitate the issuance, sale and delivery of the Revenue Bonds, to obtain bond
10 insurance or other credit enhancements with respect to the Revenue Bonds, to obtain
11 surety, to obtain title and other insurance with respect to the facilities to be financed, and
12 otherwise to carry out the provisions of this Ordinance.

13 Section 5. Ratification of Prior Actions. All actions authorized and directed by this
14 Ordinance and heretofore taken are hereby ratified, approved and confirmed by this Board.

15 Section 6. File Documents. All documents referred to as on file with the Clerk of the
16 Board are in File Nos. 140482.

17 Section 7. Effective Date. Pursuant to Charter Section 14.102, this Ordinance shall
18 take effect thirty (30) days after its adoption.

19
20 APPROVED AS TO FORM:
21 DENNIS J. HERRERA, City Attorney

22 By: 
23 MARK D. BLAKE
Deputy City Attorney

24 n:\financlas2014\1300183\00933521.doc

AMENDED IN COMMITTEE

6/11/14

FILE NO. 140482

LEGISLATIVE DIGEST

[SFPUC Power Revenue Bonds---Not To Exceed \$112,346,843]

Ordinance approving the issuance and sale of power revenue bonds by the San Francisco Public Utilities Commission in an aggregate principal amount not to exceed \$112,346,843 to finance the costs of various power capital projects benefitting the SFPUC Power Enterprise, pursuant to Section 9.107(8) of the City Charter; declaring the Official Intent of the Commission to Reimburse Itself with one or more issues of tax-exempt bonds; and ratifying previous actions taken in connection therewith.

Existing Law

This is new legislation.

Background Information

The proposed Ordinance authorizes the issuance by the SFPUC of its power revenue bonds (the "Power Revenue Bonds") in an amount not to exceed \$112,346,843 to finance a portion of the costs of the design, acquisition and construction of various capital projects benefitting the SFPUC Power Enterprise. The Power Revenue Bonds will be issued pursuant to Charter Section 9.107(8), at a maximum rate of 12% per annum. The Ordinance delegates to the SFPUC the authority to determine the timing, amount and manner of sale (i.e., competitive or negotiated), subject to the SFPUC approving the form of a substantially final offering document.

The Ordinance also authorizes declares the Official Intent of the City, on behalf of the SFPUC, to reimburse itself with a portion of the proceeds of the Power Revenue Bonds in accordance with Treasury Regulation Section 1.150-2.

<p>Items 6 and 8 Files 14-0480 and 14-0482</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed supplemental appropriation ordinance authorizes \$215,108,836 of Hetch Hetchy revenues, Cap and Trade allowances, and Power and Water Revenue Bonds for the PUC Hetch Hetchy Capital Improvement Program, including \$103,508,198 in FY 2014-15, and \$111,600,638 in FY 2015-16 and places \$172,735,378 of these funds on Controller's reserve by project subject to PUC and Board of Supervisors' approval following completion of project-related analysis pursuant to the California Environmental Quality Act, where required, and receipt of proceeds of indebtedness and loan funds. • The proposed ordinance (File 14-0482) authorizes the issuance and sale of power revenue bonds by the PUC in an amount not to exceed \$111,326,842, to finance a portion of the costs to design, acquire and construct various capital projects benefiting the PUC Power Enterprise. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The Public Utilities Commission approved the 10-year Hetch Hetchy Enterprise Capital Plan in May 2014. The Hetch Hetchy Capital Plan calls for \$1.25 billion in total capital expenditures over 10 years, of which \$750 million is for power projects and \$500 million is for water projects. • The appropriation includes funding to provide construction and permanent electric services to the new Transbay Transit Center, including adjacent bus ramps, and the new bus storage facility at Stillman Street. It also includes funding to install a new underground 12-kV electric distribution system on Treasure Island, which will replace the existing overhead 12-kV system. Finally, includes funding to rehabilitate the Lower Cherry Aqueduct, which supplements the primary Hetchy Reservoir supply during a drought year. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The sources of funding for the proposed supplemental appropriation include Hetch Hetchy revenue bonds, re-appropriation of surplus Hetch Hetchy capital project funds, the Hetch Hetchy Cap and Trade allowance, and de-appropriation and re-appropriation of \$19.5 million of Budget and Finance Committee reserves intended for Clean Power SF. • The proposed ordinance authorizing PUC to sell up to \$111,326,842 in revenue bonds delegates the authority to the PUC to determine the timing, amount and manner of the sale. The first revenue bond sale of approximately \$54 million, including previously authorized bonds, is scheduled to occur in October, 2014, and is anticipated to be sold on a negotiated basis because these bonds are a new and unique credit that are not expected to generate a number of competitive bid 	

- Debt service payments will be covered by Hetch Hetchy Enterprise revenues from the sale of electricity. The electricity rate charged to the City's enterprise departments and other non-General Fund agencies is currently \$.13/kWH. This rate will remain flat through FY 2014-15, and will be increased by 3% annually starting in FY 2015-16. The City's General Fund departments pay a subsidized rate, which will increase by \$.01/kWH in FY 2014-15, FY 2015-16, and FY 2016-17 and by \$.005/kWH annually thereafter.

Policy Consideration

- The proposed ordinance (File 14-0480) de-appropriates the \$19.5 million originally appropriated by the Board of Supervisors to CleanPowerSF and re-appropriates these funds as a source of revenues for the proposed Hetch Hetchy Enterprise capital projects. As an alternative, the Board of Supervisors could:
 - Appropriate on-going annual savings of approximately \$800,000 and one-time savings of \$388,263, identified by the Budget and Legislative Analyst in the FY 2014-15 and FY 2015-16 PUC budgets and allocated to Hetch Hetchy Enterprise power projects, to CleanPowerSF; and/or
 - Increase the issuance of power bonds by up to approximately \$8.8 million, from the requested amount of \$111,326,842 to an estimated amount of \$120,126,842, thus reducing the de-appropriation and re-appropriation of the \$19.5 million on reserve for the CleanPowerSF program by \$8.8 million. Ongoing debt service for the additional \$8.8 million would be funded by the approximate \$800,000 in annual savings identified by the Budget and Legislative Analyst.

Recommendations

- Approve the proposed ordinance authorizing the issuance of revenue bonds (File 14-0482).
- Approve \$215,108,836 of the requested appropriation of \$234,608,836 (File 14-0480), which represents a reduction of \$19,500,000.
- Approval of the balance of \$19,500,000, which has been previously appropriated by the Board of Supervisors for CleanPowerSF, is a policy matter for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND

Charter Section 9.107(6, 8) states that the Board of Supervisors is authorized to provide for the issuance of revenue bonds. Revenue bonds shall be issued only with the assent of a majority of the voters upon any proposition for the issuance of revenue bonds, except that no voter approval shall be required with respect to revenue bonds:

Issued for the purpose of the reconstruction or replacement of existing water facilities or electric power facilities or combinations of water and electric power facilities under the jurisdiction of the Public Utilities Commission, when authorized by resolution adopted by a three-fourths affirmative vote of all members of the Board of Supervisors; and

Issued to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation.

Charter Section 5A.31(d) states that one-twentieth of one percent from the proceeds of each issuance or sale of public utility revenue bonds must be set aside for use by the Public Utilities Commission Revenue Bond Oversight Committee to cover the costs of Committee activities.

Charter Appendix F1.113 states that 0.2 percent of the bond expenditures net of bond financing and auditing costs be allocated to the support the Controller's Audit Fund.

Charter Section 9.105 states that the Board of Supervisors shall approve by ordinance all amendments to the Annual Appropriation Ordinance after the Controller certifies the availability of funds.

Background

The San Francisco PUC has provided electricity services to San Francisco customers and the Modesto and Turlock Irrigation Districts since the construction of the Hetch Hetchy project in 1918. Currently, the PUC serves 140 megawatts (MW) of retail customer demand.

The Hetch Hetchy Enterprise is responsible for power trading and scheduling, customer relations and billing, in-City facilities, distribution infrastructure, street lights, public policy and financial planning). The Hetch Hetchy Enterprise is also responsible for all water and power facilities at Hetch Hetchy.

Power sales must generate sufficient revenues to fund the Hetch Hetchy Enterprise's operating expenses while funding capital investments to provide safe and reliable service and maintaining stable and affordable electrical rates. According to Harlan Kelly, General Manager of the PUC, the Hetch Hetchy Enterprise must plan for several interrelated challenges in the coming years, including:

- Identifying and securing additional revenues needed to fund essential capital investments in aging Hetch Hetchy infrastructure and in-City facilities;
- Identifying additional revenues to fund “build-out” of local renewable and energy efficiency projects;
- Interconnection arrangements with Pacific Gas & Electric (PG&E) that will serve the City’s best interests and are consistent with the Raker Act¹;
- Changes to energy management strategies that will accompany the expiration of the current transmission and distribution (T&D) agreement with PG&E, including ways to deploy available Hetch Hetchy power to best serve the community; and
- Identifying opportunities to serve more San Francisco customers, which will benefit those customers and help fund capital needs and public policy programs.

DETAILS OF PROPOSED LEGISLATION

File 14-0482: The proposed ordinance authorizes the issuance and sale of power revenue bonds by the PUC in an amount not to exceed \$111,326,842 to finance a portion of the costs to design, acquire and construct various capital projects benefitting the PUC Power Enterprise.

File 14-0480: The proposed ordinance appropriates (1) \$215,108,836 of Hetch Hetchy revenues, Cap and Trade allowances, and revenue bonds and re-appropriates \$19,500,000 previously appropriated by the Board of Supervisors for Clean Power SF, totaling \$234,608,836, to the Hetch Hetchy Capital Improvement Program; and (2) places \$172,735,378 by project on Controller’s reserve pending PUC and Board of Supervisors approval of California Environmental Quality Act (CEQA) findings and Controller’s certification of available funds.

FISCAL IMPACT

File 14-0482:

The proposed ordinance, authorizing PUC to issue and sell up to \$111,326,842 in power revenue bonds, delegates the authority to the PUC to determine the timing, amount and manner of sale (e.g., whether the sale is competitive or negotiated). According to Michael Brown, of PUC Capital Finance, the first revenue bond sale of approximately \$54.0 million, including previously authorized bonds, is scheduled to occur in October, 2014, and is anticipated to be sold on a negotiated basis because these bonds are a new and unique credit for the PUC. According to Mr. Brown, the PUC anticipates selling the remaining \$69.3 million in revenue bonds in FY 2015-16.

¹ The Raker Act is a federal law passed in 1913 allowing San Francisco to build a dam in the Hetch Hetchy Valley.

The anticipated interest rate for the bond payments is 6%. Total estimated debt service over the 30-year term of the bonds is \$235,959,556, consisting of \$111,326,842 in principal and \$124,632,714 in interest. The estimated average annual debt service payment is \$8,427,127.

Debt service payments will be covered by Hetch Hetchy Enterprise revenues from the sale of electricity. The electricity rate charged to the City's enterprise departments and other non-General Fund agencies is currently \$.13/kWH. This rate will remain flat through FY 2014-15, and will be increased by 3% annually starting in FY 2015-16. The City's General Fund departments pay a subsidized rate of \$.0475/kWH in FY 13-14; this rate will increase by \$.01/kWH in FY 2014-15, FY 2015-16, and FY 2016-17, and by \$.005/kWH annually thereafter.

Consultants for the first bond issuance will be selected from the Controller's Underwriter and Financial Advisor Pool. The PUC will issue a two-page mini-solicitation to consultants in the pool and then will select a winner based on the submissions.

File 14-0480:

The proposed ordinance appropriates \$234,608,836 in various Hetch Hetchy revenues for project and bond financing and oversight costs, as shown in Table 1 below.

These Hetch Hetchy revenues include \$19.5 million which was previously appropriated by the Board of Supervisors and placed on Budget and Finance Committee reserve for CleanPowerSF. The proposed ordinance de-appropriates from that project the \$19.5 million and re-appropriates these monies to pay for the other projects listed in Table 1.

Table 1: Sources and Uses of Funds

Sources	FY 2014-15	FY 2015-16	Total
Power Bonds (File 14-0482)	\$41,984,314	\$69,342,528	\$111,326,842
Water Bonds (Files 14-0479 and 14-0484)	38,204,088	23,204,448	61,408,536
Subtotal Bonds	80,188,402	92,546,976	172,735,378
De-appropriation CleanPowerSF	19,500,000	0	19,500,000
Continuing Capital Projects	21,901,796	17,353,662	39,255,458
Hetch Hetchy Cap and Trade Allowance	1,418,000	1,700,000	3,118,000
Subtotal Hetch Hetchy Funds	\$123,008,198	\$111,600,638	\$234,608,836
Uses	FY 2014-15	FY 2015-16	Total
Streetlight Improvement Program	\$14,070,000	\$11,946,000	\$26,016,000
Transbay Transit Center	0	1,250,000	1,250,000
Load meter program	1,000,000	0	1,000,000
Small renewables generation	1,000,000	1,000,000	2,000,000
Small hydro generation	200,000	200,000	400,000
SF Go Solar	5,000,000	5,000,000	10,000,000
Civic Center energy efficiency	162,000	162,000	324,000
General Fund energy efficiency	500,000	500,000	1,000,000
All other energy efficiency	338,000	338,000	676,000
Treasure Island	3,050,000	2,950,000	6,000,000
Lower Cherry Aqueduct	18,100,000	0	18,100,000
Power only projects	36,008,000	31,578,000	67,586,000
Water and power	26,422,000	34,000,000	60,422,000
Water projects	1,720,000	3,960,000	5,680,000
Subtotal Projects	107,570,000	92,884,000	200,454,000
Bond Financing Costs	15,182,964	18,484,597	33,667,561
City Services Auditor	215,140	185,768	400,908
Revenue Bond Oversight Committee	40,094	46,273	86,367
Subtotal Financing and Oversight	15,438,198	18,716,638	34,154,836
TOTAL	\$123,008,198	\$111,600,638	\$234,608,836

Source: Public Utilities Commission

The Public Utilities Commission approved the 10-year Hetch Hetchy Enterprise Capital Plan in May 2014. The Hetch Hetchy Capital Plan has \$1.25 billion in total capital expenditures over 10 years, of which \$750 million are power projects and \$500 million are water projects. Most of the projects in the Capital Plan are ongoing renovation or replacement projects.

Four of the largest projects are described below.

Power Projects

Streetlight Improvement Program

The Capital Plan calls for \$31 million, including the \$26 million listed in Table 1 above, to be expended on the Streetlight Improvement Program over a three-year period. Projects to be funded include: 3rd Street Rehabilitation; Holiday and Festivity Pole Use; the Pedestrian Lighting Project, and the Rehabilitation of Streetlight Poles, among others.

Transbay Transit Center

The Transbay Transit Center project is scheduled to receive \$1.25 million in FY 2015-16. For this project, the PUC will provide construction and permanent electric services to the new Transbay Transit Center, including adjacent bus ramps, and the new bus storage facility at Stillman Street. The PUC, pursuant to an agreement with the Transbay Joint Powers Authority, will provide electric service to the Transit Center by installing two 12-kilovolt (kV) electric circuits, 12-kV switchgear, transformers, and other electrical equipment. According to Brown, PUC will charge the Transbay Joint Powers Authority electricity rates sufficient to recover the costs.

Treasure Island

The \$6 million requested for the Treasure Island plan is consistent with the Hetch Hetchy Enterprise's prior ten-year capital plans. The funds will be spent on the installation of a new underground 12-kV electric distribution system that replaces the existing overhead 12-kV system. The PUC, as the electric utility provider, will be responsible for installing the wires in the conduits, transformers, switches, and metering equipment and connecting the existing electrical distribution with the new system. According to Brown, PUC will charge the Treasure Island Development Authority rates sufficient to recover the costs.

Water ProjectLower Cherry Aqueduct

The \$18.1 million request for the Lower Cherry Aqueduct was not previously budgeted in the Hetch Hetchy Enterprise's prior ten-year capital plan. The Lower Cherry Aqueduct system consists of a low head, gated diversion structure and a series of tunnels, open canals and enclosed pipes that are used to convey water from Cherry Creek to Early Intake Reservoir. The primary purpose of the Lower Cherry Aqueduct system is to convey a water supply that can supplement the primary Hetchy Reservoir supply during a drought year. Due to its age, and the damage caused by the Rim Fire, the Lower Cherry Aqueduct is unable to reliably convey the supplemental water supply from Cherry Creek to Early Intake Reservoir, thus necessitating the Lower Cherry Aqueduct Rehabilitation Project.

POLICY CONSIDERATION**The proposed appropriation ordinance de-appropriates \$19.5 million previously appropriated by the Board of Supervisors for CleanPowerSF**

On September 18, 2012, the Board of Supervisors approved Ordinance 11-1340, which appropriated \$19.5 million from Hetch Hetchy's fund balance for the San Francisco Community Choice Aggregation (CCA) program, also known as CleanPowerSF. The appropriation designated required reserves of \$13 million for PUC, of which \$11.5 million is for the proposed contract with Shell Energy North America (Shell); \$6 million for local sustainability services, and \$500,000 for related start-up costs.

The purpose of CleanPowerSF was to allow San Francisco residents and businesses to purchase electricity from 100% renewable sources. Ordinance 11-1340 authorized the General Manager

of the PUC to enter into a four-and-a-half year contract with Shell to provide customers with clean power. It was estimated that participation in the program would lead to an \$18 or 23.3% total increase in the average combined gas and electricity bill to San Francisco residents and businesses.

The proposed ordinance (File 14-0480) de-appropriates the \$19.5 million originally allocated to CleanPowerSF and re-appropriates these funds as a source of revenues for the proposed capital projects listed in Table 1 above.

The PUC has provided the Budget and Legislative Analyst's Office with alternative scenarios, in which the PUC would fund the proposed projects with \$19.5 million in operating or bond revenues, rather than de-appropriating the subject \$19.5 million. According to the PUC analysis, each of these scenarios would result in an electricity rate surcharge to the City's General Fund and enterprise departments and other PUC customers as discussed below.

If the PUC were to fund the requested capital projects with \$19.5 million in Hetch Hetchy operating revenues, the PUC would generate the \$19.5 million over several years, depending on the amount of the surcharge. As shown in Table 2 below, if the surcharge is \$0.01 per Kwh, PUC would generate \$19.3 million over six years, and if the surcharge is \$0.04 per Kwh, PUC would generate \$19.5 million over two years.

Table 2: Scenarios for Raising the \$19.5 Million through Rate Surcharges

Year	Electricity Rate Surcharge per Kwh			
	\$.01	\$.02	\$.03	\$.04
	Revenues Generated (\$million)			
1	\$3.2	\$7.8	\$12.4	\$17
2	\$3.5	\$8.4	\$7.1	\$2.5
3	\$3.8	\$3.2		
4	\$4.1			
5	\$4.4			
6	\$3			
Total	\$19.30	\$19.40	\$19.50	\$19.50

Source: PUC

As shown in Table 3 below, if the PUC were to fund these projects with \$19.5 million in revenue bonds, annual debt service would range from approximately \$1,765,000 to \$2,000,000, depending on interest rates, and total debt service would range from approximately \$35.3 million to \$40.0 million. The PUC would charge an electricity rate surcharge to repay the bonds, ranging from \$0.0041 to \$0.0047 per Kwh, as shown in Table 3 below.

Table 3: Scenarios for Raising the \$19.5 Million through Rate Surcharges

Interest Rate	4.5%	5.0%	5.5%	6.0%
Annual Debt Service Over 20 Years	\$1,765,000	\$1,840,000	\$1,920,000	\$2,000,000
Total Debt Service	\$35,300,000	\$36,800,000	\$38,400,000	\$40,000,000
Electricity Rate Surcharge	\$0.0041	\$0.0043	\$0.0045	\$0.0047

Source: PUC

In order to retain sufficient funds to implement CleanPowerSF, the Board of Supervisors could:

- (1) Appropriate on-going annual savings of approximately \$800,000 and one-time savings of \$388,263, identified by the Budget and Legislative Analyst in the FY 2014-15 and FY 2015-16 PUC budgets and allocated to Hetch Hetchy Enterprise power projects, to CleanPowerSF; and/or
- (2) Increase the issuance of power bonds by up to approximately \$8.8 million, from the requested amount of \$111,326,842 to an estimated amount of \$120,126,842, thus reducing the de-appropriation and re-appropriation of the \$19.5 million on reserve for the CleanPowerSF program by \$8.8 million. Ongoing debt service for the additional \$8.8 million would be funded by the approximate \$800,000 in annual savings identified by the Budget and Legislative Analyst.

The amount of funds required to implement CleanPowerSF could potentially be less than the \$19.5 million if a future contract to implement CleanPowerSF requires a lower amount of reserves than the \$11.5 million in reserves required under the proposed contract with Shell.

RECOMMENDATIONS

1. Approve the proposed ordinance authorizing the issuance of revenue bonds (File 14-0482).
2. Approve \$215,108,836 of the requested appropriation of \$234,608,836 (File 14-0480), which represents a reduction of \$19,500,000.
3. Approval of the balance of \$19,500,000, which has been previously appropriated by the Board of Supervisors for CleanPowerSF, is a policy matter for the Board of Supervisors.

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 14-0032

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the proposed FY 2014-15 and FY 2015-16 Capital Improvement Budget to the Commission at public hearings held on January 14 and 28, 2014, and February 11, 2014 for the Water Enterprise, Wastewater Enterprise, and Hetch-Hetchy Water and Power, including the Power Enterprise; and

WHEREAS, The proposed FY 2014-15 and FY 2015-16 Capital Improvement Budget must be submitted to, and approved by, Mayor Edwin M. Lee and the Board of Supervisors; and

WHEREAS, The SFPUC General Manager recommends that the SFPUC seek a supplemental appropriation for the capital expenditures presented in the proposed FY 2014-15 and FY 2015-16 Capital Improvement Budget for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise, to timely implement public repair and improvement projects, including the preparation and consideration of environmental analysis pursuant to the California Environmental Quality Act (CEQA) and Administrative Code Chapter 31, where required; and

WHEREAS, This Commission has considered the proposed Fiscal Years 14-15 and 2015-16 Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, which total \$655,083,000 for FY 2014-15 and \$817,695,000 for FY 2015-16; now, therefore be it

RESOLVED, That this Commission hereby approves the Fiscal Years 2014-15 and FY 2015-16 Capital Improvement Program Budget for each Enterprise as follows:

Capital Improvement Program	FY 2014-15	FY 2015-16
Wastewater Enterprise	\$304,642,000	\$536,635,000
Water Enterprise	\$232,357,000	\$158,368,000
Hetchy Power	\$ 90,881,100	\$ 88,865,500
Hetchy Water	<u>\$ 27,202,900</u>	<u>\$ 33,826,500</u>
Total SFPUC	\$655,083,000	\$817,695,000

and, be it

FURTHER RESOLVED, That the General Manager of the San Francisco Public Utilities Commission (SFPUC) is authorized to make further technical adjustments to these approved amounts as may be necessary, or upon further direction from the Commission; and, be it

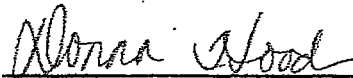
FURTHER RESOLVED, That this Commission hereby adopts the proposed FY 2014-15 and 2015-16 SFPUC Capital Improvement Program Budgets for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, and authorizes the General Manager to request the Mayor to recommend to the Board of Supervisors a supplemental appropriation in the amount of \$729,811,000 to fund FY 2014-15 and \$935,769,000 to fund FY 2015-16 as follows:

FY 2014-15 Projects	Amount	Financing Costs	Total
Wastewater Enterprise	\$304,642,000	\$38,133,000	\$342,775,000
Water Enterprise	\$232,357,000	\$14,784,000	\$247,141,000
Hetchy Power	\$ 90,881,100	\$16,239,000	\$107,120,100
Hetchy Water	<u>\$ 27,202,900</u>	<u>\$ 5,572,000</u>	<u>\$ 32,774,900</u>
Total SFPUC	\$655,083,000	\$74,728,000	\$729,811,000

FY 2015-16 Projects	Amount	Financing Costs	Total
Wastewater Enterprise	\$536,635,000	\$71,496,000	\$608,131,000
Water Enterprise	\$158,368,000	\$24,177,000	\$182,545,000
Hetchy Power	\$ 88,865,500	\$15,472,000	\$104,337,500
Hetchy Water	<u>\$ 33,826,500</u>	<u>\$ 6,929,000</u>	<u>\$ 40,755,500</u>
Total SFPUC	\$817,695,000	\$118,074,000	\$935,769,000

FURTHER RESOLVED, The General Manager is hereby authorized and directed to submit to the Board proposed Ordinances authorizing the issuance of not to exceed \$302,707,000 aggregate principal amount of Water Revenue Bonds and \$846,906,000 aggregate principal amount of Wastewater Revenue Bonds under the terms of Proposition E; provided, however, the issuance of such Bonds shall be subject to the terms of Proposition E (approved by the voters November 2002); and \$148,874,000 aggregate principal amount of Power Revenue Bonds, subject to the terms of Charter Section 9.107(8). The General Manager shall return to this Commission and the Board for a subsequent discretionary approval of any disclosure and security documents prepared in connection with the issuance of such Bonds to finance these capital improvement program projects.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 11, 2014.



Secretary, Public Utilities Commission

OFFICE OF THE MAYOR
SAN FRANCISCO



RECEIVED EDWIN M. LEE
BOARD OF SUPERVISORS MAYOR
SAN FRANCISCO

MAY -1 PM 3:12

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *RS* Mayor Edwin M. Lee *JE*
RE: SFPUC Power Revenue Bond Issuance--Not to Exceed \$111,326,843
DATE: May 1, 2014

Attached for introduction to the Board of Supervisors is the ordinance approving the issuance and sale of power revenue bonds by the San Francisco Public Utilities Commission (the "Commission") in an aggregate principal amount not to exceed \$111,326,843 to finance the costs of various power capital projects benefitting the SFPUC Power Enterprise, pursuant to Section 9.107(8) of the City Charter; declaring the Official Intent of the Commission to Reimburse Itself with one or more issues of tax-exempt bonds; and ratifying previous actions taken in connection therewith.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.