

File No. 191251

Committee Item No. 3

Board Item No. 28

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 15, 2020

Board of Supervisors Meeting

Date January 28, 2020

Cmte Board

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Linda Wong Date January 10, 2020

Completed by: Linda Wong Date January 17, 2020

[De-Appropriation and Re-Appropriation in Hetch Hetchy Power - \$10,369,224 - Power Asset Acquisition Analysis Project - Public Utilities Commission - FY2019-2020]

Ordinance de-appropriating \$10,369,224 of capital projects appropriations and re-appropriating \$10,369,224 in Hetch Hetchy Power for the Power Asset Acquisition Analysis Project of the Public Utilities Commission for FY2019-2020.

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

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

Section 1. The uses of funding outlined below are herein de-appropriated from capital projects and re-appropriated in Hetch Hetchy Power to reflect the projected uses of funding to support the Power Asset Acquisition Analysis Project in Fiscal Year 2019-20.

USES De-Appropriation

Fund/ Department ID	Project & Activity/ Authority	Account	Description	Amount
24990 HHWP	10014645 -0001	584030	UH Renewable-	\$453,690
Continuing Authority	Generation/Ocean -	Capital Renewal	generation - Ocean	
Ctrl / 298649	Budget -	Projects		
HHP0906 Long	Generation/Ocean -			
Range Planning	Budget / 15399 - UH			
	Renewable-			
	generation - Ocean			

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Fund/ Department ID	Project & Activity/ Authority	Account	Description	Amount
24990 HHWP	10014654-0001	584030	UH Renewable	\$404,829
Continuing Authority	Small Hydro -	Capital Renewal	Generation - Small	
Ctrl / 298649	Budget - Small	Projects		
HHP0906 Long	Hydro - Budget /			
Range Planning	15401 - UH			
	Renewable			
	Generation - Small			
24990 HHWP	10014573-0001	584030	UH Community	\$216,330
Continuing Authority	Community Choice	Capital Renewal	Choice Project	
Ctrl / 298648	Project - Cca -	Projects		
HHP0903 Energy	Community Choice			
Services	Project - Cca /			
	15389 - UH			
	Community Choice			
	Project			

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Fund/ Department ID	Project & Activity/ Authority	Account	Description	Amount
24990 HHWP	10033821-0001	584030	UH Distribution	\$2,000,000
Continuing Authority	Intervening Facilities	Capital Renewal	Services Retail	
Ctrl / 298648	- PUC HHP / 15372	Projects		
HHP0903 Energy	- UH Distribution			
Services	Services Retail			
24990 HHWP	10014281-0001	584030	Streetlight	\$1,251,549
Continuing Authority	Streetlight	Capital Renewal	Replacement	
Ctrl / 298648	Replacement -	Projects		
HHP0903 Energy	Streetlight			
Services	Replacement /			
	15377 - UH			
	Streetlight			
	Replacement			
24990 HHWP	10014221-0001	584030	UH Alice Griffith-	\$4,449,877
Continuing Authority	Alice	Capital Renewal	candlestick	
Ctrl / 298648	Griffith/Candlestick	Projects		
HHP0903 Energy	Point - Alice			
Services	Griffith/Candlestick			
	Point / 15371 - UH			
	Alice Griffith-			
	candlestick			

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Fund/ Department ID	Project & Activity/ Authority	Account	Description	Amount
25430 HHP CPF	10014644-0001	584030	UH Power	\$1,592,949
Transbay Cable /	Transbay Cable	Capital Renewal	Transmission	
298648	Project - Transbay	Projects	Project	
HHP0903 Energy	Cable Project/			
Services	15398 - UH Power			
	Transmission			
	Project			
Total Uses De-Appropriation				\$ 10,369,224

USES Re-Appropriation

Fund/ Department ID	Project & Activity/ Authority	Account	Description	Amount
24990 HHWP	10034512-0001	584030	UH Alternative	\$8,776,275
Continuing Authority	Power Asset	Capital Renewal	Transmission	
Ctrl / 298649	Acquisition Analysis	Projects	Project	
HHP0906 Long	- Power Asset			
Range Planning	Acquisition / 15383 -			
	UH Alternative			
	Transmission			
	Project			

Fund/ Department ID	Project & Activity/ Authority	Account	Description	Amount
25430 HHP CPF	10034512-0001	584030	UH Alternative	\$1,592,949
Transbay Cable /	Power Asset	Capital Renewal	Transmission	
298649 HHP0906	Acquisition Analysis	Projects	Project	
Long Range	- Power Asset			
Planning	Acquisition / 15383 -			
	UH Alternative			
	Transmission.			
	Project			
Total Uses Re-Appropriation				\$ 10,369,224

Section 2. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles.

1 APPROVED AS TO FORM:
2 DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE
Ben Rosenfield, Controller

3
4
5 By:



6 JANA CLARK
7 Deputy City Attorney

By:



BEN ROSENFELD
Controller

Item 3 File 19-1251	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • The proposed ordinance would de-appropriate \$10,369,224 of San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Power Enterprise capital projects and re-appropriate \$10,369,224 for the Power Asset Acquisition Analysis Project. 	
Key Points	
<ul style="list-style-type: none"> • Section 16.101 of the City Charter states that it is City policy to purchase utilities when the Board of Supervisors deems doing so is in the public interest or necessity. In April 2019, the Board of Supervisors approved a resolution requesting a report from SFPUC on options for improving electric service, including the purchase of PG&E assets. In September 2019, the Board of Supervisors approved a resolution in support of Mayor Breed's letter to PG&E proposing to purchase its power assets for \$2.5 billion. • SFPUC has estimated that approximately \$17.2 million is needed in FY 2019-20 to analyze the proposed power acquisition. The funding is needed to contract with financial advisors, transaction legal counsel, engineering advisors, technical and regulatory advisors, and operational readiness advisors, as well SFPUC and City Attorney staff time. 	
Fiscal Impact	
<ul style="list-style-type: none"> • The proposed ordinance would de-appropriate \$10,369,224 from seven SFPUC Hetch Hetchy Power Enterprise capital projects that have either completed under budget or have remaining funding available and would re-appropriate \$10,369,224 for the Power Asset Acquisition project. Including the \$6,809,675 already appropriated to the project by the Board of Supervisors, the total project budget would be \$17,178,899. • The City has proposed purchasing PG&E's power assets for \$2.5 billion, an amount that would be refined through analysis funded by the proposed ordinance. The proposed purchase would be funded by revenue bonds, which would be secured by electricity sale proceeds from commercial and residential customers throughout the city. 	
Recommendation	
<ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

Section 16.101 of the City Charter states that it is City policy to purchase utilities when the Board of Supervisors deems doing so is in the public interest or necessity. In April 2019, the Board of Supervisors approved a resolution determining that it is in the public interest and necessity to change the electric service provided in San Francisco, and requesting a report from the San Francisco Public Utilities Commission (SFPUC) on options for improving electric service, including the purchase of Pacific Gas & Electric Company (PG&E) assets (File 19-0367). In September 2019, the Board of Supervisors approved a resolution in support of Mayor Breed's September 2019 letter to PG&E proposing to purchase its power assets for \$2.5 billion (File 19-0938).

SFPUC has estimated that approximately \$17.2 million is needed in FY 2019-20 to analyze the proposed power asset acquisition. In November 2019, the SFPUC Commission approved the de-appropriation of \$10,371,557 from the SFPUC Hetch Hetchy Power Enterprise capital budget and the re-appropriation of \$10,371,557 to the Power Asset Acquisition Analysis Project.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would de-appropriate \$10,369,224¹ from seven SFPUC Hetchy Hetchy Power Enterprise capital projects and re-appropriate \$10,369,224 for the Power Asset Acquisition Analysis Project. The list of de-appropriated projects is shown in Table 1 below.

Table 1: Project De-Appropriations

Project Number	Project	Amount
10014645	Generation/Ocean—Budget	\$453,690
10014654	Small Hydro—Budget	404,829
10014573	Community Choice Project—CCA	216,330
10033821	Intervening Facilities	2,000,000
10014281	Streetlight Replacement	1,251,549
10014221	Alice Griffith/Candlestick Point	4,449,877
10014644	Transbay Cable Project	1,592,949
Total		\$10,369,224

Sources of funds for the \$10,369,224 appropriation are from the de-appropriation of seven capital projects shown in Table 1 above. According to the December 2019 presentation by the SFPUC Assistant General Manager for Power to the City's Capital Planning Committee,

¹ The proposed de-appropriation/re-appropriation amount of \$10,369,224 is \$2,333 less than the amount of \$10,371,557 that was approved by the SFPUC Commission. According to Mr. John Scarpulla, SFPUC Policy and Government Affairs, this change is a minor correction based on available funds.

- Four projects – Generation/Ocean, Small Hydro, Community Choice Project, and Transbay Cable Project – are complete with remaining unspent funds;
- Two projects – Intervening Facilities and Streetlight Replacement – are ongoing projects with sufficient funding to complete the FY 2019-20 work plan; and
- One project – Alice Griffith/Candlestick Point – is ongoing and delayed; SFPUC will request additional funds as needed.

SFPUC estimates that approximately \$17.2 million is needed in FY 2019-20 to analyze the proposed power asset acquisition. The funding is needed to contract with financial advisors, transaction legal counsel, engineering advisors, technical and regulatory advisors, and operational readiness advisors, as well SFPUC and City Attorney staff time.

FISCAL IMPACT

The total cost for the Power Asset Analysis Project in FY 2019-20 is \$17,178,899. Project sources include the proposed \$10,369,224 re-appropriation, existing funding of \$2,309,675 within the Power Enterprise’s Alternative Transmission Project, and \$4,500,000 in Education Revenue Augmentation Funds (ERAF) appropriated by the Board of Supervisors in February 2019 for this purpose (File 18-1186). The sources funds are shown in Table 2 below.

Table 2: Sources of Power Asset Acquisition Analysis Project for FY 2019-20

Sources	Amount
Existing Appropriation	\$2,309,675
Excess Educational Revenue Augmentation Fund (ERAF)	4,500,000
Proposed Re-Appropriation	10,369,224
Total Sources	\$17,178,899

Through Mayor Breed’s September 2019 letter to PG&E, the City has proposed purchasing PG&E’s power assets for \$2.5 billion. According to Mr. John Scarpulla, SFPUC Policy and Government Affairs, the \$2.5 billion valuation was determined by using an in-depth asset-by-asset analysis and estimation of the physical condition and age of the assets. The valuation would be refined through analysis conducted through the appropriation authorized by the proposed ordinance. The purchase would be paid by revenue bonds, which would be secured by electricity sale proceeds from commercial and residential customers throughout the city. PG&E has not expressed interest in selling its power assets.

RECOMMENDATION

Approve the proposed resolution.



San Francisco
Water Power Sewer
 Services of the San Francisco Public Utilities Commission

525 Golden Gate Avenue, 13th Floor
 San Francisco, CA 94102
 T 415.554.3155
 F 415.554.3161
 TTY 415.554.3488

November 15, 2019

The Honorable London N. Breed
 Mayor, City and County of San Francisco
 City Hall, Room 200

The Honorable Board of Supervisors
 City Hall, Room 244

The Honorable Ben Rosenfield, Controller
 City Hall, Room 316

**Subject: SFPUC – Power Asset Acquisition Analysis Project
 Supplemental Appropriation Request \$10,369,226**

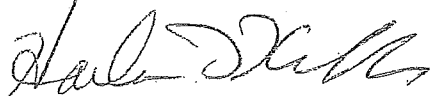
Ladies and Gentlemen:

Attached is a completed copy of the Request for Supplemental Appropriation in the amount of \$10,369,226 for the Power Asset Acquisition Analysis Project.

In January 2019, Mayor Breed requested that the San Francisco Public Utilities Commission (SFPUC) study the possibility of acquiring Pacific Gas and Electric (PG&E) electric distribution assets servicing San Francisco. In April 2019, the San Francisco Board of Supervisors approved Resolution 174-19 determining the public interest and necessity of changing electric service provided to San Francisco, including potential purchase of PG&E assets and directing the SFPUC to further study the potential acquisition.

This supplemental appropriation request will continue funding the analysis of the proposed acquisition of PG&E assets. The funding will come the re-appropriation of existing project funds.

Regards,


 Harlan L. Kelly Jr.
 General Manager

Attachments

London N. Breed
 Mayor

Ann Moller Caen
 President

Francesca Viator
 Vice President

Anson Moran
 Commissioner

Sophie Maxwell
 Commissioner

Tim Paulson
 Commissioner

Harlan L. Kelly, Jr.
 General Manager

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



