

File No. 151176

Committee Item No. 44

Board Item No. 18

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance

Date December 2, 2015

Board of Supervisors Meeting

Date December 8, 2015

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
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| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date November 23, 2015
Completed by: VY Date 12/3/15

[Appropriation - Loan from Hetch Hetchy Power Enterprise's Fund Balance to Community Choice Aggregation Program, and Payment Terms - \$4,000,000 - FY2015-2016]

Ordinance appropriating \$4,000,000 from the FY2015-2016 Hetch Hetchy Power Enterprise's fund balance to provide working capital for the Community Choice Aggregation Program (CleanPowerSF); and amending the repayment term of the existing loan authorized by Ordinance No. 120-15, and establishing the term for repayment of the additional loan, at five years from date of program launch in 2016.

Note: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in *strikethrough italics Times New Roman font*.
Board amendment additions are in double underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (*)** indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. The uses of funding outlined below are herein appropriated to reflect the funding available for Fiscal Year 2015-2016.

SOURCES Appropriation

Fund	Index Code / Project Code	Subobject	Description	Amount
5TAAAAAA	320000	99999B	HETCHY	\$4,000,000
Hetch Hetchy Power			OPERATING FUND	
Enterprise - Non Project			BALANCE	
Controlled				

1 **Total SOURCES Appropriation** \$4,000,000

2
 3 Section 2. The uses of funding outlined below are herein appropriated in Subobject
 4 06700 (Buildings Structures and Improvements), and reflect the projected uses of funding to
 5 make a loan to the Community Choice Aggregation Operating Reserves-Working Capital
 6 Fund, pursuant to San Francisco Public Utilities Commission Resolution No. 15-0243, to meet
 7 the CleanPowerSF working capital needs for Fiscal Year 2015-16.

8
 9 CleanPowerSF will incur interest charges on the loan at the otherwise applicable
 10 County-wide pool rate (currently 0.63%), and will repay the Hetch Hetchy Power Enterprise no
 11 later than five years from CleanPowerSF program launch in 2016.

12
 13 **USES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5T AAA CCA –	*HHP5TAAACCA	06700	Community Choice	\$4,000,000
Community Choice	CUH97801		Aggregation Short-	
Aggregation Reserve Fund			Term Working	
			Capital	
Total USES Re-Appropriation				<u>\$4,000,000</u>

22
 23
 24 Section 3: The existing working capital loan of \$4 million to CleanPowerSF, approved
 25 under Ordinance No. 120-15, will continue to incur interest charges at the otherwise

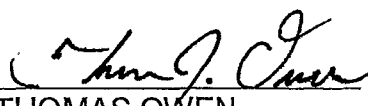
1 applicable County-wide pool rate (currently 0.63%); this loan will be repaid to the Hetch
2 Hetchy Power Enterprise no later than five years from the date of CleanPowerSF program
3 launch in 2016.

4
5 Section 4: \$4,000,000 of the appropriation is hereby placed on Controller's Reserve.
6 Release of appropriation reserves by the Controller is subject to the energy procurement
7 funding needs.

8
9 Section-4 5: The Controller is authorized to record transfers between funds and adjust
10 the accounting treatment of sources and uses appropriated for CleanPowerSF as necessary
11 to conform to Generally Accepted Accounting Principles, including recasting and revising
12 existing accounting treatments as necessary.

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

FUNDS AVAILABLE
BEN ROSENFELD, Controller

18
19
20 By: 
THOMAS OWEN
21 Deputy City Attorney

By: 
BEN ROSENFELD
22 Controller

Item 44 Files 15-1176	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • The proposed ordinance (1) appropriates \$4,000,000 from the FY 2015-16 Hetch Hetchy Power Enterprise's fund balance to provide operating capital for the CleanPowerSF program; and (2) amends the repayment term of the existing loan authorized by Ordinance 120-15 from two years to five years, and establishes the repayment term of the additional loan at five years from the launch date of CleanPowerSF in 2016. 	
Key Points	
<ul style="list-style-type: none"> • In July 2015, the Board of Supervisors approved the appropriation of \$4,000,000 from the FY 2014-15 Hetch Hetchy Power Enterprise's fund balance to provide short-term operating capital for the initial start-up of CleanPowerSF. • The PUC is requesting an additional loan of \$4,000,000 from the Hetch Hetchy Power Enterprise fund balance to CleanPowerSF to pay for the initial operating expenses that will be incurred before the program begins to generate revenues. PUC estimates a 45-day lag in revenues to cover expenditures, estimated to be \$4,000,000 over the 45-day period. The additional loan will be used to increase the operating reserve from \$4,000,000 to \$8,000,000 to allow for a 90-day reserve. 	
Fiscal Impact	
<ul style="list-style-type: none"> • If the proposed ordinance is approved, CleanPowerSF operating reserves will receive a total of \$8,000,000 in loans from the Hetch Hetchy Power Enterprise, including the prior \$4,000,000 appropriation and the requested \$4,000,000 appropriation. • The CleanPowerSF program will repay a total of \$8,151,200 in principal and interest over the five-year term of the loans. 	
Recommendations	
<ul style="list-style-type: none"> • Amend the proposed ordinance to place \$4,000,000 in requested funds on Controller's Reserve until the date these funds are needed for energy procurement. • Approve the proposed ordinance, as amended. 	

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.

Administrative Code Section 3.3(e) provides that the committee of the Board of Supervisors that has jurisdiction over the budget (i.e. Budget and Finance Committee) may place requested expenditures on reserve until release by the Committee.

BACKGROUND

Under State law, cities and counties may develop Community Choice Aggregation programs. These programs allow local governments to supply electricity to participating customers within their jurisdiction while the existing private utility (PG&E in San Francisco) continues to provide various services including billing, transmission, and distribution. The San Francisco Public Utilities Commission (PUC) is implementing a Community Choice Aggregation program (known as "CleanPowerSF") in phases. During the first phase, select customers will be automatically enrolled in the program and will have four months to opt-out of participating. These customers will be offered (1) a standard energy product that will consist of between 33 and 50 percent renewable energy, or (2) a premium product consisting of 100 percent renewable energy.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance (1) appropriates \$4,000,000 from the FY 2015-16 Hetch Hetchy Power Enterprise's fund balance to provide operating capital for the CleanPowerSF program; and (2) amends the repayment term of the existing loan authorized by Ordinance 120-15 from two years to five years, and establishes the repayment term of the additional loan at five years from the launch date of CleanPowerSF in 2016.

The Board of Supervisors appropriated \$4,000,000 in July 2015 from the FY 2014-15 Hetch Hetchy Power Enterprise's fund balance to provide short-term operating capital for the initial start-up of CleanPowerSF (File No. 15-0491; Ordinance No. 120-15).

According to Mr. Michael Hyams, CleanPowerSF Program Director, the existing \$4,000,000 appropriation was based on PUC staff's initial estimates of the amount of operating capital needed to launch the first phase of the program. PUC staff expects (1) program revenues to lag initial program expenses by about 45 days, and (2) operating expenses for 45 days to be approximately \$4,000,000. Based on financial analysis conducted since then, PUC staff has proposed a policy to have 90 days of operating expenses, or approximately \$8,000,000, available in operating reserves. According to Mr. Hyams, having 90 days of operating reserves will help the program cover unexpected changes in costs and revenues.

FISCAL IMPACT

If the proposed ordinance is approved, CleanPowerSF operating reserves will receive a total of \$8,000,000 in loans from the Hetch Hetchy Power Enterprise, including the prior \$4,000,000 appropriation and the requested \$4,000,000 appropriation. According to Mr. Hyams, the total of \$8,000,000 is necessary to meet the short-term working capital needs of the CleanPowerSF program during the initial start-up period in Fiscal Year 2015-16.

CleanPowerSF will begin to repay the \$8,000,000 plus interest to the Hetch Hetchy Power Enterprise in FY 2016-17 from the electricity revenues billed to customers enrolled in the CleanPowerSF program. CleanPowerSF will incur interest charges on the loan at the otherwise applicable County-wide pool rate (currently 0.63%) and will repay the Hetch Hetchy Power Enterprise no later than five years from the launch date of CleanPowerSF in 2016. Sources and uses of funds for CleanPowerSF, including annual repayment of the loan to the Hetch Hetchy Power Enterprise, are shown in Table 1 below. As shown in Table 1, the CleanPowerSF program expects to receive the \$8,000,000 in loans from the Hetch Hetchy Power Enterprise in 2016, and to repay a total of \$8,151,200 in principal and interest over the five-year term of the loans.

Table 1: CleanPowerSF Sources and Uses of Funds

	FYE 2016-17 (May-June)	FYE 2017-18	FYE 2018-19	FYE 2019-20	FYE 2020-21	FYE 2021-22
SOURCES						
Electricity Sales Revenue	\$318,255	\$29,329,172	\$35,657,497	\$36,715,244	\$37,804,722	\$38,926,885
Hetch Hetchy Loan	8,000,000	0	0	0	0	0
Total Sources	\$8,318,255	\$29,329,172	\$35,657,497	\$36,715,244	\$37,804,722	\$38,926,885
USES						
Energy Supply	\$1,790,856	\$21,781,116	\$24,776,174	\$25,815,577	\$26,907,892	\$27,853,541
Operating Costs ^a	2,284,920	7,374,513	7,745,090	7,879,888	8,018,617	7,238,207
Contingency/Rate Stabilization Reserve	4,242,478	(962,524)	981,320	877,466	700,292	0
Loan and Interest Repayment ^b	0	1,050,400	2,044,100	2,031,500	2,018,900	1,006,300
SuperGreen Programs/Projects	0	85,666	110,813	110,813	103,551	91,714
Add'l Reserve for Growth, Discounts, Etc.	0	0	0	0	55,468	2,737,123
Total Uses	\$8,318,255	\$29,329,172	\$35,657,497	\$36,715,244	\$37,804,721	\$38,926,885
RESERVE BALANCES (CUMULATIVE)						
Operating Reserve	\$1,435,917	\$2,821,434	\$4,213,251	\$5,617,668	\$7,034,685	\$7,028,385
Contingency/Rate Stabilization Reserve	\$4,242,478	\$3,279,955	\$4,261,275	\$5,138,741	\$5,839,033	\$5,839,033

Source: CleanPowerSF Program Director

^a Includes annual deposit to operating reserve

^b Loan and interest repayments between FYE 2017-18 and FYE 2021-22 will total \$8,151,200.

As stated above, the proposed ordinance would extend the repayment term for the previously appropriated \$4,000,000 loan from two years to five years. According to Mr. Hyams, PUC is

seeking a longer repayment term to help CleanPowerSF build up its own replacement operating reserve fund. Mr. Hyams asserts that the existing two-year repayment term obligates CleanPowerSF to prioritize loan repayments over building its own reserves for self-sufficiency.

According to Mr. Hyams, PUC expects the CleanPowerSF program to need the \$8,000,000 in funds beginning in May 2016 to pay for power purchase contracts because CleanPowerSF revenues will lag initial program expenses by approximately 45 days. The actual date when PUC will need these funds depends on the PUC's negotiation of the City power purchase contracts. Because of the uncertainty of the date when the CleanPowerSF program will need these funds, the Budget and Legislative Analyst recommends placing the \$4,000,000 in Hetch Hetchy funds on Controller's Reserve.

RECOMMENDATIONS

1. Amend the proposed ordinance to place \$4,000,000 in requested Hetch Hetchy Power Enterprise funds on Controller's Reserve until the date these funds are needed for electricity procurement.
2. Approve the proposed ordinance, as amended.

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 15-0243

WHEREAS, The San Francisco Public Utilities Commission (SFPUC) will be launching the CleanPowerSF program during FY 2015-16; and

WHEREAS, Two special funds were established for CleanPowerSF (Ordinance 200-12): the (a) CleanPowerSF Customer Fund, as the depository and operating fund used to procure energy and pay all other operating costs and (b) CleanPowerSF Reserve Fund, to hold reserves for unanticipated fluctuations in the cost of energy, customer services payments, and working capital needs; and

WHEREAS, Staff continues working with the Controller's Office to develop an appropriate CleanPowerSF fund structure and allocation process within the City's Financial Management System and may need to amend these already established funds with additional legislation to the Board of Supervisors; and

WHEREAS, A \$4 million working capital loan was approved by the Commission (Resolution No. 15-0103) and the Board of Supervisors (Ordinance 120-12) to manage CleanPowerSF cash flow needs between the initial period of service delivery and receipt of customer payments from PG&E; and

WHEREAS, An additional loan of up to \$4 million from the Hetch Hetchy Power Enterprise fund balance (for a total amount not to exceed \$8 million) may be necessary to support initial CleanPowerSF operations; and

WHEREAS, The General Manager seeks authority to extend repayment terms for the CleanPowerSF working capital loan to five years from program launch; and

WHEREAS, Pursuant to Section 3.105 of the Charter of the City and County of San Francisco, the Controller's Office will establish a schedule of allotments for the CleanPowerSF Customer Fund and periodically estimate revenue in order to ensure sufficient funding to meet obligations, now therefore, be it

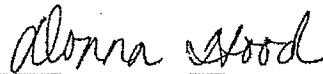
RESOLVED, That the Commission authorizes the General Manager work with the Controller to establish necessary CleanPowerSF accounts within the City's Financial Management System, including submitting legislation to the Board of Supervisors and developing the necessary procedures with the Controller to certify CleanPowerSF funds for appropriation authority; and be it

FURTHER RESOLVED, That the Commission authorizes the General Manager to seek the Mayor and Board of Supervisors approval of a supplemental appropriation of up to an additional \$4,000,000, as a loan, from the Hetchy Fund Balance Account to CleanPowerSF, to be repaid within five years of program launch; and be it

FURTHER RESOLVED, That the Commission authorizes the General Manager to submit amended CleanPowerSF working capital loan repayment terms to the Board of Supervisors extending repayment term to five years from program launch; and be it

FURTHER RESOLVED, That before making any future decisions to construct or cause the construction of specific renewable energy projects subject to the California Environmental Quality Act (CEQA) the SFPUC will consider any environmental review documents prepared by the City or another lead agency in compliance with CEQA and, if it approves such projects, the SFPUC will make or adopt any required CEQA findings as part of such approval actions.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of November 10, 2015.



Secretary, Public Utilities Commission

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *SE* Mayor Edwin M. Lee *SE*
RE: Appropriation - \$4,000,000 - FY2015-2016 loan from Hetch Hetchy Power Enterprise's Fund Balance to Community Choice Aggregation Program and payment terms
DATE: November 17, 2015

Attached for introduction to the Board of Supervisors is an ordinance appropriating \$4,000,000 from the FY2015-2016 Hetch Hetchy Power Enterprise's fund balance to provide working capital for the Community Choice Aggregation Program (CleanPowerSF); and amending the repayment term of the existing loan authorized by Ordinance No. 120-15, and establishing the term for repayment of the additional loan, at five years from date of program launch in 2016.

Please note that this legislation is co-sponsored by President Breed.

I respectfully request a waiver of the 30-day hold and that this item be calendared in Budget & Finance Committee on December 2, 2015.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

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BOARD OF SUPERVISORS
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San Francisco
**Water
Power
Sewer**

Services of the San Francisco Public Utilities Commission

CleanPowerSF \$4 Million Working Capital Request

**Budget & Finance Committee, BoS
December 2, 2015**

**Charles Perl, Deputy CFO
San Francisco Public Utilities Commission**

LL
9/11/15

1411



Action Requested

- **Prior action on July 7, 2015 (ordinance 120-15)**
 - BoS authorized \$4 million appropriation for CleanPowerSF working capital from Hetch Hetchy fund balance
 - Set repayment term to January 2018
- **Authorize \$4 million additional appropriation for CleanPowerSF working capital**
 - Hetch Hetchy loan at CCSF pool interest rate/5 years
 - Increases working capital to \$8 million
 - Equals 90 days of operating reserves to match policy
 - Provides additional power supplier assurance
- **Set loan repayment term to five years from launch date**
 - Allows program to establish operating and rate stabilization reserves



90 Days Working Capital Reserves Consistent with Proposed Policy

- SFPUC adopting CleanPowerSF policies on December 8 2015
 - Operating Reserve Fund: equal to 90 days of operating expenditures
 - Contingency/Rate Stabilization Reserve Fund: equal to 15% of projected annual revenues
- Prudent reserve policy critical to securing favorable business terms for power suppliers, lenders and credit rating agencies



Sources and Uses

90 Days Operating Reserve
= ~\$8 million

<i>\$s in millions</i>	FYE 2016 (May-June)	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021
SOURCES						
Electricity Sales Revenue	0.3	29.3	35.7	36.7	37.8	38.9
Hetch Hetchy Loan	8.0	-	-	-	-	-
Total Sources	\$ 8.3	\$ 29.3	\$ 35.7	\$ 36.7	\$ 37.8	\$ 38.9
USES						
Energy Supply	1.8	21.8	24.8	25.8	26.9	27.9
Operating Costs	2.3	7.4	7.7	7.9	8.0	7.2
Contingency/Rate Stabilization Reserve	4.2	(1.0)	1.0	0.9	0.7	0.0
Loan and Interest Repayment	-	1.1	2.0	2.0	2.0	1.0
SuperGreen Programs/Projects	-	0.1	0.1	0.1	0.1	0.1
Add'l Reserve for Growth, Discounts, Etc.	-	-	-	-	0.1	2.7
Total Uses	\$ 8.3	\$ 29.3	\$ 35.7	\$ 36.7	\$ 37.8	\$ 38.9
RESERVE BALANCES (CUMULATIVE)						
Operating Reserve	1.4	2.8	4.2	5.6	7.0	7.0
Contingency/Rate Stabilization Reserve	4.2	3.3	4.3	5.1	5.8	5.8

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