FILE NO. 081600 ORDINANCE NO.

[Closing Potrero Power Plant, adopting clean energy goals, and updating the Electricity Resource Plan.]

**Ordinance establishing City policy to take all feasible steps to close the entire Potrero Power Plant as soon as possible and urging the Public Utilities Commission to immediately prepare a plan to close the Potrero Power Plant; and establishing clean energy goals; and urging the Public Utilities Commission to update the Electricity Resource Plan.**

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. Findings

A. Ordinance 124-01 established human health and environment protections applicable to new electric generation in San Francisco. Among other things, Ordinance 124-01 required the City to develop an energy resource plan to implement all practical transmission, conservation, efficiency, and renewable alternatives to fossil-fueled generation.

B. Resolution 827-02 endorsed the Electricity Resource Plan which set forth a series of measures to support closure of the Hunters Point Power Plant and the Potrero Power Plant. The Electricity Resource Plan identified eight goals that were developed through public comment and used to guide the plan: maximize energy efficiency, develop renewable power, assure reliable power, support affordable electric bills, improve air quality and prevent other environmental impacts, support environmental justice, promote opportunities for economic development, and increase local control over energy resources.

C. In November 2004, the Governing Board of the California Independent System Operator (ISO) adopted the San Francisco Action Plan (Action Plan), which detailed the requirements for closing the Hunters Point Power Plant and the Potrero Power Plant, and the ISO has continued to update the Action Plan since November 2004.

D. The Hunters Point Power Plant was closed permanently in May 2006 consistent with the Action Plan.

E. Resolution 52-07 reaffirmed the commitment of the City to close the Potrero Power Plant as soon as feasible. Resolution 485-08 established City policy opposing renewal of the wastewater discharge permit for Potrero Unit 3.

F. The owner of the Potrero Power Plant, Mirant Potrero, LLC, has proposed to repower and retrofit Potrero Units 4, 5 and 6 to meet any ongoing need for in-City electricity generation. At a meeting on September 25, 2008, the Power Plant Task Force voted 5-0 to recommend to the Board of Supervisors that it reject the proposal to retrofit Potrero Units 4, 5 an 6 and oppose continued operation of Potrero Unit 3.

G. Since the time the Action Plan was developed, substantial transmission upgrades have been made to the San Francisco and Greater Bay Area transmission systems and more upgrades, including a Trans Bay Cable project, are underway. In a June 2, 2008 letter, the ISO stated that, with the Trans Bay Cable project in service, Potrero Unit 3 would not be required to ensure electric reliability.

H. Pacific Gas and Electric Company's (PG&E) 2007 Local Capacity Requirement Assessment study indicates that, with the Trans Bay Cable project in service, 33 megawatts (MWs) of local generation will be required in 2012, and 34 MWs of local generation will be required in 2017. In 2008, PG&E prepared a plan as an alternative to the construction of two small power plants by the City that included the Trans Bay Cable project and that replaced the

need for in-City generation with a combination of transmission projects and demand reduction. PG&E has stated that once it completes the Martin-Hunters Point 115kV transmission project in April 2009, only 96 megawatts of electric generation will be required in San Francisco, even without the Trans Bay Cable project. The requirement for 96 megawatts of generation could be met even without Potrero Unit 3.

I. Resolution 227-08 adopted the State's Energy Action Plan and the following energy resource priorities: first, energy efficiency and demand response, second, renewable energy, and third, clean burning fossil generation.

J. Resolution 299-08, adopted on June 24, 2008, urged the Public Utilities Commission (PUC) and the City Attorney to present to the ISO a transmission-only solution to close the entire Potrero Power Plant. The City has not presented to the ISO a plan for closing the entire Potrero Power Plant using resources other than fossil-fueled electric generation.

Section 2. Closing the Potrero Power Plant.

It shall be the policy of the City to take all feasible steps to close the entire Potrero Power Plant at the earliest possible date. The Board of Supervisors again urges the PUC to immediately produce a plan for closing the entire Potrero Power Plant both with and without the Trans Bay Cable Project. The plan should use clean resources and promote the City's goals of maximizing energy efficiency, developing renewable power, assuring reliable power, supporting affordable bills, improving air quality and preventing other environmental impacts, supporting environmental justice, promoting opportunities for economic development and increasing local control over energy resources. In developing the plan, the PUC should consider the studies conducted by PG&E and call on PG&E to make good on its statements that the City can maintain electric reliability without in-City generation.

Section 3. Clean Energy Goals.

It shall be the policy of the City to take all feasible steps to meet the following clean energy goals. For purposes of these goals, (i) renewable and/or clean resources shall exclude nuclear power and include City-owned hydro-electric power, and (ii) the "City's electric needs" shall mean the electricity demand of customers served electricity by the City.

(i) The City shall continue to develop and implement aggressive conservation and energy efficiency measures to reduce the City's electric needs;

(ii) By the year 2012, the City shall meet its electric needs using no less than 107 megawatts of clean resources;

(iii) By the year 2017, the City shall meet at least 51% of its electric needs with clean resources;

(iv) By the year 2030, the City shall meet at least 75% of its electric needs with clean resources;

(v) By the year 2040, the City shall meet 100% of its electricity needs with clean resources, or by that year, the City shall meet its electric needs with the greatest amount of clean resources technologically feasible or practicable.

Section 4. Update to the Electricity Resource Plan.

It shall be the policy of the City to update the Electricity Resource Plan on a regular basis and in particular whenever changes in conditions warrant an update to the plan. The Board of Supervisors urges the PUC to produce, within six months of the effective date of this resolution, an update to the Electricity Resource Plan. The update should identify the most effective and economic means of implementing the goals of this Ordinance over the short and long term, and shall consider, without limitation, the following:

(i) Transmission needs to transport Hetch Hetchy generation and cost-effective clean resources into the City, and alternatives for meeting those needs, including,

construction of City-owned transmission lines, contracts or joint transmission projects with other municipalities, and participation in the ISO transmission markets; and

(ii) Transmission and distribution needs within the City to support reliability and facilitate distributed generation and renewables, including without limitation connections between substations and the 115 and 230 kV transmission systems within the City, and transmission and distribution needs to meet new City developments; and

(iii) Resources needed to meet municipal electric loads, Community Choice Aggregation loads, other potential City loads, and the City's resource adequacy capacity obligations, including (i) options to maximize cost-effective energy efficiency and demand-reduction, and local and remote renewable and clean resources, and (ii) an analysis of alternatives for use of renewable fuels, clean and flexible resources, and storage alternatives; and

(iv) Cost-effective options to reduce greenhouse gas emissions from the electricity sector and to offset greenhouse gas emissions from other sectors; and

(v) Participation in existing City workforce development initiatives with respect to jobs related to the operation, acquisition, reconstruction, replacement, expansion, repair, or improvement of energy facilities under the jurisdiction of the Public Utilities Commission; and

(vi) Specific projections of electric demand, conservation and energy efficiency achievements, and clean and renewable resource development.

APPROVED AS TO FORM:
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