



February 22, 2022

Board of Supervisors Land Use and Transportation Committee
 1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
 San Francisco, CA 94102

Re: File No. 210322, Hearing - City Project Access to City-Owned Clean,
 Affordable Power, Sponsor: Ronen

Dear Committee Members,

On January 31, 2022, the Land Use and Transportation Committee heard testimony on the challenges facing the City and County of San Francisco (City) in connecting services to the electric distribution grid owned by Pacific Gas and Electric Company (PG&E). Representatives from the Public Utilities Commission (SFPUC), Recreation and Parks Department, and Municipal Transportation Agency presented their concerns regarding PG&E's ongoing obstruction to electric service for critical City projects. The Committee also heard from two PG&E representatives.¹

We write to address and clarify information provided by PG&E at the hearing related to the wholesale service PG&E provides to the SFPUC. That service is necessary for SFPUC to provide clean power from Hetch Hetchy to essential City services, and other customers, because PG&E owns the electric distribution grid serving San Francisco.

PG&E's Excessive Equipment Requirements Are Not Needed to Ensure Safety or Reliability

PG&E's Regional Vice President described the company's history of providing more reliable service to San Francisco than it provides across other parts of its system. At the same time, he repeatedly stated that PG&E's recent proposals requiring large, expensive equipment were made to address existing safety and reliability issues.

Despite many opportunities to do so at the Federal Energy Regulatory Commission (FERC), PG&E has yet to identify any substantial engineering, safety, or reliability reasons for requiring this additional equipment. In fact, the

¹ Aaron Johnson, Vice President, PG&E Bay Area Region, and Darin Cline, Manager, Local Government Relations, PG&E Bay Area Region.

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Sophie Maxwell
 Commissioner

Tim Paulson
 Commissioner

Dennis J. Herrera
 General Manager



City's existing 2,000+ metered secondary service connections have been safely and reliably receiving power for decades without the additional equipment. PG&E does not even allow its retail customers to receive the higher-voltage primary service unless their loads are over 500 kW. However, PG&E is now requiring primary service for all of San Francisco's wholesale connections, no matter the size of the customer, including streetlights and traffic signals that typically require less than 1 kW, effectively forcing San Francisco to overbuild the system or transfer its customers to PG&E's retail service.

For example, for smaller, lower voltage interconnections ("secondary" connections that together account for about half of San Francisco's delivery needs), PG&E is now requiring San Francisco to install large and expensive equipment that is typically only needed for large facilities with significant electric loads (like General Hospital and our wastewater treatment facilities) that require higher voltage "primary" service. The equipment required for primary service generally adds an additional \$500,000 to install and requires a much larger footprint that is often not feasible given the City's dense landscape.

The January 25, 2022 D.C. Circuit Court of Appeals Ruling Confirms that PG&E Has No Rationale for Its Requirements for Additional Equipment

In an opinion dated January 25, 2022, the United States Court of Appeals for the D.C. Circuit agreed with the City that FERC improperly dismissed the City's complaint concerning PG&E's refusal to provide secondary service to small loads.² The court found that there was no evidence in the record that PG&E's practice of denying secondary service was based on safety, reliability, or any other valid concern. Further, the court concluded that PG&E's administration of the rates and charges for the services it provides to San Francisco are potentially anti-competitive.

During the Land Use and Transportation Committee hearing, PG&E largely dismissed the court's ruling as merely a "remand to that regulatory body [FERC] to strengthen their own decision-making process" and "doesn't express any opinions about PG&E or the substance of the matters at issue." That is not an accurate description of the court's opinion with respect to FERC's dismissal of the City's complaint.

The court was critical of PG&E's explanations for its refusals to provide secondary service to dozens of small loads. The court noted that PG&E identified two concerns with providing secondary voltage service to San

² A copy of the D.C. Circuit Court of Appeal's opinion in City and County of San Francisco v. FERC is attached hereto.

Francisco: (1) the request for service might be located too far from the necessary infrastructure, and (2) secondary facilities lack operating numbers. *Id.* at 10. According to the court, however, the declaration PG&E submitted to support those claims “does not concretely describe the challenges with respect to San Francisco’s requests for secondary service.” *Id.* at 11.

The court also rejects FERC’s reliance on PG&E’s argument that primary voltage service is an industry norm for utility-to-utility interconnections. The court found that “the Commission applied the industry norm with no explanation beyond stating that such norms ‘inform expectations,’” and that FERC “does not explain why San Francisco should have expected to be bound by an industry norm involving much higher demands than it has historically required, or why its expectations are a valid basis for PG&E’s denials of its requests.” *Id.* at 12.

San Francisco is Not Seeking Preferential Treatment From PG&E

PG&E also accused the City of seeking preferential treatment in how it receives wholesale electric service, asserting that the City wants to be treated like a retail customer while paying wholesale prices. This is a mischaracterization of what the City is requesting and what PG&E is required to provide.

PG&E argued that the City’s electric customers are improperly avoiding paying PG&E’s Public Purpose Program charges, which support low income and energy efficiency programs. But these programs are only open to PG&E retail customers, whereas Hetch Hetchy Power customers receive similar program offerings through the SFPUC. In fact, state law requires publicly-owned utilities to operate and fund these types of programs, and the SFPUC’s programs are in compliance with those laws.

San Francisco Pays Its Fair Share

Contrary to PG&E’s claim, the City pays its fair share of PG&E’s costs to own and operate its distribution grid through the service charges PG&E collects from San Francisco based on rates proposed by PG&E and approved by FERC. Last year, PG&E proposed to at least double and possibly quadruple the City’s service charges, as compared to then-current rates that had been approved as reasonable by FERC. While FERC has approved an interim rate increase for the City and other WDT customers, FERC has not yet ruled on the reasonableness of PG&E’s proposed increases. The City and other customers have argued that PG&E cannot demonstrate that increases of this unprecedented magnitude are just and reasonable.

In conclusion, it is clear that PG&E’s changes to its terms of service for San Francisco have more to do with PG&E’s desire to create additional barriers to

electric service, thereby forcing the City out of the electric business, than with safety and reliability concerns.

Thank you for your support of the SFPUC as we continue to fight for reasonable electric service for our City departments and our other customers.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Hale', with a stylized flourish at the end.

Barbara Hale
Assistant General Manager, Power

cc: Supervisor Hillary Ronen