FILE NO. 240005

LEGISLATIVE DIGEST

[Amending Authorizing Agreements - Bank Credit Facility for CleanPowerSF - Public Utilities Commission]

Ordinance amending Ordinance No. 8-18, to authorize the General Manager of the San Francisco Public Utilities Commission to enter into amendments and extensions of, or replacements for, the bank credit facility agreement authorized under Ordinance No. 8-18, to provide liquidity support, as needed, for power purchases, regulatory requirements, and other financial obligations of San Francisco's CleanPowerSF community choice aggregation program for an additional term or terms not exceeding 10 years.

Existing Law

Section 8B.124 of the Charter authorizes the San Francisco Public Utilities Commission (PUC) to issue revenue bonds, including notes, commercial paper, or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors. Such indebtedness may be issued for, amongst other purposes, any lawful purpose of the power utilities of the City. The Public Utilities Commission shall endeavor to finance power facilities that increase delivery of clean energy, enhance reliability and safety, and increase sustainability by incorporating technologies like energy storage and electric vehicle charging, as well as other technologies that become available.

On January 23, 2018 the Board of Supervisors approved Ordinance No. 8-18, delegating to the PUC General Manager authority to enter in credit agreement(s) for CleanPowerSF approved by the PUC with a maximum term of six years and a maximum credit commitment of up to $150,000,000.

Amendments to Current Law

The amending ordinance extends the current authorization of the General Manager to enter into agreements to obtain credit support for the CleanPowerSF Program for an additional term or terms of ten years, with no change to the maximum authorized amount of $150,000,000. The prior ordinance authorized the General Manager to enter into such agreements for a term or terms of six years.

Authority Granted

This ordinance would authorize the General Manager to enter into agreements to obtain credit support for the CleanPowerSF Program for an additional term or terms of ten years, with no change to the maximum authorized amount of $150,000,000. All such credit agreements shall be approved by the PUC acting through its Commission in a public meeting. The provider(s) of future replacement bank credit facilities shall be selected in accordance with City contracting requirements and procurement processes as then in effect.

Background Information

The City, acting through the PUC, has implemented a program called CleanPowerSF. Under this program, the City provides electricity to participating customers at prices similar to PG&E's prices. PG&E continues to deliver the energy. CleanPowerSF uses more renewable and

greenhouse-gas free energy than PG&E does. This program is authorized by state law. See, e.g., Public Utilities Code § 366.2.
On January 23, 2018 the Board of Supervisors approved Ordinance No. 8-18, delegating to the General Manager authority to enter in credit agreement(s) for CleanPowerSF approved by the PUC with a maximum term of six years and a maximum credit commitment of up to $150,000,000.

Under the authority provided by Ordinance No. 8-18, the PUC previously approved Resolution No. 18-0012 approving the form of, and authorizing the General Manager to enter into, a credit agreement and associated fee agreement (and amendments to such agreements) with JPMorgan Chase Bank with a not to exceed commitment amount of up to $150,000,000 and term of up to six years to provide credit support to the CleanPowerSF program. The Credit Agreement was issued and used for several purposes, including providing: a) one or more standby letters of credit to secure certain payment obligations of CleanPowerSF pursuant to one or more Power Purchase Agreements, including early termination payments and monthly payment obligations; b) standby letters of credits to satisfy financial security requirements of interconnection agreements with PG&E for CleanPowerSF solar projects; c) a standby letter of credit to satisfy financial security requirements of the California Public Utilities Commission (CPUC) for Community Choice Aggregation (CCA) Programs such as CleanPowerSF, to provide assurance that costs associated with returning customers to the incumbent utility provided can be paid; and d) a revolving line of credit that can be drawn upon to meet other CleanPowerSF needs, as needed, although the Credit Agreement to date has not been drawn on for such purpose.

In March 2018, the PUC borrowed for the first time under the Credit Agreement, for an initial limited term of five years and a credit commitment of $75,000,000. Between July 2019 and May 2022, the PUC entered into several amendments to the original March 2018 Agreement:

- Amendment 1 (July 2019)- The Credit Agreement was amended to incorporate revised reserve requirements as the CleanPowerSF program fully expanded. There was no change to the agreement commitment amount and terms.

- Amendment 2 (November 2021) The Credit Agreement was amended to provide for a decrease in the commitment amount from $75,000,000 to $20,000,000 and extended the agreement by one year from March 2023 to March 2024. Additional changes to the agreement included primarily, elimination of target reserve requirements, revisions to debt service coverage and rate-setting covenants, changes to on-going reporting requirements to JPMorgan Chase Bank, and elimination of and changes to certain events of default.

- Amendment 3 (May 2022) In May 2022, the PUC entered into amendments to eliminate and change certain financial covenants from the original Credit Agreement. Specifically, this amendment primarily eliminated the covenant for CleanPowerSF to maintain a specified debt service ratio and changed such financial covenant to commit CleanPowerSF to maintain a specified level of days liquidity on hand.

On December 12, 2023, the PUC Commission approved Resolution No. 23-0221 approving the requested form of the Ordinance amending Ordinance No. 8-18, as described here. Concurrently with the approval of this Ordinance, the PUC Commission is being asked to authorize the General Manager to enter into new credit agreements with an initial credit commitment amount not to exceed $75,000,000 (within the Ordinance scope amount of $150,000,000.)

The extension of the Credit Agreement is needed for the following reasons:

1) Pursuant to the on-going power purchase agreements and potentially future agreements, standby letters of credit (LOCs) can be issued under the credit agreement to power providers as collateral if needed, in-lieu of the program posting cash. By providing such payment security to the power providers, the Credit Agreement has historically resulted in more favorable power contract pricing and low power costs for CleanPowerSF. The need for LOCs posted for this purpose has decreased since the CleanPowerSF received in December 2020, and currently maintains, an A2 issuer rating from Moody's. However, there is a possibility future power provides will require collateral postings.

2) CleanPowerSF posts financial security requirements to PG&E for certain interconnection agreements for CleanPowerSF solar projects on PUC facilities. The Credit Agreement will continue to provide CleanPowerSF with a revolving line of credit that would allow it to meet other working capital program needs, if required.

3) The CleanPowerSF program has posted a standby LOC to PG&E for a financial security requirement of the CPUC to cover associated costs of customers returning to the incumbent utility. This financial security requirement is expected remain in place indefinitely, and will increase substantially by the end of the calendar year (December 2023). The PUC awaits the final financial details about this security requirement from the CPUC.