

1 [Electric System and Solar Project Agreement - North Start Solar, LLC]

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3 **Ordinance authorizing, pursuant to Charter Section 9.118(a), a System Impact**
4 **Mitigation Agreement with North Star Solar, LLC, requiring North Star Solar, LLC, to**
5 **pay the Public Utilities Commission the costs necessary to mitigate the impacts to the**
6 **City's electric system caused by the interconnection of North Star Solar, LLC's solar**
7 **project to the electric grid; and authorizing similar mitigation agreements with other**
8 **projects in the future; and appropriating funds from these agreements to pay the costs**
9 **of mitigation work; and placing various mitigation funds on reserve with the Board of**
10 **Supervisors.**

11 NOTE: Additions are *single-underline italics Times New Roman*;
12 deletions are *strike through italics Times New Roman*.
13 Board amendment additions are double-underlined;
Board amendment deletions are ~~strikethrough-normal~~.

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

15 Section 1. Background.

16 (1) There are hundreds of proposed electric generating projects that seek to
17 interconnect with the electric transmission system controlled by the California Independent
18 System Operator.

19 (2) An interconnecting project must mitigate any adverse impacts of the project on
20 another transmission system.

21 (3) Some of these proposed projects may impact the City's transmission facilities in
22 the Central Valley and unless mitigated, can affect the City's ability to provide reliable electric
23 service to its customers.

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1 (4) SFPUC staff and experts have determined the costs of mitigating the impacts on
2 the City's electric system caused by the proposed projects and allocated responsibility for
3 those costs among the projects.

4 (5) The SFPUC anticipates that it will be required to enter a System Impact Mitigation
5 Agreement (Mitigation Agreement) with 20 or more projects over the next few years.

6 Section 2. Mitigation Agreement.

7 (1) North Star Solar, LLC (NSS) proposes to build a 60 Megawatt solar generating
8 facility that will interconnect with the electric grid at a location near the City's transmission
9 lines in the Central Valley.

10 (2) The cost of the work necessary to mitigate the impacts on the City's electric system
11 caused by NSS' project is currently estimated to be \$2.9 million, but this amount is subject to
12 change based on new study results from the California Independent System Operator.

13 (3) The Mitigation Agreement with NSS is on file with the Clerk of the Board of
14 Supervisors in File No. 121007, and is hereby declared to be a part of this ordinance as if set
15 forth fully herein.

16 (4) There will be no direct or indirect costs to the City or the SFPUC as a result of
17 executing a Mitigation Agreement.

18 (5) No mitigation projects have been approved or are being approved at this time, and
19 any mitigation work that is ultimately undertaken by the SFPUC will be subject to the usual
20 steps for planning, design, review and approval, including environmental review, Commission
21 review, and Board of Supervisors review, to the extent required.

22 (6) The key terms of the Mitigation Agreement include: (i) NSS initially will give SFPUC
23 a nonrefundable payment of 30% of the mitigation cost allocated to NSS; (ii) NSS will pay the
24 remaining 70% prior to construction; (iii) NSS will post security for the 2nd payment (70% of
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1 total cost) in the form of a letter of credit or cash collateral; and (iv) upon final payment, the
2 City will release the project from any further mitigation obligation to the City.

3 (7) The SFPUC Commission approved the Mitigation Agreement with NSS on August
4 14, 2012, in Resolution No. 12-0143 and authorized the General Manager of the SFPUC to
5 execute similar mitigation agreements with other interconnecting projects that impact the
6 City's electric facilities.

7 (8) The SFPUC Commission also authorized the General Manager to administer any
8 funds received from NSS and any funds received from similar interconnecting projects in the
9 future, and to establish the appropriate special revenue accounts and funds with the City
10 Controller.

11 (9) Section 9.118(a) of the City's Charter requires Board of Supervisors approval of a
12 contract with anticipated revenues in excess of \$1 million.

13 (10) The PUC will use any funds received from the mitigation agreements to mitigate
14 impacts on the City's electric system.

15 Section 3. Authorizations.

16 (1) The Board of Supervisors authorizes the General Manager to execute a System
17 Impact Mitigation Agreement with North Star Solar, LLC, substantially in the form of the
18 agreement on file with the Clerk of the Board of Supervisors, in File No. 121007, with such
19 changes or modifications, including modifications to the exhibits, as may be acceptable to the
20 General Manager and the City Attorney and which do not materially increase the obligations
21 and liabilities of the City.

22 (2) The Board of Supervisors authorizes the General Manager of the SFPUC to
23 execute similar mitigation agreements with other interconnecting projects that impact the
24 City's electric facilities even where those agreements result in revenues in excess of \$1
25 million, so long as the City Attorney and the General Manager determine that those

1 agreements are for the same purpose as and substantially in the form of the agreement with
2 North Star Solar, LLC.

3 (3) The funds received from North Star Solar, LLC, as well as the funds from any
4 future mitigation agreements, are appropriated for use by the SFPUC to mitigate the impacts
5 on the City's transmission system of interconnecting projects. Funds in excess of \$100,000 for
6 a given mitigation agreement shall be placed on the Budget and Finance Committee reserve.

7 ~~Section 4. Effective Date. This ordinance shall become effective 30 days from the~~
8 ~~date of passage.~~

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

12 By: Theresa L. Mueller
13 Deputy City Attorney

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