

LEGISLATIVE DIGEST

[Agreement - Pacific Gas and Electric Company - University Mound Reservoir Project - \$86,765.18]

Ordinance authorizing the Public Utilities Commission General Manager to enter into a long-term interconnection agreement with Pacific Gas and Electric Company to connect a small renewable energy project at University Mound Reservoir to the electric system; and waiving specific requirements of the Administrative Code and the Environment Code in the best interests of the City for an amount of \$86,765.18 with a duration of ten years and automatic renewal every year thereafter.

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Amendments to Current Law

None.

Background Information

The University Mound Project (the Project) is a small renewable hydroelectric project located in the Portola neighborhood, at Woolsey and Bowdoin Streets, adjacent to the existing McLaren Pumping Plant. The Project will produce electricity using the water that is already flowing in the San Francisco Public Utilities Commission's (SFPUC) water pipelines that deliver water from Crystal Springs Reservoir to the University Mound Reservoir. The Project must be connected to the electric grid to ensure the power can be used by other City facilities. To do this, the SFPUC must enter into a Small Generator Interconnection Agreement (Agreement) with Pacific Gas and Electric Company (PG&E). The agreement is based on a PG&E form agreement approved by the Federal Energy Regulatory Commission (FERC). Because the Agreement is a form interconnection agreement approved by FERC, only limited changes to that form may be made.

The Board of Supervisors has previously approved similar interconnection agreements for renewable energy projects at Alvarado Elementary School (Resolution No. 374-12), Chinatown Public Health Center and MUNI Woods Motor Coach Facility (Resolution No. 441-11), Moscone Center, Southeast Treatment Plant, Pier 96, Chinatown Public Library, Maxine Hall Medical Center, City Distribution Division Warehouse, North Point Treatment Plant, and San Francisco International Airport Terminal 3 (Resolution No. 554-07).

Approvals and Waivers Required

Section 9.118 of the San Francisco Charter requires approval by the Board of Supervisors for agreements with a term of ten years or more. The initial term of the Agreement is ten years, after which it is subject to automatic renewal every year. This approval is reasonable because it is in the City's interest to ensure that this renewable energy will be available for City facilities

over the long-term. In addition, SFPUC may terminate the agreement at any time with twenty days written notice.

The Agreement lacks certain required City contract clauses and these provisions listed below must be waived by the Board in order to enter the Agreement. However, Section 12.1 of the Agreement states that PG&E is subject to valid laws, orders, rules and regulations; under this provision San Francisco Administrative Code requirements will be incorporated into the Agreement.

The provisions which must be waived are: San Francisco Administrative Code Section [SFAC] 21.35 which requires every contract to include a statement regarding liability of claimants for submitting false claims, SFAC 21.19 barring automatic renewal provisions in City contracts, SFAC Chapter 12 which requires City Contractors to provide Earned Income Credit forms to their eligible employees, SFAC Chapter 83 which requires City contractors to comply with San Francisco's First Source Hiring Code, SFAC Chapter 12F which requires the inclusion of the MacBride Principles in every City contract, SF Environment Code Chapter 5 which requires all City contracts to incorporate the provisions of the City's Environment Code in City contracts, SFAC Chapter 12G which bars political activity by recipients of City funds, and the San Francisco Campaign and Governmental Conduct Code Section 1.126 which limits contributions from contractors doing business with the City. The Agreement includes non-standard hold-harmless, indemnity and insurance provisions, which SFPUC's Risk Manager has reviewed and approved. In addition, the Agreement does not provide for incidental and consequential damages in the event of a breach, but SFPUC believes waiver of this provision will not create undue risk of damages to the City as the project is a small hydroelectric project which will utilize safe and reliable protective equipment to protect PG&E's distribution lines and is in the best interests of the City.

The Agreement provides for a maximum guaranteed cost of \$86,765 which includes \$49,500 for network upgrades, and \$37,265.18 for a one-time charge to cover PG&E's long term cost of ownership of said upgrades.