

LEGISLATIVE DIGEST

[Contract Amendment - Western Area Power Administration - Low-Cost Power and Scheduling Coordinator Services - Treasure Island and Yerba Buena Island - Not to Exceed \$28,370,000]

Ordinance approving the third amendment to the contract between the City and County of San Francisco through its Public Utilities Commission (PUC) and the United States, through the Department of Energy Western Area Power Administration, for delivery of low-cost power and scheduling coordinator services to Treasure Island and Yerba Buena Island to extend the term by four years and three months from October 1, 2020, through December 31, 2024, and increasing the maximum amount of the agreement to \$28,370,000; approving the City indemnifying and holding the United States harmless against claims arising from the activities of the City under the contract; waiving Administrative Code requirements, as defined herein, that a City contract contain a statement of guaranteed maximum costs, and contain a statement regarding liability of claimants for submitting false claims; and waiving certain other Administrative Code and Environment Code requirements, as defined herein, upon findings made by the General Manager of the PUC.

Amendments to Current Law

This ordinance would approve waivers of those requirements in a contract amendment with the Western Area Power Administration (WAPA) for services to ensure reliable delivery of low-cost electric power for use at Treasure Island and Yerba Buena Island (TI/YBI). The ordinance would also indemnify the United States against claims resulting from acts of the City under the contract amendment.

Background Information

Under the Federal Base Closure and Realignment Act, the City is the local reuse authority for the Treasure Island Naval Station, under the auspices of the Treasure Island Development Authority (TIDA). The Public Utilities Commission manages the Treasure Island utilities for TIDA, including water, sewerage, natural gas, and electricity.

Currently, the City has a power purchase agreement, previously approved by the Board of Supervisors, with the U.S. Department of Energy Western Area Power Administration (WAPA), effective from January 1, 2005 through 2015. Under this existing power purchase agreement between the City and WAPA, WAPA guarantees that TIDA receives the amount of electricity needed by TIDA to meet TIDA's electricity needs and provides scheduling coordination services, coordinating the scheduling of electricity through the California Independent System Operator, the not-for-profit public benefit corporation operating the State's wholesale power grid.

WAPA is the City's Scheduling Coordinator and supplemental power provider to TI/YBI. A Scheduling Coordinator is responsible for submitting schedules to the California Independent System Operator (CAISO) for all buyers and sellers transmitting electricity on the ISO controlled grid. The ISO requires a Scheduling Coordinator to meet extensive financial, operational, equipment, software, and security requirements, including maintaining an operations center 24 hours a day, 7 days a week. WAPA also provides additional power to serve the City's TI/YBI load that is unmet by the amount of generation the City has already contracted to receive from WAPA under its base resource Power Purchase Agreement. The supplemental power provided by WAPA may include long-term, short-term, day-ahead, and hour-ahead purchases, and/or other arrangements. The City's current contract with WAPA for these services expires on September 30, 2020.

The proposed ordinance would approve an amendment to the WAPA contract effective, September 30, 2011 through September 30, 2024, which would modify the terms of the agreement with respect to supplemental power and scheduling coordinator services. On July 26, 2011, WAPA requested the City amend the current contract because WAPA must begin purchasing power beyond the current contract termination date. WAPA's standard contract for these services does not include the City's required false claims provision or the guaranteed maximum amount provision. In addition, WAPA's standard agreement indemnifies and holds WAPA harmless for claims arising out of the City's activities under the contract.

It is estimated that the amendment would increase the maximum amount of the contract from \$12,358,486 to \$28,386,486.