

1 [Authorizing Agreement - Retroactive - California Independent System Operator - Reliability  
2 Coordinator Services - Not to Exceed \$3,000,000]

3 **Ordinance retroactively approving an agreement between the San Francisco Public**  
4 **Utilities Commission and the California Independent System Operator for Reliability**  
5 **Coordinator services for an initial term of 18 months from January 7, 2019, through**  
6 **July 6, 2020, with an automatic renewal of the contract term in excess of ten years and**  
7 **a maximum cost not to exceed \$3,000,000; and waiving Administrative Code,**  
8 **Section 21.9(b), regarding automatic renewal of contract term.**

9 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
10 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
11 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
12 **Board amendment additions** are in double-underlined Arial font.  
13 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
14 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
15 subsections or parts of tables.

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

17 Section 1. Background and Findings.

18 (a) The North American Electric Reliability Corporation (NERC) adopts mandatory  
19 electric reliability standards that apply to all electric utilities, including Hetch Hetchy Water  
20 and Power (HHWP). These mandatory electric reliability standards are approved by the  
21 Federal Energy Regulatory Commission (FERC). One of the mandatory electric reliability  
22 standards is to perform real-time assessment of an electric utility's transmission system.

23 (b) HHWP previously received real-time assessment services from Peak Reliability by  
24 Agreement No. CS-1084. However, in July of 2018, Peak Reliability announced that it would  
25 cease operations at the end of 2019.

1 (c) In August 2018, the California Independent System Operator (CAISO) filed for  
2 FERC approval of amendments to its tariff to allow CAISO to provide Reliability Coordinator  
3 (RC) services similar to those being provided to HHWP by Peak Reliability. CAISO's tariff  
4 amendments included a pro forma Reliability Coordinator Services Agreement (RCSA),  
5 which FERC approved on November 14, 2018, with an effective date of November 15, 2018.

6 (d) Once Peak Reliability completes the winding down of its operations, CAISO will be  
7 the only entity in California qualified to provide the RC services required under the mandatory  
8 electric reliability standards.

9 (e) The estimated cost of the services is \$150,000 per year. CAISO has only  
10 projected estimated costs for the first four years of the agreement; therefore, it is difficult to  
11 determine the exact maximum contract cost in advance. The estimated maximum not to  
12 exceed cost of \$3,000,000 is based on a 20-year contract term at a cost of \$150,000 per  
13 year. Funds are available from HHWP operating and programmatic budgets.

14 (f) On March 12, 2019, the San Francisco Public Utilities Commission (SFPUC)  
15 approved Resolution No. 19-0048, a copy of which is in on file with the Clerk of the Board of  
16 Supervisors in File No. 190436, retroactively approving the Agreement between the City and  
17 County of San Francisco and the California Independent System Operator for Reliability  
18 Coordinator services, and authorizing the General Manager of the SFPUC to seek retroactive  
19 approval from the Board of Supervisors.

20  
21 Section 2. Waiver of Administrative Code Section 21.9(d).

22 (a) The Western Electricity Coordinating Council (WECC), which enforces NERC  
23 standards in the Western region, has authority to impose substantial monetary penalties on  
24 HHWP for failure to perform the real-time analyses required by the standards.

25 (b) The RCSA is necessary to meet mandatory federal electric reliability standards.

1 (c) The RCSA was approved by FERC and added to the CAISO tariff on a non-  
2 negotiable basis. The SFPUC has no ability to add to or modify the provisions of the RCSA,  
3 which does not contain any of the City's standard contracting provisions.

4 (d) The initial term of the RCSA is 18 months, with automatic renewal thereafter.  
5 Although the terms of the RCSA allow the City to terminate the RCSA for any reason, HHWP  
6 expects the RSCA to continue indefinitely, and likely for more than 10 years, because the  
7 current electric reliability standards require HHWP to have such an agreement.

8 (e) Administrative Code Section 21.9(d) prohibits the City from entering into contracts  
9 with provisions that would automatically renew the contract term without further action by the  
10 City.

11 (f) For the reasons specified in subsections (a)-(d) of this Section 2, Administrative  
12 Code Section 21.9(d) shall not apply to the RSCA with CAISO. This waiver of the provisions  
13 of Section 21.9(d) is reasonable and in the public interest.

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15 Section 3. Approval of Reliability Coordinator Services Agreement with CAISO.

16 (a) CAISO set forth a strict schedule for transitioning utilities to its RC services,  
17 requiring HHWP to execute an RCSA with CAISO on a compressed timeline. The General  
18 Manager executed the pro forma RCSA on January 7, 2019, due to timing considerations and  
19 what would have been the adverse consequences of not executing the RCSA.

20 (b) HHWP expects the RSCA to exceed 10 years because the current electric  
21 reliability standards require HHWP to have such an agreement.

22 (c) In accordance with Charter Section 9.118(b), the Board of Supervisors hereby  
23 approves the Agreement between the City and County of San Francisco and the California  
24 Independent System Operator for Reliability Coordinator Services for a term in excess of 10  
25

1 years. The executed Reliability Coordinator Services Agreement is on file with the Clerk of  
2 the Board of Supervisors in File No. 190436.

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4 Section 4. Effective Date; Retroactivity.

5 (a) This ordinance shall become effective 30 days after enactment. Enactment occurs  
6 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not  
7 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the  
8 Mayor’s veto of the ordinance.

9 (b) Upon the effective date of this ordinance, this ordinance shall be retroactive to  
10 January 7, 2019.

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12 APPROVED AS TO FORM:  
13 DENNIS J. HERRERA, City Attorney

14 By: \_\_\_\_\_  
15 SUZY HONG  
16 Deputy City Attorney

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