

1 [Supporting the Letter to Pacific Gas & Electric Company Expressing Interest in Purchasing
2 Electric Distribution Assets]

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3 **Resolution supporting the non-binding indication of interest sent to Pacific Gas &**
4 **Electric Company on September 6, 2019, proposing to purchase the assets needed to**
5 **provide electric distribution service to all customers in San Francisco for**
6 **\$2,500,000,000.**

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8 WHEREAS, The Board of Supervisors seeks to ensure reliable, safe, affordable, clean
9 electric service to all customers in San Francisco from a utility that is responsive to the needs
10 of its customers; and

11 WHEREAS, Mayor Breed on January 14, 2019, and the Board of Supervisors on April
12 9, 2019, in Resolution No. 174-19 requested that the City report on options for improving
13 electric service through acquisition, construction, or completion of a public utility, driven by
14 increasing concerns about PG&E’s ability and commitment to provide service to San
15 Francisco, due in part to significant and life-threatening safety violations, financial instability,
16 multiple power outages, expensive rates, and delays and obstacles in providing power for
17 publicly financed projects; and

18 WHEREAS, The Commissioners of the San Francisco Public Utilities Commission
19 (SFPUC) have been providing oversight and guidance to SFPUC staff as they conduct these
20 analyses; and

21 WHEREAS, The City published its preliminary study of the options for public electric
22 power on May 13, 2019, concluding that the public ownership of San Francisco’s electric grid
23 has the potential for significant long-term benefits, net cost savings, rate stability, affordability,
24 as well as an ability to achieve 100% greenhouse gas-free power; and

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1 WHEREAS, On Friday September 6, 2019, the Mayor and City Attorney sent a letter to
2 PG&E expressing the City’s interest in purchasing from PG&E the facilities needed to provide
3 electric distribution service to all San Francisco customers, based on intensive analysis by
4 City staff and experts, and

5 WHEREAS, The letter, called an Indication of Interest (IOI), is on file with the Clerk of
6 the Board of Supervisors in File No. 190938; and

7 WHEREAS, The IOI explains that the City is uniquely positioned to acquire the assets
8 because for “over a century, the City has owned and operated its Hetch Hetchy Power
9 municipal retail electric utility, including its own electric generation, transmission and
10 distribution facilities,” and “Hetch Hetchy Power and CleanPowerSF (San Francisco’s
11 Community Choice Aggregation program) supply nearly 80% of San Francisco’s electricity
12 needs,” and the “SFPUC, through Hetch Hetchy Power and CleanPowerSF, has a long track
13 record of providing safe, reliable, affordable and sustainable electric service;” and

14 WHEREAS, The IOI states that the City’s purchase of the assets “would provide
15 meaningful benefits to the City and its residents, including: (i) stable and competitive rates for
16 customers throughout San Francisco, (ii) enhanced focus on local needs, (iii) increased ability
17 to achieve the City’s aggressive climate action goals as well as other important local policy
18 objectives and (iv) additional attractive long-term career and business opportunities for local
19 residents and businesses;” and

20 WHEREAS, The IOI proposes a purchase price of \$2.5 billion, which it describes as “a
21 very attractive premium valuation compared to recent electric utility transactions that reflects
22 the unique circumstances of, and expedited timing resulting from, the Debtors’ Chapter 11
23 bankruptcy cases;” and

24 WHEREAS, The IOI states that financing for purchase is expected to include “issuance
25 of municipal power revenue bonds by the SFPUC. The SFPUC’s credit is well established by

1 its issuance of power revenue bonds in 2015. The SFPUC’s Power Enterprise, which includes
2 Hetch Hetchy Power, currently maintains “AA” and “AA-” credit ratings from S&P Global
3 Ratings and Fitch Ratings, respectively;” and

4 WHEREAS, The IOI notes that “the proposal is nonbinding “[u]nless and until the
5 parties have, among other things, completed comprehensive due diligence, negotiated
6 definitive transaction documentation for the Proposed Transaction, obtained necessary
7 internal approvals, executed definitive transaction documentation for the Proposed
8 Transaction and obtained a bankruptcy court order authorizing the Proposed Transaction;”
9 and

10 WHEREAS, The City has a long history of working productively with its unionized
11 workforce, and intends to work in good faith to create a clear plan to protect current PG&E
12 employees; now, therefore, be it

13 RESOLVED, That the Board of Supervisors supports the IOI and urges PG&E to work
14 collaboratively with the City to complete due diligence and enter into a purchase agreement
15 with the City that will benefit PG&E, its customers and other stakeholders; and, be it

16 FURTHER RESOLVED, That the Board, in approving this Resolution, is not approving
17 the Proposed Transaction within the meaning of the California Environmental Quality Act
18 (“CEQA”); and, be it

19 FURTHER RESOLVED, The Board of Supervisors retains absolute discretion to decide
20 whether to proceed with the Proposed Transaction, and the Board will not take any
21 discretionary action committing the City to approve the Proposed Transaction until the Board
22 has reviewed and considered any environmental documentation prepared by the City in
23 compliance with CEQA and adopted any appropriate findings in compliance with CEQA; and,
24 be it

1 FURTHER RESOLVED, Accordingly, the Board retains discretion to, among other
2 things, modify the Proposed Transaction to mitigate any significant environmental impacts,
3 require the implementation of specific measures to mitigate any significant environmental
4 impacts of the Proposed Transaction, and to approve or reject the Proposed Transaction.

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