SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Edwin M. Lee
MAYOR

MINUTES
Tuesday, August 28, 2012
(Approved September 11, 2012)

1:30 P.M.
1 Dr. Carlton B. Goodlett Place
City Hall, Room 400
San Francisco, CA 94102

Commissioners
Anson B. Moran, President
Art Torres, Vice President
Ann Moller Caen
Francesca Vietor
Vince Courtney

Ed Harrington
General Manager

Donna Hood
Secretary

For information, contact the Commission Secretary at 554-3165.
Minutes and other information are available on the SFPUC web site: www.sfwater.org
Gavel-to-Gavel coverage available at:
http://sanfrancisco.grnicus.com/ViewPublisher.php?view_id=22

ORDER OF BUSINESS:

1. Call to Order
   President Moran called the meeting to order at 1:37 PM.

2. Roll Call
   Present: Moran, Torres, Caen and Courtney

3. Approval of Minutes of August 14, 2012
   On motion to approve the minutes of August 14, 2012
   ADOPTED: Ayes: Moran, Torres, Caen and Courtney

Commissioner Vietor arrived at 1:40 PM

4. Public Comments
   - *Mr. Francisco DaCosta thanked Mr. Harrington for his service. He wants the Commission to focus on SSIP and asked that jobs be provided to the Bayveiw.*
   - *Ms. Espinola Jackson, representing Black Human Rights Leadership Council of San Francisco, indicated that she had previously requested salary information and list of SFPUC staff who reside in San Francisco and in the "94124" area code and never received it.*
   - *Mr. Peter Drekmeier, Tuolumne River Trust, discussed a Watershed report prepared by the Turlock Irrigation District and recommended that the Commission prepare a similar report. He suggested that the Commission conduct a study session about drought allocations.*
   - *Ms. Diane Wesley Smith, Black Human Rights Leadership Council of San Francisco, congratulated Mr. Harrington on his retirement and Mr. Kelly, Jr., in his new role. She requested that the Commission set up a dedicated committee to hear the issues and concerns of the Bayview.*
   - *Mr. Claude Carpenter, Black Human Rights Leadership Council of San Francisco, expressed his desire for jobs in the Bayview along with additional economic opportunities. He requested that the Commission set up a dedicated committee to hear the issues and concerns of the Bayview..*
   - *Mr. David Pilpel expressed his concerns for the Treasure Island sewer treatment plant and hopes that ratepayers are not responsible for issues/repair at the plant. He informed the Commission of the death of Mr. Hayward, former SFPUC staff member and CAC member.*
   - *Ms. Linda Richardson congratulated Mr. Harrington on his retirement and Mr. Kelly, Jr. on his new position. She expressed her desire for jobs and economic benefits in the Bayview. She noted that all city departments need to work together to make improvements in the community.*
   - *Mr. Robert Woods stated that the Bayview is suffering and needs investment and sustainability.*
   - *Mr. Fly Benzo noted that the situation in the Bayview hasn't improved and that the SFPUC owes the Bayview more than improvement of the Southeast Plant.*
   - *Mr. Joshua Arce, Brightline, thanked Mr. Harrington for his service and congratulated Mr. Kelly, Jr. on his appointment. He also informed the*

Commission of his appointment to the Environment Commission, and expressed a desire to have a joint meeting between Commissions.

- *Mr. Jamiel Patterson congratulated Mr. Kelly, Jr. on his appointment. He asked the SFPUC to invest in the Bayview.*
- *Mr. Arie Harrison expressed her desire for better education, low-income housing and overall opportunities in the Bayview. She asked the Commission to invest in people in the Bayview, not just the buildings.*

In response to Mr. Arce's comments, President Moran noted that there has been preliminary discussion regarding the scheduling of a joint Commission meeting, but no firm date has been established.

5. Communications
   a) Quarterly Audit and Performance Review Reports
      - Quarterly Audit and Performance Review Update
      - Santa Clara Sand and Gravel
      - Franchise Fee Audit of PG&E
      - Independent Review Panel Final Report - WSIP
      - FY 2011-12 Post Audit & Continuous Monitoring Program
      - Parsons WSIP Program Contract – Post Audit Follow-up
   b) Cap and Trade Program Update
   c) Street Cuts and Paving Report
   d) Advance Calendar
   e) Letter Summary

President Moran asked how retail customers are defined to which Ms. Hale responded anyone who receives SFPUC electricity.

After brief discussion regarding the street cuts and paving report, Commissioner Courtney requested a report, listed by zip code, on how many residents of San Francisco the SFPUC has working for contractors on paving jobs.

President Moran stated that Mr. Harlan Kelly, Jr., has been selected as the next General Manager for the San Francisco Public Utilities Commission. He noted that per Charter requirements, the Commission voted unanimously to submit Mr. Harlan Kelly, Jr.'s name to the Mayor.

Public Comments

- *Mr. Francisco DaCosta expressed his concerns with street paving and contracting.*

6. Other Commission Business
   a) Discussion and possible action to extend the existing SFPUC General Manager's Contract (Resolution 12-0147)

On motion to approve Item 6
ADOPTED: Ayes: Moran, Torres, Caen, Vietor and Courtney

7. Report of the General Manager
   a) Quarterly Budget Report
      Mr. Rydstrom presented the Quarterly Budget Report, outlining key budgetary variances.
   b) WSIP Update
      Ms. Julie Labonte provided an update on Calaveras Dam and the Bay Tunnel projects. She noted a possible issue with the cracking of a levy at Cargill Salt Pond in Newark, which may or may not be a result of the Bay Tunnel Project. She noted excavation stopped, repairs have been made, and project engineers and geologists are assessing the situation. She anticipates that the project will be on hold for three to four weeks, but that the project is five months ahead of schedule.

Mr. Harrington informed the Commission that a significant main break occurred at Sunnydale earlier in the day, with some flooding. He also stated that PG&E crews were testing pipelines that run through SFPUC watersheds, with some needing repair. In order to expedite what can be a lengthy City permit process that he would like to issue temporary revocable permits that would allow an immediate start to work. He noted that a request for permanent easements would be forthcoming to the Board of Supervisors and the Commission.

Public Comment

- *Mr. David Pilpel expressed his thoughts on the PG&E revocable permit.*

8. BAWSCA Report
   Mr. Art Jensen stated that AB2167 is on the Governor's desk for signature. He indicated that the BAWSCA Board will most likely take action in the Fall to bring bond rating agencies on board. Mr. Jensen congratulated Mr. Harlan Kelly, Jr. on his appointment.

9. Consent Calendar

a) Approve the selection of and award Agreement CS-167A-C Comprehensive Technical Services for Renewable and Advanced Energy Generation Systems to AEPC Group, Black & Veatch, and MWH and authorize the General Manager to negotiate and execute three professional services agreements for amounts not-to-exceed $2,250,000 each, for a cumulative total of $6,750,000 and with a duration of five years per agreement. (Resolution 12-0148)

b) Approve the selection of and award Agreement Nos. CS-229A-D, As-Needed, Specialized and Technical Services for the Water Enterprise to RMC Water and Environment; AECOM/Water Resources Engineering Joint Venture; MWH/Lee Inc., Joint Venture; and Kennedy Jenks/AGS, Inc., Joint Venture, to and authorize the General Manager to negotiate and execute the four professional services agreements for amounts not-to-exceed $4,000,000 each, for a cumulative total amount of $16,000,000 and with a duration of five years per agreement. (Resolution 12-0149)

c) Approve Community Choice Aggregation Amendment No. 2 to Agreement CS-920(R)B, Monitoring and Advisory Services for the CCA Program with Local Power, Inc., and authorize the General Manager to execute this amendment, with a time extension of three months, for a total agreement duration of four years and three months. (Resolution 12-0150)

d) Approve Amendment No. 3 to Agreement CS-806, Specialized Pipeline Services, Bay Division Pipeline No. 5, with Kennedy/Jenks and Geotechnical Consultants, Joint Venture, and authorize the General Manager to execute this amendment, increasing the agreement duration by one year for a total duration of seven years and six months, with no increase to the contract amount. (Resolution 12-0151)

e) Approve the plans and specifications, and award Contract WW-542, Oceanside Water Pollution Control Plant Dewatering Facility Upgrades, in the amount of $4,547,000, with a contract duration of 510 consecutive calendar days, to the lowest, qualified, responsible and responsive bidder, Cal State Constructors, Inc. (Resolution 12-0155)

f) Authorize the General Manager to execute a Joint Funding Agreement with the U.S. Geological Survey for an amount not-to-exceed $1,750,000, with a duration of five years. (Resolution 12-0152)

g) Discussion and possible action authorizing the reimbursement of certain expenditures for capital-related costs of the Water Enterprise from proceeds of a future bonded indebtedness for purposes of complying with certain provisions of the Internal Revenue Code of 1986, as amended; authorizing and directing the execution of any documents necessary to implement this Resolution; and ratifying and approving any action heretofore taken in connection with the Project. (Resolution 12-0153)

h) Discussion and possible action authorizing the reimbursement of certain expenditures for capital-related costs of the Wastewater Enterprise from proceeds of a future bonded indebtedness planned for early 2013 and in an amount not to exceed $570,000,000. (Resolution 12-0154)

President Moran stated that at the request of Mr. David Pilpel, Item 9e be removed from the Consent Calendar.

- *Mr. David Pilpel expressed his support for items 9e. He requested that the cost for fuel and biosolids hauling costs be included in future staff reports.*

On motion to approve Items 9a, 9b, 9c, 9d, and 9f:
ADOPTED: AYES: Moran, Torres, Caen, Vietor and Courtney
On motion to approve Items 9e
ADOPTED: AYES: Moran, Torres, Caen, Vietor and Courtney

10. Sewer System Improvement Program (SSIP) Validation Workshop #3 and Endorsement of Goals and Levels of Service, and Validation of the Sewer System Improvement Program Projects, Scope and Implementation Process.

Ms. Karen Kubick thanked everyone involved with the preparation of the workshops for their hard work and dedication.

Ms. Kubick began the presentation with an overview of the first two validation workshops: July 10, 2012 on Treatment and on July 24, 2012 on the Collection System. She then provided a brief overview of the third workshop covering Program Validation. She indicated that she would be seeking the Commission's endorsement of goals and the validation of the SSIP, and seeking approval to move forward on the project.

She reviewed questions from Workshops 1 and 2 and reviewed the SSIP Recommended Goals, noting the modification of the second goal to read "integration green and grey infrastructure to manage stormwater and minimize flooding". She pointed out the red-lined and final version of the SSIP Recommended Goals, LOS, and strategies documents.

Mr. Dan Donahue provided a brief summary of the program validation recommendations that were presented at the first two workshops – treatment plants and collection systems.

In the review of the treatment plants, he summarized that the previously recommend option for the Southeast Plant Biosolids Digester Facility Recommended Level of Service was Option 3, with a cost of $2.032M. He provided a implementation timeline for project, noting the 18 month accelerated schedule as requested by the Commission. He stated that the acceleration would result in cost savings, with a new cost of $1,967M, and with an impact to the average monthly bill in 2032 of $33.

He summarized that the recommend option for the Southeast Plant Liquid Treatment Facilities was Option 3, with a cost of $800M, and with an impact to the average monthly bill in 2032 of $14.

He summarized that the recommend option for the Oceanside Plant was Option 1, with a cost of $464M, and with an impact to the average monthly bill in 2032 of $8.

He summarized that the recommend option for the North Point Facility was Option 1, with a cost of $624M, and with an impact to the average monthly bill in 2032 of $11.

Mr. Donahue began discussion of the review of the collection system. He noted that system-wide recommendations included operational improvements ($27M), pump station rehabilitation ($426M), CSD outfall improvements/backflow prevention ($326M), and odor control ($59M), for a total project cost of $838M, and with an impact to the average monthly bill in 2032 of $14.

He summarized that the previously recommend option for Bayside was Option 4, with a cost of $1.243M for the 30' tunnel. He noted, however, that the 10 discharges per year could be achieved with a smaller tunnel and green infrastructure. As a result, additional analysis has occurred and Option 3 is now recommended with a cost of $1.294M for a 23' tunnel, and with an impact to the average monthly bill of $22 in 2032.

He summarized that the previously recommend option for Westside was Option 3, with a cost of $277M (100 MGD). He noted that the expected CSD discharges per year, after analysis, was reduced to a target of three per year. As a result, Option 3 is now recommended with a cost of $290M (70 MGD), and with an impact to the average monthly bill of $5 in 2032.

Mr. Donahue presented the Green Infrastructure recommendation, with a cost of $400M, and with an impact to the average monthly bill of $5.

Mr. Donahue summarized that 2012 SSIP Program Validation recommendation for the first decade is $4,055M; second decade $2,878M; and third decade $6933M.

Commissioner Vietor thanked everyone for their work and for the acceleration of the Southeast Plant project as well as for the integration of green infrastructure.

Commissioner Caen asked about the cost savings associated with acceleration with moving up the timetable of the digesters, to which Mr. Donahue replied savings were related to project escalation. He stated that they would accelerate as many projects as possible to save time and money.

Commissioner Caen asked if the 23' tunnel would suffice rather than the 30' tunnel. Mr. Donahue indicated that it would be sufficient.

Ms. Kubick presented the Implementation Strategy, noting it was based on Commission feedback and the desire to minimize rate impact. It is her recommendation to implement the SSIP in three phases. She noted the benefits of implementation in phases will allow for focus of resources on the highest priorities, allow for prudent spending and provide Commission input at milestones.

Phase 1: Planning through Construction and Planning through Preliminary Design. Phase 1 budget for treatment plants: $2,233M; collection system $354M; and city consultant and program management $125M for a total Phase 1 budget of $2,712M. She presented a project schedule and noted it would take six year to 10 years to complete Phase 1, with the digester project taking the longest to complete.

Phase 2: Design and Construction. Phase 2 budget for treatment plants: $1,215M; collection system $1,928M; and city consultant and program management $152M for a total Phase 2 budget of $3,295M. The project schedule presented noted it would take until around year 20 of the program to complete Phase 2.

Phase 3: Design and Construction. Phase 3 budget for treatment plants: $407M; collection system $476M; and city consultant and program management $43M for a total Phase 3 budget of $926M. The project schedule presented noted it would take until year 20 of the program to complete Phase 3.

Ms. Kubick presented and discussion ensued on the timing of the phases of the program. She noted that the timing of the project does not change, but rather the timing of the funding. She stated that the total budget for treatment plants: $3,855M; collection system $2,758M; and city consultant and program management $320M for a total budget of $6,933M.

Discussion ensued on the importance of the repair and replacement of the digesters, and the need to finish the project as quickly as possible.

Mr. Todd Rydstrom, CFO, presented on rates and affordability of the program. He discussed the incremental increases of the average monthly bill (single family residential) for water and sewer with the implementation of the three phases of the SSIP, through 2032.

<u>Average Annual bill increases:</u>
Phase 1: 7.3% to FY26, 0.1% to FY32
Phase 2: 8.3% to FY26, 1.6% to FY32
Phase 3: 8.4% to FY26, 1.9% to FY32

Commissioner Vietor asked about low-income customers and rate increases. Mr. Rydstrom noted that low-income customers currently receive subsidies from existing operating funds, an angel fund and funds from prior balance of unclaimed funds. Commissioner Vietor encouraged Mr. Rydstrom to look at ways to offer additional subsidy to low-income customers to assist with the rate increases. Mr. Rydstrom noted that they will be conducting rate studies, as required, and will look at how other cities fund their low-income assistance programs.

Ms. Juliet Ellis presented on the proposed public education and outreach goals and strategies to inform the public about the SSIP. She discussed the program goals and strategies. She described past outreach efforts and informed the Commission on what the public is saying about the SFPUC as a result of those efforts. She concluded with the presentation of a public outreach timeline for the SSIP.

Brief discussion ensued on the demographics of the participants of current outreach efforts and on job opportunities with the SSIP.

Ms. Kubick briefly summarized her presentation and thanked the Commission for their participation in the workshops.

Public Comment

- *Mr. David Pilpel expressed his thoughts on the proposed rate increase and the potential behavior by rate payers, including increasing conservation efforts. He expressed thoughts with replacement and repair, with the phasing of the project and with LID and green issues. He encouraged looking into additional funding sources, such a grants.*
- *Mr. Francisco DaCosta encouraged outreach efforts to reach a large audience, such as a documentary film and public access television.*
- *Ms. Espinola Jackson suggested that the Commission provide information to customers via their monthly bill. She encourage the SFPUC expedite the EIR.*
- *Ms. Brigette LeBlanc expressed her support for the SSIP. She encourage the Commission to offer residents of the Bayview careers, rather than short-term jobs and ask that the consultants offer local residents jobs.*
- *Ms. Linda Richardson asked for the Commission's approval of the resolution and endorsement of the project.*
- *Ms. Jennifer Cleary, Clean Water Action, expressed her support for the resolution and offered suggestions for changes to the resolution. She echoed the thoughts of Mr. Pilpel on the increase of conservation with the implementation of the SSIP.*

.

On motion to approve Item 10

ADOPTED: Ayes: Moran, Torres, Caen, Vietor and Courtney

(Resolution 12-0156)

11. Public comments on matters to be discussed in Closed Session

Public Comment

- *Mr. Palega congratulated Mr. Harlan Kelly, Jr. on his appointment and thanked Mr. Harrington for his service.*
- *Mr. David Pilpel gave his suggestions on appropriate wages and benefits for Mr. Kelly, Jr.*

12. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

On motion to assert

ADOPTED: Ayes: Moran, Torres, Caen, Vietor and Courtney

CLOSED SESSION

13. Pursuant to Government Code Section 54957 and San Francisco Administrative Code Section 67.10(b), to consider public employee appointment/hiring for the position of General Manager of the San Francisco Public Utilities Commission; and Pursuant to Government Code Section 54954.5(f) and Administrative Code Section 67.8(a)(5).
Conference with Labor Negotiator, Unrepresented Employee

City Negotiator
Commission President Anson Moran
Unrepresented Employee
General Manager, San Francisco Public Utilities Commission

Anticipated issues under negotiation:
- Wages
- Hours
- Benefits
- Working conditions
- Other

14. Conference with Legal Counsel – Pursuant to California Government Code Section 54956.9 (a) and San Francisco Administrative Code Section 67.10 (d) (1).

Existing Claim:
Adam Holm
City Attorney Claim No. 12-02744
Filed: April 30, 2012
(Resolution 12-0157)

Following Closed Session, the Commission will reconvene in Open Session.

15. Announcement following closed session

President Moran stated that no action was taken on item 13 and that a settlement was approved on item 14.

16. Motion regarding whether to disclose the discussions during Closed Session

On motion NOT to disclose
ADOPTED: Ayes: Moran, Torres, Caen, Vietor and Courtney

17. Other new business

Adjournment
President Moran adjourned the meeting at 4:39 PM.