September 1, 2017

The Honorable Michael Gardner, Chair  
California Seismic Safety Commission  
1755 Creekside Oaks Drive, Suite 100  
Sacramento, CA  95833-3637

Dr. Karen Smith, MD, MPH, Director  
California Department of Public Health  
P.O. Box 997377, MS 0500  
Sacramento, CA  95899-7377

Subject: Wholesale Regional Water System Security & Reliability Act  
Notice of Changes to Water System Improvement Program  
San Francisco Public Utilities Commission

Dear Commissioner Gardner and Dr. Smith:

Pursuant to the reporting requirements of the Wholesale Regional Water System Security and Reliability Act, the San Francisco Public Utilities Commission (SFPUC) respectfully submits this Change Notice, describing changes adopted by the SFPUC Commission (Commission) on February 14, 2017 to three individual projects that are part of the Water System Improvement Program (WSIP).

The SFPUC has made significant progress towards the implementation of the WSIP since the Commission last adopted program-wide revisions to the scope, schedule, and budget for the program in March 2016. Between March 2016 and June 2017, the overall completion of WSIP Regional projects increased from 89.0% to 94.1%. With only one (1) project remaining in pre-construction, the implementation of the program almost exclusively focuses on construction activities. As of June 2017, eight (8) Regional projects with a total value of $1,502 million are in construction and thirty-nine (39) projects with a total value of $2,188 million have been completed. The four (4) WSIP Closeout Projects for each of the San Joaquin, Sunol Valley, Bay Division and Peninsula Regions are in various project phases. Forty (40) out of the forty-three (43) Regional WSIP projects with specific LOS goals have achieved their LOS goals to date.
In early 2017, the WSIP Senior Management proposed schedule changes to three (3) Regional WSIP Projects: New Irvington Tunnel (NIT), Seismic Upgrade of Bay Division Pipelines Nos. 3 & 4 (Seismic Upgrades of BDPL Nos 3 & 4), and Security System Upgrades (SSU). Both NIT and Seismic Upgrade of BDPL Nos. 3 & 4 and portions of the SSU were already in service and meeting LOS goals – however, schedule revisions were necessary in order to meet administrative project closeout requirements. In addition, some of the security installations planned as part of the SSU project needed to be delayed to allow for closeout activities on two of the large Regional projects. These changes did not affect the overall WSIP completion date of December 20, 2019.

On January 13, 2017, the SFPUC notified the Bay Area Water Supply & Conservation Agency (BAWSCA) that the Commission would be considering changes to the WSIP at a public hearing on February 14, 2017. At our request, BAWSCA forwarded the notification to the 26 wholesale agencies it represents to comply with the change notice requirements of the Wholesale Regional Water System Security and Reliability Act. In addition, the Notice of Public Hearing and all supporting documents submitted to BAWSCA were posted on the SFPUC website. On February 14, 2017, following a 30-day review period, the Commission, per Resolution No. 17-0026, adopted the schedule changes. Both the Notice of Public Hearing and SFPUC Resolution are attached herein to this notice.

The overall scope of the WSIP remains unchanged and no projects were deleted from the program. The levels of service (LOS) goals also remain unchanged.

To facilitate distribution, this notice and accompanying attachments are also available in the Reports section of the WSIP Web Page at www.sfwater.org/wsip. Please do not hesitate to contact me at (415) 554-1600 if you have questions or need additional information.

Sincerely,

Harlan L. Kelly, Jr.
General Manager

Attachments:
Notice of Public Hearing Issued on January 13, 2017
SFPUC Resolution No. 17-0026
cc: (with attachment)

Nicole Sandkulla - Chief Executive Officer and General Manager, BAWSCA
Tom Francis – Water Resources Manager, BAWSCA
Richard (Dick) McCarthy - Executive Director, California Seismic Safety Commission
Fred Turner - Structural Engineer, California Seismic Safety Commission
Bruce Burton - Chief of Northern California Drinking Water Field Operations Branch, California Department of Public Health
Stefan Cajina, Chief of North Coastal Section, State Water Resources Control Board, Division of Drinking Water

cc: (without attachment)

Commissioner Anson Moran, President
Commissioner Ike Kwon, Vice President
Commissioner Ann Moller Caen
Commissioner Francesca Vietor
Commissioner Vince Courtney

The Honorable Assembly Member Al Muratsuchi, Chair
California State Assembly - Joint Legislative Audit Committee

The Honorable Senator Richard D. Roth, Vice-Chair
California State Senate - Joint Legislative Audit Committee

The Honorable Tracy Johnson, Vice-Chairman, California Seismic Safety Commission

Al Mendall - Chair, BAWSCA
Barbara Pierce – Vice-Chair, BAWSCA
BAWSCA Member Agencies (distributed by BAWSCA)
NOTICE OF PUBLIC HEARING  
(Issued on Friday, January 13, 2017)

NOTICE OF POSTING FOR  
CONSIDERATION OF REVISIONS TO THE  
SAN FRANCISCO PUBLIC UTILITIES COMMISSION (SFPUC)  
WATER SYSTEM IMPROVEMENT PROGRAM (WSIP)  

Tuesday, February 14, 2017  
1:30 P.M.  
City Hall, Room 400  
1 Dr. Carlton B. Goodlett Place  
San Francisco, California

SUBJECT OF PUBLIC MEETING  
The San Francisco Public Utilities Commission (SFPUC) is posting this “Revision to the Water System Improvement Program (WSIP)” referred to as the “January 2017 Revised WSIP.” The SFPUC will hold a public hearing as part of its regularly scheduled meeting on Tuesday, February 14, 2017 for the purpose of considering those proposed WSIP revisions.

COMMENTS ON PROPOSED REVISIONS  
All interested parties are invited to attend the public hearing and present their views. Individuals who are unable to attend the public hearing may submit to the SFPUC, by the time the proceedings begin on February 14, 2017, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become part of the official public record. Written comments should be sent to:

Donna Hood, Commission Secretary  
San Francisco Public Utilities Commission  
525 Golden Gate Avenue (13th Floor)  
San Francisco, CA 94102

BACKGROUND  
The Wholesale Regional Water System Security and Reliability Act (Water Code § 73500 et seq.) requires that the SFPUC provide notification of certain program changes. Specifically, the SFPUC is required to provide an advance 30-day written notice if the SFPUC is to consider the adoption of program changes that would delay WSIP projects and/or result in the construction of different projects.

The SFPUC last adopted program-wide revisions to the WSIP, including revised program scope, schedule, and budget, on April 26, 2016. This notice includes proposed schedule changes to the following projects: New Irvington Tunnel, Seismic Upgrade of BDPL Nos. 3 & 4, and System Security Upgrade.
These proposed changes do not affect the overall approved WSIP completion date; namely, the approved WSIP completion date of December 20, 2019 remains the same.

CHANGE SUMMARY

**New Irvington Tunnel (Proposed 15-month Extension)**

The New Irvington Tunnel has been in service since February 27, 2015 and the project achieved Substantial Construction completion on September 19, 2015. As such, the SFPUC Water Enterprise has full beneficial use of the new tunnel.

Two outstanding issues of disagreement with the Contractor have delayed Final Construction completion and Administrative Closeout of the project. These include: (1) compensation for excessive hard rock encountered during the tunnel excavation; and (2) merit and compensation for repairs and remedial backfill grouting for the steel tunnel liner that failed in two locations in Fall and Winter 2014. The Contractor has recently requested a hearing with the Dispute Resolution Board (DRB) to assist the parties to obtain resolution.

For the above stated reasons, the proposed Final Construction completion and Administrative Closeout dates are extended to September 30, 2017 and March 31, 2018, respectively. The proposed time extension allows for preparation for a DRB hearing and subsequent negotiations once a DRB opinion is rendered. Variances of the “2017 Proposed” versus “2016 Approved” dates are shown in the table below.

<table>
<thead>
<tr>
<th></th>
<th>2016 Approved</th>
<th>2017 Proposed</th>
<th>Variance at Completion (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Start</td>
<td>Finish</td>
<td>Start</td>
</tr>
<tr>
<td>New Irvington Tunnel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning</td>
<td>12/19/01</td>
<td>10/07/05</td>
<td>12/19/01</td>
</tr>
<tr>
<td>Environmental</td>
<td>08/25/04</td>
<td>03/07/11</td>
<td>08/25/04</td>
</tr>
<tr>
<td>Design</td>
<td>10/11/05</td>
<td>01/12/10</td>
<td>10/11/05</td>
</tr>
<tr>
<td>Bid and Award</td>
<td>01/05/09</td>
<td>07/21/10</td>
<td>01/05/09</td>
</tr>
<tr>
<td>Construction</td>
<td>07/22/10</td>
<td>08/30/16</td>
<td>07/22/10</td>
</tr>
<tr>
<td>Closeout</td>
<td>08/31/16</td>
<td>12/30/16</td>
<td>10/02/17</td>
</tr>
</tbody>
</table>

**Seismic Upgrade of BDPL Nos. 3 & 4 (Proposed 15-month Extension)**

The new facilities and improvements constructed as part of the Seismic Upgrade of BDPL Nos 3 & 4 Project have been in service since June 20, 2014, and the project achieved Substantial Construction completion on October 26, 2015. As such, the SFPUC Water Enterprise has beneficial use of the new facilities and improvements built as part of this project.

The proposed schedule revision is to allow additional time to review, negotiate and settle outstanding change order requests/claims by the Contractor related to field changes made during construction which is taking longer than previously anticipated due to the large number and complexity of many of the issues. Additional expertise has been hired to help facilitate the change order reviews and negotiations. The proposed Final Construction completion and
Administrative Closeout dates are September 30, 2017 and March 31, 2018, respectively. Variances of the “2017 Proposed” versus “2016 Approved” dates are shown in the table below.

<table>
<thead>
<tr>
<th>Seismic Upgrade of BDPL Nos. 3 &amp; 4</th>
<th>2016 Approved</th>
<th>2017 Proposed</th>
<th>Variance at Completion (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Start</td>
<td>Finish</td>
<td>Start</td>
</tr>
<tr>
<td>Planning</td>
<td>10/22/04</td>
<td>12/12/08</td>
<td>10/22/04</td>
</tr>
<tr>
<td>Environmental</td>
<td>09/11/06</td>
<td>03/17/12</td>
<td>09/11/06</td>
</tr>
<tr>
<td>Design</td>
<td>03/05/07</td>
<td>02/02/15</td>
<td>03/05/07</td>
</tr>
<tr>
<td>Bid and Award</td>
<td>11/03/08</td>
<td>09/04/12</td>
<td>11/03/08</td>
</tr>
<tr>
<td>Construction</td>
<td>09/04/12</td>
<td>09/30/16</td>
<td>09/04/12</td>
</tr>
<tr>
<td>Closeout</td>
<td>09/30/16</td>
<td>12/30/16</td>
<td>10/02/17</td>
</tr>
</tbody>
</table>

**Security System Upgrade (Proposed 15-month Extension)**

The proposed schedule revision is due to the delay in completion of several miscellaneous Job Order Contracts (JOCs) associated with the New Irvington Tunnel and the HTWTP Long-Term Improvements. The JOCs were established due to needs identified towards the end of construction of the main construction contracts for these projects in order to fully meet WSIP Level of Service (LOS) goals and objectives. The JOCs associated with these two WSIP Regional projects must be completed before the security system upgrades can be completed at these sites. This project provides furnishing and installing Access Control and Alarm Monitoring System (ACAMS) and Digital Video Surveillance System (DVSS) equipment, and necessary security systems to WSIP regional projects after each project is substantially completed.

For the above stated reasons, the Construction and Administrative Closeout phases are proposed to be extended to September 30, 2017 and March 31, 2018, respectively. Variances of the “2017 Proposed” versus “2016 Approved” dates are shown in the table below.

<table>
<thead>
<tr>
<th>System Security Upgrade</th>
<th>2016 Approved</th>
<th>2017 Proposed</th>
<th>Variance at Completion (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Start</td>
<td>Finish</td>
<td>Start</td>
</tr>
<tr>
<td>Planning</td>
<td>06/19/06</td>
<td>07/08/09</td>
<td>06/19/06</td>
</tr>
<tr>
<td>Environmental</td>
<td>06/19/06</td>
<td>03/28/12</td>
<td>06/19/06</td>
</tr>
<tr>
<td>Design</td>
<td>06/19/06</td>
<td>08/03/15</td>
<td>06/19/06</td>
</tr>
<tr>
<td>Bid and Award</td>
<td>01/07/06</td>
<td>03/10/14</td>
<td>01/07/06</td>
</tr>
<tr>
<td>Construction</td>
<td>11/13/06</td>
<td>06/30/16</td>
<td>11/13/06</td>
</tr>
<tr>
<td>Closeout</td>
<td>09/24/07</td>
<td>12/31/16</td>
<td>09/24/07</td>
</tr>
</tbody>
</table>
WHEREAS, On May 28, 2002, per Resolution No. 02-0101, this Commission approved a Long-Term Strategic Plan for Capital Improvements, a Long-Range Financial Plan and a Capital Improvement Program (CIP); and

WHEREAS, On November 5, 2002, San Francisco residents voted to approve Proposition A (Water System Improvement Revenue Bonds and Imposition of Surcharge on Retail Water Customers), a revenue bond measure to fund the CIP approved by the Commission on May 28, 2002; and

WHEREAS, On February 26, 2003, pursuant to the requirements of California Assembly Bill (AB) 1823, the San Francisco Public Utilities Commission (SFPUC) submitted to the California Department of Health Services (now the California Department of Public Health) a report outlining the projects, schedule and implementation plan for the CIP; and

WHEREAS, On November 29, 2005, per Resolution No. 05-0176, this Commission approved project-level changes to the CIP and by doing so endorsed the revised scope, schedule and budget of individual projects and renamed the program the Water System Improvement Program ("December 2005 WSIP"); and

WHEREAS, On February 26, 2008, per Resolution No. 08-0024, this Commission approved project-level changes to the WSIP and by doing so endorsed the revised scope, schedule and budget of individual projects ("December 2007 Revised WSIP"); and

WHEREAS, On July 28, 2009, per Resolution No. 09-0125, this Commission approved project-level changes to the WSIP and by doing so endorsed the revised scope, schedule and budget of individual projects ("June 2009 Revised WSIP"); and

WHEREAS, On July 12, 2011, per Resolution No. 11-0109, this Commission approved project-level changes to the WSIP and by doing so endorsed the revised scope, schedule and budget of individual projects ("June 2011 Revised WSIP"); and

WHEREAS, On June 12, 2012, per Resolution No. 12-0099, this Commission approved budget and schedule changes for three individual WSIP projects – New Irvington Tunnel, Bay Division Pipeline (BDPL) Reliability Upgrade – Pipeline ("BDPL No. 5") and Pulgas Balancing – Modification of the Existing Dechloramination Facility; and

WHEREAS, On October 9, 2012, per Resolution No. 12-0181, this Commission approved budget changes for four individual WSIP projects – San Joaquin Pipeline (SJPL) System, Tesla Treatment Facility, Vegetation Restoration of WSIP Construction Sites (new project), and Program Management; and

WHEREAS, On January 22, 2013, per Resolution No. 13-0020, this Commission approved budget and schedule changes for one individual WSIP project – Calaveras Dam Replacement (CDRP), after reviewing and considering the CEQA Findings and statement of overriding considerations that it previously adopted for the WSIP and CDRP approvals, along with the CEQA Findings contained in Addendum No.1 to the CDRP EIR issued by the Planning Department on December 13, 2012, and this Commission adopted those additional CEQA Findings for the CDRP modifications, which findings are incorporated in this Resolution by this reference; and
WHEREAS, On April 23, 2013, per Resolution No. 13-0060, this Commission approved project-level changes to the WSIP and by doing so endorsed the revised scope, schedule and budget of individual projects ("March 2013 Revised WSIP"); and

WHEREAS, On April 22, 2014, per Resolution No. 14-0065, this Commission approved project-level changes to the WSIP and by doing so endorsed the revised scope, schedule and budget of individual projects ("March 2014 Revised WSIP"); and

WHEREAS, On December 8, 2015, per Resolution No. 15-0263, this Commission approved schedule changes for six individual WSIP projects – San Joaquin Pipeline System, San Antonio Backup Pipeline, Seismic Upgrade of BDPL Nos. 3&4, BDPL Reliability Upgrade – Pipeline (BDPL No. 5), and Vegetation Restoration of WSIP Construction Sites; and

WHEREAS, On April 26, 2016, per Resolution No. 16-0071, this Commission approved scope, schedule, and budget changes to four WSIP projects - Alameda Creek Recapture, Calaveras Dam Replacement, Bioregional Habitat Restoration, and Watershed Environmental Improvement Program, and the addition of Closeout Projects to four WSIP regions – San Joaquin, Sunol, Bay Division, and Peninsula ("March 2016 Revised WSIP"); and

WHEREAS, A Final Programmatic Environmental Impact Report was prepared for the WSIP ("PEIR") and certified by the Planning Commission on October 30, 2008 by Motion No. 17734, and thereafter, this Commission approved the WSIP and adopted findings and a Mitigation Monitoring and Reporting Program (MMRP), as required by the California Environmental Quality Act (CEQA) on October 30, 2008 per Resolution No. 08-0200, which findings are incorporated in this Resolution by this reference; and

WHEREAS, The PEIR and SFPUC Resolution No. 08-0200 have been made available for review by the SFPUC and the public, and those files are part of the record before this Commission; and

WHEREAS, This Commission has reviewed and considered the information contained in the PEIR, the findings contained in SFPUC Resolution No. 08-0200, and all written and oral information provided by the Planning Department, the public, relevant public agencies, SFPUC and other experts; and

WHEREAS, The SFPUC has completed environmental review of all but one of the individual WSIP projects, and is proceeding to complete the environmental review process for the remaining project, as authorized by and in accordance with CEQA; and

WHEREAS, Water Code Section 73502(d)(2) requires that the City provide written notice, not less than 30 days prior to the date of a meeting of the City Agency responsible for management of the Bay Area Regional Water System, that a change in the program is to be considered, and that all Bay Area wholesale customers shall be permitted to testify or otherwise submit comments at such meeting; and

WHEREAS, On January 13, 2017, the SFPUC notified the Bay Area wholesale customers through the Bay Area Water Supply & Conservation Agency (BAWSCA) in writing that this Commission would be considering changes to the WSIP at a public hearing on February 14, 2017; and
WHEREAS, The SFPUC completed a comprehensive assessment of all remaining WSIP delivery efforts to (1) validate all schedule and cost forecasts at completion; (2) make an accurate determination of the overall cost and schedule status of the program; and (3) and put in place specific measures to further control costs and schedules as the program ramps down. The final outcome of this assessment is the proposed program revisions documented in the Notice of Public Hearing dated January 13, 2017; and

WHEREAS, The proposed revisions to the WSIP (referred to as the proposed January 2017 Revised WSIP) involve schedule changes to three projects - New Irvington Tunnel, Seismic Upgrade of BDPL Nos. 3&4, and Security System Upgrade; and

WHEREAS, The overall program schedule for the proposed January 2017 Revised WSIP has not been extended from the overall program schedule of December 20, 2019 last approved by the Commission on April 26, 2016; and

WHEREAS, During the 30-day public review period, the WSIP Director met with representatives of the BAWSCA to discuss the proposed changes to the WSIP; now, therefore, be it

RESOLVED, That this Commission finds that since the PEIR was finalized, there have been no substantial project changes and no substantial changes in project circumstances that would require major revisions to the PEIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the PEIR; and be it

FURTHER RESOLVED, That this Commission hereby approves the schedule of the proposed January 2017 Revised WSIP which is documented in the Notice of Public Hearing dated January 13, 2017; and be it

FURTHER RESOLVED, That this Commission hereby directs staff to send a Notice of Change Report to the California Department of Public Health and the California Seismic Safety Commission in compliance with Water Code Section 73502(d)(3).

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 14, 2017.

[Signature]
Secretary, Public Utilities Commission