SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Edwin M. Lee
MAYOR

Minutes
Tuesday, January 22, 2013
(Approved as amended February 12, 2013)

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

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

Harlan L. Kelly, Jr.
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.granicus.com/ViewPublisher.php?view_id=22
1. Call to Order
   President Torres called the meeting to order at 1:29 PM.

2. Roll Call
   Present: Torres, Courtney and Moran were present at roll call.
   Absent: Vietor and Caen

3. Approval of Minutes of January 8, 2013.
   Vice President Courtney requested that the spelling of two members of the public
   who provided public comments be corrected.

   On Motion to Approve the minutes of January 8, 2013 AS AMENDED:
   AYES: Torres, Courtney, Caen and Moran

4. Public Comments.
   - Mr. Dick Allen provided the Commission with a copy of a letter with questions
     related to the Recreation and Park Bond money and the to-be-scheduled SFPUC
     meeting at Lake Merced.
     - Deputy City Attorney Ambrose stated that the Park Bond money is eligible
       for use at Lake Merced, but that CEQA analysis will need to be done. She
       indicated it will be up to the Board of Supervisors, Mayor and Controller as
       to how the funds are administered and implemented. President Torres
       noted that staff is coordinating the Commissioners schedules for a date for
       the Lake Merced meeting.

5. Communications
   a) Advance Calendar
   b) Letter Summary
   c) Sewer Inspection and Replacement Update
   d) Status of Major Development Projects in the Service Area
   e) Water Supply Agreement Update

6. Other Commission Business.
   None.

   General Manager Kelly, Jr. stated that he attended the U.S. Conference of Mayors
   with Mayor Lee, where they conducted a well-received presented on infrastructure.
   a) Wastewater Refunding Bond Sale and Savings Report
      Mr. Todd Rydstrom, Assistant General Manager of Business Services and CFO
      updated the Commission on the recent Wastewater Bond sale, which resulted in
      a retail ratepayer savings of $32.8M. He stated the average interest rate was
      1.23 percent, with an average ratepayer savings through 2026 of $2.3M per year.
   b) WSIP Update
      Ms. Julie Labonte, WSIP Director, provided a WSIP updated, noting that a
      milestone was reached with the hole-through of the Bay Tunnel and the
      completion of the tie-in between the Bay Division System with the New Irvington
Tunnel. She stated that the management team is conducting a program-wide review of active projects to identify cost efficiencies to help cover projected increases. She stated that she will come before the Commission sometime in March or April with a revised budget.

Commissioner Caen arrived at 1:36 PM.

Public Comments.

- None.

8. BAWSCA Update

Mr. Art Jensen, BAWSCA, stated that BAWSCA received AA-/Aa3 ratings on their bonds, and that he will fly to New York to talk with loan buyers. He indicated that BAWSCA had an election of officers, with Chair Irene O’Connell and Vice Chair Randy Breault elected.

Public Comments.

None.

9. Consent Calendar

a) Accept work performed by Construction Services Inc., for Contract HH-926R, Hetch Hetchy Microwave Upgrade – Phase II; Approve Modification No. 2 (Final), increasing the contract amount by $90,405, for a total contract amount of $3,684,549, and with a time extension of 60 consecutive calendar days, for a total contract duration of 354 consecutive calendar; and authorize final payment to the contractor. (Resolution 13-0013)

b) Approve Modification No.6 to Contract WD-2559R, New San Francisco Public Utilities Commission Administration building, with Webcor Construction, LP; and authorize the General Manager to execute this amendment to complete the work and obtain the final acceptance of the project, extending the duration for final completion by 120 consecutive calendar days, for a total of 358 consecutive calendar days from the substantial completion date of June 8, 2012. (Resolution 13-0018)

c) Approve the plans and specifications, and award Contract WD-2613, 8-inch Ductile Iron Main Installation on 23rd Street from Church Street to Hoffman Avenue, in the amount of $1,084,000 to the lowest, qualified, responsible and responsive bidder, M Squared Construction Inc. (Resolution 13-0014)

d) Approve the Assignment and Novation Agreement for WW-526, Wastewater Enterprise Elevator Maintenance and Repair; and authorize the General Manager to execute an Assignment and Novation of the existing Contract from Ascent Elevator Services, Inc. to KONE, Inc. (Resolution 13-0015)

e) Approve the plans and specifications, and award Contract WW-560, As-Needed Main Sewer Replacement, for a total contract amount not-to-exceed $2,775,550,
to the lowest, qualified, responsible and responsive bidder, Shaw Pipeline.  
(Resolution 13-0016)

f) Authorize the General Manager to execute a Memorandum of Agreement with University of California Santa Cruz, for an amount not to exceed $94,692 and with a duration of 19 months, to conduct a genetic evaluation of the ancestry, origins and population structure of Steelhead and Rainbow Trout (*Oncorhynchus mykiss*) in Alameda Creek.  (Resolution 13-0017)

**Commissioner Moran requested that Item 9b be removed from the Consent Calendar.**

Public Comments.
None.

**On Motion to Approve Items 9a, and 9c-f:**
AYES: Torres, Courtney, Caen and Moran

Regarding item 9b, Commissioner Moran addressed the communication received from Mr. Steve Lawrence, suggesting that the item was improper and that it didn’t accurately reflect the state of completion of the new building. Deputy City Attorney Noreen Ambrose provided clarification and indicated that the Commission is not being asked to accept the project as complete, but rather is being asked to approve a time extension of 120 days to finish the punch list.

Public Comments.
None.

**On Motion to Approve Items 9b:**
AYES: Torres, Courtney, Caen and Moran

**President Torres requested that Item 15 be rescheduled to the February 22nd meeting, to which the Commission concurred.**

10. Approve the selection of Grid Subject Matter Experts, LLC (“Grid SME”); Award Agreement CS-245, Technical Support Services, Hetch Hetchy Water and Power (HHWP) North American Electrical Reliability Corporation (NERC) Regulatory Standards – Critical Infrastructure Protection; and authorize the General Manager to negotiate and execute a professional services agreement with Grid SME for an amount not-to-exceed $1,500,000, and with a duration of five years. (Resolution 13-0019)

*Mr. Steve Ritchie, Assistant General Manager, Water Enterprise provided a brief summary of the item.*

Public Comments.
None.
On Motion to Approve Items 9b:
AYES: Torres, Courtney, Caen and Moran

11. Schedule and Cost Revisions to Calaveras Dam Replacement Project (Resolution 13-0020)
   - Adopt California Environmental Quality Act findings to the Final Environmental Impact Report for the proposed modifications to the Calaveras Dam Replacement Project (CDRP), and approve CDRP modification.
   - Approve revisions to the schedule and budget of the CDRP being delivered as part of the Water System Improvement Program, and direct staff to send a Notice of Change Report to the California Department of Public Health and the California Seismic Safety Commission in compliance with California Water Code Section 73502(d)(3) and California Assembly Bills 1823 and 2437.
   - Approve an increase in the construction cost contingency for Contract No. WD-2551, Calaveras Dam Replacement Project, in the amount up to $117,000,000, and an increase in the contract duration of up to 761 consecutive calendar days. Authorize the General Manager to approve future modifications to the contract for a total revised contract amount up to $402,529,035 and for a total revised contract duration up to 2,290 consecutive calendar days.
   - Approve a funding reallocation in the amount of $117,000,000 from CUW395, Program Management Reserve Project to the CUW37401, Calaveras Dam Replacement Project.

Ms. Julie Labonte, thanked Mr. Dan Wade, Calaveras Dam Project Manager for his hard work. Ms. Labonte referred to her prior updates to the Commission regarding the geological difficulties and the magnitude of the cost and schedule impacts. Ms. Labonte stated that she would be requesting four separate actions related to the schedule and cost revisions, and briefly touched on each:
   - Adopt CEQA findings in Addendum No. 1 and approve Project modification;
   - Approve revisions to Calaveras Dam Replacement Project (CDRP);
   - Approve increase in construction contingency for CDRP, with an increase of duration by 761 days (25 months); and increase the value by $117M; and
   - Approve reallocation of $117M from Program Management Reserve to CDRP, which will also need Board of Supervisor Finance Committee approval.

Ms. Labonte discussed the program status, noting the overall program is 72 percent complete with five projects remaining in pre-construction. She stated that 59 of 81 projects are completed, with 17 with on-going construction. She indicated the current balance in the Program reserve is $117M.

Ms. Labonte touched on the schedule, indicating that as a result of the site conditions, completion of the CDRP would be delayed until August 2018, with the anticipation that all other projects are scheduled to be completed by July 2016. She noted that a few projects still have some schedule risk, although the schedules are being reviewed and actions are being taken to prevent delays.
Ms. Labonte provided a summary of costs based on the construction management estimates, noting that the $117M figure doesn’t include the need for additional soft costs along with additional environmental mitigation and replenishment of construction cost contingency.

**Commissioner Vietor arrived at 1:54 PM**

Ms. Labonte described potential cost savings and discussed next steps.

Commissioner Moran noted that correspondence was received from BAWSCA and asked Ms. Labonte if there was any reason the Commission should not accept their recommendations, to which Ms. Labonte replied there was not.

Public Comments.

- Mr. Art Jensen, BAWSCA outlined the concerns and questions outlined in the letter.

**On Motion to Approve Item 11 AS AMENDED:**
**AYES: Torres, Courtney, Caen, Vietor and Moran**

Commissioner Caen stated that she liked BAWSCA’s letter and asked Ms. Labonte when a response to the questions raised would be forthcoming, to which she replied that the letter outlines specific deadlines, and that it is her intent to respond by the deadlines.

Public Comments.
None.

12. Approve the plans and specifications, and award Contract WD-2575, San Antonio Backup Pipeline, in the amount of $31,372,335, and for a contract duration of 720 consecutive calendar days, to the lowest, qualified, responsible and responsive bidder, Ranger Pipelines, Inc. (Resolution 13-0021)

**On Motion to Approve Item 12:**
**AYES: Torres, Courtney, Caen, Vietor and Moran**

Public Comments.
None.

13. Authorize the General Manager to negotiate and execute, on behalf of the City and County of San Francisco, an amendment to the 2009 Water Supply Agreement with the Wholesale Customers in substantially the form set forth in this item; Direct staff to take all steps necessary to secure the approval of the amendment by the wholesale customers; and recommend that the wholesale customers approve the amendment to the Agreement. (Resolution 13-0022)
Mr. Steve Ritchie, Assistant General Manager, Water Enterprise, introduced this item, amending the 2009 Water Supply Agreement, noting it provides a mechanism to ensure that the interests of the Wholesale Customers can be protected in the event of future consideration of proposals similar to Proposition F.

**On Motion to Approve Item 13:**
**AYES: Torres, Courtney, Caen, Vietor and Moran**

**Public Comments.**
- Mr. Mike Marshall, Executive Director, Restore Hetch Hetchy, provided the Commission with a letter expressing concerns with the proposed Water Supply Agreement and offered amendments to the resolution. He expressed concern that the proposed amendment provides non-elected individuals and non-San Franciscans veto power over the people of San Francisco, and believes it doesn’t involve key stakeholders. He also stated that BAWSCA should be held liable for any litigation costs.
- Mr. Sprek Rosekrans, Restore Hetch Hetchy, echoed the concerns expressed by Mr. Marshall. He stated that the fourth Whereas clause was deceptive, and is not how people outside of the Bay Area look at the water system.
- Mr. Art Jensen, BAWSCA, stated there was an error in the statement of fact by Mr. Marshall, and that the item puts future votes in the hands of the governing bodies of the Wholesale customers, not BAWSCA, and all but two of those casting votes are elected officials.

Commissioner Vietor asked Deputy City Attorney Ambrose what would happen if litigation came forward, to which she replied that all costs associated with the Water Supply Contract are shared between San Francisco (1/3) and the Wholesale Customers (2/3). In response to a question posed by Commissioner Courtney, Ms. Ambrose stated that she doesn't believe the amendment creates a risk of liability.

Commissioners Moran and Caen expressed their thoughts and stated they were comfortable with the language.

**Due to the 2:30 “Time Certain” scheduling of Item 14, the Commission entered into Closed Session at 2:18 PM and exited at 2:40 PM.**

16. Public comments on matters to be discussed in Closed Session.
None.

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

**On Motion TO ASSERT:**
**AYES: Torres, Courtney, Caen, Vietor and Moran**
18. Conference with Legal Counsel - Pursuant to California Government Code Section 54956.9(c) and San Francisco Administrative Code Section 67.10 (d) (2).

Anticipated Litigation - As Plaintiff

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

Existing Litigation:

*Pacific Gas & Electric Company, v. City and County of San Francisco*
Court of Appeal of the State of California, First Appellate District, Division Five
Case No. A127554; Filed January 29, 2010

20. Announcement following closed session.
President Torres stated there was no action taken on Items 18 or 19.

21. Motion regarding whether to disclose the discussions during Closed Session.
On Motion NOT to disclose:
AYES: Torres, Courtney, Caen, Vietor and Moran

14. CleanPowerSF Workshop #1: Discussion of schedules of rates and charges of the San Francisco Public Utilities Commission Power Enterprise for Phase One of the CleanPowerSF Community Choice Aggregation Program for renewable power procurement within San Francisco. No action to adopt the schedule of rates and charges was taken. The proposed Resolution will be considered at a subsequent Commission meeting.

Ms. Barbara Hale, Assistant General Manager, Power Enterprise, introduced Mr. Paul Fenn, Principal, Local Power, Incorporated (LPI), who began his presentation with a brief history of LPI. Mr. Fenn proceeded to discuss Phase I recommendations, which involve lessening or avoiding rate premium by integrating excess Hetch Hetchy power; accelerating local build-out; and the purchasing of the least expensive kind of California RPS compliant Renewable Energy Credits. He indicated the enrollment target for Phase I would be approximately 78K customers, with 20MW of Shell Power and approximately 18MW of Hetchy power, which would dilute the price premium and minimize potential opt-outs.

Mr. Fenn then presented Phase II+ recommendations and stated that the “lockbox” clause in the Shell agreement is inconsistent with the issuance of bonds for subsequent Phases and would make it difficult if not impossible for the agency to issue bonds. He recommended it not be included in Phase II+ contracts. He noted that build-out would commence in 2014.

Mr. Fenn stated that the current CleanPowerSF design is not competitive, is overpriced, and has a risk of high opt-out rates. Mr. Fenn then briefly touched on the proposed business case.
Mr. Fenn stated that the service delivery model views energy as a service, focusing on bill impacts to customers, not just delivering kilowatt hours. He noted this is a “no money down” approach that offers a different product than other utilities. Mr. Fenn discussed an integrated and targeted approach to resources, with a mix of local resources and offered what the draft and final models might look like.

President Torres asked when a model showing the financial exposure to ratepayers would be available. Mr. Samuel Golding, LPI Project Manager, indicated that the final financial model will be available in three months. Mr. Fenn noted that the risk is based on wholesale price of power. President Torres asked for details in the future that address how financial risk is being minimized.

Commissioner Vietor stated that local build-out is critical. She asked what the risk is to commercial customers given their participation, or lack thereof, in the program. Mr. Fenn provided a response, noting that the generic risk would generally be the same as for residential customers. Mr. Fenn continued stating that the program would begin with 100 percent purchased power, and then local generation resources would be added later. In response to a follow-up question by Commissioner Vietor, Mr. Fenn stated that Phase I is focused on residential customers, with the recommendation that commercial customers be added quickly in Phase II, along with residential customers, to balance between day time and night time load, lower the cost of service and improve the load shape of the aggregation.

Commissioner Courtney questioned the Green Jobs component of the program, asking Mr. Fenn to elaborate on the component as it relates to local workforce development and jobs training. Mr. Fenn indicated that they are projecting 3,000 jobs per year. He stated that they have been working within the local hire ordinance and Office of Economic and Workforce Development to ensure there is a local labor pool from which to hire.

Commissioner Moran asked how the program, as presented, meshes with that the Board of Supervisors has approved. Mr. Moran expressed concern with how the calculations for the Phases I premiums were determined, and how that results in the offering of a low premium rate in Phase I. He also expressed concern over the performance risk and challenges associated with the proposal, and over the suggestion that the Department of the Environment manage the projects, given the scope and size.

Mr. Fenn stated that LPI is not recommending a change to the Shell agreement for Phase I. He indicated that the main change is the addition of the increment of available Hetch Hetchy power; rather than making it available to the market, it be made it available to CCA as a matter of policy. He stated that the other piece is the change in renewable energy credit strategy because there are several different categories, and they are available at different prices on the marketplace. In response to a question by Commissioner Vietor, Mr. Fenn confirmed that they are changing the resource mix rather than the local build-out piece for Phase I, with a slightly different number of residential customers. Commissioner Moran asked if it was LPI’s recommendation that the Commission not adopt the Not-to-Exceed rates, to which
Mr. Fenn replied, it was. Brief discussion continued on the resource mix and rate determination for Phase I.

In response to a question from Commissioner Vietor, Mr. Rydstrom stated that there is a shared goal with LPI to make sure that rates will be as low as possible, but there is disagreement as to what is firm and available from Hetch Hetchy, noting there isn’t always excess power, especially in dry years. He noted the goal is to mitigate and minimize risk, which the Shell contract does.

Public Comments.

- Mr. Francisco DaCosta stated that what was presented was different than what was discussed at LAFCo, with too many variables introduced.
- Hope Schmeltzer, LAFCo Commissioner, stated that the LPI proposal hasn’t changed despite the concerns that have been repeatedly raised. She stated that LPI’s recommendation to use Prop H Bonds in not an option as, per the City Attorney. She also expressed concern with LPI’s co-gen facility proposal and siting issues.
- Mr. Jason Fried, LAFCo staff spoke on behalf of Supervisor Campos, LAFCo Chair, stated that the launch of the Program must not be slowed down. He also provided comments on the set-aside fund requirements.

Commissioner Vietor asked Mr. Fenn how LPI proposes to pay for the Local Build-Out given the comments by Ms. Schmeltzer regarding Proposition H Bonds. Mr. Fenn replied LPI proposes that H Bonds potentially be used for the whole build-out, via taxable bonds for private benefit on commercial buildings and public bonds for PUC-owned generation, along with tax equity investment.

- Mr. Arthur Feinstein, Chair, Sierra Club, Bay Chapter, stated that they are looking forward to CCA, but are concerned about rates being too high and customers opting-out. They encourage the Commission to look at all options to help lower rates.
- Ms. Jess Dervin-Ackerman, Conservation Organizer, Sierra Club, Bay Chapter, provided her comments on the proposed long-term build-out and spoke to the desire for a coordinated bridge plan. She expressed support for the Feed-in-Tariff intent for the metering program. She encouraged the hiring for the vacant CleanPowerSF Program Director.
- Mr. Eric Brooks, Green Party of San Francisco and local grass roots organization, “Our City”, stated the immediate need for a Program Director for the Clean PowerSF Program. He expressed his thoughts on the relationship between SFPUC staff and LPI.

Commissioner Vietor asked for a status update on the hiring of the CleanPowerSF Director. Deputy General Manager Michael Carlin stated that the position requisition is pending approval in the Mayor’s Office.
Vice President Courtney requested and Ms. Hale provided clarification on the local build out bridge plan as discussed by Ms. Dervin-Ackerman.

Commissioner Moran requested that the discussion regarding local build out be postponed as it is not immediately necessary to the decision of not-to-exceed rates.

Commissioner Caen expressed frustration with the delay in the customer poll and wants to see individual customer surveys. She feels customers should be told what the rate will be, as compared to PG&E rates.

15. **Budget Hearing #1 – Water, Wastewater and Power Enterprises**
   At the request of President Torres, this item was removed from the calendar and will be included with the Budget Workshop scheduled for February 12th.

22. **Other new business.**
   None.

*President Torres adjournd the meeting at 3:55 PM*