1. **Call to Order**  
   President Torres called the meeting to order at 1:34 PM.

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

3. **Approval of Minutes of April 9, 2013**  
   On Motion to APPROVE the Minutes of April 9, 2013  
   AYES: Torres, Caen, Vietor and Moran

4. **Public Comments**  
   • Supervisor John Avalos expressed his thoughts on the CleanPowerSF Program and encouraged the approval of rates as soon as possible. He noted the need for a joint SFPUC/LAFCo meeting.

5. **Communications**  
   a) Advance Calendar  
   b) Letter Summary  
   c) Status of Large Development Service Projects in the Water Service Area  
   d) Water Pipeline Assessment  
      Commissioner Caen thanked staff for preparing the document.  
   e) Water Supply Agreement Update  
      Commissioner Moran requested that staff track the rate structure for discussion during next year’s rate cycle review and, if staff are not able to come to conclusions, that the Commission be informed.

   **Public Comments**  
   • None.

   Commissioner Vietor echoed Supervisor Avalos’ request for scheduling of a joint meeting. Secretary Hood indicated she would work with LAFCo staff to find dates for consideration.

6. **Other Commission Business**  
   Commissioner Caen requested that the SFPUC security update be placed on the Closed Session Calendar.

   Commissioner Caen expressed frustration with the breakdown in communication between staff and the Commission, a lack of staff response to direction given by the Commission, and a lack of concern for what the Commission is saying. She expressed displeasure with the information she has received in response to multiple requests regarding SFPUC surplus property, and noted that the lands have value which could be passed along to the ratepayers. Commissioner Caen referred to an April 12, 2013 San Francisco Chronicle article regarding Francisco Reservoir and...
questioned why interested parties were not informed of the disposition possibilities of the land years ago. She requested that the President meet with the General Manager to clearly define the roles of the Commission, vis-à-vis the staff and General Manager.

Commissioner Vietor introduced and the Commission welcomed the second grade class from the San Francisco Day School.

7. Report of the General Manager

General Manager Kelly, Jr., stated that he had spoken to Commissioner Caen regarding her concerns and that he will work with staff to better respond to the Commission, and prioritize and respond to requests. He stated that there was never an offer to give Francisco Reservoir away, and that fair market value will be sought.

a) Francisco Reservoir Update

Deputy General Manager Michael Carlin apologized to Commissioner Caen for any disrespect shown and will make efforts to be a more effective communicator. He provided a brief update on the Francisco Reservoir site, stating that fair market value will be sought if it is declared as surplus property. He indicated that discussions are taking place with Recreation and Park and others regarding acquisition of the site for a park. He stated that the roof has been removed, but no other action has been taken.

Commissioner Caen questioned the value of the property. Mr. Carlin stated that appraisals are confidential for use in negotiating and that an updated appraisal on the property will be scheduled. Commissioner Caen expressed frustration that there is no existing value on the property and her desire that the process move faster.

President Torres requested an inventory of all the surplus property with an estimated figure of value, so a determination can be made of which properties could be sold.

Commissioner Moran asked City Attorney Ambrose to outline the process for disposing of surplus property. Ms. Ambrose referred to the 2002 Charter Amendment giving the Commission exclusive jurisdiction over SFPUC real estate, which provided that the Commission could dispose of surplus real estate, to the needs of any utility, before it can be transferred to another City department or outside of City ownership; then then it must go before the Board of Supervisors for approval of a jurisdictional transfer or sale. Ms. Ambrose noted that this process was provided to the community organizations. Brief discussion ensued on options for the disposal of surplus property.

President Torres requested a meeting with Commissioner Caen, the General Manager and Mr. Carlin to discuss surplus real estate.
Public Comments
- None.

8. BAWSCA Update
Mr. Art Jensen stated he is working with SFPUC staff on a joint Water Supply Agreement presentation, to be scheduled in June. He noted that the bond issuance this year slowed down work on the preliminary rate structures, that it is not vital to the success of his agency, and given other critical issues, they have not budgeted time to work on it during the coming year. He reviewed BAWSCA comments regarding the WSIP update, calling-out their suggestion that the Commission look at alternate ways to manage a cash flow program by changing the method of funding for the watershed environment group and program. He stated this was a bad idea and should not be considered.

Public Comments
- None.

9. Revenue Bond Oversight Committee (RBOC) Annual Report and Audit Findings
Mr. Kevin Cheng, RBOC Chair, provided their RBOC’s Annual Report and Water System Improvement Program (WSIP) Review. He noted that the RBOC hears from interest bodies and the public and considers that input in their evaluation of projects. Mr. Cheng stated they hired RW Block Consulting and charged them with two tasks regarding the review of WSIP: (A) Cost and Schedule at Completion; and (B) Review of program delivery costs. He noted that “Task A” examined five projects with about $1.5B in expenditures. He stated the most important takeaway from the study is that, due to the Calaveras Dam Project, the overall program is late and over-budget. He noted, however, with the removal of that project all programs would be on time and on-budget.

Mr. Cheng provided observations and conclusions on the Calaveras Dam Replacement Project, Crystal Springs/San Andreas Transmission System, Harry Tracy Water Treatment Plant Improvements, New Irvington Tunnel and Bay Division Pipeline Reliability Upgrade Tunnel.

Mr. Cheng discussed evaluated soft costs (program delivery costs), and noted how they have varied over time. In conclusion, Mr. Cheng provided RBOC’s recommendations.

President Torres thanked Mr. Cheng and the RBOC for their work.

Public Comments
- None.
10. **Consent Calendar**

a) Approve the terms and conditions and authorize the General Manager to execute a five-year revocable permit to the Ocean Avenue Association, a California non-profit public benefit corporation, for the use of approximately 4,000 square feet of SFPUC property, located at the intersection of Ocean Avenue and Phelan Avenue in San Francisco, as a community garden. Permitee shall maintain the property and provide insurance and indemnity for its use of the property. *(Resolution 13-0055)*

Commissioner Vietor asked for the background of the project and if there would be documenting and monitoring of the pilot program, to which Ms. Rosanna Russell, Real Estate Director, provided response.

b) Approve Amendment No. 1 to Agreement CS-945, Emergency Operations Training Services with AECOM USA, Inc., to provide continuing emergency operations planning, training and exercises. Authorize the General Manager to negotiate an amendment increasing the agreement up to $800,000, for a total not-to-exceed amount of $2,400,000, and extending the agreement duration up to two years, for a total agreement duration of six years. *(Resolution 13-0056)*

c) Authorize the General Manager to advertise the Request for Proposals for Agreement DB-124, San Joaquin Valley Communication System Upgrade Project, a design-build agreement to construct a 20-site digital microwave radio communications system for an amount not to exceed $5,500,000, to achieve time and cost savings. Staff will return to the Commission to seek authorization to award and execute an agreement. *(Resolution 13-0057)*

d) Approve the plans and specifications, and award Contract WW-558R, As-Needed Sewer Cleaning, for a total contract amount not-to-exceed $1,594,500, to the lowest, qualified, responsible and responsive bidder, ProVen Management, Inc., to clean existing sewers, on an as-needed basis, at locations to be determined within the City of San Francisco. *(Resolution 13-0058)*

e) Approve Amendment No. 1 to Agreement CS-267, Grant Agreement for “Education Outside,” with the San Francisco School Alliance, to support the development of a Rainwater Harvesting management plan for green schoolyards; and authorize the General Manager to execute this amendment increasing the agreement by $20,000, for a total not-to-exceed agreement amount of $120,000. *(Resolution 13-0059)*

**Public Comments**

- Mr. David Pilpel provided comments on items 10a, c and d, and requested that more information regarding environmental review and references to Planning Department documents be included in the agenda item descriptions and resolutions.
On Motion to Approve Items 10a through 10e:
AYES: Torres, Caen, Vietor and Moran

11. Public Hearing: Discussion and possible action to approve the project-level scope, schedule and budget of the March 2013 Revised Water System Improvement Program and direct staff to send a Notice of Change Report to the California Joint Legislative Audit Committee, the California Department of Public Health and the California Seismic Safety Commission in compliance with California Assembly Bills 1823 and 2437, and authorize the General Manager to seek Board of Supervisors’ approval for the re-appropriation of existing funds as needed and the supplemental appropriation of $54,927,412 in new funding.  
(Resolution 13-0060)

Mr. Emilio Cruz, AGM, Infrastructure, thanked staff for their work on the WSIP and provided a brief summary of the item.

Ms. Julie Labonte, WSIP Director, began by stating the purpose of the hearing was for the consideration of revisions to the WSIP, referred to as the “March 2013 Revised WSIP”. She discussed why the revisions were necessary: to incorporate the latest available information on WSIP in schedule and budget; to transfer forecasted project savings to projects with forecasted overruns; to secure funding required to complete with all projects; and to comply with California Water Code.

Ms. Labonte indicated the proposed revisions came about as a result of a comprehensive two-month WSIP Assessment of active projects, which involved all project teams, WSIP Managers, and Project consultant. The Assessment reviewed forecasted construction costs and schedules, forecasted delivery costs, and forecasted project schedules.

Ms. Labonte provided a brief review of the program status, noting program actives are 72 percent complete, based on expenditures-to-date; construction is completed on 60 of 82 projects; and three projects are left in pre-construction. Ms. Labonte discussed the status of treatment projects, storage projects, and transmission projects.

Ms. Labonte presented a high-level revision summary which includes major scope changes to two projects (Calaveras Dam Replacement Project and Alameda Creek Recapture Project); Addition of one project (vegetation restoration of WSIP construction sites); Addition of eight months to schedule with anticipated completion of April 11, 2019; and a revised program budget of $4.640M. Ms. Labonte noted that none of the revisions will result in a reduction of the level of service goals but will result in the delay of when the goals will be fully achieved.
Ms. Labonte noted all but two projects are scheduled to be completed by July 2016, those being the Calaveras Dam Replacement Project (to be completed August 21, 2018), and the Alameda Creek Recapture Project (to be completed April 11, 2019).

Ms. Labonte discussed construction delays of significance to the San Antonio Backup Pipeline (nine months); CS-SA Transmission Upgrade (eight months); Seismic Upgrade of BDPL Nos. 3 & 4 (five months); and Regional Groundwater Storage and Recovery (five months).

Ms. Labonte discussed proposed budget revisions, noting an increase of $76,327,694 in Regional Projects, a $21,398,030 reduction in Local Projects, and no change in Financing for a Program total increase of $54,927,412.

Ms. Labonte reviewed project-level budget revisions noting projects with the largest cost savings and those with the largest cost increases. Ms. Labonte discussed the budget impacts of the Calaveras Dam Project, differing site conditions, and reviewed the revised budget, which includes financing, other, delivery, and construction costs (actual, remaining, contingency and risk). Ms. Labonte discussed risk and confidence level and noted the impact on rates, stating that the impacts will not have impacts on rates over what was planned.

Ms. Labonte mentioned the 10 BAWSCA recommendations adopted as part of January 2013 revisions to the Calaveras Dam Project, and indicated that most recommendations were addressed as part of the WSIP Assessment associated with the March 2013 Revised WSIP.

Ms. Labonte concluded her presentation by summarizing the requested Commission actions: Endorse the project-level scope, and approve the schedule and budget of the March 2013 Revised WSIP; Direct staff to send a Notice Change Report to the State in compliance with the California Water Code; and Authorize the General Manager to seek Board of Supervisors’ approval for the re-appropriation of existing funds as needed and the supplemental appropriation of $54,927,412 in new funding.

Commissioner Caen asked and staff responded to the impact of the budget increase of the Calaveras Dam Projects as it relates to overall budget. Staff noted that without the Calaveras Dam project over-run, WSIP would be under-budget. Brief discussion ensued on the budget and project scope.

Commissioner Moran asked about correspondence received from BAWSCA. Ms. Labonte indicated that there is no abandonment of any project in WSIP; no changes to the scope in any WSIP project that would impact the level-of-service provided by the project; and that the only impact to the level-of-service will occur due to project delays. He asked if staff had qualified the impact to the level of
service. Ms. Labonte noted that two memos were sent to the Commission that quantifies the level of service. She stated that additional assessments will take place and sent to the State as part of the Change Notice.

Commissioner Moran requested that staff describe the effect of the delay. Further, he requested that the funding of the Program and the choices that need to be made to re-program funds for minimal impact to customers be brought back to the Commission for review to ensure the Commission agrees. He stated that in the attempt to re-program funds, if it is discovered that there is harm to be done, that there should be consideration of a rate adjustments. Commissioner Moran requested a schedule of when the level of service will be provided.

Public Comments

- Mr. Sprek Rosenkrans, Restore Hetch Hetchy, congratulated the Commission and staff on the WSIP. He thanked Art Jensen for his offer to withdraw BAWSCA’s request as noted earlier. He stated he would be submitting written comments on potential impacts in response to letter the City Attorney and Consultants sent to the State Board.

- Mr. Peter Drekmeier, Tulomonue River Trust, thanked Art Jensen for his offer to withdraw BAWSCA’s request as noted earlier. He provided comments on the Watershed Environmental Improvement Program (WEIP) and for the work Tim Ramirez and staff is doing.

- Mr. Jeff Miller, Alameda Creek Alliance, echoed support for the WEIP and thanked Art Jensen for withdrawing BAWSCA’s request as noted earlier. He expressed thoughts on the Alameda Creek Recapture Project.

- Mr. Art Jensen, BAWSCA, stated the Calaveras Dam Project must go forward. He expressed support for all of the recommendations, concerns for the budget, and reviewed the issues detailed in BAWSCA’s letter.

- Mr. David Pilpel express his support for the program and questioned the language in the resolution related to CEQA and requested that links and references to CEQA documents be placed in staff reports and resolutions.

On Motion to approve Item 11:
AYES: Torres, Caen, Vietor and Moran

12. Presentation and discussion of the proposed Wholesale Revenue Requirement and rate schedule for FY 2013-14, as applied to meter readings on or after July 1, 2013. This rate schedule reflects the terms of the 2009 Water Supply Agreement between the City and County of San Francisco and the Wholesale Customers, which was approved on April 28, 2009 by Commission Resolution No. 09-0069.

Mr. Todd Rydstrom introduced the item. Mr. Charles Perl, Director of Financial Planning, presented a brief summary of FY2013-14 Wholesale Water Rates, which was being offered in advance of the proposed May 14, 2013 rate approval.
He stated rates will be going down for the biggest wholesale customers, mainly as a result of the $356M pre-payment received in February, but also due to the fact that more water is being purchased. Mr. Perl reviewed the 10-Year Financial Plan wholesale revenue requirement, calling attention to the removal of the “pre-2009 Asset” row as a result of the pre-payment. Mr. Perl reviewed the wholesale rate structure and mentioned the untreated water rate discount for a customer who accepts untreated water. He noted that one proposed change is a late payment penalty for wholesale customers to bring them in line with retail customers.

Commissioner Vietor asked why water usage is up to which Mr. Perl stated that conservation is occurring, but as the economy improves, usage increases and that weather patterns (dry versus wet years) are also a contributing factor.

Public Comments
- Mr. David Pilpel expressed his thoughts with CEQA referencing and asked if notice was required for the adoption of rates, to which City Attorney Ambrose stated it wasn’t due to it being wholesale, not retail rates.
- Mr. Art Jensen, BAWSCA, stated that have begun a regional water demand projection study to help answer the usage question and will share the information when it becomes available.

On Motion to approve Item 12:
AYES: Torres, Caen, Vietor and Moran

13. Authorize the General Manager to execute, on behalf of the City and County of San Francisco, a Memorandum of Understanding with United States Department of Commerce, National Oceanic and Atmospheric Administration (NOAA), for an amount not to exceed $160,000, and with duration of two years. The MOU defines the roles and responsibilities of NOAA to assist the SFPUC in the site selection and Federal environmental review for three new radar systems as part of the proposed Advanced Rainfall Prediction Project under the Sewer System Improvement Program. (Resolution 13-0061)

Mr. Tommy Moala, Assistant General Manager, Wastewater, introduced the item. Brief discussion ensued on the system and technology it provides, with clarification offered by Wastewater staff, Stephanie Harrison.

Public Comments
- None.

On Motion to approve Item 13:
AYES: Torres, Caen, Vietor and Moran
14. **Workshop: Discussion of proposed CleanPowerSF Community Choice Aggregation Program build-out roadmap and strategies, including local resource investment and associated timeline, overall resource mix, and the effects on the not-to-exceed rate.**

Ms. Barbara Hale, Assistant General Manager, Power, stated that the purpose of the presentation was to provide a review of the CleanPowerSF build-out roadmap and strategies. She noted that information the Commission requested on comparisons between CleanPowerSF and other programs is being compiled and will be presented at the next meeting. She briefly touched on the differences between CleanPowerSF and Marin’s program.

Ms. Hale updated the Commission on two regulatory activities that the SFPUC has been involved with at the California Public Utilities Commission (CPUC) regarding two PG&E filings. First, PG&E’s March 31, 2013 filing to comply with AB970, Community Choice Aggregation Code of Conduct. She noted the SFPUC filed a protest and asked that PG&E’s filing be rejected, and that PG&E be prohibited from marketing against CCA’s unless and until they comply with the Code of Conduct. The SFPUC asked that if the CPUC is inclined to consider their filing that the matter be set for a hearing. Second, Ms. Hale noted PG&E’s 2012 filing of a Green Tariff Option and stated that PG&E has filed a settlement asking the CPUC to approve a revised program. She stated the SFPUC is concerned with the details of the program and the cost-shifting that may occur between existing programs and the Green Tariff Program. She will keep the Commission informed regarding these matters.

Ms. Kim Malcolm, Director, CleanPowerSF, began discussing the build-out roadmap’s objectives and emphasis of transitional reliance on Shell procurement contract combined with aggressive, but realistic development of local renewable and energy efficiency resources. Brief discussion ensued on transition, the Shell resource mix, and the desire for green products; Planning Flexibility to take advantage of changes in customer response, markets, technologies and financial capacity; Leveraging of existing programs and resources combined with new initiatives; Focus on mitigating bill impacts with energy efficiency and behind-the-meter services; Program expansion as resources become available, and according to customer interests, and cost-effectiveness; and to Limit the City’s financial exposure to currently-authorized appropriations.

Ms. Malcolm discussed the first component of a build-out – existing and potential resources for an energy efficiency build-out including: Facilitation of customer participation in an existing program; Energy efficiency funding from the CPUC; Larger-scale energy efficiency projects; and leveraging established CleanPowerSF funding in energy efficiency targeted to low-income customers.
Ms. Malcom then discussed the second component of a build-out – existing and potential resources for a renewable generation build-out, including: Purchases of power from existing renewable generators; Inducing construction of new renewable projects; Construction of new projects by CleanPowerSF or third parties on City-controlled sites; and “behind the meter” assets to reduce load and customer bills by saving on transmission and distribution costs.

Ms. Malcolm discussed build-out tools including: Identifying potential assets; Net Energy Metering; “Feed-in-Tariff”; Request for Offers; Power Purchase Agreements; support from existing appropriations to build-out; Customer revenues; Other incentives and support; and bond issuance.

Ms. Malcolm noted challenges and opportunities including: Customer interest and commitment; Market prices for renewables; Competitors; System integration; Program size; CEQA; and revenue sources.

The focus of the presentation turned to the build-out timeline. Ms. Malcolm reviewed the timeline, noting the steps that can be taken as the program proceeds. Discussion ensued on the timeline and Commissioner Vietor expressed a desire to get the program running as soon as possible. Mr. Kelly, Jr. stated that there are a lot of decisions that need to be make prior to launch, but agrees that the build-out is important and the timeline will help in decision-making. Ms. Malcolm indicated that she would provide a timeline of items that need action/decision prior to launch.

In response to a question from President Torres, Ms. Hale stated that excess Hetch Hetchy power could be used, but it needs to be provided consistent with the Raker Act and with revenue neutrality from the municipal side of operations. Ms. Hale provided clarification on the timeline structure and intent.

Ms. Malcolm continued her presentation by discussing initial ratemaking tradeoffs, stating that initial rates will depend upon and/or affect customer willingness to pay and fairness; resource mix; incremental headroom to support build-out and jobs creation; final Shell power procurement rate; and program costs. She stated that the current estimated rate range is 11.14 to 14.57 cents/kwh.

Ms. Malcolm presented a matrix demonstrating Rate Reductions vs. Build-out vs. Renewable Mix: Highest Rate - Base Case (current renewables mix, no incremental build-out); Highest Rate - Scenario One, 100% build-out (highest REC mix – maximum build-out); Reduced Rate – Scenario Two, sharing (highest REC mix, some build-out); and Lowest Rate – Scenario three, 100% to rate reduction, (Highest REC mix, no incremental build-out). Ms. Malcom stated that other scenarios with different resource mixes could be presented, and indicated that Scenario Two is close to a desired resource mix and rate that is competitive.
Brief discussion ensued on PG&E proposed rates versus CleanPowerSF proposed rates and bonding capacity/opportunities. Mr. Rydstom stated that in order to be able to sell bonds, there would need to be two years of paying, staying customers, in order to borrow.

Additional discussion occurred regarding the resource mixes. In response to a question from Commissioner Vietor, Ms. Malcolm referred to a slide detailing a 10-45-45 mix, showing scenarios with less funding and additional build-out at higher rates. The General Manager indicated that there are several variables to determine the cost, and the question to be asked what is the appetite for the mix and what bill impact is being sought. Discussion continued on details and intent of the Program. Commissioner Moran expressed his thoughts regarding the unknown of the PG&E rates, noting that it is difficult to make rate decisions. He asked when PG&E will be coming out with their plan, to which Ms. Malcolm stated she was uncertain given it has to go before the CPUC, but it could be, at the soonest, three months. General Manager Kelly, Jr. suggested that staff return with five different options for the Commission’s consideration that show different mixes, a build-out, and price at around the $6 range.

Commissioner Caen suggested that the Commission go with the lowest price, that the build-out not currently be considered, and that there is a review of how many customers enroll and the waters be tested, and after that, a build-out be considered. She also questioned if customers understand what “the mix” means and that they just want “renewable”.

**Public Comments**
- Mr. Jason Fried, LAFCo staff, discussed the PG&E option and feels that the cost they are presenting is based off of their press numbers, and not actual costs, which he believes are higher.
- Mr. Eric Brooks, Green Party of San Francisco and local grassroots organization “Our City”, expressed his thoughts on PG&E and the requirements of the settlement agreement. He offered his thoughts on the presentation and build-out and REC mix.
- Mr. Michael Zambrano, Sierra Club, thanked the Commission for their work and expressed his thoughts, requesting the greenest possible program and wants to see continued outreach.
- Ms. Maria Swain, Sierra Club, expressed her desire for competitive rates and for maintaining the build-out.

15. **Public Comments on matters to be discussed in Closed Session**
None.

16. **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, Caen, Vietor and Moran

CLOSED SESSION

17. Conference with Legal Counsel - Pursuant to California Government Code Section 54956.9(d)(3) and San Francisco Administrative Code Section 67.10 (d) (2).

Anticipated Litigation - As Plaintiff

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

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 / Date Filed: January 29, 2010

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

Existing Litigation
Zeno Zimmerman v. City and County of San Francisco
San Francisco Superior Court Case Nos.: CGC-11-516360 and CGC-11-516361
City Attorney File Number: 120697 / Date Filed: December 12, 2011
(Resolution 13-0062)

On Motion to approve Item 19:
AYES: Torres, Caen, Vietor and Moran

Commissioner Vietor left at 5:03 PM

20. Conference with Legal Counsel – Pursuant to California Government Code Section 54956.9 (d) (2) and San Francisco Administrative Code Section 67.10 (d) (2). (Ambrose)

Anticipated Litigation - As Defendant

21. Announcement following closed session
Deputy City Attorney Ambrose stated the settlement on Item 19 was approved.

22. Motion regarding whether to disclose the discussions during Closed Session.
On Motion NOT TO DISCLOSE:
AYES: Torres, Caen, and Moran

23. Other new business.
None.

President Torres adjourned the meeting at 5:03 PM.