SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Edwin M. Lee
MAYOR

MINUTES
Tuesday, November 12, 2013
As Approved on December 10, 2013

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

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

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 Courtney called the meeting to order at 1:35 PM*

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

3. **Approval of Minutes of October 22, 2013**  
Public Comments  
- None  

*On Motion:*  
*Ayes: Courtney, Caen, Vietor, Moran and Torres*

4. **General Public Comment**  
- Dr. Espanola Jackson requested that a hearing be held on the Southeast Facility and the Southeast Plant.  

*Commissioner Courtney asked when a hearing could be held. General Manager Kelly indicated that one could be scheduled sometime after the first of the year.*

*Commissioner Caen asked Dr. Jackson if she would provide the Commission with a copy of the document detailing the history of the Southeast Facility.*

5. **Communications**  
a) Advance Calendar  
b) Letter Summary  
c) Power Revenue and Clean Energy Bond Issuance  
d) Water System Improvement Program Status of Construction Change Orders  
e) Water Enterprise Capital Improvement Program Quarterly Report – Regional  
f) Water Enterprise Capital Improvement Program Quarterly Report – Local  
g) Water System Improvement Program Quarterly Report – Regional  
h) Water System Improvement Program Quarterly Report – Local  
i) Large Development Projects in the Water Service Area  

*Vice President Caen asked for clarification regarding the value of salvaged trees from the Rim Fire. General Manager Kelly deferred response until Mr. Carlin arrived.*

*Vice President Caen expressed her pleasure with the forthcoming Clean Energy Bonds issuance, as detailed in item 5c. Mr. Rydstrom noted that additional detail will be provided during budget hearings.*

*Vice President Caen asked about the Lake Merced Pump Station, specifically with the PG&E over-voltage problem as detailed in item 5h. General Manager Kelly deferred response until Mr. Ritchie arrived.*
Commissioner Vietor asked that, as a follow-up to the correspondence provided, staff present on the Clean Energy Bonds issuance prior to the budget hearings.

Public Comments
• None

6. Other Commission Business
None.

7. Report of the General Manager
   a) Bayview Art Grants Update
   General Manager Kelly introduced the item, stating that the SFPUC is committed to investing in art in the Bayview. He referred to the City Ordinance requiring a two-percent contribution of the cost of above-ground construction projects to arts funding. He stated in 2011 the SFPUC Community Benefits Policy was passed, which aligns the arts contribution with SFPUC goals. He introduced Ms. Judy Nemzoff, Director, Community Arts and Education, San Francisco Arts Commission.

   President Courtney stated that public comments on item 7a would be taken after the presentation, and that comments on items 7b through 7f would be taken at the conclusion of the General Manager’s Report.

   Ms. Nemzoff stated her presentation would offer an overview of how the grant program was established. She noted it is a pilot program intended to support established artists, with existing infrastructure, and who are located in the Bayview.

   Ms. Nemzoff reviewed the goals of the program and briefly outlined the selection process. She stated that due to a cancellation of the Arts Commission’s August meeting the announcement of the recipients was delayed by one month. She presented the names of the selection panel and detailed the selection criteria: relevance and connection; quality; and feasibility. She stated that 10 grantees were selected from the 23 proposals received, and she offered additional details on application statistics. She reviewed the list of those who received grants.

   She noted that the grants are underway and programmatic activities are taking place. She stated that the next round of funding will begin in January.

   In response to a question from Commissioner Vietor, Ms. Nemzoff stated that each of the 10 grantees received $10K. In response to a follow-up question, Ms. Nemzoff anticipates that another $100K will be available to new grantees in January.

   Commissioner Moran stated that some members of the public had previously expressed concerns with the process and asked what avenues applicants had for
review or protest prior to the proposed grants being brought to the Arts Commission for approval.

Ms. Nemzoff detailed their panel and review process, noting the full process is open to the public. She stated that she never had a complaint lodged and is unsure of what the process would be.

Discussion ensued on the filing of a complaint or protest on a grant award, versus one on a contract award. City Attorney Ambrose noted there are Administrative Code requirements for filing a protest of a contract award, but no such requirements for the protest of a grant award.

In response to a question from Commissioner Torres, Ms. Nemzoff she had not received any formal complaints, but did receive one Sunshine request, which had been fulfilled. Discussion continued on the complaint process.

Commissioner Torres asked for and received clarification on the next round of grant applications. Ms. Nemzoff stated that the criteria/guidelines have not been set, but that previous applicants would not be excluded from applying.

President Courtney suggested that the Arts Commission hold workshops to educate and inform applicants of the process. Commissioner Vietor offered her expertise in grants funding and processes.

Public Comments
• Dr. Espanola Jackson stated that she wanted 10 percent arts funding to come to the Southeast sector. She indicated she requested and never received information from the Arts Commission on the arts organizations in the community.

General Manager Kelly provided clarification on the two percent contribution. Discussion ensued on the funding sources, requirements, process, and on the opportunity for process improvement and educational opportunities.

Vice President Caen asked for and received clarification on how SFPUC monies are being used for art projects.

President Courtney requested that a representative from the Arts Commission return at a future meeting to inform the Commission of the changes that have been implemented with regard to procedural safeguards, notice components, and educational assistance for grant applicants.

• Mr. Larry Ware detailed his background and stated that Mr. Kevin Williams should be considered for a grant.
• Mr. Kevin Williams stated that the Commission has been misinformed about the grant program. He expressed concerns over the review, selection and protest process, and with the selection panel receiving compensation. He stated that the City Attorney has not responded to his Sunshine request.

President Courtney asked Deputy City Attorney Ambrose for clarification of California Civil Code Section 1094.5, which she provided. She indicated she would follow-up with City Attorney staff on the status of the Sunshine request.

President Torres asked about Mr. Williams’ statement that the panelists were provided compensation. Ms. Nemzoff indicated that panelists are eligible for a $200 per day honorarium.

• Nate Watson, Executive Director, Public Glass, and grant recipient provided his thoughts on the grant process.

Vice President Caen asked for clarification on the discussions. Mr. Williams offered his thoughts on the process and law. In response to a follow-up on how his concerns reflect on the SFPUC as opposed to the Arts Commission, Mr. Williams stated that the SFPUC is the source of the funds.

• Vivian Ellis stated that she did not receive funding for her production despite her qualifications.
• Jacqueline Flin & Kirt Grimes, A. Phillip Randolph Institute, stated they received a grant for their youth programs and explained how the funds would be used.
• Jessica Mele & Amani Manning, Performing Arts Workshop, stated they received a grant which will help expand their programs.
• Ace expressed his thoughts on the grants process.

President Courtney thanked Ms. Nemzoff and summarized the discussions, noting two specific issues; first potential legal issues to be left for legal counsel to investigate; and second, the willingness of the Arts Commission to accommodate SFPUC needs. He asked that SFPUC staff review the meeting and provide proposals to be presented to the Arts Commission, with respect to appeals process, face-to-face interviews, and panel member composition.

b) Rim Fire Update
Deputy General Manager Michael Carlin began his presentation by responding to Vice President Caen’s earlier question regarding the value of salvaged trees. He stated that the trees belong to the U.S. Forest Service and that the estimated value of trees located on SFPUC right-of-way is $1.5M to $2M. He noted that the SFPUC’s cost of dropping and stacking the trees will be included in SFPUC cost recovery.
Commissioner Vietor noted that it is important that staff track the environmental impact of salvage logging to ensure that neither water quality or the environment is impacted.

Mr. Carlin provided a brief update of the Rim Fire, noting that as of October 25th, the fire was fully contained, with 257,314 acres burned. He stated grid power has been restored for Camp Mather and Evergreen Lodge, and that the fire perimeter was in two percent of the Hetch Hetchy watershed. He noted that retail and wholesale customers remain unaffected. He indicated the Presidential Emergency Declaration was denied as the $51M threshold was not met. He touched on other cost recovery efforts.

Mr. Todd Rydstrom, Assistant General Manager (AGM) and CFO, discussed new damage estimates which show a reduction of $3M. He noted meetings continue with the California Office of Emergency Services. He provided funding updates, noting all avenues for cost recovery will be utilized. He stated that the Presidential Emergency Declaration will be resubmitted with the required $51M threshold.

Mr. Rydstrom requested that items 7c and 7d be called out of order.

d) Quarterly Budget Status Report
Mr. Rydstrom presented the report and discussed key budgetary variances (pre-audit), noting that retail water and sewer revenues are higher than budgeted and wholesale water and revenues are lower, due to the 2013 pre-payment. He discussed the FY 2013-14 projected vs. prior year reserves and discussed key reserve ratios, noting ratios are being met.

Mr. Rydstrom responded to a question from Vice President Caen regarding debt service coverage ratios and sewer service charges noted in Footnote A.

c) Draft Ratepayer Assurance Scorecard Presentation
Ms. Nancy Hom, Director of Assurance and Internal Controls, provided a summary of the Ratepayer Assurance Policy which the Commission adopted in October 2012. She discussed strategic sustainability framework and goals.

Ms. Jennifer Tsuda, Controller’s Office, provided a review of the scorecard’s nine measures and grades and discussed the criteria considered in selecting the nine scorecard measures.

Ms. Hom continued the presentation by discussing feedback and remarks received by the Citizens’ Advisory Committee and the Rate Fairness Board. She concluded by discussing next steps.

Commissioner Torres asked about the projected 2013 published date for the scorecard. Ms. Hom stated that the date will likely be pushed back. She
encouraged the Commission to contact her directly with comments and concerns.

Commissioner Vietor asked that Community Benefits be included in the scorecard.

Commissioner Moran thanked Ms. Hom for taking on such a large task. He asked if there was agreement that the nine items being measured were correct. Mr. Rydstrom stated that items selected represent the four components of the Ratepayer Assurance Policy. Commissioner Moran indicated he wasn’t sure it accurately assesses that the policy is being met. Discussion ensued on how the measures are determined, what should be included, and when they should be reviewed. Commissioner Moran suggested this should happen during budget hearings and asked that staff also take guidance from the public.

e) WSIP Quarterly Update

Mr. Emilio Cruz, AGM, Infrastructure, informed the Commission that Ms. Julie Labonte, WSIP Director, has accepted another job and that Mr. Dan Wade, WSIP Regional Manager will replace her. He provided information on Mr. Wade’s professional background.

Commissioner Moran thanked Ms. Labonte for her exceptional work and stated that she will be missed.

Ms. Labonte thanked the Commission for their trust and support. She noted that their instance on transparency and accountability resulted in the success of the Program. She thanked her colleagues and the WSIP team.

Ms. Labonte provided a brief WSIP update. She discussed program statistics, noting that construction on 63 projects was complete. She stated that the majority of the work remains in construction and forecasted that six projects will be completed in 2014. She indicated there are four projects still in pre-construction, with two of those to be bid by the end of 2013.

She discussed program cost trends, noting a $7.1M variance over the approved budget, primarily due to a forecasted over-run on the New Irvington Tunnel project. She stated this variance partially is off-set by a predicted under-run of $2.4M on the Sunol Valley Water Treatment Project.

Ms. Labonte touched on the program accomplishments; provided a pre-construction update; and provided brief updates on the Calaveras Dam replacement, New Irvington Tunnel, Bay Tunnel, seismic upgrade on BDPL 3 and 4, CS/SA Transmission upgrade, and Harry Tracy Water Treatment Plant long term improvements.
Vice President Caen offered her thanks to Ms. Labonte for her service and for making the WSIP a success.

Commissioner Vietor thanked Ms. Labonte for her remarkable work and expressed her appreciation for her community service.

Commissioner Torres thanked Ms. Labonte for her work in public service. He noted she is a role model for women and women in engineering.

General Manager Kelly described his working relationship with Ms. Labonte, indicating she is an exceptional colleague and was a perfect fit to lead the WSIP. He stated she has earned the respect and trust of the organization and will be missed.

f) National Utilities Convening
General Manager Kelly stated the SFPUC co-hosted a meeting in Washington D.C., with D.C. Water and Cincinnati Sewer District, with 30 attendees including general managers and their senior staff. He stated discussions focused on workforce development, succession planning, how to attract and retain employees, labor, and contracting practices. In response to a question from Commissioner Vietor, Mr. Kelly stated that the group wanted to come together to discuss issues of importance outside of professional affiliations, such as ACWA.

Public Comments
• Ace stated he is excited to hear about what the SFPUC does. He asked about out-migration efforts.

8. Consent Calendar:
   a) Approve Amendment No. 2 to Agreement No. CS-960(I), with STOP Processing Center, to provide ongoing processing/enrollment services for SFPUC customers who want their bills paid through an automatic bill payment service; and authorize the General Manager to negotiate and execute an amendment extending the term of the contract up to one year and four months, for a total agreement duration of six years and four months, with no change to the agreement value. (Resolution 13-0163)

   b) Approve Modification No. 1 to Contract No. HH-954R2, Intake Switchyard Refurbishment Phase I, with Communication Services, Inc., for $492,785, to compensate contractor for SFPUC requested standby time during the first week of the Rim Fire Emergency, to address SFPUC requested shoo-fly, insulator bolt, and grounding revisions, and for implementing an accelerated schedule to make up for time lost during the Rim Fire, increasing the total contract amount to $3,255,894. Due to the Rim Fire that burned through and around the Early Intake Switchyard in late August, 2013, the project was delayed, impacting the tight schedule. This Modification for accelerating the work will bring the project back on schedule to meet the March 1, 2014 deadline. (Resolution 13-0164)
c) **Accept work performed by NTK Construction, Inc. for Contract No. WW-519, Channel Pump Station Odor Control and Facility Improvements Phase III, for a total contract amount of $4,553,573, and with a total contract duration of 735 consecutive calendar days; and authorize final payment to the contractor.** (Resolution 13-0165)

d) **Approve Modification No.10 to Contract No. WW-522 Southeast Water Pollution Control Plant Dewatering Facility Corrosion Repairs, with Monterey Mechanical Co., extending the contract duration by 150 consecutive calendar days, to accommodate unanticipated emergency work on the biosolids storage cake bins, under a separate contract adjacent to the WW-522 contract work site, for a total contract duration of 690 consecutive calendar days, with no change to the contract amount.** (Resolution 13-0166)

e) **Approve the plans and specifications, and award Contract No. WW-546R, 15th/16th/18th/19th/20th Avenues and California/Clement Streets Sewer Replacement and Pavement Renovation, in the amount of $3,899,750 (of which $3,247,526 is funded by WWE and $652,224 is funded by DPW), to the lowest, qualified, responsible and responsive bidder, Harty Pipelines, Inc., to replace the existing sewers and renovate the existing street pavement on the subject streets in the City and County of San Francisco. The proposed action is the Approval Action as defined in the San Francisco Administrative Code, Chapter 31.** (Resolution 13-0169)

f) **Adopt findings pursuant to the California Environmental Quality Act, and approve the terms and conditions, and authorize the General Manager to execute a five-year revocable license with the United States Department of Veterans Affairs (VA) for the SFPUC’s installation and operation of a subsurface conduit, telecommunications line and data connection to serve the Bay Division Pipeline (BDPL) Nos. 3 and 4 Barron Creek Crossover Facility, in Palo Alto. The VA is providing the License Agreement rent-free to SFPUC.** (Resolution 13-0167)

g) **Adopt findings pursuant to the California Environmental Quality Act, approve the terms and conditions, and authorize the General Manager to execute a revocable license with the City of Santa Clara, California, and the Sports and Open Space Authority of the City of Santa Clara (SOSA), to authorize SFPUC’s use of SOSA’s driveway and Santa Clara’s splash pad and recycled water at the newly constructed BDPL Nos. 3 and 4 Crossover Facility at the Guadalupe River site in Santa Clara, in exchange for a license to allow Santa Clara to continue operating the Ulistac Natural Area, a nature preserve, on SFPUC’s fee-owned right of way known as SFPUC Parcel 128-A. The License Agreement provides the parties with reciprocal licenses. None of the parties will pay rent or license fees.** (Resolution 13-0168)

h) **Approve Amendment No. 3 to Agreement No. CS-979(I), with Dots Printing and Stationery, to provide ongoing collection services for SFPUC payment of water**
and wastewater bills for residents and businesses located in the Chinatown area of San Francisco; and authorize the General Manager to negotiate an amendment increasing the agreement up to $38,000, for a total not-to-exceed agreement amount of $87,900; and with a time extension up to one year, for a total agreement duration of six years. *(Resolution 13-0170)*

Commissioner Moran requested that item 8e be removed. Commissioner Caen requested that item 8h be removed.

Public Comments:
- None.

On Motion: Items 8a, b, c, d, f and g  
Ayes: Courtney, Caen, Vietor, Moran and Torres

Commissioner Moran asked why there was only one bidder for item 8e, to which AGM Moala provided a response.

Public Comments:
- None.

On Motion: Item 8e  
Ayes: Courtney, Caen, Vietor, Moran and Torres

Commissioner Caen stated that the cost increase for the agreement seemed excessive. Mr. Rydstrom provided clarification and need for the increase.

Public Comments:
- None.

On Motion for items 8h  
Ayes: Courtney, Caen, Vietor, Moran and Torres

9. **2014 Water & Sewer Retail Rates Study Workshop: Discussion of 2014 Water and Sewer Retail Rates Study, as required by the City Charter. No action to adopt water and sewer rates and charges will be taken at this meeting. The goals of this workshop are to present Rate Study objectives, review critical rate-making criteria, and the timeline for public outreach and Commission action. A Commission resolution and staff report regarding formal adoption of retail water and sewer rates and charges will be considered in the spring of 2014.**

Mr. Rydstrom introduced the item and discussed the workshop goals and the 2014 rate study objectives. He offered a brief background on the rate study and presented a rate setting process timeline of what has been done and what is coming up.
He discussed cost drivers for capital and operations of water and sewer. He stated that Commission input will be requested on key considerations of rate duration and design, tiers and water budgets, wet weather costs and green incentives, connection fees/capacity charges, and low income programs.

Mr. Rydstrom continued by discussing the combined bill impact and affordability and provided a combined bill comparison with other jurisdictions. He reviewed public outreach efforts and the steps being taken to educate the public on rates.

Mr. Rydstrom confirmed that there is no action on the item, but asked that the Commission provide input and offer considerations that may be missing.

Commissioner Moran stated his concerns of affordability; the alignment of the rate structure with the cost structure; and how to pay for conservation and reclamation, which should be considered during the rate analysis. He wondered if a fixed conservation fee should be implemented, and noted that incentives should be included to encourage people to do the right thing.

Commissioner Vietor expressed interest in a stormwater fee rather than a conservation fee. She referenced a November 2012 SPUR report on stormwater fees, and recommended that staff look at that report. She suggested community outreach emphasizing the benefits people will receive in exchange for the increase in rates.

Commissioner Caen asked if a third tier could be added. Mr. Rydstrom indicated that staff is looking into it, but noted that most of the usage is in tier one or two. He indicated that a third tier will be presented as an option to the Commission.

Commissioner Torres suggested that polling take place to ensure that more people are reached and more opinions are captured.

Public Comment:
• None.

10. Approve Amendment No. 1 to Agreement No. CS-113B, As-Needed Laboratory Services, with BioVir Laboratories to continue as-needed laboratory services for analytical testing of microorganisms in various water matrixes and provide testing and services such as technical support, data analysis and consulting services; and authorize the General Manager to negotiate and execute an amendment providing a time extension up to two years and six months, for a total agreement duration of five years and ten months with no change to the agreement value. (Resolution 13-0171)

Public Comment:
• None.
On Motion:
Ayes: Courtney, Caen, Vietor, Moran and Torres

Secretary Hood inadvertently called items 12 and 13 out of order.

12. Adopt findings pursuant to the California Environmental Quality Act, and authorize the General Manager to execute, on behalf of the City and County of San Francisco, a Memorandum of Understanding with San Mateo County, for trail improvements on the Crystal Springs Regional Trail, with a duration of three years, and to contribute $300,000 for the construction of security and watershed fencing for the South of Lower Crystal Springs Dam to Highway 92 trail extension. (Resolution 13-0172)

In response to a question from Commissioner Caen, Mr. Tim Ramirez, stated that the Crystal Springs Regional Trail system is managed by San Mateo County per easements we provided to them for hikers, bicyclists, and equestrians, and that no pets are allowed on the trail.

Public Comment:
• None.

On Motion:
Ayes: Courtney, Caen, Vietor, Moran and Torres

13. Approve the terms and conditions and authorize the General Manager to execute a Purchase and Sale Agreement and any related documents to facilitate the purchase of approximately 84 acres of improved agricultural land, located at 7484 Sheridan Road in Sunol, California, from Kenneth Paul Mackin and Janice Mackin for $3,721,500, for the New Irvington Tunnel Project. (Resolution 13-0173)

Secretary Hood noted that on page two of the resolution, third Whereas Clause, a correct date of November 14, 2013 should be reflected.

Mr. Cruz responded to Commissioner Caen’s question regarding the purpose and terms of the lease.

Public Comment:
• None.

On Motion:
Ayes: Courtney, Caen, Vietor, Moran and Torres

11. Authorize the General Manager to execute, on behalf of the City and County of San Francisco, a Joint Funding Agreement with the U.S. Geological Survey, for an amount not-to-exceed $335,520, and with a duration of one year, which will allow
for hydrologic monitoring and stream gage maintenance on the Tuolumne River and its tributaries. (Resolution 13-0174)

Public Comment:
- None.

On Motion:
Ayes: Courtney, Caen, Vietor, Moran and Torres

14. Public Comments on matters to be discussed in Closed Session.
- None.

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

On Motion TO ASSERT:
Ayes: Courtney, Caen, Vietor, Moran and Torres

The Commission entered Closed Session at 4:43 PM.
Commissioner Vietor departed the meeting at 4:43 PM.

16. 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:
Mark Pear and Matt Pear v. City and County of San Francisco
Santa Clara Superior Court Case No.: 1-12-CVC-227801
City Attorney File Number: 130094
Date Filed: July 5, 2012

17. 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:
City and County of San Francisco v. Pacific Gas & Electric Company
San Francisco Superior Court Case No.: CGC-13-529309
City Attorney File No. 0000657/Date Filed March 6, 2013: Served June 6, 2013

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:
City and County of San Francisco v. Pacific Gas & Electric Company
San Francisco Superior Court Case No.: CGC-13-529310
City Attorney File No. 0000657/Date Filed June 6, 2013

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).
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

20. Conference with Legal Counsel- Pursuant to California Government Code Section 54956.9(d)(4) and San Francisco Administrative Code Section 67.10(d)(2).
   Anticipated Litigation as Plaintiff

21. Threat to Public Services or Facilities – Pursuant to California Government Code Section 54957 and San Francisco Administrative Code 67.10(a).
   Consultation with Agency Chief of Security concerning security of SFPUC Water and Power Systems.

The Commission returned from Closed Session at 5:05 PM.

22. Announcement following Closed Session
    President Courtney announced that no action was taken during closed session.

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

   On Motion NOT to disclose
   Ayes: Courtney, Caen, Moran and Torres

24. Other new business
    None.

    President Courtney adjourned the meeting at 5:07 PM.