SAN FRANCISCO PUBLIC UTILITIES COMMISSION  
City and County of San Francisco

Edwin M. Lee  
MAYOR

MINUTES  
Tuesday, May 13, 2014  
As Approved on May 27, 2014

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 website: 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 1:38 PM.

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

3. **Approval of the Minutes of April 22, 2014**  
   **On Motion:**  
   **AYES:** Courtney, Vietor and Moran

   **Public Comment:**  
   None.

4. **Public Comment:**  
   - Dr. Espanola Jackson requested that if multiple topics are listed on an agenda item, speakers be allowed to comment on each separately. She expressed concern that SFPUC staff is working directly with members of the Muwekma Ohlone Tribe and requested that staff include her.

   Commissioner Torres arrived at 1:43 PM.

   - Mr. Francisco DaCosta expressed concern with increased construction of residential high rises, the increased risk for fire, and the ability to provide water to fight the fires. He stated the SFPUC needs to be involved in the planning for these buildings.

   Vice President Caen arrived at 1:49 PM.

   - Ms. Ann Clark, Vice President, Friends of Camp Mather, noted that Camp Mather opens May 31st. She thanked the SFPUC for their help during the Rim Fire and subsequent work to rebuild. She indicated a Gala will be held in September 20, 2014 to thank everyone.

   Commissioner Vietor thanked the Friends of Camp Mather for their work.

   President Courtney expressed thanks to the firefighters for their work during the fire.

   - Ms. Melissa McDermott thanked the Commission for fully funding GoSolarSF.
   - Eddie Ahn, Brightline, thanked the Commission for fully funding GoSolarSF.
   - Mr. Tone Lee stated that the price of water is reasonable and that customers need to conserve.

5. **Communications**  
   a) **Advance Calendar**
   b) **Letter Summary**
   c) **Formal Protest Letters Received – Prop 218**
d) Status of Large Development Projects in the Water Service Area

e) Quarterly Budget Status Report

f) Quarterly Audit and Performance Review Report
   i. San Francisco Water Enterprise and Hetch Hetchy Water and Power, Statement of Changes in the Wholesale Revenue Balancing Account for the year ended June 30, 2013
   ii. State Board of Equalization, Sales & Use Audit Tax
   iii. NERC Compliance Self-Certification, March 2014
   iv. WECC/NERC Compliance Preparatory Audit, March 2014
   v. City and County of San Francisco, Federal Grants Audit for the year ended June 30, 2014

g) WSIP Construction Change Order Summary

h) Water Enterprise Capital Improvement Program Quarterly Report – Regional

i) Water Enterprise Capital Improvement Program Quarterly Report – Local

j) Water System Improvement Program Quarterly Report – Regional

k) Water System Improvement Program Quarterly Report – Local


The Commission Secretary noted that additional Prop 218 protest letters were received and provided to the Commission. Additionally, she noted a protest letter received at the meeting from David and Elizabeth Frias.

Public Comment:

- Ms. Lorraine Lucas, Coalition for San Francisco Neighborhoods, stated that staff was responsive to her previous inquiries. She also re-emphasized and clarified her previous comments on policy expenditures funded through water rates.
- Ms. Joan Girardot commented on Mr. Perl’s response to Vice President Caen’s question on tiered rates.

Commissioner Moran provided comments on enforcements and other provisions of interruptible water rates, noting there needs to be the addition of a shut-off provision.

6. Other Commission Business

President Courtney referred to correspondence he received regarding groundwater at the Dolores Park construction site. He requested that staff provide a report on the status of the groundwater, and any plans for groundwater found at the site.

President Courtney stated that the Joint Meeting with the Commission on the Environment will be held on May 27, 2014.

Commissioner Vietor congratulated the new Director of the Department, Debbie Raphael.
President Courtney expressed a desire to provide staff with time to adequately prepare for the joint meeting with the Department of the Environment. He provided thoughts on meeting topics and asked the Commissioners to provide staff with input.

General Manager (GM) Kelly stated that he would like staff to discuss opportunities and challenges.

Commissioner Moran requested that staff highlight services above and beyond discount rates that are provided to City departments.

President Courtney requested that the GM work with himself and Commissioner Vietor on the agenda.

Public Comment:
• Mr. Francisco DaCosta offered a history of the Department on the Environment and noted that SFPUC funds are used to support FTE at that Department. He discussed the Precautionary Principle. He stated substantive discussions need to take place at the joint meeting.

7. Report of the General Manager
   a) Water Supply Outlook
      Ms. Ellen Levin, Deputy Manager, Water, provided an update on the water supply conditions. She noted total reservoir storage is at 67 percent of maximum and that the water bank is working. She touched on current Reservoir Storage; Precipitation and Snow Pack Levels; Deliveries; Water Supply Outlook; the Governor’s April 25th Proclamation; and Management Actions.

   b) Water System Improvement Program (WSIP) Quarterly Update
      Mr. Dan Wade, WSIP Director, provided a WSIP update covering the period January 1, 2014 through March 31, 2014. He discussed the program status, noting 63 construction projects have been completed, and that three are in pre-construction. He noted Program accomplishments (stating they are past the peak of construction); Program cost trend; and remaining WSIP risks.

      Commissioner Torres asked for clarification on risk and contingency. Assistant General Manager (AGM) Emilio Cruz provided response, clarifying industry standards. Brief discussion ensued and GM Kelly provided additional clarification on industry policy regarding determining risk contingency. AGM Cruz stated that the 65 percent contingency is believed to be appropriate, but that it can be revisited.

      Commissioner Torres requested staff prepare a memorandum outlining the rationale for the 65 percent contingency.

      Mr. Wade continued, providing a preconstruction update on the Alameda Creek Recapture, Peninsula Pipelines Seismic Upgrade, and Regional Groundwater
Storage and Recovery. He provided a brief review of the transmission projects and the Calaveras Dam replacement; New Irvington Tunnel; Bay Tunnel; Seismic upgrades of BDPL Nos. 3 and 4; CS/SA Transmission upgrade; and HTWP long-term improvements.

AGM Cruz discussed the slip joint on the BDPL Nos. 3 and 4, noting it is the only one in the world like it.

c) Southeast Working Group Update

Mr. Leamon Abrams, External Affairs, provided the Commission with an introduction to the newly formed Southeast Working Group, which was developed to coordinate services and large investments, such as the digester project and the Southeast Community Facility, located in the Southeast Sector. The Working Group will provide outreach and involve stakeholders in a meaningful way and will follow-up on the work of the Digester Task Force. He detailed the Group’s membership and indicated the meetings are open to the public.

Commissioner Vietor thanked Mr. Abrams for his leadership and she looks forward to more reports.

In response to a question from Vice President Caen, Mr. Abrams stated that SFPUC staff will be supporting the Working Group; however, the membership is comprised of the neighborhood residents and businesses.

d) Update on Mayor’s Proposed May 1st Budget

GM Kelly provided an update on the Mayor’s May 1st proposed budget. He began by discussing the budget the SFPUC submitted to the Mayor’s office, focusing on the challenges of the Fiscal Cliff and choices that needed to be made.

GM Kelly discussed revenues, cuts and savings needed to balance the budget. He noted the Mayor’s budget changes: (1) increasing the general fund electricity rate from one-half cent in each of the next two years to one cent in each of the next two years; and (2) re-appropriating the $19.5M of reserved CCA Funds to fund Hetchy Power-related capital, including Streetlights, critical upcountry generation infrastructure and GoSolarSF.

AGM & CFO Rydstrom continued the presentation by discussing the budget process, focusing on key changes, including capital changes over the next two and ten-year periods.

Mr. Rydstrom responded to a question from Vice President Caen regarding deferral of up-country projects.

AGM & CFO Rydstrom discussed the operating budget, stating there are no material changes except technical balancing and the reflection of salary and benefit cost updates as most of the changes were on the capital budget. He
indicated revenue has increased due to the further half-cent increase in the General Fund electricity rate as well as the General Fund paying for its natural gas and steam costs. He also noted the reduction of one position due to attrition savings adjustments.

Commissioner Vietor asked for clarification on the Marin Energy Authority Program’s return on investment and on the addition of Richmond to the Program, which AGM Barbara Hale provided. AGM & CFO Rydstrom offered additional response.

Commissioner Vietor asked how much has been invested in GoSolarSF since launch. AGM & CFO Rydstrom provided the amounts spent and appropriated. She asked how many jobs have been created. AGM Hale provided the number of jobs created for those employed through the Workforce Development Program, noting she did not have information on all jobs created. Commissioner Vietor requested information on GHG reductions. Ms. Hale indicated she would research and provide answer. Commissioner Vietor requested that staff provide response to her questions by the May 27, 2014 joint meeting.

Commissioner Torres requested that information on the cost savings per resident be included.

Commissioner Vietor read a statement regarding the Mayor’s $19.5M CCA re-appropriation to fund Power Capital and Programs, including GoSolarSF, and stated she would reluctantly vote for the revised budget.

Commissioner Moran offered his thoughts on the budget as a whole as well as funding for solar programs.

GM Kelly provided concluding comments, noting that attention needs to be paid to Hetch Hetchy while at the same time paying attention to programs such as solar.

President Courtney provided his closing thoughts, stating that the joint meeting with the Department of the Environment will provide the opportunity to continue to discuss important issues.

Public Comment:
• Mr. Francisco DaCosta stated that more time is needed for comment. He commented on SFPUC staff and recommended that Mr. Massood Ordikhani be promoted.
• Dr. Espanola Jackson stated that she is pleased to serve on the Southeast Working Group.
• Mr. Eddie Ahn, Brightline, emphasized GoSolarSF as a budgetary priority. He stated many jobs have been created throughout the solar industry.
Commissioner Vietor requested that information on the time it takes to do a solar installation be included in the report previously requested.

- Ms. Melissa McDermott discussed how the GoSolarSF Program has improved her life.

8. Consent Calendar
   a) Approve Agreement Nos. CS-324A-B, Security Consulting and Design Services to CH2MHill Engineers, Inc., (CS-324A) and The Consulting Group, (CS-324B), to provide technical expertise in program/project management, construction management, project controls management, contract administration, and project engineering; and authorize the General Manager to negotiate and execute two professional services agreements for not-to-exceed amounts of $2,000,000 each, and with a duration of three years per agreement. (Resolution 14-0066)

   b) Approve an increase in the construction contract cost contingency for Contract No. WD-2661, As-Needed Integration Services, in the amount of $600,000, and an increase in the contract duration of up to 297 consecutive calendar days. Authorize the General Manager to approve future modifications to the contract for a total revised contract amount up to $1,938,416, for a total revised contract duration up to 1,501 consecutive calendar days. The increase is due to the additional WSIP sites requiring security installation and purchase of equipment, and additional on-site work to be performed. (Resolution 14-0067)

   c) Approve submission of an attestation of veracity for the San Francisco Public Utilities Commission 2013 Power Source Disclosure Report to the California Energy Commission, a report required by State law to disclose the electricity sources used to serve the SFPUC’s end-use electric customers. (Resolution 14-0068)

   d) Approve Amendment No.3 to Agreement No. CS-915R, Sunol Valley Regional Construction Management Services, with CH2M HILL for ongoing construction management services associated with the San Antonio Backup Pipeline and two Bioregional Habitat Restoration projects; and authorize the General Manager to negotiate and execute an amendment increasing the Agreement by a not-to-exceed amount of $500,000 to a total not-to-exceed agreement amount of $19,500,000, with no change to the duration. (Resolution 14-0069)

Public Comment:
None.

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

Items 9, 10, 11, and 12 were continued from the April 22, 2014 meeting and were called together.
9. **Public Hearing to consider and adopt schedules of rates, fees and charges of the San Francisco Public Utilities Commission Retail Water Enterprise for retail water service in San Francisco and suburban areas to be effective with meter readings beginning July 1, 2014, July 1, 2015, July 1, 2016 and July 1, 2017.** The proposed action is the Approval Action as defined in the San Francisco Administrative Code, Chapter 31. ([Resolution 14-0070](#))

10. **Public Hearing to consider and adopt schedules of rates, fees and charges of the San Francisco Public Utilities Commission Wastewater Enterprise for retail wastewater service in San Francisco and suburban areas to be effective with meter readings beginning July 1, 2014, July 1, 2015, July 1, 2016 and July 1, 2017.** The proposed action is the Approval Action as defined in the San Francisco Administrative Code, Chapter 31. ([Resolution 14-0071](#))

11. **Public Hearing to consider and adopt water and wastewater capacity charges for new service, increased service or a change in service provided by the Water and Wastewater Enterprises of the San Francisco Public Utilities Commission, effective on or after July 1, 2014.** The proposed action is the Approval Action as defined in the San Francisco Administrative Code, Chapter 31. ([Resolution 14-0072](#))

12. **Public Hearing to consider and adopt the connection fees and miscellaneous fees and charges related to the provision of water service within and outside 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 14-0073](#))

   AGM & CFO Rydstrom noted that each item had a full presentation at the May 13th meeting and responses to questions were provided to the Commission in their packets. Mr. Rydstrom thanked SFPUC Staff and the Independent Rate Consultants for their work.

   **Public Comment:**
   None.

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

   *Item 13 was continued from the April 22, 2014 meeting.*

13. **Consider and adopt the proposed Wholesale Revenue Requirement and rate schedule for FY 2014-15, as applied to meter readings on or after July 1, 2014.** 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. ([Resolution 14-0074](#))
Mr. Charles Perl, Deputy CFO, stated that this item had a full presentation at the May 13th meeting.

Public Comment:
None.

On Motion:
AYES: Courtney, Caen, Vietor, Torres and Moran
Items 14, 15, and 16 were continued from the April 22, 2014 meeting and were called together

14. Public Hearing to consider and possible action to adopt the Hetch Hetchy 10-Year Financial Plan for FY 2014-15 through FY 2023-24. (Resolution 14-0075)

15. Public Hearing to consider and possible action to adopt the Hetch Hetchy 10-Year Capital Plan for FY 2014-15 to FY 2023-24. (Resolution 14-0076)

16. Public Hearing to consider the adoption of the two-year Capital Budget, and Supplemental Appropriation for the Hetch Hetchy Water and Power, including the Power Enterprise of the San Francisco Public Utilities Commission for FY 2014-15 and FY 2015-16; and Authorize and direct the General Manager to submit to the Board proposed Ordinance authorizing: (1) the issuance of not to exceed $268,624,656 aggregate principal amount of Water Revenue Bonds provided, however, the issuance of such Bonds shall be subject to the terms of Proposition E; and (2) the issuance of not to exceed $136,687,928 aggregate principal amount of Power Revenue Bonds, subject to the terms of Charter Section 9.107(8). (Resolution 14-0077)

AGM & CFO Rydstrom stated that each item had been the topic of discussion during various meetings since February, and a full presentation was given at the May 13th meeting. He summarized the proposed changes and requested an administrative amendment to authorize staff to reflect technical clarifications that included Capital Plan changes to reflect the $155M in reductions, as well as related rate and savings impacts. He continued reviewing the plans, rates and the budget, noting where technical updates would be made.

AGM & CFO Rydstrom responded to Commissioner Torres’ questions on Cap and Trade revenue and for low-cost, financial alternatives to bond funding to help save ratepayers money.

Commissioner Moran asked for clarification on the half-cent increase in General Fund revenue and the additional cost of GoSolarSF. Brief discussion ensued on the additional revenue and GoSolarSF funding.

Public Comment:
On Motion:
AYES: Courtney, Caen, Vietor, Torres and Moran

The Commission Secretary read the Closed Session items.

17. Public Comments on Matters to be discussed in Closed Session.

All Comments Received were related to item 20.

• Ms. Tanya Yurousky, President, Aquatic Park Neighbors, stated that a park at the Reservoir site would benefit the neighbors, other City residents, and tourists. She read a statement from Ms. Yi-Liu, who is in support of the park development.
• Ms. Jeanine Loughran stated the Reservoir site would allow a safe place for neighborhood children and visitors to play.
• Ms. Helen Raiser expressed support for a park at the Reservoir site, noting it would benefit both residents and visitors.
• Mr. Bruce Keene stated that the neighborhood has worked hard on the plan to develop the site as a park and that there is broad support for the plan.
• Mr. John Loughran stated that the neighborhood and other organizations have expressed support for the use of the site as a park.
• Mr. Frank Dawkins, Bernal Heights supports the Park project which would transform the area and provide green space for all.
• Mr. Abraham Simmons expressed support for the park and noted the benefit it will have for families.
• Ms. Lynn Jefferson, Francisco Reservoir Working Group, stated that there has been a collaborative effort on the project. She indicated that the project would benefit the local schools, allowing students to participate in civic projects, and that it would be a wonderful addition to the neighborhood.
• Mr. Robert Girard stated that the site would make a superb park in an area with a lack of parks and playgrounds.
• Mr. Knut Akseth, President Norwegian Seamen’s Church, stated that a park on the Reservoir site would help with the crowds who gather in the neighborhood for special events.
• Mr. George Tacticos, Russian Hill Improvement Association, expressed support for the park which would serve the neighborhood, the City, and tourists.
• Helina Au stated the park would benefit the diverse communities in the City.
• Ms. Jain Thapa supports the plan and stated the neighborhood needs open space.

Commissioner Torres stated that attention needs to be paid to open space. He thanked the speakers and indicated he supports their efforts.

18. 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, Torres and Moran
The Commission entered Closed Session at 4:43 PM.

Commissioner Vietor left the meeting at 4:56 PM.

CLOSED SESSION

19. 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

20. Conference with Real Property Negotiator pursuant to Government Code Section 54956.8 and Administrative Code Section 67.8 (a) (2)

   Property:
   Francisco Reservoir Tract, bounded by Hyde, Larkin and Bay Streets, in San Francisco

   Persons Negotiating:
   Harlan Kelly, Jr., San Francisco Public Utilities Commission
   Phil Ginsburg, San Francisco Recreation and Park Department
   Under Discussion: Proposed Terms of Payment and Price

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

   Existing Litigation
   Raymond A. Moreno and Audrey Schambach-Moreno
   City Attorney Litigated Case No.: CGC-14-538471 / Date Filed: April 7, 2014

22. 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:
   Joseph Luebberke v. City and County of San Francisco
   San Francisco Superior Court Case No.: CGC-11-507528
   City Attorney File: 111418 / Date Filed: January 21, 2011

23. 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 Claim:
   Pacific Gas & Electric Company, v. City and County of San Francisco
   San Francisco Superior Court Case No.: CGC-11-507528
   City Attorney Claim No: 13-02775 / Date Filed: May 28, 2013

24. 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

25. 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

26. 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

27. 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.

28. Announcement following Closed Session.
President Courtney announced that settlements were reached on item 21, 22 and 23, and no other action was taken.

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

On Motion NOT to Disclose:
AYES: Courtney, Caen, Torres and Moran

30. Other new business.
President Courtney announced that the May 27, 2014 meeting would take place in Room 250, and after a brief special regular session, there will be a special joint meeting with the Commission on the Environment beginning at 3:00 PM.

President Courtney adjourned the meeting at 5:09 PM.