SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Edwin M. Lee
MAYOR

MINUTES
Tuesday, April 28, 2015
(As Approved on May 12, 2015)

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

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

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 Caen called the meeting to order at 1:34 PM.

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

3. Approval of the Minutes of April 14, 2015  
   On Motion to approve the minutes of April 14, 2015:  
   Ayes: Caen, Vietor, Courtney, Moran and Kwon

   Public Comment  
   None.

4. General Public Comment  
   • Mr. Dick Morten asked that the Commission request a tracking spreadsheet to ensure follow-up on outstanding issues and ask questions during presentations.

5. Communications  
   a) Advance Calendar  
   b) Letter Summary

   President Caen mentioned that there are still outstanding Commission questions which need to be answered.

   Public Comment  
   None.

6. Other Commission Business  
   President Caen asked a question regarding SFPUC targets for water fluoridation. Mr. Ritchie, Assistant General Manager (AGM), Water, provided response and indicated that the numbers are consistent with the EPA and CDC recommendations. President Caen requested that AGM Ritchie provide information at the next meeting.

7. Report of the General Manager  
   a) Drought Update  
   AGM Ritchie provided a drought update. He discussed reservoir storage levels and noted that as a result of the recent storm, inflow has increased. He described cumulative precipitation; Snowpack levels; Tuolumne River Water available to the City; Upcountry six-station precipitation index; Bay Area seven-station precipitation index; Total deliveries; and Total System Water Savings.

   Mr. Ritchie reviewed recent drought-related activities and discussed State Water Board Informal Draft Regulations. He responded to a question from Vice President (VP) Vietor about the State regulations for use reduction. AGM Ritchie outlined anticipated San Francisco actions, and offered a brief summary.
Public Comment

- Ms. Nicole Sandkulla, BAWSCA, discussed actions being taken in the wholesale service area, noting the reduction in use in the area. She discussed actions they are taking to ensure conservation.

b) CCA Update

Ms. Barbara Hale, AGM Power, provided an update for the CCA implementation schedule and key milestone. She reviewed actions that have been completed, and noted items that are forthcoming. She indicated the schedule is on-target.

Public Comment

- Mr. Jason Fried, LAFCo, stated that the BOS is addressing the legislative piece in early May, and that the RFO is drafted and will be ready at the end of May or early June.
- Ms. Sara Greenwald expressed concern with Climate Change and expressed her support for CCA.
- Mr. Eric Brooks, SF Green Party/Our City/Clean Energy Advocates, discussed clear-cut logging and genetically engineered tree planting. He spoke to the drought in relation to the forest. He expressed disappointment that rates approval was not on the agenda.
- Mr. John Rizzo, Sierra Club, expressed support of the CCA Program and discussed Climate Change.
- Ms. Adele Framer, 350SF, expressed support for the CCA Program. She asked that implementation be accelerated.
- Mr. Jed Holtzman, 350SF, thanked staff for their work and the advocates for their participation. He asked that acceleration occur whenever possible. He spoke to job creation and the need for community oversight.
- Mr. David McCoard, Sierra Club, discussed Climate Change and the need for the CCA Program.
- Mr. Lee Heppner, Harvey Milk LBGT Democratic Club, requested implementation of CCA this year. He discussed Climate Change and CCA impact on vulnerable communities, environmental crisis, and jobs.

Commissioner Courtney applauded the Harvey Milk Board on the jobs component.

- Mr. Zachary Roe, Sierra Club, expressed concerns with Climate Change and his support for CCA.
- Ms. Mahnani Clay, Harvey Milk Club/Black Leadership Forum/Project Cheer, echoed Mr. Heppner’s statements for economic empowerment. She wants voices from the community involved in the CCA discussion.
- Ms Amy Weiss, Neighbors Developing Divisadero, expressed disappointment with the lack of action on CCA. She discussed interdisciplinary development opportunities with the Balboa Reservoir.
• Ms. Tiffany Quach, Sierra Club, asked that the CCA Program include all communities it represents.
• Mr. Andy Gillis, Occupy San Francisco, discussed Climate Change and stated immediate action needs to be taken.

President Caen stated that the Commission supports the CCA Program.

General Manager (GM) Kelly noted that the Not-to-Exceed rates will be approved at the May 12 meeting, and that the legislative piece is vital.

• Ms. Lena Tran, Sierra Club, discussed Climate Change and expressed a desire for CCA and jobs creation.
• Gwen MacKellen, San Francisco Women’s Political Committee, discussed Climate Change and its impact on Women and under-represented groups.
• Ms. Natalie Fong expressed her support for CCA.
• Ms. Jess Dervin-Ackerman, Sierra Club, stated that 6,273 letter/pledges were delivered to City officials regarding the launch of CCA in the last two-plus years. She thanked the advocates in attendance.

Commissioner Courtney thanked attendees and encouraged their support and participation.

VP Vietor echoed the sentiments of Commissioner Courtney and expressed appreciation for the comments on social justice, environment, jobs, and community needs.

c) Mountain Tunnel Update
Ms. Kathy How, AGM Infrastructure, provided an update on the Mountain Tunnel improvement. She described the location and history of the Tunnel.

AGM How reviewed the improvements to-date: (1) Adit/Access improvements and emergency restoration; (2) Tunnel inspection and repair; and (3) Tunnel bypass.

Ms. How responded to a question from VP Vietor on the restoration plan. Brief discussion ensued. AGM Ritchie provided additional detail.

President Caen questioned the timeline for the project. GM Kelly and AGM How discussed the timeline, noticing requirements for the shut-down and other timing issues affecting the timeline.

AGM Ritchie provided information on the process for the repair and inspection, and emphasized the complexity of the project. Commissioner Moran provided additional thoughts on the massive scope of the work to be done.
AGM How provided a background on how the decision for the Mountain Tunnel Bypass was made.

President Caen expressed additional thoughts on work associated with the Project and on the timeline. AGM How and GM Kelly provided response. AGM How indicated she would connect with President Caen directly to discuss her concerns.

Public Comment
- Ms. Nicole Sandkulla, BAWSCA, expressed concern with the water supply risk. She requested a comprehensive plan and schedule. She offered three specific comments, and a written summary of her comments were provided.
- Mr. Dick Allen expressed concern with the Project, discussed deficiencies, and asked that items be routinely scheduled for discussion.
- Mr. Dick Morten discussed concerns with the plan and the need for urgency. He requested that the item be scheduled in a month.

President Caen expressed her support for and confidence in the utility, GM and staff, and doesn’t doubt the information they provide.

GM Kelly thanked President Caen for her support. He indicated that staff will prepare a more detailed project description and schedule, and will routinely schedule updates.

The Commission entered recess at 3:13 PM.

The Commission exited recess at 3:26 PM, with President Caen and Commissioners Moran and Kwon in attendance.

The Commission Secretary read the Consent Items.

8. Consent Calendar
   a) Approve the plans and specifications and Award Contract No. WW-580, Oceanside Water Pollution Control Plant, W2 and W3 Water System Improvements, in the amount of $1,494,047, to the lowest, qualified, responsible and responsive bidder, Cal State Constructors, to upgrade the existing deficient and deteriorated No. 2 and No. 3 water filter assemblies. (Resolution 15-0097)

   b) Authorize the General Manager to execute, on behalf of the City and County of San Francisco, a Memorandum of Understanding with the City of Daly City for Westlake Pump Station Design Consulting Services, for the Regional Groundwater Storage and Recovery Project, for an amount not to exceed $570,000, and with duration not to exceed 24 months. (Resolution 15-0098)

   On Motion to approve items 8a and 8b:
   Ayes: Caen, Moran and Kwon
Public Comment

None.

Commissioner Courtney returned at 3:28 PM.

9. Approve an Extension Agreement between the City and County of San Francisco and the Modesto Irrigation District, which will extend the term of the existing Long Term Energy Sales Agreement to the earlier of the approval of a replacement agreement by both parties, or June 30, 2016, subject to Board of Supervisors approval pursuant to Charter Section 9.118. (Resolution 15-0099)

AGM Hale introduced the item. Commissioner Moran requested that Items 9 and 10 be called together. The Commission Secretary read item 10.

Commissioner Vietor returned at 3:31 PM.

10. Approve an Extension Agreement between the City and County of San Francisco and the Turlock Irrigation District, which will extend the term of the existing Long Term Power Sales Agreement to the earlier of approval of a replacement energy sales agreement by both parties, or June 30, 2016, subject Board of Supervisors approval pursuant to Charter Section 9.118. (Resolution 15-0100)

On Motion to approve items 9 and 10:
Ayes: Caen, Vietor, Courtney, Moran and Kwon

Public Comment

- Mr. Eric Brooks, SF Green Party/Our City/Clean Energy Advocates, asked that Hetch Hetchy power be reserved and used for CCA.

President Caen noted there are obligations under the Raker Act. She asked AGM Hale about past issues with the MID/TID agreements. Ms. Hale indicated that there are currently no issues.

11. Approve the Form of Preliminary Official Statement (POS), as updated, for the issuance of the Power Enterprise’s inaugural revenue bonds, to fund a not-to-exceed principal amount of $48,000,000, inclusive of financing costs, for Power-related projects included in the Hetch Hetchy Water and Power Capital Plan. (Resolution 15-0101)

Commissioner Moran asked that red-line documents only include substantive changes and that a summary document of the red-line changes be provided.

Mr. Charles Perl, Deputy CFO, introduced the item. He detailed the substantive POS changes since December.
Mr. Perl responded to a question from Commissioner Vietor regarding Proposition H Bonds. Mr. Perl noted the difference between the authorization under the Proposition H Bonds and the Power Enterprise Bonds. Brief discussion ensued.

Mr. Perl noted additional language changes that were made, and provided a document noting those changes (pages 36, 37, 83 and 84).

On Motion to approve item 11:
Ayes: Caen, Vietor, Courtney, Moran and Kwon

Public Comment
- Mr. Eric Brooks, SF Green Party/Our City/Clean Energy Advocates, asked that staff look at the Proposition H Bond authority.

Commissioner Moran provided clarification on the usage of different bonds.
- Jason Fried, LAFCo, noted Proposition B funding could also be used.

12. Authorize the General Manager to impose additional mandatory restrictions on outdoor water use and commercial businesses as required pursuant to the State Water Resources Control Board’s Emergency Regulations adopted on March 17, 2015. (Resolution 15-0102)

AGM Ritchie introduced the item.

On Motion to approve item 12:
Ayes: Caen, Vietor, Courtney, Moran and Kwon

Public Comment
- None

13. Authorize the General Manager to seek the Mayor and Board of Supervisors’ approval of a supplemental appropriation in the amount of $4 million from the Hetch Hetchy Enterprise Fund Balance for the purpose of a temporary transfer to the Community Choice Aggregation Program (CCA) fund to meet the CCA short-term working capital needs during the initial start-up period. The funds would be transferred for a term not to exceed 24 months (two years), and charge interest at the otherwise applicable County-wide pool rate. (Resolution 15-0103)

Ms. Nancy Hom, Acting AGM Business Enterprise and CFO, introduced the item.

On Motion to approve item 13:
Ayes: Caen, Vietor, Courtney, Moran and Kwon

Public Comment
• Mr. Eric Brooks, SF Green Party/Our City/Clean Energy Advocates, expressed support. He asked why interest is being charged.

AGM Hale indicated the charging of interest is common practice.

• Mr. Jason Fried, LAFCo, expressed support for the item.

14. Workshop #1 - Power Business Plan: First of two workshops to discuss the Power Enterprise Business Plan recommendations for business strategies and risk mitigation plans to meet enterprise goals, address changing regulations and increasing costs, and maintain and strengthen the financial stability of the SFPUC’s power operations.

GM Kelly provided introductory comments and introduced AGM Hale.

AGM Hale began by noting the purpose of the Power Business Plan and briefly discussed the agendas for workshops one and two.

AGM Hale provided an introduction to the Power Enterprise; Described the full-service customer base; and described Power supply relative to demand.

Ms. Hale reviewed the Power Business Plan Goals: (Goal 1) - Maintain compliance with Raker Act; (Goal 2) - Preserve the ability to operate, maintain, repair and improve SFPUC-owned facilities and provide safe, reliable, and affordable electric service; (Goal 3) - maximize the value received from Hetchy power supplies; and (Goal 4) - Continue to support other valuable city and community goals.

Ms. Hale noted the benefits provided to the City under the 10-year financial plan.

Ms. Hale discussed the history and development of the system, beginning with the 1906 earthquake; Hetch Hetchy Bond authorization (1910); AGM Hale discussed Raker Act rights; Completion of the Early Intake Powerhouse; O’Shaughnessy Dam completion; Completion of the Moccasin (1925), Holm (1960), and Kirkwood (1969) Powerhouses. Ms. Hale then reviewed the Power business model.

AGM Hale discussed external challenges that have been faced since the system was built: (1) Industry deregulation (uneconomic supply assets, uneconomic transmission assets, and reliance on PG&E for distribution); (2) Water-First Policy (water-first exacerbates supply and demand mismatch); (3) Water Settlement Agreement (limited investment discretion for Power).

Commissioner Moran asked for clarification on the outcome that water priorities drive the investments, which Ms. Hale provided. GM Kelley offered additional comment. Brief discussion ensued.
VP Vietor asked about the plan for transmission assets. Ms. Hale indicated that discussion on assets will be covered during the May 12 workshop. Commissioner Moran provided additional comment.

Ms. Hale discussed Current Conditions: (1) Aging Supply Infrastructure that requires reinvestment; (2) System oversized compared to customer base; most sales generate little revenue; (3) Supply portfolio is not diversified; (4) Expiring agreements need replacement on reasonable terms; (5) Escalating costs without associated revenue increases; (6) Organizational realities threaten commercial speed and responsiveness; and (7) Continued provision of valuable City benefits at risk.

Commissioner Vietor departed the meeting at 4:29 PM.

Ms. Hale discussed Market Opportunities: (1) Full-Pay Full-Service (growth in core, high-value customers, highest revenue customers, and highest margin sales); (2) Targeted Wholesale (low-cost customers seeking customized products, and lowest cost of service); and (3) CCA (customer growth where full-service is not cost-effective, and growth in funding for SF Climate Action goals).

Brief discussion on the difference in customer segments and the rates each pay.

AGM Hale concluded by offering a recap, emphasizing that Power’s current business model is out of balance. She discussed next steps, stating the next workshop will take place on May 12, 2015.

Commissioner Courtney thanked AGM Hale for her presentation.

President Caen asked GM Kelly if the joint projects could be looked at again. GM Kelly and City Attorney Ambrose provided response.

Public Comment
- Mr. Jason Fried, LAFCo, referred to slide 55 on prices, and stated that he would like to see prices as low as possible, especially for CCA, which he feels will eventually pay for other projects.
- Mr. Eric Brooks, SF Green Party/Our City/Clean Energy Advocates concurred with Mr. Fried. He discussed the Newark Substation and Power assets.

The Commission Secretary read Closed Session items 18 and 19, and stated that item 17, and 20 through 27 would not be heard.

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

City Attorney Ambrose requested a motion to recuse Commissioner Courtney from Closed Session due to his employment with Laborers Local 261.
On Motion to Recuse Commissioner Courtney from Closed Session:
Ayes: Caen, Moran and Kwon

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: Caen, Moran and Kwon

The Commission entered Closed Session at 4:51 PM.

17. Conference with Legal Counsel – Pursuant to California Government Code Section 54956.9 (d) (2) and San Francisco Administrative Code Section 67.10 (d) (2) Anticipated Litigation – As Defendant

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) Unlitigated Claim

Laborers International Union Local 261 vs. City and County of San Francisco
City Attorney Claim Number: 15-02234/Date Filed: March 4, 2015
(Resolution 15-0104)

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) Unlitigated Claim

StarNet Insurance Company vs. City and County of San Francisco
City Attorney Claim Number: 15-02313/Date Filed: March 10, 2015
(Resolution 15-0105)

20. 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
San Francisco Superior Court Case No.: CGC-13-529310/Date Filed: June 6, 2013

21. 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
Federal Energy Regulatory Commission
Case No.: EL15-3-000/Date Filed: October 10, 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:

Pacific Gas & Electric
Federal Energy Regulatory Commission
Tariff Withdrawal per 35.15: Notice of Termination of the 1987 CCSF Interconnection Agreement – PG&E Rate Schedule FERC No. 114 to be effective June 30, 2015.
Case No.: ER15-702-000/Date Filed: December 23, 2014

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 Litigation:
Pacific Gas & Electric
Tariff Withdrawal per 35.15: Notice of Termination of The CCSF Facilities Charge Agreement for Moscone to be effective June 30, 2015.
Case No.: ER15-703-000/Date Filed December 23, 2014

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:
Pacific Gas & Electric
Federal Energy Regulatory Commission
§205(d) rate filing per 35.13 (a)(2)(iii): City and County of San Francisco Transmission Owner Tariff Replacement Agreements to be effective July 1, 2015
Case No.: ER15-705-000/Date Filed: December 23, 2014

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:
Pacific Gas & Electric
Federal Energy Regulatory Commission
§205(d) rate filing per 35.13 (a)(2)(iii): City and County of San Francisco Wholesale Distribution Tariff Replacement Agreements to be effective July 1, 2015
Case No.: ER15-704-000/Date Filed: December 23, 2014

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
Federal Energy Regulatory Commission
Notice of Termination of Facilities Charge Agreements between PG&E and the City and County of San Francisco
Case No.: ER15-735-000/Date Filed: December 23, 2014

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.
The Commission exited Closed Session at 4:58 PM.

28. Announcement following Closed Session.  President Caen announced that settlements were reached on items 18 and 19.

29. Motion regarding whether to disclose the discussions during Closed Session.  
   On Motion NOT to Disclose:
   Ayes: Caen, Courtney, Moran and Kwon

30. Other new business.  
   None.

   President Caen adjourned the meeting at 4:59 PM