



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Edwin M. Lee
MAYOR

MINUTES
Tuesday, May 12, 2015
(As Approved on May 26, 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

Commissioner Moran called the meeting to order at 1:33 PM.

2. Roll Call

Present: Moran, Courtney and Kwon

Excused: Caen and Vietor

Commissioner Moran stated that due to the absence of the President and Vice President, and as per the Rules of Order, he would be serving as Chair.

He stated that public comment would be limited to two minutes per person on all items.

He stated that item 6g, CCA Update, would be heard with item 12; and that only items 16 and 17 would be heard during Closed Session.

3. Approval of the Minutes of April 28, 2015

On Motion to approve the Minutes of April 28, 2015

AYES: Moran, Courtney and Kwon

Public Comments

None.

4. General Public Comments

- *Ms. Ann Clark, Friends of Camp Mather, invited the Commission to a June 4th Commonwealth Club event, "I never knew there were so many stars in the sky".*
- *Ms. Karla Jones stated that residents of San Mateo County have the perception that there is no drought since Crystal Springs Reservoir is full.*

5. Communications

- a) Advance Calendar
- b) Letter Summary
- c) Fluoridation Update
- d) Streetlight Program Update
- e) Water System Improvement Program Status of Construction Change Orders

Public Comments

None.

6. Report of the General Manager

- a) Quarterly Audit and Performance Review Reports
 - Audit of Class One Power Sales to the Modesto and Turlock Irrigation Districts
 - Follow-Up: Community Assistance Program Audit
 - Ratepayer Assurance Scorecard and Manual
 - Telephone Asset and Cost Audit

- Wholesale Revenue Requirement – Statement of Changes in Balancing Account, FY 2013-14

Ms. Nancy Hom, Acting CFO, reviewed the quarterly Audit and Performance Review Reports. She discussed the audit and review portfolio, audits completed and reports issued in the third quarter; and the schedule projects during the next 12 months. Ms. Hom responded to a question from Commissioner Kwon on how audits are determined and how results are tracked and implemented.

Commissioner Moran asked about audit tracking; how the process could be modified to deal with non-concurrences to ensure transparency; and expressed concern with the scorecard.

General Manager (GM) Kelly responded to a question from Commissioner Kwon asking if audit results are incorporated into the business and action plans and/or department goals, or if they are incorporated into a separate action plan. Ms. Hom provided additional response. Brief discussion ensued.

Public Comments

None.

- b) Quarterly Budget Status Report

Mr. Charles Perl, Deputy CFO, provided a Quarterly Budget Status Report. He reviewed the current financial status and obligations for Water, Wastewater and Hetch Hetchy. He noted that the Power Enterprise reported lower revenues for power generation. Mr. Perl reviewed key reserve ratios, and stated that the PUC is abiding by the reserve fund balance requirements.

Public Comments

None.

- c) Water Enterprise CIP Quarterly Reports

- Water Enterprise Regional Report
- Water Enterprise Local Report

Ms. Kathy How, Assistant General Manager (AGM) Infrastructure, stated that per a previous request from Commissioner Moran, the Water and Wastewater CIP Quarterly Reports format was revised to be consistent with the WSIP Quarterly Report. She indicated that going forward the Local and Regional Reports will be combined for efficiency. She stated that the Local Water report includes metrics for miles of replacement and reviewed replacements completed. GM Kelly provided comments on coordination between departments on replacement efforts.

Commissioner Courtney stated there is a public misperception that there is no coordination between departments and recommended that it be articulated that coordination efforts are happening. GM Kelly and AGM How concurred.

Public Comments

None.

d) Water System Improvement Program Quarterly Update & Reports

- WSIP Quarterly Update
- WSIP Regional Report
- WSIP Local Report

Mr. Dan Wade, WSIP Director, provided a WSIP quarterly update. He discussed the WSIP Program status, noting the regional program is 87.5 percent complete; local program is 99.2 percent complete; and the overall WSIP is 88.6 percent complete. He indicated the majority of current activity is in construction; 65 projects are completed; and two projects are in pre-construction. Mr. Wade reviewed recent accomplishments and outlined Transmission Projects.

Mr. Wade offered a pre-construction update on the Alameda Creek Recapture; Regional Groundwater Storage and Recovery; and Alameda Creek Fish Passage Facilities.

Mr. Wade updated the Commission on major active projects, including the Calaveras Dam Replacement Project; New Irvington Tunnel Project; HTWTP Long-Term Improvements; and Peninsula Pipeline Seismic Upgrade.

Public Comments

None.

e) Drought Update

Mr. Steve Ritchie, AGM Water, provided a drought update. He discussed reservoir storage levels, noting Hetch Hetchy is at 77 percent and Water bank is at 27 percent. In response to prior public comment related to the Crystal Springs Reservoir level, Mr. Ritchie discussed local system storage levels and the need for full local storage.

AGM Ritchie reviewed historical water bank storage since October 1982; discussed cumulative precipitation; Snowpack; 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 updated the Commission on State Water Board Regulations which were adopted on May 5, 2015, and discussed anticipated San Francisco actions. AGM Ritchie concluded with a brief summary.

In response to a request from Commissioner Moran, AGM Ritchie offered additional response to the question posed during public comment regarding full reservoir levels.

Mr. Ritchie responded to a question from Commissioner Kwon regarding underground aquifers and drought impact. Brief discussion ensued.

Public Comments

None.

f) Power Bond Update

Mr. Perl provided the Commission with an update on the Power Bond Sale. He stated that it was the first bond sale for the Power Enterprise and was sold as two series: \$32M Series A – Green Bonds; and \$7.5M Series B Bonds. Mr. Perl thanked Mr. Morales, Debt Manager and his staff for their work.

g) CCA Update

The CCA update was heard with item 12.

Public Comments

- *Mr. Eric Brooks, San Francisco Clean Energy Advocates, San Francisco Green Party, and Our City, requested a report on the use of H Bonds and Green Bonds.*

The Commission Secretary read the Consent Calendar items.

7. Consent Calendar

- a) Approve an increase in the construction contract duration contingency for Contract No. WW-483RR, North Shore to Channel Force Main Drainage Improvement and Pavement Renovation, with KJ Woods Construction Inc., by 214 consecutive calendar days, for a total revised contract duration of 1,293 consecutive calendar days. The increase is needed for additional and unforeseen differing site conditions and utility conflicts and the subsequent schedule delays related to these issues. ([Resolution 15-0106](#))
- b) Approve execution of an Attestation of Veracity for the San Francisco Public Utilities Commission 2014 Power Source Disclosure Report and submission of that Report to the California Energy Commission. ([Resolution 15-0107](#))

On Motion to approve Consent Items 7a and 7b:

AYES: Moran, Courtney and Kwon

Public Comments

None.

8. Adopt the proposed Wholesale Revenue Requirement and rate schedule for FYE 2016, as applied to meter readings on or after July 1, 2015. 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 15-0108](#))

Mr. Perl introduced the item and stated that the Wholesale Rates are contractual. He reviewed historical retail and wholesale water sales; Wholesale Water Revenue requirement; Wholesale Rates – historical and projected increases. He stated the rate change has been shared with Wholesale customers. He reviewed how the Wholesale rate structure is determined and discussed how the rates have changed since FY 2009-10. He noted the discount provided to a customer who receives untreated water.

Mr. Perl responded to a question from Commissioner Moran regarding Wholesale and City demand levels.

On Motion to approve Item 8:
AYES: Moran, Courtney and Kwon

Public Comments
None.

9. Approve the selection of and award of Agreement Nos. CS-392[G].A–C, K-8 Outdoor Education Grants, to Climate Action Now! (CS-392.A); Community Grows (CS-392.B); and Education Outside (CS-392.C); to provide outdoor education services to 8,000 elementary students in grades K-8 within the San Francisco Unified School District. Authorize the General Manager to negotiate and execute these grant agreements in the amount of \$30,000 (CS-392[G].A); \$30,000 (CS-392[G].B); and \$200,000 (CS-392[G].C), each with a duration of one year, and with an option to renew up to two additional years, for a total cumulative not-to-exceed grant amount of \$780,000; and with a not-to-exceed duration of three years. ([Resolution 15-0109](#))

On Motion to approve Item 9:
AYES: Moran, Courtney and Kwon

Public Comments
None.

10. Approve Amendment No. 3 to Agreement No. CS-960(I), Automatic Bill Payment Enrollment Services, with STOP Processing Center, to provide ongoing processing/enrollment services for water and wastewater customers who want their bills paid through an automatic bill payment service; and authorize the General Manager to negotiate and execute this amendment, extending the term by two years and eight months, for a total agreement duration of nine years, with no change to the agreement value. ([Resolution 15-0110](#))

On Motion to approve Item 10:
AYES: Moran, Courtney and Kwon

Public Comments

None.

11. Approve Project No. CWWSIPCSSR03, Kansas and Marin Streets Sewer System Improvement (Project), and authorize the General Manager to implement the Project in compliance with the Charter and applicable law, subject to Board of Supervisors approval where required, including: (i) undertaking the process in compliance with California Government Code Section 7260 et seq. for possible acquisition, for a combined purchase price not-to-exceed \$1,000,000 of temporary and permanent interests in real property in Assessor's Parcel 001J in Assessor's Block 4343, owned by 2479 Marin Street, LLC, and in Assessor's Parcel 001D in Block 4343, owned by Beronio Lumber Inc.; (ii) undertaking the process, in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 49 CFR Part 24, and all applicable laws, to provide assistance and relocation benefits to qualified City tenants who may be displaced by the construction access and staging activities on Assessor's Parcel 031 in Assessor's Block No. 4343, owned by the City; (iii) negotiating a Memorandum of Understanding with the San Francisco Department of Public Works to address the Project's temporary use of portions of Assessor's Parcel 031 in Assessor's Block No. 4343; and (iv) working with the Director of Real Estate to seek any necessary Board approval and upon receipt of all necessary Board approval, to accept and execute the real property agreements authorized herein. This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 15-0111](#))

On Motion to approve Item 11:

AYES: Moran, Courtney and Kwon

Public Comments

None.

12. Public Hearing: Discussion and possible action regarding schedules of rates and charges of the San Francisco Public Utilities Commission Power Enterprise for Phase One of the Community Choice Aggregation (CCA) service within San Francisco. This action constitutes the Approval Action for the program for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 15-0112](#))

Ms. Barbara Hale, AGM Power, stated the Procurement Ordinance passed out of the Budget and Finance Committee, as well as the Full Board. She noted an amendment was included by the Board President requiring the contracts be put in the Board file within 30 days of signing. She added that the RFP for back-office and customer care is completed and is making it through the City process.

Ms. Hale introduced Mr. Perl who presented initial Not-to-Exceed (NTE) rates for the CCA Program. Mr. Perl noted the rate established the rate ceiling and will allow

staff to move forward with the planned January launch. He stated customers won't pay any more than PG&E customers.

Mr. Perl reviewed the rate-setting road map, including the authorization approval requested; subsequent submission of CCA rates to the Board; and a planned return in the Fall of 2015 to present programs rates which are to be included in customer notices and bills. Mr. Perl reviewed initial CCA rates and charges, clarifying those that are required by State law and those that are up to SFPUC discretion.

Mr. Perl discussed the initial NTE rate proposal, including the Program goal; proposed rate actions; actions to be taken prior to Program launch; and Rate Fairness Board presentation.

Mr. Perl presented and discussed the proposed initial NTE rates for the Default Product and the Premium "Opt-up" Product. He discussed PG&E charges that are passed-onto CCA customers: Power Charge Indifference Adjustment (PCIA); and the Franchise Fee Surcharge (FFS). He reviewed the proposed CCA NTE rate methodology used to determine the rate.

Mr. Perl shared a sample bill for a CCA Tier 1 customer and a PG&E customer, noting the CCA's generation rate is lower than PG&E. He touched on the CCA proposed tariffs.

Mr. Perl reviewed minor word changes to the proposed Resolution which were requested by Commissioner Moran, and were provided to the Commission, located on the second and third "Further Resolved" clauses on page two; and the sixth "Further Resolved" clause on page three.

Mr. Perl thanked AGM Hale and Ms. Cheryl Taylor and staff for their work.

Commissioner Moran discussed his request for changes to the Resolution. He requested that staff present the Commission with a marketing plan and CCA customer offerings.

Commissioner Moran read statements from President Ann Caen and Vice President Francesca Vietor expressing their support for the CCA Program.

On Motion to approve Consent Item 12:

AYES: Moran, Courtney and Kwon

Public Comments

- *Mr. Jason Fried, LAFCo, thanked the Commission for their support and spoke on stakeholder outreach and engagement.*
- *Mr. Paul Kangas, Solar Justice, asked if the SFPUC can regulate what PG&E pays homeowners solar energy they produce. Commissioner Moran provided response.*

- *Mr. Eric Brooks, San Francisco Clean Energy Advocates, San Francisco Green Party, and Our City, discussed feed-in-tariff and net metering.*
- *Ms. Adele Frammer, 350 SF, expressed support for the item and requested Commission approval.*
- *Mr. Zach Rowe, Sierra Club, thanked the Commission for their support and encouraged passage.*
- *Ms. Karen Babbit, Sierra Club, thanked the Commission for their support and encouraged passage.*
- *Mr. Jed Holtzman thanked staff for their work and encouraged passage. He provided thoughts on PCIA charges.*
- *Ms. Jess Dervin-Ackerman, Sierra Club, thanked the Commission for their support and looks forward to next steps.*

Commissioner Courtney thanked the advocates for their work, dedication, and support throughout the process. He asked that workforce development not be forgotten.

GM Kelly thanked staff for their hard work and that he looks forward to a successful Program.

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

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

On Motion TO Assert:

AYES: Moran, Courtney and Kwon

The Commission Secretary read the Closed Session items and stated that item 15, and items 18 through 25 would not be heard.

The Commission entered Closed Session at 3:20 PM.

15. 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
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
Zaria Daskam v. City and County of San Francisco
San Francisco Superior Court Case No.: CGC-13-534052
City Attorney File No.: 140437

Date Filed: September 5, 2013
(Resolution 15-0113)

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 Claim
West Bay Builders, Inc.
City Attorney Claim No.: 15-00267
Date Filed: August 1, 2014
(Resolution 15-0114)

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
San Francisco Superior Court Case No.: CGC-13-529310/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:
City and County of San Francisco v. Pacific Gas & Electric
Federal Energy Regulatory Commission
Case No.: EL15-3-000/Date Filed: October 10, 2014

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:
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

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:
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

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
§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

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
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
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
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
25. 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 Session at 3:29 PM.

26. Announcement following Closed Session.
Commissioner Moran announced that settlements were reached on items 16 and 17. He stated item 17 approved the close-out and final payment to the contractor in the amount of \$194,098.48, with additional settlements subject to BOS approval.
27. Motion regarding whether to disclose the discussions during Closed Session.

On Motion NOT to Disclose:
AYES: Caen, Moran, Courtney and Moran
28. Other new business.
Commissioner Courtney expressed concern with limiting public comment unless absolutely necessary, and wishes to avoid it at all cost.

Commissioner Moran thanked Commissioner Courtney for his comments. He noted a requirement to announce any limits to public comment at the beginning of the

meeting so it is applied to all items on the agenda. He discussed the reasoning behind limiting the public comment at the meeting. Brief discussion ensued.

29. Adjournment

Commissioner Moran adjourned the meeting at 3:34 PM.