SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Edwin M. Lee
MAYOR

MINUTES
Tuesday, July 28, 2015
(As Approved on August 11, 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
1. **Call to Order**  
   President Caen called the meeting to order at 1:32 PM.

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

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

   **Public Comments**  
   None.

4. **General Public Comments**  
   - Mr. Francisco DaCosta provided thoughts on the Hunters Point Shipyard site parcels and discussed decisions that need to be made.  
   - Mr. David Pilpel noted minor corrections to the minutes.

5. **Communications**  
   a) **Advance Calendar**  
   b) **Letter Summary**  
   c) **Progress on Achieving Water Supply Levels of Service**  
   d) **Sewer Inspection and Replacement Update**  
   e) **Assignment Agreement for Contract No. CS-169, Planning and Engineering Services, Central Bayside System Improvement Project**  
   President Caen congratulated staff on the sewer inspection and replacement activity. Assistant General Manager (AGM) Moala thanked President Caen and discussed the inspection process.

   **Public Comments**  
   None.

6. **Other Commission Business**  
   None.

7. **Citizens’ Advisory Committee (CAC) Update**  
   Ms. Wendy Aragon, CAC Chair, provided an update. She stated Ms. Rebecca Lee was recently elected as Vice Chair. She discussed resolutions passed and noted priorities for the year. She thanked President Caen for attending their last meeting; and thanked Mr. David Pilpel for his service to the CAC. She stated Ms. Amy Zock has been placed in Mr. Pilpel’s seat.

   Ms. Aragon responded to a question from Commissioner Courtney on current CAC resolutions. He requested during the next CAC update other members attend to be recognized.
Public Comments
- Mr. Pilpel expressed thanks for the opportunity to serve on the CAC.

AGM Moala discussed a recent Declaration of Emergency, made in response to a break in a cast iron pipe at Islais Creek. He noted that no untreated sewage was discharged and repairs were being made.

Public Comments
- Mr. Francisco DaCosta stated that a detailed report on the break should be given and asked why the pipe was compromised.
- Dr. Espanola Jackson discussed a memo from the Coalition of San Francisco Neighborhoods, noting Bayview Hunters Point isn’t on the list. She provided a list from CAC that did not include Bayview Hunters Point. She discussed the need for information flow to the Bayview community.

President Caen requested that General Manager (GM) Kelly schedule a September joint meeting with the Southeast Facility Commission.

AGM Steve Ritchie, Water, updated the Commission on a water main break on the San Andreas Pipeline No. 2. He noted actions being taken to repair the break. He confirmed that customers were never without water service. He reported that water emptied through a drainage canal, and there was no structural damage reported.

a) Drought Update
AGM Ritchie provided a drought update. He discussed current reservoir and water bank storage levels; Cumulative precipitation; Total deliveries; Nine-county Bay Area lowest per capita consumption (noting 12 of the lowest being San Francisco customers); May 2015 Demand Reductions by Region; San Francisco Bay Area Retailer reduction; Leak Notification Pilot Program; and State Water Board enforcement actions.

In response to a question from President Caen, AGM Ritchie stated that no new information has been received regarding water rights.

Commissioner Courtney left the meeting room at 2:04 PM.

b) CCA Update
Ms. Barbara Hale, AGM Power, gave an update on the CCA implementation schedule and key milestones, stating that overall the schedule is on-time. She discussed action items scheduled for July and August, including the RFO for program electric resource supplies which is due August 3, 2015.

In response to a question from President Caen, AGM Hale stated there are no issues. She discussed two proposed ballot measures, one sponsored by IBEW
and the other sponsored by Supervisor Breed. She noted a special Board of Supervisor (BOS) meeting is being scheduled to discuss the measures.

Public Comments
- Mr. Jason Fried, Executive Officer, LAFCo, indicated that the August 3rd RFO deadline is critical for an on-time launch. He discussed the BOS special meeting and proposed a fall joint meeting with LAFCo.

The Commission Secretary read the Consent Calendar items.

9. Consent Calendar:
   a) Approve Amendment No. 1 to Agreement No. CS-167A, Comprehensive Technical Services for Renewable & Advanced Energy Generation Systems with AEPC Group, LLC, to provide assistance with the evaluation, project development, permitting, project implementation, and construction of renewable and advanced energy technologies and projects; and authorize the General Manager to negotiate and execute this amendment, increasing the agreement by $1,000,000, for a total not-to-exceed agreement amount of $3,250,000, with no change to the agreement duration. (Resolution 15-0162)

   b) Authorize the General Manager to accept an additional award of up to $123,042 to be disbursed from Solano County Water Agency (SCWA) for San Francisco Public Utilities Commission (SFPUC) high-efficiency toilet incentive programs from the State grant fund, for a total award of up to $986,042. The current request seeks to increase funding to the SFPUC through an amended agreement between the State and the grant’s fiscal agent Bay Area Clean Water Agencies, dated January 27, 2015. The amendment resulted in a reallocation of funds for eligible water conservation programs among Bay Area water utilities participating in the grant. (Resolution 15-0163)

   c) Approve the Sewer System Management Plan for the San Francisco Separate Sanitary Sewer System to address Sanitary Sewer Overflows, which applies to entities that own or operate sanitary sewer systems greater than one mile in length that collect and/or convey untreated or partially treated wastewater to a publicly owned treatment facility. This is required by the State Water Board’s Statewide General Waste Discharge Requirements for Sanitary Sewer Systems, Water Quality Order No. 2006-0003. (Resolution 15-0164)

   On Motion to approve Consent items 9a, through 9c:
   Ayes: Caen, Moran and Kwon

   Public Comments
   None.
REGULAR SESSION

President Caen requested that item 10 be delayed until Commissioner Courtney returned to the meeting room. She asked the Commission Secretary to read item 11.

11. Authorize the General Manager to execute, on behalf of the City and County of San Francisco, a Memorandum of Agreement with the United States Geological Survey (USGS), for technical support to develop a watershed hydrological model for the Alameda Creek watershed using the GSFLOW model created by the USGS, for an amount not to exceed $50,000 and with a duration of two years. (Resolution 15-0165)

Ms. Kathy How, AGM, Infrastructure, introduced the item and requested approval.

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

Public Comments
None.

Commissioner Courtney returned to the meeting room at 2:17 PM.

10. Approve the Consent to Assignment Agreement for existing contract No. CS-169, Planning and Engineering Services, Central Bayside System Improvement Project; Approve Modification No. 1; and authorize the General Manager to negotiate and execute a Consent to Assignment of the existing Agreement from MWH/URS Joint Venture to MWH Americas, Inc., subject to the Board of Supervisors approval pursuant to Charter Section 9.118; and if approved, authorize the General Manager to negotiate and execute Modification No. 1 of the existing Agreement once assigned to MWH Americas, Inc., to adjust terms to reflect changes necessary due to the Assignment. (Resolution 15-0166)

AGM How introduced the item. She discussed the need for the assignment due to conflicts and requested approval.

Commissioner Courtney thanked the Commission for granting his request to reschedule the item from the last meeting and stated his concerns and questions had been addressed.

Public Comments
- Mr. David Pilpel asked if there were any other outstanding conflicts with AECOM or URS. GM Kelly responded there were none.

Commissioner Moran expressed concern with the industry trend to consolidate ownership, which could affect SFPUC business. He requested information on how to respond to that change in the business climate. GM Kelly provided a historical review of past acquisitions.
11. Workshop #2 - Power Business Plan: Second 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.

AGM Hale began the second workshop with a recap of the first. She provided an overview of the current 10-year financial plan, noting it relies on financial solutions to remain in balance. She discussed revenue and cost-containment options available.

AGM Hale introduced six recommended priority strategies, which support each other to change operations and spending priorities:

**Strategy 1: Affordable access to PG&E’s distribution grid:** Ms. Hale noted the SFPUC is reliant on fair terms for access to PG&E’s distribution grid and indicated the expiring agreement puts fair distribution access at risk. She reviewed distribution access activates (near-term priority).

**Strategy 2: Grow sales to maximize Hetch Hetchy value for San Francisco:** Ms. Hale discussed the customer segments, noting service requirements and costs vary. She stated discretionary revenue varies and Full-Pay, Full-Service is highest.

AGM Hale responded to a question from Commissioner Moran regarding the sale of power for CCA.

Ms. Hale discussed the Full-Pay, Full-Service needed to build on core service offerings, and she reviewed targeted wholesale and CCA service offerings. She stated that meeting the sales growth targets will help match sales/demand with supplies, and reviewed the current and projected power supply and demand. AGM Hale discussed increased purchasing needs risks and mitigations; noted Full-pay, Full-Service offers margin headroom to cover price risk; described the benefits of purchasing additional supplies; and stated most POU’s are net purchasers.

Ms. Hale responded to a request from President Caen for an example of Full-Pay, Full-Service customers.

Ms. Hale described the challenges of growing sales; sales growth key takeaways; and customers and sales growth implementation.

**Strategy 3: Pace supply costs with customer growth:** AGM Hale reviewed the 10-year operating and capital budgets, stating there will be $2.2B in spending over 10 years.
years. She reviewed the current business model and supply challenges and conditions. She discussed the supply spending on the Powerhouses, Mountain Tunnel, and grid connections. She reviewed the Powerhouse supply contributions; annualized cost per MWh Powerhouse plus grid; and Supply cost comparisons by Powerhouse. Ms. Hale reviewed supply management key takeaways and supply management implementation.

Strategy 4: Streamline Transmission spending: AGM Hale discussed transmission challenges and volumetric rates; spending on transmission segments redundant to CAISO; and transmission operations. She reviewed key transmission takeaways and transmission implementation.

Strategy 5: Invest strategically in distribution: Ms. Hale discussed PG&E’s transmission grid and indicated that reliance on PG&E’s grid has risks. She described investment opportunities. She reviewed key takeaways and distribution investment implementation.

Strategy 6: Achieve commercial speed: AGM Hale discussed organizational realities; and commercial speed implementation.

Ms. Hale reviewed projected results, including the current and projected customer mix; current and projected annual gross revenue; projected value (10 years); financial results (10 years); financial stability improvements; and projected climate action gains.

AGM Hale outlined the investment and resource need, noting it is an intensive City-wide effort. She described next steps and provided recommendations.

President Caen thanked AGM Hale for her presentation.

Commissioner Moran discussed challenges that need to be resolved, including a financial future based on a new customer base. Brief discussion ensued.

AGM Hale thanked Ms. Meg Meal and Ms. Karina Leung for their work.

Public Comments
- Mr. Francisco DaCosta said the Raker Act needs to be revisited. He discussed electric distribution; litigation between SFPUC and PG&E; and the need to evaluate water and wastewater.
- Mr. Jason Fried, Executive Officer, LAFCo, thanked Ms. Hale for her presentation. He discussed pricing options, Interconnection Agreement, Shipyard development, and the possibility of battery storage.

GM Kelly responded to a question from President Caen for a ballpark figure for the cost of transmission lines to the Shipyard development.
• Mr. David Pilpel discussed asset management; PG&E negotiations; expansion of Newark transmission line; Cal ISO rate structure change; targeted distribution investment; power-first approach; energy efficiency programs through DOE; and General Fund rates increase.

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

13. 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, Courtney, Moran and Kwon.

CLOSED SESSION

The Commission Secretary read the Closed Session items 14, 15 and 16, and indicated that items 17 through 24 would not be heard.

Public Comments
   None.

The Commission entered Closed Session at 3:20 PM.

14. 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:
   Thomas Mitch v. City and County of San Francisco
   San Francisco Superior Court Case No.: CGC-14-542654
   City Attorney File: 150612/Date Filed: November 12, 2014
   (Resolution 15-0167)

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)
   Existing Litigation:
   Yoshio Haraguchi v. City and County of San Francisco
   San Francisco Superior Court Case No.: CGC-14-541209
   City Attorney File: 150238/Date Filed: August 15, 2013
   (Resolution 15-0168)

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)
   Unlitigated Claim
   M Squared Construction, Inc. v. City and County of San Francisco
   Unlitigated File No.: 15-02838/Date Filed May 1, 2015
   Resolution (15-0169)
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  
San Francisco Superior Court Case No.: CGC-13-529310/Date Filed: 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  
Federal Energy Regulatory Commission  
Case No.: EL15-3-000/Date Filed: October 10, 2014

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  
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

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  
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

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  
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

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 Wholesale Distribution Tariff Replacement Agreements to be effective July 1, 2015
Case No.: ER15-704-000/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
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

24. 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 3:31 PM.*

25. Announcement following Closed Session.
   President Caen announced that items 14, 15, and 16 were settled.

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

   *On Motion no to disclose:*
   *Ayes: Caen, Courtney, Moran and Kwon.*

27. Other new business.
   *None.*

28. Adjournment
   *President Caen adjourned the meeting at 3:33 PM.*