

**San Francisco Public Utilities Commission
Citizens' Advisory Committee
Approved Meeting Minutes**

**Tuesday, September 25, 2012
5:30 p.m. – 7:00 p.m.
525 Golden Gate Ave., 2nd Floor O'Shaughnessy Conference Room**

Members:

Richard Hansen (D1)	Walt Farrell (D7)	Avni Jamdar (M-Env. Group)
Donald Carmignani (D2)	Javieree PruittHill (D8)	Art Jensen (M-Reg'l Water Customers)
Doug Cain (D3)	Dairo Romero (D9)	Stephen Bjorgan (M-Eng./Financial)
David Pilpel (D4)	Terrence Jones, Chair (D10)	Vacant (M-Lg Water User)
Diane Mokoro (D5)	Jennifer Clary (D11)	Ted Ko (B-S. Business)
Jessica Buendia (D6)		Alex Lantsberg (B-Env Justice)

M = Mayoral appointment, B = Board President appointment

Staff Liaison: Teresa Young

ORDER OF BUSINESS

1. Call to Order and Roll Call: The meeting was called to order at 05:44 p.m.
Present: T.Jones; D.Cain; J.PruittHill; T.Ko; J.Clary; W.Farrell; D.Mokoro; A.Jamdar; D.Carmignani; S.Bjorgan;
Absent: A.Jensen; J.Buendia; A.Lantsberg; R.Hansen; D.Pilpel; D.Romero;
2. Approval of the [August 28 meeting minutes](#)
J.Clary moved; D.Mokoro seconded. Minutes approved without objection.
3. Public Comment: none.
**skipped to item 5
4. Presentation and Discussion: [Ratepayer Assurance Policy](#). Todd Rydstrom, SFPUC Assistant General Manager, Business Services
Discussion and Q&A:
D.Cain: The last presentation I saw about rate increases that are expected over the next 10 years was presented as a graph and wasn't presented as a typical cost in dollars and how it would reflect cost in dollars in the future. To me, it was a little non-transparent. In the future, I see a severe reaction from ratepayers to rate increases. I heard from staff that this was publicly announced, this is going to be a long-term, long range constant communication issue for SFPUC. With the shortfalls to make the capital improvements at Moccasin around 2014, there may be discussions at the staff level about possible bond issuances by the Power Enterprise and that they were now bond-credit worthy. They might look at raising bonds. If further bond issuances are being accounted, let's put that on the table because those are real rate impacts. I think we need to know them now and put them into projections and how that amounts into dollar signs.
J.Clary: A continuing concern of ours is the percentage our current future budget that will go into debt service. As water demand continues to decrease, it'll be interesting to see what kind of water scenarios you take into consideration. To follow up what the chair of the commission said, the EPA says that the combined water and wastewater bill should be no more than 2.5% of the median household income, which is slightly but not too different than average income. If your income

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is \$70,000 that would roughly be \$150 a month for a combined water/wastewater bill. How much water is that? How many gallons a day is that?

T.Rydstrom: It's the assumption that it's about 50 gallons per person per day for the single family residential.

J.Clary: So for a household, we're talking about \$150 a month would be roughly 110 gallons a day. I work with low income communities and every five dollar increase in the bill is a big bump. It would be good to understand the spread, or maybe reverse that, make it into a parabola. How many people will be paying more than 2.5% of their income or less than 2.5%?

T.Rydstrom: That's the charge we are held accountable for to walk through and work with the Rate Fairness Board. How these rates will impact various households.

J.Clary: How many accounts are currently receiving Community Assistance Program (CAP) help or rate subsidies?

T.Rydstrom: It's about 7,000 for single family residences. In addition to that there's a small participation for group homes, low income group housing, Mayor's Office of Housing, and Community Housing Program. Going back to D.Cain's question, the percent change and dollars per month and the average monthly bill are all ideas we're looking to do a better job at in terms of messaging. We want to make sure that folks know the complete impact. Some folks will want that in percent change every year or pennies per gallon for water, or average monthly bill. It changes with the audience, so whatever metric will be helpful, please let us know. We want to provide that as part of our outreach to groups. We're also doing this in a way that we are completely transparent and saying that for the next 10 years. We've included every single assumption for debt issuance already in the cost of that. One of the questions from J.Clary was "what does that mean?" By way of comparison, our budget is about 60% in noncapital costs (24/7 operations) and 40% in capital investment cost/debt service. In 20 years, because of the massive \$5 billion rebuild of the water system improvement program (WSIP), nearly \$7 billion for the sewer system improvement program (SSIP) projected, the average bill will be about 70 cents for every dollar to pay for capital improvements, 30 cents on each dollar will be salary costs, chemical costs, and treatment costs. In our assumption for water use is flat for all these financial projections and rate setting. Our water planners are planning for more potential demand and potential supplies. For financial projections we show our sales and assumptions are for flat sales, because the projections for water planning with additional conservation, the average usage will be roughly flat.

T.Jones: Are you seeking our input on how or what to communicate? The "how" being flyers, TV, radio, etc. and the "what" is the content. Do you want both?

T.Rydstrom: We want both. For the CleanPowerSF/Community Choice Aggregation (CCA), we also want to know the how, but that's for a different day. For tonight, what do you want to know as ratepayers and stakeholders? What do you want to be able to tell staff that you spent the money efficiently? What exactly do you want us to report back as customers and ratepayers that is meaningful?

T.Jones: How does San Francisco compare to other similar cities in terms of bills? I did a little research in preparation for my talk today. What I found was an article on MUNI and compared different cities' public transit rates. Once I saw the facts, graphs, and rates that other cities pay, it was helpful.

W.Farrell: Is the system still expanding territorially? Are we in a steady state situation?

T.Rydstrom: I would say the system is not expanding, but some areas in territory are changing in use. For example, with all the development in Mission Bay, they didn't take the water and sewage demand down there. The Hunters Point Shipyard territory hasn't changed, but the intensity of the Treasure Island use and Hunters Point Shipyard has changed. We're projecting with these changes, so that we're prepared in meeting needed deliveries.

J.Clary: Something that the SFPUC didn't do for a long time and just recently started doing in the last few years was hookup fees/connection fees. As part of your rate projections, are you projecting what those hookup fees will be?

T.Rydstrom: We are, the average hookup fee for a new home is \$4,400, with \$3,300 of that amount for the sewer buy in.

J.Clary: As part of development, they haven't chosen to wish away those fees?

T.Rydstrom: Some may wish, but they are still applicable.

D.Carmignani: Does it depend on square footage of property?

T.Rydstrom: It ties to the type of property. So if it's a residential property, the average is \$4,400 per home. If you're an office or restaurant, it is different.

J.Clary: It depends on the number of hook ups.

A.Jamdar: In terms of how I like to see information, it would be nice to see info in a spreadsheet across sectors: water, wastewater, power. How it breaks down by different sectors, utilization rates, cost, cost per unit, etc. That would be the kind of transparency to help us respond.

T.Ko: Do you have key metrics for each of these areas or a summary form about the three or four top items we track?

T.Rydstrom: We do. Each one of the major areas listed here is a verifiable metric. An example of how this could be used is in the form of an independent scorecard and reporting back to the Commission or CAC. We can actually show how we have a mission-driven budget, by mission, by goal. Each item can be independently verified through the City-wide Human Resources Department (if applicable for workforce and hiring) and the Controller's office (when applicable). In the case of asset management, whenever we take something to the Commission, they require us to take a look at life cycle costs. Some areas that aren't as easily verifiable, but will change over time, are environmentally sustainability practices. We have a sustainability plan, but things might evolve as we build that out.

T.Ko: Has that boiled down to a scorecard?

T.Rydstrom: Not yet, but it could be a possibility for you to recommend.

T.Jones: Let's do it. There are a lot of different ways people can be reached. For example, a recent presentation showed a graph about the increase of water and sewer rates. Everyone will be impacted differently. We need a low level and PhD level graph. It would be good to have multiple messages for different audience.

T.Rydstrom: About 60% water usage is residential, but that's about half multi-family and half single family. The multi-family residences don't normally see the water bill, because the landlords see it. We also have businesses and breweries that use water. We really do have to customize the message. The low income and affordability: the Commission did adopt levels of service goals to set the water and sewer rates on average not to exceed 2.5% household income. We are trying to keep it as affordable as possible. In the required rate study under the charter, we're asking the consultant to do a scorecard comparison on how we compare to our neighbors, other major cities, etc. In a good way, we actually are required by our charter provisions to tell people about rates and increases for the next ten years. We are doing that and we want to do that, because we think it is fair and the right thing to do.

J.Clary: I think the difficulty in this is average. When you're talking about poor people, you're not talking about average. Something to consider is asking how many households are paying more than their income. What's the break even amount? Let's find a number and say how many households are paying more than their income for their water and wastewater bill. How do we address that?

T.Rydstrom: So, you're talking about a distribution of average bills.

J.Clary: Yes, find out how many people are impacted from what they pay on their bills compared to their incomes.

T.Rydstrom: We have three options in place to provide for low income assistance. We offer a 15% discount water bill, 15% off the sewer bill, and we also prioritize direct install of high efficiency toilets.

T.Jones: With water bills, there is a lifeline rate, a threshold, that everyone is entitled to a certain amount at a low rate.

T.Rydstrom: We did that with designing rates with two tiers. The first set of water – tiers are set very low. The first tier is low water usage, which would be reasonably priced.

T.Jones: Is this communicated in any way? I found out because we had a leak and our bills skyrocketed.

T.Rydstrom: We can do better and double our efforts to communicate this. We set rates that are typically easy to administer and don't require us to have higher administrative costs. When we set rates, we set them based on how much is used

from the meter. The rate setting doesn't differentiate according to a water budget by number of people in the house. Very few jurisdictions have gone to that step of complication.

T.Jones: Rates have a big impact on landlords. Having or requiring separate meters for tenants is a very expensive proposition. Most landlords just have one meter and if they don't have control of people in one unit, it could just be that water usage could expand. Consider reaching out to landlord groups to see what they think.

J.Clary: Michela Alioto was working on an ordinance to allow landlords to pass through some amount of the water costs to tenants. It ran into difficulty because landlord groups didn't want to post their bills to show they're passing through. I would say that if 7% of the bill in 20 years, tenants could pay as much as a third of the bills. Things are going to change for tenants and that may be something we need to discuss.

D.Cain: How do we get into more detail about tenant issue?

J.Clary: At some point, we need to bring in tenants into the rate discussion. As rates go up, more landlords will do pass-throughs.

D.Cain: Where are we going with that? Should we start the discussion here at the full CAC?

J.Clary: We can talk about this in the water subcommittee.

T.Rydstrom: To the degree that this body wants to hear some of the high level summary reports, average bill comparisons, updates from rate consultant, we are happy to provide these updates. I'm happy to have the rate study consultant share updates and let you know when updates are at the Rate Fairness Board. We will provide a link to the report.

T.Ko: Is this policy intended to be published for the general ratepayer to read or is it for us to know that these standards are being met? How does this provide assurance to general ratepayer?

T.Rydstrom: The scorecard can be usable to provide assurance to ratepayers. It's one of the things we can work with the city services auditor to get that done, as well as with the Controller's office to do assessments.

T.Ko: The presentation of information is important to provide audiences with assurance. It's not just a comparison of rates, but more details about principles. Is it about publishing every decision you're making and how you're making it? For example, did you choose this technology because it's environmentally sustainable, which is why you paid this much? You could imagine presenting outliers, why, and alternatives, etc., but tie it back to the actual principles.

T.Jones: I think you should consider going out to children or schools and see what they think or if they understand. Kids typically share what they learned in school with the parents.

T.Rydstrom: We have a video wall at 525 Golden Gate and one of the graphics is "Snowfall to Outfall". We tested a message to kids as to what water costs to develop simple messaging that's easy to understand with metrics that are meaningful. We want to use whatever is the most helpful for customers.

T.Jones: How about developing YouTube videos on various topics and programs? It would be great if people had ways to figure out how to reduce their bills. You can post these videos on the website.

J.Clary: Can you please explain where the policy will go and what will happen?

T.Rydstrom: We received comments from RBOC, Rate Fairness Board, Commission and the CAC. The draft proposal will go before the Commission at the October 9 meeting. Based on the feedback I'm hearing tonight, we need to put this information into a usable, digestible way to understand, perhaps in the form of a scorecard and have an independent review done. The other item is to incorporate the on average combined water and sewer bill 2.5 and also look at this as a distribution. These ideas will be perfected into October 9 staff proposal and then the Commission will consider.

W.Farrell: How about conservation? If all of a sudden I'm getting a good deal, am I going to be more concerned or use more?

T.Rydstrom: A "Good deal" is relative. When you look at the average bill of neighbor jurisdictions, folks will be pleasantly surprised.

J.Clary: One of the reasons for our existence and Rate Fairness Board is because of the rate freeze. It was operations and maintenance, maintaining the system in good repair. One thing we have to do is continue to be skeptical and look at areas where we think the SFPUC can spend less money. We want the SFPUC to show us that they're maintaining the system and look at areas where they can be less wasteful. Things we've looked at are percentage of debt, amount of money going to city departments, etc.

T.Rydstrom: Typically you'd like those metrics to be looked at by the Controller's Office or independent audits.

T.Jones: One thing has come up as it relates to rates, and I don't know the scope of it, but the \$20 million power subsidy. I don't know how it all plays into the picture. Does that have any impact on rates? Does the BOS have the ability to make that amount different?

T.Rydstrom: We run three utilities. The state law requires us to independently keep books for three separate utilities. What you described is the power utility. If we didn't have the Hetchy system, we'd have higher power bills because we'd have to pay PG&E higher rates. Our costs aren't as high as PG&E's, because it doesn't include a profit margin. The amount you cited is the lower cost directly for cost under recovery from the General Fund departments. For the first time in 10 or 15 years this is the first power rate increase. What's been free for years has brought streetlight costs up to half a penny a kilowatt. That would cost something upwards to 15 to 17 cents a kilowatt from PG&E.

D.Cain: As far as I understand in 2014, we don't have the funds to pay for the necessary funds to pay for Moccasin.

T.Rydstrom: In the 10 year capital plan, which we do have some debt funding assumed; we have the funding structural shortfall solved for Moccasin. That was not the case a year ago. Could we do more if we have higher rates? Yes, but we're currently balanced for the critical infrastructure needs for the next ten years. That multi-year rate increase gave us the ability to say city hall just raised rates on itself. That is a credit strength for us to borrow money.

D.Cain: Is the Power Enterprise going out to get bonds?

T.Rydstrom: We are going out to get bonds. We have scheduled to borrow money.

D.Cain: What's the rate impact on the bonds borrowed from the Power Enterprise?

T.Rydstrom: That's exactly what the Commission adopted and was publicly disclosed in February. Will that affect water rates? No.

**skipped to item 6

5. Report from the Chair (Terrence Jones)

T.Jones presented at the Commission meeting today about the new subcommittee chairs (David Pilpel as Water Subcommittee Chair and Javierree PruittHill as Wastewater Subcommittee Chair) as well as the resolutions passed this year. T.Jones spoke to Commissioner Moran after the Commission meeting, and Commissioner Moran suggested working on providing feedback on CCA and how that relates to the low income community. T.Jones suggested discussing this at the Power or Environmental Justice/Community Benefits subcommittees. The Commission hopes to get feedback relatively soon. D.Cain and A.Lantsberg will coordinate discussion.

T.Jones also said that Commissioner Moran suggested moving the CAC one week before the Commission meetings, so that feedback can get to them in a timely manner.

J.Clary suggested T.Jones to make an executive decision about moving meeting earlier. T.Jones agreed. T.Young will poll the members about new meeting date and provide notice.

**skipped back to item 4

6. Subcommittee Chair Reports:

a. Power Subcommittee (Doug Cain)

We had a cap and trade presentation that the state has now adopted. SFPUC gets payments from the state for this based on distribution.

- T.Rydstrom: The funds are used for energy efficiency programs.
- b. Water Subcommittee (Terrence Jones – Interim Chair)
David Pilpel will be taking over as Chair.
SFPUC gave presentations about outreach and we were pretty happy with the information. I'd like to thank Diane for sending us down that road.
 - c. Wastewater Subcommittee (Javieeree PruittHill)
J.PruittHill distributed a draft Attendance Policy. The subcommittee went through it briefly and wants to discuss and adopt this at the next meeting
J.Clary suggested forwarding the draft policy to the City Attorney's Office for review.
D.Mokoro: Is there language that this is replacing?
J.PruittHill: Yes, this would revise the Rules of Order Article 14
 - d. Environmental Justice & Community Benefits (Alex Lantsberg) – excused absence

- 7. Staff Update: [Health Fair at Southeast Community Facility on October 13](#)
- 8. Future CAC Agenda Items
- 9. Next regularly scheduled Full CAC meeting Tuesday, October 23 (TBD until T.Young receives members consensus regarding switching to a week earlier)
- 10. Adjournment at 06:54 p.m. W.Farrell moved; J.Clary seconded.