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, January 24, 2017
(Approved February 14, 2017)

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

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

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 Moran called the meeting to order at 1:38 PM.

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

3. Approval of the Minutes of January 10, 2017
   On Motion to approve the Minutes of January 10, 2017:
   Ayes: Moran, Kwon, Vietor and Courtney

4. General Public Comments
   - *Ms. Christine Hanson spoke to the change in the format of the letter summary (5b). President Moran provided response regarding the change.*
   - *Mr. Peter Drekmeier, Tuolumne River Trust, thanked the Commission for scheduling the Bay Delta update. He provided thoughts on the drought; encouraged partnership with the water districts; and looks forward to a cooperative relationship.*
   - *Mr. Francisco DaCosta discussed pumping water from ground and discussed reuse for irrigation purposes and street cleaning.*

5. Communications
   a) Advance Calendar
   b) Correspondence Log
   c) Contract Advertisement Report
   d) Annual Power Risk Management Plan
   e) Non-Potable Water Program Update
   f) Lead Sampling Requirements at K-12 Schools

   No public comment.

6. Other Commission Business
   Commissioner Courtney discussed SFPUC's workforce development and requested that a workforce development presentation be scheduled.

7. Report of the General Manager
   Mr. Harlan Kelly, General Manager (GM) requested that Mr. Tommy Moala, Assistant General Manager (AGM) Wastewater, provide a flood update.

   AGM Moala discussed challenges faced by the stormwater system during the January 20th storm. He showed a video demonstrating the speed of the event and the effect it had on the system at 15th and Wawona. He noted the catch basin was overwhelmed but continued to operate during the event. He responded to a question from Commissioner Vietor regarding damage at Cayuga and other flood locations.

GM Kelly responded to a follow-up question from Commissioner Vietor regarding long-term flooding solutions and stated staff is working with the neighborhoods. He

discussed the challenge of not knowing when a strong storm will come and indicated that storm severity seems to be increasing.

a) Drought Update
Mr. Steve Ritchie, AGM Water, provided a drought update. He discussed current reservoir levels and stated water is being released from Calaveras Dam. He noted reservoir levels at other California reservoirs; Cumulative precipitation; Snowpack; Tuolumne River water available to the City; Upcountry 6-station Precipitation Index; Bay Area 7-station Precipitation Index; and total deliveries. He stated a meeting has been scheduled with Bay Area Water Stewards to discuss issues with the substitute EIR for San Joaquin River.

AGM Ritchie responded to a question from Commissioner Vietor regarding the cumulative precipitation slide.

No public comment.

b) 2018 Water and Sewer Rate Study Update
Mr. Eric Sandler, CFO and AGM Business Services, provided a Rate Study update: (1) Rate Study Context; (2) Key Tasks (revenue requirement; cost-of-service; and rate design); (3) Rate Structure Goals (ratepayers; SFPUC; and general); (4) Rate Study Policy Areas (financial policy review; wastewater rate structure; affordability; and improve revenue stability during drought); (5) Stormwater Charge Work To-Date; (6) Stormwater charge phased approach; and (7) Rate study timeline.

CFO Sandler and GM Kelly responded to a question from Commissioner Vietor as to when new customers will see a stormwater charge and about timing for grant opportunities. Brief discussion ensued.

Public Comments
- *Mr. Francisco DaCosta discussed the Raker Act and the need for accountability and empirical data.*

8. BAWSCA Update
Ms. Nicole Sandkulla, BAWSCA, informed the Commission that the BAWSCA Board elected new leadership and that their budget process has begun.

No public comment.

Commissioner Vietor left the room at 2:33 PM.

9. *Consent Calendar*
a) Approve the terms and conditions and authorize the General Manager to execute a five-year revocable license to the City of Redwood City, to use approximately 180 linear feet of SFPUC Parcel Numbers 340-A, 339-B, and 339-C in Redwood City, California, to install and maintain an underground 12-inch ductile iron pipe, for no annual use fee.

b) Approve an increase in the construction duration contingency of up to 219 consecutive calendar days for Contract No. DB-124, San Joaquin Valley Communication System Upgrade Project, with Communication Services, Inc.; and authorize the General Manager to approve future modifications to this contract for a total revised contract duration of up to 614 consecutive calendar days, with no change to the contract amount. (Resolution 17-0012)

c) Approve Modification No. 1 to Contract No. WD-2773(I), 525 Golden Gate Avenue As-Needed Mechanical System Inspection, Maintenance & Repairs, with ACCO Engineering Systems, Inc., to continue mechanical system inspections, maintenance and repairs, increasing the contract amount by $200,000, for a total not-to-exceed contract amount of $594,070, with a time extension of 730 consecutive calendar days for a total contract duration of 1825 consecutive calendar days. (Resolution 17-0013)

d) Approve the plans and specifications, and award Contract No. WD-2809, San Francisco Groundwater Supply Phase 2, in the amount of $9,780,000, to the lowest, qualified, responsible, and responsive bidder, Western Water Constructors, Inc., to construct the North Lake Well Station, the South Windmill Well Station, and associated groundwater transmission pipelines. (Resolution 17-0014)

e) Accept work performed by Phoenix Electric Company for Contract No. WW-562, Instrumentation & Backup Power Systems Improvements; Approve Modification Nos. 1-4, increasing the contract amount by $40,900, for a total contract amount of $1,369,400, with a time extension of 274 consecutive calendar days, for a total contract duration of 844 consecutive calendar days; and authorize final payment to the Contractor. (Resolution 17-0015)

f) Approve Modification No. 3 to Contract No. WW-569, Southeast Water Pollution Control Plant and Bruce Flynn Pump Station Fire Alarm System Upgrades, with LC General Engineering & Construction, Inc., to add two year fire alarm maintenance following substantial construction completion, increasing contract duration by 730 consecutive calendar days, for a total contract duration of 1,155 consecutive calendar days, with no change to the contract amount. (Resolution 17-0016)

g) Approve Modification No.3 to Contract No. WW-569, Southeast Water Pollution Control Plant and Bruce Flynn Pump Station Fire Alarm System Upgrades, with LC General Engineering & Construction, Inc., to add two year fire alarm maintenance following substantial construction completion, increasing contract duration by 730 consecutive calendar days, for a total contract duration of 1,155 consecutive calendar days, with no change to the contract amount. (Resolution 17-0017)

President Moran requested that item 9a be removed.

On Motion to approve items 9b through 9g:
Ayes: Moran, Kwon, and Courtney

No public comment.

Item 9a: Deputy General Manager (DGM) Michael Carlin responded to a question from President Moran asking for clarification regarding: (1) current Right-of-Way Policy; (2) why the Policy is in effect; and (3) what are the circumstances of the permit request that warrant an exception of the Policy.

President Moan further discussed the Right-of-Way Policy. He requested that additional information be provided on the right-of-way. He stated that the item will be continued.

Commissioner Vietor returned to the meeting at 2:37 PM.

The Commission Secretary read items 10 and 11 together.

10. Public Hearing: Discussion and possible action to approve changes to administrative procedures associated with the calculation of water and wastewater capacity charges resulting from the implementation of Article 12C of the San Francisco Health Code. The proposal would change the current calculation of capacity charges from including all plumbing fixtures in a constructed building to only including those plumbing fixtures not being supplied non-potable water from an on-site water system during normal building operation. There are no changes to the existing rate schedule that established the current capacity charges associated with this proposal. This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Chapter 31 of the San Francisco Administrative Code. (Resolution 17-0018)

11. Public Hearing: Discussion and possible action to adopt a Water Use Allocation and Excess Use Charge for Accounts Complying with Article 12C of the City and County of San Francisco Health Code. The proposed Program would call for each new account required to comply with Article 12C to be classified as a Mandatory Non-potable Water Ordinance Account in SFPUC's Billing System. Only accounts classified as a Mandatory Non-potable Water Ordinance Account by SFPUC would be subject to the Program. This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Chapter 31 of the San Francisco Administrative Code. (Resolution 17-0019)
AGM Ritchie reviewed the San Francisco Non-potable Ordinance. He described water and water capacity charges and the reviewed the basis for the proposed action for item 10.

Mr. Ritchie discussed the water use allocation and excess use charge program proposal and reviewed the basis for the proposed action for item 11.

AGM Ritchie responded to a question from Commissioner Vietor regarding capacity and stormwater charges. Brief discussion ensued.

On Motion to approve items 10 and 11:
Ayes: Moran, Kwon, Vietor and Courtney

No public comment.

12. Workshop: Discussion of the CleanPowerSF Growth Plan: Potential program demand, operations, and other analysis under way to support planning for CleanPowerSF service expansion throughout San Francisco.
Ms. Barbara Hale, AGM Power, introduced Mr. Michael Hyams, CleanPowerSF Director, who provided the second CleanPowerSF workshop. Mr. Hyams reviewed the workshop agenda and presented the following:

Growth Plan and Approach
(1) Growth Plan purpose; (2) CleanPowerSF goals and objectives; (3) Relative scale of CleanPowerSF revenues; (4) CleanPowerSF business practices policies (emphasizing "Phasing" Policy); and (5) Review of Growth Plan components.

Understanding Our Customers: Demand and Margins
(1) Electricity demand in San Francisco by service provider; (2) CleanPowerSF demand by customer class; (3) Electricity usage comparison by customer class and service provider; (4) CCA average use comparison; and (5) Demand and margins takeaways.

Understanding Our Costs: Power Supply and Markets
(1) Renewables - available and growing; (2) Renewables - prices vary and timing matters; (3) Portfolio management is critical; (4) Spurring local development; and (5) Power supply takeaways.

Mr. Hyams responded to a question from Commissioner Vietor regarding the local-build plan. She requested to see the consideration of local-build (incremental cost, jobs added) as part of the Growth Plan. GM Kelly provided additional response emphasizing the need for balance and affordability.

President Moran requested an exploration of organizational corporate structure options, particularly municipal for-profit entities, in energy suppliers. Brief discussion ensued.

Understanding Our Costs: Financing Needs and Options
(1) Credit market has evolved since launch; and (2) Financial takeaways.

Understanding Our Costs: Regulatory Affairs and Compliance
(1) Legislative and regulatory affairs not optional; (2) Compliance burden is heavy; and (3) Regulatory takeaways.

Our Ability to Execute: Operational Readiness
(1) Holistic model of CCA program operations; (2) CleanPowerSF support throughout SFPUC; (3) Phase 1 staffing FYE17 (15.5 FTE); (4) CleanPowerSF operations budget detail FYE17 ($5.7M); (5) Comparison of CCA operation

budgets; and (6) Operational readiness takeaways (near, medium, and long-term priorities).

Pro-Forma Financial Analysis
(1) Phasing financial analysis underway (pro-forma): Options and three growth scenarios - 2015 business plan approach; Single-phase expansion; and Two-phase expansion.

Mr. Hyams responded to a question from President Moran regarding the merger of the phasing roll-out schedule and local build-out.

Next Steps
Mr. Hyams stated additional workshops will take place and that the Growth Plan (with timelines) is scheduled for presentation in the spring.

Commissioner Vietor requested a breakdown of CleanPowerSF enrollment by district.

Commissioner Courtney requested a meeting with staff to discuss back-house expansion and staffing.

Mr. Hyams responded to a question from President Moran regarding the number of program FTEs required for back-house expansion.

President Moran stated guiding the phasing with the Commission-approved Business Practice Policies is important. He noted the expectations related to local build-out and expressed the need to be responsive to existing expectations, and where those expectations change, that outreach is conducted.

Public Comments
- *Mr. Eric Brooks, representing multiple organizations, expressed concern with the local build-out and discussed financing needs.*
- *Mr. Jed Holtzman, 350 San Francisco, discussed modeling; financing; rate increases; and the need to re-evaluate the program.*

GM Kelly clarified that the PCIA is increasing, not CleanPowerSF rates.

- *Mr. Jason Fried, LAFCo, discussed the Sunset Reservoir model. He stated policies and procedures need to be reviewed; discussed the growth plan and timeline for expansion; and commented on the need for back-office staffing.*

13. Approve Amendment No.2 to Agreement No. CS-1010(G), Front Yard Ambassadors Program Grant, with Friends of the Urban Forest, to continue providing program and project management services for the Front Yard Ambassadors Program; and authorize the General Manager to execute this amendment, increasing the agreement by $80,000, for a total not-to-exceed

agreement amount of $240,000, and with a time extension of one year, for a total agreement duration of three years. (Resolution 17-0020)
Ms. Yolanda Manzone, Environmental Justice and Land Use Manager, discussed the amendment and reviewed program accomplishments.

Ms. Manzone responded to a question from Commissioner Courtney regarding concrete removal and to his concern with labor and workforce development standards by those performing the concrete removal work. He stated he would not support the item.

GM Kelly provided response to Commissioner Courtney's concerns. Commissioner Courtney emphasized his concerns are with labor and workforce standards and missed opportunities.

Commissioner Kwon expressed support for the item and noted the momentum with the project.

Commissioner Vietor Francesca expressed appreciation for the workforce development discussion. She indicated she looks at the issue from an environment perspective and expressed support for the item.

Public Comments

- *Mr. Ray Law, Supervisor Tang's office, discussed how the program assists district residents with their efforts to remove concrete. He requested Commission approval.*

On Motion to approve item 13:
Ayes: Moran, Kwon, Vietor
No: Courtney

The Commission Secretary read Closed Session items 16, 17, and 23, and stated the other items would not be heard.

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

15. 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, Kwon, Vietor and Courtney

The Commission entered Closed Session at 3:58 PM

16. 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

17. Conference with Real Property Negotiator - Pursuant to California Government Code Section 54956.8 and San Francisco Administrative Code Section 67.10 (d) (2)
Property: Crystal Springs Golf Course, Burlingame, California
Persons Negotiating:
SFPUC: Michael Carlin
Crystal Springs Golf Course/Crystal Springs Golf Partners, LP: John Telischak
Under Negotiation: Price ( ) Terms of Payment ( ) Both (X)

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:
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 6/30/15.
Case No.: ER15-702-000/Date Filed: December 23, 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
Tariff Withdrawal per 35.15: Notice of Termination of The CCSF Facilities Charge Agreement for Moscone to be effective 6/30/15.
Case No.: ER15-703-000/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
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 7/1/15
Case No.: ER15-705-000/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 Wholesale
Distribution Tariff Replacement Agreements to be effective 7/1/15
Case No.: ER15-704-000/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
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

23. Threat to Public Services or Facilities – Pursuant to California Government Code Section 54957 and San Francisco Administrative Code Section 67.10 (a)

The Commission exited Closed Session at 4:51 PM.

24. Announcement following Closed Session.
President Moran announced that no action was taken.

25. Motion regarding whether to disclose the discussions during Closed Session.
On Motion not to disclose:
Ayes: Moran, Kwon, Vietor and Courtney

26. Other New Business.
None.

27. Adjournment.
President Moran adjourned the meeting at 4:52 PM.