

**San Francisco Public Utilities Commission
Citizens' Advisory Committee**

MINUTES – FINAL APPROVED

Tuesday, September 27, 2011

5:30 p.m. – 7:00 p.m.

1155 Market Street, 4th Floor Conference Room

Members:

Alex Lantsberg – Chair	Stephen Bjorgan	Jessica Patricia Buendia
Doug Cain	Donald R. Carmignani	Jennifer Clary
Walt Farrell	Richard T. Hansen	Mike Marshall
Art Jensen	Terrence Jones	
Dairo Romero	Laura Tam	

Staff Liaisons: Jean Walsh and Teresa Young

ORDER OF BUSINESS

1. **Call to order** - Chair Lantsberg called the meeting to order at 05:37 p.m. when the panel achieved quorum.

Roll Call

Present: Chair Lantsberg; T.Jones; D.Carmignani; M.Marshall; L.Tam; S.Bjorgan; W.Farrell; D.Cain; J.Clary; D.Romero; A.Jensen; (J.Buendia)

Absent: R.Hansen

2. **Approval of the July 26, 2011 meeting minutes** (August meeting cancelled as no quorum was reached)
J.Clary moved; T.Jones seconded. Minutes approved by acclamation.
3. **Public Comment** – No public comment.
4. **Report from the Chair** – CAC membership status and vacancies.

L.Tam will follow up with interested individuals for the District 1 seat.

L.Tam will be going on maternity leave next week. Chair Lantsberg will find replacement for Wastewater Chair. L.Tam will still chair the 10/13 meeting of Wastewater Subcommittee meeting. She will also notify appointing Supervisor Carmen Chu about maternity leave and for Supervisor Chu to find replacement to serve for District 4.

Edwin M. Lee
Mayor

Francesca Viotor
President

Anson Moran
Vice President

Ann Moller Caen
Commissioner

Art Torres
Commissioner

Vince Courtney
Commissioner

Ed Harrington
General Manager



L.Tam spoke with people from Surf Rider that support green infrastructure and they could be a suggestion to fill an empty CAC seat.

J.Walsh will circulate list of CAC regarding current openings:

- Large water user –hotels, restaurants, biotech, BOMA, convention bureau, regional environmental organization (Mayoral Appointment)
- Regional or statewide environmental group (Mayoral Appointment)
- Engineering or financial knowledge (Mayoral Appointment)
- District 1/Mar - R. Hansen would like to step down and find a replacement
- District 4/Chu – to replace L.Tam
- District 8/Wiener – in process

Chair Lantsberg shared that he started discussions with the SFPUC regarding the CAC appointment process about 3 months ago. He will continue those discussions.

J.Clary commented that an interview with SFPUC staff is not a prerequisite to join CAC and does not recommend it. Appointing body/officer is who the suggested CAC member should talk to.

A.Jensen noted that there is a correlation between speakers that appear at Commission meetings, sentiments of Commissioners, and focus on presentation items. Although A.Jensen attends Commission meetings, he commented that he currently does not see CAC members that could influence Commissioners present at Commission meetings.

L.Tam noted that the Commissioners seem to be asking for more public feedback on certain controversial issues than they were receiving through public comment. Today's Commission meeting was focused on desalinization (9/27). CAC should have a greater presence at Commission meetings. Reach out to vocal CAC members and involve them to attend Commission meetings.

J.Clary commented that CAC should have more of an idea on topics/items on Commission agendas, so that CAC can be more influential.

Chair Lantsberg mentioned to establish Community Benefits/Environmental Justice subcommittee to broaden community-focused items. J. Buendia may chair this subcommittee.

Chair Lantsberg announced 2012 elections for full CAC officers and to have election in December. In January, the CAC will have the new Chair take over. Since November and December meetings fall over the holidays, Chair Lantsberg proposed to have a special meeting in early December for CAC elections. J.Walsh and Chair Lantsberg will send around a few dates to coordinate with CAC members.

J.Buendia suggested to have a roster of all the CAC members' bios available to members.

J.Walsh will remind CAC members to submit bio and collect on a roster to circulate to entire CAC.

- 5. Power Issues Overview and Renewable Power Standards Presentation, Discussion and Possible Action Items** – Presentation by Barbara Hale, AGM Power Enterprise; James Hendry, Utility Specialist; and Meg Meal, Supervisor for Legislative and Regulatory Affairs.

Barbara Hale gave first half of presentation (slides 1-8).

Clarifying questions after first half of presentation:

Q. W.Farrell: what is GHG-free?

A. B.Hale: Greenhouse gas- free system.

Q. T..Jones: Are the numbers on the left axis in millions (slide 7)?

A. B.Hale: Yes.

Q. M.Marshall: On slide 3, the first column is what the SFPUC charges? And the other column is delivery cost? So who are the wholesale customers?

A. B.Hale: Yes, that is assuming the rates that we currently charge and what we think they are going to consume this year.

Q. M.Marshall: On slide 3, the other column is delivery cost? So where is that money coming from and how are we paying for this subsidy?

A. B.Hale: Some customers pay below cost rate, some an above cost rate. And there are also wholesale Power customers. \$25M subsidy comes from customers who pay us more. No mingling of funds of water and power. Water department is a customer of Power.

Q. Chair Lantsberg: Are there other revenues not showing on the four columns on slide 3?

A. B.Hale: Yes and exclusively only wholesale power customers, which includes Modesto and Turlock and others we sell power to in the electric market.

Q. D.Cain: Are wholesale customers now being subsidized, paying the whole market rate?

A. B.Hale: Under the Raker Act, after we serve our own municipal needs, we can offer the power to serve Modesto and Turlock municipal and agricultural needs. The SFPUC sells power to MID and TID at cost. Delivered cost there is around 2.2 cents to 2.5 cents per kilowatt hour.

Q. D.Cain: Is general fund going below cost and is that showing up there? Is this going to be brought up in the Commission meeting?

A. B.Hale: Yes, it is showing up on this graph. We have brought these issues up to the Commission at the meeting before (not this week). We've presented different scenarios to them: if the rate we charge general fund departments increased by a cent, two cents, three cents, and how that affects them? Raised issues with Commission and Commission asked Power Enterprise to perform an analysis at policy retreat earlier this year.

Q. M.Marshall: For this projected year, does the revenue from wholesale customers going/need to surpass \$25M?

A. B.Hale: I believe that is correct. It does not need to entirely, because we recover from Enterprise departments.

Q. M.Marshall: In the chart that shows going into deficit, is that a consequence of subsidizing City departments and sales to wholesaler revenue will not then offset subsidy?

A. B.Hale: Not really. Deficit is that we need to spend money on the system to operate properly. This is the source of funds and projected uses of those funds.

Q. L.Tam: Enterprise-wide budget or agency piece?

A. B.Hale: Just the enterprise.

B.Hale concluded first half of presentation on slide 8. James Hendry gave second half of presentation (slides 9 –21 end).

Clarifying questions after second half of presentation:

Q. J.Walsh: Does “load” mean “demand”?

A. J.Hendry: Yes. Demand for electricity.

Q. W.Farrell: The fact that green power more expensive, is that going to increase your cost even more? Can you raise rates?

A. B.Hale: Potentially increase cost. We have recommended that the rates charged to all of our customers cover our costs, but the recommendation has not made it out of the budget process. Given the SFPUC’s financial situation, Power has been asked by the Commission to consider presenting a rate increase proposal to the Rate Fairness Board, as oppose to bringing it through budget process because that may be a more effective way to increase rates. Power is working on developing a proposal for the Commission to take those steps.

Q. W.Farrell: If SFPUC did not give a subsidy, would they approach PG&E rates?

A. B.Hale: Rates would approach, but not exceed. Delivered cost of electricity to here in the Bay Area is about 10 cents per kilowatt hour. PG&E is higher than that.

B.Hale introduced Radhika Fox, Director of Legislative affairs at the SFPUC, she reports to Juliet Ellis, AGM of External Affairs.

Q. R.Fox: B.Hale had mentioned that it costs 10 cents per kilowatt hour to bring the power here. What do we charge on average?

A. B.Hale: Delivered cost is about 10 cents per kilowatt hour, general fund departments pay 3.5 cents per kilowatt hour, enterprise departments pay the applicable PG&E rate, except SFO gets a slight discount on PG&E rate. PG&E is 14 cents per kilowatt hour on average.

Q. A.Jensen: By the Raker Act, MID and TID have to pay cost of service. That is not charged to other customers. Does Prop 218 regulate how the SFPUC sets power rates to city customers or not? Does Prop 218 apply to power rates in San Francisco?

A. BHale: The Raker Act says the SFPUC has to charge MID and TID the cost to deliver power to them. My understanding that Prop 218 does not bear on it, but I am not the best suited person to answer question as I am not an attorney.

Q. J.Clary – When you come to enterprise departments: Port, SFPUC, airport, etc.? Are there other enterprise departments? Is MUNI an enterprise department?

A. B.Hale – Yes, it is a mix rates. Port – PG&E rates. Airport pays slightly less than that.

Q. J.Clary: What about Prop E – power surpluses could not be transferred to general fund? Is this de facto abrogation of that voter-approved chart measure?

A. B.Hale: I think that argument could be made.

Chair Lantsberg: Don't we as rate payers have standing? Rhetorical question.

Comment: J.Clary thinks this is a legal question. Under that, general fund departments are required to pay.

Comment: D.Cain: If any cost left over can be used for general funds.

Q. J.Clary: Is this legal until they go into the red in a couple of years?

A. B.Hale: Burning through surplus.

Q. T.Jones: The subsidy charged to MID and TID, what is their charge premium per kilowatt hour?

A. B.Hale: MID and TID pay the SFPUC between 2.2 cents – 2.5 cents per kilowatt hours. Don't know what they resell for. Actual cost to generate and deliver power to MID and TID is low. When they resell it, they are allowed to sell at rates they sell at and they are also a non-for-profit utility. Do they achieve a benefit from low cost source? Yes, that's what the Rake Act said. The Raker Act said for our municipal demands, we generate the electricity and that's where the electricity goes first. If we have more electricity beyond that, then it goes to MID and TID up to the amount of their municipal and agricultural load at 2.2 to 2.5 cents per kilowatt hour.

Q. T.Jones: Are homeowners paying for that? Who pays the difference?

A. B.Hale: No, only departments buying from SFPUC, which are City departments.

Q. T.Jones: Other cities that don't generate their own power generation. Do they pay 14 cents per kilowatt to PG&E?

A. B.Hale: Yes. They don't get a discounted rate.

Q. TJones: There are other cities in California that generate power. Are we consistent with what we're doing with those cities? Does every city that generates power give their City budget a budget of \$26 to \$51M subsidy?

A. B.Hale: The governing utilities is not the City. They don't cut a break to the municipal cities that they serve. Palo Alto is also a public utility. They may cut a break to their municipal offices, but I don't know. SMUDs, LAUWP – they don't. It all depends on their governing structure. We are self-governed and we subsidize.

Q. L.Tam – The RPS 32-33%% is on annual basis. We don't generate power from Hetch Hetchy all the time. Where do we buy power when we don't generate large hydro resources?

A. B.Hale: Typically, we rely on accounting function with PG&E under the interconnection agreement with them. We pay PG&E about \$16M a year to deliver electricity that we generate to our customers. Also as a part of contract that establishes our relationship, we are able to through paper transaction “bank” kilowatt hours with PG&E. We can “withdraw” from that “bank” when we need the electricity. In a typical year, our demand for electricity equals our supply. Typically demand for electricity matches our supply. Typical year on net, we're not buying any electricity.

Q. L.Tam: The RPS does not include large hydro, correct? Is that the basis of having a RSP compliance policy?

Q. B.Hale: The State statute does not include large hydro as an eligible renewable resource. There is a state statute has a separate requirement, an alternative compliance plan, that applies to us and another community is similarly situated that has a lot of hydro.

Q. L.Tam: Other large hydro coming up with alternative compliance plans?

A. B.Hale: No, only two that pretty much meet all of their demands with large hydro. There are other utilities that have large hydro, but large other greenhouse gas-emitting resources. Refer to goals slide – objectives of SB2. If 100% hydro, if you change your behavior, you're not really improving the objectives of these points. The Alternative compliance plan in the statute applies to us and other utility that is fully resourced with hydro.

Q. Chair Lantsberg: Question regarding procedure. About the process for developing/establishing policy, already the end of Sept, get it ready by December. Mid-November get to it public meetings. Where are you guys getting public process involved?

A. B.Hale: We welcome Power Subcommittee to spend time on topic. Planning on clean energy stewards meetings. Active audiences soliciting.

Q. S.Bjorgan: If CCA takes off, do we have enough renewable generation to provide or buying outside stuff?

A. B.Hale: CCA for us to have contract with Shell Energy North American to meet commitment for 100% renewable resources. We are not relying on our own generation to meet the commitment for CCA for CleanPowerSf. This is because we're using all of the energy for our uses. Can't commit to it because of “water first” – can't promise that it will be there at a certain time, so it's difficult for an

early part of the CCA program when we're unsure how many customers we'll have and what customers' use is at.

Q. M.Marshall: Regarding flat bodies of water causes 4% of greenhouse gas emissions. Do you monitor the actual reservoir part of it? That's not a measurement that's required for SB2? You had mentioned that it was zero greenhouse-gas emissions from electricity generation?

A. B.Hale: No for monitoring. Correct for zero greenhouse-gas emissions from electricity generation.

Public Comment – No items from the public.

6. Future CAC agenda items - Review Commission Ongoing Business Calendar, introduce upcoming agenda items, including recycled water workshops.

Chair Lantsberg will set future set of agenda items, which could include Power budget issues. Other future items include recycled water workshops, which the SFPUC plans to do in conjunction with the CAC. The Water Subcommittee or other subcommittee members can meet with Water staff liaison S.Gautier to create a workshop task force. This is to improve workshops before they are rolled out to the public. S.Gautier will attend next month's full CAC meeting to discuss.

DISCUSSION:

J.Walsh suggested that at workshops participants could be broken into small groups and discuss together. Instead of doing alone, CAC can do workshops and participate in process and improve the workshops with the SFPUC.

Chair Lantsberg noted that inviting CAC members to pre-plan would help to shape initial presentation materials.

T.Jones brought up a general question: From our time together and in subcommittees, resolutions should be a byproduct of committees. Should CAC subcommittees create resolutions and approve at full CAC meetings? How do we get the point where we generate a product for our efforts that gets to the SFPUC to consider?

Chair Lantsberg commented that there are several ways to pass resolutions. CAC can see presentations that staff will present to Commission. CAC could provide advice for staff to include on presentations. Another option is to move resolutions from CAC Subcommittee to full CAC to the Commission, and then to Mayor. CAC needs to discuss these issues with people who are really interested in those items. CAC can put issues onto the agendas as a possible action item.

A.Jensen briefly presented a resolution template. Before, he could not get the full CAC to adopt the template as a binding policy. The template is to organize thoughts and have a format that has continuity and easily answer questions. This is so that when the CAC is not going to get presentation, the subcommittee can answer at least a number of questions.

L.Tam commented that resolutions are not the only way to provide feedback to the Commission and SFPUC staff. CAC can provide feedback to the Commission that is less hostile than a resolution, that is more content rich and not heckling. Feedback should be helpful for the Commission. CAC can incorporate more memos, content rich materials, etc.

J.Clary suggested CAC can prepare reports for the Commission and memos.

J.Walsh suggested better alignment of CAC agendas with what the Commission is talking about. This would be a better way to provide more relevant and timely feedback. How can this body be more effective?

6. Staff update

Chair Lantsberg made another announcement about the bike ride on Saturday with the Wastewater group.

7. Subcommittee Reports:

a. Water – Jennifer Clary

Discussion with one of the financial people about how much our rates are in debt. Presentation included a graph. By 2015 or 2016, 60% of water rate will be going to service debt, which is at the very high end of industry standards, about 30-60%. Carrying with this presentation, similar understanding on Power and Wastewater, impact of capital program should be, something to consider as a memo to the Commission – concern of high debt load limit flexibility to operate system and have a query about keeping that in mind as they make decisions. Money had to be spent, system to be upgraded, but left us in a pretty debt-rich situation. Good to understand the ramifications on that.

Staff conducted a presentation of the Water Quality 311 campaign. The 311 campaign was done in-house and part of larger grant to work on Water Quality issues. There were concerns about mixed messages about Hetch Hetchy water when staff is expanding beyond Hetch Hetchy as a resource.

Next month Water subcommittee is talking about budget. Budgets are made end of the year that go to General Manager in late December/January. The budgets then go to the Commission in January to February, and then to Mayor. Any specific budget recommendations, this is a good time to consider talking about this.

b. Power – Doug Cain

Big question is whether Prop E has an impact to the subsidies to the general fund departments? Power subcommittee is inviting finance director to next subcommittee meeting to discuss the operating deficit. This discussion point will be placed before subcommittee to see if they can gather a consensus about approaching the Commission or Board of Supervisors to no longer subsidize general fund departments. Power in the future would bring this to the Commission.

c. Wastewater – Laura Tam

Budget will be discussed at the next subcommittee meeting. Last month, there was a conversation with Rosie Jencks from SFPUC Wastewater group about new tools for evaluating green infrastructure, triple bottom

line tools for determining the value of diverting stormwater from the system, and the idea of adding a third rate structure for stormwater contributions to the system and what that would look like.

No public comment.

8. Announcements/Comments

Wastewater bike ride this weekend.

Next month there will be more open discussion of topics that T.Jones brought up September full CAC meeting.

Recycled water workshop: Figure out how to structure it so that CAC can run through workshops and provide input ahead of time.

9. Adjournment – Meeting adjourned at 07:03 p.m.

Chair Lantsberg moved to adjourn. M.Marshall seconded.

ACTION ITEMS

Action Item:

J.Walsh and Chair Lantsberg to coordinate special meeting in early December to host CAC elections for new Chair and officers.

Action Item:

J.Walsh to collect bios from all CAC members.