



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

(Approved October 11, 2011)

Regular Meeting
Tuesday, September 27, 2011
1:30 P.M.

City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

Commissioners

Francesca Vietor, President
Anson B. Moran, Vice President
Ann Moller Caen, Commissioner
Art Torres, Commissioner
Vince Courtney, Commissioner

Departments and Enterprises

Water Enterprise
Wastewater Enterprise
Power Enterprise
Infrastructure
Business Services
External Affairs

Ed Harrington
General Manager

Michael Housh
Secretary



ORDER OF BUSINESS:

1. Call to Order

Vice President Moran will call the meeting to order at 1:35 p.m.

2. Roll Call

Vice President Moran, Commissioner Caen, Commissioner Torres, Commissioner Courtney were present. President Vietor was excused attendance

3. Approval of Minutes

- a) Minutes of the [August 9, 2011](#), Special Meeting
- b) Minutes of the [September 13, 2011](#), Regular Meeting

The Commission Secretary read a revision to the August 9th Minutes proposed by Vice President clarifying these minutes report of some the points of consensus achieved at the August 9th Strategic Planning Retreat.

Motion to amend by Vice President Moran, 2nd by Commissioner Caen Passed 4-0 AYE (Moran Caen, Torres, Courtney) unanimously

Motion to approve the Amended August 9th Special Meeting Minutes by Commissioner Caen 2nd by Commissioner Torres Passed 4-0 AYE (Moran Caen, Torres, Courtney) unanimously

Motion to approved the September 13th Minutes by Commissioner Caen 2nd by Commissioner Torres Passed 4-0 AYE (Moran Caen, Torres, Courtney) unanimously

4. Public Comments

Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

No comments were offered

5. Communications

- a) [Letter Summary](#)
- b) [Advance Calendar](#)
- c) Staff Reports (*written reports sent to the Commissioners*)
 - 1. Maintaining [Water Supply Levels of Service](#) and the 2018 Decisions
(*Ritchie*)
 - 2. [Non-WSIP Sunol Valley Activities](#) Update (*Ritchie*)
 - 3. [City Distribution Division Linear Asset Management Program](#) Recommendations
(*Ritchie*)

In response to a question by Commissioner Torres regarding a letter received from the Russian Hill Improvement Association, Mr Harrington briefly provided background on the Francisco Reservoir property on Bay Street. Commissioner Caen noted use of this site would be discussed before the Commission. Mr Harrington agreed this was likely to the topic of several discussions, noting the neighbors' purpose in writing to the Commission at this time was seeking to identify a short term fix for issues of immediate concern to them.

Vice President Moran noted regarding AGM Ritchie's Report on the Linear Asset Management Program was first rate and an excellent example of really good work that made comprehensible what can be a difficult subject.

6. Other Commission Business

- a) [Honoring](#) Moses de los Reyes, General Manager's Small Firm Advisory Committee for his distinguished public service and years of civic leadership.

General Manager Harrington acknowledged Mr de los Reyes contributions to the General Manager's Small Firm Advisory Committee. Vice President Moran thanked him for his service on behalf of the Commission.

7. Report of the General Manager

Mr Harrington began his report by reporting the likely award of a \$2.24 million grant from the State Water Resources Board for the Cesar Chavez and Sunnydale Flood Control Project, noting this was an unusually large grant for the SFPUC to receive from this agency.

Next, AGM Ellis for External Affairs introduced the SFPUC Federal Lobbyist Mr Darrel Owen to present an update on recent activities and the general situation in Washington. Mr. Owen began by introducing himself and his associate, Mr. Adam Ingalls, and then provided a brief overview of his professional background. Mr Owen described how he came to serve as the SFPUC's representative in Washington in order to defend the SFPUC's interests against legislative attacks initially around Federal Energy Regulatory Commission (FERC) relicensing issues, a topic that continued to be a focus of his efforts on our behalf. Mr Owen recalled successful work defeat an ideologically motivated effort in Congress to dramatically inflate the Raker Act fees the SFPUC paid by millions of dollars. Next, Mr Owen touched on other federal regulatory and legislative issues of concern, noting the great success achieved in managing joint permitting for the Water System Improvement Program (WSIP), which now serves as a model for similar large essential infrastructure programs across the country. Mr Owen next reported on his meetings with, among others, the Army Corps of Engineers concerning the Oceanside Treatment Plant, while in San Francisco.

Next Mr. Owen described in very frank terms the combative and polarized climate in Washington and discussed this climate's negative impact on the federal government's ability to address meeting pressing needs, like the threat beach erosion posed to our

Oceanside Plant, solely on their merits. Mr Owen noted that only very focused and through efforts in complex regulatory and legislative processes could achieve success in this ideologically charged atmosphere, especially given the self-imposed limitations the Congress had placed upon itself. Mr. Owen outlined the recent series of ongoing fiscal decisions hurdles before the Congress which has crowded out meaningful discussion of almost everything else.

In response to questions by Commissioner Torres, Mr Owen outlined his experience staffing the House Energy and Natural Resources Committee, and described the two most pressing federal issues as addressing the threat to the Oceanside Treatment Plant, and the relicensing process through FERC for New Don Pedro Dam. Additionally, Mr Owen described the corrosive effects of the ideological conflict in Washington on getting basic business matters addressed; noting it was essential to seize any opportunities that arose to move these basic needs forward even if only incrementally. Mr. Owen found the current situation the most dysfunctional in his thirty years of experience with the Congress and largely rooted in very large swings of view by the voters dominated by ideological extremes.

In response to questions by Commissioner Caen, Mr Owen described his role as our representative in the often tortured processes that were currently necessary to move even the most pressing needs forward. Additionally, Mr Owen noted that their watchful presence and ongoing work identifying ways to defend against repetition of past attacks also served to keep the SFPUC's needs moving forward.

Vice President Moran noted that the SFPUC was significantly a creature of federal law and that as such only constant vigilance and careful maintenance of ties to key figures in these inter-related processes would be sufficient to protect our vital interests. Vice President Morass thanked Mr Owen for his efforts on our behalf and his sobering report.

a) [Water System Improvement Program](#) (WSIP) Update (Labonte)

Mr Harrington introduced Ms. Labonte to make her report, noting that her parents were visiting and in attendance at this meeting. Commissioner Torres called Ms Labonte's parents' attention to the Commission's pride in Ms. Labonte's outstanding service as WSIP Director.

WSIP Director Julie Labonte then presented a detailed update on recent Water System Improvement Program activities. Wrapping up Ms. Labonte noted as noteworthy was that we now had full use of a number of facilities which served to increase our systems reliability and operational systems functionality. Ms Labonte then reported that last week, that the SFPUC had received an award for the 2011 Civil Engineering Project of the Year from the American Society Of Civil Engineers for the New Crystal Springs Bypass Tunnel.

Commission discussion

Vice President Moran applauded Ms Labonte's report as impressive and encouraging. Commissioner Caen in particular found significant and impressive Ms. Labonte's report of the repeated successes managing so many very complex and challenging system shut downs without encountering any serious problems. Ms. Labonte commended AGM Ritchie and Mr Briggs for their exemplary leadership and the Water Enterprise staff's outstanding work in making these very high risk shut downs a success.

Public comment

No comments were offered on any General Manager's report item.

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

(Jensen)

a) BAWSCA Update Report

BAWSCA General Manager Art Jensen began by noting that Commissioner Torres had requested copies of certain historical documents which he was passing to the Commission Secretary to provide to the Commissioner through the General Manager. Mr. Jensen then noted in context of Mr. Owens report our relative good fortunate not to be dependant on federal funding for the WSIP, and the significance of having already obtained all of the necessary permits. Mr Jensen noted with the Program 50% done his Board members were very much encouraged and please with the progress of the work.

Mr. Jensen next discussed a recent update by Mr Briggs to the BAWSCA Board and called attention to highly complementary observations made by a formerly skeptical BAWSCA Board member on not only the SFPUC's acceptance of many their suggestions but also concerning the excellence of the work being done. Mr. Harrington noted that he would be attending the Millbrae City Council meeting that evening giving them an update.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents provided to the Commission in connection with this agenda are available for public inspection and copying at the Office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

CONSENT CALENDAR

9. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by

a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter will be removed from the Consent Calendar and considered as a separate item.

Public comment

No comments were offered on any Consent calendar item

Motion to approve Consent Calendar Agenda Item #9a and #9b by Commissioner Caen 2nd by Commissioner Torres Passed 4-0 AYE (Moran Caen, Torres, Courtney) unanimously

a) Approve the plans and specifications, and **award** Wastewater Enterprise, Renewal and Replacement (R&R) Program-funded Contract No. WW-482, Various Locations Sewer Cleaning Contract No. 1, to clean existing box sewers, on an as-needed basis, at locations to be determined within the City of San Francisco, for a total contract amount not-to-exceed \$2,355,000, to the lowest, qualified, responsible and responsive bidder, ProVen Management, Inc. (Moala)

Reso 11-0157

b) Approve Amendment No. 2 to Water Enterprise, Water System Improvement Program-funded Agreement No. CS-953D, Micro Local Business Enterprise (Micro LBE) Engineering Design Services, with F.E. Jordan Associates, Inc. (F.E. Jordan) to provide ongoing engineering design services; and **authorize** the General Manager of the San Francisco Public Utilities Commission (SFPUC) to execute this amendment to extend the duration of the agreement by six (6) months for a total agreement duration of three (3) years, with no change to the value to the agreement. (Kelly)

Reso 11-0158

REGULAR BUSINESS

10. Discussion and possible action to **authorize** the General Manager of the San Francisco Public Utilities Commission (SFPUC) to request approval from the Board of Supervisors to [accept and expend SFPUC share of California Department of Public Health Grant funds](#) totaling \$1,098,202 for the SFPUC/East Bay Municipal Utility District (EBMUD) Intertie Project. (Ritchie)

Reso 11-0159

AGM Ritchie provided a brief summary and background of the project.

Public comment

No comments were offered.

Motion to approve by Commissioner Torres, 2nd by Commissioner Courtney Passed 4-0 AYE (Moran Caen, Torres, Courtney) unanimously

11. Discussion and possible action to **approve** the terms and conditions and **authorize** the SFPUC General Manager to consent to the [proposed sublease](#) of the existing Right of Way Ground Lease from SAC, transferring a portion of San Antonio Center's leasehold rights to MGP IX PROPERTIES, LLC, a Delaware limited liability company ("MGP"). (Russell)

SFPUC Real Estate Services Manager Rosanna Russell presented a brief summary of the proposed sublease. In response to questions by Commissioner Courtney, Ms. Russell cited the section of the sublease which required payment of prevail wage rates by the sub lessee. Commissioner Courtney explained that he was concerned that a differential pay rate due to those doing landscaping services for this site might not be explicitly set out in the sub lease documents. Ms. Russell explained that the language in the documents was the general language that the City Attorney's Office crafted for these kinds of standard leases and might not drill down to that specific level of detail. Commissioner Courtney asked to see the actual sub lease document before going forward to approve this sublease agreement. Ms. Russell agreed to provide copies to the Commissioners.

Commissioner Torres suggested that no action be taken until Commissioner Courtney had opportunity to review the detailed lease documents to clarify exactly what the associated prevailing wage requirements were, so this item was continued to the October 11, 2011 regular meeting

12. Discussion and possible action to **accept** the work performed by Shank/Balfour/Beatty, J.V., for Water Enterprise, Water System Improvement Program (WSIP)-funded Contract No. [WD-2498, New Crystal Springs Bypass Tunnel](#), for construction of a tunnel with two shafts; **approve** Modification No. 1, increasing the contract by \$1,735,887 for a total contract amount of \$57,409,887 with no time extensions; and **authorize** the final payment to the Contractor. Modification No 1 is comprised of thirty-four (34) change orders, which address credits for installation of new valves, additional soil investigations, environmental mitigation measures, and design changes due to differing site conditions. The total of all change orders represents a 3.12% increase over the original contract amount. (Labonte)
Reso 11-0160

Ms. Labonte outlined the specific circumstances and site conditions at the New Crystal Springs Bypass Tunnel which lead to the recommendations in Modification 1. MS Labonte reported that these changes were largely, as was not unusual in a large construction project such as this, due to unexpected site conditions and environmental

issues. Ms Labonte noted that importantly even with these changes that this project remained within the original engineer's estimates.

Public comment

No comments were offered.

Motion to approve by Commissioner Torres, 2nd by Commissioner Courtney Passed 4-0 AYE (Moran Caen, Torres, Courtney) unanimously

13. [Discussion](#) and possible action to **authorize** the General Manager of the San Francisco Public Utilities Commission (SFPUC) to execute a [Memorandum of Agreement with East Bay Municipal Utility District \(EBMUD\), Contra Costa Water District \(CCWD\), Santa Clara Valley Water District \(SCVWD\), and Alameda County Flood Control and Water Conservation District - Zone 7 \(Zone 7\)](#) for an amount not to exceed \$200,000 (representing the SFPUC share over an estimated duration of 18 months) to conduct Site Specific Analysis to further study the feasibility of the Bay Area Regional Desalination Project. The proposed scope will provide site-specific feasibility information about hydraulic modeling, impacts on water quality and marine life, greenhouse gas emissions and related mitigation including identification of renewable power alternatives, and public outreach, to inform the decision as to whether to proceed with Project design, permitting, and environmental review. (Ritchie)

Reso 11-0161

AGM for Water Steve Ritchie began with an overview of the water supply issues that were the basis for pursuing this project noting that San Francisco was facing a supply shortfall for which we must plan. Mr Ritchie noted that Desalination was one of a limited number of supply options, none of which are cheap or easy to implement.

Mr. Ritchie concluded his presentation with an overview of a proposed public outreach program to gather comment and input concerning the findings of the analysis. AGM Ritchie reported staff again recommended going forward with this study.

In response to questions by Commissioner Torres about the responsibilities and authority for this project, Mr. Ritchie noted there could be either memoranda of agreement or a joint powers authority. In response to a follow up by Commissioner Torres, Mr. Ritchie explained that the final agreement could be tailored to fully address the Commissioner's concerns about any risk to our ratepayers' interests being over-ruled by the combined interests of our regional partners. Additionally, Mr Ritchie reported each partner would contribute an equal \$200,000 to fund this next step in this process of evaluation of the feasibility of moving forward with a desalinization project. Mr Ritchie noted he expected the information gained by this analysis to provide us with sufficient additional information on the array of possible water supply choices and allow staff to evaluate options by apples to apples

comparisons.

Responding to Commissioner Torres' questions about what criteria staff would use in making their evaluation and to what degree reducing carbon footprint would be factored in, Mr. Ritchie responded it was to be done using a triple bottom line model. Commissioner Torres emphasized that we needed to clearly understand what such criteria would be in order to make appropriate decisions. Commissioner Torres asked if Mr. Ritchie had considering bring on expert in carbon foot issues during this evaluation process. Mr. Ritchie agreed that consultants could also be useful. In response to Commissioner Torres' questions about where else this was done and what criteria was used, Mr Ritchie agreed to identify such information and provide it to the Commissioners. When Commissioner Torres asked about successful desalinization models, Mr Ritchie pointed to those in use in the Middle East.

Commissioner Caen noted this kind of collaborative regional effort was nothing new as we had done similar kinds of inter-relationships with other agencies often before. Mr Ritchie agreed noting in this case the already existing emergency intertie with East Bay Municipal Water District (EBMUD) could be repurposed as other such already existing inter-system connections were being used to move water around.

Commissioner Courtney noted that he had found the presentation useful and said that he had previously requested additional discussion of this proposal when it was first presented so that all of the Commissioners and members of the public would have an opportunity to hear the information, offer input, and help to make a better informed choice, emphasizing that at this point this issue was not about the merits of desalinization itself but rather an information gathering process to help inform a choice. Commissioner Courtney pointed to way the item was structured which he believed allowed for flexibility in doing this analysis and asked if public input could continue to be included in this process. Mr Ritchie agreed that that was staff's plan.

Vice President Moran noted that how to structure a triple bottom line evaluation was the one area of discussion in the Strategic Planning Retreat where there was still a significant amount of work to do to determine how and by what methods this could be accomplished. Mr Harrington reported that an all Enterprise SFPUC meeting to look at exactly this question was scheduled and hopefully an approach could be developed for the Commissioners' consideration by the time of the budget discussions.

Vice President Moran found Mr Ritchie's report was very useful and observed that it highlighted perhaps surprisingly that desalination was far from the most expensive water supply option that we could pursue.

Public comment

Mr. Hasan Abdullah, East Bay Municipal Utility District (EBMUD), reported he had been a project manager for this project for the past few years in order to determine of desalination was a worthwhile option. Mr Abdullah outlined how the proposed centralized facility and identification of ways to maximize use of regional partners'

already existing resources both as were being proposed benefitted the environment. Mr Abdullah then explained how grant funding significantly reduced each of the partner's costs and noted that when this final analysis were done each partner would be free to decide whether or not to proceed

Ms. Emily Corwin, Contra Costa Water District, reported her water district had approved this step in May and said that this regional partnership could benefit all of the partners, Ms Corwin reported simply gathering the information proposed by this analysis were entirely worthwhile even if a final project was not done. The information gather would provide resources especially in the interconnection and interagency cooperation on this project was a significant benefit. Ms Corwin reported there was a project under development by Santa Cruz, and the Soquel Creek Water District.

Mr. Adam Scow, Food and Water Watch, expressed his very serious environmental concerns about this proposal, especially to threatened fish species. Mr Scow also expressed concern about the waste of ratepayer dollars and suggested going forward this kind of project could undermine ongoing conservation and recycling which were more appropriate in his view. Mr Scow observed that water demand across California had been declining for decades and pointed out that so far none of the desalinization projects proposed had actually been built in California

Mr. Eric Brooks, San Francisco Green Party-Our City, opposed this as an outdated industrial age approach to addressing water supply needs. Mr Brooks emphasized that using local approach s such as permeable pavement bio-swales which would immediately create thousand of local jobs as well as increase water supple available local. Mr Brooks suggested there was no way this project would not do environmental harm, especially to fish, and said instead we should invest this \$200,000 and put people to work building permeable pavement or bio-swales. Mr Brooks cited what he thought was a record of failure in attempting to build such facilities elsewhere.

In answer to Commissioner Torres questions about a need for additional water supply in the Central Valley and permeable pavement, Mr. Brooks explained how permeable pavements worked and suggested that this was a problem the should be addressed by the communities there noting that agriculture still was not realistically addressing their need to conserve. Mr. Brooks felt San Francisco had other priorities.

Mr. Ray Wong, Santa Clara County Water District, pointed to the serious water supply concerns facing his district's 1.8 million people. Mr Wong noted that heavy investment in conservation and recycled water were not going to be enough in the future and that looking at this option could provide at least a partial answer to their supply needs. Mr Wong urged the Commissioners to continue to support this important regional effort.

Mr. Amparo Flores, Zone 7 Water Agency, noted that the option to use desalinization merited study a one element in a truly wide search to identify and evaluate all possible water supply resources and urged that the Commissioer support this project.

Mr Joshua Arce, Brightline Defense Project, expressed opposition to going forward with this study, suggesting that the plant would never get built given the record of previous failures in other desalinization projects. Mr. Arce suggested that this expenditure was better spent on ways that would create jobs now in conservation and efficiency instead of on something that was never going to be built.

Ms. Laura Tam, Sustainable Planning Director, San Francisco Planning & Urban Research (SPUR), noted she was not discussing the merits of desalinization itself as it was still too early to say and reported on a recent SPUR discussion on this topic and suggested that this study would provide useful information in order to appropriately understand what our options were especially given the projection for expanded population and the uncertainties for impacts of climate change. Ms. Tam noted that this kind of study was specially called for in a recent SPUR report and noted that we needed information to make a future informed source as fundamentally a matter of good planning.

Commission discussion

Commissioner Caen found Ms Tam's comment compelling. Commissioner Courtney acknowledged the differing views that were expressed and suggested that any option to be considered would of necessity take into consideration creation of jobs and thanked Mr Brooks for making note of this point. Commissioner Courtney hoped that this study would provide the Commissioners with sufficient information to appropriately consider and evaluate what the next steps might be whether or not this was the direction or another way that we ultimately would chose to go.

Mr Ritchie proposed an amendment at the end of the fourth whereas clause to read: "of its retail and wholesale customers". AGM Ritchie explained this would make clear that this project was not just for the City but for all of our customers

Motion to accept the amendment by Commissioner Courtney 2nd by Commissioner Caen Passed 4-0 AYE (Moran, Caen, Torres, Courtney, unanimously)

Motion to approve as amended by Commissioner Courtney, 2nd by Commissioner Caen Passed 3-1 AYE (Moran Caen, Courtney) 1- NO (Torres)

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.

No comment was offered on any closed session item

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

Motion to assert attorney-client privilege and go into a closed session by Commissioner Courtney, 2nd by Commissioner Torres Passed 4-0 AYE (Moran Caen, Torres, Courtney) unanimously

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

The Commission retired into a closed session at 3:18 p.m.

Present in closed session were Vice President Moran, Commission Caen, Commissioner Torres, Commissioner Courtney, General Manager Harrington, Chief Financial Officer and Assistant General Manager Rydstrom, Deputy City Attorney Don Margolis, Deputy City Attorney David Milstein, and Commission Secretary Housh

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

Consultation with: Agency Chief of Security concerning security of S.F.P.U.C. Water and Power Systems.

17. Conference with Legal Counsel – Pursuant to California Government Code Section 54956.9 (a) and San Francisco Administrative Code Section 67.10 (d) (1). (*Ambrose*)

Existing Litigation: Jane Martin, et al v. CCSF (15 separate property settlements)
San Francisco Superior Court No. 436930
City Attorney File No. 041822 - Filed January 31, 2005

Reso 11-0162

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN OPEN SESSION.

The Commission returned to open session at 3:35 p.m.

18. Announcement following Closed Session

Vice President Moran announced there was no action on Agenda item #16 and that Agenda Item #17 was settled

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

Motion not to disclose the closed session discussions by Commissioner Courtney, 2nd by Commissioner Torres Passed 4-0 AYE (Moran Caen, Torres, Courtney) unanimously

20. Other New Business

No new business items were proposed

There being no further business before the Commission, the meeting was adjourned at 3:35 p.m.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103