

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Edwin M. Lee MAYOR

MINUTES

(Approved February 14, 2012)
Regular Meeting
Tuesday, January 24, 2012
NOTE EARLIER START TIME

12:00 P.M. (Noon) City Hall, Room 400 1 Dr. Carlton B. Goodlett Place

Commissioners

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

Departments and Enterprises

Water Enterprise
Wastewater Enterprise
Power Enterprise
Infrastructure
Business Services
External Affairs

Ed HarringtonGeneral Manager

Michael Housh Secretary



ORDER OF BUSINESS:

Call to Order

The meeting was called to order by President Moran at 12:07 p.m.

2. Roll Call

Present were: President Moran, Commissioner Vietor, and Commissioner Courtney. Vice President Torres and Commissioner Caen's arrival was expected shortly.

CLOSED SESSION

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

No comment was offered on any closed session item.

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

Motion by Commissioner Vietor, seconded by Commissioner Courtney to invoke the attorney-client privilege and go into a closed session Passed 30-0 AYE (Moran Vietor, Courtney) unanimously

The Commissioners retired into a closed session at 12:09 p.m.

Vice President Torres and Commissioner Caen joined the meeting in progress in Closed Session.

Present in closed session were: President Moran, Vice President Torres, Commissioner Caen, Commissioner Vietor, Commissioner Courtney, General Manager Harrington, Deputy General Manager Carlin, CFO & AGM for Business Services Rydstrom, HHWP General Manager Hannaford, AGM for Water Ritchie, AGM for Power Hale, Deputy City Attorney Noreen Ambrose, Deputy City Attorney Jeanne Soule, Deputy City Attorney Theresa Mueller, and Commission Secretary Housh.

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

 Conference with Legal Counsel – Pursuant to California Government Code Section 54956.9 (b) and San Francisco Administrative Code Section 67.10 (d) (2). (Mueller)

Anticipated Litigation: As Defendant.

 Conference with Legal Counsel – Pursuant to California Government Code Section 54956.9 (b) and San Francisco Administrative Code Section 67.10 (d) (2). (Furman)

Anticipated Litigation: As Defendant.

7. Conference with Legal Counsel – Pursuant to California Government Code Section 54956.9 (b) and San Francisco Administrative Code Section 67.10 (d) (2) (Rothschild)

Anticipated Litigation: As Defendant

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

Existing Litigation: As Defendant Fontana v City and County of San Francisco SF Claim #12-01249 Filed December 2, 2011

9. PUBLIC EMPLOYEE Performance Evaluation and Contract Terms Pursuant to California Government Code Section 54957 (b) (1) and San Francisco Administrative Code Section 67.10 (b) - Personnel Matter-Public Employee, General Manager, Ed Harrington, San Francisco Public Utilities Commission.

(Moran)

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

The Commissioners reconvened in open session at 12:50p.m.

10. Announcement following Closed Session.

President Moran announced that there was no action on Agenda Items #5, #6, and #9 and that Agenda Items #7 and #8 were settled

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

Motion by Commissioner Courtney, seconded by Commissioner Vietor not to disclose the closed session discussions Passed 5-0 AYE (Moran, Torres, Caen, Vietor, Courtney) unanimously.

- 12. Approval of Minutes
 - a) Minutes of the January 10, 2012 Regular Meeting

Motion by Commissioner Vietor, seconded by Vice President Torres to approve the January 10, 2012 meeting minutes Passed 5-0 AYE (Moran, Torres, Caen, Vietor, Courtney) unanimously.

13. 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.

Mr. Francisco Da Costa, an environmental advocate, called the Commissioners' attention to the many challenges facing them in the coming year, noting in particular the many difficulties related to the transition following the State's action to terminate the local Redevelopment agencies. Mr. Da Costa also noted that within their own sphere the SFPUC would have major issues to address in moving forward with the Sewer System Improvement Program (SSIP) as well as asking that needed attention to devoted to the Southeastern neighborhoods.

14. Communications

- a) Letter Summary
- b).Advance Calendar
- c). Staff Reports (written reports sent to the Commissioners)
 - 1.) Water Supply Agreement Update report
 - 2.) Groundwater Storage & Recovery Project Update (Ritchie)
 - 3.) Quarterly Report Wastewater Interim Capital Improvement Projects (Moala)
 - 4.) Semi-Annual Sewer Inspection Report
 - 5.) WSIP Q1-Q2 / FY11-12 Construction Bids Summary

(Labonte)

6.) Annual Electric Reliability Compliance Program Update

(Ritchie)

(Ritchie)

(Moala)

President Moran noted and applauded regarding Item #14c3 observing that now the Quarterly Wastewater Interim Capital Improvement Projects Report fully combined reporting of all aspects of these matters for the first time and did so successfully employing the very accessible reporting models developed for the WSIP. In response to a question by Commissioner Caen concerning a Page 10 cost variance, Mr. Harrington explained that this reflected the continuing work on the Sunnydale Auxiliary Sewer Project and recalled a previous report to the Commissioners that had highlighted the successes achieved in moving this important flood control project quickly forward by much less intrusive and cost saving micro-tunneling. President Moran noted that the new format of the report helped call out such items that required some further explanation. Commissioner Courtney agreed, noting the new format brought out such information.

Public comment

Mr. David Pilpel, SFPUC CAC, also applauded the use of the new format on this report, agreeing it was comprehensive and helpful and also found useful its availability on the SFPUC Website.

15. Other Commission Business

No new Business items were proposed

- 16. Report of the General Manager
 - a) Water System Improvement Program (WSIP) Update

(Labonte)

WSIP Director Julie Labonte presented a brief update report on current Water System Improvement Program activities calling particular attention to a delay on the eastern segment of the San Joaquin Pipeline due to pipe fabrication delays and the need to address Department of Fish & Game Permit issues. Additionally, Ms. Labonte reported improved progress on the New Irvington Tunnel, noting there seemed to be fewer groundwater incursion problems as the project proceeded. Ms. Labonte also reported on the careen activities at the Calaveras Dam Replacement Project, and noted that Bay Division Pipeline No. 5 was approaching 85% completion. Next, Ms. Labonte reported good progress on the Bay Tunnel, and showed slides of recent work at the Harry Tracey Facility. Turning to her continuing investigation of the failure on Crystal Springs Pipeline No. 2, Ms. Labonte reported that redesign of the failed segment was well underway and should be completed by June.

b) May 7, 2012 Water for People Event

(Labonte)

Next, Ms. Labonte reported on the background for Water for People Program, outlining its purpose and goals as well as reporting on her involvement with the Program. Ms. Labonte then highlighted an upcoming May 7, 2012 event in the Bay Area that was to be attended by Rwandan officials. In response to a question by Vice President Torres, Ms. Labonte recalled awareness of similar work being done in the region by President Carter's Foundation.

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

(Jensen)

a) BAWSCA Update Report

BAWSCA General Manager Art Jensen briefly reported on a recent BAWSCA Board meeting attended by General Manger Harrington and again reiterated his view that the SFPUC and BAWSCA were successfully partnering in progress toward securing the region's water future by working cooperatively with a long view going out even to 2035 and beyond. Mr. Jensen addressed the proposal to consider refinancing old outstanding debt and reported that it would be given most careful consideration, noting that it held a promise of actually saving everyone more money. In conclusion, Mr. Jensen expressed appreciation to Mr. Harrington and the Commissioners for fostering a collaborative approach addressing issues of mutual concern.

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

Motion to approved consent calendar items #18 a & #18b by Commissioner, 2nd by Commissioner

Passed 5-0AYE (Moran Torres, Caen, Vietor, Courtney) unanimously

Public comment

No comment was offered on any consent calendar item

- 18. 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.
- a) Accept work performed by S.J. Amoroso Construction Co., Inc. for Water Enterprise, Water System Improvement Program (WSIP)-funded Contract No. WD-2539 University Mound Reservoir North Basin Seismic Upgrades; approve Modification No. 1 (Final), increasing the contract amount by \$1,472,218, for a total contract amount of \$31,069,218 and increasing the contract duration by 61 consecutive calendar days, for a total contract duration of 751 consecutive calendar days; and authorize final payment to the contractor. Modification No. 1 is comprised of 1 change order account for additional material quantities and associated costs required to complete the work and adds 61 consecutive calendar days to the contract. The total of all change orders represents a 5% increase over the original contract amount.

 (Labonte)

 Reso 12-0010
- b) Accept work performed by Mountain Cascade, Inc. for Water Enterprise, Water System Improvement Program (WSIP) -funded Contract No. WD-2566, San Antonio Pump Station Upgrades; approve Modification No. 1 increasing the contract by \$525,865 for a total contract amount of \$7,516,865 and with a time extension of 29 consecutive calendar days, for a total contract duration of 637 consecutive calendar days; and authorize final payment in the amount of \$29,303.65 to the contractor. Modification No. 1 is comprised of thirty-three (33) change orders. The change orders address design modifications for unforeseen conditions and other City Department and regulatory requirements. The total of all change orders represents a 7.52% increase over the original contract amount. (Labonte) Reso 12-0011

REGULAR BUSINESS

19. Discussion and possible action to authorize the General Manager of the San Francisco Public Utilities Commission (SFPUC) to enter into an agreement to provide a Liquidity Facility authorized under 2002 Proposition E for the Wastewater Enterprise Commercial Paper Program with JP Morgan and US Bank, the lowest cost, responsive bidders to the SFPUC's competitive Request for Proposal (RFP) process. The agreement provides \$150,000,000 in available credit with annual costs not-to-exceed \$1,000,000 for a duration of 2 years. The current Proposition E authorized commercial paper credit agreement is with BNP Paribas and expires February 13, 2012. The proposed new 2-year agreement would maintain authorization under Proposition E at a single-tier fee of 0.65% whether utilized or unutilized, compared to 0.21% (utilized) and 0.10% (unutilized). This represents an increase of \$660,000 annually, or from \$315,000 annually at the utilized tier to \$975,000 annually at the single-tier pricing. The higher fee reflects current market conditions. However, in today's market this represents the lowest cost commercial paper facility presently available to ratepayers.

(Rydstrom)

Reso 12-0012

Chief Financial Officer & AGM for Business Services Todd Rydstrom outlined in some detail the competitive process used, and discussed why using this approach was such an excellent arrangement and highly beneficial for the SFPUC. In response to questions by President Moran and Vice President Torres, Mr. Rydstrom outlined why the costs were slightly higher than previously and explained the nature of the investment pool this would be a part of.

Motion to approve the item by Vice President Torres, 2nd by Commissioner Caen Passed 5-0 AYE (Moran Torres, Caen, Vietor, Courtney) unanimously

Public comment

No comments were offered

20. Discussion and possible action to **approve** the terms and conditions and **authorize** the General Manager of the San Francisco Public Utilities Commission (SFPUC) and/or the Director of Property to execute a <u>Purchase and Sale Agreement</u> in the amount of \$1,300,000 and any related documents, to facilitate the purchase of a fee interest in that certain 259.32 acres of agricultural land, identified as Assessor's Parcel 096-0420-001-02 in the County of Alameda, located southeast of the San Antonio Reservoir between Calaveras Road and Vallecitos Road in Sunol, California (the "Property"), from Michelle Olds, formerly known as Michelle Irwin Nielsen (also known as Michelle I. Olds).

Reso 12-0013

(Ritchie)

Natural Resources Program Manager Tim Ramirez outlined the background and benefits of this second and very important watershed property acquisition. Mr. Ramirez explained that it abutted other SFPUC properties and that not all other future acquisitions might include actually taking title as was this situation. In response to a request by Vice President Torres, Mr. Ramirez proposed to make certain that the Alameda Supervisors in the area were fully apprised of these acquisitions. Mr. Ramirez called attention to the assistance Provide By Real Estate Services Manager Rosanna Russell and his Natural Resources colleague Carla Schultiese in bringing this acquisition to a successful conclusion. Vice President Torres applauded this active effort to protect our environment and thanked staff for their hard work in making it possible.

In interest of full disclosure, Commissioner Vietor reported knowing the owner of this property and reported that there was no conflict of interest. Deputy City Attorney Noreen Ambrose agreed that there was no conflict but noted that disclosure of even distant relationships was always a good thing.

Motion to approve the item by Vice President Torres, 2nd by Commissioner Vietor Passed 5-0 AYE (Moran Torres, Caen, Vietor, Courtney) unanimously

Public comment

Mr. David Pilpel, SFPUC CAC, also applauded this acquisition and asked if there were plan to acquire additional properties. Mr. Pilpel urged that all of these kinds of activities be carefully considered within a comprehensive land management policy. Mr. Pilpel also agreed that close engagement with local government leaders was highly beneficial and should always be actively pursued.

Mr. Francesco Da Costa, an environmental advocate, noted it was always good to acquire land to protect our environment, and citing recent press reports concerning damage done to Mountain Lake in the Presidio strongly recommended careful stewardship of our inheritance of land from the First Peoples.

President Moran called a brief recess at 1:31 p.m. The Commissioners returned to session at 1:40 p.m.

PUBLIC HEARING

21. Public Hearing to consider, and possible action on budget proposals for the Operating and Capital Budgets and associated 10-Year Financial and Capital Plans for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2012-13 and FY 2013-14. (Persons who are unable to attend the public hearings may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become a part of the official public record. Written comments can be sent to the Commission

Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, California, 94103). (Rydstrom)

a. Consider, and take action on the proposed Operating and Capital Budgets and associated 10-Year Financial and Capital Plans for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2012-13 and FY 2013-14, (focusing on the Water & Wastewater Enterprise questions, Hetchy Water & Power Enterprise, and the Bureaus).

Commissioner Caen assumed the Chair for this continuation of the FY2012-13 & FY 2013-134 Budget Workshop focusing on Hetch Hetchy Water & Power and the Bureaus. Again General Manager Harrington presented a brief introductory overview of the proposed budgets. Next, Chief Financial Officer & AGM for Business Services Todd Rydstrom outlined in some detail the very active work done that had resulted in restoring a blended budget for HHW&P and described how this was achieved. Then AGM Steve Ritchie presented the Hetchy Water & Power Enterprise proposed budgets and capital and financial plans.

Public comment

Mr. David Pilpel, SFPUC CAC, recalled the history of previous problems at the Moccasin Penstocks and was glad to see plans to address long deferred maintenance issues upcountry being addressed. Mr. Pilpel also noted that attention to this key infrastructure was vital to the agency's success, and noted that should rates increases be necessary to do so they should be pursued.

Mr. Peter Drekmeier, Tuolumne River Trust, again reiterated his organization's the proposed purchase additional water supply from the Modesto Irrigation District, as problematic due to insufficient environmental reviews of the impacts of the proposed water purchases the health of the lower reaches of the river, and also expressing concern with the annual \$1.6 million costs.

Mr. Francesco Da Costa, an environmental advocate, again called attention to the essential need for good stewardship of our inheritance of land from the First Peoples. Additionally, Mr. Da Costa discussed the implications of the requirements of the Raker Act in such situations. Mr. Da Costa also noted that worldwide questions of safeguarding the precious and limited water resources were becoming every day more pressing.

Next, there were presentations of the <u>Bureaus proposed Budgets</u> by

Public comment

Mr. David Pilpel, SFPUC CAC, suggested that greater flexibility to place staff where they were needed be maintained and that the positions identified in the various Bureaus be matched against budget projections which would make more clear where there were needs. Additionally, Mr. Pilpel suggested that the practice of keeping vacant unfilled positions be eliminated.

Mr. John Ummel, BAWSCA, asked concerning the lack of description of an Operation and Maintenance role at the new 525 Golden Gate Headquarters Building.

Commission Discussion

There followed and extensive discussion among the Commissioners of the Hetch Hetchy Water & Power and the Bureaus budget presentations followed by <u>questions and responses</u> from the Commissioners.

General Manager Harrington proposed to bring to the next budget discussion on February 14th details of what mix of resources could be employed to address the Commissioner's concerns.

22. Consider Motion to continue this agenda item to a regular meeting scheduled for Thursday, February 14, 2012, for further hearings and possible action.

Motion by, seconded by Commissioner Vietor, 2nd by Commissioner Courtney to continue this Public Hearing to the regular meeting scheduled for Tuesday, February 14, 2012 in Room 400, City Hall Passed 4-0 AYE (Moran, Torres, Vietor, Courtney) Unanimously

23. Other New Business

No new business items were proposed

There being no further business before the special workshop meeting, Commissioner Caen adjourned the meeting at 4:05p.m., continuing the Public Hearing to the regular meeting scheduled for February 14th.

ADJOURNMENT

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

RETURN SERVICE REQUESTED