

San Francisco Public Utilities Commission CITY AND COUNTY OF SAN FRANCISCO

Edwin M Lee MAYOR

MINUTES

(Approved May 12, 2011)

REGULAR MEETING

Tuesday, April 12, 2011 1:30 PM 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



For information, contact the Commission Secretary at 554-3165. Minutes and other information are available on the SFPUC web site: www.sfwater.org.

ORDER OF BUSINESS:

1. Call to Order: 1:35 P.M.

2. Present – President Francesca Vietor, Commissioner Ann Moller Caen, Commissioner Art Torres, and Commissioner Vince Courtney

Excused - Vice President Anson B. Moran

- 3. Approval of Minutes
 - a) Minutes of the March 22, 2011, Regular Meeting

Moved by Commissioner Caen, seconded by Commission Torres to adopt the Minutes of the March 22, 2011, Regular Meeting; passed 4-0 AYE (Vietor, 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.

Mr. Francisco da Costa, Environmental justice advocate, commented that he would convey his greeting to former Commissioner Crowley as he was next going to the Port Commission. Mr. da Costa then discussed his views concerning the essential importance of providing employment opportunities to the residents of underserved communities, especially the Bayview Hunters Point Community and noted that this was best done through use of community based organizations as well as awarding contracts to small local businesses rather than large contractors.

Mr. Jeff Miller Alameda Creek Alliance, called the Commissioners attention to an ongoing Caltrans roadway improvements project in Niles Canyon that was located in part on property transferred from the SFPUC. Mr. Miller commented that this project was unnecessary and worse, seriously damaging to the efforts to restore Alameda Creek with more than 100 trees already having been chopped down. Mr. Miller noted that SFPUC staff had offered comments in opposition to the original plans for this project that the property transfer last year seemingly helped facilitate. Mr. Miller noted the many ongoing positive efforts underway between the Community and the SFPUC in Sunol and joint efforts to restore Alameda Creek urging the Commission take steps to prevent situations like this from reoccurring, and to do everything possible to limit any additional damage from this misguided project and actively oppose Caltrans' proposed Phase II of it.

Mr. Peter Drekmeir, Tuolumne Trust, expressed his dismay at the damage that had occurred and future plans that further threatened environmental damage in Niles Canyon from this California Department of Transportation (Caltrans) "improvement" project. Mr. Drekmeir noted in pointed contrast the collaborative and cooperative work with both environmentalists and local communities done by the SFPUC on our environmentally sensitive projects as opposed to the seeming resistance to public engagement on these issues that he found typical of Caltrans.

In response to a series of questions by Commissioner Torres about what had occurred during the Phase I of the Route 84 Project and concerning the formal comment period for its proposed Phase II; Assistant General Manager of Water Steve Ritchie explained the background of the project going back to 2005, reporting that staff was still investigating the circumstances of the property transfer, and discussed ongoing SFPUC concerns with the damage done to both trees and our efforts to support trout habitat in Alameda Creek. Mr. Ritchie then outlined actions taken by our staff to oppose similar activities planned for the proposed Phase II of the Route 84 Improvements Project.

In response to questions by Commissioner Torres, Mr. Ritchie noted that Caltrans officials had not been particularly forthcoming with information in response to inquires. In response to Commissioner Torres' additional questions, Mr. Ritchie outlined where these activities were occurring in the Niles Canyon area in relation to our ongoing Calaveras Dam Replacement Project (CDRP) activities at another segment of Alameda Creek. Commissioner Torres noted this was a matter of great concern to Alameda County Supervisor Nadia Lockyer and the surrounding communities and requested that he be kept closely informed of any further developments. Mr. Ritchie confirmed this would be done.

Mr. Harrington noted that staff would respond to the issues raised in Mr. Miller's letter. President Vietor thanked Mr. Miller for calling this troubling situation to the Commission's attention.

5. Communications

- a) Letter Summary
- b) Advance Calendar
- c) Staff Reports (written reports sent to the Commissioners)
 - 1. 525 Golden Gate Project Update
 - 2. Lake Merced Update Report

Commissioner Caen inquired regarding the report on Lake Merced asking the status of the water levels in the Lake recalling the many years of Commission engagement in addressing Lake Merced related issues. Mr. Ritchie presented a brief update on ongoing efforts to keep water level in Lake Merced up, noting its

improvement since the end of the drought period, as well as regarding the long-term impacts from years of groundwater pumping by Daly City. Mr. Ritchie then outlined ongoing plans related to groundwater use, noting these were in part addressed the root of the problem from a long history of reductions in areas draining into the Lake. Mr. Ritchie also explained how these efforts including a Daly City Flood Control Project would also in part address this issue. In response to questions by President Vietor, Mr. Ritchie discussed reported concession issues at Lake Merced that involved the Department of Recreation and Park as well as the SFPUC. Mr. Harrington then briefly outlined the relationships between the SFPUC and the Department of Recreation and Park (Rec/Park) at Lake Merced.

Public Comment

Mr. Dick Allen, Lake Merced Task Force, commented that he thought a Memorandum of Understanding (MOU) with the Department of Recreation and Park was not going to successfully address the many complex issues involved at Lake Merced. Mr. Allen contrasted the favorable view held by Task Force members of SFPUC staff's engagement with them as opposed to frequent frustrations that they had experienced in their dealings with staff at Rec/Park. Mr. Allen expressed a strong preference that Rec/Park step aside and that the SFPUC assume management of Lake Merced.

6. Other Commission Business

No new business items were proposed

7. Report of the General Manager

General Manager Ed Harrington introduced Chief Financial Officer and Assistant General Manager for Business Services Todd Rydstrom to present a FY 2011-12 & FY 2012-13 Budget status update report.

a) FY 2011-12 Budget Update, Mayor's Office Process & Next Steps

Mr. Rydstrom began with an overview of the status of the entire City Budget and then discussed where various review and evaluation activities were taking place. Mr. Rydstrom then outlined the problems resulting from a projected \$306 million overall shortfall and how this might impact the SFPUC's budget as it proceeded forward through the Mayor's Budget Office (MBO) process before going to the Board of Supervisors on June 1st for their consideration and to final approval of the budget this summer.

In response to questions by Commissioner Caen, Mr. Harrington reported that were no significant cuts proposed in our budget at this point, but that there were likely to be changes, which he would keep the Commissioners informed about, during the Mayor's final review and as well as when the Supervisors proposed add-backs during their consideration of the budget in June. Mr. Harrington pointed to proposed energy efficiency funding using \$4.9 million in Hetch Hetchy funds proposed by Mayor Lee, noting this amount might be increased. Mr. Harrington next called attention to the unresolved state budget and how this might also eventually have some budget impacts on the SFPUC. Mr. Rydstrom explained staff had decided to move forward with a water bond sale as the state had determined to delay its planned bond sales and this provided a good opportunity for the SFPUC to take advantage of an excellent marketing opportunity.

Commissioner Torres observed how fortunate the SFPUC was in this regard in deep contrast to the quite dire circumstances facing state agencies and commended Mr. Rydstrom for his exemplary management of our finances. In response to a question regarding a city position on the Governor's proposed elimination of Redevelopment Agencies, Mr. Harrington reported Mayor Lee had joined a delegation local government leaders opposed to this change that had recently gone to Sacramento to make their case. Mr. Rydstrom explained that his staff was very closely monitoring the state budget discussions and would provide any needed information concerning fall out from it as soon as it became available.

Next, in response to questions by President Vietor concerning Hetch Hetchy revenues and their proposed uses, Mr. Harrington reported on a recent problem at the Holm Powerhouse that had reduced revenues but noted that as the SFPUC projected our likely revenues out on a longer timeline than that used by the state there were ways to effectively minimize any impacts from the changes at the state level. In response to President Vietor's observation that this might be an excellent time to address the longstanding issue of the power rates subsidy to General Fund Departments, Mr. Rydstrom explained that we were already doing so and outlined ongoing efforts to focus use of our funds to promote conservation and energy conservation that in turn reduced General Fund Deportments demand for power we supplied at these discounted rates. General Manager Harrington reported that staff was seizing every available opportunity to bring up this issue in ongoing budget discussions.

There was no public comment.

CONSENT CALENDAR

8. 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.

Moved by Commissioner Torres, seconded by Commissioner Courtney to adopt items (a-f); passed 4-0 AYE (Vietor, Caen, Torres, Courtney) unanimously.

- a) Ratify the Declaration of Emergency made by the General Manager of the San Francisco Public Utilities Commission (SFPUC), dated March 7, 2011, and approved by the President of the Commission, for immediate replacement of the existing sewer on 18th Street from Market Street to Danvers Street due to continuous cracking, collapsed sections and a missing section located along the length of the entire sewer. The WW-534E work was awarded to Precision Engineering, Inc. in the amount of \$379,000. Resolution No. 11-0049
- b) Authorize the General Manager of the San Francisco Public Utilities Commission (SFPUC) to apply for Proposition 1E grant funding pursuant to the Disaster Preparedness and Flood Prevention Bond Act of 2006 (Public Resource Code Section 5096.800 *et seq.*) through the California Department of Water Resources in order to obtain up to \$24.2 million, or up to 50 percent of approved project cost, in stormwater flood management funding. As stipulated in the grant application requirements, the SFPUC would provide a matching amount of funding or in-kind contributions up to \$24.2 million. Resolution No. 11-0050
- c) Authorize the General Manager of the San Francisco Public Utilities Commission (SFPUC) to execute on behalf of the City and County of San Francisco, a Memorandum of Agreement (MOA) with the City of Daly City to update the Westside Basin Groundwater Model for informing regional groundwater planning and analysis of Water System Improvement Program (WSIP) groundwater projects, for an amount not-to-exceed \$34,250 with a duration of one year.

Resolution No. 11-0051

d) Approve Modification No. 1 to the San Francisco Public Utilities Commission (SFPUC) Contract No. JOC-31, Job Order Contract, Heating Ventilating Air Conditioning (HVAC) Energy Efficiency (C-20 License), San Francisco/Peninsula/East Bay, with American Mechanical Services (AMS), to accomplish energy efficiency repair and renovation of mechanical systems in City buildings, increasing the contract by \$1,000,000, for a total contract amount of \$3,000,000, and with a time extension of one year for a total contract duration of three years. This contract modification will allow for continued energy efficiency repair and renovation of mechanical systems in City facilities. **Resolution No. 11-0052**

- e) **Approve** the plans and specifications, and award Water Enterprise, Local Water Repair & Replacement Program- funded Contract No. WD-2439, 8-inch Ductile Iron Main (DIM) Installation on Laguna Street from Market Street to Post Street, in the amount of \$1,350,000 to the lowest, qualified, responsible and responsive bidder, M Squared Construction, Inc., to replace approximately 7,000 linear feet of distribution pipe and 600 linear feet of 1-inch and 2-inch service pipes.
 - Resolution No. 11-0053
- f) Accept work performed by M Squared Construction, Inc. for Water Enterprise, Local Water Repair and Replacement (R&R) Program-funded Contract No. WD-2493, 8-inch Ductile Iron Main Installation on Vallejo Street from Octavia to Broderick Streets; approve Modification No. 1 (Final), to reconcile the final contract amount with the actual quantities of labor and materials used, decreasing the contract by \$17,677 for a total contract value of \$1,017,445 and with a final contract duration of 220 consecutive calendar days; and authorize final payment, in the amount of \$55,280 to the contractor. Resolution No. 11-0054

No comments were offered on any Consent Calendar item.

REGULAR BUSINESS

9. Presentation and discussion of proposed Wholesale Rates and the Environmental Surcharge, both effective July 1, 2011.

General Manager Ed Harrington introduced Chief Financial Officer and Assistant General Manager for Business Services Todd Rydstrom to present an update on the proposed water rates.

Mr. Rydstrom began by updating the Commissioners on responses received to the proposed rates as well as the upcoming Environmental Enhanced Surcharge. Next steps include a noticed public hearing scheduled for the Commission's regular May 10th meeting. Mr. Rydstrom reported on the three rates setting alternatives considered. Mr Rydstrom explained that central to this effort was a focus on finding an appropairate balance necessary to meet the wholesale revenue requirement and revenue predicatability. Mr. Rydstrom explained that to address lower water sales and projection uncertainty, SFPUC staff analyzed alternative rate setting methodologies for the Wholesale Water Rate and discussed the various options with Wholesale Customers since February.

Mr. Rydstrom reported this review resulted in a Rate Memo being distributed to all Wholesale Customers on February 3, 2011, under section 6.4 of the 2009 Water Supply Agreement (WSA). (A copy of this Memo was provided to the Commission on February 8, 2011, as Agenda Item 10 in the Commission

packet). Mr. Rydstrom reported the SFPUC formally proposed rate-setting alternatives for consideration, as required under the Water Sales Agreement (WSA), to Wholesale Customers and BAWSCA. Mr. Rydstrom explained that the February 3rd letter detailed rate structure alternatives and proposed moving to a "Known Deliveries Approach" to provide greater revenue certainty for the SFPUC and bondholders. Mr. Rydstrom noted that tradeoffs, both pro and con, were included in the analysis.

Additionally, Mr. Rydstrom reported follow-up discussion with our Wholesale Customers occurred at the Annual Meeting, held February 25th as well as during in-person meetings and teleconferences. Mr. Rydstrom explained that the Known Deliveries Approach used the most recently completed fiscal year's actual sales as the proposed basis for future rate setting calculation. Mr. Rydstrom reported that during the subsequent 60-day comment period, the SFPUC received Wholesale Customer feedback including the 12 attached letters. In general, Mr. Rydstrom reported the sentiment expressed was a preference to stay with the existing methodology for the Treated Wholesale Water Rate based on projected wholesale water deliveries in FY 2011-12. After considering that input as well as the impact of moving proposed Commission adoption into May of each Fiscal Year rather than earlier in the Spring as had been done historically, Mr. Rydstrom noted that at this time SFPUC staff proposed staying with the current rate setting approach.

Under the current approach, Mr. Rydstrom reported SFPUC staff project that revenues using the current \$1.90 rate would be insufficient to meet the projected costs allocated to Wholesale Customer services for FY 2011-12. Mr. Rydstrom explained with the current wholesale water rate of \$1.90, SFPUC staff had projected a \$65.2 million balance would be owed to the SFPUC at the end of the next fiscal year. Mr. Rydstrom observed that based on deliveries through March and projected deliveries, SFPUC staff recommended to the Commission that the volume charge on Water Rate Schedule W-25 be increased from \$1.90 to \$2.80, i.e., a 47.4% increase. Mr. Rydstrom explained that this increase included a partial payment of the balancing account owed to the SFPUC. Mr. Rydstrom reported that the fixed monthly service charges would remain the same. By doing so Mr Rydstrom reported recovery of the balancing account was smoothed over the next few years.

Next, Mr. Rydstrom reported that as recent sales deliveries were down nearly another 5%, and as this was assumed going forward FY 2010-11 year-to-date wholesale water sales were running nearly five percent below last year's purchases and fourteen percent below the projected purchases used to set the current volumn rate of \$1.90. Mr. Rydstrom explained that the FY 2011-12 rate assumed this continued trajectory of reduced water sales, based on recent experience, including the annual reductions of nearly five percent each year over the previous 3 fiscal years. The result Mr. Rydstrom noted was projected sales of 135 MGD (million gallons per day) to Wholesale Customers in FY 2011-12.

Mr. Rydstrom observed that if Wholesale Customer water purchases during the next fiscal year were to drop even further to the 130 MGD level, instead of the assumed 135 MGD level, the projected revenue would be approximately \$7 million less when applying the \$2.80 rate. To guard against this revenue shortfall, Mr. Rydstrom reported the rate proposal would also include a new rate reset mechanism that adjusted the rate to \$2.90 in the event actual Wholesale Customer sales for the 2011 calendar year fall to 130 MGD or lower. Mr. Rydstrom reported that the \$2.90 rate would take effect January 1, 2012, if triggered.

Next addressing the Untreated Wholesale Water Rate Discount Factor, Mr. Rydstrom reported that on February 3, 2011, the SFPUC also formally proposed for consideration an Untreated Wholesale Water Rate Discount Factor for untreated water deliveries to wholesale customers, of which Mr. Rydstrom noted we have only one, Coastside County Water District (CCWD). Mr. Rydstrom explained that CCWD's 2009 individual water supply contract with the SFPUC required the SFPUC conduct a rate study of this issue, and the proposed discount factor was consistent with the conclusions of the rate report. Mr. Rydstrom reported that no objections were received during the 60-day comment period regarding the incorporation of a proposed discount factor, effective with FY 2011-12 rates, for Untreated Wholesale Water deliveries Mr Rydstrom next reported that at its noticed May 10th public hearing, the Commission would consider the SFPUC staff's proposal to establish the new Untreated Wholesale Water Rate Discount Factor for customers receiving untreated water. Mr. Rydstrom explained that this discount factor was equal to the total projected FY 2011-12 unit costs for the Harry Tracy Water Treatment Plan of \$0.23 per Ccf (1Ccf = 748 gallons). Mr. Rydstrom pointed out that these costs were allocated between Retail and Wholesale Customers according to proportionate use, and amounted to less than a penny per Ccf impact on both Retail and Wholesale rates.

Turning next to the proposed Environmental Enhancement Surcharge, Mr. Rydstrom reported that at the May 10th Public Hearing, SFPUC staff would ask the Commission for consideration of adoption of the proposed Environmental Enhancement Surcharge as was required by the Water Sales Agreement (WSA). Mr. Rydstrom explained that the establishment of the Environmental Enhancement Surcharge provided further incentives for the SFPUC's Retail and Wholesale Customers to keep water purchases below the 265 MGD Interim Supply Limitation adopted by the SFPUC in its approval of the Water System Improvement Program (WSIP) in its Resolution No. 08-200. Mr. Rydstrom explained that the monetary amount of the Environmental Enhancement Surcharge per volume of water was based on the SFPUC's 2018 projected cost of wholesale water under a 265 MGD usage scenario. Mr. Rydstrom noted as stipulated in the Water Sales Agreement (WSA), the Environmental Enhancement Surcharge would be levied for any water delivered beyond a customer's Interim Supply Allocation, but only if combined Retail and Wholesale

Customer purchases exceed 265 MGD and if the Board of Supervisors had adopted a special Environmental Enhancement Surcharge Fund as outlined in the Water Supply Agreement (WSA). Mr. Rydstrom then wrapped up by explaining an attached chart that described the proposed tiered surcharge which showed assessment of a higher surcharge for greater water usage in excess of the interim supply allocations.. Mr Harrington noted that while use of the Environmental Enhancement Surcharge was unlikely given the pattern of recent water use the necessary, that its adoption was a requirement of the Water Sales Agreement.

Public Comment

Mr Art Jensen, General Manager BAWSCA, commented that on this delicate issue among the Wholesale customers there were 26 individual views on this process. It was noted that they also issued bonds that a common focus for both BAWSCA and the SFPUC was a concern for stability and certainty. Mr Jensen observed that there were concerns with the some agencies if the proposed delivery assumption of 135MDG was conservative enough and suggested that it be further considered perhaps by looking again at the histocial record. Mr. Jensen also asked if there were alternative numbers that could be provided to his members and considered before making a decision on this matter.

Mr Harrington noted that the key thing was indeed water delivery and assumptions about deliveries, and that based on recent patterns of declining deliveries and the wet year consideration that wholesale customers might choose to purchase supply from other sources, staff were still working on what would be the most reasonably conservative figures. In response to questions by Presdient Vietor, Mr. Rydstrom agreed to again look to all of the variables and work with Mr. Jensen to see what other options could be considered. Mr. Rydstrom agreed that this was a low number, and noted these very low delivery numbers had not been seen since the 1970's drought. President Vietor asked staff to prepare a visual chart illustrating numbers based on some of the likely scenarios. Mr. Rydstrom agreed it would be done.

Mr Harrington discussed various approachs staff had considered and emphasized that the use of a "known quantity" approach was taking a conservative approach with the advantage of continuing as we had done historically. Mr. Harrington further emphasized that the one area of difference was related to this methodolgy question, but no one wanted to go to a new way of doing this. In response to questions by President Vietor, Mr. Harrington confirmed that drought scenarios had been included. In reply to Presdient Vietor's questions about outreach around the proposed Environmental Enhancement Surcharge, Mr. Rydstrom reported that extensive outreach had been done. Mr Rydstrom noted that the environmentalists generally supported the tiering approach as to conservation.

10. Presentation and discussion of a Treasure Island Redevelopment Project Informational Presentation. No Commission action is proposed at this time. This is an informational presentation by the Mayors Office of Workforce and Economic Development to provide an overview on the efforts and status of the Treasure Island Redevelopment Project plan.

Deputy General Manager Michael Carlin explained all of the various issues about the Treasure Island Project to the Commission and introduced the Mayor's Office of Economic and Workforce Development (MOEWD) and representing the Treasure Island Development Authority (TIDA) Project Manager Michael Tymoff for an update on the Treasure Island Project.

Mr. Tymoff began with a general overview of the proposed Treasure Island Development Project since his previous presentation in February focusing on changes. Mr. Tymoff pointed out that the Project was largely as was previously presented. Mr. Tymoff then reported the key principles that were to serve as a guide for all of the development of this Project. Mr. Tymoff outlined the next steps that the Commissioners could expect to address at its April 26th meeting should the Planning Commission approve the Project.

Mr. Tymoff then presented a general overview of the current infrastructure of Treasure Island and how it was created piecemeal as a result of its creation for use in the 1939 World's Fair followed by decades of further changes during its service as a naval base. Mr. Tymoff outlined what was included in this project, noting exclusion of the existing Job Corps Facility and a Yerba Buena Island Coast Guard facility. Mr. Tymoff discussed what was already on the Island and outlined plans going forward, reporting the land use plan, transit links, and noted the sustainability features of the plan focusing infrastructure that would be more efficient, compact, and preserve a maximum amount of open space. Mr. Tymoff reported on efforts to achieve a Platinum LEED level for the Project as well as its inclusion in the Clinton Climate Initiative to ultimately achieve a zero Carbon emissions level. Mr. Tymoff noted that for all future contracts developers would have to meet standards that exceeded the requirements of the City's Green Building Ordinance.

In response to questions by Commissioner Torres, Mr. Tymoff outlined the primarily multi-bedroom-home ownership nature of the majority of the proposed housing element. Mr. Tymoff noted that these were expected to cost, depending on kind of housing, on average from \$1 million on Yerba Buena Island to \$650,000 for the multi-storey units on Treasure Island. Mr. Tymoff explained that there would also be a 25 to 30% segment of affordable housing but that may be reduced as a result of the impact of the state's proposed changes in Redevelopment Authorities.

In response to Commissioner Torres observation noting the decline of housing opportunities for working families, Mr. Tymoff outlined a method that was being

proposed to address this problem. In response to further questions by Commissioner Torres, Mr. Tymoff discussed the community amenities and described the nature of the roles of the various partners in this project. In response to questions by President Vietor, Mr. Tymoff noted sections of the report addressed in greater detail sustainability issues, as well as response to the potential impact from climate change and recent concerns regarding risk posed in our seismically active region from tsunamis.

Mr. Tymoff then introduced Todd Adair, Principal Vice President of BKF Engineers for a detailed presentation on infrastructure. Mr. Adair began with an overview of the likely costs and processes involved in the geotechnical stabilization of Treasure Island, noting there were minimal concerns on the rocky Yerba Buena Island. Mr. Adair then presented a detailed report on how the Treasure Island section would be stabilized and its height above sea level would be raised. In response to questions by Commissioner Caen, Mr. Adair explained why the emphasis was given to the island perimeter instead of the center areas. In response to questions by President Vietor, Mr. Adair explained that the process had been vetted to address concerns about environmental impacts during this process.

Mr. Harrington noted that the planned site of the Wastewater Treatment Plant was not currently included in the improved areas. Mr. Adair said this would be addressed when the plans for the facility were finalized. In response to questions by President Vietor and Commissioner Torres, Mr. Adair explained and discussed the millions of cubic yards of materials that would be brought onto the Island to create a sufficient elevation to safeguard against sea level rise over the next 100 years.

In reply to a question by Commissioner Torres, Mr. Adair noted it was believed that the Golden Gate would limit any severe impact on the Island from tsunamis. In answer to questions by President Vietor, Mr. Adair explained that the strategy to raise the ground levels and fund doing so was an adaptive one, with steps being undertaken over time to respond to any identified increases of sea level over the next century. Mr. Harrington explained this in part was an effort to match costs for current residents to the levels of investment needed to address an identified situation with additional costs as they were identified being assumes as they occurred rather than having significant cost imposed upfront.

In response to questions by Commissioner Torres as to how this investment would benefit ratepayers, Mr. Harrington explained and Mr. Adair confirmed that the developer would fund these infrastructure investments, and they would not be borne by San Francisco ratepayers. In response to questions by President Vietor, Mr. Harrington noted there were shared costs but the responses to sea level rise were not among them. In response to additional concerns expressed by Commissioner Torres, Mr. Harrington noted that all ratepayers across the City were equally burdened by infrastructure costs increases for needed projects

whether they were on Treasure Island or in the City such as for example for the Channel Tunnel.

Mr. Adair reported on the infrastructure costs related to the two planned hotels in response to questions by Commissioner Torres. In response to questions by President Vietor concerning any benefit from rainwater harvesting, Mr. Adair noted that there would be little as unlike in the city the proposed water and wastewater systems were not combined. In answer to questions about benefits to San Francisco from this project, Mr. Adair agreed to provide several economic benefits reports and highlighted the numbers of jobs this project was expected to produce. In answer to questions as to when a potential resident might be able to move into a home on Treasure Island by Commissioner Torres, Mr. Tymoff said given when the project was expected to begin sometime in 2015.

Next, Mr. Adair reported that the water infrastructure was to be entirely replaced and explained how a reliable supply of potable water would be maintained, including plans for 4 million gallons emergency supply to be stored on the Island. In response to questions by Commissioner Torres about any impacts related to the new Bay Bridge, Mr. Adair and Mr. Harrington noted that there would be a need for a replacement pump station that would be paid for by the SFPUC. In answer to follow up questions by Commissioner Torres, Mr. Harrington noted that details of who was responsible for what would be presented for the Commission's consideration.

Mr. Adair then reported that the entire wastewater system was also to be replaced with a more efficient system and outlined how this was proposed to be done. In response to questions by President Vietor, Mr. Adair explained the planned timing for building the new Wastewater treatment Plant. Mr. Harrington noted that it was necessary to have sufficient project build out to make funding the new facility economically viable. Mr. Adair noted the currant plant had sufficient capacity for the near term and suggested that a need for its construction could be 20 years in the future. In response to questions about backflow prevention issues by President Vietor, Mr. Carlin explained that as there were separate systems on the Island this was not the same problem faced by the combined systems in the City.

Next, Mr. Adair outlined the power situation on the Island and what the next steps were likely to be. President Vietor asked that information about how the Island power grid could be structured to work with Community Choice Aggregation (CCA) and use of creation of distributed generation options to be included.

Next, Mr. Chris Guillard, Principal of CMG Landscape Architecture, outlined how the proposed wastewater systems would be structured on both Treasure Island and Yerba Buena Island to maximize greening opportunities and Low Impact Development (LID). Mr. Guillard reported how plans had been developed to match each of the various identified watersheds on the Island.

In response to a question by Commissioner Torres about the consultant's other projects in the Bay Area in doing the stormwater system proposed for this project, Mr. Guillard described other Bay Area projects he had been involved with. In response to questions by Commissioner Torres about potential conflict between dog walking and nature areas proposed, Mr. Guillard cited his recent expedience addressing exactly this issue at Crissy Field. Mr. Guillard then discussed other LID opportunities. President Vietor applauded the proposed low impact development proposals especially the proposed wetlands and encouraged a focus on how this might be beneficial.

Wrapping up Mr. Tymoff outlined the next steps going forward. In answer to questions by Commissioner Courtney, Mr. Tymoff presented additional details of the job component noting both the construction jobs during construction as well as the permanent jobs created when the project was built out with roughly 40,000 during construction and 2000 permanent jobs.

Mr. Harrington explained that staff was still working closely with the Mayor's Office to develop a better understanding of the costs and who would bear what parts. Mr. Carlin outlined ongoing efforts and raised additional details yet to be clarified. President Vietor requested more information concerning the provision of power to the Island. Commissioner Caen asked concerning the additional slides how it was proposed to designate 25% of jobs for homeless or potentially homeless people. Mr. Tymoff explained that in current plans 25% of jobs, as well as another other jobs, together with a housing program were designated for such individuals. Commissioners Caen and Courtney found such a plan perhaps unrealistic. Mr. Tymoff proposed to provide additional information to further explain these proposals. In response to questions by Commissioner Torres, Mr. Harrington and Mr. Carlin proposed to provide other details regarding those areas of interest raised by each Commissioner.

Public Comment

Ms. Judy West, Citizens Advisory Committee, expressed concern about the potentially heavy burdens and expanded obligations such a project would necessarily entail. Ms. West expressed concern that this proposed project was sustainable and suggested careful consideration of all of the potential issues before any action was taken going forward with such a risky and perhaps too ambitious undertaking.

11. Discussion and possible action to **approve** and **authorize** the General Manager of the San Francisco Public Utilities Commission (SFPUC) to enter into a Memorandum of Understanding (MOU) with the Department of the Environment (SFE) and Municipal Transportation Agency (MTA) to install 27

Electric Vehicle Charging Stations in thirteen City-owned garages for public use.

Power Enterprise Strategic and Resources Planning Manager Cameron Samii outlined the details of the proposed charging station installation in several city garages, and outlined the benefits provided by these stations.

No public comment was offered.

In answer to a question by President Vietor, Mr. Samii outlined how this grant funded proposal would operate and what Power Enterprise staff would be doing. General Manager Harrington noted that as these were Enterprise Departments the power rates for the charging stations would be matched to PG&E rates.

Moved by Commissioner Caen, seconded by Commissioner Torres to adopt the following resolution; passed 4-0 AYE (Vietor, Caen, Torres Courtney) unanimously. <u>Resolution No. 11-0055</u>

CLOSED SESSION

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

No comments were offered on any closed session item

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

Moved by Commissioner Courtney, seconded by Commissioner Torres to assert the attorney-client privilege and go into a closed session of the listed closed session items; passed 4-0 AYE (Vietor, Caen, Torres, and Courtney) unanimously.

The Commission met in Closed Session at 3:40 P.M.

Present in the Closed Session were: President Francesca Vietor, Commissioner Ann Moller Caen, Commissioner Art Torres, Commissioner Vince Courtney; General Manager Ed Harrington, Deputy General Manager Michael Carlin; Chief Financial Officer & Assistant General Manager of Business Services Todd Rydstrom; Deputy City Attorney John Roddy, and Commission Secretary Michael Housh.

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

Consultation with: Agency Chief of Security concerning security of SFPUC Water and Power Systems.

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

Moved by Commissioner Caen, seconded by Commissioner Torres to adopt the following resolution; passed 4-0 AYE (Vietor, Caen, Torres Courtney) unanimously.

Resolution No. 11-0056

Tadhge Conway v City and County of San Francisco,
Claim Number 11-00169 - Filed July 22, 2010

Following the Closed Session, the Public Utilities Commission will reconvene in open session.

The Commission returned to Open Session at 3:51 P.M.

16. Announcement following Closed Session

President Vietor announced that there was no action on Agenda item #14 and that Agenda item #15 had been settled.

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

Moved by Commissioner Torres, seconded by Commissioner Courtney not to disclose the Closed Session discussions; passed 4-0 AYE (Vietor, Caen, Torres, Courtney) unanimously.

18. Other New Business

No new business items were proposed

There being no further business President Vietor adjourned the meeting at 3:54 P.M.

Michael Housh, Secretary
San Francisco Public Utilities Commission