SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Edwin M. Lee
MAYOR

MINUTES
SPECIAL MEETING
Tuesday, July 10, 2012
(Approved July 24, 2012)

Closed Session – 10:00 A.M.
Regular Session – No earlier than 10:30 A.M.

South Beach Harbor Community Room
Pier 40 – The Embarcadero
San Francisco, CA 94107

Please note different meeting time and location

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

Ed Harrington
General Manager

Donna Hood
Secretary

For information, contact the Commission Secretary at 554-3165.
Minutes and other information are available on the SFPUC web site: www.sfwater.org
Audio coverage of meeting available at: http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=22
1. Call to Order

The meeting was called to at 10:32 AM

2. Roll Call

Present: Moran, Vietor and Torres

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

   - Mr. David Pilpel requested that the number of GM candidates’ names forwarded to the Mayor for consideration be disclosed after closed session, if such determination is made. He expressed support for an internal candidate.

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

   On Motion to assert the attorney-client privilege
   ADOPTED: Ayes: Moran, Vietor and Torres

CLOSED SESSION

The Commission entered Closed Session at 10:36 AM
The Commission ended Closed Session at 11:04 AM

5. Pursuant to Government Code Section 54957 and San Francisco Administrative Code Section 67.10(b), to consider public employee appointment/hiring for the position of General Manager of the San Francisco Public Utilities Commission.

6. Announcement following closed session

   No announcement offered.

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

   On Motion to disclose: MOTION NOT TO DISCLOSE
   ADOPTED: Ayes: Moran, Vietor and Torres

8. Approval of Minutes of June 26, 2012

   On motion to approve the minutes of June 26, 2012
   ADOPTED: Ayes: Moran, Vietor and Torres

9. General Public Comment

   Members of the public may address the Commission on matters that are within the Commission’s jurisdiction and are not on today’s agenda.
   - Francisco DaCosta expressed his concerns with the contracting process, the Southeast sector, and with continued leadership of the agency.
   - Sprek Rosenkrans, Director of Policy, Restore Hetch Hetchy, stated that signatures were submitted to the Department of Elections for their initiative for the November ballot.
• David Pilpel presented a “historic”, 10-year old water bottle filled with Hetch Hetchy water.

10. Communications
   a) Advance Calendar

11. Other Commission Business
    No other Commission business discussed or presented.

12. Report of the General Manager
    No report of the General Manager provided.

13. Consent Calendar
    a) **Approve** the plans and specifications, and **award** Wastewater Enterprise Renewal and Replacement Program-funded and Department of Public Works Pavement Renovation Program-funded **Contract No. WW-505, Noe/Glen Park Districts Sewer Replacement and Pavement Renovation**, in the amount of $2,858,300 (of which $1,505,730 is funded by WWE and $1,352,570 is funded by DPW), to the lowest, qualified, responsible and responsive bidder, Synergy Project Management, to replace the existing sewers and street pavement on various streets in the Noe/Glen Park Districts of San Francisco. *(Resolution 12-0123)*

    b) **Accept** work performed by MSquared Construction, Inc. for Local Water Conveyance/Distribution Program-funded **Contract No. WD-2517, 8-Inch Ductile Iron Main Installation on 20th Street from Florida to Valencia Streets, and Potrero Avenue from 17th Street to 21st Street.** **Approve** Modification No. 3 (Final), to reconcile the final contract amount with the actual quantity used on unit price and allowance bid items, increasing the contract by $4,243, for a total contract amount of $1,414,743 and with a total contract duration of 270 consecutive calendar days; and **authorize** final payment to the Contractor. *(Resolution 12-0124)*

    **On motion to approve Consent items 13a and 13b:**
    **ADOPTED:** Ayes: Moran, Vietor and Torres

14. **Discuss Retail and Wholesale Water demand projections and potential water supply options to meet projected 2035 demands.**

    Mr. Steve Ritchie began his presentation on wholesale and retail water supply and demand projections. He stated the Commission is required under the 2009 Water Supply Agreement to decide by December 31, 2018 whether or not to make San Jose and Santa Clara permanent customers; to decide how much water, if any, in excess of the Supply Assurance it will supply to Wholesale Customers from the
Regional Water System; and whether to offer a corresponding increase in the Supply Assurance.

Mr. Ritchie outlined his presentation, noting he would be providing a background on performance objectives and 2018 decisions; ongoing water conservation efforts; water supply projects; and the Triple Bottom Line approach.

Mr. Ritchie proposed initial questions for the Commission to consider. Subsequent discussion ensued on water supply performance objectives, the 2018 decision and potential supply shortfall totals. He noted that drought planning is generally eight years and that the SFPUC cannot meet the 2018 demand with current supply levels.

In response to the discussion on current supply levels and needs, Mr. Art Jensen, BAWSCA, stated that the agreement the Wholesale Customers have with the City of San Francisco notes that the division of water is determined by the Wholesale Customers, and indicated that BAWSCA works with them on the allocation, with the formula as determined by the Wholesale Customers.

Mr. Ritchie described and discussion occurred regarding ongoing water conservation efforts and per capita use, as compared to peers. He indicated that San Francisco currently complies with the 20% by 2020 mandate, and mentioned the incentives that are offered to achieve conservation goals. He briefly detailed conservation success, and in response to a question from Commissioner Torres, he noted that the most effective conservation step was the replacement of toilets. Mr. Ritchie described additional steps that could be taken to achieve conservation and reasons for not implementing such conservation efforts.

Commissioner Ann Caen arrived at 12:03 PM

Mr. Ritchie presented and dialogue occurred regarding water supply projections. Mr. Ritchie presented a supply project timeline through 2020; the MGD supplied per project; and the 2 MGD transfer from the Modesto Irrigation District. He discussed Westside and Eastside recycled water projects, additional water supply options and if a rate structure based in part on ISGs/Allocations was worth exploring.

The Commission recessed from 12:45 PM to 1:15 PM
Commissioner Vince Courtney arrived at 1:20 PM

Discussion ensued on the next part of the presentation which detailed evaluation criteria considered for water supply projects, review of scoring criteria, life cycle costs, climate/energy, energy consumption and the Triple Bottom Line analysis (Financial - life cycle costs and initial costs; Environmental - climate, habitat, water recovery and natural resource use for construction materials; and Social - system resilience, ratepayer costs, agency coordination, odor, public safety, recreation/community facilities, jobs archaeological and historic resources, and noise).

Public Comment
• Bill Maher suggested building a modular plant at Southeast to provide water to Mission Bay and Hunters Point. He recommended that as the SFPUC digs up streets for the sewer replacement program, a dual pipe distribution system be installed. He also stated that the river should not be drained and that a policy needs to be established.

• Francisco DaCosta stated that in discussions regarding conservation, the Commission needs to remember the requirements of the Raker Act.

• Peter Drekmeier, Tuolumne River Trust (TRT), stated that the current discussion is a warm-up to the water transfer discussion to be held in August, and that TRT is opposed to the water transfer. He stated reports indicate that the water transfer is only needed every four to five years, and that the focus should be on conservation in the BAWSCA service territory.

• Spek Rosekrans, Director of Policy, Restore Hetch Hetchy, stated there are cooperative supply projects available, including regional desal workshops that provide opportunity for working together. He indicated that in the past the water conservation department put conservation to bid, and suggested it happen again. He questioned if drought planning refers to water in reservoirs running out or water rights running out.

• Charlotte Allen, Sierra Club Water Supply Committee, expressed concerns with economic justice and stated that the wholesale customers are pushing demand for additional water, but feel they are not paying the price for the projects for additional water. She wants Wholesale Customers charged the true marginal cost of additional water over current guarantees.

• David Pilpel suggested that in the next water supply presentation all supply and conservation options be looked at as well as the range of cost per acre foot. He feels that conservation in San Francisco has been done well, but efforts need to be made to reach out to those who might not be conserving. He noted that the Auxiliary Water Supply System distribution is important to recycled water.

• Art Jensen, BAWSCA, stated that the large water agencies are working collaboratively. He noted that BAWSCA coordinates programs of 26 agencies. He stated that BAWSCA is engaged in conservation programs, as it is less expensive than buying water from San Francisco, and that they are investing in future allocation, and that they are paying their proportional share. He also stated that they reach out to environmental groups.

15. Sewer System Improvement Program Validation Workshop #1

Mr. Harrington introduced the topic and noted that discussion of the Sewer System Improvement Program began around 10 years ago. He indicated that the presentation would be for general discussion and provide information on treatment.

Ms. Karen Kubick thanked her staff for their work on the Program. She introduced 15 rotating interns in the Young Community Developers Program, who serve as SSIP student interns and are learning about the system.
Ms. Kubick provided an overview of the three workshops on the Sewer System Improvement Program that will take place over the next few meetings. She indicated the first workshop would focus on (1) Background and Goals; (2) Rates and Affordability; (3) Treatment Levels of Service and Strategies; (4) Program Validation Overview; (5) Treatment Options and Recommendations; (6) Treatment Summary; and (7) Questions and Conclusions. She noted that the second workshop would focus on the collection system; and the third on program endorsement.

She noted that at the end of the workshops, the Commission and the public would have a better understanding of the projects needed to bring the sewer system to a state of good repair; the cost of these projects; the proposed schedule for each project; how the projects address the Commission endorsed Levels of Service Goals; and the impact to the ratepayers. After the workshops conclude, staff will seek endorsement from the Commission to move the program forward toward implementation.

Ms. Kubick gave a brief background on the timeline and program summary. She discussed priority issues and noted the Commission’s endorsed goals of a compliant, reliable system; benefits to community; environmental sustainability; affordability; minimization of flooding; and adaption to climate change.

Mr. Todd Rydstrom, CFO, discussed rates and affordability of the program and presented projected monthly water and sewer bill charges from 2012 to 2032, with implementation of the program. Costs as a percentage of average household income was addressed and rates were compared to other utilities and household services. There was discussion regarding the multiple focus groups, comprised of individuals who pay the bills, that were held throughout the City and in multiple languages. It was noted the importance their participation played in the rate discussions. The Commission expressed a desire to keep rate increases as affordable as possible and in the single digits.

Ms. Kubick shifted discussion to treatment levels of service and strategies and briefly touched again on goals and associated levels of service: (Goal) provide a compliant, reliable, resilient and flexible system; (Goal) provide benefits to impacted communities; (Goal) modify the system to adapt to climate change; (Goal) achieve economic and environmental sustainability; (Goal) maintain ratepayer affordability.

Ms. Kubick turned the presentation over to Mr. Marty Doward, Program Manager Advisor, AECOM who detailed the Program Validation Overview, which included condition assessment; process evaluations; operational reliability; and future regulatory requirements. He indicated the Program Validation Overview included 2010 SSIP staff recommendations and 2012 program validation recommendations.
Mr. Dan Donahue, Pre-Construction Technical Advisor, AECOM, presented and discussion ensued on treatment options and recommendations for the Southeast Plant biosolids digester facilities: Option 1 – maintain existing facilities; Option 2 rebuild existing facilities in place; Option 3 – new biosolids digester facility plus FOG receiving capabilities; and Option 4 – advanced energy recovery and drying facility for 50% of biosolids. The pros and cons and cost of each option were discussed and it was the recommendation that the Commission consider Option 3.

The presentation and discussion continued, with the focus turning to the Southeast Plant liquid treatment, Oceanside Plant and the North Point Facility.

Mr. Donahue detailed current conditions and findings at the Southeast liquid Treatment Facilities, including the treatment process, purpose of the process, validation findings and current needs. He presented and discussion ensued on four proposed Options: Option 1 – base project reliability and redundancy; Option 2 – includes Option 1 plus new secondary effluent UV disinfection system; Option 3 – includes Option 1 plus new 100 mgd wet weather primary facility; and Option 4 – includes options 1, 2, and 3. The pros and cons, cost and schedule of each option was discussed and it was the recommendation that the Commission consider Option 3.

Mr. Donahue’s began discussion on the Oceanside Plant. He described current conditions and findings at the Plant, including the treatment process, purpose of the process, validation findings and current needs. He presented and discussion ensued on two proposed Options: Option 1 – base project reliability and redundancy; Option 2 – includes Option 1 plus biosolids facility upgrade. The pros and cons, cost and schedule of each option was discussed and it was the recommendation that the Commission consider Option 1.

Lastly, Mr. Donahue’s discussed option for the North Point Facility. He described current conditions and findings at the Plant, including the treatment process, purpose of the process, validation findings and current needs. He presented and discussion ensued on two proposed Options: Option 1 – base project reliability and redundancy; Option 2 – includes Option 1 plus enhanced primary treatment. The pros and cons, cost and schedule of each option was discussed and it was the recommendation that the Commission consider Option 1.

Mr. Donahue briefly discussed treatment strategies and reviewed the recommend Options and associated costs, as discussed earlier.

Ms. Kubick concluded the presentation and again thanked her staff and the Commission for their support. She indicated that the next workshop, to be held July 24th, would address the collection system and the third and final.
workshop in August would summarize the Triple Bottom Line and rate impact, and review proposed options.

Public Comment
   • David Pilpel thanked staff for their work. He noted that the Citizens’ Advisory Committee is working on a resolution regarding the SSIP, and will forward as soon as it is complete. He questioned what the rate impacts were for the various options. He suggested that the North Point Facility be a year-round operation, that the Channel Pump Station be a wet weather facility. He suggested ideas about capital and rate impacts.

16. Other new business

ADJOURNMENT
   The President adjourned the meeting at 3:54 PM