ORDER OF BUSINESS

1. Call to Order, Roll Call, and Agenda Changes

The meeting was called to order at 5:35 p.m. when quorum was achieved.

Present: R.Hansen; D.Pilpel; D.Mokoro; J.Clary; K.Donovan;
Absent: A.Jensen (excused);
SFPUC Staff and Consultants Present: S.Ritchie; M.Hannaford; T.Rydstrom;
C.Jacobo; F.Lee; A.Sinclair; L.Leu; J.Chien; T.Young
Members of the Public Present: Doug Cain; Andrew Lipsett
Agenda Changes: none

2. Presentation and Discussion: Water Enterprise Operations, Hetch Hetchy Water and Power and Moccasin Operations and Facilities Issues, Margaret Hannaford, SFPUC Hetch Hetchy Water and Power Division Manager, made the presentation and took questions.

Discussion and Q&A:

R.Hansen: What does storage exceedance mean?
M.Hannaford: Looking at May 22nd on, we decide the pattern of precipitation; we look at 50 years of historic data and assign a probability to events. The exceedances are amounts of precipitation as well as temperature scenarios.

J.Clary: What does the blue line mean (referring to graph)?
M.Hannaford: Blue is how we decide to set releases under each scenario.

D.Pilpel: The Water Enterprise Regulatory group is under Tim Ramirez’s staff and the Wastewater Enterprise Regulatory group is under Marla Jurosek’s team, correct?
M.Hannaford: That is correct.
R.Hansen: What is this under?
M.Hannaford: This is under Federal Energy Regulatory Commission (FERC), which is an independent commission.

S.Ritchie: This was given by an act of Congress. This whole regulatory structure is for reliability of power.
D.Pilpel: Have we had any fines?
M.Hannaford: In 2011, we resolved a $50,000 fine.
S.Ritchie: We calculated the maximum penalty for that and came down to $50,000.
J.Clary: You have a $700M capital budget, is that correct?
M.Hannaford: That is for 10 years.
J.Clary: How much of that is funded through debt versus the operating budget? I ask because I'm seeing it on the wastewater side. Your decisions are based on what’s needed, not how it’s being funded.
C.Jacobo: About $600M (over ten years).
S.Ritchie: How much bond funding has been funded for Hetch Hetchy?
T.Rydstrom: It has traditionally been pay as you go. The $700M budget involves Hetch Hetchy up country and Power. Also with $268M for Power-related things. Historically everything was cash funded. Now we’ve migrated to $20-30M a year in bond funding.
J.Clary: So the $300M water-related bond is being repaid by regional water customers?
T.Rydstrom: 1/3rd is from San Francisco water customers and 2/3rds is from the Water System Improvement Program (WSIP).
J.Clary: The $268M for Power is funded through power revenues, correct?
T.Rydstrom: Power revenue bonds are funded through power rates that we set for Modesto Irrigation District (MID), Turlock Irrigation District (TID), San Francisco International Airport (SFO), and City departments. They are separately accounted for.
J.Clary: The headline this week was the snowpack and the Department of Water Resources (DWR) analysis. What is your snowpack analysis?
M.Hannaford: We are at 110% of where we would normally be for this date, of the long-term average.
R.Hansen: Does this pay for your operations?
M.Hannaford: It pays for a lot of our operations. We also have $23M to pay for our water operations.
R.Hansen: The improvements are a recent budget addition, correct?
M.Hannaford: The picture of the rewrites – those projects were cash funded that began in 2005. Cash funded projects were paid from power revenues.
T.Rydstrom: We didn’t have to borrow that money.
D.Pilpel: A lot of that used to occur, but after Proposition 13 in 1978, a lot of capital improvements and routine maintenance were deferred. We should make state of good repair a future agenda item. Is it mostly maintenance and capital challenges? Are there other significant challenges?
M.Hannaford: At this point, it’s mostly maintenance and capital. It is difficult given that we have linear assets, just one mountain tunnel, and one coast range tunnel, while having to do repairs on them and still meeting the delivery requirements.
S.Ritchie: Particularly given the Western Electricity Coordinating Council (WECC) and North American Electric Reliability Corporation (NERC) development, the management and change of staff has been low key and stable. It isn’t the same way anymore. This is a whole new system. It is a challenge managing that and racing with change to embrace it.
R.Hansen: To M.Hannaford - Where did you come from?
M.Hannaford: I’ve been with the SFPUC since 2007. Prior to that, I was a consultant. I did studies for FERC. I worked for Pacific Gas & Electric (PG&E), Southern California Edison, and Sacramento Municipal Utility District (SMUD).
D.Pilpel: On the accountability slide, do you have a similar review process internally about asset management? Which assets do you run to failure, risk, and determine how much should be reactive vs. proactive maintenance?

M.Hannaford: A lot of it is internal. When we look at consequences of failures on the water side, we use levels of service (LOS) goals and look at the consequences of not meeting those LOS goals. On the power side we look at the risk of power revenues to analyze the probability of failure.

D.Pilpel: Are we looking towards standardizing that type of review regardless of asset type?

M.Hannaford: We use a Monte Carlo analysis to look at the consequences of failure and quantify it. That’s how we manage and prioritize our projects.

D.Pilpel: I’m a big fan of Moccasin upgrades. That is mostly on task, especially the power house.

M.Hannaford: We plan for all of our groups to be consolidated into that building.

Public comment:

Doug Cain (D.Cain): When are the upcoming plans occurring at Moccasin?


D.Cain: Are you using bond funding?

M.Hannaford: Yes. That is actually a total of Water and Power in joint assets.

D.Cain: I was curious how much you’re spending on redoing that power house.

T.Rydstrom: It’s $42M.

D.Cain: What will that include?

M.Hannaford: It will not include the shops. It’s going to house our archives for the City. That will be centralized up in Moccasin. There are other things we’re trying to centralize in the SFPUC and its functions.

J.Clary: Is there a lesser level of preservation?

M.Hannaford: We’re just at the beginning stages of evaluating.

D.Cain: The SFPUC is able to use bond funding and not go before the voters. If this issue is put before the ratepayers, it might show that they have different opinions in the context of not having the public at large being able to vote on these bond issues. Since this issue is not voted on there is a very special responsibility as to the amount of money and where and when we spend it. As a ratepayer, I don’t know if I would make the best use of the funds to full blown upgrades.

J.Clary: Will the alternatives analysis be available for public review? Will we have the ability to review the plans prior to being finalized? Can we have this as a future agenda item?

3. Presentation and Discussion: Water Enterprise Budget Update (link to additional background information); Todd Rydstrom; Frances Lee, and Carlos Jacobo, SFPUC Finance; Steve Ritchie, AGM Water Enterprise, made the presentation and took questions.

Discussion and Q&A:

J.Clary: I’d like you to correct slide 26. Average cost and median costs: they seem to be two separate numbers.

T.Rydstrom: I’d be happy to talk to you about this. There are mean, median, and mode numbers. This slide is the median.

J.Clary: Could we get a map of where the main replacement is happening? I’m glad you are doing the meter replacements. I think it would be great to have a presentation on the post-WSIP operations.

D.Mokoro: You mentioned about working to improve emergency response. Why would it take that long?
S.Ritchie: We are putting together a more complete, aggressive training program. I’m not comfortable with the level of proficiency that we currently have. We need to do a better job. I just received a five year plan to train and enhance our capabilities. I think we do some things well, but we’re not as good as we think we are when it comes to a real emergency.

T.Rydstrom: It takes 3-4 years to finish marking all of those capital ideas.

D.Pilpel: The Full Citizens’ Advisory Committee (CAC) is supposed to advise the Commission on the operating and capital plans every year. Because we haven’t heard about this in the Full CAC, is this our opportunity to comment on the 10 year plan?

T.Rydstrom: You are able to review the documents from the last Commission meeting. We’ll present this to the Commission on February 12. The Commission is scheduled to adopt this on that date. After the Commission adopts, it goes into the citywide budget process.

D.Pilpel: It would be helpful in future presentations to identify existing projects versus new projects or candidate projects. As much as I’m supportive of facility upgrades, I’m not necessarily convinced that the City Distribution Division (CDD) is staying at Newcomb long-term. There is a proposal to spend $2.6M, but we don’t want to do that if they’re moving. I want to be sure about capital improvements and balance that against real estate the Pacific Rod and Gun Club; we should clean it up but reasonably, so, and when I see $12.4M dollars. For a new/candidate project, I become a little concerned.

Public comment:

Andrew Lipsett: Do we have any old debt service at a higher rate that can be paid off with Bay Area Water Supply and Conservation Agency (BAWSCA) funds? That would be more beneficial for rate payers.

T.Rydstrom: We looked at that we could every single bond outstanding and refinanced, so we’re using those proceeds to pay for things faster. We have individually reported proceeds.

Andrew Lipsett: You show the monthly budget for water bills. It would help if you could do it bi-monthly because that’s how we get our bills as ratepayers.

T.Rydstrom: We will migrate to monthly bills in July. Where it makes sense, we look at migrating from non-metered to metered.

4. **Staff Report**: A.Sinclair

J.Clary: For the Tuolumne Wild and Scenic River Plan, comments are due in March. Can we have this as a future agenda topic? I’d also like to see the Groundwater Environmental Impact Report.

Public comment: none


Public comment: none


7. Report from the Chair: none

Public comment: none

8. Future Agenda Items

- D.Pilpel: State of Good Repair (Asset Maintenance); Andrew DeGraca on the Water Quality Division; Andrew DeGraca’s team about Contaminants of Emerging Concern
- J.Clary: Old Maccasin Power House Rehabilitation Project; Tuolumne Wild and Scenic River Plan; Groundwater Environmental Impact Report; Francisco Reservoir
- Public comment: none

9. Public Comment: none

   Adjournment: The meeting was adjourned at 7:06 p.m. R.Hansen moved; D.Pilpel seconded.

   The next regular meeting is scheduled for Wednesday, February 20, 2013.