1. Call to Order and Roll Call

Chair Aimee Brown called the meeting to order at 9:33 a.m. and roll call was taken.

Absent: None.

There was a quorum.

2. Public Comment: Members of the public may address the RBOC on matters that are within the RBOC’s jurisdiction and are not on today’s agenda

Public Comment: None.

3. Discussion and possible action relating to the Indirect Cost Study

Charles Perl, Acting Finance Director, SFPUC, presented the report on the Indirect Cost Study.

Patrick Smythe, Raftelis Financial Consultants, reviewed and updated the Overhead Cost Allocation Analysis dated April 17, 2009. The review of the full overhead of costs was analyzed with two different methods: the first method took all costs into account; and the second took into consideration only those items permitted by OMB Circular A-87.
There are six objectives of the report: 1) develop updated overhead cost procedures for allocating the costs to Water, Wastewater, and Hetch Hetchy Water and Power Enterprises; 2) ensure that each cost allocation uses the most appropriate basis considering the limitations of practicality, technology, and available data; 3) identify opportunities for streamlining the cost allocation process; 4) document the cost allocation process in a format that is informative without being unduly complex or burdensome; 5) produce a new financial model that includes recommended improvements; and 6) calculate updated cost allocations and overhead rates.

The method and considerations chosen by Raftelis Financial Consultants tractor was based upon available information and the cost/benefit reality of pursuing other avenues of evaluations (diminishing value of returns).

Mr. Sutter inquired as to what percentage of the 30.7 million dollars is allocated for WSIP. Mr. Rydstrom replied that 85% is for WISP.

Mr. Jones inquired as to whether or nor the bifurcation of direct cost and indirect cost is distributed fairly. Is WSIP paying its fair share of indirect cost based on the direct cost it is allocated or charged with?

Public Comment: None.

4. Report from SFPUC staff concerning the Master Water Sales Agreement

Todd Rydstrom, Assistant General Manager and Chief Financial Officer, SFPUC, and Ms. Levin, SFPUC, presented a report on the Master Water Sales Agreement.

In fiscal year 07/08 the total water sales was 120,755,904 ccf, netting $219,959,140 of revenue. 1/3 of the current water sales volume is consumed by retail customers while 2/3 is consumed by wholesale customers.

Price elasticity studies try to predict how the consumers will conserve water to save financially, based upon various price increases. This will affect revenue risk to the SFPUC from water sales due to price increases.

Mr. Browne stated that between 1959-1960, when the Master Waster Agreement was previously signed the Peninsula consumed 125 millions gallons of water a day and the City of San Francisco consumed 101 millions gallons of water a day. Why did we, in 1984, agree to give the Peninsula 184 million gallons of water a day?
Mr. Browne questioned how the delivered rate of 265 million gallons of water a day was established in 1985. Mr. Rystrom stated that the rate was established under the Phased Variant.

Comments submitted by Mr. Browne:

<table>
<thead>
<tr>
<th>Year</th>
<th>SF Suburb</th>
<th>Total HH</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959/60 to 1983/84</td>
<td>MGD</td>
<td>MGD</td>
</tr>
<tr>
<td>Mean</td>
<td>100.8</td>
<td>125.5</td>
</tr>
<tr>
<td>SDEV</td>
<td>10.9</td>
<td>32.3</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>SF Peninsula</th>
<th>Total HH</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984/85-2007/08</td>
<td>MGD</td>
<td>MGD</td>
</tr>
<tr>
<td>Mean</td>
<td>84.6</td>
<td>165.3</td>
</tr>
<tr>
<td>SDEV</td>
<td>6.5</td>
<td>16.1</td>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>SF Suburb</th>
<th>HH System</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959/60 to 2007/08</td>
<td>MGD</td>
<td>MGD</td>
</tr>
<tr>
<td>Mean</td>
<td>92.9</td>
<td>145.0</td>
</tr>
<tr>
<td>SDEV</td>
<td>12.1</td>
<td>32.4</td>
</tr>
</tbody>
</table>

Mr. Jones asked how many gallons per day can the water system deliver if we didn’t have environmental concerns. Ms. Levin stated that the peak water deliver capacity varies from year-to-year due to environmental condition (droughts, storms, and storage capacity). However, assume optimal condition the system can deliver over 300 million gallons of water per day.

In response to Mr. Jones’ question Ms. Levin stated that water wells are permitted; however, the ground water system is regulated by SFPUC and the public must get permission before constructing a well.

Public Comment: None.

Mr. Browne was excused from the meeting at 11:55 a.m.

5. Report from SFPUC staff concerning an update on the various national stimulus plans and its affect on WSIP programs

Mike Brown, SFPUC, presented a report on the national stimulus plan and its effect on WSIP programs.

The three areas of funding are: Energy, Water, and Wastewater.
The Department of Energy has changed their dates for issuing their notice of intent to proceed from April until June; therefore any funds would not be available until September.

There has been no new updates concerning Water projects. The SFPUC has begun the application process for over $100,000,000 in projects and a project manager has been assigned. However, the majority of the funds have already been allocated to disadvantaged communities, in which SF does not qualify, or grants to backfill halted capital projects. SFPUC is currently working with legislators to have metropolitan areas included. SFPUC can still apply for the loan program, but is not eligible for grant funds at this time.

Public Comment: None.

6. Report from SFPUC staff concerning an update on WSIP projects
   Continued to May 20, 2009.

7. Discussion and possible action regarding the approval of the minutes from the RBOC meeting held on March 16, 2009
   Mr. Sutter moved, seconded by Mr. Rhorer, to approve the minutes of the March 16, 2009.
   Ayes: Chair Brown; Rhorer; Jones; Sutter; Sweetland
   Noes: None.
   Excused: Browne.
   Public Comment: None.

8. Discussion and possible action relating to RBOC member information requests raised in today's meeting
   Mr. Sweetland stated that the SFPUC is preparing a request for a proposal for services because of the dollar value involved. The RFP should be published within a week and be open for four weeks. Notice to proceed should occur in approximately eight weeks.

9. Discussion and possible action for future agenda items
   Chair Brown requested the following items be placed on the next RBOC agenda:
   a. The Masterwater Sale Agreement
   b. The Indirect Cost Study Report
   c. The update on the Stimulus Plan and its affect
   d. The presentation on Phased Variant
Mr. Sutter requested information concerning the extension of the sunset
date for the RBOC. Inclusion of details on options and their pros and cons
is also requested. (Requested for June 2009).

Mike Brown, SFPUC, will present possible dates for an inspection of
Hetch Hetchy Facilities.

Mr. Jones requested a meeting with the General Manager of the SFPUC
before the RBOC.

Mr. Jones requested a status report concerning the recruitment of a new
RBOC member.

10. Adjournment

Mr. Sweetland moved, seconded by Mr. Rhorer, to adjourn the meeting.

Ayes: Chair Brown; Rhorer, Jones; Sutter, Sweetland
Noes: None
Absent: Browne

The meeting adjourned at 12:10 p.m.
Mr. Sweetland requested an update on the status of the replacement for office street?? (Please let me know if you have further information. I couldn’t get any more detail from the audio recording).