



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Mark Farrell

Mayor

Minutes

Tuesday, May 8, 2018

(Approved May 22, 2018)

1:30 P.M.

1 Dr. Carlton B. Goodlett Place
City Hall, Room 400
San Francisco, CA 94102

Commissioners

Ike Kwon, President

Vince Courtney, Vice President

Ann Moller Caen

Francesca Vietor

Anson Moran

Harlan L. Kelly, Jr.

General Manager

Donna Hood

Secretary



For information, contact the Commission Secretary at 415-554-3165
Minutes and other information are available on the SFPUC web site:

www.sfwater.org

Gavel-to-Gavel coverage available at:

http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=22

1. Call to Order

Vice President (VP) Courtney called the meeting to order at 1:32 PM.

VP Courtney announced that former SFPUC legal counsel Noreen Ambrose has been appointed to the San Francisco Ethics Commission.

He congratulated SFGTV for their sixth consecutive nomination for at Northern California Emmy.

He stated the SFPUC's Golden Pride Awards will be taking place soon.

2. Roll Call

Present: Courtney, Caen, and Vietor

Excused: Kwon and Moran

3. Approval of the Minutes of April 24, 2018

On Motion to approve the Minutes of April 24, 2018:

Ayes: Courtney, Caen, and Vietor

No public comment.

4. General Public Comment

- Francisco DaCosta noted his absence from the meetings and stated that the Commission needs to pay attention to those who come to speak. He discussed the Phelps Plant upgrade, mitigation measures, and the Sewer System Improvement Program (SSIP). He questioned recent staff retirements.*
- Renee Anderson stated she is shifting her career to the water industry and requested any assistance that can be provided.*

5. Communications

a) Advance Calendar

b) Correspondence Log

c) Contract Advertisement Report

d) Schedule of Rates and Charges for Non-Municipal, Residential, Commercial Electric Service

e) Water Supply Agreement (WSA) Update

The Commission Secretary stated that the WSA Update was modified (item 5 top of page 2, and item 2 on the bottom of page 2), with copies provided to the Commission and made available to the public.

f) Water System Improvement Program Status of Construction Change Orders

g) Water Supply Conditions Update

No public comment.

6. Other Commission Business

None.

7. Report of the General Manager (GM)

a) CleanPowerSF Update

b) *Barbara Hale, Assistant General Manager (AGM) Power, provided a CPSF update: (1) Enrollment: Serving 81,000 accounts; 3.2% opt-out rate; 4.2% SuperGreen upgrade rate; 2017 Power Source Disclosure Reports are action items on the Consent Calendar; Enrollment notices for July enrollment have been sent, with the expectation that enrollment will increase to 105,000, with the addition of mostly commercial accounts; and (2) Master Agreements and Confirmations that bill the power supply portfolio have been signed by the GM. AGM Hale thanked staff for their work and introduced Mike Hyams, CleanPowerSF Director, who provided a program update.*

Director Hyams discussed: (1) CleanPowerSF portfolio (before recent contracting work), which showed annual projected energy demand and contracting supply over the next 12 years; (2) CleanPowerSF portfolio (after recent contracting work), which showed additional energy contracted; and (3) Projected 2018 power content (48% renewable (includes Green and SuperGreen) and 81% GHG-free).

Director Hyams responded to questions from VP Courtney regarding Tehachapi jobs data or requirements; and to a question from Commissioner Vietor regarding the projected 2018 Power Content purchases. Brief discussion ensued. Mr. Hyams responded to a question from Commissioner Caen regarding how far out contracting will go.

Director Hyams continued his presentation with a review of the program's five-year financial projection. He anticipates a 10% operating margin projected for the next two years, which includes a 5% contingency in power supply line. He stated the reserve target is expected to be met in 2023.

Mr. Hyams responded to a concern of Commissioner Caen regarding the jump in SuperGreen from \$1.7M to \$4.8M (FYE 19 to FYE 20).

VP Courtney thanked AGM Hale for recognizing her team and their work.

No public comment.

c) Water Enterprise Capital Improvement Program (CIP) Quarterly Report

Dan Wade, Director, Water Capital Projects and Programs, provided the Water Enterprise CIP quarterly report: Sunol Valley Water Treatment Plant; Tesla Treatment Plant; and local water projects, highlighting the Van Ness Improvement Project, Irving Street, Sunol long-term improvements, San

Francisco Groundwater Supply, Automated Water Meter Program, and Southern Skyline Boulevard Ridge Trail Extension.

In response to a question from Commissioner Caen, Director Wade stated he would provide information on the status of the Masonic Street project.

No public comment.

d) Water System Improvement Program (WSIP) Quarterly Update and Local and Regional Reports

Director Wade provided the WSIP quarterly update: (1) Program Status: 86 projects totaling \$4.8B; 96% complete with \$4,342M expended and \$445M remaining; (2) Calaveras Dam Replacement: Director Wade responded to a question from Commissioner Caen regarding the location of the fossils; (3) Fish Passage at Alameda Creek Diversion; (4) Regional Groundwater Storage and Recovery; (5) Bioregional Habitat Restoration; and (6) Review of Water System Improvement Program close-out projects.

No public comment.

e) Report on Recent SFPUC Activities, Events and Announcements
None.

The Commission Secretary read the Consent Calendar summary.

8. Consent Calendar:

- a) Approve execution of an attestation of veracity for SFPUC's CleanPowerSF program 2017 Power Source Disclosure (PSD) Report and submission of that Report to the California Energy Commission. CleanPowerSF is required by State law to annually disclose the sources of electricity generation used to serve its end-use electric customers through the preparation of the PSD Report and Power Content Label. During the 2017 calendar year, CleanPowerSF successfully delivered 100% of its electric energy supply from greenhouse gas free sources and a substantial portion from renewable energy sources under California's Renewable Portfolio Standard. For Green customers, the percentage of supply attributable to renewable energy sources was 43%; for SuperGreen customers, renewable energy resources comprised 100% of the supply portfolio. ([Resolution 18-0074](#))
- b) Approve execution of an attestation of veracity for the SFPUC's Hetch Hetchy Power's 2017 Power Source Disclosure (PSD) Report and submission of that Report to the California Energy Commission. The SFPUC is required by State law to annually disclose the sources of electricity generation used to serve the SFPUC's end-use electric customers through the preparation of the PSD Report and Power Content Label. The 2017 PSD Report discloses that the electricity sources used to serve Hetch Hetchy Power's end-use electric customers were 100% greenhouse-gas

free hydroelectric generation. This PSD report covers the SFPUC's operations as a publicly-owned electric utility, Hetch Hetchy Power. ([Resolution 18-0075](#))

- c) work performed by Steve P. Rados Inc., for Contract No. WD-2629, Seismic Upgrade of Bay Division Pipeline 3&4 at the Hayward Fault; approve Modification No. 35 (Final), decreasing the contract by amount by \$94,366 for a total contract amount of \$37,057,634, and increasing the contract duration by 766 consecutive calendar days for a total contract duration of 1,698 consecutive calendar days; ratify correction of the initial award duration from 828 consecutive calendar days to 858 consecutive calendar days; and authorize final payment to the contractor. ([Resolution 18-0076](#))
- d) Approve an increase to the existing construction contract cost contingency in the amount of \$8,230,477 and an increase to the existing contract duration contingency in the amount of 358 consecutive calendar days, for Contract No. WD-2668, Regional Groundwater Storage and Recovery; authorize the General Manager or his designee to approve future contract modifications for a total revised amount up to \$59,578,678, and a total revised contract duration up to 1,545 consecutive calendar days; and ratify correction of the initial award duration from 917 consecutive calendar days to 1,007 consecutive calendar days. ([Resolution 18-0077](#))

No public comment.

*On Motion to approve the Consent Calendar (8a through 8d):
Ayes: Courtney, Caen, and Vietor*

9. Approve the selection of Arcadis U.S., Inc.; award Agreement No. PRO.0068, Biosolids Digester Facilities Construction Management Staff Augmentation Services to provide fully qualified and experienced construction management personnel to assist the SFPUC in managing the construction of the Biosolids Digester Facilities Project; and authorize the General Manager to negotiate and execute a professional services agreement with Arcadis for an amount not-to-exceed \$42,000,000, with a duration of seven years, subject to Board of Supervisors approval pursuant to Charter Section 9.118. ([Resolution 18-0078](#))
Carolyn Chiu, Biosolids Digesters Facility Project Manager, introduced the item and requested Commission approval. Ms. Chiu and GM Kelly responded to a question from Commissioner Caen as to how the not-to-exceed amount of \$42M was derived, and a question regarding there being a single bidder.

No public comment.

*On Motion to approve Item 9:
Ayes: Courtney, Caen, and Vietor*

10. Approve the terms and conditions and authorize the General Manager to seek approval by the Board of Supervisors and Mayor to execute a 60-year lease with MP Shoreline Associates Limited Partnership and MP Shorebreeze Associates, L.P. as co-tenants to use approximately 1.96 acres of San Francisco Public Utilities Commission Parcel No. 201-A in Mountain View, California for parking, landscaping, and temporary construction staging serving the adjacent affordable housing complex, Shorebreeze Apartments, at an initial annual rent of \$100,874, with rent increases every five years. ([Resolution 18-0079](#))
Michael Carlin, Deputy General Manager introduced the item and requested approval.

No public comment.

*On Motion to approve Item 10:
Ayes: Courtney, Caen, and Vietor*

11. Public Hearing: Consider and Adopt the proposed Wholesale Revenue Requirement and rate schedule for FYE 2019, to be applied to meter readings on or after July 1, 2018. This rate schedule reflects the terms of the 2009 Water Supply Agreement between the City and County of San Francisco and the Wholesale Customers, which was approved on April 28, 2009 by Commission Resolution No. 09-0069. This action constitutes the Approval Action for the purposes of California Environmental Quality Act, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0080](#))
Charles Perl, Deputy Chief Financial Officer (CFO) stated there was no change requested to Wholesale water rates for FY19, and that a 1 cent increase is requested to the discount for those who take raw water (untreated water).

No public comment.

*On Motion to approve Item 11:
Ayes: Courtney, Caen, and Vietor*

12. Public Hearing: Consider and adopt a new schedule of rates for Hetch Hetchy Power Enterprise electric utility service for General Use rates that apply to certain municipal entities supported primarily by the City's General Fund, and certain non-City governmental agencies such as the San Francisco Unified School District, and certain non-profit entities such as the California Academy of Sciences, that are closely related to the City through City governance, financial support, or other legacy relationship for FY 2018-19 and FY 2019-20, to be applied to meter readings on or after July 1, 2018. The proposed action constitutes the Approval Action for the purposes of California Environmental Quality Act, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0081](#))
Deputy CFO Perl began his presentation with a description of the different SFPUC electrical customer groups: Retail Electric; General Use (GUSE); Enterprise; Irrigation Districts; Wholesale Market; and CleanPowerSF.

He discussed the history of general use municipal electric rates. He noted the 2016 power rate study was completed; two-year municipal rates approved (half-cent rate increases each year); expanded retail rates in advance of redevelopment; and CleanPowerSF rates implemented.

He reviewed current GUSE rates (six different rates based on the department); and reviewed the proposed single GUSE rate for FYE 2019 and FYE 2020 (consolidate into single rate including half-cent per kWh increase).

Mr. Perl responded to a question from Commissioner Vietor regarding which departments will get the largest rate increases, noting some departments will see an increase and some a decrease. He provided clarification on the duration of the rate increase, stating a cost of service study is conducted every five years. He indicated the increase is still below the cost-of-service.

AGM Hale responded to a question from Commissioner Caen as to who is the power provider to city departments, including those who are housed in city-owned properties and those who are housed in leased space.

AGM Hale responded negative to a question from Commissioner Vietor as to whether CleanPowerSF excess cost-of-services revenues can be used to cover the cost-of-service to Municipal customers.

No public comment.

*On Motion to approve Item 12:
Ayes: Courtney, Caen, and Vietor*

At the request of VP Courtney, the Commission Secretary read items 13 and 14 together. VP Courtney indicated there would be a single presentation for both items, followed by separate public comment and discussion for each item.

13. Public Hearing: Consider and approve revisions to existing fees, elimination of certain fees, and adoption of new fees for: (1) billing and account services; (2) water service connections; (3) land use; (4) regulatory compliance; and (5) laboratory testing related to the San Francisco Public Utilities Commission provision of water and wastewater service. If approved, the proposed fees will become effective July 1, 2018. The proposed action constitutes the Approval Action for the purposes of California Environmental Quality Act, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0082](#))
14. Public Hearing: Proposal to: (1) reduce the Returned Check and Pending Shutoff Notice Fees; and (2) eliminate the New Account and Service Turn-On Fees charged for customers of the SFPUC Power Enterprise. The proposed action constitutes the Approval Action for the purposes of California

Environmental Quality Act, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0083](#))

Deputy CFO Perl provided a single presentation for items 13 and 14. He noted the rates were presented to the Rate Fairness Board in March. (1) Background and work overview; (2) Existing fees and charges (Billing and Account Service Fees, Water Service Connection Fees, Land Use and Facility Rental Fees, and Laboratory Testing Fees); (3) Proposed new Water Fees: (Backflow Tag Fee; and Cross-Connection Control Test Fee); (4) Proposed new Wastewater Fees: (Stormwater Control Plan Review Fee; Pretreatment Permits Application Fee; and Pretreatment Facility Re-Inspection Fee); and (5) Eliminated and reduced fees for affordability: Eliminate - New account charge, Shut-off fee, Water turn-on fee, and Power turn-on fee; and (6) Recommended to reduce - Return check charge (from \$105 to \$50); and 48-hour notice (reduce from \$55 to \$50).

Deputy CFO Perl thanked the finance staff for their work on the rates items.

Mr. Perl responded to a question from Commissioner Vietor regarding the Stormwater and Cross-connection Fees and if there are any unintended consequences resulting from the fees.

Public Comment Item 13

- *Laura Tam, SPUR, expressed support for the item and noted the letter of support that was provided to the Commission. She indicated support for fee equity. She discussed the 2018 rate study and stormwater fees and the SSIP and asked that SSIP planning documents be published.*

Kathy How, AGM Infrastructure, responded to a question from Commissioner Vietor as to when SSIP planning document will be made available. VP Courtney discussed the need for fee equity.

*On Motion to approve Item 13:
Ayes: Courtney, Caen, and Vietor*

No public comment on item 14.

*On Motion to approve Item 14:
Ayes: Courtney, Caen, and Vietor*

15. Public comment on matters to be addressed during Closed Session
None.

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

*On Motion to assert:
Ayes: Courtney, Caen, and Vietor*

No public comment.

The Commission entered Closed Session at 3:03 PM.

17. Conference with Legal Counsel – Pursuant to California Government Code Sections 54956.9 (d)(2) and (e)(3), and San Francisco Administrative Code Section 67.10 (d)(2)
Pending Litigation
Charleen Maghzi v. City and County of San Francisco
Government Code Claim No.: 16-02226
Date Filed: February 17, 2016
Proposed partial settlement of claim with City to pay \$510,698 for home foundation repair work; and claimant to retain the services of an engineering firm with at least five years of subgrade foundation repair experience (Resolution 18-0084)

The Commission exited Closed Session at 3:13 PM.

18. Announcement following Closed Session
VP Courtney announced that a settlement was reached on item 17.
19. Motion regarding whether to disclose the discussions during Closed Session pursuant to San Francisco Administrative Code Section 67.12(a)

No public comment.

On Motion not to disclose:
Ayes: Courtney, Caen, and Vietor

20. Other New Business
None.

21. Adjournment
VP Courtney adjourned the meeting at 3:13 PM.