



San Francisco  
**Water Power Sewer**

Services of the San Francisco Public Utilities Commission

**SAN FRANCISCO PUBLIC UTILITIES  
COMMISSION**

City and County of San Francisco

**London N. Breed**  
Mayor

**SPECIAL MEETING MINUTES**

**Thursday, January 20, 2022**

**9:00 AM**

**(Approved February 8, 2022)**

This meeting was held by Teleconference Pursuant to the Governor's Executive Order N-29-20 and the Twelfth and Forty-First Supplements to Mayoral Proclamation Declaring the Existence of a Local Emergency Dated February 25, 2020

**Commissioners**

Anson Moran, President  
Newsha Ajami, Vice President  
Sophie Maxwell  
Tim Paulson

**Dennis J. Herrera**  
General Manager

**Donna Hood**  
Secretary



1. Call to Order  
*Chair Ajami called the meeting to order at 9:00 AM.*

2. Roll Call  
*Moran, Ajami, Maxwell, and Paulson*

*Mr. Ed Harrington announced his resignation from the Commission due to a potential conflict of interest. He expressed his appreciation to the Commission and staff for their work and for his time on the Commission.*

*The Commission Secretary announced that presentation of item 4 concluded at the meeting of January 14<sup>th</sup> and that it would not be heard.*

3. Summary of Budget Hearing Questions  
*Charles Perl, Deputy Chief Financial Officer (CFO), briefly discussed staff responses to Commissioner questions from the January 14, 2022 meeting: (1) Zero percent rate change for FY23 Water/Wastewater; (2) Capital Planning goals (meet investment needs, efficient use of funds, and customer affordability); (3) Capital Planning challenges (accumulated unspent funds, uncertainty on deliverability, significant growth in capital plan, and prioritize projects within constraints); (4) Capital Planning competing priorities; (5) “Unfunded” portion of Capital Plan; (6) Implication of “unfunded” portion of Capital Plan; (7) What the SFPUC does about the Capital Plan “unfunded” portion; and Where is capital now; (8) Historical and Projected Water Sales Volumes graph updated to include sensitivities; (9) FY23 draft Water Financial Plan (2.3% 10-year average annual retail rate change). Chair Ajami requested that costs broken down by variable and fixed; (10) Wastewater Sales Volumes historical and projected; (11) FY23 Wastewater Financial Plan draft (5.8% 10-year average annual retail rate change); (12) Projected combined Water and Wastewater utility costs within current SFPUC affordability goals; (13) Projected combined Water and Wastewater bill growth significant; (14) Hetch Hetchy Power sales volumes historical and projected; (15) Hetch Hetchy Water & Power FY23 10-year Financial Plan draft; and (16) CleanPowerSF (CPSF) FY23 10-year Financial Plan.*

*In response to Commissioner Maxwell’s requested for an example of “reducing the biosolids”, Mr. Perl stated options can include looking at different contract methods, public-private partnerships, and the schedule. In response to a follow-up question, he discussed ways to address difficulties in prioritizing.*

*President Moran thanked Mr. Perl for the presentation. He noted past discussions regarding the unfunded capital plan and the importance of addressing it for full disclosure. He stated at the top of the list must be maintaining the ability to do the job, infrastructure, and not putting things off. He noted the need to balance and challenge constraints as they may be more flexible than thought. He stated he was encouraged by the process.*

*Dennis Herrera, General Manager (GM) thanked the Commission for their questions, comments, and dialogue. He indicated he encouraged staff to look at the process as an*

*opportunity to rise to a challenge that is based on transparency. He noted the motivation is to deliver a thriving and working system that is affordable to ratepayers.*

*Chair Ajami discussed the “utility of the future” and asked that staff be more strategic about cross-enterprise collaboration with financing. She discussed risk assessment and challenged staff to look at risk in a futuristic manner. She noted the relationship between reliability and demand.*

*In response to a question from Chair Ajami as to whether there was unfunded capital in the Water System Improvement Program (WSIP), Mr. Perl stated there has not been any unfunded capital plan during his tenure and stated that WSIP was fully funded.*

#### Public Comment

- David Pilpel expressed shock at Mr. Harrington’s resignation and thanked him for his service. He stated he looked at the September 28, 2021 minutes and he did not see discussion on the proposed rate freeze, and requested the presentation be posted or sent to him. He stated he is unclear as to the staff assessment as to the direct fiscal impact of the proposed rate freeze and assumptions about less water and wastewater use in the coming year.*
- Nicole Sandkulla, BAWSCA CEO, expressed appreciation for the detail provided regarding funding issues with the 10-year Capital Improvement Program (CIP), including detail of the unfunded portion of the Water CIP and its implications. She indicated BAWSCA looks forward to future engagement regarding the delivery of the CIP. She expressed concern with the graphic showing projected retail and wholesale water sales projections, stating it shows only projections generated by the financial team and doesn’t reflect planning that has been done as per plans adopted by the Commission or the BAWSCA member agencies. She thanked Commissioner Harrington for his service.*

*The Commission Secretary re-announced that item #4 would not be heard.*

4. Wastewater Enterprise
  - a) FY 2022-23 and FY 2023-24 Operating Budget
  - b) FY 2022-23 through FY 2031-32 Capital Plan, including the FY 2022-23 Capital Budget
5. Hetch Hetchy Power Enterprise, including CleanPowerSF (CPSF)
  - a) FY 2022-23 and FY 2023-24 Operating Budget
  - b) FY 2022-23 through FY 2031-32 Capital Plan, including the FY 2022-23 Capital Budget

*Barbara Hale, Assistant General Manager (AGM) Power, stated the Power Enterprise is comprised of one enterprise with two distinct budgets (1) Hetch Hetchy Power, San Francisco’s publicly owned, retail electric utility, and (2) CPSF, San Francisco’s Community Choice Aggregation Program. She indicated that together they provide over 70% of the electricity consumed in San Francisco. She stated the Power Enterprise owns, operates, and maintains 30,000*

*streetlights and funds all costs associated with operating and maintaining streetlights, including about 20,000 in San Francisco that are owned by PG&E.*

*AGM Hale reviewed the \$430M operating budget, which is 27% of the SFPUC's overall budget. She stated that 78% of the Power budget goes toward the purchase of power, which is the major driver of funds; 16% "all other"; and 6% personnel. She stated that power revenue and ratepayers support about half of the Hetchy Water annual operating budget.*

*AGM Hale reviewed the Power organizational chart stating the Power Enterprise is divided into four organizational groups (1) Operations (129 FTE); (2) Programs and Planning (56 FTE); (3) CleanPowerSF (16 FTE); and (4) Federal Agreements and Acquisition Analysis (7 FTE).*

*AGM Hale noted five functional budget areas for the Power Enterprise (1) Power Supply; (2) Power Transmission (Hetch Hetchy only); (3) Power Distribution (Hetch Hetchy only); (4) City programs; and (5) Power Administration. She indicated that 75% of overall FYE21 targets were met by the functional areas.*

*Ms. Hale discussed the "Pilot Annual Planning Process" which is to establish an intentional, data driven, and outcome-focused planning process. She stated their guiding priorities are climate change, customer retention, customer satisfaction, efficiency, Racial Equity, rates, and revenue.*

*She reviewed accomplishments and discussed key challenges (1) Temporary positions and vacancies (45% vacancy). She noted the difficulty in recruiting trade positions and the slow pace of city and SFPUC hiring; the growth of the business; retaining talented employees with permanent positions; and the need to convert temporary positions to permanent; (2) Cost of Power: she reviewed the SFPUC 2022-23 total uses by budget category, noting 21% is for energy, and reviewed the SFPUC FY 2022-23 energy budget category. Of the 21% SFPUC energy budget 61% is for electricity, 35% for transmission, distribution and related, and 4% for gas and steam. She reviewed the Hetch Hetchy and CleanPowerSF cost of power purchase projection, and the Power Supply Risk Management Measure Portfolio Laddering; (3) Wholesale Distribution Tariff #3 (WDT3) which proposed doubling annual distribution charges from \$10M annually to at least \$20M, the elimination of service to unmetered loads (streetlights and traffic signals), and elimination of service to secondary loads; (4) Rates – Hetchy: General Use (GUSE), Hetch Hetchy retail rates, and Enterprise rates. She stated Hetch Hetchy rates are above and below cost of service, and GUSE rates are heavily subsidized, and that taken as a whole rates do not cover costs. New rates to cover cost of service are expected to be before the Commission in the spring with implementation in July 2022; (5) Rates – CleanPowerSF: The CleanPowerSF bill is not fully under SFPUC control (e.g., PCIA) and Power only controls rates on generation. There is organizational risk in tying SFPUC rates to PG&E. New rates are being developed to ensure reserve targets are hit; and (6) The Build Imperative – Hetchy: Power's 2016 Business*

*Plan showed that improvement and survival requires sales and growth through investment in local distribution. The Plan established the Hetch Hetchy Power target to double its sales to grow to 300 MW.*

*AGM Hale reviewed the 10-Year (load) growth plan for Hetchy and strategic growth investment noting the need to ask if they are functionally relevant, economically justifiable, technically viable, and socially responsible.*

*AGM Hale provided an overview of the budget requests for (1) Acquisition Analysis Project; (2) Redevelopment; (3) Core Customers; and (4) 26 requested positions (25 Hetchy Power and 1 CleanPowerSF).*

*Ms. Hale discussed operating proposals for (1) Responsible Management: Growing our Revenue; (2) Access and Affordability; (3) Supporting People and Communities; and (4) Candidate Capital Projects, which are needed to meet and secure Hetch Hetchy's targets for growth. She stated these projects did not fit within projected revenues so were not Capital funded at this time.*

*AGM Hale reviewed Hetchy Power Use of Funds FY2022, FY2023, and FY2024; Hetchy Power Total Budget FY2022, FY2023 and FY2024, with 2022-23 request of \$153.7M (10% change) and FY2023-24 request of \$171.5M (12% change).*

*AGM Hale reviewed Hetchy Power total positions for 2022-23 (14% change) and for FY 2023-24 (5% change).*

*AGM Hale reviewed CleanPowerSF Use of Funds FY2022, FY2023, and FY2024; CleanPowerSF Total Budget FY2022, FY2023 and FY2024, with a 2022-23 request of \$282.3M (24% change) and FY2023-24 request of \$207.5M (4% change).*

*AGM Hale reviewed CleanPowerSF total positions for 2022-23 (0% change), and FY2023-24 (2% change).*

*AGM Hale reviewed the Hetch Hetchy Power and CleanPowerSF 10-Year Capital Plan and proposed Capital budgets.*

*In response to a question from Commissioner Paulson about the function of a "temporary" position and when it should or could become a permanent position, AGM Hale stated that temporary positions make sense with a project or task that is not a continuing responsibility, such as the acquisition project, with a look to convert those temporary positions to permanent if the work will persist. She discussed obstacles encountered to make that happen, including capacity and compensation.*

*In response to a question from President Moran regarding how many eligible customers have enrolled in CleanPowerSF, AGM Hale indicated that 99% of eligible customers have enrolled.*

*In response to a follow-up question regarding what is and is not in “projected load growth” and redevelopment, AGM Hale stated they were surprised that the pace of construction did not slow down with COVID. As a result, load growth is being restored in the draft financial plan. She discussed other Hetchy load including that which is reliant on the PG&E’s grid and is the unmetered load. She stated this results in a reduction in revenue and in the 10-year financial projections due to the anticipated loss of that unmetered load. Brief discussion ensued.*

*Commissioner Maxwell thanked AGM Hale for the presentation. AGM Hale responded to her question regarding PG&E’s intention for all of the unmetered load and their reasons for requesting SFPUC’s unmetered load. She responded to a follow-up question regarding strategies for more diverse recruitment efforts.*

*AGM Hale responded to a question from Chair Ajami regarding redevelopment and the leasing of rooftops for solar and discussed associated challenges.*

*AGM Hale responded to a question from President Moran regarding intervening facilities, stating it is intended to address situations for existing customers as they improve their facilities.*

#### Public Comment

- *David Pilpel expressed thanks to AGM Hale and the Power team for their work. He suggested moving Hetch Hetchy Water and Power under the Power Enterprise. He discussed California Independent System Operator power costs and disincentives to transmission line maintenance and the need for Sunset Reservoir South Basin solar generation. He expressed his support for a new power line from Newark to San Francisco and stated that transmission loss argues for more in-city generation. He suggested there should be a proportional approach to intervening facilities. He expressed support for increasing general use rates to achieve cost of service; stated all power service rates should default to time-of-use, with limited exceptions; discussed new position requests; streetlight acquisition; and PG&E’s request for metered connections.*

*The Commission Secretary announced with business completed, no motion was required for item #6.*

6. Motion to continue meeting to a Special Meeting noticed for Thursday, January 27, 2022

7. Adjournment  
*Chair Ajami adjourned the meeting at 11:38 AM.*