



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, April 10, 2018**  
(Approved April 24, 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](http://www.sfwater.org)

Gavel-to-Gavel coverage available at:

[http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=22](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=22)

1. Call to Order

*President Kwon stated that due to the lack of quorum the meeting would be delayed. President Kwon called the meeting to order at 2:45 PM.*

*President Kwon stated the order of items on the agenda would be revised and that there would be no Closed Session. Items were heard in the following order: 1 through 4; 9 through 14; and 5 through 8.*

*President Kwon announced that the three-minute time limit for public comment would be enforced.*

2. Roll Call

*Present: Kwon, Caen, and Moran*

*Excused: Vice President Courtney and Commissioner Vietor.*

*The Commission Secretary read the following announcement: "On today's Agenda, the Commission will be considering under Item 11, the Proposal to Adopt Water Rates for FYE 2019-2022, and under Item 12 the Proposal to Adopt Wastewater Rates for FYE 2019-2022. The Commission has received written protests against the proposed rates by mail and considered those protests pursuant to Proposition 218. Any property owner or customer who is submitting a written protest in person today should submit his or her written protest to me before the Commission acts on these items later in the meeting."*

3. Approval of the Minutes of March 27, 2018

*On Motion to approve the Minutes of March 27, 2018:*

*Ayes: Kwon, Caen, and Moran*

*No public comment.*

4. General Public Comment

- Robert Rossi discussed stormwater and wastewater run-off on soft-scapes, stating that since the water is absorbed the owner should be exempt from fees.*
- Peter Drekmeier, Tuolumne River Trust, discussed the Bay Delta Plan and what they view as failed efforts to work in collaboration with the SFPUC on the Plan.*
- Wendy Liu, ABC Supermarket, discussed the long duration of construction work and the negative effect on her business.*

*President Kwon stated that item 9 would be heard next.*

9. Public Hearing: Discussion and possible action to approve the project-level scope, schedule, and budget of the March 2018 Proposed Revised Water System Improvement Program (WSIP) and direct staff to send a Notice of Change Report to the California Joint Legislative Audit Committee, the State Water Resources Control Board, and the Alfred E. Alquist Seismic Safety

Commission in compliance with California Assembly Bills 1823 and 2437. Proposed changes to the WSIP include: (1) the extension of the overall program completion date from December 20, 2019 to December 30, 2021; (2) the increase of the forecast cost of regional projects by \$42 million from \$4,373,800,000 to \$4,415,800,000 (1% increase); and (3) a scope change to the Regional Groundwater Storage and Recovery Project, as well as less significant scope refinements for several other regional projects. ([Resolution 18-0052](#))

*Dan Wade, WSIP Director, indicated the last program-wide changes occurred in March 2016, and that the schedules for three projects were approved in February 2017.*

*He summarized the March 2018 proposed revised WSIP changes: (1) Scope refinements to seven projects (Regional Groundwater Storage and Recovery; Calaveras Dam replacement; Watershed and Environmental Improvement Program; and WSIP Closeouts for San Joaquin Region, Sunol Valley Region, Bay Division Region, and Peninsula Region); (2) Revise program completion to December 30, 2021 (24-month extension); and (3) Revise Program budget to \$4,787.8M (\$42M increase for regional projects (1%); and \$57.7M overall decrease due to revised forecast of financing costs (-1.2%). Mr. Wade briefly discussed the proposed scope refinements for each project as well as the budget revisions and variances.*

*In response to a question from Commissioner Moran regarding problems with the San Bruno site, Director Wade stated the problems are institutional and real-estate related.*

*Director Wade acknowledged the April 3, 2018 correspondence received from BAWSCA containing seven recommendations. He stated there is no problem with the recommendations. However, he requested a deadline of June 1<sup>st</sup> rather than May 1<sup>st</sup> to comply with recommendation number five.*

#### Public Comment

- *Nicole Sandkulla, BAWSCA CEO, read a statement about proposed changes in San Francisco's Water System Improvement Program, including their impact on future supply for the Water Users BAWSCA represents. Copies of the statement were distributed to the Commission.*

*In response to a question from Commissioner Moran, CEO Sandkulla stated staff's request to change the deadline for recommendation number 5 from May 1<sup>st</sup> to June 1<sup>st</sup> is acceptable.*

*On Motion to approve Item 9, as amended to include the seven recommendations outlined in the April 3, 2018 BAWSCA correspondence, and with a change to the deadline for recommendation five from May 1, 2018 to June 1, 2018:*

*Ayes: Kwon, Caen, and Moran*

*The Commission Secretary stated that items 10 through 13 would be heard together. Items 11, 12, and 13 were presented first by AGM Sandler,*

*followed by Item 10, presented by Mr. Ash, Chair of the Revenue Bond Oversight Committee. She noted that following the presentations there would be a call for public comment on each item separately, with up to three minutes of public comment on each item. Following completion of public comment, the Commission would vote separately on items 11, 12, and 13.*

10. Presentation by the Rate Fairness Board on proposed rates, fees and charges for retail water service and retail wastewater service, water and wastewater capacity charges, miscellaneous fees and charges and CleanPowerSF rates.
11. Public Hearing to consider and adopt a new four-year schedule of rates for retail water service in San Francisco and suburban areas to be effective with meter readings on or after July 1, 2018. 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 18-0053](#))
12. Public Hearing to consider and adopt a new four-year schedule of rates for wastewater service in San Francisco to take effect on or after July 1, 2018. 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 18-0054](#))
13. Public Hearing to consider and adopt revisions to water and wastewater capacity charges for new service, increased service, or a change in service provided by the San Francisco Public Utilities Commission to take effect on or after July 1, 2018. 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 18-0055](#))

*Eric Sandler, Chief Financial Officer (CFO) and Assistant General Manager (AGM) Business Services introduced items 10 through 13 and outlined the items for consideration: (1) Retail Water Rates Proposal FYE 2019-FYE 2022; (2) Wastewater Rates Proposal FYE 2019-FYE 2022; and (3) Water and Wastewater Capacity Charges. He briefly reviewed items scheduled for May 8, 2018, including Miscellaneous Fees and Charges.*

*CFO Sandler discussed the background and procedural requirements for the rate study, including San Francisco Charter requirements and California Proposition 218 legal requirements. He reviewed the timeline of past and future rate study/rate-related activity dating from April 2016 through July 2018, and noted stakeholder involvement in the process.*

*CFO Sandler discussed the policy framework within which the rate study was conducted as well as the rate study process. He noted the three key work scopes:*

*(1) Revenue Requirement Analysis. Incorporates the Commission adopted two-year budget and 10-year Capital Improvement and Financial Plans.*

Capital costs represent 80% of the increase in the revenue requirement during the four years. He discussed retail water sales volume assumptions noting actual historic volumes, assumptions contained in the 10-year financial plan projections, and assumptions contained in the rate study; (2) Cost of Service Analysis: Allocates system costs to customer classes which are established based on usage characteristics. He highlighted key updates during the study; and (3) Rate Design: Fixed Charges: fixed monthly service charges recover a portion of costs that do not vary based on usage; he noted a proposed fixed charge for wastewater to be phased-in over the four year period; Rate Design: Water Residential Variable Charges: no change recommended to tier breakpoints; cost-of-service reflects updated allocation of a share of peaking costs and all conservation costs to the second tier; phasing-in adjustments to cost allocation over four years; Rate Design: Water Non-residential Variable Charges: recommended customer-type consolidation into single commercial rate; supports Ratepayer Assurance Policy principle of simplicity.

AGM Sandler reviewed current and proposed average single family residential bills, noting that each year during the four-year period the combined monthly bill will increase an average of \$10.30 (8.4% increase). He provided a peer agency monthly combined water and wastewater bill comparison, noting that not all peer agencies include stormwater runoff costs with their monthly wastewater bill.

He stated that as part of the rates package there is a request for a temporary drought surcharge, that would only be triggered by Commission action pursuant to the Water Shortage Allocation Plan, calling for reduced water usage in response to a supply shortage. He discussed steps to the drought surcharge implementation and removal process.

CFO Sandler provided background of the Capacity Charge, noting it was adopted for water in 2005, and for wastewater in 2007. It ensures customers who need additional system capacity pay a fair amount compared to what existing customers have already paid to build-out the system. He stated that the Commission has adopted the "buy-in" calculation method. Pursuant to the calculation he indicated the wastewater capacity charge would increase by 4% and the water capacity charge would increase by 35%. He provided a peer agency capacity charge comparison.

CFO Sandler concluded his presentation and introduced Todd Elmer, Chief Communications Officer, who presented on the Commission's rates education and outreach efforts. Mr. Elmer reviewed key messages delivered to customers (essential services, upgrades to protect public health and the environment, and rate increases necessary to pay for critical system upgrades).

Mr. Elmer stated that 238,500 official public notices (Prop 218) and 500 stormwater notices were mailed in February, and newsletters and flyers were mailed with monthly bills between January and April. He noted presentations

were offered to more than 480 organizations, and that presentations were held in every San Francisco district (59 presentations). He reviewed educational materials that were provided as part of the education and outreach efforts; discussed digital outreach (reaching 1,153,600); and media coverage. He provided a snapshot of community feedback and the results of comment cards, stating of those returned 87% of respondents indicated they learned about the water and sewer systems, and 85% of respondents learned what rates pay for. He stated community members expressed appreciation for outreach and education efforts and that they have a better understanding as to why the rates increase is necessary. He concluded with a review of next steps.

Commissioner Caen complemented Mr. Elmer on his team's outreach and education efforts regarding the critical work to be done.

Mr. Howard Ash, Chair, Rate Fairness Board (RFB), discussed the RFB review of the rates proposal and recommendations. He reviewed the membership of the RFB, recognized those members in attendance and thanked them for their work. He discussed multiple rate-setting objectives, stating fairness of rates is important. He summarized 17 years of change at the SFPUC (2001 to present) and the rates changes that have been completed during those years.

He discussed the purpose of the RFB stating they were established by §8B.125 of the San Francisco Charter. He discussed the RFB process, indicating they had 14 meetings during the rate cycle September 2016 to April 2018. He discussed the rate study/rate proposal outcomes; RFB water and wastewater rate; and touched on CleanPowerSF not-to-exceed rates.

Chair Ash presented the RFB recommendations: (1) Approve four-year rates package for water and wastewater; (2) Approve four-year rates for fire sprinkler service; (3) Approve update water and wastewater capacity charges and miscellaneous charges; and (4) Approve CleanPowerSF "not-to-exceed" rates.

He noted the RFB also recommends approval of the pilot program for new wastewater customers without a meter and the drought surcharge proposal which adds another tool for fiscal management.

Chair Ash expressed RFB concerns and issues: (1) Affordability findings are troubling – need to increase outreach, enrollment, and funding (recommend linking outreach to Prop 218 protests about affordability); (2) Fire service rates – third consecutive meaningful change in cost allocations; (3) RFB looks forward to results of the new wastewater customer pilot program suggests SFPUC should advertise alternatives (permeable pavement options, rebates, etc.); and (4) Use drought surcharge with great care.

He provided RFB long-term thoughts: most multi-family residential customers remain without price signals for conservation; concern there is a hidden

*affordability crisis – recommend investigating other metrics of affordability and improve and expand outreach and funding for Community Assistance Program (CAP).*

*Commissioner Moran thanked Chair Ash for his thoughtful policy presentation. He asked Mr. Ash to provide specific recommendations regarding use of the drought surcharge.*

*President Kwon thanked Chair Ash and the RFB members for their work.*

*President Kwon called for separate public comment on items 10, 11, 12 and 13.*

*Item 10 - Public Comment*

- Adrian Covert, Bay Area Council, submitted a letter on behalf of the Bay Area Council recommending the Commission approve the rate proposals.*
- Ted Lowenberg expressed concern regarding affordability of the rate increases. He stated the rate proposal exceeds the projected inflation rate. He suggested that the burden be spread burden to all users and tax, such as France’s habitation tax be implemented.*

*President Kwon closed public comment on item 10*

*Item 11 - Public Comment*

- Shakirah Simley, Executive Director, Southeast Community Facility (SEFC) Commission, read portions of SFFC Resolution 18-0001, which supports the adoption of the proposed water and wastewater rates and urges efforts to enroll low-income residents in the CAP program. The resolution was distributed to the Commission.*
- Eileen Boken expressed opposition to the proposed water rates. She stated the water rates are being set without renegotiating of the Master Sales Water Agreement with the Peninsula. She discussed the use of blended groundwater. She provided a graphic of the Capital Planning budget requests and discussed blended water and Auxiliary Water Supply System.*
- Tracy Thompson expressed opposition to the rate increases. She stated there is a waste of money at the SFPUC. She doesn’t understand how the rate increase is critical and expressed concern with the protest process.*

*Item 12 - Public Comment*

*None.*

*Item 13 - Public Comment*

*None.*

*President Kwon read the following announcement:*

*“With regard to Agenda Items 11 and 12, the Commission is holding today’s public hearing on the Proposal to Adopt Water and Wastewater Rates for FYE 2019-2022 in accordance with Article XIII D, Section 6, of the California Constitution, also known as Proposition 218. Proposition 218 requires that the Commission consider all protests against the proposed rates and provides that the Commission shall not impose the proposed rates if written protests are presented by a majority of affected property owners.*

*In February, the SFPUC provided affected property owners with written notice of the proposed rates and the date, time, and location of this hearing. The written notice advised property owners of their right to protest the proposed rates and instructed that any written protest be mailed to the Commission Secretary or be hand delivered at today’s hearing in order to be counted. The notice also instructed that any written protest must: (1) state that the property owner or customer is in opposition to the proposed rates increase; (2) provide the location of the affected property (by assessor’s parcel number, street address, or customer account); and (3) include the name and signature of the person submitting the protest. The notice stated that oral comments at the public hearing would not qualify as a formal protest unless accompanied by a written protest, but the SFPUC would welcome all input from the community during the public hearing.*

*The Commission has received 190 written protests by mail, and 4 written protests were hand delivered to the Commission Secretary at today’s hearing. SFPUC has 167,738 property owners or customers with water or wastewater accounts. The total number of written protests received, thus does not amount to a majority of the affected property owners or customers.*

*Having counted and considered all protests against the proposed rates in accordance with Proposition 218, the Commission may act to adopt the proposed rates.”*

*Commissioner Moran discussed the rate increases compared to the rate of inflation. He noted policies developed to address the operating budget (limited to rate of inflation), and stated most of the rate increase is due to capital projects and is to obtain a specific non-recurring facility and outcome.*

*President Kwon called for individual motions and votes on items 11, 12, and 13:*

**Item 11: Adopt a new four-year schedule for retail water service in San Francisco and suburban areas to be effective with meter readings on or after July 1, 2018.**

**On Motion to approve Item 11:**  
**Ayes: Kwon, Caen and Moran**

**Item 12: Adopt a new four-year schedule of rates for wastewater service in San Francisco to take effect on or after July 1, 2018.**



On Motion to approve Item 12:

*Ayes: Kwon, Caen and Moran*

**Item 13: Adopt revisions to water and wastewater capacity charge for new service, increased service, or a change in service provided by the SFPUC to take effect on or after July 1, 2018.**

On Motion to approve Item 13:

*Ayes: Kwon, Caen and Moran*

14. Public Hearing: Discussion and possible action to approve revised schedule of rates and charges for the San Francisco Public Utilities Commission Power Enterprise CleanPowerSF program service in San Francisco to take effect July 1, 2018. If adopted, the proposed rates would: (1) increase Green product rates by 5%, on average, for all classes, while maintaining a 2% discount from PG&E rates after accounting for the Power Charge Indifference Adjustment and Franchise Fee Surcharge; (2) decrease SuperGreen premium rates for specified rate classes; and (3) set residential and commercial customer program termination fees to \$0 until the end of Citywide enrollment, December 31, 2019. 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 18-0056](#))

*Charles Perl, Deputy CFO, stated the item represents the annual review of CleanPowerSF rates for the upcoming fiscal year. He noted the rate adjustments were presented to the Rate Fairness Board and their recommendation was approval.*

*CFO Perl reviewed proposals for the following rates: (1) Green Rates: Increase rates 5% on average but maintain a 2% discount relative to PG&E after accounting for surcharges; and rates recover operating costs, satisfy financial covenants and fund program reserves; (2) SuperGreen Rate Premiums: Reduce medium and large commercial premiums from 1.0 cents per kWh to 0.5 cents per kWh; and SuperGreen revenues projected to recover SuperGreen costs; and (3) Late Opt-out Fee: Set residential and commercial termination fees to \$0 through the end of the citywide enrollment period.*

*Mike Hyams, Director, CleanPowerSF, presented on the implications of the rates proposal and discussed what CleanPowerSF rates will look like as compared to comparable current PG&E service rates. He noted the proposed SuperGreen adjustment recovers incremental costs. He reviewed the financial forecast for FYE 19, including Green and SuperGreen. He indicated proposed saving are greater than in the past.*

*No public comment.*

On Motion to approve Item 14:

*Ayes: Kwon, Caen and Moran*

5. Communications

- a) Advance Calendar
- b) Correspondence Log
- c) Contract Advertisement Report
- d) Declaration of Emergency – March Storm Event
- e) Proposed Water and Wastewater Rates Communications
- f) Proposed Water and Wastewater Rates Protest Letters
- g) Water Supply Conditions Update

*No public comment.*

6. Other Commission Business

*None.*

7. Report of the General Manager

a) CleanPowerSF Update

*Barbara Hale, Assistant General Manager (AGM) Power, provided a CPSF update: (1) Enrollment and Customer Accounts: 81,000 accounts; finalizing April enrollment; Opt-out rate 3.2%; 4.2% SuperGreen upgrade rate; Next enrollment July 2018 which will increase customer count to around 105,000 with the addition of mostly commercial accounts and 235 MW average; Master Agreements and confirmations being signed by General Manager; on course to enroll all eligible San Francisco accounts by July 2019; and (2) Regulatory: California PUC is in rulemaking to address PICA. She provided an update on California CCA program's Principles which will be brought to the CPUC.*

*No public comment.*

b) Report on Recent San Francisco Public Utilities Commission Activities, Events and Announcements

*None.*

8. Consent Calendar

- a) Approve Amendment No. 3 to Agreement No. CS-224.A, System Integration and Support Services – Related to Project Controls, with MLoc Consulting, Inc., to provide the SFPUC with continued specialized system integration and support services to implement and improve the delivery of its Capital Improvement Programs and Capital Projects for all SFPUC Enterprises; and authorize the General Manager to execute this amendment, increasing the agreement by \$1,500,000, for a total not-to-exceed amount of \$7,600,000, and extending the contract duration by two years, for a total contract duration of eight years. ([Resolution 18-0057](#))
- b) Approve the plans and specifications, and award Contract No. HH-980, Lower Cherry Aqueduct Rehabilitation, in the amount of \$2,946,868, to the lowest, qualified, responsible and responsive bidder, K.W. Emerson,

Inc., to perform rehabilitation measures on the Lower Cherry Aqueduct. This action constitutes the Approval Action for the project for the purposes of California Environmental Quality Act, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0058](#))

- c) Approve the plans and specifications, and award Contract No. HH-992, Modesto Transmission Line Clearance Mitigation, in the amount of \$1,711,000, to the lowest, qualified, responsible and responsive bidder, Big Valley Electric, to perform modifications to existing transmission towers including portions of Lines 7&8 from Warnerville Switchyard to Standiford Substation, and Lines 3&4 from Standiford Substation to Newark Substation, to provide required conductor clearances. This action constitutes the Approval Action for the project for the purposes of California Environmental Quality Act, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0059](#))
- d) Accept work performed by Anvil Builders, Inc. for Contract No. WW-605R, Mission and Valencia Streets Green Gateway; approve Modification No. 8 (Final) decreasing the contract amount by \$64,965, and increasing the contract duration by 257 consecutive calendar days), for a total contract amount of \$3,496,041, and with a total contract duration of 677 consecutive calendar days; and authorize final payment to the contractor. ([Resolution 18-0060](#))
- e) Accept work performed by M Squared Construction, Inc., for Contract No. WW-609R, Holloway Green Street Stormwater Improvements; approve Modification No. 7 (Final), decreasing the contract by \$241,059, with a time extension of 86 consecutive calendar days, for a total contract amount of \$5,879,607, and a total contract duration of 681 consecutive calendar days; and authorize final payment to the contractor. ([Resolution 18-0061](#))

*No public comment.*

*On Motion to approve the Consent Calendar:*

*Ayes: Kwon, Caen, and Moran*

*President Kwon stated there would be no Closed Session. The scheduled item will be rescheduled to the April 24, 2018 meeting.*

- 15. Public comment on matters to be addressed during Closed Session
- 16. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel
- 17. Conference with Legal Counsel – Pursuant to California Government Code Section 54956.9 (d) (1) and San Francisco Administrative Code Section 67.10 (d) (1)  
Existing Litigation

Luis Adolfo Marquez vs. City and County of San Francisco

San Francisco Superior Court Case No.: CGC-16-554676

Date Filed: October 5, 2016

Proposed settlement of action with release of all claims and the City to pay \$150,000

18. Announcement following Closed Session
19. Motion regarding whether to disclose the discussions during Closed Session pursuant to San Francisco Administrative Code Section 67.12(a)
20. Other New Business  
*None.*
21. Adjournment  
*President Kwon adjourned the meeting at 4:46 PM.*