



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 Breed

President of the Board of Supervisors
and
Acting Mayor

Minutes

Tuesday, January 23, 2018

(Approved February 13, 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
President Kwon called the meeting to order at 1:35 PM.
2. Roll Call
*Present: Kwon, Courtney, Vietor and Moran
Commissioner Caen arrived at 1:37 PM.*
3. Approval of the Minutes of January 9, 2018
*On Motion to approve the Minutes of January 9, 2018:
Ayes: Kwon, Courtney, Vietor and Moran*

No public comment.

Commissioner Caen arrived at 1:37 PM.
4. General Public Comment
None.
5. Communications
 - a) Advance Calendar
 - b) Correspondence Log
 - c) Contract Advertisement Report
 - d) Water Supply Agreement Update
 - e) Water Supply Conditions Update
Steve Ritchie, Assistant General Manager (AGM) Water, responded to a question from Commissioner Caen regarding the low level of Cherry Reservoir.

No public comment.
6. Other Commission Business
Commissioner Vietor requested that the Green Infrastructure meeting she requested at the January 18th budget hearing be scheduled prior to the February 13th budget hearing.
7. Report of the General Manager (GM)
 - a) CleanPowerSF (CPSF) Update
 - b) *Barbara Hale, AGM Power, provided a CPSF update: (1) Enrollment: No changes since last report with 80,500 customer sites; 3.2% opt-out rate; 4.1% SuperGreen upgrade. Next small enrollment in April 2018; Waitlist closed; July big enrollment proceeding, which includes contracting for growth. AGM Hale informed the Commission of action items that will be presented to the Commission for consideration at the February 13th meeting. She updated the Commission on the Board of Supervisor's Ordinance regarding supply contract authorization; (2) Legislative: Staff will be at the State Capitol for CCA lobbying days; and (3) Regulatory: PICA (exit fee) efforts continue and staff is preparing for California PUC (CPUC) hearings. AGM Hale reported on the CPUC's Resolution on Resource Adequacy. She stated staff is following PGE's revisions to their Solar Choice and Green Tariff Programs.*

GM Kelly responded to a question from Commissioner Vietor regarding the CPSF customer base demographics, specifically with regard to bigger developments such as Mission Rock, and any opportunities to capture them as CPSF customers. GM Kelly provided additional clarification regarding who qualifies as a CPSF customer or a Hetchy customer.

Vice President (VP) Courtney requested a map showing the CPSF customer base. GM Kelly indicated that a map showing all customer-types (retail, municipal, CPSF, Hetchy, etc.) will be provided.

No public comment.

- c) Report on Recent San Francisco Public Utilities Commission Activities, Events and Announcements
None.

8. Bay Area Water Supply and Conservation Agency (BAWSCA) Report
Nicole Sandkulla, CEO, BAWSCA, provided a BAWSCA update. She presented a graph showing that BAWSCA's November 2017 total potable water use was 17% less than in November 2013. She discussed minimum purchase requirements that four agencies need to meet. Ms. Sandkulla responded to a question from Commissioner Caen as to which four agencies needed to meet the minimum purchase requirements.

9. Consent Calendar

- a) Approve the plans and specifications, and award Contract No. WW-637, Various Locations Sewer Replacement and Pavement Renovation No. 5, in the amount of \$4,107,083, and with a duration of 526 consecutive calendar days, to the lowest, qualified, responsible and responsive bidder, Shaw Pipeline, Inc., to replace the existing sewers and street pavement on specified streets in the Visitacion and Sunnysdale neighborhoods of San Francisco. This action constitutes the Approval Action for the project for the purposes of California Environmental Quality Act (CEQA), pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0010](#))

On Motion to approve the Consent Calendar:

Ayes: Kwon, Courtney, Caen, Vietor and Moran

No public comment.

10. Public Hearing: Approve revised SuperGreen rate premiums for the CleanPowerSF (CPSF) program and proposed modifications to CleanPowerSF's Net Energy Metering Tariff, to be effective March 1, 2018 to: 1) Reduce CleanPowerSF's SuperGreen premium to \$0.015 per kilowatt-hour (kWh) for residential customers and \$0.010 per kWh for commercial customers; and (2) Modify the existing CleanPowerSF Net Energy Metering Tariff to: (a) eliminate the current two-tier Net Surplus Compensation (NSC) Rate in favor of a single NSC Rate and discontinue the requirement that customers transfer

rights to the Renewable Energy Credits produced to the program; (b) set credit rollover as the default compensation method for NSC, with a check payment available by request; and (c) clarify that true-ups for NSC determination will only be conducted for customers who have completed at least 10 billing cycles in the program. This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0011](#))

AGM Hale introduced the item, noting the changes will be effective March 1, 2018, and will include programmatic (net energy metering) and rate changes (reduce SuperGreen rate premium).

AGM Hale reviewed the rate proposal objectives (lower CPSF rate premium to remain competitive with comparable PG&E Solar Choice rates; and changes to Net Metering Program to streamline and simplify the program and process). She continued outlining the proposed Net Energy Metering Program changes: (1) Simplify the program and offer a single Net Surplus Compensation (NSC) rate; (2) Provide NCS as a bill credit by default; and (3) Roll-over credit balances for new customers with less than 10 months in the CPSF NEM Program.

Mr. Charles Perl, Deputy CFO, reviewed the proposed rate action: (1) SuperGreen Premium (reduce residential and commercial premiums effective March 1, 2018); and (2) Net Energy Metering (offer one NCS rate; provide NCS as a bill credit by default; and roll-over credit balances for customers in program less than 10 months). He indicated the rate changes have been presented to the Rate Fairness Board who was comfortable with the proposal.

Mr. Perl responded to a question from Commissioner Caen regarding how the 27% reduction in revenues will be absorbed, indicating there are sufficient reserves. Commissioner Caen expressed concern with a possible spiral to keep rates competitive with PG&E. GM Kelly and AGM Hale provided additional response to Commissioner Caen's concern. Brief discussion ensued.

AGM Hale provided responded to a request from Commissioner Caen to provide comment on how other CCA's are dealing with rates and PG&E.

On Motion to approve Item 10:

Ayes: Kwon, Courtney, Caen, Vietor and Moran

Public Comment

- *Jed Holtzman, 350 Bay Area expressed support for the item; commented on Commissioner Caen's concerns; expressed appreciation for staff legislative efforts; and advocated for local build-out.*

11. Approve the form of a Credit Agreement and associated Fee Agreement with JP Morgan Chase Bank with a not-to-exceed commitment amount of \$150,000,000 and term of up to six years to provide credit support of the CleanPowerSF Program; and authorize the General Manager to negotiate final terms and execute the Credit Agreement and associated Fee Agreement.

subject to Board of Supervisors approval of the ordinance in Board of Supervisors File No. 171172. ([Resolution 18-0012](#))

Eric Sandler, CFO and AGM Business Services, presented the item: (1) Initial Launch Financial Strategy: (establish CPSF a separate fund within the Power Enterprise; pre-Launch, no banks offered credit to CPSF without a back-up pledge; and Power Enterprise provided discrete financial support for CPSF launch); (2) Growth Phase Financial Strategy: (support citywide expansion of CPSF with a comprehensive credit facility; develop CPSF as independent credit; issued second RFP for credit facilities to support expansion; and credit without back-up pledge of Power Enterprise); (3) Proposed Credit Agreement: (amount not-to-exceed \$150M total credit with a maximum of five years; credit capacity can be used for multiple purposes; re-pay solely from CPSF net revenues; and cost depends on particular use and debt service coverage ratio of CPSF); (4) Key Covenants: (rate setting; debt service coverage, and accumulation of cash reserves); (5) Rate-Setting and Debt Service Coverage: (agreement provides a scale of debt service coverage ratios); (6) Accumulation of Cash Reserves: (agreement builds on CPSF business practice policies; CPSF must deposit at least 80% of excess revenues into the operating and rate stabilization reserves until their target levels have been reached; and accumulated cash is tested against targets); (7) Risk and Mitigation: (CPSF is exposed to business, market and regulator risk; and sensitivity analyses demonstrated ability to meet targets using less optimistic assumptions); (8) What if CPSF Doesn't Meet Financial Targets: (trigger events; meet and confer with JP Morgan to discuss resetting targets; drawn amounts may become immediately due and payable; and in all instances the credit facility is "non-recourse"); and (9) Forms of Disclosure: (credit and fee agreements).

AGM Sandler concluded and requested Commission approval.

AGM Sandler responded to a question from Commissioner Vietor as to whether there is any correlation between the proposed agenda item and the proposed Power Bond Charter Amendment. GM Kelly and AGM Hale provided additional response. Brief discussion ensued.

CFO Sandler responded to questions from Commissioner Caen regarding the agreement terms (debt service ratio); the line-of-credit fees and debt service coverage; and repayment CPSF repayment loan to the Power Enterprise.

CFO Sandler responded to a question from President Kwon regarding the trigger and the estimated timeline for CPSF to have its own line of credit.

On Motion to approve Item 11:

Ayes: Kwon, Courtney, Caen, Vietor and Moran

Public Comment

Jed Holtzman, 350 Bay Area, thanked staff for their work. He expressed support for CPSF having its own credit rating, and discussed the cash covenant's impact on local build-out.

12. Approve the plans and specifications and award Contract No. WD-2838, Sunol Valley Water Treatment Plant Powdered Activated Carbon System, for an amount not-to-exceed \$5,965,300, and with a duration of 386 consecutive calendar days, to Anvil Builders Inc., to construct a powdered activated carbon facility to reduce taste and odors in the regional drinking water system for water coming from Sunol Valley Water Treatment Plant; and authorize the General Manager to negotiate and execute a contract for an amount not-to-exceed \$5,965,300 with the sole qualified, responsible, and responsive bidder, Anvil Builders Inc., or, if negotiations are unsuccessful, with another qualified contractor, as permitted under San Francisco Administrative Code Section 6.23(c)(2). This action constitutes the Approval Action for the project for the purposes of CEQA, pursuant to Section 31.04(h) of the San Francisco Administrative Code. ([Resolution 18-0013](#))

Kathy How, AGM Infrastructure, provided information as to why there was only one bid received and discussed the need to approve the item due to the critical nature of the work to be performed.

AGM How responded to a question from Commissioner Caen regarding the difference between the engineer's estimate and the bid amount.

On Motion to approve Item 12:

Ayes: Kwon, Courtney, Caen, Vietor and Moran

Public Comment

No public comment.

13. Discussion and possible action to authorize the General Manager to consent, on behalf of the SFPUC, to the Development Agreement between the City and County of San Francisco and Seawall Lot 337 Associates, LLC, as it relates to matters under the SFPUC's jurisdiction; Consent to the Mission Rock (Seawall Lot 337 and Pier 48) Project Interagency Cooperation Agreement; and Adopt findings, pursuant to the CEQA, and a Mitigation and Monitoring and Reporting Program. ([Resolution 18-0014](#))

Michael Carlin, Deputy General Manager, introduced the item and requested approval.

On Motion to approve Item 13:

Ayes: Kwon, Courtney, Caen, Vietor and Moran

Public Comment

No public comment.

The Commission Secretary read Closed Session item 16. Item 17 not heard.

14. Public Comment on matters to be discussed during Closed Session.
None.
15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

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

No public comment.

The Commission entered Closed Session at 2:48 PM.
16. Conference with Legal Counsel - Pursuant to California Government Code Section 54956.9 (d) (4) and San Francisco Administrative Code Section 67.10 (d)
Anticipated Litigation: _____ as defendant 1 as Plaintiff
17. Threat to Public Services or Facilities – Pursuant to California Government Code Section 54957 and San Francisco Administrative Code Section 67.10 (a)

The Commission exited Closed Session at 2:54 PM.
18. Announcement following Closed Session.
None.
19. Motion regarding whether to disclose the discussions during Closed Session pursuant to S.F. Administrative Code Section 67.12(a).

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

No public comment.
20. Other New Business
Commissioner Caen noted that the display screens are not working properly.

Commissioner Courtney requested that a “Save the Date” for the Golden Pride Recognition Event be sent in electronic and print forms.
21. Adjournment
President Kwon adjourned the meeting at 2:56 PM.