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 BUDGET HEARING MINUTES
Monday, January 30, 2023
10:00 AM
(Approved February 14, 2023)

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

Commissioners
Newsha Ajami, President
Sophie Maxwell, Vice President
Tim Paulson
Tony Rivera
Kate Stacy

Dennis J. Herrera
General Manager

Donna Hood
Secretary

1. Call to Order
   President Ajami called the meeting to order at 10:00 am.

2. Roll Call
   Present: Ajami, Maxwell, and Stacy, with Commissioner Rivera joining the meeting remotely
   Commissioner Paulson joined the meeting at 10:07 am

3. Public Hearing: Staff presentation and overview the proposed Budget Priorities (Administrative Code Section 3.3(b))
   a) Proposed mid cycle changes to FY 2023-24 Operating Budget
   b) Proposed 10-Year Capital Plan and FY 2023-24 Capital Budget
   c) Proposed 10-Year Financial Plan
      Dennis Herrera, SFUC General Manager (GM), stated that midcycle updates for the fixed, two-year budget are typical. He noted the purpose of the special meeting was to provide background on the Capital Budget, the 10-year Capital Plans, and to meet Charter obligations. He indicated midcycle changes to the FY 2023-24 Operating Budget, FY 2023-24 Capital Budget and 10-Year Capital and Financial Plans will be presented to the Commission for consideration at their February 14, 2023 meeting. GM Herrera noted challenges with the budget development and outlined the approach for the Operating Budget, which was to keep changes to a minimum. He stated the prior Capital Plan was partially unfunded, with a one-year FY 2022-23 Capital Budget adopted. He stated the goal for this year was to develop a balanced FY2023-24 Capital Budget and a balanced 10-Year Capital Plan that meets the agency needs and is informed by deliverables and ratepayer affordability factors.

      Nancy Hom, Chief Financial Officer (CFO) and Assistant General Manager (AGM) Business Services, presented on the following:

      <u>Budget</u>: The majority of the budget is for debt service and revenue-funded capital projects. CFO Hom indicated the Water Enterprise represents 38% of the budget ($670.6 million), Wastewater 24% ($426.2 million), CleanPowerSF 21% ($369.6 million), and Hetch Hetchy Water and Power17% ($308.6 million). She stated current full-time-equivalency (FTE) is 2,748 with the support bureaus holding most of the FTE.

      <u>10-Year Capital Plan</u>: $8.4 billion is front-loaded with 70% of spending planned in the first five years, driven by the Sewer System Improvement Program (SSIP).

      <u>Midcycle Operating Budget Changes</u>: At the mid-cycle of a fixed two-year Operating Budget with minimal changes. The overall increase in "sources" is $84,160,610 and is largely driven by a $89 million increase in the sale of electricity to offset higher power purchase costs, $8 million in water sales due to projected 5% rate increases, and $5 million increase in the use of fund balance for Hetchy. These increases were offset by an $18 million decrease in Hetchy budgeted revenues which reflect an update to the Power Rate Study. "Uses" include an increases in power purchase costs, debt service savings, savings in revenue

funded capital, recycled water plant, interdepartmental workorders, along with changes in general reserve contributing.
Key Operating Budget Growth Drivers: Capital is the most important cost driver and will continue to grow significantly. Capital uses now take up around 30 cents of every SFPUC revenue dollar and is projected to rise by 50 cents over the next 10 years. It is largely driven by Wastewater, followed by power purchase expense.

10-Year Capital Plan: A long-range forecast of capital investment updated annually as required by Charter. It is comprised of high-level project categories and projects and are informed by individual project data sheets with scope, schedule, and cost. It typically includes a two-year capital budget, however, for this year, it is a one-year budget and will include a written report.

Capital Priorities: Includes affordability focus for ratepayers and rightsizing for project deliverability.

Balancing the Plan: Staff is proposing an $8.8 billion balanced Capital Plan, which is an 11% reduction from last year and represents difficult choices to constrain capital spending.

Proposed 10-Year Capital Plan: $8.8 billion with 75% sourced by debt proceeds and 25% sourced by annual revenues, which aligns with the Commission's Capital Finance Policy to fund a minimum of 15% of capital plan from current revenues. Wastewater has the largest share of the Plan with a total of $4,879.4 million. More than 70% of the spending is in the first five years of the Plan and is largely due to the SSIP investment in the early years, primarily for the Biosolids Digester Facility.

FY-2023-24 Capital Budget: $1,384.5 million for the first year of the 10-Year Capital Plan which is subject to four separate supplementals, one for each enterprise. The Wastewater Enterprise has the largest share at 71%, Water at 21%, Hetchy Water 6% and Hetchy Power 2%.

Future Capital Spending: Requires long-term planning efforts. Seventy-five percent of the Capital Plan is debt-funded. That debt is issued as needed.

Capital Plan Commits to SFPUC to Significant Debt Increase: As of October 1, 2022, current outstanding debt is approximately $7.4 billion in bonds, notes, and commercial paper, with an additional $2 billion in executed federal and state low interest loans. There is an anticipated additional debt issuance of $6.3 billion by FY 2033. Capital is the largest portion of operating costs and affects rates. Costs will increase twice as fast as operating costs over the next ten years.

10-Year Financial Plan: Charter requires an annual update. The Plan forecasts operating and capital expenses, rate increases and revenues, and confirms compliance with financial policies. It is a strategic tool for planning intersection of rates, capital and operating budgets, and capital financing.

<u>Sales Volume Assumptions</u>: Water and Wastewater are recovering from drought and COVID. Hetch Hetchy Power is forecasting significant new customer growth with a 4% annual increase over ten years. Significant conservatism has been incorporated with 10% cut to new volumes, a 12-month delay, and no new projects assumed in FY 2023-24. There is minimal volume change in CleanPowerSF. CFO Hom reviewed individual sales volume graphs for Water, and Hetch Hetchy Power.

<u>Major Cost Drivers in 10-Year Plan</u>: Capital Plans are sizeable and rising interest rates increase Capital Plan costs. Power purchase costs are hitting record highs. Increased budgets and added larger budget contingencies in both Hetch Hetchy Power and CleanPowerSF to acknowledge uncertainty.

<u>Forecasted Rates</u>: Hetch Hetchy Power rates were approved in May 2022 and other FY 2023-24 rates will be brought to the Commission for consideration in May 2023. Wholesale water rates are updated annually per contract; retail water and wastewater rates are being updated as part of the on-going 2023 rate study; and CleanPowerSF rates are currently being adopted annually to respond to power market price volatility.

<u>Affordability Average Combined Water/Wastewater Bill</u>: The current monthly bill of $138 is expected to grow to $224 by the end of the 10-Year Capital Plan. By modeling, it is expected increase to $305 by the end of 2043. The affordability target says that the combined water/wastewater bill must be under 2.5% of the median household income.

GM Herrera noted that the 10-Year Capital Plan reflects what is known today with current priorities. He indicated the Plan is continually evaluated and it isn't static.

In response to a question from VP Maxwell as to what is being done differently from past budgets, AGM Hom noted there is a renewed focus on capital planning and deliverability, and a review of internal processes as to how information is derived. She noted the importance of due diligence and continual business process improvement. Stephen Robinson, AGM Infrastructure, added that the work and need is growing and indicated that world-wide market conditions and have changed.

Commissioner Rivera asked if the 10-year ratepayer forecasting includes the State of California's mandatory housing plan increases for the Bay Area. Erin Franks, Acting Director of Financial Planning, stated that the Urban Water Management Plan (UWMP) is used. However, she indicated the SFPUC is starting from current sales volumes where the UWMP starts from a larger sales volume.

VP Maxwell questioned the use of unspent prior appropriations before requesting new funds. Budget Director Busch stated there is a request for new appropriation each year for new projects and that there is an effort to get unspent funds under control. She noted the increase in the Capital Plan during the last decade which has led to unspent balances growing. She stated there is increased diligence to monitor projects and deliverability to spend existing balances.

President Ajami noted the benefits received from investing in systems. She questioned if there is investment in the right things and asked that staff consider how infrastructure will look in the future and consider various approaches. She expressed concerns with the difference between debt service and operating costs and emphasized the need to ensure there are funds to operate system. She discussed the unanticipated increase in power costs and stated that more scenarios should be run with the budget analysis that consider unexpected risks. She noted as less water is used, rates for wastewater will decrease but stormwater rates will increase due to extreme precipitation and those changes should be anticipated. She asked for due diligence with long and short-term budgeting. She suggested that the rate setting process be reconsidered to get off volumetric rates and on cost-of-service. She noted the need for additional ideas and the possibly of utilizing outside experts to track new innovations and conduct forecasting.

GM Herrera stated that there is recognition of the unpredictable future and that the budget process intended is to be thoughtful, creative, responsible, and to prioritize projects. He stated it is recognized as an ongoing process and strategic procedure to determine affordability, predictability, and deliverability. AGM Hom noted the SFPUC's Guiding Financial Policies that include the Ratepayer Assurance Policy, Capital Finance Policy, and Debt Polices.

Commissioner Paulson asked for additional information on the uncertainty of regulatory demand. Ron Fynn, Deputy General Manager, provided response as to some regulator conditions.

Commissioner Stacy thanked staff for the presentation and discussed repair and replacement. She expressed the need to carefully look at the 10-Year Capital Plan and to anticipate future needs.

Public Comment

- *Nicole Sandkulla, BAWSCA CEO, referenced a letter sent to the Commission. She discussed the Change Workgroup and expressed concern that there has been no updated as to what the Workgroup has done since their meeting. She discussed water purchase projections and indicated the presentation didn't reflect the land use and housing water management plans that require adoption.*
- *Francisco DaCosta stated the presentation did a disservice to the taxpayer and lacked vision. He stated a needs assessment should be conducted.*
- *Peter Drekmeier, Tuolumne River Trust, discussed the Long-Term Vulnerability Assessment and indicated it includes important information, such as the Design Drought demand and storage, which he discussed.*
- *David Pilpel thanked staff for their work and good efforts to address capital plan issues.*

4. Water Enterprise Budget and Capital Plan
   a) 10-Year Capital Plan, including the FY 2023-24 Capital Budget
   Steve Ritchie, AGM Water, noted that there are two components within the Water Enterprise Capital Plan - the Local Capital Plan (within the City and County of San Francisco for retail customers), and the Regional Capital Plan (outside of San

Francisco). He reviewed the water system map and noted the system spans the width of California. He stated there are 1.8 million customers in the Regional Water System.

AGM Ritchie discussed the 2008 Water Enterprise Level-of-Service Goals, which include water quality, seismic reliability, delivery reliability, water supply, sustainability, and cost effectiveness.

He discussed the Water Enterprise Capital Plan development which emphasized spending down available balances which has been a priority the last two years. He stated staff have worked closely with the Infrastructure Bureau on deliverability. He indicated necessary cuts were made after careful consideration and prioritization.

AGM Ritchie reviewed the Water Enterprise FY-24-33 10-Year Capital Plan (Regional $1,135.3 million and Local $1,128.6 million) for a total of $2,263.9 million. He discussed the Regional Plan by category, with focus on the water treatment program, water transmission, water supply and storage, and the building and grounds programs.

He reviewed the FY 23-24 Capital Budget for Regional Programs noting the major increase is due to the water treatment program. AGM Ritchie discussed the Local Plan, by category, with a focus on the local water conveyance/distribution system (water main replacement) which constitutes the largest portion (70%) of the capital budget, and buildings and grounds improvements (2000 Marin). AGM Ritchie discussed the Local Water FY 23-24 Capital Budget, again noting $87.8 million proposed for the local water and conveyance/distribution.

AGM Ritchie indicated that the primary reductions were in Local water main replacement and Regional alternative water supplies. He stated that other reductions were spread throughout different program areas to keep any one area from bearing too much of the burden. He stated there is still a robust 10-Year Capital Program of $2.264 billion in combined Reginal and Local funds.

He reviewed 10-Year Capital Improvement Program (CIP) funding for (1) Sunol Valley Water Treatment Plant (Ozone treatment, short term treatment improvements, and Polymer Feed Facility), (2) Regional Dam Projects (Pilarcitos and San Andreas Dam improvements, and Calaveras Reservoir expansion), (3) Millbrae Yard Improvements (Millbrae Yard improvements), (4) Local Water Conveyance (water pipeline replacement projects, lead component service replacement, and Automated Meter projects), and (5) New City Distribution Headquarters – 2000 Marin.

He noted the 10-Year Capital Plan is robust and reflects a commitment to spending down available balances while moving forward on significant projects.

In response to a request from VP Maxwell, AGM Ritchie provided examples of reductions that were made and include land acquisition funding, local groundwater treatment program, and delay of Peninsula Trail extension/connector. He stated there will be approximately an overall 50% reduction in the number of miles of main replacement He *assured the Commission that the system will be maintained and continually evaluated.*

AGM Ritchie responded to a question from Commissioner Rivera as to the disposition of the current headquarters for the City Distribution Division once the 2000 Marin project is complete, stating the site will not be for sale as it is too valuable and that it could be considered as a site for large water recycling facilities.

Commissioner Stacy questioned the doubling of the capital budget in year ten. AGM Ritchie stated it is largely driven by the Palo Alto Line Replacement Project.

President Ajami asked if analytical tools or new technologies are being used to help identify leaks, noting such tools may be useful in monitoring the system and could help with asset management. AGM Ritchie stated that technologies are being utilized. He responded to a follow-up question regarding Automated Meters and if analytical tools are being considered for customer interaction regarding their accounts. AGM Richie stated that staff in various SFPUC departments continually communicating with customers. President Ajami noted the need for regional investment and demand management on alternative water supply for regional projects. He responded to her question regarding disposition of property at Burlingame.

AGM Ritchie responded to a question from Commissioner Stacy regarding housing goals and sales volume assumptions.

Public Comment

- *Nicole Sandkulla, BAWSCA CEO, indicated she had no concerns and expressed support. She stated some projects are undervalued. She presented thoughts on demand management in the Regional water system and stated there needs to be care with conversation due to contractual obligations. She noted the need to clarify the difference between "wholesale" and "retail" customers.*
- *Peter Drekmeier, Tuolumne River Trust, stated there are unreasonable inputs from the Water Enterprise with a scarcity mindset from the early 1990's. He discussed demand levels and Water First Policy. He stated the Water Alternative Supply is important.*
- *Dave Warner, Palo Alto, thanked the Commission for the meeting. He asked that Nicole Sandkulla be given more time for comment.*

5. Hetch Hetchy Water Enterprise Budget and Capital Plan,
   a) 10-Year Capital Plan, including the FY 2023-24 Capital Budget
   AGM Ritchie discussed development of the Hetch Hetchy Water Capital Plan and indicated that over the last several years Hetch Hetchy Water has been working on a project prioritization methodology which emphasizes the likelihood and consequences of failure of any given asset. He stated this year it was ready for use and made the prioritization process straightforward.

   AGM Ritchie noted that in the Hetchy 10-Year Program assets are classified as Water (100% water funded), Power (100% Power funded), and Joint (45% Water and 55%

Power funded), with a total Hetchy 10-Year CIP budget of $976.9 million. The Hetch Hetchy Water FY23-24 Capital Budget total request is for $86 million.

AGM Ritchie discussed prioritization results and indicated reductions were taken in a manner that prioritized reliability of providing water deliveries to the Bay Area and critical power facilities that support delivery of water. Reductions totaled about $377 million, leaving a robust 10-Year Capital Program of $977 million.

He reviewed 10-Year CIP funding for (1) Moccasin Powerhouse ("new" Powerhouse constructed in 1967, generators, transformers, and switchyard rehabilitation, and Moccasin and Kirkwood Powerhouse Bypass upgrades), (2) Water Transmission Facilities (San Joaquin Pipeline Life Extension and Safe Entry Projects, and Mountain Tunnel Improvements Project), (3) Moccasin Dam and Spillway (March 22, 2018 Atmospheric River Event, Moccasin Dam and Reservoir Short-Term Improvements complete, and Moccasin Dam and Reservoir Long-Term Improvements), (4) O'Shaughnessy (OSH) Dam (OSH constructed in 1923 and raised in 1938, OSH Dam Outlet Works Phases I and II). He noted Hetch Hetchy project locations. He acknowledged the 10-Year Capital Plan is robust and that the FY 23-24 Capital Program reflets a commitment to spending down available balances while moving forward on significant projects.

In response to a question from VP Maxwell as to what projects won't be completed, AGM Ritchie noted the following: the full Cherry Dam Spillway project, Early Intake Diversion Dam, Kirkwood Powerhouse rehabilitation, Early Intake Switchyard upgrades, and Moccasin Yard improvements.

Public Comment

- *Nicole Sandkulla, BAWSCA CEO, stated that BAWSCA supports the projects in the 10-Year Capital Plan and recognizes there are greater future costs that are currently not included. She questioned the Early Implementation of Voluntary Agreements and where associated SFPUC costs may fit in.*
- *David Pilpel indicated his initial comments relate to item number four as he had difficulty raising his hand. He and asked for clarification on the use or sale of the Water Quality and Rollins Road properties. He requested consistency in the program names on the charts; discussed the Local water main replacement program and suggested condition assessment/risk over mileage; and indicated that water conservation should highlight reduction and time shifting of water use.*

6. Wastewater Enterprise Budget and Capital Plan
   a) 10-Year Capital Plan, including the FY 2023-24 Capital Budget
   Greg Norby, AGM Wastewater, reviewed the Capital Plan project drivers of operational reliability, seismic reliability, health, safety and security, and stormwater management.

   He reviewed the asset lifecycle flow noting it is a continuous process. He discussed the Commission's Asset Management Policy which was adopted on December 22, 2020. He discussed the efforts being taken to move from a one-time large investment to a more *sustainable strategic Capital Plan approach. He reviewed the capital planning strategy which is adaptively managed for sustainable delivery. He stated that Wastewater deliverability was considered in the capital planning process to ensure projects could initiated, implemented, and delivered on schedule, within budget, and be high quality. He stated staff have performed in-depth deliverability reviews for the Renewal & Replacement (R&R) Collection System and R&R Treatment Facilities projects. He stated they are working on implementing deliverability recommendations and that affordability continues to be the major constraint on delivering routine investments needed in the system in the 10-Year CIP.*

AGM Norby reviewed the Wastewater Enterprise 10-Year Capital Plan which totals $4.879.4 million. He reviewed the 10-Year appropriations noting 60% of spending is in the first several years and is for work already underway. As years progress the funds are mainly for gravity sewer assets. He discussed appropriations for the FY 23-24 Capital Budget with the majority of funding to the Biosolids Project, collection system, and flood resiliency.

AGM Norby touched on forward-looking expenditures indicating Wastewater has $816 million of remaining appropriated budget and an additional $6.9 billion of future spending identified in the Capital Plan. Of this, $4.9 billion would be appropriated in the next 10 years.

He discussed prioritizing the 10-Year Capital Plan for customer affordability, with note that substantial rate increases are projected and that there is a potential for additional regulatory projects. He stated hard choices were made to reduce the 10-Year Plan by $1 billion from the initial budget request. He summarized prioritizations (treatment plants, pump station and force mains, gravity sewers, and stormwater and flood), and outlined trade-offs of budget change (long-term spending patterns, regulatory alignment, and safety and performance).

AGM Norby reviewed 10-Year CIP funding for (1) Southeast Plant Biosolids Digester Facilities Project ($2.373 million), (2) R&R Collection ($1.330 million – reduced from $1.810 million for affordability), (3) Folsom Area Stormwater Improvements ($320 million – increased from $298 million), and (4) Lower Alemany Area Stormwater Improvements ($299 million).

VP Maxwell expressed concern with stormwater and flooding and discussed bioswales, noting how people are directly affected. AGM Norby discussed investments in Green Infrastructure (GI) projects and the policy and community benefits GM Herrera discussed work with partners on GI projects which promote flood resilience, building improvements, sea wall improvements, etc. She asked to be kept informed as to GI efforts. AGMs Norby and Robinson addressed VP Maxwell's concerns with the Capital Plan appropriation for the Biosolids Project and the need for deliverability, accountability, and project management.

Commissioner Paulson emphasized the importance of working with community partners *and other agencies. He noted the work that has been done to ensure adequate funding and stated that the budget exercise is important.*

VP Maxwell expressed concern of there being a safety trade-off. AGM Norby discussed safety profiles at treatment plants and collection systems and emphasized that the number one thing that is funded at every treatment facility and pump station are identified performance issues with the existing systems. He stated it is flagged as a consideration, but safety-related issues are not affected by budget decisions.

President Ajami reemphasized the need for GI. She asked that AGM Norby consider regulations, such as those related to the management of containments of emerging concerns, as well as brine management from recycling. President Ajami stated that there should be a rethinking of design criteria. She stated that risk allocation and accountability should be shared. AGM Norby concurred with her statements and noted efforts currently being taken to address these issues.

Commissioner Stacy indicated that GI and stormwater collection are important projects, and they should be a priority. She suggested that other funding sources should be considered.

Public Comment:

- *David Pilpel asked if all ratepayers are paying for treatment plant improvements on Treasure Island or if it is only the developer and/or current/future residents. He stated that items that are being deferred must not be abandoned. He suggested sewer rehab and replacement use condition assessment and risk, not age, as the basis for rehab. He suggested available real estate at the Southeast Plant site could be viable for SFPUC offices.*

The Commission recessed the meeting at 1:19 pm and reconvened at 1:36 pm.

7. Hetch Hetchy Power and CleanPowerSF Enterprise Budget and Capital Plan (3:36)
   a) 10-Year Capital Plan, including the FY 2023-24 Capital Budget
   Barbara Hale, AGM Power Enterprise, reviewed the 10-Year Capital Plans for Hetchy Power ($595.5 million) and CleanPowerSF ($73 million). She noted the Power Enterprise's FY 23-24 Capital Budget request is for $23.1 million, with $21.5 million for Hetchy Power and $1.6 million for CleanPowerSF, and is comprised of both customer revenues and restricted use revenues.

   AGM Hale detailed the deprioritized projects for unrestricted-funded projects which focused on distribution services, and for those projects that are less mature and less developed. She stated that funding is retained for City priorities, including public power expansion, decarbonization and housing. She indicated reduced or unfunded projects will be reevaluated for finding in the next budget cycle via the Strategic Distribution Investment Plan, pace of project development, and revenue potential.

AGM Hale discussed development of the Capital Plan and the updated requested based on remaining budget from prior years, current phase of the project, staffing and contracting requirements for project delivery, and staff and other costs for operations and maintenance when the project is complete. She stated there was little adjustment with CleanPowerSF capital planning as the approved capital plan from last year was already balanced, and that minimal adjustments were made to existing projects based on an updated plan, and schedule deliverability review. She indicated that two new projects, the Community Solar Green Tariff, and the Disadvantaged Communities Green Tariff were added to the capital plan using public purpose funds so there was no net increase in costs to ratepayers. She indicated the Hetch Hetchy Power Capital Plan from last year was out of balance and additional cuts and new resources were need beyond those identified during deliverability review. Projects that relied on outside revenue sources were not considered for cuts due to funding restrictions on the sources. She indicted the focus was on maintaining funding for projects that had been approved and prioritized in the previously approved Capital Plan.

AGM Hale reviewed (FY24/10-Year) funding for: (1) Redevelopment ($0/$176.4 million) includes Treasure Island/Yerba Buena Island, Alice Griffith, Pier 70, Mission Rock, and HopeSF, (2) Retail Distribution ($8.4 million/$276.4 million) includes SFO substation, SFMTA electrification, and other Hetch Hetchy retail distribution connections, (3) Customer Programs ($0/$33.4 million) includes incentives for peak day pricing, heat pump water heaters, EV charge SF, and net energy metering, (4) Public Purpose Programs ($0.8 million/$12.2 million) includes Disadvantaged Communities Green Tariff and Community Solar Green Tariff, (5) Local Renewable Energy Program ($0.8 million/$48.8 million) that leverages SFPUC reservoir sites to develop new renewable energy and battery storage projects for CleanPowerSF customers, (6) Distributed Energy Resources ($2.0 million/$20 million) includes small renewables (solar), energy efficiency improvements, and building decarbonization pilots at municipal sites, (7) Streetlights ($2.8 million/$37.2 million) includes streetlight replacement and repairs, pole assessments and rehabilitation, and Distributed Antenna Services Program, (8) Utility Field Services New Buildings ($0.7 million/$21.7 million), for construction of a new building required to replace temporary and office warehouse lease, and (9) Public Power Expansion ($7.6 million/$42.7 million), for assessment of acquiring PG&E's electrical assets in San Francisco and readying for operation of the acquired system.

AGM Hale responded to a question from VP Maxwell as to what the additional cuts are, indicating there will be partial cuts in the later phases for redevelopment and grid connections and cuts in decarbonization of the steam loop. In response to a follow-up question as to whether there will be battery storage with rooftop solar that is being installed, AGM Hale stated it is on the table for consideration at University Mound and College Hill.

VP Maxwell expressed concern with power outages at Treasure Island, Sunnydale, and Housing Authority properties. AGM Hale indicated that the electric infrastructure systems that serve those locations are not owned by the SFPUC and that agreements exist where the SFPUC serves as a contractor with the skilled trades and knowledge to perform the work.

AGM Hale responded to a question from Commissioner Paulson as to how the redevelopment funds are allocated.

AGM Hale responded to a question from President Ajami as to whether consideration has been made to what is necessary to have a well-functioning system and to establish costs if the SFPUC ultimately owns PG&E assets, stating some of that work has been done and is funded through the Acquisition Project.

AGM Hale responded to a question from Commissioner Stacy as to whether there are federal and state funding sources for public purpose programs, and to a follow-up question as to how the streetlight program is funded.

President Ajami discussed the possibility of public-private partnerships that could advance climate and energy strategies.

<u>Public Comment</u>

- *David Pilpel asked that electric vehicle charging stations keep up with demand, serve resident needs, and cover costs. He stated rates for power should cover operating and capital costs. He said all Green Tariff programs should require Time-of-Use rates. He stated Power utility field services staff need permanent office space.*
- *(Inaudible) stated he was interested in clean energy. He asked if rates would be changed to cover the cost of projects. He noted the redevelopment projects and asked if all ratepayers would be responsible for the cost of those redevelopment projects.*

Commissioner Stacy thanked the GM and staff for their work and indicated she found the presentations and materials useful.

President Ajami thanked everyone for their work. She noted everyone is facing system pressures and wants to ensure a sustainable and well-built system with good investments. She asked for more collaboration and internal partnerships across enterprises for the benefit of the organization. She noted the need to determine the long-term value of projects to ensure sustainability.

VP Maxwell noted the need to be prepared for emergencies and ensure the proper mechanisms are in place.

8. <u>Adjournment</u>
President Ajami adjourned the meeting at 2:23 pm.