



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

City and County of San Francisco

London N. Breed

Mayor

REGULAR MEETING MINUTES

Tuesday, November 14, 2023

1:30 PM

(Approved November 28, 2023)

1 Dr. Carlton B. Goodlett Place
City Hall, Room 400

Commissioners

Tim Paulson, President

Anthony Rivera, Vice President

Sophie Maxwell

Newsha Ajami

Kate H. Stacy

Dennis J. Herrera

General Manager

Donna Hood

Commission Secretary

1. Call to Order

President Paulson called the meeting to order at 1:30 pm.

2. Roll Call

Present: Paulson, Rivera, Maxwell, Ajami, and Stacy

3. Approval of the Minutes of October 24, 2023

No public comment.

On motion to approve the Minutes of October 24, 2023:

Ayes: Paulson, Rivera, Maxwell, Ajami, and Stacy

4. General Public Comment

None.

5. Report of the General Manager

a) Annual Policy and Government Affairs Update

Emily Lam, Deputy Assistant General Manager (DAGM), External Affairs recognized the Government Affairs team, liaisons from each division, and the SFPUC's lobbyists for their work during the year. DAGM Lam referenced the memorandum provided with the Commission materials which detailed the work of the Government Affairs Team and provided a brief summary of the following: (1) Local work and priorities, including work in support of the water and wastewater rates packages; (2) State work and priorities, including the State's arrearage program; analyzing more than 200 bills to determine those that impact the agency, including water rights legislation; and (3) Federal work and policy priorities, including infrastructure funding.

Commissioner Ajami requested that prior to signing-on, staff carefully review legislative opposition expressed by associations of which the SFPUC is a member to ensure reflection of San Francisco's values.

No public comment.

b) Results of the 2023 Power Revenue Bond Sale

Nikolai Sklaroff, Capital Finance Director, discussed the results of the 2023 Power Revenue Bond sale and stated the Bonds authorize up to \$145 million to finance or refinance Power Enterprise projects through the refunding and retirement of commercial paper issued as interim financing.

Director Sklaroff reviewed 2023A Bond sale conditions (AAA Rated Bonds over the past 30 years) noting the broader financial markets were volatile due to the Federal Reserve indicating that interest rates may stay higher after recent economic data, and that fears of a potential government shutdown may have negative ramifications for federal government credit ratings.

Director Sklaroff reviewed (1) 2023A Bond sale results and indicated that the SFPUC's strong credit ratings and reputation in the capital market generated strong demand that lowered rates; and (2) 2023A final pricing results with a Par Amount of \$123,905,000;

Premium of \$7,324,363.80; Total Proceeds of \$131,229,363.80; True Interest Cost of 4.56%; Sale date of September 27, 2023; and Final Maturity date of November 1, 2053.

As per policy on SFPUC negotiated bond sales the SFPUC engaged an Independent Pricing Consultant to (Backstrom McCarley Berry and Co., LLC) to evaluate the results of the sale, which certified that the 2023 Series A bonds received fair and favorable pricing.

Director Sklaroff presented outstanding Power Debt for Revenue Bond and Commercial Paper, which has a net result of \$117.7 million of proceeds secured to allow the release of additional capital appropriation. He reviewed the debt service schedule and indicated this is the last expected issuance of 2023.

In response to a question from Commissioner Ajami, Director Sklaroff Commissioner stated that some of the previous bond issuance as noted on the Debt Service Schedule have been refinanced; and to a question regarding the Power Bonds that are not Green stating that an update on Green Bonds will be provided at the November 28, 2023 Commission meeting.

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

6. CONSENT CALENDAR

- a) Award Job Order Contract No. JOC-102R, General Engineering (A License) Construction, San Joaquin, Stanislaus, and Tuolumne Counties, Hetch Hetchy, in the amount not-to-exceed \$5,000,000, with a guaranteed minimum task order opportunity amount of \$50,000, and a duration of two years, to the responsible bidder that submitted the lowest responsive bid, Pacific Engineering & Construction, Inc., to perform A-licensed general engineering construction work on San Francisco Public Utilities Commission systems and operations around Hetch Hetchy. ([Resolution 23-0195](#))
- b) Award Job Order Contract No. JOC-103, General Engineering (A License) Construction, San Francisco, San Mateo, Santa Clara, and Alameda Counties, in the amount not-to-exceed \$5,000,000, with a guaranteed minimum task order opportunity amount of \$50,000, and a duration of two years, to the responsible bidder that submitted the sole responsive bid, Cal State Constructors, Inc., to perform A-licensed general engineering construction work on San Francisco Public Utilities Commission systems and operations around the Bay Area. ([Resolution 23-0196](#))
- c) Amend Contract No. PRO.0105, Real Estate Negotiation and Land Use Services with Century Urban LLC, to extend the contract duration by three years, seven months, and two weeks for a new total contract duration of eight years, seven months, and two weeks, with no change to the contract amount, to provide for continued real estate, land use, and negotiation services. ([Resolution 23-0197](#))
- d) Award Contracts Nos. PRO.0281.A-C, As-Needed Project Management Support Services, to Kennedy/Jenks Consultants, Inc. - Joe Hill Consulting Engineers, Joint Venture (PRO.0281.A), LEE Incorporated (PRO.0281.B), and Hollins Consulting, Inc. - GHD, Inc.,

Joint Venture (PRO.0281.C), each in an amount not to exceed \$4,750,000 and with a duration of five years. ([Resolution 23-0198](#))

- e) Approve an increase in the amount of \$2,000,000 to the contract cost contingency and an increase of 956 calendar days to the contract duration contingency for Contract No. WD-2794B, Sunol Long Term Improvements Alameda Creek Watershed Center, with S.J. Amoroso Construction, Inc., to include a two-year maintenance period for the facility systems (which was included in the Contract but not accounted for in the Contract duration) and to address additional necessary changes to the work, to allow for future modifications increasing the Contract up to a not-to-exceed amount of \$36,405,700 and increasing the Contract duration up to 2,123 consecutive calendar days. ([Resolution 23-0199](#))
- f) Approve an increase of \$119,000 to the contract cost contingency for Contract No. WD-2851(I), 525 Golden Gate Avenue As-Needed Mechanical Systems Inspection, Maintenance, and Repairs, with Envisé, for a new contract amount up to \$825,000, to continue repairs, maintenance and inspections of the mechanical system, with no change to the contract duration. ([Resolution 23-0200](#))
- g) Award Contract No. WD-2874, 8-Inch & 16-Inch Ductile Iron Water Main Replacement on Joost Avenue from Ridgewood Avenue to Congo Street and Various Side Streets, to the responsible bidder that submitted the lowest responsive bid, M Squared Construction, Inc., in the amount of \$7,077,800 and with a duration of 745 consecutive calendar days, to install approximately 8,700 feet of ductile iron water conveyance pipe, ancillary water service pipe, curb ramps, and pavement restoration. This action constitutes the Approval Action for the Project for the purposes of the California Environmental Quality Act (CEQA), pursuant to San Francisco Administrative Code section 31.04(h). The Planning Department has determined that the Project is exempt from the CEQA. The Commission will rely on that determination to make its decision on this action. ([Resolution 23-0201](#))
- h) Award Contract No. WD-2902, San Andreas Reservoir Road Improvements to the responsible bidder that submitted the lowest responsive bid, Anvil Builders Inc., in the amount of \$10,491,405.60, and with a duration of 730 consecutive calendar days, to repair erosional roadway damage and make improvements to prevent further erosion and landslides to the San Francisco Public Utilities Commission's San Andreas Reservoir perimeter access roads. ([Resolution 23-0202](#))

Item 6c: Rosanna Russell, Real Estate Director responded to a question from Commissioner Maxwell as to why the extension is needed, stating it is required to support existing specialty work to be conducted by appraisers, economic consultants, and surveyors.

Item 6d: Jimmy Leong, Project Manager responded to a question from Commissioner Ajami as to the justification for utilizing outside consultants rather than SFPUC staff, stating that during peak work outside resources are required to fill stopgap.

Item 6e: Stephen Robinson, Assistant General Manager (AGM) Infrastructure responded to a question from Commissioner Ajami regarding the 40% increase in the contract budget and if additional increases will be necessary, stating that no additional increases are expected as the project is more than 90% complete. He indicated the major cost increase is due to the maintenance contract which had an error. Commissioner Ajami discussed her recent trip to

Denmark and their use of performance-based contracting. AGM Robinson indicated that staff is considering the same.

No public comment.

On motion to approve the Consent Calendar:

Ayes: Paulson, Rivera, Maxwell, Ajami, and Stacy

7. Authorize settlement of claims for damages caused by the refusal of Pacific Gas & Electric to provide the SFPUC secondary voltage service under PG&E's Wholesale Distribution Tariff for some 30 megawatts of City load. ([Resolution 23-0203](#))

Barbara Hale, AGM Power Enterprise discussed: (1) Services purchased from PG&E: Most customers are connected to PG&E grid with the SFPUC paying PG&E about \$35 million per year for the service. Costs are recovered from Hetch Hetchy Power customers via rates set by the Commission and are billed monthly. The \$35 million is based on a tariff with rates and terms proposed by PG&E and approved by the Federal Energy Regulatory Commission (FERC) and from the SFPUC's rights to access the service. PG&E's implementation of the terms of service create the disputes between the SFPUC and PG&E; (2) Disputes that arise from the service provision: SFPUC's complaint was filed in early 2019. FERC challenged PG&E's implementation of the terms of service and their refusal to provide secondary service to city customers with electric loads exceeding 75 kilowatts and requiring these customers to take primary voltage service. As of August 2023, 42 active projects are facing delays and increased project costs and the SFPUC found it infeasible to meet PG&E requirements for 30 more customers which resulted in the loss of customers; (3) Service Agreement for Affordable Housing: PG&E has agreed to connect affordable housing where the project is 100% affordable, located on city land, and that the SFPUC commits to charge Hetch Hetchy Power customers the low income rate; and (5) Conditions of the new settlement: would allow the SFPUC to connect a total of 30 megawatts of metered customers at secondary voltage when they are existing Hetch Hetchy Power customers served at secondary; that expand or otherwise change their electric service; are city departments or other related entities; or are private entities on city property (limited to 5 megawatts within the 30 megawatts). AGM Hale indicated the settlement would last for five years. In exchange, the city would permanently dismiss its 2019 complaint and waive any claims for monetary damages. She indicated that staff recommends the Commission approve the settlement to resolve the complaint to provide certainty and avoid continued PG&E disputes, delays, and costs for the subset of customers. She indicated Board of Supervisors approval is also required.

Commissioner Stacy questioned whether item 14 on Closed Session will be needed if the Commission does not have questions related to this item that does not require legal counsel. AGM Hale indicated that was correct.

Commissioner Ajami expressed her surprise by FERC's response to the issues. AGM Hale stated that the SFPUC should be concerned as to their assessment and noted the frustration of staff and the need for the SFPUC to be owners of the grid to avoid such issues going to FERC. AGM Hale discussed the decision for the five-year settlement term.

Commissioner Rivera noted the adverse impact on department budgets and that the settlement provides certainty.

Commissioner Maxwell congratulated staff for their work. AGM Hale responded to a question as

to the current practice and what will happen after the settlement.

In response to a question from President Paulson, AGM Hale confirmed that there is no need to hear item 14 during Closed Session.

No public comment.

On motion to approve Item 7:

Ayes: Paulson, Rivera, Maxwell, Ajami, and Stacy

8. Communications (information only)

- a) Advance Calendar
- b) Contract Advertisement Report
- c) Correspondence Log
- d) Annual Report on the Low Carbon Fuel Standards Credit Sales Fund
- e) Annual Report on Net Energy Metering and Shared Renewable Energy
- f) Green Infrastructure Grant Program Board of Supervisors Update
- g) Quarterly Report for Power Scheduling Coordination and Related Support Services with APX, Inc.
- h) San Francisco Public Utilities Commission Annual Surveillance Reports
- i) Water Supply Conditions Update

9. Items initiated by Commissioners

Commissioner Maxwell noted the number of SFPUC position vacancies and the contracting out of work and questioned if there is a correlation. General Manager Herrera indicated he would provide a briefing and stated that there was not as much of a correlation as thought.

Commissioner Ajami asked that there be a mapping of infrastructure assets in the city and discussed mapping that has been conducted in Denmark.

No public comment.

The Commission Secretary announced that per the Commission's discussion, item 14 would not be discussed during Closed Session.

10. Public Comment on the matters to be addressed during Closed Session

None.

11. Motion on whether to assert the attorney-client privilege regarding the matters listed below

On motion to assert the attorney client privilege regarding the matters listed as Conference with Legal Counsel:

Ayes: Paulson, Rivera, Maxwell, Ajami and Stacy

The Commission entered Closed Session at 2:35 pm.

Present in Closed Session: Commissioners Paulson, Rivera, Maxwell, Ajami, and Stacy; Sheryl Bregman, Deputy City Attorney; Brian Cauley, Deputy City Attorney; Dennis Herrera, General Manager; Steve Ritchie, AGM Water Enterprise; and Donna Hood, Commission Secretary.

12. CONFERENCE WITH LEGAL COUNSEL regarding anticipated litigation (Government Code

§54956.9, San Francisco Administrative Code §67.10(d)(1)):

Walt Shepps v. City and County of San Francisco

Unlitigated Claim File No.: 24-00573

Date Filed: September 25, 2023

Proposed settlement of unlitigated claim for damage to property resulting from a ruptured water main with the City and County of San Francisco to pay Walt Shepps \$36,837.93 in exchange for a full and final release, subject to final approval by the Board of Supervisors. (Resolution 23-0204)

13. CONFERENCE WITH LEGAL COUNSEL regarding anticipated litigation (Government Code §54956.9, Administrative Code §67.10(d)(1))

[Undetermined Claimants] v. City and County of San Francisco

Date of Incident: September 11, 2023

Proposed recommendation to the Board of Supervisors to delegate to the San Francisco Public Utilities Commission and the City Attorney the authority to settle certain claims arising out of the September 11, 2023 water main break at Fillmore and Green Streets.

14. CONFERENCE WITH LEGAL COUNSEL regarding existing litigation (California Government Code, Section 54956.9, and San Francisco Administrative Code, Section 67.10(d)(1)).

Conferring with, or receiving advice from, the City Attorney regarding the following existing litigation in which the City and Pacific Gas & Electric Company are adverse parties: Federal Energy Regulatory Commission Case No. EL 19-38- 000, filed January 28, 2019; Federal Energy Regulatory Commission Case No. ER18-1482-000, filed April 30, 2018; Federal Energy Regulatory Commission Case No. ER18-1102-000, filed March 15, 2018; Federal Energy Regulatory Commission Case No. ER18-790-000, filed, February 2, 2018; Federal Energy Regulatory Commission Case No. ER18-768-000, filed January 31, 2018; Federal Energy Regulatory Commission Case No. ER18-198-000, filed October 31, 2017; Federal Energy Regulatory Commission Case No. ER17-2406-000, filed August 31, 2017; Federal Energy Regulatory Commission Case No. ER17-2181-000, filed July 31, 2017; Federal Energy Regulatory Commission Case No. ER17-2204, filed July 31, 2017; Federal Energy Regulatory Commission Case No. ER17-1509-000, filed May 1, 2017; Federal Energy Regulatory Commission Case No. ER17-910-000, filed January 31, 2017; Federal Energy Regulatory Commission Case No. EL 15-3-000, filed October 10, 2014; Federal Energy Regulatory Commission Case No. ER15-702-000, filed December 23, 2014; Federal Energy Regulatory Commission Case No. ER15-703- 000, filed December 23, 2014; Federal Energy Regulatory Commission Case No. ER15-704-000, filed December 23, 2014; Federal Energy Regulatory Commission Case No. ER15-705-000, filed December 23, 2014; Federal Energy Regulatory Commission Case No. ER15-735-000, filed December 23, 2014.

The Commission exited Closed Session at 3:03 PM.

15. Announcement following Closed Session

President Paulson announced that the Commission recommended that the Board of Supervisors approve the settlement referenced in item 12 and approve the recommendation to the Board of Supervisors referenced in item 13. Item 14 was not discussed.

16. Motion regarding whether to disclose the discussions during Closed Session pursuant to San Francisco Administrative Code Section 67.12(a).

*On motion not to disclose the discussions during Closed Session:
Ayes: Paulson, Rivera, Maxwell, Ajami, and Stacy*

17. Adjournment

President Paulson adjourned the meeting at 3:04 PM.