

File No. 110555

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance FULL-Committee Date: May 19, 2011

Board of Supervisors Meeting

Date _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Ethics Form 126 |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |

OTHER

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|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | * 12th, 13th, and 14th Supplemental Indentures |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Notice of Intent to Sell |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | * Official Notice of Sale |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | * Continuing Disclosure Certificate |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | * Bond Purchase Agreement |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Custody Agreement |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Escrow Agreement |

Completed by: Victor Young

Date: May 16, 2011

Completed by: Victor Young

Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Water Revenue Bonds and Water Revenue Refunding Bonds Issuance]

2
3 **Resolution approving the issuance of water revenue bonds and water revenue refunding**
4 **bonds to be issued by the Public Utilities Commission of the City and County of San**
5 **Francisco; affirming covenants contained in the indenture pursuant to which the water**
6 **revenue bonds are issued; authorizing the taking of appropriate actions in connection**
7 **therewith; and related matters.**

8
9 WHEREAS, pursuant to Section 9.107 of the Charter (the "Charter") of the City and
10 County of San Francisco (the "City"), the Board of Supervisors of the City (the "Board") is
11 authorized to provide for the issuance of revenue bonds by the Public Utilities Commission of
12 the City (the "Commission") following the approval of the issuance of such revenue bonds by
13 a majority of the voters, such revenue bonds to be issued and sold in accordance with State
14 law or any procedure provided for by ordinance; and,

15 WHEREAS, pursuant to Section 9.109 of the Charter, the Board is authorized to
16 provide for the issuance of bonds of the City for the purpose of refunding any revenue bonds
17 of the City then outstanding without voter approval, provided that such refunding is expected
18 to result in net debt service savings to the City on a present value basis, calculated as
19 provided by ordinance; and,

20 WHEREAS, at a duly called and held revenue bond election on November 5, 2002, a
21 majority of voters voting on the measure approved Proposition E ("Proposition E of 2002") to
22 authorize the Commission to issue its revenue bonds, including notes, commercial paper or
23 other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of
24 the Board, for the purpose of reconstructing, replacing, expanding, repairing or improving
25 water facilities under the jurisdiction of the Commission (the "Projects"); and,

1 WHEREAS, on August 4, 2009, the Board passed its Ordinance No. 189-09, approving
2 the issuance and sale of water revenue bonds by the Commission pursuant to Proposition E
3 of 2002, in an aggregate principal amount not to exceed \$1,310,307,119, to finance Projects
4 that fall under the Commission's Water System Improvement Program ("WSIP Projects"),
5 which ordinance became effective on September 12, 2009; and,

6 WHEREAS, on April 20, 2010, the Board passed its Ordinance No. 089-10 ("Ordinance
7 No. 089-10") approving the issuance and sale of additional water revenue bonds by the
8 Commission pursuant to Proposition E of 2002, in one or more series and on one or more
9 dates, in an aggregate principal amount not to exceed \$1,737,724,038, including (i)
10 \$1,647,249,198 principal amount to finance WSIP Projects and associated financing costs, (ii)
11 \$62,000,000 principal amount to finance Projects relating to the Commission's Advance Meter
12 Infrastructure System ("AMI Projects") and associated financing costs, and (iii) \$28,474,840
13 principal amount to finance Projects other than WSIP Projects and AMI Projects ("Other CIP
14 Projects" and together with the AMI Projects, "Non-WSIP Projects") and associated financing
15 costs, which ordinance became effective on May 30, 2010; and,

16 WHEREAS, on or about June 7, 2011, the Board is expected to pass an ordinance (the
17 "June Proposition E Ordinance," and together with the aforesaid Ordinance No. 189-09 and
18 Ordinance No. 089-10, the "Ordinances") approving the issuance and sale of additional water
19 revenue bonds by the Commission pursuant to Proposition E of 2002, in one or more series
20 and on one or more dates, in an aggregate principal amount not to exceed \$49,100,000, to
21 finance additional Non-WSIP Projects and associated financing costs, which ordinance will
22 become effective thirty days after its signing by the Mayor of the City; and,

23 WHEREAS, pursuant to the Ordinances and Proposition E of 2002, the Board has
24 therefore approved the issuance and sale of additional water revenue bonds by the
25 Commission pursuant to Proposition E of 2002, in one or more series and on one or more

1 dates, in a total aggregate principal amount not to exceed \$2,957,556,317, as described
2 above; and,

3 WHEREAS, pursuant to Proposition E of 2002, the Commission has previously issued
4 \$1,365,710,000 aggregate principal amount of New Money Bonds (defined below); and,

5 WHEREAS, an aggregate principal amount not to exceed \$1,888,031,317 remains
6 authorized pursuant to the Ordinances and unissued by the Commission; and,

7 WHEREAS, a condition of approval of the Ordinances is that the Commission shall
8 return to the Board prior to the issuance of any such water revenue bonds to obtain approval
9 by resolution of the Board of any related financing or disclosure documents prepared in
10 connection with the issuance of such water revenue bonds; and,

11 WHEREAS, the Commission, pursuant to the terms of a resolution adopted by the
12 Commission on May 10, 2011 (the "Resolution"), has authorized the issuance of its San
13 Francisco Water Revenue Bonds in an aggregate principal amount not to exceed
14 \$700,000,000, for the purpose of financing and refinancing WSIP Projects and Non-WSIP
15 Projects, funding debt service reserve and paying costs of issuance and other incidental costs
16 therefor, with the title and series designations to be determined by the General Manager of
17 the Commission (the "New Money Bonds"); authorized the issuance of its San Francisco
18 Water Revenue Refunding Bonds without limitation as to par amount, for the purpose of
19 refunding outstanding water revenue bonds or commercial paper of the Commission, funding
20 reserve funds and paying costs of issuance and other incidental costs therefor, with the title
21 and series designations to be determined by the General Manager of the Commission,
22 provided that the applicable requirements of the policies, procedures and Charter of the City
23 are satisfied (the "Refunding Bonds" and together with the New Money Bonds, the "Bonds");
24 approved the form of one or more Supplemental Indentures (the "Supplemental Indentures"),
25 by and between the Commission and U.S. Bank National Association, as trustee (the

1 "Trustee"), which supplements the Amended and Restated Indenture, dated as of August 1,
2 2002, as amended and supplemented (collectively with the Supplemental Indentures, the
3 "Indenture"), by and between the Commission and the Trustee; and authorized other related
4 actions and matters; and,

5 WHEREAS, the Resolution, among other things, establishes a maximum rate of
6 interest for the Bonds of twelve percent (12%) per annum; now, therefore, be it

7 RESOLVED by the Board of Supervisors of the City and County of San Francisco, as
8 follows:

9 Section 1. Recitals. All of the recitals herein are true and correct.

10 Section 2. Approval and Authorization of Bonds. Subject to the approval and
11 effectiveness of the June Proposition E Ordinance, the Board hereby authorizes and approves
12 the issuance by the Commission of New Money Bonds in an aggregate principal amount not
13 to exceed \$700,000,000, in one or more series and on one or more dates, at a maximum rate
14 or rates of interest not to exceed twelve percent (12%) per annum. The New Bonds may be
15 issued as tax-exempt bonds or taxable bonds, or any combination thereof.

16 The Board further authorizes and approves the issuance by the Commission of
17 Refunding Bonds, without limitation as to principal amount, in one or more series and on one
18 or more dates, at a maximum rate or rates of interest not to exceed twelve (12%) percent per
19 annum, provided that each such Refunding Bond issue is permitted under the applicable
20 policies and procedures of the City and authorized by either (A) Section 9.109 of the Charter
21 or (B) Proposition E of 2002 (including related ordinances and resolutions of the Board). The
22 Refunding Bonds may be issued as tax-exempt bonds or taxable bonds, or any combination
23 thereof.

24 The forms of the Bonds, in substantially the forms presented to the Board, as set forth
25 in the exhibits to the Supplemental Indentures, are hereby approved. The President or the

1 General Manager of the Commission or the designee of either, and the Controller of the City
2 or any deputy thereof, are hereby authorized and directed to approve and to execute the
3 Bonds by manual or facsimile signature, with such changes, additions, amendments or
4 modifications therein which he or she may approve with the advice of the City Attorney, such
5 approval to be conclusively evidenced by the execution and delivery of the Bonds.

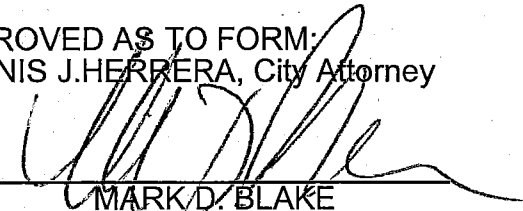
6 Section 3. Affirmation of Existing Bond Covenants. The Board hereby confirms
7 Section 5.01(b) of the Indenture which sets forth the disposition of Revenues (as defined in
8 the Indenture) applicable to the Bonds and covenants with the holders of the Bonds that the
9 Revenues shall be appropriated and expended as set forth in Section 5.01(b) of the Indenture.
10 The Board also hereby declares that the City will comply with all of the terms, provisions and
11 covenants contained in the Indenture, as the same may be amended from time to time,
12 including the covenants to establish, fix, prescribe and collect rates, fees and charges
13 sufficient to enable the Commission to comply with the terms, conditions and covenants of the
14 Indenture.

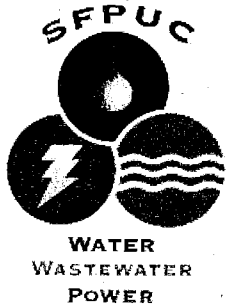
15 Section 4. Approval of Financing Documents. In accordance with the grant of authority
16 contained in the Ordinances, the forms of Supplemental Indentures, Official Notices of Sale,
17 Notices of Intention to Sell Bonds, Bond Purchase Agreements, Official Statements, Escrow
18 Agreements and Continuing Disclosure Certificates relating to the Bonds, submitted to this
19 Board and on file with the Clerk of the Board, are hereby approved. The Controller, the
20 Treasurer, the City Attorney and the officers of the Commission authorized by resolution of the
21 Commission, and their designees, are hereby authorized to execute, attest, seal, publish and
22 deliver (as appropriate) each such document, with such changes thereto as the officer
23 executing or publishing the same shall approve with the advice of the City Attorney, such
24 approval to be conclusively evidenced by the execution and delivery, or the publication, as
25 applicable, of such document.

1 Section 5. Proposition P. Pursuant to Proposition P approved by the voters of the City
2 in November 2002, this resolution and the Bonds are subject to, and incorporate by reference,
3 the provisions of Section 5A.30 et seq. ("Public Utilities Revenue Bond Oversight Committee")
4 of Chapter V of the San Francisco Administrative Code (the "Proposition P Requirements").
5 Pursuant to the Proposition P Requirements, to the extent permitted by law, one-twentieth of
6 one percent (0.05%) of the gross proceeds of the Bonds shall be deposited in a fund
7 established by the Controller's Office and appropriated by the Board at the direction of the
8 Public Utilities Revenue Bond Oversight Committee established by Proposition P
9 Requirements to cover the costs of said committee.

10 Section 6. General Authority. The Controller of the City, the Treasurer of the City, the
11 City Attorney, and all other appropriate officers, employees, representatives and agents of the
12 City are hereby authorized and directed to do everything necessary or desirable to provide for
13 the issuance and security of the Bonds, including, but not limited to, executing and delivering
14 such certificates and other documents as they may deem necessary or advisable, including
15 without limitation any custody agreements or filing agent agreements required by the Trustee.

16 APPROVED AS TO FORM:
17 DENNIS J. HERRERA, City Attorney

18 By: 
19 MARK D. BLAKE
20 Deputy City Attorney



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

1155 Market St., 11th Floor, San Francisco, CA 94103 • Tel. (415) 554-3155 • Fax (415) 554-3161 • TTY (415) 554.3488



TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: Nathan Purkiss, 554-3404

DATE: 5/03/11

**SUBJECT: 1) Resolution approving issuance of water revenue bonds
2) Ordinance approving of water revenue bonds**

EDWIN M. LEE
MAYOR

FRANCESCA VIOTOR
PRESIDENT

ANSON MORAN
VICE PRESIDENT

ANN MOLLER CAEN
COMMISSIONER

ART TORRES
COMMISSIONER

VINCE COURTNEY
COMMISSIONER

ED HARRINGTON
GENERAL MANAGER

Please find the original and 4 copies of a Board of Supervisors resolution approving issuance of water revenue bonds for the Water System Improvement Program (WSIP); as well as an ordinance approving issuance of water revenue bonds for the Water System Improvement Program (WSIP); and supplemental materials for these two items. The packet includes:

1. Resolution: Requesting Bond Authorization
2. Ordinance: Requesting Bond Authority under Proposition E
3. SFPUC Agenda Item and Resolution
4. Preliminary Official Statement
5. Twelfth, Thirteenth, and Fourteenth Supplemental Indentures
6. Notice of Intention to Sell
7. Official Notice of Sale
8. Continuing Disclosure Certificate (see Appendix in Preliminary Official Statement)
9. Bond Purchase Agreement
10. Custody Agreement
11. Escrow Agreement

These items are requested to be heard together at the May 19th meeting of the Budget and Finance Committee.

Please contact us if you need any additional information on these items.

Departmental representative to receive a copy of the adopted resolution:

Name: Nathan Purkiss

Phone: 554-3404

Interoffice Mail Address: 1155 Market Street, 11th Floor



AGENDA ITEM
Public Utilities Commission
City and County of San Francisco



DEPARTMENT Financial Services AGENDA NO. _____
 MEETING DATE May 10, 2011

Authorize the Issuance of up to a principal amount of \$700,000,000 in Water Revenue Bonds under Proposition E to fund the Water System Improvement Program and other Water Enterprise Capital Projects

Project Manager: Charles Perl

Summary of Proposed Commission Action:	<p>Discussion and possible action authorizing the planned issuance of up to a principal amount of \$700,000,000 in Water Revenue Bonds under Proposition E to fund the Water System Improvement Program (WSIP) and other Water Enterprise Capital Projects, in one or more series of bonds and subject to the further approval of the Board of Supervisors; approving the form and authorizing the execution and delivery of related documents; authorizing the General Manager to sell in one or more series of bonds on either a competitive or a negotiated basis, as the General Manager determines is in the best financial interest of the San Francisco Public Utilities Commission (SFPUC); delegating to the General Manager authorization to award each series of bonds to the highest bidder (lowest-cost); authorizing the General Manager to submit a resolution to the Board of Supervisors authorizing the issuance of not to exceed \$700,000,000 aggregate principal amount of Water Revenue Bonds; and with this resolution serving as an Inducement Resolution with the California Debt Limit Allocation Committee (CDLAC), authorizing the General Manager to submit an application to CDLAC requesting "Volume Capacity" to authorize the use of lower-cost, tax-exempt bond capacity for a portion of the private use activity associated with regional WSIP projects; provided, however, the issuance of such Water Revenue Bonds shall be subject to the terms of Proposition E (approved by the voters November 2002); and authorize the General Manager to request the Board of Supervisors to consider an ordinance approving the issuance and sale of additional water revenue bonds not to exceed \$49,100,000 by the Commission pursuant to Proposition E of 2002 in Non-WSIP Projects and associated financing costs; and adopting findings pursuant to the California Environmental Quality Act.</p>
Background:	<p>San Francisco voters approved Proposition E in November 2002. The Proposition authorized the issuance of revenue bonds to finance costs for SFPUC capital programs, including the Water System Improvement Program (WSIP) and Water Enterprise</p>

APPROVAL:

DEPARTMENT /
BUREAU

FINANCE

Todd L. Rydstrom

COMMISSION
SECRETARY

GENERAL
MANAGER

Mike Housh

Ed Harrington

capital projects.

WSIP Projects:

The size of each series of bonds is calibrated to the amount of commercial paper being refunded, if any; projected WSIP encumbrances; the amount of refunding bonds, if any; debt service reserve funds; and financing costs. The 2011 Series ABC bond sale, with a not to exceed amount of \$700,000,000, is planned for July 2011. The bonds will be issued under the financing authority of Proposition E. 2011 Series A will fund WSIP projects in estimated amount of \$565,000,000, including financing costs.

The total combined WSIP-related bond issuance to date under Propositions A and E is \$2,697,525,000. The total WSIP-related bond issuance to date under Proposition A is \$1,331,815,000 out of the total voter-approved authority of \$1,628,000,000. Bond sales issued under the authority of Proposition E require an ordinance from the Board of Supervisors and a resolution from both the Commission and the Board of Supervisors in advance of each issuance. The Board of Supervisors provided authorization to issue these revenue bonds with ordinance 189-09 approved on August 4, 2009, for the issuance of up to \$1,310,307,119 for WSIP Projects. On April 20, 2010, the Board passed Ordinance 089-10, authorizing Proposition E Water Revenue Bonds in an amount up to \$1,737,724,038 for both WSIP projects as well as other Water Enterprise Capital Improvement Projects, including the Advanced Meter Infrastructure project; the WSIP-related authorization is \$1,647,249,198. As noted below, the combined authorization under Proposition E to finance WSIP is \$2,957,556,317 and the remaining debt issuance capacity under Proposition E is \$ 1,591,846,317.

WSIP Bond Summary:

Bond Authority (\$)	
Prop A	1,628,000,000
Prop E	<u>2,957,556,317</u>
Total Authorization	4,585,556,317
Issued Prop A	1,331,815,000
Issued Prop E	<u>1,365,710,000</u>
Issued Total	2,697,525,000
Remaining Prop A	296,185,000
Remaining Prop E	<u>1,591,846,317</u>
Total Remaining	1,888,031,317
Estimated Total Remaining After Planned \$565M 2011 A Sale	1,323,031,317

Non-WSIP Projects:

In addition to the WSIP projects described above, the planned July Water Revenue Bond sale includes financing for \$31.2 million in Hetchy Water Projects, including financing costs, and \$38.0 million in Water Main Replacement projects, including financing costs.

Water Enterprise Capital Projects (Non-WSIP) Included in this Financing:

	2011 BC Bonds (\$)		
	Projects	Financing	Total
Hetchy Water Projects	27,710,000	3,452,500	31,162,500
Local Water			
CUW260 Water Main Replacement	33,772,250	4,271,226	38,043,476
Treasure Island			
Total	61,482,250	7,723,726	69,205,976

Ordinance 089-10, passed by the Board of Supervisors on April 20, 2010, authorized debt issuance of \$1,737,724,038 under Proposition E, consisting of \$1,647,249,198 for WSIP, \$28,474,840 in CUW260 Water Main Replacement and \$62,000,000 for Advanced Metering Infrastructure (AMI). The attached Board of Supervisors Ordinance requesting additional Proposition E authorization includes additional authorization for Water Main Replacement projects in the amount of \$9,568,636, as well as new authorization for both Hetchy Water and Treasure Island projects. Note, the Treasure Island Projects are included in the 2011 Proposition E Authorization Request but are not part of this bond sale and will be financed at a later time.

Projects included in 2011 Proposition E Authorization Request

	2011 Proposition E Ordinance (\$)		
	Projects	Financing	Total
Hetchy Water Projects	27,710,000	3,452,500	31,162,500
Local Water			
CUW260 Water Main Replacement	9,568,636	0	9,568,636
Treasure Island	6,525,000	1,768,536	8,293,536
Total	43,803,636	5,221,036	49,024,672

Private Use Activity:

Most of the Water Revenue bonds issued by the SFPUC qualify for tax exemption status due to the intended public use of the capital improvements funded. A portion of our water deliveries, however, are to private entities that do not qualify for the same tax exemption status. This means that a portion of the Water Bonds sold to fund WSIP improvements are issued under IRS taxable bond provisions. We actively manage the bond program to both minimize the cost for ratepayers as well as ensure all Federal and State tax regulations are met.

One way to help minimize costs is to periodically review unused, statewide tax exempt issuance volume capacity to see if we can apply for and make use of additional tax exempt capacity where we would otherwise need to issue taxable, private use bonds. The attached bond financing resolution serves as an Inducement Resolution for our application to the California Debt Limit Allocation Committee and authorizes the General Manager to submit an application to CDLAC for additional Volume Capacity to permit the use of tax-exempt bonds for private use associated with WSIP projects. Tax-exempt bonds provide the lowest cost of borrowing to the SFPUC, thereby help to minimize WSIP financing costs.

Schedule: Board of Supervisors approval of a Resolution to issue these bonds as well an Ordinance requesting additional capacity under Proposition E will be requested at the June 7, 2011 meeting. If approved, the bond sale will be scheduled for July 2011.

Bond Documents: The Commission is being asked to approve the form and authorize the execution of documents relating to the bond sale. These documents are described below.

- 1) Twelfth, Thirteenth, and Fourteenth Supplemental Indentures – The Indenture is the bond document providing both the legal structure and security for the bonds, including pledge of revenues, covenants, default and remedy provisions, flow of funds (priority for use of pledged revenues) and provisions to issue additional debt. The Supplemental Indentures set forth the terms of each individual series of bonds, including maturities, interest rates and terms of early redemption.
- 2) Official Statement (Preliminary/Final) – Primary disclosure document for bidders and investors regarding terms of bonds, security, risk factors, financial and operating results and projections and background information. The document is substantially final (except for certain pricing information and projection updates that may occur prior to sale) and through this resolution the General Manager is permitted to make such changes as are necessary to update the document.
- 3) Official Notice of Sale – Document inviting bids, if sold on a competitive bid basis, and describing details of the bonds, including the method of delivering bids, the date, time and place of bid opening, and the basis for determining the winning bid.
- 4) Notice of Intention to Sell – Brief document published up to 15 days prior to sale date alerting prospective investors and bidders of sale.
- 5) Continuing Disclosure Certificate – Document containing commitments to providing annual financial and operating data disclosure, and interim disclosure in the event of certain enumerated events, for the benefit of bondholders.
- 6) Bond Purchase Agreement – Agreement between the underwriter(s) and the SFPUC in the event of a negotiated sale.
- 7) Custody Agreement – Agreement with Trustee to hold the good faith deposit between bond pricing and closing.
- 8) Escrow Agreement – Agreement related to advance refunding of bonds whereby the Trustee holds bond proceeds in trust and repays the bonds at the call date.

Result of Inaction:	A delay or denial in approving this agenda item will adversely impact the SFPUC's ability to complete the Water System Improvement Program as well as other planned
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PRELIMINARY OFFICIAL STATEMENT DATED _____, 2011

NEW ISSUE—Book-Entry Only

Ratings:
S&P: "____"
Moody's: "____"
(see "RATINGS")

In the opinion of Sidley Austin LLP, San Francisco, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986 (the "Code"), as amended, as described herein, interest on the 2011 Series ABC Bonds is not includable in the gross income of the owners of such Bonds for Federal income tax purposes. In the further opinion of Co-Bond Counsel, interest on the 2011 Series ABC Bonds is not treated as an item of tax preference in calculating the Federal alternative minimum taxable income of individuals and corporations. Co-Bond Counsel express no opinion as to the extent to which, if any, interest on the 2011 Series ABC Bonds may be excluded from the calculation of Federal corporate alternative minimum taxable income. In the further opinion of Co-Bond Counsel, interest on the 2011 Series ABC Bonds is exempt from personal income taxes imposed by the State of California. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of, interest on the 2011 Series ABC Bonds. See "TAX MATTERS."



\$ _____ *
Public Utilities Commission
of the City and County of San Francisco
San Francisco Water Revenue Bonds,
2011 Series ABC

\$ _____ *
2011 Sub-Series A Bonds
(WSIP)

\$ _____ *
2011 Sub-Series B Bonds
(Hetch Hetchy)

\$ _____ *
2011 Sub-Series C Bonds
(Local Water Main)

Dated: Date of Delivery

Due: November 1, as shown on inside front cover

General. This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of the water revenue bonds captioned above (the "2011 Sub-Series A Bonds," "2011 Sub-Series B Bonds," and the "2011 Sub-Series C Bonds," and, collectively, the "2011 Series ABC Bonds"). Investors are instructed to read the entire Official Statement to obtain information essential to making an informed investment decision.

Authority for Issuance. The Public Utilities Commission of the City and County of San Francisco (the "SFPUC") is issuing the 2011 Series ABC Bonds pursuant to authority granted by the Charter of the City and County of San Francisco (the "City"), through Proposition E, approved by the voters of the City on November 5, 2002 ("Proposition E"). The 2011 Sub-Series A Bonds will be issued under a Twelfth Supplemental Indenture, the 2011 Sub-Series B Bonds will be issued under a Thirteenth Supplemental Indenture, and the 2011 Sub-Series C Bonds will be issued under a Fourteenth Supplemental Indenture, each dated as of June 1, 2011, by and between the SFPUC and U.S. Bank National Association, as trustee (the "Trustee"), and each of which supplements the Amended and Restated Indenture, dated as of August 1, 2002, by and between the SFPUC and the Trustee (as supplemented and amended to date, the "Indenture").

Purposes. The 2011 Series ABC Bonds are being issued (a) to finance and refinance a portion of the design, acquisition and construction of various capital projects of benefit to the SFPUC's Water Enterprise, (b) to fund capitalized interest on the 2011 Series ABC Bonds for a limited period, (c) to fund a debt service reserve account for the 2011 Series ABC Bonds, and (d) to pay costs of issuance of the 2011 Series ABC Bonds.

Denominations and Interest. The 2011 Series ABC Bonds will be available in the denominations of \$5,000 or any integral multiple thereof and will mature in the years and amounts and accrue interest from their date of delivery at the rates set forth on the inside cover page of this Official Statement. Interest on the 2011 Series ABC Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2011.

Book-Entry Only. The 2011 Series ABC Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers (the "Beneficial Owners"), under the book-entry system maintained by DTC. Beneficial Owners will not receive physical certificates representing their interests in the 2011 Series ABC Bonds. The principal of, premium, if any, and interest on the 2011 Series ABC Bonds are payable to DTC by the Trustee, and, so long as DTC is acting as securities depository for the 2011 Series ABC Bonds, disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants.

Redemption. The 2011 Series ABC Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity.

Security. Under the Indenture, the SFPUC has irrevocably pledged the Revenues of its Water Enterprise to the punctual payment of principal of, premium, if any, and interest on the Bonds, which consist of all outstanding parity revenue bonds issued under the Indenture, including the 2011 Series ABC Bonds, subject to the allocation of funds provided in the Indenture. The 2011 Series ABC Bonds are payable on a parity with certain Outstanding Bonds previously issued by the SFPUC under the Indenture.

Limited Obligation. The SFPUC is not obligated to pay the principal of, premium, if any, or interest on the 2011 Series ABC Bonds from any source of funds other than Revenues. The SFPUC has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the 2011 Series ABC Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2011 Series ABC Bonds. The 2011 Series ABC Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFPUC or any of its income or receipts, except Revenues.

MATURITY SCHEDULE
(See inside cover)

The 2011 Series ABC Bonds were sold through respective competitive sales held on _____, 2011.

The 2011 Series ABC Bonds are offered when, as and if issued by the SFPUC and received by the successful bidder, subject to the approval of validity by Sidley Austin LLP, San Francisco, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel to the SFPUC, and to certain other conditions. Certain matters will be passed upon for the SFPUC and the City by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel, and by the City Attorney of the City and County of San Francisco. Public Financial Management, Inc., San Francisco, California, and Backstrom McCauley Berry & Co., LLC, San Francisco, California, Co-Financial Advisors to the SFPUC, assisted in the structuring of this financing. It is expected that the 2011 Series ABC Bonds in fully registered form will be available for delivery in book-entry form in New York, New York, on or about _____, 2011.

The date of this Official Statement is _____, 2011.

* Preliminary; subject to change.

MATURITY SCHEDULE*

2011 Sub-Series A Bonds

\$ _____ Serial Bonds

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield**</u>	<u>Price**</u>
--	-----------------------------------	--------------------------------	----------------	----------------

CUSIP[†]
Base Number:
79765R

\$ _____ % Term Bonds Due November 1, 20 __, Yield:** __%, Price:** __%
CUSIP[†] 79765R ____

2011 Sub-Series B Bonds

\$ _____ Serial Bonds

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield**</u>	<u>Price**</u>
--	-----------------------------------	--------------------------------	----------------	----------------

CUSIP[†]
Base Number:
79765R

\$ _____ % Term Bonds Due November 1, 20 __, Yield:** __%, Price:** __%
CUSIP[†] 79765R ____

2011 Sub-Series C Bonds

\$ _____ Serial Bonds

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield**</u>	<u>Price**</u>
--	-----------------------------------	--------------------------------	----------------	----------------

CUSIP[†]
Base Number:
79765R

\$ _____ % Term Bonds Due November 1, 20 __, Yield:** __%, Price:** __%
CUSIP[†] 79765R ____

* Preliminary; subject to change.

** Reoffering prices and yields have been provided by the respective underwriters. See "UNDERWRITING" herein.

† Copyright 2011, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the SFPUC nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.



TWELFTH SUPPLEMENTAL INDENTURE

by and between

U.S. BANK NATIONAL ASSOCIATION, as Trustee

and

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

Dated as of June 1, 2011

AUTHORIZING THE ISSUANCE OF
\$ _____ AGGREGATE PRINCIPAL AMOUNT OF
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2011 SERIES ABC
2011 SUB-SERIES A

(Supplemental to the Amended and Restated Indenture
dated as of August 1, 2002, as amended and supplemented)

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THIRTEENTH SUPPLEMENTAL INDENTURE

by and between

U.S. BANK NATIONAL ASSOCIATION, as Trustee

and

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

Dated as of June 1, 2011

AUTHORIZING THE ISSUANCE OF
\$ _____ AGGREGATE PRINCIPAL AMOUNT OF
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2011 SERIES ABC
2011 SUB-SERIES B

(Supplemental to the Amended and Restated Indenture
dated as of August 1, 2002, as amended and supplemented)

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FOURTEENTH SUPPLEMENTAL INDENTURE

by and between

U.S. BANK NATIONAL ASSOCIATION, as Trustee

and

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

Dated as of June 1, 2011

AUTHORIZING THE ISSUANCE OF
\$ _____ AGGREGATE PRINCIPAL AMOUNT OF
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2011 SERIES ABC
2011 SUB-SERIES C

(Supplemental to the Amended and Restated Indenture
dated as of August 1, 2002, as amended and supplemented)

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NOTICE OF INTENTION TO SELL

\$ _____ *	\$ _____ *	\$ _____ *
PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO SAN FRANCISCO WATER REVENUE BONDS, 2011 SERIES ABC 2011 SUB-SERIES A	PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO SAN FRANCISCO WATER REVENUE BONDS, 2011 SERIES ABC 2011 SUB-SERIES B	PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO SAN FRANCISCO WATER REVENUE BONDS, 2011 SERIES ABC 2011 SUB-SERIES C

NOTICE IS HEREBY GIVEN that the Public Utilities Commission of the City and County of San Francisco (the "Commission") intends to offer for public sale on:

_____, 2011, at 8:00 a.m. (California time)
(subject to postponement or cancellation in accordance
with the hereinafter mentioned Official Notice of Sale)

at the offices of the Commission, 1155 Market Street, 4th Floor, San Francisco, California 94103, \$ _____ * aggregate principal amount of Public Utilities Commission of the City and County of San Francisco, San Francisco Water Revenue Bonds, 2011 Sub-Series A (the "2011 Sub-Series A Bonds"), \$ _____ * aggregate principal amount of Public Utilities Commission of the City and County of San Francisco, San Francisco Water Revenue Bonds, 2011 Sub-Series B (the "2011 Sub-Series B Bonds") and \$ _____ * aggregate principal amount of Public Utilities Commission of the City and County of San Francisco, San Francisco Water Revenue Bonds, 2011 Sub-Series C (the "2011 Sub-Series C Bonds" and, together with the 2011 Sub-Series A Bonds and the 2011 Sub-Series B Bonds, the "2011 Series ABC Bonds"). Proposals will be received in electronic form only and solely through BiDCOMPTM/Parity[®] ("BiDCOMP/Parity"), in the manner described in the Official Notice of Sale.

The Commission reserves the right to postpone or cancel the sale of the 2011 Series ABC Bonds, to change the terms thereof upon notice given through BiDCOMP/Parity, and to reject all proposals received on such date. In the event that no bid is awarded, the Commission may reschedule the sale to another date or time by providing notification through BiDCOMP/Parity. **Notice of any postponement, a new time, or a new time and date, for receipt of bids will be communicated through BiDCOMP/Parity.**

The 2011 Series ABC Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale. Further information regarding the proposed sale of the 2011 Series ABC Bonds, including copies of the Preliminary Official Statement and the Official Notice of Sale relating to the 2011 Series ABC Bonds are available electronically at BiDCOMP/Parity or may be obtained from either of the Commission's financial advisors: Public Financial Management, Inc., 50 California Street, Suite 2300, San Francisco, California 94111, telephone: (415) 982-5544, Attention: Robert Gamble (email: gambler@pfm.com); and Backstrom McCarley Berry & Co., LLC, 115 Sansome Street, Mezzanine A, San Francisco,

* Preliminary; subject to change in accordance with the Official Notice of Sale.

California 94104; telephone: (415)392-5505, Attention: Vincent McCarley (email: VMcCarley@bmcaco.com).

On or around _____, 2011, the Preliminary Official Statement and Official Notice of Sale will be posted electronically at Ipreo Prospectus: www.i-dealprospectus.com. Failure of any bidder to receive notice thereof shall not affect the legality of the sale.

Dated: _____, 2011

X

OFFICIAL NOTICE OF SALE

§ _____
**PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS
2011 SERIES ABC
2011 SUB-SERIES A**

OFFICIAL NOTICE OF SALE

OFFICIAL NOTICE OF SALE

§ _____
**PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS
2011 SERIES ABC
2011 SUB-SERIES B**

§ _____
**PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS
2011 SERIES ABC
2011 SUB-SERIES C**

NOTICE IS HEREBY GIVEN that proposals will be received in electronic form only and solely through BiDCOMP™/Parity® (“Parity”), in the manner described below, by the Public Utilities Commission of the City and County of San Francisco (the “Commission”), at the offices of the Commission on:

_____, 2011, at 8:00 a.m. (California time)

(subject to postponement or cancellation in accordance with this Official Notice of Sale)

for the purchase of the revenue bonds captioned above (the “Bonds”) of the Commission more particularly described below. See “TERMS OF SALE—Warning Regarding Electronic Bids.”

The Commission reserves the right to postpone, from time to time, the date established for receipt and opening of bids with respect to the Bonds. Notice of any postponement will be communicated through Parity as soon as practicable following postponement. See “TERMS OF SALE—Postponement or Cancellation of Sale.”

The Commission reserves the right to cancel the sale of the Bonds. Notice of any such cancellation will be given through Parity as soon as practicable following such cancellation. See “TERMS OF SALE—Postponement or Cancellation of Sale.”

Notice of any change in the terms of the sale of the Bonds will be given through Parity. See “TERMS RELATING TO THE BONDS—Adjustment of Principal Payments” and “TERMS OF SALE—Right to Modify or Amend.” As an accommodation to bidders, telephone, facsimile or electronic notice of any amendment or modification of this Official Notice of Sale will be given to any bidder requesting such notice from either of the Commission’s financial advisors (the “Financial Advisors”):

* Subject to adjustment in accordance with this Official Notice of Sale.

Public Financial Management, Inc.,
50 California Street, Suite 2300
San Francisco, California 94111
Attention: Robert Gamble
Telephone: (415) 982-5544
Facsimile: (415) 982-4513
E-mail: gambler@pfm.com

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104
Attention: Vincent McCarley
Telephone: (415) 392-5505
Facsimile: (415) 392-5276
E-mail: VMcCarley@bmcbbc.com

Failure of any bidder to receive any such supplemental notice shall not affect the sufficiency of any required notice or the legality of the sale.

Bidders are directed to the Preliminary Official Statement of the Commission dated the date hereof with respect to the Bonds (the "Preliminary Official Statement") for additional information regarding the Commission, the Water Enterprise (as defined in the Preliminary Official Statement), the City and County of San Francisco (the "City"), the Bonds and the security therefor, and other matters. See "TERMS OF SALE-Official Statement" below.

This Official Notice of Sale will be submitted to Ipreo Prospectus ("Ipreo") for posting at its website (www.i-dealprospectus.com) and in the Parity bid delivery system. If any summary of the terms of the sale of the Bonds posted by Ipreo or Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment to this Official Notice of Sale is given as described herein.

TERMS RELATING TO THE BONDS

THE AUTHORITY FOR ISSUANCE, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY AND SOURCES OF PAYMENT, THE LEGAL OPINION AND ALL OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, DATED _____, 2011 (THE "PRELIMINARY OFFICIAL STATEMENT") WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Subject to the foregoing, the Bonds are generally described as follows:

Authority for the Bonds. The Commission is issuing the Bonds under the Charter of the City and under an Amended and Restated Indenture, dated as of August 1, 2002 (the "Original Indenture"), by and between the Commission and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of March 1, 2006 (the "First Supplemental Indenture"), by and between the Commission and the Trustee, a Second Supplemental Indenture, dated as of August 1, 2006 (the "Second Supplemental Indenture"), by and between the Commission and the Trustee, a Third Supplemental Indenture, dated as of August 1, 2009 (the "Third Supplemental Indenture"), by and between the Commission and the Trustee, a Fourth Supplemental Indenture, dated as of September 1, 2009 (the "Fourth Supplemental Indenture"), by and between the Commission and

\$ _____
**PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS
2011 SERIES ABC**

\$ _____
2010 SUB-SERIES A

\$ _____
2010 SUB-SERIES B

\$ _____
2010 Sub-Series C

BOND PURCHASE CONTRACT

_____, 2011

Public Utilities Commission of the
City and County of San Francisco
1155 Market Street, 5th Floor
San Francisco, CA 94103

Ladies and Gentlemen:

_____ (the "*Representative*"), as representative of itself, _____ and _____ (collectively, the "*Underwriters*"), offers to enter into this bond purchase contract (this "*Purchase Contract*") with the Public Utilities Commission of the City and County of San Francisco (the "*Commission*"), which will be binding upon the Commission and the Underwriters upon acceptance hereof by the Commission. This offer is made subject to the acceptance by the Commission by the execution of this Purchase Contract and its delivery to the Representative on or before 11:59 p.m., California time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Representative upon written notice delivered to the Commission at any time prior to the acceptance of this Purchase Contract by the Commission. If the Representative withdraws this offer, or the Underwriters' obligation to purchase the Bonds (as hereinafter defined) is otherwise terminated pursuant to Section 8(d) hereof, then and in such case, the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 10(a) hereof, and the City shall be free to sell the Bonds to any other party.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Amended and Restated Indenture, dated as of August 1, 2002 (the "Master Indenture"), between the Commission and U.S. Bank National Association, as trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented pursuant to a Twelfth Supplemental Indenture, dated as of _____ 1, 2011 (the "Twelfth Supplemental Indenture"), between the Commission and the Trustee, a Thirteenth Supplemental Indenture, dated as of _____ 1, 2011 (the "Thirteenth Supplemental Indenture"), between the Commission and the Trustee, and a Fourteenth Supplemental Indenture, dated as of _____ 1, 2011 (the "Fourteenth Supplemental Indenture"), between the Commission and the Trustee (the Master Indenture, as amended and supplemented being herein referred to as the "Indenture").

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters jointly and severally agree to purchase from the Commission, and the Commission hereby agrees to sell and deliver to the Underwriters, all (but not less than all) of the \$_____ aggregate principal amount of Public Utilities Commission of the City and County of San Francisco San Francisco Water Revenue Bonds, 2010 Series ABC (the "Bonds"), consisting of \$_____ aggregate principal amount of Bonds designated "2010 Sub-Series A" (the "2010A Bonds"), \$_____ aggregate principal amount of Bonds designated "2010 Sub-Series B" (the "2010B Bonds"), and \$_____ aggregate principal amount of Bonds designated "2010 Sub-Series C" (the "2010C Bonds").

The purchase price for the 2010A Bonds shall be \$_____ (comprised of the principal amount of the 2010A Bonds, [plus/less a net original issue premium/discount on the 2010A Bonds of \$_____,] less an Underwriters' discount in the amount of \$_____).

The purchase price for the 2010B Bonds shall be \$_____ (comprised of the principal amount of the 2010B Bonds, [plus/less a net original issue premium/discount on the 2010B Bonds of \$_____,] less an Underwriters' discount in the amount of \$_____).

The purchase price for the 2010C Bonds shall be \$_____ (comprised of the principal amount of the 2010C Bonds, [plus/less a net original issue premium/discount on the 2010C Bonds of \$_____,] less an Underwriters' discount in the amount of \$_____).

The Bonds shall be dated their date of delivery and shall have the maturities and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto. The Bonds shall be substantially in the form described in, and shall be issued and secured under and pursuant to, the Indenture. The Bonds shall mature and shall be as otherwise described in the Official Statement.

The Commission will deliver the Continuing Disclosure Certificate substantially in the form set forth in the Preliminary Official Statement (the "Continuing Disclosure Certificate") on the Closing Date (as defined herein). The form of the Continuing Disclosure Certificate will also be set forth in the Official Statement.

Section 2. Authorization for the Bonds; Purpose of Issue. Under Section 8B.124 and Section 9.109 of the Charter (the "City Charter") of the City and County of San Francisco (the

**PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2011 SERIES ABC
2011 SUB-SERIES __**

CUSTODY AGREEMENT

This Custody Agreement, dated as of _____ 1, 2011 (this "Agreement"), is entered into by and between the Public Utilities Commission of the City and County of San Francisco (the "Commission") and U.S. Bank National Association (the "Custodian"). The Commission has appointed the Custodian to act as custodian for monies deposited by the purchaser of the Bonds (the "Purchaser") in connection with the issuance and administration of the Commission's San Francisco Water Revenue Bonds, 2011 Sub-Series __ (the "Bonds"). This Agreement sets out the terms and conditions of this appointment.

The Commission and the Custodian agree as follows:

1. On or about _____, 2011, the Purchaser shall deposit with or cause to be delivered to the Custodian the amount of \$ _____ (the "Deposit"), representing a good faith deposit made by the Purchaser. The Custodian shall hold the Deposit in a custody account (the "2011 Sub-Series __ Custody Account") to be established by the Custodian. The Deposit shall be delivered to the Custodian by wire transfer pursuant to the Official Notice of Sale for the Bonds.
2. Upon the issuance of the Bonds, the Custodian shall distribute funds in the 2011 Sub-Series __ Custody Account to the Commission, with no further direction from the Commission, for deposit by the Commission into the 2011 Sub-Series __ Project Fund to be established by the Commission under the [_____] Supplemental Indenture, dated as of _____ 1, 2011, by and between the Commission and U.S. Bank National Association, as trustee. If the Bonds are not delivered on or before _____, 2011, the Custodian shall deliver all funds to the Commission in accordance with the Commission's written instructions.
3. The Custodian shall hold and invest the 2011 Sub-Series __ Custody Account in the fund of the Custodian entitled "First American Treasury Obligations Class D." The Custodian shall distribute all investment earnings in accordance with the Commission's written instructions.
4. This Agreement will terminate upon transfer of all the amounts in the 2011 Sub-Series __ Custody Account in accordance with Section 2 hereof.
5. The duties and responsibilities of Custodian shall be limited to those expressly set forth in this Agreement. In no event shall the Custodian be liable for any special, indirect or consequential damages. The Custodian shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and reasonably believed by it to be

within the discretion of power conferred upon it by this Agreement. The Commission agrees to indemnify and hold the Custodian harmless from all loss, cost, damages, expenses, liabilities, judgments and attorneys' fees (including without limitation, allocated costs of in-house counsel) suffered or incurred by Custodian arising out of or in connection with this Agreement, except that this indemnity obligation shall not apply in the event of the negligence or willful misconduct of the Custodian. This indemnity obligation shall survive termination of this Agreement.

[Remainder of page intentionally left blank]

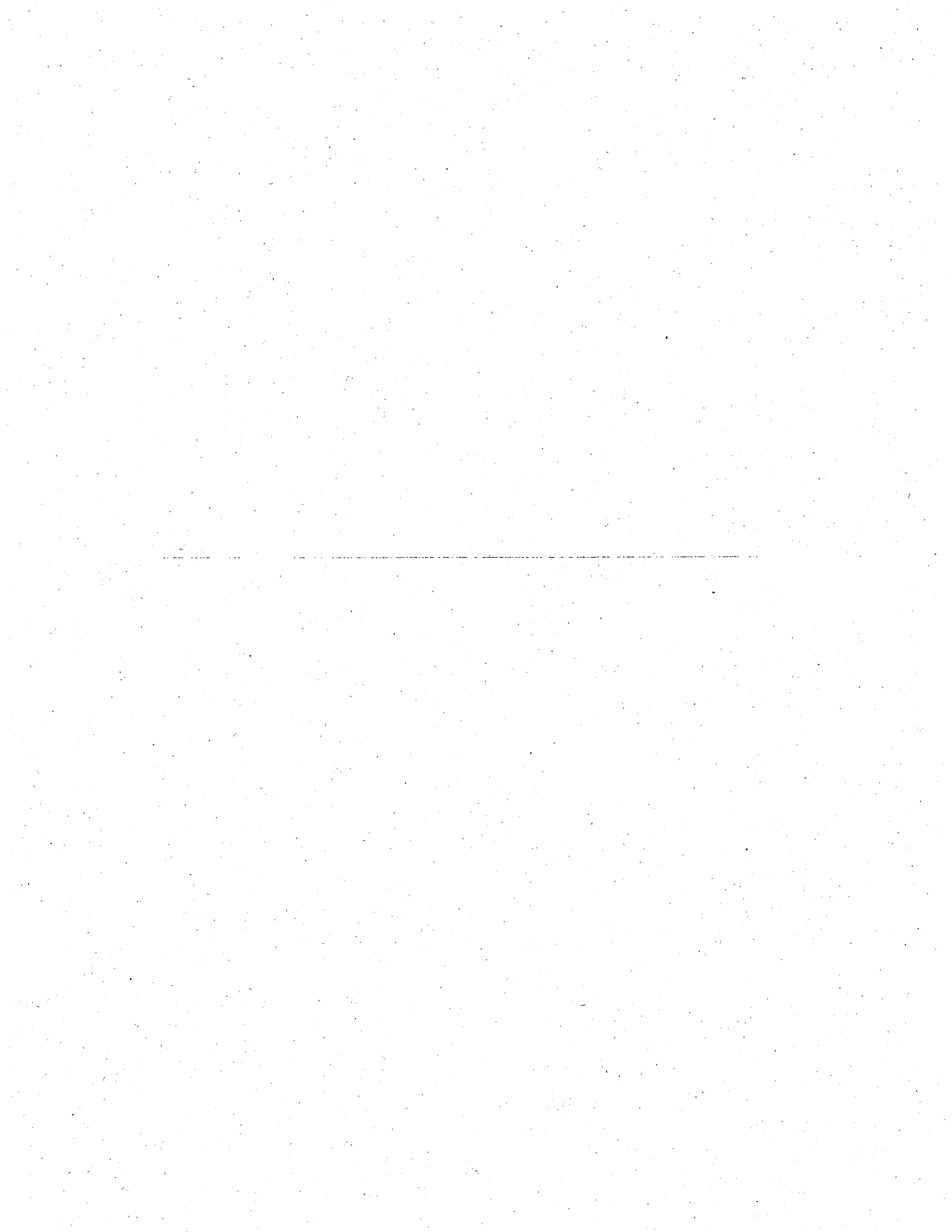
Executed as of the date first above written.

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

By: _____
Todd L. Rydstrom,
Assistant General Manager, Business Services
and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Custodian

By: _____
Andrew Fung
Vice President



ESCROW AGREEMENT
RELATING TO

[\$Par Amount] AGGREGATE PRINCIPAL AMOUNT OF
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2011 SERIES ABC
SUB-SERIES ___

THIS ESCROW AGREEMENT, dated as of [_____] 1], 2011, is by and between the PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO (the "Commission"), a commission duly constituted under the Charter (the "Charter") of the City and County of San Francisco (the "City") and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as escrow agent (the "Escrow Agent") hereunder in connection with the Refunded Bonds referred to below.

W I T N E S S E T H:

WHEREAS, pursuant to an Amended and Restated Indenture, dated as of August 1, 2002, by and between the Commission and the U.S. Bank National Association, as trustee (the "Trustee"), as amended and supplemented, the Commission previously issued San Francisco Water Revenue Bonds, 1991 Series A (the "1991 Series A Bonds") in the original principal amount of \$70,145,682; San Francisco Water Revenue Bonds, 2001 Series A (the "2001 Series A Bonds") in the original principal amount of \$140,000,000; San Francisco Water Revenue Bonds, 2002 Series A (the "2002 Series A Bonds") in the original principal amount of \$164,000,000; San Francisco Water Revenue Bonds, 2002 Refunding Series B (the "2002 Refunding Series B Bonds") in the original principal amount of \$85,260,000; San Francisco Water Revenue Bonds, 2006 Series A (the "2006 Series A Bonds") in the original principal amount of \$507,815,000; San Francisco Water Revenue Bonds, 2006 Refunding Series B (the "2006 Refunding Series B Bonds") in the original principal amount of \$110,065,000; San Francisco Water Revenue Bonds, 2006 Refunding Series C (the "2006 Refunding Series C Bonds") in the original principal amount of \$48,730,000; San Francisco Water Revenue Bonds, 2009 Series A (the "2009 Series A Bonds") in the original principal amount of \$412,000,000; San Francisco Water Revenue Bonds, 2009 Series B (the "2009 Series B Bonds") in the original principal amount of \$412,000,000; San Francisco Water Revenue Bonds, 2010 Series ABC (the "2010 Series ABC Bonds") in the original principal amount of \$488,705,000; San Francisco Water Revenue Bonds, 2010 Series DE (the "2010 Series DE Bonds") in the original principal amount of \$446,925,000; and San Francisco Water Revenue Bonds, 2010 Series FG (the "2010 Series FG Bonds") in the original principal amount of \$532,430,000 (collectively, the "Prior Bonds");

WHEREAS, at a duly called and held election on November 5, 2002, a majority of voters voting on the measure approved Proposition E ("Proposition E of 2002") to authorize the issuance by the Commission of its revenue bonds or other forms of revenue financing, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors of the City, for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities or combinations of water and clean water facilities under the jurisdiction of the Commission;

WHEREAS, on August 4, 2009, the Board of Supervisors of the City passed Ordinance No. 189-09 by a two-thirds vote, approving the issuance of not to exceed \$1,310,307,119 aggregate principal amount of water revenue bonds pursuant to Proposition E;

WHEREAS, on April 20, 2010, the Board of Supervisors of the City passed Ordinance No. 89-10 by a two-thirds vote, approving the issuance of not to exceed \$1,737,724,038 aggregate principal amount of water revenue bonds pursuant to Proposition E;

WHEREAS, on _____, 2011, the Board of Supervisors of the City passed Resolution No. ____-11 by a two-thirds vote, approving the issuance of not to exceed \$ _____ aggregate principal amount of water revenue bonds pursuant to Proposition E;

WHEREAS, the Commission has determined to issue a series of Bonds under a Twelfth Supplemental Indenture, a Thirteenth Supplemental Indenture and a Fourteenth Supplemental Indenture designated "San Francisco Water Revenue Bonds, 2011 Series ABC" (the "2011 Series ABC Bonds") in the original principal amount of \$[_____] to finance and refinance the reconstruction, replacement, expansion and repair of or improvements to the water facilities of the Enterprise pursuant to Proposition E of 2002 and refund a portion of the [20__ Series __ Bonds] pursuant to City Charter Section 9.109;

WHEREAS, the 2011 Series ABC Bonds will be issued by the Commission in three sub-series designated "San Francisco Water Revenue Bonds, 2011 Sub-Series A" (the "2011 Sub-Series A Bonds") in the original principal amount of \$[_____] , "San Francisco Water Revenue Bonds, 2011 Sub-Series B" (the "2011 Sub-Series B Bonds") in the original principal amount of \$[_____] and "San Francisco Water Revenue Bonds, 2011 Sub-Series C" (the "2011 Sub-Series C Bonds," and together with the 2011 Sub-Series A Bonds and the 2011 Sub-Series B Bonds, the "2011 Series ABC Bonds") in the original principal amount of \$[_____] ;

WHEREAS, a portion of the proceeds of the 2011 Sub-Series __ Bonds will be used to advance refund a portion of the [____ Series __ Bonds] (described in Exhibit A, the "Refunded Bonds");

WHEREAS, by irrevocably depositing with the Escrow Agent a specified amount of the proceeds from the sale of the 2011 Sub-Series __ Bonds plus funds transferred from the Interest Fund, and directing the Escrow Agent to invest such amounts in Federal Securities (as described in Section 10.01 of the Indenture), the Escrow Agent will have money sufficient to pay and redeem the Refunded Bonds on [____ 1, 20__];

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Commission and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The Commission hereby irrevocably deposits with the Escrow Agent the amount of \$[_____] , comprised of \$[_____] in net proceeds from the sale of the 2011 Sub-Series __ Bonds, plus \$[_____] transferred from the Interest Fund. Such amounts shall be held in irrevocable trust by the Escrow Agent separate and apart from other funds of the Commission and shall be deposited into the 2011 Sub-Series __ Refunding Fund (the "Escrow Fund") established pursuant to the _____ Supplemental Indenture. The moneys in the Escrow Fund shall be applied solely as provided in this Escrow Agreement. The Commission has determined that the moneys set forth above are at least equal to an amount sufficient to purchase the Federal Securities in accordance with Section 2 hereof and otherwise to defease the Refunded Bonds by paying when due the amounts shown on Exhibit C.

SECTION 2. Application of Moneys in Escrow Fund. The Escrow Agent acknowledges receipt of the moneys described in Section 1 in the Escrow Fund and agrees to invest immediately \$[_____] in the Federal Securities set forth in Exhibit B hereto and hold \$[_____] in cash in the Escrow Fund.

SECTION 3. Investment of Any Remaining Moneys. In the event that the Escrow Agent shall receive any payment of principal or interest from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, at the written direction of the Commission, the Escrow Agent shall, to the extent reasonably practicable, reinvest the amount of such payment, or any portion thereof, in noncallable Federal Securities (as defined in the Indenture) maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5; but only after the Commission has obtained and delivered to the Escrow Agent, except with respect to the reinvestment of moneys in United States Treasury Securities - State and Local Government Series - Demand Deposit Securities (which may be made without satisfaction of the following requirements), (a) an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable with respect to the 2011 Sub-Series __ Bonds for purposes of federal income taxation, and that such reinvestment will not adversely affect the exclusion from gross income of interest payable with respect to the Prior Bonds (including the Refunded Bonds), for purposes of federal income taxation, and (b) a report by a nationally recognized firm of certified public accountants to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due, without any further reinvestment, principal or redemption price of and interest with respect to the Refunded Bonds on the dates specified in the Indenture and herein. In the absence of such written directions of the Commission, the Escrow Agent shall hold such amounts uninvested, but shall immediately send the notice required by Section 16 of this Escrow Agreement to the Commission.

SECTION 4. Substitution of Securities. Upon the written request of the Commission, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor other Federal Securities which satisfy the terms of this Escrow Agreement; but only after the Commission has obtained and delivered to the Escrow Agent, (a) an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable with respect to the Prior Bonds, for purposes of federal income taxation, and that such reinvestment

will not adversely affect the exclusion from gross income of interest payable with respect to the 2011 Sub-Series ___ Bonds, for purposes of federal income taxation, and (b) a report by a nationally recognized firm of certified public accountants to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due, without any further reinvestment, principal or redemption price of and interest with respect to the Refunded Bonds payable from the Escrow Fund on the dates specified in the Indenture and herein. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment or liquidation of reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of Refunded Bonds.

(a) Payment of Refunded Bonds. [From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall apply the amounts on deposit in the Escrow Fund to redeem the Refunded Bonds on November 1, 20___. From the moneys on deposit in the Escrow Fund, the Escrow Agent shall pay the interest with respect to the Refunded Bonds as the same becomes due on or prior to November 1, 20___, May 1, 20___, November 1, 20___, May 1, 20___ and November 1, 20___. Each redemption shall be at a price set forth in Exhibit C, plus accrued interest to the date of redemption. Any redeemed Refunded Bond shall be cancelled by the Trustee.]

(b) Priority of Payments. The Owners of the Refunded Bonds of each Series shall have a lien on, and the Commission hereby irrevocably pledges and grants a security interest in, moneys and securities in the Escrow Fund which are allocable and sufficient to pay the related Refunded Bonds in accordance with this Escrow Agreement, until such moneys and such securities are used and applied as provided in this Escrow Agreement.

(c) Transfer of Excess Funds in Escrow Fund. Any amounts remaining in the Escrow Fund following the redemption of the Refunded Bonds on November 1, 20___ that are not required for the payment of any Refunded Bonds shall be transferred by the Escrow Agent to or upon the order of the Commission.

SECTION 6. Application of Certain Terms of Indenture. All of the terms of the Indenture relating to the making of payments of principal, interest and redemption price with respect to the applicable Refunded Bonds and relating to the notices of defeasance and redemption are incorporated in this Escrow Agreement as if set forth in full herein. The procedures set forth in the Indenture relating to the resignation and removal of the Trustee thereunder are also incorporated in this Escrow Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Sections 2, 3 and 4 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. The Commission hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, officers, directors, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Commission or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Commission shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective agents and employees or the willful breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the Commission or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Escrow Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the Commission, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Federal Securities to pay the Refunded Bonds or to the validity of this Escrow Agreement as to the Commission and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or willful breach, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by the Commission of its obligations. The Escrow Agent may consult with counsel, who may or may not be counsel to the

Commission, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by the General Manager and the Assistant General Manager, Business Services and Chief Financial Officer of the Commission.

SECTION 11. Amendments. This Escrow Agreement is made for the benefit of the Commission and the Owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such Owners, the Escrow Agent and the Commission; provided, however, that the Commission and the Escrow Agent may, without the consent of, or notice to, such Owners, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such Owners and as shall not be inconsistent with the terms and provisions of this Escrow Agreement or the Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the Owners of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such Owners or the Escrow Agent; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the Owners of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date upon which the Refunded Bonds shall have been paid in full in accordance with this Escrow Agreement.

SECTION 13. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the Commission; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Escrow Agreement.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the Commission or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 15. Governing Law. THIS ESCROW AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 16. Insufficient Funds. If at any time the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Escrow Agreement or if the Escrow Agent has failed to receive instructions for the reinvestment of Federal Securities pursuant to Section 3 of this Escrow Agreement, the Escrow Agent shall notify the Commission in writing, immediately upon obtaining actual knowledge of such insufficiency of funds or failure to receive instructions, of the amount thereof and, to the extent known to it, the reason therefor, provided the Escrow Agent shall not be liable for any delay or failure to notify the Commission of such events.

SECTION 17. Notice of Redemption and Defeasance. The Trustee shall give notice of the redemption and defeasance of the Refunded Bonds in the time, form and manner required by the Indenture.

SECTION 18. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 19. Notification to Moody's and S&P. The Commission hereby directs the Trustee to notify Moody's and S&P of any amendment to this Agreement or of any change to the definition of Federal Securities in the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION,
as escrow agent

By: _____
Vice President

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

By: _____
General Manager

ATTEST:

Secretary of the Public Utilities
Commission of the City and County
of San Francisco

Approved as to form:

Dennis J. Herrera, City Attorney

By: _____
Mark D. Blake, Deputy City Attorney

EXHIBIT A
REFUNDED BONDS

Principal Amount	Maturity Date	Interest Rate	CUSIP
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EXHIBIT B
FEDERAL SECURITIES

2011 Sub-Series Refunding Fund

<u>Maturity</u>	<u>Type</u>	<u>Coupon</u>	<u>Par Amount</u>
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Total

EXHIBIT C

DISBURSEMENT REQUIREMENTS OF THE REFUNDED BONDS

Payment Date	Principal	Interest	Total	Redemption Price
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Total

