

From: [Board of Supervisors \(BOS\)](#)
To: [BOS-Supervisors](#); [BOS-Legislative Aides](#)
Cc: [Calvillo, Angela \(BOS\)](#); [Somera, Alisa \(BOS\)](#); [Ng, Wilson \(BOS\)](#); [De Asis, Edward \(BOS\)](#); [Mchugh, Eileen \(BOS\)](#); [BOS Legislation, \(BOS\)](#)
Subject: FW: I waited to speak - hitting *3 numerous times - but ignored - below are my comments - please forward to the entire board
Date: Wednesday, June 14, 2023 9:13:05 AM

Hello,

Please see below for communication from Brian Browne regarding File Nos. 230640 and 230641.

File No. 230640 - Hearing - Committee of the Whole - Retail Water and Wastewater Rates and Capacity Changes for FYE 2024-2026 - San Francisco Public Utilities Commission - June 13, 2023, at 3:00 p.m.

File No. 230641 - Retail Water and Wastewater Rates and Charges for Fiscal Year End 2024-2026

Sincerely,

Joe Adkins
Office of the Clerk of the Board
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102
Phone: (415) 554-5184 | Fax: (415) 554-5163
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From: Brian Browne <brian@h2oecon.com>
Sent: Tuesday, June 13, 2023 5:02 PM
To: Board of Supervisors (BOS) <board.of.supervisors@sfgov.org>; Peskin, Aaron (BOS) <aaron.peskin@sfgov.org>; Douglas L Comstock <dougcomz@mac.com>
Subject: I waited to speak - hitting *3 numerous times - but ignored - below are my comments - please forward to the entire board

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Water and wastewater ratemaking is embedded in the state constitution XIII c and d by 1996 statewide Proposition 218. There is no wiggle room. Rates increases must be approved and can only embed reasonable and allowable costs for actual

deliveries. Nothing else. There is no way that the SFPUC could meet the cost criteria of Proposition 218. No way - thanks SFPUC staff for validating. The switch from the utility to the cash method of debt service is a "smart" way to play debt games but it complicates their P218 proof. And proof they must present if taken to court.

The Board is not the only vehicle to stop these rate increases. The court system is also available see the 2015 San Juan Capistrano case.

There is no effective independent oversight for the SFPUC. They highjacked the Revenue Bond Oversight Committee which was designed to comply with Proposition 218 by having truly independent oversight. As a member, I was able to get UCLA and UCB to agree to take a hard look at their ratemaking et al. For a period the RBOC agreed. Then the Chair (Brown) and Vice Chair (Cheng) of the RBOC suddenly made the UCB/UCLA contract disappear - without an explanation or even a thank you for the many hours spent by the academics - and handed the RBOC's contracting over to the Controller. The Controller ignored a letter from a former City Attorney telling him this memorandum of understanding between the RBOC and the Controller was illegal and violated the independent clauses of the RBOC's enabling legislation 2002 Proposition P.

This is a complex story and a true investigation must be initiated. But it must be independent. Please reject their rate increases and ask for unswerving loyalty to the Constitution.

Keep tuned for my writings. Glad I heard the SFPUC staff give Pro 218 fodder. Do these people get paid?

PUBLIC COMMENT WILL BE TAKEN 1 (415) 655-0001 / Meeting ID: 2598 360 6962 # # (Press *3 to enter the speaker line) 41.230640[Hearing - Committee of the Whole - Retail Water and Wastewater Rates and Capacity Changes for FYE 2024-2026 - San Francisco Public Utilities Commission - June 13, 2023, at 3:00 p.m.] Hearing of the Board of Supervisors convening as a Committee of the Whole on June 13, 2023, at 3:00 p.m., to consider consider the retail water and wastewater rates and charges for Fiscal Year End (FYE) 2024-2026 from the San Francisco Public Utilities Commission; and the Board may reject these rates by resolution, pursuant to Charter, Section 8B.125; scheduled by the Clerk of the Board in response to the request by Supervisor Ahsha Safai made on May 31, 2023, pursuant to Charter, Section 8B.125. (Clerk of the Board) Question: Shall this Hearing be HEARD AND FILED? Committee of the Whole Adjourn and Report From the Board 42.230641[Retail Water and Wastewater Rates and Charges for Fiscal Year End 2024-2026] Resolution rejecting the retail water and wastewater rates and charges for Fiscal Year End (FYE) 2024-2026 from the San Francisco Public Utilities Commission, pursuant to Charter, Section 8B.125. (Clerk of the Board) (Pursuant to Charter, Section 8B.125, the Public Utilities Commission shall set rates, fees and other charges in connection with providing utility services, which are subject to rejection by resolution of the Board of Supervisors within 30 days of submission. If the Board fails to act within 30 days, the rates shall become effective. Transmittal Date: May 26, 2023.) Question: Shall this Resolution be ADOPTED

From: [Dave Warner](#)
To: [Board of Supervisors \(BOS\)](#)
Subject: JUne 13 agenda item 41 - implications to your decision
Date: Monday, June 12, 2023 2:44:56 PM
Attachments: [June 13 agenda item 41 - Implications to your decision 2023-06-12 BOS.pdf](#)

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Please accept the attached letter as a part of public comment for item 41 at your June 13th meeting.

Kind regards,

Dave Warner

June 12, 2023

San Francisco Board of Supervisors

Re: June 13 Agenda Item 41: SFPUC Rate Hikes – implications to your decision

Dear Board of Supervisors,

Thank you for holding a hearing on the SFPUC's proposed rate hikes. As you know, the proposed increases over the next 3 years are a subset of planned increases over the next 10 years. These increases are driven by planned capital spending in the range of \$10 billion over the next 10 years, in large part due to needed sewer system improvements.

There are at least two major risks that may cause rates to rise more than what the SFPUC is proposing:

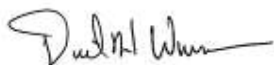
- 1) Water demand declines below what the SFPUC is projecting. If water demand declines below projections, the rate for each unit of water will have to increase more as the vast majority of SFPUC costs are fixed. This is a real risk as both San Francisco's population has declined 7% in the last two years and higher water and sewer rates translate to lower demand.
- 2) More than \$10 billion of capital investment may be proposed. The \$10 billion capital plan excludes any significant capital projects for alternative water supplies. The latest quarterly alternative water supply (AWS) report states that the potential shortfall is 92 mgd, a huge number equal to near 50% of current systemwide water demand. Many have argued, including me, that such a figure is highly inflated. However, if the SFPUC pursues a significant amount of AWS, this will increase upward pressure on rates.

Implications to your decision on rates:

- A) If you say yes: You are supporting both the current rate trajectory for at least the next three years along with the associated risks that rates may need to further accelerate beyond the current planned increases over the next 10 years. A related problem is that the \$10 billion capital budget is front end loaded. If you change your mind 3 years from now, a substantial portion of the \$10 billion will have already been spent.
- B) If you say no: You are signaling a breakdown in both SFPUC leadership and oversight. In a properly functioning system, the SFPUC leadership (General Manager Herrera) should have proposed a plan and rates that San Francisco will find acceptable. If leadership doesn't do that, then SFPUC commissioners should have directed SFPUC leadership to project a new plan and rates and evaluate leadership accordingly. But if the plan doesn't get stopped until the Board of Supervisors steps in, the Board should look at not only fixing the rates, but also fixing how the problem got past SFPUC staff and the Commissioners in the first place.

You don't have an easy decision. For reference attached is a May 22, 2023 letter I wrote to the SFPUC regarding comparative water rates.

Kind regards,



Dave Warner

enclosure

May 22, 2023

Re: Biased Comparative Water Rates Chart – Please Improve

Dear Commissioners, General Manager Herrera and Assistant General Manager Ritchie,

Regarding item 6 on the upcoming May 23rd SFPUC meeting, in Erin Corvinova’s presentation, slide 18 copied here, is biased or at least incomplete. It is commendable that a comparison is provided and thanks to Ms. Corvinova and staff for providing it, but you as commissioners should expect unbiased, complete relevant information from staff.

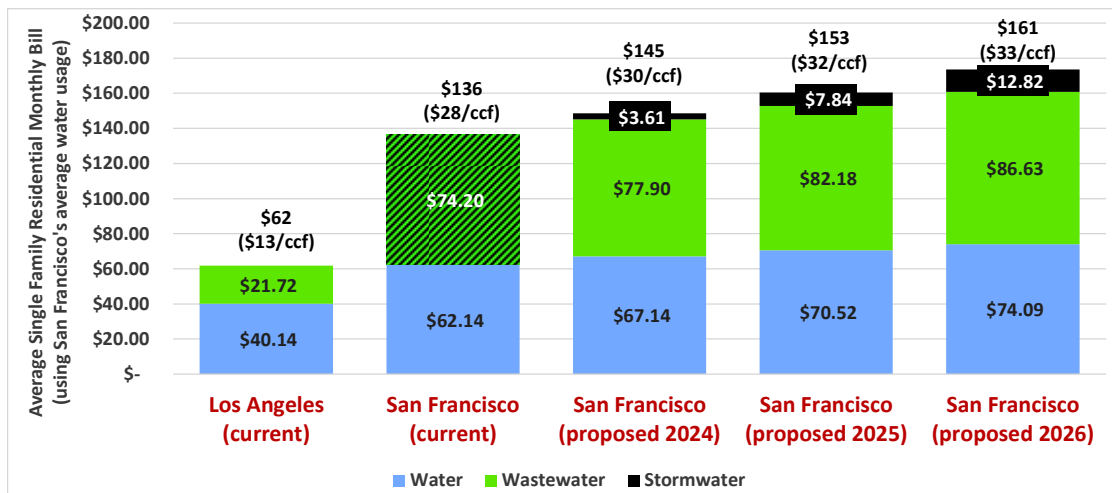


How do we stack up to our peers?



Each utility's average water usage is pulled from their online resources and published cost of service studies. If usage was provided per person per day, we calculated the average household size for each city using data from the US Census Bureau and an average of 30.5 days in a month.

The presented chart above compares water and wastewater bills, using local average water usage. However one cannot tell what the local average water usage is. This is relevant because if one compares bills using the same level of water usage across agencies, the chart would look very different. Here’s a comparison with Los Angeles for bills based on San Francisco’s average single family water usage of 4.8 ccf per month:



While the presented chart (first chart above) is informative and useful as one can see that San Francisco water and wastewater bills are in line with other major cities, it does not reflect how expensive the water is if usage were the same. **The second chart shows that based on 4.8 ccf consumed per month, San Francisco's current charges are more than double that of Los Angeles**, and proposed 2026 charges are more than 2.5x of Los Angeles' current charges.

This second chart data is valuable too, particularly from understanding an affordability perspective. I'm guessing the average Los Angeles bills in the first chart are for about 12 ccf, which means a Los Angeles low-income family likely has a much easier time reducing their usage by as much as 50% to lower costs, than a San Francisco family would have.

Data that neither of the above two charts provide is EPA affordability. Such comparative data should also be provided for a complete picture for decision making. San Francisco water and wastewater bills today will likely look reasonable from an EPA affordability perspective because of San Francisco's remarkably high household incomes. Of course an affordability comparison also has its challenges as there's no desire for San Francisco to become just an enclave for the wealthy.

What can be done to manage costs?

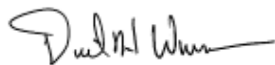
I believe commissioners understand how costly our water is from a combined water and wastewater bill perspective. However it is not clear to me that staff has the same understanding. What staff presents makes everything look fine (the staff presented comparative chart above is an example). I was also surprised that during capital budget hearings earlier in the year, the CFO did not discuss an option of spreading out capital projects over a longer period time, perhaps 15 or 20 years rather than 10. As a CFO, I have asked this question many times for the companies I supported. As much of our water and wastewater costs are paying for these projects in the form of principal and interest, lengthening the time horizon would substantially reduce the impact on rates.

And as you know, alternative water supplies are not yet in the capital plan. Forgive me for being repetitive and critical: Scientific analysis clearly shows that shortening the design drought model by a year is low risk including in the context of climate change and would have a substantial reduction in alternative water supply needs. This would help reduce further upward pressure on the capital plan and rates.

At this late stage there's not a choice other than to approve the proposed rates. However I hope during the next capital budget cycle staff puts more effort into finding ways to slow the growth in our water rates.

In the meantime, please ask staff to continue to provide comparative data, but more unbiased and complete as suggested here.

Best regards,



Dave Warner

PS. On slide 17 of the same presentation, the totals for 3 of the four columns don't tie to the sum of the amounts within the columns.

cc: Erin Corvinova, Financial Planning Director

From: [Peter Drekmeier](#)
To: [Board of Supervisors \(BOS\)](#)
Subject: TRT Letter Re- Items 41 & 42
Date: Monday, June 12, 2023 12:11:02 PM
Attachments: [TRT Letter Regarding Items 41 & 42 - SFPUC Rate Increases.pdf](#)

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Supervisors:

Please see the attached letter regarding Items 41 & 42 on tomorrow's agenda.

Thank you.

-Peter

Peter Drekmeier
Policy Director
Tuolumne River Trust
peter@tuolumne.org
(415) 882-7252



June 12, 2023

President Aaron Peskin and Supervisors
SF Board of Supervisors
Via email to bos@sfgov.org

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Re: Items 41 & 42 on the June 13 agenda (SFPUC water and wastewater rates).

Dear President Peskin and Supervisors:

Thank you for looking out for San Francisco ratepayers by questioning the very large increase in water and wastewater rates adopted by the SFPUC last month. We encourage you to oppose the rate increases and instead initiate a full independent audit of SFPUC policies and practices that led to the current crisis. Moving forward, we must do everything possible to prevent the situation from getting worse.

The SFPUC has a long history of inflating water supply needs in order to justify their opposition to environmental regulations that would require higher flows in the Tuolumne River – the source of our Hetch Hetchy water. SFPUC policies don't just harm the environment, but also have a huge impact on ratepayers by suggesting the need to invest in very expensive alternative water supplies that will not be needed.

On November 23, 2021, the SFPUC declared a Water Shortage Emergency (WSE). At the time, the SFPUC had enough water stored in reservoirs to last four-and-a-half years. One reason given for declaring the WSE was that it would allow the SFPUC to impose a drought surcharge. In April 2022, the SFPUC adopted a 5% drought surcharge, despite the fact that they never had less than four years-worth of water in storage during the recent drought.

SFPUC rates have increased dramatically since the Water System Improvement Program was approved in 2008. The SFPUC has been catching up on decades of deferred maintenance. While we cannot change bad practices from the past, we can prevent future problems that will impact rates moving forward.

Next month, the SFPUC will complete an Alternative Water Supply Plan to provide a roadmap for developing recycled water and other new supplies to meet future needs. The problem is that the amount of alternative water supplies the SFPUC says it will need is extremely inflated. They claim they will need to develop 92 million gallons per day (mgd) of expensive new supplies to meet demand in the Regional Water System, but an objective look could reduce that figure to as low as zero.

Developing 92 mgd would cost more than \$300 million per year, so it's imperative that decisions be made based on accurate information and reasonable assumptions. The SFPUC has shown no signs of doing so, making oversight from the Board of Supervisors extremely important.

The SFPUC produced the 92 mgd figure for water supply shortfall using their Design Drought planning model. The Design Drought couples the two worst droughts from the 20th century – 1987-92 and 1976/77 – to produce an 8.5-year megadrought. The SFPUC's \$743,000 Long-Term Vulnerability Assessment (LTVA) – a climate change study completed at the end of 2021 – found that the Design Drought is extremely unlikely to occur, yet the SFPUC continues to use it as their primary planning tool.

The LTVA included return periods (likelihood of occurrence) for the known droughts, but inexplicably did not include a return period for the Design Drought. A Public Records Act request uncovered a document revealing that the study authors had produced a return period of once-in-25,000 years for the Design Drought, but this information was not included in the final report. Information that was included in the final report suggests the Design Drought is even more unlikely.

The other way the SFPUC manipulates water supply impacts from potential environmental regulations is by inflating water demand projections. They use figures produced by the SFPUC's Water Enterprise for their Urban Water Management Plans (UWMP), which history has shown to have been highly inflated. The SFPUC's Finance Bureau produces water sales projections that have been much closer to actuals (although still higher), yet they are not used to determine "Water Supply Needs."

An SFPUC report titled "[Water Enterprise and Finance Bureau Water Demand Projections](#)" (July 5, 2022) stated:

The [UWMP] projections represent an outside bound of whatever demand will occur in the next 25 years...These demands will likely always be greater than actual demands because not all developments materialize, or they materialize slower than projected.

And:

By contrast, for the purpose of financial planning and for short term water system management, we estimate the demand that we are likely to experience. For budgeting and rate setting we use demand projections that are as close to actual as we can make them.

The SFPUC Finance Bureau projects water sales will remain flat for at least the next decade, but “Water Supply Needs” used in the Alternative Water Supply Plan are based on UWMP projections, which have historically proven to be inflated by about 25%.

By reducing the length of the Design Drought by one year (it would still be much more conservative than any other water agency’s planning model) and using Finance Bureau water sales projections, “Water Supply Needs” could be reduced to zero, saving more than \$300 million per year. The SFPUC could produce some alternative water supplies in order to feel even more confident that they won’t run out of water, but it would be far less than 92 mgd.

Again, we hope you will oppose the SFPUC water and wastewater rate increases, and instead initiate an independent audit of SFPUC policies and practices. The Tuolumne River Trust would be very interested in participating in this process.

Sincerely,



Peter Drekmeier
Policy Director
peter@tuolumne.org

From: [Board of Supervisors \(BOS\)](#)
To: [BOS-Supervisors](#); [BOS-Legislative Aides](#)
Cc: [Calvillo, Angela \(BOS\)](#); [Somera, Alisa \(BOS\)](#); [Ng, Wilson \(BOS\)](#); [De Asis, Edward \(BOS\)](#); [Mchugh, Eileen \(BOS\)](#); [BOS Legislation \(BOS\)](#)
Subject: FW: The Board of Supervisors must reject SFPUC rae increase and return for a full and proper analysis
Date: Monday, June 12, 2023 11:36:05 AM

Hello,

Please see below for communication from Brian Browne regarding File No. 230719.

File No. 230719 - Audit of the Public Utilities Commission's Water and Wastewater Enterprises, Rate Setting and Oversight Processes With a Focus on Reducing Rate Increases

Sincerely,

Joe Adkins
Office of the Clerk of the Board
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San Francisco, CA 94102
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From: Brian Browne <brian@h2oecon.com>
Sent: Saturday, June 10, 2023 11:29 AM
To: Safai, Ahsha (BOS) <ahsha.safai@sfgov.org>; Board of Supervisors (BOS) <board.of.supervisors@sfgov.org>
Subject: Fwd: The Board of Supervisors must reject SFPUC rae increase and return for a full and proper analysis

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I sent this email to my D3 Supervisor Honorable Aaron Peskin. FYI - do not allow this rate increase to go through as is. It must be shown to conform with the California Constitution (XIII c and d). I believe that is impossible in regard to only charging customers only the cost of service for utilities provided. Nothing else. See San Juan Capistrano case 2015. Please read

Brian Browne

----- Forwarded Message -----

Subject: The Board of Supervisors must reject SFPUC rate increase and return for a full and proper analysis

Date:Sat, 10 Jun 2023 10:53:27 -0700

From:Brian Browne <brian@h2oecon.com>

Reply-To:brian@h2oecon.com

To:Aaron.Peskin@sfgov.org <Aaron.Peskin@sfgov.org>, "aaron.peskin\\""@earthlink.net, aaron.peskin@earthlink.com

CC:Douglas L Comstock <dougcomz@mac.com>, bodisco <bodisco@sbcglobal.net>, Sean Elsbernd (MYR) <sean.elsbernd@sfgov.org>, Breed, Mayor London (MYR) <MayorLondonBreed@sfgov.org>

Dear President Peskin,

I hope you read this letter.

The Board must reject the San Francisco Public Utilities Commission's (SFPUC) request for a rate increase.

California 1996 Proposition 218 (also Sections XIII c and d of the California Constitution) mandates that municipal-generated fees, such as water rates, must be approved by the voters and strictly limited to specific delivery costs. I kindly request the opportunity to demonstrate, as I have with the SFPUC and as a member of the Revenue Bond Oversight Committee (frequently mentioned in the Westside Observer), that the SFPUC cannot provide evidence of meeting the mandated cost of service requirement as required by our state Constitution. I believe that approving this request may expose the SFPUC and City to a Proposition 218 challenge.

I am available to substantiate my claim. Please consider placing a hold on this rate increase approval and returning the matter for a proper investigation.

Sincerely,

Brian Browne

https://sfbos.org/sites/default/files/bag061323_agenda.pdf