

March 31, 2014

San Francisco Public Utilities Commission
 525 Golden Gate Ave., 13th floor
 San Francisco, CA 94102

Dear Commissioners:

Water and wastewater services are key lifelines for our city, and SPUR has long supported reinvestment, planning, and programs to improve their resilience and sustainability. Continuing this legacy, SPUR is writing to support the SFPUC’s proposed four-year rate structure that would begin in July 2014.

We understand that the rate proposal and increase will finance three critical priorities for San Francisco and the Bay Area. First, it will enable the completion of the Water System Improvement Program (WSIP), which SPUR supported, and urged voters to support, in 2002. That project has been a great success, improving reliability of the Hetch Hetchy delivery system to benefit over 2.6 million people in the Bay Area. Second, the rate increase will pay for planning and early implementation of the Sewer System Improvement Program (SSIP), which will seismically upgrade our wastewater treatment facilities and build out watershed-based green infrastructure to more sustainably manage rainwater. Finally, the new rate structure will pay for operations, maintenance, and an accelerated repair and replacement program for pipelines to improve their reliability and keep the water and sewer systems in a state of good repair.

SPUR is an advocate for several objectives that this rate package will help advance:

- improving the environmental performance and benefits of our sewer system through a major investment in green infrastructure;
- improving seismic reliability of the water and sewer systems;
- diversifying our water supplies through developing local groundwater, conjunctive use projects, and recycled water;
- adapting to the impacts of climate change, including changes in local rainfall patterns, snowpack, and sea level rise; and
- providing community and environmental benefits.

Between the WSIP and SSIP, ratepayers are shouldering over \$10 billion in water and sewer capital projects over 30 years. The SPUR Water Policy Board noted that other cities and utilities in California and across the country have been deferring capital upgrades at their peril,

as construction costs continue to escalate, and deferring maintenance takes years to catch up from. We commend the SFPUC for being more proactive. But we also noted that the WSIP's good fortune — with many projects coming in 5-30 percent below engineer's estimates due to recession-era construction costs — will not likely benefit the SSIP. As well, the unexpected cost increases for a single project, the Calaveras dam replacement, exceeded the project's total savings, putting the WSIP slightly over budget to date. Although it is difficult to estimate "unknown unknowns" that can pull a project off-track, we hope that the SSIP will be carefully planned to minimize the chance of discovering major problems while the program is underway. And yet, we urge you to launch the SSIP as early as possible, to maximize ratepayer dollars and bolster the city's resilience to earthquakes, climate change and other disasters.

We respectfully recommend that the Commission advance the rate package for 2014- 2018 to the Board of Supervisors at your April 22 meeting.

Sincerely,



Laura Tam
Sustainable Development Policy Director



S. Bry Sarté
Chair, SPUR Water Policy Board