Resolution adopting and imposing Schedule of Wastewater Rates to be paid by Users effective July 1, 2007 and July 1, 2008, and thereafter, pursuant to Section 8B.125 of the Charter of the City and County of San Francisco.

WHEREAS, Pursuant to the published notice of the intention of the Public Utilities Commission to adopt revised Schedule of Wastewater Rates to be charged by the San Francisco Wastewater Public Service Enterprise for sewer service in San Francisco and adjacent areas, a public hearing was held on May 8, 2007, and members of the public have been given an opportunity to express their views on the revised Schedule of Wastewater Rates; and

WHEREAS, The General Manager of the Public Utilities Commission has prepared a report entitled “Report on Water and Wastewater Rates for Fiscal Years 2008 and 2009” and has submitted said report to the Rate Fairness Board for its review; and

WHEREAS, The Rate Fairness Board has reviewed the findings and recommendations of the General Manager’s report, has conducted a public hearing on April 11, 2007 has prepared its own report entitled “Report on Water and Sewer Service Rates”, and has presented that report to this Commission; and

WHEREAS, following the June 4, 2007 Board of Supervisor’s Government Audit and Oversight Committee hearing on the proposed rates, fees and charges forwarded to the Board of Supervisors from the SFPUC Commission on May 17, 2007, the SFPUC staff recommend a modification to the effective date of the proposed increase in the capacity charge currently applicable to Customers; and

WHEREAS, In an effort to continue to promote conservation and transparency, the SFPUC agrees to satisfy the following provisions by January 1, 2008:

a. The SFPUC will support the creation of an Independent Ratepayer Advocacy Office; and

b. The SFPUC will implement financing mechanisms and payment schedules for the wastewater and water capacity charges, including special provisions for applications submitted prior to January 1, 2006; and

c. The SFPUC will create a working group whose mission will be to develop recommendations that the SFPUC will advocate for passage at the Board of Supervisors that will include conservation programs for all of its rate paying customers, including but not limited to its commercial users and City Departments, and establish pass-through allowances of at least 50 percent for landlords to
tenants of increases in both water and wastewater rates as of January 1, 2002, and thereafter. In the event landlords have installed low-flow appliances (defined as low-flow toilets, low-flow showerheads, aerators and, if applicable, front-loading washing machines) in all of their units, the pass-through would be increased to at least 70 percent; and

d. The SFPUC will expand its conservation outreach program designed to promote, establish and implement incentives and rate structures; and

e. The SFPUC will submit to the Board of Supervisors new proposals that promote expanded conservation and the use of recycled water, and report on conservation efforts for wholesale customers; and

WHEREAS, The second year of this rate proposal is contingent upon the SFPUC’s satisfaction of the provisions listed above by no later than January 1, 2008. The Controller shall certify to this Commission and the Board of Supervisors that the SFPUC has satisfied the provisions in this resolution by no later than January 15, 2008; and

WHEREAS, The SFPUC understands and agrees that if the provisions in this resolution are not satisfied by January 1, 2008 it must approve new rates for fiscal year 2008-09 and forward proposed rates to the Board of Supervisors in conformance with Charter section 8B.125; and

WHEREAS, Both the General Manager and the Rate Fairness Board find that sewer service charge revenue under existing rates will be insufficient to meet revenue requirements of the Wastewater Enterprise for the fiscal years beginning July 1, 2007 and July 1, 2008, and recommend that sewer service charges be adjusted to increase total revenue from wastewater rates by 8% in Fiscal Year 2008 and 9% in Fiscal Year 2009; now therefore be it

RESOLVED, This Commission hereby rescinds its Resolution No. 07-0080, adopted on May 8, 2007, approving its proposed Schedule of Wastewater Rates; and be it

FURTHER RESOLVED, This Commission hereby determines that projected revenues under existing rates together with other revenues of the Wastewater Enterprise will be deficient to meet the projected revenue requirements for the fiscal year beginning July 1, 2007, that projected revenues under FY 2008 rates, together with other revenues of the Wastewater Enterprise, will be insufficient to meet the projected revenue requirements for the fiscal year beginning July 1, 2008, and that overall adjustments of 8% and 9% in the wastewater rates applicable in Fiscal Year 2008 and Fiscal Year 2009, respectively, are required; and be it

FURTHER RESOLVED, This Commission hereby determines that the capacity charge imposed by Section 7 of this resolution shall be collected from any Customer requesting a new connection to the sewer system, or requiring additional capacity as a result of any addition, improvement, modification or change in use of an existing connection to the sewer system, in the following manner:

A. Customers subject to payment of capacity charges after January 1, 2008, shall pay the charges in accordance with Section 7 of this resolution or the calculation described
in this subsection A, whichever results in the lowest charges:

1. For a residential development consisting of one or more dwelling units that are 800 square feet or less in size, the capacity charge shall be one third of the fee provided in section 7 of this resolution, multiplied by the number of dwelling units.

2. For a residential development consisting of one or more dwelling units that are between 801 square feet and 1700 square feet in size, the capacity charge shall one half of the fee provided in section 7 of this resolution, multiplied by the number of dwelling units.

3. For a residential development consisting of one or more dwelling units that are between 1701 square feet in size and 2500 square feet in size, the capacity charge shall be two thirds of the fee provided in section 7 of this resolution, multiplied by the number of dwelling units.

4. For a residential development consisting of one or more dwelling units that are between 2501 square feet in size and 5000 square feet in size, the capacity charge shall be 2 times the fee provided in section 7 of this resolution, multiplied by the number of dwelling units.

5. For a residential development consisting of one or more dwelling units that are greater than 5001 square feet in size, the capacity charge shall be 3 times the fee provided in section 7 of this resolution, multiplied by the number of dwelling units.

6. The General Manager shall develop appropriate procedures for calculating capacity charges for non-residential developments.

B. Customers subject to payment of the capacity charge shall pay according to the following schedule: 5% of the total charge shall be paid upon submission of a development permit application, 45% of the total charge shall be paid at the time the permit is issued, and the remainder of the total charge shall be paid prior to issuance of a temporary certificate of occupancy or the sale or transfer of the property.

C. If full payment of all fees and charges is not received in accordance with PUC payment schedules, the new or additional sewer services will not be authorized.

FURTHER RESOLVED, The Statutory Exemption from Environmental Review on file in this Commission’s file for Resolution No. 07-0100 states that the adoption of the wastewater rate schedules as stated herein is exempt from environmental requirements in accordance with California Public Resource Code Section 21080(b)(8); and be it

FURTHER RESOLVED, This Commission directs the General Manager to not submit this Resolution to the Board of Supervisors pursuant to Charter Section 8B.125 until after the Commission regular meeting on June 12, 2007; and be it

FURTHER RESOLVED, The following requirements and Schedule of Wastewater Rates shall apply to all Users who discharge to San Francisco’s Sewerage System:

Section 1 – Authority and General Purpose

This Resolution is adopted pursuant to Section 8B.125 of the Charter of the City and County of San Francisco for the purpose of establishing an orderly system for the imposition
and collection of charges for the operating, maintenance, replacement, debt service and other costs incurred by the San Francisco Wastewater Public Service Enterprise in collecting, treating and disposing of sewage, stormwater, industrial wastes and other wastes. Each User shall pay for such costs based on his or her proportionate use of the facilities of the Wastewater Enterprise as required by the federal Clean Water Act, United States Environmental Protection Agency rules and regulations, and applicable provisions of state law.

Section 2 – Definitions

For the purpose of this Resolution, the following definitions shall apply unless the context specifically dictates otherwise.

“City”
The City and County of San Francisco

“COD”
Chemical Oxygen Demand (COD) is a quantitative measure of the amount of oxygen required for chemical oxidation of carbonaceous materials in wastewater using a strong chemical oxidant such as chromic acid (H₂Cr₂O₇).

“Commission”
The San Francisco Public Utilities Commission

"Discharge"
The User's metered water use multiplied by the User's applicable Flow Factor.

"Discharge Unit"
100 cubic feet of wastewater discharged to sewerage system. The quantity of wastewater shall be the amount metered, or, in the event quantity is not metered, shall be the metered water use multiplied by the Flow Factor.

“Domestic Wastes”
Water-carried human wastes from sanitary conveniences, including but not limited to toilets, sinks, bathtubs, and residential laundry facilities.

“Dwelling Unit”
As defined in San Francisco Planning Code Section 102.7, a room or suite of two or more rooms that is designed for, or is occupied by, one family doing its own cooking therein and having only one kitchen. For the purposes of this resolution, “Dwelling Unit” shall not include a lodging house, rooming house, motel or hotel, as defined in
San Francisco Housing Code Section 410, or a live/work unit, as defined in Section 102.13 of the San Francisco Planning Code

“Equivalent Dwelling Unit”
A measure of the capacity required in collection and treatment facilities to serve one Dwelling Unit discharging Domestic Wastes.

“Flow Factor”
The percentage of metered water use returned to sewers and the Sewerage System as wastewater. For purposes of determining applicable charges, the percentage of water use returned to sewers is assumed to be 90% for single family Residential Users, 95% for multifamily Residential users and 90% for all other users. The General Manager may establish modified percentages by estimation or based on an inspection of the Residential User’s premises and water use. Residential Users may appeal their assigned Flow Factor pursuant to procedures set forth in applicable department regulations adopted by the Commission.

“General Manager”
The General Manager of the Public Utilities Commission or his or her designee

“Hydrocarbon Oil and Grease”
Hydrocarbon oil and grease (O/G) is the measurement of that fraction of recoverable oil and grease of petroleum origin using a test specified in 40 CFR Part 136.

“Industrial Wastes”
Any solid, liquid, or gaseous wastes including cooling water resulting from any industrial, commercial or manufacturing process or from the development, recovery, or processing of natural resources.

“Operations and Maintenance Costs”
Expenditures used for the collection, treatment and disposal of Sewage, Stormwater, Industrial Wastes and Other Wastes including, but not limited to, the costs of personnel, materials and supplies, energy and administration.

“Other Wastes”
All decayed wood, sawdust, shavings, bark, lime, refuse, ashes, garage, offal, oil, tar, chemicals, and all other substances except Sewage, Stormwater and Industrial Wastes.
“Residential User”
A Residential User is the owner or customer of record of any single-family or multiple-family Dwelling Unit.

“Sewage”
Water-carried human wastes or a combination of water-carried human or industrial wastes from residences, commercial buildings, institutions, and industrial establishments, together with such ground, surface, storm or other wastes that may be present.

“Sewage System” or “Sewerage System”
The City’s wastewater system including all properties (real, personal and tangible or intangible) owned, operated, maintained by and under the jurisdiction of the Commission used for collection, treatment and disposal of wastewater, including all future additions, extensions, replacements and improvements to the system.

“Standard Industrial Classification” or “SIC”
A coding system maintained by the U. S. Department of Labor used to group establishments primarily engaged in producing or handling the same product or group of products or in rendering the same services.

“Stormwater”
Surface water originating from rainfall collected in the sewerage system.

“Total Suspended Solids”
The measurement of the amount of insoluble solids that either float on the surface of wastewater or are suspended in wastewater using a test specified in 40 CFR Part 136.

“User”
Any person, firm, corporation, partnership, trust, or any other entity including, but not limited to, local, state and federal governments utilizing the services of the City’s sewerage system for sewage collection, treatment and disposal.

“User Class” and “User Classes”
Users with the same or similar discharge characteristics are grouped into User Classes for purposes of cost allocation and rate setting.

“User Charge”
The operations, maintenance, debt service and replacement costs incurred by the City to collect, treat, and dispose of Sewage, Stormwater, Industrial Wastes, and Other
Wastes of the User. The User Charge includes administrative costs of the Wastewater Public Service Enterprise, SFPUC, and other appropriate City functions.

Section 3 – Unlawful Discharge

It shall be unlawful, except as herein provided, for any User to discharge Sewage, Stormwater, Industrial Wastes, or Other Wastes into the sewers or sewerage works of the City, unless such User shall pay the City its User Charge as hereinafter provided.

Section 4 – User Classification

a. Class Determination

Upon application for new service, each User shall be assigned to a User Class based on the City’s evaluation of the User’s waste discharge characteristics in accordance with the requirements of this resolution and applicable laws and regulations. Such User Class determination shall be based on the User’s description of its current operation and use of the collection, treatment and disposal facilities of the City. Such description shall be subject to verification by the City.

b. Change in Classification

Users requiring or requesting a change in their classification shall do so in writing within 30 days of a change in operations.

c. In circumstances where a User’s discharge is not measured by metered water consumption, the General Manager is authorized to implement appropriate requirements and procedures for determining a User Charge consistent with the requirements of this resolution and applicable state and federal laws.

Section 5 – Enterprise Funds

Pursuant to Article V, Section 5.01 of the Indenture between the San Francisco Public Utilities Commission and U.S. Bank, NA, as trustee all revenues of the Wastewater Enterprise shall be set aside and deposited into a fund in the City treasury (the Revenue Fund). All amounts paid into the Revenue Fund shall be maintained separate and apart from other City funds. Moneys in the Revenue Fund shall be appropriated and expended in accordance with the Indenture.

Section 6 – Billing Rates for Computing the User Charge

The following schedules of user charges to be paid by all dischargers to the City’s Sewerage System are hereby adopted and imposed.

SCHEDULE A. This schedule shall apply to Residential Users. The rates under this schedule are based upon the typical strengths for Domestic Wastes, as determined by the General Manager. All Residential Users shall be charged on the basis of discharge units in accordance with the schedule of user charges as follows:
<table>
<thead>
<tr>
<th>Parameter</th>
<th>Effective 7/1/07</th>
<th>Effective 7/1/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of wastewater discharged in accordance with the rules and</td>
<td>$6.0136 per 100 cubic ft.</td>
<td>$6.5548 per 100 cubic ft.</td>
</tr>
<tr>
<td>regulations of the Wastewater Enterprise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLUS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total suspended solids discharged</td>
<td>$0.8091 per lb.</td>
<td>$0.8819 per lb.</td>
</tr>
<tr>
<td>PLUS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil/Grease discharged</td>
<td>$1.0124 per lb.</td>
<td>$1.1035 per lb.</td>
</tr>
<tr>
<td>PLUS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemical Oxygen Demand discharged</td>
<td>$0.1978 per lb.</td>
<td>$0.2156 per lb.</td>
</tr>
</tbody>
</table>

Those users whose parameter loading are not based on periodic sampling shall be charged on the basis of standard parameter loadings established by the General Manager for each SIC code in accordance with applicable state and federal laws and regulations.

**Section 7 – Capacity Charge**

Any User requesting a new connection to the Sewerage System, or requiring additional collection or treatment capacity as a result of any addition, improvement, modification or change in use of an existing connection to the Sewerage System and in an amount equal to at least one Equivalent Dwelling Unit, shall pay a capacity charge. The capacity charge may not be sold, traded or conveyed in a manner to another site or customer. The capacity charge does not convey or imply ownership in or of any facilities of the Wastewater System. Effective January 1, 2008, the capacity charge shall be $2,907 per Equivalent Dwelling Unit. Thereafter, the capacity charge shall be adjusted on July 1st of each subsequent year by the annual change in the 20 City Average Construction Cost Index.
(CCI) published by ENR Magazine. For July 1, 2008, the annual change shall be the computed using the CCI as of July 1, 2006 and the CCI as of July 1, 2007.

Section 8 – Outside Agencies

The user charge schedules set forth in this resolution will not apply to any special agreements executed by the City and a User; provided that such agreements may be negotiated only when justified by special circumstances not generally applicable to other Users, that such agreements shall provide schedules of user charges and other terms and conditions that may be required as the result of any outstanding bonded indebtedness or loan agreements and the requirements of local, state and federal laws and regulations, and that such agreements shall be approved by the Commission.

Section 9 – Severability

If any section, subsection, subdivision, paragraph, sentence, clause or phrase of this resolution or any part hereof, is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this resolution or any part hereof. The Commission hereby declares that it would have adopted each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases be declared unconstitutional or invalid or ineffective.

Section 10 – Effective Date

The user charges for FY 2008 adopted pursuant to this resolution shall be effective for water meter readings made on or after July 1, 2007 or as soon thereafter as possible, and shall remain in effect until repealed, modified or superseded. The user charges for FY 2009 adopted pursuant to this resolution shall be effective for water meter readings made on or after July 1, 2008 or as soon thereafter as possible, and shall remain in effect until repealed, modified or superseded.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of June 12, 2007

[Signature]

Secretary, Public Utilities Commission