San Francisco Water Power Sewer
Services of the San Francisco Public Utilities Commission

Financial Strategy

San Francisco Public Utilities Commission

FY 2026-27 to FY 2035-36

10-Year Capital Plan

ADOPTED: FEBRUARY 10, 2026

Contents

1. Executive Summary

Introduction

The San Francisco Public Utilities Commission (SFPUC) is a department of the City and County of San Francisco and is responsible for utility services associated with operating and maintaining three enterprises: the Water Enterprise, the Wastewater Enterprise, and the Power Enterprise, which includes Hetch Hetchy Power and CleanPowerSF. The Enterprises are operated and managed as separate financial entities with separate enterprise funds. With assets totaling over $13.3B in Net Book Value, the SFPUC is responsible for over 37% of the City and County of San Francisco's total net assets.

As the largest water utility in Northern California, the Water Enterprise serves a population of nearly 2.8 million people in over 30 cities, providing water directly to customers in San Francisco and wholesale water service to 27 water agencies. Within San Francisco, the Wastewater Enterprise provides wastewater and stormwater collection, treatment, and disposal services, managing its combined sewer system and three water pollution control facilities (Southeast Treatment Plant, Oceanside Treatment Plant, and the North Point Wet Weather Facility).

To meet the electricity needs of San Francisco's municipal, business, residential, and wholesale customers, the Power Enterprise operates two retail electricity programs: Hetch Hetchy Power, San Francisco's publicly owned utility, and CleanPowerSF, San Francisco's community choice aggregation program (CCA). Hetch Hetchy Power generates, schedules, purchases, sells, transmits, distributes, meters and bills electricity to retail and wholesale customers, responds to outages, and owns, operates, and maintains most of the City's streetlight system.

What is the 10-Year Capital Improvement Plan?

The SFPUC requires a comprehensive and forward-looking planning process aimed at maintaining and modernizing its extensive infrastructure. This blueprint for the future takes the form of the 10-Year Capital Improvement Plan (CIP): a document mandated by the City Charter and crucial for ensuring reliable, resilient, and affordable services for generations to come.

Complementing the 2-year budget and 10-Year Capital Improvement Plan is this comprehensive Capital Plan Report. This report serves as a transparent account of the Capital Improvement Plan, explaining the rationale behind project selections, funding strategies, and anticipated benefits.

The San Francisco Public Utilities Commission (SFPUC) has developed a balanced 10-Year Capital Improvement Plan totaling $12.5 billion (B) for fiscal years 2026-27 through 2035-36. This comprehensive plan is more than a static list of projects. It represents the SFPUC's most sophisticated capital planning effort to date, prioritizing projects that ensure the continued reliable and compliant operation of critical water, wastewater, and power infrastructure while demonstrating a commitment to responsible financial stewardship for ratepayers.

Highlights

- The plan outlines the SFPUC's FY 2027-2036 10-Year Capital Improvement Plan reflecting a rigorous prioritization process guided by the Commission's Affordability Policy and developed through the SFPUC's Capital Planning Improvement Initiative.

- **The plan is organized into two distinct portfolios: $9.1 B worth of Water and Wastewater investments driven by essential regulatory compliance and aging infrastructure needs, and $3.4 B of Power investments representing strategic investments in a growing enterprise that strengthens the City's clean energy future.**
- The Water and Wastewater Capital Plan ($9.1 B) addresses unavoidable infrastructure needs across three enterprises: Wastewater ($5.9 B), Water ($2.6 B), and the water-funded portion of Hetch Hetchy Water and Power ($700 million (M)). These investments respond to pressing federal and state regulatory mandates including nutrient removal requirements, wastewater treatment plant modernization, and drinking water quality standards alongside critical renewal and replacement of aging infrastructure, much of which is exceeding its useful life.
- The Power Capital Plan ($3.4 B) encompasses strategic investments in the Hetch Hetchy Water and Power ($3.3 B) and CleanPowerSF ($37 M) enterprises, addressing aging transmission infrastructure and positioning the City's growing public power enterprise to meet the City's expanding clean energy needs, especially as the local economy rebounds and more housing is built. These investments advance renewable energy integration, grid modernization, and system reliability supporting San Francisco's climate action plan goals while generating long-term value for ratepayers and the broader community.
- This capital plan is anticipated to create and sustain over 40,000 jobs throughout the Bay Area over the 10-year period, delivering substantial economic benefits to local communities through construction, engineering, project management, and skilled trades employment.
- This plan was developed through the guidance of the Agency-wide and award winning[1], *Capital Planning Improvement Initiative*, representing a unified, agency-wide approach with enhanced governance, standardized methodologies, and resource planning aligned with organizational capacity. This Initiative has provided the most comprehensive planning framework in SFPUC history.
- The plan emphasizes project deliverability through realistic project scoping and budgeting, enhanced project controls, and alignment with workforce capacity. When enterprises initially submitted internal capital proposals totaling approximately $15.9 B, rigorous risk reprioritization reduced the plan by over 20% to the current $12.5 B, demonstrating the agency's commitment to balancing essential infrastructure investments with ratepayer affordability.

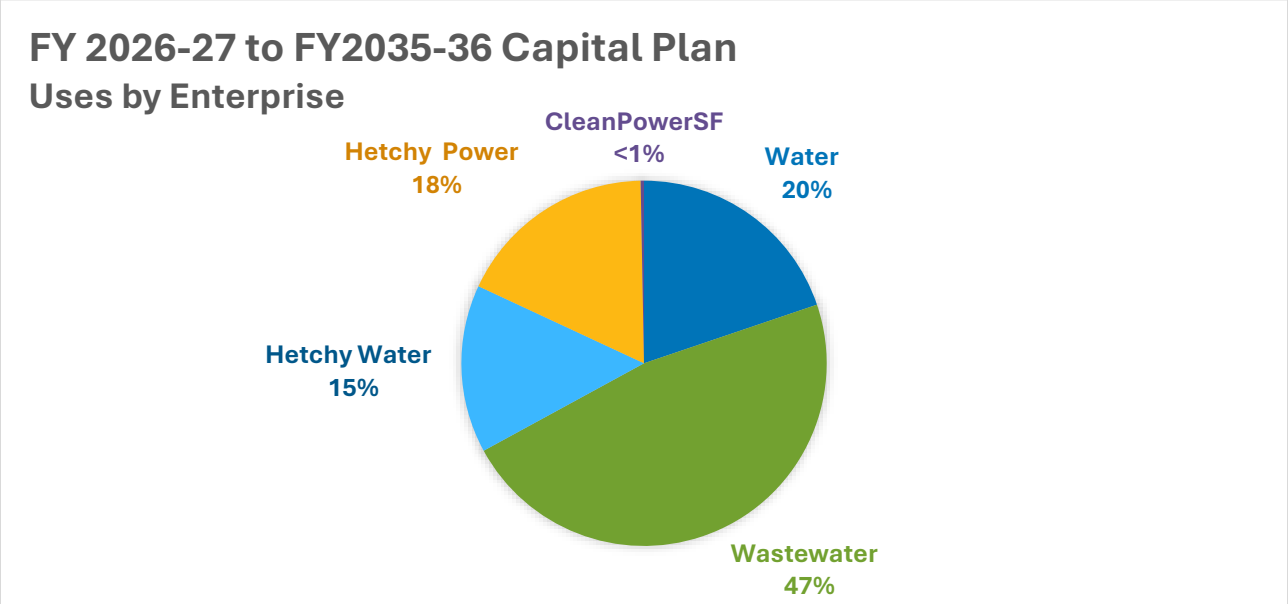
[1] https://gfoa-craftcms.files.svdcdn.com/production/prismic/Z19BEJbqstJ98hNC_2024AFE-SFPUC.pdf?dm=1758139278

The table below shows the capital plan by enterprise:

Table 1. FY 2026-27 to FY 2035-36 SFPUC Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Uses											
Water	311.2	266.1	449.5	357.4	282.6	161.8	188.7	161.3	136.8	183.4	**2498.8**
Wastewater	527.6	670.5	680.2	538.5	576.9	570.0	630.3	660.4	558.1	503.6	**5916.1**
Hetchy-Water	160.7	207.7	283.4	174.8	154.5	172.0	136.6	176.9	188.5	209.1	**1864.1**
Hetchy-Local Power	51.4	42.9	275.2	280.8	414.2	361.0	243.5	207.4	237.9	128.4	**2242.7**
CleanPowerSF	0.1	0.1	0.6	0.3	0.3	0.3	0.3	0.8	9.8	24.5	**37.2**
Total Uses	**1051.0**	**1187.3**	**1688.8**	**1351.7**	**1428.5**	**1265.1**	**1199.5**	**1206.9**	**1131.2**	**1049.0**	**12559.0**
Sources											
Revenue Funded	289.4	318.9	333.4	376.8	298.6	337.7	360.3	395.6	483.3	513.2	**3707.2**
Debt Funded	761.6	868.4	1355.4	974.9	1129.9	927.4	839.2	811.3	647.9	535.8	**8851.8**
Total Sources	**1051.0**	**1187.3**	**1688.8**	**1351.7**	**1428.5**	**1265.1**	**1199.5**	**1206.9**	**1131.2**	**1049.0**	**12559.0**

Figure 1. FY 2026-27 to FY 2035-36 SFPUC Capital Plan: Uses by Enterprise



Water and Wastewater Capital Plan: Responding to Essential Needs

The $9.1 B Water and Wastewater Capital Plan addresses unavoidable infrastructure requirements driven by factors largely outside SFPUC control. Federal and State regulatory agencies continue to impose increasingly stringent requirements for wastewater treatment, drinking water quality, and environmental protection. Simultaneously, critical infrastructure, much of it constructed many decades ago, is reaching the end of its design life, requiring systematic renewal and replacement to maintain reliable service.

The Wastewater Enterprise ($5.9 B) faces the most significant regulatory pressures, including nutrient reduction requirements to protect San Francisco Bay water quality, and flooding mitigation in low lying areas of the city. These mandates, coupled with the need to maintain and modernize aging treatment facilities like the Southeast Outfall and the Southeast Treatment Plant Biosolids Digesters, drive the substantial investment required in this enterprise.

The Water Enterprise ($2.5 B) CIP invests in maintaining the regional water system serving 2.8 million Bay Area residents, addressing water quality standards, transmission system reliability, and treatment plant modernization. Hetch Hetchy Water ($700 M) maintains the upcountry systems, responsible for providing the overwhelming majority of SFPUC's ratepayers' water. Many of these assets are approaching or have exceeded 100 years of age. Together, these investments ensure continued delivery of safe, reliable drinking water to millions of Bay Area residents.

Notably, the Wastewater and Water Capital Plans are roughly $500 million (M) less than the version approved just two years ago ($9.6 B) marking an intentional effort to keep rates as low as possible while making generational investments in both systems.

Power Capital Plan: Strategic Investments in San Francisco's Public Power Future

The $3.4 B Power Capital Plan represents strategic investments positioning San Francisco as a leader in clean, renewable energy. Unlike the Water and Wastewater enterprises, where growth is driven by regulatory compliance and aging infrastructure, Power investments reflect the City's proactive commitment to expanding clean energy capacity, modernizing transmission and distribution systems, enhancing grid reliability, and continuing to work to deliver public power for San Franciscans – while also making upgrades to aging transmission infrastructure to support additional load growth driven by economic growth and housing development.

Hetch Hetchy Power ($2.2 B) continues its century-long tradition of providing reliable, carbon-free hydroelectric power to municipal facilities throughout San Francisco. Investments in transmission system upgrades, substation modernization, and renewable generation expansion strengthen this enterprise while supporting the City's climate action objectives. These projects enhance system reliability, integrate emerging technologies, and position Hetch Hetchy Power to meet the city's growing energy demands.

Hetch Hetchy Water - Power Infrastructure ($1.1 B) sustains the upcountry assets that enable both reliable water delivery and clean hydroelectric generation and transmission across the regional

system. Power-funded investments address transmission and distribution upgrades, switchyard rehabilitation, powerhouse modernization, and the Power share of joint water conveyance infrastructure essential to system operations. These projects extend the life of century-old facilities and ensure the integrated Hetch Hetchy system continues delivering essential services to the 2.8 million Bay Area residents who depend on this vital resource.

CleanPowerSF ($37 M) represents San Francisco's commitment to providing clean, renewable electricity to retail customers throughout the City. Strategic investments in program infrastructure, renewable energy procurement, and customer systems enable this enterprise to expand its renewable energy portfolio, advancing the City's goal of 100% renewable electricity while delivering competitive rates and local economic benefits.

Better Capital Planning

The development of this 10-Year Capital Improvement Plan marks a huge improvement the SFPUC's approach to infrastructure investment planning, with the Capital Planning Improvement Initiative being awarded the Government Finance Officers' Association 2025 Award for Excellence. The Initiative implemented comprehensive reforms including:

- **10-Year Capital Improvement Plan Development Guidelines** that establish clear processes, roles across divisions, governance standards, expectations for completeness and consistency of project information, and timelines for capital planning across all enterprises.
- **A concerted effort to incorporate realistic cost estimates and inflation** impacts into long-term planning, though it introduced upward pressure on costs, ultimately strengthened the accuracy and reliability of our long-term forecasts.
- **Weekly Budget Steering Committee** meetings led by agency leadership to facilitate rigorous discussions, project prioritization, and consensus-building on capital investments and their rate impacts.
- **Enhanced Budget Instructions** providing financial parameters and modeling scenarios that illustrate the implications of different funding levels on customer bills across income brackets.
- **Dynamic scenario modelling** giving us the capability to perform dynamic, real-time scenario modeling within our comprehensive financial planning models, allowing evaluation of multiple CIP scenarios and their corresponding impacts on rates.
- **Enterprise-Specific Resource Planning** methodologies that align capital investments with organizational delivery capacity and workforce planning.
- **Implementing enhanced risk-based prioritization models** to enable more objective tradeoffs between projects and more informed decision making.

These efforts led to a more efficient budget development process, with enterprises transparently prioritizing projects based on deliverability and affordability, in addition to risk, criticality, and regulatory requirements. While challenges remain, the initiative's continuous improvement approach is establishing a more unified, efficient, and sustainable capital planning process for the SFPUC.

Economic and Environmental Benefits of Making these Capital Investments

This capital plan delivers benefits extending far beyond infrastructure improvements. The creation and sustainment of an estimated 40,000 jobs over the 10-year period in the Bay Area, and the region broadly, supports communities through skilled construction, engineering, project management, and trades employment.

Beyond economic impacts, capital investments advance environmental objectives. Water and wastewater projects protect San Francisco Bay's ecological health through enhanced treatment processes and pollution reduction. Power investments accelerate the transition to renewable energy, supporting San Francisco's climate action goals and demonstrating leadership in carbon-free electricity generation while responding to growing power demands. Water system improvements ensure drought resilience through diversified supply strategies and enhanced storage capacity. Collectively, these investments safeguard the region's environmental future while ensuring sustainable, reliable utility services for generations to come.

Financial Stewardship and Affordability

The Capital Improvement Plan, driven by regulatory pressures, aging infrastructure, and climate change, is the SFPUC's largest cost driver, significantly influencing rate growth for customers. Despite unavoidable cost pressures from regulatory mandates, aging infrastructure, and elevated Bay Area construction costs, the SFPUC implemented rigorous cost-containment measures throughout the planning process. When enterprises initially submitted capital proposals totaling approximately $15.9 B, there was an agency-wide effort to make strategic tradeoffs and project deferrals, reducing the plan to $12.5 B. This represents a reduction of roughly $3.4 B while maintaining essential service reliability and regulatory compliance.

This approach demonstrates the agency's commitment to balancing critical infrastructure needs with ratepayer affordability. The Commission's Affordability Policy provides clear guardrails ensuring utility bills remain manageable for customers across all income levels. Through phased implementation strategies, optimized financing approaches, and continuous focus on project deliverability, the SFPUC aims to minimize rate impacts while delivering the infrastructure investments essential for reliable, compliant, and sustainable utility services.

Conclusion

The SFPUC's FY 2026-27 through 2035-36 10-Year Capital Improvement Plan represents a strategic, disciplined approach to maintaining and enhancing critical infrastructure serving millions of Bay Area residents.

2. Overview and Comparison of the Current and Proposed Capital Improvement Plans

FY 2025-34 Capital Plan (Current Year)

The current Capital Plan has total expenditures (uses) of $11.8 Billion (B) and total sources of $11.8 B, leading to a balanced capital plan. This plan was developed through the Capital Planning Improvement Initiative, which established new governance structures, planning guidelines, and resource planning methodologies. The FY 2025-34 plan emphasized affordability, deliverability, and strategic prioritization of projects based on risk metrics and regulatory requirements. This plan is 77.5% debt-funded and 22.5% revenue-funded.

Table 2. FY2024-25 to FY 2033-34 Capital Plan

$million	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	Total
Uses											
Water	456.0	477.2	514.2	368.7	280.0	243.2	232.8	147.7	128.0	107.0	**2,954.8**
Wastewater	892.5	822.9	908.9	532.3	325.1	339.3	399.0	524.5	670.3	624.9	**6,039.7**
Hetchy Water	152.8	180.8	165.8	184.3	112.2	172.6	213.4	191.4	81.5	78.9	**1,533.7**
Hetchy Power	52.0	85.4	125.0	154.1	127.1	148.5	163.1	165.5	110.0	104.1	**1,234.8**
CleanPowerSF	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.5	0.07	0.5	**48.5**
Total Uses	**1,553.9**	**1,566.8**	**1,714.3**	**1,239.9**	**845.1**	**909.8**	**1,023.8**	**1,052.6**	**989.9**	**915.4**	**11,811.5**
Sources											
Revenue Funded	245.3	288.6	268.8	258.1	230.6	261.2	267.2	280.3	277.1	285.6	**2,662.8**
Debt Funded	1,308.6	1,278.2	1,445.5	981.8	614.5	648.6	756.6	772.3	712.8	629.8	**9,148.7**
Total Sources	**1,553.9**	**1,566.8**	**1,714.3**	**1,239.9**	**845.1**	**909.8**	**1,023.8**	**1,052.6**	**989.9**	**915.4**	**11,811.5**

FY 2026-36 Capital Plan (Proposed Year)

This year's balanced Capital Plan has total expenditures (uses) of approximately $12.5 B and total sources of $12.5 B. Building upon the robust planning framework established in the prior cycle, this iteration continues the Capital Planning Improvement Initiative's emphasis on deliverability, affordability, and data-driven prioritization while addressing emerging regulatory requirements and infrastructure needs. The proposed plan is 70% debt-funded and 30% revenue-funded.

Table 3. FY 2026-27 to FY 2035-36 SFPUC Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Uses											
Water	311.2	266.1	449.5	357.4	282.6	161.8	188.7	161.3	136.8	183.4	**2498.8**
Wastewater	527.6	670.5	680.2	538.5	576.9	570.0	630.3	660.4	558.1	503.6	**5916.1**
Hetchy-Water	160.7	207.7	283.4	174.8	154.5	172.0	136.6	176.9	188.5	209.1	**1864.1**
Hetchy-Local Power	51.4	42.9	275.2	280.8	414.2	361.0	243.5	207.4	237.9	128.4	**2242.7**
CleanPowerSF	0.1	0.1	0.6	0.3	0.3	0.3	0.3	0.8	9.8	24.5	**37.2**
Total Uses	**1051.0**	**1187.3**	**1688.8**	**1351.7**	**1428.5**	**1265.1**	**1199.5**	**1206.9**	**1131.2**	**1049.0**	**12559.0**
Sources											
Revenue Funded	289.4	318.9	333.4	376.8	298.6	337.7	360.3	395.6	483.3	513.2	**3707.2**
Debt Funded	761.6	868.4	1355.4	974.9	1129.9	927.4	839.2	811.3	647.9	535.8	**8851.8**
Total Sources	**1051.0**	**1187.3**	**1688.8**	**1351.7**	**1428.5**	**1265.1**	**1199.5**	**1206.9**	**1131.2**	**1049.0**	**12559.0**

Water

Table 4. Water FY2026-27 to FY 2035-36 Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**311.2**	**266.1**	**449.4**	**357.4**	**282.6**	**161.8**	**188.7**	**161.3**	**136.8**	**183.4**	**2498.8**
Uses											
Water - Regional	130.8	133.2	276.3	202.5	168.3	75.1	69.9	50.3	53.7	86.2	**1246.3**
Water - Local	180.4	132.9	173.2	154.9	114.3	86.7	118.8	111.0	83.1	97.2	**1252.5**
Water-Totals	**311.2**	**266.1**	**449.5**	**357.4**	**282.6**	**161.8**	**188.7**	**161.3**	**136.8**	**183.4**	**2498.8**

Hetch Hetchy Water

Table 5. Hetch Hetchy Water FY2026-27 to FY 2035-36 Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**160.7**	**207.7**	**283.4**	**174.8**	**154.5**	**172.0**	**136.6**	**176.9**	**188.5**	**209.1**	**1864.1**
Uses											
Hetchy Water-Water	47.3	12.0	38.7	15.7	6.7	6.1	5.9	8.6	10.2	16.9	**168.2**
Hetchy Water-Power	58.6	109.7	123.7	54.5	36.5	14.9	6.7	7.7	6.9	21.4	**440.6**
Hetchy Water-Joint	54.7	85.9	121.0	104.6	111.3	151.0	124.0	160.6	171.3	170.8	**1255.3**
Hetchy Water Total	**160.7**	**207.7**	**283.4**	**174.8**	**154.5**	**172.0**	**136.6**	**176.9**	**188.5**	**209.1**	**1864.1**

Wastewater

Table 6. Wastewater FY2026-27 to FY 2035-36 Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**527.6**	**670.5**	**680.2**	**538.5**	**576.9**	**570.0**	**630.3**	**660.4**	**558.1**	**503.6**	**5916.1**
Uses											
SSIP	378.7	515.0	490.8	338.9	372.6	406.5	461.1	485.5	376.4	316.0	**4141.3**
Non-SSIP	148.9	155.5	189.4	199.6	204.3	163.5	169.3	174.9	181.8	187.6	**1774.8**
Wastewater Total	**527.6**	**670.5**	**680.2**	**538.5**	**576.9**	**570.0**	**630.3**	**660.4**	**558.1**	**503.6**	**5916.1**

Hetch Hetchy Power

Table 7. Hetch Hetchy Power FY2026-27 to FY 2035-36 Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**51.4**	**42.9**	**275.2**	**280.8**	**414.2**	**361.0**	**243.5**	**207.4**	**237.9**	**128.4**	**2242.7**
Uses											
Hetchy Power	51.4	42.9	275.2	280.8	414.2	361.0	243.5	207.4	237.9	128.4	**2242.7**
Hetchy Power Total	**51.4**	**42.9**	**275.2**	**280.8**	**414.2**	**361.0**	**243.5**	**207.4**	**237.9**	**128.4**	**2242.7**

CleanPowerSF

Table 8. CleanPowerSF FY2026-27 to FY 2035-36 Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**0.1**	**0.1**	**0.6**	**0.3**	**0.3**	**0.3**	**0.3**	**0.8**	**9.8**	**24.5**	**37.2**
Uses											
CleanPowerSF	0.1	0.1	0.6	0.3	0.3	0.3	0.3	0.8	9.8	24.5	**37.2**
CleanPowerSF Total	**0.1**	**0.1**	**0.6**	**0.3**	**0.3**	**0.3**	**0.3**	**0.8**	**9.8**	**24.5**	**37.2**

10-Year Capital Plan Comparison

The FY 2026-36 Capital Plan represents an overall increase of approximately $700 M from the FY 2025-34 plan. However, more specifically, the Water and Wastewater portion have decreased, while the Power portion of the plan has increased. Despite the overall reduction in Water and Wastewater, the plan maintains essential investments in regulatory compliance, aging infrastructure replacement, and climate resilience while ensuring long-term rate affordability for ratepayers.

Table 9. SFPUC FY 2025-34 CIP vs FY 2027-36 CIP, by Enterprise

$million	FY 2025-34 CIP	FY 2027-36 CIP	$ Change	% Change
Water	2,954.8	2,498.8	-456.0	-15.4%
Wastewater	6,039.7	5,916.1	-123.6	-2.0%
Hetchy Water	1,533.7	1,864.1	330.4	21.5%
Hetchy Power	1,234.8	2,242.7	1,007.9	81.6%
CleanPowerSF	48.5	37.2	-11.3	-23.3%
Total	**$11,811.6**	**$12,559.0**	**747.1**	**6.3%**

Enterprise Capital Plan Changes

Water

The Water Enterprise capital plan shows a significant decrease of over $450 M from the previous iteration, reflecting continued strategic prioritization in essential water infrastructure while maintaining the enterprise's commitment to affordability and Level of Service goals. Key investments include:

- Regional water transmission system improvements to maintain reliability for 2.8 million Bay Area customers

- Advanced Metering Infrastructure (AMI) refresh and renewal to enhance water conservation and customer service
- Water operations facility upgrades such as the Millbrae Operations Center Improvements and the San Francisco Water Department Headquarters to meet regulatory requirements and improve safety for our workers
- Treatment facility upgrades including Tesla UV systems and Sunol Valley Water Treatment Plant improvements to improve water quality reliability
- Development of alternative water supply projects such as the PureWater projects to expand water supply reliability
- Ongoing pipeline repair and replacement to ensure reliability of water deliveries

The Water Enterprise has calibrated project timing and scope to balance immediate infrastructure needs with long-term rate growth, ensuring that rate increases remain manageable for customers while maintaining system reliability and regulatory compliance.

Wastewater

The Wastewater Enterprise shows a decrease of over $120 M from the previous plan, demonstrating the enterprise's aggressive approach to project optimization and phasing despite the many regulatory-driven project needs it faced. This reduction was achieved through:

- Strategic deferral of low and medium priority projects beyond the 10-year planning horizon
- Prioritization of regulatory-driven projects including nutrient reduction to address San Francisco Bay water quality
- Continued investment in the Sewer System Improvement Program (SSIP) including the biosolids digester completion

Despite the reduction in the 10-year plan, the Wastewater Enterprise maintains its ability to deliver essential services and meet Level of Service goals, while managing risks through careful prioritization. The enterprise recognizes that reducing nutrient loading into the San Francisco Bay is one of the most pressing water quality issues facing the region and has structured investments accordingly while minimizing rate impacts.

Hetch Hetchy Water

The Hetch Hetchy Water capital plan has increased by approximately $330 M, due to much-needed investments in the century-old infrastructure. Much of the Hetch Hetchy system is at or exceeding 100 years old and operates at approximately 135% of its anticipated useful life. Key investments include:

- Moccasin Penstock Rehabilitation – replacing the original penstocks, built in 1924, to extend the life of this critical water conveyance infrastructure by another 75-100 years and avoiding costly service disruptions
- Mountain Tunnel improvements to address deterioration in this non-redundant regional water system link
- San Joaquin Pipeline life extension and valve improvements for continued reliable regional water delivery
- Dam and reservoir condition assessments and rehabilitation to ensure safety and regulatory compliance

- Transmission line clearance mitigation and wildfire risk reduction projects protecting public safety

These generational investments secure reliable water access for future generations and prevent catastrophic failures in aging infrastructure.

Hetch Hetchy Power

The Hetch Hetchy Power capital plan increases by a little over $1 B, driven by major transmission and distribution infrastructure projects that support the City's goals for electrification, renewable energy, and carbon-free power. Strategic investments include:

- San Francisco International Airport (SFO) Substation improvements ensuring continued reliable power supply to meet growing airport load demands
- Spear Street Substation, Large Load Substation, Westside Substation and grid connection projects supporting electrification and development
- Hetch Hetchy Power Intervening Facilities and Carbon Free Steam projects advancing San Francisco's carbon-free future

These investments align with the SFPUC's vision for a carbon-free future and benefit the entire Bay Area by reducing climate change impacts while establishing the SFPUC as the exclusive electrical services provider to existing and new City facilities and development projects.

CleanPowerSF

The CleanPowerSF capital plan decreased by approximately $11 M from the previous iteration. This reduction reflects the continued focus on utilizing existing appropriation prior to requesting additional appropriation. The enterprise continues to focus on local renewable energy program development and strategic partnerships that advance San Francisco's clean energy goals.

Context of Capital Plan Changes

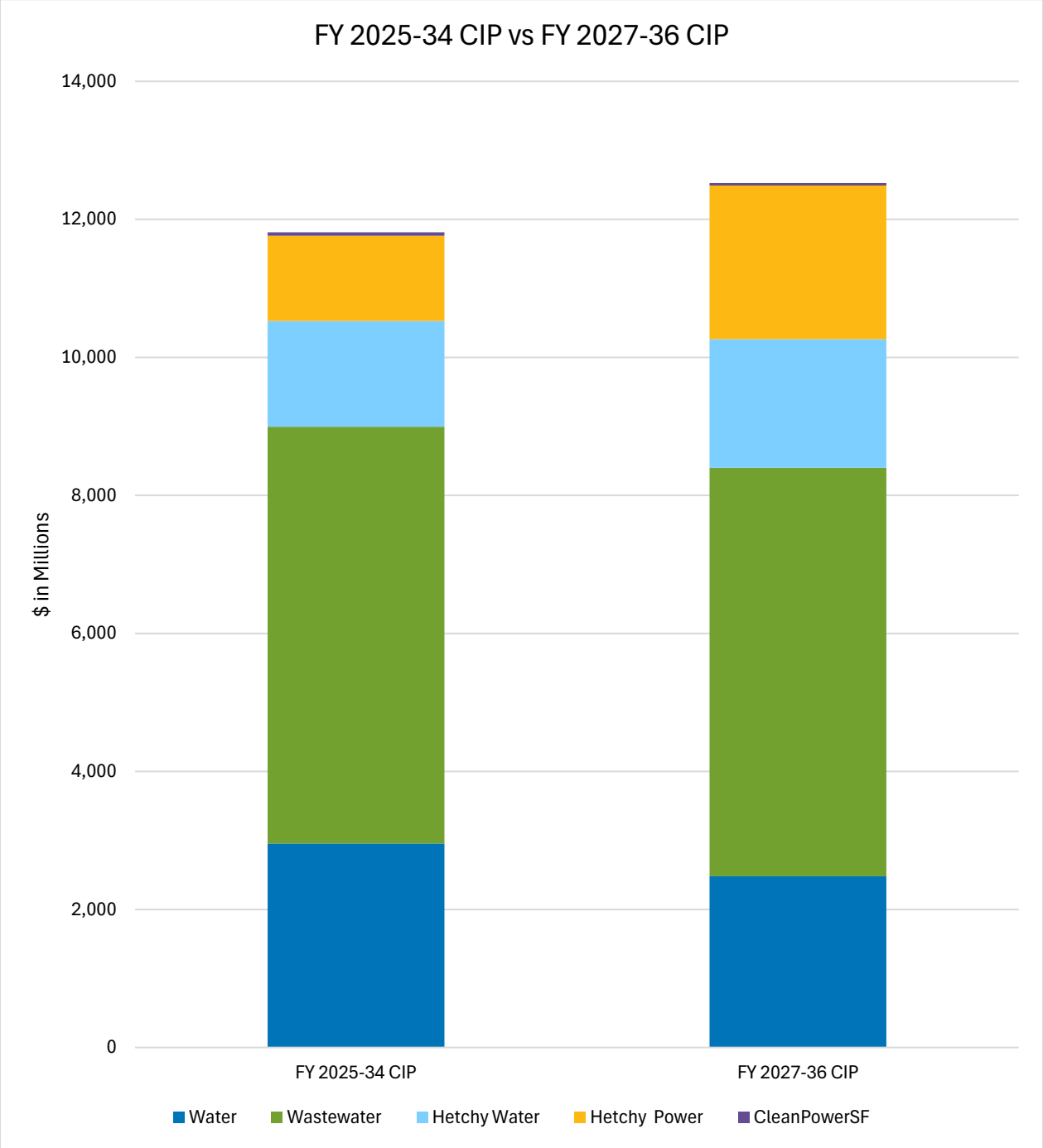
The net decrease of approximately $500 M in this year's Water and Wastewater Capital Improvement Plans reflects the SFPUC's continued commitment to project prioritization, deliverability analysis, and affordability planning. This planning cycle demonstrates several key achievements:

- Enhanced resource planning capabilities across all enterprises, informed by the Capital Planning Improvement Initiative's frameworks and methodologies
- Strategic project phasing and cost optimization that maintains service reliability while managing rate impacts
- Continued focus on regulatory compliance and climate resilience as foundational priorities
- Data-driven decision-making through the new technological tools integrated into this year’s process

The plan acknowledges the realities of inflation and new regulatory requirements while spreading costs over the 10-year horizon to minimize immediate rate increases and ensure affordable, gradual adjustments. The SFPUC’s Capital Finance and Financial Planning teams have worked to balance essential infrastructure investments with the SFPUC's affordability targets. The current 10 -Year Financial Plan forecasts indicate that the average combined water and wastewater bill slightly exceeds our affordability targets in FY 2035, coming back under the targets by FY 2045. This

does, however, represent a significant improvement vs. the mid-cycle (FY2026-35) 10-Year Financial Plan, in the short term and in the long term. In the next few years, rate increases are lower than previously projected though there is a slight increase in medium-term rates. In the long term we have been able to reduce projected rate increases through reductions in our Capital Plan, coming back under our affordability targets, while maintaining the SFPUC's long-term financial strength.

Figure 2. SFPUC FY 2025-34 CIP vs FY 2027-36 CIP, by Enterprise



3. A Better Capital Planning Process and Disciplined approach to Prioritization to Balance Rate Affordability

The agency implemented its most sophisticated planning effort in history through the internationally recognized[2] *Capital Planning Improvement Initiative*, establishing rigorous governance structures and strategic prioritization frameworks. Launched in 2022, CPII is an effort to improve every aspect of capital planning drawing together insights and expertise from across SFPUC divisions, including operations, Infrastructure, Finance, and Strategy Innovation & Change.

Building on lessons learned from the 2023 planning cycle—where much of the fall was spent refining accuracy of project information—the agency began the 2025 planning process three months earlier, starting in January. This early start allowed teams to catalog all projects, validate data, check assumptions, and ensure costs accurately reflect scopes of work. The initiative also introduced new analytical tools and systems, defined governance structures and roles, and raised standards for consistency in project information across all enterprises. These new tools and instructions were outlined in a new 10-Year Capital Planning Development Guidelines document and institutionalized through a considerable change management effort to align processes and standards across SFPUC divisions.

In May, after completing the first draft of project plans, the agency conducted a resource planning activity to validate project assumptions and assess deliverability capacity. This focused on Infrastructure and enterprise-managed projects seeking direct support from Infrastructure within the first three years of the plan. As a result, projects were right-sized, decreasing or increasing based on scope requirements; and schedules were adjusted based on realistic assessments of staff and contractor capacity.

The result of these early efforts was improved project plans and more reliable, scrutinized cost estimates, following multiple rounds of expert review. These improvements have led to clearer documentation of project assumptions and decision points, higher quality data, increased confidence in budget projections over a 20-year horizon, and more reliable trend analysis as capital budgets evolved. The increased accuracy also enabled better repurposing of unspent capital funds to realign and optimize budgets, and a stronger foundation for leadership to balance capital priorities and risks.

As anticipated, due to the effort to more accurately reveal costs by project, the first draft capital plans were too high, at $15.9 billion, which was incompatible with SFPUC's Affordability Policy. SFPUC's Affordability Policy sets targets for bills as a percentage of household revenues and gave clear guidelines for planning. Affordability shaped every aspect of the FY 2027-36 capital planning process, and SFPUC's leadership was fully engaged in the difficult but necessary work of balancing CIPs against affordability constraints.

The Challenge of Prioritization

The path from $15.9 billion in proposed investments to the final $12.5 billion Capital Improvement Plan represents a $3.4 billion reduction achieved through systematic prioritization, strategic

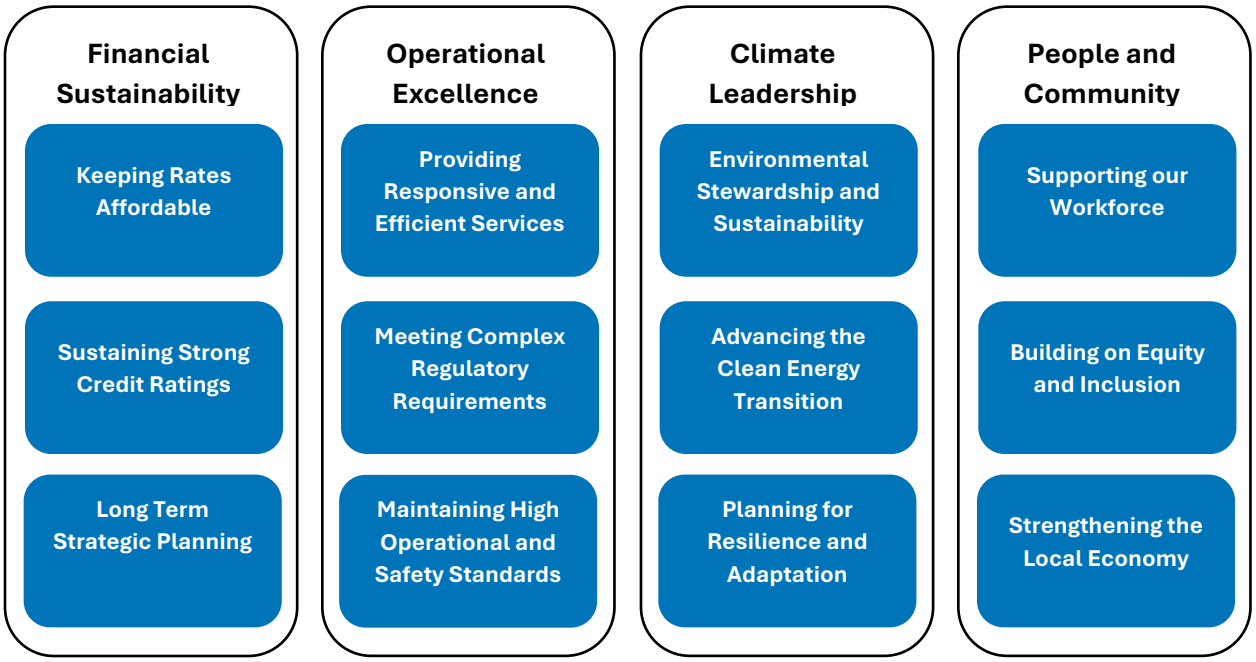
[2] https://www.gfoa.org/2024-awards-for-excellence-winners

deferrals, and deliberate acceptance of measured risk. The result is a capital plan that concentrates resources on the highest-priority investments while deferring lower-priority projects to future planning cycles.

Strategic Priorities Guiding Capital Investment

In September 2025, SFPUC staff presented the Commission with four strategic priority areas to guide budget and capital planning: Operational Excellence, Financial Sustainability, Climate Leadership, and People and Community. These priorities served as the primary evaluative lens through which capital investments were assessed, prioritized, and structured to ensure alignment between infrastructure needs and organizational values.

Figure 3: SFPUC Priorities in Developing this Year's Budget



Financial Sustainability emphasizes responsible financial stewardship, cost containment, and rate affordability. This priority drove the most significant capital plan reductions, as every proposed project was evaluated against its rate impact and contribution to long-term financial health.

Operational Excellence prioritizes projects that maintain and enhance the reliability, safety, and efficiency of utility operations, as well as meeting regulatory requirements. Capital investments supporting operational excellence include asset renewal and replacement programs that address aging infrastructure before failure occurs, system redundancy projects that eliminate single points of failure, technology upgrades that improve operational efficiency, and safety improvements that protect workers and the public.

Climate Leadership focuses on projects that enhance system resilience to climate impacts, reduce greenhouse gas emissions, and protect environmental quality. Capital investments in this category include seismic and flood resilience projects, green infrastructure for stormwater management, renewable energy generation, and environmental remediation.

People and Community emphasizes equitable service delivery, community benefits, workforce development, and environmental justice. Projects supporting this priority include infrastructure upgrades in historically underserved communities, green infrastructure in neighborhoods bearing disproportionate environmental burdens, community facilities like the Alameda Creek Watershed Center, and capital investments that generate quality employment opportunities.

Risk-Based Prioritization Framework

Beyond the four strategic priorities, enterprises employed risk-based prioritization frameworks to evaluate and compare projects systematically. Projects were assessed across multiple risk dimensions including consequence of failure, probability of failure, regulatory risk, safety risk, environmental risk, service impact, and financial risk. Projects that scored highest on combined risk metrics received priority protection from capital plan reductions, while lower-risk projects faced greater scrutiny and potential deferral.

For Water and Wastewater enterprises, regulatory compliance projects received the highest priority protection. Projects required to meet state and federal drinking water regulations, EPA and Regional Water Quality Control Board requirements, and state dam safety mandates advanced on schedule regardless of affordability pressure. These regulatory requirements establish a cost floor below which the enterprises cannot operate without violating legal mandates and exposing ratepayers to potential fines and enforcement actions.

Asset condition and age formed another prioritization factor. Infrastructure nearing the end of its useful life or showing signs of deteriorating condition received higher priority than newer assets in good condition. The Water Enterprise's aging regional transmission system, parts of which date to the early 20th century, requires ongoing renewal investment to maintain reliability. The Wastewater Enterprise's collection system and treatment facilities similarly face renewal needs driven by asset age and condition.

Level of Service impacts drove prioritization decisions for projects affecting service delivery, system capacity, and customer experience. Projects necessary to maintain existing service commitments received higher priority than capacity expansion projects or service enhancements.

Deliverability considerations influenced both project selection and timing. The SFPUC conducted comprehensive resource planning assessments in spring 2025 to validate project schedules against workforce capacity, construction industry constraints, and project management resources. Projects requiring specialized skills in short supply faced schedule adjustments to avoid resource conflicts and inefficient parallel execution. Some projects were deferred entirely when the deliverability assessment revealed insufficient capacity to execute them successfully within the planning horizon. Internal Process

To arrive at the final proposed capital plan and identify necessary cuts and deferrals, SFPUC undertook an intensive internal process involving close collaboration among finance staff, project teams, and agency leadership. Throughout the budget development process, numerous Capital Improvement Program (CIP) scenarios were evaluated, with careful consideration of financial and operational risks.

Dynamic scenario modeling conducted by SFPUC's Financial Strategy team enabled real-time granular analysis within the agency's comprehensive financial planning models. This capability allowed senior management to assess alternative scenarios and understand their corresponding impacts on rates and affordability targets.

In parallel, weekly Budget Steering Committee meetings led by agency leadership provided a forum for rigorous discussion of tradeoffs related to rates, operational risk, and project prioritization. These discussions supported consensus-building within the leadership team regarding which capital investments would remain in the final plan and the associated rate implications.

What Projects Had to Stay: The Non-Negotiable Core

Despite the substantial capital plan reductions, certain project categories received protection from cuts based on their importance to system operations, regulatory compliance, public safety, or imminent failure risk.

Regulatory Compliance Projects: Projects required to meet legally mandated requirements or permit stipulations remained in the capital plan on their original schedules. For example, the Wastewater Enterprise's nutrient reduction project at the Southeast Treatment Plant, driven by San Francisco Bay water quality regulations, constitutes the single largest capital investment in the ten-year plan at $1.5 billion. Similarly, the Water Enterprise's lead service line replacement program, dam safety improvements, and water quality treatment upgrades all advance as required by state and federal regulations.

Critical Asset Renewal: Infrastructure at imminent risk of failure or serving as single points of failure in critical systems received protection from capital plan reductions. The Water Enterprise's San Francisco Water Department headquarters replacement project exemplifies this priority; the existing facility poses life safety risks to employees and cannot be deferred despite its substantial cost. Similarly in Water and Wastewater, pump stations, treatment facilities, and transmission pipelines that lack redundancy and serve essential functions maintained their funding even while discretionary infrastructure improvements faced cuts.

Biosolids Completion: The Wastewater Enterprise's biosolids digester improvements at the Southeast Treatment Plant represent continuation of work already underway through the Sewer System Improvement Program. Stopping this work mid-stream would strand previous investments and leave the treatment plant without adequate biosolids processing capacity, creating both regulatory compliance risks and operational inefficiencies.

Grid Reliability and Safety: Investments in electrical infrastructure reliability and safety, including substation upgrades, transmission system improvements, and streetlight system replacement, proceed as planned to maintain service reliability and public safety. Power system failures create immediate public safety risks and service disruptions that justify protecting these investments from capital plan reductions.

Strategic Deferral Approach

Projects removed from the current capital plan represent legitimate infrastructure needs that will require attention in future planning cycles. The SFPUC's prioritization approach emphasizes deferral rather than elimination, recognizing that today's deferred projects become tomorrow's

priorities as current investments reach completion and funding capacity improves. This creates an ongoing tension between catching up on deferred maintenance from previous planning cycles and addressing newly emerging needs.

The enterprise-specific chapters that follow provide detailed information on capital investments by program area, including project descriptions, schedules, and benefits. Those chapters reflect the prioritization decisions described here.

Looking ahead, the SFPUC will continue to refine project initiation and prioritization criteria, streamline systems for tracking project information, strengthen capital planning and delivery roles across divisions, and embed governance approaches to support continuous capital planning. The CPII program will also maintain its focus on cross-enterprise collaboration, adaptive governance, and change management – features of the initiative that have been central to improving how the SFPUC develops its capital plans year on year.

4. Understanding Why These Investments are Necessary Now

The SFPUC's utility systems represent more than infrastructure; they embody decades of public investment and civic commitment. Understanding how these systems are built, maintained, regulated and financed reveals why today's capital investments, while substantial, are not discretionary expenses but essential obligations to preserve the reliable services.

The Era of Federal Partnership

San Francisco's modern utility infrastructure emerged during an era of substantial federal investment in water and sewer systems. From the 1940s through the 1980s, the federal government recognized water and wastewater infrastructure as fundamental to public health and economic prosperity, channeling significant resources to support local utilities. During the postwar investment period and New Deal era, major federal programs funded critical infrastructure development. The Southeast Treatment Plant, originally constructed in 1952, exemplifies this partnership, built with a combination of local taxpayer and federal support, enabled the SFPUC to modernize treatment facilities and expand conveyance systems to serve a growing city.

The 1970s and 1980s marked the peak of federal support for this infrastructure. The Clean Water Act established unprecedented federal construction grant programs that enabled the SFPUC and utilities nationwide to modernize wastewater treatment plants and dramatically reduce pollution in receiving waters like the San Francisco Bay. These massive federal grants transformed what would have been prohibitively expensive local investments into achievable projects, distributing costs across the broader tax base rather than concentrating them on local ratepayers.

The Shift to Local Responsibility

Beginning in the mid-1980s, federal policy fundamentally shifted. Direct construction grants transitioned to State Revolving Fund loans, requiring repayment with interest. While these loan programs provided cost advantages over traditional financing, they represented a major change from the grant programs of the previous decades. Increasingly, local ratepayers shouldered responsibility for infrastructure costs.

This transition coincided with another development in San Francisco. Following seven years of double-digit annual rate increases in the late 1980s and early 1990s, ratepayers expressed their concerns through Proposition H in June 1998, which enacted a freeze on water and sewer rates until 2002. While this freeze provided immediate relief to customers, it created long-term consequences. During the rate freeze period, the SFPUC's ability to maintain and upgrade aging assets became severely constrained. Deferred maintenance began accumulating and credit ratings suffered downgrades that increased borrowing costs.

Most significantly, infrastructure that was approaching the end of its design life during this period did not receive the attention it required. The combination of reduced federal support and constrained local resources created an infrastructure sustainability gap that would eventually demand attention.

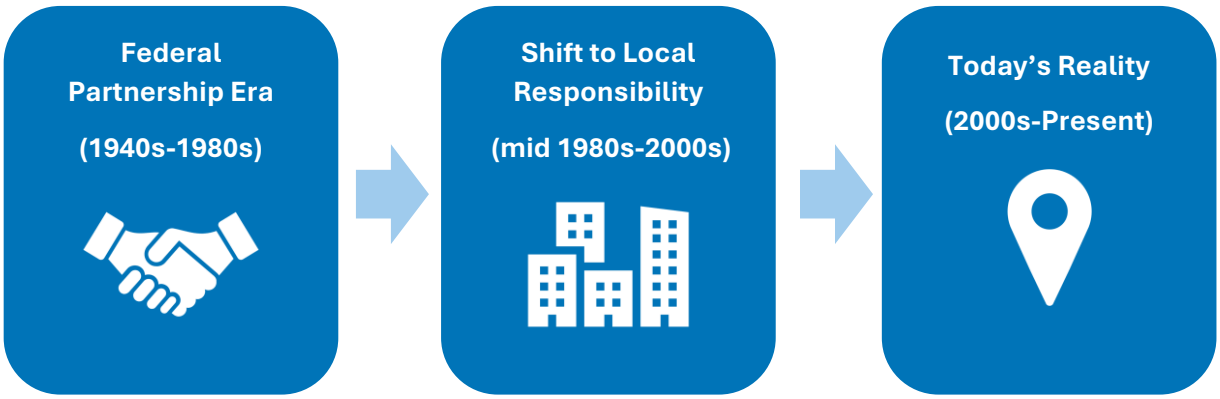
Today's Reality

The present situation reflects decades of converging pressures. Most major utility systems serving San Francisco were constructed 40 to 100 years ago with substantial federal assistance. These

systems are now reaching the end of their useful lives simultaneously, creating unprecedented replacement needs. The federal funding that enabled their original construction has largely disappeared, with extremely limited availability of grants and declining access even to low-cost loans. Meanwhile, costs have escalated dramatically. Construction inflation has far outpaced general inflation, regulatory compliance requirements have expanded substantially, and climate change adaptation demands investments in resilience that were not contemplated when the original systems were designed.

This is not a challenge unique to San Francisco. Water and wastewater utilities nationwide face the same fundamental issue: infrastructure built with federal support must now be replaced with local resources. Across the country, water and wastewater rates are increasing faster than inflation as utilities confront this reality. The burden has shifted entirely to local ratepayers, and there is no indication this will change.

Figure 4. Evolution of Public Utility Financing

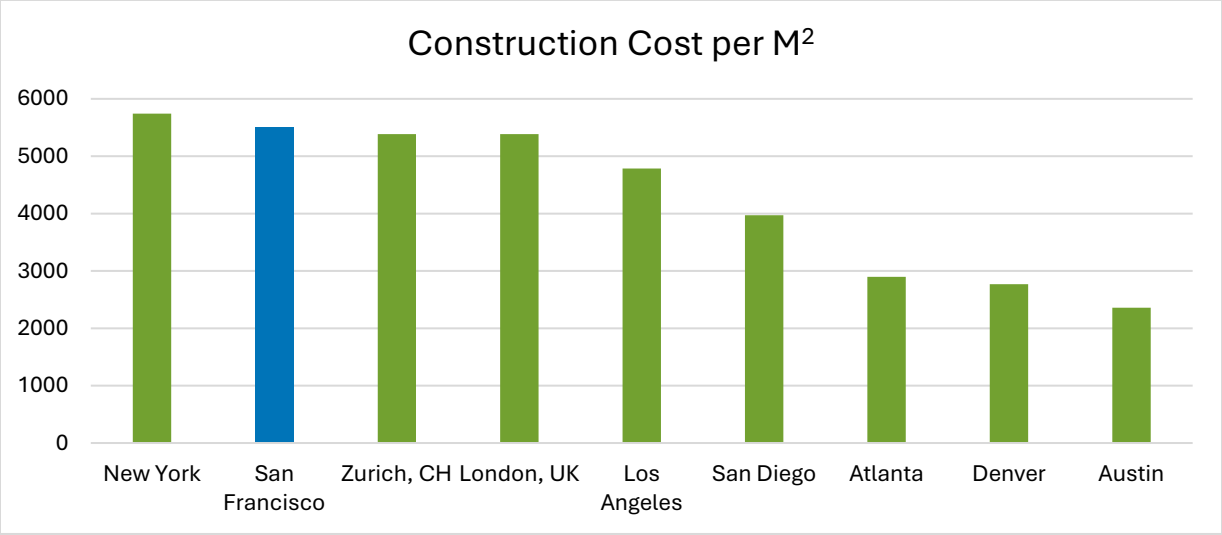


San Francisco faces extremely high construction costs

San Francisco ranks as the second most expensive city in the world for construction, just behind New York. Construction costs in San Francisco are approximately double those in cities like Atlanta, Denver, and Austin. Since 2019, San Francisco construction costs have increased 24%[3], faster than the national average. The city's construction sector faces persistent labor shortages, rising material costs, and regulatory requirements that intensify market pressures. This context makes the SFPUC's capital investment particularly valuable as it helps sustain the construction sector employment even as costs escalate.

[3] https://publications.turnerandtownsend.com/global-construction-market-intelligence-2025/global-construction-cost-trends

Figure 5: Comparing Costs Across Global Urban Sectors



Regulatory compliance is a key cost driver, but we are proactively meeting these obligations with more certainty in our planning

Like many other utilities, SFPUC is facing increasingly complex regulatory requirements, particularly within the Wastewater Enterprise that we are proactively addressing. Many of these requirements relate to discharges to the Pacific Ocean and San Francisco Bay. Other priorities driven by regulatory and permit requirements include modernizing aging wastewater and stormwater infrastructure to enhance its resiliency to seismic events and climate change and to ensure efficient and reliable transport of combined flows to the treatment facilities, an example of this is the Ocean beach Climate Adaption project.

The SFPUC is actively working with federal and state regulators to identify the specific investments required. Over time, this collaboration has provided increasing clarity around the scope and cost of these necessary investments. The Wastewater Enterprise's capital budget was carefully compiled with this context in mind and has allowed us to approach this year's capital plan with more certainty about our obligations than in prior years. In cases where there is still some uncertainty, we have included placeholder projects to ensure we are actively and conservatively planning around these potential future costs.

In many cases, the path forward is now clear. Compliance with the Clean Water Act and California Water Code regulatory orders issued by the San Francisco Bay Regional Water Quality Control Board are major cost drivers in the capital plan. Examples of these projects include:

- Planning, designing, and constructing new nutrient reduction facilities ($1.5 Billion) at the Southeast Treatment Plant to benefit water quality in the Bay by reducing wastewater nutrients that contribute to algal blooms.
- Planning, designing, and constructing projects to increase collection system capacity and reduce the risk of flooding in the low-lying neighborhoods near 17th and Folsom and near the Lower Alemany Farmer's Market/Interstate 280 interchange. ($0.5 Billion)

Additionally, there are certain other projects that have been included to both to ensure that SFPUC's existing facilities continue to be operated and maintained in compliance with the requirements set forth in the permits issued by the Regional Water Board and EPA and to fulfill SFPUC's overarching mission to provide our customers with high quality, efficient and reliable water, power, and sewer services in a manner that is inclusive of environmental and community interests, and that sustains the resources entrusted to our care. These projects and project placeholders have been identified through extensive evaluation and assessment of the condition of the City's combined wastewater and stormwater infrastructure taking into consideration multiple factors including physical condition, age, location, risk, public safety, paving schedules, and other elements. SFPUC thoroughly evaluated opportunities to reduce these expenditures and/or extend them over longer periods of time to minimize the impact on ratepayers, however it was necessary to include them to avoid a risk to the continuity and quality of the City's services. By completing these projects, SFPUC will also help sustain a resilient stormwater and wastewater system that protects public health and the local environment.

A Measured Response to Unavoidable Needs

The $12.5 B 10-Year Capital Improvement Plan represents the SFPUC's measured response to these unavoidable current circumstances. This investment level reflects not ambition but necessity: the minimum required to maintain system reliability, meet regulatory obligations, and ensure infrastructure resilience for future generations.

5. Benefits of these Capital Investments

The SFPUC's FY2026-27 through FY2035-36 Capital Improvement Plan represents a $12.5 B investment in infrastructure and also in the environment and the regional economy.

Economic Vitality: Sustaining Jobs, Strengthening San Francisco

Based on historical project data, the Board of Supervisors estimates that approximately 80%[4] of capital project costs are attributable to construction which translates to roughly $10 B in construction spending over the ten-year period. Using the City's Office of Resilience and Capital Planning multiplier methodology, which accounts for both direct construction jobs and indirect economic effects, this capital plan will generate and sustain over 40,000 jobs over the next decade.

The framework applies a multiplier of 4.06[5] jobs per million dollars of construction spending, capturing the full employment impact including direct construction workers, suppliers, equipment operators, professional services, and induced employment in supporting sectors like restaurants, retail, and business services. The employment impact extends across diverse occupations. Direct construction roles include skilled tradespeople, equipment operators, and laborers. Professional services encompass engineers, architects, project managers, and planners. Material suppliers, trucking companies, and equipment vendors support active construction. Beyond construction sites, restaurants, retailers, and service providers benefit from the spending of workers employed through the capital program. This multiplier effect generates sales tax revenue that returns to the City, supporting vital public services.

The geographic reach of SFPUC investments extends well beyond San Francisco's borders. The SFPUC delivers water to over 2.8 million residents across five counties, and many capital projects are located in the regional Hetch Hetchy system stretching from the Sierra Nevada through the Peninsula. Projects such as power system upgrades and the Moccasin Penstocks rehabilitation benefit communities like Moccasin and support regional water reliability through the Bay Area Water Supply and Conservation Agency (BAWSCA) member agencies. This regional investment strengthens water supplies and environmental resources across California.

Building a Stronger Bay Area Workforce: A Commitment to Labor

The Capital Improvement Plan prioritizes partnerships with unionized construction workers, ensuring that infrastructure investment translates into quality employment. Union construction jobs provide competitive wages, comprehensive health insurance, retirement security, and apprenticeship training that builds long-term career pathways. Much of the SFPUC's capital work must comply with the City's Local Hiring Policy, which mandates that local residents perform a minimum of 30% of work hours on capital projects exceeding $400,000. Most direct jobs funded through this capital plan will benefit unions including IFPTE Local 21, Laborers Local 261, SEIU 1021, and others. Historical performance demonstrates the program's effectiveness. In 2022, approximately 44% of construction workers on SFPUC projects were San Francisco residents.

[4] https://sfbos.org/6-capital-project-design-costs
[5] https://onesanfrancisco.org/cap-plan-2026/appendix-d

As one of the City's largest employers, the SFPUC maintains workforce development programs that connect local youth and adults with apprenticeships, job training, and employment opportunities in water, wastewater, and power operations. The SFPUC has historically supported approximately 1,400 internships annually spanning engineering, finance, technology, and utility operations. This Capital Improvement Plan represents an investment in the region's future utility workforce, building the skilled talent base needed to operate and maintain increasingly complex infrastructure systems.

Building More Resilient Communities: Investing in Addressing Historic Injustice

The Capital Improvement Plan incorporates projects designed to address historic environmental injustices in communities that have faced disproportionate infrastructure burdens. In 2009, the SFPUC adopted an Environmental Justice Policy committing to prevent, mitigate, and lessen disproportionate environmental impacts on communities across all SFPUC service areas, ensuring that public benefits are shared equitably. Subsequently, in 2011, the SFPUC adopted a Community Benefits Policy codifying its intent to be a good neighbor to residents in neighborhoods impacted by SFPUC operations.

These policies have become embedded in SFPUC contracting. The Social Impact Partnership program awards bonus points in competitive bidding to firms that commit to giving back to communities where they work. If awarded contracts, these firms must complete quantifiable commitments providing financial contributions and volunteer hours to local public schools and nonprofits in project areas.

The Southeast Community Center in Bayview-Hunters Point represents this commitment in physical form. For decades, this predominantly Black and Latinx community bore significant environmental burdens. The Community Center, designed in collaboration with residents, now offers education, recreation, and essential services which is a tangible investment in addressing historic injustice and building community resilience.

The capital plan prioritizes upgrades to water and wastewater systems in underserved communities, ensuring equitable access to clean and reliable water. Green infrastructure investments will benefit historically marginalized neighborhoods. These investments make meaningful improvements in the quality of life for the SFPUC's most vulnerable ratepayers. The SFPUC is also deeply committed to preserving indigenous interests, recognizing that much of SFPUC’s infrastructure is on the ancestral homeland of tribes including the Muwekma Ohlone people. During major infrastructure projects, the SFPUC has collaborated with representatives from Ohlone communities and cultural experts on how to treat archaeological sites respectfully. This included working with identified Ohlone descendants and specialists on how to handle Native American remains and artifacts encountered during construction.

The SFPUC is constructing the Alameda Creek Watershed Center on land that is the ancestral homeland of the Muwekma Ohlone Tribe. The project highlights the natural and cultural history of the watershed, including history and heritage exhibits about the Ohlone people.

Part of the interpretive elements includes public art (such as the Rúupaywa installation) that honors Muwekma Ohlone traditions and creation stories, and educational displays covering Ohlone history.

Responding to Impacts of the Climate Crisis

Alternative water supply projects, including the development of recycled or purified water, in combination with water conservation and consumer programs for greywater reuse, build resilience to drought and optimize our use of available water supplies. These investments are refining our wise use of water and preparing the San Francisco Bay Area to address climate-driven water scarcity. This plan addresses climate change through projects that enhance system resilience, reduce environmental impacts, and protect public health. The climate-related investments reflect both the urgency of adaptation and the practical constraints of affordability.

System resiliency projects safeguard water and wastewater infrastructure against extreme weather events, seismic risks, and sea level rise. These investments ensure uninterrupted access to critical services even as climate-induced disruptions become more frequent and severe.

The Ocean Beach Climate Adaptation Project ($252.9 million) exemplifies this approach. This project develops comprehensive shoreline protection to address erosion threatening wastewater assets including the Lake Merced Transport/Storage facility, Westside Pump Station and Force Main, and Oceanside Treatment Plant. The solution integrates buried seawall protection with enhanced coastal access, roadway improvements, and safety upgrades which will protect vital infrastructure while maintaining public coastal access.

Green infrastructure projects provide climate-resilient approaches to stormwater management. Rather than relying solely on concrete and pipes, these projects work with natural systems to improve water quality, create community amenities, and manage flooding. This represents a smart, sustainable approach to flood defense that builds resilience alongside environmental benefits.

Nutrient reduction in San Francisco Bay (Bay) addresses one of the region's most pressing water quality challenges. The Bay experienced harmful algal blooms and fish kills in both 2022 and 2023, and two unusual conditions that contributed to the 2022 bloom (less fog and clearer water) are linked to climate change. The SFPUC is currently building a new wastewater treatment plant on Treasure Island that includes nitrogen reduction, which is designed to reduce 80% of nitrogen during the tertiary treatment process. In addition, at a much larger scale, the SFPUC has initiated the Southeast Water Pollution Control Plant Nutrient Reduction Project to meet new regulatory requirements for nutrient reduction and protect Bay water quality.

Clean energy investments reduce San Francisco's carbon footprint and demonstrate leadership in climate action. Carbon-free steam generation projects eliminate reliance on fossil fuels for thermal energy. The Hetch Hetchy Power system continues as a vital source of clean hydropower, and investments like the Moccasin Penstocks rehabilitation ensure the system's continued efficiency and reliability for generations to come.

The economic activity, quality employment, and community and environmental benefits anticipated through the FY2026-27 through FY2035-36 Capital Improvement Plan investments deliver meaningful outcomes for ratepayers and the broader region.

6. Financing the Capital Improvement Plan

The SFPUC's $12.5 billion Capital Improvement Plan for FY 2027-36 is funded through a balanced combination of debt financing and pay-as-you-go capital from operating revenues. Approximately 70% of total capital expenditures will be debt-financed through revenue bond issuances, while the remaining 30% will be funded directly from enterprise operating revenues. This funding mix reflects a deliberate strategy that balances several competing objectives: maintaining intergenerational equity by matching long-term infrastructure costs with long-term financing, preserving strong credit ratings that minimize borrowing costs, protecting operational flexibility by avoiding excessive debt service obligations, and maintaining rate affordability by spreading capital costs over multiple decades.

Ability to Issue Debt and Importance of Credit Ratings

The SFPUC is authorized to issue debt under the San Francisco Charter. The agency primarily issues revenue bonds secured by specific enterprise revenues rather than general obligation bonds backed by the City's taxing authority. The SFPUC has its own Capital Finance Team, which manages the financing needs of each of the SFPUC's four rated entities (the three enterprises and CleanPowerSF). Each enterprise maintains separate bond covenants, debt service requirements, and credit ratings based on its individual financial performance and operational characteristics. Revenue bonds pledge specific revenue streams to bondholders, with bond covenants requiring the SFPUC to set rates sufficient to cover debt service obligations plus required coverage margins.

Maintaining strong credit ratings is essential to minimizing borrowing costs and protecting ratepayer interests. The SFPUC is also mandated by the San Francisco Charter to "establish rates sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities". The SFPUC currently maintains ratings in the broad high category (denoted by 'Double-A ratings" ie "Aa" or "AA", as further refined with gradients). The SFPUC Water Revenue Bonds are rated Aa2 and AA- by Moody's Investors Service (Moody's) and S&P Global Ratings (S&P) respectively; SFPUC Wastewater Revenue Bonds are rated Aa2 and AA by Moody's and S&P respectively; and SFPUC Power Revenue Bonds are not rated by Moody's but instead are rated AA and AA- by S&P and Fitch Ratings, respectively. While each rating is based on different criteria, each reflects strong financial performance, stable revenue bases and effective management. These high credit ratings translate directly into lower interest rates on bond issuances, saving ratepayers millions of dollars over the life of each bond issue.

Debt Issuance Strategy and Timeline

The SFPUC's capital financing strategy is designed to balance affordability, risk management, and long-term asset stewardship by aligning the cost of capital investments with the useful life of infrastructure. To do so, the SFPUC's Capital Finance team uses a mix of financing tools, such as long-term bonds, short-term interim funding, and federal and state loan programs, while closely monitoring credit metrics and managing the SFPUC's relationships with bond rating firms. The team works closely with financial and legal advisors to adjust financing strategies in response to market volatility and to take advantage of lower-cost options such as tax-exempt bonds, state and federal loans, and federal tax credits.

Given the long planning horizon and uncertainty around interest rates, inflation, and market conditions, the SFPUC adopts conservative assumptions when projecting future debt service. The financial plan assumes a predominantly fixed-rate debt structure to provide stability. While the long-term planning assumption remains a conservative 6.00 percent interest rate, near-term projections reflect expected lower rates of 4.75 to 5.00 percent for FY 2026–27 and FY 2027–28, respectively, before returning to 6 percent thereafter. Federal and State loans and grants, including WIFIA and State Revolving Fund loans, are assumed in the plan only to the extent they have already been executed and committed. Commercial paper and other interim financing tools are used to minimize borrowing costs by timing long-term bond issuance more closely with actual project spending. Debt issuance timing is coordinated with project needs and relies heavily on the SFPUC's Interim Funding Program and commercial paper to reduce costs and avoid premature borrowing.

The 10-year plan projects approximately $11.3 billion in new revenue bond issuances across the Water, Wastewater, and Power enterprises, with issuance timing varying by enterprise and project need. Although the plan does not assume future refundings, the SFPUC expects refinancing opportunities to arise over time, as has historically occurred, providing potential debt service savings. In addition, the Capital Finance team continues to explore alternative financing strategies for Commission consideration such as longer-term bonds, securitization structures, prepay financings, expanded use of variable-rate products, and legislative changes to improve access to subordinated federal loans. Together, these strategies provide flexibility and potential ratepayer relief while maintaining conservative financial planning assumptions. The SFPUC issues debt programmatically; bonds are issued for multiple projects at a time and any given project might be financed over multiple bond issues.

Table 10: Projected Annual Par Amounts of Revenue Bond Issuance by Enterprise (Million Dollars)

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Water	$0	$1,119	$0	$1,021	$0	$886	$0	$0	$0	$0	$3,026
Wastewater	$1,357	$891	$1,018	$0	$1,264	$0	$0	$1,672	$0	$0	$6,202
Power	$0	$0	$611	$0	$459	$0	$423	$0	$0	$570	$2,063
Total	**$1,357**	**$2,009**	**$1,630**	**$1,021**	**$1,723**	**$886**	**$423**	**$1,672**	**$0**	**$570**	**$11,292**

**Excludes refunding of the 2024 Wastewater Revenue Bonds, Series A*

Pay-As-You-Go Capital: The Revenue-Funded Portion

While debt financing funds the majority of capital investments, approximately 30% of the capital program is funded directly from operating revenues without borrowing. This pay-as-you-go capital serves multiple strategic purposes in the overall financing plan. Revenue-funded capital improves long-term financial flexibility by avoiding debt service obligations that extend for decades and provides funding for projects where the use of debt is not appropriate, such as repair and maintenance projects that do not create an asset or extend its useful life.

The Water and Wastewater enterprises maintain revenue-funded capital programs of approximately 40% and 24% respectively of total capital spending. While the Hetch Hetchy Power Enterprise revenue funds approximately 27% of its program.

The balance between debt and revenue funding represents a policy choice that trades off competing objectives. Increasing revenue-funded capital reduces long-term debt service obligations and total project costs by eliminating interest expenses but requires higher current rates to generate the necessary cash flow. Increasing debt-financed capital smooths rate impacts over time and preserves current rate affordability but commits future ratepayers to decades of debt service payments and interest expense. The current 70% debt and 30% revenue mix reflects the SFPUC's assessment that this balance optimally serves both current and future ratepayers.

As the capital plan advances and projects move from planning to construction, the SFPUC will continue refining its debt issuance strategy to capture favorable market conditions, match financing to project needs, and maintain the strong financial performance that supports high credit ratings. In addition, while the financial plan captures spending needs, the decisions on timing of debt issuance can also be driven by appropriations needs. In order to enter contracts and commitments, the SFPUC must demonstrate sufficient funds are available and does so through its interim funding program (consisting of bank facilities and commercial paper) and replenishing capacity in that program with new bonds issuance. The enterprise-specific chapters that follow include detailed capital spending profiles that inform the debt issuance timing and sizing decisions, providing transparency into how capital investments translate into financing requirements and ultimately into rate impacts for customers.

For more information about our Capital Financial strategy and assumptions, please refer to SFPUC’s 10 Year Financial Plan, adopted at the same time as this CIP, which can be found on the SFPUC’s website

7. Wastewater Capital Improvement Plan

The Wastewater Enterprise capital improvement program for Fiscal Years 2026-27 through 2035-36 is a comprehensive investment of approximately $5.9 B in critical infrastructure systems that protect public health, environmental quality, and the economic vitality of San Francisco. This ten-year capital plan addresses the dual imperatives of maintaining and upgrading aging infrastructure while advancing projects that enhance system resilience, environmental sustainability, and regulatory compliance.

Capital Plan Summary

The Capital Plan for FY 2026-27 through FY 2035-36 totals approximately $5.9 B and encompasses investments across three integrated program areas: the Sewer System Improvement Program (SSIP), Renewal and Replacement, and Facilities and Infrastructure Projects. The plan strategically front-loads investments in the first five years to address critical needs and regulatory obligations while maintaining fiscal discipline in alignment with long-term affordability targets.

Capital expenditures in the initial five-year period (FY 2026-27 through FY 2030-31) are approximately $3.0 billion, averaging $602 million annually. Spending in the latter half of the planning horizon (FY 2031-32 through FY 2035-36) is approximately $2.9 billion, averaging $582 million annually. This measured approach allows the Enterprise to address high-priority infrastructure needs while sustaining manageable rate trajectories for customers.

Table 11: Ten-Year Wastewater Capital Plan by Program Area and Fiscal Year

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**527.6**	**670.5**	**680.2**	**538.5**	**576.9**	**570.0**	**630.3**	**660.4**	**558.1**	**503.6**	**5916.1**
Uses											
SSIP	378.7	515.0	490.8	338.9	372.6	406.5	461.1	485.5	376.4	316.0	**4141.3**
Non-SSIP	148.9	155.5	189.4	199.6	204.3	163.5	169.3	174.9	181.8	187.6	**1774.8**
Wastewater Total	**527.6**	**670.5**	**680.2**	**538.5**	**576.9**	**570.0**	**630.3**	**660.4**	**558.1**	**503.6**	**5916.1**

Program Structure and Investment Categories

Sewer System Improvement Program (SSIP): $4.1 Billion

The Sewer System Improvement Program constitutes approximately 70% of total planned capital expenditures and represents the Enterprise's most ambitious and comprehensive infrastructure transformation initiative. The SSIP advances strategically prioritized improvements across treatment facilities and the collection system to meet operational reliability, seismic reliability, health and safety and security, and stormwater management goals.

The program includes major treatment plant upgrades at the Southeast Plant, Oceanside Plant and North Point Facility and improvements to the collection system (including addressing stormwater management) throughout the service area. Major treatment facility investments focus on

addressing facilities that are operating beyond its service lives, addressing treatment optimization, and helping meet new regulatory requirements at the Southeast, Oceanside, and North Point facilities, such as the SEP Nutrient Reduction Project and completing the Biosolids Digester Facilities Project. Collection system projects prioritize combined sewer discharge structure improvements, conveyance pump stations and force mains upgrades, and stormwater management efforts that include flood resilience projects like Lower Alemany and Folsom Area Projects, Floodwater Management Grant Assistance Program, citywide green infrastructure implementation, and green infrastructure grants.

Non-SSIP Program: $1.8 Billion

Non-SSIP programs represent approximately 30% of total capital investment and comprise essential ongoing renewal and replacement activities across collection and treatment assets. These programs sustain the existing functionality and extend the service life of critical infrastructure through systematic condition-based interventions, ensuring reliable system performance. This program includes Collection System Renewal and Replacement, Treatment Renewal and Replacement and Facilities and Infrastructure Projects.

Collection System Renewal and Replacement Projects: $1.3 Billion

The Collection System Renewal and Replacement Program maintains the structural integrity and hydraulic capacity of approximately 1,000 miles of sewer mains, force mains, and 160,000 service laterals through systematic inspection, assessment, and targeted rehabilitation. This program employs risk-based asset management methodologies that integrate physical condition data, age, location, and consequence of failure to prioritize investments strategically.

The Enterprise continues to advance the adoption of trenchless construction technologies including cured-in-place pipe lining, pipe bursting, and slip lining methods. These approaches deliver substantial benefits through reduced construction costs per linear mile, accelerated project schedules, and minimized surface disruption for San Francisco residents and businesses. The program balances planned systematic replacements with responsive capacity for emergency repairs, ensuring continuous service reliability while optimizing long-term asset management outcomes.

Major program components include small-diameter sewer improvements addressing mains 36 inches or smaller in diameter, large-diameter sewer rehabilitation for interceptors and conveyance tunnels exceeding 36 inches in diameter, comprehensive condition assessment programs utilizing closed-circuit television and other advanced inspection technologies, sewer lateral replacement for structurally deficient connections, and systematic cleaning programs to maintain hydraulic capacity. These integrated activities ensure that the collection system continues to provide reliable conveyance of wastewater and stormwater flows under both dry-weather and wet-weather operating conditions.

Treatment Facilities Renewal and Replacement Projects: $286 Million

The Treatment Facilities Renewal and Replacement Program extends the useful life and maintains the operational reliability of treatment infrastructure including the Southeast, Oceanside, and North Point treatment facilities; 32 pump stations with capacities ranging from less than 1 MGD to

175 MGD; major force mains and conveyance facilities; transport and storage boxes with 200 million gallons of combined storage capacity; and 36 combined sewer discharge structures. Projects are prioritized systematically based on regulatory compliance requirements, worker health and safety considerations, condition assessment findings, operational staff recommendations, and formally adopted SSIP levels of service.

This program ensures that treatment facilities consistently meet established performance standards and permit requirements through proactive maintenance and timely equipment replacement. Investments address aging mechanical and electrical systems, structural improvements, process optimization, and odor control enhancements.

Facilities and Infrastructure Projects: $202 Million

This program category encompasses strategic facility improvements, adaptation projects, and enterprise-wide infrastructure investments that support operational excellence and long-term system sustainability. Major initiatives include the Ocean Beach Climate Change Adaptation Project, information technology capital projects, customer service system enhancements, and facility condition improvements at major treatment sites.

Major Capital Projects and Strategic Initiatives

SEP Nutrient Reduction Project

As a leading utility, the SFPUC is proactively committed to plan, design, and construct new infrastructure to reduce nutrients in the Southeast Treatment Plant's effluent, and comply with regulatory obligations. The most prominent project in the SFPUC's 10-Year approved FY 2025-2034 capital plan is the Southeast Treatment Plant Nutrient Reduction Project, budgeted at $1.47 billion dollars. This project is the largest and most consequential investment in nutrient reduction by a Bay Area utility to date. This project was initiated due to the Nutrient Watershed Permit issued by the State in October 2024.

Biosolids Digester Facilities Project

The biosolids digester improvement project at the Southeast Treatment Plant is a major component of SSIP treatment facility investments. These improvements enhance the capacity, efficiency, and reliability of anaerobic digestion processes that stabilize biosolids and generate renewable energy. The project addresses aging digester infrastructure, optimizes solids handling capacity, and incorporates advanced process controls to improve operational performance and environmental outcomes. Digester improvements are essential to maintain regulatory compliance, maximize biogas production for beneficial use, and ensure reliable biosolids management capacity for the Enterprise's largest treatment facility.

Oceanside Plant Facility-Wide Capacity Improvements

These projects help address facility-wide improvements at the Oceanside Treatment Plant, the Enterprise's second largest treatment facility serving the western portions of San Francisco. The project scope encompasses proposals for structural and seismic improvements to facilities, pretreatment and solids handling building upgrades, primary clarifier rehabilitation, odor control system enhancements, and potential process capacity expansions. The Enterprise is developing a

comprehensive facility plan for Oceanside Plant that will inform and refine the specific scope, scheduling, and sequencing of improvements to optimize system performance while managing construction impacts and maintaining continuous treatment operations.

Stormwater Management and Flood Resilience Projects

The Stormwater Management and Flood Resilience projects address combined sewer system flooding through an integrated portfolio of capital improvements, grant programs, financial incentives, building code enhancements, and coordinated emergency response protocols. These projects help meet the Wastewater Enterprise's goals to minimize flooding impacts while achieving economic and environmental sustainability.

Major projects include the Lower Alemany Area and Folsom Area stormwater projects, the Green Infrastructure Stormwater Management Grant Program which incentivizes property owners to construct and maintain green infrastructure on large parcels, and the Floodwater Management Grant Assistance Program providing financial support for property-level flood mitigation measures. Green infrastructure initiatives deliver ancillary benefits including reduced energy consumption through decreased pumping and treatment requirements, groundwater recharge, and improved urban aesthetics and livability.

Ocean Beach Climate Change Adaptation Project

This project develops comprehensive shoreline management and protection strategies in partnership with relevant stakeholders and regulatory agencies to establish long-term solutions to coastal erosion challenges at Ocean Beach. The project is essential to protect wastewater infrastructure including the Lake Merced Transport/Storage facility, Westside Pump Station and Force Main, and the Oceanside Treatment Plant, which face increasing threats from sea level rise and coastal erosion. The initiative integrates climate science, engineering analysis, environmental assessment, and community engagement to identify sustainable adaptation measures that protect public health infrastructure while respecting the ecological and recreational values of the Ocean Beach environment.

Deprioritized Projects

Due to the need to balance ratepayer affordability with SFPUC's obligation to maintain reliable service and meet regulatory requirements, significant effort went into the prioritization of needs and projects to generate a viable 10-year CIP for Wastewater. Several large projects were deferred based on timing coordination with other city agencies or because plans were made to evaluate and likely address the need through other projects with overlapping purpose and footprint. These include projects such as the Judah Street Twin Sewer Construction Project, which is tied to an SFMTA project which does not yet have a start date.

Additional projects were also deferred due to the relatively high level of uncertainty about scope, urgency, or cost. All these projects have upcoming work occurring through other projects or outside of the capital plan to better evaluate the need, asset condition and/or potential project scope, which will inform whether a capital project will be needed in the future. For example, a set of pump station and force main improvement projects which were originally scoped circa 2014 was deferred as WWE plans to re-evaluate the condition of all pump stations and force mains in the

coming years and determine whether to address the current needs through maintenance work, R&R projects or capital projects.

Additionally, several projects that were scheduled to start in year 1 or 2 were delayed by 1-2 years based on a determination that a short delay was acceptable given the urgency level of the respective project and would be worthwhile for the affordability benefits.

In addition to these changes to previously approved projects, there were also numerous new projects that were proposed, discussed, and ultimately not added to the CIP at this time due to their lower priority level relative to existing projects and the affordability constraints. One of these is the Southeast Plan South Campus Facilities project, which is focused on future uses of the south side of SEP following completion of the new digesters. For now, only environmental planning will take place in order to support future decision-making.

Many of these projects and the needs they reflect may need to be prioritized in future iterations of the CIP, but at this time these delays and deferrals are appropriate and reasonable given the current level of information available.

Budget Comparison to Prior Plan

The Wastewater Enterprise capital plan reflects a modest reduction from the prior ten-year plan, decreasing from $6.0 B to $5.9 B, a reduction of approximately $100 M (-2%). Unlike other SFPUC enterprises where capital plan reductions primarily reflect strategic choices to defer discretionary improvements in favor of rate affordability, the Wastewater capital plan reduction represents the absolute minimum achievable while maintaining regulatory compliance and system reliability. The near-flat capital investment, versus the last 10-Year capital plan proposed two years ago, masks the extraordinary difficulty of achieving even marginal reductions when virtually every project addresses legally mandated requirements or prevents unacceptable risks to public health and environmental protection.

8. Water Capital Improvement Plan

The Water Enterprise manages the Regional Water System, composed of the following systems:

Hetch Hetchy System: Water is diverted from the Tuolumne River into Hetch Hetchy Reservoir. Water then flows into a series of tunnels, reservoirs, and pipelines from Hetch Hetchy Reservoir to the San Joaquin Pipelines. The pipelines cross the San Joaquin Valley to the Tesla UV Treatment Facility and the Coast Range Tunnel where this unfiltered supply is disinfected. This now potable drinking water continues to the Regional Water System (East Bay) at the Alameda East Portal.

Regional Water System (East Bay): This includes two reservoirs, San Antonio Reservoir and Calaveras Reservoir, which collect water from the upper Alameda and San Antonio Creek watersheds in Alameda County. Water from these reservoirs is then treated at the Sunol Valley Water Treatment Plant and transported through conveyance facilities connecting the Hetch Hetchy System and East Bay water sources to the Peninsula System. These conveyance facilities include the Alameda Siphons (pipelines) that connect the Coast Range Tunnel to the Irvington Tunnel.

Regional Water System (Peninsula/West Bay): This portion of the Regional Water System includes conveyance facilities including the Bay Division Pipelines transporting drinking water to SFPUC customers throughout the Bay Area, Peninsula and on to the In-City Distribution System. Three reservoirs, Crystal Springs, San Andreas, and Pilarcitos collect runoff from the San Mateo Creek and Pilarcitos watersheds. Water from Crystal Springs and San Andreas Reservoirs is treated at the Harry Tracy Water Treatment Plant before delivery to the northern Peninsula and San Francisco customers. Water from Pilarcitos Reservoir is delivered without treatment to the Coastside County Water District (Half Moon Bay).

Regional Groundwater Storage and Recovery System. The Regional Groundwater Storage and Recovery System provides additional dry-year water delivery and diversification of the water supply during drought for the Regional Water System customers. The SFPUC and other wholesale customers operate and maintain 13 groundwater wells located along the Westside Groundwater Basin on the Peninsula and monitor water use during wet and dry years.

In-City Distribution System: The City and County of San Francisco's (City) retail water supply is delivered to the City through several major pipelines that convey water from the Peninsula System. Two pipelines provide water to the eastside of the In-City Distribution System and three pipelines serve the west side of the In-City Distribution System. The In-City Distribution System delivers water to homes and businesses in the City.

Local Groundwater System. The In-City Distribution System water distribution system also receives water supplied from the Westside Groundwater Basin via seven groundwater wells located in the western region of San Francisco and in Golden Gate Park.

Recycled Water Distribution System. Recycled water is delivered from Daly City for use at Harding Park Golf Course in San Francisco. In addition, the almost completed Westside Enhanced Water Recycling Facility at the Oceanside Plant will provide high quality recycled water for irrigation within Golden Gate Park, Lincoln and Presidio Golf Courses, and other locations.

Emergency Firefighting Water System. The Emergency Firefighting Water System (EFWS) is an independent non-potable high-pressure water distribution system within San Francisco. Originally built after the 1906 earthquake, the system improves fire, earthquake, and emergency response by providing firefighters with a seismically strengthened water supply for fires following earthquakes and other disasters. The San Francisco Fire Department (SFFD) transferred ownership of the facilities to the SFPUC in 2010, and the SFPUC currently operates and maintains the system for use by the SFFD. The Westside Potable Emergency Firefighting Water System is a proposed new system of seismically reliable pipelines and pump stations located in Western San Francisco. The system serves a dual purpose; providing drinking water transmission day –to-day, but with the ability to be isolated, pressurized, and used for firefighting following a major earthquake.

Capital Plan Summary

The Water Enterprise capital program for FY 2026-27 through FY 2035-36 totals approximately $2.5 B. Identified capital needs will be financed with a combination of water revenue bonds and Water Enterprise revenues.

Capital spending is concentrated in the first five years of the plan, averaging over $300 M per year from FY 2026-27 through FY 2030-31, followed by an average over $150 M per year from FY 2031-32 through FY 2035-36.

The Water Enterprise capital program is divided between Regional Water and Local Water systems. Regional Water projects, totaling approximately $1.25 B over the ten-year period, address the regional conveyance and treatment infrastructure that serves both San Francisco and wholesale customers throughout the Bay Area. Local Water projects, totaling approximately $1.25 B, focus on San Francisco's in-city distribution system, including main replacement programs, pump stations, reservoirs, and automated meter infrastructure renewal.

Debt funding includes local and regional bonds. Much of the revenue funding derives from local and regional water sales revenues.

Table 12: Water Capital Plan FY 2026-27 through FY 2035-36

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**311.2**	**266.1**	**449.4**	**357.4**	**282.6**	**161.8**	**188.7**	**161.3**	**136.8**	**183.4**	**2498.8**
Uses											
Water - Regional	130.8	133.2	276.3	202.5	168.3	75.1	69.9	50.3	53.7	86.2	**1246.3**
Water - Local	180.4	132.9	173.2	154.9	114.3	86.7	118.8	111.0	83.1	97.2	**1252.5**
Water-Totals	**311.2**	**266.1**	**449.5**	**357.4**	**282.6**	**161.8**	**188.7**	**161.3**	**136.8**	**183.4**	**2498.8**

Key Projects

Regional Water Facilities and Infrastructure ($1.25 billion)

Water Treatment Program

This program provides funding for renewal and improvement initiatives at the Sunol Valley Water Treatment Plant (SVWTP), Harry Tracy Water Treatment Plant (HTWTP), Tesla Ultraviolet (UV) Treatment Facility, and other smaller treatment facilities throughout the region. The SVWTP Ozone Project will construct new ozone treatment facilities as a primary disinfectant and for control of taste and odor events encountered in raw water from both the San Antonio and Calaveras Reservoir sources. Improvements under construction at SVWTP enhance regional delivery reliability by addressing various conditions and deficiencies. The projects at HTWTP provide ongoing funding for maintenance, repair, and replacement of aging equipment, with capital expenditures focused on electrical upgrades and other improvements to maintain safety and operational reliability. The Tesla UV Treatment Facility Upgrades Project replaces failing backup power equipment and other treatment equipment necessary to maintain reliable operations of this disinfection facility for the Hetch Hetchy water supply.

Water Transmission Program

This program provides upgrades to the Regional Transmission System including pipeline inspection and repairs, pipeline and valve replacements, metering upgrades, corrosion protection, and pump station and vault upgrades. The pipeline improvement program includes monitoring, strengthening, and replacing older pipelines to achieve higher level performance and reliability. The Crystal Springs Pipeline No. 2 Reach 5 Lining Replacement Project will replace approximately 3.8 miles of coal tar lining with cement mortar lining inside the 60-inch diameter pipeline between San Bruno and South San Francisco and upgrade appurtenances and valves to meet current standards. At the San Antonio Pump Station, a current project under construction and a future project will provide significant electrical upgrades to the station, including new motor control centers, conversion of diesel to electric pumps, and other equipment renewals and facility upgrades.

Water Supply and Storage Program

This program includes improvements to reservoir dams and structures to meet State Division of Safety of Dams (DSOD) requirements, including geotechnical work, installation of monitoring systems, and major improvements to dam spillways and structures as needed. Two new interim improvement projects will be initiated for short-term dam improvements, including the Pilarcitos Outlet Works, and the San Andreas Dam Interim Blow-off; whereas longer term projects for major regional dam improvements have been deferred and staggered to meet rate affordability goals. Funding is included for improvements to the Merced Manor Reservoir Facility, Sunset Reservoir South Basin, and University Mound South Basin, all located in San Francisco, and all classified as terminal reservoirs in the Regional Water System.

Regional Buildings and Grounds

The Buildings and Grounds All Locations Renewal and Replacement program provides ongoing funding for maintenance, repair, and replacement of existing equipment at Regional Water facilities. The Sunol Yard Phase 2 project will replace the backup power system at the Sunol Yard and provide other site improvements to roads, fencing, and installation of electric vehicle charging stations. The Millbrae Operations Center Improvements Project will construct a new water quality laboratory and upgrade existing shops and worker spaces at the regional Millbrae facility to meet safety requirements, increase operational reliability and efficiency, and consolidate staff that are currently located at multiple facilities and sites.

Regional Communications and Monitoring Program

This program provides much needed redundant emergency communications capability and increased bandwidth for secure data transfer. The SFPUC has been implementing the Water Radio Replacement Project to improve radio communications and thereby improve water and power system reliability. Water SCADA System Improvements provide mission-critical automation, monitoring, and control of the Regional Water System.

Watershed and Right of Way

Watersheds and Land Management: This program supports projects that improve and protect water quality and ecological resources impacted by the siting and operation of SFPUC facilities. Projects include repair, replacement, maintenance, or construction of roads, fences, or trails, the acquisition of easements and fee title of properties, and other ecosystem restoration or public access, recreation, and education projects. Funding is included for the Alameda Creek Watershed Center Phase 2 Project for improvements not included in the Phase 1 project. The Right of Way Protection Program supports investments in securing, protecting, and maintaining Rights of Way entitlements and access consistent with SFPUC policies, addressing encroachments and access issues to ensure that Right of Way entitlements are retained.

Long Term Monitoring and Permit Program: The purpose of this program is to meet long-term monitoring and permit requirements associated with capital projects and the operation and maintenance of the SFPUC regional water system and watershed/right-of-way lands within the Bay Area. Projects with long-term monitoring required by environmental permits include Water System Improvement Program (WSIP) related environmental mitigation and permit requirements including the Bioregional Habitat Mitigation Program and non-WSIP capital projects.

Regional Alternative Water Supplies

Water Supply and Storage: This program includes planning for water diversification to explore alternative methods for expanding water sources. The Pure Water Peninsula Project is an indirect potable reuse project that will treat effluent water from Silicon Valley Clean Water to meet drinking water standards and then convey the treated water for storage in Crystal Springs Reservoir where it will blend with other regional surface water supplies.

Water Treatment: The Regional Groundwater Treatment Improvements Project will improve the performance of the regional groundwater wells and treatment systems for reliable use during dry years. In normal and wet years, the SFPUC will supply treated surface water to Daly City, San

Bruno, and Cal Water to be used in place of their typical groundwater supply, thereby increasing the volume of groundwater in storage that can be pumped as supplemental water in dry years.

Local Water Facilities and Infrastructure ($1.25 billion)

Local Water Conveyance/Distribution System

This program includes funding to install, replace, and renew distribution system pipelines and service connections for the 1,230 miles of drinking water mains in San Francisco to meet customer level of service goals for uninterrupted service. The Local Water Conveyance and Distribution Program replaces and renews water service pipes, feeder and distribution mains, and other water distribution facilities, for the drinking water distribution system. Improvements include replacement, rehabilitation, relining, and cathodic protection of all pipe categories to extend or renew pipeline useful life, as well as funding for joint City departments in-city/transit improvement projects. The program also includes funding for new Potable Emergency Firefighting Water System pipelines which are jointly funded with Earthquake Safety and Emergency Response (ESER) general obligation bonds. The Renew Services Program provides funding to renew assets between the water main and the customer's service connection. This program renews assets including 1-inch to 8-inch diameter service pipes which will be replaced with copper or ductile iron; broken meter boxes; outdated or broken meters and associated piping; and subsequent associated sidewalk and roadway restoration. This program also renews gate valves and installs pressure reducing valves in the pipe distribution system.

Systems Monitoring and Control

This program provides improvements to communications equipment and software, security systems, and SCADA and controls systems for the Local Water facilities and sites.

Local Reservoir and Tanks Improvements

This program provides long-term funding for renewal and rehabilitation of water storage reservoirs and tanks within the San Francisco Distribution System. Projects include the Lombard Reservoir Geotechnical Improvements and the Local Reservoir Renewal and Replacement program for ongoing maintenance of reservoir infrastructure. The Reservoir Roof and Tank Coatings Project provides repairs to reservoirs and replacement of coatings for roofs and tanks at multiple locations to extend the useful service life of the facilities and provide for the installation of solar energy panels. The New Sunset Reservoir Treatment Facility Project will construct new treatment infrastructure to enhance water quality and system reliability.

Automated Meter Reading System

This program provides funding for the ongoing Automated Water Meter Program including meter renewal, replacement, and automation. The Small Meter New and Renewal Project and Large Meter New and Renewal Project ensure continued accurate metering and billing capabilities across all customer types. The Automated Meter Infrastructure (AMI) Refresh and Renewal project addresses the replacement planning for the entire Automated Water Meter Program system. The current scope assumes a refresh of the existing system rather than an entirely new system replacement. Without timely replacement, meter transmission unit failure rates are expected to increase significantly, resulting in the loss of automated water consumption reads and subsequent

inability to bill water customers effectively. Funding is also included for the Manifold Services Renewal Program and Cross-Connection Fire Service Replacements to comply with water quality regulations and ensure system reliability.

Buildings and Grounds Improvements

This program provides funding for capital improvements at San Francisco Water Division (formerly City Distribution Division) facilities and structures. The New San Francisco Water Division Headquarters Project at 2000 Marin represents the majority of the funding and addresses life safety standards for seismic events, building code requirements, and facilities that are past their useful life. The 2017 Condition Assessment of the existing City Distribution Division yard found all buildings aged, water-damaged, and deficient in meeting seismic, ADA, electrical, and other building code standards. This project is currently under construction. Additional projects include the San Francisco Land Management Facility at Lake Merced to support operational needs, Arc Flash Study Project to update electrical safety compliance, and the Local Water Buildings and Grounds Renewal and Replacement program for ongoing maintenance including vehicle and pedestrian gates, fencing at reservoirs, HVAC systems, and exterior lighting improvements at reservoirs and pump stations.

Pump Station Improvements

The SFPUC's 12 major Local Water pump stations and seven hydropneumatic tanks that boost pressure within the San Francisco Distribution System need ongoing renewal and rehabilitation. The Local Pump Station Renewal and Replacement Program provides long-term funding for replacement of equipment and improvements to facilities to extend their useful service life and maintain levels of service goals. Equipment to be replaced includes motor drives, valves and valve operators, fire alarm systems, security system components, instrumentation, electrical components, and various mechanical and electrical equipment. Major projects include improvements at the Harding Park Recycled Water Pump Station, Bay Bridge West Pump Station, and Lake Merced Pump Station Fuel Remediation to address environmental compliance requirements.

Local Water Resources

Water Supply Projects: This program provides planning support for long-term investment in diversified water supply and water reuse projects. The San Francisco Local Groundwater Treatment Program funds construction of treatment facilities to address emerging water quality needs. The 525 Golden Gate Building Reuse Project upgrades the building's onsite non-potable water system to comply with new San Francisco Health Code requirements of Article 12C. Secondary objectives include optimizing operability, promoting public outreach and education on potable reuse with a permanent on-site demonstration facility for the PureWaterSF Program. The PureWaterSF PROOF Project at 1990 Newcomb represents a significant investment in advanced water purification technology to supplement San Francisco's water supply with locally produced purified water, supporting long-term water supply resilience and drought preparedness.

Deprioritized Projects

The Water team worked alongside Infrastructure to develop a proposed capital plan that was internally proposed in September 2024 and refined throughout 2025. This process included an

initial prioritization of projects to meet Level of Service goals as well as a deliverability review to ensure the agency had the capacity to realistically deliver Water's Capital Improvement Plan. Prioritization included balancing between meeting critical needs and maintaining affordability; the Water Enterprise has carefully prioritized projects for its Capital Improvement Plan over the next ten fiscal years. This plan reflects a commitment to delivering reliable water services while keeping rate impacts in mind. Notable changes to this year's iteration of the Capital Improvement Plan are highlighted below.

Within the Regional Water program, two water treatment plant improvement projects were deferred to meet affordability goals. The Sunol Valley Water Treatment Plant Long Term Improvements Project was deferred by nine years, and the Harry Tracy Water Treatment Plant Phase 3, a new project this cycle, was delayed to begin construction in the last two years of this 10-year plan.

To assure adequate resources will be available to support the project, the San Antonio Pump Station Upgrades Project was deferred by three years with construction slated to begin in FY 31-32. Due to rising costs for full pipeline replacement, the Bay Division Pipeline No. 4 Prestressed Concrete Cylinder Pipe Repair Project will be rescoped and the budget reduced for this cycle to focus on recurring leaks and emergency repairs. The full rehabilitation of the pipeline will continue to be evaluated, and the budget will be revisited in the next CIP cycle.

The Bay Division Pipelines Nos. 3 and 4 Union Pacific Railroad Crossing Upgrade at Milpitas Project was deprioritized due to a change in Union Pacific Railroad Company's track replacement plans. However, subsequently, the Bay Division Pipelines Nos.1 and 2 Caltrain Crossing Upgrade at Redwood City Project was initiated in coordination with an ongoing Caltrain project and local agencies after visual inspection revealed signs of deterioration and leakage of the pipelines. The Crystal Springs Pipeline No. 2 Reaches 2 and 3 Rehabilitation Project was deferred by ten years due to its relatively good condition and thus lower priority for relining at this time. The Calaveras Pipeline Extension and Air Gap No. 4 Project was proposed for this cycle but is being deferred to the next 10 years to manage higher priority projects within affordability goals. The Pipeline Lining Repairs Project, a new project to inspect and repair pipeline linings over time, was decreased in budget and deferred in schedule to also meet affordability goals.

Construction funding for three regional dam improvement projects, namely San Andreas Dam Facility Improvements, Turner Dam and Reservoir Improvements, and Pilarcitos Dam Improvements, was deferred beyond the 10-year CIP to support affordability goals. However, interim improvement projects were added within the first ten years to address some of the highest priority dam safety issues in alignment with priorities directed by the CA Division of Safety of Dams: the San Andreas Interim Blowoff Project to facilitate emergency water releases, and the Pilarcitos Outlet Works Upgrades.

The Sneath Lane Gate/San Andreas trail project, currently in the design phase, had its construction funding deferred to after ten years; this is due to its lower priority and desire to operationalize the South Skyline Boulevard Ridge Trail Extension Project first which is currently reaching completion of construction. The project scopes were reduced and schedules slightly deferred for both the Sunol Yard Phase 2 and the Alameda Creek Watershed Center Phase 2 to meet affordability goals.

Similarly, the annual budgets for the Bay Area Watersheds and Right-of-Way Protection Program and the Watershed Facilities projects were reduced to support affordability targets; scope reductions and cost efficiencies will be implemented to maintain reduced project budgets

All but one project in the Regional Alternative Water Supplies were deprioritized to meet affordability goals. The PureWater Peninsula Project will continue to conduct planning studies and environmental review with construction deferred to begin at the end of the 10-year CIP.

For the Local Water program, the New Services, Renew Services, and Local Water Conveyance/Distribution System projects all received 10-year budget reductions to meet affordability goals. Each of these programs will continue to investigate cost efficiencies and optimizing of improvements to maintain Level of Service goals while staying within reduced budgets.

The budget for the Potable Emergency Firefighting Water System Project, funded by both Water bonds and General Obligation bonds (under the City's Earthquake Safety and Emergency Response bond program), was reduced to not receive additional water bond funding before the third year of the 10-Year CIP; existing funding appropriations as well as ESER bond funding will be used to finance construction projects in the first two years of the plan.

The Manifold Services Renewal and the Cross-Connection Fire Service Replacements projects were delayed and spread out over multiple years both to manage resource limitations as well as support meeting affordability goals.

Local Alternative Water Supply projects were reduced in number to only one project to be performed in two phases; Pure Water SF PROOF will construct a demonstration-scale treatment facility that is required to operate for five years prior to full scale treatment, and PureWater SF East constructs a full-scale advanced water treatment facility. While these projects are in early planning, the projects were both deferred in schedule and reduced in budget to meet affordability goals. More accurate cost and schedule information will be available for these projects as project planning progresses.

The Water Enterprise remains committed to achieving its Level of Service goals, ensuring project deliverability, and keeping rates affordable for its customers. This year's Capital Improvement Plan reflects these priorities, prioritizing essential projects while strategically deferring or adjusting others to strike a balance between long-term needs and responsible financial stewardship.

Budget Comparison to Prior Plan

The Water Enterprise capital plan reflects a strategic reduction from the prior ten-year plan, decreasing from $2.9 B to $2.5 B, a reduction of $400 M (-15%). This decrease demonstrates the Water Enterprise's commitment to rate affordability and deliverability while maintaining focus on the most critical infrastructure investments. The reduced capital plan concentrates resources on essential system reliability projects, regulatory compliance requirements, and completing major programs already underway, while strategically deferring lower-priority projects to future planning cycles when funding capacity improves.

9. Hetch Hetchy Water Capital Improvement Plan

The Hetch Hetchy Water division of the Water Enterprise is responsible for operating, maintaining, and upgrading the Hetch Hetchy system of assets, which extend from Hetch Hetchy Reservoir in Yosemite National Park to Alameda East Portal (water) and Newark (electrical transmission) in Alameda County. The Hetch Hetchy system provides 85% of the water supply to roughly 2.8 million in-City and regional Bay Area water customers. Additionally, Hetch Hetchy Water generates electricity via several hydro-generation plants to power City facilities and a growing number of areas in the City undergoing redevelopment.

Much of the Hetch Hetchy system is at or approaching 100 years old and on average is approximately 135% of its anticipated useful life. Hetch Hetchy Water operates under a "Water First" policy, which means that operational needs and capital investment decisions are heavily weighted to meet water reliability objectives.

The Hetch Hetchy Water Capital Program includes Water Only (100% Water Costs), up-country Power Only (100% Power Cost) and Joint (45% Water/55% Power costs) for operating, managing, and maintaining the Hetchy system.

Capital Plan Summary

The $1.9 B Ten-Year Capital Plan is a consistent and growing investment over ten years with funds allocated to Hetchy-Water totaling $168.2 M, Hetchy-Power totaling $440.6 M, and Joint Projects totaling $1.3 B.

Table 13. Hetch Hetchy Water FY2026-27 to FY 2035-36 Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**160.7**	**207.7**	**283.4**	**174.8**	**154.5**	**172.0**	**136.6**	**176.9**	**188.5**	**209.1**	**1864.1**
Uses											
Hetchy Water-Water	47.3	12.0	38.7	15.7	6.7	6.1	5.9	8.6	10.2	16.9	**168.2**
Hetchy Water-Power	58.6	109.7	123.7	54.5	36.5	14.9	6.7	7.7	6.9	21.4	**440.6**
Hetchy Water-Joint	54.7	85.9	121.0	104.6	111.3	151.0	124.0	160.6	171.3	170.8	**1255.3**
Hetchy Water Total	**160.7**	**207.7**	**283.4**	**174.8**	**154.5**	**172.0**	**136.6**	**176.9**	**188.5**	**209.1**	**1864.1**

Key Projects

Water Infrastructure: $168.2 M

The Water Infrastructure program provides capital funding for Renewal & Replacement (R&R) and Large Infrastructure projects on HHWP's assets that are classified under the Water Supply Agreement (WSA) as Water. The proposed FY 2026-27 through FY 2035-36 Ten-Year Capital Plan includes:

San Joaquin Pipeline Life Extension Program delivers capital improvement projects to sustain the reliability of the nearly 50-mile-long San Joaquin Pipeline (SJPL) System, which conveys water from HHWP's Oakdale Portal to Tesla Valve House. The SJPL system was constructed over time between 1931 and 2012, with most assets constructed during 1931 through 1969. Recent and ongoing pipeline condition assessments indicate the potential for decreased reliability and the need for continued renewal and replacement of the pipelines. HHWP's SJPL R&R Program will extend the life of the asset. Typical activities include inspection, condition assessment, design, construction when appropriate, lining and coating replacement, anti-corrosion systems installation, flowmeter and dedicated power upgrades, and physical and cyber security betterments.

SJPL Valve Remote Control and Monitoring provides remote supervisory monitoring and control over SJPL System, including in-line and cross-over valves. Currently all SJPL valves are controlled locally, requiring field staff to drive considerable distances through the San Joaquin Valley to manually operate valves. This project will design, procure, and construct new SJPL remote supervisory controls that would enable remote operation from the Moccasin System Coordination Center, reducing response time during emergencies and improving operational efficiency.

SJPL Valve and Safe Entry Improvement provides safe entry into the SJPL System, in compliance with SFPUC Safe Pipeline Isolation procedure, to support future inspection, maintenance and capital improvements of SJPL system. San Joaquin Pipeline (SJPL) Nos. 1, 2, and 3 consist of three parallel transmission pipelines (completed in 1938, 1940, and 1949) that extend from Oakdale Portal downstream of the Coast Range Tunnel at Tesla Portal, a distance of approximately 48 miles. A fourth partial pipeline (SJPL 4 completed in 2012) consists of a 6.4-mile segment of pipe downstream of Oakdale and another 11-mile segment upstream of Tesla Portal. SJPLs deliver Tuolumne River water to the San Francisco Bay Area. A recent hydraulic study shows that several of the existing valves in the SJPLs may be under-designed for the SJPL system and cannot safely isolate the pipelines. If the proposed work is not implemented, then SJPL cannot be safely isolated and accessed for inspection, maintenance, rehabilitation, and/or replacement without shutting down the entire SJPL System.

Moccasin Water Quality Laboratory – Improvements plans, designs, and constructs a new water quality laboratory building in Moccasin. The ELAP-certified Moccasin laboratory performs mission-critical microbiological and chemical analyses to support filtration avoidance compliance for the Hetch Hetchy Regional Water System and three HHWP unfiltered small water systems. Moccasin laboratory operations, staff, and regulatory requirements have expanded significantly since original construction. The current laboratory is constructed inside a trailer that is in poor condition and past the end of its service life. The new permanent laboratory and office space will meet current operational, safety, and regulatory requirements for testing and processing water samples.

Water Conveyance Life Extension (Water) delivers capital improvement projects to sustain the reliability of HHWP's water conveyance assets from Moccasin to Alameda East (excluding the SJPL system, which is addressed separately). The program will extend the life of these assets prior to wholesale replacement through renewal and replacement.

Power Infrastructure: $440.6 M

The Power Infrastructure program provides capital funding for Renewal & Replacement (R&R) and Large Infrastructure projects on HHWP's assets that are classified under the Water Supply Agreement (WSA) as Power. The proposed Ten-Year Capital Improvement Plan includes:

Cluster 14 – Warnerville Improvements and New Transmission Line to Oakdale upgrades the Warnerville Substation and constructs a new transmission line to the Oakdale Substation. This project enhances transmission capacity and improves operational flexibility for the Hetch Hetchy Power system, supporting both traditional generation and renewable energy integration. The improvements provide strategic transmission infrastructure to meet evolving grid reliability requirements and support future load growth.

Transmission Lines Clearance Mitigation implements mitigation measures to resolve vegetation clearance discrepancies along Hetch Hetchy transmission lines. Mitigation options include but are not limited to: new towers/tubular poles, new intervening poles, tower raises, ground lowering, and other structural improvements to the lattice towers. This project is essential for wildfire risk reduction and regulatory compliance given the approximately 140 miles of transmission lines traversing high fire-risk areas.

Moccasin Powerhouse Bypass Upgrade replaces the bypass system that allows water to continue flowing when the powerhouse is offline for maintenance or repairs. The existing bypass infrastructure has reached the end of its useful life and requires comprehensive replacement to ensure continued operational reliability. The bypass system is essential for maintaining water delivery even when power generation is interrupted.

Moccasin Powerhouse and GSU Rehabilitation - The powerhouse was completed in 1969 and generates a combined maximum output of 110 megawatts. Both generator units and transformers have exceeded their life expectancy and need repair to continue operating reliably. The project funds generator rehabilitation, generator step up transformer (GSUs) replacement and power plant system upgrades.

Cherry-Eleanor Pumps replaces and upgrades pumps in Cherry Pump Station with units that work with current operating strategies. The scope of work includes: 1) replacement of pumps, transformer, and pump motor starters; 2) installation of Programmable Logic Controller, SCADA system, and fiber optics; and 3) improvement of the existing motor control center building. The pumps have exceeded their expected service life and require replacement to maintain reliable operation.

R&R Powerhouses delivers capital improvement projects to sustain the reliability and safety of the four Hetch Hetchy powerhouses: Kirkwood, Holm, Moccasin, and Dion R. Holm. The program addresses aging equipment through a combination of planned rehabilitation and emergency repairs, sustaining generation capacity across the entire system.

Moccasin Switchyard Rehabilitation upgrades electrical switching equipment that controls power flow from Moccasin Powerhouse to transmission lines. The switchyard was constructed in the 1960s and its equipment has reached the end of its service life, requiring comprehensive replacement with modern equipment meeting current electrical codes and standards.

Power Project Development provides ongoing planning, preliminary engineering, and environmental review for future power infrastructure investments. This program funding enables the identification and development of strategic power projects before they enter the formal capital improvement program.

Kirkwood Powerhouse Bypass Upgrades rehabilitates the bypass system at Kirkwood Powerhouse, located in the upper reaches of the Hetch Hetchy system. Like the Moccasin Powerhouse Bypass project, these improvements ensure water can continue flowing when the powerhouse is offline for maintenance or construction activities.

Power Transmission Life Extension Program implements ongoing renewal and replacement of power transmission infrastructure, including switchyards, substations, transmission towers, conductors, insulators, and protective equipment. The program addresses aging transmission assets through systematic condition assessment and targeted rehabilitation to ensure reliable power delivery.

Joint Infrastructure: $1.3 B

The Joint Infrastructure program provides capital funding for Renewal & Replacement (R&R) and Large Infrastructure projects on Hetch Hetchy Water's assets that are classified under the Water Supply Agreement (WSA) as Joint. The proposed Ten-Year Capital Improvement Plan includes:

Moccasin Penstock Rehabilitation - The Moccasin Penstock was built in the early 1920s and conveys water nearly one mile from Moccasin Power Tunnel to Moccasin Powerhouse. The penstock serves as the sole link in conveying water from Priest Reservoir to Moccasin Reservoir. The penstocks contain segments of hammer-forged welded steel (HFWS) that has experienced failures in the past. In October 2022, Phased Array Ultrasonic Testing (PAUT) was used to evaluate hammer forged weld seams and visible cracks were discovered. In addition, issues have been identified regarding the anchor/saddle system with respect to alkali reactive silica, which degrades the concrete. To mitigate potential risks and avoid consequences of failure, SFPUC is considering replacing the penstocks so that the life of the asset will be extended for another 75 to 100 years. The Moccasin penstock system is a critical asset in the Hetch Hetchy conveyance system and there is no existing bypass around the penstocks. Failure of the Penstock will cause flooding, jeopardizing the safety of HHWP employees in Moccasin, and will result in damage to Moccasin facilities, loss of water supply to the SFPUC Regional Water System, and loss of water for power generation.

Moccasin Dam and Reservoir Long Term Improvements- A heavy storm event in 2018 caused significant damage to the auxiliary spillway, upstream trash rack and diversion, and downstream area. Subsequent engineering studies concluded that improvements are needed to increase the spillway capacity to safely pass the updated design flood without overtopping the existing embankment dam. This project will construct a new concrete spillway with adequate flow capacity along the alignment of the existing auxiliary spillway and additional flood protection to Moccasin Dam and downstream facilities. This project is intended to ensure water quality, reliable water delivery, and dam safety. Currently the California Division of Safety of Dams has imposed maximum reservoir elevation operating restrictions, limiting the use of flashboards on the spillway.

O'Shaughnessy Dam Outlet Works Phase II continues the multi-phase rehabilitation of outlet works at O'Shaughnessy Dam in Hetch Hetchy Reservoir. The outlet works control water releases from the reservoir for downstream conveyance through the regional water system and for power generation. The aging infrastructure requires comprehensive rehabilitation to ensure continued reliable operation and to meet current seismic design standards.

Eleanor Dam Rehabilitation - Eleanor Dam is a multiple-arch reinforced concrete dam that was constructed in the 1920s. The 2015-2016 Needs Assessment Report identified concerns related to deterioration and aging of the structure, inadequate spillway capacity, and dam safety. Specifically, structural/seismic concerns were identified regarding Eleanor Bridge, cracking and spalling of concrete, exposed rebar, significant leakage through the arch barrels, cracks and erosion of the spillway concrete, and insufficient spillway capacity to pass the design flood. Funding will include improvements to increase spill capacity to safely pass the design flood, installation of a liner on the upstream face of the dam, concrete repairs, valve replacement, and

installation of concrete lining and riprap for foundation armoring, and replacement of the existing bridge.

Moccasin Engineering and Records Building constructs a new permanent facility to house engineering staff, operational records, and equipment. Current facilities are inadequate for modern operational needs, with limited space for growing staff, insufficient security for sensitive records and equipment, and building condition issues. The new building will provide appropriate workspace, secure records storage, and facilities meeting current building codes and seismic standards.

Joint Project Development provides ongoing planning, preliminary engineering, and environmental review for joint infrastructure projects serving both water and power operations. This program funding is essential for developing the pipeline of major capital projects, ensuring that environmental review, stakeholder engagement, and preliminary design work are completed before projects require construction authorization.

Road and Bridge Improvements is a systematic program of renewal and replacement for the extensive road and bridge network serving Hetch Hetchy facilities. The infrastructure network spans remote mountain locations, requiring specialized construction approaches and winter access considerations. Roads and bridges provide essential access for operations, maintenance, and emergency response across the geographically dispersed system.

Communications Systems Upgrades modernizes the communications infrastructure supporting water and power operations across the 167-mile system. Reliable communications are essential for SCADA systems, remote monitoring and control, emergency response coordination, and staff communications. The project replaces aging communications equipment with modern digital systems, enhancing both operational reliability and cyber security.

Moccasin Warehouse Building constructs a new warehouse facility to support operations and maintenance activities at Moccasin Compound, the operational headquarters for the Hetch Hetchy system. The existing warehouse facility is undersized and inadequate for current inventory management and equipment storage needs.

Canyon Tunnel – Hetchy Adit Rehabilitation and O'Shaughnessy Bridge rehabilitates access infrastructure for Canyon Tunnel, a critical component of the water conveyance system. The Hetchy Adit provides access to Canyon Tunnel for inspection and maintenance work, while O'Shaughnessy Adit Access Bridge enables equipment and personnel access. The existing infrastructure has reached the end of its service life and requires comprehensive rehabilitation to ensure continued safe access for tunnel maintenance activities.

Moccasin to Standiford OPGW Installation installs optical ground wire (OPGW) on transmission structures between Moccasin and Standiford substations. OPGW provides both lightning protection for the transmission line and fiber optic communication capability, enhancing both electrical reliability and communications infrastructure.

Hetch Hetchy Facilities Upgrades implements a systematic program of renewal and replacement for facilities throughout the Hetch Hetchy system. The program addresses aging buildings, site infrastructure, and operational facilities through ongoing maintenance, renewal, and replacement activities.

Power Distribution Improvements sustains the reliability of HHWP's electric distribution lines which power operational facilities on the HHWP Project. HHWP owns and maintains about 40 miles of distribution lines. About 60 percent of the distribution system has exceeded its life

expectancy, resulting in multiple failures at Moccasin Compound. In addition, new loads to support operations at Moccasin Compound and remote sites (e.g., UV systems, Moccasin Fish Hatchery Recirculation System, and new buildings/offices) are taxing the current system, requiring mitigation.

Deprioritized Projects

The initially proposed capital plan for Hetch Hetchy Water stretched beyond available resources, particularly in the final four years where proposed funding requests significantly surpassed typical levels. Faced with this reality, a rigorous review of project status, candidate alternatives, and risk-based prioritization identified candidate projects for deferral from the plan. This careful decision ensured project deliverability while preserving existing commitments, as no previously approved projects were affected.

Those deferred projects spanned a range of crucial needs, from Kirkwood Powerhouse and Holm Powerhouse rehabilitations and Intake Switchyard control room upgrades to essential infrastructure improvements like Kirkwood Penstock Rehabilitation, Holm Bridge Rehabilitation and Cherry Dam Spillway rehabilitation. Calaveras Substation enhancements and transitioning SF6 breakers to alternative technologies also fell under the deferral scope, alongside major undertakings like Cherry Dam Intake Tower rehabilitation and Moccasin Facilities Phase II improvements. Additionally, several smaller projects were shifted to later dates.

While some crucial projects were temporarily postponed, this strategic prioritization ensures long-term project viability and responsible stewardship of resources. The plan reflects a $330.4 M (21.5%) increase from the prior plan total of $1.53 B, with the current plan totaling $1.86 B. This increase is driven primarily by significant expansions in the Moccasin Penstock Rehabilitation project (+$188.4 M) as refined construction estimates were developed following alternatives analysis, strategic investments in power infrastructure including the new Cluster 14 transmission project (+$96.1 M), and dam safety improvements at Eleanor Dam (+$49.1 M) and O'Shaughnessy Dam (+$39.0 M).

Budget Comparison to Prior Plan

The Hetch Hetchy Water capital plan reflects a $330.4 M (21.5%) increase from the prior plan total of $1.53 B, with the current plan totaling $1.86 B. However, this overall increase masks a significant shift in the composition of investments across the three major program categories. The Water Infrastructure program decreased by $69.0 M (-29.1%), the Power Infrastructure program increased by $149.7 M (+51.5%), and the Joint Infrastructure program increased by $248.8 M (+24.8%). These divergent trends reflect the lifecycle of Hetchy capital programs, with water-only projects completing while power infrastructure expands to meet transmission system needs and joint infrastructure projects advance through refined cost estimating and alternatives analysis.

10. Hetch Hetchy Power Capital Improvement Plan

Introduction

The Power capital program includes renewable generation and energy efficiency projects, solar at SFPUC and other City facilities, the Streetlight Repair and Replacement program and Transmission and Distribution projects consistent with the City's goal establishing the SFPUC as the exclusive electrical services provider to existing and new City facilities and development/redevelopment projects.

Capital Plan Summary

The $2.2 B Power Ten-Year Capital Plan includes funds allocated to Transmission/Distribution totaling $1.5 B, Streetlights totaling $50.2 M, Renewable/Generation totaling $10.0 M, Energy Efficiency totaling $15.0 M, and PG&E Acquisition totaling $80.9 M.

Table 14. Hetch Hetchy Power FY2026-27 to FY 2035-36 Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**51.4**	**42.9**	**275.2**	**280.8**	**414.2**	**361.0**	**243.5**	**207.4**	**237.9**	**128.4**	**2242.7**
Uses											
Hetchy Power	51.4	42.9	275.2	280.8	414.2	361.0	243.5	207.4	237.9	128.4	**2242.7**
Hetchy Power Total	**51.4**	**42.9**	**275.2**	**280.8**	**414.2**	**361.0**	**243.5**	**207.4**	**237.9**	**128.4**	**2242.7**

Key Projects

Transmission & Distribution Program: $1.5 B

These projects are consistent with San Francisco Administrative Code Section 99.3 establishing the SFPUC's role as the exclusive electric service provider for existing and new City facilities, and redevelopment and development projects.

Spear Street Substation - This major infrastructure project will construct a new high-voltage substation at the Spear Street location to serve downtown San Francisco. The substation is essential for meeting increased electrical load from new development along the waterfront and in the downtown core. The project includes planning, environmental review, design, and construction of the substation facility, along with associated transmission infrastructure to connect the substation to the regional grid. This represents one of the most significant power infrastructure investments in San Francisco's history and will provide redundancy and reliability for downtown customers.

Large Load Substation 1 – This new project constructs a high-voltage substation for a large load customer. The substation will be built with sufficient capacity to also serve as a hub for power distribution in the surrounding neighborhoods. It will also have additional capacity that could be connected to the existing SFPUC electrical grid in subsequent capital investments, providing redundancy to reduce customer outages. The project includes trenching to connect the site to a

Pacific Gas & Electric Company (PG&E) substation along with PG&E transmission interconnection and breaker upgrades.

Grid Connections – This project connects customers to SFPUC owned and operated distribution and transmission infrastructure. Hetchy Power has identified several existing and new customers along the Bay Corridor Transmission and Distribution system to be connected to the systems including The Shipyard, 2000 Marin, 1990 Newcomb, UCSF block 34, Wastewater Facilities, in addition to providing for the interconnections of other customers throughout the City. This program reflects strategic expansion of SFPUC's electric service delivery capacity to meet growing demand from City facilities and development projects.

Spear Street Substation Bay Corridor Backup Loop - This project funds a new distribution duct bank and 12-kilovolt (kV) cabling run from the Davidson Substation up the surrounding streets and to tie into the Northern Waterfront Project's southernmost trench. The backup loop provides redundancy for the Bay Corridor distribution system, ensuring continuous electric service even during equipment failures or maintenance activities. The project enhances system reliability for major customers along the eastern waterfront including port facilities, industrial customers, and new development projects.

SFO Substation Improvements - This project provides for the SFPUC to serve SFO's anticipated load increase. The project will plan, design, and construct needed upgrades at the substations to provide reliable and redundant service to the airport. San Francisco International Airport represents one of the largest electric loads served by Hetchy Power, and continued growth in airport operations requires corresponding expansion of electrical infrastructure.

Westside Substation – The new project enhances power reliability and capacity on the westside of San Francisco by building new electrical infrastructure. This project includes upgrades to the electrical system, including the construction of a new substation, to accommodate increased demand from rising housing density, additional recreational areas, event venues, lighting systems, and other public services and amenities. It will also support increased electrical load associated with the City’s net-zero greenhouse gas emission goals, including the prohibition of natural gas heating in new construction, electric vehicle charging infrastructure, and smart lighting installations.

Distribution Interface Redevelopment Projects - This project provides for the design and construction of new electric distribution systems and facilities for the SFPUC to provide electric services to various new developments within San Francisco. The project will consider the use and implementation of proven and new technologies. Beneficial technologies will be identified, researched, and analyzed, prior to making a proposal for any implementation on the project, where ratepayer benefit is demonstrated. This program enables SFPUC to serve major new development projects throughout the City, supporting San Francisco's growth while maintaining high standards for reliability and innovation.

Treasure Island Distribution System - New Underground 12 kV Distribution System for Treasure Island and Yerba Buena Island. This project will replace the aging electrical distribution infrastructure serving both islands with a modern underground system. The existing overhead system is reaching the end of its useful life and cannot support the planned redevelopment of

Treasure Island. The new underground system will provide reliable electric service to support both existing Navy facilities and extensive new residential and commercial development planned for the islands.

Distribution Interface Redevelopment Projects Carbon Free Steam - Cordia is the regulated operator of the steam loop serving much of downtown San Francisco. In partnership with Power Enterprise, Cordia is planning to decarbonize the steam production fuel from natural gas to greenhouse gas free Hetch Hetchy Power electricity. As part of this project, Cordia and the SFPUC will need to install a new electrical interconnection of 115kV transmission line at a PG&E substation and terminating at the Cordia facility. SFPUC is also investigating whether the scope of the project should be expanded. This project is a significant step toward San Francisco's climate goals by eliminating natural gas combustion from the downtown steam system.

Streetlights: $50.2 M

Hetch Hetchy provides power to all of San Francisco's 44,528 streetlights, maintains the 25,509 streetlights owned by the City, and funds the maintenance of the 19,019 streetlights owned by Pacific Gas & Electric Company (PG&E). Street lighting area improvements, the conversion of high voltage series loop circuits into multiple standard voltage service and Light Emitting Diode (LED) lighting, holiday and festivity lighting pole use, assessments to determine the severity of pole deterioration, streetlight pole rehabilitation, and replacement of poles are all funded through this program.

LED Conversion Project - Systematic conversion of remaining streetlights to energy-efficient LED technology. LED streetlights reduce energy consumption by up to 50% compared to traditional high-pressure sodium fixtures while providing improved light quality and color rendering. The conversion also reduces maintenance costs due to the longer lifespan of LED fixtures.

Various Streetlighting Replacement & Repairs - Ongoing program for emergency repairs and planned replacement of streetlight fixtures, poles, and electrical components throughout the City. This program ensures continuous operation of the streetlight system and addresses failures promptly to maintain public safety.

Streetlights Pole Rehabilitation - Systematic rehabilitation of deteriorating streetlight poles to extend their service life and maintain structural integrity. This program addresses corrosion, foundation issues, and other structural concerns before poles reach a critical condition requiring emergency replacement.

Pedestrian Lighting Project - Installation and upgrade of pedestrian-scale lighting in commercial districts, parks, and high-traffic pedestrian areas. Enhanced pedestrian lighting improves safety and visibility while supporting vibrant nighttime activity in neighborhoods and commercial corridors.

Distributed Antenna Services - Installation of telecommunications equipment on streetlight poles to support wireless communication networks. This program generates revenue for the streetlight system while supporting San Francisco's telecommunications infrastructure needs.

Energy Efficiency: $15.0 M

Energy efficiency improvements reduce facility operating costs and electric bills for customers, improve system functionality, and reduce the environmental impact of energy use. This program funds energy efficiency investments in City facilities covering the planning, design, and construction of "direct install" projects, as well as technical assistance and project assistance for departments utilizing their own capital funds. Energy retrofits include lighting, heating and ventilation, retro-commissioning, and energy management systems projects. The SFPUC performs three to five energy efficiency projects each year. The budget funds efficiency projects in municipal facilities for departments such as Police, Real Estate, Recreation and Parks, SFMTA, Yerba Buena Center, and Fine Arts. Planned funding for lighting and mechanical system efficiency upgrades are consistent with state policies that place emphasis on energy efficiency and that support greenhouse gas reduction.

Renewable/Generation Power: $10.0 M

In accordance with City policies and directives to increase renewable energy and reduce greenhouse gases, Hetchy Power is continuously developing and implementing new renewable generation resources. Projects focus on small to mid-sized municipal facilities including solar photovoltaic, energy storage, biogas fuel cells, EV charging, micro-grid, and other renewable energy projects. The power generated from the Renewable/Generation Power projects will offset on-site power need at each project location. These distributed generation projects enhance grid resilience while reducing greenhouse gas emissions and demonstrating leadership in renewable energy deployment.

Public Power Expansion Project: $80.9 M

The Public Power Expansion Project funds financial, technical, regulatory, and legal analysis and City staff time toward assessment of acquiring PG&E's electrical assets, preparing to execute the possible transaction, and readying the SFPUC for operation of the acquired system. This work is ongoing. The SFPUC has completed several analyses and continues to refine the work and perform further analyses. The SFPUC is also working through the Valuation proceeding at the California Public Utilities Commission and the California Environmental Quality Act Environmental Impact Report process. This project represents a potential transformational change in San Francisco's electric service delivery, with the possibility of the City acquiring and operating all distribution infrastructure currently owned by Pacific Gas & Electric within San Francisco County boundaries.

Deprioritized Projects

Hetch Hetchy Power's top priority in the 10-Year Capital Improvement Plan is expanding PUC's transmission and distribution system within the City. These investment increase PUC's rate base and reduce costs and delays associated with interconnection to the Pacific Gas & Electric Company system under its Wholesale Distribution Tariff.

Given the focus on increasing in-city transmission and distribution capacity and associated revenue growth, Power deprioritized and cancelled the UFS New Building project. This project would have created a PUC-owned yard but would not have materially increased revenue or reduced operating costs in the short term. Additionally, no site for the facility had been identified

that would meet Power's requirements for growth at a reasonable cost. Power determined that the existing leased yard and office space at the Port of San Francisco will accommodate the Enterprise's in-city needs and continued growth for the foreseeable future.

The plan reflects a $981.6 M (80.2%) increase from the prior plan total of $1.24 B, with the current plan totaling $2.23 B. This substantial increase is driven primarily by major transmission and distribution infrastructure investments including the Spear Street Substation (+$385.2 M), Bay Corridor Backup Loop (+$172.9 M), and expanded Grid Connections program (+$640.2 M). These investments reflect the growing demand for SFPUC electric service from new development projects, the transition to electric transportation and building systems, and strategic expansion of the City's publicly-owned electric infrastructure.

Budget Comparison to Prior Plan

The Hetch Hetchy Power capital plan increased $981.6 M (81.6%) from $1.24 B to $2.24 B, driven primarily by major transmission and distribution infrastructure investments required to meet growing demand from new development, electric transportation and building transitions, and strategic expansion of publicly owned electric infrastructure.

The increase reflects multiple factors: construction cost escalation in San Francisco's expensive market, more stringent regulatory requirements, improved cost estimating from delivery experience, and fundamental load growth from building electrification and electric vehicle charging requiring expanded infrastructure capacity. The investments advance key City priorities including climate action, economic development, and infrastructure modernization while meeting SFPUC's statutory role as exclusive electrical service provider for City facilities and development projects.

Other Emerging Priorities

Public Power Expansion: Potential Acquisition of PG&E Distribution Infrastructure

The most significant long-term opportunity for Hetch Hetchy Power involves the potential acquisition of all Pacific Gas & Electric Company's (PG&E) electrical distribution and transmission infrastructure within San Francisco County boundaries. The project expands the City's current publicly owned electric utility to serve all of San Francisco. This transformational initiative would establish the City as the sole electricity provider to all San Francisco residents and businesses, transferring ownership of distribution and transmission lines, substations, transformers, and associated equipment currently owned by PG&E.

The revenues from ratepayers will be used to pay for acquisition, initial infrastructure investments, and start-up costs. Once established, the City's expanded public power utility will be able to ensure that ratepayer revenues go to running the utility, investing in the grid, and providing affordable rates instead of going to shareholder profits, exorbitant CEO salaries, and investments elsewhere in PG&E's service territory. As we have learned over many years, PG&E has not been investing to modernize San Francisco's grid. Additionally, PG&E continues to defer investments needed for reliability due their on-going financial instability.

San Francisco voters authorized investment in electrical infrastructure in Proposition H in 2001. Expanded municipal ownership would provide local control over rates and operations, support aggressive climate action goals, enable integration with other City infrastructure planning

(including Water and Wastewater), and retain utility revenues within San Francisco rather than flowing to investor-owned utility shareholders.

The SFPUC continues comprehensive planning work including infrastructure inventory and separation work (including engineering, operational, and condition assessments); assessments; financial modeling of costs and revenues; participating in a California Public Utilities Commission (CPUC) evaluation proceeding to determine fair market value; and California Environmental Quality Act environmental review. The FY 2027-36 Capital Plan includes $80.9 million (increased from $59.5 million previously) to fund these ongoing analyses, participating in regulatory proceedings, and performing operational readiness assessments. These funds support planning and evaluation only; actual acquisition costs will total billions of dollars and would be financed separately through revenue bonds or other mechanisms outside the current capital plan.

The timeline remains uncertain and will depend on the CPUC proceeding, environmental review completion, and Commission and Board decisions. The earliest realistic transaction would likely occur in 2028-2029 if all regulatory requirements are satisfied and necessary approvals are secured. The capital plan maintains flexibility to adjust funding based on evolving timelines and scope.

11. CleanPowerSF Capital Improvement Plan

Introduction

CleanPowerSF, a Community Choice Aggregation program formed under State law, is a retail electric service and local solution to the global climate crisis, offering renewable, affordable, and accessible energy to our community members that continue to receive retail distribution services from PG&E. CleanPowerSF empowers residents and businesses to choose a more sustainable future by receiving the generation component of service from CleanPowerSF. CleanPowerSF buys electricity from sources such as wind and solar, and that electricity is delivered to homes via Pacific Gas & Electric's (PG&E) existing poles and wires.

Management of CleanPowerSF's financial business functions include developing and maintaining long-range capital and financial plans. The Capital Plan will evaluate opportunities for local renewable energy development in San Francisco city-owned and regional sites and other opportunities in and near San Francisco.

Capital Plan Summary

The CleanPowerSF 10-Year Capital Plan for FY 2026-27 through FY 2035-36 is $36.9 M, all of which is funded by CleanPowerSF revenues. CleanPowerSF does not expect to rely on debt to fund its current Capital Improvement Program between FY 2026-27 and FY 2035-36. The capital plan focuses primarily on local renewable energy development, with concentrated investment in the later years of the plan as projects advance through planning and development phases into construction.

Table 15. CleanPowerSF FY2026-27 to FY 2035-36 Capital Plan

$million	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35	FY 35-36	Total
Sources	**0.1**	**0.1**	**0.6**	**0.3**	**0.3**	**0.3**	**0.3**	**0.8**	**9.8**	**24.5**	**37.2**
Uses											
CleanPowerSF	0.1	0.1	0.6	0.3	0.3	0.3	0.3	0.8	9.8	24.5	37.2
CleanPowerSF Total	**0.1**	**0.1**	**0.6**	**0.3**	**0.3**	**0.3**	**0.3**	**0.8**	**9.8**	**24.5**	**37.2**

Key Project

Local Renewable Energy Program: $36.9 M

This program will fund the development of new renewable energy (solar photovoltaic) and battery storage projects on select SFPUC sites. The project is structured around six major phases, including: Planning, Request for Proposals, Construction and Commissioning, Power Purchase Agreement, Asset Management, and Project Buyout. The initial renewable energy facilities developed under this program would be structured as power purchase agreements (PPA) with third parties that would develop and operate the projects for an initial period. The PPAs would include a buy-out option for the City.

Budget Comparison to Prior Plan

The CleanPowerSF capital plan reflects a $11.6 M (23.9%) decrease from the prior plan total of $48.5 M, with the current plan totaling $36.9 M. This reduction primarily reflects refined project schedules and updated cost estimates as the Local Renewable Energy Program has advanced

through planning phases. Initial planning identified a broader portfolio of potential sites, while subsequent technical and financial analysis has resulted in a more focused program targeting the highest-value opportunities.

12. Glossary of Terms

A

Affordability Policy – A Commission-adopted policy (November 2023) establishing agency-wide retail performance metrics to ensure water and wastewater bills remain affordable for typical and low-income households. Targets include combined water/wastewater bills at less than 3% of median household income and less than 5% for low-income customers enrolled in discount programs.

Appropriation – Legislative authorization to spend up to a specific amount of money for a designated purpose or project.

C

Capital Improvement Plan (CIP) – A 10-Year planning document that identifies capital projects, their costs, and funding sources.

Capital Planning Improvement Initiative (CPII) – An internationally awarded comprehensive reform of the SFPUC's capital planning process that established new governance structures, planning guidelines, resource planning methodologies, and analytical tools to improve budget preparation, project prioritization, and deliverability assessments.

CCA (Community Choice Aggregation) – A program authorized under California law allowing local governments to procure electricity on behalf of their residents and businesses while the incumbent utility continues to provide transmission and distribution services.

Clean Water Act (CWA) – Federal legislation passed in 1972 establishing water quality standards and regulating discharges into waters of the United States. Peak federal support for water infrastructure occurred in the 1970s-1980s through CWA construction grant programs.

CleanPowerSF – San Francisco's Community Choice Aggregation program offering renewable electricity to retail customers within the City and County of San Francisco. Customers receive generation service from CleanPowerSF while PG&E continues to provide distribution services.

Collection System – The network of pipes, pump stations, and infrastructure that collects and transports wastewater and stormwater from homes and businesses to treatment facilities.

Combined Sewer System – A wastewater collection system that conveys both sanitary sewage and stormwater runoff in the same pipes. San Francisco operates the only combined sewer system in coastal California.

Conveyance – Infrastructure that transports water, including pipelines, tunnels, aqueducts, and related facilities.

CPUC (California Public Utilities Commission) – The state agency that regulates privately owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger transportation companies.

D

Debt Funded – Capital projects financed through the issuance of bonds or loans that must be repaid with interest over time, spreading costs across multiple years and ratepayer generations.

Deliverability – The realistic capacity of an organization to successfully execute and complete capital projects based on available resources, staffing, contractor availability, and project management capabilities.

E

Enterprise – One of the five separate business units within the SFPUC: Water, Wastewater, Hetch Hetchy Water, Hetch Hetchy Power, and CleanPowerSF. These five business units roll up into the Water, Power, and Sewer enterprises. Each enterprise operates with its own rates, revenues, and capital budgets.

EPA (Environmental Protection Agency) – The federal agency responsible for protecting human health and the environment through regulation and enforcement of environmental laws.

F

Fiscal Year (FY) – The SFPUC's fiscal year runs from July 1 through June 30. For example, FY 2026-27 begins on July 1, 2026 and ends on June 30, 2027.

G

General Obligation Bonds (GO Bonds) – Bonds backed by the full faith and credit of a government entity, typically requiring voter approval. Historically used to fund major infrastructure including the original Southeast Treatment Plant in 1952.

H

Hetch Hetchy Regional Water System – The regional water supply system that delivers water from Hetch Hetchy Reservoir in Yosemite National Park to 2.7 million Bay Area residents through 160 miles of pipelines, tunnels, and aqueducts.

HHWP (Hetch Hetchy Water and Power) – The combined enterprise responsible for both water conveyance and hydroelectric power generation from the Hetch Hetchy system.

L

Level of Service (LOS) – Standards established by the SFPUC defining the expected performance, reliability, and quality of service for each enterprise's infrastructure and operations.

Local Hiring Policy – SFPUC policy requiring contractors on capital projects to prioritize hiring San Francisco residents, particularly from economically disadvantaged communities.

P

PG&E (Pacific Gas & Electric) – The investor-owned utility that provides electric and natural gas service to most of Northern and Central California, including distribution services for CleanPowerSF customers.

Power Purchase Agreement (PPA) – A contract between an electricity generator and a power purchaser, defining terms for the sale of electricity including price, duration, and delivery conditions.

Proposition H – A 1998 San Francisco ballot measure that enacted a freeze on water and sewer rates until 2006, resulting in deferred maintenance and long-term infrastructure sustainability challenges.

R

R&R (Renewal and Replacement) – Ongoing programs to systematically maintain, rehabilitate, and replace aging infrastructure before failure occurs, extending asset life and maintaining system reliability.

Ratepayer – Customers who pay rates or fees for SFPUC services including water, wastewater, and power.

Revenue Bonds – Bonds secured by revenues generated from the specific project or enterprise being financed rather than by general tax revenues. The SFPUC primarily uses tax-exempt municipal revenue bonds to finance capital projects.

Revenue Funded – Capital projects financed directly from operating revenues (such as water sales or sewer service charges) rather than through debt issuance.

S

SCADA (Supervisory Control and Data Acquisition) – Computer systems that monitor and control industrial processes and infrastructure, including water treatment plants, pump stations, and power facilities.

SEP (Southeast Treatment Plant) – The SFPUC's largest wastewater treatment facility, originally constructed in 1952, treating approximately 250 million gallons per day of combined wastewater and stormwater.

SFPUC (San Francisco Public Utilities Commission) – A department of the City and County of San Francisco responsible for providing water, wastewater, and power services to San Francisco and wholesale water to 26 jurisdictions in the Bay Area.

SJPL (San Joaquin Pipeline) – A 50-mile pipeline system that conveys water from the Hetch Hetchy system through the Central Valley.

SRF (State Revolving Fund) – Low-interest loan programs established by EPA and administered by states to finance water infrastructure projects. SRF loans replaced federal grants as the primary federal support mechanism beginning in the mid-1980s.

SSIP (Sewer System Improvement Program) – A comprehensive, multi-billion dollar program to upgrade San Francisco's sewer system, addressing treatment plant improvements, collection system capacity, flood resilience, and water quality protection.

T

Transmission – High-voltage electrical lines and infrastructure that transport bulk power from generation sources to distribution systems or substations.

Treatment Plant – A facility where wastewater or drinking water is processed to remove contaminants and meet quality standards before discharge or distribution.

W

Water Supply Agreement (WSA) – The contract governing the allocation of costs and responsibilities between water and power functions for the jointly used Hetch Hetchy infrastructure.

WSIP (Water System Improvement Program) – A $4.8 billion seismic reliability and water quality improvement program completed in 2015 that upgraded the Water System following the 1989 Loma Prieta earthquake.

Measurement Abbreviations

B – Billion (e.g., $12.5 B = $12.5 billion)

kV – Kilovolt (1,000 volts), a measure of electrical potential

M – Million (e.g., $500 M = $500 million)

MGD – Million gallons per day, a measure of water or wastewater flow

MW – Megawatt, a measure of electrical power generation capacity (1 million watts)

For additional information about SFPUC programs, policies, and technical terms, please visit ***www.sfpuc.gov***