

9. The Power Policy Division's Organizational Structure

- **The new General Manager has assigned the Power Policy Division to the Assistant General Manager, External Relations position established on October 15, 2004. The Budget Analyst considers this a workable option which could usefully promote (a) more transparent decision-making in a unit which has, at times, operated unilaterally, and (b) closer ties with the Planning Bureau. However, there are disadvantages. This organizational structure reinforces the current separation between policy and operations, and further removes the Power Policy Division from the Hetch Hetchy Enterprise's management structure and its daily management decision-making. These disadvantages could be managed through (a) a close working relationship between the Assistant General Manager, External Relations and the Assistant General Manager, Operations, within the context of a strategically oriented executive management team, and (b) the development of a Hetch Hetchy Enterprise business plan.**
- **Compared to the Planning Bureau's ratio of 1.00 full-time equivalent (FTE) administrative support staff member for every 7.75 FTE other Planning Bureau employees, the Power Policy Division has the generous ratio of 1.00 FTE administrative support staff member for every 4.43 FTE other Power Policy Division employees. The elimination of an unjustified 1.00 FTE Classification 5643 Manager, Resource Planning and Administration position in the Power Policy Division would save up to \$134,568 annually, while still providing 1.00 FTE administrative support staff member for every 6.20 FTE other Power Policy Division employees.**

Organizational Location

On October 15, 2004, the new Public Utilities Commission General Manager announced an initial Department reorganization. This reorganization shifted the organizational location of the Power Policy Division. That division had previously reported to the Assistant General Manager, Power Policy position that was eliminated on November 12, 2004. Since its inception in June of 2001, that position had reported directly to the Mayor, bypassing the Public Utilities Commission General Manager. Now, the Power Policy Division is under the new Director of Power Policy position which was created on October 18, 2004 and which reports directly to the new Assistant General Manager, External Affairs position. The Assistant General Manager, External Affairs is also responsible for the Communications Division, Government Relations, and the Planning Bureau.

The remaining Hetch Hetchy Enterprise functions, namely Water Operations and Power Operations, will remain the responsibility of the Assistant General Manager, Operations position.¹

The new Director of Power Policy is responsible for the San Francisco Electric Reliability Project, which had previously been transferred out of the Power Policy Division for the reasons outlined in Section 8.

Advantages and Disadvantages of the New Organizational Structure

Prior to the announcement of the Department restructuring, a number of management audit interviewees advocated better integrating the Power Policy Division into the Hetch Hetchy Enterprise. The new General Manager, however, has chosen to separate the Power Policy Division from the rest of Hetch Hetchy Enterprise operations and management. Locating the Power Policy Division under the new Assistant General Manager, External Relations position, rather than as part of the Hetch Hetchy Enterprise under the Assistant General Manager, Operations position, has the advantages and disadvantages listed in Table 9.1 below.

¹ Phase III of our management audit will investigate whether the Assistant General Manager, Operations position should remain as currently constituted.

Table 9.1

Advantages and Disadvantages of Locating the Power Policy Division Under the New Assistant General Manager, External Relations Position

| Advantages | Disadvantages |
|---|---|
| <p>Having the Power Policy Division report to the Assistant General Manager, External Relations while still being funded by the Hetch Hetchy Enterprise Fund will (a) make financial allocations to the Power Policy Division very explicit, (b) force clear reporting of Power Policy Division deliverables resulting from the expenditure of Hetch Hetchy Enterprise Fund monies, (c) force explicit discussion of competing policy priorities between the Assistant General Manager, External Relations and the Assistant General Manager, Operations, and (d) require a close working relationship between the Assistant General Manager, External Relations and the Assistant General Manager, Operations to avoid the risks inherent in splitting policy development from operations. The new reporting line should promote more transparent decision-making in a division, which has, at times, operated unilaterally because of the former direct reporting line from the Assistant General Manager, Power Policy to the Mayor.</p> | <p>Splitting policy development from operations, and having policy and operations staff report to different Assistant General Managers, is risky. This was demonstrated by the previous organizational structure, which had the Power Policy Division reporting to the Assistant General Manager, Power Policy while Hetch Hetchy Water Operations and Power Operations reported to the Assistant General Manager, Operations. This policy/operations split resulted in:</p> <ul style="list-style-type: none"> • The Power Policy Division developing policy proposals which took insufficient account of their impact on (a) Hetch Hetchy Water and Power Operations, (b) deliverables' cost effectiveness, and (c) Hetch Hetchy Enterprise Fund revenues. For example, energy efficiency projects have the potential to reduce demand for Hetch Hetchy power and, therefore, reduce Hetch Hetchy Enterprise Fund revenues, which are, in turn, funding other Power Policy initiatives. • Water Operations' and Power Operations' refusal to work closely with the Power Policy Division to achieve energy efficiency savings within the Hetch Hetchy system itself. • Mutual reluctance to share information. |

| Advantages | Disadvantages |
|--|---|
| <p>Promotes closer coordination between the Planning Bureau, which has a water system focus, and the Power Policy Division, which has a power system focus. This should facilitate (a) the long-delayed preparation of a Hetch Hetchy Enterprise business plan, and (b) the development of the Department's community choice aggregation role.</p> | <p>Resolving the policy, operations, programmatic, and risk management tensions between the Power Policy, Power Operations, and Water Operations Divisions will require negotiation between two Assistant General Managers. This would not be the case if these functions all reported to the same Assistant General Manager.</p> |
| <p>If the City becomes a Community Choice Aggregator, then the Department would begin providing retail electrical service to non-municipal customers, which is a new line of business. This is an inappropriate function for Power Operations due to potential conflicts of interest: the Hetch Hetchy system could potentially be one of the electric power providers available to the Community Choice Aggregator. If the Department chooses to become the Community Choice Aggregator itself, rather than transferring that function to a separate agency, having External Relations responsible for community choice aggregation would (a) create some level of segregation between Power Operations and the new retail function, (b) clearly identify conflicts of interest needing resolution at the executive management level, and (c) facilitate policy development during community choice aggregation implementation.²</p> | <p>Having the Power Policy Division report to the Assistant General Manager, External Relations further removes the Power Policy Division from the Hetch Hetchy Enterprise's management structure and its daily management decision-making.</p> |

² The Draft Community Choice Aggregation Implementation Plan, currently being developed by the Power Policy Division and its consultants, will examine the organizational structure and required staffing for the community choice aggregator, the regulatory framework within which it would operate, how the Department would obtain the necessary credit rating, whether and how to include Hetch Hetchy power into the community choice aggregation portfolio, and the implementation timeframe.

| Advantages | Disadvantages |
|--|--|
| Recognizes the Power Policy Division's outward focus on energy matters as they affect the entire City, not just the Hetch Hetchy system and its clients. | This does not conform with the Public Utilities Commission's expressed desire for a Power Enterprise insofar as it separates policy development from such an enterprise. |
| There will be enhanced coordination of the roles, functions, and outputs of the Department's three Classification 9382 Government and Public Affairs Managers. Currently (a) one reports to the Classification 1340 Assistant to the General Manager – Public Relations, (b) one reports to the Director of Power Policy, and (c) one reports to the Director of Communications. Under the new organizational structure, all three ultimately report to the Assistant General Manager, External Affairs. | |

The restructuring advantages listed in Table 9.1 above are significant, as are the disadvantages. On balance, the Budget Analyst considers that:

- Assigning the Power Policy Division to the new Assistant General Manager, External Relations position is a workable option which could usefully promote (a) more transparent decision-making in a unit which has, at times, operated unilaterally, and (b) closer ties with the Planning Bureau.
- The disadvantages could be managed through (a) a close working relationship between the Assistant General Manager, External Relations and the Assistant General Manager, Operations, within the context of a strategically oriented executive management team, and (b) the development of a Hetch Hetchy Enterprise business plan.

Rationalizing Administrative Support

The Power Policy Division currently has 3.50 FTE administrative support staff for 15.50 FTE other employees, which represents a ratio of 1.00 FTE administrative support staff for every 4.43 FTE other Power Policy Division employees. By contrast, the Planning Bureau, which is the closest comparison to the Power Policy Division, has 4.00 FTE administrative support staff in less senior classifications for 31.00 FTE other staff, a ratio of 1.00 FTE administrative support staff member for every 7.75 FTE other Planning Bureau employees. As shown in Table 9.2 below, the Planning Bureau's administrative support staff also cost less than the Power Policy Division's administrative support staff.

Table 9.2
Support Staff Comparison Between
the Power Policy Division and the Planning Bureau

| FTE | Class | Title | Bottom Step | Top Step | Top Step Salary Plus 24.9% Fringe Benefits |
|-------------------------------------|-------|---|-----------------|-----------------|--|
| <u>Power Policy Division</u> | | | | | |
| 1.00 | 5634 | Water and Power Resources Manager (Manager, Resource Planning and Administration) | \$88,636 | \$107,741 | \$134,568 |
| 1.50 | 5602 | Utility Specialist | \$98,619 | \$145,716 | \$182,000 |
| <u>1.00</u> | 1452 | Executive Secretary II | <u>\$51,417</u> | <u>\$62,510</u> | <u>\$78,074</u> |
| 3.50 | | | \$238,672 | \$315,967 | \$394,642 |
| <u>Planning Bureau</u> | | | | | |
| 1.00 | 1823 | Senior Administrative Analyst | \$63,736 | \$77,491 | \$96,786 |
| 1.00 | 1844 | Senior Management Assistant | \$58,647 | \$71,305 | \$89,060 |
| 1.00 | 1450 | Executive Secretary I | \$47,111 | \$57,263 | \$71,522 |
| <u>1.00</u> | 1446 | Secretary II | <u>\$43,274</u> | <u>\$52,565</u> | <u>\$65,654</u> |
| 4.00 | | | \$212,768 | \$258,624 | \$323,022 |

The number of Power Policy Division staff providing administrative support could be rationalized. The elimination of one administrative support staff member would reduce the ratio from 1.00 FTE administrative support staff for every 4.43 FTE other Power Policy Division employees to 1.00 FTE administrative support staff for every 6.20 FTE other Power Policy Division employees. This still compares favorably with the ratio of 1.00 FTE administrative support staff member for every 7.75 FTE other Planning Bureau employees.

The Manager, Resource Planning and Administration position is the most expensive of the Power Policy Division's administrative support positions. That position's current responsibilities are:

- Updating and conducting outreach on *The Electricity Resource Plan* (revised in December of 2002) and the Energy Resource Investment Strategy (published in December of 2003). As noted in Section 8, the Department has not complied with the Board of Supervisors' requirement that the Department report annually on progress against *The Electricity Resource Plan*, and that the plan be evaluated and updated annually. The Power Policy Division's four other Classification 5634 Water and Power Resources Managers and their staff are all already responsible for implementing and financing *The Electricity Resource Plan*, and they should be able to report on their progress and evaluate and update the plan annually.
- Developing a Power Enterprise business plan. This should be an integral part of the Hetch Hetchy Enterprise business planning process being managed by the Financial Services Bureau (see Section 1).
- Developing a community choice aggregation implementation plan. This is most appropriately the role of the Power Policy Division's Manager, Regulatory Affairs and his staff.
- Represent the Power Policy Division at public forums. This is most appropriately the role of the new Director of Power Policy.
- Managing the Resource Planning and Administration Group's staff. This group comprises 1.50 FTE Classification 5602 Utility Specialists. The pay scale for a full-time Utility Specialist ranges from \$65,746 to \$97,144, plus mandatory fringe benefits. The 1.00 FTE Utility Specialist works almost exclusively on administration for the Power Policy Division and is responsible for financial and budget analysis and contract administration. The 0.50 FTE Utility Specialist is responsible for the Power Policy Division's information technology needs. These staff are sufficiently senior to report either directly to the new Director of Power Policy, or to report through one of the Power Policy Division's other Classification 5634 Water and Power Resources Manager positions. Three of these management positions currently have only 1.00 or 1.50 FTE direct reports. Only the Manager, Energy Efficiency, who is responsible for actually implementing energy efficiency and renewable energy projects, already has a significant number of direct reports (6.00 FTEs).

Given that all of the Manager, Resource Planning and Administration's functions are, or should be, managed by other Power Policy Division staff or by the Financial Services Bureau, and given the excessive ratio of administrative support staff to other Power Policy Division employees, this position is not justified.

Conclusions

There are significant advantages and disadvantages associated with the Power Policy Division reporting to the Assistant General Manager, External Relations. After analyzing various factors, the Budget Analyst concludes that:

- Assigning the Power Policy Division to the Assistant General Manager, External Relations position established on October 15, 2004, is a workable option which could usefully promote (a) more transparent decision-making in a unit which has, at times, operated unilaterally, and (b) closer ties with the Planning Bureau.
- The disadvantages could be managed through (a) a close working relationship between the Assistant General Manager, External Relations and the Assistant General Manager, Operations, within the context of a strategically oriented executive management team, and (b) the development of a Hetch Hetchy Enterprise business plan.

The 1.00 FTE Classification 5643 Manager, Resource Planning and Administration position, which costs up to \$134,568 annually, is not justified.

Recommendations

The Public Utilities Commission General Manager should:

- 9.1 Incorporate into the position descriptions and performance evaluations for the Assistant General Manager, External Relations and the Assistant General Manager, Operations a requirement to work closely with each other to manage the policy/operations split between the Power Policy Division and the Water Operations and Power Operations Divisions.
- 9.2 Eliminate the 1.00 FTE Classification 5643 Manager, Resource Planning and Administration position.

Costs and Benefits

Elimination of a 1.00 FTE Classification 5634 Water and Power Resources Manager position would save between \$88,636 and \$107,741, plus mandatory fringe benefits, for a total savings of up to \$134,568 annually.