# Rate Fairness Board Members
*(per Charter, Article 8B)*

<table>
<thead>
<tr>
<th>Name</th>
<th>Position / Title</th>
<th>Appointed / Designated By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Howard Ash</td>
<td>Chair, Residential Ratepayer Rep.</td>
<td>Board of Supervisors</td>
</tr>
<tr>
<td>Kevin Cheng</td>
<td>Residential Ratepayer Rep.</td>
<td>Mayor</td>
</tr>
<tr>
<td>Theresa Kao</td>
<td>Citywide Budget Manager</td>
<td>Controller</td>
</tr>
<tr>
<td>Adam Nguyen</td>
<td>Finance &amp; Planning Director</td>
<td>City Administrator</td>
</tr>
<tr>
<td>Jamie Querubin</td>
<td>Bond Analyst</td>
<td>Controller’s Office of Public Finance</td>
</tr>
<tr>
<td>Scott Ungermann</td>
<td>Vice-Chair, Large Business Customer Rep.</td>
<td>Mayor</td>
</tr>
<tr>
<td>Vacant</td>
<td>Small Business Customer Rep.</td>
<td>Board of Supervisors</td>
</tr>
</tbody>
</table>
Multiple Rate Objectives

- Compliance
- Revenue Sufficiency
- Conservation
- Affordability / Bill Impacts
- Customer Equity
- Reasonableness & Public Acceptance
- Ease of Implementation & Understanding
## 17 years of change at SFPUC

<table>
<thead>
<tr>
<th>SFPUC function/attribute</th>
<th>2001</th>
<th>Present Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund departments pay for water</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>SFPUC $ transfers to General Fund</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>SFPUC $ transfers among departments</td>
<td>Probably</td>
<td>NO</td>
</tr>
<tr>
<td>Independent rate studies</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Low-income rates for water &amp; wastewater</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Capacity charges for new construction</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Non-residential wastewater customers subsidizing residential customers</td>
<td>YES</td>
<td>Less So</td>
</tr>
<tr>
<td>Rates designed to encourage conservation</td>
<td>Not really</td>
<td>YES</td>
</tr>
<tr>
<td>Civilian oversight / rate &amp; revenue transparency</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>SFPUC bonding authority</td>
<td>Voters</td>
<td>Bd. of Sups.</td>
</tr>
<tr>
<td>Power enterprise using Uniform System of Accounts</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>
Rate Fairness Board Purpose

- Established by §8B.125 of S.F, Charter to:
  - Review rate forecasts
  - Hold public hearings
  - Report and recommend on rates and policy

- “Dress rehearsal” for staff proposal to Commission
  - Civilian “oversight” or “sunshine”
  - Fresh sets of eyes
  - Analyze the details – no time constraints
  - Opportunity for public comment (among others)
Rate Fairness Board Process

- 14 meetings during this rate cycle: Sept. 2016 – April 2018
  - Consultant’s rate study, demand forecast, cost of service, cost allocation, rate design, affordability, staff proposal, power rates
- All meetings held at SFPUC HQ
- All meeting documents and minutes on web-site
- Transparent discussions of compliance, customer impacts, fiscal responsibility
- Very limited public attendance and public comment at RFB meetings
  - We have noted CAC comments and Prop. 218 protests
Rate Study / Rate Proposal Outcomes

- RFB has confidence in the staff and the rate consultant
  - Thorough and detailed; all questions answered
- Modest re-allocation of costs among functions, customer classes, and services (consultant-driven)
- Rates have to rise to meet rising costs (mostly debt service)
- Maintain current rate design fundamentals
  - Tiered water rates for households to encourage conservation
  - Wastewater charges based on water flow factors and loadings
  - Fixed costs allocated to monthly service charges (new for wastewater)
RFB Water & Wastewater Rate Observations

- Proposed rates are technically fair, reasonable, and are designed to meet debt requirements/covenants, coverage, etc.
- Comfortable with rate class distinctions and rate differentials – continuing current practices
- Extensive customer outreach about the new rates
- Low-income program (CAP) is available, but enrollment is very low
  - Large gap between customer need vs. capacity to address the need
CleanPower SF – Not to Exceed Rates

- Retail program achieving success in developing customer base
- Proposed rates achieving goals
  - Remaining competitive with PG&E
  - Covering costs
  - Growing the fund balance
- Program has evolved from more expensive than PG&E to cheaper and greener
Rate Fairness Board Recommendations

- Approve 4-year rates package for water and wastewater
  - Smooth rate increase cushions the impacts on customers
  - Maintains appropriate fund balances
  - Continues meaningful level of cash-funded repair & replacement
- Approve 4-year rates for fire sprinkler service
- Approve updated water and wastewater capacity charges & miscellaneous charges
- Approve updated CleanPower SF “not to exceed” rates
- These recommendations follow naturally from our process — the evolution to the current rate structures has been validated by RFB and the Commission
RFB on New Rates & Charges

- Pilot program for new wastewater customers without a meter
  - Assigns costs to those using the system
  - Not intended to charge parcels that do not contribute to storm-water runoff
- Drought surcharge proposal adds another tool for fiscal management
- Recommend approval of these programs
Rate Fairness Board Concerns / Issues

- Affordability findings are troubling. Need to increase outreach, enrollment and funding.
  - Recommend linking outreach to Prop. 218 protests about affordability
- Fire service rates – third consecutive meaningful change in cost allocations (may be consultant-driven)
- We look forward to results of the new wastewater customer pilot program
  - SFPUC should advertise alternatives – permeable pavement options, etc. – and look for revenues to provide rebates
- We ask the Commission to use drought surcharge authority with great care
Long-Term Thoughts

Most multi-family residential customers remain without price signals for conservation

- All customer classes responded during the recent drought
- Maybe a hard and expensive solution (sub-metering) without a problem

A hidden affordability crisis?

- 2.5% metric may be too high in our high AMI region
- Recommend investigating other metrics of affordability
- Improve and expand outreach for CAP