Timeline and Scope for Upcoming Power and Water/Sewer Rate Studies

Rate Fairness Board
October 9, 2020

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Agenda

- What is a Rate Study?
- Role of the Rate Fairness Board
- Timeline for 2020-2022
- 2021 Power Rates Study Key Issues
- 2022 Water/Sewer Rates Study Key Issues
What is a Rate Study: Legal Framework

- Per California law (Proposition 218), all utility rates must be based on “cost of service”
- SF Charter requires an independent consultant to perform a rate study for each Enterprise at least every 5 years
- Staff recommends actual rates based on consultant study
  - Typically, we adopt multiple years of rates at once
- Rates approved following process mandated by City & State law
  - Proposal submitted to account holders and property owners via “notice and protest” process
  - Rates adopted by San Francisco Public Utilities Commission
  - Board of Supervisors can reject adopted rates
What is a Rate Study: Basic Tasks

Revenue Requirement
• Determines the total revenue required to operate and maintain facilities, cover capital expenses, and support the SFPUC’s financial policies

Cost of Service Analysis
• Allocates costs to functional buckets and then allocates functionalized costs to customer classes based on usage factors

Rate Design
• Develops specific rates and charges for customer classes that achieve SFPUC policy goals while meeting full cost recovery
Role of the Rate Fairness Board

- Responsibilities outlined in SF Charter Section 8B.125
- Staff’s perspective on the goals of this body:
  - Provide opportunity for public involvement in rate development
  - Provide oversight of fairness and accuracy of staff and consultant’s cost allocation methodology
  - Raise policy questions regarding rates’ impacts on financial sustainability
- Board members can set their own priorities and direction for meetings
Timeline for 2020-2022

2020

- Power Rate Study

2021

- Water & Sewer Rate Study
- Stormwater Charge Planning & Implementation

2022

- Affordability Program Improvements
  
  **Summer 2021**
  Make high-level decisions for municipal power rates

  **Spring 2022**
  Adopt Power, Water & Sewer Rates for July Implementation
San Francisco Power Enterprise

**Hetch Hetchy POWER**

- Publicly owned utility
- Generates power from hydroelectric and solar. Fills gaps in supply with market purchases
- Transmission lines from Sierras to Bay Area, some distribution lines in SF
- Serves SF City departments, with growing retail customers in redevelopment areas

**CleanPowerSF**

- Community Choice Aggregator is a generation alternative to PG&E on an opt-out basis
- Procures power supply – no owned facilities yet
- Transmission, distribution, and billing provided by PG&E
- Serves 80% of San Francisco by volume, including most residential
2021 Power Rates Study Key Issues

- CleanPowerSF: first ever rate study
- Hetch Hetchy Power
  - Standardization and modernization of historic rate structures
  - Consider changes to risk and cost sharing between Water and Power Enterprises
  - Developing fees for new development to share costs between new and existing customers
- Both programs
  - Expand and strengthen affordability programs
  - Develop rates to support aggressive climate goals: electric vehicles, battery storage, time of use pricing
2022 Water/Sewer Rates Study Key Issues

- Less far along in project planning than power
- Monitoring status of drought conditions

Sewer Rates

- Implementation of stormwater portion of sewer service charge
- Update methodology for assessing “strengths” of sewer discharges using modern sampling data

- Expand and strengthen affordability programs