Citizens' Advisory Committee
Power Subcommittee

Approved Minutes
November 1, 2011

1155 Market Street, San Francisco
4th Floor, Conference Room
5:30 - 7:00 p.m.

Members

Doug Cain – Chair
Walt Farrell
Winchell Hayward
Stephen Bjorgan
Jessie Buendia

Staff Ben Chan

Members present: Cain; Farrell; and Hayward

ORDER OF BUSINESS

1. Call to order
   Chair Doug Cain called the meeting to order at 5:50 PM.

2. Approval of Minutes of September 6, 2011.
   The committee approved.

3. Public comments – matters within Subcommittee’s scope, not on
today’s agenda
   None.

4. Report from the chair.
   None.

5. Staff report
   None.

6. Presentation by Crispin Hollings, Financial Planning Director, on
   SFPUC’s power rates and projected future budgets

   Mr. Hollings provided an overview of the Finance Bureau’s 10-year
   plan approved by the Commission last February, touching on
debt service, expenses versus revenues, and Finance’s proposals to address the funding imbalance.

The funding balance, or operating reserve, is 15% of gross revenue or about $30 million. It would be projected to minus $100 million to minus $80 million in 2021.

Power Enterprise’s revenue comes from the sale of power to municipal customers, retail customers, and the Modesto and Turlock irrigation districts. It also sells excess power on the open market. But expenses exceed revenue.

Debt service grows to $4.5 million a year by 2021. Capital financing averages $25 million a year for Power Enterprise.

The issues reside with the general fund departments that pay subsidized rates. This is an issue that the SFPUC has been addressing with the Board of Supervisors and the Mayor’s office for years.

History: The Board passed a resolution in 1989 affirming that the SFPUC General Fund rate would cover all costs. By 1999, SFPUC staff determined the initial rate did not reflect the true cost of service. So a three step rate increase for the general fund was set up. But only step one was implemented.

Around 2001 and 2002 when the energy crisis occurred, SFPUC increased the rate from 3.1 to 3.75 cents per kilowatt hour, which was well below cost of service. In 2004, the Board of Supervisors passed a resolution reconfirming its policy for the general fund to pay cost of service rates. Last year, a cost-of-service study showed that the rate was 9 cents per kilowatt hour. To address the issue, the 2010-11 capital plan was cut by $227 million over 10 years.

Finance is in active discussion with the Rate Fairness Board and will ask the Commission at its December 13 meeting to take action on the baseline option of raising rates by 2 cents over the next two years. It would also allows for funding policy initiative such as using $19.5 million as seed money for community choice aggregation. Assuming the Commission is interested in restoring the capital budget cuts, Finance may come back and ask for additional rate increases for the general fund.

Power Enterprise’s total revenue is about $156 million last year. The total General Fund budget is over $3 billion with a 26 million subsidy a year from Power Enterprise.

At the conclusion of the presentation, Mr. Cain said he would propose a resolution at the next committee meeting to support Finance’s restoration rate option.

7. Adjournment.
The meeting was adjourned at 6:48 pm. The next meeting will be Tuesday, December 6th, 2011.