



Rate Fairness Board CleanPowerSF Rate Action Proposal

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Agenda

1. Background
2. Considerations
3. Proposal
4. Bill Impacts and comparisons
5. Risks

Background: Current Rates

- In May, the Commission approved an update to CleanPowerSF rate methodology for FY 2021-22
 - Delegated authority to adjust generation rates when PG&E rates increase to the lesser of (a) 5% higher than comparable PG&E rates, or (b) rates that recover program costs
 - Initial adjustment in July 2021 to be 5% over PG&E
 - Expected PG&E rate increase and CPSF rate increase in September 2021 and January 2022
 - Planned use of all rate stabilization reserves during fiscal year

- We committed to returning to the Commission if conditions changed

Background: Changed Conditions

- PG&E rate increase expected in September 2021 was delayed to January 2022
- Power purchase costs higher than budgeted due to significant market volatility
- Bankruptcy of Western Community Energy has elevated financial market and stakeholder focus on reserves and portfolio risk management



Proposed Action Must Balance Multiple Considerations

- Cover increased power purchase costs
- Maintain prudent reserves and credit quality
- Manage customer bill impact and potential for opt-outs – financial impacts for both customers and CleanPowerSF
- Benefit from favorable future PG&E rate / PCIA changes
- Wait to make major changes until results available from ongoing electric rate study



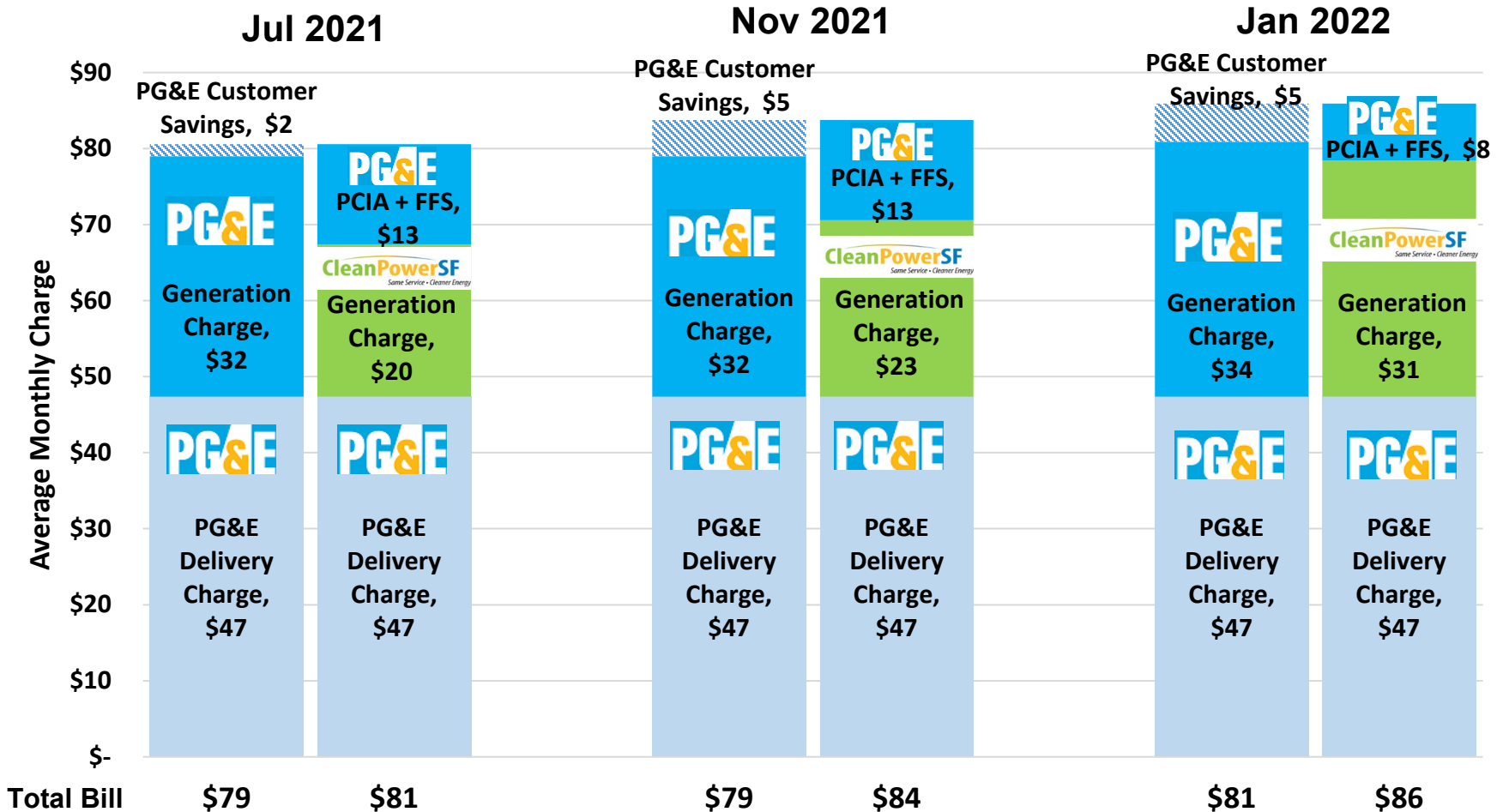
Rate Action Proposal

- Rate formula compares PCIA + CleanPowerSF generation vs. PG&E generation. When comparing total bills, the difference is much lower
- **Current, Effective 7/1/2021:** authority to adjust rates to the lesser of
 - (a) **5%** higher than comparable PG&E rates, or
 - (b) rates that recover program costs
- **Proposal, Effective 11/1/2021:** authority to adjust rates to the lesser of
 - (a) **15%** higher than comparable PG&E rates, or
 - (b) rates that recover program costs



Rate Action Proposal: Projected Average Residential Bill

- PG&E increases gen rates by 6% in January 2022, PCIA decreases by 43%
- CleanPowerSF increases rates 15% above PG&E in November and January





Proposed Rate Authority: Financial Impact

- Authority will result in rate increases to be 15% above PG&E in November and January
- FY 2021-22 financial impact, incorporating changes in supply costs and PG&E rate assumptions

	Projected as of May	Proposed Action
Assumed Margin Above PG&E	5%	15%
Net Operating Margin	\$(30M)	\$(3M)
Ending Fund Balance	\$48M	\$77M

- CleanPowerSF reserve policy has two components
 - Target levels updated based on latest cost and revenue information
 - Operating reserve = 25% of annual operating expenses = \$64M
 - Rate stabilization reserve = 15% of revenues = \$37M

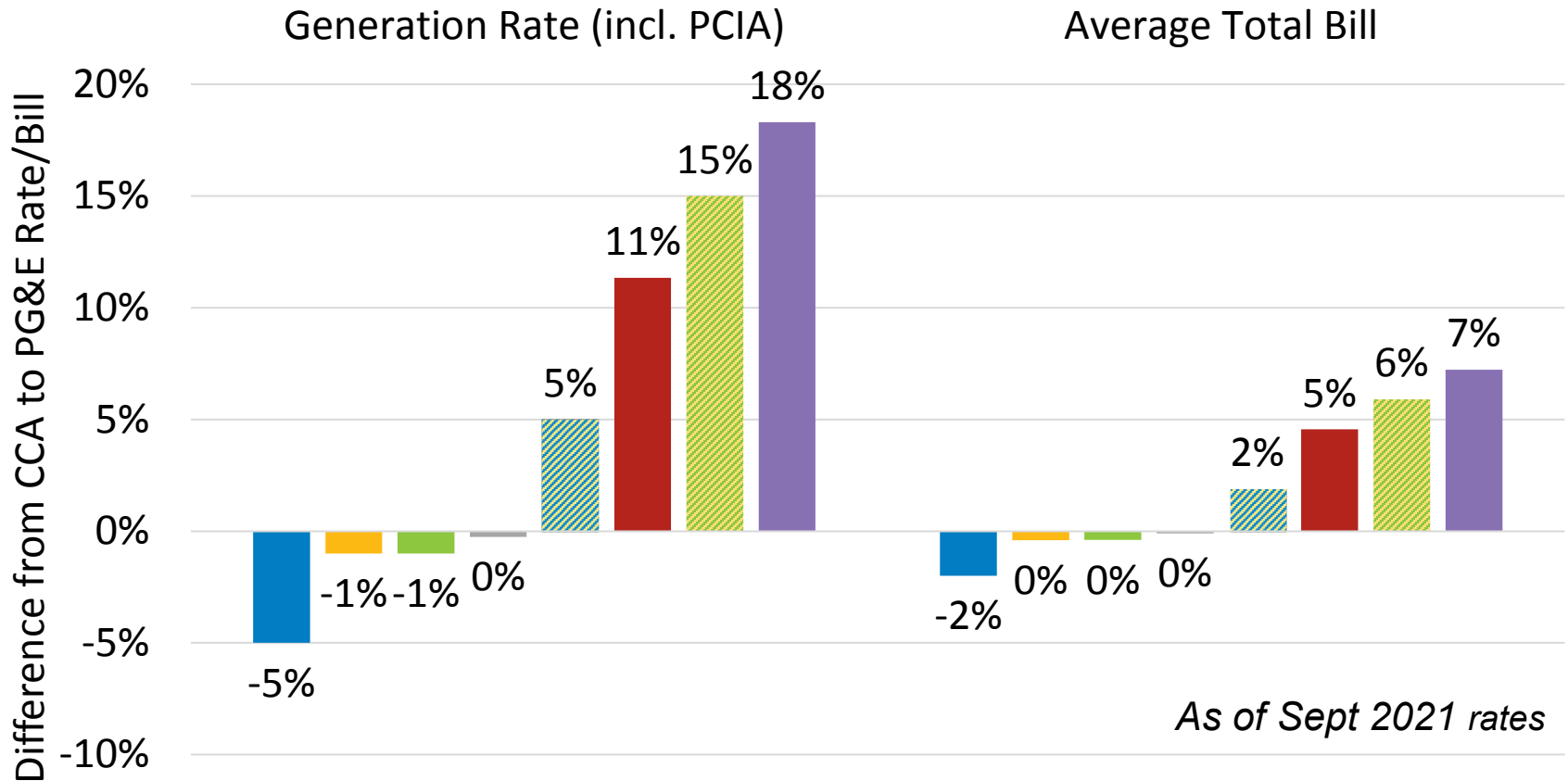
Risk: Uncertainty in PG&E Rates

- PG&E's January 2022 rate change not certain – modelled two scenarios
- Base Case (shown on prior slide)
 - PG&E generation rates increase by 6% and PCIA decreases by 43%
 - Based on most recent PG&E filings with CPUC
- Downside Scenario
 - PG&E generation rates increase by 4% only and no change to PCIA

	Base	Downside
Net Operating Margin	\$(3M)	\$(35M)
Ending Fund Balance	\$77M	\$45M



Risk: Increased Customer Opt-Outs Comparison to Other CCAs' Rates



- Peninsula Clean Energy
- East Bay Community Energy
- Silicon Valley Clean Energy
- San Jose Clean Energy
- CleanPowerSF (current)
- Sonoma Clean Power
- CleanPowerSF (proposed 15%)
- Marin Clean Energy

Risk: Increased Customer Opt-Outs

Customer Count and Energy Use by Class

Customer Class	No. of Customers	Energy Usage per Customer (kWh/Yr)	Total Usage for Customer Class (MWh/Yr)
Residential	353,000	3,680	1,299,040
Small Comm	26,700	19,600	523,320
Medium Comm	4,400	280,500	1,234,200
Large Comm	50	12,953,000	647,650

- Large and Medium Commercial Customers represent about 1% of customer accounts, but about 50% of energy sales.
- CleanPowerSF had a very high-touch rollout to commercial customers to minimize opt-out risk



Risk: Increased Customer Opt-Outs Financial Impact

- Current opt-out rate is 4%
- Modeled 10% opt-out rate for both commercial and residential customers
 - In this scenario, roughly half of the decrease comes from commercial vs. residential

	Base	Base with Opt-Out	Downside	Downside with Opt-Out
Net Operating Margin	\$(3M)	\$(9M)	\$(35M)	\$(38M)
Ending Fund Balance	\$77M	\$72M	\$45M	\$43M

Opt-Out Risk Mitigations

- Actively retain customers through timely support and targeted outreach
- Focus on CleanPowerSF's value proposition and customer values
 - Cleaner power
 - Mission loyalty – transition City to 100% renewable energy
 - Total bill comparisons
 - Rate stability – post rate study
 - Programs for low-income customers
- Financial mitigations to increased opt-out
 - Excess power can be sold on open market
 - Open position provides flexibility to adjust future power purchases

Rate Communications

Customers will receive communications consistent with past rate changes

- Notice of rate action in newspaper at least 15 days prior to Commission meeting
- On-bill messaging for 60 days after rate change notifying customers of new rates
- Current rates available at CleanPowerSF.org
- As requested, customers can receive a personalized cost comparison for their CleanPowerSF service