



San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

SFPUC Affordability Policy

Rate Fairness Board

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Need for Affordability Metrics and Target

Existing guidance directs the SFPUC to consider the impact of bills on customers

SFPUC Ratepayer Assurance Policy

“The Commission will consider SFPUC service affordability for all its customers. Prudent operating and capital planning ties annual spending to system demand and intergenerational equity, enabling financial engineering and reducing costly emergency expenditures. Rate design should also consider the burden imposed by SFPUC bills on low-income customers.”

San Francisco Charter Section 8B.125

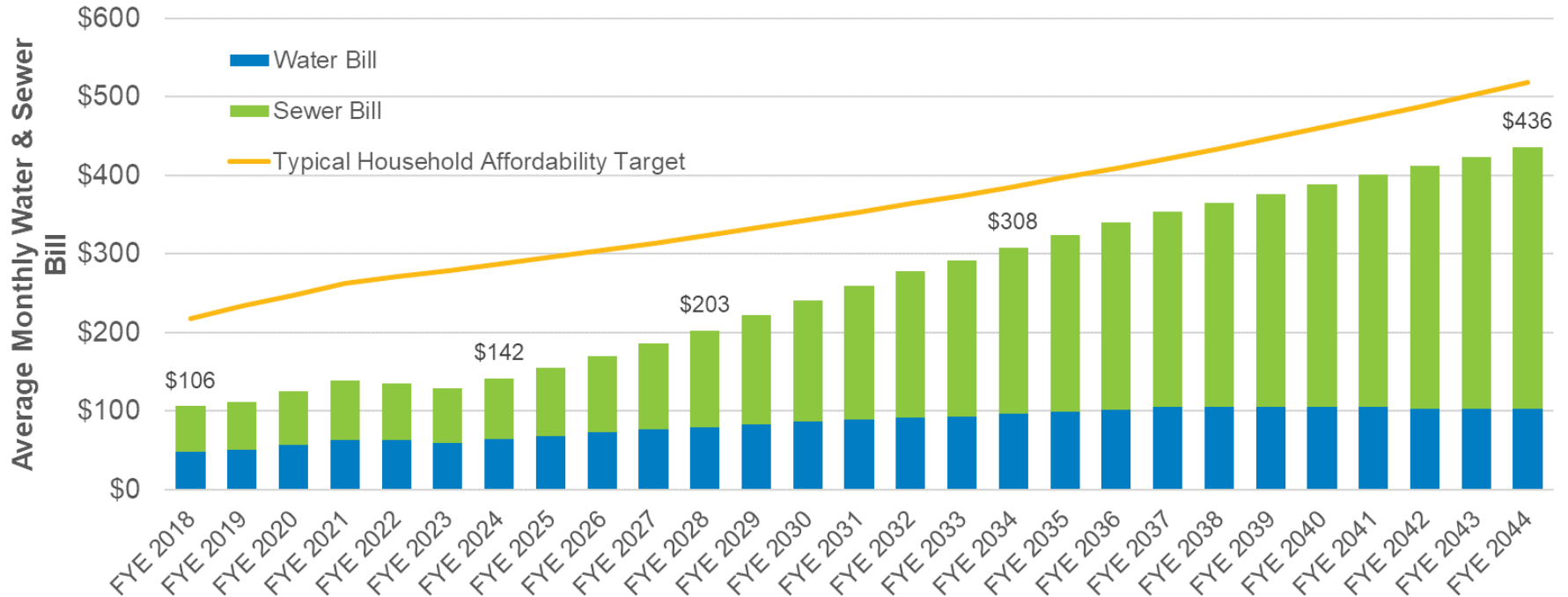
“The Commission shall... Conduct studies of rate-based conservation incentives and/or lifeline rates and similar rate structures to provide assistance to low-income users, and take the results of such studies into account when establishing rates, fees and charges, in accordance with applicable state and federal laws.”

San Franciscans face general affordability challenges

- San Francisco has the 3rd highest cost of living of any US urban area¹
- A significant portion of San Franciscan’s income goes to basic necessities
 - The median 4-person household in San Francisco makes \$144,100²
 - 2 working adults with 2 children need \$161,436 for a “living wage” covering housing, healthcare, childcare, food, transportation, and taxes³
- Some SFPUC customers have trouble paying their utility bills
 - As of Nov 2023, 6,672 single-family water/sewer accounts and 2,132 Hetch Hetchy Power accounts have delinquent bills.

1) Council for Community & Economic Research Quarter 1 2023 Cost of Living Index
2) SF Mayor’s Office of Housing & Community Development 2023 Area Median Income
3) Massachusetts Institute of Technology 2023 Living Wage Calculator

Old Affordability Metric and Target



Combined water/sewer bill must be less than 2.5% of Median Household Income

Key Considerations in Developing Policy

Integrated into existing budget and financial planning process

- Minimizes administrative effort and increase likelihood of targets mattering in decision-making
- Rely on simple to calculate metrics

Metrics and targets tailored to our service area

- High cost of living and income inequality vs. high average income
- Retail residential households are indicative of cost to entire customer base

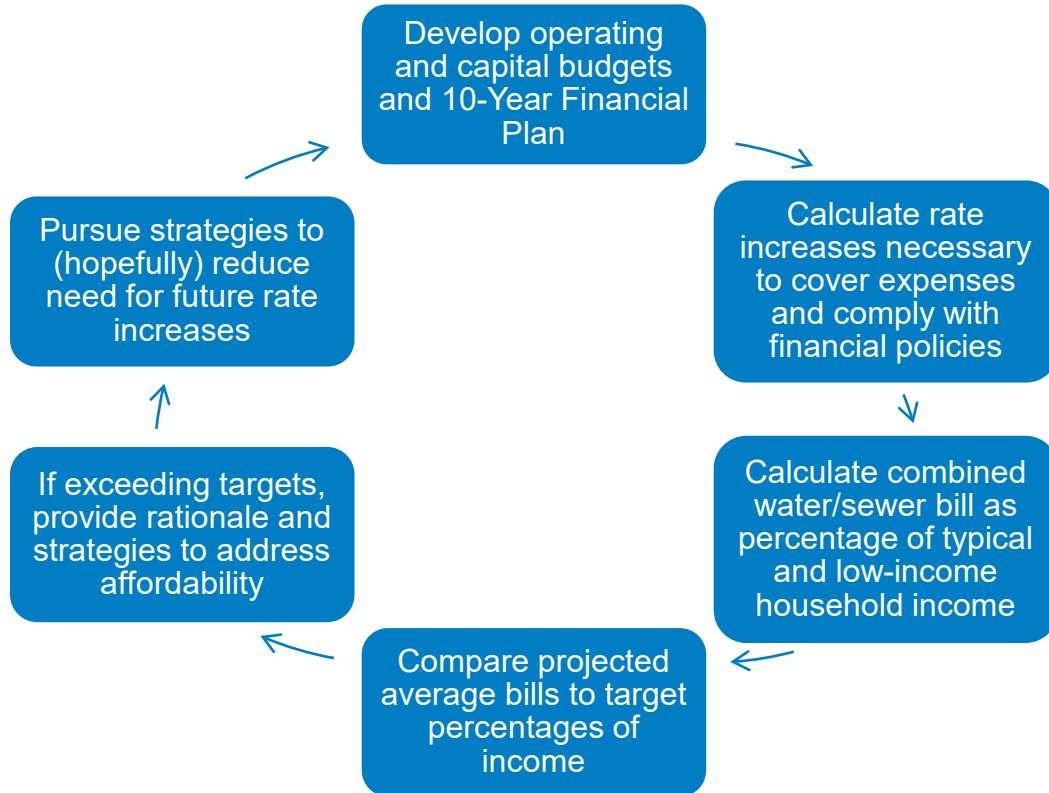
Not a hard limit, but an early warning system to drive action

- Both a challenge and an opportunity to communicate to customers, regulators, elected officials
- Goal is to make changes to meet targets, but sometimes tradeoffs may be necessary

Cover entire agency

- Setting *metrics* for entire agency
- Setting *targets* for water/sewer, power expected later

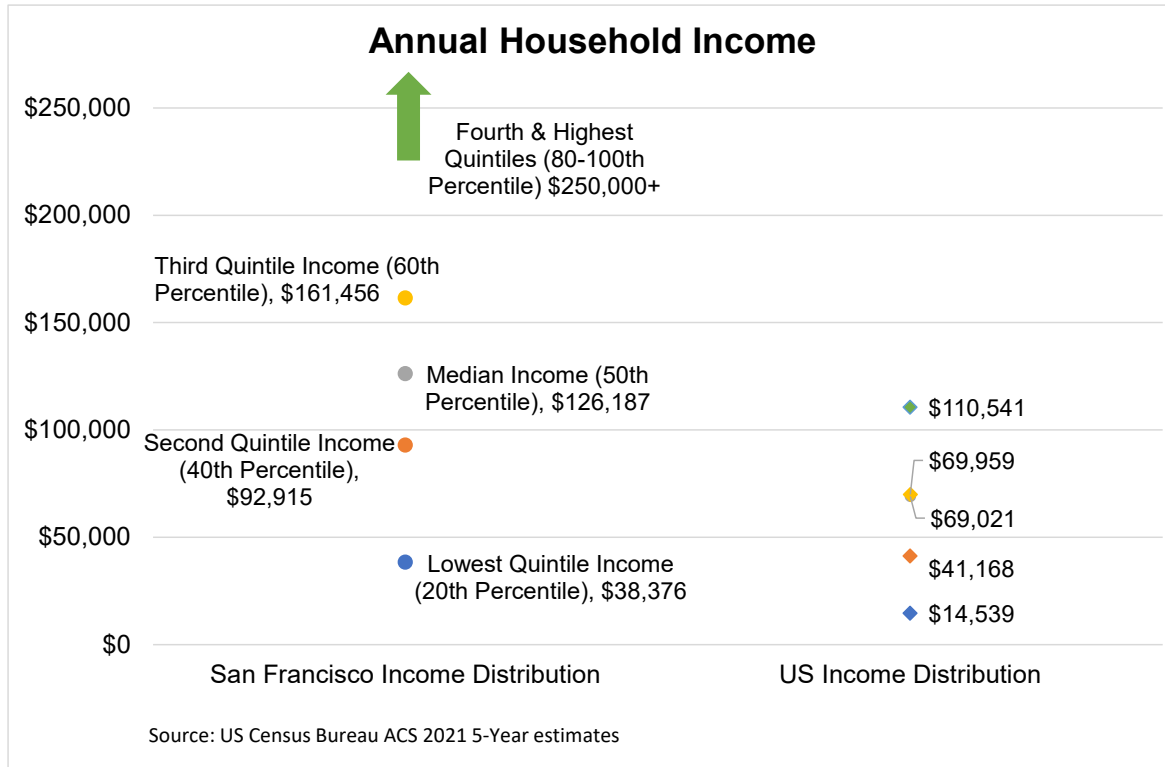
Affordability Evaluation Process



Affordability Policy sits alongside other Commission-approved financial policies

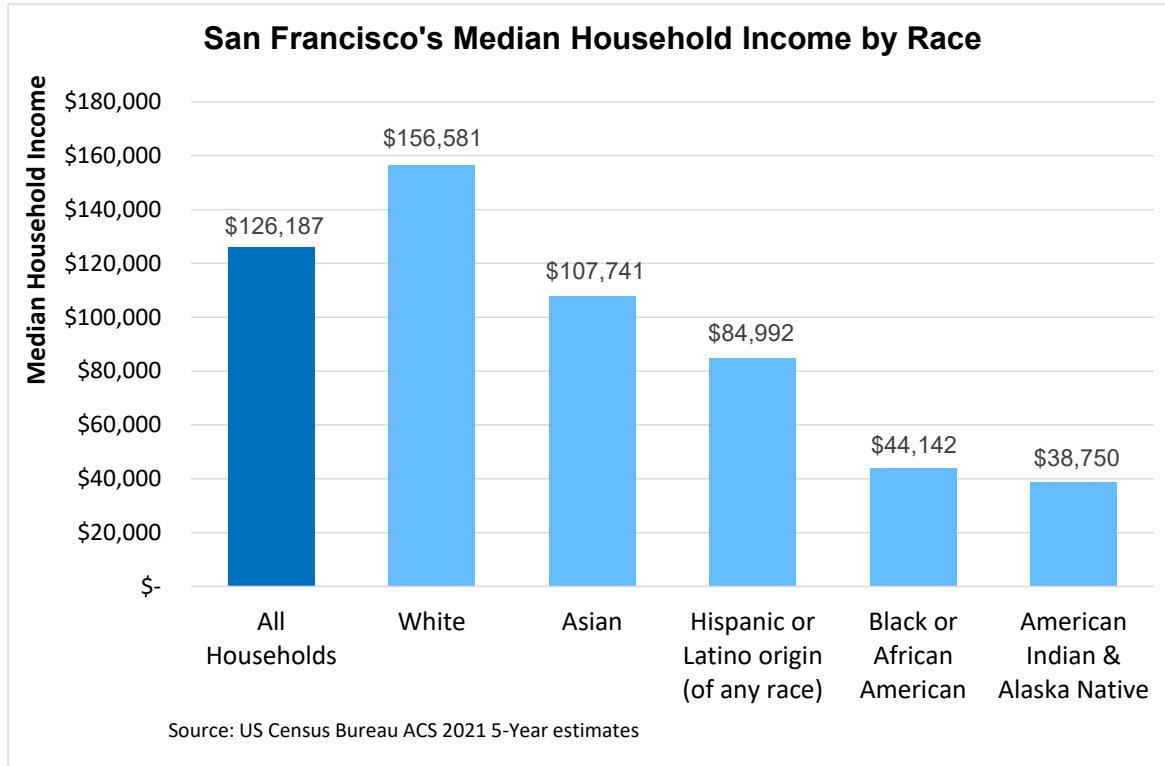
- Debt service coverage policy
- Fund balance reserve policy
- Capital financing policy

Income: Alternatives to the Median



- If you lined up all households in San Francisco by income...
 - The median household would be at the 50th percentile
 - The second quintile household is at the 40th percentile
 - The lowest quintile household is at the 20th percentile
- San Francisco's incomes are **very high!**
 - SF's median is 83% higher than the US
 - The median household in San Francisco makes more than 80% of US households (fourth quintile)

Income: Consider Racial Equity



- Black, Indigenous, and People of Color households in San Francisco have lower median incomes than white or the City's overall median
- Using median as gauge of affordability does not account for racial inequality

Income: Using Two Metrics

Typical Household = 40th Percentile Income

- Keeps measure of how rates impact an average customer
- Lower than median to account for racial disparities and high cost of living

Low Income Household = 20th Percentile Income

- Adds focus on customers who face greatest challenges from high cost of living and widening inequality
- Roughly aligns with eligibility for deepest discounts in Customer Assistance Program
- Used by regulators, industry associations

Water/Sewer Target

- Begin with national standards and industry practices
- Adjust down to account for San Francisco's local economic conditions

Typical Household
= 40th Percentile
Income

3.0% of
Income Target

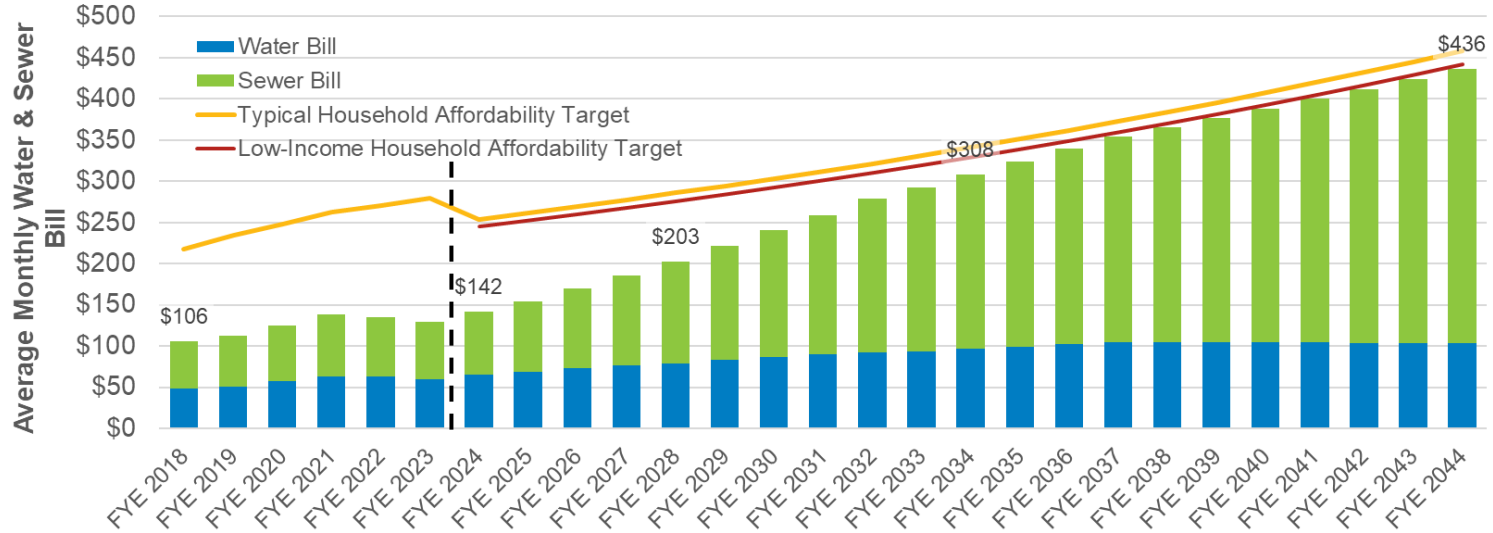
Low Income
Household = 20th
Percentile Income

7.0% of
Income Target
for Standard
Rates

5.0% of Income
Target for
Discounted Bill



Water & Sewer Typical and Low-Income Household Affordability Metric & Target

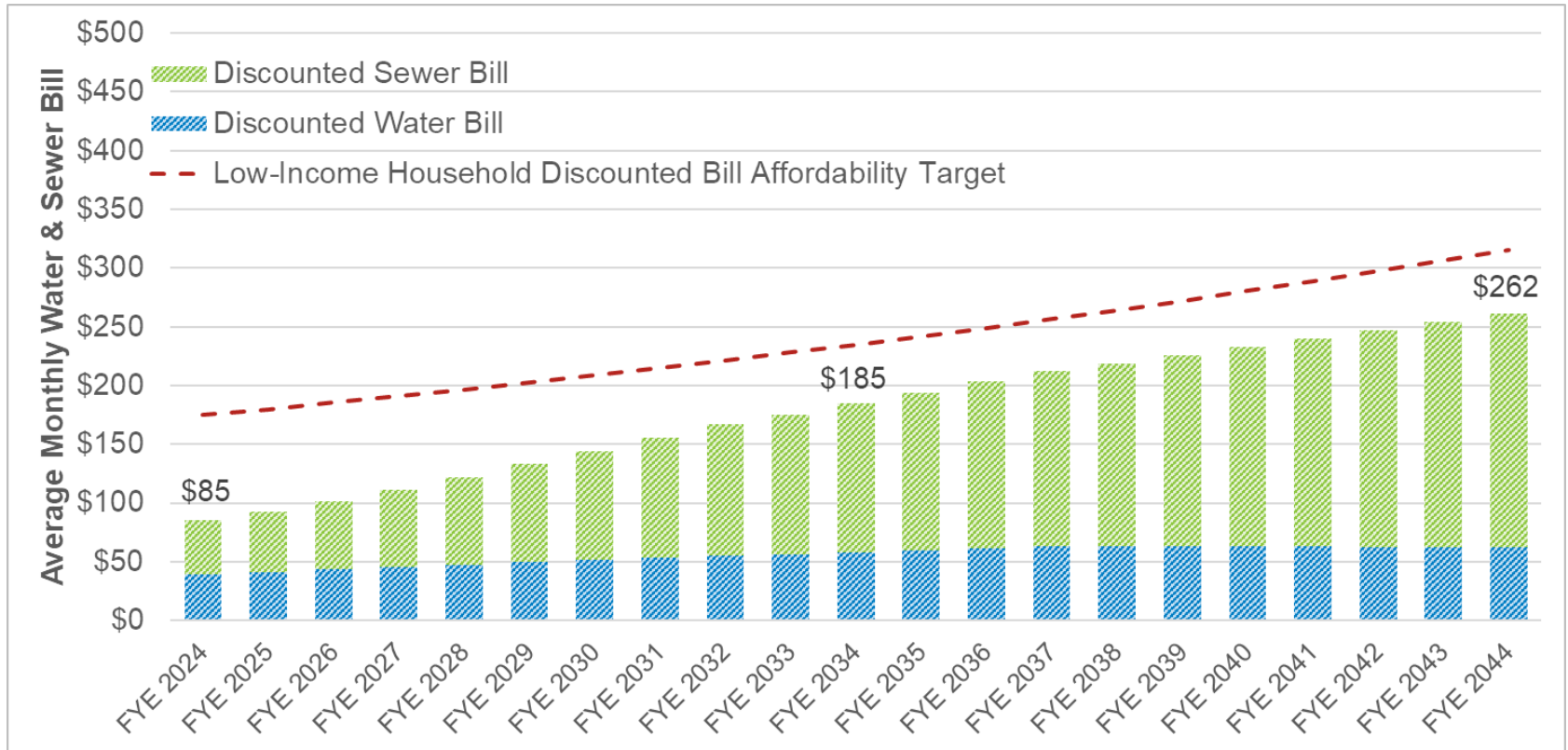


	FYE 2025*	FYE 2026*	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	10 Year Avg.
Water Rate Increase	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	3.0%	3.0%	4.2%
Sewer Rate Increase	9.0%	9.0%	12.0%	12.0%	11.0%	10.0%	10.0%	10.0%	7.0%	7.0%	9.6%
Combined Bill Impact	8.8%	9.6%	9.6%	9.1%	9.4%	8.6%	7.7%	7.4%	4.9%	5.6%	8.1%

* Adopted rates

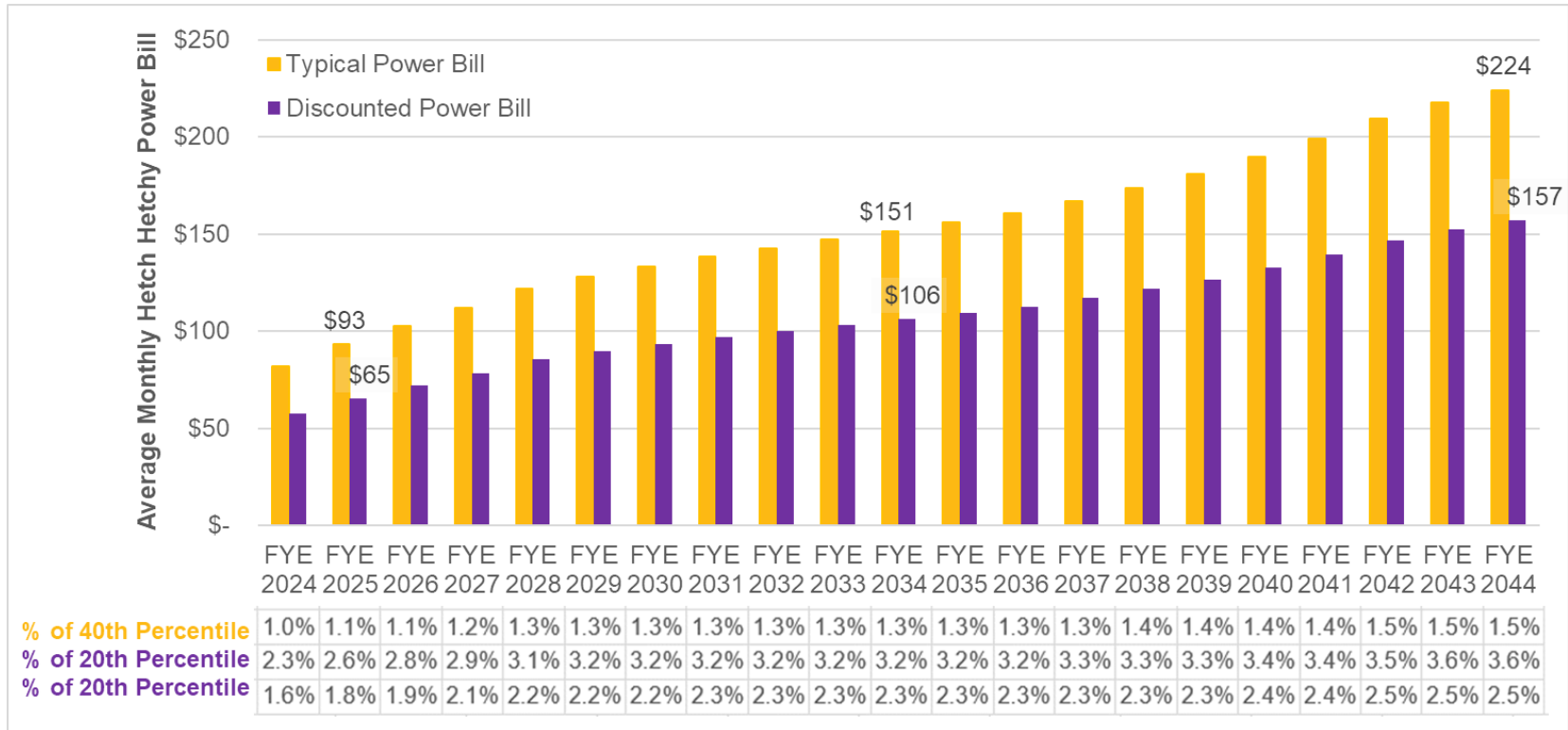


Water & Sewer Low-Income Discounted Affordability Metric and Target

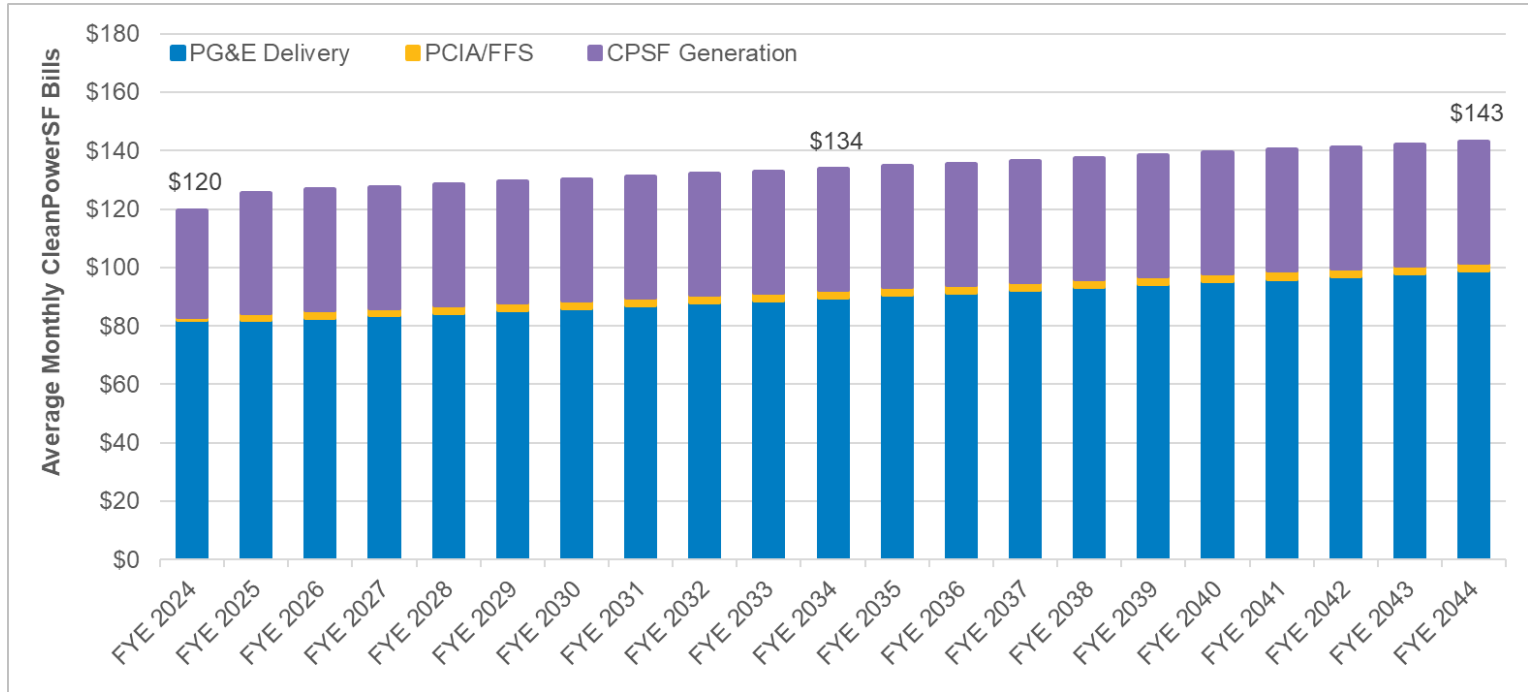




Hetch Hetchy Power Typical and Low-Income Discounted Affordability Metrics



CleanPowerSF Affordability Metrics



Questions & Discussion

Thank You!