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Rate Fairness Board: Report and Recommendations on Staff proposed power rates and water/wastewater rates

Presentation at Commission meeting
23 May 2023



Rate Fairness Board

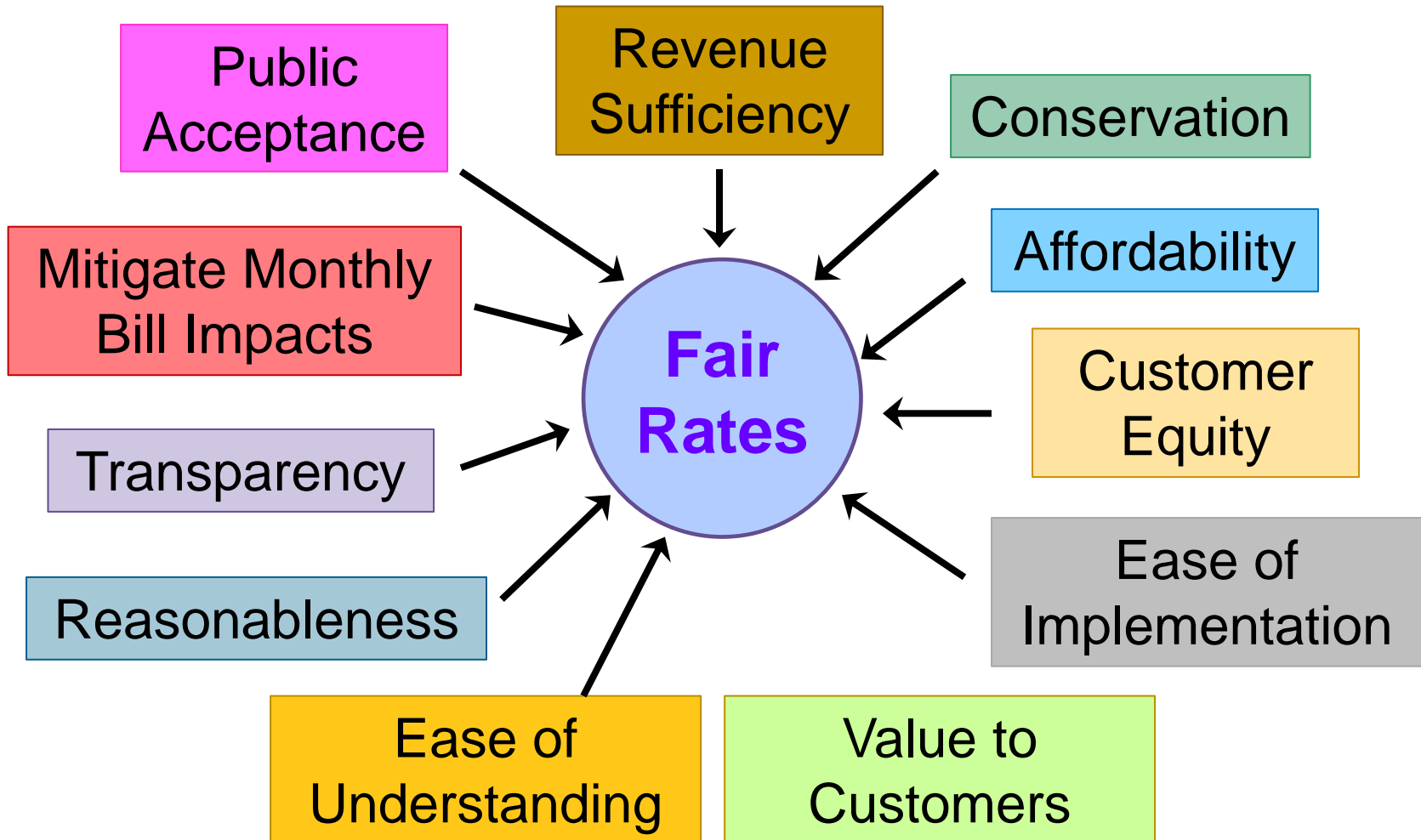
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| Name | Position / Title | Appointed by |
|--------------------|-------------------------------|---------------------------------------|
| VACANT | Residential Ratepayer | Mayor |
| VACANT | Large Business Representative | Mayor |
| Howard Ash (chair) | Residential Ratepayer | Bd. Of Supervisors |
| VACANT | Small Business Owner | Bd. Of Supervisors |
| Trisha McMahon | Budget & Planning Manager | City Administrator |
| Ken Hinton | Budget & Revenue Analyst | Controller |
| Vishal Trivedi | Financial Analyst | Controller's Office of Public Finance |

- The Rate Fairness Board was established by Proposition E which was passed by San Francisco voters in 2002
- The Rate Fairness Board, as specified by Article 8B of the Charter of the City and County of San Francisco, may:
 - Review the five-year rate forecast;
 - Hold one or more public hearings on annual rate recommendations before the Public Utilities Commission adopts rates;
 - Provide a report and recommendations to the Public Utilities Commission on the rate proposal; and
 - In connection with periodic rate studies, submit to the Public Utilities Commission rate policy recommendations for the Commission's consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements

Multiple Rate Objectives

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Two decades of positive change

SFPUC moving toward traditional utility service role

- Financial independence and integrity
- Rates reflect Cost of Service
- Traditional utility customer classes
- Simplification

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| SFPUC function/attribute | 2001 | 2023 |
|---|-------------|--------------|
| General Fund departments pay for water | NO | YES |
| SFPUC \$ transfers to General Fund | YES | NO |
| SFPUC \$ transfers among departments | Probably | NO |
| Independent rate studies | NO | YES |
| Low-income rates (water, sewer, power) | NO | YES |
| Rates designed to encourage conservation | Not really | YES |
| SFPUC bonding authority | Voters | Bd. Of Sups. |
| SFPUC departments have independent credit ratings | NO | YES |
| Standardized utility-type accounting practices | NO | YES |

Views on Current Power Rate Proposal

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Clean Power SF

- Duration of Rate Proposal
- Generation rates based on internal cost of service, not tied to PG&E
- Generally lower than corresponding PG&E rate

- After the many changes last year, the staff's current proposal is essentially "ministerial" – updating rates to reflect current costs, and continuing trends toward full cost-of-service rates for all customer classes
- This "grand experiment" seems to be working

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Water

- Maintain existing tiers for SFR and MFR (consultant proposed increases)
- Postpone implementation of an “Irrigation” rate
- Predictable annual rate increases for 3 years, to reflect current costs and the continued move toward full cost-of-service rates
- Level of Fund Balance. Fund balance is well above, but debt coverage is barely above (ES pp. 5). Related? If fund balance is reduced, is debt coverage too low?

■ P. 43:

| | | | | | | | | |
|----|--------------------|-------------------|-------------------|---------------|-----|-----|---------------|---------------|
| 18 | Excluded from COS* | 62,993,071 | N/A | N/A | N/A | N/A | N/A | N/A |
| 19 | Subtotal | 72,951,025 | 9,957,954 | 27,282 | | | 37,012 | 10,156 |
| 20 | | | | | | | | |
| 21 | Total | 89,797,098 | 26,804,027 | 73,436 | | | 96,058 | 23,048 |

*Treasure Island, Non-Paying Municipal, Recycled Water, Upcountry/Hetch Hetchy, Wholesale, and Suburban Contract Rate water use

- Other ??

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Wastewater

- Predictable rate increases, mostly related to SSIP
- Changes to cost allocations? Are these mostly small?
- Stormwater charge and credit program.
 - Pros: Impermeable surfaces pay their share, reducing costs to others. Incentivizes remediation.
 - Cons: Confusing? (Does not depend on rain amounts) High impacts (in FY 2030) for small SFR, Rec & Park?; Is the change “worth it”? (administrative costs, complaints, etc.)
- Level of Fund Balance. Fund balance is well above, as is debt coverage. Is there some room here to reduce coverage to same levels as water enterprise (and not increase sewer rates so much)?
- Impacts on City departments
- Very large % increases for small non-residential customers (retail bill impacts p. 10)

Fire Service: Decrease in most rates, due to changed cost allocation methodology. Can we agree on methodology and stick to it, or does it have to change every time we change rate consultant?

Water

- 3 years of rates? Why not 4 or 5 ?
- Not much difference in rate between residential water tiers (~\$1, or ~10%). Does this encourage conservation? Or just not a lot of difference is cost or service for water between tiers?
- ZZZ
- ZZZ

Wastewater

- Stormwater charge and credit program is well-thought-out, relatively simple, and “fair” in an of itself. Do we need or want this, given the “winners” and “losers”
- BBB
- CCC

Fire Service: Yet another change in cost allocation methodology (each consultant does it differently). Rates remain relatively low and stable, despite changes in methodology



RFB Views on Staff Proposal

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Fire Service: Yet another change in cost allocation methodology (each consultant does it differently). Rates remain relatively low and stable, despite changes in methodology

Hetch Hetchy power rates for Tuolumne County ?

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A big “Thank you” to:

- Staff
- RFB members
- Our consultants:
 - Raftelis
 - McGovern McDonald

Questions ?