



San Francisco Public Utilities Commission

Adoption of:

#8 Operating Budget, FY 2024-25 & FY 2025-26

#9 Capital Budget, FY 2024-25 & FY 2025-26

#10 10-Year Capital Improvement Plan, FY 2024-25 to FY 2033-34

#11 10-Year Financial Plan, FY 2024-25 to FY 2033-34

February 13, 2024

Nancy Hom, Chief Financial Officer and AGM, Business Services

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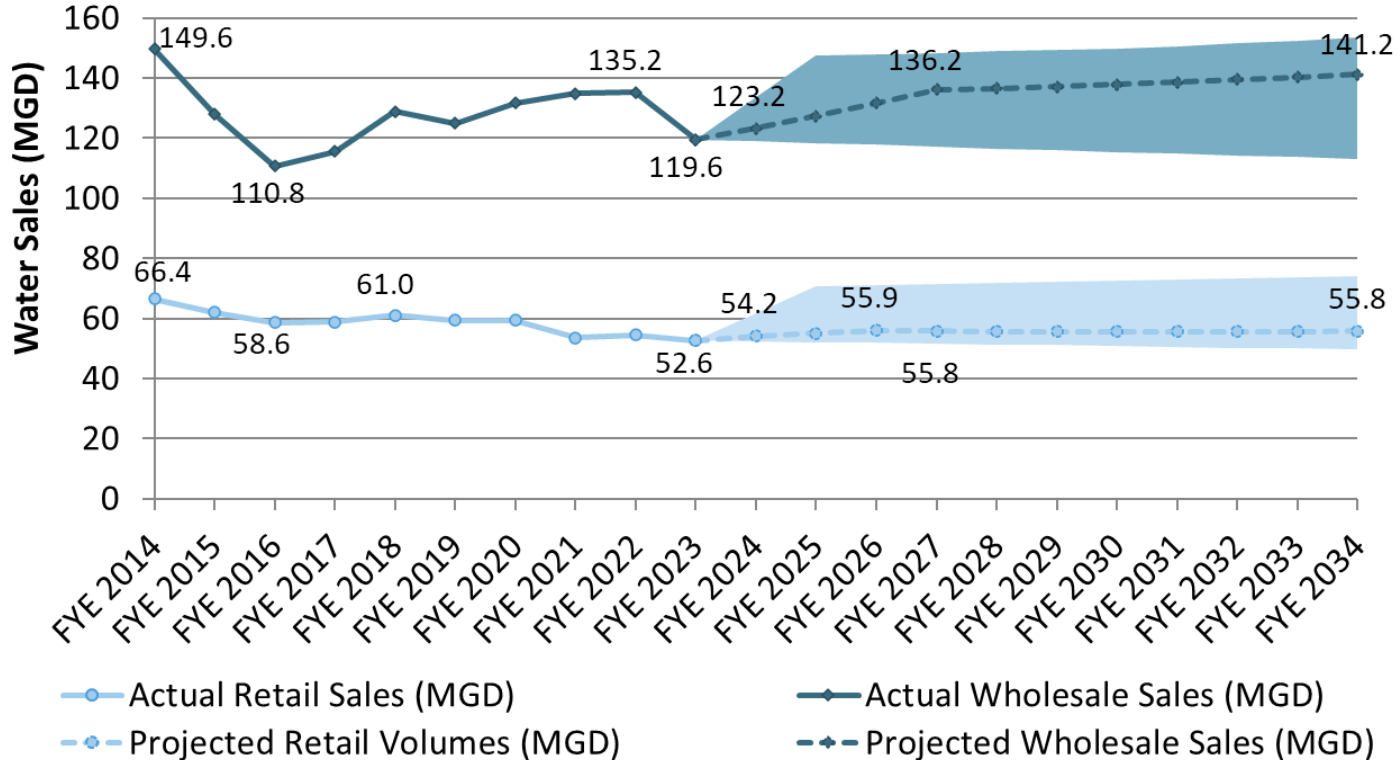
Item #11: Adoption of 10-Year Financial Plan

FY 2024-25 to FY 2033-34

Financial Plan Overview

- Annual update for 20-year rolling period required by SF Charter Section 8B.123
- Where all financial impacts come together
 - Forecasts expenses, revenues, and required rate increases
 - Checks compliance with adopted financial policy metrics
- Plans are complex Excel-based financial models and accompanying written report
- Improvements and focus this year
 - Complete rebuild of financial models
 - Capital projects modelled at much greater level of detail

Water & Wastewater Demand Forecasts





Water 10-Year Financial Plan

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034
Beginning Fund Balance (\$M)	\$ 148.4	\$ 137.1	\$ 137.3	\$ 146.6	\$ 165.1	\$ 170.3	\$ 175.9	\$ 184.1	\$ 187.6	\$ 188.4
Sources (\$M)										
Retail Water Sales	345.3	367.9	385.8	404.9	420.8	437.8	455.7	469.9	485.2	500.9
Wholesale Water Sales	350.9	378.7	401.4	435.1	449.7	461.7	465.8	468.6	487.7	507.1
Other Miscellaneous Income	68.4	68.3	68.2	68.2	67.6	67.5	67.4	67.1	66.7	66.3
Total Sources	\$ 764.6	\$ 815.0	\$ 855.5	\$ 908.1	\$ 938.1	\$ 967.0	\$ 988.9	\$ 1,005.6	\$ 1,039.6	\$ 1,074.3
Uses (\$M)										
Operations & Maintenance	293.2	294.7	303.1	312.0	321.3	330.7	340.4	350.5	360.5	371.4
Hetchy Transfer	39.5	40.8	41.9	43.1	44.5	45.9	47.5	49.0	50.7	52.4
Debt Service	339.7	366.2	383.2	430.3	464.8	485.2	516.7	531.4	556.0	579.6
Revenue-Funded Projects	103.4	113.1	117.9	104.3	102.3	99.6	76.1	71.2	71.5	64.7
Total Uses	\$ 775.9	\$ 814.8	\$ 846.2	\$ 889.6	\$ 932.9	\$ 961.4	\$ 980.6	\$ 1,002.1	\$ 1,038.8	\$ 1,068.1
Net Revenues (\$M)	\$ (11.3)	\$ 0.2	\$ 9.3	\$ 18.5	\$ 5.2	\$ 5.6	\$ 8.3	\$ 3.5	\$ 0.8	\$ 6.2
Ending Fund Balance (\$M)	\$ 137.1	\$ 137.3	\$ 146.6	\$ 165.1	\$ 170.3	\$ 175.9	\$ 184.1	\$ 187.6	\$ 188.4	\$ 194.6
Rate Increase - Retail	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%
Rate Increase - Wholesale	7.7%	4.5%	2.6%	8.2%	3.1%	2.1%	0.3%	0.0%	3.5%	3.4%
Fund Balance as % of Op. Expenses	41.2%	40.9%	42.5%	46.5%	46.6%	46.7%	47.5%	47.0%	45.8%	45.9%
Debt Service Coverage (Current)	1.31	1.32	1.34	1.29	1.23	1.22	1.16	1.14	1.13	1.12
Debt Service Coverage (Indenture)	1.71	1.71	1.74	1.69	1.62	1.60	1.53	1.50	1.48	1.47
Revenue-Funded % of Capital	27%									

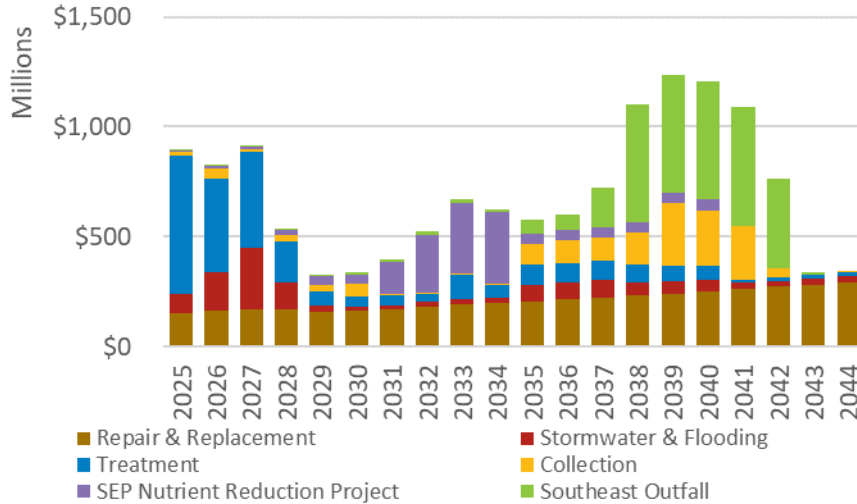


Wastewater 10-Year Financial Plan

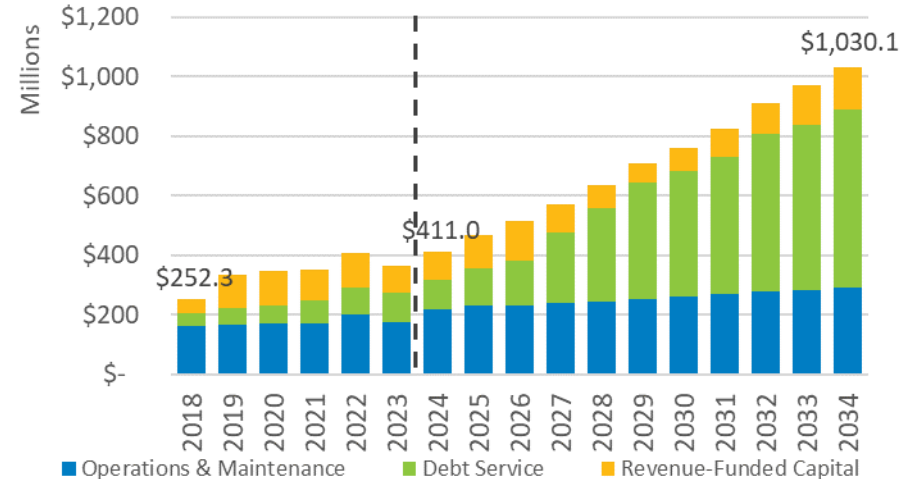
	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034
Beginning Fund Balance (\$M)	\$ 168.5	\$ 159.1	\$ 147.1	\$ 132.4	\$ 117.8	\$ 95.9	\$ 88.8	\$ 89.8	\$ 86.4	\$ 89.1
Sources (\$M)										
Sewer Charges	434.0	478.8	535.3	598.9	664.3	730.4	803.8	885.0	948.6	1,016.7
Non-Rate Revenue	19.9	20.1	19.9	20.7	20.8	20.7	20.9	21.3	21.7	22.2
Federal Bond Interest Subsidy	3.2	3.1	3.0	2.8	2.7	2.5	2.3	2.2	2.0	1.8
Total Sources	\$ 457.2	\$ 501.9	\$ 558.2	\$ 622.5	\$ 687.8	\$ 753.6	\$ 827.1	\$ 908.4	\$ 972.2	\$ 1,040.6
Uses (\$M)										
Operations & Maintenance	231.7	231.9	238.6	245.8	253.2	260.7	268.4	276.5	284.6	293.2
Debt Service	122.5	148.2	237.6	312.3	390.5	421.2	462.2	531.7	552.7	596.3
Revenue-Funded Projects	112.4	133.9	96.7	79.0	66.0	78.9	95.4	103.7	132.2	140.6
Total Uses	\$ 466.6	\$ 513.9	\$ 572.9	\$ 637.1	\$ 709.7	\$ 760.8	\$ 826.0	\$ 911.8	\$ 969.5	\$ 1,030.1
Net Revenues (\$M)	\$ (9.4)	\$ (12.0)	\$ (14.7)	\$ (14.6)	\$ (21.9)	\$ (7.2)	\$ 1.1	\$ (3.4)	\$ 2.7	\$ 10.5
Ending Fund Balance (\$M)	\$ 159.1	\$ 147.1	\$ 132.4	\$ 117.8	\$ 95.9	\$ 88.8	\$ 89.8	\$ 86.4	\$ 89.1	\$ 99.7
Retail Rate Increase	9.0%	9.0%	12.0%	12.0%	11.0%	10.0%	10.0%	10.0%	7.0%	7.0%
Fund Balance as % of Op. Expenses	68.7%	63.4%	55.5%	47.9%	37.9%	34.1%	33.5%	31.3%	31.3%	34.0%
Debt Service Coverage (Current)	1.96	1.94	1.42	1.26	1.18	1.19	1.21	1.20	1.25	1.26
Debt Service Coverage (Indenture)	3.21	2.87	1.92	1.60	1.37	1.39	1.41	1.36	1.41	1.43
Revenue-Funded % of Capital	18%									

Wastewater Capital Spending

Projected Capital Appropriations



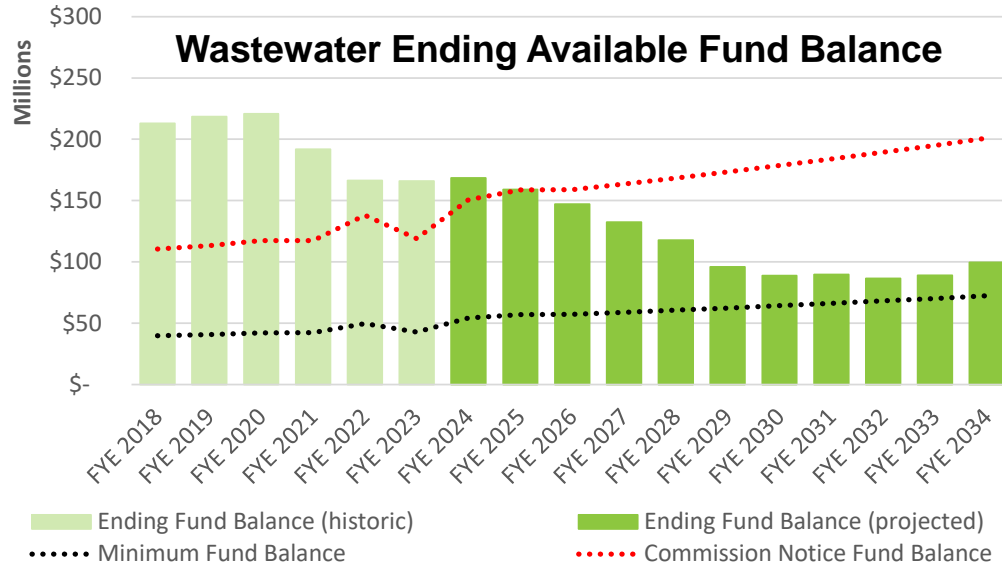
Total Expenses



- Massive capital investment, driven by replacement of aging infrastructure and regulatory requirements
 - Debt service grows from 24% to 58% of total expenses in 10 years
 - Conservative interest rate assumptions to provide buffer for risk



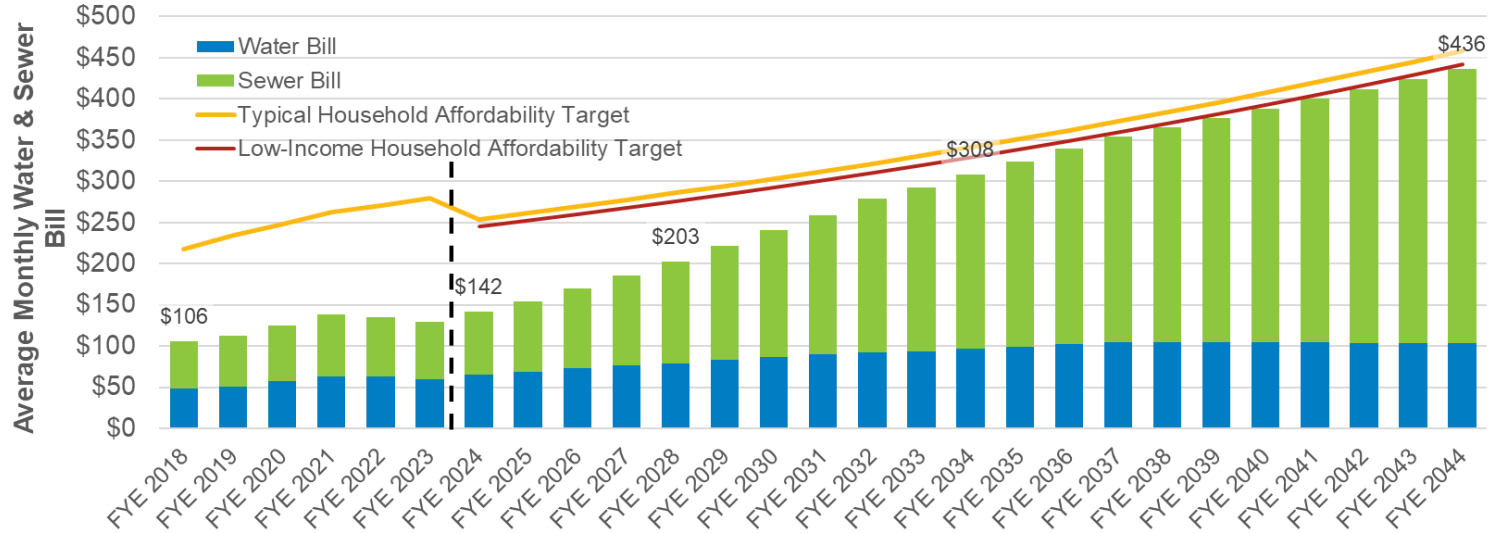
Wastewater Debt Service Coverage and Fund Balance



- Spending down fund balance to reduce future rate increases
- As debt issuance grows, meeting debt service coverage begins to drive rate increases

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034
Indenture Debt Service Coverage (1.35x)	3.21	2.87	1.92	1.60	1.37	1.39	1.41	1.36	1.41	1.43
Current Debt Service Coverage (1.10x)	1.96	1.94	1.42	1.26	1.18	1.19	1.21	1.20	1.25	1.26

Water & Sewer Affordability



	FYE 2025*	FYE 2026*	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 3032	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

Power-Specific Challenges

- Not a monopoly provider
- Sources of uncertainty:
 - Weather impacts on Hetch Hetchy generation
 - Power supply and delivery not fully owned – subject to market pressure outside our control
 - Seasonal variation in customer usage patterns, customer growth
 - Regulations changing wildly
 - Cost structure less fixed

Strategies to Address Risk

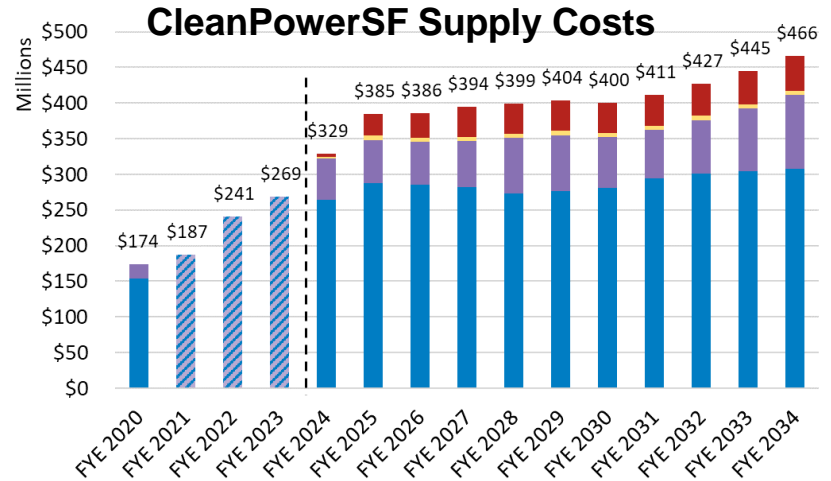
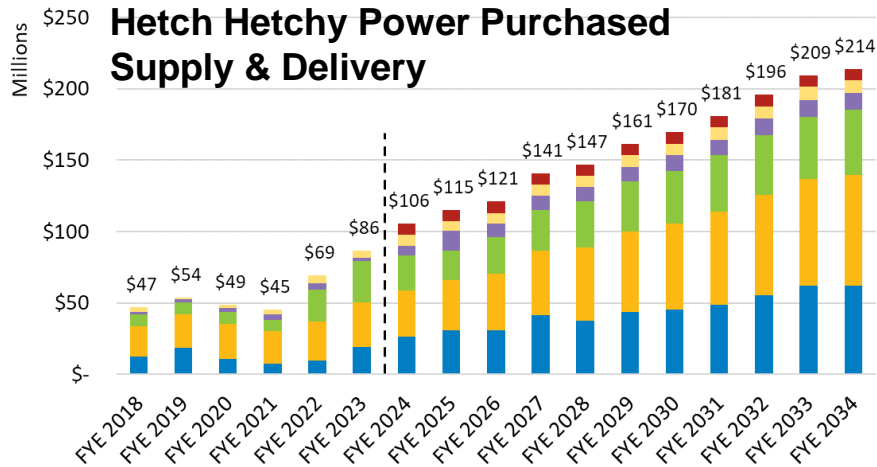
Teams in Power heavily involved in forecasting

Procure forecast data from third party providers

Budgeted power supply contingencies

Higher reserve minimum in CleanPowerSF

Purchased Power Supply & Delivery



Purchased Power Supply

- Power purchases from contracts or open market

Transmission Access Charges

- Payments to CAISO to use non-owned transmission grid

Wholesale Distribution Tariffs

- Payments to PG&E to use in-city distribution system

Purchased Resource Adequacy

- Power attribute for local/stable power supply to meet regulatory requirements

Miscellaneous Fees

- CAISO fees not based on volumes

Power Supply Contingency

- Budgeted amount to cover cost overages



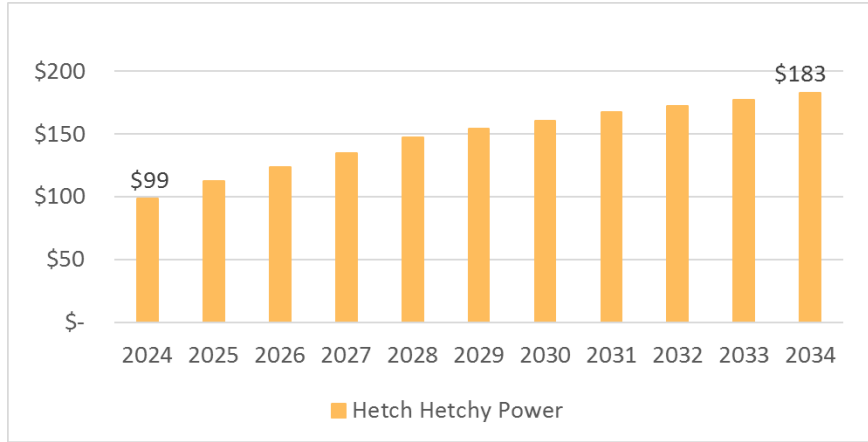
Hetch Hetchy 10-Year Financial Plan

(\$M)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034
Beginning Fund Balance	\$ 175.9	\$ 144.7	\$ 127.3	\$ 118.0	\$ 110.0	\$ 119.3	\$ 120.4	\$ 123.8	\$ 129.1	\$ 141.7
Sources										
Power Sales - Retail	202.5	239.7	289.6	339.9	373.1	400.5	433.4	464.6	493.2	508.9
Power Sales - Wholesale	18.9	20.1	17.5	15.1	16.4	16.5	17.4	16.6	16.1	16.2
Gas & Steam Sales	23.7	28.3	31.4	34.5	35.9	37.0	38.1	39.2	40.4	41.6
Water Sales	2.8	3.1	3.3	3.5	3.7	3.9	4.0	4.2	4.4	4.5
Hetchy Transfer	39.5	40.8	41.9	43.1	44.5	45.9	47.5	49.0	50.7	52.4
Other Misc Income	17.0	22.5	18.0	17.7	14.1	12.7	18.0	19.4	15.9	17.1
Total Sources	\$ 304.5	\$ 354.6	\$ 401.7	\$ 453.7	\$ 487.7	\$ 516.4	\$ 558.4	\$ 593.0	\$ 620.7	\$ 640.7
Uses										
Power Supply & Delivery Charges	138.3	148.7	171.5	181.0	196.7	206.1	218.5	234.5	249.2	255.0
Other Operations & Maintenance	171.0	177.1	181.6	187.6	193.7	200.1	206.7	213.6	220.7	228.1
Debt Service	10.5	13.6	17.7	25.9	38.1	47.1	60.4	68.8	81.2	91.0
Revenue-Funded Projects	15.9	32.6	40.2	67.2	50.0	62.0	69.5	70.8	57.0	62.5
Total Uses	\$ 335.7	\$ 372.0	\$ 411.0	\$ 461.7	\$ 478.4	\$ 515.3	\$ 555.0	\$ 587.7	\$ 608.0	\$ 636.6
Net Revenues	\$ (31.2)	\$ (17.4)	\$ (9.2)	\$ (8.0)	\$ 9.2	\$ 1.1	\$ 3.4	\$ 5.3	\$ 12.6	\$ 4.1
Ending Fund Balance	\$ 144.7	\$ 127.3	\$ 118.0	\$ 110.0	\$ 119.3	\$ 120.4	\$ 123.8	\$ 129.1	\$ 141.7	\$ 145.8
Retail Rate Change	14.0%	10.0%	9.0%	9.0%	5.0%	4.0%	4.0%	3.0%	3.0%	3.0%
Fund Balance as % of Power Op. Expenses	55%	45%	39%	34%	35%	34%	33%	33%	34%	34%
Debt Service Coverage (Current)	2.22	2.77	3.03	3.30	2.45	2.30	2.09	1.99	1.81	1.68
Debt Service Coverage (Indenture)	14.35	11.65	9.66	7.39	5.62	4.87	4.15	3.88	3.56	3.28
Revenue-Funded % of Capital	20%									

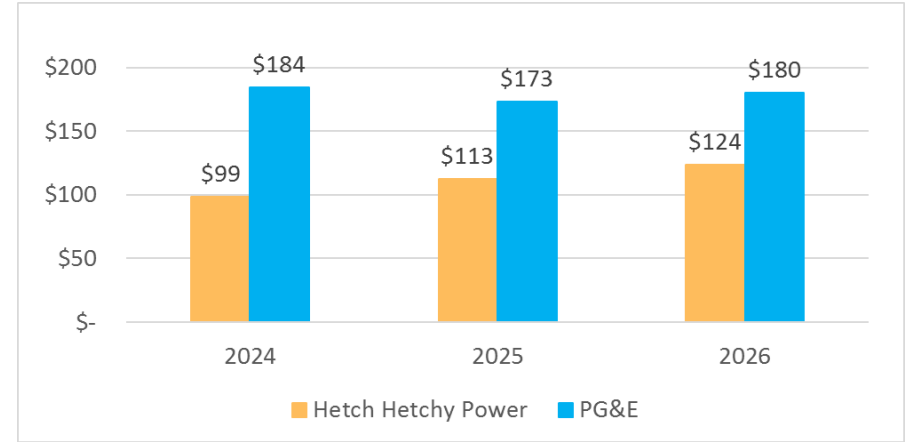


Hetch Hetchy Power Rate Forecast

Average Residential Bill – 10 Years



Average Residential Bill – PG&E Comparison



	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	10 Year Avg.
Retail Rate Increase	14.0%	10.0%	9.0%	9.0%	5.0%	4.0%	4.0%	3.0%	3.0%	3.0%	6.3%
General Use Rate Increase	18.9%	15.9%	13.7%	12.1%	10.8%	9.7%	8.9%	8.1%	7.5%	7.0%	11.2%

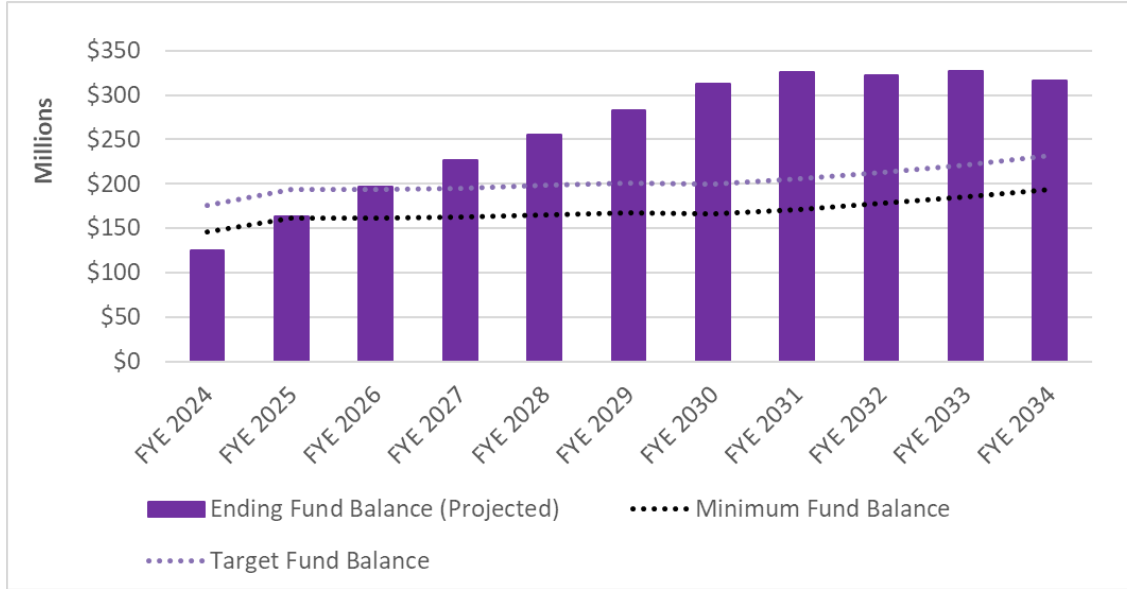


CleanPowerSF 10-Year Financial Plan

(\$M)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034
Beginning Fund Balance	\$ 125.3	\$ 163.1	\$ 196.6	\$ 226.1	\$ 255.2	\$ 282.5	\$ 312.1	\$ 326.1	\$ 322.0	\$ 327.0
Sources										
Retail Power Sales	448.8	458.9	463.9	469.4	473.1	479.5	486.1	493.3	498.2	505.6
Wholesale Sales	11.1	0.0	0.0	0.7	1.1	0.4	0.0	0.0	0.0	0.0
Other Miscellaneous Income	2.8	2.9	3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.7
Total Sources	\$ 462.7	\$ 461.8	\$ 466.9	\$ 473.2	\$ 477.4	\$ 483.2	\$ 489.5	\$ 496.8	\$ 501.7	\$ 509.3
Uses										
Power Supply	385.0	386.2	394.2	399.4	403.8	400.4	411.4	427.3	445.1	466.5
Operations	39.4	41.5	42.8	44.2	45.6	47.0	48.5	50.0	51.6	53.3
Revenue-Funded Projects	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.6	0.1	0.5
Total Uses	\$ 425.0	\$ 428.3	\$ 437.5	\$ 444.1	\$ 450.1	\$ 453.6	\$ 475.4	\$ 500.9	\$ 496.8	\$ 520.2
Net Revenues	\$ 37.8	\$ 33.5	\$ 29.4	\$ 29.1	\$ 27.3	\$ 29.6	\$ 14.1	\$ (4.1)	\$ 5.0	\$ (10.9)
Ending Fund Balance	\$ 163.1	\$ 196.6	\$ 226.1	\$ 255.2	\$ 282.5	\$ 312.1	\$ 326.1	\$ 322.0	\$ 327.0	\$ 316.1
Generation Rate Change	12.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Days Cash On Hand	151	183	209	232	254	281	286	272	265	245
Fund Balance as % of Op. Expenses	38%	46%	52%	58%	63%	70%	71%	67%	66%	61%

CleanPowerSF Financial Metrics

CleanPowerSF Ending Available Fund Balance



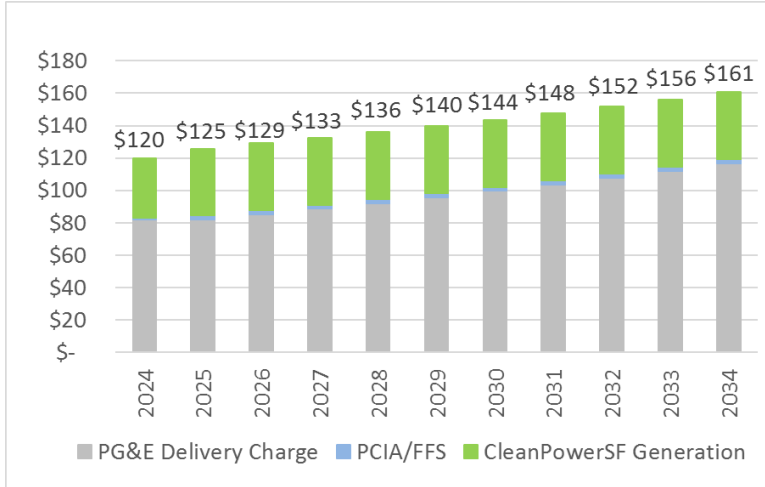
- CleanPowerSF adopted new reserve policy in 2022 as part of rate study
 - Exposure to higher financial volatility requires higher reserves
 - Goal: build to minimum 150 days cash on hand and target 180 days cash on hand within 3 years
- Challenging to build reserves during high-cost/volatile power supply market
- FY 24-25 rate increase set to meet 150 day minimum

	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034
Ending Days Cash on Hand	151	183	209	232	254	281	286	272	265	245

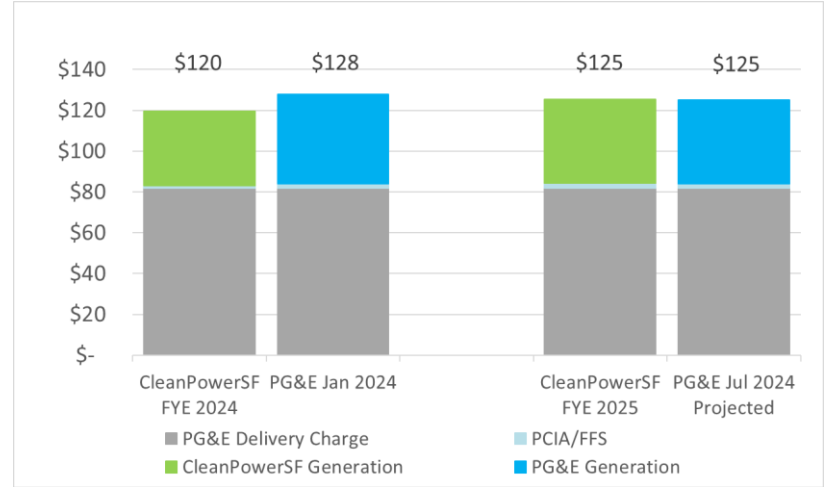


CleanPowerSF Rate Forecast

Average Residential Bill – 10 Years



Average Residential Bill – PG&E Comparison



	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	10 Year Avg.
Generation Rate Increase (CleanPowerSF)	12%	1%	0%	0%	0%	0%	0%	0%	0%	0%	1.2%
Total Bill Increase (PG&E + CleanPowerSF)	5%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%

Questions?