

Timeline and Scope for Upcoming Power and Water/Sewer Rate Studies

Rate Fairness Board

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Erin Franks, Rates Administrator



Agenda

- What is a Rate Study?
- Role of the Rate Fairness Board
- Timeline for 2020-2022
- 2021 Power Rates Study Key Issues
- 2022 Water/Sewer Rates Study Key Issues



What is a Rate Study: Legal Framework

- Per California law (Proposition 218), all utility rates must be based on “cost of service”
- SF Charter requires an independent consultant to perform a rate study for each Enterprise at least every 5 years
- Staff recommends actual rates based on consultant study
 - Typically, we adopt multiple years of rates at once
- Rates approved following process mandated by City & State law
 - Proposal submitted to account holders and property owners via “notice and protest” process
 - Rates adopted by San Francisco Public Utilities Commission
 - Board of Supervisors can reject adopted rates

What is a Rate Study: Basic Tasks

Revenue Requirement

- Determines the total revenue required to operate and maintain facilities, cover capital expenses, and support the SFPUC's financial policies

Cost of Service Analysis

- Allocates costs to functional buckets and then allocates functionalized costs to customer classes based on usage factors

Rate Design

- Develops specific rates and charges for customer classes that achieve SFPUC policy goals while meeting full cost recovery

Role of the Rate Fairness Board

- Responsibilities outlined in SF Charter Section 8B.125
- Staff's perspective on the goals of this body:
 - Provide opportunity for public involvement in rate development
 - Provide oversight of fairness and accuracy of staff and consultant's cost allocation methodology
 - Raise policy questions regarding rates' impacts on financial sustainability
- Board members can set their own priorities and direction for meetings

Timeline for 2020-2022

2020

2021

2022

Power Rate Study

Water & Sewer Rate Study

Stormwater Charge Planning & Implementation

Affordability Program Improvements



Summer 2021
Make high-level
decisions for municipal
power rates



Spring 2022
Adopt Power, Water
& Sewer Rates for
July Implementation

Hetch Hetchy POWER

- Publicly owned utility
- Generates power from hydroelectric and solar. Fills gaps in supply with market purchases
- Transmission lines from Sierras to Bay Area, some distribution lines in SF
- Serves SF City departments, with growing retail customers in redevelopment areas

CleanPowerSF

- Community Choice Aggregator is a generation alternative to PG&E on an opt-out basis
- Procures power supply – no owned facilities yet
- Transmission, distribution, and billing provided by PG&E
- Serves 80% of San Francisco by volume, including most residential

2021 Power Rates Study Key Issues

- CleanPowerSF: first ever rate study
- Hetch Hetchy Power
 - Standardization and modernization of historic rate structures
 - Consider changes to risk and cost sharing between Water and Power Enterprises
 - Developing fees for new development to share costs between new and existing customers
- Both programs
 - Expand and strengthen affordability programs
 - Develop rates to support aggressive climate goals: electric vehicles, battery storage, time of use pricing



2022 Water/Sewer Rates Study Key Issues

- Less far along in project planning than power
- Monitoring status of drought conditions
- Sewer Rates
 - Implementation of stormwater portion of sewer service charge
 - Update methodology for assessing “strengths” of sewer discharges using modern sampling data
- Expand and strengthen affordability programs