Rate Fairness Board
CleanPowerSF Rate Action Proposal

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Rates Administrator

September 24, 2021
Agenda

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

**Rate Changes:**
- **Generation Charge:**
  - PG&E: $32
  - CleanPowerSF: $13
- **Delivery Charge:**
  - PG&E: $47
- **PCIA + FFS:**
  - PG&E: $13
  - CleanPowerSF: $8

**Average Monthly Charge and Total Bill:**
- **Jul 2021:** $79
- **Nov 2021:** $79
- **Jan 2022:** $81
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

<table>
<thead>
<tr>
<th></th>
<th>Projected as of May</th>
<th>Proposed Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumed Margin Above PG&amp;E</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>Net Operating Margin</td>
<td>$(30M)</td>
<td>$(3M)</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>$48M</td>
<td>$77M</td>
</tr>
</tbody>
</table>

- 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

<table>
<thead>
<tr>
<th></th>
<th>Base</th>
<th>Downside</th>
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</thead>
<tbody>
<tr>
<td>Net Operating Margin</td>
<td>$(3M)</td>
<td>$(35M)</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>$77M</td>
<td>$45M</td>
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</table>
Risk: Increased Customer Opt-Outs
Comparison to Other CCAs’ Rates

As of Sept 2021 rates

- Peninsula Clean Energy
- Silicon Valley Clean Energy
- CleanPowerSF (current)
- CleanPowerSF (proposed 15%)
- East Bay Community Energy
- San Jose Clean Energy
- Sonoma Clean Power
- Marin Clean Energy
## Risk: Increased Customer Opt-Outs

### Customer Count and Energy Use by Class

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

- 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

<table>
<thead>
<tr>
<th></th>
<th>Base</th>
<th>Base with Opt-Out</th>
<th>Downside</th>
<th>Downside with Opt-Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Margin</td>
<td>$(3M)</td>
<td>$(9M)</td>
<td>$(35M)</td>
<td>$(38M)</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>$77M</td>
<td>$72M</td>
<td>$45M</td>
<td>$43M</td>
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</table>
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