RATE FAIRNESS BOARD MEETING
AGENDA

1. Upcoming Meetings and Objectives
2. CleanPowerSF Power Rate Design
3. Hetch Hetchy Power Rate Design
4. Wrap-Up/To Finish Line
POWER RATE STUDY TIMELINE

- **2020**
  - J A S O N D
  - Identify Rates & Fees
  - Customer Profiles
  - Revenue Requirement
  - Cost of Service Analysis
  - Develop Power Rates and Charges
  - Outreach Phase 1

- **2021**
  - J F M A M J J A S O N D
  - Budget Update
  - Commission May 10
  - Rate Implementation July 1

- **2022**
  - J F M A M J J A S O
UPCOMING MEETINGS AND OBJECTIVES

• Today’s Meeting:
  – Rate Strategy/Rate Design Update

• Next Rate Fairness Board meeting:
  – April 8: Final proposed rates

• SFPUC Commission Approval:
  – May 10 Meeting

• Rates effective July 1, 2022
### CLEANPOWERSF RATES

PG&E’S MANY RATES LIMIT OUR FLEXIBILITY

<table>
<thead>
<tr>
<th>TOU Periods for Small General Rates</th>
<th>B-1</th>
<th>B-6</th>
<th>A-1-A</th>
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CLEANPOWERSF RATES
STRATEGY FOR PG&E’S MANY RATES

• Issues to consider:
  – Billing data only comes as ex. “total kWh during peak period the entire month,” so no ability
to regroup time period.
  – Many “legacy” rates are closed to new customers, but will continue to exist for several years.
  – If we try to skip/consolidate rates with different time periods, we can accidentally make one
rate schedule flat-out cheaper than another (ex. B-1 vs. B-6).

• Cost of service plan:
  – Keep all rate schedules that are open to new customers or have CPSF legacy customers.
  – For default/active rates or those with significant customers, develop cost of service-based
rates for the time of use periods.
  – For legacy rates or ones with few customers, use the data from the default rates and some
kind of scaling to create tariffs.
## CLEANPOWERSF Rates
### Strategy for Dealing with PG&E’s Many Rates

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<td><strong>Customer Count</strong></td>
<td>21,956</td>
<td>2,100</td>
<td>773 (Legacy)</td>
<td>484 (Legacy)</td>
<td>27 (Legacy)</td>
<td>14</td>
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CLEANPOWERSF RATES
MONTHLY CUSTOMER SERVICE CHARGES

• Evaluating monthly fixed Customer Service Charge
  – Currently only Energy or Energy & Demand charges
  – PG&E includes $/Customer/Day
    • Delivery (wires) charge (not unbundled “generation” service)
  – Customer charge would collect (all or a portion of) fixed Customer Service costs that don’t vary based on usage

• Could tilt small residential user impact compared to PG&E rates

• Very common in monopoly utility operations
  – Less common in competitive utility operations
# CLEANPOWERSF RATES
## MONTHLY CUSTOMER SERVICE CHARGES

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<th>Advantages</th>
<th>Example Bill</th>
<th>Disadvantages</th>
</tr>
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<tr>
<td>• Aligns costs incurred with cost recovery</td>
<td>• Energy Rate: $0.1225/kWh</td>
<td>• Adding “another” charge to customer bill</td>
</tr>
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<td>• “Fair and equitable” rate structure</td>
<td>• Energy Rate: $0.1100/kWh</td>
<td>• Cannot avoid costs with lower usage (not consistent with conservation message)</td>
</tr>
<tr>
<td>• Assist in fixed cost recovery for investments made to service customers</td>
<td>Customer Charge: $4.70</td>
<td>• Will impact lower use (kWh) customers more than high use customers (% of bill)</td>
</tr>
<tr>
<td>• Cannot be avoided with distributed solar and/or battery storage</td>
<td>• Customer A (200 kWh): $24.51 to $26.70 (month) 9% change</td>
<td>• CleanPowerSF is competitive operation</td>
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<tr>
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<td>• Customer B (350 kWh): $42.89 to $43.20 (month) 1% change</td>
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Example Bill:
- Energy Rate: $0.1225/kWh
- Energy Rate: $0.1100/kWh
- Customer Charge: $4.70
- Customer A (200 kWh): $24.51 to $26.70 (month) 9% change
- Customer B (350 kWh): $42.89 to $43.20 (month) 1% change
CLEANPOWERSF RATES
PURE COST OR “REBALANCE” CUSTOMER CLASSES VS. PG&E

• CleanPowerSF is operating within a competitive environment.

• Our cost of service may be higher or lower than PG&E for a given customer class.

• Options for each class’s rates:
  – Set every class to our cost of service
  – Rebalance rates that are higher than PG&E to be lower by shifting costs to classes that are lower than PG&E

• Both versions cover CleanPowerSF overall costs.
CLEANPOWERSF RATES
PURE COST OR “REBALANCE” CUSTOMER CLASSES VS. PG&E

Impact of Rebalancing - ILLUSTRATIVE ONLY. NOT SFPUC DATA.

- Residential: 10.2% before, 5.0% after
- Small Commercial: 12.4% before, 5.0% after
- Medium Commercial: -7.1% before, -3.2% after
- Large Commercial: -11.7% before, -5.5% after
- Industrial: -10.0% before, -3.0% after
- Street Light: -15.0% before, -1.3% after
### Advantages

- Maintain policy for difference between CleanPowerSF and PG&E rates
- Lessen impact of going to full “COS” rates
- Meet revenue requirement
- Maintain “competitive” position (even if higher than PG&E)

### Rebalance Process

- Develop revenue at COS rates
- Compare revenue at PG&E rates (%)
- Determine if rates should shift cost recovery between classes to maintain system level % to PG&E

### Disadvantages

- Creating subsidies between customers
- May become “unbalanced” when/if PG&E raises rates
- May require more rate changes prior to FYE
# CURRENT HETCH HETCHY RATE STRUCTURE

## General Use (GUSE) Rates
- General Fund departments, education districts, governmental agencies, some private customers
- Flat rate $/kWh for all customers
- Eligibility and subsidy levels historically based upon Mayor, budget negotiation
- Less than cost of service (subsidized)
- Currently increasing annually 1 cent/kWh

## Hetch Hetchy Retail Rates
- Private customers, mostly in redevelopment areas
- Standard rate schedules with tiers, service charges, seasonal, time-of-use, etc.
- Default rate for new customers
- Set to 10% below PG&E rates
- Generally slightly above cost of service
- Increase annually by PG&E rate % change

## Enterprise Rates
- Airport, Enterprise departments, Port tenants, some private customers
- Standard rate schedules with tiers, service charges, seasonal, time-of-use, etc.
- Set exactly at PG&E rates
- Higher than cost of service
- Change throughout the year to exactly follow PG&E
Currently offer different rate choices for Retail vs. Enterprise vs. GUSE.

- Ideally, consistent rate options for all customers in class, with Retail rates as the default structure
- Analyzing system costs for potential seasonal/TOU pricing differential
- Reviewing/adjusting tier levels
  - Based on usage distribution analysis
- Add “All-Electric” to residential retail offering

<table>
<thead>
<tr>
<th>Rate Class</th>
<th>Small Comm Rate Options</th>
<th>Large Comm Rate Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Seasonal Rate (C-1)</td>
<td>TOU Rate (C-3)</td>
</tr>
<tr>
<td>Enterprise</td>
<td>Seasonal Rate (A-1)</td>
<td>TOU Rate (E19-U)</td>
</tr>
<tr>
<td></td>
<td>TOU Rate (A-1U)</td>
<td></td>
</tr>
<tr>
<td>GUSE</td>
<td>Flat rate/kWh</td>
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HETCH HETCHY POWER RATES
RECOVERING COST OF “CITY PROGRAMS”

• Hetchy bears the cost of various “city programs”—services we provide that have a general benefit or are not directly part of the cost to provide electric service.

<table>
<thead>
<tr>
<th>Program</th>
<th>Test Year Annual Value</th>
<th>Beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streetlight maintenance</td>
<td>$13,364,000</td>
<td>All San Francisco residents and businesses</td>
</tr>
<tr>
<td>GUSE subsidy</td>
<td>$15,472,000</td>
<td>General Fund departments</td>
</tr>
<tr>
<td>Low-income discounts, community</td>
<td>$1,859,000</td>
<td>Low-income customers and residents</td>
</tr>
<tr>
<td>benefits</td>
<td></td>
<td></td>
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</tbody>
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HETCH HETCHY POWER RATES
RECOVERING COST OF “CITY PROGRAMS” – STREETLIGHTS

• Who pays for Streetlights?
  – Benefit for entire City (Hetchy and CleanPowerSF customers)
  – $13.4 M in Test Year costs
  – Hetchy residential customers only a fraction of SF

• Proposed solution:
  – Allocate to classes by kWh excluding retail sales
HETCH HETCHY POWER RATES
COST OF SERVICE TRANSITION

• Shift to cost of service will take time
• GUSE historical rates increase:
  – generally/mostly flat for a period of time, with a $0.01/kWh in FYE 2016
  – $0.005/kWh in FYE 2017 and FYE 2018
  – class consolidations for across-board $0.005/kWh in FYE 2019 and FYE 2020
  – $0.01/kWh in FYE 2021 and current FYE 2022
• GUSE rates increase proposal: $0.03/kWh annually
  – Compare rates to COS over time
  – Various customer classes will reach COS at different times, FYE 2024 - FYE 2026
  – Rate proposal only for FYE 2023 - FYE 2024
WRAP UP

• Drafting rates this week
• Incorporate into Commission package
  – Commission Meeting May 10
• Next Rate Fairness Board Meeting
  – April 8
• New Rates effective July 1