Update on Power Rates

March 1, 2024
Matthew Freiberg, Rates Manager
Agenda

• Overview of the Power Enterprise
• Introduction to Rate Studies
• Fiscal Year 2025 Power Rates
• Future Power Rate Updates
San Francisco Power Enterprise

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
SFPUC Power Rate-Setting Process

• Article 8B of the San Francisco Charter requires:

  “In setting retail rates, fees and charges the Commission shall retain an independent rate consultant to conduct rate and cost of service studies for each utility at least every five years.”

• Rates approved by Commission and Board
• Last Power Enterprise rate study completed in spring 2022
• Power Rates have been calculated and updated annually
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
Fiscal Year 2025 Rate Updates Scope

- Implementing rate revenue increases on July 1, 2024
  - 14% for Hetch Hetchy
  - CleanPowerSF change not final, estimated 12%
- Leveraging Cost of Service Analysis from 2022 Rate Study
- Rate Structure Updates:
  - Consolidate Hetch Hetchy Power Enterprise and Retail Rates
  - Update hatch Hetchy Shoreside Power Rates
- Updating Cost of Service and Rate Design with:
  - FYE 2025 Revenue Requirements
  - Latest billing data to update allocation of costs to customer classes
  - Updated units of service to calculate new rates
# Timeline for Spring 2024

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<th>February</th>
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<td><strong>Cost of Service Update</strong></td>
<td><strong>Rate Design Update</strong></td>
<td><strong>Develop Staff Report</strong></td>
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- **March 29**: Commission Material Submission Deadline
- **April 23**: Commission Hearing
Future Power Rate Updates

FY 2026
• Rates will be updated using the same approach as this year

FY 2027
• A new Rate Study will be initiated Fall of 2024
• Targeting completion of the study in Spring 2026
• New Rates will be implemented July 1, 2026