Power Rates Study Update

Citizens’ Advisory Committee
May 04, 2021

Erin Franks
Rates Administrator
What is a Rate Study: Legal Framework

• Per California law (Proposition 218), all utility rates should be based on “cost of service”
  • Some differences for water/wastewater
• 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
  • Water/wastewater: 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: Balancing Competing Goals

Rate making process is an art

Cost of Service Analysis
- Development of Revenue Requirement
- Power Supply – Hetch Hetchy, CleanPowerSF
- Operations and Maintenance
- Customer Accounting
- Administrative Costs

Rate Design Review
- Innovative Rate Survey
- Carbon Free / Renewable
- Customer-Sited Generation
- Locally Provided Supply
- Demand Side Management
- Customer Use Specific Rates
- Affordability
- Public Goods Charge
- Wholesale Power

SFPUC Policy Review
- Rate Payer Assurance
- Capital Financing
- Reserves
- Debt Coverage Affordability
What is a Rate Study: Ratemaking Process

- **STEP 1**: Determine the revenue requirements of the utility
- **STEP 2**: Unbundle costs by functions and services (production, transmission, distribution, etc.)
- **STEP 3**: Classify costs (demand, energy, customer costs, etc.)
- **STEP 4**: Allocate cost among customer classes
- **STEP 5**: Design rates

Revenue Requirement Determination
Cost Allocation
Rate Design
Power Rate Study Consultant

• Consultant NewGen Strategies & Solutions and subconsultant Bell Burnett & Edwards started March 5\textsuperscript{th}, 2021

• Project management/coordination
  • Consultant kick-off meeting March 18\textsuperscript{th}, 2021

• Consultant Project Manager: Scott Burnham
Power Rate Study Timeline

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- **2020**
  - Identify Rates & Fees
  - Customer Profiles
  - Revenue Requirement
  - Cost of Service Analysis
  - Develop Power Rates and Charges
  - Outreach Phase 1

- **2021**
  - Identify Rates & Fees
  - Customer Profiles
  - Revenue Requirement
  - Cost of Service Analysis
  - Develop Power Rates and Charges
  - Outreach Phase 2

- **2022**
  - Rate Adoption
  - Rate Implementation
  - Budget Update

**Outreach Phase 1**

**Outreach Phase 2**
2021 Power Rates Study Key Issues

• CleanPowerSF
  • First ever rate study – lots to analyze
  • Balancing competition with PG&E with financial sustainability

• Hetch Hetchy Power
  • Standardization and modernization of historic rate structures
  • 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
Rates Fairness Board (RFB)

- Public committee designated by SF Charter to review and advise on rate matters
  - Reviews rate study materials in lots of detail
  - Best way to get involved in rates is to attend

- Meets every even month on the fourth Friday, or more often as-needed
  - Most recent meeting held on April 23, 2021

- Schedule, agenda, and documents posted on:
  https://sfpuc.org/about-us/boards-commissions-committees/rate-fairness-board
RFB Vacancies

Three current vacancies - recommendations welcome!

• Residential City Retail Customer
  • Appointed by Mayor's Office

• City Retail Small Business Customer
  • Appointed by Board of Supervisors

• City Retail Large Business Customer
  • Appointed by Mayor's Office
Discussion