CleanPowerSF Growth Plan Update and Rate Action

December 11, 2018
Agenda

- Today’s Action
- Growth Plan Status
- Upcoming PG&E Rate Changes
- Proposed CleanPowerSF Rates
- Financial Forecast and Risk Management
- Next Steps and Schedule
Today’s Action

• Approve a revised schedule of rates and charges for CleanPowerSF to take effect February 1, 2019

• Authorize the General Manager to adjust the rates once PG&E’s final rates are published, as long as program costs are recovered
Growth Plan Status

• Now enrolled 30% of accounts citywide
  • Represents ≈ 230 MW average demand

• Plan for completing citywide enrollment
  • April 2019 enrollment
    ● Enroll an additional ≈ 280,000 accounts
    ● Expecting to serve an additional ≈ 115 MW (Avg), after opt-out
    ● Once completed, expecting to serve ≈ 365,000 accounts with 340-350 MW (Avg), after opt-out
  • Largest commercial accounts – engage with them individually to determine interest
CleanPowerSF Phasing Policy

• December 8, 2015 the Commission adopted a CleanPowerSF Phasing Policy

• Rates-related Phasing Policies that must be met for additional CleanPowerSF customer enrollment:
  • Program rates being sufficient to cover program costs
  • Rates for a subsequent phase are projected to be at or below PG&E rates at the launch of each phase
Rate Setting Policies

• December 8, 2015 the Commission adopted a CleanPowerSF Rate Setting Policy, consistent with the Charter (Section 8B.125)

• On September 12, 2017 the Commission adopted a Ratepayer Assurance Policy, to ensure:
  • Revenue Sufficiency
  • Customer Equity
  • Environmental Sustainability
  • Affordability
  • Predictability
  • Simplicity
  • Transparency
  • Compliance

• CleanPowerSF rates are set consistent with these policies
Upcoming PG&E Rate Changes

- PG&E’s rates are expected to change as soon as Jan. 1, 2019
  - The PCIA is expected to increase for commercial customers and decrease for residential customers
  - Generation rates are projected to decrease for all customer classes
- Without rate action, all CleanPowerSF customers’ costs will be higher than PG&E service
PG&E PCIA Expected to Increase for Commercial Customers on 1/1/19

Effective March 1, 2018: $0.0335, $0.0247, $0.0250, $0.0210, $0.0328, $0.0329, $0.0347, $0.0286

Expected Jan 1., 2019 (Nov. ERRA): $0.0314, $0.0210, $0.0250, $0.0210, $0.00, $0.0189, $0.0286

% Change: -1.9%, +33%, +39%, +49%, +52%
PG&E Generation Rate Expected to Decrease on 1/1/19

- Res. (E1): $0.1078 (Actual) $0.1073 (Projected) -6.6%
- Sm. Comm. (A1): $0.1073 (Actual) $0.0991 (Projected) -7.6%
- Med. Comm. (A10S): $0.1133 (Actual) $0.1030 (Projected) -9.1%
- Lge. Comm. (E19S): $0.1038 (Actual) $0.0960 (Projected) -7.6%
- Industrial (E20P): $0.0960 (Actual) $0.0875 (Projected) -6.3%
Avg. Residential (E1) Generation Cost Comparison Before SFPUC Rate Action

- **Generation Charge**: $27.89 (PG&E)
- **Generation Charge**: $19.84 (CleanPowerSF)

**PCIA + FFS, $9.24**

**Average Monthly Charge**: $29.09, 4% More

- **PG&E**
- **CleanPowerSF**
Avg. Small Commercial (A1) Generation Cost Comparison *Before SFPUC Rate Action*

- **PG&E**:
  - Generation Charge, $153.21
  - Average Monthly Charge
  - PCIA + FFS, $51.81

- **CleanPowerSF**:
  - Generation Charge, $122.43
  - Average Monthly Charge

$174.23, 14% More
Avg. Large Commercial (E19) Generation Cost Comparison Before SFPUC Rate Action

- Generation Charge, $25,239.36
- Generation Charge, $20,817.21
- PCIA + FFS, $8,426.27

$0
$5,000
$10,000
$15,000
$20,000
$25,000
$30,000

PG&E
CleanPowerSF

$29,243.48, 14% More
Proposed Changes to CleanPowerSF FY 2018-19 Rates

• Green Rates
  • Reduce rates by the amount PG&E’s generation and FFS rates change from 2018 to 2019, expected to be about 6-9% on average

• Apply a Credit to Offset Increases in PCIA
  • Volumetric credit equal to the increase in PG&E’s PCIA fees from 2018 to 2019
  • If the PCIA for any customer class decreases from 2018 to 2019, a credit will not be provided

• Authorize General Manager to finalize rates
  • One-time GM authority to adjust CleanPowerSF rates to final PG&E rates
  • Rates must recover operating costs, satisfy financial covenants and fund program reserves

• No change to SuperGreen Rate Premiums
## Avg. Residential (E1) Generation Cost Comparison After SFPUC Rate Action

### 2019 PG&E Bundled Avg. Monthly Generation Charges

- **Generation Charge**: $27.89

### 2019 CleanPowerSF Customer Avg. Monthly Generation Charges

- **Generation Charge**: $18.47
- **PCIA + FFS**: $9.24
- **Savings**: $0.18 (0.6%)
Avg. Small Commercial (A1) Generation Cost Comparison After SFPUC Rate Action

2019 PG&E Bundled Avg. Monthly Generation Charges

- Average Monthly Charge, $153.21


- CleanPowerSF PCIA Credit, -$12.72
- PCIA + FFS, $51.81
- Generation Charge, $114.13
Avg. Large Commercial (E19) Generation Cost Comparison After SFPUC Rate Action

2019 PG&E Bundled Avg. Monthly Generation Charges
- Average Monthly Charge: $25,239.36

- PCIA Credit: -$2,734.26
- PCIA + FFS: $8,426.27
- Generation Charge: $19,547.36
Financial Impact of Action

• If the Commission approves this action
  • Combined effect of rate action is a reduction of revenues by approximately 7.5% ($12.5 M) as compared to taking no action
  • CleanPowerSF will still recover costs and contribute to financial reserves
  • Revenue reduction offset by reduced contribution to financial reserves
  • May require staff to prepare a Revised Plan to adjust the target reserve levels for Bank Credit Agreement
  • May impact program’s ability to invest in more costly local renewable energy projects
## Financial Projection, FYE 19

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Total Revenue ($M)</th>
<th>Projected Contribution to Reserves ($M)</th>
<th>Projected Year End Fund Balance ($M, % of Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Change from Current Rates</td>
<td>$166.9</td>
<td>$22.9</td>
<td>$36.4 65.2%</td>
</tr>
<tr>
<td>Budget Projection</td>
<td>$156.6</td>
<td>$17.2</td>
<td>$30.8 55.9%</td>
</tr>
<tr>
<td>Rate Proposal (Green rate parity with PG&amp;E)</td>
<td>$154.4</td>
<td>$10.4</td>
<td>$23.9 43.9%</td>
</tr>
</tbody>
</table>

*Rate proposal projects approximately 6-7% higher sales than budget.*
Risk Management Approach

Enterprise Risk Management (ERM) Framework

Program Risk Areas

Supply Risk
Customer Service Risk
Operational Risk
Financial Risk
Regulatory Risk

Risk Rating Heat Map, November 2013

<table>
<thead>
<tr>
<th>Program Goal and Objective</th>
<th>Risk Rating Nov 2013</th>
<th>Risk Rating Aug 2017</th>
<th>Change Nov to Aug</th>
<th>Target Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Provide Affordable Service to our Customers</td>
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<tr>
<td>1.1.1 Maintain on-bill PG&amp;E's generation and CCM non-recoverable charges</td>
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<td>1.1.2 Increase energy efficiency</td>
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<td>1.1.3 Implement programs that support participation in CleanPowerSF by CARE customers</td>
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<tr>
<td>1.1.4 Implement programs that support participation in CleanPowerSF by CARE customers</td>
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<tr>
<td>1.2 Develop rates and billing mechanisms that support participation in CleanPowerSF by CARE customers</td>
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<tr>
<td>1.3 Provide Reliable and Excellent Service to Our Customers (Delight the customer)</td>
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<tr>
<td>2.1 Reliability of service to CARE customers</td>
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<tr>
<td>2.1.1 Increase service reliability</td>
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<td>2.1.4 Increase service reliability</td>
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<tr>
<td>3.0 Clean Energy Alternatives</td>
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<tr>
<td>3.1 Increase on-bill PG&amp;E's generation and CCM non-recoverable charges</td>
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Likelihood: 1.0; Impact: 3.0
Selected Risks and Mitigations

• High Opt-Out
  • Enroll additional customers
  • Portfolio management (e.g., portfolio “laddering”)

• Non-Bypassable Charges/PCIA & Unfavorable PG&E Rates
  • Regulatory advocacy
  • Lowering rates and charges/reducing costs
  • Changing Green product mix
  • Portfolio management

• Challenges to Local Authority & New Regulations Increasing Costs
  • Legislation
Next Steps and Schedule

<table>
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<tr>
<th>Key Action Items</th>
<th>Date</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>Revise Green Product Rates and Methodology for April 2019 Enrollment</td>
<td>December 2018</td>
<td>PENDING</td>
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<tr>
<td>Finalize Green Product Rates</td>
<td>January 2019</td>
<td>PENDING</td>
</tr>
<tr>
<td>Send Pre-Enrollment Notices Required by Statute to Customers</td>
<td>February 2019</td>
<td>PENDING</td>
</tr>
<tr>
<td>Phase 3 Enrollment Commences</td>
<td>April 2019</td>
<td>PENDING</td>
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Go SuperGreen today at:
www.CleanPowerSF.org
CleanPowerSF Growth Plan

• Staff presented Plan in May 2017
  • Conduct enrollment in phases, until all eligible customers have been offered service (citywide enrollment)

• Commission adopted goals (Res. No. 17-0102)
  • Complete citywide enrollment in CleanPowerSF by July 2019, or sooner if possible
  • Increase the target renewable energy content of CleanPowerSF’s Green product to 50% by the end of 2020, or sooner if possible
The Commission also adopted rates for program launch using the Not-to-Exceed rate setting methodology presented to the RFB on April 17, 2015:

- PG&E Generation Rate(s)
  - PG&E Power Charge Indifference Adjustment (PCIA)
  - PG&E Franchise Fee Surcharge (FFS)

= CleanPowerSF NTE rate(s) for default product

- CleanPowerSF Green rates set 0.25% below PG&E rates as of March 1, 2016 minus PCIA and FFS
- SuperGreen $0.02/kWh premium over Green rates
Previous CleanPowerSF Rate Actions

- December 2015
  - Adopted initial CleanPowerSF rates for May 2016 service start

- April 2017
  - Reduced Green rates by 4% on average and reduced SuperGreen product rates for FY2016-2017

- January 2018
  - Reduced SuperGreen premiums, effective March 2018
  - Adopted modifications to the NEM Tariff

- April 2018
  - Increased Green rates, set 2% discount below PG&E rates, decreased some SuperGreen premiums, effective July 2018
What is the ERM Process?

Risks are identified through a Risk Assessment Process

**Risk Identification:** Recognizing the threats to achieving an organization’s objectives (and opportunities for organizational advancement)

**Risk Analysis:** Considers the original source of a risk (trigger) and its consequences

**Risk Evaluation:** Converts qualitative risks into quantitative ratings

**Risk Treatment:** The process of modifying a risk.

*SFPUC ERM is based on ISO 31000:2009 Standards.*

*Monitor and Review*  
*Communicate and Consult*
CleanPowerSF Business Risks Identified 34 Risks Across Five Categories

**Supply Risks**
- Market Price Volatility
- Variable Resource Availability
- Contract Failure
- Obsolete Technology
- Project Development
- Commercial Pace of Contracting
- Product Content
- Local Energy
- Grid Congestion

**Customer Service Risks**
- Dissatisfied Customers
- Gaps in Program Offerings
- Insufficient Support for Low Income Customers

**Operational Risks**
- Load Forecast Error
- Scheduling Error
- Right-Sized Staffing
- Billing Errors
- IT and Software
- Record Management
- Insufficient SOPs
- Difficult / Slow Procurement

**Financial Risks**
- High Opt-out
- Counterparty Credit
- Inadequate Reserves
- Unstable Credit Markets
- Customer Non-Payment
- Frequent Rate Changes
- Business Analysis Tools
- PG&E Payment Remission

**Regulatory Risks**
- Non-compliance
- Non-Bypassable Charges (PCIA)
- Unfavorable Competitor/PG&E Rates
- New Regulations Increase Costs
- Challenges to Local Authority
- Access to Ratepayer Funding for Programs
Supply Risk Mitigation Measure: Portfolio Laddering (Illustrative)

Forward Contracting on a Rolling Basis

- Forward Contracted Cost
- Projected Total Portfolio Cost

Millions $ per Year

2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037
-40 -30 -20 -10 0 10 20 30 40 50 60 70 80 90 100 110 120 130 140 150 160 170 180 190 200

-95-100% 85% 70% 55% 33% 33% 32% 32% 31% 31% 31% 30% 30% 30% 30% 29% 29% 29% 28%