Rate Fairness Board: Thoughts on Staff proposed power rates

Presentation at Commission meeting
24 May 2022
## Rate Fairness Board

<table>
<thead>
<tr>
<th>Name</th>
<th>Position / Title</th>
<th>Appointed by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reese Isbell (vice-chair)</td>
<td>Residential Ratepayer</td>
<td>Mayor</td>
</tr>
<tr>
<td>VACANT</td>
<td>Large Business Representative</td>
<td>Mayor</td>
</tr>
<tr>
<td>Howard Ash (chair)</td>
<td>Residential Ratepayer</td>
<td>Bd. Of Supervisors</td>
</tr>
<tr>
<td>VACANT</td>
<td>Small Business Owner</td>
<td>Bd. Of Supervisors</td>
</tr>
<tr>
<td>Trisha McMahon</td>
<td>Budget &amp; Planning Manager</td>
<td>City Administrator</td>
</tr>
<tr>
<td>Edward de Asis</td>
<td>Asst. Citywide Budget Manager</td>
<td>Controller</td>
</tr>
<tr>
<td>Vishal Trivedi</td>
<td>Financial Analyst</td>
<td>Controller’s Office of Public Finance</td>
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The Rate Fairness Board was established by Proposition E which was passed by San Francisco voters in 2002.

The Rate Fairness Board, as specified by Article 8B of the Charter of the City and County of San Francisco, may:

- Review the five-year rate forecast;
- Hold one or more public hearings on annual rate recommendations before the Public Utilities Commission adopts rates;
- Provide a report and recommendations to the Public Utilities Commission on the rate proposal; and
- In connection with periodic rate studies, submit to the Public Utilities Commission rate policy recommendations for the Commission's consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements.
Role of the Rate Fairness Board

- In 2002, the SFPUC was probably one of the last city department without civilian “oversight” or “sunshine” at the time

- RFB functions: Critical and active review the Staff’s proposals.
  - “Eyes and ears” of the customers
  - Initial screen on SFPUC staff proposals
  - Press the staff for clarity, completeness, justifications for rate proposals
  - Suggestions for improvement, additional analyses
  - Advocate for “fairness”
  - Forum for public comment
  - Process for “sunshine” and public oversight
  - Reduce the workload of the Commissioners (maybe)
Multiple Rate Objectives

- Public Acceptance
- Revenue Sufficiency
- Conservation
- Affordability
- Customer Equity
- Ease of Implementation
- Transparency
- Reasonableness
- Mitigate Monthly Bill Impacts
- Ease of Understanding

Fair Rates
Two decades of change
SFPUC moving toward traditional utility service role

- Financial independence and integrity
- Rates reflect Cost of Service
- Traditional utility customer classes
- Simplification

<table>
<thead>
<tr>
<th>SFPUC function/attribute</th>
<th>2001</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund departments pay for water</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>SFPUC $ transfers to General Fund</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>SFPUC $ transfers among departments</td>
<td>Probably</td>
<td>NO</td>
</tr>
<tr>
<td>Independent rate studies</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Low-income rates (water, sewer, power)</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Rates designed to encourage conservation</td>
<td>Not really</td>
<td>YES</td>
</tr>
<tr>
<td>SFPUC bonding authority</td>
<td>Voters</td>
<td>Bd. Of Sups.</td>
</tr>
<tr>
<td>Standardized utility-type accounting practices</td>
<td>NO</td>
<td>YES</td>
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Views on Current Power Rate Proposal

- One-year (2-year) rate proposal, rather than 4 or 5 ✓ or ✗
- Separate rate-setting for Hetch Hetchy and Clean Power SF
- Trend all rates toward Cost of Service, subject to reasonable caps on annual increases
- Continue low-income rate programs

**Hetch Hetchy Power**

- Move away from GUSE / Enterprise / Retail customer classes to regular utility classes: residential, commercial, industrial, etc.
- Residential:
  - New tiers for residential: size of blocks (below average, above average, very high)
  - Different summer v. winter block sizes
  - Use PG&E blocks for Hetch Hetchy customers – electric/gas and all-electric
  - Expand Tier 2 to be of meaningful size
- Maintain monthly customer charge (and the programs funded with these dollars), with phased increase toward Cost of Service
- No change to current seasonal or Time-of-Use periods (pending further analysis)
- Discounts for high-voltage customers
- Pilot for EV-only rate equivalent to small commercial energy rate
- 3-5 year journey for GUSE customers to reach COS rate (to avoid rate shock)
Clean Power SF

- Move to rates that are independent of PG&E rate changes, but still comparable to PG&E rates
- Different summer vs winter block sizes
- Delay implementation of fixed residential customer charge until CPUC process sorts out (energy charge will compensate for this, for now)
- Energy rate will trend over 2 years to Cost-of-Service (which is currently lower than comparable PG&E rate)
- Super Green program: simplify to a standard rate premium
- Rates build fund reserve towards SFPUC target
Final thoughts

A big “Thank you” to:

- Staff
- RFB members
- Our consultants:
  - NewGen Strategy and Solutions
  - Bell Burnett and Associates

Questions ?