

6 May 2024

San Francisco Public Utilities Commission
525 Golden Gate Avenue
San Francisco CA 94102

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Commissioners:

In accordance with Article 8B of the Charter of the City and County of San Francisco, the Rate Fairness Board (RFB) offers the following comments and recommendations regarding the Staff's proposed retail electricity rates for Hetch Hetchy Power and CleanPowerSF for the period July 1, 2024, to June 30, 2025:

1. We note that the rates for the SFPUC's retail electricity service saw major changes for FY 2022-23, as a result of the first independent cost-of-service study for the Power Enterprise. These changes included:
 - a. separate rate-setting for Hetch Hetchy Power and CleanPowerSF; and
 - b. trending all rates toward Cost of Service, subject to reasonable caps on annual increases.
2. As it did last year (for FY 2023-24), the Staff is proposing rates for only a 1-year period, given the ongoing volatility and uncertainty in California's electricity market. This approach seems reasonable given the circumstances, and it has served the SFPUC and its customers well in the past 2 years. This one-year rate proposal again seems prudent and reasonable.
3. The Staff's current proposed generation rates are based solely on SFPUC costs, and the rates are below the corresponding rates for comparable service from Pacific Gas & Electric (PG&E).
4. The Staff's proposal continues their process of simplifying the systems' electric rates, by consolidating and eliminating unneeded and redundant rate classes and schedules. This simplification benefits customers and the enterprise.
5. At first glance, the proposed 8.5% increase in CleanPowerSF rates may appear to excessive, but it is necessary cover the enterprise's expected costs, and CleanPowerSF's rates will remain lower than the equivalent PG&E rates. We

note that this increase is less than that originally contemplated by Staff; the reduced rate increase comes at the expense of a slower projected path toward achieving the enterprise's operating fund balance target. This is just one more example of the trade-offs inherent in the rate-making process and accept the outcome.

Overall, the Staff's current rate proposal is mostly ministerial: adjusting rates to account for current and expected costs, while meeting the twin goals of establishing rates based solely on cost of service and providing service at rates competitive with PG&E. Thus, the RFB recommends that the Commission approve the Staff's electricity rate proposal.

We look forward to continued interaction with the Commission on future rate proceedings for water, wastewater and power.

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Sincerely,

Howard Ash

Chair, Rate Fairness Board of the San Francisco Public Utilities Commission

On behalf of:

Eric Dew, Residential City Retail Customer

Trisha McMahon, Budget & Planning Manager, City Administrator's Office

Calvin Quock, Budget & Revenue Analyst, Controller's Office

Massood Samerie, Vice-Chair and City Retail Large Business Customer

Vishal Trivedi, Financial Analyst, Controller's Office of Public Finance