

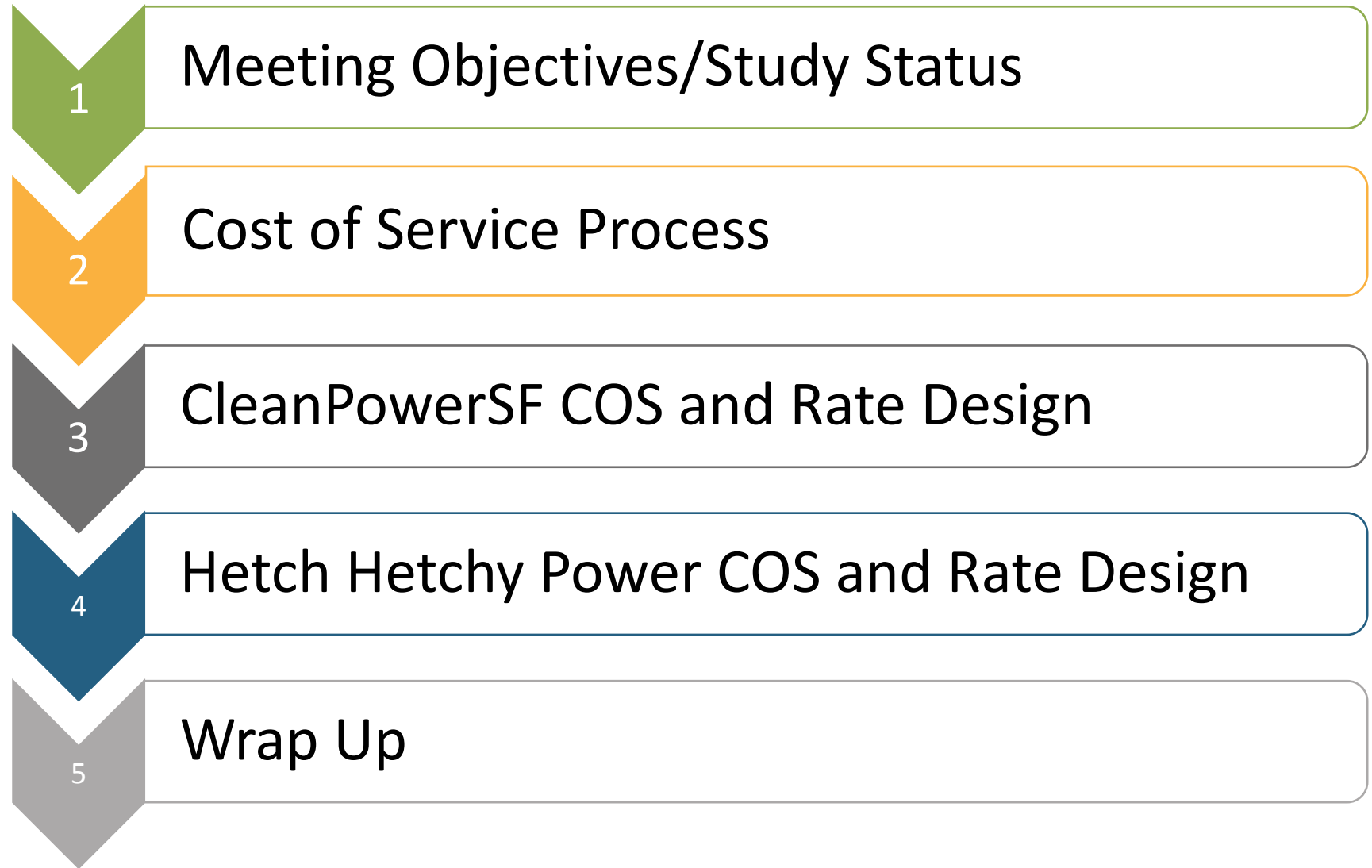


February 4, 2022 | San Francisco Public Utilities Commission

RATE FAIRNESS BOARD MEETING



AGENDA

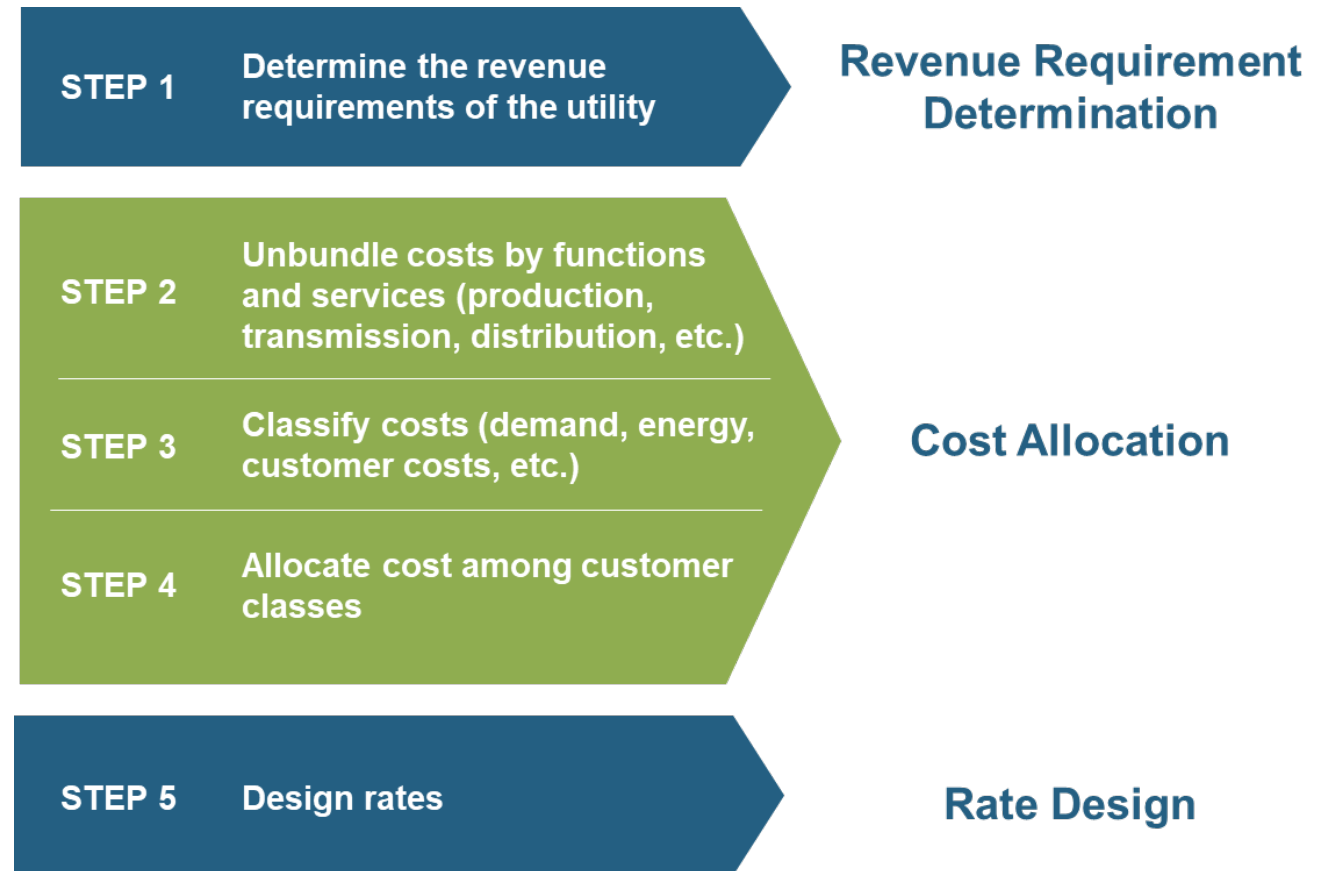


MEETING OBJECTIVES

- Review project status
- Discussion of how costs are allocated to functions and customers
- Preliminary cost of service across customer classes
- Preview decisions to support rate design stage

STUDY STATUS

- Finalize Revenue Requirement:
 - Milestone: December 31
- Cost Allocation/Cost of Service:
 - Milestone: January 31
- Base Rate Design:
 - Finalize Rate Structures: February 11
 - Draft Rate Design: February 21
- Rate Fairness Board:
 - September 24
 - November 12
 - February 4
 - *TBD*



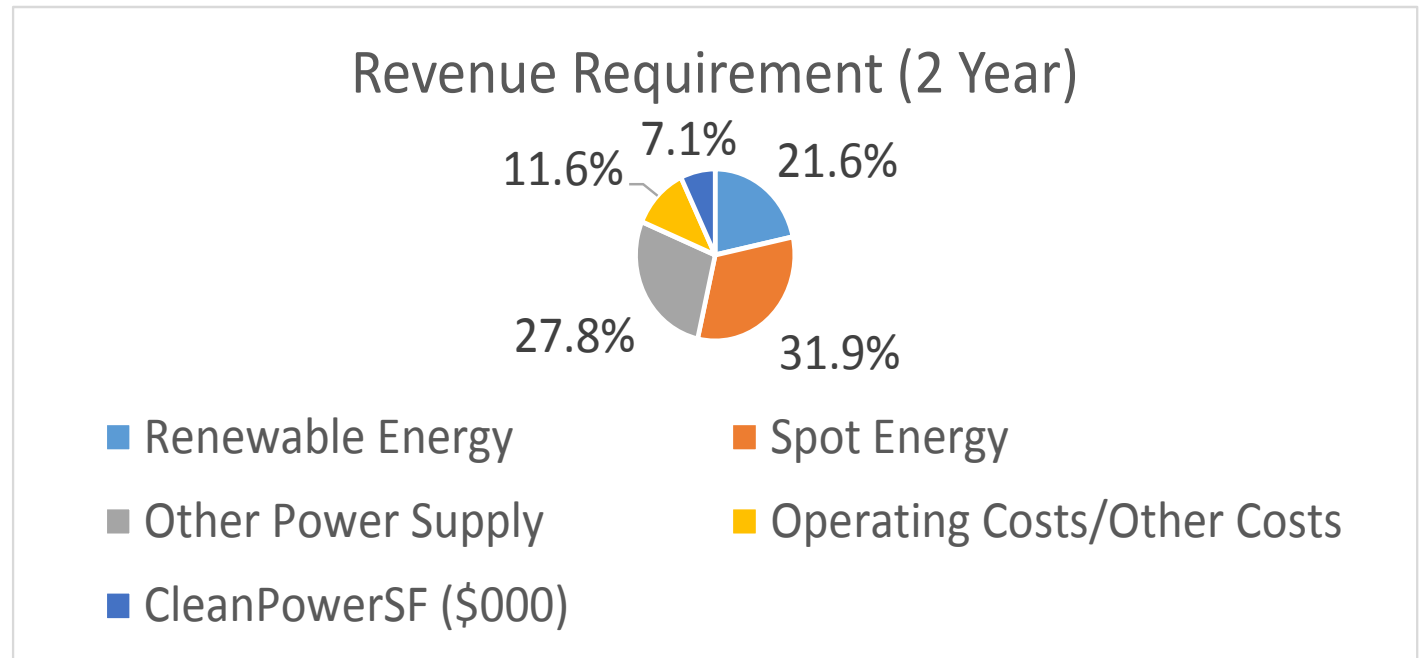
COST OF SERVICE ANALYSIS

MODELING ASSUMPTIONS

- Revenue requirement reflects new budget proposals, changes to capital plans
- Incorporated final budget from December 31
- Cost of service allocations and customer data:
 - Still working on certain line items, details
 - General takeaways shown today likely will not change

CLEANPOWERSF REVENUE REQUIREMENT – 2 YR. TY

CleanPowerSF (\$000)	
Renewable Energy	\$65,121
Spot Energy	\$96,180
Other Power Supply	\$83,631
Operating/Other Costs	\$34,409
Deposit to/(Use of) Reserves	\$21,365
Total	\$301,206



Discussion:

- 2-Year Test Year/2-Year Rate Plan
- Objective to achieve reserve balance (150 days)
- Exposure to spot market

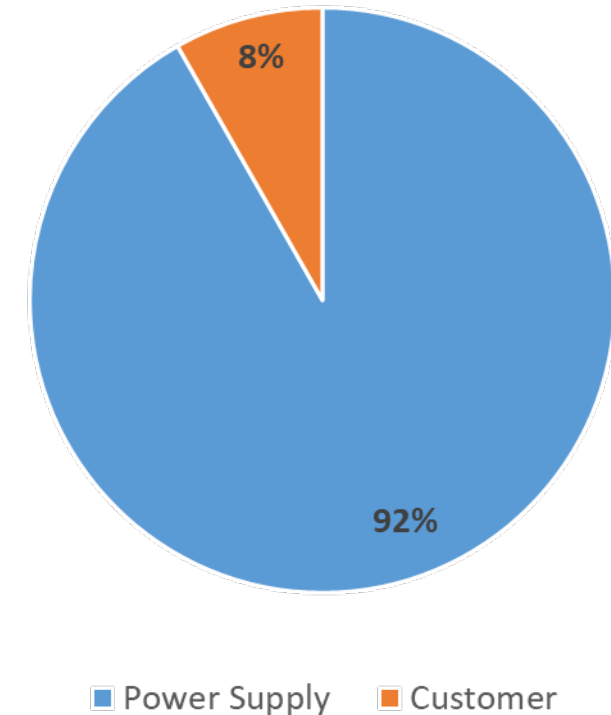
CLEANPOWERSF FUNCTIONAL COST ALLOCATION

Function	Revenue Requirement
Power Supply	\$277,111
Transmission	\$0
Distribution	\$0
Customer	\$24,095
Total	\$301,206

Discussion:

- CleanPowerSF is Power Supply and Customer function only.
- Majority of costs are Power Supply (92%).
- Customer costs include:
 - Data Management & Service fees (Calpine)
 - Customer Accounts, Services, & Sales (Labor)
 - Energy Programs (EE, DSM, etc.)

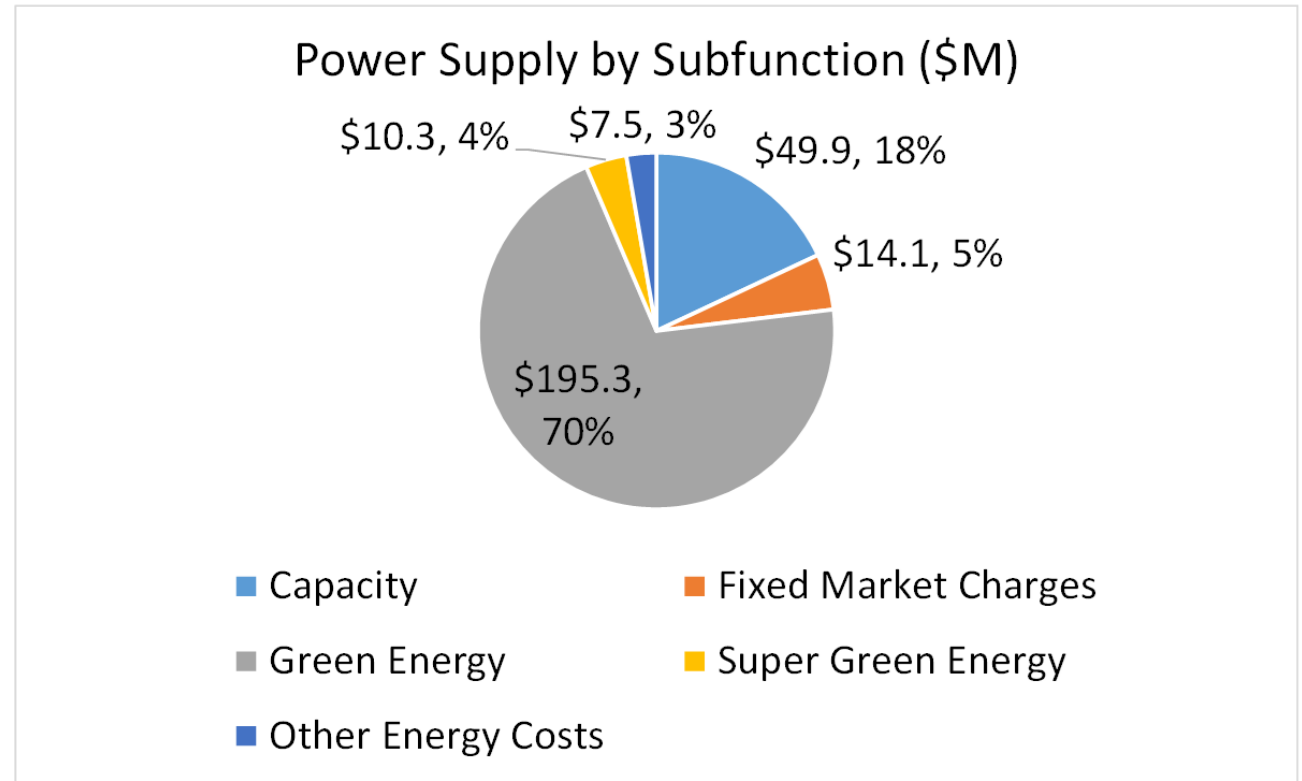
% Revenue Requirement by Function - CleanPowerSF



CLEANPOWERSF POWER SUPPLY COST ALLOCATION

Discussion:

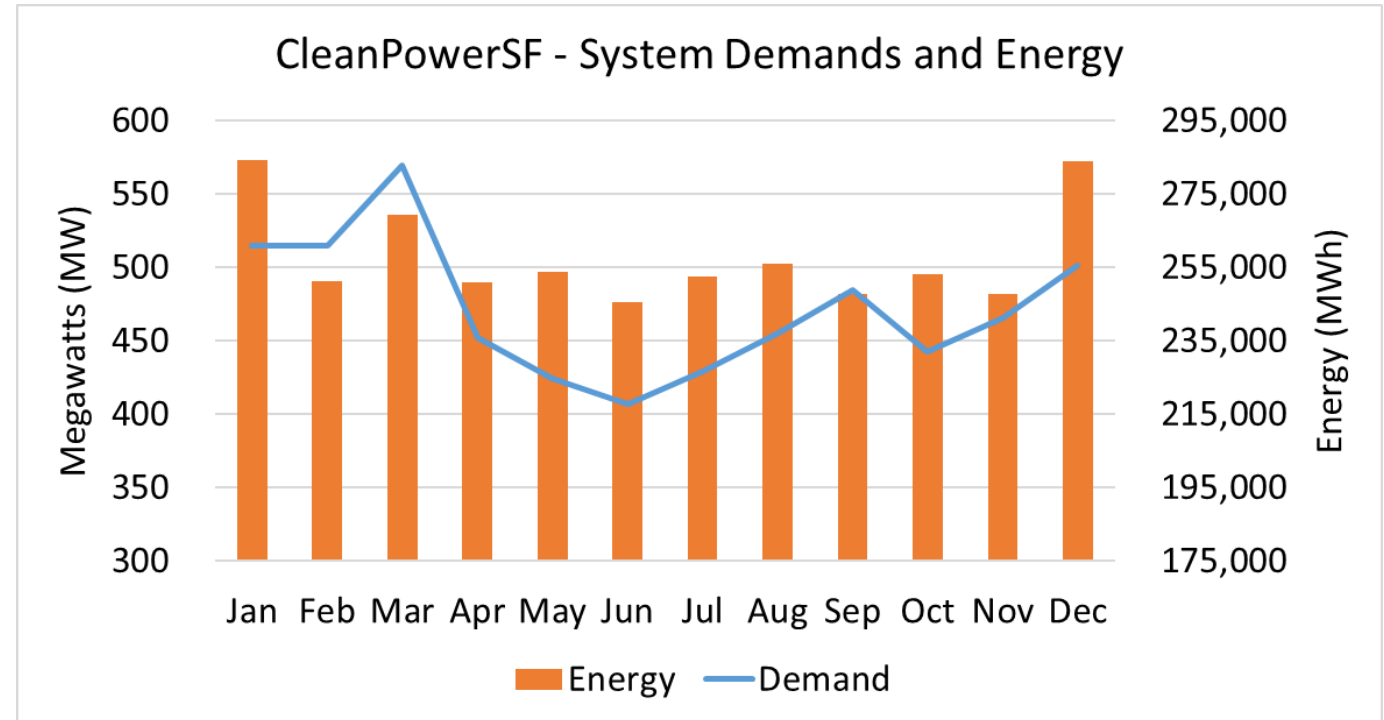
- Power Supply costs are fixed and variable.
 - Mostly market energy purchases (variable with load)
 - Including renewable energy contracts (PPA)
 - Fixed costs for capacity
- Purchasing RECs for Green/SuperGreen.



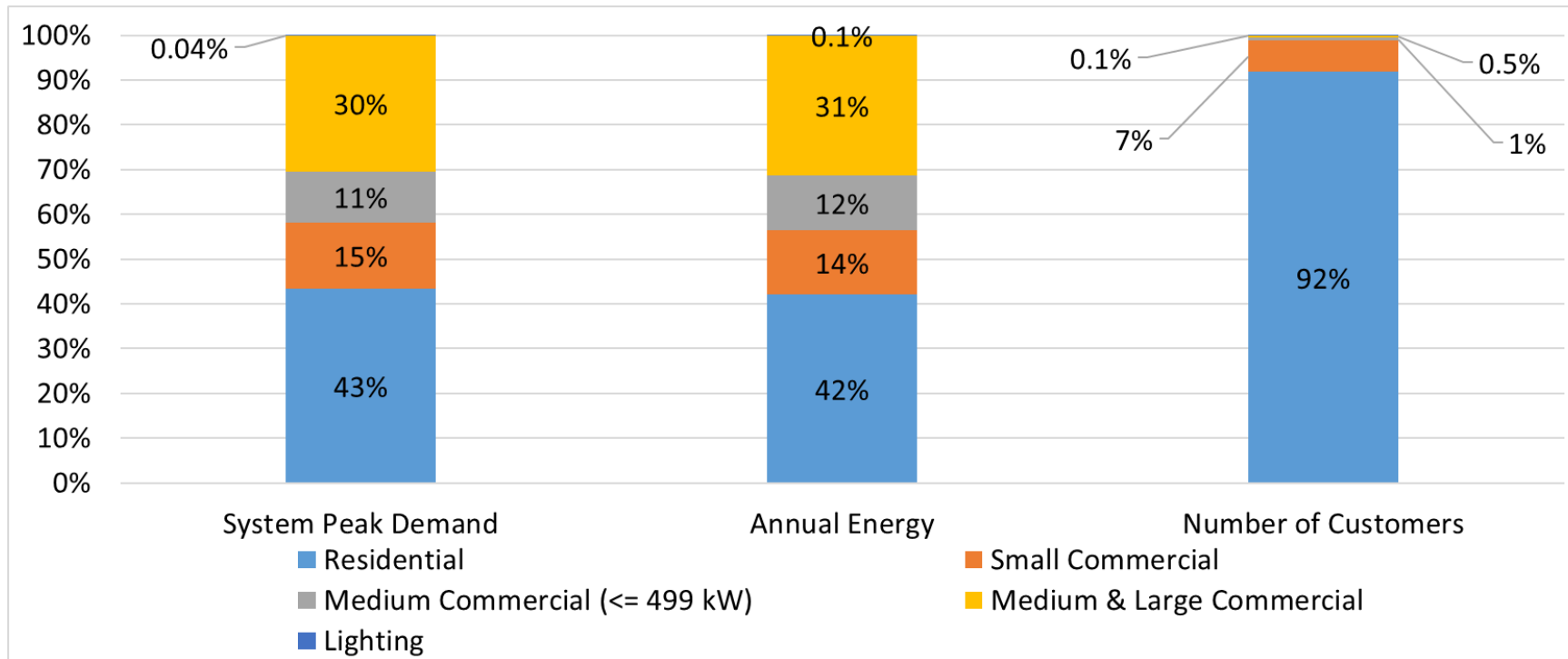
CLEANPOWERSF POWER SUPPLY COST ALLOCATION

Discussion:

- Use class contribution to the peak to allocate demand related costs.
- Class demand “Coincident Peak” (CP) with system:
 - How does each class contribute to the peak?
 - Use 12 months CP.
- Energy use by class used to allocate energy costs.



VARIATION IN CLASS ALLOCATION BY TYPE



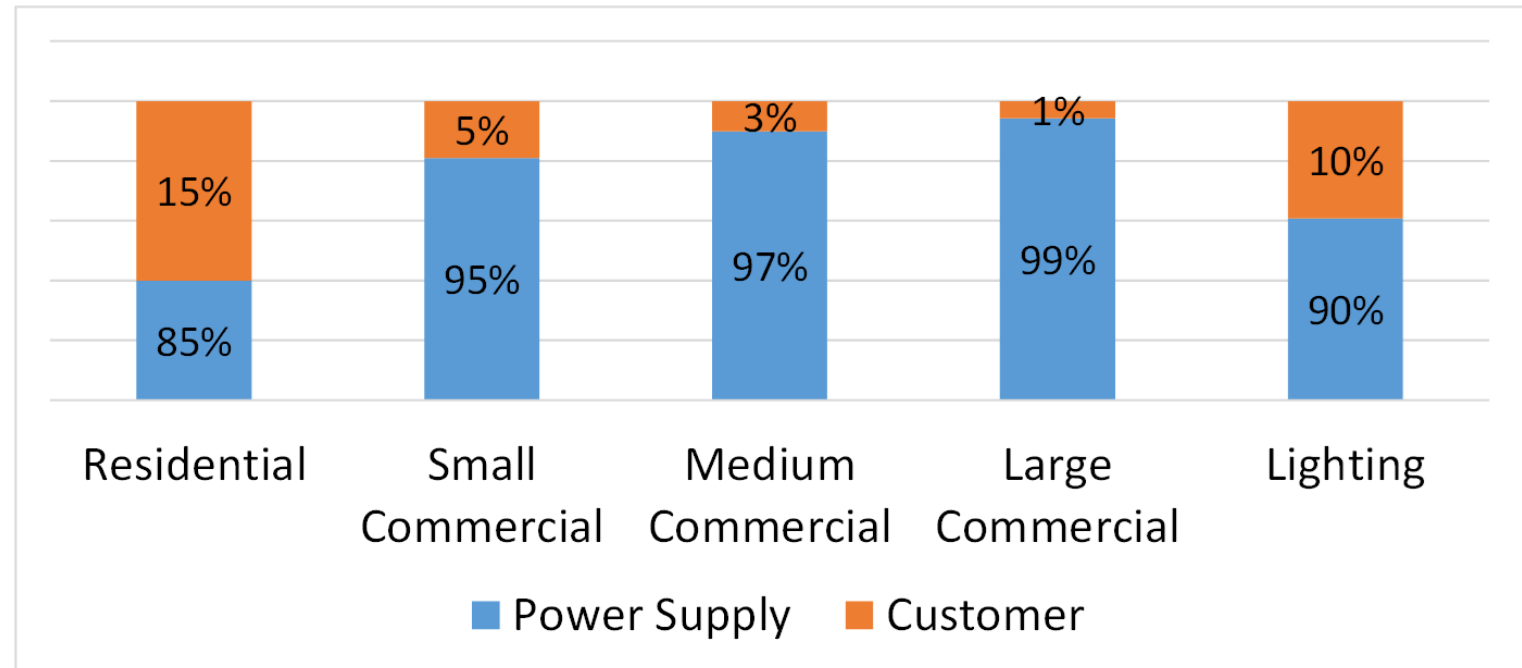
Allocate expenses according to cost causation:

- Demand related
- Energy related
- Customer related

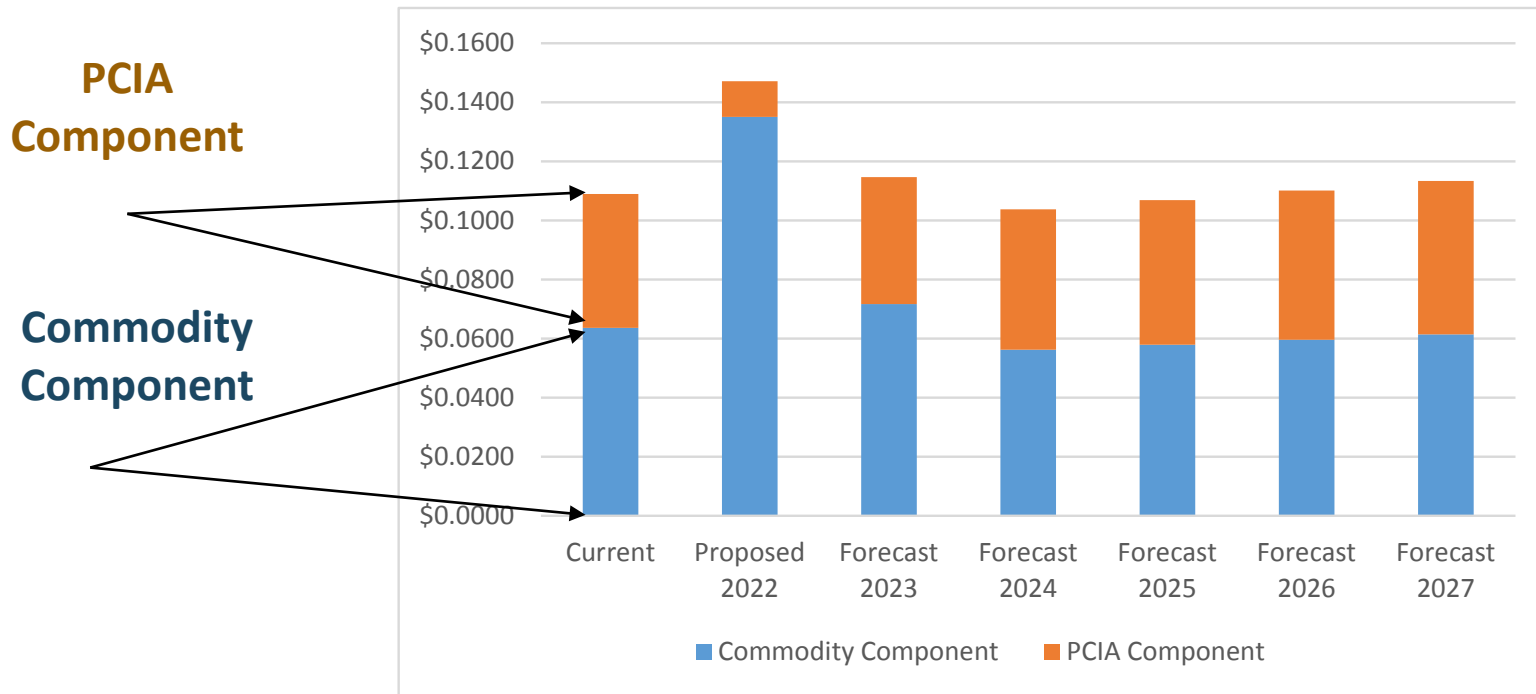
CLEANPOWERSF PRELIMINARY COST OF SERVICE

Discussion:

- Preliminary, still working through allocation process
- Higher % of power supply costs relative to customer costs for larger users
 - Excludes PCIA/FFS



VOLATILITY CHARACTERIZES PG&E BUNDLED RATES



PG&E Proposed Changes:

- Increase in Generation Rate
 - Increase in Market Prices
 - Recovering previous under-collection
- Decrease in PCIA/FFS
 - Increase in Market Value
 - Returning previous over-collection

PG&E RATE INCREASE ISSUES

- Potential favorable PG&E generation/PCIA rate change for 2022.
 - Under adopted rates authority, CleanPowerSF rates would be 15% above PG&E rates (accounting for PCIA), or at cost of service if lower.
 - Increase in margin to PG&E to recover high energy costs (2021) and reduce use of fund balance reserves.
- PG&E rate increase delayed to March 2022 (possibly).
 - Unknown if magnitude will be the same.
- CleanPowerSF rates will not change this fiscal year until/unless PG&E rates change.

CLEANPOWERSF RATE SETTING NEXT STEPS

- Uncertainty over PG&E rate increase:
 - Uncertainty for CleanPowerSF rates at end of FY2022
 - Impact to contribution to reserves/reserve balance
- SFPUC goals for rates:
 - Build to 150 days reserves in 2 years (floor)
 - Build to 180 days reserves in 4 years (target)
 - Mitigate against downside risk (higher expenses, lower revenues) via conservative assumptions/contingencies
 - Reduce margin vs. PG&E as much as possible

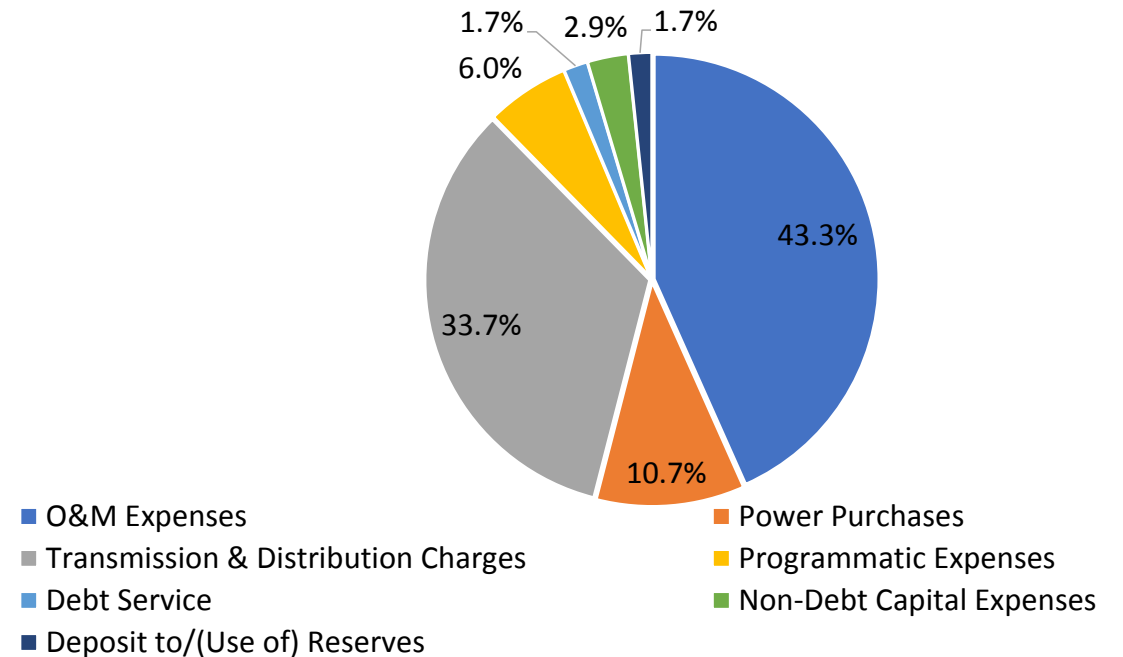
HETCH HETCHY POWER REVENUE REQUIREMENT – 2 YR. TY

Hetch Hetchy Power (\$000)	
O&M Expenses	\$92,134
Power Purchases	\$22,707
Transmission & Distribution Charges	\$71,565
Programmatic Expenses	\$12,769
Debt Service	\$3,682
Non-Debt Capital Expenses	\$6,252
Total Expenses	\$209,109
(Less Other Revenues)	(\$41,717)
Deposit to/(Use of) Reserves	\$3,529
Total	\$170,921

Discussion:

- 2 Year Test Year/2 Year Rate Plan
- Objective to achieve Debt Service Coverage (1.1x)
- Transmission and Distribution charges from PG&E

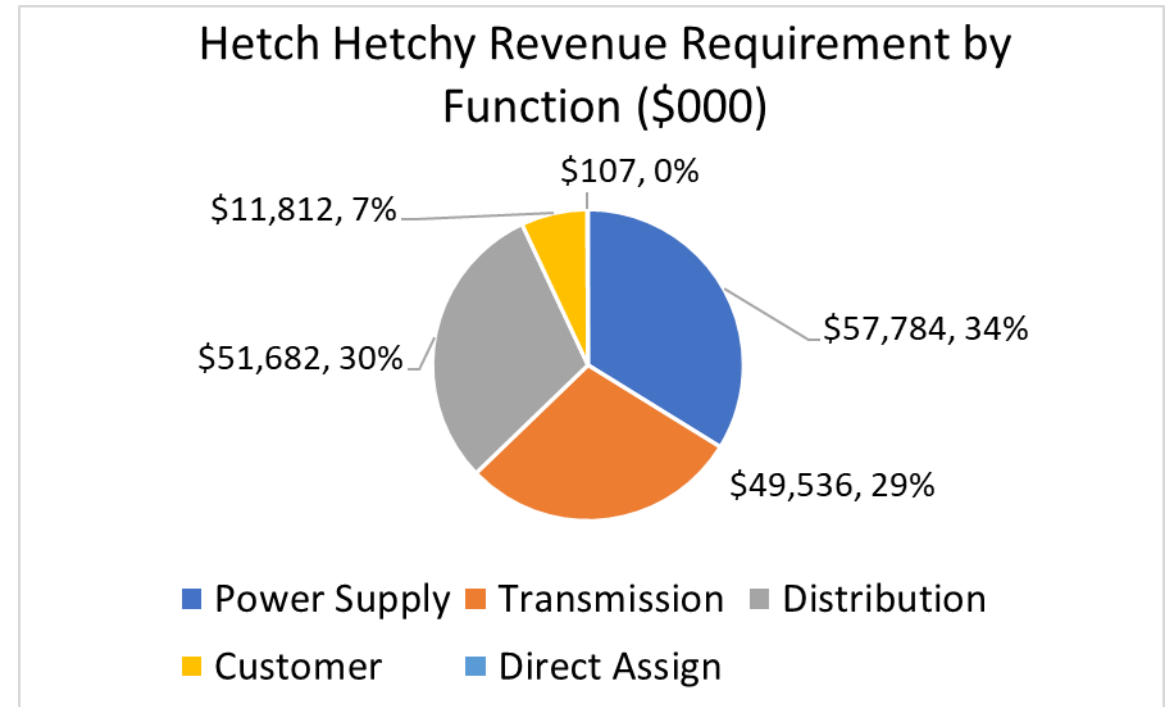
Revenue Requirement (2 Year)



HETCH HETCHY POWER – BY FUNCTION

Discussion:

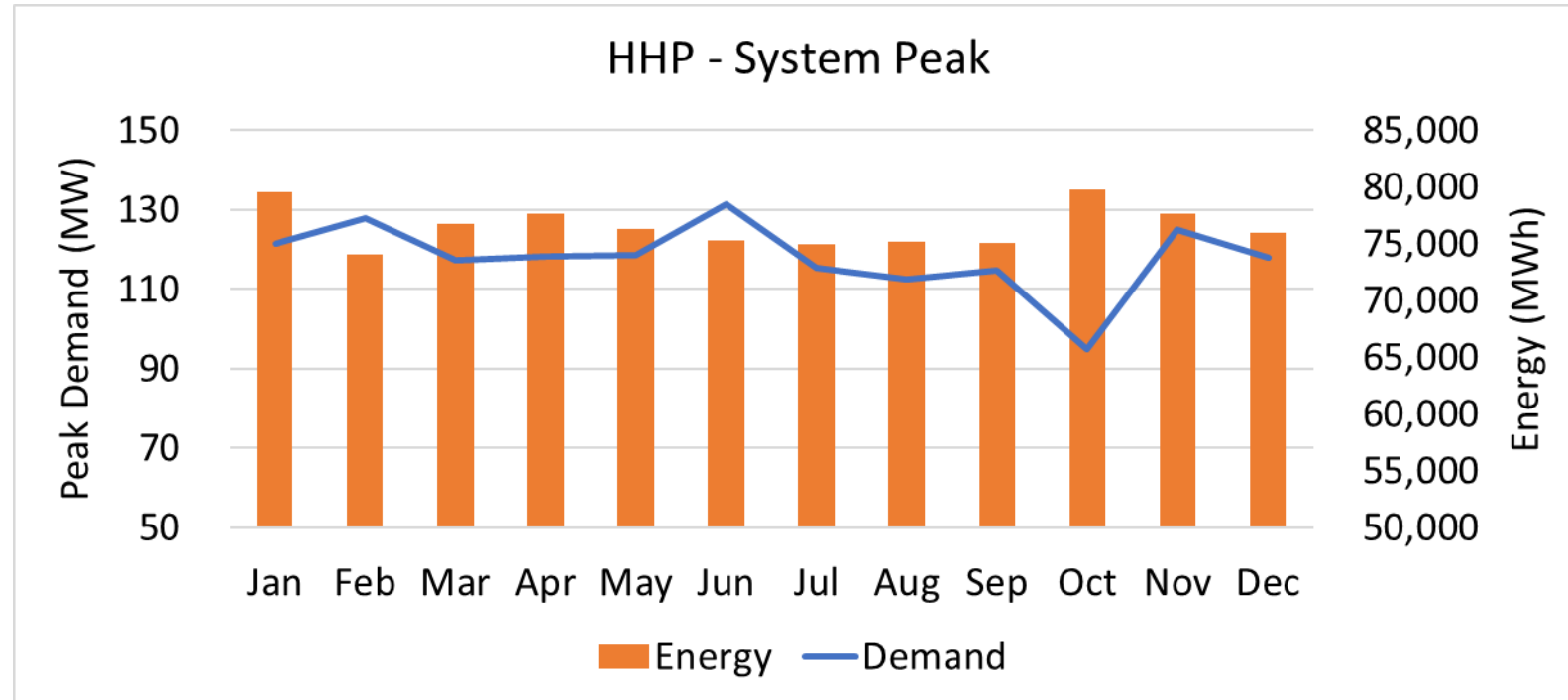
- Power Supply:
 - Capacity
 - Market Purchases
- Transmission:
 - Upcountry and downcountry assets
 - CAISO charges/fees
- Distribution:
 - Downcountry only
 - Incorporates Line Extension (50% cost share)
 - Increased WDT charges included
- Customer:
 - Downcountry labor
 - Customer service/accounting



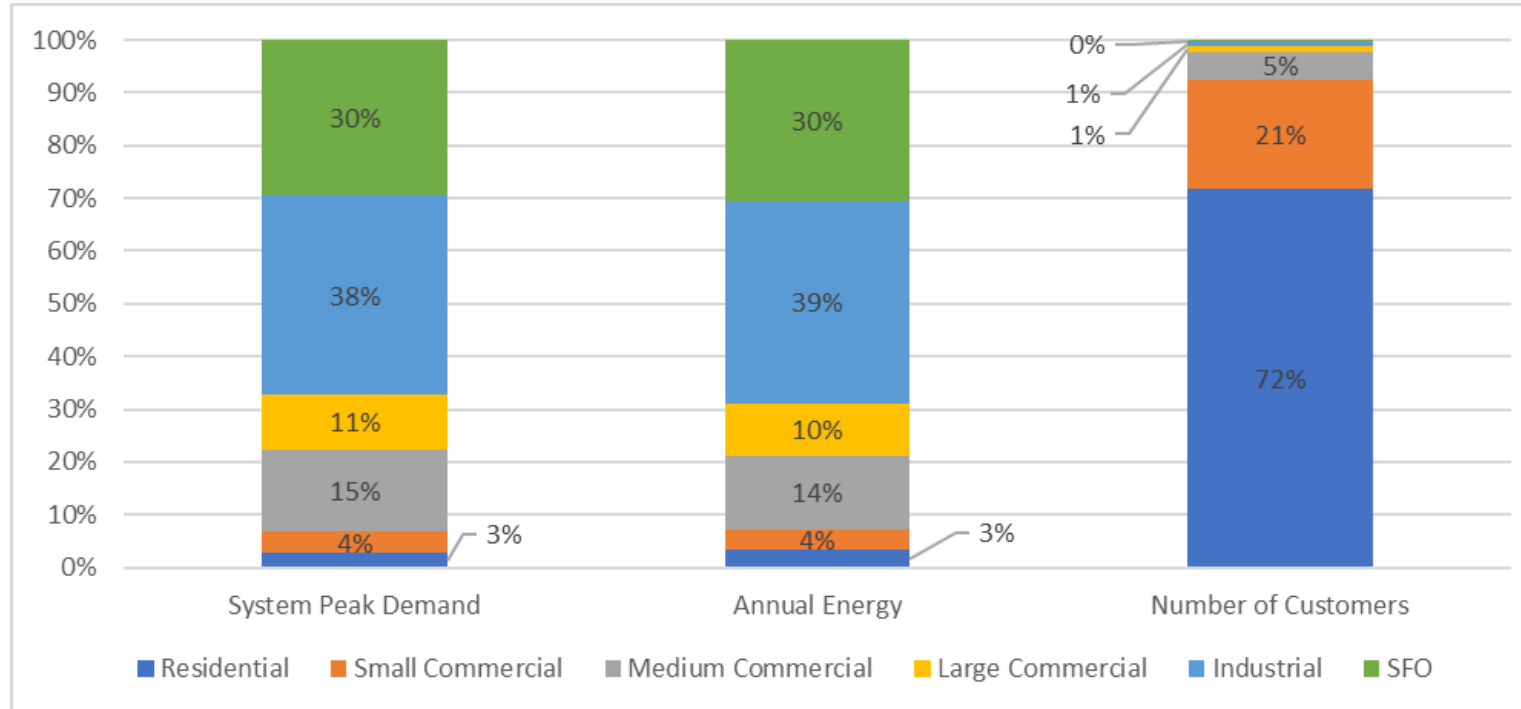
HHP DEMAND COST ALLOCATION

Discussion:

- Use class contribution to the peak to allocate demand-related costs
- Airport (SFO) and Industrial > 65% @ System Peak
- Residential very small contribution (<1%)



HHP DEMAND COST ALLOCATION



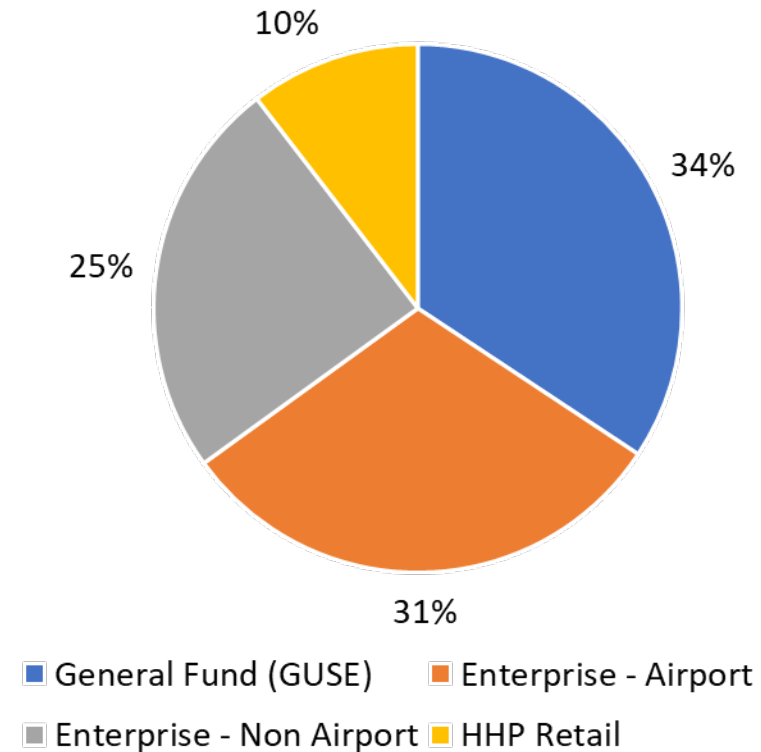
Allocate expenses according to cost causation:

- Demand related
- Energy related
- Customer related

HETCH HETCHY POWER RATE CLASSES (TRANSITION)

General Fund (GUSE)
Small Commercial
Medium Commercial
Large Commercial
Industrial
Enterprise
Residential
Small Commercial
Medium Commercial
Large Commercial
Industrial/Large Commercial (> 1,000 kW)
Airport (SFO)
Retail
Residential
Small Commercial
Medium Commercial
Large Commercial
Industrial

Existing HHP Customer Classes (by Sales)

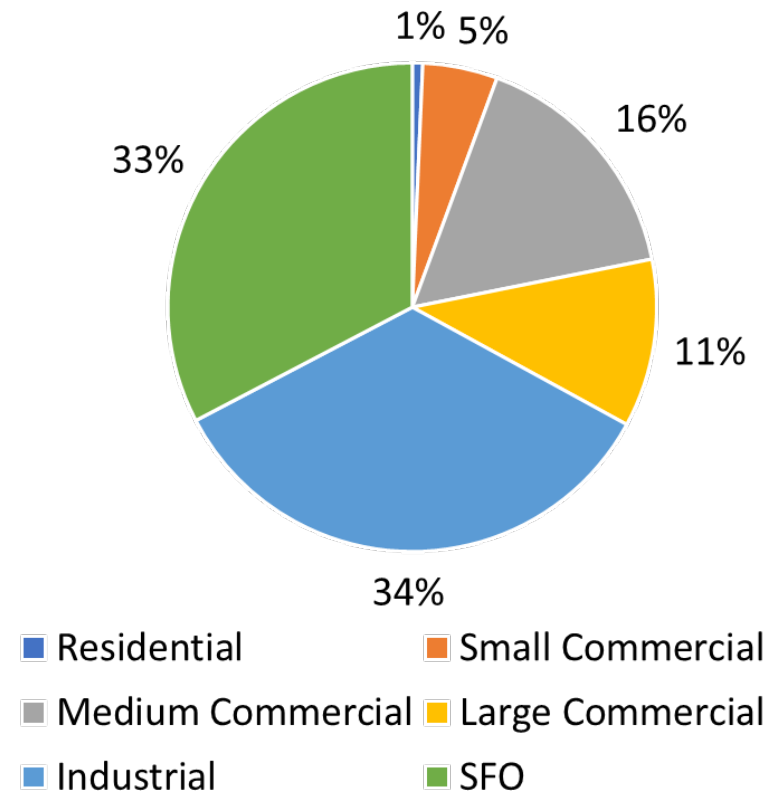


HETCH HETCHY POWER RATE CLASSES (PROPOSED)

HHP Rate Design:

- Standardized customer classes
- Seasonal, time-of-use, and tiered rates, as appropriate
- One rate change per fiscal year
- Options for electric vehicles, all-electric, net energy metering, RPS-eligible tariffs, etc.
- Low-income rates

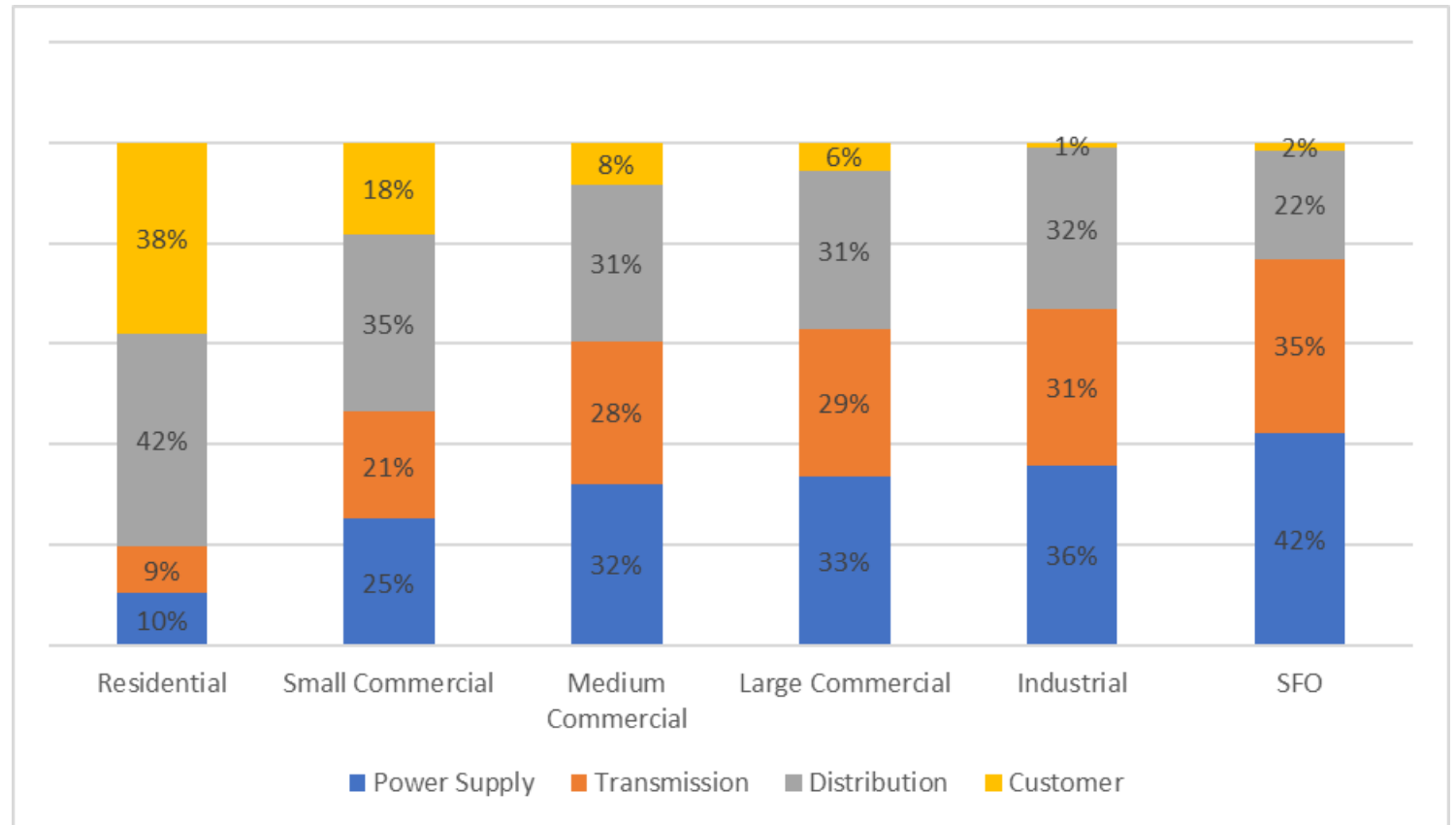
Proposed HHP Customer Classes (by Sales)



HHP PRELIMINARY COS RESULTS

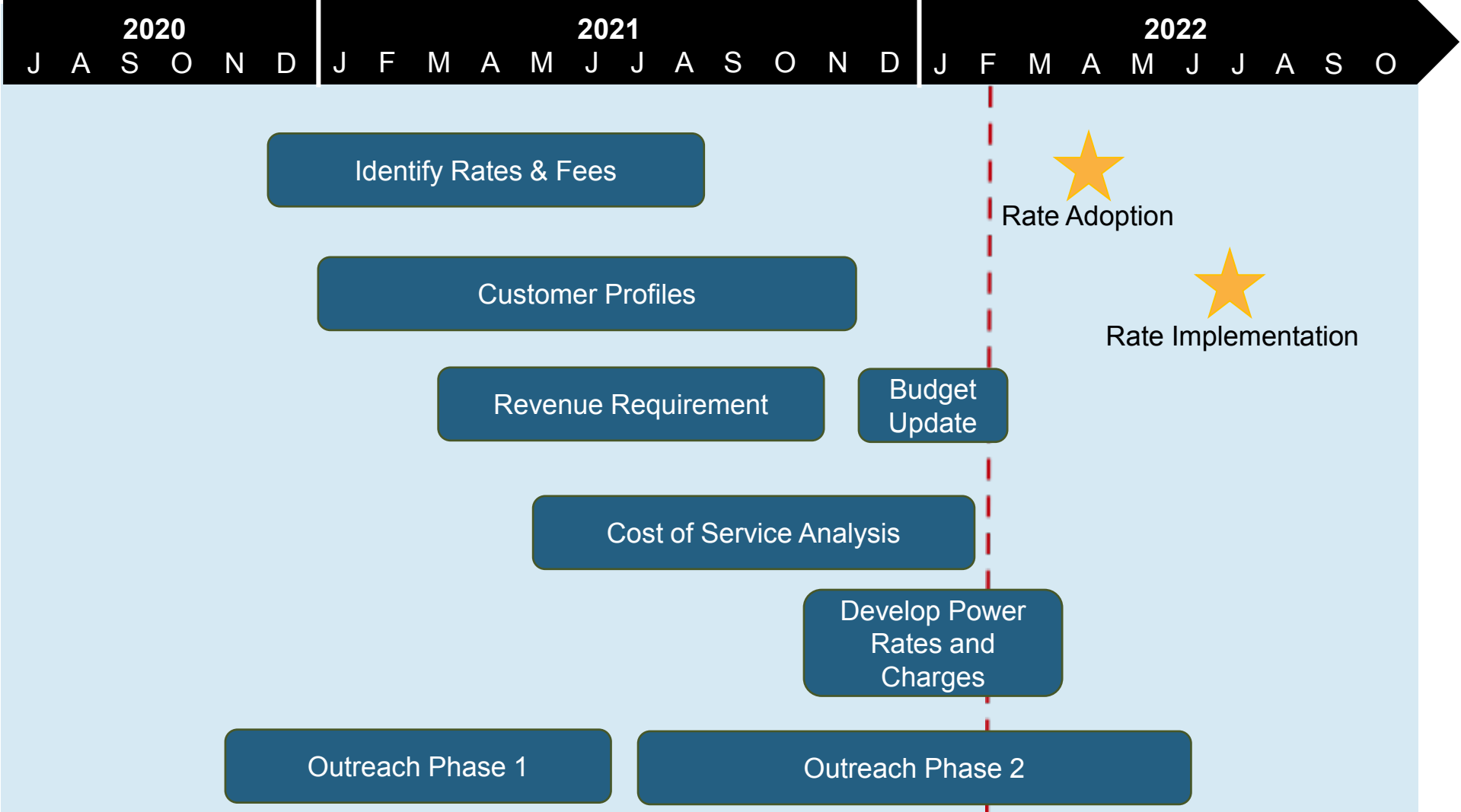
Discussion:

- Preliminary, still working through allocation process.
- Expect to see larger contribution for customer for residential.
- Expect to see lower contribution for distribution for larger customers.



WRAP UP

POWER RATE STUDY TIMELINE



WRAP UP

- Next Steps in process:
 - Finalize COS next week
 - Begin Rate Design
- Next meeting
 - TBD