

# Rate Fairness Board: Report and Recommendations on Staff proposed power rates and water/wastewater rates

Presentation at Commission meeting  
23 May 2023



# Rate Fairness Board

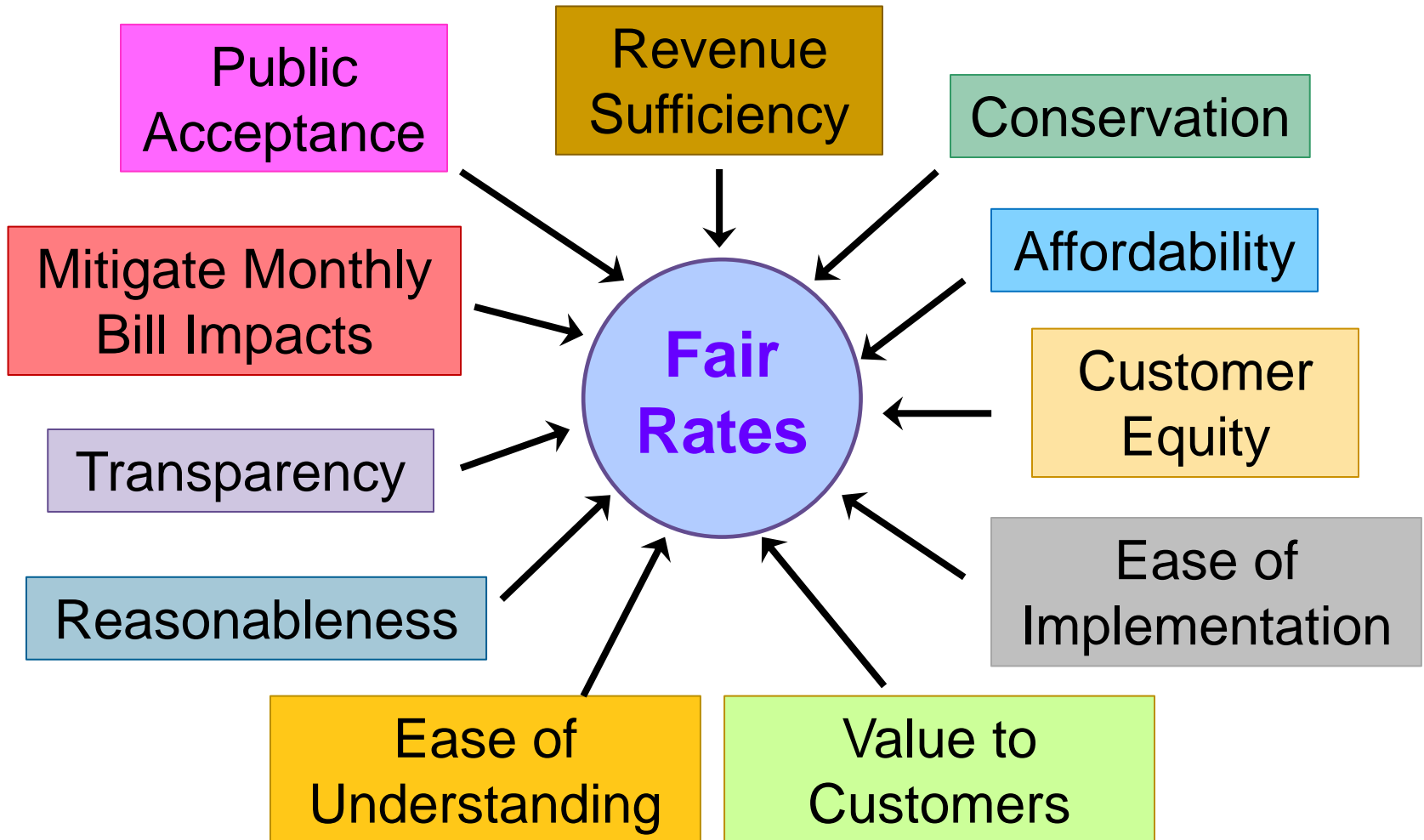
Name	Position / Title	Appointed by
VACANT	Residential Ratepayer	Mayor
VACANT	Large Business Representative	Mayor
Howard Ash (chair)	Residential Ratepayer	Bd. Of Supervisors
VACANT	Small Business Owner	Bd. Of Supervisors
Trisha McMahon	Budget & Planning Manager	City Administrator
Ken Hinton	Budget & Revenue Analyst	Controller
Vishal Trivedi	Financial Analyst	Controller's Office of Public Finance



# Rate Fairness Board (charter)

- 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

# Multiple Rate Objectives





# Two decades of positive change

*SFPUC has moved toward traditional utility service role*

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

<b>SFPUC function/attribute</b>	<b>2001</b>	<b>2023</b>
General Fund departments pay for water	NO	YES
SFPUC \$ transfers to General Fund	YES	NO
SFPUC \$ transfers among departments	Probably	NO
Independent rate studies	NO	YES
Customer Assistance Programs (water, sewer, power)	NO	YES
Rates designed to encourage conservation	Not really	YES
SFPUC bonding authority	Voters	Bd. Of Sups.
SFPUC departments have independent credit ratings	NO	YES
Standardized utility-type accounting practices	NO	YES

# RFB Views on Staff Proposal

## Water & Wastewater

- 3 years of rates (instead of 4 or 5): Reasonable, given economic and hydrological uncertainties and review of long-term capital plan ✓

## Water

- Maintain existing tiers for SFR and MFR ✓
- Predictable annual rate increases for 3 years, to reflect current costs and the continued move toward full cost-of-service rate ✓
- Not much difference in rate between residential water tiers (~\$1, or ~10%).
  - Similar cost of service vs. conservation incentives ✓

# RFB Views on Staff Proposal

## Wastewater

- Predictable rate increases, mostly related to SSIP ✓
- Changes to cost allocations are mostly small ✓
- High Fund Balance in early years decreases in later years with higher debt service
  - Rate stability vs. Affordability ✓ ?
  - Future fund balance projections are uncertain
  - Is there a different balance of objectives?
- Stormwater charge and credit program is well designed, relatively simple, and “fair” in and of itself ✓
  - Pros outweigh the cons
  - Small customer impacts are the result of a shift of costs from variable charge to fixed charge

# RFB Views on Staff Proposal

## Fire Service

- Yet another change in cost allocation methodology (each consultant does it differently). Rates remain relatively low and stable, despite changes in methodology. ✓

## Hetch Hetchy power rates for Tuolumne County

- Relatively large increase, but a move toward cost-of service rates ✓
- These are SFPUC properties – an opportunity to invest to reduce consumption



A big **Thank you** to:

- Staff
- RFB members
- Our consultants:
  - Raftelis
  - McGovern McDonald

Questions ?