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

Presentation at Commission meeting  
9 May 2023



# Rate Fairness Board

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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



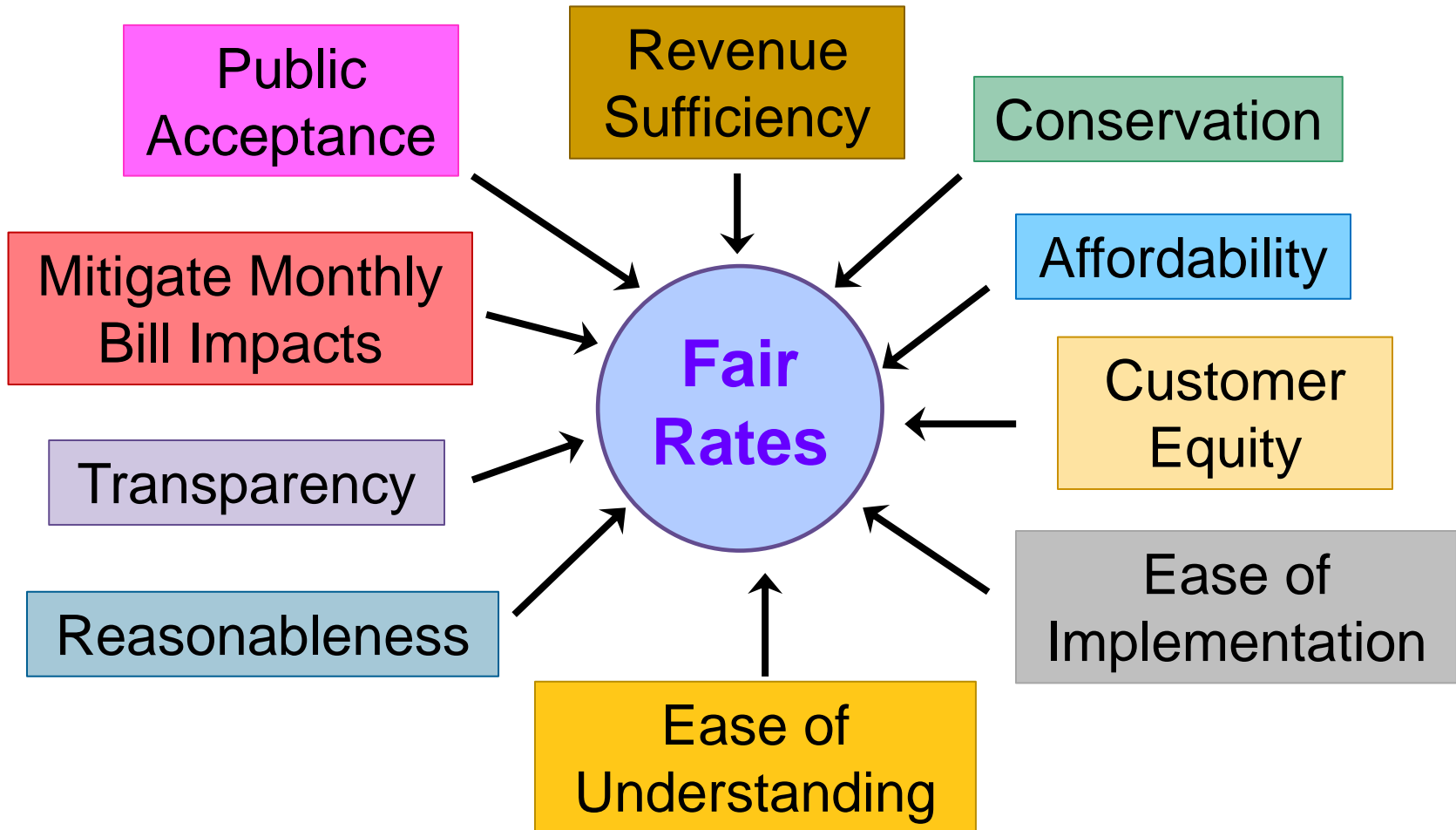
# Rate Fairness Board (charter)

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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

# Multiple Rate Objectives

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# 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

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<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
Low-income rates (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

# Views on Current Power Rate Proposal

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Last year saw many changes:

- First independent cost-of-service study for Power Enterprise
- 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
  - ♦ New tiers for residential: size of blocks (below average, above average, very high)
  - ♦ Different summer v. winter block sizes
  - ♦ New all-electric rate schedule and a pilot EV-only rate
  - ♦ Maintain monthly customer charge (and the programs funded with these dollars), with phased increase toward Cost of Service Discounts for high-voltage customers
  - ♦ 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
  - ♦ Simplify the Super Green program
  - ♦ Build fund reserve towards SFPUC target

# Views on Current Power Rate Proposal

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## Clean Power SF

- Duration of Rate Proposal
- Generation rates based on internal cost of service, not tied to PG&E
- Generally lower than corresponding PG&E rate
  
- After the many changes last year, the staff's current proposal is essentially "ministerial" – updating rates to reflect current costs, and continuing trends toward full cost-of-service rates for all customer classes
- This "grand experiment" seems to be working



# Staff Water & Wastewater Proposal

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## Water

- Maintain existing tiers for SFR and MFR (consultant proposed increases)
- Postpone implementation of an “Irrigation” rate
- Predictable annual rate increases for 3 years, to reflect current costs and the continued move toward full cost-of-service rates
- Other ??

## Wastewater

- Predictable rate increases, mostly related to SSIP
- Changes to cost allocations?
- Stormwater charge and credit program
- Other ??

Fire Service: Decrease in most rates, due to changed cost allocation methodology



## Water

- 3 years of rates? Why not 4 or 5 ?
- Not much difference in rate between residential water tiers. Does this encourage conservation?
- ZZZ
- ZZZ

## Wastewater

- Stormwater charge and credit program is well-thought-out, relatively simple, and “fair” in an of itself. Do we need or want this, given the “winners” and “losers”
- BBB
- CCC

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

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A big “Thank you” to:

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

Questions ?