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Update on Power Rates

March 22, 2024
Matthew Freiberg, Rates Manager

What is a Rate Study: Basic Tasks

Revenue Requirement

- Determines the total revenue required to operate and maintain facilities, cover capital expenses, and support the SFPUC's financial policies

Cost of Service Analysis

- Allocates costs to functional buckets and then allocates functionalized costs to customer classes based on usage factors

Rate Design

- Develops specific rates and charges for customer classes that achieve SFPUC policy goals while meeting full cost recovery

Timeline for Spring 2024

February	March	April	May
Cost of Service Update	Rate Design Update		
		Develop Staff Report	
		2nd RFB Meeting	
		3rd RFB Meeting	
		★ *April 19* Commission Material Submission Deadline	★ *May 14* Commission Hearing

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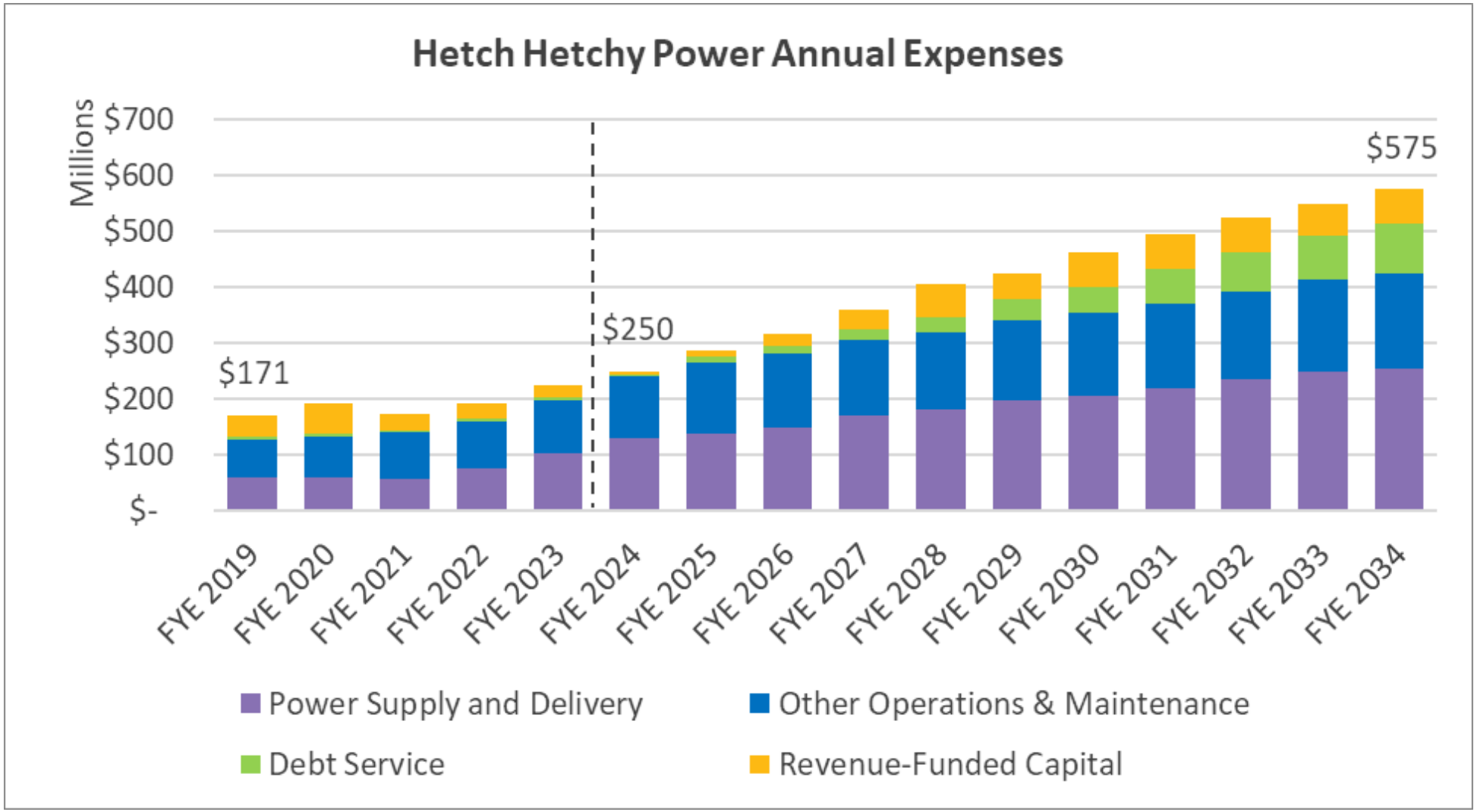
Hetch Hetchy Power

Hetch Hetchy Power Expenditure Growth



Purchased Power Supply & Delivery Costs are Primary Cost Drivers

Purchased Power Supply
- Power purchases from contracts or open market

Transmission Access Charges
- Payments to CAISO to use non-owned transmission grid

Wholesale Distribution Tariffs
- Payments to PG&E to use in-city distribution system

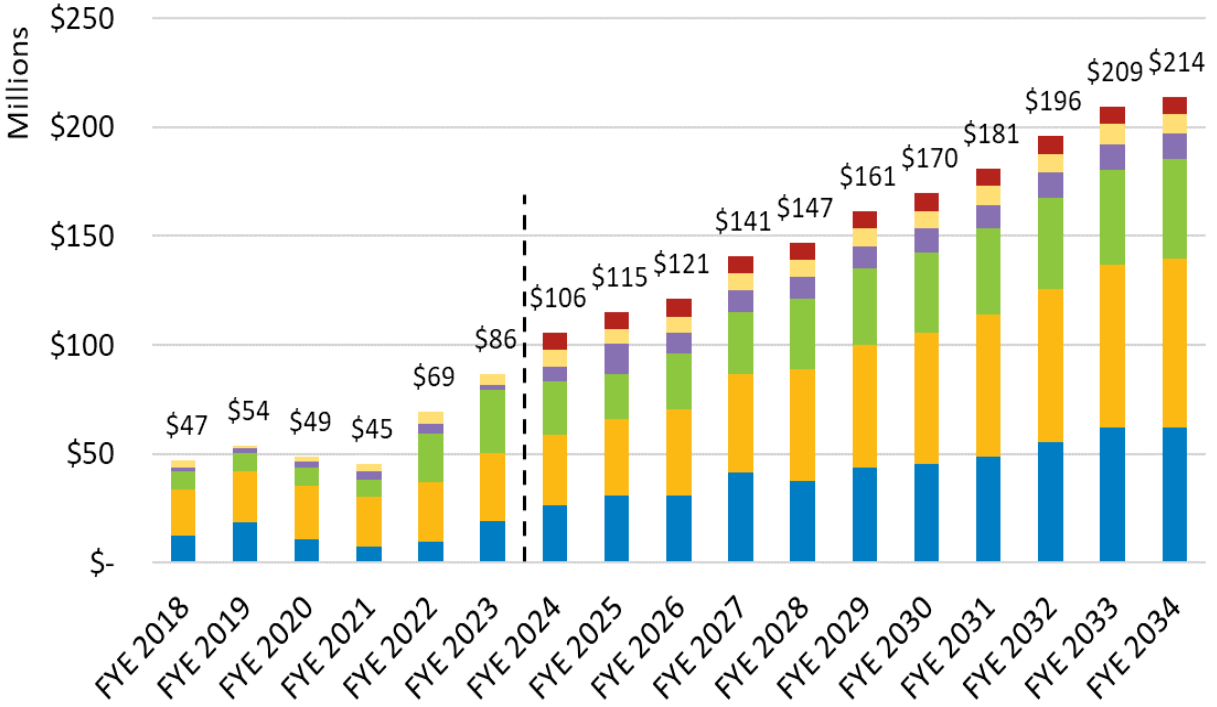
Purchased Resource Adequacy
- Power attribute for local/stable power supply to meet regulatory requirements

Miscellaneous Fees
- CAISO fees not based on volumes

Power Supply Contingency
- Budgeted amount to cover cost overages

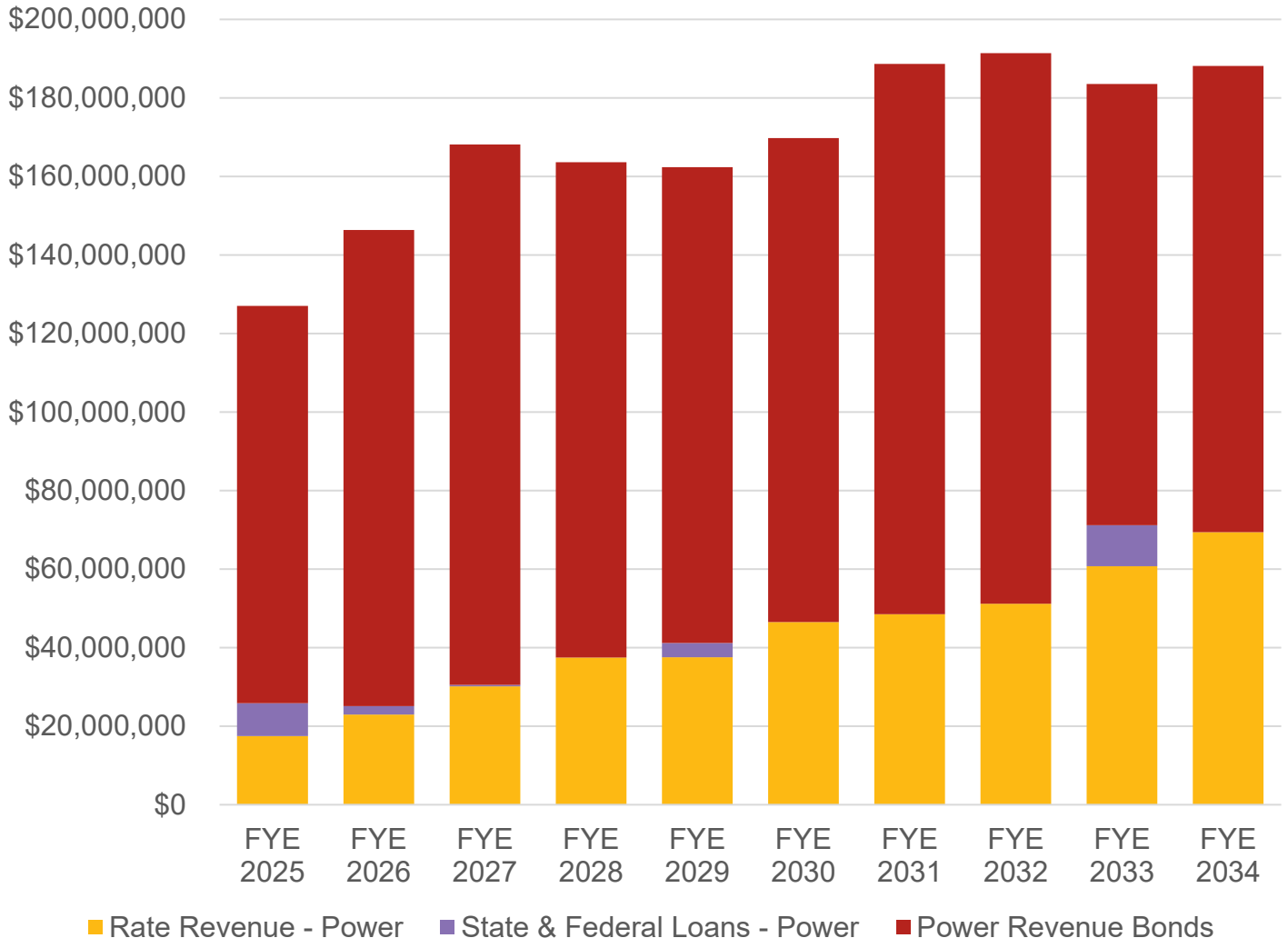
Hetch Hetchy Power Purchased Supply & Delivery Costs

(Subset of Operating Expenses)



Rate increases largely driven by **hard to predict purchased power supply and delivery**, price increases and volume increases (more electric demand/customer growth)

Hetchy Power's $1.6B Capital Spending Plan



Key Hetchy Power Projects:

	Total in Plan ($ millions)
Moccasin Penstock Rehabilitation	$332.2
SFO Substation	$248.6
Carbon Free Steam	$216.7
Intervening Facilities	$216.3
Distribution Services	$183.1
GC Grid Connections	$132.8
Moccasin Powerhouse and GSU Rehabilitation	$100.5

Hetch Hetchy Power – Cash Flow

($M)	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034
Beginning Fund Balance	**$ 189.3**	**$ 179.3**	**$ 150.8**	**$ 133.6**	**$ 124.4**	**$ 128.6**	**$ 146.8**	**$ 149.1**	**$ 152.8**	**$ 157.9**	**$ 169.5**
Sources											
Power Sales - Retail	164.8	202.5	239.7	289.6	339.9	373.1	400.5	433.4	464.6	493.2	508.9
Power Sales - Wholesale	38.2	18.9	20.1	17.5	15.1	16.4	16.5	17.4	16.6	16.1	16.2
Gas & Steam Sales	24.7	23.7	28.3	31.4	34.5	35.9	37.0	38.1	39.2	40.4	41.6
Water Sales	2.6	2.8	3.1	3.3	3.5	3.7	3.9	4.0	4.2	4.4	4.5
Hetchy Transfer	46.3	49.2	52.2	53.7	55.7	57.4	59.2	61.1	63.1	65.2	67.3
Other Misc Income	14.9	19.4	23.8	18.6	16.0	14.4	13.2	18.4	19.2	16.4	17.6
Total Sources	**$ 291.5**	**$ 316.6**	**$ 367.2**	**$ 414.1**	**$ 464.7**	**$ 500.9**	**$ 530.1**	**$ 572.5**	**$ 606.8**	**$ 635.6**	**$ 656.1**
Uses											
Power Supply & Delivery Charges	129.9	138.3	148.7	171.5	181.0	196.7	206.1	218.5	234.5	249.2	255.0
Other Operations & Maintenance	162.3	174.2	182.9	187.6	193.5	201.7	208.3	215.1	222.2	229.5	237.1
Debt Service	3.5	10.5	13.6	17.7	25.9	38.1	47.4	61.0	69.7	82.4	92.2
Revenue-Funded Projects	5.9	22.0	39.2	46.4	60.0	46.2	66.2	74.2	75.4	63.0	69.4
Total Uses	**$ 301.5**	**$ 345.0**	**$ 384.4**	**$ 423.2**	**$ 460.5**	**$ 482.7**	**$ 527.9**	**$ 568.8**	**$ 601.8**	**$ 624.0**	**$ 653.7**
Net Revenues	**$ (10.0)**	**$ (28.5)**	**$ (17.2)**	**$ (9.1)**	**$ 4.2**	**$ 18.2**	**$ 2.2**	**$ 3.7**	**$ 5.1**	**$ 11.6**	**$ 2.4**
Ending Fund Balance	**$ 179.3**	**$ 150.8**	**$ 133.6**	**$ 124.4**	**$ 128.6**	**$ 146.8**	**$ 149.1**	**$ 152.8**	**$ 157.9**	**$ 169.5**	**$ 171.9**
Projected Schedule of Rate Adjustments (Non-GUSE)		**14.0%**	**10.0%**	**9.0%**	**9.0%**	**5.0%**	**4.0%**	**4.0%**	**3.0%**	**3.0%**	**3.0%**
Debt Service Coverage (Current)	-0.28	0.07	1.99	2.90	3.26	2.59	2.40	2.16	2.05	1.86	1.73
Debt Service Coverage Target	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10

High Level Changes to Hetchy Power Rates

Consolidation of Rates

Updates to Shoreside Power Rates

Adjustments to General Use (GUSE) Rates

Adjustments to Retail Rates

Changes to Hetchy Power Rate Structure

Consolidation of Rates

- Any old rate tariffs that are identical will be merged
- Combining non-residential accounts that have low-income discounts to all have the same benefit
- Old master metered Residential rates moved to Commercial

Proposed Updates to Shoreside Power Rates:

- Goal to simplify forecasting of annual effective rates and reducing the seasonal variation
- Shift costs from demand to energy, in line with other industrial rates
- All demand charges are shifted to max demand rather than peak and off peak

Proposed Non-GUSE Rate Increase

Maintain 14% Rate Increase

- Risks over-collecting revenues, but could allow lower increases in prior years
- Safest for financial stability and debt service coverage
- Avoids risk from growth not happening or bill data not matching to future usage patterns

Lower Rate Increase to 9.5%

- Assumes all growth in financial plan happens on schedule and is in line with current usage patterns – financially risky
- Most rate relief for non-GUSE customers
- Might require higher-than planned increase later to compensate for under-collection

Middle Option = 12% Increase

- Allows messaging of “we lowered rates from prior plan”
- Preserves some room for changes in usage patterns, delays

Key Considerations:

- Revenue requirement driven by debt service coverage need
- We can change future year rates if under- or over-collect in FYE 25
- Lower rates offer relief for non-GUSE customers
- Time-of-use and demand charges in rates complicate revenue forecasting even with accurate growth projections

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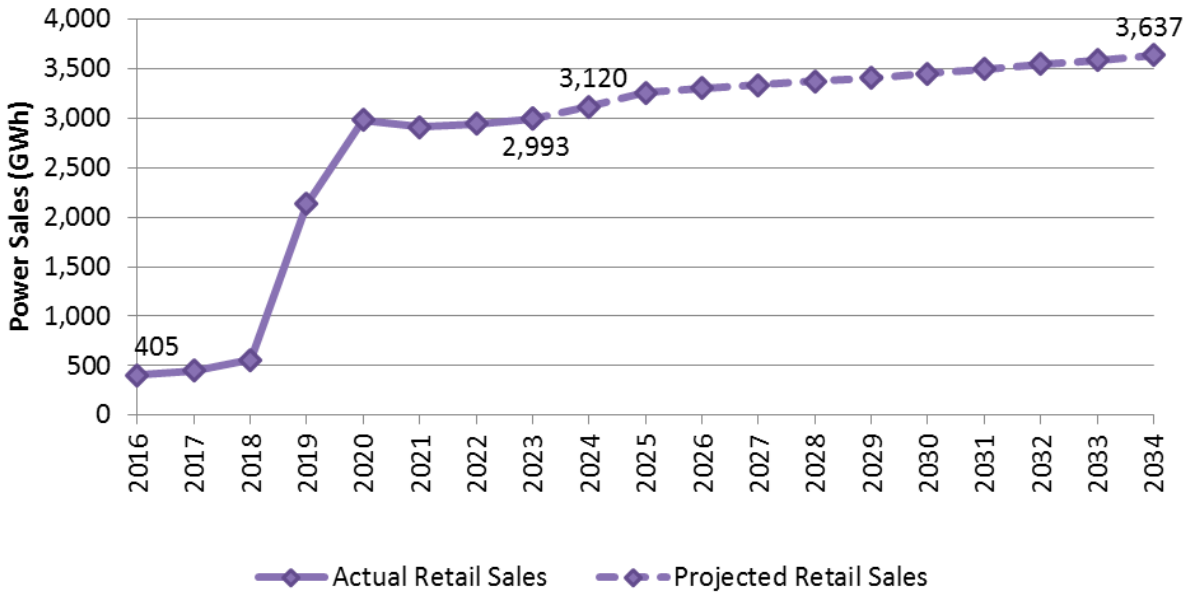
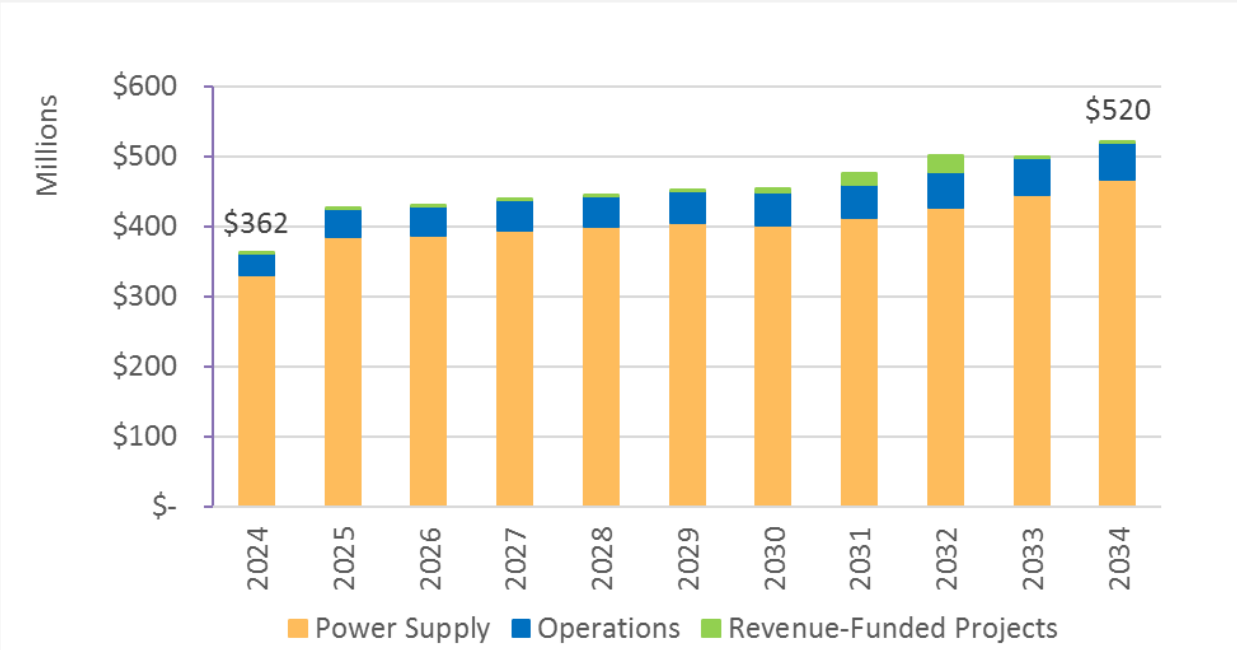
CleanPowerSF

CleanPowerSF – Expense Forecast

Power Sales Volumes



Total Expenses

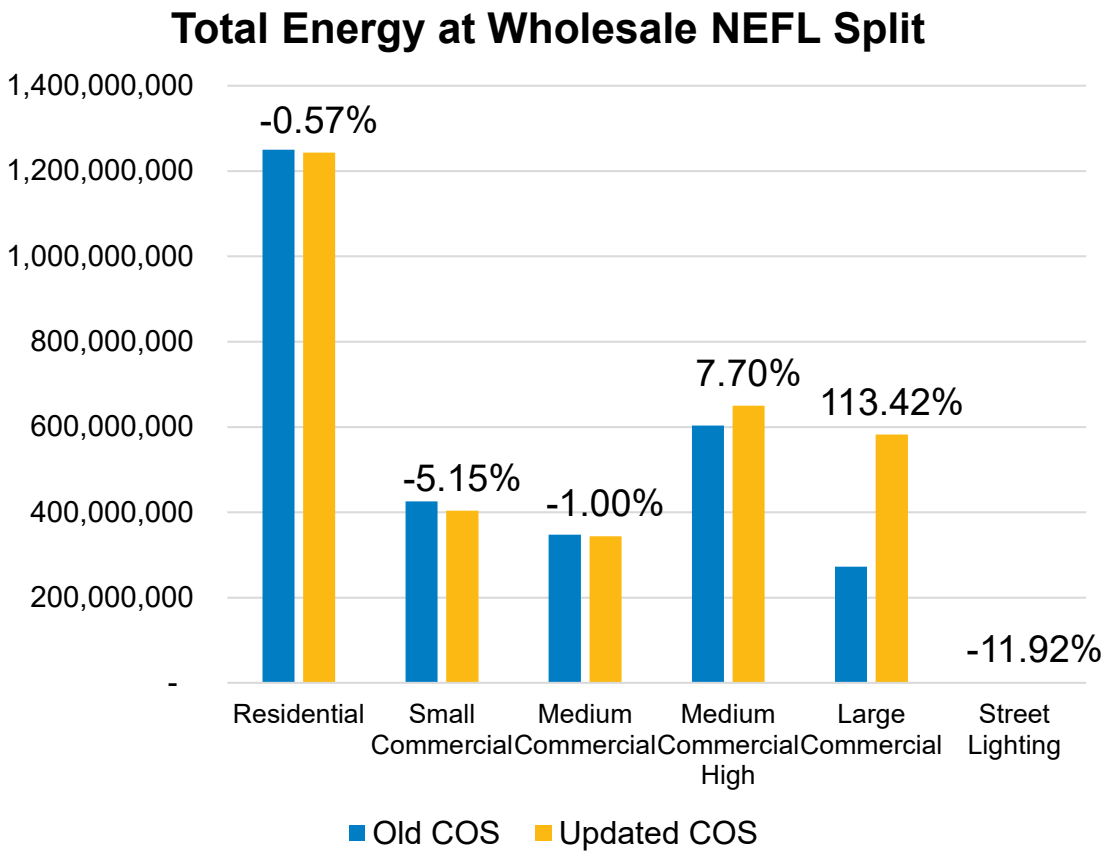


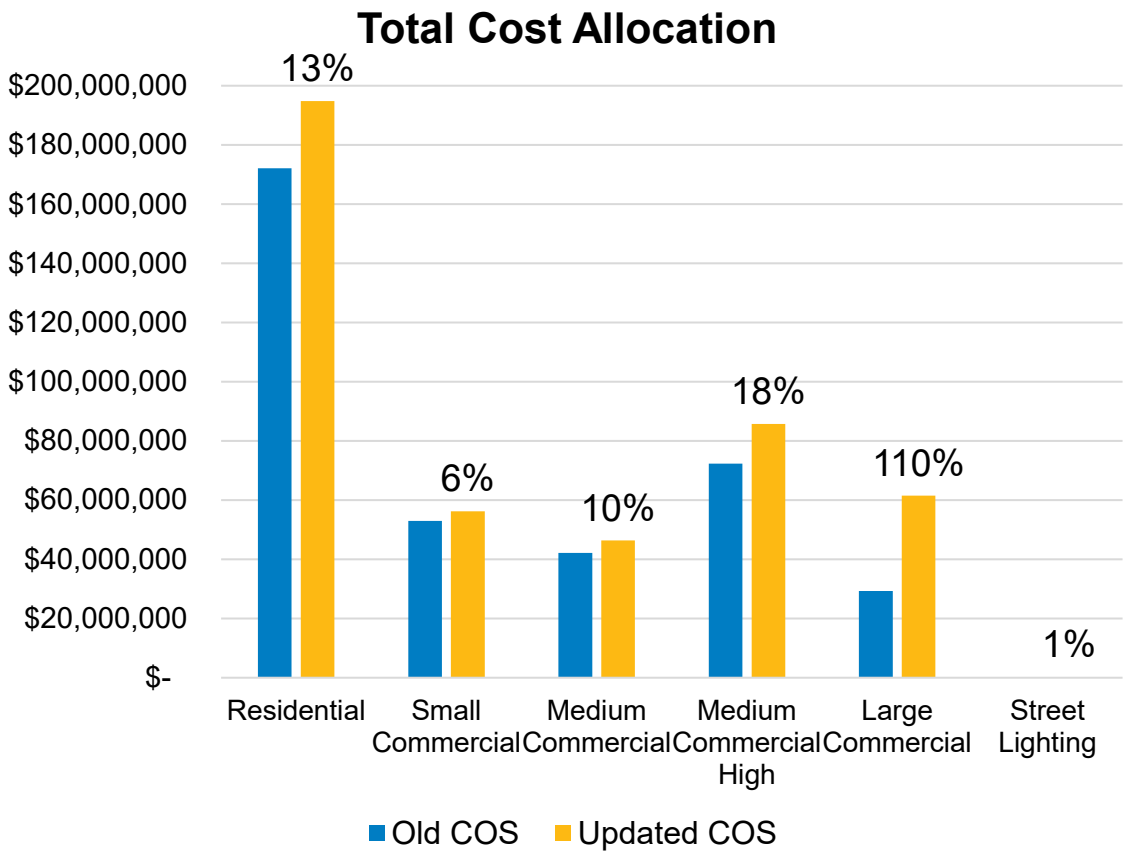
- Increased sales FYE 2024-25 due to new commercial customer signups
- Moderate growth from electrification, population growth projected
- Large increase in supply costs in recent years expected to level off but not drop

CleanPowerSF – Cash Flow

($M)	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034
Beginning Fund Balance	**$ 90.1**	**$ 125.3**	**$ 164.5**	**$ 199.5**	**$ 230.4**	**$ 261.1**	**$ 290.0**	**$ 321.3**	**$ 337.0**	**$ 334.7**	**$ 341.5**
Sources											
Retail Power Sales	383.2	448.8	458.9	463.9	469.4	473.1	479.5	486.1	493.3	498.2	505.6
Wholesale Sales	11.6	11.1	0.0	0.0	0.7	1.1	0.4	0.0	0.0	0.0	0.0
Other Miscellaneous Income	1.5	4.2	4.4	4.5	4.6	4.8	4.9	5.1	5.2	5.4	5.5
Total Sources	**$ 396.3**	**$ 464.1**	**$ 463.3**	**$ 468.4**	**$ 474.8**	**$ 479.0**	**$ 484.9**	**$ 491.2**	**$ 498.5**	**$ 503.6**	**$ 511.2**
Uses											
Power Supply	328.9	385.0	386.2	394.2	399.4	403.8	400.4	411.4	427.3	445.1	466.5
Operations	30.6	39.4	41.5	42.8	44.2	45.6	47.0	48.5	50.0	51.6	53.3
Revenue-Funded Projects	1.6	0.6	0.5	0.4	0.5	0.7	6.2	15.5	23.6	0.1	0.5
Total Uses	**$ 361.1**	**$ 425.0**	**$ 428.3**	**$ 437.5**	**$ 444.1**	**$ 450.1**	**$ 453.6**	**$ 475.4**	**$ 500.9**	**$ 496.8**	**$ 520.2**
Net Revenues	**$ 35.2**	**$ 39.2**	**$ 35.0**	**$ 30.9**	**$ 30.7**	**$ 28.9**	**$ 31.2**	**$ 15.8**	**$ (2.4)**	**$ 6.8**	**$ (9.1)**
Ending Fund Balance	**$ 125.3**	**$ 164.5**	**$ 199.5**	**$ 230.4**	**$ 261.1**	**$ 290.0**	**$ 321.3**	**$ 337.0**	**$ 334.7**	**$ 341.5**	**$ 332.4**
Generation Rate Change		12%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Days Cash On Hand	129	152	185	213	237	260	289	295	283	277	258

Cost of Service Summary – Units of Service

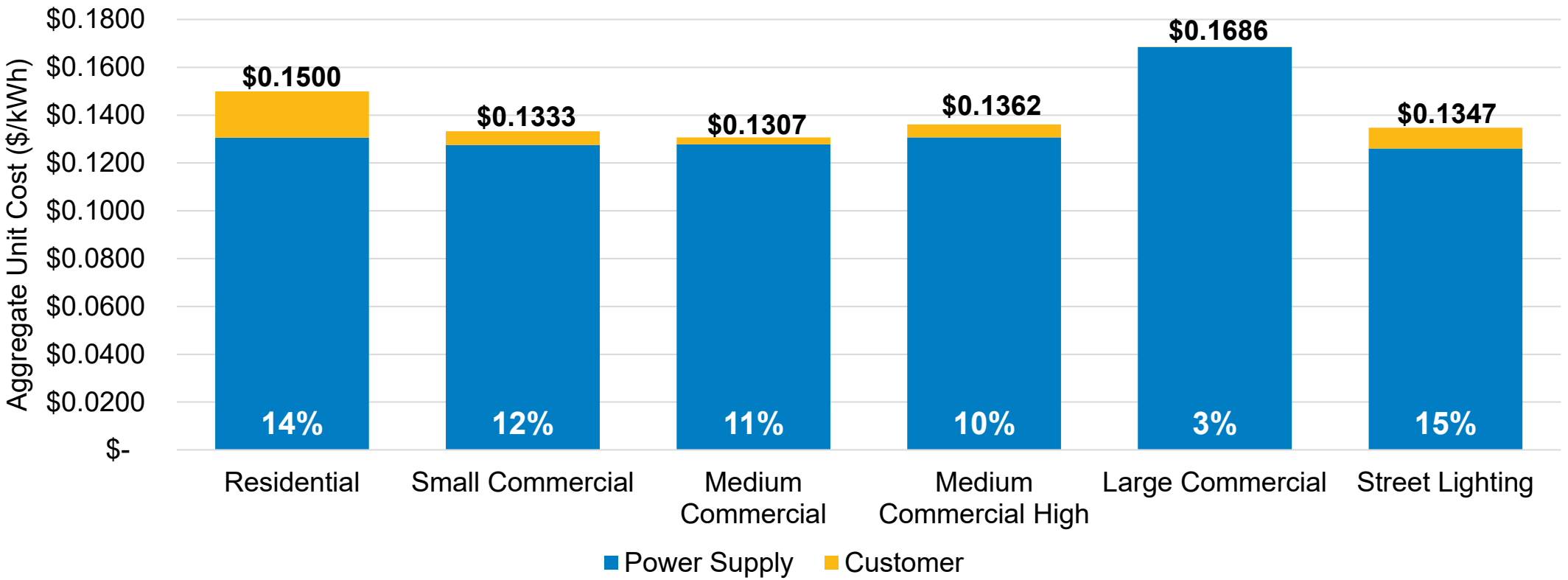




9% Increase in Total Energy Sales

21% Increase in Revenue Requirements

Cost of Service Summary – Unit Costs



- 12% Overall Increase in Rate Adjustments
- Change in Unit Cost is a function of changes in cost allocated to customers and change in total usage.
- The relative difference in COS allocations will be reflected in resulting rates

Proposed Rates

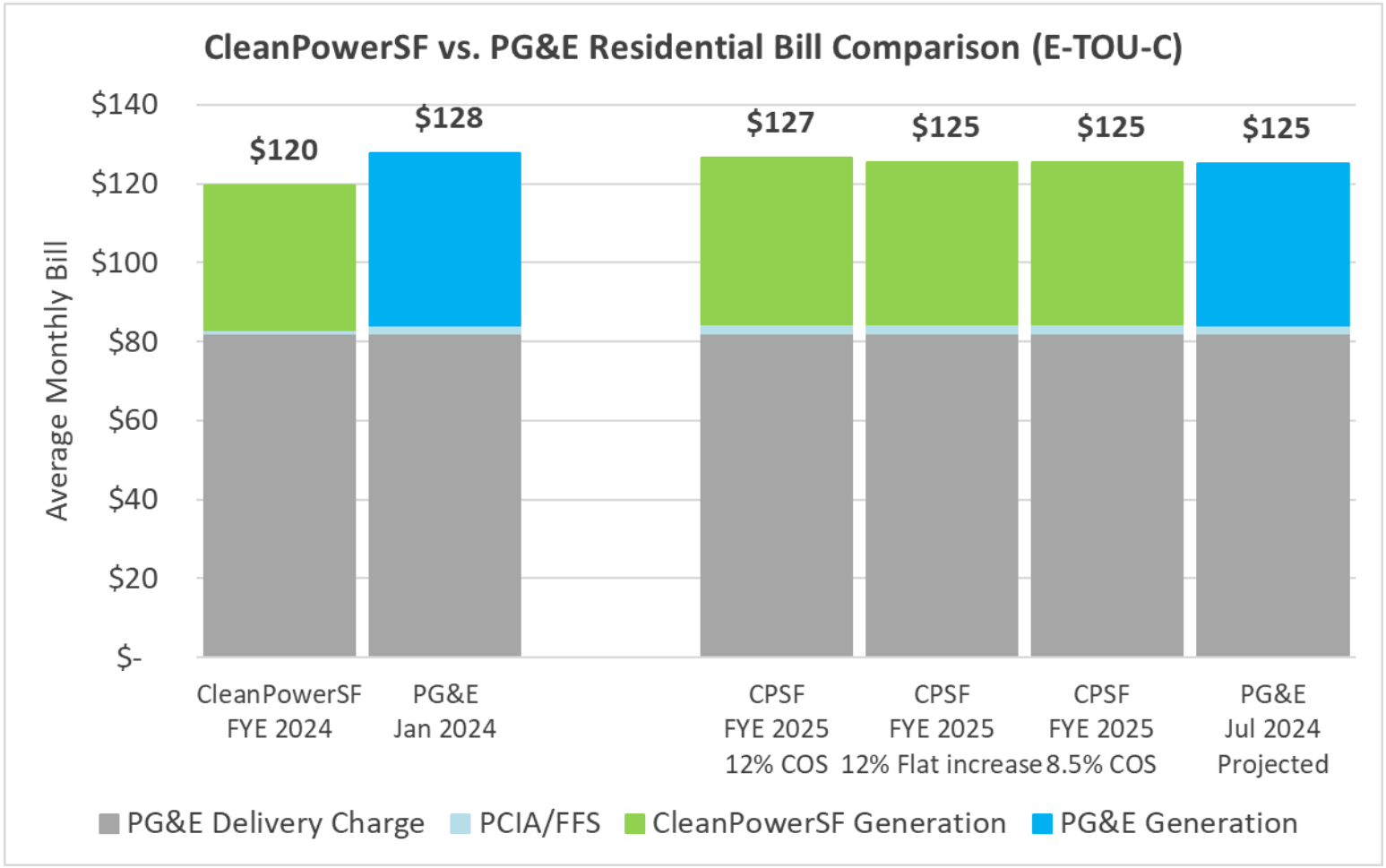
Three Rate Scenarios for Consideration

1. 12% Rate adjustment with updated Cost of Service
2. 12% Rate adjustment equally across customers
3. 8.5% Rate adjustment with updated Cost of Service

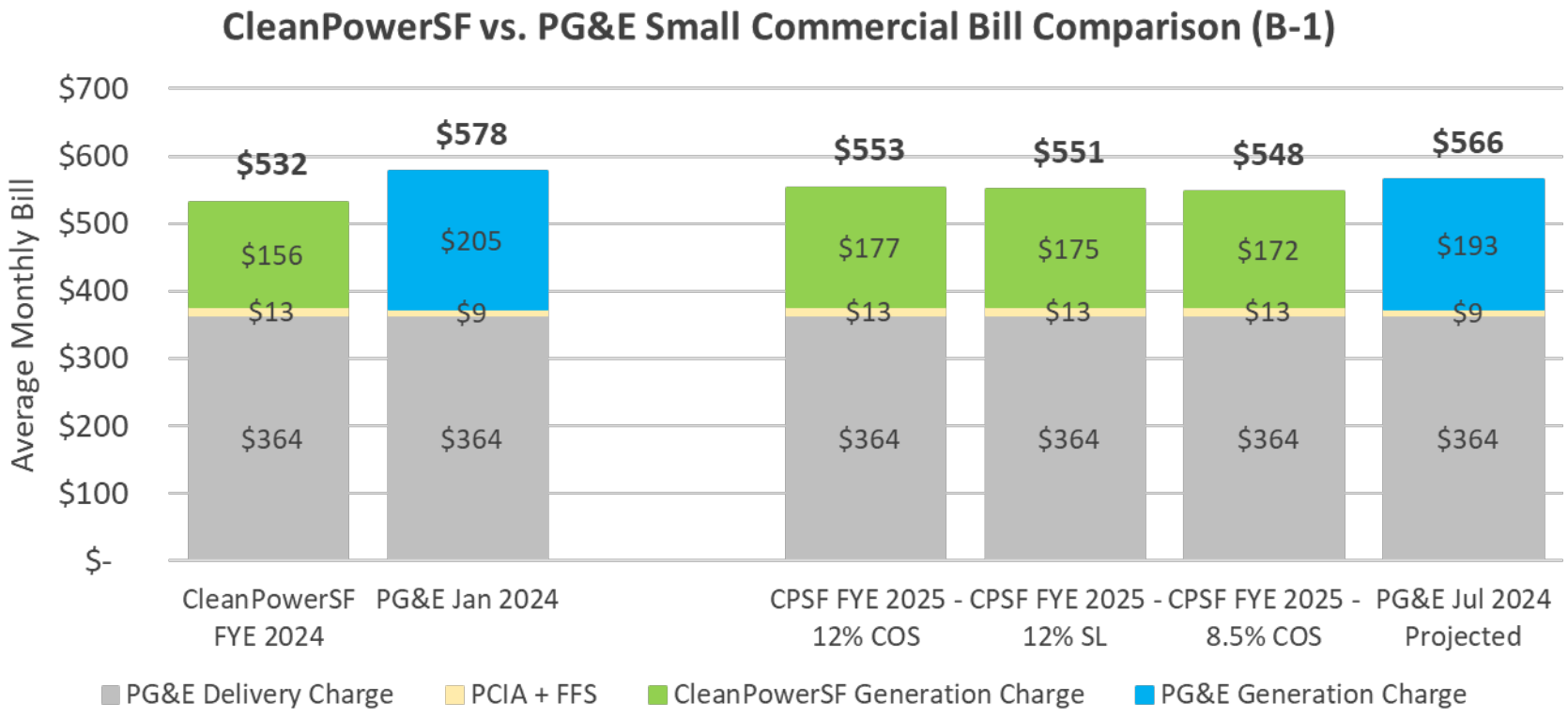
Key Considerations:

- Maintaining rates equal to or less than PG&E
- Maintaining rates that are equitable for customers based on latest billing data
- Meeting the Days Cash On Hand targets for FY 25 and FY26

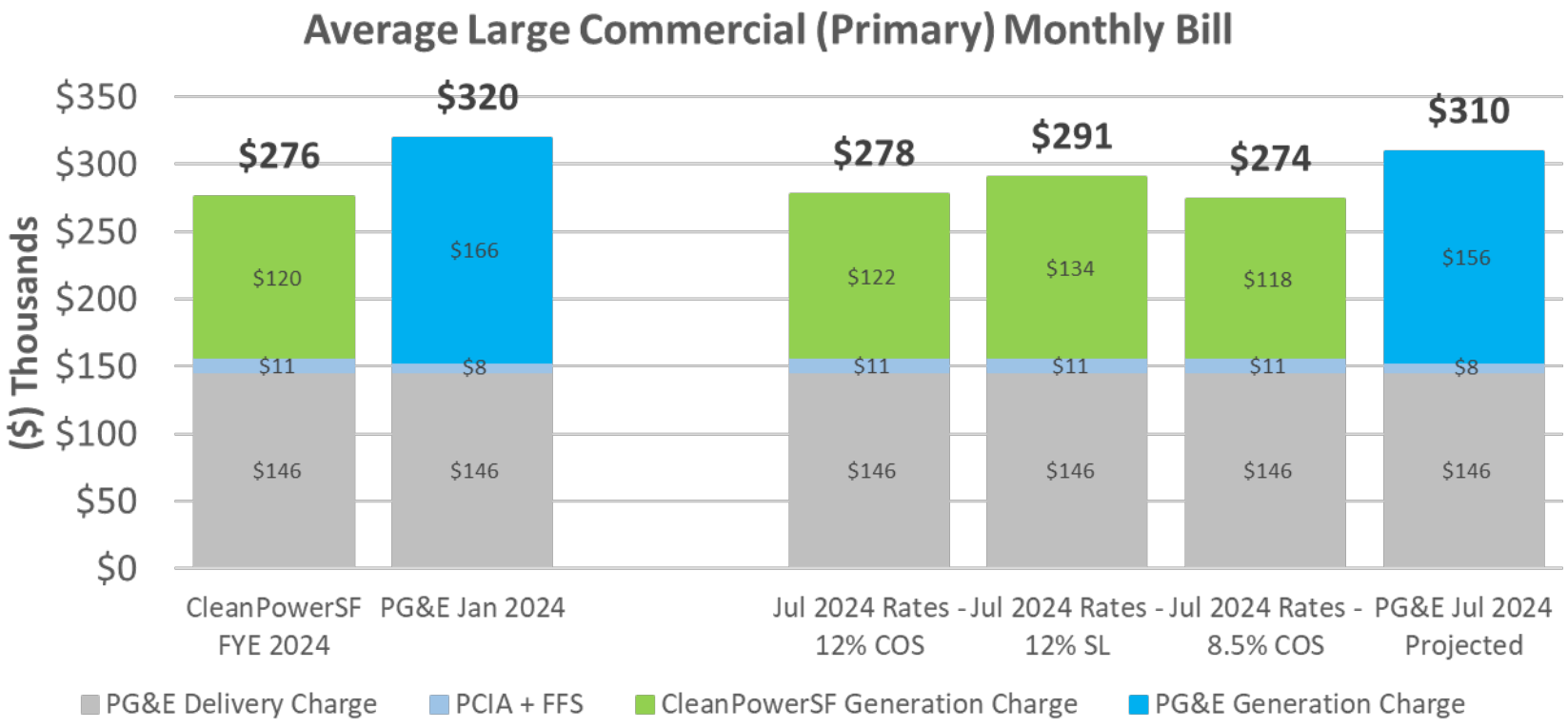
Residential Bills (E-TOU-C vs. PG&E)



Commercial Bills – B1



Commercial Bills – B20P



Communications Plan

Rates Communications Plan (Mar-May)

Clean PowerSF	Hetch Hetchy Power	Communications Tactic	Release Date	Notes
✓	✓	Create dedicated Power rates landing page on SFPUC.org	March 12	All communications direct customers to one webpage: www.sfpuc.org/powerrates
✓	✓	On-bill message	April & May	On-bill notice of public rate process and link to webpage
	✓	Bill insert	April	Multilingual rate notice in April bill
✓	✓	Customer e-newsletters	April 4	Provide notice of July 1, 2024 rate change and public process; link to webpage
✓	✓	Direct mail postcard	mid-April	Multilingual notice of July 1, 2024 rate change and public process; link to webpage
✓	✓	Webinar on residential rates	late April	Presentation on residential rates, rate process, and key dates. Recorded and available on website.
	✓	Key account outreach	April-May	Specific notice to customer accounts experiencing rate class changes (Hetch Hetchy Power only)

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Discussion

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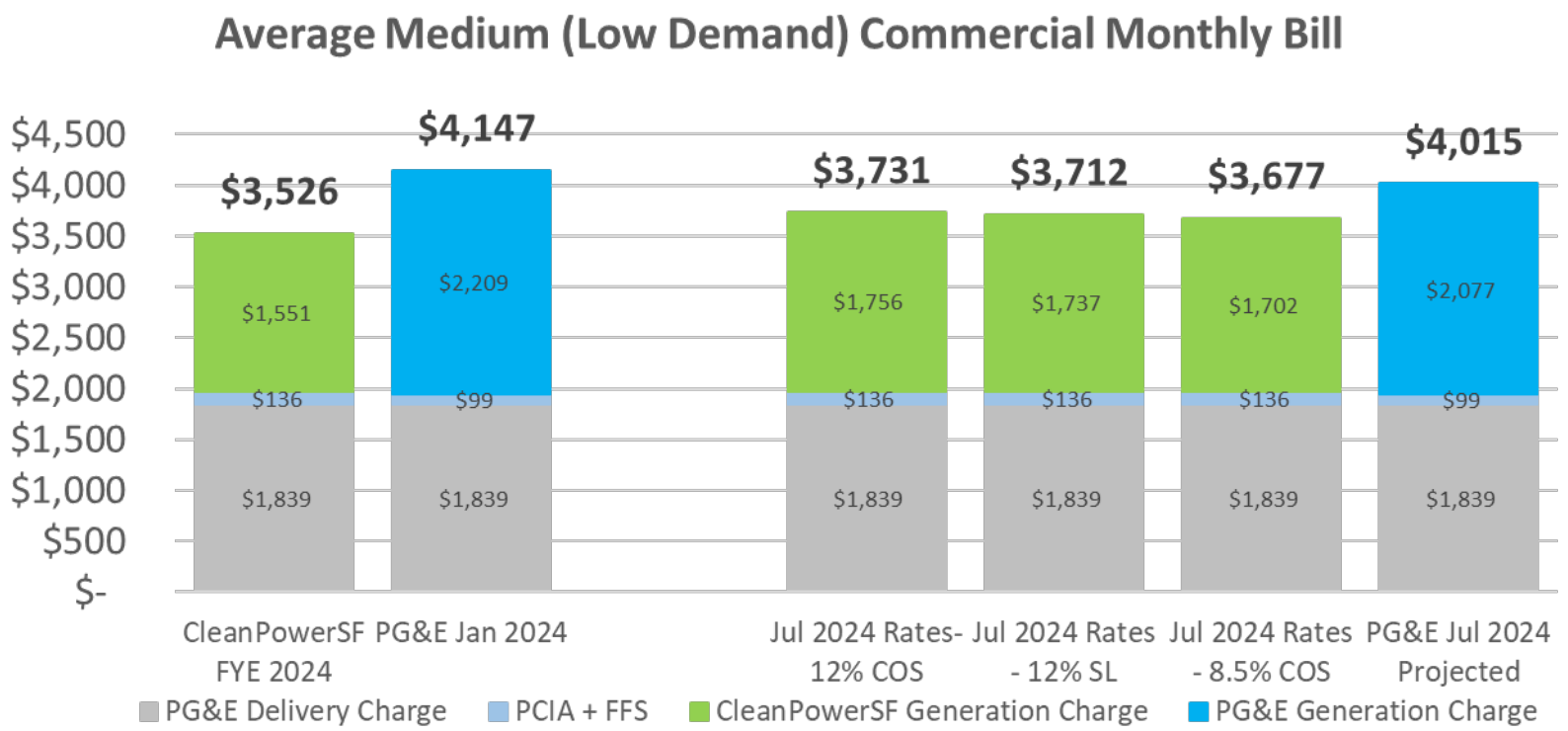
Commercial Bills – B10



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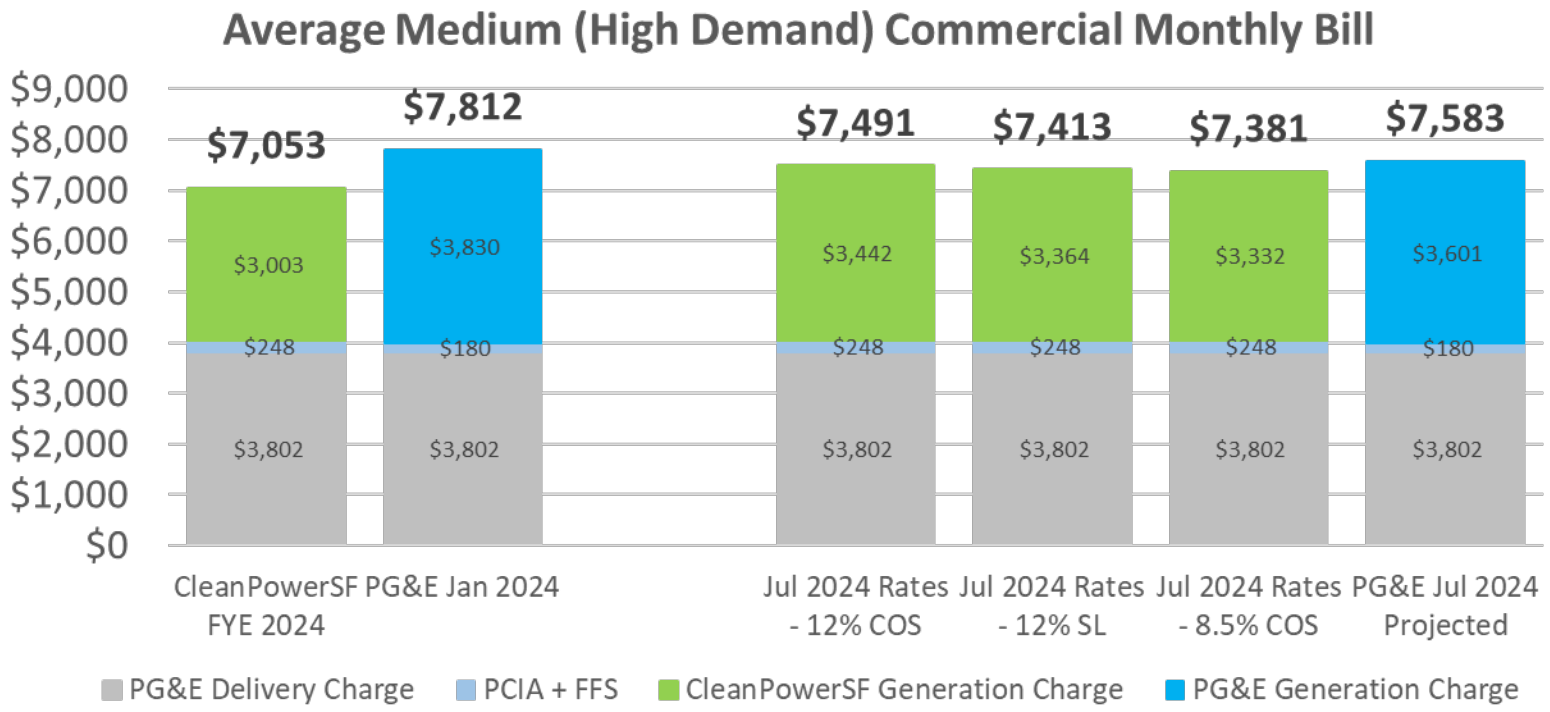
Commercial Bills – B19S



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Commercial Bills – B20S