

**MEMORANDUM**

DATE: 31 March 2025

TO: San Francisco Public Utilities Commission

FROM: Rate Fairness Board

SUBJECT: Proposed retail electricity rates for Hetch Hetchy Power and CleanPowerSF for FY 2026:

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, 2025, to June 30, 2026:

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 has for the previous 2 years, 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 for no increase in CleanPowerSF rates is a welcome relief after several years of increases. This outcome is due, in part, to staff allocating available funds to the fund balance. We, of course, find this proposal to be fair and reasonable.
5. The 10% overall rate increase for Hetch Hetchy Power, and the 3-cent per kilowatt-hour increase for the GUSE rates, are in line with the Staff's goals, established 3 years ago, for a multi-year move toward rates based on cost of service as well as for rate simplification. We continue to believe that the ultimate rate goals are reasonable, fair, and necessary. This year's rate proposed rate changes are an important step in the journey.

**Daniel L. Lurie**  
Mayor

**Kate H. Stacy**  
President

**Joshua Arce**  
Vice President

**Avni Jamdar**  
Commissioner

**Steve Leveroni**  
Commissioner

**Dennis J. Herrera**  
General Manager



We note that these rate increases for Hetch Hetchy Power, while not insignificant, are necessary to cover the Enterprises' costs and to meet financial policy goals. We would expect that taking these steps now will mean future rate changes may be smaller and even negative.

Overall, we find that the Staff's current rate proposal is a reasoned and measured approach to well-established goals: adjusting rates to account for current and expected costs, while meeting the twin objectives 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.

Sincerely,



Howard Ash

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

On behalf of:

Ben Becker, Budget & Revenue Analyst, Controller's Office

Eric Dew, Residential City Retail Customer

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

Masood Samereie, Vice-Chair and City Retail Large Business Customer

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

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