



# CleanPowerSF

## Rate-Setting Structure Update

Rate Fairness Board Presentation  
Kristina Alagar Cordero, Director Financial Planning  
December 3, 2019

CleanPowerSF



# Agenda

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- **Background CleanPowerSF Rates**
  - CleanPowerSF Rates Related Policies
  - Components of Customer Charge
  - Commission Approved Rate-Setting Formula
- **Current Rate-Setting Environment**
  - Challenges
- **Recommended Update in Rate-Setting Structure**
  - Rate adjustments per approved formula by General Manager – within specific parameters
  - No changes in Commission Approved Rate-Setting Formula



# CleanPowerSF Rates Setting & Phasing Policies

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- Charter requires the SFPUC to set rates based on the cost of service, and at levels sufficient to provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise
- The SFPUC will endeavor to minimize rate volatility
- Program rates being sufficient to cover program costs with rates 0.25% below PG&E generation rates when the program launches in 2016
- Rates for a subsequent phase are projected to be at or below PG&E rates at the launch of each phase



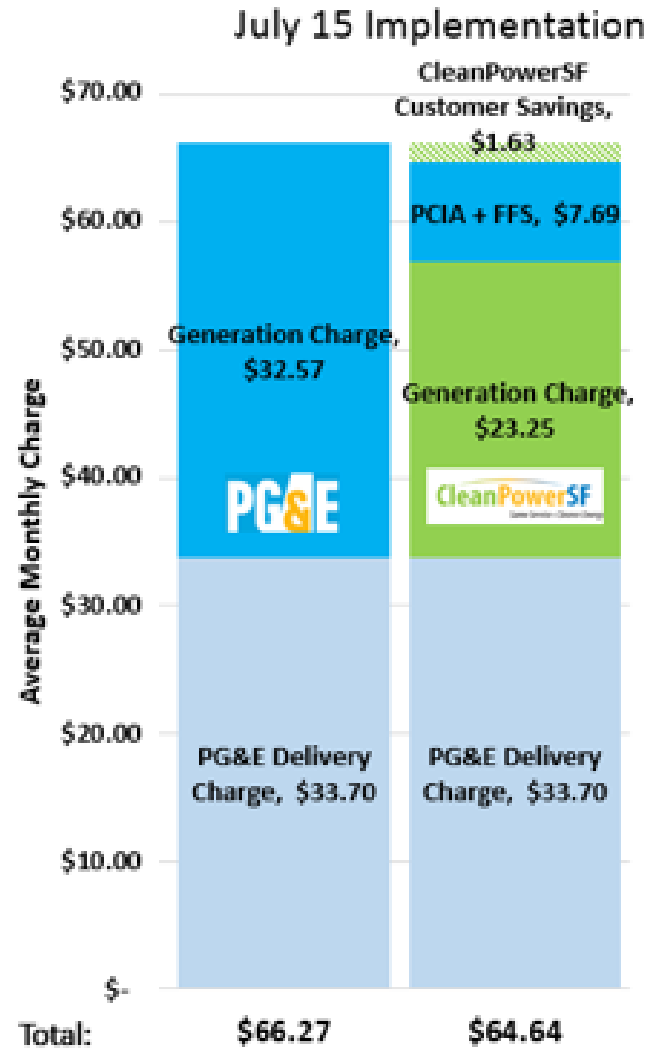
# CleanPowerSF Rates: Customer Charge Components

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- **Generation Rate**
  - Rate that recovers the cost of producing electricity
  - CleanPowerSF rates (plus PCIA) compete with PG&E generation rates
- **Power Charge Indifference Adjustment (PCIA)**
  - The on-going “exit fee” CCA customers must pay PG&E on their monthly bills to avoid “stranded costs”
  - The PCIA exit fee is a volumetric charge applied per kilowatt-hour consumed by the customer
- **Franchise Fee Surcharge (FFS)**
  - Recovers a portion of franchise fees PG&E must collect from customers that purchase their electricity from a CCA



# CleanPowerSF Rates: Customer Charge Components on the Average Residential Bill





# CleanPowerSF Rate Setting Formula

- **Current Rate Setting Formula**

- To allow rate setting methodology a formulaic way to offset projected increases in PCIA and keep customer bills competitive with PG&E

**Component 1)**

$$\begin{aligned}
 & \times \text{ PG\&E Generation Rate(s)} \\
 & \times 100\% - 0.0\% \text{ Rate Discount} \\
 & - 2018 \text{ Power Charge Indifference Adjustment (PCIA)} \\
 & - 2018 \text{ Franchise Fee Surcharge (FFS)} \\
 & = \text{ CleanPowerSF Green Product Rate(s)}
 \end{aligned}$$

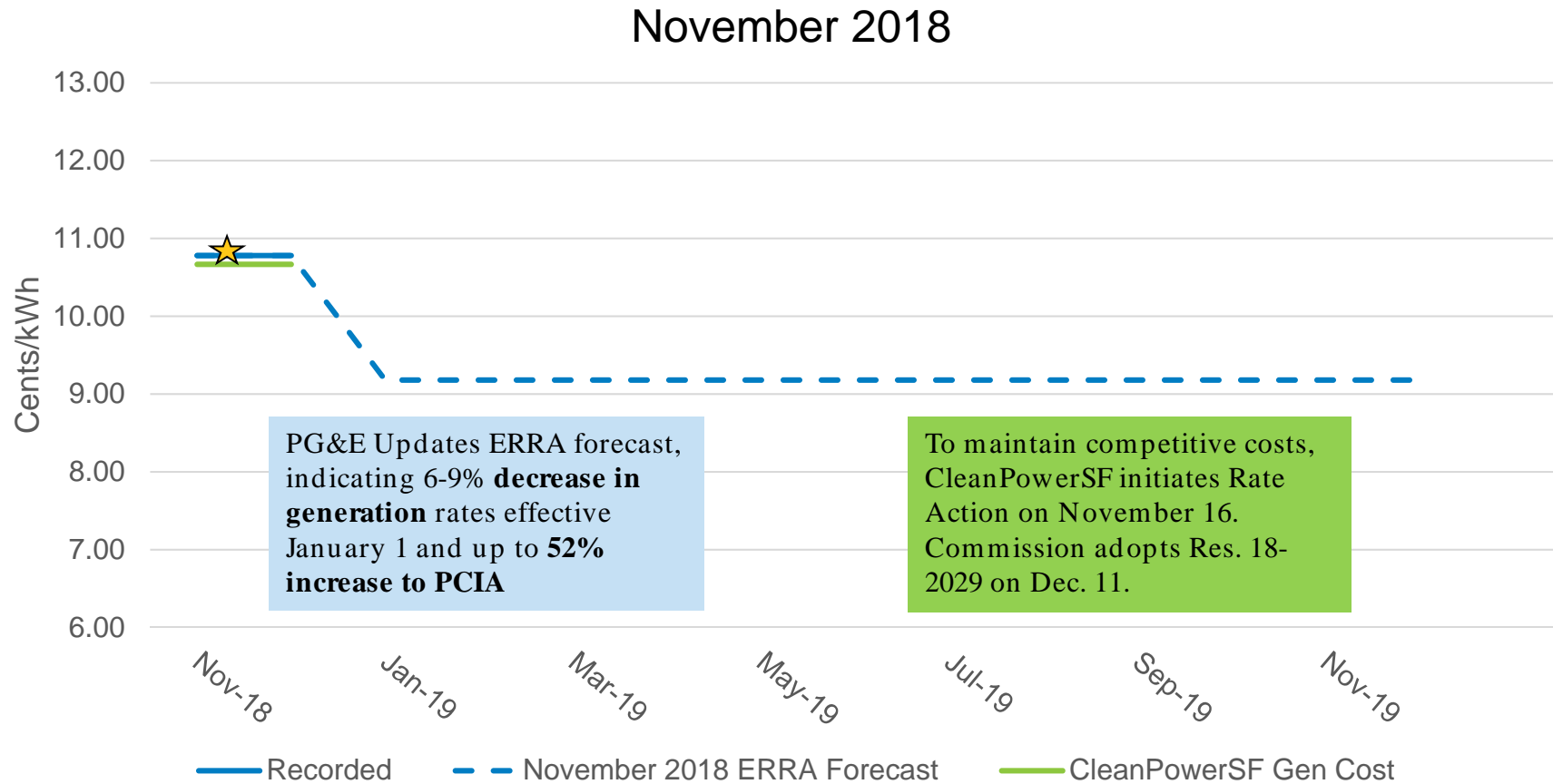
**Component 2)**

$$\begin{aligned}
 & \text{ CleanPowerSF Green Product Rate(s)} \\
 & - \text{ PCIA Impact Credit} \\
 & = \text{ CleanPowerSF Green Product Rate(s)}
 \end{aligned}$$

|   |
|---|
| <p><b>PCIA Impact Credit Calculation</b></p> <p>2018 PCIA and FFS</p> <p>- 2019 PCIA and FFS</p> <p>= <b>PCIA Impact Credit</b></p> |
|---|

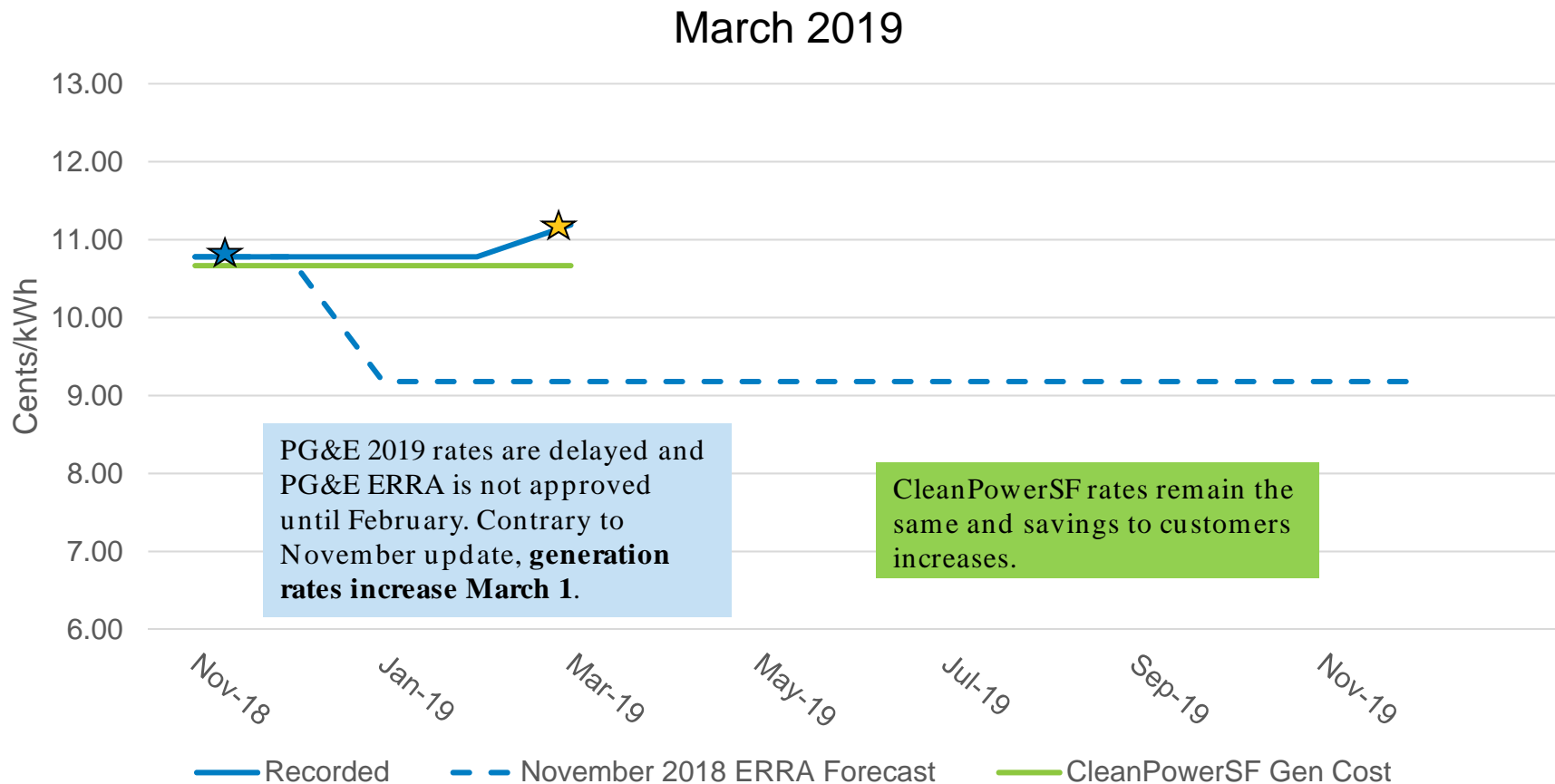


# Rate Setting Environment November 2018 – November 2019





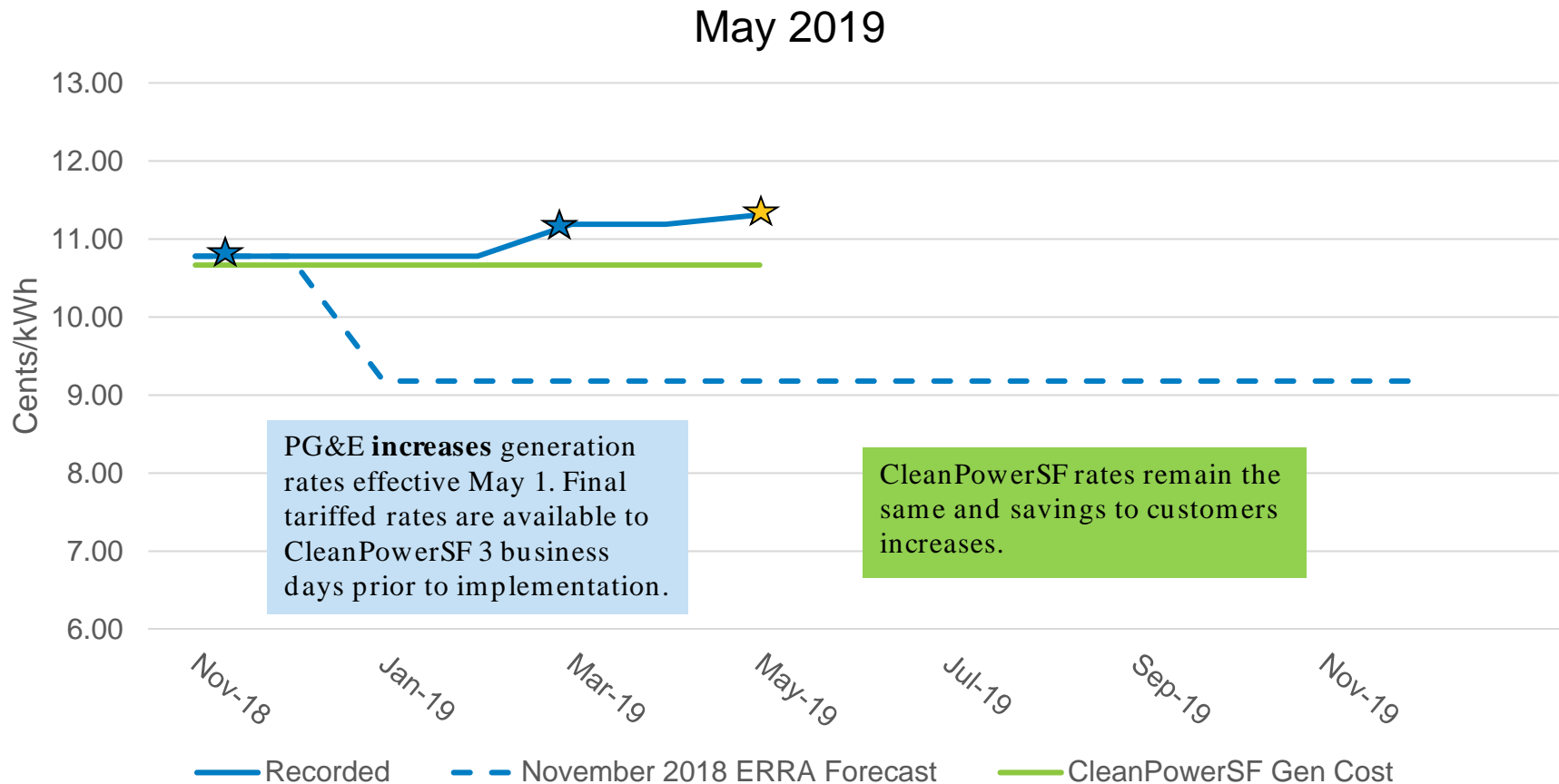
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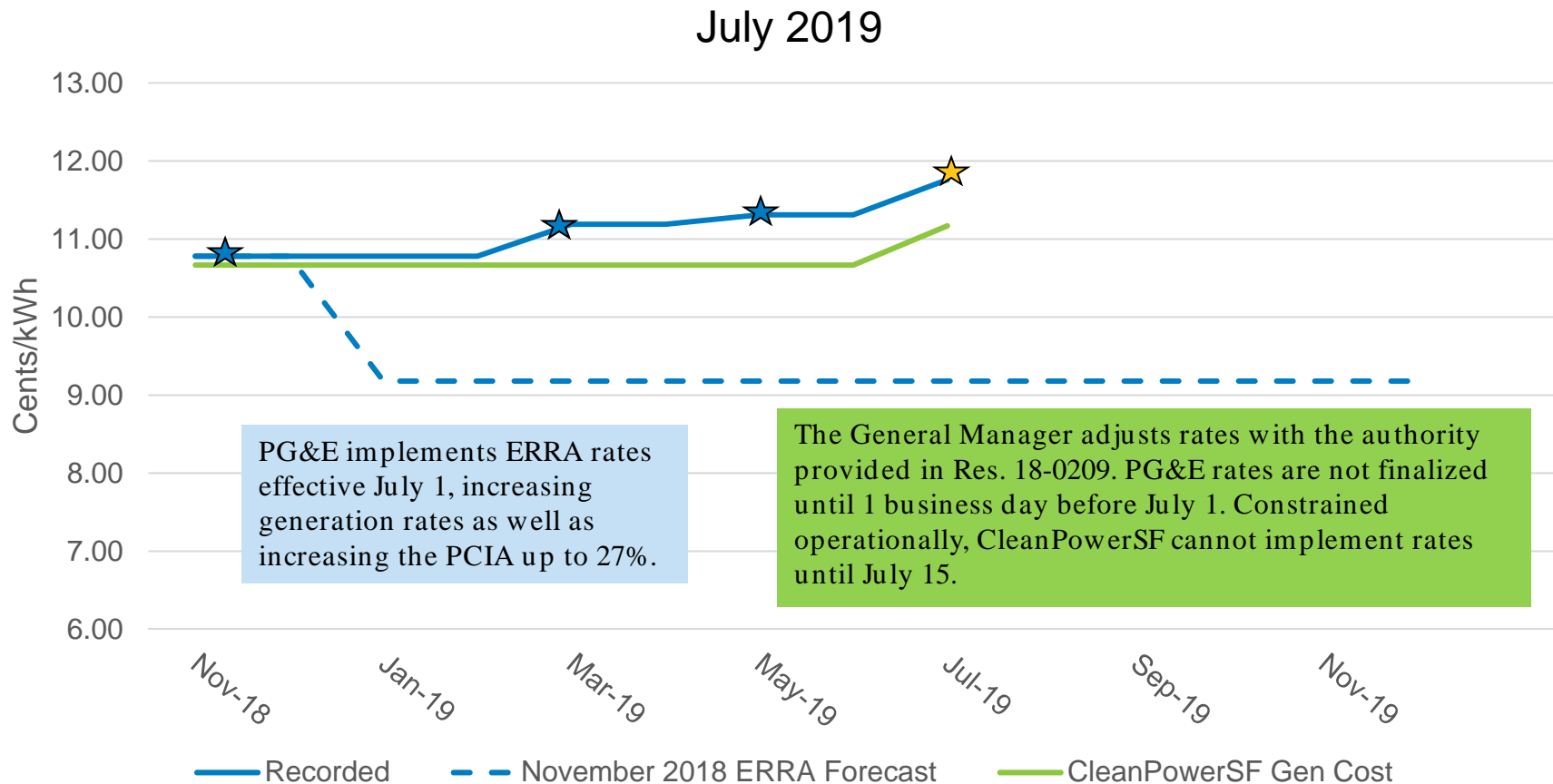


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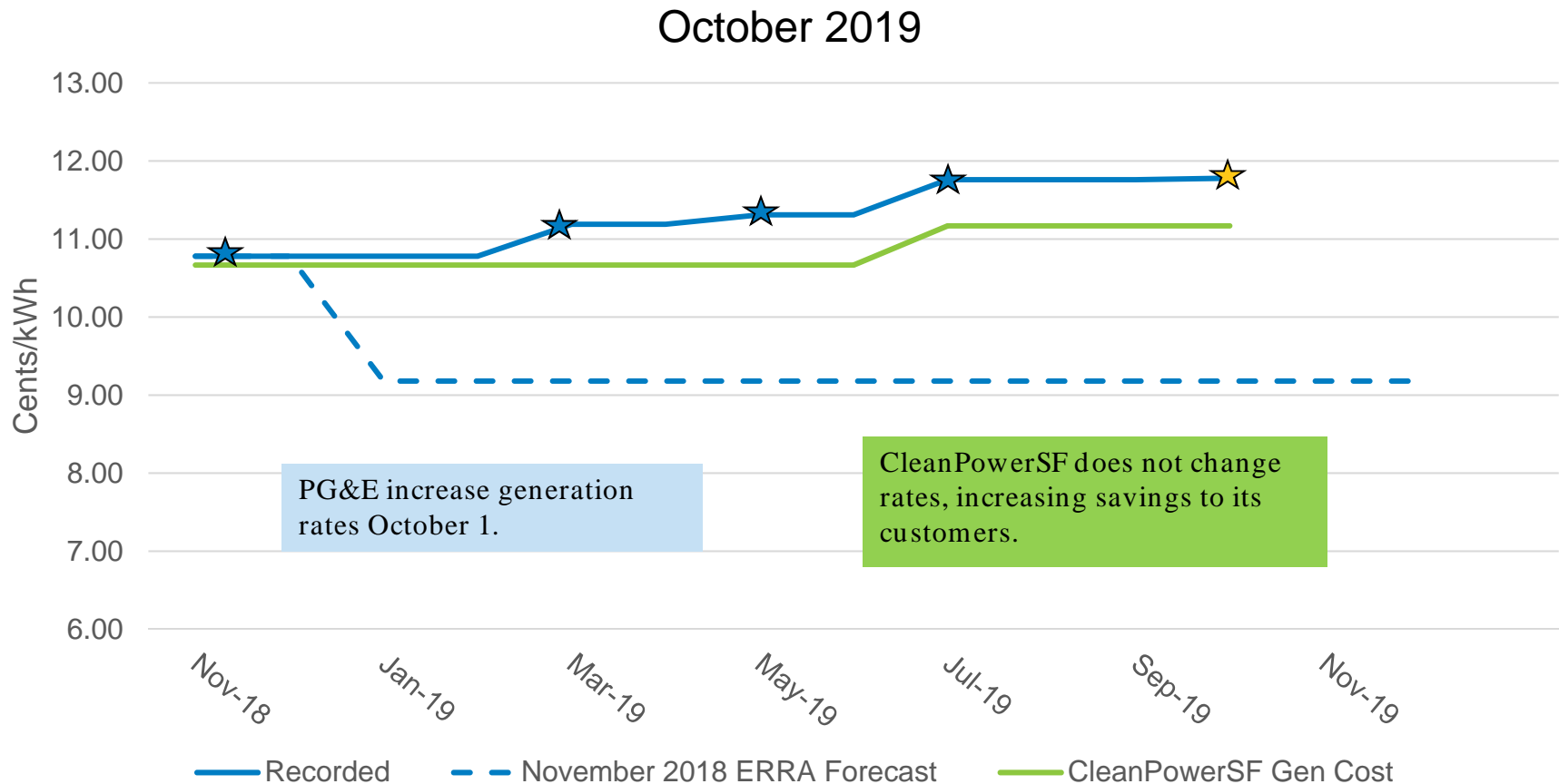


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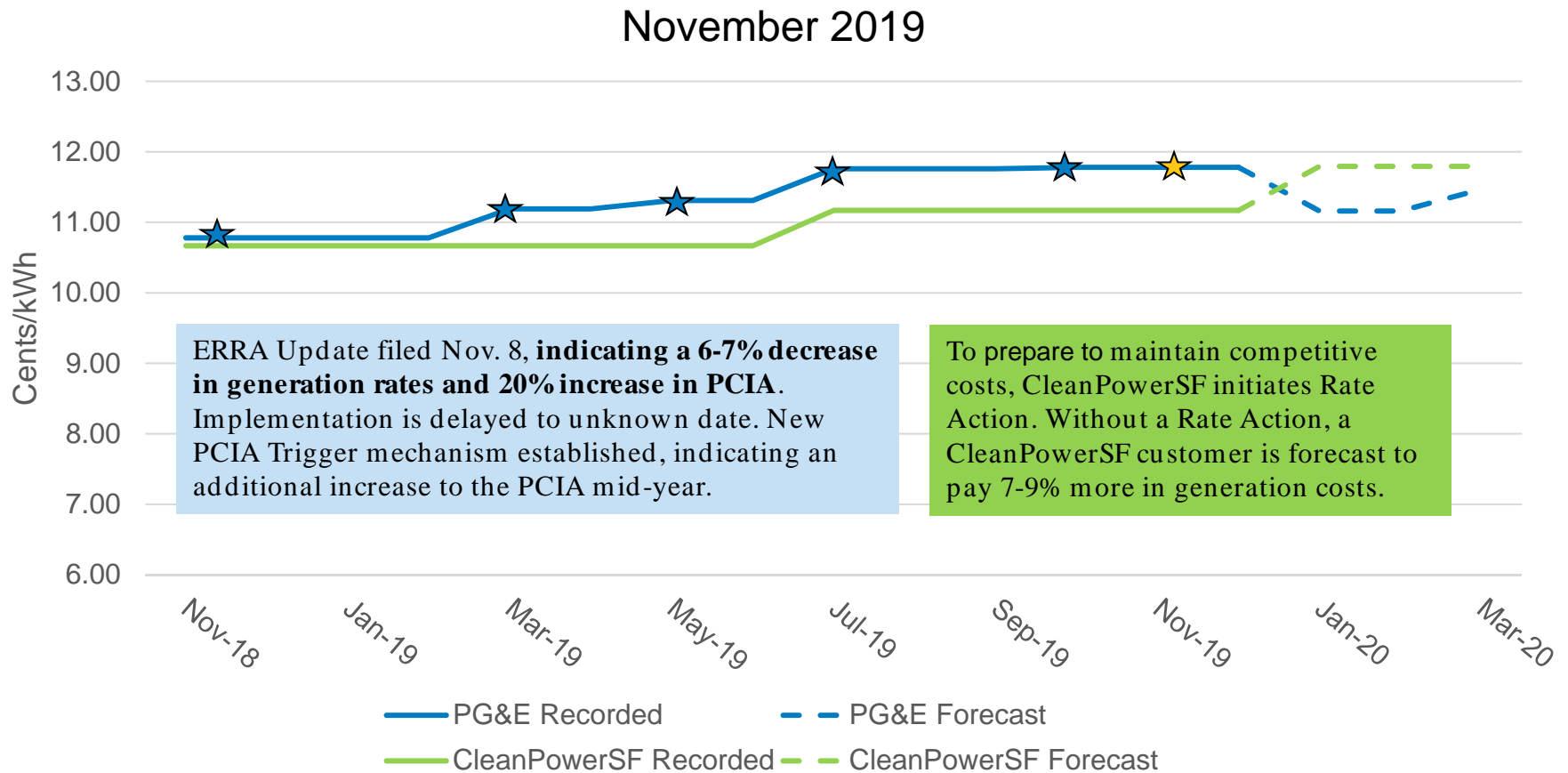


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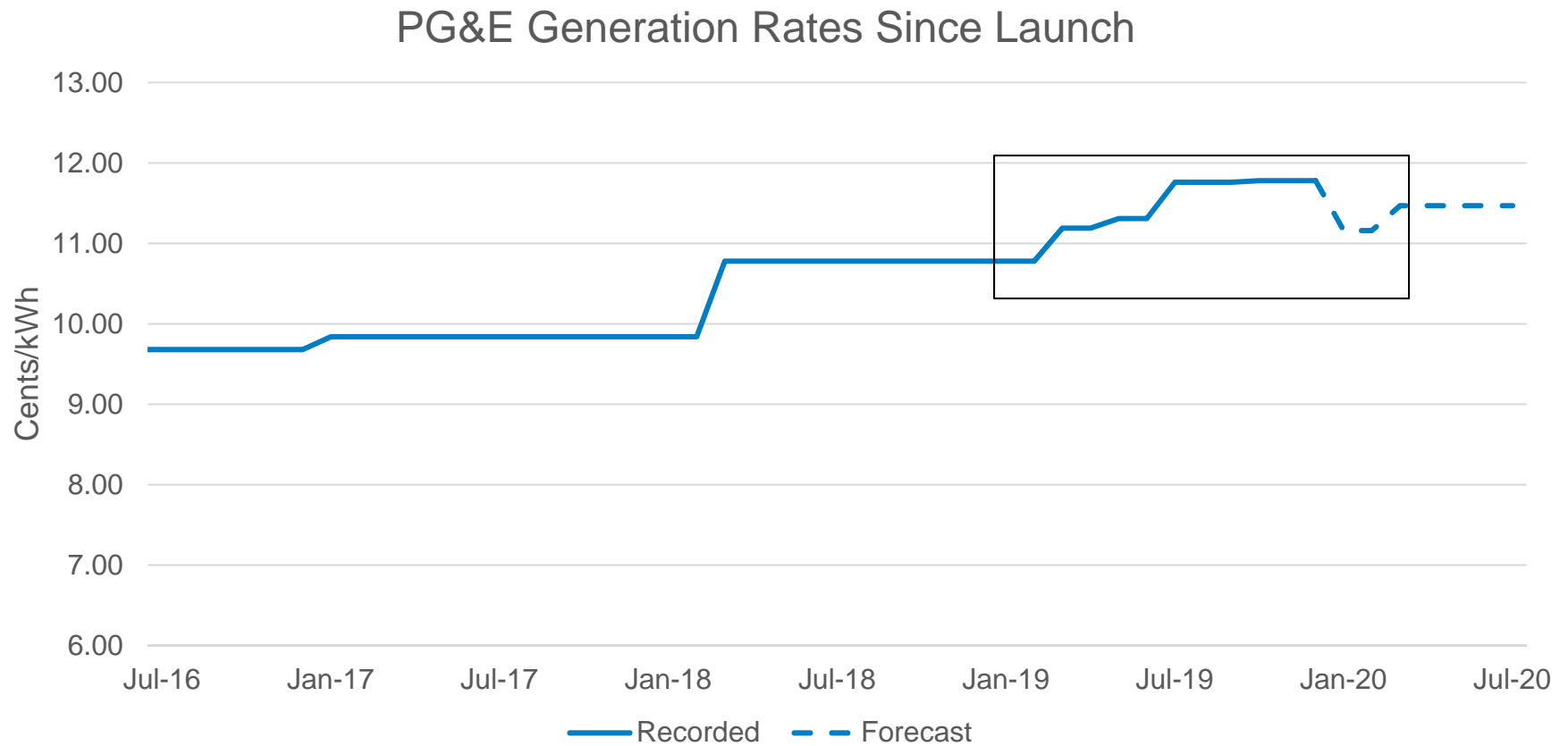


# Rate Setting Environment November 2018 – November 2019





# Rate Setting Environment: Frequency and Volatility of PG&E Rate Changes





# Rate Setting Environment: Challenges

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- Volatile and unpredictable PG&E Generation Rates, and PCIA - which are an underlying component of CleanPowerSF Rates and customer charges
- Unpredictable timing and finalization of PG&E Generation Rates and PCIA



## Rate Setting Environment: Challenges

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- Current CleanPowerSF rate setting paradigm is not flexible enough to adjust and adapt rates in the highly competitive and constantly changing environment the program operates within
- Current rate setting paradigm functions well for SFPUC's monopoly Water and Wastewater Enterprises



## Recommendation

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- Commission delegation of authority to adjust CleanPowerSF Rates to General Manager
  - Based on changes to PG&E generation rates, PCIA and FFS
  - So long as CleanPowerSF rates are within +/- 2% of PG&E rates
    - *Rate changes outside of the delegated threshold would be made in a Commission action*
  - SFPUC will continue to notify Board of Supervisors of CleanPowerSF rate adjustments – so that BOS may call a hearing on adjustments, if desired