Rate Fairness Board Members
(per Charter, Article 8B)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position / Title</th>
<th>Appointed / Designated By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Howard Ash</td>
<td>Chair, Residential Ratepayer Rep.</td>
<td>Board of Supervisors</td>
</tr>
<tr>
<td>Kevin Cheng</td>
<td>Residential Ratepayer Rep.</td>
<td>Mayor</td>
</tr>
<tr>
<td>Theresa Kao</td>
<td>Citywide Budget Manager</td>
<td>Controller</td>
</tr>
<tr>
<td>Adam Nguyen</td>
<td></td>
<td>City Administrator</td>
</tr>
<tr>
<td>Jamie Querubin</td>
<td>Bond Analyst</td>
<td>Mayor’s Office of Public Finance</td>
</tr>
<tr>
<td>Scott Ungerman</td>
<td>Vice-Chair, Large Business Customer Rep.</td>
<td>Mayor</td>
</tr>
<tr>
<td>Vacant</td>
<td>Small Business Customer Rep.</td>
<td>Board of Supervisors</td>
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</tbody>
</table>
Multiple Rate Objectives

- Revenue Sufficiency
- Conservation
- Affordability / Bill Impacts
- Customer Equity
- Reasonableness & Public Acceptance
- East of Understanding
- East of Implementation
# A DECADE OF CHANGE

<table>
<thead>
<tr>
<th>SFPUC function/attribute</th>
<th>2001</th>
<th>Present Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund departments pay for water</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>SFPUC $ transfers to General Fund</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>SFPUC $ transfers among departments</td>
<td>Probably</td>
<td>NO</td>
</tr>
<tr>
<td>Independent rate studies</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Low-income rates for water &amp; wastewater</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Capacity charges for new construction</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Non-residential wastewater customers subsidizing residential customers</td>
<td>YES</td>
<td>Less So</td>
</tr>
<tr>
<td>Rates designed to encourage conservation</td>
<td>Not really</td>
<td>YES</td>
</tr>
<tr>
<td>SFPUC bonding authority</td>
<td>Voters</td>
<td>Bd. Of Sups.</td>
</tr>
<tr>
<td>Power enterprise using Uniform System of Accounts</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>
Rate Fairness Board Process

- 14 meetings during this rate cycle: Sept. 2016 – April 2018
  - Consultant’s rate study, demand forecast, cost of service, cost allocation, rate design, affordability, staff proposal, power rates
- All meetings held at SFPUC HQ
- All meeting documents and minutes on web-site
- Zero public attendance and zero public comment
Rate Study / Rate Proposal Outcomes

- Modest re-allocation of costs among functions, customer classes, and services (consultant-driven)
- Rates have to rise to meet rising costs (mostly debt service)
- Maintain current rate design fundamentals
  - Tiered water rates for households to encourage conservation
  - Wastewater charges based on water flow factors and loadings
  - Fixed costs allocated to monthly service charges
- Pilot program for new storm-water customers
- New drought surcharge proposal
Rate Fairness Board Process

- “Dress rehearsal” for staff proposal to Commission
  - Civilian “oversight” or “sunshine”
  - Fresh sets of eyes
  - Analyze the details – no time constraints
  - Opportunity for public comment (among others)
- RFB has confidence in the staff and the rate consultant
  - Thorough and detailed
  - All questions answered
Proposed rates are technically fair and are designed to meet debt requirements/covenants, coverage, etc.

Rates have to rise to meet rising costs (mostly debt service)

Proposal maintains current rate design fundamentals
  ◆ Tiered water rates for households encourages conservation
  ◆ Wastewater charges based on water flow factors and loadings
  ◆ Fixed costs allocated to monthly service charges

Pilot program for new storm-water customers

New drought surcharge proposal
Power Enterprise – Not to Exceed Rates

- Retail program achieving success in developing customer base
- Proposed rates achieve goal of remaining competitive with PG&E while covering costs
Rate Fairness Board Recommendations

- Approve 4-year rates package for water and wastewater
  - Smoothed rate increase cushion the impacts on customers
  - Maintains appropriate fund balances
  - Continues meaningful level of cash-funded repair & replacement
- Approve 4-year rates for fire sprinkler service
- Approve new power enterprise “not to exceed” rates
- Approve pilot program for new storm-water customers and new drought surcharge proposal
- Approval is not controversial – RFB & Staff have done most of the hard work previously
Rate Fairness Board Concerns / Issues

- Fire service rates – third consecutive meaningful change in cost allocations (may be consultant-driven)
- Affordability analysis is troubling. Need to increase outreach, enrollment and funding.
- We look forward to results of the new storm-water rate program
  - SCPUC should advertise alternatives – permeable pavement options, etc. – and look for revenues to provide rebates
- We ask the Commission to use drought surcharge authority with great care
Long-Term Thoughts

Most multi-family residential customers remain without price signals for conservation:

- All customer classes responded during the recent drought
- Maybe a hard and expensive solution (sub-metering) without a problem

A hidden affordability crisis?

- Ongoing rate increases don’t look so bad due to high area median income
- 2.5% metric is easy for most customers