CleanPowerSF Growth Plan Update and Rate Action

Rate Fairness Board
December 7, 2018
Agenda

• Today’s Action
• Growth Plan Strategy and Status
• Upcoming PG&E Rate Changes
• Proposed CleanPowerSF Rates
• Financial Forecast
• Next Steps and Schedule
Today’s Action

• Approve a revised schedule of rates and charges for CleanPowerSF to take effect February 1, 2019

• Authorize the General Manager to adjust the rates once PG&E’s final rates are published, as long as program costs are recovered
CleanPowerSF Growth Plan

• Staff presented Plan in May 2017
  • Conduct enrollment in phases, until all eligible customers have been offered service (citywide enrollment)

• Commission adopted goals (Res. No. 17-0102)
  • Complete citywide enrollment in CleanPowerSF by July 2019, or sooner if possible
  • Increase the target renewable energy content of CleanPowerSF’s Green product to 50% by the end of 2020, or sooner if possible
Growth Plan Status

• Now enrolled 30% of accounts citywide
  • Represents ≈ 230 MW average demand

• Plan for completing citywide enrollment
  • April 2019 enrollment
    ● Enroll an additional ≈ 280,000 accounts
    ● Expecting to serve an additional ≈ 115 MW (Avg), after opt-out
    ● Once completed, expecting to serve ≈ 365,000 accounts with 340-350 MW (Avg), after opt-out
  • Largest commercial accounts – engage with them individually to determine interest
CleanPowerSF Phasing Policy

• December 8, 2015 the Commission adopted a CleanPowerSF Phasing Policy

• Rates-related Phasing Policies that must be met for additional CleanPowerSF customer enrollment:
  • Program rates being sufficient to cover program costs
  • Rates for a subsequent phase are projected to be at or below PG&E rates at the launch of each phase
Rate Setting Policies

• December 8, 2015 the Commission adopted a CleanPowerSF Rate Setting Policy, consistent with the Charter (Section 8B.125)

• On September 12, 2017 the Commission adopted a Ratepayer Assurance Policy, to ensure:
  • Revenue Sufficiency
  • Customer Equity
  • Environmental Sustainability
  • Affordability
  • Predictability
  • Simplicity
  • Transparency
  • Compliance

• CleanPowerSF rates are set consistent with these policies
CleanPowerSF Initial Rates

• The Commission also adopted rates for program launch using the Not-to-Exceed rate setting methodology presented to the RFB on April 17, 2015:

  PG&E Generation Rate(s)
  − PG&E Power Charge Indifference Adjustment (PCIA)
  − PG&E Franchise Fee Surcharge (FFS)
  = CleanPowerSF NTE rate(s) for default product

• CleanPowerSF Green rates set 0.25% below PG&E rates as of March 1, 2016 minus PCIA and FFS

• SuperGreen $0.02/kWh premium over Green rates
Previous CleanPowerSF Rate Actions

• **December 2015**
  • Adopted initial CleanPowerSF rates for May 2016 service start

• **April 2017**
  • Reduced Green rates by 4% on average and reduced SuperGreen product rates for FY2016-2017

• **January 2018**
  • Reduced SuperGreen premiums, effective March 2018
  • Adopted modifications to the NEM Tariff

• **April 2018**
  • Increased Green rates, set 2% discount below PG&E rates, decreased some SuperGreen premiums, effective July 2018
Upcoming PG&E Rate Changes

• PG&E’s rates are expected to change as soon as Jan. 1, 2019
  • The PCIA is expected to increase for commercial customers and decrease for residential customers
  • Generation rates are projected to decrease for all customer classes
• Without rate action, all CleanPowerSF customers’ costs will be higher than PG&E service
PG&E PCIA Expected to Increase for Commercial Customers on 1/1/19

Effective March 1, 2018

- Res. (E1) - $0.0335
- Sm. Comm. (A1) - $0.0328
- Med. Comm. (A10S) - $0.0347
- Lge. Comm. (E19S) - $0.0314
- Industrial (E20P) - $0.0286

Expected Jan 1., 2019 (Nov. ERRA)

- Res. (E1) - $0.0328
- Sm. Comm. (A1) - $0.0247
- Med. Comm. (A10S) - $0.0250
- Lge. Comm. (E19S) - $0.0210
- Industrial (E20P) - $0.0189

Percentage Changes:
- Res. (E1) - -1.9%
- Sm. Comm. (A1) - +33%
- Med. Comm. (A10S) - +39%
- Lge. Comm. (E19S) - +49%
- Industrial (E20P) - +52%
PG&E Generation Rate Expected to Decrease on 1/1/19

<table>
<thead>
<tr>
<th>Category</th>
<th>Avg. Rate Effective 3/1/18 (Actual)</th>
<th>Avg. Rate Expected 1/1/19 (Projected)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Res. (E1)</td>
<td>$0.1078</td>
<td>$0.1007</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Sm. Comm. (A1)</td>
<td>$0.1073</td>
<td>$0.0991</td>
<td>-7.6%</td>
</tr>
<tr>
<td>Med. Comm. (A10S)</td>
<td>$0.1133</td>
<td>$0.1030</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Lge. Comm. (E19S)</td>
<td>$0.1038</td>
<td>$0.0960</td>
<td>-7.6%</td>
</tr>
<tr>
<td>Industrial (E20P)</td>
<td>$0.0875</td>
<td>$0.0934</td>
<td>-6.3%</td>
</tr>
</tbody>
</table>
Avg. Residential (E1) Generation Cost Comparison Before SFPUC Rate Action

- **PG&E**
  - Generation Charge, $27.89
  - PCIA + FFS, $9.24

- **CleanPowerSF**
  - Generation Charge, $19.84
  - [4% More]

Average Monthly Charge

- $0
- $5
- $10
- $15
- $20
- $25
- $30

$29.09, 4% More
Avg. Small Commercial (A1) Generation Cost Comparison Before SFPUC Rate Action

- **Generation Charge, $153.21**
- **PCIA + FFS, $51.81**
- **CleanPowerSF**
  - **Generation Charge, $122.43**

$174.23, 14% More
Avg. Large Commercial (E19) Generation Cost Comparison Before SFPUC Rate Action

**PG&E**
- Generation Charge: $25,239.36
- PCIA + FFS: $8,426.27
- Total: $33,665.63

**CleanPowerSF**
- Generation Charge: $20,817.21
- PCIA + FFS: $8,426.27
- Total: $29,243.48 (14% More than PG&E)
Proposed Changes to CleanPowerSF FY 2018-19 Rates

- **Green Rates**
  - Reduce rates by the amount PG&E’s generation and FFS rates change from 2018 to 2019, expected to be about 6-9% on average

- **Apply a Credit to Offset Increases in PCIA**
  - Volumetric credit equal to the increase in PG&E’s PCIA fees from 2018 to 2019
  - If the PCIA for any customer class decreases from 2018 to 2019, a credit will not be provided

- **Authorize General Manager to finalize rates**
  - One-time GM authority to adjust CleanPowerSF rates to final PG&E rates
  - Rates must recover operating costs, satisfy financial covenants and fund program reserves

- **No change to SuperGreen Rate Premiums**
Avg. Residential (E1) Generation Cost Comparison After SFPUC Rate Action

2019 PG&E Bundled Avg. Monthly Generation Charges
- Generation Charge, $27.89

- PCIA + FFS, $9.24
- Savings, $0.18 (0.6%)
- Generation Charge, $18.47

Average Monthly Charge:
- $30
- $25
- $20
- $15
- $10
- $5
- $0

PG&E

CleanPowerSF
Avg. Small Commercial (A1) Generation Cost Comparison After SFPUC Rate Action

<table>
<thead>
<tr>
<th>Year</th>
<th>PG&amp;E Generation Charge, $153.21</th>
<th>CleanPowerSF Generation Charge, $114.13</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 PG&amp;E Bundled Avg. Monthly Generation Charges</td>
<td>PCIA + FFS, $51.81</td>
<td>CleanPowerSF PCIA Credit, -$12.72</td>
</tr>
</tbody>
</table>
Avg. Large Commercial (E19) Generation Cost Comparison After SFPUC Rate Action

- 2019 PG&E Bundled Avg. Monthly Generation Charges
  - Generation Charge, $25,239.36

  - Generation Charge, $19,547.36
    - CleanPowerSF PCIA Credit, - $2,734.26
    - PCIA + FFS, $8,426.27
Financial Impact of Action

• If the Commission approves this action
  • Combined effect of rate action is a reduction of revenues by approximately 7.5% ($12.5 M) as compared to taking no action
  • CleanPowerSF will still recover costs and contribute to financial reserves
  • Revenue reduction offset by reduced contribution to financial reserves
  • May require staff to prepare a Revised Plan to adjust the target reserve levels for Bank Credit Agreement
  • May impact program’s ability to invest in more costly local renewable energy projects
## Financial Projection, FYE 19

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Total Revenue ($M)</th>
<th>Projected Contribution to Reserves ($M)</th>
<th>Projected Year End Fund Balance ($M, % of Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Change from Current Rates</td>
<td>$166.9</td>
<td>$22.9</td>
<td>$36.4 65.2%</td>
</tr>
<tr>
<td>Budget Projection</td>
<td>$156.6</td>
<td>$17.2</td>
<td>$30.8 55.9%</td>
</tr>
<tr>
<td>Rate Proposal (Green rate parity with PG&amp;E)</td>
<td>$154.4</td>
<td>$10.4</td>
<td>$23.9 43.9%</td>
</tr>
</tbody>
</table>

*Rate proposal projects approximately 6-7% higher sales than budget.*
# Next Steps and Schedule

<table>
<thead>
<tr>
<th>Key Action Items</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revise Green Product Rates and Methodology for April 2019 Enrollment</td>
<td>December 2018</td>
<td>PENDING</td>
</tr>
<tr>
<td>Finalize Green Product Rates</td>
<td>January 2019</td>
<td>PENDING</td>
</tr>
<tr>
<td>Send Pre-Enrollment Notices Required by Statute to Customers</td>
<td>February 2019</td>
<td>PENDING</td>
</tr>
<tr>
<td>Phase 3 Enrollment Commences</td>
<td>April 2019</td>
<td>PENDING</td>
</tr>
</tbody>
</table>
Go SuperGreen today at: www.CleanPowerSF.org