

Power Rate Study Overview

September 9, 2025

Agenda

- Background
- Rate Study Overview
- Project Goals
- Project Schedule

Background

- Article 8B of the San Francisco Charter requires:
“In setting retail rates, fees and charges the Commission shall retain an independent rate consultant to conduct rate and cost of service studies for each utility at least every five years.”
- Last power rate study in 2022 set cost of service basis for rates for four years through FY 2025-26 (this year)
- This study will set rates beginning FY 2026-27 (next year)
- The policies and models developed as part of this study will be used for financial planning and rate-setting for the next four years

San Francisco Power Enterprise

Hetch Hetchy POWER

- Publicly owned utility
- Generates power from hydroelectric and solar. Fills gaps in supply with market purchases
- Transmission lines from Sierras to Bay Area, some distribution lines in SF
- Serves SF City departments, with growing retail customers in redevelopment areas

CleanPowerSF

- Community Choice Aggregator is a generation alternative to PG&E on an opt-out basis
- Procures power supply – no owned facilities yet
- Transmission, distribution, and billing provided by PG&E
- Serves 80% of San Francisco by volume, including most residential

Project Objectives

- Establish Metrics and Targets for Rate Affordability
- Updated CleanPowerSF and Hetch Hetchy Power Rates
 - Revised CleanPowerSF cost allocations and rate design
 - Revised cost allocations and rate design for Hetch Hetchy Power
 - Continued consolidation of old tariffs and enhanced equity
 - Review time of use and seasonal periods
 - New model to evaluate the benefit for new customer classes
- Cost Sharing Mechanisms for Facilities to Serve New Customers
 - Distribution and Service Line Extension Fees (Spring 2026)

Rate Study Process



Policy & Rate Structure Review

- Financial Policies
- Sources of revenues
- Uses of Funds
- Long-term investments



Revenue Requirement Analysis

Compares the revenues of the enterprise to expenses to determine the level of rate adjustments needed.



Cost of Service Analysis

Equitably allocates the revenue requirements between customer classes



Rate-Design Analysis

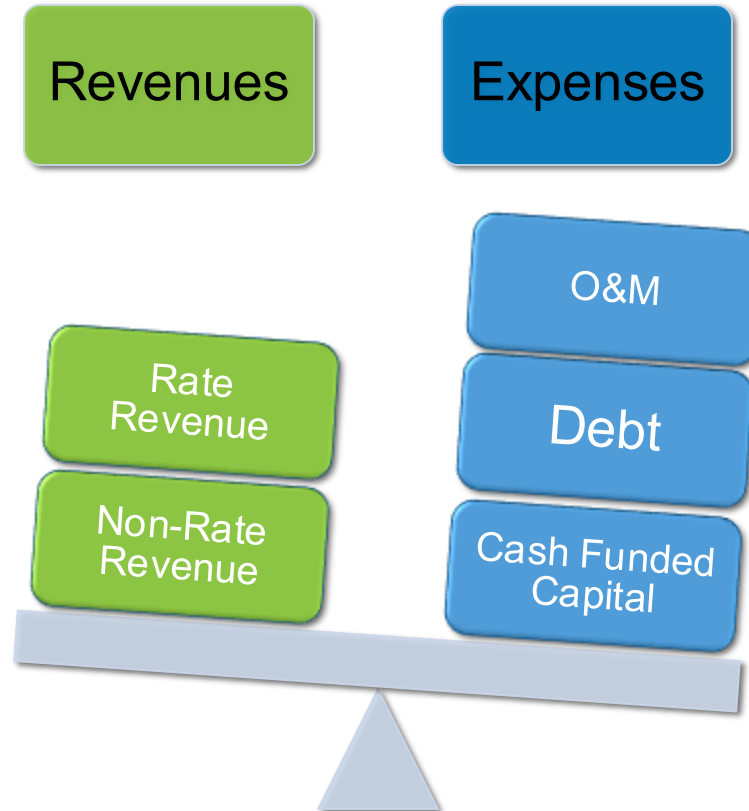
Design rates for each customer class to meet the revenue needs of the utility along with other rate design goals



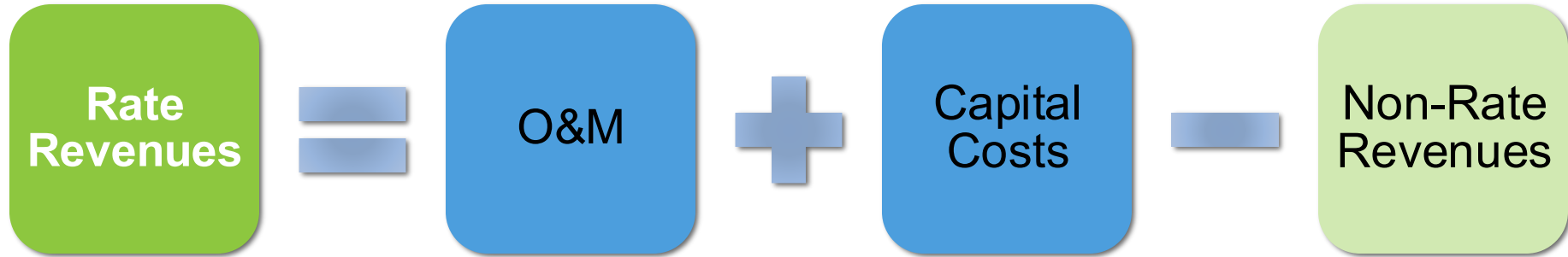
Integrated Public Outreach & Messaging

Develop a cohesive messaging and outreach program that harmonizes technical cost of service requirements and community values

Revenue Sufficiency Analysis



Revenue Sufficiency Analysis



Additional Considerations

Maintaining Financial Obligations

Long-term Rate Predictability

Meeting Financial Policies

Managing Risk

Achieving Other Guiding Principals

Considering Rate Payer and Elected Tolerance for Recommendations

Cost of Service Overview

Bring in Costs from
Revenue Sufficiency
Analysis

Operating Expenses

Debt Service

Cash Funded Capital

Step 1
Functionalize Costs

Power Supply

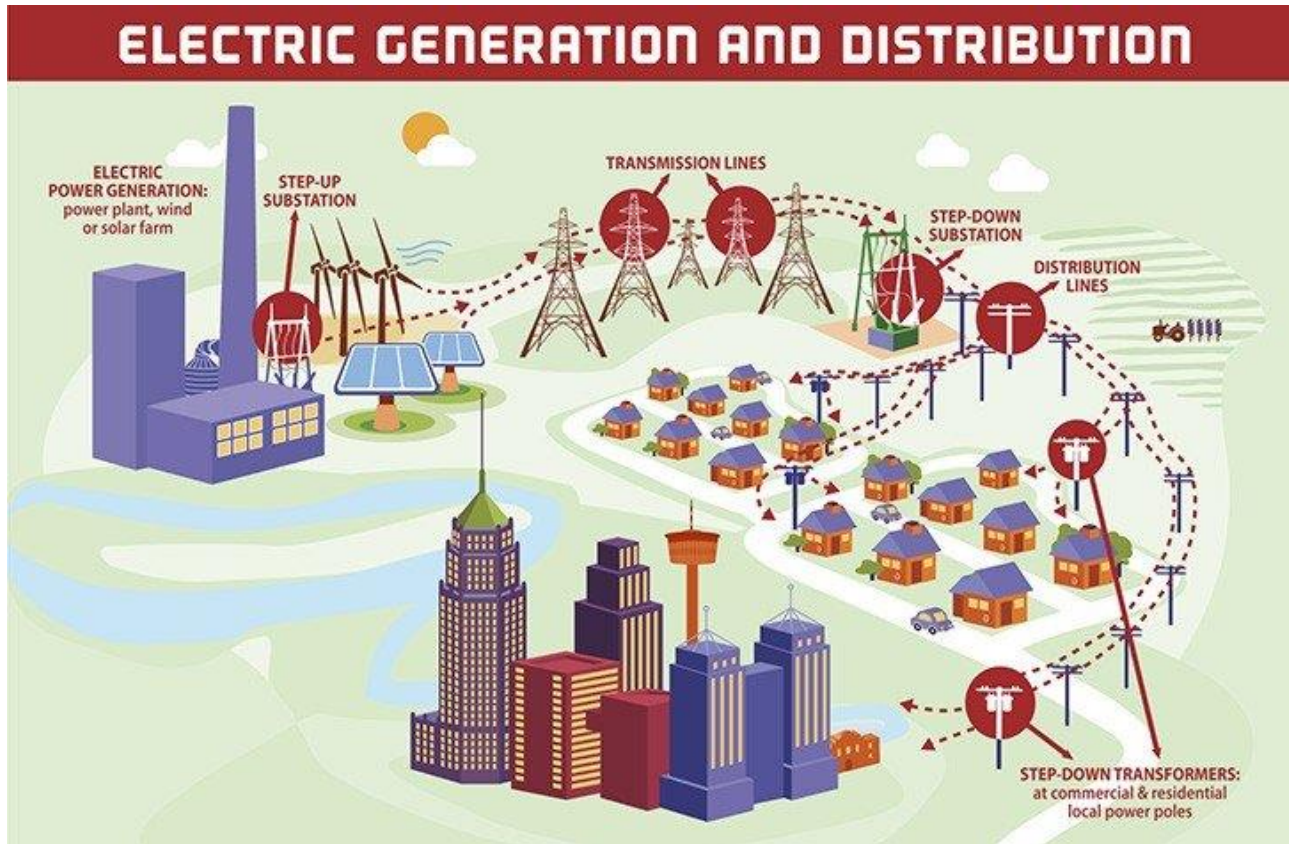
Transmission

Distribution

Customer Service

Direct Assign

Cost of Service Overview



Cost of Service Overview

Bring in Costs from
Revenue Sufficiency
Analysis

Operating Expenses

Debt Service

Cash Funded Capital

Step 1
Functionalize Costs

Power Supply

Transmission

Distribution

Customer Service

Direct Assign

Step 2
Assign Functions to
System Parameters

Average Usage

Peaking (Various)

Customers

Direct Assign

Step 3
Allocate Costs to
Customer Classes

Residential

Commercial/Industrial

Lighting / Traffic Control

New Customer Classes?

Rate Design Key Considerations

***Design rates by class to recover revenue
requirements determined by cost-of-service analysis***

CleanPower
SF

- Updates of cost allocations and rate amounts
- Rate Structure is tied to PG&E
- Review time-of-use and seasonal rate differentials

Hetch
Hetchy
Power

- Ease of Administration & Understanding
- Continue phase-out of legacy and subsidized tariffs
- Review of time-of-use and seasonal periods and differentials
- Creation of new tariffs to reflect differentiation in customers

Survey of Comparable Agencies

- Review innovative rate structures
- Drivers of rate increases
- How SFPUC bills compare to peers

Customer Engagement

- Customer workshops and/or webinars
 - General and targeted at groups particularly impacted by rate changes
- Mailers and emails on rate hearings, approved rates

Timeline & Major Deliverables

Activity	Duration	Deliverables
Cost of Service Analysis	8/2025 – 10/2025	<ul style="list-style-type: none"> Model Development Evaluation of new cost allocations Determine customer impacts
Rate Design	10/2025 – 11/2025	<ul style="list-style-type: none"> Develop new rate design model that integrates with Cost of Service
Revenue Sufficiency Analysis	10/2025 – 1/2026	<ul style="list-style-type: none"> Evaluate 10-year plan scenarios during budget development Final 10-year plan to Commission early January
Final Rate Plan	1/2026 – 2/2026	<ul style="list-style-type: none"> Update Cost of Service and Rate Design Models with updated 10-year plan revenue requirements Updated schedule of rates Final Report Presentations to key stakeholders
Communications Plan	2/2026 – 5/2026	<ul style="list-style-type: none"> Development and implementation of communications plan Public and elected rate workshops
Commission Presentations	4/2026	<ul style="list-style-type: none"> Rate adoption hearing

Presentations to the RFB will be held as we near completion of each major task to allow for feedback and consideration.

Role of the Rate Fairness Board

- Responsibilities outlined in SF Charter Section 8B.125
- Staff's perspective on the goals of this body:
 - Provide opportunity for public involvement in rate development
 - Provide oversight of fairness and accuracy of staff and consultant's cost allocation methodology
 - Raise policy questions regarding rates' impacts on financial sustainability
- Board members can set their own priorities and direction for meetings.

Discussion & Questions

