



San Francisco
Water
Power
Sewer

Services of the San Francisco Public Utilities Commission

CleanPowerSF Growth Plan Update and Rate Action

December 11, 2018

CleanPowerSF
Cleaner Energy



Agenda

- Today's Action
- Growth Plan Status
- Upcoming PG&E Rate Changes
- Proposed CleanPowerSF Rates
- Financial Forecast and Risk Management
- 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

Growth Plan Status

- Now enrolled 30% of accounts citywide
 - Represents \approx 230 MW average demand
- Plan for completing citywide enrollment
 - April 2019 enrollment
 - Enroll an additional \approx 280,000 accounts
 - Expecting to serve an additional \approx 115 MW (Avg), after opt-out
 - Once completed, expecting to serve \approx 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

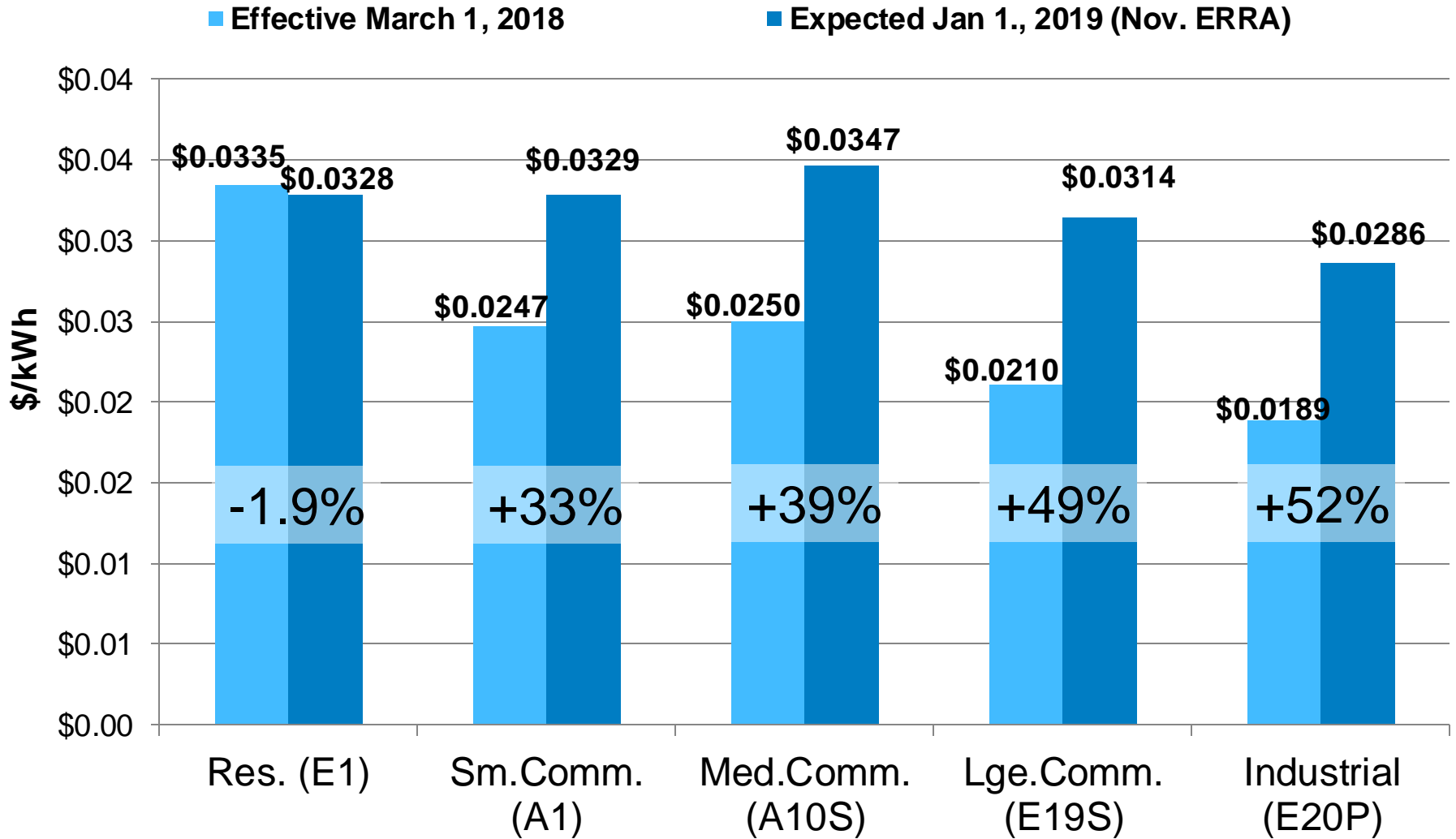
- December 8, 2015 the Commission adopted a CleanPowerSF Rate Setting Policy, consistent with the Charter (Section 8B.125)
- On September 12, 2017 the Commission adopted a Ratepayer Assurance Policy, to ensure:
 - Revenue Sufficiency
 - Customer Equity
 - Environmental Sustainability
 - Affordability
 - Predictability
 - Simplicity
 - Transparency
 - Compliance
- CleanPowerSF rates are set consistent with these policies

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

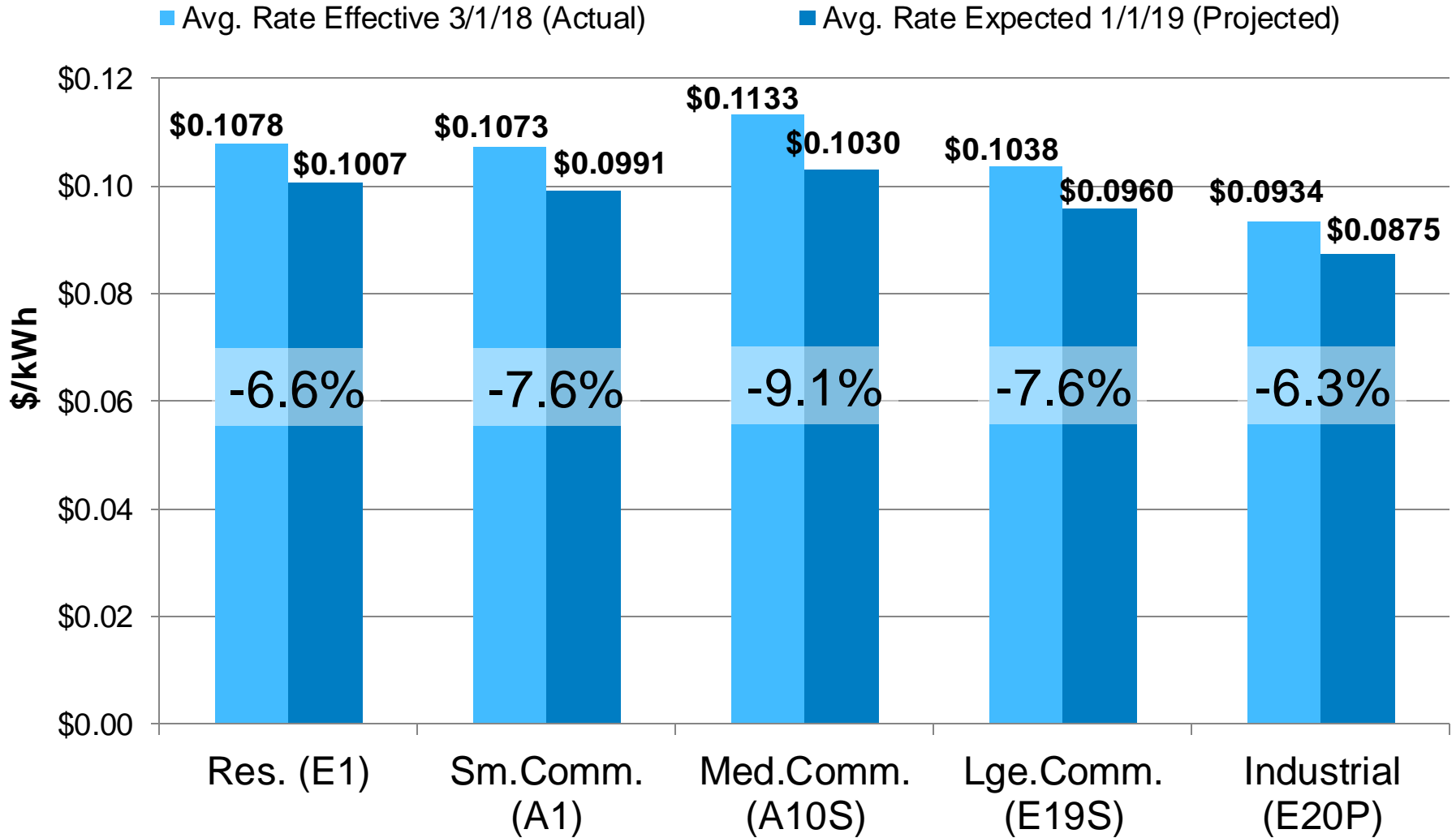


PG&E PCIA Expected to Increase for Commercial Customers on 1/1/19

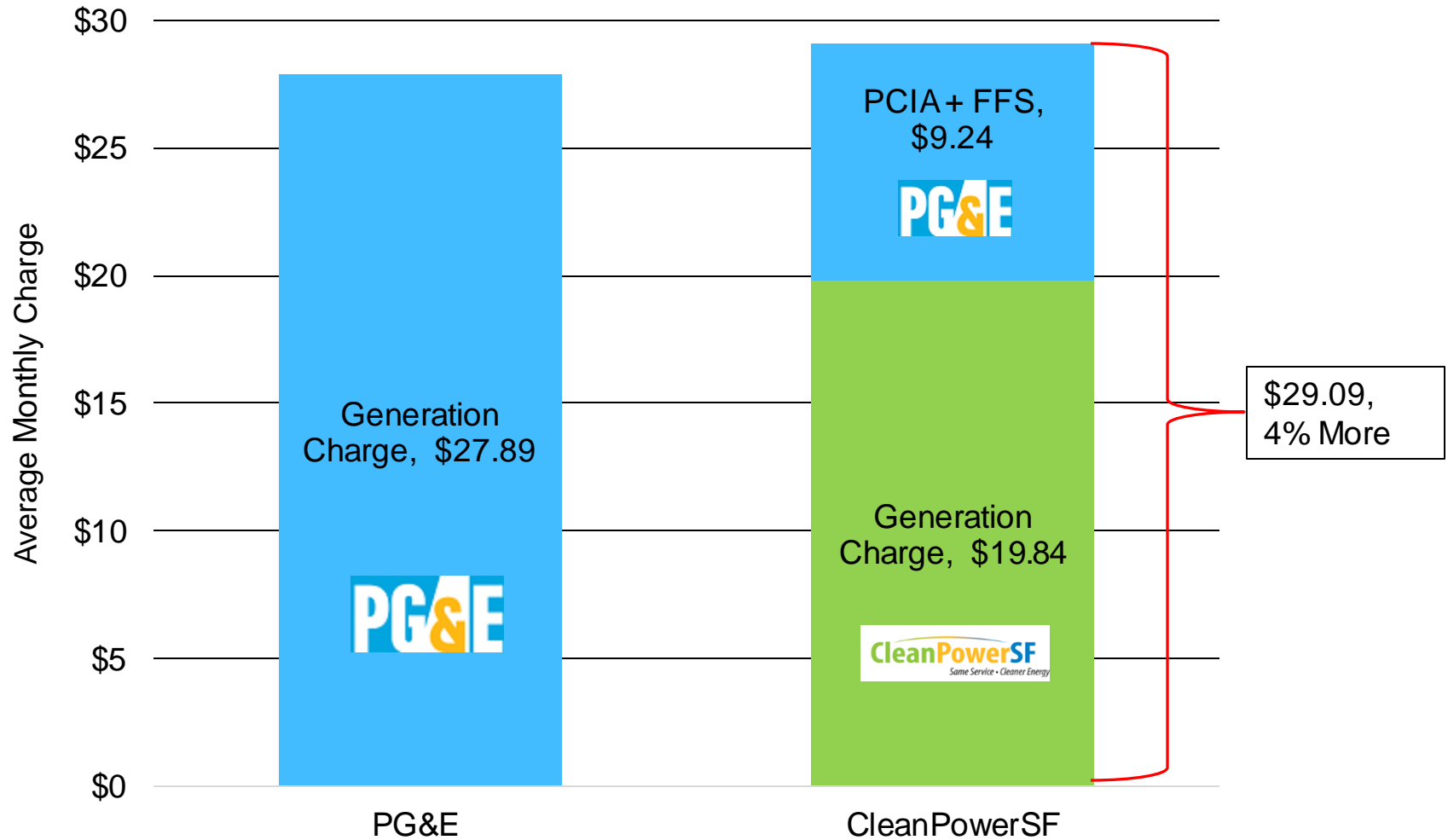




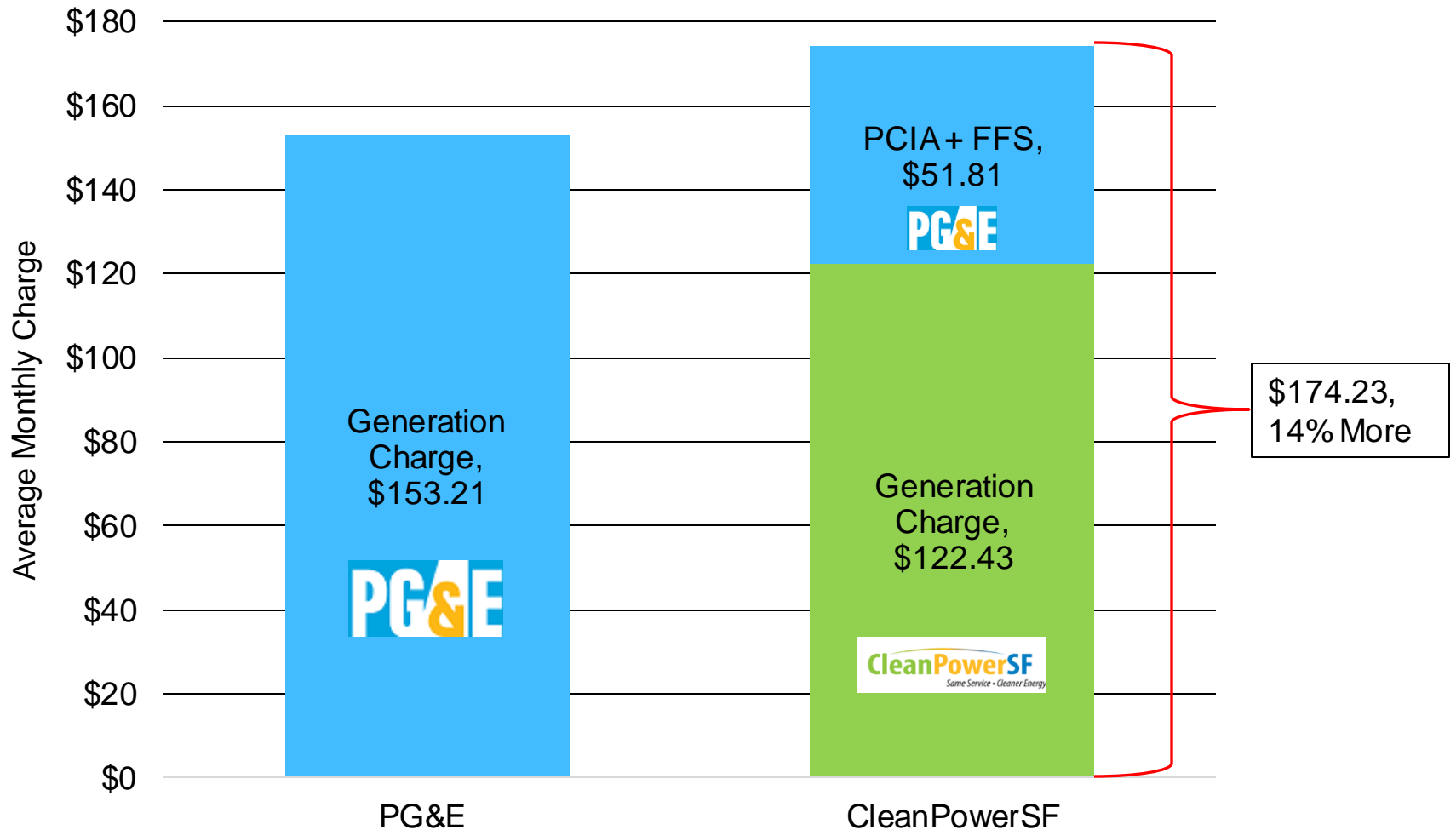
PG&E Generation Rate Expected to Decrease on 1/1/19



Avg. Residential (E1) Generation Cost Comparison *Before SFPUC Rate Action*

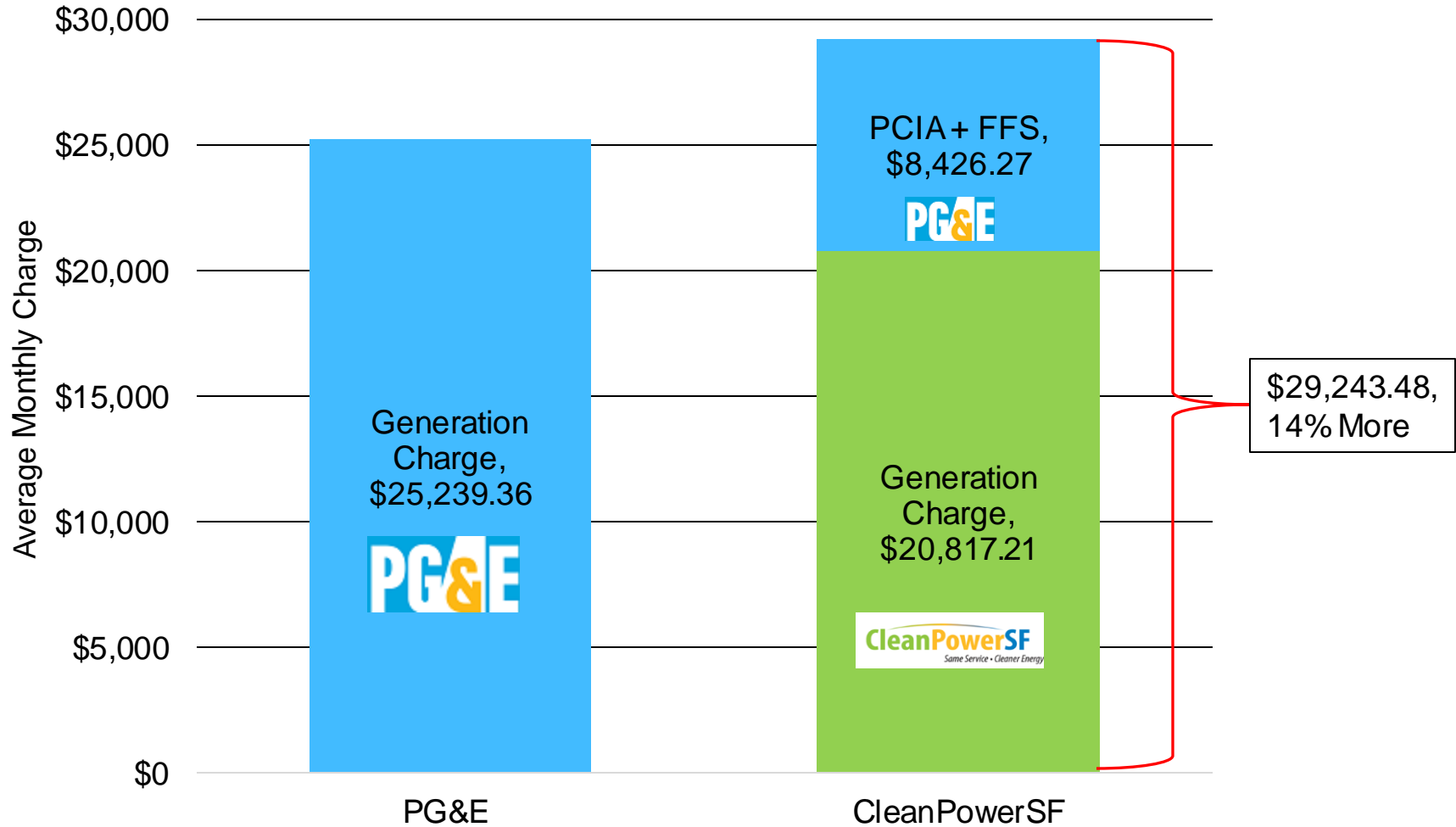


Avg. Small Commercial (A1) Generation Cost Comparison *Before SFPUC Rate Action*





Avg. Large Commercial (E19) Generation Cost Comparison *Before SFPUC Rate Action*





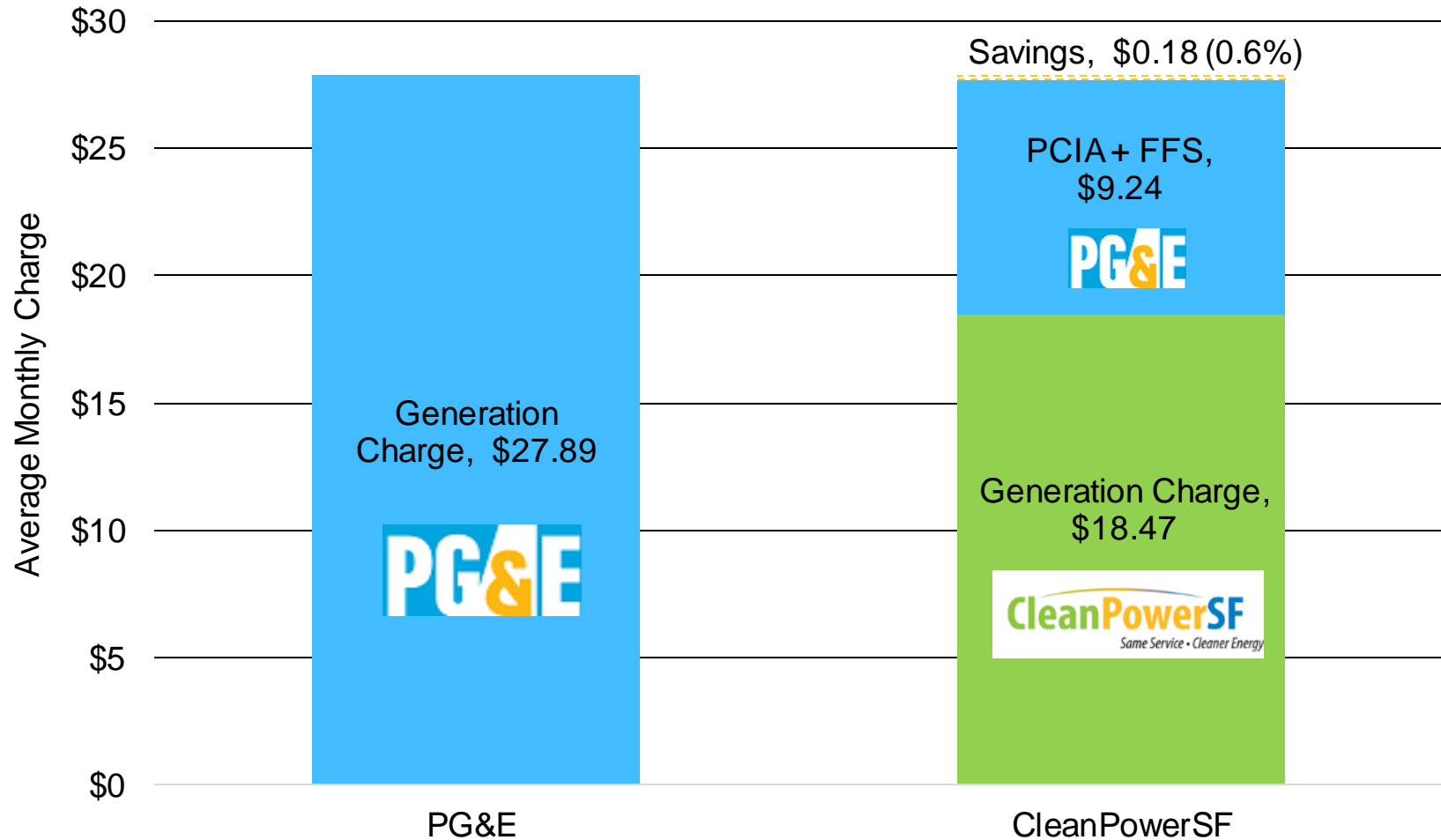
Proposed Changes to CleanPowerSF FY 2018-19 Rates

- **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

2019 CleanPowerSF Customer Avg. Monthly Generation Charges

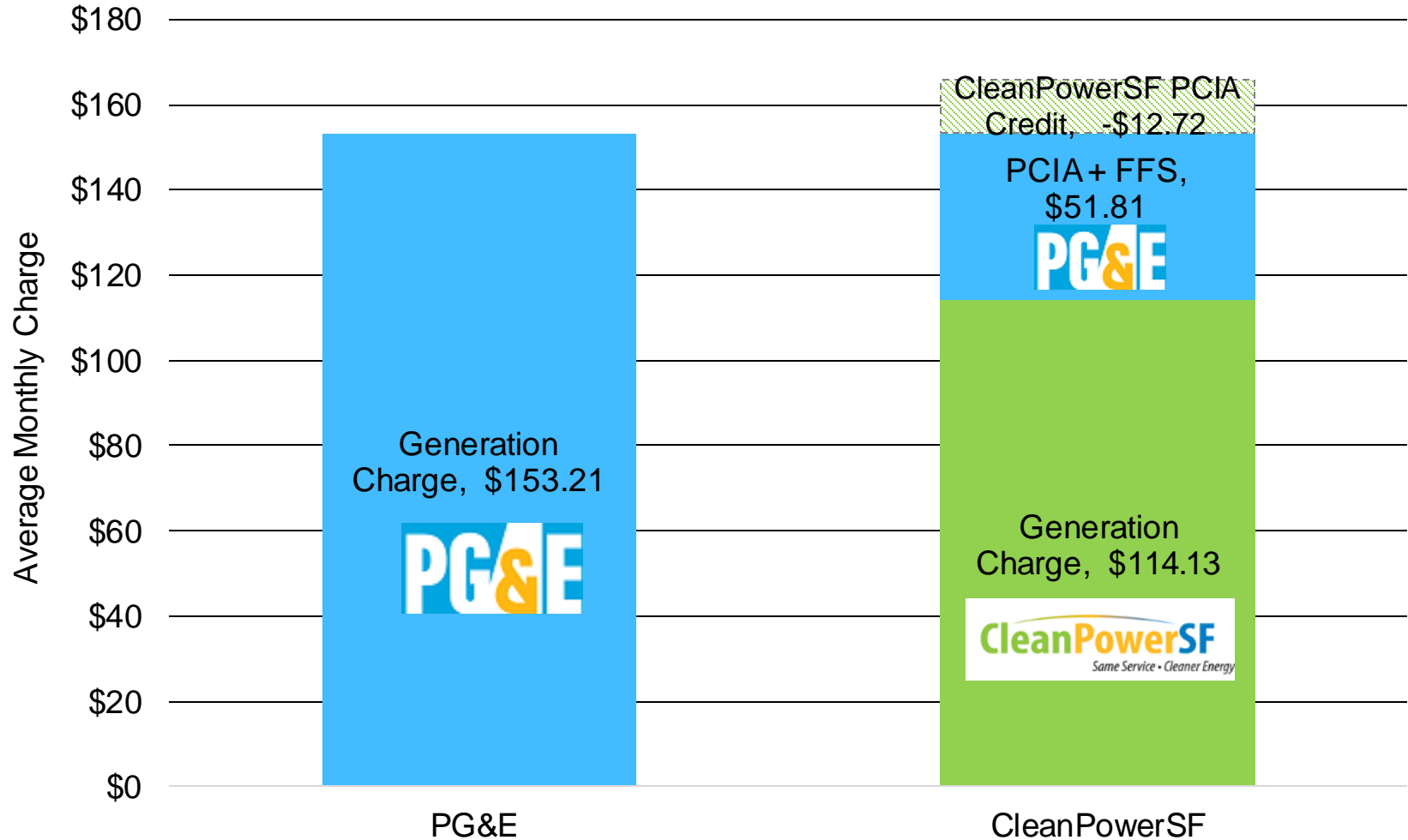




Avg. Small Commercial (A1) Generation Cost Comparison *After SFPUC Rate Action*

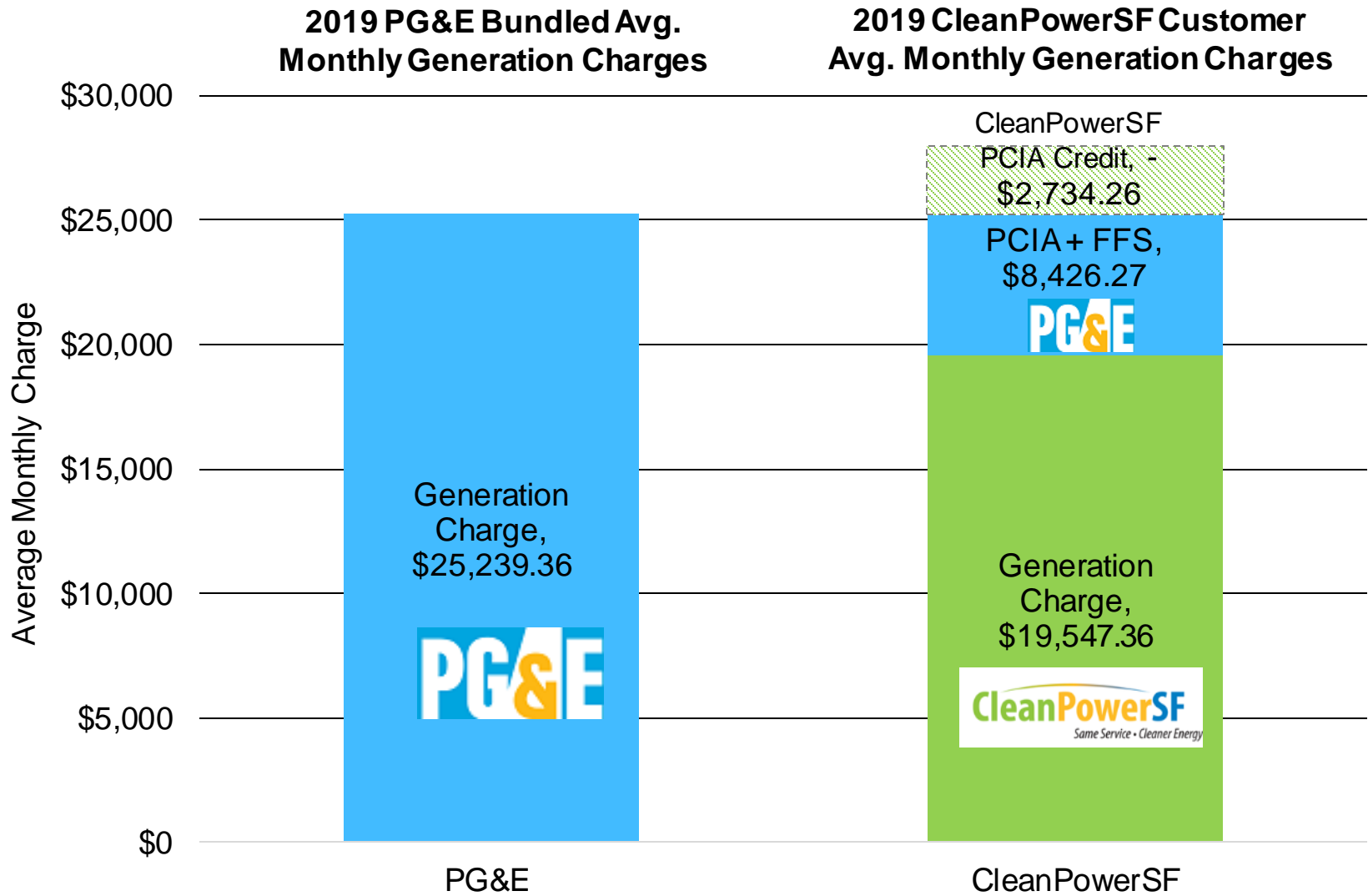
2019 PG&E Bundled Avg. Monthly Generation Charges

2019 CleanPowerSF Customer Avg. Monthly Generation Charges





Avg. Large Commercial (E19) Generation Cost Comparison *After SFPUC Rate Action*



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

Scenario	Total Revenue (\$M)	Projected Contribution to Reserves (\$M)	Projected Year End Fund Balance (\$M, % of Target)	
No Change from Current Rates	\$166.9	\$22.9	\$36.4	65.2%
Budget Projection	\$156.6	\$17.2	\$30.8	55.9%
Rate Proposal (Green rate parity with PG&E)	\$154.4	\$10.4	\$23.9	43.9%

*Rate proposal projects approximately 6-7% higher sales than budget.

Risk Management Approach

Program Risk Areas

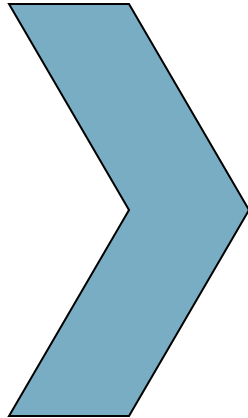
Supply Risk

Customer Service Risk

Operational Risk

Financial Risk

Regulatory Risk



Enterprise Risk Management (ERM) Framework

SAN FRANCISCO WATER POWER SEWER ENTERPRISE RISK MANAGEMENT, CLEANPOWERSF HEAT MAP BY FUNCTIONAL AREA AND STATUS data as of 11/19/2017					
Likelihood	Risk Rating Heat Map, November 2015				
	Impact				
	1	2	3	4	5
5	0	1	2	1	3
4	0	0	5	4	5
3	0	1	4	7	1
2	0	3	0	3	0
1	0	0	0	0	0

Risks by Goals and Objectives	Risk Rating Nov 2017	Risk Rating Aug 2017	Change Nov vs Aug	Target Risk Rating	Risk Owner
1.0 Provide Affordable Service to our Customers					
<i>1.1 Meet or beat PG&E's generation and CCA non-bypassable charges</i>					
1.1.1 Increased energy supply costs	12	12	0	4	Erin
1.1.2 Inability to procure energy supply and/or professional services in a timely and cost-effective manner	12	12	0	4	Jordan
1.1.3 Unfavorable State action regarding PG&E's rate setting, impacting PG&E's generation rate offerings or increasing non-bypassable charges that apply to CCA customers	16	16	0	4	Manuel
1.1.4 New regulations that increase the cost of program operations	16	16	0	4	Manuel
<i>1.2 Develop rates and funding mechanisms that support participation in CleanPowerSF by CARE customers</i>					
1.2.1 Program cost of service and margins do not support collecting additional funds to provide rate stability to CARE customers without raising rates to non-CARE customers	8	8	0	6	Michael
2.0 Provide Reliable and Excellent Service to Our Customers (delight the customer)					
<i>2.1 Respond to the customer inquiries and requests</i>					
2.1.1 Customer dissatisfaction	6	6	0	4	Julia
<i>2.2 Meet customers' needs/programs > to PGE's</i>					
2.2.1 Gaps and/or inferior customer program offerings	3	3	0	2	Julia
<i>2.3 Effective & consistent program management</i>					
2.3.1 Customers are not billed or are billed incorrectly [Additional Risk Owner Mike Hjams]	9	9	0	6	Julia
2.3.2 Recordkeeping, market, regulatory, and/or financial requirements are not met	4	4	0	3	Julia
2.3.3 Inefficiencies among staff, support services, and vendors	2	2	#VALUE!	2	Julia
2.3.4 Contract failure results in energy supply or critical professional service deficiency	12	12	0	6	Erin
3.0 Cleaner Electricity Alternatives					
<i>3.1 Develop and purchase energy supplies to meet San Francisco's goal of 100% greenhouse gas free electricity supply by 2030</i>					
3.1.1 Develop and purchase energy supplies to meet San Francisco's goal of 100% greenhouse gas free electricity supply by 2030	?	?	#VALUE!	?	Erin
3.1.2 Available GHG-free supplies are not cost-effective	8	8	0	6	Erin
<i>3.2 Green Product: Exceed the renewable energy content in PG&E's default service offering, principally with bundled PCC-1</i>					

Selected Risks and Mitigations

- High Opt-Out
 - Enroll additional customers
 - Portfolio management (e.g., portfolio “laddering”)
- Non-Bypassable Charges/PCIA & Unfavorable PG&E Rates
 - Regulatory advocacy
 - Lowering rates and charges/reducing costs
 - Changing Green product mix
 - Portfolio management
- Challenges to Local Authority & New Regulations
 - Increasing Costs
 - Legislation



Next Steps and Schedule

Key Action Items	Date	Status
Revise Green Product Rates and Methodology for April 2019 Enrollment	December 2018	PENDING
Finalize Green Product Rates	January 2019	PENDING
Send Pre-Enrollment Notices Required by Statute to Customers	February 2019	PENDING
Phase 3 Enrollment Commences	April 2019	PENDING

Go SuperGreen today at:
www.CleanPowerSF.org

CleanPowerSF

Same Service • Cleaner Energy



San Francisco
Water
Power
Sewer

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



CleanPowerSF Initial Rates

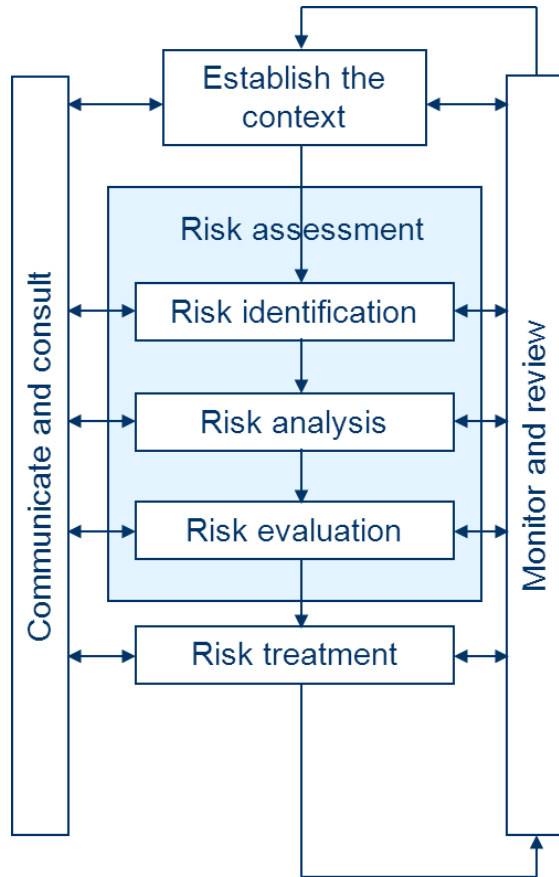
- The Commission also adopted rates for program launch using the Not-to-Exceed rate setting methodology presented to the RFB on April 17, 2015:
 - PG&E Generation Rate(s)
 - PG&E Power Charge Indifference Adjustment (PCIA)
 - PG&E Franchise Fee Surcharge (FFS)
 - = CleanPowerSF NTE rate(s) for default 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

What is the ERM Process?

Risks are identified through a Risk Assessment Process



Risk Identification: Recognizing the threats to achieving an organization's objectives (and opportunities for organizational advancement)

Risk Analysis: Considers the original source of a risk (trigger) and its consequences

Risk Evaluation: Converts qualitative risks into quantitative ratings

Risk Treatment: The process of modifying a risk.

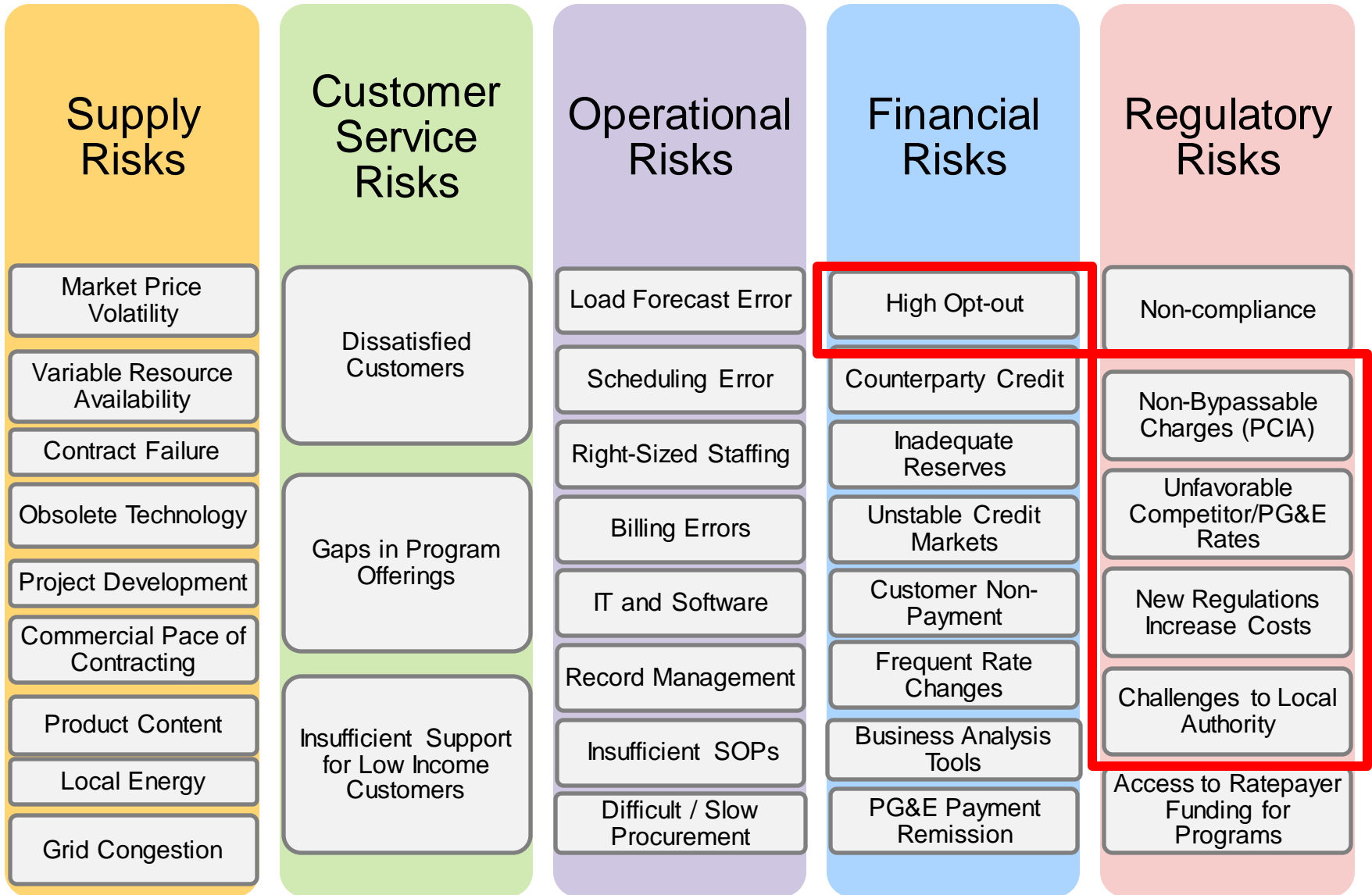
*SFPUC ERM is based on
ISO 31000:2009 Standards.*

Monitor and Review
Communicate and Consult



CleanPowerSF Business Risks

Identified 34 Risks Across Five Categories



Supply Risk Mitigation Measure: *Portfolio Laddering (Illustrative)*

