



San Francisco  
**Water**  
**Power**  
**Sewer**

Services of the San Francisco Public Utilities Commission

# CleanPowerSF Growth Plan Update and Rate Action

December 11, 2018

**CleanPowerSF**

*Same Service • Cleaner Energy*

# Agenda

---

- Today's Action
- Growth Plan Strategy and 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

# 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  $\approx$  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

# 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

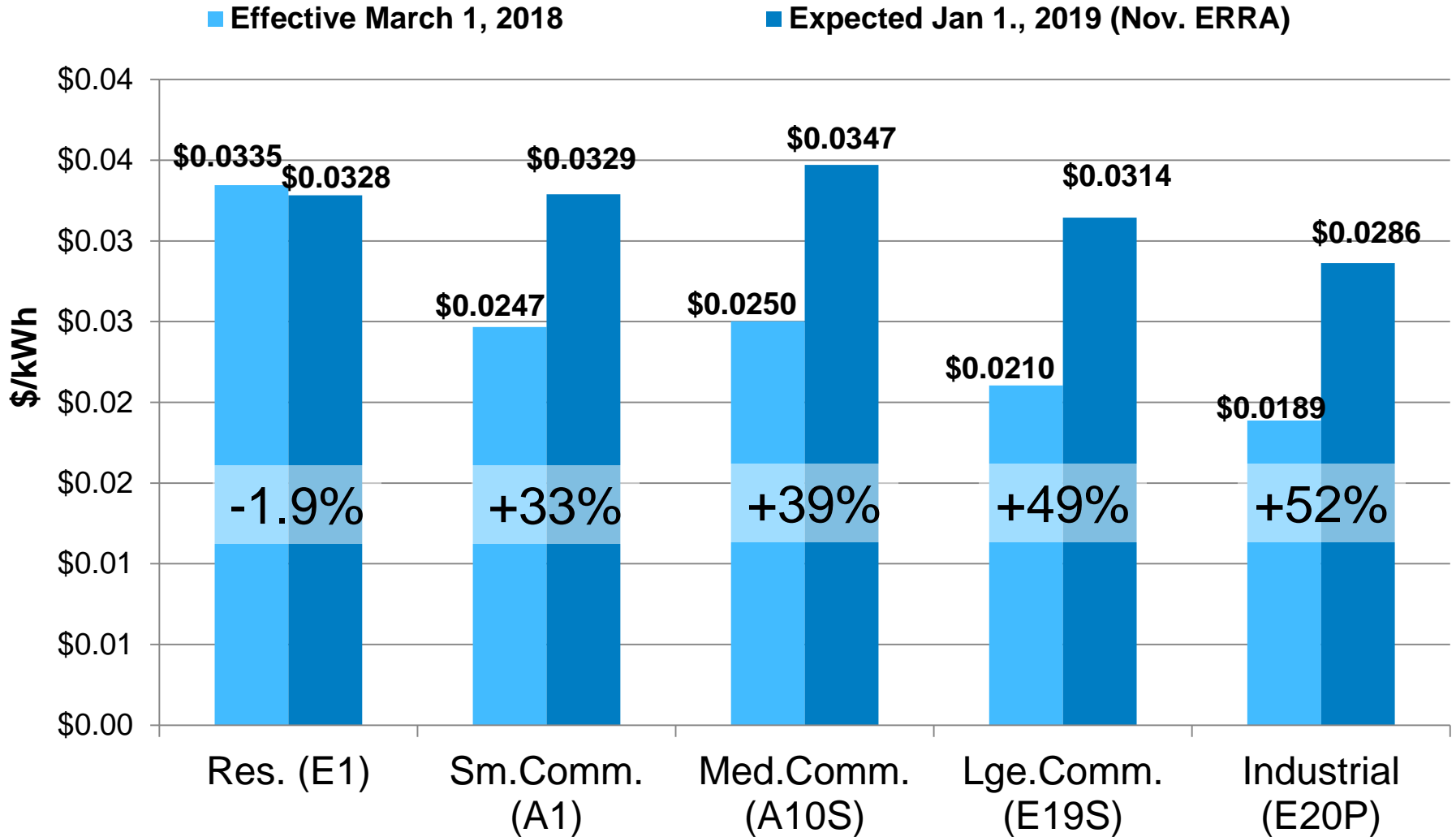
# Upcoming PG&E Rate Changes

---

- 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

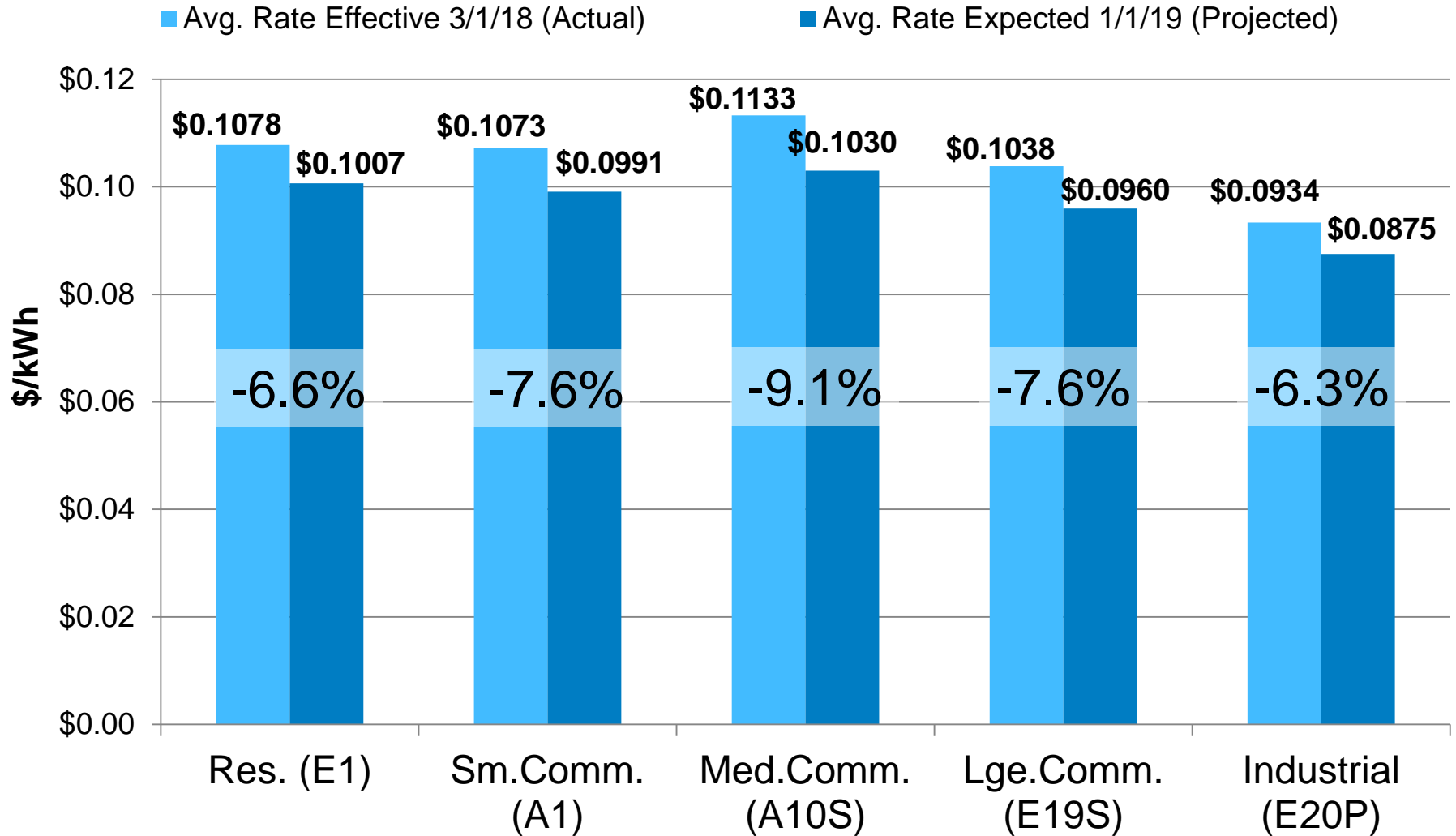


# PG&E PCIA Expected to Increase for Commercial Customers on 1/1/19

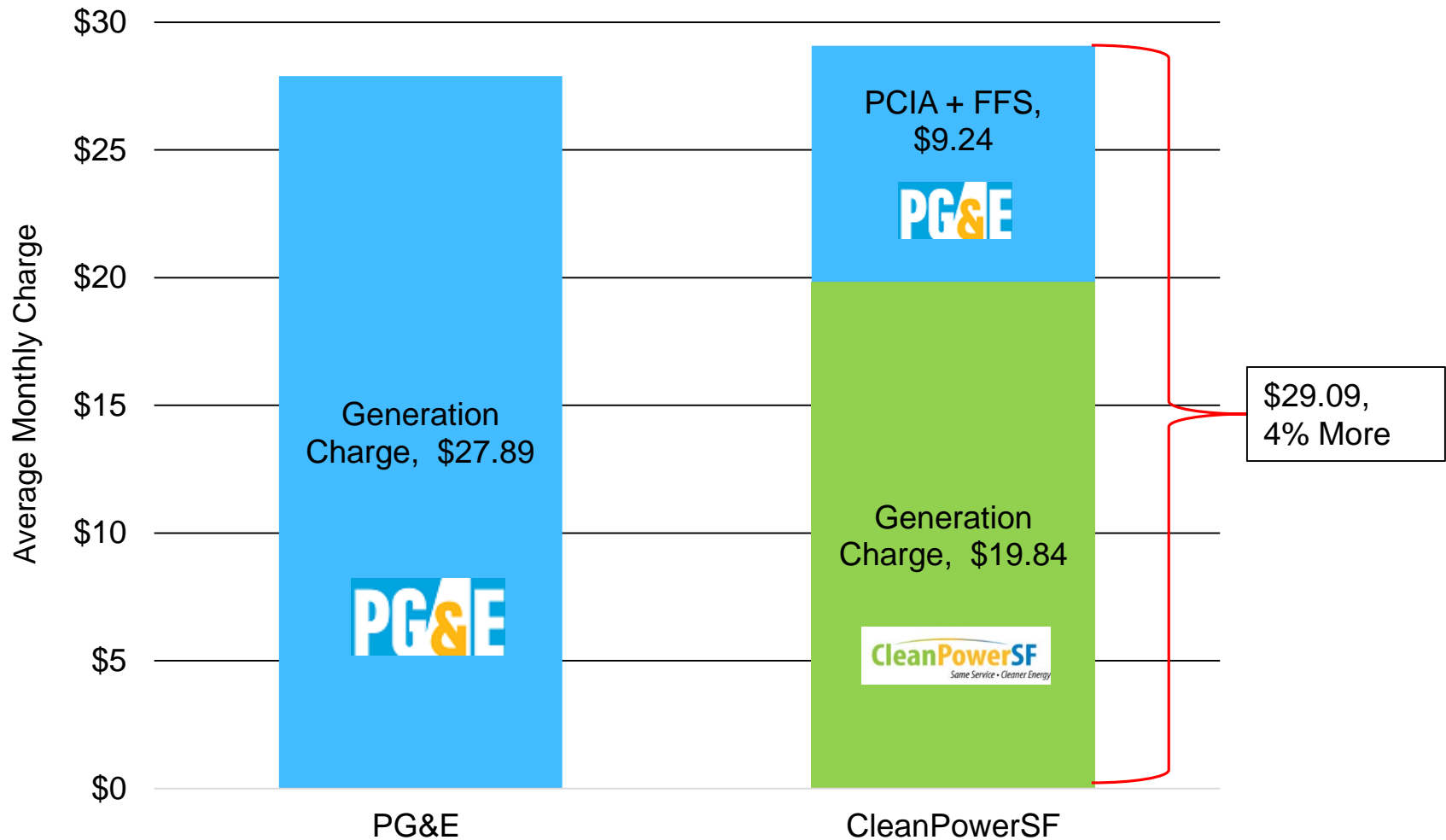




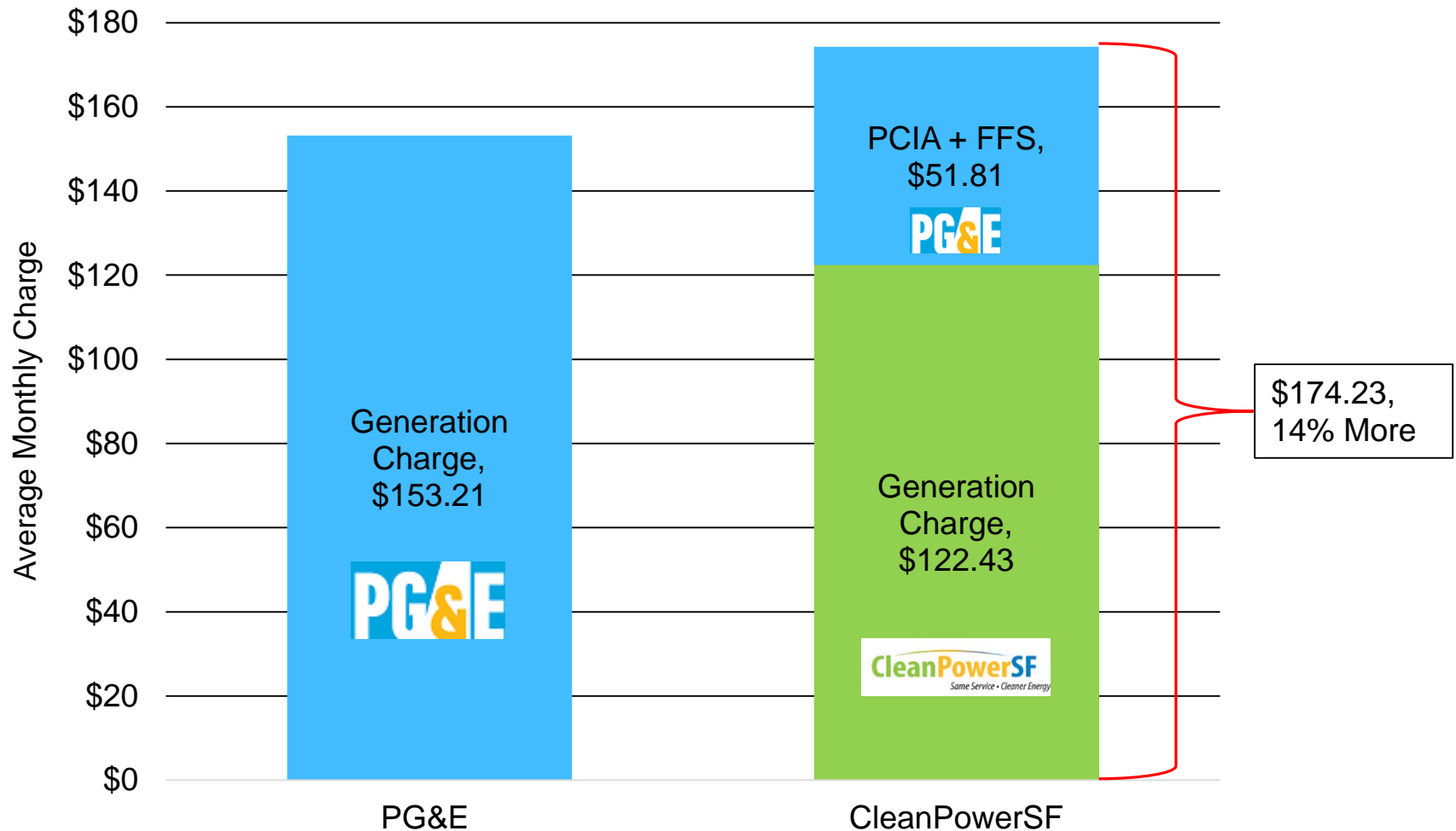
# PG&E Generation Rate Expected to Decrease on 1/1/19



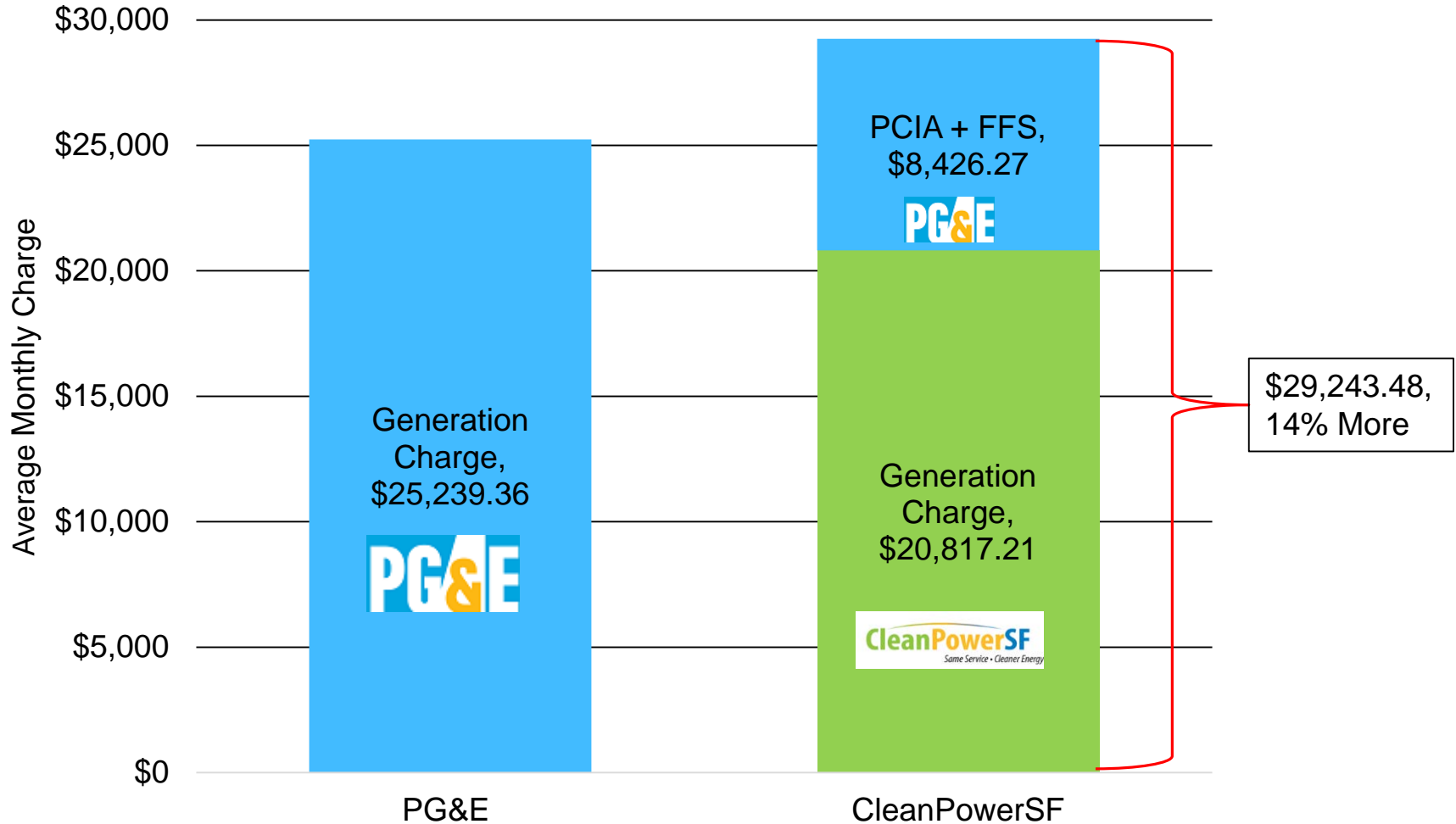
# Avg. Residential (E1) Generation Cost Comparison *Before SFPUC Rate Action*



# 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**

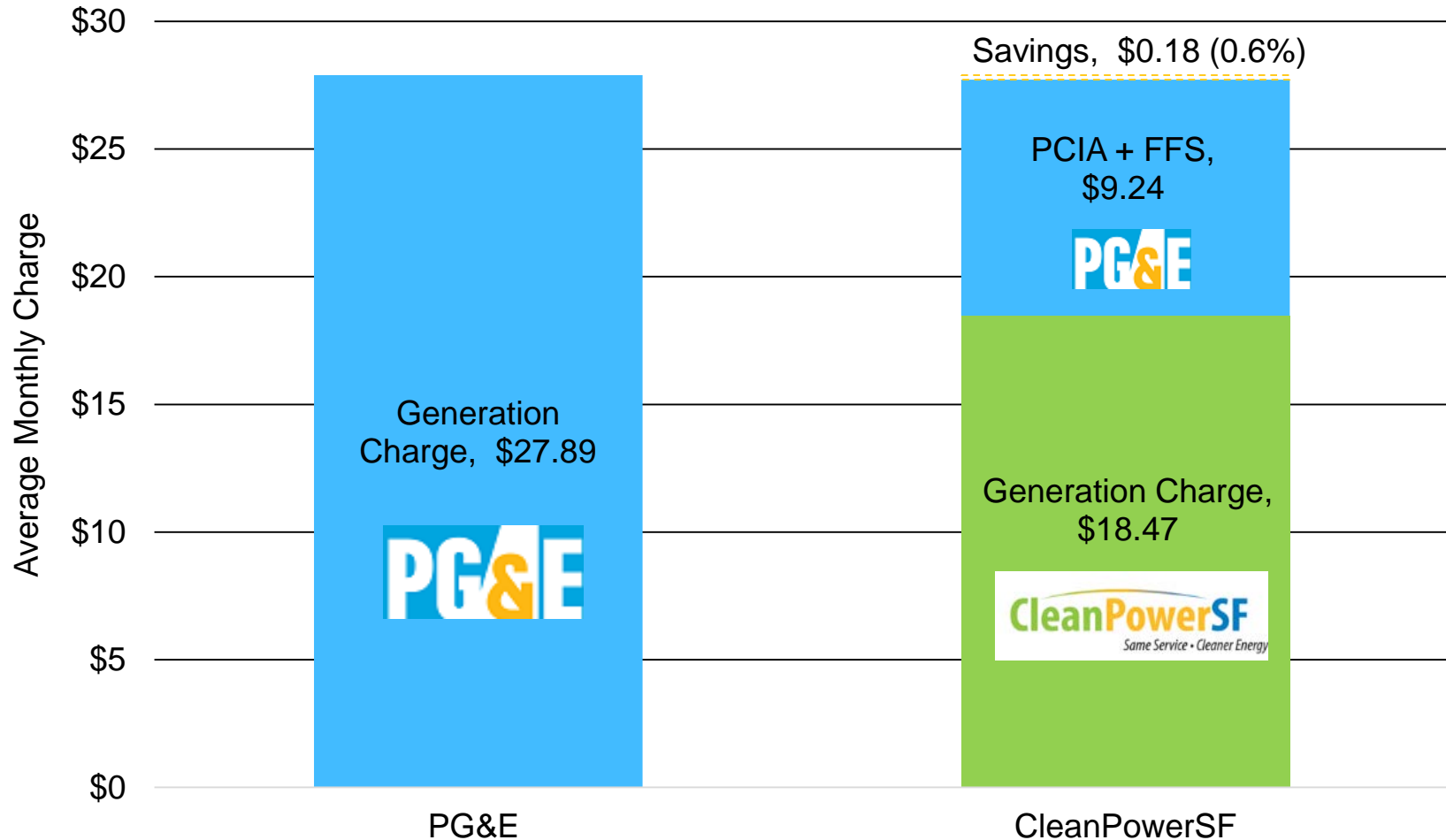




# Avg. Residential (E1) Generation Cost Comparison *After SFPUC Rate Action*

2019 PG&E Bundled Avg. Monthly Generation Charges

2019 CleanPowerSF Customer Avg. Monthly Generation Charges

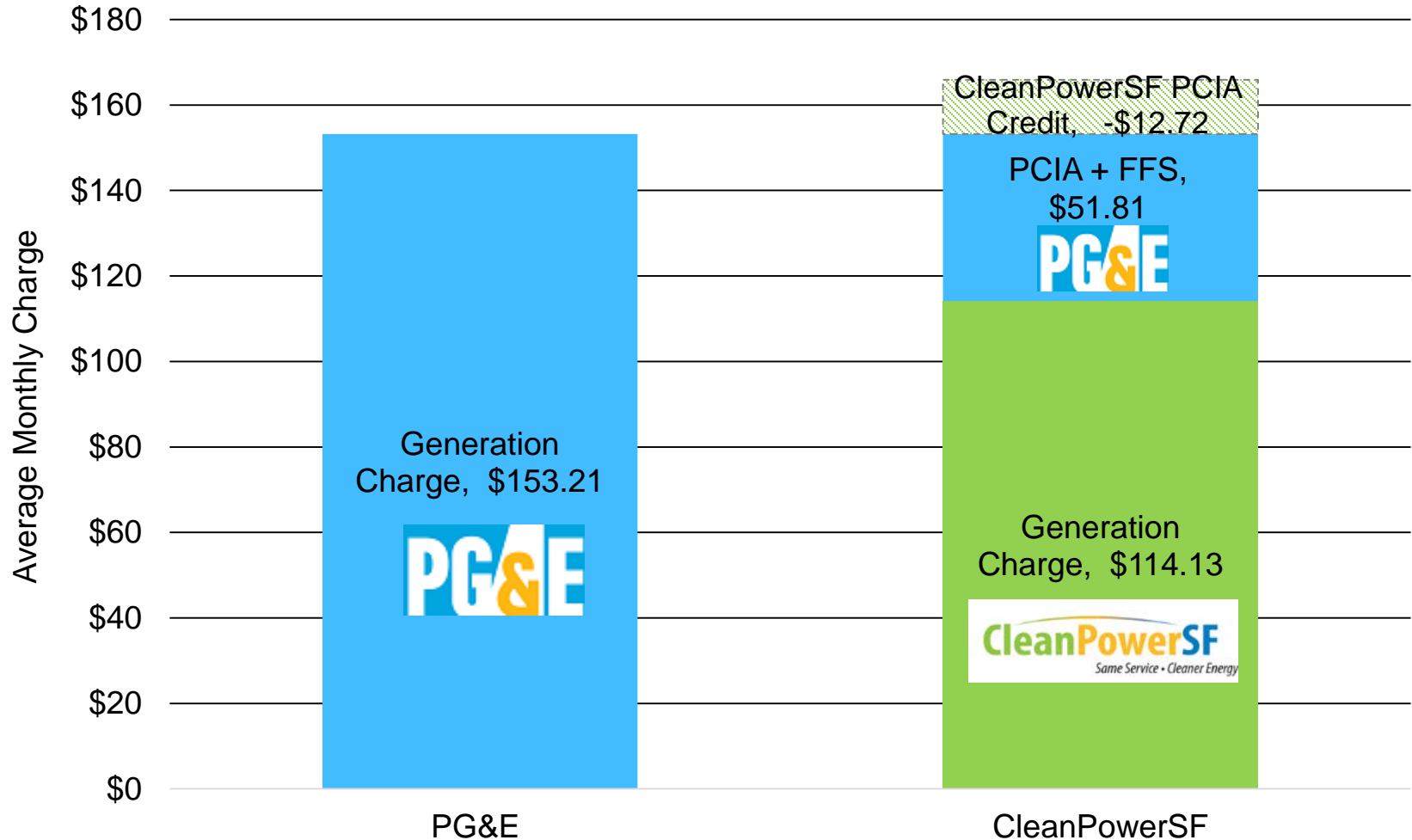




# Avg. Small Commercial (A1) Generation Cost Comparison *After SFPUC Rate Action*

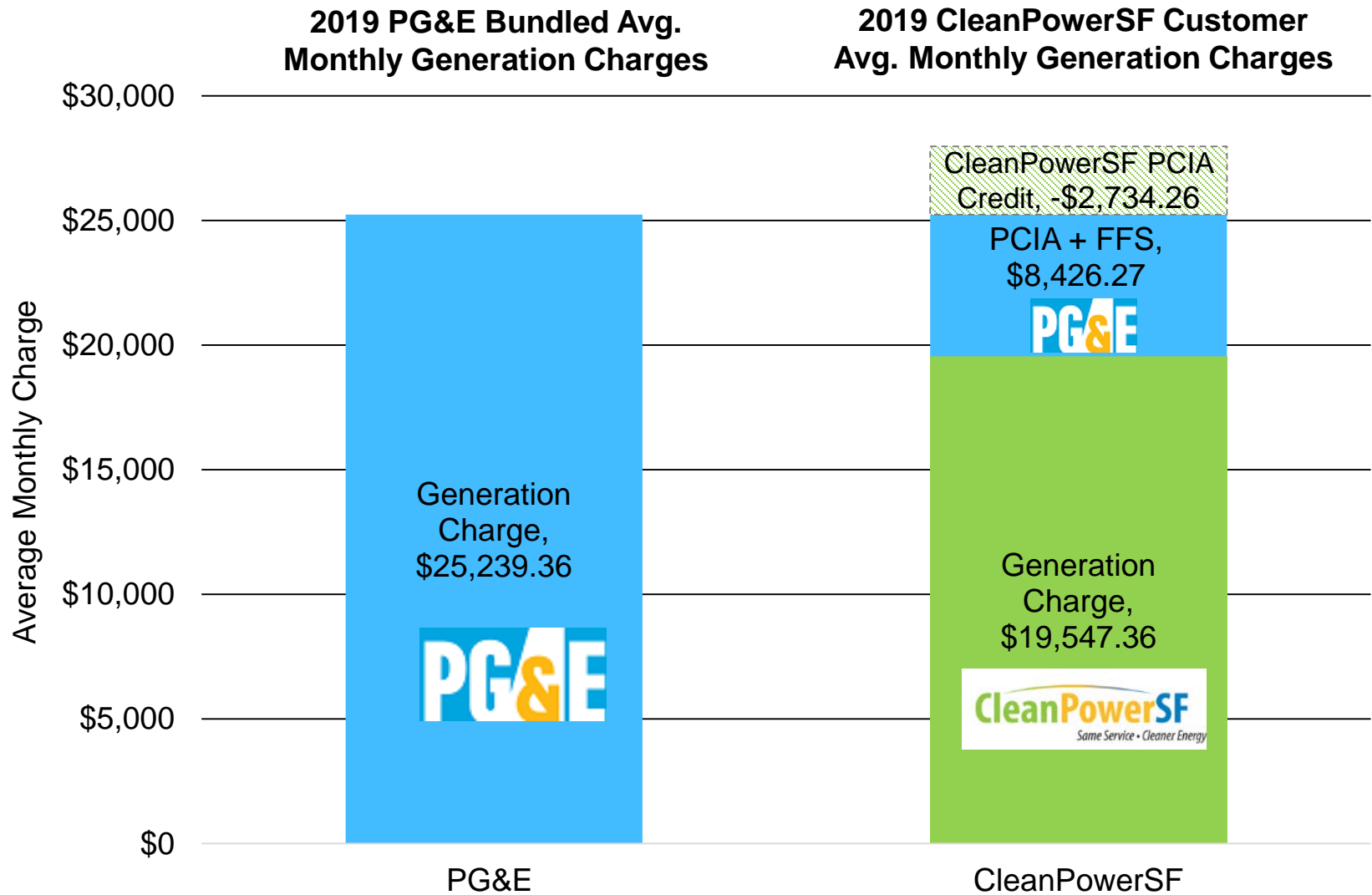
2019 PG&E Bundled Avg. Monthly Generation Charges

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

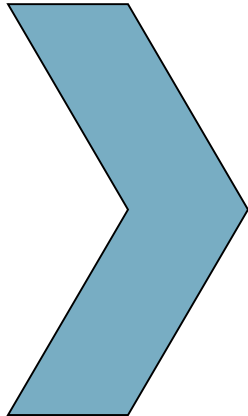
Supply Risk

Customer Service Risk

Operational Risk

Financial Risk

Regulatory Risk



## Enterprise Risk Management (ERM) Framework

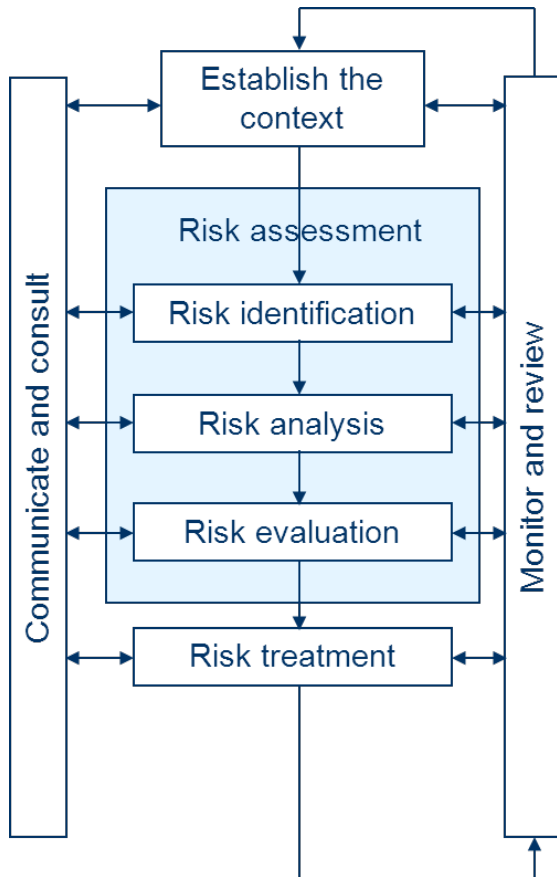
SAN FRANCISCO WATER POWER SEWER ENTERPRISE RISK MANAGEMENT, CLEANPOWERSF HEAT MAP BY FUNCTIONAL AREA AND STATUS data as of 11/19/2017		Risk Rating Heat Map, November 2015				
Likelihood	Impact					
	1	2	3	4	5	
5	0	1	2	1	3	
4	0	0	5	4	5	
3	0	1	4	7	1	
2	0	3	0	3	0	
1	0	0	0	0	0	

Risks by Goals and Objectives	Risk Rating Nov 2017	Risk Rating Aug 2017	Change Nov vs Aug	Target Risk Rating	Risk Owner
<b>1.0 Provide Affordable Service to our Customers</b>					
<i>1.1 Meet or beat PG&amp;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
<b>2.0 Provide Reliable and Excellent Service to Our Customers (delight the customer)</b>					
<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 &gt; to PGE's</i>					
2.2.1 Gaps and/or inferior customer program offerings	3	3	0	2	Julia
<i>2.3 Effective &amp; 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
<b>3.0 Cleaner Electricity Alternatives</b>					
<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&amp;E's default service offering, principally with bundled PCC-1</i>					

# 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.

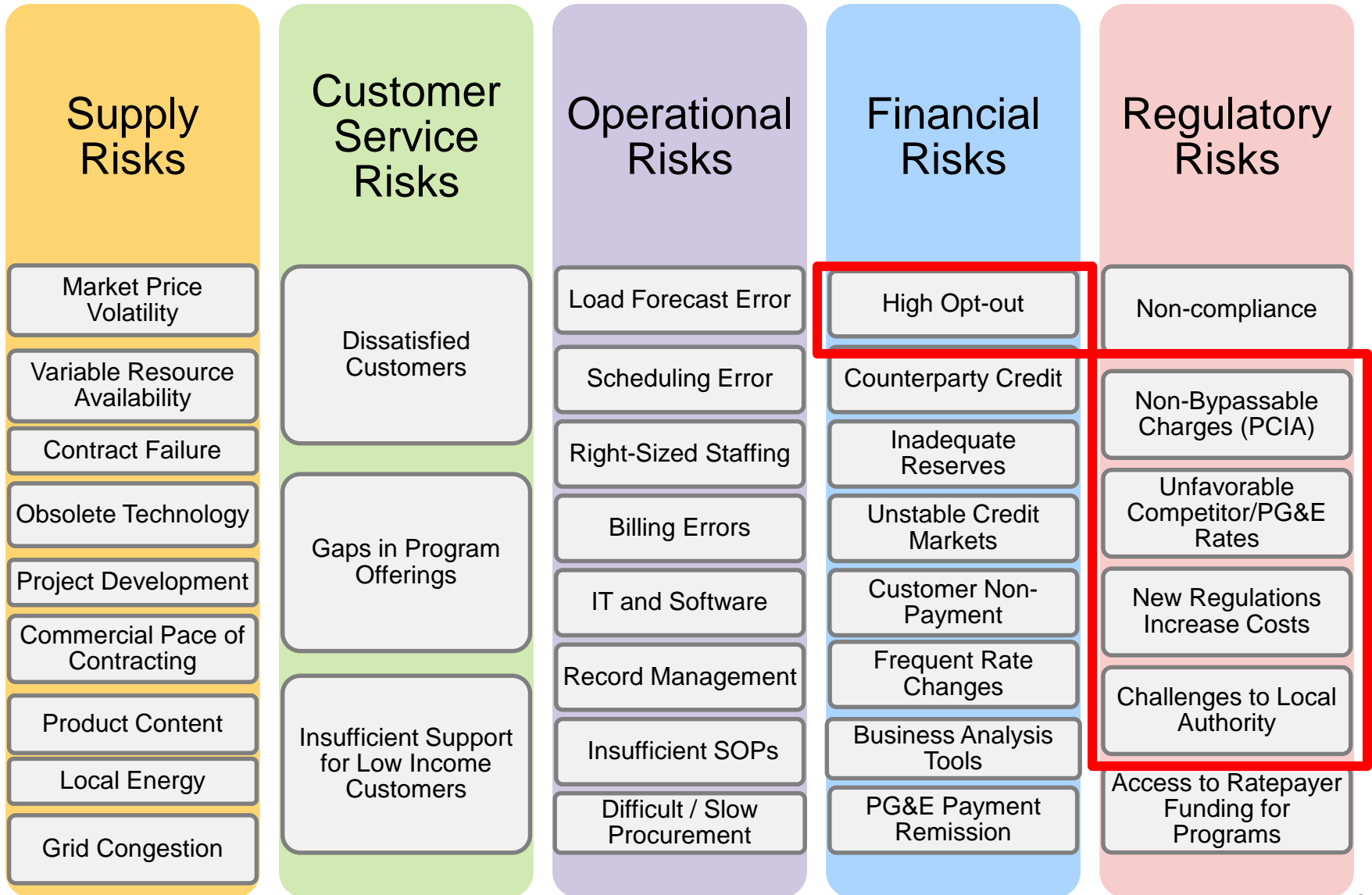
*SFPUC ERM is based on  
ISO 31000:2009 Standards.*

***Monitor and Review***  
***Communicate and Consult***



# CleanPowerSF Business Risks

## Identified 34 Risks Across Five Categories





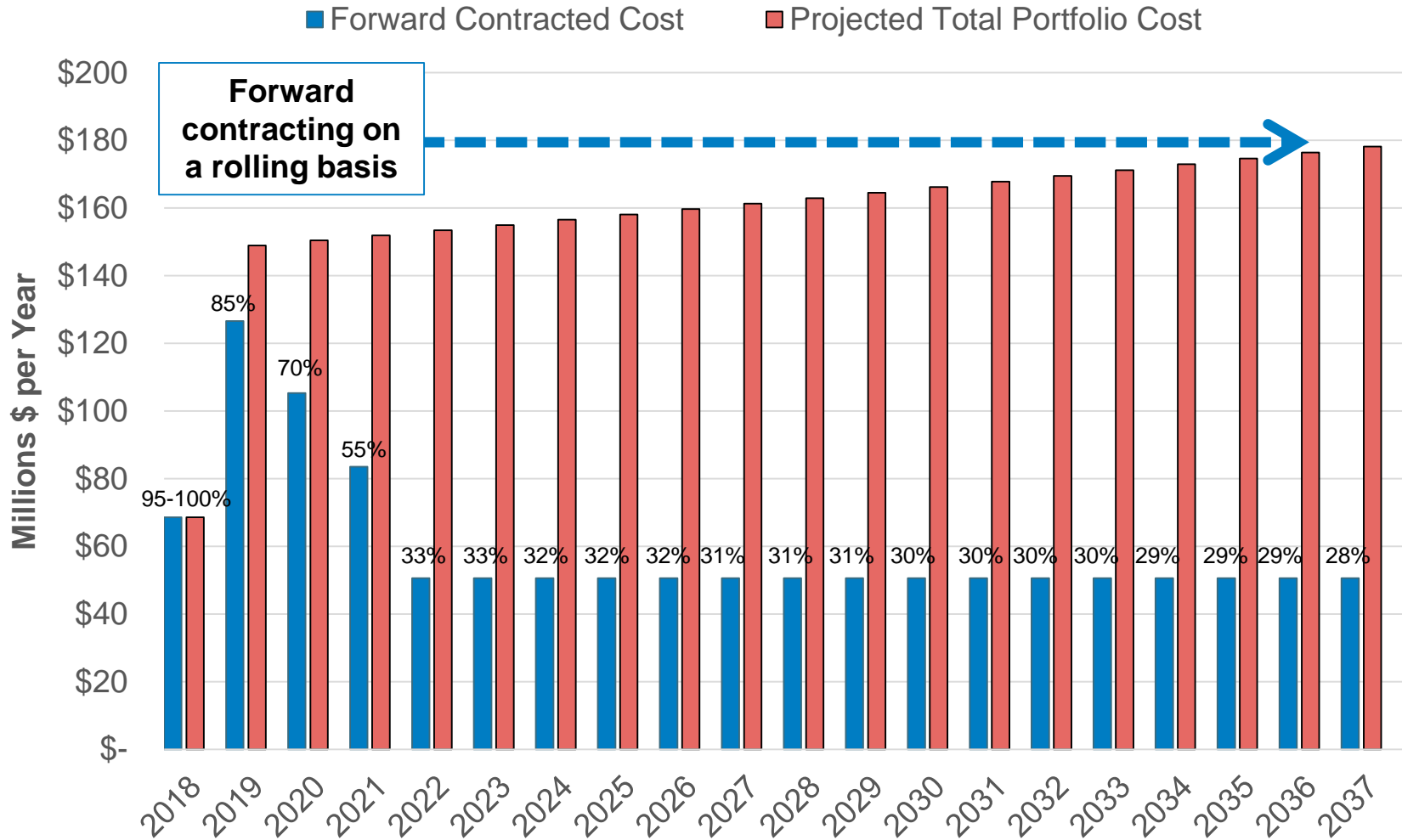
# Selected Risks and Mitigations

---

- 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



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





# Next Steps and Schedule

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

Go SuperGreen today at:  
[www.CleanPowerSF.org](http://www.CleanPowerSF.org)

**CleanPowerSF**  
Same Service • Cleaner Energy



San Francisco  
**Water  
Power  
Sewer**