



San Francisco Public Utilities Commission Presentation to the Capital Planning Committee

Power Enterprise Capital Budget and 10-Year Capital Improvement Plan

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Agenda

1. Welcome and Introduction
2. Agency Capital Budget Overview
3. Power - One Enterprise, Two Budgets
4. Power Enterprise Capital Budget Summary and Requests
5. Financial Challenges and Outlook

****Water and Wastewater Enterprise Budgets to be heard at April 8, 2024, Capital Planning Committee meeting**



What we do

Water



**Delivering high-quality
water**

Power



**Generating clean
energy**

Sewer



**Protecting public health
and the environment**

Creating a Utility of the Future: Priorities in Developing this Budget

Affordability

Adopted affordability policy for Water and Wastewater

Efficient capital planning

Responsible Management

Addressing Regulatory Requirements

Financial Sustainability

Workforce: Reducing vacancies, increasing retention

Accountability: Racial Equity and Transparency

Responsible management of our system, maintenance

Investing Where it Matters

Resilience and climate change

Environmental stewardship

Contributing to economic vitality: capital investment and job creation

Replacing aging infrastructure

Meeting new customer demands



Overview of the SFPUC's 10-Year Capital Improvement Plan

- As the largest 10-Year Capital Plan ever proposed, this year's \$11.8 Billion plan represents a visionary investment in San Francisco's economy, infrastructure, and resiliency
- Key Points:
 - A comprehensive plan spanning 10 years, ensuring reliable water, clean energy, and resilient infrastructure – delivering on the SFPUC's priorities
 - A catalyst for economic growth, creating and sustaining thousands of local union jobs
 - Bolstering the City's tax base, in turn supporting the City's General Fund.
 - A local solution to the global climate crisis
 - Aligned with the Mayor's priorities, building a safer, cleaner, and more prosperous San Francisco



One Enterprise, Two Budgets

**** We are San Francisco's clean energy utility ****

Hetch Hetchy
POWER

CleanPowerSF

San Francisco's publicly-owned, retail electric utility

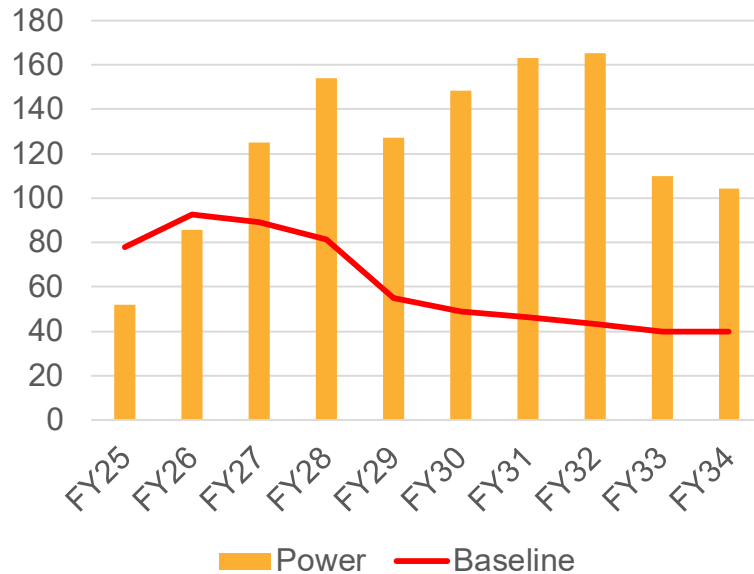
San Francisco's Community Choice Aggregation Program

- 1 million MWh annual sales (150 MW)
 - 6,300 retail customer accounts, and growing
 - Ownership in 385 MW hydro generation, 8.6 MW solar, 3 MW biogas
 - Default product 100% GHG-free
 - "Premium" 100% California RPS renewable
 - 160+ miles of transmission and distribution lines
- 3.1 million MWh annual sales (550 MW)
 - 380,000+ customer accounts, relatively stable
 - Diverse portfolio of short, medium, and long-term power purchase and resource adequacy contracts
 - Default "Green" product at least 50% RPS-eligible and nearly 100% GHG free
 - SuperGreen 100% renewable
 - SuperGreen Saver, 100% renewable @ 20% discount for qualified customers
- Together providing over 75% of the electricity consumed in San Francisco
 - Employ union workers, including engineers, financial and utility analysts, line workers, electricians, and technicians.
 - Own, operate and maintain over 25,000 streetlights. Fund all costs associated with operating and maintaining streetlights – including the about 18,000 owned by PG&E in San Francisco.

Power Capital Requests

Hetchy Power's \$1.2B Capital Plan

Capital Budget Proposal
(in \$ millions)



- Hetch Hetchy Power's Capital plan has grown by \$639M or 107%
- Climate change/decarbonization and investments in increased retail distribution are key growth drivers
- Key growth in projects:

	Total in Plan (\$ millions)	Increase (\$ millions)
Carbon Free Steam	\$216	\$216
Downtown Ferry Elec.	\$96	\$96
SFO Substation	\$241	\$94
Intervening Facilities	\$185	\$80
Grid Connections	\$96	\$76
BCTD Backup Loop	\$60	\$60
Port of Oakland Sub.	\$27	\$27

2-Year Power Budget

Power Capital Budget Comparison:

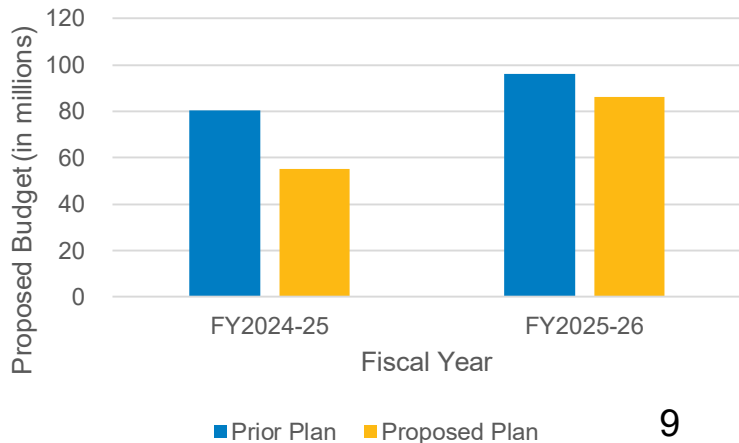
- Significantly less than anticipated at this point last year
- Decreases included:
 - Projects deferred to outyears due to increased focus on deliverability included: SFO Substation, HP Phase 2 – Alice Griffith/Candlestick Point, UFS New Building, and SFMTA Electrification
 - HHP New Retail Customers Programs programmatic project shifted to operating budget
 - CleanPowerSF's programmatic budget shifted to operating budget

Debt Authorization:

- Through this budget, the SFPUC is requesting **\$292.8 Million of debt authorization** in FY2024-25 and FY2025-26

\$Million	Prior Plan FY2024-25	Proposed Plan FY2024-25	Change	Prior Plan FY2025-26	Proposed Plan FY2025-26	Change
Hetchy Power	77.7	52.0	(25.7)	92.7	85.5	(7.2)
CleanPowerSF	2.9	2.6	(0.3)	3.0	0.5	(2.5)
	80.6	54.6	-26.0	95.7	86.0	-9.7

2-Year Budget Comparison to Prior Plan



Summary of Capital Requests

- 1) Meeting new customer demands
 - *Retail Distribution*
 - *Redevelopment*
- 2) Responsible management of our system, maintenance
 - *Reliability/Continuity of Operations*
 - *Streetlight Repair and Replacement*
- 3) Resilience and climate change
 - *Local Renewables and Energy Efficiency*
- 4) Financial sustainability
 - *Public Power Expansion*
- 5) Job creation and community benefits
 - *10-Year CIP will create and sustain over **5,000 jobs***

Capital Prioritization Criteria

Revenue Generating: Does the project increase net new revenue over the life of the asset?

Climate Action/Equity: Does the project address the City's climate action or equity goals?

Requirement to Serve: Is the project necessary to serve municipal customers, developers with a signed development agreement, or other required City customers?

Technical Feasibility/Readiness: Is the project design complete and construction is in progress or imminent, or is the project of a repair and renewal nature and can be implemented on an ongoing basis without extensive design or environmental review?



Retail Distribution – Major Investments

FY25 & FY26 Request: **\$40.9M**

10-Year Request: **\$553.9M**

Includes SFO Substation Improvements, Carbon Free Steam, and Downtown Ferry & South Beach Electrification

Major substation construction/improvement projects where Power partners with the customer for project execution and delivery

Retail Distribution Projects benefit Power retail customers by increasing independence from Pacific Gas & Electric Company's control of the distribution grid, easing customer connections, and more easily implementing grid connected innovations.

Retail Distribution: SFO Substation Improvements

- FY25 & FY26 Request: **\$34.5M**
- 10-Year Request: **\$241.0M**
- Project partner: San Francisco International Airport (SFO)
- Projected capacity needs increased from 110 MW to 255 MW since prior approved capital plan
- Much of the increased demand is related to projected vehicle electrification



Retail Distribution: Carbon Free Steam

- FY25 & FY26 Request: no new funds requested, using prior year balances for planning
- 10-Year Request: **\$216.5M**
- Project partner: Cordia Energy (operator of the downtown steam loop)
- Cordia planning to electrify steam
- A partnership between Cordia and SFPUC is a large and quick carbon reduction opportunity for SF



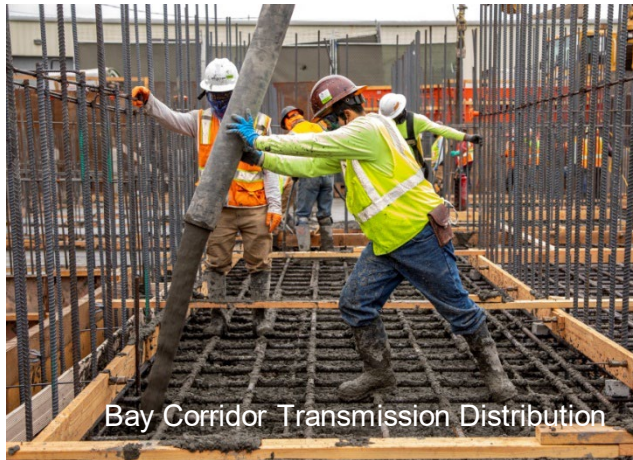
Retail Distribution: Downtown Ferry & South Beach Electrification

- FY25 & FY26 Request: **\$6.4M**
- 10-Year Request: **\$96.4M**
- Project Partner(s): Water Emergency Transportation Authority (WETA) and Port of San Francisco (Port)
- Needed to serve WETA ferry electrification mandates
- Builds transmission infrastructure now to serve future Port loads



Retail Distribution - Other

- FY25 & FY26 Request: **\$25.6M**
- 10-Year Request: **\$286.1M**
- Includes Intervening Facilities, Grid Connections, Affordable Housing Transmission & Distribution, and SFMTA Electrification



Redevelopment

- FY25 & FY26 Request: **\$39.0M**
- 10-Year Request: **\$180.1M**
- Includes Treasure and Yerba Buena Islands, related Port of Oakland Substation enhancements; Alice Griffith; India Basin; Visitacion Valley; Pier 70; Mission Rock; and HopeSF (Potrero and Sunnydale)



Redevelopment Projects provide underground electric distribution systems enabling the SFPUC to provide electric services to various new citywide developments within San Francisco.



Streetlight Repair and Enhancement

- FY25 & FY26 Request: **\$7.2M**
- 10-Year Request: **\$48.2M**
- Includes streetlight replacement and repairs, pole assessments and rehabilitation, and Distributed Antenna Services Program



Streetlights maintain street lighting and correct inadequate lighting, making streets safer and pedestrian-friendly.

Public Power Expansion

- FY25 & FY26 Request: **\$13.9M**
- 10-Year Request: **\$59.5M**
- Assessment of acquiring Pacific Gas & Electric Company's electrical assets in San Francisco and readying for operation of the acquired system



Public Power Expansion will enable the City to achieve independence from Pacific Gas & Electric Company, establish local accountability for electric ratepayers in San Francisco, and facilitate investment in infrastructure to further decarbonization and grid resiliency efforts.

Local Renewables and Energy Efficiency

- FY25 & FY26 Request: **\$5.1M**
- 10-Year Request: **\$68.5M**
- Includes **CleanPowerSF Local Renewable Energy Program (~\$48.5 M over the 10-Year horizon)**, Hetch Hetchy Small Renewables, and Hetch Hetchy Energy Efficiency



Local Renewable and Energy Efficiency projects support local clean energy and related job opportunities, load growth, diversification of our portfolio, and meeting City climate goals.

Key: Hetch Hetchy Power proposals in black, **CleanPowerSF** proposals in blue

FY 2024-25 and FY2025-26 Budget Resources

- 10-Year Capital Plan
 - Project by project breakdown over the next 10 years
- Capital Plan Report
 - Breakdown of SFPUC's budget process, priorities, budget benefits, and key projects.
- Financial Plan Report
 - Breakdown of SFPUC's financial strategy to fund 10-Year Capital Improvement Plan.
- PUC Budget entered in BFM, will be a part of the AAO process.

Appendix Slides:

Rate Impacts of Power Capital Plan

Purchased Power Supply & Delivery Costs are Primary Cost Drivers, Not Capital

Purchased Power Supply

- Power purchases from contracts or open market

Transmission Access Charges

- Payments to CAISO to use non-owned transmission grid

Wholesale Distribution Tariffs

- Payments to PG&E to use in-city distribution system

Purchased Resource Adequacy

- Power attribute for local/stable power supply to meet regulatory requirements

Miscellaneous Fees

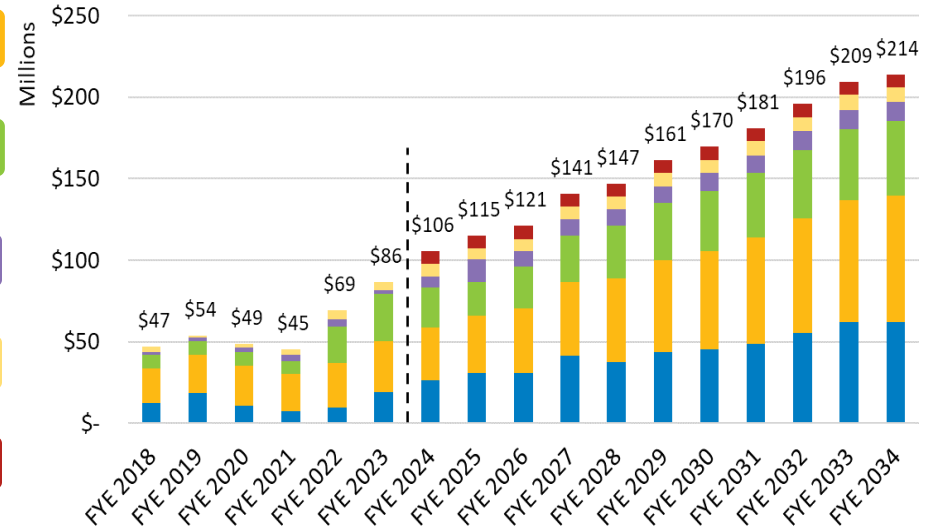
- CAISO fees not based on volumes

Power Supply Contingency

- Budgeted amount to cover cost overages

Hetch Hetchy Power Purchased Supply & Delivery Costs

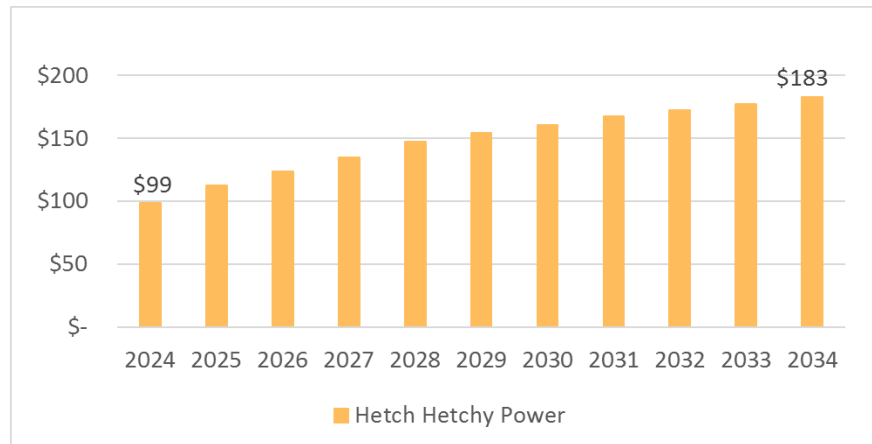
(Subset of Operating Expenses)



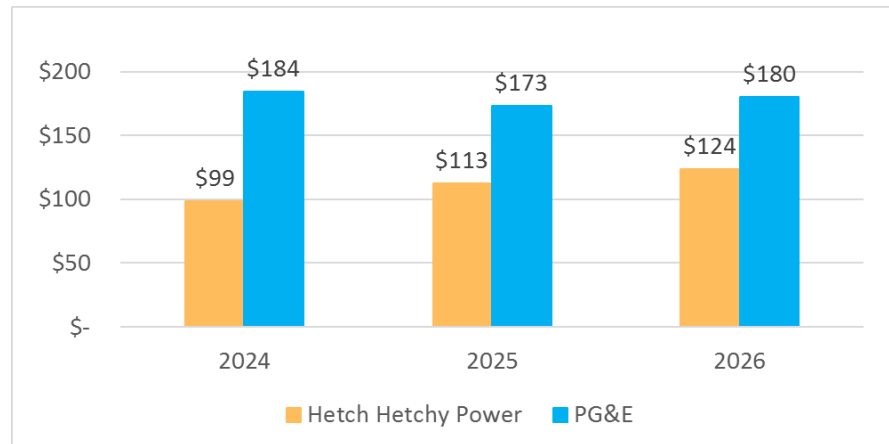
Rate increases largely driven by **hard to predict purchased power supply and delivery**, price increases and volume increases (more electric demand/customer growth)

Hetch Hetchy Power - Retail Rate Forecast

Average Residential Bill – 10 Years



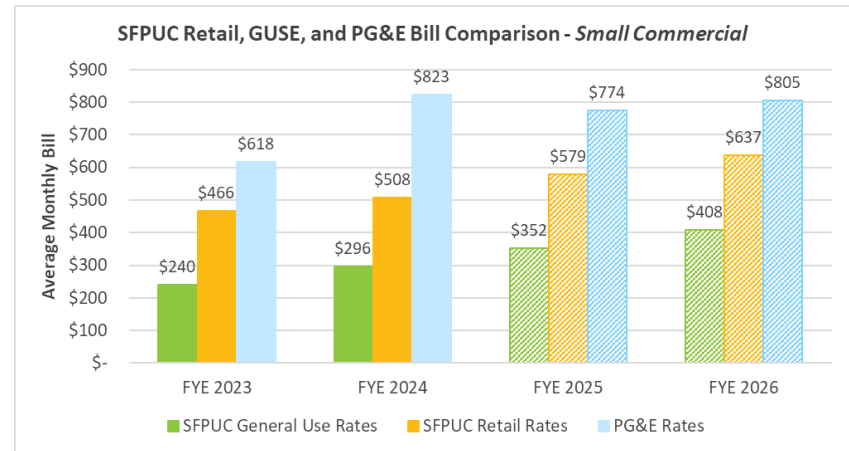
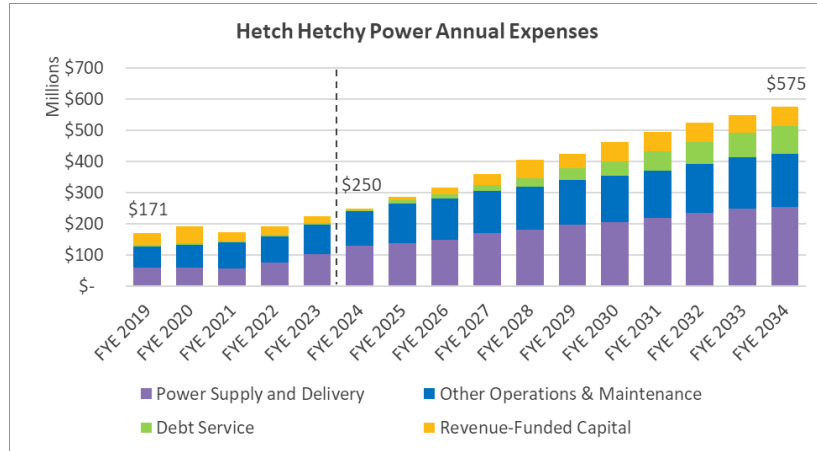
Average Residential Bill – PG&E Comparison*



	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 3032	FYE 2033	FYE 2034	10 Year Avg.
Retail Rate Increase	14.0%	10.0%	9.0%	9.0%	5.0%	4.0%	4.0%	3.0%	3.0%	3.0%	6.3%

- Main driver of capital investments is in customer growth which spreads the cost over an increasing load, in turn tempering rate impacts by sharing the costs among more customers (i.e., downward impact)
- *Note: PG&E rate increases illustrated in the chart above do not include anticipated additional rate increases

Hetch Hetchy Power – General Use Rate Forecast



	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	10 Year Avg.
General Use Rate Increase (3 c/kWh until cost of service)	18.9%	15.9%	13.7%	12.1%	10.8%	9.7%	8.9%	8.1%	7.5%	7.0%	11.2%

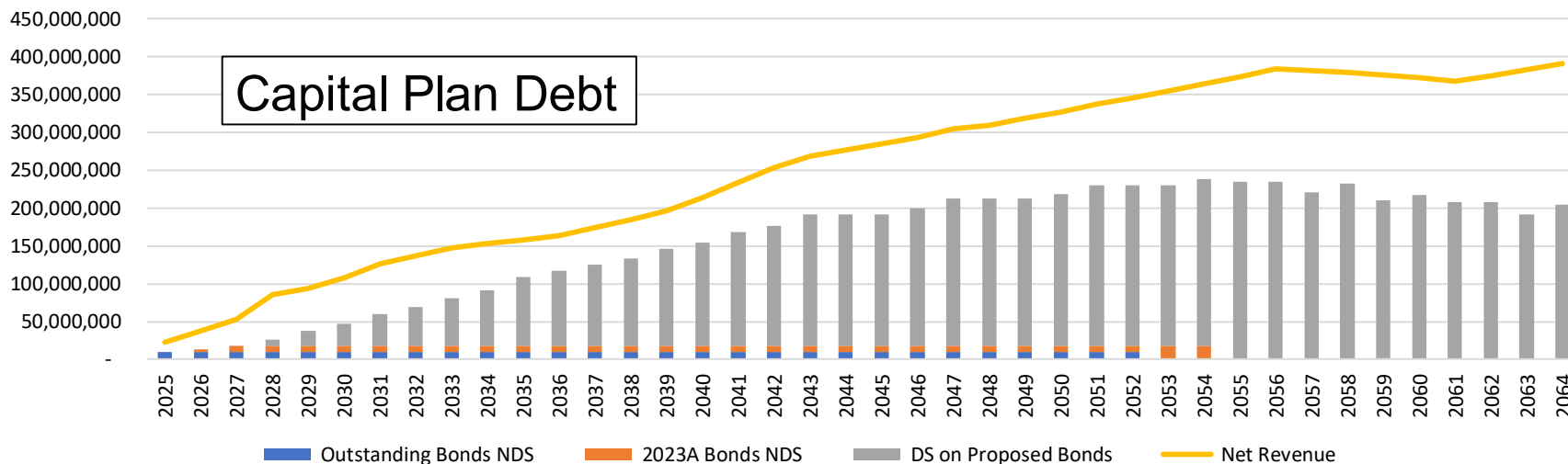
- Most General Fund Departments are on the HHP “General Use Rate”, which is slowly phasing out.
- General Fund power rates are currently well below cost of service. Per 2021 agreement with Mayor’s office, their rates will increase 3 cents/KwH annually to bring them, over time, to cost of service rates, matching retail.
- Public power to municipal departments **lowers the cost of City services. General Fund is saving over 50% compared to PG&E** (not including PG&E anticipated rate increases)

Power Existing & Projected Debt Service

(10-Year Plan Assumptions)

- *Debt service assumptions increasing from 5% to 6% in FY2024-25 and ongoing. The increased assumption reflects an increased cost of borrowing.
- Hetchy Power customers also fund joint Hetch Hetchy Water and Power projects. Not all projects funded by Hetchy Power customers were presented today.

Power Net Debt Service Projections (FY)



*Net revenue figures include fund balance budgeted as revenue



San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

Hetch Hetchy
POWER

CleanPower**SF**

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