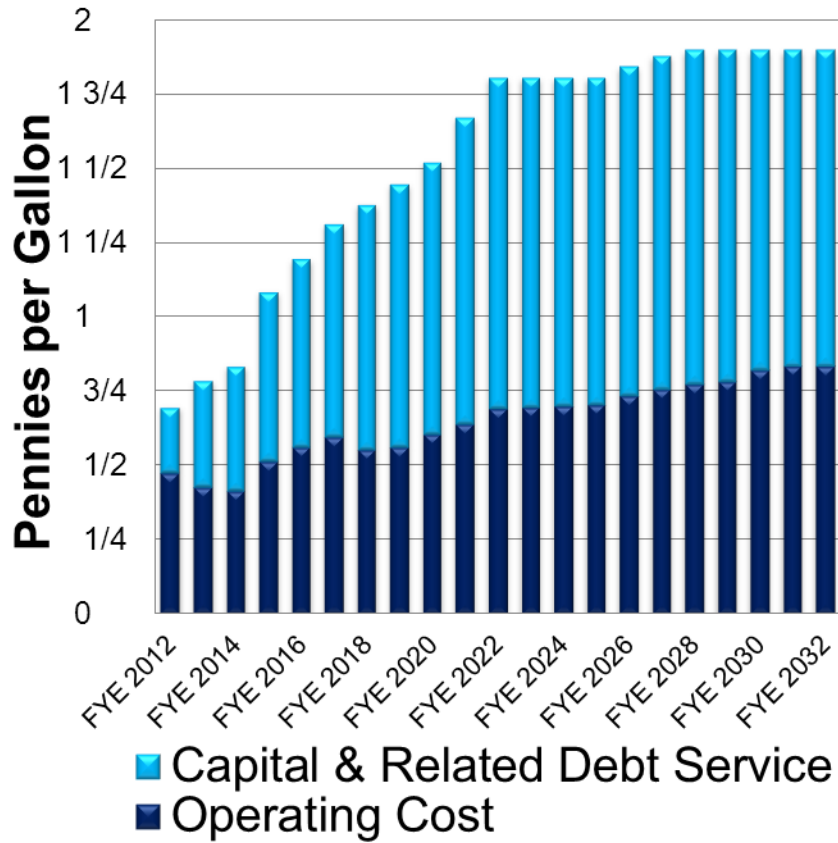




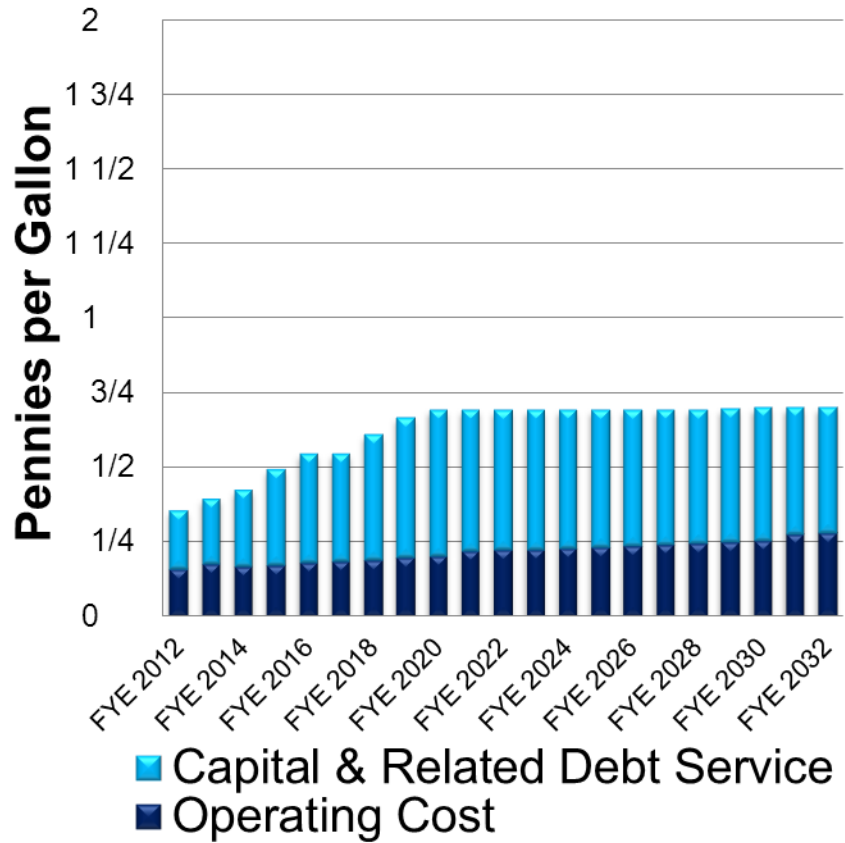
Water Cost per Gallon, Delivered/Treated

Services of the San Francisco Public
Utilities Commission

Retail



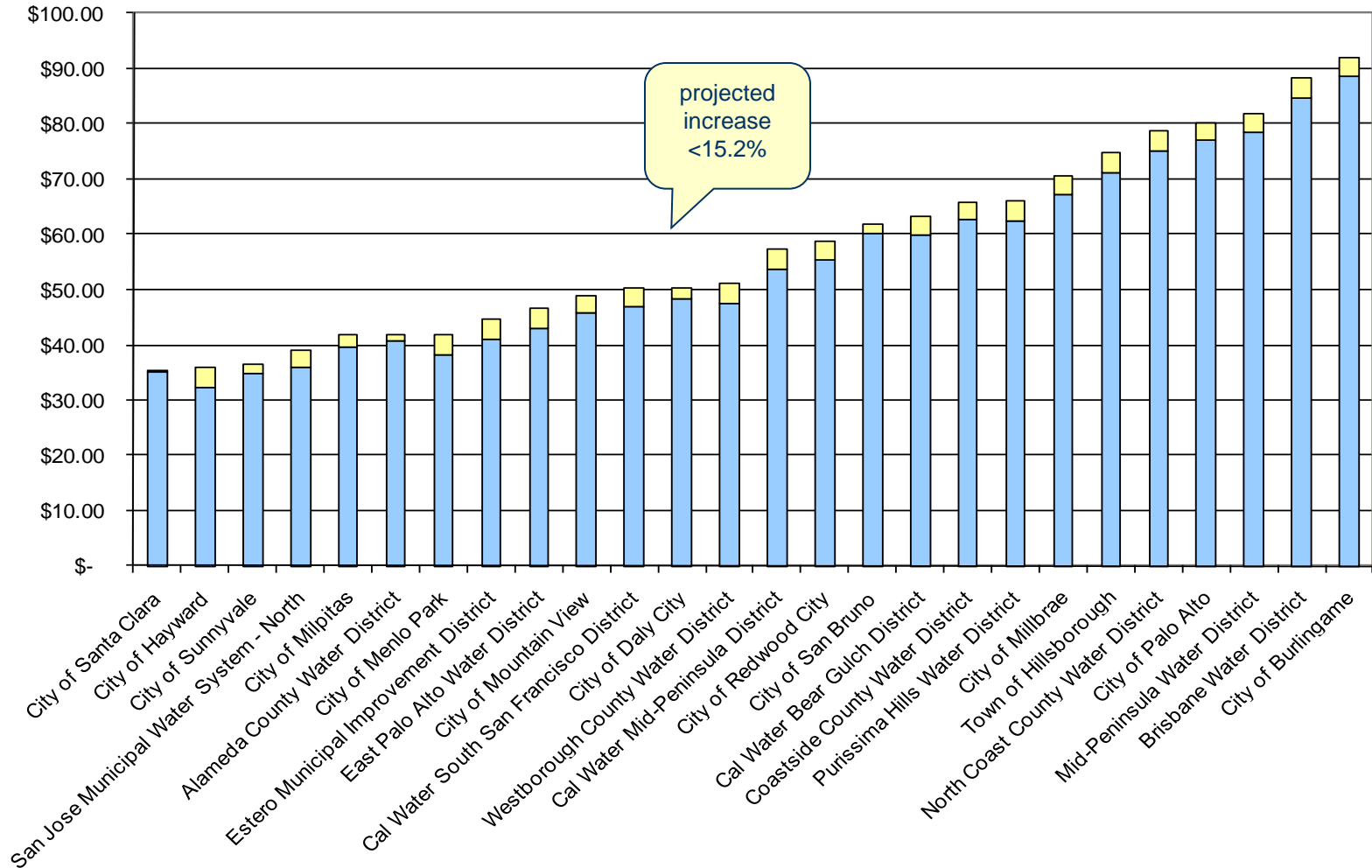
Wholesale





Wholesale Customers Average Residential Water Bills FY 2010-11

Services of the San Francisco Public
Utilities Commission



Water Rate & Revenue Stability

Services of the San Francisco Public
Utilities Commission

Retail - Water

- 5-years of rates approved to June 30, 2014
 - **15%, 15%, 12.5%, 12.5%, 6.5%**
- Previous 4 years: 15%, 15%, 15%, 15%

Wholesale - Water

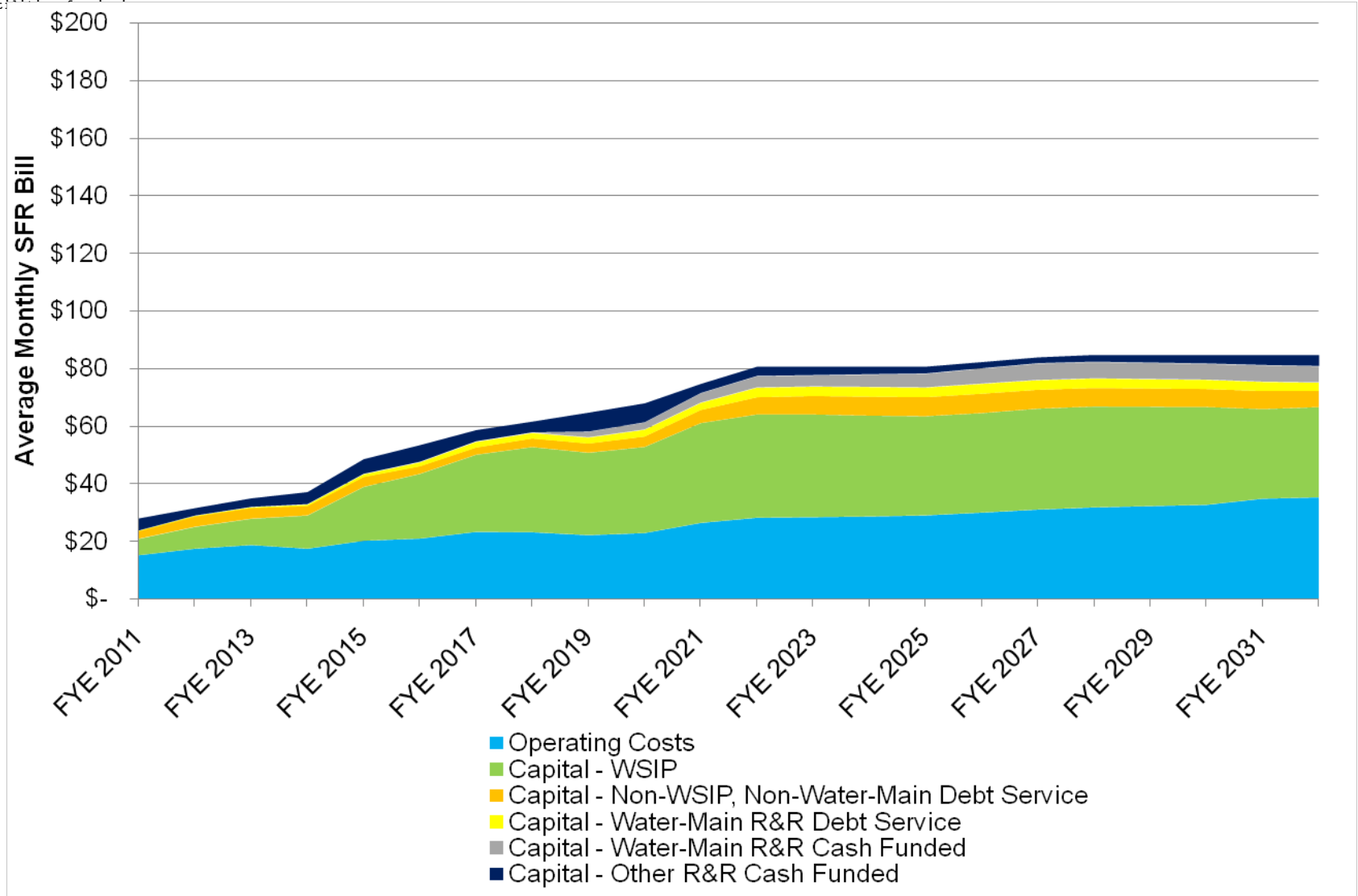
- 25-Year Water Supply Agreement, new 7/1/2009
- Two, 5-year Options to Extend
- Drought and Emergency Rates Included



Average Monthly Water Bill

San Francisco Retail

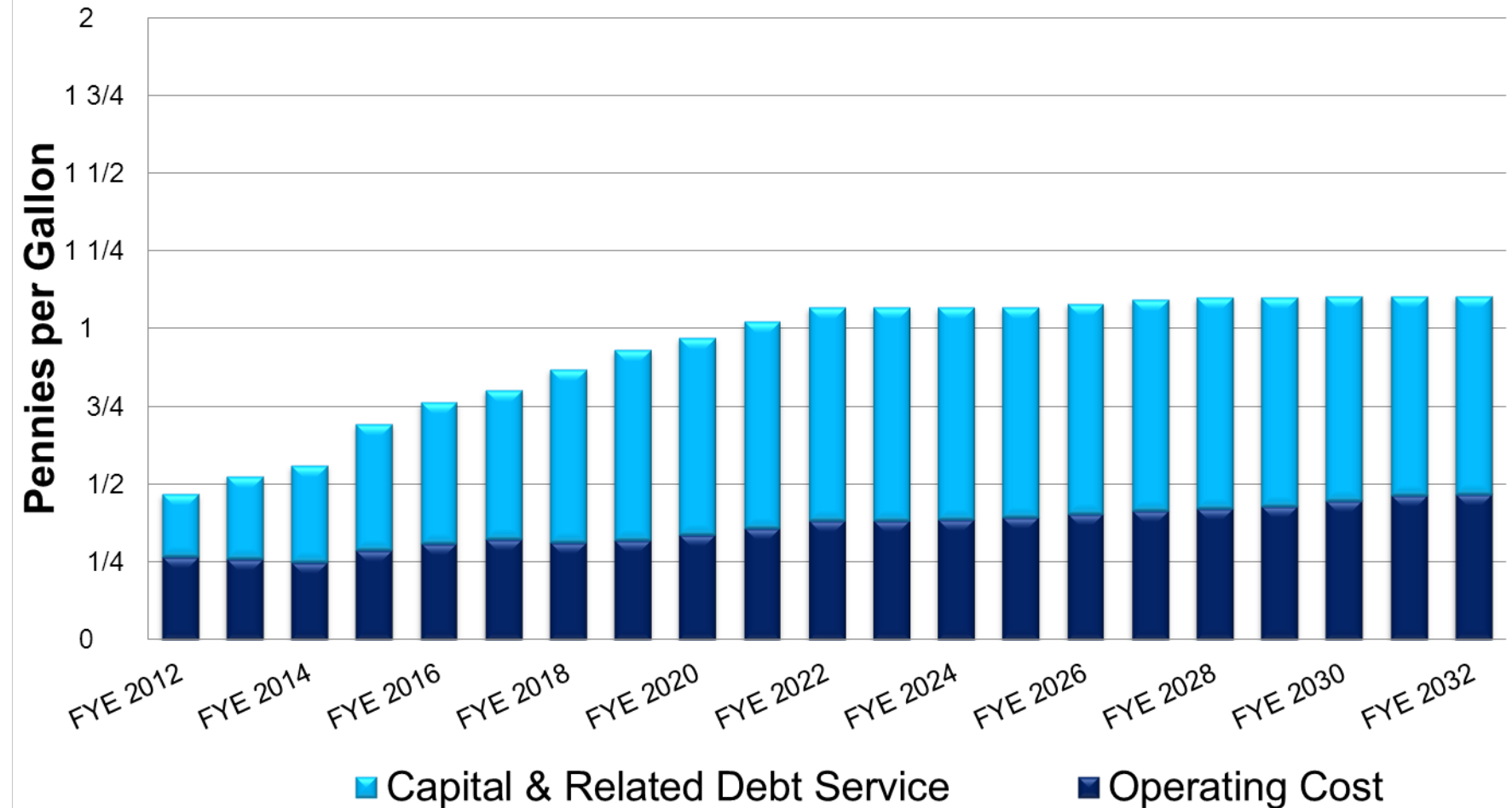
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Utilities Commission





Water Cost per Gallon, Delivered/Treated Average Retail & Wholesale Combined

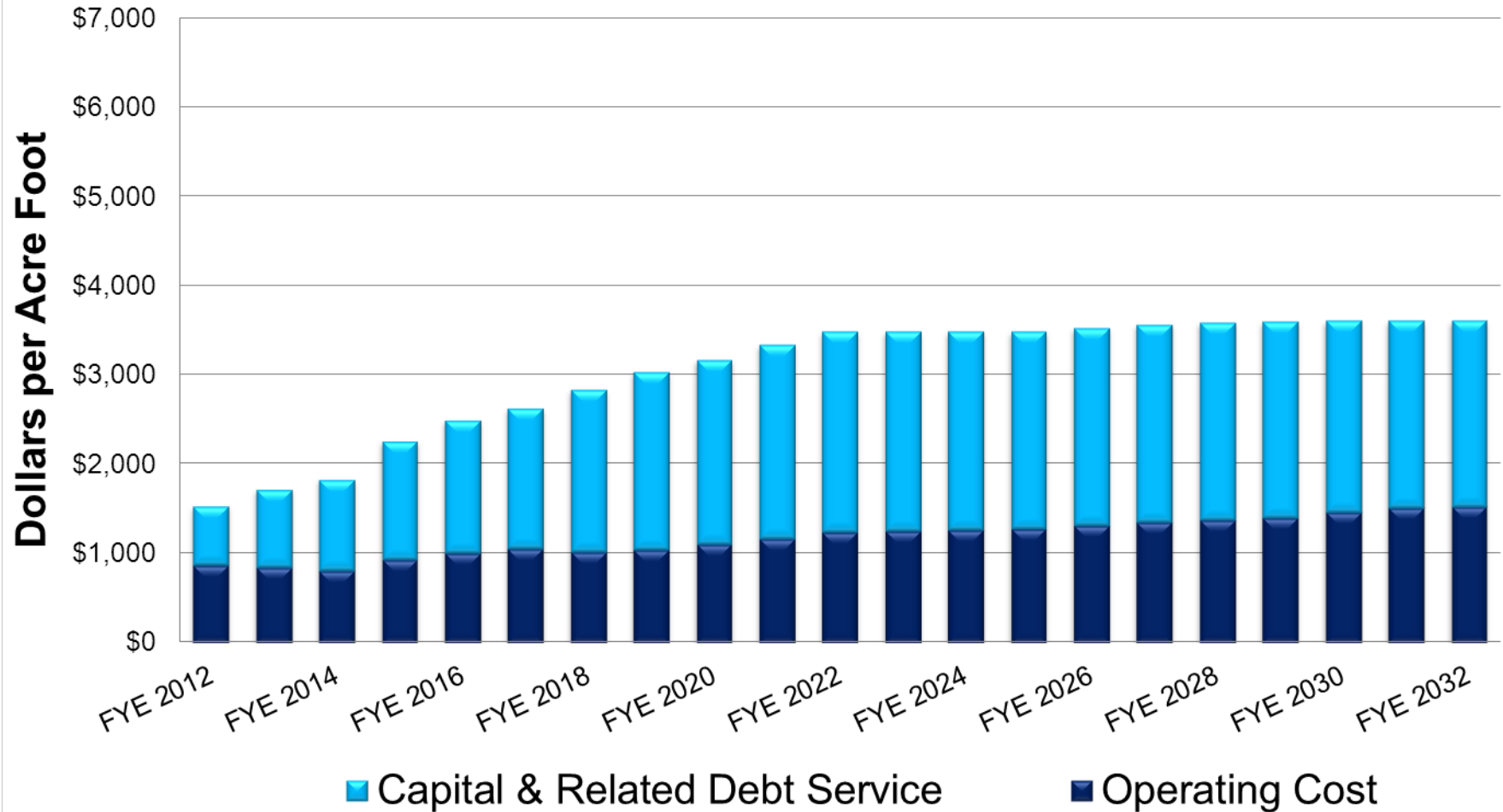
Services of the San Francisco Public
Utilities Commission





Water Cost per AF, Delivered/Treated Average Retail & Wholesale Combined

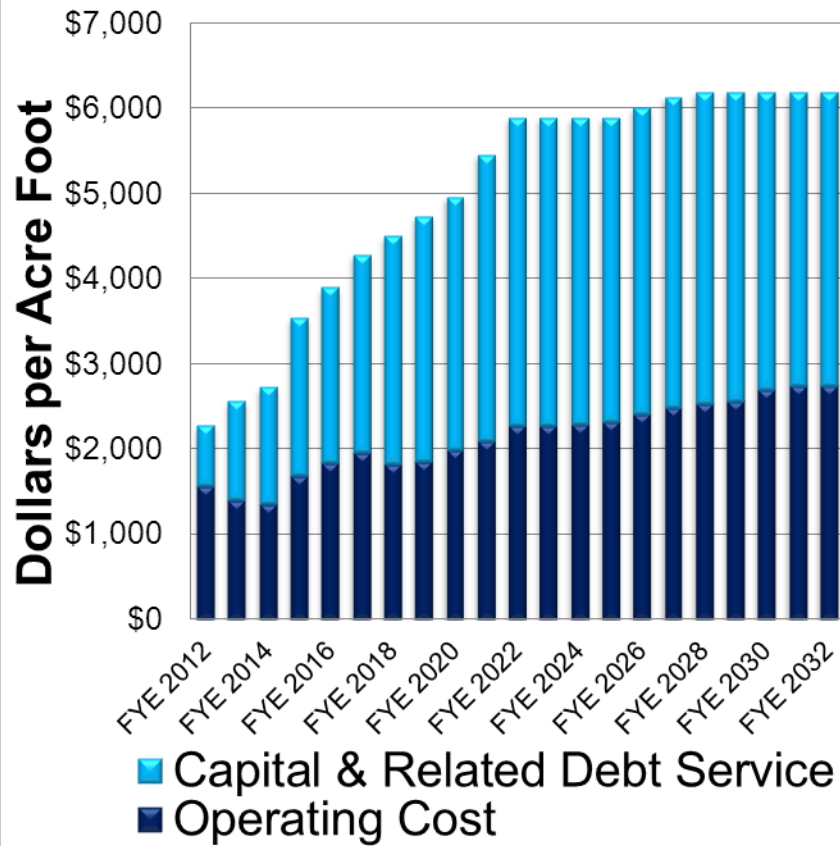
Services of the San Francisco Public
Utilities Commission



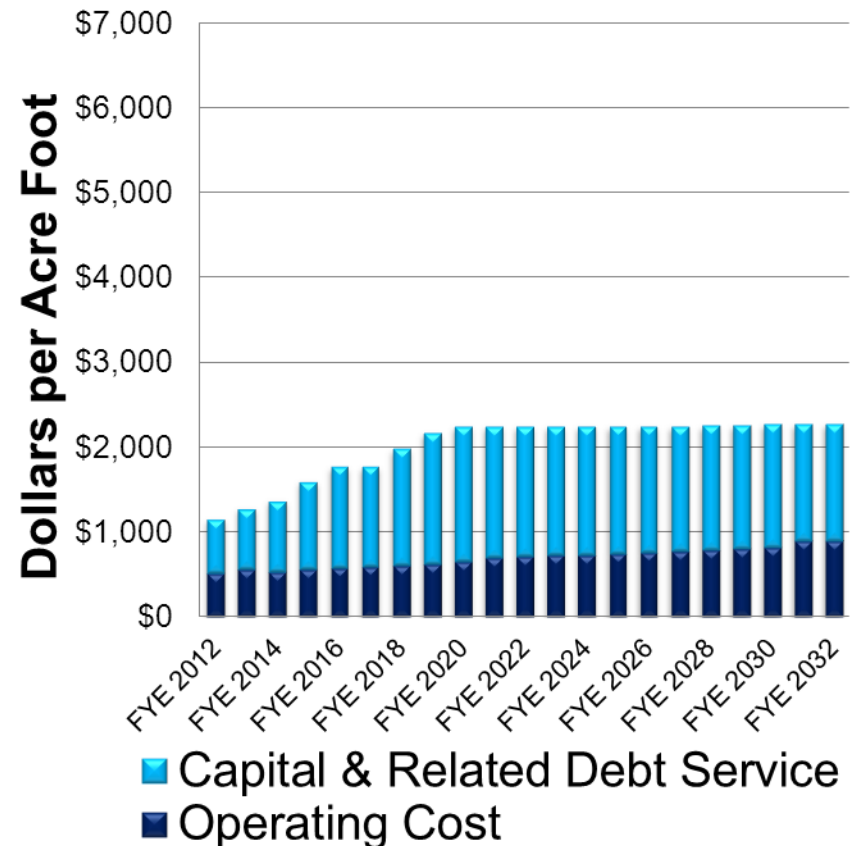
Water Cost per AF, Delivered/Treated

Services of the San Francisco Public
Utilities Commission

Retail



Wholesale

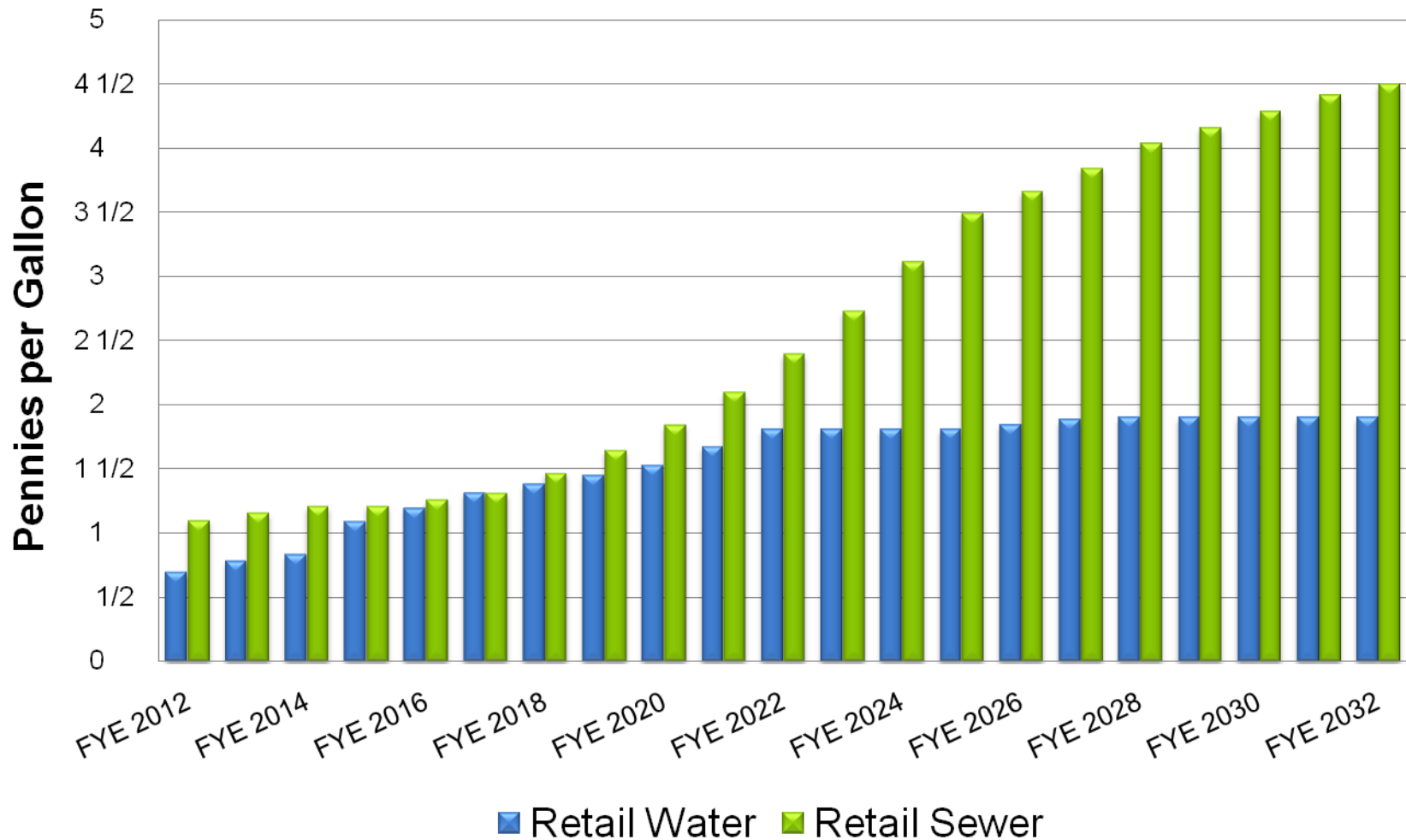




Water & Sewer – San Francisco Retail

Pennies per Gallon Delivered / Treated

Services of the San Francisco Public
Utilities Commission

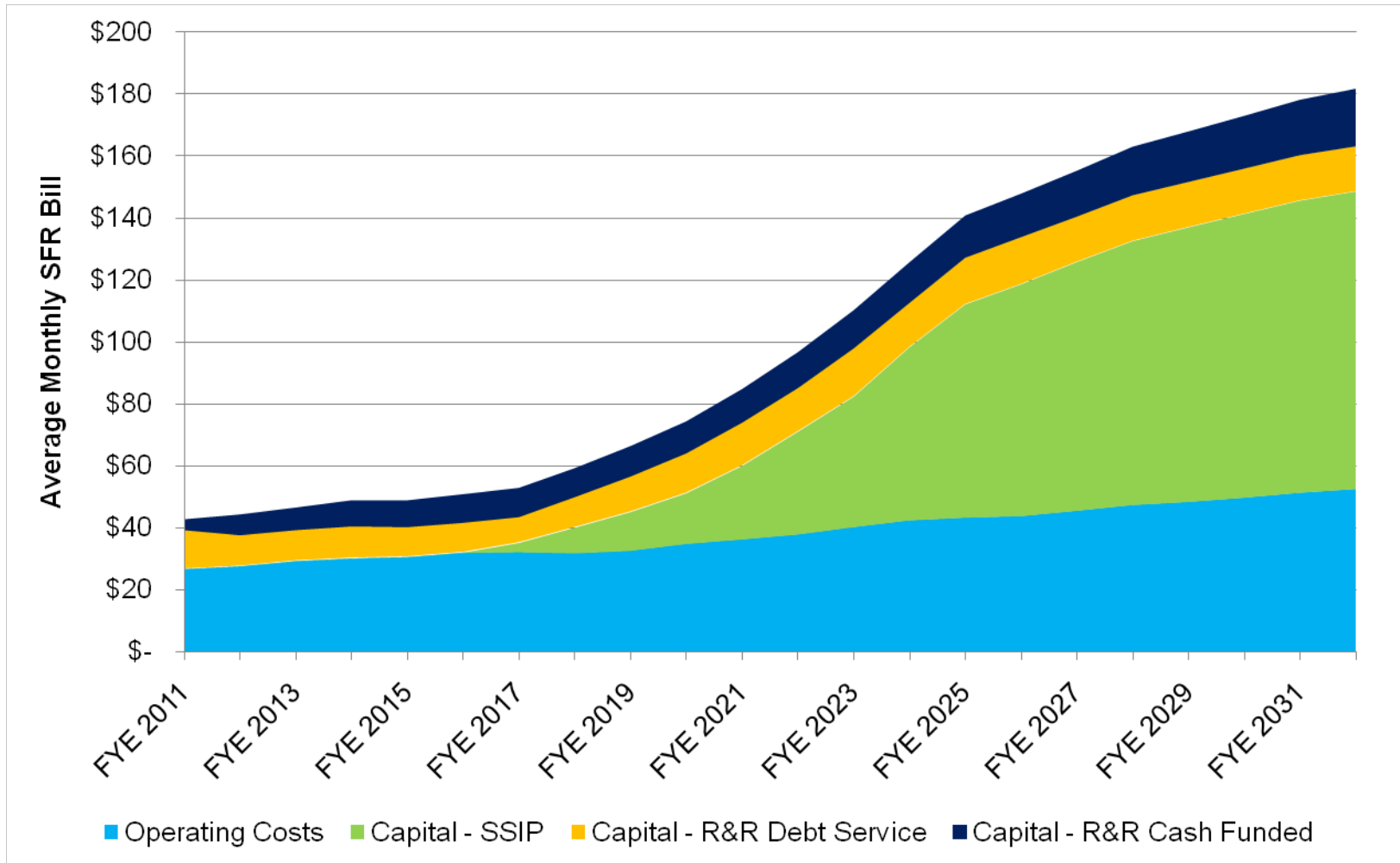




Average Monthly Sewer Bill

San Francisco Retail

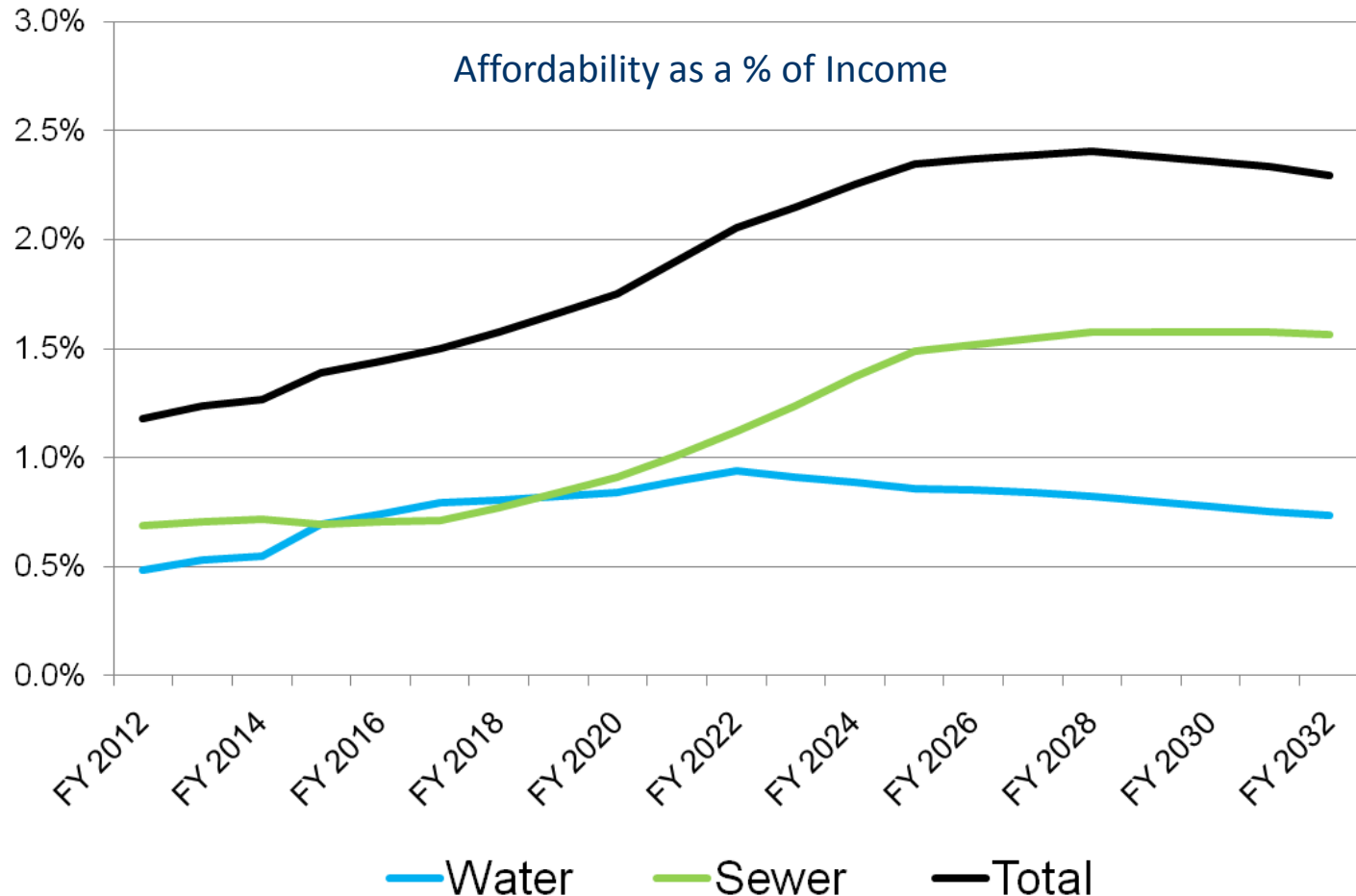
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Communicating Affordability

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Utilities Commission

SFPUC Water & Sewer projected to stay < 2.5% of median HH Income



2009 Average SF Household income of \$70,640 inflated at 3% annually

Accountability & Value

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Utilities Commission

Ratepayer Outreach

Clear & Concise: Needs, Costs & Timing

- 10-Year Financial Plan
- 10-Year Capital Plan

Transparency & Citizen Oversight

- Rate Fairness Board
- Revenue Bond Oversight Committee
- Citizen's Advisory Committees
- Commission, Board & Mayor

Trusted, User-Friendly Financials

- GFOA Awards for CAFR, Budget, PAFR

Ratepayer Accountability

Services of the San Francisco Public
Utilities Commission

Reliable Water Supply

Voter Mandates

Rate Fairness Board

Rate Policy

- **Affordability**
- **Compliance**
- **Sufficiency**
- **Transparency**

SFPUC Ratepayer Scorecard

230,000 Notices, 170 Protests

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Utilities Commission

Rate Fairness Board

- 8 Hearings, 2 speakers against

Community Groups

- Mailers & Follow-up Calls to >100
- 12 Presentations, Neighborhood & Business Groups

Website Outreach, Transparency

- Rate Calculator
- Construction Update Video
- Project & Financial Updates

Bill Insert & Newsletter



Ratepayer Outreach & Rate Protests

Services of the San Francisco Public
Utilities Commission

Community Groups

- Mailers & follow-up calls to 100+
- 12 presentations, neighborhood & business

Website Outreach

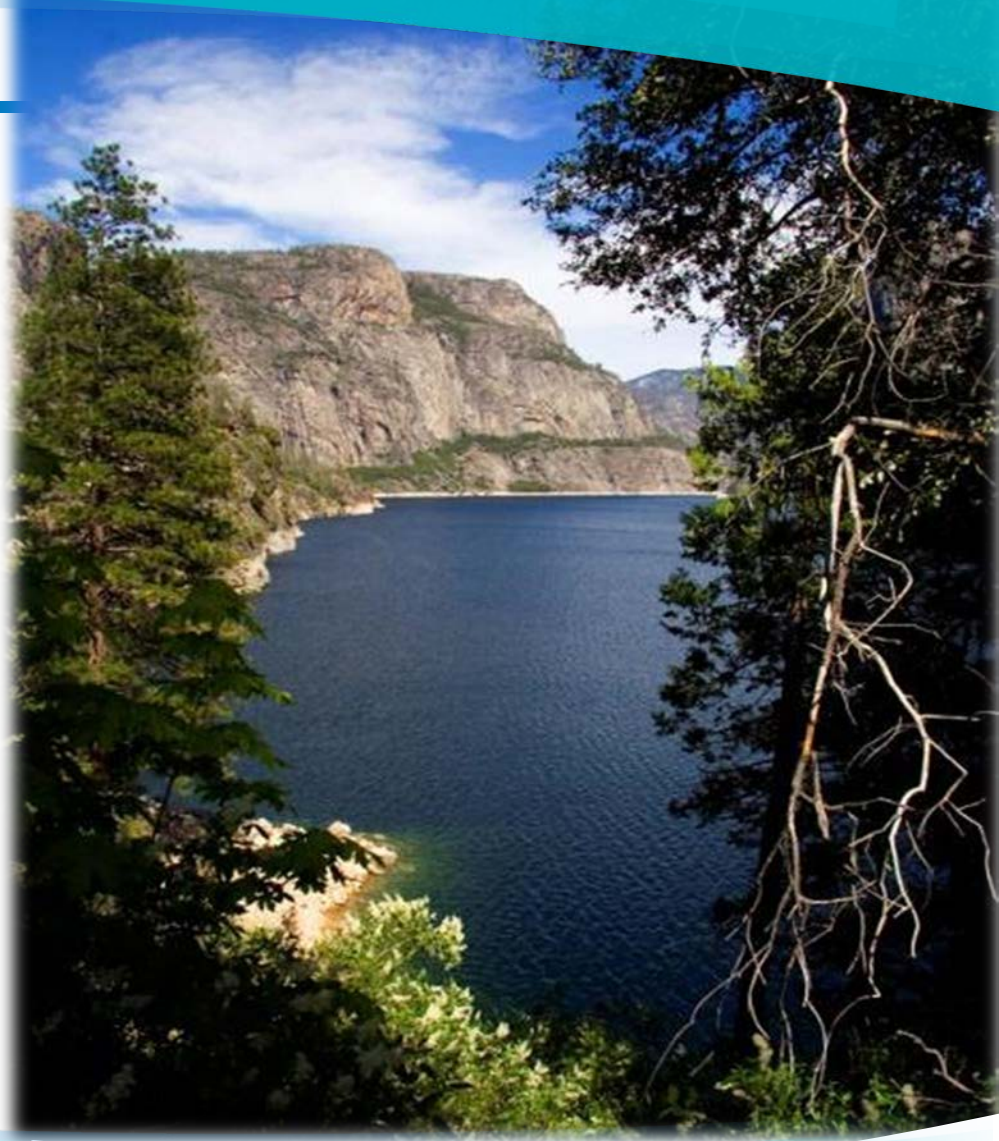
- Rate calculator
- Construction Update Video

Bill Insert & Newsletter



Resilience for...

Drought, Fire, Financial Crisis



Required Policies & Plans

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Utilities Commission

Fund Balance Reserve Policy

- Revenue Stabilization
- Contingencies

Annual Updates

- 10-Year Financial Plan
- 10-Year Capital Plan
- Long-Term Strategic Plan

New 2-Year Budget (Prop A, 2009)

Quarterly Budget Status Reports

Fund Balance Reserves

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Utilities Commission

1. Meet or Exceed Bond Requirements
2. Budget & Rates projected and proposed such that by the end of the 10-Year Financial Plan, Operating Fund Balance Reserves meet one or more of the following:
 - Total at least 15% Annual Revenues
 - Total at least 15% Annual Expenditures
 - Debt Service Coverage > 1.25 times

Reserves Policy Requires

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Utilities Commission

Tracked and Reported Quarterly

If > 25% of revenues or expenditures
or > 2x coverage...

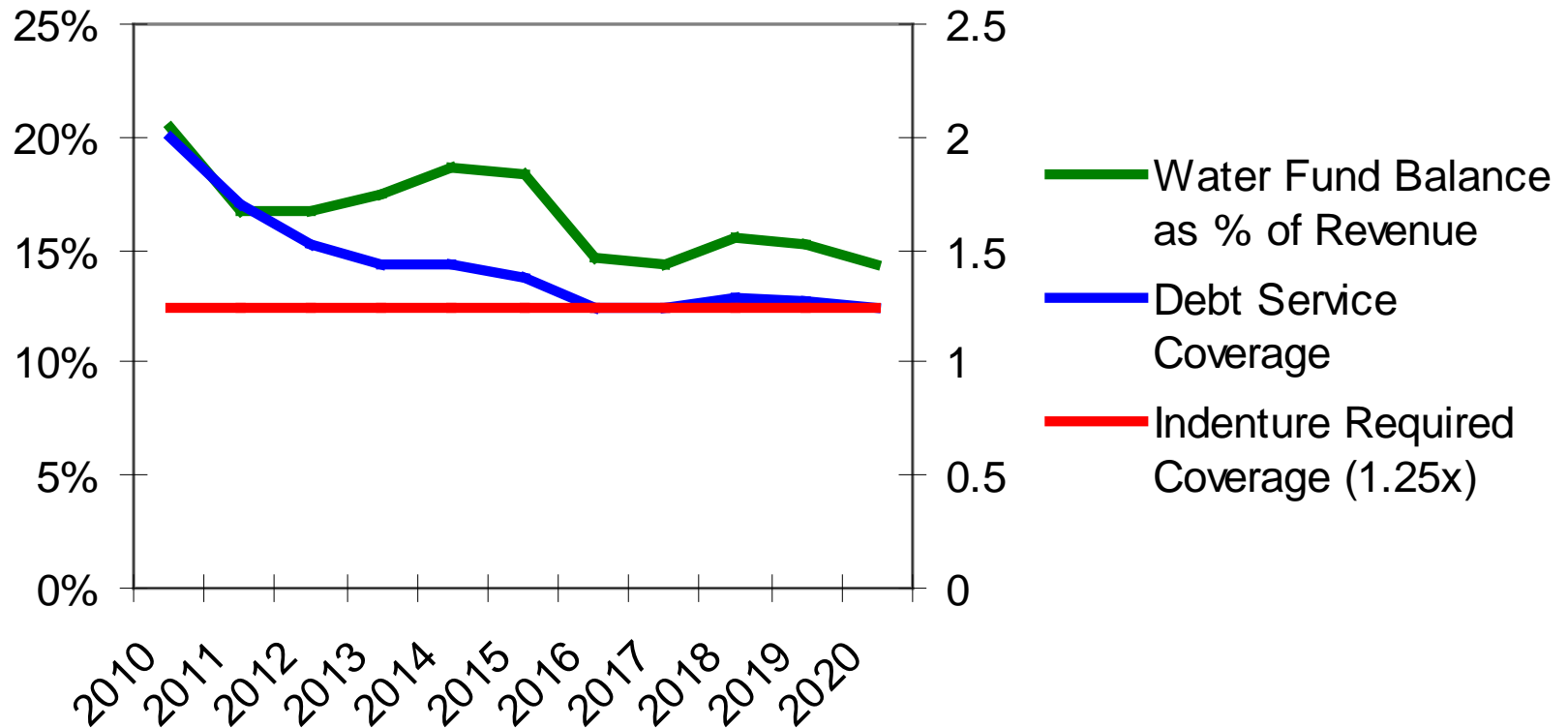
Excess considered for investment in

- Rate stabilization reserves
- Reduction of customer rates
- One-time uses
- Drought, emergency, litigation reserves
- Rainy day reserves

Reserves Monitored & Reported

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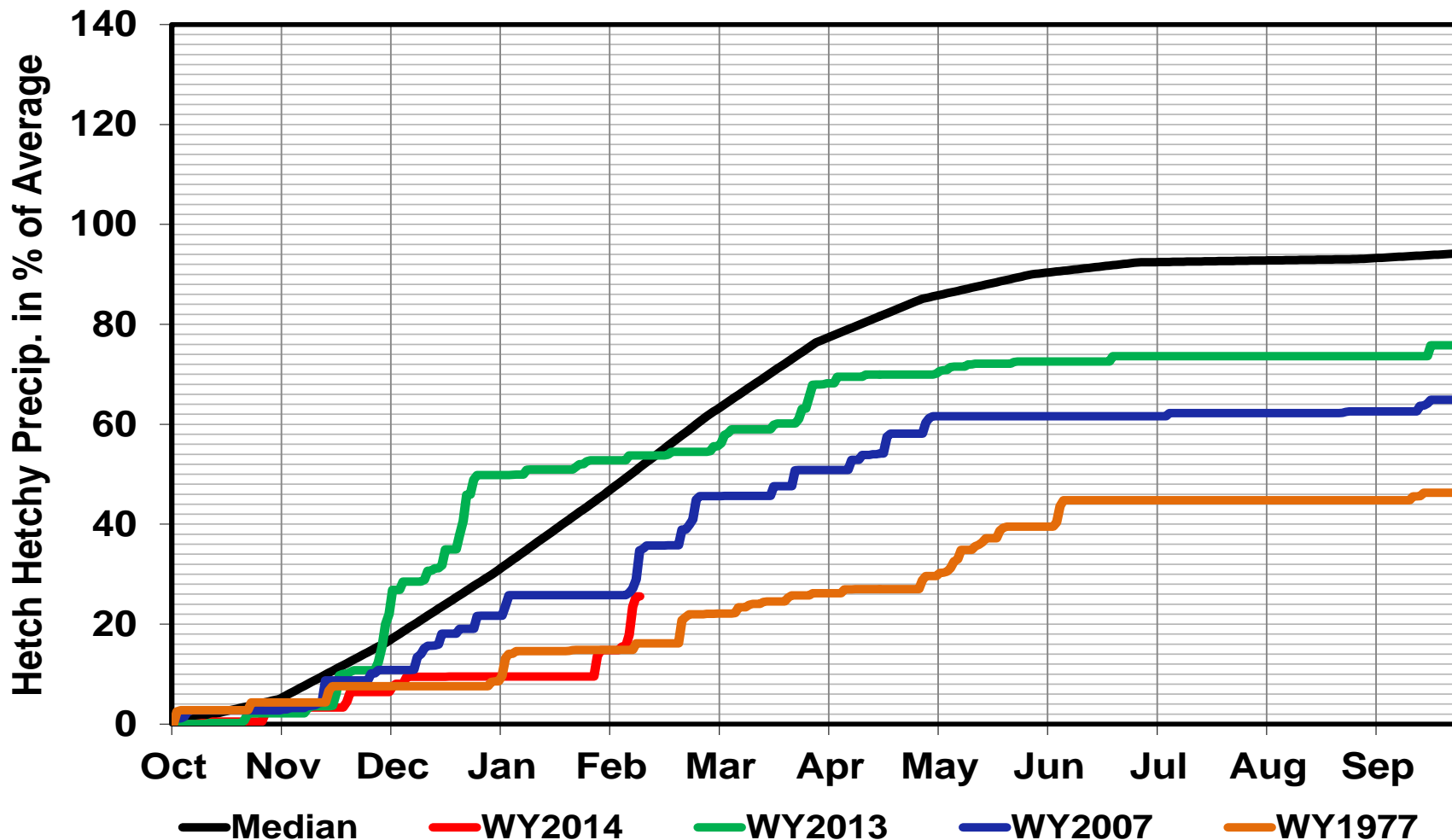
Sample Illustration



Communicating Risk ... Precipitation

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Utilities Commission

Precipitation at Hetch Hetchy - Water Year 2014

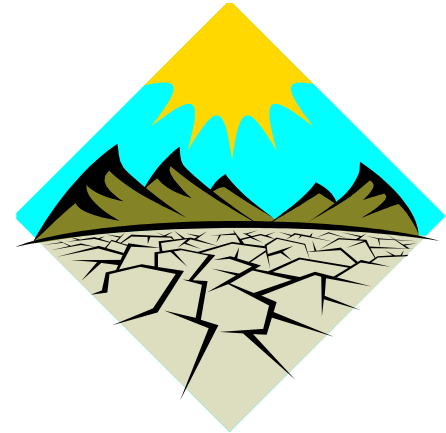


Drought Pricing

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Utilities Commission

Can occur when ...

- Commission declares shortage
- Implements Shortage Allocation Plan
- Both Retail & Wholesale Customers
- Effective through Next Rate / Budget Cycle
- 30-day Hearing Notice
- Begin no sooner than 30 days after adoption
- Conservation rate design permitted



When Fire Strikes... Rim Fire

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Utilities Commission



Rim Fire Grows... by August 23, 2013

Services of the San Francisco Public
Utilities Commission

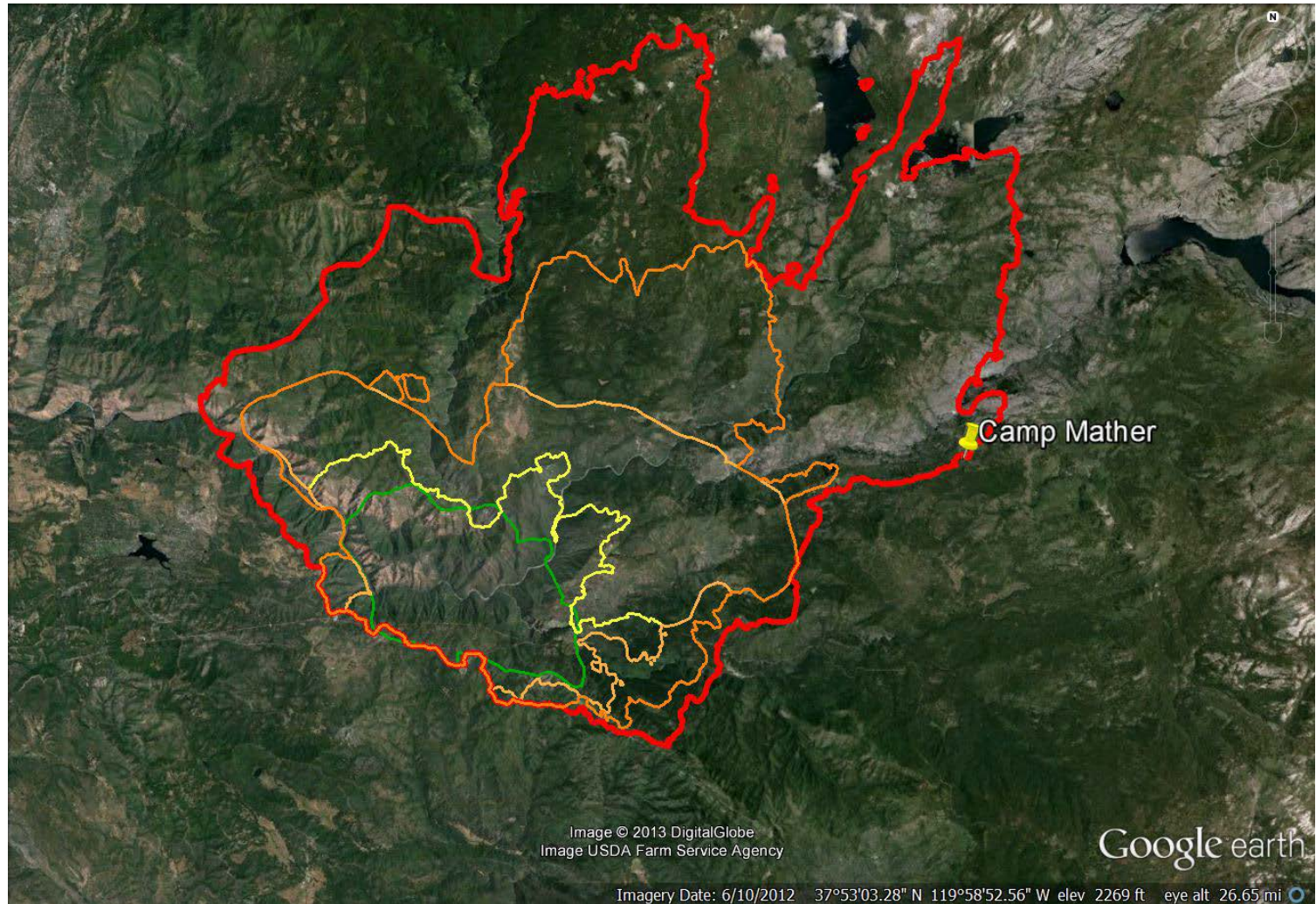
Legend

Green:
Tuesday

Yellow:
Wednesda
y

Orange:
Thursday

Red:
Friday



Other Emergency Pricing

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Utilities Commission

Can occur, if needed ...

- Non-drought emergencies
- Commission approved
- Same % for ... Retail & Wholesale
- Effective through next budget cycle

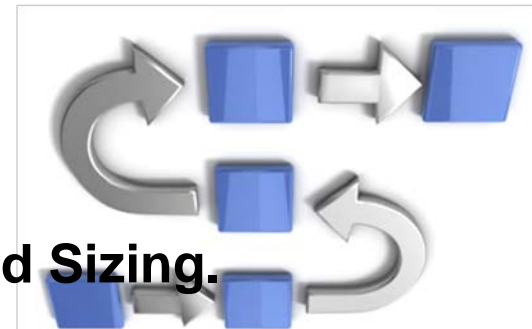
Your Next Steps



Your Next Steps Checklist

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Utilities Commission

- ☐ **Define problems/risks to mitigate or manage.**
- ☐ **Assess your alternatives.**
 - ☐ Enterprise Risk Management
 - ☐ Operational Strategies
 - ☐ Financial Strategies ... Reserves
- ☐ **Utility Examples...**
 - ☐ Fixed/Variable Revenue-Cost Matching
 - ☐ Match Rates & Charges?
 - ☐ Take-or-Pay or Minimum Purchase Contracts
 - ☐ Insurance or Self-Retention
 - ☐ Drought or Emergency Surcharges
 - ☐ Catastrophic Losses ... FEMA Eligibility
 - ☐ Reserves, single-use and multi-purpose, and Sizing.



Your Next Steps Checklist

Services of the San Francisco Public
Utilities Commission

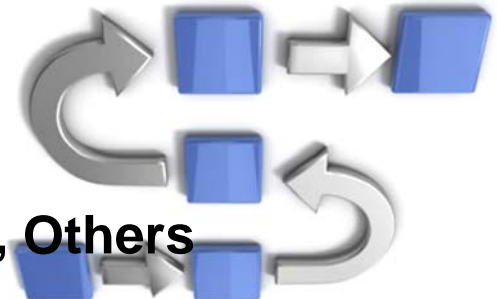
☐ What Criteria should we use to evaluate?

- ☐ Rate Stability, Certainty, Affordability
- ☐ Utility Best Practices
- ☐ Drought Resilience
- ☐ Timely Funding of Cash Flow Needs
- ☐ Coverage for Self-Insured Losses, Unexpected Litigation
- ☐ Credit Rating Strength
- ☐ Grow Over Time?
- ☐ Dynamic % Amount vs. Fixed \$ Amount

☐ Analyze Tradeoffs ... a Pros/Cons Matrix

☐ Tell your story...

- ☐ Board Adoption
- ☐ Timely Reporting, Policymakers, Ratepayers, Others



Questions



Questions & Follow-Up

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