

LEGISLATIVE DIGEST

[Creating the Office of the Independent Rate Payer Advocate to review and recommend utility service rates proposed by the San Francisco Public Utilities Commission.]

Describing and setting forth a proposal to the qualified voters of the City and County of San Francisco to amend the Charter of the City and County of San Francisco by adding Section 8B.128, to create an Office of the Independent Ratepayer Advocate to evaluate, analyze, provide comments and make recommendations on the efficiency, equity, and fiscal feasibility, from the ratepayers' perspective, of utility rate proposals prepared by the San Francisco Public Utilities Commission under Charter section 8B.125; to require the City Administrator to appoint an Independent Ratepayer Advocate; and prescribing the duties and responsibilities of the Office of the Independent Ratepayer Advocate.

Existing Law

Under Charter Section 8B.125, the San Francisco Public Utilities Commission (SFPUC) sets rates, fees and other charges in connection with providing the utility services under its jurisdiction, subject to rejection--within 30 days of submission--by resolution of the Board of Supervisors. Such rates, fees and charges must be sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures, (including, without limitation, increases necessary to pay for the retail water customers' share of the debt service on bonds and operating expenses of any state financing authority such as the Regional Water System Financing Authority), and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.

The SFPUC must retain an independent rate consultant to conduct rate and cost of service studies for each utility at least every five years; set retail rates, fees and charges based on the cost of service; conduct all studies mandated by applicable state and federal law to consider implementing connection fees for water and clean water facilities servicing new development; conduct studies of rate-based conservation incentives and/or lifeline rates and similar rate structures to provide assistance to low income users, and take the results of such studies into account when establishing rates, fees and charges, in accordance with applicable state and federal laws; adopt annually a rolling 5-year forecast of rates, fees and other charges; and establish a Rate Fairness Board consisting of seven members.

Amendments to Current Law

This amendment create the Office of the Independent Ratepayer Advocate, under the City Administrator, that would evaluate, analyze and comment on utility rate proposals prepared by the SFPUC. This amendment would also require the City Administrator to appoint an Independent Ratepayer Advocate, subject to specified experience qualifications and serving

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at the pleasure of the City Administrator. The Office of the Independent Ratepayer Advocate would be authorized to obtain information, hold public meetings and provide comments and recommendations on rate proposals to the SFPUC, the Board of Supervisors and the Rate Fairness Board. The proposed amendment provides that the costs of the services of the Independent Ratepayer Advocate shall be paid from revenues of the utility rates that are the subject matter of those services, subject to the budget and fiscal provisions of the Charter.

Background Information

During the development and adoption of water and sewer service rates in 2007, the San Francisco Public Utilities Commission and the Board of Supervisors received extensive comments on the need for increased utility rates and the impact of such increased costs on a wide range of water and sewer system users. In response to those concerns, the department and the Board agreed to develop an Office of the Independent Rate Payer Advocate, whose mission would be to develop comments and recommendations for the adoption of future utility rates by the San Francisco Public Utilities Commission. In order to promote independence, the recommended proposal requires the City Administrator to appoint the advocate.

The proposed amendment implements the recommendations developed during the 2007 water and sewer rate adoption process and by interested members of the public.