New Interim Rate Option

PG&E Rate Equalization

May 9, 2018

C&I Opt-Out Concerns…

- SVCE is a new agency
  - "SVCE rates are lower than PG&E, but will they stay that way"?
- If SVCE's rates became non-competitive, opting out may require a customer to pay:
  - a higher rate that could negate any accumulated savings with SVCE
  - a rate that is complex and constantly changing

Current Interim rate Options when Opting Out…

- PG&E 'Transitional Rate' for six months
  - Changes weekly based on market rates
  - Varies by rate component – e.g. Peak, Part-Peak, Off-Peak
  - May be higher or lower than PG&E standard rate

- SVCE standard rates for additional six months
  - Six months after opt-out request, rate transitions from SVCE rate to PG&E standard rate

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A New Interim Rate Option

- For C&I customers opted out for more than a year and rejoining SVCE service, establish a new 'PG&E Equalization' interim rate option:
    - if opting out later, customer pays SVCE rates for six months
    - at the end of the six months, SVCE bills or pays the difference between standard PG&E and SVCE rates
    - ensures customer pays standard PG&E gen rate during this period
    - available to large commercial and industrial accounts (E-20, E-19, AG-5) opted out, and rejoining SVCE service before Dec 31, 2018
    - customer must sign separate agreement for this option

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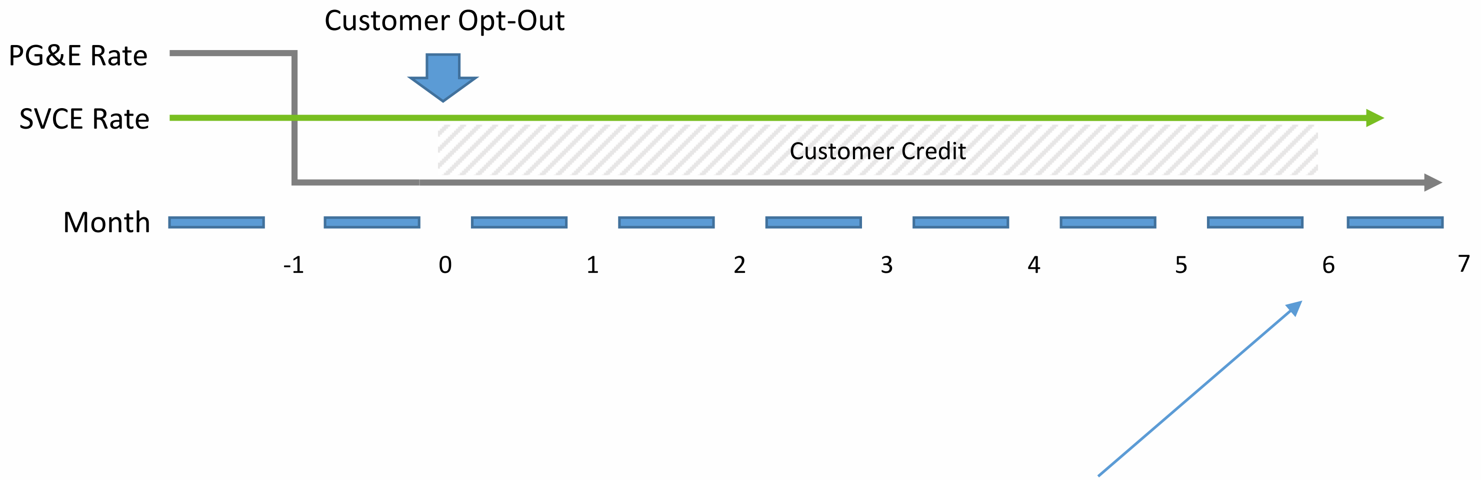
Example Scenarios

Scenario 1: Eligible customer subsequently opts out, and PG&E rates are lower than SVCE



At the end of the six month period, SVCE credits customer for the net cost savings that would have been realized at PG&E's lower generation rate, applied to all usage over the period (shaded area)

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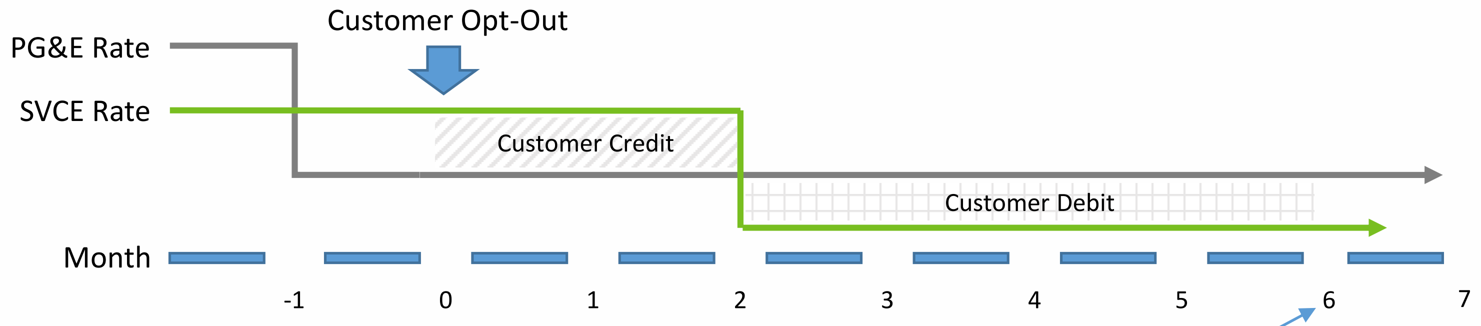
Example Scenarios

Scenario 2: Eligible customer subsequently opts out, and PG&E rates temporarily lower than SVCE



At the end of the six month period, SVCE bills or credits customer for <u>net difference</u> between usage at SVCE's higher gen rate (credit for months 1-2) and PG&E's higher gen rate (debit for months 3-6)

Financial Impact

- Financial benefits and potential exposure
  - current SVCE operating margin benefit of ~$250k+ per $1M in annual returning customer revenue
  - in a worst-case scenario of SVCE gen charges (including PCIA) 10% higher than PG&E over 6 months, exposure would be ~$75k per $1M in opted out revenue from eligible customers

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Recommendation

- Authorize CEO to develop and pilot a new interim rate option, for large C&I accounts currently opted out for at least one year

Questions?

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