



SVCE 2018 Rates

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Don Bray, Manager of Account Services

Overview

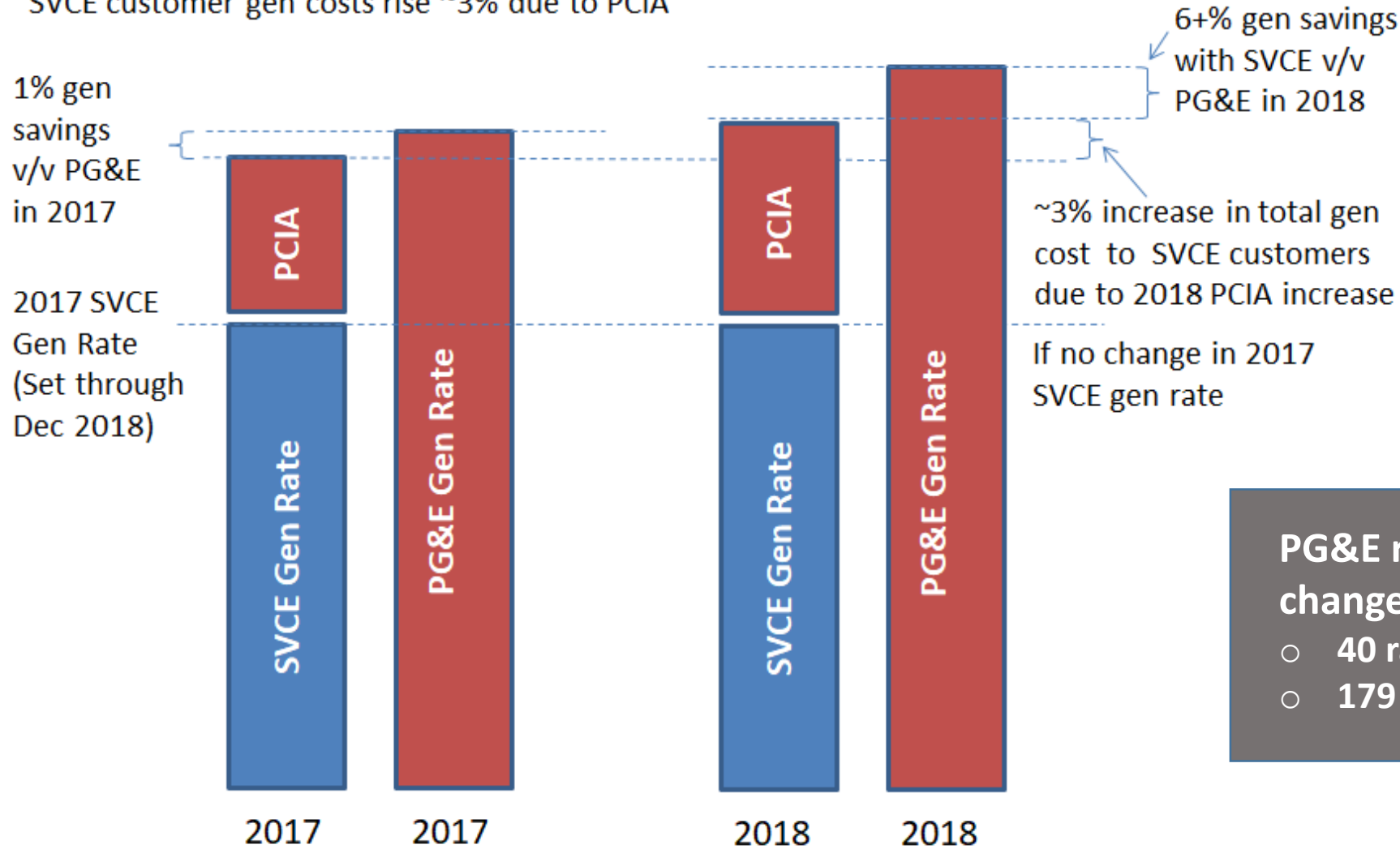
- With PG&E's new ~9% increase in generation rates for 2018, maintaining SVCE rates at 2017 levels would:
 - Add \$13M+ margin, meeting original reserve target for 2018
 - Expand SVCE customer savings versus PG&E gen rates to 6-9%
- Regulatory changes have begun to impact SVCE supply costs and supply cost outlook, e.g. Resource Adequacy, Bucket 2 renewables
- SVCE Executive Committee reviewed Staff proposal and recommends the "All 6%" option - a targeted, 'no regrets' strategy that balances cost recovery with customer savings, risk mitigation and rate stability

Changing Financial Context - Supply

- SVCE rates originally set to be effective through 2018 'unless exceptional market conditions warrant changes sooner'
- Market conditions are changing:
 - ~\$2.4M - \$3.8M cost impact in 2018 from Resolution E-4907; not anticipated in current pro-forma
 - RA market likely tightening in future from plant retirements, reduced solar/wind RA value
 - AB 1110: cost of replacing Bucket 2 with Bucket 1 renewables
\$1.3M in 2018, \$7.1M in 2019, \$10.3M in 2020
- PCIA proceeding in process – outcome uncertain

Figure 1: Updated 2018 SVCE Rate Scenario - General Case

- 9+% increase in PG&E Gen Rate
- 11-14% increase in PCIA rate
- If SVCE 2017 rates remain unchanged, savings v/v PG&E grows to 6+%, but SVCE customer gen costs rise ~3% due to PCIA



PG&E rate and PCIA changes vary!

- 40 rate schedules
- 179 rate components

'No Regrets' Rate Setting Strategy

- Criteria balancing customer savings, cost recovery, risk mitigation, rate stability:
 - Meet original SVCE target for contribution to reserves
 - Additional revenue to offset new RA, Bucket 1 cost impacts
 - Minimum number of rate increases
 - Avoid price 'gouging'
 - Increase savings vs PG&E for all SVCE customers
 - Balanced savings and overall cost impact across rate classes

Updated Rate Scenarios and Options

Rate Setting Scenario	Description	Options
1) <u>Minimum</u> of at least [x]% savings v/v PG&E in 2018	Maintain all SVCE generation rate components at 2017 levels, except where lowering is necessary to maintain a minimum [x]% rates savings versus 2018 PG&E generation rate less PCIA	Min 5% Min 6% ← Min 7%
2) <u>Absorb</u> increase in PG&E's PCIA for 2018	Lower all SVCE generation rate components as necessary to absorb increase in PG&E PCIA rates for 2018 – thus keeping SVCE's 2018 generation rate plus PCIA equivalent to 2017	Absorb ←
3) <u>Savings v/v PG&E of exactly [x]% for all rates in 2018</u>	All 2018 SVCE generation rate components, inclusive of PCIA, are set so that the cost to the customer for SVCE service remains exactly [x]% below PG&E generation rates for 2018	All 5% All 6% ← All 7%

Key Rate Schedules




Rate	Description	Accounts	% of Accounts	% SVCE Load	Typical Gen + PCIA Cost/mo (summer)
E1	Residential - Tiered	198,400	81%	33%	\$ 44
E-TOU	Residential - Time of Use	7,600	3%	1%	\$ 35
EV-A	Residential EV	5,000	2%	2%	\$ 97
A1	Small Commercial	17,700	7%	10%	\$ 150
A10	Medium Commercial	2,100	1%	15%	\$ 1,940
E19	Large Commercial	1,200	0.5%	25%	\$ 17,700
E20	Industrial	30	0.01%	10%	\$ 49,600






Source: SVCE 2017 data, all figures rounded/approximated for clarity.






Example rates for scenario analysis

SVCE 2018 Rate Scenario Analysis								
	Annualized SVCE Operating Margin Impact (\$M)	2018 Customer Savings v/v PG&E (Average %)	SVCE 2018 Gen Rate Increases (No)	SVCE 2018 Gen Rate Decreases (No)		E-1 Tiered Residential Rate Impacts	A-1 Small Commercial Rate Impacts	E-19 Large Commercial Rate Impacts
Scenario/Option								
Min 5%	+13.9M	7.40%	0	3	SVCE Savings vs PG&E =>	-5.71%	-7.36%	-8.38%
					SVCE Customer Cost Change =>	4.35%	2.06%	1.52%
Min 6%	+13.4M	7.50%	0	26	SVCE Savings vs PG&E =>	-6.00%	-7.37%	-8.38%
					SVCE Customer Cost Change =>	4.04%	2.04%	1.52%
Min 7%	+12.0M	7.90%	0	55	SVCE Savings vs PG&E =>	-7%	-7.58%	-8.38%
					SVCE Customer Cost Change =>	2.93%	1.81%	1.52%
Absorb PCIA	+6.6M	9.70%	0	147	SVCE Savings vs PG&E =>	-9.65%	-9.22%	-9.75%
					SVCE Customer Cost Change =>	0.00%	0.00%	0.00%
All 5%	+24.2M	5%	176	3	SVCE Savings vs PG&E =>	-5.00%	-5.00%	-5.00%
					SVCE Customer Cost Change =>	5.14%	4.45%	4.95%
All 6%	+20.5M	6%	153	26	SVCE Savings vs PG&E =>	-6.00%	-6.00%	-6.00%
					SVCE Customer Cost Change =>	4.04%	3.43%	3.94%
All 7%	+16.8M	7%	124	55	SVCE Savings vs PG&E =>	-7.00%	-7.00%	-7.00%
					SVCE Customer Cost Change =>	2.93%	2.39%	2.91%

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Comparing Options

	Min <u>6%</u>	Absorb <u>PCIA</u>	All <u>6%</u>
Meet <u>original</u> SVCE target for contribution to reserves	✓		✓
Additional revenue to offset RA, Bucket 1 cost impacts			✓
Minimum number of rate increases	✓	✓	
Avoid price 'gouging'	✓	✓	✓
Increase savings vs PG&E for all SVCE customers	✓	✓	✓
Balanced savings and cost impact across rate classes		✓	✓

Recommendation – All 6%

While 'All 6%' will require modest SVCE rate increases (mostly commercial)

this option is recommended because:

- SVCE meets original SVCE target for contribution to reserves
- Provides additional revenue to offset new RA costs, Bucket 2 regulatory risks
- Expands SVCE's savings vs PG&E to 6% for all rates, and avoids price gouging
- Balances cost impacts across all rate classes