HIGHLIGHTS

1. Significant PCIA Under-Collection
2. The “Cap” may not be cap
3. CalCCA/SVCE will respond
POSSIBLE RATES TIMING IN 2020

PG&E Generation Rates Drop 6%

PG&E Generation Rates increase 2%

SVCE Rates Response

“Trigger” PCIA increase (60%)

PCIA Cap Implemented 20% increase

SVCE Rates Response
DRIVERS OF PCIA UNDERCOLLECTION

- CAISO revenues for brown power much lower than forecast
- Cost of utility-owned generation higher than forecast
- Lower generation volumes than forecast
- Lower PCIA sales quantities
- High unsold RA and RPS

$611 million undercollection

Shift from System to Vintaged Billing Determinants

Delayed Implementation of 2019 Rates

Actual RA and RPS MPB different from forecast
“CAP?”

• PG&E projects that in Q1 2020 there will be 10% shortfall between the actual revenue collection and the forecasted amount needed to meet the annual PCIA obligation ("Trigger").
• PG&E projects that as early as May 1, the cap will be removed and the PCIA will increase by 2 cents/kWh.
• Due to the amount of under-collection, this large increase would impact SVCE net revenues significantly.
BUDGET IMPACTS

• The “CAP” increase of 21% in the PCIA would lower revenues by $16 million

• The “Trigger” adjustment would lower revenues an additional $30 million.

• PCIA could reduce annual revenues by $40-$50 million
RESPONSE

• CalCCA filed comments 12/6 outlining the reasons why PG&E’s forecast is incorrect and as a result should be lower.

• If an ERRA Trigger application is filed in early 2020, CalCCA will argue that a trigger defeats the concept of rate stability via a cap. If needed, CalCCA will file a petition for modification of the October 2018 PCIA Decision (D. 18-10-019).

• Soliciting media and Legislative support for the CCA positions is being considered.

• Options to fast track feasible options to prepay the PCIA are being discussed (long-term solution).
THANK YOU
PG&E Carbon-Free Allocation Analysis

Board of Directors Meeting
December 11, 2019
Monica Padilla, Director of Power Resources
NEW - Purpose

• 2020 SVCE Portfolio Mix & Policy Decisions
• Revised Recommendations
• Background
• Alternative Scenarios
• Portfolio Mix Strategies
• CPUC Process/Timeline & Next Steps
• Board Action
NEW – Revised Staff Recommendations

1. Accept PG&E’s Full Allocation for 2020 including Short-term Nuclear;

    - And -

A. If Board selects 50% RPS & 50% CF mix, then sell Large Hydroelectricity, and include Nuclear on PCL for estimated savings of $11.4 million;

    - Or –

B. If Board selects 35% RPS and 65% CF mix, then sell RPS PCC1 and no Nuclear on PCL for an estimated savings of $17.3 million
NEW – Board Policy Decisions for 2020

1. PG&E’s 2020 Carbon Free Allocation:
   1. Reject PG&E’s Carbon-free Allocation (Scenario 1)
   2. Accept only Large Hydroelectricity allocation (Scenario 2)
   3. Accept full Allocation including Short-term Nuclear (Scenario 3)

2. SVCE’s Carbon-free Portfolio Mix for 2020 – Renewable Portfolio Standard (RPS):
   1. Maintain current mix at 50% RPS and 50% CF (non-RPS)
   2. Reduce RPS to Minimum Compliance at 35% RPS and 65% CF (non-RPS)

3. Which resources to include on 2020 Power Content Label (PCL) & which surplus resources are sold
   1. RPS
   2. Large Hydroelectricity
   3. Nuclear Energy

SILICON VALLEY CLEAN ENERGY
Background

• Carbon-free energy prices have increased ~ 500% since SVCE inception in 2017
  ❑ CCA growth with high carbon-free targets
  ❑ PNW states increasing carbon-free targets
  ❑ PG&E/SCE reluctance to sell

• SVCE via PCIA is paying for carbon-free generation without receiving attributes
  ❑ Attributes benefit only PG&E’s Power Content Label

• Nuclear allocation does not contribute to new build generation as DCPP retirement is set for 2025
### Possible PG&E Allocation Summary

<table>
<thead>
<tr>
<th>(MWh)</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>SVCE Retail Load</td>
<td>3,915,839</td>
<td>3,935,418</td>
<td>3,955,095</td>
<td>3,974,871</td>
<td>3,994,745</td>
<td>4,014,719</td>
</tr>
<tr>
<td>Carbon-free Contracts</td>
<td>1,595,000</td>
<td>1,357,000</td>
<td>219,000</td>
<td>219,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Carbon</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbon-free Open Position</td>
<td>573,233</td>
<td>972,767</td>
<td>2,122,416</td>
<td>2,134,123</td>
<td>2,364,889</td>
<td>2,376,713</td>
</tr>
<tr>
<td>PG&amp;E Large-Hydro Allocation</td>
<td>504,000</td>
<td>504,000</td>
<td>504,000</td>
<td>504,000</td>
<td>504,000</td>
<td>504,000</td>
</tr>
<tr>
<td>PG&amp;E Large-Hydro % of SVCE Load</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>PG&amp;E Nuclear Allocation*</td>
<td>768,000</td>
<td>768,000</td>
<td>768,000</td>
<td>768,000</td>
<td>705,929</td>
<td>250,389</td>
</tr>
<tr>
<td>PG&amp;E Nuclear % of SVCE Load</td>
<td>20%</td>
<td>20%</td>
<td>19%</td>
<td>19%</td>
<td>18%</td>
<td>6%</td>
</tr>
<tr>
<td>Total PG&amp;E Allocation % of SVCE Load</td>
<td>33%</td>
<td>33%</td>
<td>32%</td>
<td>32%</td>
<td>31%</td>
<td>19%</td>
</tr>
</tbody>
</table>

* Diablo Canyon Unit #1 retires on 11/2/2024 and Unit #2 retires on 8/26/2025
PG&E Allocation Scenarios for 2020

• Scenario #1
  - SVCE does NOT accept the PG&E carbon-free allocation

• Scenario #2
  - SVCE accepts only the PG&E large-hydro carbon-free allocation

• Scenario #3
  - SVCE accepts the entire carbon-free allocation and sells the carbon-free attributes associated with Diablo Canyon Power Plant
## NEW – SVCE’s 2020 Carbon-free Portfolio Resources

<table>
<thead>
<tr>
<th>Description</th>
<th>MWh</th>
<th>% of Retail Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Forecast</td>
<td>4,150,789</td>
<td>106%</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>3,915,839</td>
<td></td>
</tr>
<tr>
<td>RPS Target</td>
<td>1,957,920</td>
<td>50%</td>
</tr>
<tr>
<td>RPS Resources Procured (PCC1)</td>
<td>1,831,500</td>
<td>47%</td>
</tr>
<tr>
<td>RPS Net Open Position</td>
<td>126,420</td>
<td>3%</td>
</tr>
<tr>
<td>Carbon Free Resources Procured (non-RPS)</td>
<td>1,595,000</td>
<td>41%</td>
</tr>
<tr>
<td>Total CF Resources w/RPS</td>
<td>3,426,500</td>
<td>88%</td>
</tr>
<tr>
<td>Carbon-Free Net Open Position</td>
<td>724,289</td>
<td>18%*</td>
</tr>
<tr>
<td>PG&amp;E Large Hydro Allocation</td>
<td>504,000</td>
<td>13%</td>
</tr>
<tr>
<td>PG&amp;E Nuclear Allocation</td>
<td>768,000</td>
<td>20%</td>
</tr>
<tr>
<td>Total PG&amp;E Allocation</td>
<td>1,272,000</td>
<td>32%</td>
</tr>
<tr>
<td>Total CF w/Allocation</td>
<td>4,698,500</td>
<td>120%</td>
</tr>
<tr>
<td>Carbon-Free NOP</td>
<td>(547,711)</td>
<td>-14%</td>
</tr>
</tbody>
</table>

*RPS stated as a percent of Retail Sales. Carbon-free is achieved on Purchase Forecast, which accounts for 6% loss factor.
## Scenario #3

- SVCE accepts the entire carbon-free allocation and sells the carbon-free attributes associated with Diablo Canyon Power Plant

<table>
<thead>
<tr>
<th></th>
<th>Base Case – High RPS &amp; take no allocation</th>
<th>50% RPS &amp; 50% Carbon-Free</th>
<th>35% RPS &amp; 65% Carbon-Free</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible RPS Resources</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Large Hydroelectric</td>
<td>50%</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>0%</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Portfolio Net Cost $M</td>
<td>$42.20</td>
<td>$30.75</td>
<td>$35.50</td>
</tr>
<tr>
<td>Savings vs Base Case $M</td>
<td>$11.4</td>
<td>$6.7</td>
<td>$17.8</td>
</tr>
</tbody>
</table>

1. Actual mix between RPS and Carbon-free (non-RPS resources) will vary depending on retail load and Carbon-free deliveries
2. Assumes PCC1 to fill RPS premium $18/MWh; Large Hydro premium $9/MWh; and Nuclear premium $3/MWh
NEW - PG&E Carbon-Free Allocation

CPUC Timeline

December 2019
• 12/2: PG&E Filed Tier 3 Advice Letter (AL)\(^1\)

January 2020
• 1/2: Earliest CPUC can issue Draft Resolution approving PG&E’s AL with 30-day comment period

February 2020
• 2/6: Earliest CPUC can vote on Resolution approving AL
  • 2/27: Likely voting date

March/April 2020
• PG&E offers allocation to SVCE
  • SVCE accepts offer
  • **PG&E and SVCE execute agreement and confirm**

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1. A Tier 3 advice letter cannot be approved by staff and requires a CPUC resolution voted on by the Commissioners at a voting meeting.
2. The CEC has proposed new regulations for the PSD Program that will impact when the interim carbon-free allocation will begin and when it can count on the power content label.
3. If the desired changes are not approved by the CEC, PG&E will not offer “retroactive” allocations, i.e. PG&E will only offer forward allocations.
NEW – Revised Staff Recommendations

1. Accept PG&E’s Full Allocation for 2020 including Short-term Nuclear;
   
   - And -

A. If Board selects 50% RPS & 50% CF mix, then sell Large Hydroelectricity, and include Nuclear on PCL for estimated savings of $11.4 million;

   - Or –

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