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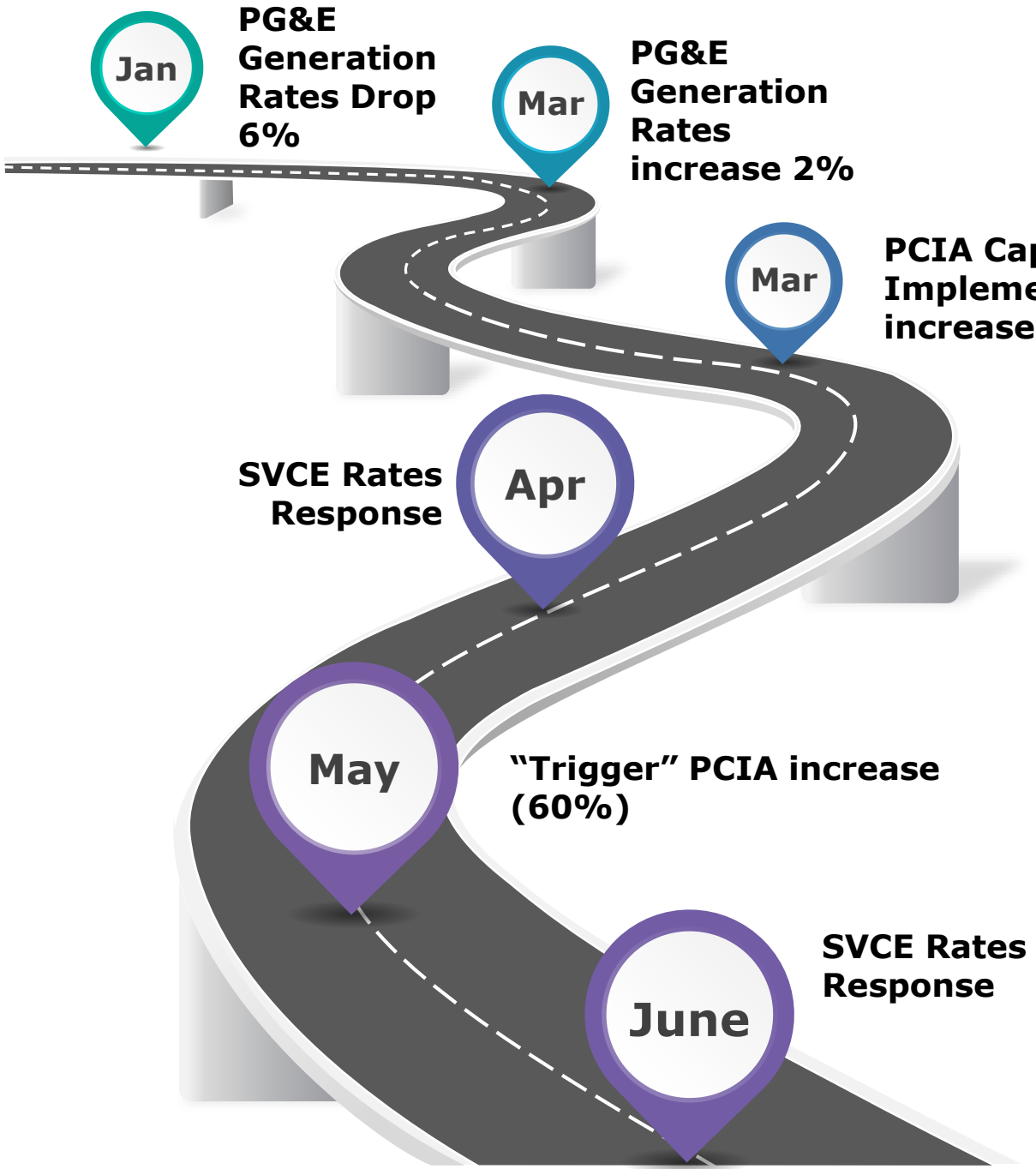
2020 PCIA UPDATE

Board of Directors Meeting
December 11, 2019

HIGHLIGHTS

1. Significant PCIA Under-Collection
2. The "Cap" may not be cap
3. CalCCA/SVCE will respond

POSSIBLE RATES TIMING IN 2020



DRIVERS OF PCIA UNDERCOLLECTION

$611 million 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

Actual RA and RPS MPB different from forecast

Delayed Implementation of 2019 Rates

Shift from System to Vintaged Billing Determinants

"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

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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

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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).

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THANK YOU

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Item 3
PRESENTATION
REVISED

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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

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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

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***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

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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

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Possible PG&E Allocation Summary

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

* 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**

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NEW – SVCE's 2020 Carbon-free Portfolio Resources

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

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

NEW - SVCE Carbon-Free Portfolio Mixes & Cost Savings

Scenario #3

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

		50% RPS & 50% Carbon-Free		35% RPS & 65% Carbon-Free	
	Base Case – High RPS & take no allocation	**Current RPS - Sell Large Hydro**	**Current RPS - Sell Nuclear**	**Minimum RPS - Sell Large Hydro**	**Minimum RPS - Sell Nuclear**
Eligible RPS Resources	50%	50%	50%	35%	35%
Large Hydroelectric	50%	30%	50%	45%	65%
Nuclear	0%	20%	0%	20%	0%
Portfolio Net Cost $M	**$ 42.20**	**$30.75**	**$35.50**	**$24.41**	**$24.93**
Savings vs Base Case $M		***$11.4***	***$6.7***	***$17.8***	***$17.3***

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

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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***

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.

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NEW – Revised Staff Recommendations

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