

Andrea Pizano

From: BRUCE KARNEY <[REDACTED]>
Sent: Tuesday, February 8, 2022 6:58 PM
To: Andrea Pizano
Cc: Girish Balachandran; Amrit Singh
Subject: The 1% Discount to PG&E

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Andrea, would you please share this with the Board Members?

Dear Board,

I agree with the recommendation to maintain a 1% discount to PG&E's generation rate.

But I would like to comment about this bullet from Page 12 (of 53) in the tonight's presentation: "Black-swan type events that affect us adversely in the future can draw substantial funds from the reserves and/or **increase customer rates to uncompetitive levels**"

To the best of my knowledge, no analysis has ever been done at SVCE to determine what "uncompetitive levels" might be for various customer classes. We do know that several CCAs have maintained residential rates above PG&E's in both 2020 and 2021. The most extreme difference in 2021 was MCE, which was charging 7.1% more than PG&E to some of its residential customers. Sonoma Clean Power has also priced residential electricity 2.5 - 4.4% higher than PG&E in 2020-2021. In both cases, these are not the difference in generation rates, they are the differences in the total average bill (as disclosed in their joint rate mailers). So, their generation rates are probably more than 10% above PG&E's.

One wonders what happened to their customer retention when their rates first rose above PG&E's and in the following year when they rose even more. If the answer is, as I suspect, "there wasn't much change," then we might conclude that we can't yet accurately estimate how high customer rates need to rise to be "uncompetitive." I would say, though, that the answer is "more than 10% for residential customers."

I think this is something staff should look into over the next few months. Until they have run the numbers, I think you should assume that you have much more flexibility to raise residential rates above PG&E, if necessary, than today's presentation on rates would lead you to believe.

Cheers,
Bruce Karney