

**PG&E HEARING EXHIBIT PGE-09**

**A.20-04-023**

**PG&E'S SECURITIZATION 2020**

Chapter 9 ..... Rate Proposal (Daniel Pease)  
Exhibit 9.1 ..... Average Present and Proposed Illustrative Rates

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHAPTER 9**

**RATE PROPOSAL**

**WITNESS: DANIEL PEASE**

PACIFIC GAS AND ELECTRIC COMPANY  
CHAPTER 9  
RATE PROPOSAL

TABLE OF CONTENTS

A. Introduction .....	9-1
B. FRC and Customer Credit Calculation .....	9-1
1. Applicability .....	9-1
2. Nonbypassability .....	9-2
3. Revenue Allocation and Rate Design .....	9-2
a. Residential Rate Design .....	9-4
b. CARE and FERA Rate Design .....	9-4
c. CARE and FERA Funding and Related Rate Changes .....	9-5
C. Bill Presentation .....	9-5
D. Implementation .....	9-6
E. Conclusion .....	9-7
Exhibit 9.1 Average Present & Proposed Illustrative Rates .....	9-Exh9.1-1

1                                   **PACIFIC GAS AND ELECTRIC COMPANY**  
2   **CHAPTER 9**  
3   **RATE PROPOSAL**  
4   **WITNESS: DANIEL PEASE**

5   **A. Introduction**

6           This chapter presents Pacific Gas & Electric Company’s (PG&E) rate  
7   proposal concerning the Fixed Recovery Charge (FRC) and the Customer  
8   Credit. The revenue requirement for the FRC is provided in Chapter 6,  
9   Customer Credit Mechanism and Investment Returns (D. Thomason; G. Allen),  
10   and is the basis for determining the FRC rate. In Section B of this chapter,  
11   PG&E presents the revenue allocation and rate design associated with the FRC  
12   and the Customer Credit. Section C describes how the FRC and the Customer  
13   Credit would be shown on customer bills.<sup>1</sup> Section D addresses PG&E’s  
14   expectations concerning implementation of the FRC and the Customer Credit.  
15   Finally, Section E is the conclusion to this chapter.

16   **B. FRC and Customer Credit Calculation**

17           The FRC for each customer would be equal to the product of the FRC rate  
18   and the eligible sales. As discussed in Chapter 6, Customer Credit Mechanism  
19   and Investment Returns (D. Thomason; G. Allen), PG&E also proposes to apply  
20   a Customer Credit. Where the Customer Credit revenue requirement is equal to  
21   the FRC revenue requirement, each customer’s net charges will be unchanged  
22   relative to the case where there was no FRC. The design and application of the  
23   FRC and the Customer Credit rates is provided in this section.

24   **1. Applicability**

25           Public Utilities Code (Pub. Util. Code) Section 850.1(a)(2), which was  
26   passed as part of Senate Bill 901 (SB 901), provides that the FRC is to be  
27   recovered from existing and future customers in PG&E’s service territory  
28   until the Recovery Bonds and associated financing costs are paid in full by  
29   the financing entity. Section 850.1(l) further specifies that the FRC shall not  
30   be imposed on customers that receive either the California Alternative Rates

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1   Customer is as defined in Chapter 1, Introduction (D. Thomason).

1 for Energy (CARE) or the Family Electric Rate Assistance (FERA) discount  
2 pursuant to Section 739.1. Accordingly, all Direct Access, Community  
3 Choice Aggregation, and bundled service customers would pay the FRC  
4 and receive the Customer Credit, unless they are participating in the CARE  
5 or FERA programs.

## 6 **2. Nonbypassability**

7 Section 850.1(b) provides that the FRC is nonbypassable. The FRC  
8 rate is nonbypassable for all customers on whom the rate is imposed, which  
9 means all existing and future customers in PG&E's service territory as of the  
10 date of the Financing Order, except for those customers participating in the  
11 CARE or FERA programs (§ 850.1(a)(2)).

12 Customers that no longer take transmission and distribution retail  
13 service from PG&E after the date of the Financing Order, or that meet  
14 relevant criteria in applicable tariffs, are departing load (DL) customers. For  
15 these customers, PG&E proposes to calculate the FRC-related amounts that  
16 would need to be paid, as well as the amounts of the Customer Credit, using  
17 an approach that is consistent with the method currently in place for  
18 calculation of other DL charges. For example, new municipal DL customers  
19 would pay the FRC (and be entitled to receive the associated benefit of the  
20 Customer Credit) based on one of the following: (1) the last 12 months of  
21 the customer's recorded pre-departure use; or (2) actual use.

## 22 **3. Revenue Allocation and Rate Design**

23 PG&E proposes to allocate the revenue requirement and design the rate  
24 for the FRC on an equal cent per kilowatt-hour (kWh) basis across all  
25 customer classes. This means that all customers that pay the FRC would  
26 pay the same rate per kWh. This method of allocation and rate design is  
27 consistent with the approach used for both the Department of Water  
28 Resources (DWR) bond charge and the Energy Recovery Bonds issued in  
29 2005 for PG&E. In addition, as discussed in Chapter 2, Background on  
30 Utility Securitization (S. Lunde), equal cent per kWh rate design for the FRC  
31 may be beneficial from a rating agency perspective.

32 PG&E proposes to apply the Customer Credit as discussed in  
33 Chapter 6, Customer Credit Mechanism and Investment Returns

1 (D. Thomason; G. Allen). All customers that are required to pay the FRC  
2 will also receive the benefit of the Customer Credit. To ensure that the FRC  
3 and the Customer Credit will be equal when the Customer Credit revenue  
4 requirement and the FRC revenue requirement are equal, PG&E would  
5 establish a Customer Credit rate on the same equal cent per kWh basis as  
6 the FRC rate. Accordingly, in years where the Customer Credit revenue  
7 requirement and the FRC revenue requirement are equal, the Customer  
8 Credit rate and the FRC rate sum to zero and the net total rates and charges  
9 are unchanged for all customers as a result of FRC implementation.

10 As a general matter, the total rates for most customer classes are  
11 developed by adding the rates for each component together to derive the  
12 total applicable rate, so if the FRC rate ever exceeds the Customer Credit  
13 rate (which, as described in Chapter 6, Customer Credit Mechanism and  
14 Investment Returns (D. Thomason; G. Allen), is not expected), total net  
15 rates would increase by the difference. However, residential rates are  
16 governed by the rate design rules established in Decision (D.) 15-07-001  
17 and would not change by a uniform amount in all rate tiers. In addition, the  
18 application of the FERA and CARE exemptions, and the funding of the  
19 CARE and FERA discounts, are impacted by implementation of the FRC  
20 and Customer Credit. Accordingly, PG&E's proposal also includes a  
21 description of these changes.

22 PG&E has provided an illustration of the revenue allocation and rate  
23 design impact of the FRC. This illustration, provided as Exhibit 9.1, shows  
24 full implementation of the FRC charge and the effect of an equal Customer  
25 Credit. PG&E's illustrative revenue requirement for the FRC from  
26 Chapter 6, Customer Credit Mechanism and Investment Returns  
27 (D. Thomason; G. Allen) is \$394.7 million. PG&E's 2020 forecast of eligible  
28 sales is 72,933 gigawatt-hours.<sup>2</sup> The illustrative initial FRC rate is therefore  
29 estimated to be \$0.00541 per kWh.

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**2** PG&E's illustrative rate and proposed bill presentation assumes that Net Energy Metered (NEM) Customers that are billed pursuant to the NEM successor tariff (NEM 2.0) receive the benefit of fully netting the FRC and the Customer Credit. PG&E reserves the right to address the billing of the FRC for NEM customers in proceedings involving the Commission's review of NEM tariffs or other appropriate proceeding.

1           **a. Residential Rate Design**

2           Unlike non-residential rate design, residential rates are first  
3           determined on a total basis. D.15-07-001 established the relationship  
4           between the total rates for those residential rates that continue to have a  
5           tiered rate structure (e.g., Schedule E-1). Once the total rates are  
6           determined based on the relationships prescribed by D.15-07-001,<sup>3</sup>  
7           rates are unbundled into their component pieces, where the  
8           Conservation Incentive Adjustment is set residually to provide the  
9           necessary rate differentials by rate tier. PG&E proposes to retain the  
10          rate relationships by tier determined by D.15-07-001 with the addition of  
11          the FRC and the Customer Credit. As a result, when the FRC rate and  
12          the Customer Credit rates are not equal, total rates by tier would not  
13          change by the same equal cents per kWh amount in all tiers.<sup>4</sup>

14          **b. CARE and FERA Rate Design**

15          As discussed in the Applicability section above, CARE and FERA  
16          customers are exempt from the FRC. Public Utilities Code  
17          Section 739.1(c)(1) provides that the average CARE discount must be  
18          between 30 and 35 percent.<sup>5</sup> Section 739.12 requires that the FERA  
19          discount be set to 18 percent. PG&E proposes to retain these  
20          discounts. Therefore, if the FRC is larger than the Customer Credit,  
21          residential CARE and non-CARE charges will increase as necessary to  
22          retain the prescribed CARE percentage discount. Similarly, FERA  
23          customer bills will increase to retain the FERA percentage discount  
24          when standard rates increase.

25          The exemption to the FRC (and the Customer Credit) will be  
26          identified as part of the prescribed discount in the same way CARE  
27          customers are exempted from paying the DWR bond charge.

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3          For example, the total tier 2 rate is established as ratio to the total tier 1 rate, where that ratio is equal to 1.25 to 1.0. See D.15-07-001 at 278.

4          In Phase II of PG&E's 2020 General Rate Case (GRC) (Application 19-11-019), PG&E has proposed to adjust total tiered residential rates by equal cents per kWh. See Exhibit (PG&E-3) at 3-22. If this method is approved, PG&E would employ the equal cents per kWh change to total rates for FRC/Customer Credit rate changes.

5          PG&E's average CARE discount is currently 35.0 percent.

1 Specifically, with the addition of the exemption for the FRC and the  
2 Customer Credit, the CARE discount would be made up of exemptions  
3 to the DWR Bond charge and the CARE surcharge component of the  
4 Public Purpose Program (PPP), the FRC/Customer Credit exemption,  
5 and a residual distribution discount<sup>6</sup> as is necessary to maintain the  
6 required 35 percent discount.

7 FERA will require a similar modification. Currently the FERA  
8 program discount is provided through reductions to distribution rates.  
9 Like CARE, with the addition of the exemption for the FRC and the  
10 Customer Credit to the FERA discount, the residual distribution discount  
11 is revised as is necessary to maintain the required 18 percent discount.

12 **c. CARE and FERA Funding and Related Rate Changes**

13 The CARE distribution discount is recovered in the CARE surcharge  
14 component of PPP charges. The FERA distribution discount is  
15 recovered in residential distribution rates. In both instances, if the FRC  
16 is greater than the Customer Credit, the distribution portion of the FERA  
17 and CARE discounts are reduced and the level of PPP funding for  
18 CARE and the level of distribution funding for FERA are also reduced.  
19 As a result, in these instances changes to rates for customers that are  
20 not served under the CARE or FERA programs will include the addition  
21 of the FRC/Customer Credit and a small reduction to the PPP rate  
22 component (for CARE) and distribution component of residential rates  
23 (for FERA) to reflect the reduced need to fund the distribution discount  
24 for these programs.

25 **C. Bill Presentation**

26 Section 850.1(g) requires PG&E to show the FRC on each customer's  
27 electric bill. PG&E proposes to show the FRC and Customer Credit in the  
28 unbundled charge section on page 2 of the bill. The FRC and Customer  
29 Credit—listed as the Recovery Bond Charge and Recovery Bond Credit on the  
30 bill—would each be presented as a single line item for billing and accounting

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6 CARE customers are also exempt from the Self-Generation Incentive Program and the California Solar Initiative (Pub. Util. Code § 739.1(c)(1)), which are part of the discount determined in the residual distribution amount.



1 purposes. An example of the unbundled charges (for a residential tiered rate) is  
 2 shown in Table 9-1 below where the FRC and the Customer Credit are equal.  
 3 As discussed above, the FRC and the Customer Credit will not apply to CARE  
 4 and FERA customers and therefore would not appear on the bills for those  
 5 customers.

**TABLE 9-1  
 BILL PRESENTATION FOR THE FRC AND THE CUSTOMER CREDIT WITH ELECTRIC  
 CHARGES**

Line No	Your Electric Charges Breakdown	Amount
1	Conservation Incentive	-\$8.58
2	Generation	30.21
3	Transmission	8.06
4	Distribution	25.97
5	Electric Public Purpose Programs	3.05
6	Nuclear Decommissioning	0.22
7	DWR Bond	1.24
8	Competition Transition Charges	0.33
9	Energy Cost Recovery Amount	-0.14
10	Recovery Bond Charge	1.33
11	Recovery Bond Credit	-1.33
12	Taxes and Other	0.07
13	Total Electric Charges	\$60.43

6 PG&E proposes to add the following description, which would be updated  
 7 periodically with the latest rate information, on page 2 of the electric bill either  
 8 directly on the bill itself or at a link on the bill to a PG&E website that includes  
 9 further information on the definitions used on the bill:

10 Recovery Bond Charge: Your bill for electric service includes a FRC that  
 11 has been approved by the CPUC to repay bonds issued for certain costs related  
 12 to catastrophic wildfires. The FRC rate is currently \$0.00541 per kWh. The right  
 13 to recover the FRC has been transferred to the Special Purpose Entity that  
 14 issued the bonds and does not belong to PG&E. PG&E is collecting the FRC on  
 15 behalf of the Special Purpose Entity. PG&E is separately providing a customer  
 16 credit equal to \$0.00541 per kWh. The customer credit is shown on the bill as  
 17 the Recovery Bond Credit.

18 **D. Implementation**

19 PG&E anticipates that it would be able to implement the FRC and the  
 20 Customer Credit for customer billing as described in this testimony by the time of

1 the Recovery Bond issuance. In order to make the appropriate modifications to  
2 PG&E's billing system, some rate change work adopted in the 2017 GRC  
3 Phase II proceeding, as well as other pending requirements, may be delayed.  
4 The amount of rate change work to be delayed would depend on the decision in  
5 this proceeding. If the Commission adopts an alternative approach, more time  
6 and resources may be required to implement the billing system changes,  
7 potentially resulting in additional delays to already approved projects.

8 **E. Conclusion**

9 PG&E requests that the Commission approve PG&E's proposal concerning  
10 the FRC and the Customer Credit, as described above.

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHAPTER 9**

**EXHIBIT 9.1**

**AVERAGE PRESENT & PROPOSED ILLUSTRATIVE RATES**

Pacific Gas and Electric Company  
 Exhibit 9.1  
 Average Present and Proposed Illustrative Rates  
 Fixed Recovery Charge (FRC) Shown with Equal Customer Credit Leaving Total Rates Unchanged  
 Page 1  
 (cents per kWh)

Customer Class	5/1/2020 Average Present Rates	Illustrative Average Rate with the FRC	Average Rate Change	Percent Change	Illustrative Average Customer Credit Rate	Illustrative Average Rate with FRC and Customer Credit	Total Percent Change
<b>Bundled Service</b>							
Residential	22.91	23.33	0.42	1.8%	-0.42	22.91	0.0%
CARE	15.90	16.18	0.28	1.8%	-0.28	15.90	0.0%
Non-CARE	26.25	26.74	0.49	1.9%	-0.49	26.25	0.0%
Small Commercial	26.62	27.14	0.52	2.0%	-0.52	26.62	0.0%
Medium Commercial	23.72	24.24	0.52	2.2%	-0.52	23.72	0.0%
E-19	20.69	21.22	0.52	2.5%	-0.52	20.69	0.0%
Streetlight	30.46	31.00	0.54	1.8%	-0.54	30.46	0.0%
Standby	18.48	19.01	0.52	2.8%	-0.52	18.48	0.0%
Agriculture	25.11	25.63	0.52	2.1%	-0.52	25.11	0.0%
E-20	16.66	17.18	0.52	3.1%	-0.52	16.66	0.0%
E-20 T	14.24	14.76	0.52	3.7%	-0.52	14.24	0.0%
E-20 P	17.77	18.30	0.52	2.9%	-0.52	17.77	0.0%
E-20 S	19.80	20.33	0.52	2.6%	-0.52	19.80	0.0%
Average Bundled Rate	22.17	22.65	0.48	2.2%	-0.48	22.17	0.0%

Customer Class	5/1/2020 Average Present Rates	Illustrative Average Rate with the FRC	Average Rate Change	Percent Change	Illustrative Average Customer Credit Rate	Illustrative Average Rate with FRC and Customer Credit	Total Percent Change
<b>Direct Access/Community Choice Aggregation (DA/CCA)</b>							
Residential	17.29	17.76	0.47	2.7%	-0.47	17.29	0.0%
CARE	7.54	7.81	0.27	3.6%	-0.27	7.54	0.0%
Non-CARE	19.13	19.64	0.50	2.6%	-0.50	19.13	0.0%
Small Commercial	17.92	18.44	0.52	2.9%	-0.52	17.92	0.0%
Medium Commercial	14.83	15.35	0.52	3.5%	-0.52	14.83	0.0%
E-19	11.76	12.28	0.52	4.4%	-0.52	11.76	0.0%
Streetlight	17.36	17.90	0.54	3.1%	-0.54	17.36	0.0%
Standby	16.45	16.98	0.52	3.2%	-0.52	16.45	0.0%
Agriculture	16.53	17.05	0.52	3.2%	-0.52	16.53	0.0%
E-20	7.74	8.27	0.52	6.8%	-0.52	7.74	0.0%
E-20 T	5.11	5.64	0.52	10.2%	-0.52	5.11	0.0%
E-20 P	9.34	9.86	0.52	5.6%	-0.52	9.34	0.0%
E-20 S	9.79	10.31	0.52	5.3%	-0.52	9.79	0.0%
Average DA/CCA Rate	13.83	14.34	0.50	3.7%	-0.50	13.83	0.0%

\* Illustrative rates are based on the 2020 test year sales forecast. When approved, rates will be updated based on the then current sales forecast. This illustration is presented without revenue taxes, franchise fees and uncollectible expense (RF&U) which would be accrued for collection in the following year.

FRC:	FRC Revenue Requirement:	\$394,700,000
	Eligible Sales (kWh):	72,933,179,173
	FRC Rate (cents per kWh):	\$0.541

Pacific Gas and Electric Company  
 Exhibit 9.1  
 Average Present and Proposed Illustrative Rates  
 Fixed Recovery Charge (FRC) Only  
 Page 2

Residential Rates And Bills (Schedule E-1)  
 Results Shown Without Customer Credit (Includes only the FRC)

Residential Rate	Non Care Rates (cents per kWh)			CARE Rates (cents per kWh)		
	5/1/2020	Rate with FRC Only	% Change	5/1/2020	Illustrative Rate	% Change
Tier 1 (Baseline)	24.37	24.81	1.8%	15.88	16.16	1.8%
Tier 2 (101% to 400% of Baseline)	30.67	31.22	1.8%	19.98	20.34	1.8%
Tier 3 (>400% of baseline)	53.74	54.71	1.8%	35.00	35.63	1.8%

Residential Bills	Average Monthly Non-CARE Bill with FRC			Average Monthly CARE Bill		
	5/1/2020	Bill with FRC	% Change	5/1/2020	Illustrative Bill	% Change
350 kWh	\$81.40	\$82.97	1.9%	\$50.94	\$51.97	2.0%
500 kWh	\$127.40	\$129.80	1.9%	\$80.91	\$82.48	1.9%
700 kWh	\$188.75	\$192.25	1.9%	\$120.87	\$123.15	1.9%

\* CARE rates and bills do not include the FRC or Customer Credit, but change to retain the CARE percentage discount.