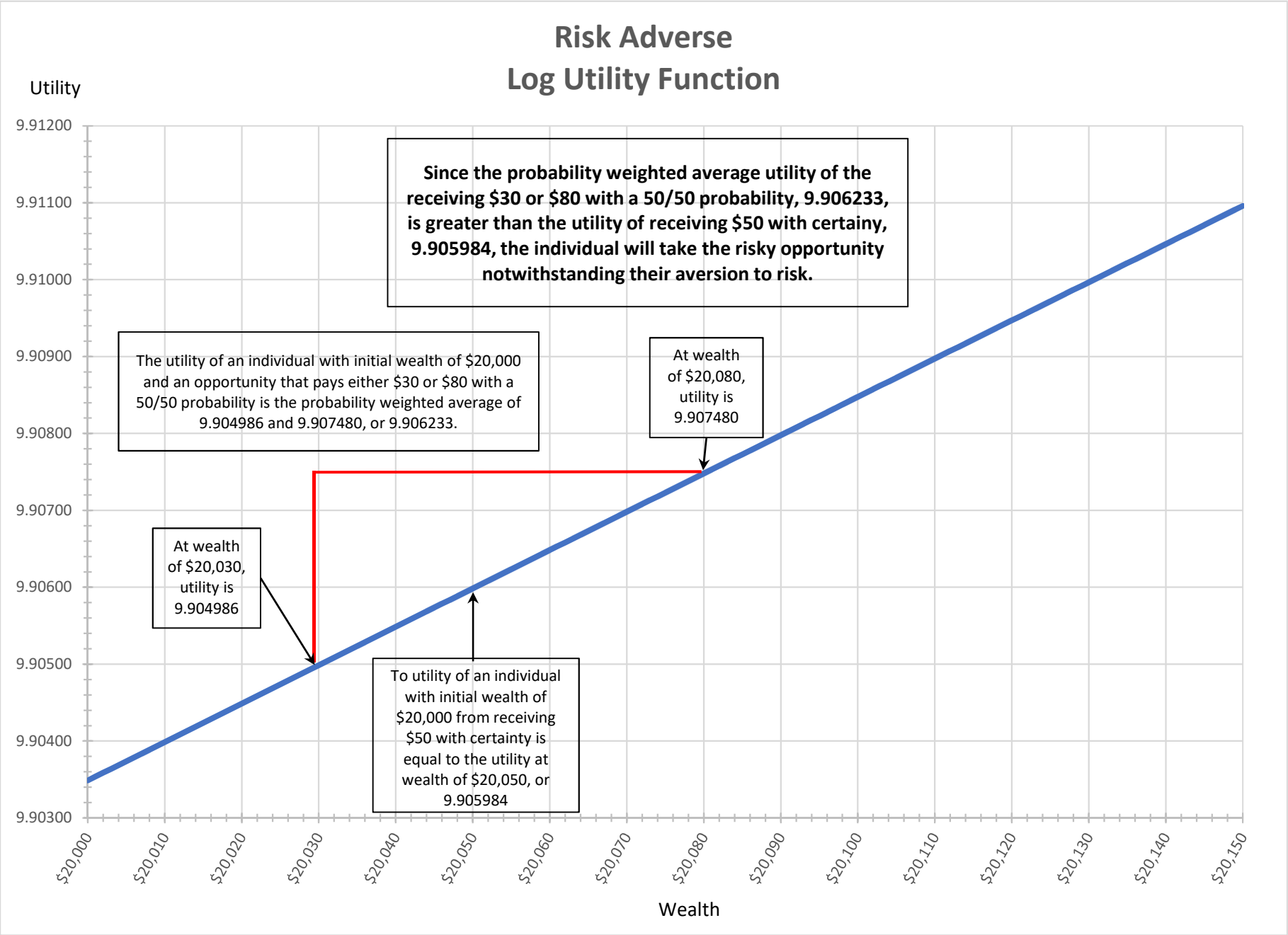
PG&E HEARING EXHIBIT PGE-22

A.20-04-023

PG&E'S SECURITIZATION 2020

Utility Curve Chart – Blow Up


Risk Adverse
Log Utility Function
Utility
9.91200
9.91100
9.91000
9.90900
9.90800
9.90700
9.90600
9.90500
9.90400
9.90300
Since the probability weighted average utility of the receiving $30 or $80 with a 50/50 probability, 9.906233, is greater than the utility of receiving $50 with certainy, 9.905984, the individual will take the risky opportunity notwithstanding their aversion to risk.
The utility of an individual with initial wealth of $20,000 and an opportunity that pays either $30 or $80 with a 50/50 probability is the probability weighted average of 9.904986 and 9.907480, or 9.906233.
At wealth of $20,080, utility is 9.907480
At wealth of $20,030, utility is 9.904986
To utility of an individual with initial wealth of $20,000 from receiving $50 with certainty is equal to the utility at wealth of $20,050, or 9.905984
$20,000
$20,010
$20,020
$20,030
$20,040
$20,050
$20,060
$20,070
$20,080
$20,090
$20,100
$20,110
$20,120
$20,130
$20,140
$20,150
Wealth