

From: [Redacted]  
Sent: 10/2/2013 10:31:54 AM  
To: Kito, Michele (michele.kito@cpuc.ca.gov)  
Cc: Warner, Christopher (Law) (/O=PG&E/OU=Corporate/cn=Recipients/cn=CJW5); Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe); Hughes, John (Reg Rel) (/O=PG&E/OU=Corporate/cn=Recipients/cn=J8HS); Keane, Dennis (/O=PG&E/OU=Corporate/cn=Recipients/cn=DMK5); Samson, Renee (/O=PG&E/OU=Corporate/cn=Recipients/cn=r5sz)  
Bcc:  
Subject: RE: Request regarding SB695 1/1/14 rates

Michele,

Regarding your first question, the 5 to 6 percent increases in non-CARE Tiers 3 and 4 is partially due to the size of the revenue requirement increase and partly due to the fact that the CARE Tier 3 rate is not increasing. Table 3 in our AET filing shows that Residential bundled revenue is currently \$5,310 million and the proposed revenue is \$5,174, a decrease of \$136 million. But these figures include \$336 million in Climate Dividends given to bundled customers which don't appear in rates (these are to be provided as lump-sum credits on customers' bills twice per year). If you add that \$336 million back, you can see that the energy rates overall collect an additional \$200 million compared to current rates. This represents an increase of 3.8 percent in energy charge revenues. Since both the CARE and non-CARE Tier 1 and 2 rates can only increase 3 percent, and the CARE Tier 3 rate doesn't increase at all, the non-CARE Tier 3 and 4 rates must increase by significantly more than 3 percent (and by more than 3.8 percent, too) in order to collect the required revenue (i.e., to collect revenue equivalent to what would be obtained by increasing every rate by 3.8 percent).

Regarding your second question, the effective CARE discounts for Column 3 and 4 are both 47 percent (rounded). Looking at just the rates, you might think it would be lower for Column 4, but the CARE discount calculation is based upon revenues and these are affected by the changes in sales by tier (due to the lower baseline quantities) as well as by changes in the rates.

Please let me know if you have any additional questions. Thank you.

[Redacted]

Senior Case Manager | Pacific Gas & Electric Company

[Redacted]

**From:** Kito, Michele [mailto:michele.kito@cpuc.ca.gov]  
**Sent:** Monday, September 30, 2013 5:54 PM  
**To:** [Redacted]  
**Cc:** Hughes, John (Reg Rel); Allen, Meredith; Warner, Christopher (Law); Keane, Dennis; Samson, Renee  
**Subject:** RE: Request regarding SB695 1/1/14 rates

Catherine,

Thanks for this. Just a couple of clarifying questions. It's my understanding that the overall system average rate increase resulting from the AET is roughly 2.4%. Is it correct to assume that the Tier 3 and Tier 4 rate increases of 5% to 6% are due to the fact that CARE Tier 3 does not increase or is there another reason for this? Also, what is the effective CARE discount for the rates shown in columns 3 and 4?

Thanks,

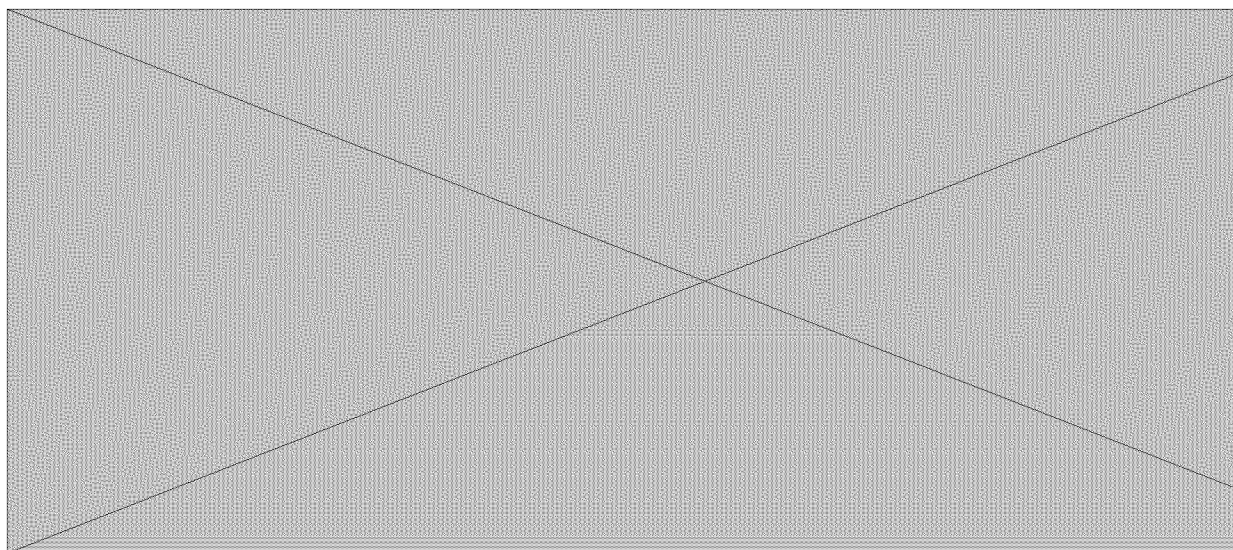
Michele

**From:** [Redacted]  
**Sent:** Monday, September 30, 2013 2:37 PM  
**To:** Kito, Michele  
**Cc:** Hughes, John (Reg Rel); Allen, Meredith; Warner, Christopher (Law); Keane, Dennis; Samson, Renee  
**Subject:** Request regarding SB695 1/1/14 rates

Michele-

Per your request at our meeting on September 16 and September 24 email to Russ Garwacki, I am writing this e-mail to provide the approximate levels of residential rates for non-CARE (Schedule E-1) and CARE (Schedule EL-1) that PG&E anticipates would go into effect on January 1, 2014 under the same criteria as authorized in the Commission's SB 695 decisions and resolutions. Please note that there is still a fair amount of uncertainty as to what those January 1, 2014 rates will be, since we don't yet know (a) the CPI that will be used to determine the percentage increase in non-CARE Tier 1 and 2 rates and (b) what the final

decision in PG&E's 2012 RDW will say regarding our proposal to decrease baseline quantities (BQs) from 55% to 50% of historical usage in the various climate zones. Also, these rates have been derived using a model that approximates the results from PG&E's full-blown detailed residential rate design model (which is time- and labor-intensive to run, and which we generally use just for filings). Nevertheless, the table below provides a good indication of anticipated rate levels.



The first column of rates shows the rates currently in place for non-CARE and CARE. The second column shows the rates from PG&E's AET advice letter (Advice 4278-E-A, originally filed August 30 and supplemented on September 16), which represented our best guess at the time as to rates effective January 1, 2014. Those rates assumed that the SB 695 CPI formula would result in a 3% increase to non-CARE Tier 1 and 2 rates (which has been the case in three of the four years since the formula has been in place), and no increase to CARE Tier 1 and 2 rates (which has been the case in all four of the years, given the suspension of the CAL-WORKS index). However, we have subsequently learned that there will be a CAL-WORKS cost of living adjustment next year of 5%, which would also permit a 3% increase to CARE Tier 1 and 2 rates. So the third column updates the AET-filed rates by increasing the CARE Tier 1 and 2 rates by 3 percent. As you can see, this results in a very small decrease (0.1 cents per kWh) in the non-CARE Tier 3 and 4 rates. Finally, the fourth column builds on the third column by further assuming the Commission adopts PG&E's 2012 RDW proposal to reduce baseline quantities (BQs) to 50% of historical levels. That would have a much more significant effect on upper-tier non-CARE rates, decreasing them by about 3 cents per kWh.

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Senior Case Manager | Pacific Gas & Electric Company

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