

NOTICE OF PACIFIC GAS AND ELECTRIC COMPANY'S REQUEST TO INCREASE RATES FOR ITS COST OF CAPITAL APPLICATION (A.19-04-015)

Summary

On April 22, 2019, Pacific Gas and Electric Company (PG&E) filed its Cost of Capital application with the California Public Utilities Commission (CPUC).

If the CPUC approves this application, it could result in a decrease in the cost of preferred stock from 5.6 to 5.52 percent, an increase in the cost of long-term debt from 4.89 percent to 5.16 percent and an increase in the cost of common equity from 10.25 percent to 16 percent. For its capital structure, PG&E is proposing that the currently authorized 52 percent common equity remain the same and proposes 47.5 percent for long-term debt and 0.5 percent for preferred stock.

PG&E's proposal is summarized below:

	CURRENT		PROPOSED	
	Cost	Capital structure	Cost	Capital structure
Common equity	10.25%	52.0%	16%	52.0%
Preferred stock	5.6%	1.0%	5.52%	0.5%
Long-term debt	4.89%	47.0%	5.16%	47.5%

The proposed changes to the cost of capital would increase PG&E's current authorized revenues by \$1.2 billion (13%). If approved, PG&E's request would increase rates beginning January 1, 2020 and until the next Cost of Capital application is filed.

Background and more information

"Cost of capital" is a financial term defining how much a company is allowed in rates as a return on invested capital essential for investing in electric and gas infrastructure and operations. In this application, PG&E requests the CPUC determine reasonable costs of long-term debt (loans and financial obligations over one year), common stock (profit for PG&E shareholders) as well as preferred stock. These are all components of the authorized cost of capital. The CPUC will also determine the appropriate capital structure, which is the relative amounts of debt and equity to use for funding infrastructure.

Approval of PG&E's proposals in this application will help the company:

- Continue making investments in safety operations and reliability
- Attract the necessary capital critical to safely and efficiently serve 16 million customers
- Return to an investment-grade credit rating, thereby reducing overall financing costs

The CPUC will thoroughly review PG&E's proposal.

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How could PG&E's application affect electric rates?

Many customers receive bundled electric service from PG&E, meaning they receive electric generation, transmission and distribution services. A summary of the potential rate impact for electric customers is provided below.



Estimated increase in average bundled electric rates due to proposed COC effective January 1, 2020

Customer Class	Current Average (¢/kWh) As of 3/1/2019	Proposed Average (¢/kWh) As of 1/1/2020	Percentage Increase
Residential	20.55	22.01	7.1%
Small Commercial	24.41	26.09	6.9%
Medium Commercial	21.53	22.82	6.0%
Large Commercial	18.89	19.92	5.5%
Streetlights	23.77	24.77	4.2%
Standby	16.46	17.27	4.9%
Agriculture	20.82	22.19	6.6%
Industrial	15.07	15.76	4.6%
Average System Rate Change	19.99	21.26	6.4%

Based on rates currently in effect, the bill for a typical residential nonCARE customer using 500 kWh per month would increase from \$112.81 to \$120.65 or 6.9 percent. Actual bill impacts will vary depending on electricity usage each month.

Direct Access (DA) and Community Choice Aggregation (CCA) customers only receive electric transmission and distribution services from PG&E. On average, these customers will see an increase of 6.2 percent.

Departing Load customers do not receive electric generation, transmission or distribution services from PG&E. However, they are required by law or CPUC decision to pay certain charges. On average, these customers will see an increase of 2.6 percent.

How could PG&E's application affect gas rates?

A summary of the potential rate impact for PG&E's gas customers is provided on the right.

Based on rates currently in effect, the gas bill for a typical residential nonCARE customer averaging 34 therms per month of gas usage would increase from \$54.91 to 59.16, or 7.7 percent. Actual bill impacts will vary depending on energy usage each month.



Estimated increase in average gas rates due to proposed COC effective January 1, 2020

Customer Class	Current Average (\$ per therm) As of 4/1/19	Proposed Average (\$ per therm) As of 1/1/20	Percent Increase
Core bundled customers who receive gas supplies from PG&E			
Residential¹	1.615	1.740	7.7%
Small Commercial¹	1.126	1.208	7.3%
Large Commercial	0.855	0.908	6.2%
Natural Gas Vehicle Customer Compression	0.700	0.744	6.3%
Natural Gas Vehicle PG&E Compression	2.176	2.199	1.1%
Core customers who purchase gas from a third party			
Residential¹	1.300	1.425	9.6%
Small Commercial¹	0.827	0.910	10.0%
Large Commercial	0.586	0.638	9.0%
Natural Gas Vehicle Customer Compression	0.432	0.476	10.2%
Natural Gas Vehicle PG&E Compression	1.908	1.932	1.2%
Noncore noncovered customers who purchase gas from a third party²			
Industrial Distribution	0.379	0.417	10.0%
Industrial Transmission	0.216	0.235	8.8%
Industrial Backbone	0.104	0.111	6.6%
Electric Generation: Distribution/Transmission	0.170	0.189	10.7%
Electric Generation: Backbone	0.068	0.075	10.6%
Natural Gas Vehicle: Distribution	0.364	0.401	10.4%
Natural Gas Vehicle: Transmission	0.200	0.218	9.0%
Wholesale Transport Service			
Alpine Natural Gas	0.119	0.137	15.0%
Coalinga	0.119	0.137	15.0%
Island Energy	0.130	0.148	13.7%
Palo Alto	0.117	0.135	15.3%
West Coast Gas: Castle	0.323	0.365	13.0%
West Coast Gas: Mather Distribution	0.385	0.435	13.0%
West Coast Gas: Mather Transmission	0.120	0.138	14.9%

¹ CARE customers receive a 20 percent discount on transportation and procurement and are exempt from PG&E's Public Purpose Program Surcharge and CSI Solar Water Heater rate components.

² Covered entities pay certain allowances directly to the Air Resources Board and will see an exemption credit on their bill.

How do I find out more about PG&E's proposals?

If you have questions about PG&E's filing, please contact PG&E at **1-800-743-5000**. For TTY, call **1-800-652-4712**. If you would like a copy of PG&E's filing and exhibits, please write to PG&E at the address below:

Pacific Gas and Electric Company
 Cost of Capital Application (A.19-04-015)
 P.O. Box 7442
 San Francisco, CA 94120

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A copy of PG&E's filing and exhibits is also available for review at the CPUC's Central Files office by appointment only. For more information, contact aljcentralfilesid@cpuc.ca.gov or **1-415-703-2045**. PG&E's application (without exhibits) is available on the CPUC's website at www.cpuc.ca.gov.

CPUC process

This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related information necessary for the CPUC to establish a record upon which to base its decision. Evidentiary hearings may be held where parties will present their testimony and may be subject to cross-examination by other parties. These evidentiary hearings are open to the public, but only those who are formal parties in the case can participate.

After considering all proposals and evidence presented during the hearings, the assigned Judge will issue a proposed decision which may adopt PG&E's proposal, modify it or deny it. Any of the five CPUC Commissioners may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled CPUC Voting Meeting that is open to the public.

The California Public Advocates Office (CalPA) may review this application. CalPA is the independent consumer advocate and public within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. CalPA has a multidisciplinary staff with expertise in economics, finance, accounting and engineering. For more information about CalPA, please call **1-415-703-1584**, email PublicAdvocatesOffice@cpuc.ca.gov or visit CalPA's website at www.publicadvocates.cpuc.ca.gov.

Stay informed

If you would like to follow this proceeding, or any other issue before the CPUC, you may use the CPUC's free subscription service. Sign up at: <http://subscribecpuc.cpuc.ca.gov>. If you would like to learn how you can participate in the proceeding, have informal comments about the application or have questions about the CPUC processes, you may access the CPUC's Public Advisor Office (PAO) webpage at <http://consumers.cpuc.ca.gov/pao/>.

You may also contact the PAO as follows:

Email: public.advisor@cpuc.ca.gov

Mail: CPUC
Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102

Call: **1-866-849-8390** (toll-free) or **1-415-703-2074**

TTY: **1-866-836-7825** (toll-free) or **1-415-703-5282**

If you are contacting the CPUC, please reference PG&E's Cost of Capital Application (A.19-04-015) in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review by the assigned Judge, Commissioners, and appropriate CPUC staff.