

Appendix 1

Revised Impact of Wildfire Costs on Industrial Customers

- **Mitigation Plans**

PG&E and SCE submitted wildfire mitigation plans for an assumed five years of system hardening. These plans represent a total cost of \$12.6 billion dollars for PG&E and \$3.7 billion dollars for SCE. If the CPUC approves them for the full amount requested, primary service bundled industrial customers in PG&E's service area will see a 7% - 14% increase in rates by 2023 and in SCE's service area will see a 4% - 6% increase by 2023 based on a comparison with 2019 rates. PG&E bundled primary voltage industrial rates would increase from 16.2 cents per kWh to 17.4 – 18.5 cents per kWh. SCE bundled primary voltage industrial rates would increase from 12.6 cents per kWh to 13.1 – 13.3 cents per kWh.

Allocation ranges between one based on a functional allocation and one based on ECRA (equal cents/kWh).

An average primary voltage industrial customer on PG&E's system uses about 12.5 million kWh per year. This increase would represent a bill increase of as much as \$288,000 per year.

- **Liability for Past Wildfires**

PG&E's liability for 2017 is \$14 billion and its liability for 2018 is estimated at \$6 billion. The 2017 liability is covered under SB 901; the 2018 liability is not.

The combined wildfire liability for PG&E for these two years would represent a 18% increase in rates for PG&E bundled primary voltage industrial rates by 2023 assuming the liabilities for both years were securitized based on a comparison with 2019 rates. PG&E bundled primary voltage industrial rates would increase from 16.2 cents per kWh to 19.0 cents per kWh. This represents a bill increase of \$357,000 per year for an average primary voltage industrial customer.

SCE's liability for 2017 is \$2.9 billion and its liability for 2018 is \$1.8 billion. The 2017 liability is covered under SB 901; the 2018 liability is not. The combined wildfire liability for these two years would represent a 5% increase for SCE bundled primary voltage industrial rates by 2023 assuming the liabilities for both years were securitized based on a comparison with 2019 rates. SCE bundled primary voltage industrial rates would increase from 12.6 cents per kWh to 13.3 cents per kWh by 2023. This represents a bill increase of \$52,000 per year for an average primary voltage industrial customer.

Allocation is per ECRA (equal cents/kWh). Liability securitized at 3% interest over 10 years.

- **Catastrophic Wildfire Fund**

If a catastrophic wildfire fund is created and ratepayers are asked to fund \$20 billion dollars of the fund, the resulting cost increase to California's industrial ratepayers would depend on the assumption used to estimate how the funding would be accomplished. If revenues were raised from imposing higher rates over a 5-year period on customers of all three investor-owned utilities based on the sales to their distribution customers, the rate impact would be 2.2 cents per kWh, which would amount to an increase of \$276,000 per year for an average PG&E primary voltage industrial customer. If the amount were securitized over 10 years at 3%, the rate impact would be 1.3 cent per kWh, which would amount to an increase of \$162,000 per year for an average PG&E industrial customer.

Allocation is per ECRA (equal cent/kWh). Liability if securitized assumed at 3% interest over 10 years.

- **Total Impact**

The cumulative impact of each of the three increases for a PG&E primary industrial customer could be as large as a rate increase of 7.37 cents per kWh with the five-year catastrophic fund option and 6.46 cent per kWh with the 10-year securitization option for the catastrophic fund if wildfire mitigation costs are allocated equal cents per kWh. PG&E bundled primary voltage industrial rates would increase from 16.2 cents per kWh to 23.5 cents per kWh by 2023 with the five-year catastrophic fund option and to 22.6 cents per kWh by 2023 with 10-year securitization option for the catastrophic fund. The annual bill impact would range between \$806,000 and \$921,000 for an average primary voltage industrial customer.

The cumulative impact of each of the three increases for a SCE industrial customer could be as large as a rate increase of 3.63 cents per kWh with the five-year catastrophic fund option and 2.71 cents per kWh with 10-year securitization option for the catastrophic fund, if wildfire mitigation costs are allocated equal cents per kWh. SCE bundled primary voltage industrial rates would increase from 12.6 cents per kWh to 16.2 cents per kWh by 2023 with the five-year catastrophic fund option and to 15.3 cents per kWh by 2023 with 10-year securitization option for the catastrophic fund. The annual bill impact would range between \$205,000 and \$274,000 for an average primary voltage industrial customer.

We note that the securitization option assumes that there would be a sufficiently large appetite for bonds to cover what is effectively roughly \$45 billion of debt. This may not be the case.

For comparison purposes, if that same company was located in Nevada, it would pay 4.94 cents per kWh; in Arizona it would pay 5.96 cents per kWh; and in Oregon it would pay 6.01 cents per kWh.

Appendix 2