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# NOTICE OF PACIFIC GAS AND ELECTRIC COMPANY’S REQUEST TO INCREASE RATES FOR ITS 2022 COST OF CAPITAL APPLICATION (A.21-08-015)

## Why am I receiving this notice?

On August 23, 2021, PG&E filed its Cost of Capital (COC) application with the California Public Utilities Commission (CPUC). The “cost of capital” is the financial rate of return on invested capital that PG&E collects on its capital assets used to provide safe and reliable service. Capital assets include, but are not limited to, electric distribution poles and wires, natural gas pipelines, utility owned power plants, and information technology systems. In this application, PG&E is requesting to establish its authorized cost of capital for utility operations for the year 2022.

If the CPUC approves this application, it would result in a COC of 7.72%, an increase of 0.38%. The COC breakdown is as follows:

	CURRENT		PROPOSED	
	Cost	Capital structure	Cost	Capital structure
Common equity	10.25%	52.00%	11.00%	52.00%
Preferred stock	5.52%	00.50%	5.52%	00.50%
Long-term debt	4.17%	47.50%	4.14%	47.50%
Total weighted cost <sup>1</sup> and capital structure	7.34%	100%	7.72%	100%

<sup>1</sup>Weighted Cost is calculated by multiplying cost and capital structure for each type of capital.

In total, the proposed changes in the COC application would increase PG&E’s current authorized revenues by \$260 million (1.35%). If approved, PG&E’s request would become effective beginning January 1, 2022.

## Why is PG&E requesting this rate increase?

PG&E’s proposal seeks to address the extraordinary impacts the COVID-19 pandemic and related government spending has had on utility financing. Utilities like PG&E fund the upfront costs of its capital assets with corporate loans (Long-term Debt) and equity/stock (Common Equity and Preferred Stock). PG&E then recovers its capital costs through customer rates over long periods of time, which for many capital assets, spans multiple decades. If approved, this request helps ensure that PG&E can remain competitive in the capital markets in securing the financing necessary to continue providing safe and reliable gas and electric service to its 16 million customers.

## How could this affect my monthly electric rates?

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



### PROPOSED ELECTRIC RATE CHANGE

Customer Class	Current Average (¢/kWh) as of 8/1/2021	Proposed Average (¢/kWh) as of 1/1/2022	Total Change (¢/kWh)	Total Percentage Change
Bundled Service				
Residential	24.73	24.99	0.27	1.1%
Small Commercial	27.49	27.80	0.31	1.1%
Medium Commercial	24.27	24.49	0.23	0.9%
Large Commercial	20.92	21.10	0.19	0.9%
Streetlights	30.19	30.37	0.18	0.6%
Standby	13.09	13.21	0.12	1.0%
Agriculture	25.08	25.37	0.29	1.2%
Industrial	15.94	16.06	0.11	0.7%
Average System Rate Change	23.25	23.49	0.24	1.0%

Based on rates currently in effect, the bill for a typical nonCARE bundled residential customer using 500 kWh per month would increase from \$139.68 to \$141.18 or 1.1%. For a typical CARE customer with a monthly usage of 500 kWh, the electric bill would increase from \$89.86 to \$90.84 or 1.1%.

Direct Access (DA) and Community Choice Aggregation (CCA) customers only receive electric transmission and distribution services from PG&E. These customers also receive the benefit of the California Climate Credit. In addition, eligible nonresidential DA and CCA customers receive the benefit of the greenhouse gas allowance returns. On average, these customers would see an increase of 1.4%.

Another category of nonbundled customers is Departing Load. These customers do not receive electric generation, transmission or distribution services from PG&E. However, these customers are required to pay certain charges by law or CPUC decision. On average, these customers would see an increase of 0.7%.

Actual impacts will vary depending on energy usage.

## How will PG&E’s application affect gas rates?

A summary of the rate impact for PG&E gas customers is provided below.



### PROPOSED GAS RATE CHANGE

Customer Class	Current Average (\$ per therm) as of 6/1/21	Proposed Average (\$ per therm) as of 1/1/22	Percent Change
Core bundled customers who receive gas supplies from PG&E			
Residential <sup>2</sup>	1.817	1.847	1.6%
Small Commercial <sup>2</sup>	1.311	1.330	1.4%
Large Commercial	0.935	0.947	1.2%
Natural Gas Vehicle Customer Compression	0.913	0.924	1.3%
Natural Gas Vehicle PG&E Compression	2.461	2.470	0.3%
Core customers who purchase gas from a third party			
Residential <sup>2</sup>	1.441	1.470	2.0%
Small Commercial <sup>2</sup>	0.955	0.974	2.0%
Large Commercial	0.616	0.628	1.8%
Natural Gas Vehicle Customer Compression	0.598	0.610	1.9%
Natural Gas Vehicle PG&E Compression	2.147	2.155	0.4%
Noncore customers (NonCovered entities) <sup>3</sup> who purchase gas from a third party			
Industrial Distribution	0.520	0.531	2.1%
Industrial Transmission	0.269	0.274	2.1%
Industrial Backbone	0.150	0.152	1.1%
Electric Generation: Distribution/Transmission	0.199	0.204	2.7%
Electric Generation: Backbone	0.089	0.091	1.9%
Natural Gas Vehicle: Distribution	0.487	0.498	2.3%
Natural Gas Vehicle: Transmission	0.249	0.254	2.1%
Wholesale transport services			
Alpine Natural Gas	0.124	0.129	4.3%
Coalinga	0.125	0.130	4.3%
Island Energy	0.133	0.139	4.0%
Palo Alto	0.122	0.127	4.4%
West Coast Gas: Castle	0.413	0.425	2.9%
West Coast Gas: Mather Distribution	0.615	0.632	2.8%
West Coast Gas: Mather Transmission	0.125	0.131	4.2%

<sup>2</sup> CARE customers receive a 20% discount on transportation and procurement and are exempt from PG&E’s Public Purpose Program Surcharge and CSI Solar Water Heater rate components.

<sup>3</sup> Covered entities pay certain allowances directly to the Air Resources Board and will see an exemption credit on their bill.

Based on rates currently in effect, the gas bill for a typical residential nonCARE customer averaging 33 therms per month of gas usage would increase from \$59.97 to \$60.94, or 1.6%. Actual impacts will vary depending on energy usage across months.

## How does the rest of this process work?

This application will be assigned to a CPUC Administrative Law Judge and CPUC Commissioner who will consider proposals and evidence presented during the formal hearing process. The Administrative Law Judge will issue a proposed decision that may adopt PG&E's application, modify it or deny it. Any CPUC Commissioner may sponsor an alternate decision with a different outcome. The proposed decision, and any alternate decisions, will be discussed and voted upon by the CPUC Commissioners at a public CPUC Voting Meeting.

Parties to the proceeding are currently reviewing PG&E's application, including the Public Advocates Office, which is an independent consumer advocate within the CPUC that represents customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. For more information about the Public Advocates Office, please call **1-415-703-1584**, email **PublicAdvocatesOffice@cpuc.ca.gov**, or visit **PublicAdvocates.cpuc.ca.gov**.

## Where can I get more information?

### CONTACT PG&E

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 the filing and exhibits, please write to the address below:

Pacific Gas and Electric Company  
Cost of Capital Application (A.21-08-015)  
P.O. Box 7442  
San Francisco, CA 94120

### CONTACT CPUC

Please visit **[apps.cpuc.ca.gov/c/A2108015](https://apps.cpuc.ca.gov/c/A2108015)** to submit a comment about this proceeding on the CPUC Docket Card. Here you can also view documents and other public comments related to this proceeding. Your participation by providing your thoughts on PG&E's request can help the CPUC make an informed decision.

If you have questions about CPUC processes, you may contact the CPUC's Public Advisor's Office at:

**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**  
For TTY, call **1-866-836-7825** (toll-free)

Please reference **Cost of Capital Application (A.21-08-015)** in any communications you have with the CPUC regarding this matter.