

Critical Peak Pricing

Critical Peak Pricing (CPP) is the electric commodity rate applicable to business customers whose electric demand equals or exceeds 20 kilowatts (kW) and whose facility is equipped with an electric meter that records usage data in 15-minute intervals and is remotely read by SDG&E®.

CPP is designed to provide you with more accurate information regarding the cost of energy, especially during periods of high energy use, called **CPP events**, so you can make more informed decisions about how and when you use electricity. While the price of electricity is higher during CPP events, the CPP rate offers lower prices during all other times. This distinction provides you with the opportunity to better assess and potentially reduce your overall annual energy costs.

The CPP rate does *not* apply to your business if any of the following are true:

- You are participating in Emergency CPP (until current 12-month commitment ends). Customers can elect to switch to CPP or remain on Emergency CPP.
- You are participating in the Capacity Bidding Program, Day-Ahead Products.
- You are a direct-access customer.
- Your electric demand is below 20 kW.
- You have a standard meter for measuring monthly electricity use.

Timing of CPP events

CPP events are most likely to occur when extremely hot weather prompts peak air-conditioning use or a disaster cuts access to electricity resources, straining electricity supplies or the electric grid. CPP events may be called up to 18 times per year from May 1 to Sept. 30, Monday through Saturday, from 11:00 a.m. to 6:00 p.m. There is no minimum number of CPP events. SDG&E has the flexibility to activate CPP events only when it determines there is a genuine need to call on customers for temporary reductions in electricity demand. Once SDG&E determines that a CPP event will be necessary, SDG&E notifies you by 3:00 p.m. the day before the event will occur.

Although the price of electricity during a CPP event is significantly higher than the on-peak price during a non-CPP event day, energy prices during the Time-Of-Use billing periods under the CPP rate are lower than the rates under the alternate rate option (see section titled “Alternate rate option”). By reducing energy use during CPP events, and paying less

than the alternate rate at all other times, businesses on CPP have an opportunity to significantly reduce their annual electric bills.

How the optional **Capacity Reservation Charge (CRC)** works

The higher rate for electricity during a CPP event reflects the higher costs that SDG&E incurs in order to meet the energy needs of all customers during peak-demand times. The new CPP rate gives you two choices for paying this higher cost:

1. You can choose to pay for the higher-priced electricity when you use it; OR
2. You can reserve a specific amount of electricity that you believe will meet the needs of your individual facility during a CPP event and then be billed a fixed monthly Capacity Reservation Charge (CRC) based on the amount of electricity you reserved. During a CPP event, all of your facility's electricity use, up to the level of your reserved capacity, will be protected from the higher critical peak price. Conversely, if you choose *not* to reserve an amount of electricity, you will be exposed to the higher price for all electricity used by your facility during a CPP event.

Bill protection

Bill protection provides you with a risk-free opportunity to test CPP for a year and gain experience with the flexibility offered under this new rate. At the end of your first year

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CRITICAL PEAK PRICING (continued)

under CPP, SDG&E will compare your actual commodity charges (including any Capacity Reservation Charges) to the commodity charges that would have resulted from being billed under the alternate rate (*see section titled "Alternate rate option"*). If the actual commodity charges billed under CPP are more than the commodity charges that would have been billed under the alternate rate, SDG&E will credit your account for the difference. However, if you choose to opt-out before completing your first 12 months under CPP, you will not be eligible for bill protection.

Benefits of CPP

- The CPP rate provides more accurate energy cost information so you can better decide how and when to use electricity.
- You pay significantly lower prices for electricity used during all other times outside of CPP events.
- It provides you with more flexibility to reduce annual energy costs.
- Bill protection is available so you have a risk-free opportunity to try out the rate for the first year.
- You have the option of choosing how to pay for the energy SDG&E has reserved to serve your business.

- CPP encourages less electricity use during critical times so that SDG&E does not need to purchase as much high-priced energy to serve peak electric loads. This can help defer the need to build new power plants and reduce energy costs for everyone in the long run.

Alternate rate option

Businesses that opt-out of CPP will be billed on the alternate rate, which is an energy and demand-based rate. Similar to CPP, the alternate rate contains variable Time-of-Use (TOU) energy rates. These rates are higher than the TOU rates under CPP. The alternate rate also contains a generation-based demand charge that is calculated based on your highest on-peak demand during the billing period.

CPP Rate Analysis Tool can help

SDG&E has developed the CPP Rate Analysis Tool to help you estimate and compare annual electric commodity costs under the CPP rate and the alternate rate option. This tool provides analyses based on your electricity use over the most recent 12-month period using currently effective rates.

To use the CPP Rate Analysis Tool, sign up for My Account

To access the CPP Rate Analysis Tool, you must be a registered user of My Account, SDG&E's online billing and payment service. If you haven't signed up yet, you can register for this free service online at www.sdge.com/myaccount. Have your most recent SDG&E bill(s) handy. Once you have registered for My Account, you'll immediately be able to access the CPP Rate Analysis Tool and begin evaluating estimated electric commodity costs for your eligible accounts.

For more information, please contact your Account Executive or call SDG&E at 1-800-336-7343.