OVERVIEW OF PCIA PROCEEDING

Clean Energy Community Advisory Commission

August 6, 2018

WHAT IS THE PCIA?

- "Power Charge Indifference Adjustment."
- Exit fee charged by utilities to customers that switch to another electricity generation service provider: either an Energy Service Provider (direct access) or a CCA.
- The fee is supposed to recover the unavoidable, above-market costs of contracts and utility-owned-resources that the utilities committed to "on behalf of" these customers (i.e. the commitment was made before the customer changed service provider).
- Because these resources are more expensive than prevailing market prices, the utilities cannot recover their investment by selling any excess in the market.
- The CPUC is currently considering new methodologies for calculating the PCIA.
- Using the current methodology, the combined above-market portion of the utilities' portfolios is ~40%; the utilities contend the portfolio is ~60% above market (~$50 billion through 2041).

CONCERNS WITH THE EXISTING METHODOLOGY

- CalCCAs and the utilities agree that in accordance with State law, "bundled" customers should not be solely responsible for unavoidable above-market costs of utility commitments. They also agree that the current PCIA methodology is unfair.
- CalCCA believes the current methodology undervalues the utilities' portfolios and that the utilities are not marketing their excess power in a manner that maximizes its value.
- The utilities claim that the current methodology overvalues the utilities' portfolios, improperly shifting ~$250M additional costs to bundled customers (CCAs argue the shift in that amount is from CCA customers to bundled customers.)
- The utilities and TURN claim that using administratively determined values to value the portfolio is inappropriate and that the portfolios can only be valued using the amounts utilities actually obtain for selling any excess resources.
- CalCCA points out that the CPUC uses high administratively determined values to direct the utilities to buy power but then as soon as the power is bought uses low administratively determined values to value the resources in the utility portfolios.

PROPOSED CHANGE: JOINT UTILITIES

- The utilities propose to allocate to departed customers a proportional share of the costs and attributes of renewable and GHG-free resources (RECs, GHG-free, RA).
  - This approach avoids the need to value these resources but it means that ESP and CCA customers would continue to get a sizeable portion of their resources from the utilities.
  - CCAs and ESPs that already bought supply for their customers would now have excess.
- The remaining products would be valued based on sales (most likely in short term markets); the above market costs would be assessed on departed customers.

PROPOSED CHANGE: CALCCA

- Do not charge CCAs for the above market costs of legacy utility-owned generation (UOG)(legislation for PCIA on CCAs discusses contracts not UOG).
- Securitization/rate-reduction bonds to lower customer bills:
  - Issue state bonds with lower interest rate to pay for utility owned generation and very expensive contracts.
  - Utilities and electricity generators to take an immediate lump sum buyout.
- Require utilities to sell their resources on a quarterly basis in bundles that are attractive to buyers. Use resulting prices to value the utility power products.
- In the near-term, adjust the market price benchmark to more realistically value capacity and RPS, add the value of GHG free power, and add the value of ancillary services.
- Require utilities to improve forecasting and portfolio management practices.

PROPOSED DECISION

- Rejects utility proposal to allocate RPS and GHG-free power to CCAs and ESPs.
- Agrees CCAs should not pay for above market costs of legacy utility owned generation. (Could reduce PCIA for CCA customers significantly.)
- Requires changes to the RPS and RA valuation mechanisms: RPS is favorable to CCAs, and RA is unfavorable.
- Unclear language regarding true ups could be problematic.
- Establishes a rate cap initially set at 2.2 cents per kwh. Going forward, so longs as the PCIA is above 1.5 cents per kwh, increases are limited to .5 cents per kwh.
- Phase II to address other alternatives such as voluntary auctions, securitization etc.

HOW DOES THE PCIA AFFECT SJCE?

- SJCE rates must account for PCIA.
- Even in the context of a 20% increase in the PCIA, for both 2019 and 2020, SJCE could still achieve policy goals, set rates one percent below PG&E and be financially healthy, but high PCIA limits money for programs.
- If the utilities' proposal revives, SJCE may have to accommodate substantial utility-bought power products.

NEXT STEPS

- CPUC Phase 1 Decision:
  - This item may be heard, at the earliest, at the Commission's September 13, 2018 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.
- Comments from the public are always helpful but should be in member's individual capacity unless the item is noticed ad the CACEC votes.
- The proposed decision provides for implementation commencing in 2019.