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Power Charge Indifference Adjustment

What is the PCIA

The Power Charge Indifference Adjustment (PCIA) is an exit fee charged by investor-owned utilities (IOUs) in California to customers that switch to another provider of electricity generation service through direct access or community choice aggregation.

The fee is designed to cover above-market costs from contracts that the utilities entered into but no longer need and cannot sell in the market for the price they paid. CalCCA and the IOUs agree that remaining "bundled" service customers should not be unfairly saddled with costs associated with legacy contracts. They also agree that the current PCIA methodology is unfair. In other words, the PCIA is itself in need of adjustment.

A Better PCIA

The CPUC is currently considering new formulas for calculating the PCIA. Both CalCCA and the IOUs have proposed alternative ways to reduce cost shifts from one customer to another. Their proposals are very different.

CalCCA Proposal	IOU Proposal
• Innovative solutions that reduce costs for both CCA and IOU customers: ◦ Securitization/Rate-reduction bonds to lower customer bills ◦ Voluntary energy auctions ◦ Use of transparent and reliable market price benchmarks ◦ Improved forecasting and portfolio management practices • Cost-effective approaches to help achieve California's climate goals locally	• Shifts costs to CCA customers instead of reducing costs • Keeps lowest cost assets in IOU portfolio • Benefits shareholders, not customers
Consumer Savings: **$2 Billion**	Consumer Savings: **$0**

The Bottom Line

The CCA proposal benefits **CUSTOMERS.**
The IOU proposal benefits **SHAREHOLDERS**.

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Securitization

How the CalCCA Proposal Saves Customers Billions

At the core of the CalCCA proposal is a recommendation to use securitization to refinance debt from long-term contracts. Under this method, the IOUs would refinance this long-term contract debt by issuing bonds that are backed by fees on customer bills, but at a much lower rate.

This approach would allow:

1. Bond payments to partially replace direct payments of the above-market costs of long-term power contracts, **lowering PCIA fees**.
2. Electricity generators to take an immediate lump sum buyout versus receiving ongoing revenues, **also reducing PCIA fees**.

> **"The securitization concept is worth considering."** – IOUs in the Joint Utilities rebuttal to CalCCA's PCIA proposal

This kind of utility fee securitization bond has been a good financial tool in other places where those bonds, backed by monthly payments, have received a triple A rating.

Securitization would be a win-win for both IOU ratepayers and CCA customers, lowering bills immediately and providing greater financial certainty into the future.

Bottom Line: $2 Billion in Savings for Ratepayers and Consumers

CalCCA members strive to maximize levels of renewable energy, save consumers money and bring more innovation to the electricity marketplace. Securitization hits all these marks and would benefit CCA and IOU customers alike.