POWER CHARGE
INDIFFERENCE ADJUSTMENT:
A Primer

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CalICCA Annual Meeting
September 5, 2018
\[ R_1 = \frac{C_p + (NS \times P_1)}{kWh_B + kWh_{DL}} \]

- **Added Net Short position (NS) x Price Paid by the IOU to fill it (P_1)**

\[ IR = \frac{C_p - (MPB \times G_p)}{kWh_B + kWh_{DL}} = \frac{C_p}{kWh_B + kWh_{DL}} - \frac{(MPB \times G_p)}{kWh_B + kWh_{DL}} \]

- **Net short costs are not included in the Indifference Rate Calculation**

\[ R_2 = \frac{C_p + (NS \times P_1) - (Pact \times kWh_{DL} \times GP)}{kWh_B + kWh_{DL}} - (IR \times kWh_{DL}) \]

- **Bundled Service Rate After Departure**: (PCIA-eligible Portfolio Cost + cost of filling the Net Short position – Revenues received by IOU for the sale of the Departing Load customers’ share of PCIA-eligible Portfolio – PCIA and CTC paid by Departing Load customers) ÷ Remaining Bundled Service Load

\[ R_2 - R_1 = \frac{kWh_{DL}}{kWh_B} \times \frac{G_p}{kWh_B + kWh_{DL}} \times [MPB - P_{act} + (P_1 \times \frac{NS}{G_p})] \]
Overview

• What is the PCIA?
• How is the PCIA calculated?
• How does the PCIA affect a CCA and its customers?
• What are the key issues in the CPUC’s PCIA rulemaking?
• Will the PCIA ever end?
WHAT IS THE PCIA?
Nonbypassable/Departing Load Charges

- Transition to Retail Competition (1996)
- Energy Crisis (2000-01)
- Community Choice Aggregation (2002)
- Reliability Concerns (2003-2008)
- Policy Initiatives (1996 - present)
Nonbypassable Charges: Impact

5.674¢/kWh

Illustration source: PG&E Rate Schedule E-1
CCA PCIA Statutory Foundations
No “Cost Shift” or “Cost Increase”

“The implementation of a community choice aggregation program shall not result in a shifting of costs between the customers of the community choice aggregator and the bundled service customers of an electrical corporation.” AB 117 - §366.2(a)(4)

“Bundled retail customers of an electrical corporation shall not experience any cost increase as a result of the implementation of a community choice aggregator program. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.” SB 350 - §366.3.
To avoid cost shifts, the Commission may allocate to CCA customers the “estimated net unavoidable electricity purchase contract costs attributable to the customer” ….” reduced by the value of any benefits that remain with bundled service customers, unless the customers of the community choice aggregator are allocated a fair and equitable share of those benefits ….” AB 117 §366.2(f)(2), (g)

“[A]ny incremental [post–SB 350] renewable energy integration resources….” (provided §454.51(c) (CCAs may self-provide)

“[A]dditional [post-SB 350] procurement is authorized for the electrical corporation in the integrated resource plan or the procurement process ….” §454.52(c)
PCIA- Eligible Costs
PG&E

Forecast Total Cost - PG&E

Source: Hanover Energy Strategy Advisors
CalCCA Direct Testimony
PCIA-Eligible Costs

Forecast Total Cost - SCE

Source: Hanover Energy Strategy Advisors
CalCCA Direct Testimony
The PCIA Recovers “Stranded” Costs

Procurement Costs > “Market” Price

Total Utility Generation Costs

Supply > Bundled Load

Market Price Benchmark
HOW IS THE PCIA CALCULATED?
PCIA = Stranded “Above Market” Costs

Forecast in Annual Utility Energy Cost Recovery Account (ERRA) Proceeding
Portfolio Value
Sum of Market Price Benchmark * Product Volume

<table>
<thead>
<tr>
<th>Product</th>
<th>PCIA MPB</th>
<th>Volume</th>
<th>Value</th>
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<tr>
<td>Energy</td>
<td>$35.00 MWh</td>
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<td>$35,000</td>
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<tr>
<td>Capacity</td>
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Assuming, e.g., “Net Costs” of $72,000 and a “Portfolio Value” of $43,100, the total stranded costs (PCIA costs) are $28,000 (40%).

Total PCIA costs are allocated by customer class and rate schedule using a generation cost allocator.

Forecast costs are not subject to true-up to actual costs.
PCIA-Eligible Costs are “Vintaged”

- A departing load customer takes cost responsibility for commitments that have been made by the utility when the customer departs
- Current vintaging methodology provides only rough justice
  - Focuses on the year, rather than the date, of departure
  - Ignores changes in commitments after departure
  - Ignores UOG capital investment after departure
- Each vintage and each rate schedule has a different PCIA rate
## Illustration: PG&E Vintaged Rates

### Proposed PCIA Rates by Vintage

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<th>2011</th>
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<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>System Average PCIA Rate by class</th>
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<td>System Average PCIA Rate by Vintage</td>
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HOW DOES THE PCIA AFFECT A CCA AND ITS CUSTOMERS?
PCIA Affects Price Competition

<table>
<thead>
<tr>
<th>Utility Generation Rate</th>
<th>CCA Minimum Energy Cost</th>
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<tr>
<td>9.04¢/kWh</td>
<td>4.90¢/kWh</td>
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<tr>
<td>3.61¢/kWh</td>
<td>5.21¢/kWh</td>
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<td>.53¢/kWh</td>
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9.35¢/kWh

9.04¢/kWh

3.61¢/kWh

5.21¢/kWh
WHAT ARE THE KEY ISSUES PENDING IN THE CPUC’S PCIA RULEMAKING?
PCIA Issues

- Which products and attributes in the utility portfolio should be valued by the MPB?
- What values should be assigned to these products and attributes?
- Should the forecast of the PCIA be subject to true-up to “actual” values?
- Should the PCIA be subject to a cap or “collar” to mitigate rate shock and increase stability, predictability and certainty?
- How should the utilities realign their supply with load as their share of the retail market declines?
- How should the utilities be required to make their portfolio supplies available to other load-serving entities that pay for them?
- How can the utilities increase the value they realize from portfolio sales?
PCIA Issues (cont’d)

• Are there measures available to reduce PCIA-eligible costs for all customers?
• How should the utilities be required to forecast departing load?
• How should energy purchased by the utility be “attributed to” departing load?
• Should the utility offer a pre-payment option to allow an LSE or customer to pre-pay its long-term PCIA obligation based on a forecast?
WILL THE PCIA EVER END?
Eventually...
SCE's "Above-Market" Costs for PCIA-Eligible Portfolio, 2019-2045 ($000)

Source: PG&E Exhibit IOU-5-R
Thank you!

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