



Staff Report Item14

TO: East Bay Community Energy Board of Directors

FROM: Melissa Brandt, Senior Director of Public Affairs

SUBJECT: Regulatory Update - Power Charge Indifference Adjustment (Discussion item)

DATE: October 17, 2018

Recommendation

Receive update on the Power Charge Indifference Adjustment.

Background

Attached presentation includes in-depth presentation on PCIA changes and initial assessment of impacts on EBCE.



Power Charge Indifference Adjustment (PCIA)

October 17, 2018



CPUC Power Charge Indifference Adjustment Decision

In general, the Decision is a mix of positive and negative results. The Decision aligns with the positions of CalCCA in numerous respects:

- ✓ Rejects the Joint Utilities' proposed Green Adder Mechanism and Portfolio Monetization Mechanism;
- ✓ Adopts a two-phased approach, with short-term modifications of the existing methodology as a bridge to a more reliable and permanent mechanism to allocate utility stranded costs;
- ✓ Endorses the option for prepayment of PCIA obligations by Direct Access and CCA customers and proposes to adopt in Phase 2 a more objective approach to calculating the prepayment amount;
- ✓ Defers to Phase 2 a true-up of the capacity and Renewable Portfolio Standard benchmarks until a reliable methodology can be developed;
- ✓ Rejects the Joint Utilities' proposal to eliminate vintaging for procurement of certain policy-driven resources mandated by the Commission and not required of other load-serving entities;
- ✓ Creates an opportunity to address portfolio optimization and forecasting in Phase 2;
- ✓ Directs development of a methodology to ensure that bundled customer bills make the PCIA transparent; and
- ✓ Adopts a cap (although insufficient and neutralized by the proposed PCIA rate trigger Mechanism).

CPUC Power Charge Indifference Adjustment Decision

On key economic issues, the Decision favors bundled ratepayer advocates and the Joint Utilities. The Decision:

- ✗ Adopts a capacity price benchmark based on short-run prices as reflected in a yet-unexplored RA Report published by the Energy Division;
- ✗ Rejects CalCCA's proposal for a GHG-free resource premium in the benchmark;
- ✗ Overlooks and thus rejects CalCCA's proposal for an ancillary services benchmark;
- ✗ Includes the costs of legacy (pre-2002) utility-owned generation in the PCIA charged to CCA departing load customers;
- ✗ Discontinues the 10-year limitation on recovery of post-2002 utility-owned generation and energy storage resources; and
- ✗ Rejects a cap on the change in the 2019 PCIA relative to the 2018 PCIA.

Finally, there are two issues for which the relative impact on CCA customers remains unclear. Given the adopted benchmarks and the recent trend in brown power and RA markets, a brown power true-up could be beneficial. Similarly, while CalCCA took no position on the allocation of generation among customer classes, the Decision conforms the PCIA allocation across rate classes to utility's General Rate Case methodology. It appears that this change will advantage residential customers, although other customer classes (e.g., small light and power, agriculture) will be disadvantaged.

CPUC Power Charge Indifference Adjustment Decision – Initial Impact Analysis

Rate Group	Current PCIA – 2017 Vintage	APD PCIA – 2017 Vintage	% change in the PCIA
Residential	0.0340	0.03541	104%
Small L&P	0.0253	0.04257	168%
Medium L&P	0.0257	0.02865	111%
E19	0.0217	0.02339	108%
Streetlights	0.0065	0.03680	566%
Agriculture	0.0252	0.04527	180%
E20 T	0.0179	0.02027	113%
E20 P	0.0194	0.02174	112%
E20 S	0.0283	0.02272	80%

The above table describes the estimated change in the PCIA as a result of the Commission's new methodology and is based on PG&E's June 2018 forecast, updated for forward brown power prices.

In order to maintain EBCE's current Bright Choice value proposition, EBCE's rates would need to be set at the level of 98.5% of PG&E's rates minus the PCIA and system fees, for each customer class.

At this time, it is too early to provide a full assessment of the impact of the new PCIA on EBCE in 2019. In November PG&E will submit an update to its 2019 rates, including an updated PCIA rate that accounts for the new methodology and market fundamentals. Once we have a clearer picture of PG&E's rates, we can better assess the impact on EBCE.