Regulatory Update: PCIA Reform

Power Charge Indifference Adjustment (PCIA)

- PCIA is a <u>utility exit fee </u>aimed at recovering stranded utility costs resulting from departing customer load. It pays for power that has been contracted by the utility but is no longer needed by departing customers.

- The idea is to keep the bundled ratepayer from being adversely impacted by departing load brought about by CCA and other competitive market options.

- Basic premise is fair, but the assumptions that inform the calculations are not transparent and are based on broad averages, not on actual market reality.

- The PCIA methodology is in dire need of reform, greater transparency, fair application, and greater accountability.

PCIA (cont.)

The PCIA represents the difference between the utilities' contracted rate and the market price benchmark set annually by the CPUC.

The market price benchmark is an average of utility portfolio costs that are meant to represent what the utility would get in the current market to sell-off unused power contracts

In theory, the PCIA should go down and disappear over time. In reality, it has risen over time, in part due to a very healthy (low) wholesale power market. In essence, we pay the difference between power prices of several years ago and wholesale prices today.

2016	2.3 cents/kwh
2015	1.21 cents/kwh
2014	1.13 cents/kwh
2013	.6 cents/kwh
2012	1.9 cents/kwh

For CCA, the PCIA is a price adder that gets calculated into its gen rate comparisons

Next Steps

- CPUC received unprecedented objections to the 2016 PCIA rate but approved it anyway in December

- They also agreed to a PCIA workshop as part of Phase II of the ERRA proceeding. That workshop is set for February 16, 2016.

- Unknown whether the workshop will be a one-time opportunity or the start of a longer process of reform.

- Our hope is for the latter if there is to be meaningful reform.