



Reforms

SOLUTIONS

3 Steps to Meaningful PCIA Reform

- Transparency of inputs, projections
 & calculations
- 2. Accountability to ensure IOUs exclude avoidable costs

3. Reasonableness

- to clarify duration limit
- to avoid using spot market prices for benchmarking
- to allow menu of buyout option

PCIA is not Transparent

- Inputs are hidden from those directly impacted
- Confidentiality rules overlook publicagency participants, such as CCAs
- Impossible to plan and procure effectively



Step 1 FOR PCIA REFORM

SOLUTION

Ensure **Transparency**

SOLUTION A1:

Make pricing, volumes, cost projections and terms public **upon approval**

-or-

SOLUTION A2:

Make pricing, volumes, cost projections and terms public after one year



Step 1 FOR PCIA REFORM

SOLUTION

Ensure Transparency (cont'd)

SOLUTION B:

Ensure ongoing Compliance with CPUC Confidentiality Rules

IOU data available in other public forums, should be provided at the CPUC

SOLUTION C:

Revise CPUC Confidentiality
Rules by adding a **3rd category**

- Public Agency Participants



Step 1 FOR PCIA REFORM

SOLUTION

Ensure Transparency (cont'd)

SOLUTION D:

Direct IOUs to provide 10-Year Forward Forecasts of PCIA for CCAs to plan around

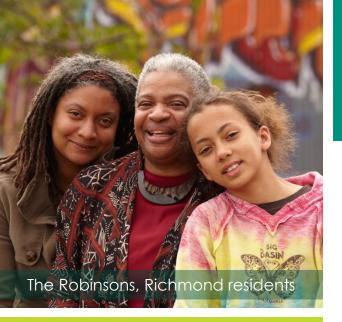
SOLUTION E:

Provide total cost of PCIA

EXISTING PROBLEM #2

PCIA is Anti-Competitive

- Encourages poor procurement planning by the IOUs
- Lacks accountability for IOUs to avoid stranded costs
- Unfairly reduces the competitive margin for CCAs



Step 2
FOR PCIA REFORM

SOLUTION

Ensure Accountability

PCIA Must Only Include Unavoidable Stranded Costs

CA Public Utilities Code 366.2(f)(2):

[CCA customers must pay] any additional costs of the electrical corporation recoverable in commission-approved rates, equal to the share of the electrical corporation's **estimated net unavoidable** electricity purchase contract costs attributable to the customer

Commission Decision 04-12-026:

Conclusion of Law 12 – [The PCIA (formerly CRS)] **should not include costs that may have been avoidable**

Ensure Accountability (continued)

An Annual Commission-Led Audit must ensure avoidable costs are excluded from PCIA stranded cost recovery:

- 1. Ensure proper forecasting of CCA departing load (D.12-10-031)
- 2. Require IOUs to mitigate damages by
 - a) Curtailing generation from UOG resources when costs are above-market
 - b) Excluding previously departed CCA load from stranded cost recovery when PPAs are amended
- 3. Exclude stranded cost recovery for renewable procurement that exceeds "least-cost" on a portfolio basis for RPS compliance

Ensure Accountability (continued)

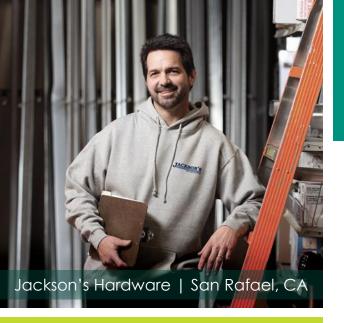
The Commission should ensure **all avenues** for avoiding stranded costs including cost reductions, volume reductions and terminations of contracts are acted upon by the IOUs

Failure to act should result in a disallowance of PCIA recovery treatment for these avoidable costs

EXISTING PROBLEM #3

PCIA is Unreasonable

- Lacks clear duration limits
- Highly volatile and unpredictable
- Impossible to fairly and effectively explain to CCA customers



Step 3 FOR PCIA REFORM

SOLUTION

Ensure **Reasonableness**

- A. Provide **clear duration limit** by clarifying CPUC rules
- B. Limit cost recovery to 10 years for all resource types
- C. Adjust the MPB calculation to **use multi-year gas prices** rather than spot market
- D. Allow a **Menu of Options** for PCIA repayment

Ensure Reasonableness (continued)

This Menu of Options should include choices of:

- Paying the annually adjusted PCIA rate by CCA or by customers
- 2. Paying a fixed valuation of any PCIA costs, via:
 - a) An upfront lump-sum payment by the CCA

-or-

b) Allowing amortization of costs over a fixed duration with defined payments by CCA or their customers

Thank You

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