



# PCIA Reform Recommendations

Marin Clean Energy

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## NECESSARY Reforms

### SOLUTIONS

## 3 Steps to Meaningful PCIA Reform

1. **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

EXISTING PROBLEM #1

# PCIA is not Transparent

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



Ruben Pendroza, RichmondBUILD grad

# 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***





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# 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 **3<sup>rd</sup> category**  
– **Public Agency Participants**



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# 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**



The Robinsons, Richmond residents

# 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



Jackson's Hardware | San Rafael, CA

# 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:

1. **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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