California Public Utilities Commission
FACT SHEET

Power Charge Indifference Adjustment

January 2017

What is Community Choice Aggregation and Direct Access?

Community Choice Aggregation (CCA) is a program authorized by Assembly Bill 117 (Migden, Chapter 838, Statutes of 2002), and Senate Bill 790 (Leno, Chapter 599, Statutes 2011) that authorizes local government entities to purchase power for their communities from non-utility power suppliers.

Direct Access is a program implemented by the CPUC and authorized by Assembly Bill 1890 since January 1, 1998, to allow customers to purchase power from electric service providers other than their electric investor-owned utility. After the electricity crisis in 2001, the Legislature enacted Assembly Bill 1X suspending Direct Access. In 2010, Senate Bill 695 reopened Direct Access on a limited basis. Pursuant to Senate Bill 695, the CPUC established a maximum load cap in each investor-owned utility service area phasing it in over a four-year period from 2010 to 2013 (see CPUC Decision 10-03-022).

Although investor-owned utilities do not purchase power for CCA and Direct Access customers, they continue to deliver the power. Investor-owned utilities also have the obligation to provide electric service to customers returning from CCA and Direct Access services as the "provider of last resort."

Do CCA and DA customers pay any costs related to the utilities' procurement of power?

Yes. Because power plants take a long time to build and investor-owned utilities enter into long-term power purchase contracts, Public Utility Code Sections 366.1 and 366.2 require the CPUC to make sure that customers leaving the utility do not burden remaining utility customers with costs which were incurred to serve them. To ensure this "customer indifference," CCAs and Direct Access customers are required to pay a power charge indifference adjustment (PCIA). These "departing load" customers currently represent approximately 28 percent of Pacific Gas and Electric Company's (PG&E) load. Without the PCIA, the remaining 72 percent of PG&E's customers would need to assume financial obligations PG&E incurred in anticipation of serving the 28 percent of customers that now receive electric service from a CCA or Direct Access.

Pursuant to the statutory requirements, in 2002 and subsequent years, the CPUC adopted a series of decisions on the PCIA policies and methodologies.[1]

How is the PCIA calculated?

The PCIA is calculated by taking the difference between:

- The "**actual portfolio cost**" which represents the cost related to utility's power procurement, e.g., utility-owned generation and purchased power, and
- The "**market value** of the portfolio."

The market value of an investor-owned utility's portfolio is measured by the Market Price Benchmark (MPB) and the megawatt hours (MWh) of generation. The MPB is based on a CPUC approved methodology for calculating the current market cost of renewables and natural gas-fueled power. If the investor-owned utility's actual portfolio cost is above-market value, the departing load customers pay their share of the difference (the PCIA) based on their power consumption.

Because an investor-owned utility's actual portfolio cost includes its legacy power purchase contracts incurred prior to 1998, current statute and CPUC decisions require departing load customers to pay the above-market cost or receive a credit for the below-market cost through a separate charge, called the Competition Transition Charge (CTC). Thus, the PCIA is adjusted to exclude the CTC to avoid double counting.

Can a departing load customer receive a credit when the PCIA is negative?

Yes – a credit, but not a cash payment. The PCIA may be positive or negative representing the above- or below-market cost of power. The investor-owned utilities track any negative PCIA values and offset them against a departing load customer's future positive PCIA. Departing load customers cannot receive a cash credit.

Does the PCIA represent a profit to an IOU or its remaining customers?

No. The PCIA revenue from the departing load customers is fully credited to the IOU customers to offset the above-market costs of the investor-owned utility's financial obligations.

Do all departing load customers of an IOU pay the same PCIA

No. The PCIA is different depending on when a customer left the investor-owned utility and what the investor-owned utility's portfolio was at the time. Each departing load customer pays the assigned "vintage PCIA." For example, a customer who departed in 2012 pays the "2012 vintage PCIA" which only includes the above market costs of pre-2013 vintaged power procured by the investor-owned utility.

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[1] Major decisions on PCIA and its predecessor, Department of Water Resources (DWR) Power Charge methodologies include D.02-11-022, D.06-07-030, D.07-01-030, D.08-09-012, D.11-12-018, and Resolution E-4475.

Does the PCIA change from year to year? What causes it to change?
Yes. Because the PCIA is calculated as the difference between the utility's actual generation portfolio cost and its market value, it can change in response to changes in the market value of power and price of gas.

The main cause for the PCIA increase in recent years has been the drop in the market value of the IOU's portfolio due to the steep decline in natural gas prices and the fact that renewable power prices have come down below what the utilities are contracted for. On the other hand, refunds that the IOUs received in some past years from power contract litigations or settlements helped reduce the actual portfolio cost and the PCIA. For example, PG&E's 2015 PCIA was lower than previous years due to millions of dollars in refunds related to the 2001 electricity crisis, solar saving credits, and the Department of Water Resources (DWR) credits associated with power contracts signed during the electricity crisis.

Do CCA and DA customers pay any other departing load charges?
Yes. Pursuant to statutory mandates, all customers pay towards nuclear decommissioning and public purpose charges. Various non-bypassable departing load charges (DLCs) are listed below (See the Attachment 1 for the IOUs' 2016 DLCs):

- Energy Cost Recovery Amount (ECRA) (PG&E only)
- Department of Water Resources (DWR) bond charge
- Competition Transition Charge (CTC)
- Power Charge Indifference Adjustment (PCIA) Charge
- Cost Allocation Mechanism (CAM) Charge - to pay for the new resources needed for ongoing system reliability
- Nuclear Decommissioning (ND) Charge
- Public Purpose Program (PPP) Charge

Is the CPUC planning on addressing any CCA related issues in the near future?
Yes. Recent PCIA increases have been a major concern for CCAs and DA providers. The uncertainty of the PCIA amount in the future is also a major issue. Recently, the CPUC has directed a working group led by Southern California Edison and the Sonoma Clean Power CCA to develop a proposal for CPUC consideration that would address PCIA transparency and certainty issues. Pursuant to the CPUC directive, the working group plans to submit recommendations on their next steps before April 5, 2017.

Additionally, the CPUC is also planning to explore potential impacts and opportunities associated with a high level of CCA penetration given the growing interest in forming CCAs. The CPUC will hold a CCA En Banc on February 1, 2017.

Attachment 1
2016 Direct Access/CCA Departing Load Charges - PG&E

Charge Component	Residential Rate (kWh) Sch. E-1	Large Industrial Rate (kWh) Sch. E-20 (Transmission)
Energy Cost Recovery Amount (ECRA)	($0.00002)	($0.00002)
DWR Bond	$0.00539	$0.00539
Ongoing CTC	$0.00338	$0.00187
PCIA (2016 Vintage)	$0.02323	$0.01284
NSG (CAM)	$0.00255	$0.00160
ND	$0.00022	$0.00022
PPP	$0.01405	$0.00982
Total	$0.04880	$0.03172

2016 Direct Access/CCA Departing Load Charges – Edison

Charge Component	Residential Rate (kWh) Sch. Domestic	Large Industrial Rate (kWh) Sch. TOU-8-Sub
Energy Cost Recovery Amount (ECRA)	-	-
DWR Bond	$0.00539	$0.00539
Ongoing CTC	($0.00015)	($0.00007)
PCIA (2016 Vintage)	$0.00098	$0.00045
NSG (CAM)	$0.00509	$0.00295
ND	($0.00085)	($0.00085)
PPP	$0.02171	$0.00863
Total	$0.03217	$0.01650

Attachment 1 (cont.)
2016 Direct Access/CCA Departing Load Charges - San Diego Gas & Electric

Charge Component	Residential Rate (kWh) Sch. DR	Large Industrial Rate (kWh) Sch. AL-TOU
Energy Cost Recovery Amount (ECRA)	-	-
DWR Bond	$0.00539	$0.00539
Ongoing CTC	$0.00180	$0.00154
PCIA (2016 Vintage)	$0.01278	$0.01114
NSG (CAM)	$0.00013	$0.00001
ND	($0.00004)	($0.00004)
PPP	$0.01241	$0.01238
Total	$0.03247	$0.03042