

PCIA ISSUES, PROBLEMS, & POSSIBLE SOLUTIONS

Mark Fulmer for AReM and DACC

R.17-06-026 PCIA Rulemaking Workshop #2

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DA Priorities

A Fee that is predictable, stable, and not prohibitive.

Buy-out option:

- Net Present Value of projected PCIA obligations
- One-time or levelized over X years

Pre-2009 vintage out of the discussion

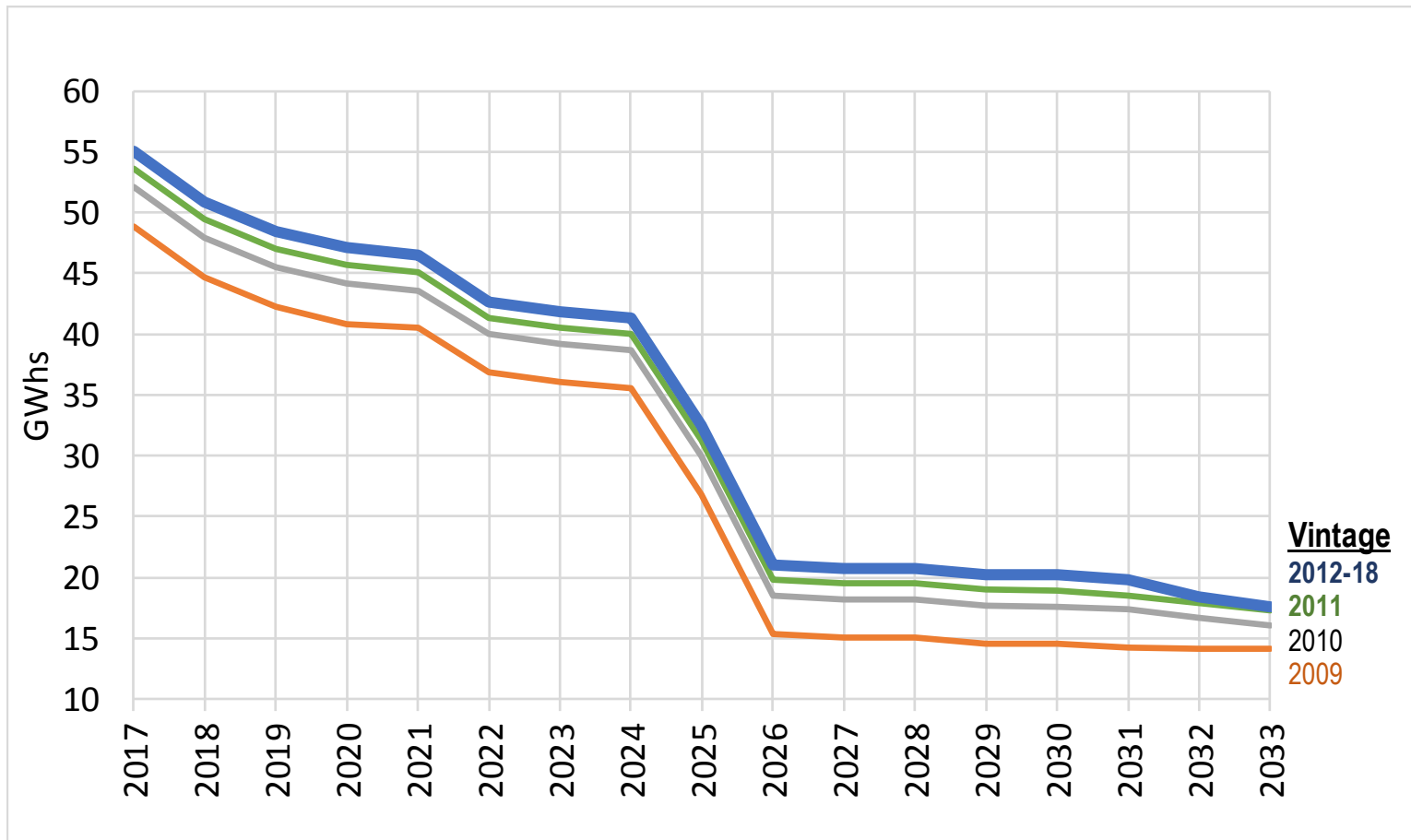
Current Structure

**Modeled
Total
Portfolio Cost**

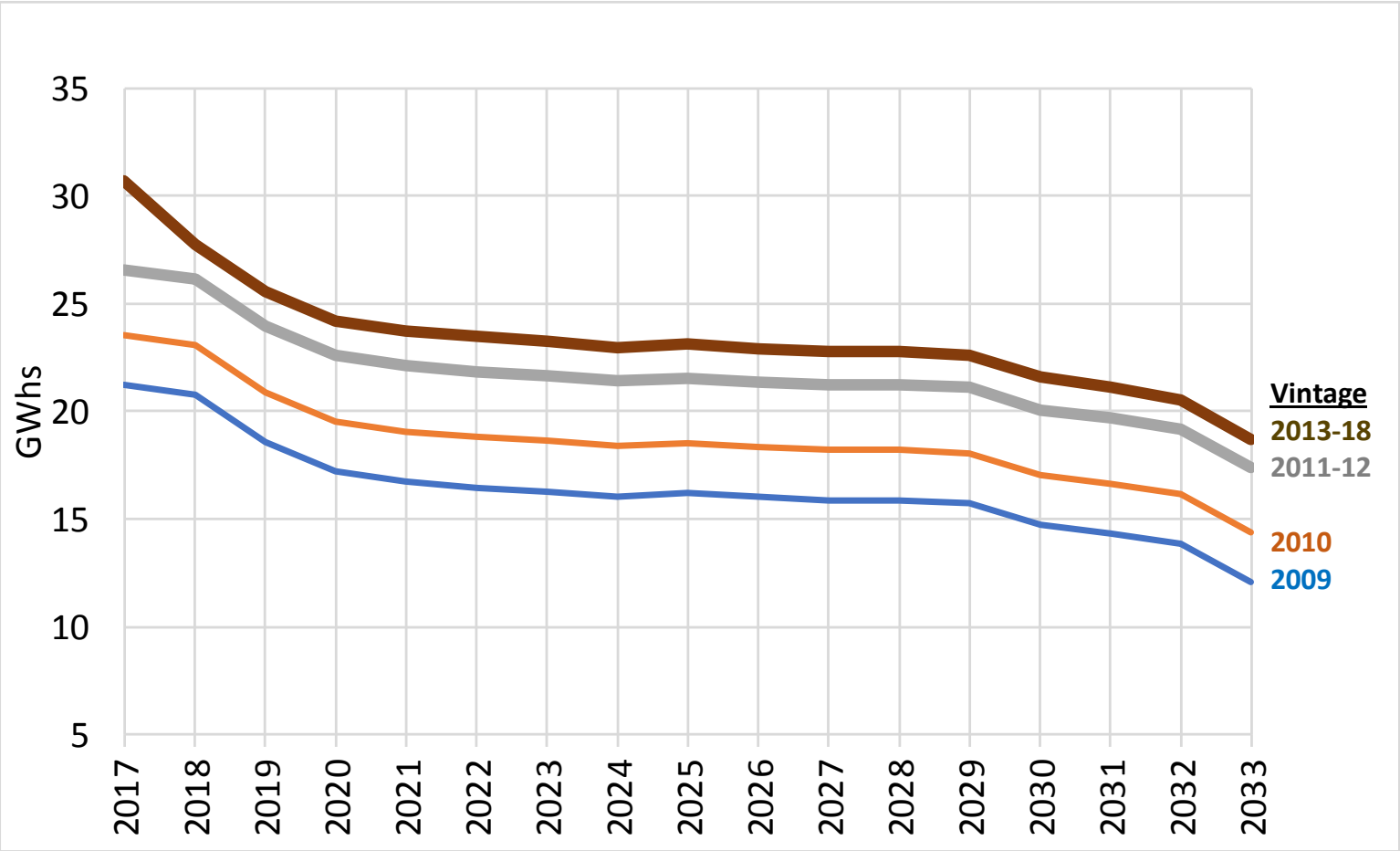
Versus

**Market Price
Benchmark
(MPB)**

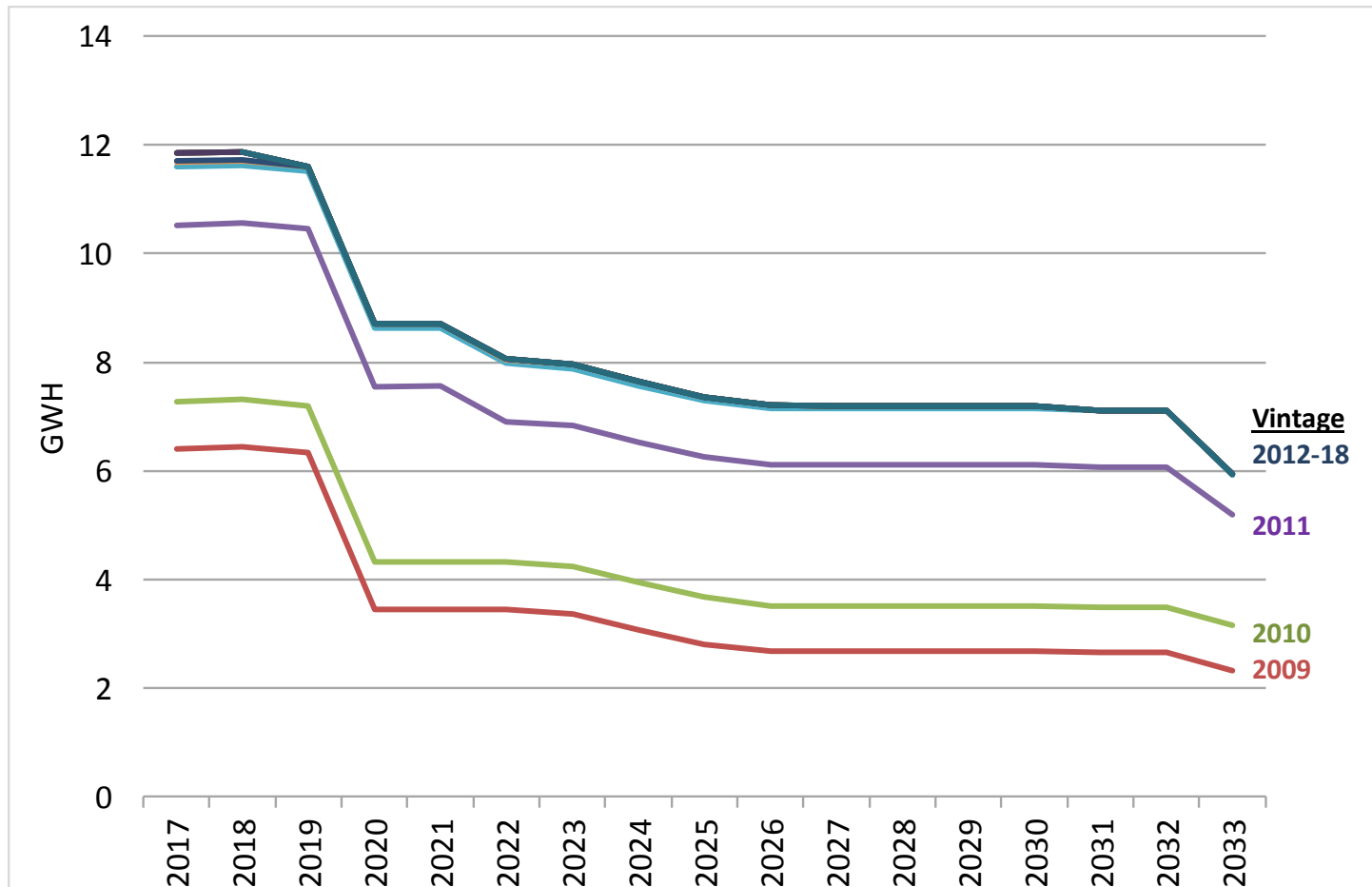
Total Portfolio: PG&E



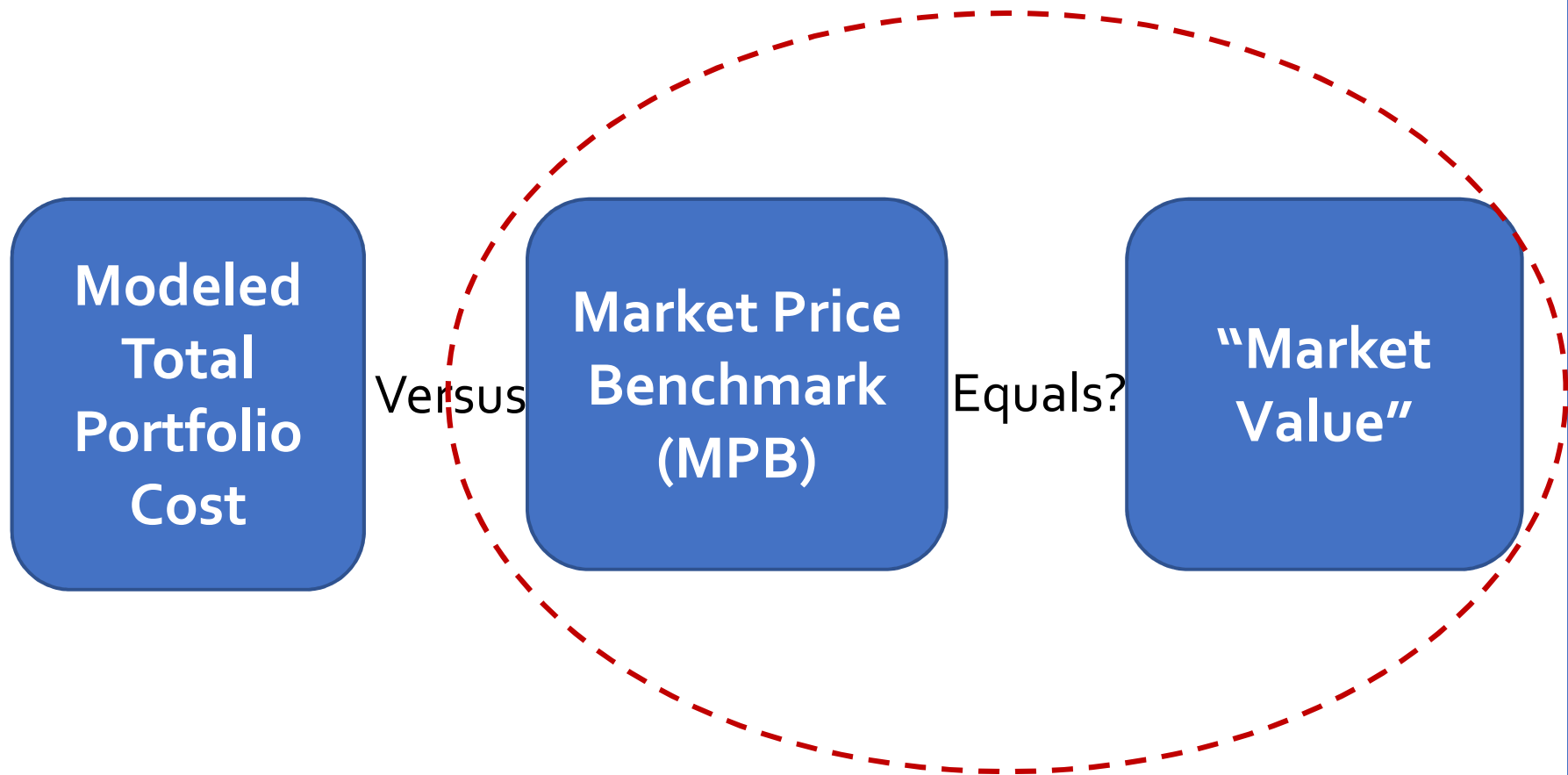
Total Portfolio: SCE



Total Portfolio: SDG&E



ISSUE: MPB versus "value"



Dis-aggregate MPB: Brown Power Price

Current

Forwards quoted in October

Alternative

Refinements needed to better reflect shape

Value Extraction

What beyond CAISO day head market can be done?

Dis-aggregate MPB: Green Adder

Current

DOE adder bad to begin with and now not available

“Most recent contracts” were meant as a stand-in for market

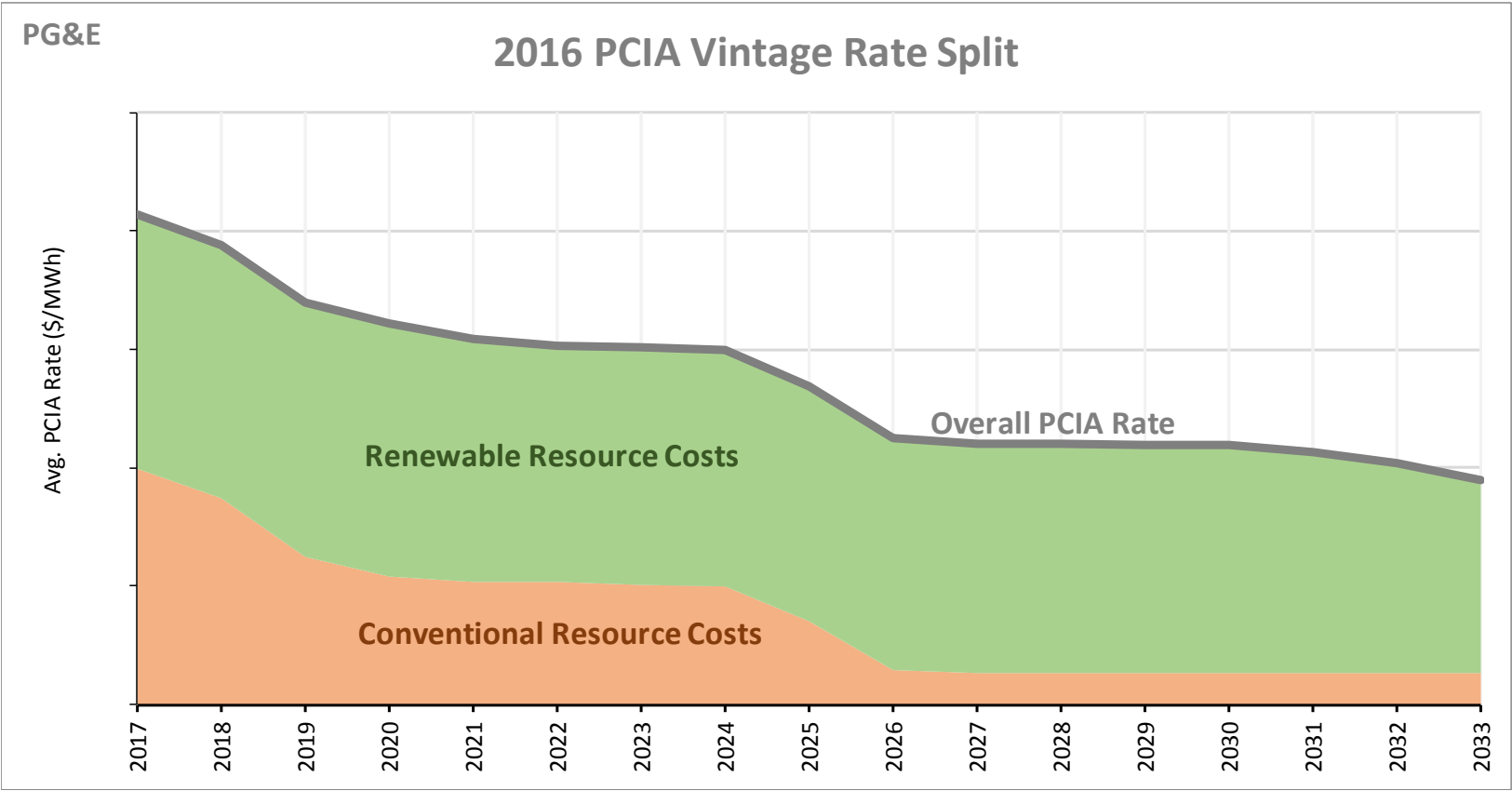
Alternative

Bucket 1 REC: Value quoted from where?

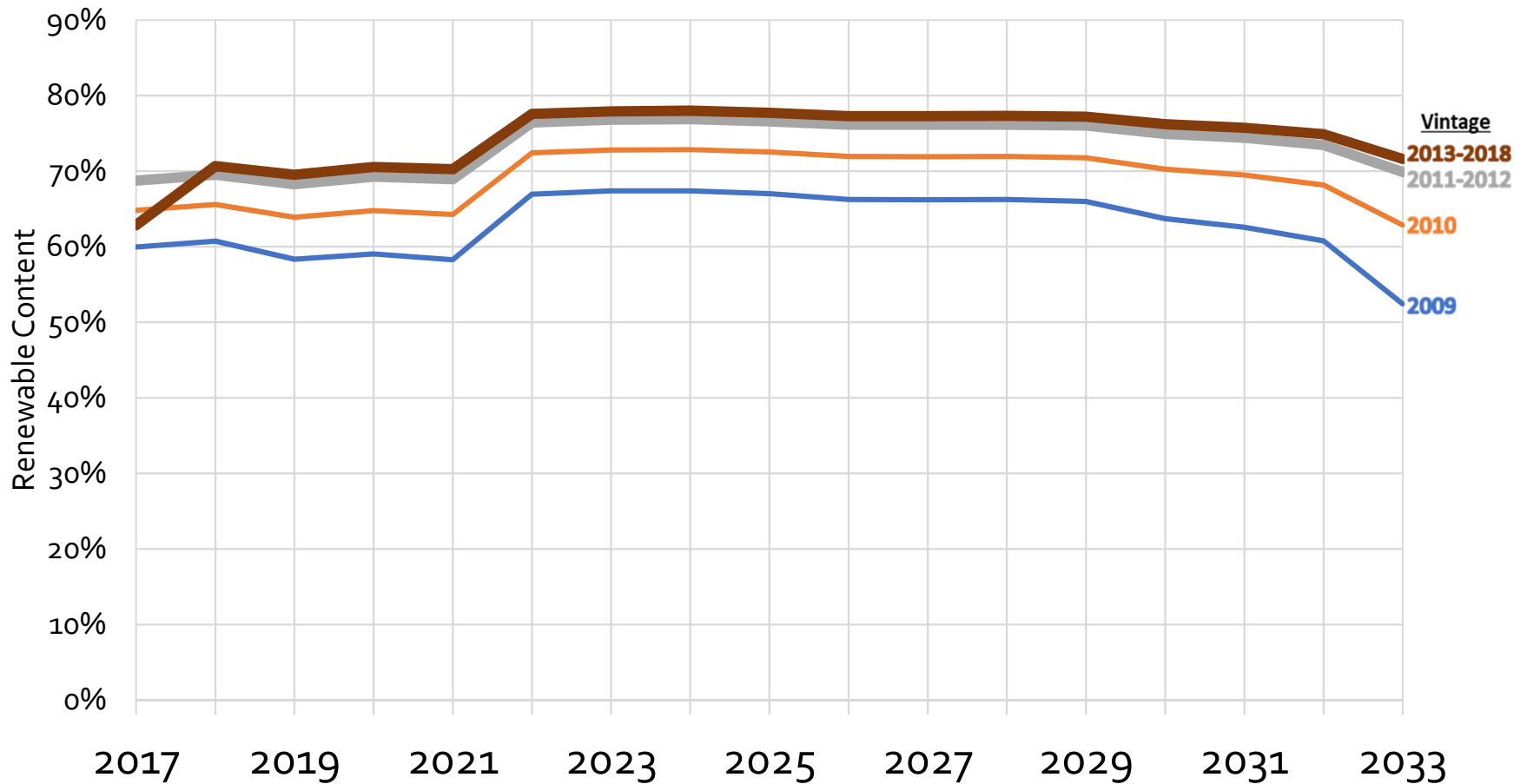
Value Extraction

How is compliance demonstration with the REC accounted for?

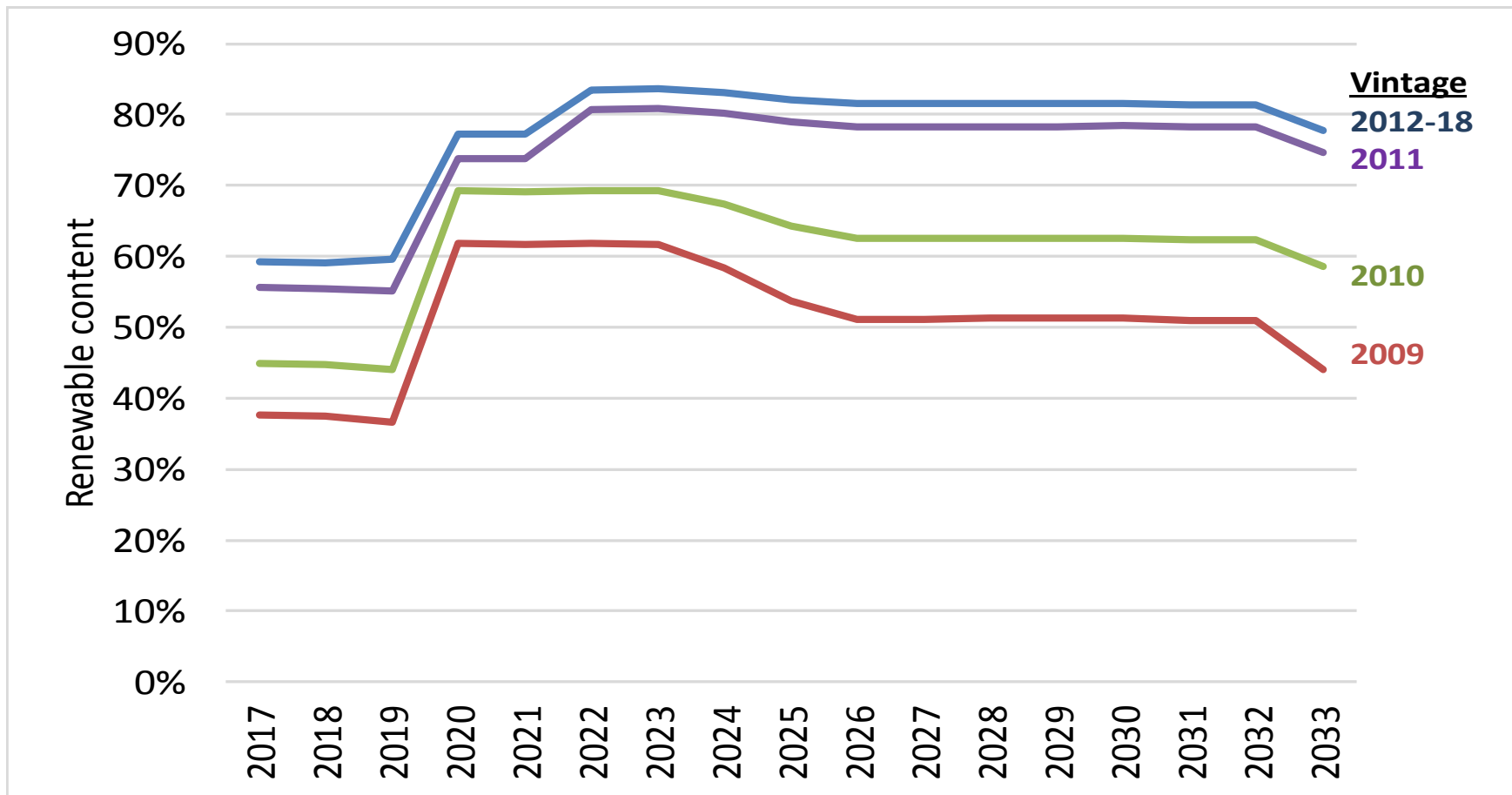
Stranded Costs Driven by RPS (PG&E)



Stranded Costs Driven by RPS (SCE)



Stranded Costs Driven by RPS (SDG&E)



Dis-aggregate MPB: Capacity Adder

Current:

Cost of new entrant (CT) (\$/KW-year) x NQC

Alternative:

Theoretically sound, but in long market?

Tie to CAM charge?

Value extraction:

What beyond CAISO day head market is done with the capacity values?

True Up

What exactly should be trued up?

- Brown Power: Forwards trued up against CAISO (or other energy sales)
- RECs v ??
- Capacity v ??
- True up sales, too?

Possible Reforms

Levelize based on forecasted obligation over X years

- With adjustment mechanism for collections that are more than $n\%$ from projected.
- Need to work out what would happen if a CCA or a DA customer returned to bundled service with an outstanding obligation.

Possible Reforms

Sales of part of portfolio forward

- Forwards for 1-2 years?
- Long Term bilateral sales?

Even if the IOU chooses not to, then do these represent the “maximized” value of the portfolio, which should be used for indifference calculations?

Get IOU “skin in the game:” balancing account true-up on volume only?

Possible Reforms: Stranded Green Charge

- Since most of the PCIA stranded cost are renewable, set up a “green market development” charge, which would reflect the above-market value of the green contracts
- Charge to all customers as a separate line-item
- Levelized with correction
- Creates clearer comparisons

DA Priorities

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Buy-out option:

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