



Staff Report Item 15

TO: East Bay Community Energy Board of Directors
FROM: Nick Chaset, Chief Executive Officer
SUBJECT: 2020 PCIA Impacts (Informational Item)
DATE: January 22, 2020

Recommendation

Receive update on expected changes to the PCIA in 2020 and potential strategies to mitigate impacts.

Background and Discussion

On December 18, 2020, the Board received an initial overview of the process for setting the 2020 PCIA. This presentation provides further analysis of potential changes to the PCIA in 2020.

Attachments

- A. Presentation on 2020 PCIA Impact Assessment



2020 PCIA Impact Assessment

PRESENTED BY: Nick Chaset

DATE: January 22, 2020



Substantial PCIA Increases Proposed in 2020

- **2020 PCIA Forecast:** PCIA rates anticipated to rise up to **~60%**
 - 2019 Avg PCIA : \$0.028/kWh
 - Capped 2020 PCIA: \$0.033/kWh (based on \$0.05/kWh cap on increase)
 - PG&E Requested 2020 PCIA: \$0.045/kWh (PG&E seeking to recover PCIA above cap through trigger)
- **Causes of Increase**
 - Market Forces
 - 2019 Brown power prices were much lower than forecast
 - RA and RPS prices lower than forecast
 - Utility Costs
 - Utility owned generation costs higher than forecast
 - Lower PCIA generation sales quantities
 - Significant volumes of unsold RA and RPS
 - Delay implementing 2019 PCIA (didn't go into effect until July 2019)
 - 2018 PCIA Decision
 - Shift in PCIA Billing Determinants (system to vintaged)

Uncertainties Around Impact of PCIA Increases

- CPUC PCIA Decision made conflicting findings on treatment of PCIA Increases:
 - Created a cap on PCIA growth limited to \$0.05/kWh
 - Created a trigger where IOU must inform CPUC when under-collections of PCIA resulting from the cap exceed 10% of total PCIA revenue requirement
 - IOUs have argued that when 10% trigger occurs, they should be able to increase the PCIA above the cap to recover full amount of PCIA owed for that year
- CPUC has yet to formally rule on interplay between cap and trigger
 - CPUC expected to set initial PCIA and PG&E rates based on cap and will make final decision on how trigger is treated soon thereafter when IOUs file trigger documentation

Assessing Impacts of PCIA Increases

- EBCE forecasts a significant impact on revenues driven by both direct increase in PCIA and associated reductions in PG&Es rates
 - $\text{EBCE Revenues} = (98.5\% \times \text{PG\&E Rates}) - \text{PCIA}$
 - As PCIA increase and PG&E rates decrease, EBCE revenues shrink
- PG&E request to CPUC increases PCIA by 60% and decreases PG&E gen rates by 11% which results in a 28% decrease in EBCE revenue relative to status quo
- CPUC action on the 2020 PCIA cannot occur before 2/27/20 with PG&E implementation expected to occur May 1, 2020

EBCE Response

- EBCE is actively working at the CPUC to argue for changes to PG&Es proposed PCIA increases
- EBCE is also working to demonstrate that year to year volatility in the PCIA as a result in fluctuations in things like brown power prices justify holding PCIA increases to the cap with incremental PCIA under-collections evening out over multiple years as the PCIA rises and falls
- EBCE is evaluating how to reduce costs to offset the reduction in revenue and will be following up in February with an assessment of the relative financial impacts of different options (discount, power content, programs, overhead)
- As a result of EBCE's very strong financial performance in 2018 and 2019, EBCE has over \$50M in unrestricted cash and an additional over \$40M in formal reserves. EBCE is evaluating how much of the unrestricted cash to allocate to ensure the ability to continue to offer customers lower cost, cleaner energy in 2020 and beyond