Power Charge Indifference Adjustment (PCIA) Regulatory Update

Marketing Regulatory and Legislative Subcommittee

September 18, 2026

Contents

PCIA Background

Why PCIA Matters

- PCIA/bundled rates drive Ava's gross revenue.
- As PCIA goes up, gross revenue generally goes down
- And *vice versa*

PCIA "Elevator Pitch"

- **What is it?** A $/kWh surcharge (or credit) on customer bills
- **Does it go by other names?** Yes, people also refer to it as a departing load charge and an exit fee. It's actually neither of these things - it's a *non-bypassable charge <u>or</u> credit.*
- **Who pays/receives it?** Everyone (Ava customers *and* bundled [PG&E] customers)
- **What does it cover?** Costs of contracts executed and PG&E-owned powerplants from when Ava customers were still PG&E customers
- **How does it impact CCAs?** The PCIA affects CCAs' ability to compete against IOU generation service, for better or for worse, depending on market conditions.

How does the PCIA calculate “stranded costs?”

Portfolio Costs − Portfolio Value* = Stranded Costs/credit

*Value calculated using “Market Price Benchmarks” (MPB)

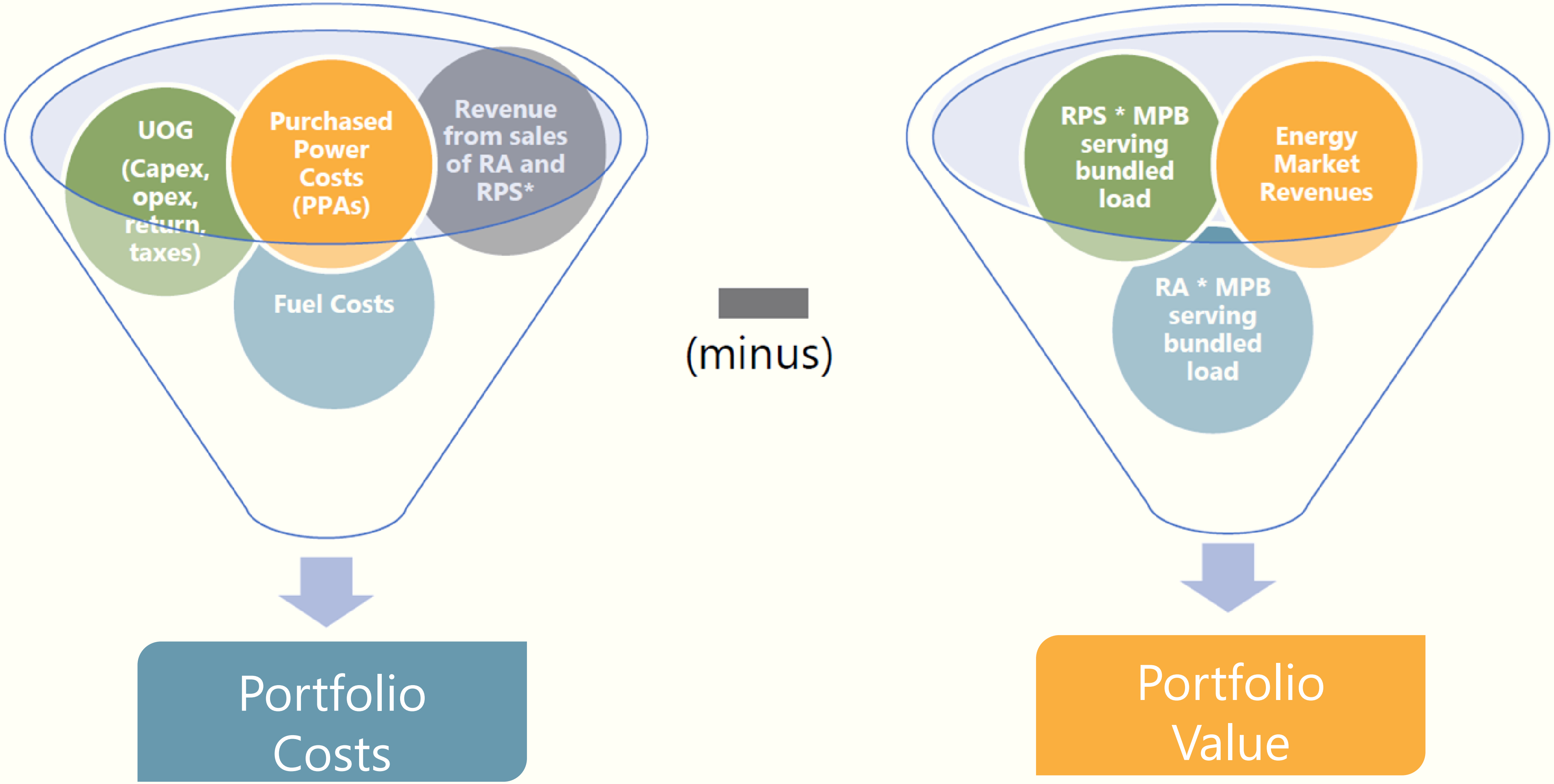
What are Market Price Benchmarks (MPBs)?

- MPBs are used to value unsold portions of the portfolio, which are either:
  - *Retained* for bundled customers
  - *Allocated* to non-bundled customers
- PCIA Ratemaking has two phases: a *forecast* and an *actual*.
  - IOUs present their forecasts in May
    - This is the "best guess" at what rates will be
  - Updated in October with actuals to date

MPB Component	Forecast	Actual
Resource Adequacy (RA)	RA-only transactions	RA-only transactions (updated)
Renewables Portfolio Standard (RPS)	PCC1 Index-Plus*	PCC1 Index-Plus (updated)
Energy	Platts-ICE Forward Curve - Electricity forecast for next year	Actual CAISO Market Revenues**

*Index-plus refers to contracts for the market index price of energy plus a REC bid premium
What did the PCIA resource portfolio earn in the CAISO energy market? **Single largest determinant of PCIA. Volatile: Varies widely YoY based on revenues in energy markets. Highly dependent on weather, load, and hydro conditions

What goes into Portfolio Costs and Value?



UOG = Utility-owned generation

Who pays for what resources?

- PCIA rates are differentiated by "vintage"
- Each customer and each procurement commitment (including utility-owned generation (UOG)) is assigned a vintage
- Customer vintage
  - For CCA or Direct Access, generally the year the customer departed the IOU generation service
  - For bundled IOU customers, it's the current year
  - The vintage year runs **July 1 through June 30**
  - Remain until last resource in that vintage expires
- Resource vintage
  - Date the IOU makes the commitment to a resource (e.g., contract execution, UOG investment)

Example Customer Vintage:

- If a CCA launched in March of 2018, their customers would be in the 2017 vintage.
- If a CCA launched in October of 2018, their customers would be in the 2018 vintage.

PCIA Affects "Headroom"

Bundled PCIA Rate + Bundled At-market Rate − Departed Load PCIA Rate = Headroom

- Headroom is the *rate* a CCA has to spend on its own procurement while remaining at or below the generation rate of the incumbent IOU.
- Can change due to a variety of factors and varies by vintage

PCIA Proceedings at the California Public Utilities Commission (CPUC)

Rulemaking to Reform the PCIA

R.25-02-005

PCIA OIR Track 1/2026 ERRA Forecast

- Issue
  - Changes methodology for setting the RA MPB
  - Applied retroactively, to benefit of bundled customers and detriment of departed customers
  - Effective in 2026 via the ERRA Forecast, which CalCCA also appealed
- Current Status
  - CalCCA appealed the Track 1 decision to the Court of Appeal, which denied the appeal in June
  - CalCCA took a writ to the Supreme Court in July
  - CalCCA also appealed the ERRA decisions implementing Track 1
  - The Court of Appeal stayed the ERRA appeals pending S.Ct action
- Schedule
  - Supreme Court action on CalCCA's writ expected 10/2

PCIA OIR Track 2

- Issue
  - Valuation of pre-2019 banked renewable energy certificates (RECs)
- Current Status
  - The assigned administrative law judge (ALJ) issued a proposed decision (PD) in August
  - The PD gives zero value to customers who paid for the RECs but later departed for CCA service, when the investor-owned utilities (IOUs) use these RECs for current bundled-customer Renewable Portfolio Standard (RPS) compliance.
- Schedule
  - The CPUC is expected to vote on the PD on September 17, 2026.
  - Applications for rehearing are due to the CPUC within 30 days of a decision

PCIA OIR Tracks 3 and 4

- Issue
  - Reforms to the existing PCIA framework (Track 3A) and broader structural reforms to the indifference framework (Track 3B).
  - Track 4 will address remaining issues after Tracks 3A and 3B conclude
- Current Status
  - Ongoing
  - Trifurcated procedural schedule
- Schedule(s)
  - Track 3A
    - Proposed decision expected end of Q2 2027
    - Final Decision expected Q3 2027
  - Track 3B – schedule to be issued in Q4 2026
  - Track 4 – to begin following conclusion of Tracks 3A and 3B

2027 Energy Resource Recovery Account (ERRA) Forecast Proceeding

A.26-05-007

2027 ERRA Forecast Proceeding Scope

- Issues
  - PG&E 2027 ERRA Forecast sets PG&E generation/PCIA rates for 2027
  - Error in PG&E's Slice-of-Day methodology, which would have excluded nearly 350 MW of RA value from the PCIA and thus increased PCIA rates.
  - CalCCA also recommends that PG&E
    - prioritize use of post-2019 over pre-2019 banked RECs,
    - improve coordination with CCAs on data center load forecasts, and
    - incorporate authorized 2027 GRC increases into PCIA rates to mitigate future rate shocks.

2027 ERRA Forecast Proceeding Schedule

- Proceeding schedule
  - PG&E will file Rebuttal Testimony on September 16, 2026.
  - CPUC to publish Market Price Benchmarks in the first week of October.
  - PG&E will file the October update to rates on Thursday, October 15, 2026
  - Proposed decision – November 2026
  - Final decision – December 17, 2026
  - Preliminary Annual Electric true-up (AET) – November 2026
  - Final AET – end of December 2026
  - New rates effective January 1, 2027