TOWN OF FAIRFAX
STAFF REPORT
December 2, 2015

TO: Mayor and Town Council

FROM: Michele Gardner, Town Clerk GT

SUBJECT: Adoption of a Resolution Urging the California Public Utilities Commission ("CPUC") to Examine the Fairness and Reasonableness of the Power Charge Indifference Adjustment ("PCIA"), to Reject PG&E's Proposed Increase to the PCIA, and to apply Some of the $1 Billion to Offset PCIA Fees Paid by Marin Clean Energy ("MCE") Customers

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RECOMMENDATION

Adopt the resolution.

DISCUSSION

Mayor Coler requested that this item be added to tonight's agenda for the Council's consideration.

ATTACHMENTS

PCIA Handout
Resolution

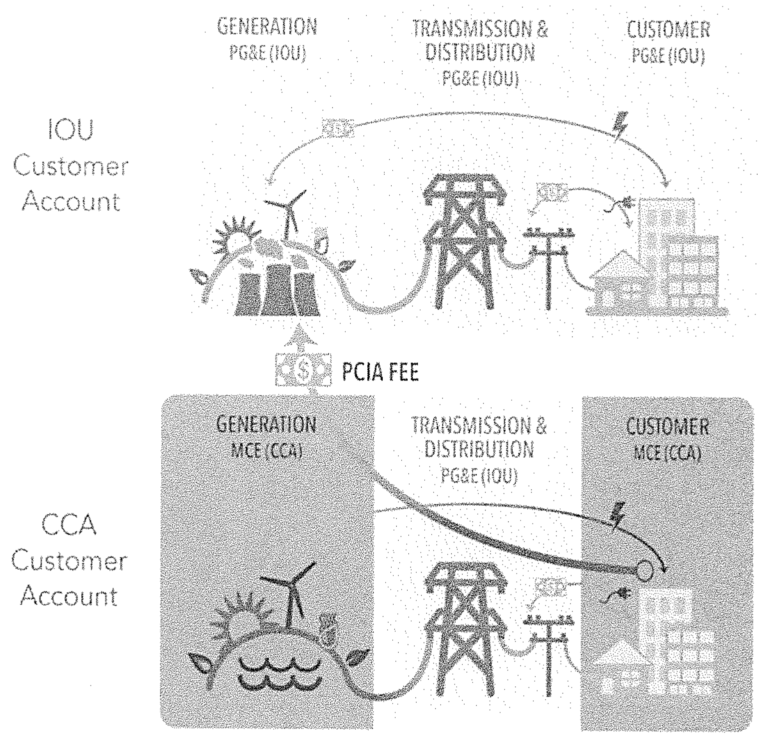
AGENDA ITEM # 4

MCE Clean Energy
My community. My choice.

The Power Charge Indifference Adjustment (PCIA) and its Impacts on CCA Customers

What is the PCIA?

When a customer of an Investor Owned Utility (IOU), such as Pacific Gas and Electric (PG&E), decides to purchase their energy from a provider other than the IOU, such as a Community Choice Aggregation (CCA) program like Marin Clean Energy (MCE), the IOU charges that customer various fees for their departure from IOU service.



Although the IOU's customer base has decreased and it needs less power, the IOU is still responsible for the cost of fulfilling the energy it bought when its customer base was larger.

The IOU sells the excess power it has on the open market. The IOU can recover the difference between the contract price paid for the energy and the market price at which it sells the excess energy. The price difference is charged to the departed customers as the PCIA.

The PCIA, often referred to as an "exit fee" or "departing load charge", is the allocation of the price difference to each customer of the above market cost of power purchased on a customer's behalf prior to their departure from IOU service. California is the only state to allow these charges.

How does the PCIA impact CCA Customers?

The PCIA results in CCA customers paying for energy that was procured on their behalf by an IOU but that these customers will never use.

In 2014, MCE customers paid $12.9M in PCIA fees. In 2015, MCE customers are projected to pay $19.3M and in 2016 are projected to pay $30.6M.

The PCIA has a disproportionate impact on residential customers relative to other customer classes and is approximately 10% of their electric charges. The PCIA is *especially* disproportionate for those customers that are eligible for the low-income CARE (California Alternate Rates for Energy) program.

PG&E is the only IOU to impose the PCIA on CARE customers. Southern California Edison has proposed to levy PCIA fees on both CARE and Medical Baseline customers. PG&E does not levy PCIA fees on Medical Baseline customers.

ATTACHMENT A

RESOLUTION 15-__

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FAIRFAX URGING THE CPUC TO EXAMINE THE FAIRNESS AND REASONABLENESS OF THE POWER CHARGE INDIFFERENCE ADJUSTMENT ("PCIA"), TO REJECT PG&E'S PROPOSED INCREASE TO THE PCIA, AND TO APPLY SOME OF THE $1 BILLION TO OFFSET PCIA FEES PAID BY MCE CUSTOMERS

WHEREAS, the Town of Fairfax is committed to elevating the quality of life for its residents, businesses, and electricity consumers by pursuing innovative public policies that advance sustainable development, environmental justice, and economic prosperity; and

WHEREAS, on November 19, 2008, the Fairfax Town Council voted to join Marin Clean Energy (MCE), a regional Joint Powers Authority and California's first Community Choice Aggregation (CCA) program, in order to provide all electricity consumers with competitively-priced renewable energy options; and

WHEREAS, the mission of MCE is to address global climate change by reducing energy-related GHG emissions, and securing energy efficiencies, rate stability, and local economic and workforce benefits; and

WHEREAS, MCE provides electricity consumers the option to purchase 50-100% renewable energy at generation rates currently lower than those offered by Pacific Gas & Electric (PG&E), previously the incumbent provider of energy supply; and

WHEREAS, in 2014, MCE's electric customers consumers collectively saved approximately $5.9 million in electric rates; and

WHEREAS, the California Alternate Rates for Energy (CARE) program provides financial support to energy consumers who have a total gross annual household income of 200% of the Federal Poverty Guidelines ($48,500 for a family of four), or less, for their routine energy usage; and

WHEREAS, CCA customers pay Investor Owned Utilities (IOUs), such as PG&E, an exit fee known as the Power Charge Indifference Adjustment (PCIA); and

WHEREAS, the PCIA fee is designed for IOUs to recover the cost of purchasing electricity for consumers who depart from their energy supply portfolio by choosing a local CCA's service options; and

WHEREAS, excess energy procurement inflates the PCIA and requires CCA customers to pay for over-procurement by the IOU; and

WHEREAS, the California Public Utilities Commission (CPUC) found in Decision 12-01-033 that PG&E did not properly plan its procurement for the departure of MCE's electric load; and

WHEREAS, the PCIA fee undermines the economic competitiveness of Community Choice Aggregation programs throughout the State of California by inflating electric costs for CCA customers; and

ATTACHMENT B

WHEREAS, PG&E has received a benefit from departing loads of more than $1 Billion ($1,000,000,000) and plans to absorb this benefit by retiring the account where it is held instead of passing it along to CCA departing load customers; and

WHEREAS, PG&E is presently requesting an increase of nearly 100% to the residential PCIA fee from the CPUC in Application 15-06-001; and

WHEREAS, all customers in MCE's service area have spent over $32 million in PCIA fees in 2014-2015; and

WHEREAS, PG&E is the only utility in California levying the PCIA fee upon CARE customers; and

WHEREAS, approximately 15.5% of MCE's electricity consumers rely on CARE to help make their electricity costs more affordable; and

WHEREAS, in 2016, MCE's CARE customers are projected to collectively spend over $2 million in PCIA fees; and

WHEREAS, in 2006, the State of California ("State") passed Assembly Bill 32, the Global Warming Solutions Act, which requires the State to reduce its GHG emissions to 1990 levels by 2020; and in 2015, the State of California passed Senate Bill 350, the Clean Energy and Pollution Reduction Act, which requires 50% of the electricity sold to consumers be generated from eligible renewable resources by 2030, as defined by the State's Renewable Portfolio Standard (RPS); and

WHEREAS, MCE voluntarily exceeds the RPS standard and has reduced GHG emissions by approximately 60,000 metric tons within its first three years of providing service to electricity customers;

NOW, THEREFORE, BE IT RESOLVED, that the Town Council of the Town of Fairfax, urges the California Public Utilities Commission to (1) reexamine the fairness and reasonableness of the PCIA on CCA customers, particularly those who rely on low-income assistance programs such as CARE, (2) reject PG&E's proposed 96% increase of the PCIA, and (3) direct PG&E to use revenue already received for departing loads before imposing costs on CCA customers.

The foregoing Resolution was adopted at a regular meeting of the Town Council of the Town of Fairfax, held in said Town on the 2nd day of December 2015 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Barbara Coler, Mayor

Attest:

Michele Gardner, Town Clerk