

Power Charge Indifference Adjustment (PCIA)

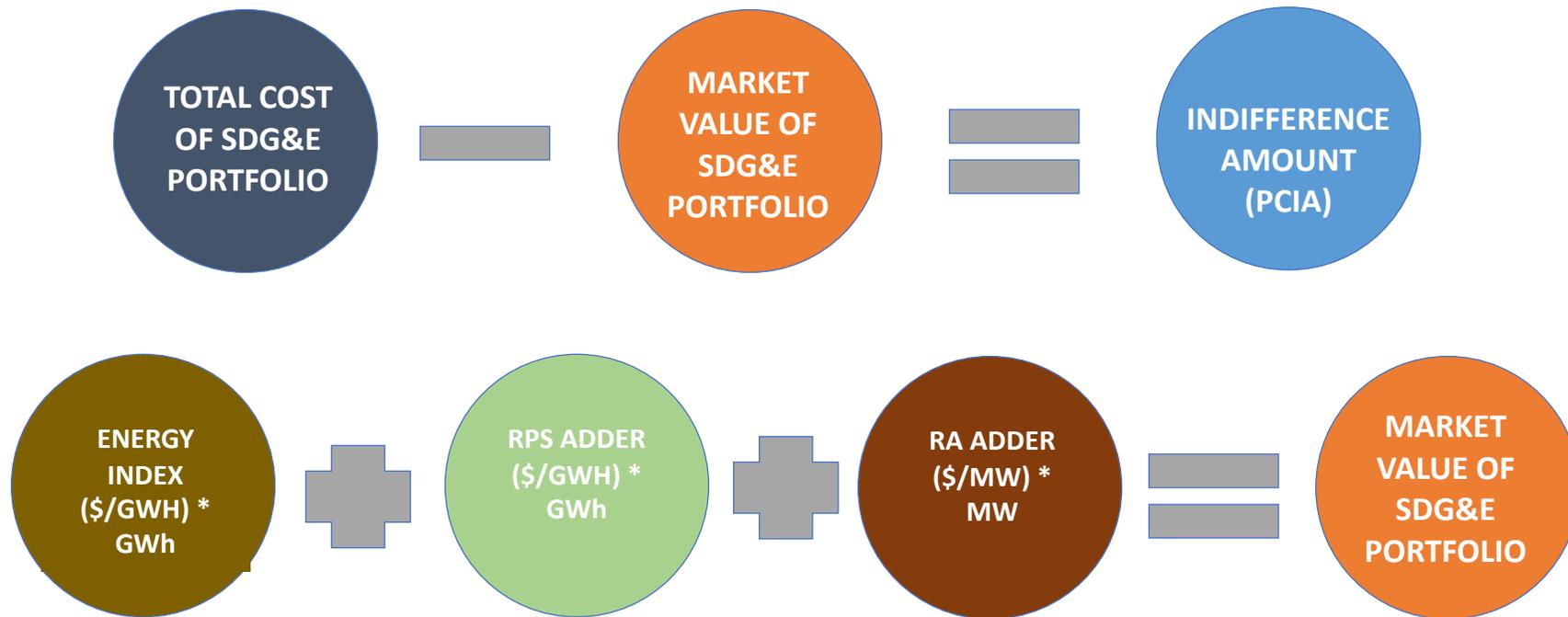
Lee Ewing & Tim Lindl – Keyes & Fox LLP

February 23, 2023

PCIA Overview

- Law requires remaining SDG&E customers to be left economically “indifferent” to CEA’s customers leaving SDG&E’s service.
- The PCIA is the “exit fee” that is intended to ensure such indifference.
- The PCIA can be negative (SDG&E customers paying CEA customers) or positive (CEA customers paying SDG&E customers)
- PCIA lasts for as long as the departed customers’ obligation to pay for the underlying resources lasts - e.g., until the resource is retired, the PPA expires, or the resource or PPA is re-vintaged (vintaging will be addressed later). Vintaging is an ever-on-going battle that is not just backwards looking.

PCIA Overview



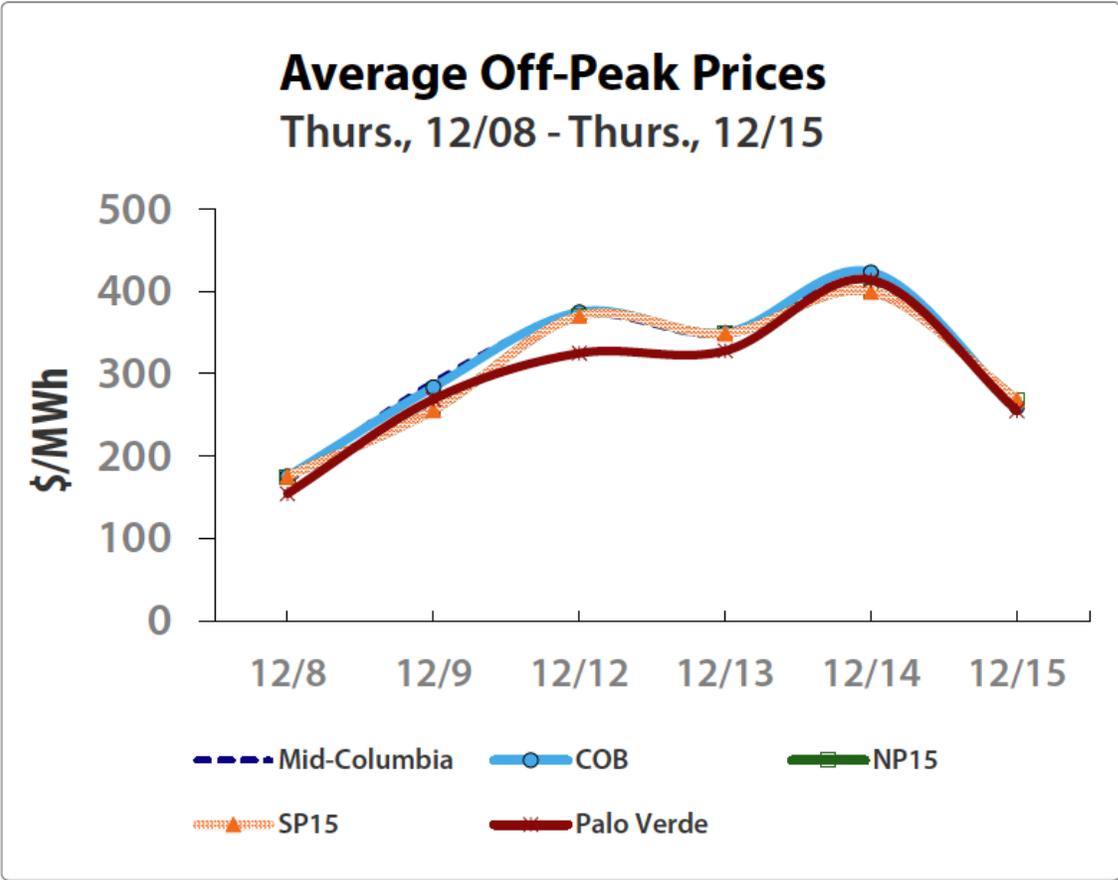
Example PCIA Revenue Requirement by Vintage
\$000s

	UOG Legacy	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Portfolio Costs	-	417,862	77,589	199,188	63,567	5,020	1,139	1,833	-	12,360	42,422	13	(229)	-	-	820,765
Portfolio Market Value	-	306,269	49,256	150,735	45,658	6,312	2,677	2,812	-	18,819	45,993	183	(229)	-	-	628,485
Total Forecasted Indifference	-	111,592	28,334	48,453	17,909	(1,292)	(1,538)	(979)	-	(6,458)	(3,571)	(170)	-	-	-	192,279
PABA True Up Balance	-	88,939	30,388	(36,288)	(40,402)	86,543	(2,410)	(92,401)	89,339	(78,809)	(21,020)	62,337	(99,089)	190,740	-	177,867
ERRA True Up Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	319,739	319,739
Total Revenue Requirement	\$0	\$200,531	\$58,722	\$12,165	(\$22,493)	\$85,251	(\$3,948)	(\$93,380)	\$89,339	(\$85,267)	(\$24,591)	\$62,168	(\$99,089)	\$190,740	\$319,739	\$689,885

Setting the PCIA: SDG&E Annual ERRA Forecast Applications

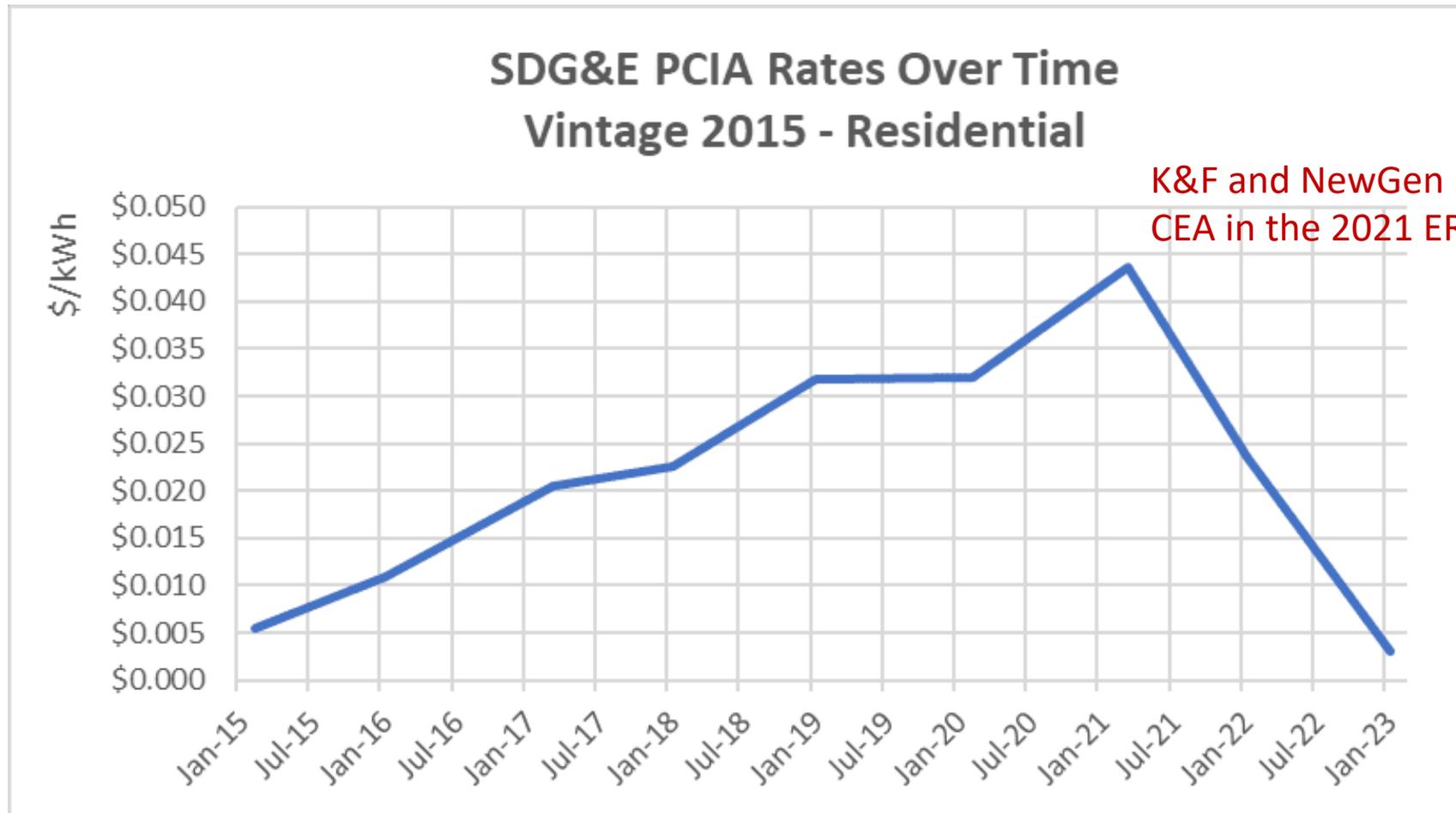
- SDG&E files an ERRA Forecast application on May 15 of each year
- SDG&E’s ERRA Forecast application includes proposed PCIA rates for the next calendar year
- PCIA rates include:
 - The “Indifference Amount”
 - The Portfolio Allocation Balancing Account (“PABA”)
- The rates are also based on each customer’s “vintage”: the year the customer departed IOU bundled service
- Bundled customers are vintaged to the latest year (e.g., 2023 in the 2023 ERRA Forecast application) and pay the PCIA as part of their commodity rate

THE Major Influencer: Gas Prices



Source: California Energy Markets, Issue 1723

SDG&E's PCIA Trends



K&F and NewGen began representing CEA in the 2021 ERRA Forecast case.

Reviewing the PCIA: SDG&E Annual ERRA Compliance Applications

- SDG&E files an ERRA Compliance application on June 1 of each year
- Essentially making sure SDG&E's generation costs were put in the right accounting bucket to ensure CCA customers have not overpaid

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902-E) for Approval of: (i) Contract Administration, Least-Cost Dispatch and Power Procurement Activities in 2021, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account, Portfolio Allocation Balancing Account, Power Charge Indifference Adjustment Undercollection Balancing Account, Transition Cost Balancing Account, and Local Generating Balancing Account in 2021, and (iii) Costs Recorded in Related Regulatory Accounts in 2021.

Application 22-06-_____
(Filed June 1, 2022)

**APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)
FOR APPROVAL OF ERRA COMPLIANCE FOR RECORD PERIOD 2021**

Participation in ERRA Proceedings

- These proceedings present the most direct opportunity to influence the PCIA by ensuring that unbundled customers are only assigned the costs they caused
- Focus is on the PCIA, PABA, GTSR, and bundled customer commodity rates
- 2023 ERRA Forecast Application Issues
 - SDG&E Sales Forecasting Process
 - Valuing Banked RECs
 - Splitting the ERRA Undercollection Between Vintages
 - Accounting for Modified CAM Procurement Costs
 - CPUC Decision: "SDG&E has demonstrated previously that it requires a greater degree of oversight and the lack of transparency and missing detail in SDG&E's filings make it clear that improvement is still needed."
- Potential issues for SDG&E's ERRA proceedings in 2023 (2024 ERRA Forecast & 2022 ERRA Compliance)
 - Recovery of costs for SDG&E's Green Access Programs
 - Battery cost and benefits

QUESTIONS?

Contact Info:

Lee Ewing
Lewing@keyesfox.com
410-978-2437

Tim Lindl
Tlindl@keyesfox.com
510-314-8385