Understanding the Power Change Indifference Adjustment

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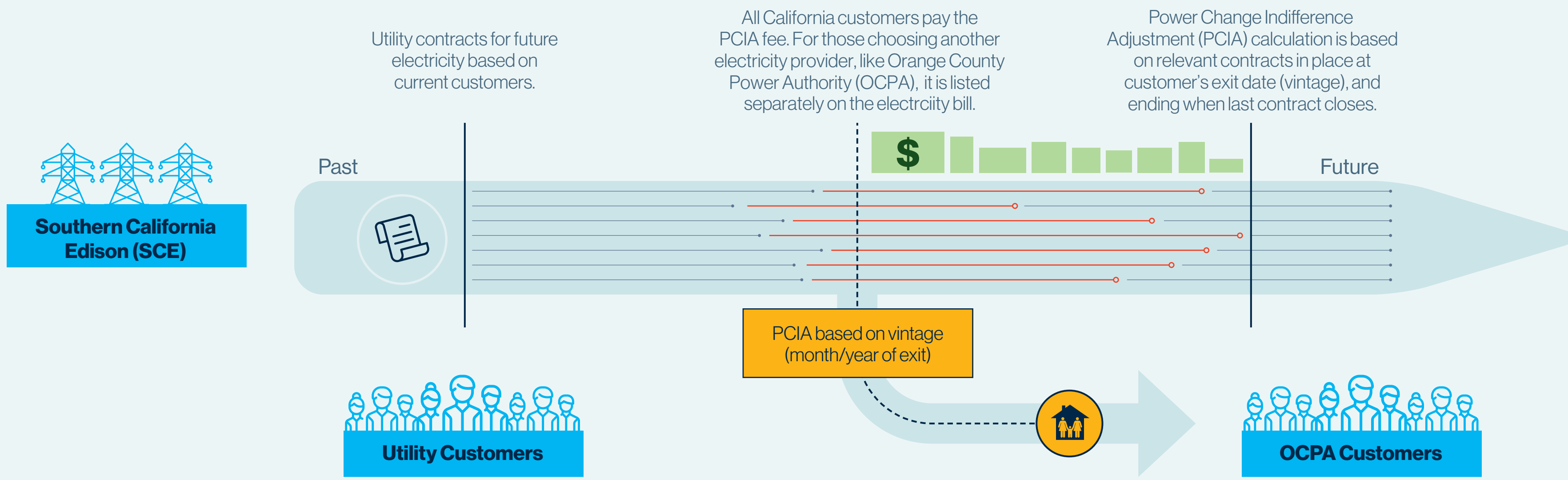

Current statute requires that utility customers not experience cost increases as a result of the implementation of a Community Choice Aggregation (CCA) program, like OCPA.

Utility Customers

The methodology for calculating the PCIA is complex, intended to ensure that both bundled SCE and OCPA customers pay their fair share for energy resources that the utility procured on their behalf.

Vintage

PCIA rates use the concept of "vintaging" to assign different sets of costs to different customers depending on the month and year they left the utility.

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In theory, the PCIA should reduce over time as energy contracts for that vintage close. However, some variables in the PCIA calculation can drive it up.

OCPA Customers

Frequently Asked Questions About the PCIA

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What is the PCIA?

The PCIA is an exit fee charged by SCE to all customers, including those who choose another provider for electricity generation service through direct access or CCA like OCPA. The fee is designed to cover the difference in the market value of energy resources that were already contracted on a customer's behalf by SCE and the cost of those resources.

Why does SCE charge the PCIA?

The intent of the PCIA is to ensure that no customer is unfairly burdened by costs associated with energy resources that were procured on behalf of departing CCA customers. Current statute requires that remaining utility customers not experience any cost increase as a result of the implementation of a CCA program.

How is the PCIA calculated?

Currently, the methodology is complex and includes calculating the difference between actual costs paid by SCE and the current market value of those energy resources, or above market costs. In addition to conventional power, the PCIA includes benchmarks for resource adequacy, renewable energy, and other energy attributes that impact the value of the utility's energy portfolio. The calculation methodology is intended to ensure that both utility and CCA customers pay their fair share for energy resources that the utility procured on their behalf.

Do all departing customers pay the same amount?

No. PCIA rates use the concept of "vintaging" to assign different sets of costs to different customers. Each CCA is assigned a vintage based on the month and year the CCA's customers left utility service. PCIA rates are different between the vintages.

Does the PCIA ever go away?

The PCIA continues until the last energy contract in that vintage expires.

Will the PCIA go down every year?

In theory, there should be less contracted energy in the customer's vintage, however other variables affect the PCIA, such as the market value of energy. In recent years, the market value of conventional energy, which is heavily influenced by natural gas prices, has declined. Additionally, renewable energy prices have declined. Both of these factors cause the PCIA to increase even though the contracted volume of the energy resource may be less than the previous year.

Why is the PCIA of concern to CCAs?

The PCIA directly affects a CCA's ability to set rates competitive to the incumbent utility. The PCIA was initially conceived to prevent cost shifts between utility customers and direct access customers in 2001.

The issues with the PCIA are many:

- No transparency
- Lack of auditing of utility costs to determine accuracy
- Does not incentivize the utility to minimize or mitigate costs
- Leads to rate volatility
- Does not prevent cost shifts as required by statute

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OCPA is able to pool member cities' energy demands and increase purchasing power for higher renewable energy content.

As a not-for-profit. locally-controlled public agency, OCPA reinvests revenue back into the communities it serves with rebates and programs that help customers save energy and money, and put more renewable energy on the grid to decrease the need for fossil fuels.

Current Member Cities:

- Buena Park
- Fullerton
- Irvine
- Fountain Valley (electric service starting soon)