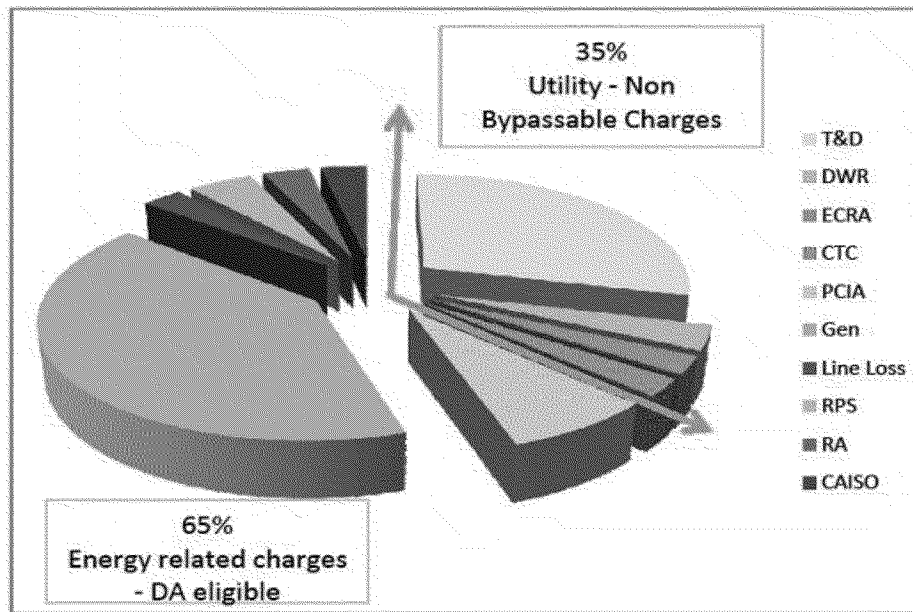# ACCOUNTING FOR RA AND RPS COSTS IN THE TBS RATES

PROBLEM: YOU CAN'T ACCOUNT FOR A COST THAT YOU DON'T KNOW

Today, customers do not know the actual RA or RPS costs that make up over 10% of their bill. They do not know it in TBS rates or in overall generation rates.

GOAL: PREVENT COST SHIFTING TO THE CORE WHILE BUILDING A LEVEL PLAYING FIELD

SCE Reply Comments: "If the same contracting requirements for all LSEs are impractical, then the Commission needs to adopt an appropriate cost allocation methodology to ensure that all benefiting customers are allocated cost responsibility for any procurement requirements imposed on the utilities for CHP or renewables under feed-in tariffs."

Commercial Energy Comment: "RPS procurement is inherently unfair to the ESPs as the nature of their contracts with end use customers do not coincide with the necessary contract length required by RPS developers. ESPs are obligated to meet the same resource requirements as the IOUs. Therefore, we should adopt a cost allocation method, as SCE suggests, to simply move both the contract costs and compliance benefits to the customer through the ESP."

SOLUTION:

(1) UNBUNDLE ELECTRICITY SUPPLY COSTS, DETAILING RA AND RPS

The utilities could provide the RPS, RA, CA-ISO, line loss, and procurement costs unbundled in an advice filing (on a class average basis to mask confidential information), however customer bills would still show a bundled rate*. (Therefore, no need to change billing system).

Suppliers do this now when we bill for ancillary costs to our customers.

Statistics					
Term Supply	Term Sales	Consumption	Dist. Losses	Imbalance Purchases	Imbalance Sales
1,595.200 MWh	-- MWh	1,469.437 MWh	32.900 MWh	6.223 MWh	99.085 MWh

Power Purchases/ Sales				
Term Energy Purchases	$	57.87	92,314.22	
Term Energy Sales			-	
Imbalance Energy Purchases	$	34.83	216.74	
Imbalance Energy Sales	$	37.95	(3,760.13)	
		Subtotal - Power Purchases / Sales		88,770.83
Resource Adequacy				8,700.00
Renewable (RPS) Charge				12,502.00
Estimated ISO Ancillary Services				
Load Charges			6,760.52	
Deviation Charges			130.19	
		Subtotal - CAISO Charges		6,890.71
Taxes				
CA Energy Resources Surcharge:	$0.22 /MWh Consumed		323.28	
Local Utility Users Taxes	SAN JOSE 5%		5,843.18	
		Total Taxes		6,166.46
Settlement (Credit) / Charge	2009 December			(11,833.46)

TOTAL AMOUNT DUE:	$111,196.54

*There is precedent for this. The cost of Gas Transmission, Fuel Loss, and Storage is imbedded in Core Gas Procurement Rate set monthly. The detail is provided in the monthly Advice Filing.

(2) PROVIDE THE OPTION TO THE ESP TO TAKE ASSIGNMENT/COST RESPONSIBILITY FOR ANY RPS/RA TO MEET OBLIGATIONS

PORTABILITY of committed resources is a key feature of restructuring, whether we call it CRS or PCIA or capacity:

EXAMPLE: Local RA is countable to meet peak under the current rules for 2010.

EXAMPLE: Gas transmission is offered to core. Rejected capacity is re-sold and net position is paid by CTA. To help minimize distressed sale price, we must give notice of a decision to purchase 4 weeks before each quarter for gas transmission and twice a year for storage (re. RA)

    (a) LSE accepting capacity/energy from the IOU would make a monthly payment to the IOU for an administratively determined price, similar to the methodology proposed for RA in 2010.

    (b) LSE's rejecting the RA/RPS obligations must still make a showing to comply with SB695.

    (c) The costs and/or benefits of the rejected obligations would be accounted, trued up, and costed in the PCIA/TBS calculation annually (or semi-annually).

BENEFITS of this approach: <u>Visibility plus Portability prevents Cost Shifting</u>

    1) Eliminates counting of RPS/RA costs as a problem for TBS.

    2) Simplifies calculation of two of the three factors in Bonding.

    3) Helps the customer understand the comparison between DA and Bundled service.

    4) Is consistent with our commitment to a SmartGrid that informs customers so they can make intelligent choices about their energy consumption and energy sources.