

I. INDIFFERENCE CALCULATION MODIFICATION

PG&E believes that the ongoing CTC rate paid by customers within the same rate schedule should be same and should be independent of whether the customer has stranded cost obligations for either the CDWR contracts or for new generation resources. That is, there should be rate parity with respect to the ongoing CTC contribution between bundled customers and customers that depart bundled service from the same rate schedule.

Under the current indifference calculation methodology, “costs” recovered through the Power Charge Indifference Amount (PCIA) are allowed to be negative and as a result, the negative PCIA interacts with the ongoing CTC such that on a net basis, bundled, exempt and non-exempt customers are not on par in terms of the amount each is contributing to generation eligible for ongoing CTC recovery. Specifically, the current indifference calculation provides that:

- Indifference result = ongoing CTC + PCIA
- If Indifference result ≤ 0 , then I is set to zero in the equation ;
e.g., $CTC + PCIA = 0$
- The net result is that ongoing CTC = - PCIA
- If Indifference result $<$ ongoing CTC, then PCIA is negative and offsets a portion of the ongoing CTC.

Thus, in certain circumstances, bundled customers, exempt departing load (DL) customers, and non-exempt departing load customers on the same rate schedule contribute unequal amounts to the recovery of CTC-eligible generation, on a net basis, due to the negative PCIA. This interaction of the PCIA with the ongoing CTC creates inequities and contravenes the statutory requirement of PU Code 367(a). Additionally, the negative PCIA and creates perverse incentives for exempt departing customers.

The current indifference methodology which allows the ongoing CTC to be offset with a negative PCIA creates inequitable results compared to bundled and exempt departing customers ongoing CTC contributions. For bundled customers, the results are compounded because the negative PCIA credit becomes an expense in ERRA, which bundled customers end up paying for. Thus, the current methodology has the potential to shift non-exempt customers’ ongoing CTC costs back to bundled customers through the negative PCIA rate.

D.04-12-048 obligates customers to pay their fair share of any stranded costs resulting from procurement commitments made on their behalf prior to their choice of DA or CCA service. Prior to D.04-12-048, DWR cost responsibility for non-exempt departing customers was established in D.02-11-022, which was subsequently modified by D.06-07-030.

The Commission previously determined that everyone is obligated to pay the same ongoing CTC based on a statutory calculation consistent with PU Code Section 367(a). (D.05-12-045, OP 6). In addition, the Commission clarified that that negative indifference results are not eligible to be applied against any other components of the CRS other than ongoing CTC. (See D.08-09-012, p. 40).

To resolve these issues, PG&E proposes that the Commission implement and create a level playing field for bundled, exempt DL, and non-exempt departing customers with respect each group's revenue contribution to the ongoing CTC. Specifically, the PCIA should be constrained such that if the Indifference Result minus the ongoing CTC is less than or equal to zero, then the PCIA should be set = 0. The PCIA rate already has a constraint that the absolute value of any negative PCIA result cannot be greater than the ongoing CTC. This constraint was defined in D.06-07-030 as: if the Indifference result is less than 0, then Indifference should be set = 0 and the PCIA should be set = -Ongoing CTC. In this latter circumstance, when Indifference is less than 0, the negative results are tracked through a negative indifference amount memorandum account (NIAMA). Similarly, when the Indifference Result minus the ongoing CTC is less than 0, which would otherwise result in a negative PCIA, this negative result could be tracked and made available to offset future positive PCIA amounts, rather than using the negative result as an offset to the ongoing CTC and creating inequities between similarly situated customers otherwise exempt from the PCIA.

PG&E's proposal better preserves rate parity between bundled, exempt, and non-exempt customers with respect to the ongoing CTC. Additionally, PG&E's proposal will rationalize the litigation arguments parities might otherwise be motivated to make with respect demanding their customers have an option to choose to be non-exempt from the PCIA, which is motivated purely by the potential to receive an offset (negative PCIA result) to the ongoing CTC.

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