

## Stranded Cost Recovery Types and Elements

### Ongoing Competition Transition Charge (Public Utilities Code Section 367(a))

- Intended to recover legacy contracts signed prior to December 20, 1995 from non-exempt departing customers.
- Public Utilities Code Section 367(a)(2) defines the eligible for ongoing CTC recovery as:
  - Power purchase contract obligations shall continue for duration of the contract. Costs associated with any buy-out, buy-down, or renegotiation of the contracts shall continue to be collected for the duration of any agreement governing the buy-out, buy-down, or renegotiated contract; provided, however, no power purchase contract shall be extended as a result of the buy-out, buy-down, or renegotiation.
- Ongoing CTC is calculated the same for customers and is based on the statutory language. (see D.05-12-045) utility-owned hydro and fossil generation costs are not to be included in the ongoing CTC calculation.

### Power Charge Indifference Amount (i.e., D.06-07-030)

- Intended to recover stranded costs associated with Department of Water Resources (DWR) contracts from non-exempt departing load that left prior to 2009.
- Stranded costs recovered through portfolio indifference calculation which includes utility-owned Hydro and nuclear costs and contracts executed prior to 2002, e.g., legacy QF and IDWA contracts and DWR contracts.
- Stranded costs are determined based on comparison of the total portfolio costs to market costs for the same portfolio near results in this indifference amount. The formula for determining the PCIA is:

$$\text{Indifference} = \text{Ongoing CTC} + \text{PCIA}$$

$$\text{PCIA} = \text{Indifference} - \text{Ongoing CTC}$$

### Vintaged Power Charge Indifference Amount (i.e., D.04-12-048 and D.08-09-012):

- Stranded costs allocated to vintage Direct Access ("DA") and Community Choice Aggregation ("CCA") customers starting with 2009 Vintage customers. In addition, PG&E may be able to allocate some large municipalizations by application. Stranded costs allocated to incremental municipal or customer generation departing load.

- Stranded costs are calculated based on a portfolio indifference calculation which includes PG&E's pre-2002 resource contracts and new generation contracts greater than those that were signed during the vintage year.
- The Vintaged PCIA is considered one of the elements under an existing umbrella of non-bypassable charges often referred to as "responsibility charge" ("CRS"), which includes DWR bond, ongoing CTC, and the PCIA.
- Stranded cost recovery limited to 10 years for contracts, except for stranded costs from Renewable Portfolio Standard ("RPS") power purchase agreements ("PPAs") which are recovered for the life of the PPA

Original Cost Allocation Methodology "CAM" (D.06-07-029 and D.07-09-044):

- CAM cannot be used for utility-owned generation
- CAM can only be used for PPA-related new generation resources through an RFO process
- Election to use the CAM process is when an application for approval of a contract is filed. If PPA arises from an RFO, the utility must use a PRG/CAM Group to review the RFO process
- CAMs limited to 10 years
- Stranded costs recovered from bundled, existing DA, and departing DA/CCA load customers ("benefiting customers")
- Stranded costs determined by energy auction process. PPA rights are auctioned off and revenues from auction offset the PPA payments made by the utility. Difference between auction revenues and PPA payments the stranded cost which is then allocated to benefiting customers
- Allocates both stranded costs and RA adequacy ("RA") benefits – so benefiting customers receive a portion of the RA benefits.

Senate Bill ("SB") 695 (Pub. Util. Code § 365.1(c)):

- "Net capacity costs" and RA benefits both PPAs and utility-owned generation ("UOG") that meet system or local reliability can be allocated to bundled, DA and CCA customers.
- "Net capacity costs" are determined by formula energy auction process, although energy auction not required.
- In the 2008 Long-Term Request for Offers ("LTRFO") proceeding (A.09-09-021), PG&E, TURN, DRA and CUE proposed a settlement that established the

net capacity cost through a forward market. No energy auction required.

- Implementation of SB 695 was an issue in Track 3 of the 2010 Long-Term Procurement Plan (“LTPP”) proceeding (R.10-05-006).
- As a result of SB 695, the Commission issued D.11-05-005 modifying the original CAMn that it eliminated CAM election process” and provides the Commission to determine that a resource is eligible if it meets system or local resource adequacy needs. In addition, SB 695 modified the recovery period to the term of the contract and allowed to be recovered via CAM.

### Specific Facilities and Authorizations

Facility/Contract	Type of Recovery	Authorization
Gateway Generating Station	PCIA	D.06-06-035, OP1
EIF Panoche	PCIA	D.06-11-048, OP21, 23 (PG&E subsequently elected standard cost recovery)
Starwood Midway	PCIA	D.06-11-048, OP21, 23 (PG&E subsequently elected standard cost recovery)
Colusa	PCIA	D.06-11-048, OP21, 23 (PG&E subsequently elected standard cost recovery)
Humboldt	PCIA	D.06-11-048, OP21, 23 (PG&E subsequently elected standard cost recovery)
RPS Contracts	PCIA	D.08-09-012, OP1 and some resolutions approving advice letters
CHP Contracts under the Assembly Bill 1613 Program	Program specific -- 10% location adder and greenhouse gas compliance costs	D.09-12-042, OP7
New QF Contracts	PCIA	D.08-09-012, OP5

Russell City Power Plant	PCIA	D.09-04-010 at p. 8 (indicating PG&E dropped its request to use CAM)
PG&E PV Program	PCIA	D.10-04-052, OP13
Mirant Marsh Landing PPA	SB 695 (as implemented by Partial Settlement), e.g.,	D.10-07-045, FOF16 and OP CAM
Midway Sunset PPA	PCIA	D.10-07-045, FOF16 and OP 7
Calpine Peakers PPA	PCIA	D.10-07-042, OP7.
GW Tracy and Los Esteros Upgrade PPAs	Unclear – need to modify decision to clarify stranded cost recovery	See D.10-07-042; for now, included in the Indifference/PCIA
Proposed Manzanita Project	PCIA recovery requested, PG&E reserved its right to for SB 695 treatment	Application Denied, D.11-03-036
QF Summit	Net Capacity Cost via CAM	D.10-12-035; Term Sheet, Item 13
Fuel Cells	PCIA	D.10-04-028, OP5

<sup>1</sup> In the Petition to Modify (“PTM”) to amend the Russell City PPA, PG&E asked for SB 695 stranded cost recovery as a part of the PTM. PG&E withdrew this request, but the issue of SB 695 treatment for Russell City is still open.