POLR OIR Phase 1:
FSR Example Workshop

April 4, 2023

Agenda

1. Meeting Objective

2. Background on Community Choice Aggregator (CCA) Financial Security Requirements (FSR) and Reentry Fees (REF)

3. IOU Proposed Modifications to CCA FSR Calculation Methodology

4. Walk-Through of Resulting Impacts from IOU Proposed Modifications

Meeting Objective

- To provide parties and the Commission with an opportunity to view proxy calculations of the IOU proposals for modifications to the CCA FSR calculation methodology.

- In-Scope / Out-of-Scope
  - <u>In-Scope</u>:
    - Presentation of IOU and CalCCA proposals being considered to the CCA FSR calculation methodology
  - <u>Out-of-Scope</u>:
    - Contract reassignments
    - Financial monitoring
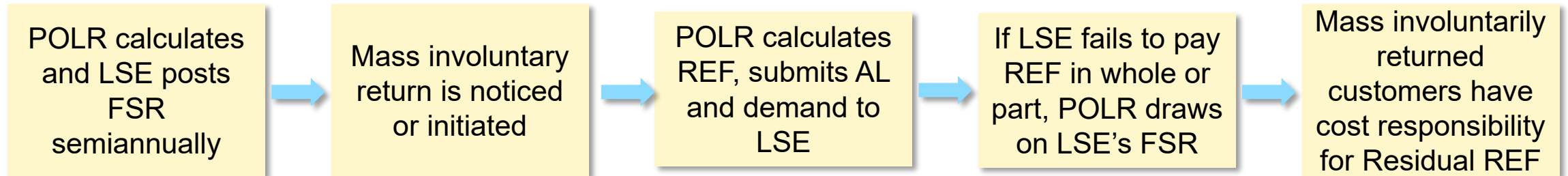   - Deregistration process

FSR and REF

See IOU Tariffs, Sections W and X (SDG&E Rule 27, SCE & PG&E Rule 23)

Financial Security Requirements (FSR)

- Collateral posted by LSE designed to protect customers and cover the estimated REF
- Collateral can currently be letter of credit, cash held in third party escrow, or surety bond
- Current FSR minimum = $147,000**

Reentry Fees (REF)

- Tariffed calculation of incremental procurement and administration costs caused by LSE's mass involuntary return of its customers to the POLR service
- REF calculation is a binding estimate of incremental costs
- Residual REF is the responsibility of mass involuntarily returned customers

| POLR calculates and LSE posts FSR semiannually | → | Mass involuntary return is noticed or initiated | → | POLR calculates REF, submits AL and demand to LSE | → | If LSE fails to pay REF in whole or part, POLR draws on LSE's FSR | → | Mass involuntarily returned customers have cost responsibility for Residual REF |

Basic Calculation for **FSR**

Forecast Costs of New Procurement

+

Forecast Administrative Costs

−

Forecast Revenues

- Energy costs
- Renewables Portfolio Standard (RPS) costs
- Resource Adequacy (RA) costs

- Per customer account

- Based on IOU's existing system average generation rate authorized in ERRA

- Example 1:
    - $85,000,000 + $156,000 – $77,000,000 = $8,156,000 FSR

- Example 2:
    - $75,000,000 + $156,000 – $77,000,000 = $147,000 FSR

- The FSR calculation allows negative procurement costs to offset administration costs. The current minimum amount is $147,000.

IOU Proposals and Positions

The IOUs propose refinements to the methodology for more adequate coverage of the POLR's incremental costs in the event of a CCA service termination/mass involuntary return for customer indifference.

	Current Input	Proposed Change	Rationale
RA Cost Forecast	CPUC RA Report	RA Market Price Benchmarks (MPB) for IOU PCIA rates	• MBPs establish the market value of RA for other indifference rate purposes
PCIA Revenues	Included as incremental revenue	Deduct revenues associated with the PCIA cost responsibility of the mass involuntarily returning customers	• Customers' existing PCIA cost responsibility covers the costs of IOU legacy resources; does not provide incremental revenues for the incremental costs of new procurement • Addresses cost shifting when CCA does not provide POLR with advance notice of the mass involuntary return
Forecast Revenues	IOU existing system average generation rate	IOU system average generation residential and non-residential rate over 6-month forward period	• Accounts for CCA-specific customer population and their IOU average generation rates
Negative Offset	Negative procurement costs may offset administration costs	Remove negative procurement cost offset administrative costs	• IOU will incur incremental administration costs irrespective of forecast procurement costs • Ensure that the FSR minimum is greater of administrative costs or 147,000

Supplemental Proposal by PG&E

PG&E proposes the minimum FSR amount reflect approximately 2 months of POLR service instead of $147,000 to better reflect the realities of CAISO market purchases and billed customer revenues.

	Current Input	Proposed Change	Rationale
RA Cost Forecast	$147,000	Two months of incremental costs expected to be incurred by the POLR	• The POLR requires upfront liquidity to provide reliable service in a short amount of time.

Questions and/or Comments?