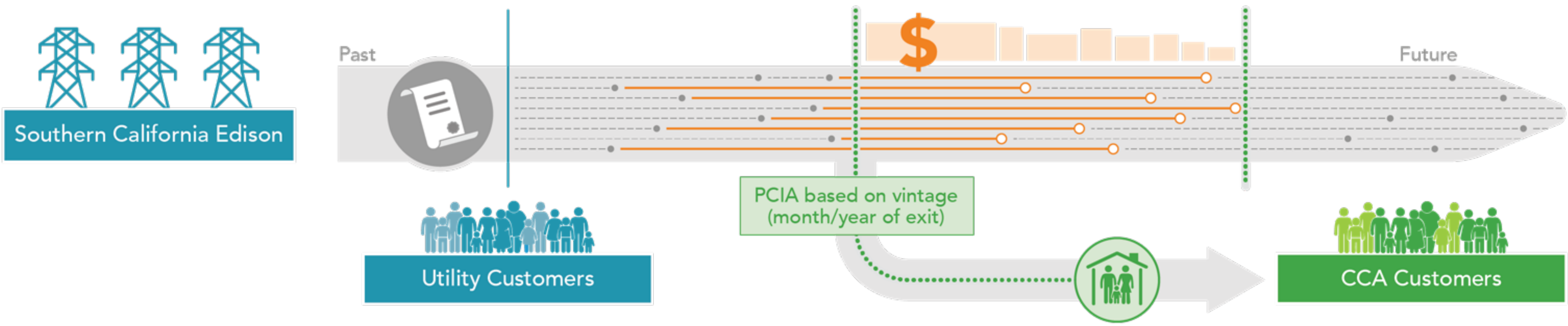
Understanding the PCIA Fee
Power Charge Indifference Adjustment

Utility continually contracts for future electricity based on current customers.

Customers choosing another electricity provider, like a CCA, are subject to the PCIA exit fee.

PCIA calculation is based on relevant contracts in effect since customer's exit date (vintage), and ending when last contract closes.



Current statute requires that remaining utility customers not experience cost increase as a result of the implementation of a CCA program.

Utility Customers

The methodology for calculating the PCIA is complex, intended to ensure that both utility and CCA 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.

CCA Customers

Understanding the PCIA Fee
Frequently Asked Questions

What is the PCIA?
The PCIA is an exit fee charged by SCE to customers that choose another provider of electricity generation service through direct access or community choice aggregation (CCA). 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 SCE's remaining customers are not burdened with 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 the 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:

- Non-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

What are CCAs doing about the PCIA?
Currently, the methodology outcome of the 2018 proceeding at the California Public Utilities Commission (CPUC) has been reopened, and CCAs are collectively and collaboratively working directly with the CPUC and the utilities to address the issues and refine the process. It is on-going, and considered one of, if not the most important issue faced by CCAs.

CalChoice

California Choice Energy Authority (CalChoice) is a joint powers authority that provides implementation and operational support to stand-alone CCAs. CalChoice is currently made up of nine member cities that have established CCA programs for their cities. As of October 2020, CalChoice is supporting seven operational CCA programs in SCE service territory. Through CalChoice, member cities are able to bring CCA programs to their local communities providing benefits tailored to their individual communities.

Our members are:

- Lancaster Choice Energy (2015)
- Apple Valley Choice Energy (2017)
- Pico River Innovative Municipal Energy (2017)
- Rancho Mirage Energy Authority (2018)
- San Jacinto Power (2018)
- Baldwin Park Resident Owned Utility District (2020)
- Pomona Choice Energy (2020)
- Santa Barbara Clean Energy (launching in 2021)
- Energy for Palmdale Independent Choice (launching in 2022)