

Outline of CCA Workshop Discussion: CRS / Vintaging

March 9, 2005

Next Steps / Follow-up

- Due date for utilities draft of bilateral agreement is pushed back to Monday, March 14, 2005 to further address language of binding agreement
 - The utilities will develop an Agenda for next workshop on Tariffs
 - Need a further meeting to frame policy issues on “Open Season”
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Below is an outline of what resulted from the CCA Workshop on “CRS/Vintaging” issues.

PUC Proceedings/Processes to be Reconciled with CCA Proceeding

(Need to develop parallel timeline of other proceedings to CCA proceeding)

- Annual CDWR Revenue Requirement (statewide)
- Long-term Resource Planning
- Resource Adequacy
- ERRA (Earned Resource Recovery Account)
- Open Season Procedures

Objectives

- DWR presentation on CRS model (see power point presentation)
- Parties agree that Vintaging would develop a CRS for each generation of CCAs and must be coordinated with open season rules
- Vintaging assigns liabilities to CCAs depending on load departure dates, while keeping bundled ratepayers indifferent
- Controversy over updates and new CRS vintages will be eased by clear rules for what goes in CRS
- Minimize number of proceedings that might require CCA participation

Definitions/Characteristics of Vintaging

- Fixed CRS Liabilities
 - off the table
 - probably unlawful
- Specifically identified portfolio for each vintaged CRS
- CRS liability would end with phase-out of specified liabilities
- Possible for CRS to end as average portfolio price equals market price
- New World procurement for subsequent CRS periods doesn't get incorporated into a previous period's CRS, but volumes are included and presumed to be at market price to CCA's benefit
- CRS falls when market price goes up and as liabilities in portfolio fall off
- Utility load growth will reduce CRS liabilities
- CRS as proposed would not reflect benefits in cases where CCA service moves utility toward required capacity reserve

Developing Rules around Vintaging

- In early years, at least – and while CRS is high – annual reviews and updates are needed
- Utilities want documentation from PUC that indicates they are not responsible for CCA procurement – or rules upfront that trigger the halt of procurement (e.g., signed contract, commitment of load, etc.)
- Need DWR numbers and Utility numbers
- Need clear rules about what goes into CRS among utility liabilities and opportunity to challenge – and independent audits as needed.
- Need a forum to dispute anomalies/application. Unlikely to need this mechanism after the first year – after that, advice letter?
- Modified Utility Contracts would be reflected in CRS if the modification reduces CCA liability. Exception: Increased liabilities may be possible if the PUC orders it? What are possible scenarios for this and how can we anticipate them in rules to minimize litigation on this?
- Returning CCA customers subject to same rules as DA customers per AB 117
- CRS gets a share of credit for litigation benefits through changes in DWR Revenue Requirement (power purchase contracts)

Vintaging Issues that Need to be Addressed

- Need “Open Season” clarifications
- Need to define what makes binding agreement/forecast binding (utilities taking a stab at language in bilateral agreement draft)
- Should CRS go negative if market price is greater than the average CRS portfolio price?
- Should the difference between forecasted CRS rate and actual liabilities be subject to interest payment (as with balance accounts?)
- Should CRS cost for New World contracts be reduced for the value of capacity on the market in addition to spot? Would be possible with the development of capacity markets.
- How do subsequent PUC orders impact CRS?
- How often does PUC need to review?
- Need to establish a dispute process through the PUC
- Which is best place for cost allocation and development of each CRS– ERRRA? Or separate phase of DWR proceeding?