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Decision 92-08-048 August 11, 1992

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for authority among other things, to increase its rates and charges for electric and gas service.

Application 88-12-005
(Filed December 5, 1988)

(Electric and Gas) (U 39 M)

And Related Matter.

I.89-03-033
(Filed March 22, 1989)

ORDER DENYING REHEARING AND MODIFYING DECISION 92-05-031

In the last Pacific Gas and Electric Company (PG&E) General Rate Case (GRC) we approved a series of incentive payments for nonfirm electric customers and ordered further study. (Decision (D.)89-12-057.) This further study of the avoided costs underlying the incentive program prompted several parties to submit a settlement proposal which we rejected in D.91-07-042. D.92-05-031 (the Decision), adopted nonfirm electric rate incentives for PG&E based on hearings following the rejection of the settlement proposal.

An Application for Rehearing (the Application) was filed jointly by the California Large Energy Consumers Association (CLECA) and the Industrial Users (IU) on June 10, 1992. No responses were filed.

The Application alleges that we erred to the extent that the Decision contains statements on the issue of interruptible bidding which are either not based on the record or may be construed as prejudicial. The issue of interruptible bidding, as compared to the existing program of interruptible rate tariffs, has been referred to the current Demand Side

Management (DSM) rulemaking proceeding (R.91-08-003). (Decision, p. 8.) The Application requests that we clarify our intentions on this subject.

The Application requests rehearing of the Decision on two grounds. (Application for Rehearing, CLECA, p. 3.) CLECA alleges that the Decision is in error insofar as:

- 1.) the Decision is internally inconsistent; and
- 2.) the Decision is inconsistent with contemporaneous decisions in the Southern California Edison (SCE) GRC on the same issue.

CLECA alleges that the Decision violates Public Utilities Code section 1705 insofar as the Decision contains an implicit determination favoring interruptible bidding which is unsupported by the evidentiary record. CLECA also alleges that this implicit determination is not spelled out in separately stated findings of fact and conclusions of law. The gravamen of CLECA's complaint is that we should not prejudge the feasibility and advisability of interruptible bidding.

CLECA urges us to clarify our intentions on the proposed adoption of interruptible bidding. CLECA indicates that it supports consideration of the interruptible bidding option in the generic DSM proceeding. (Application, page 3.) However, CLECA advises that we withhold judgment on the merits and viability of interruptible bidding pending the review in the DSM OIR. CLECA also suggests that we should specify that the DSM proceeding consider as threshold questions the impact of a bidding approach on the viability of PG&E's interruptible program and the advisability of adopting such an approach.

1. Internal Inconsistency

CLECA complains that the paragraph in the Decision (Mimeo at p. 8) where the issue of interruptible bidding is referred to the DSM proceeding contains unsupported conclusions

on the merits of the bidding approach which are inconsistent with the decision to defer this issue. The Decision states that we were not ready to implement bidding at that time.

We have reviewed the complained of language. In the interest of clarity, the last three sentences of the first paragraph on page 8 will be modified as follows:

"Finally, we are reviewing a plan to eventually replace the current incentive program with one in which those customers interested in receiving nonfirm incentives will bid for the right to receive them. A bidding approach may lead to incentive payments less than full avoided costs and thereby may provide the most benefit for the greater body of ratepayers. We intend to explore the potential of interruptible bidding to produce these benefits by implementing a limited duration bidding program for PG&E in our demand-side management (DSM) Rulemaking/Investigation (R.91-08-003/I.91-08-002) before rates go into effect in May, 1993."

CLECA also complains that these statements are inconsistent with language in other parts of the Decision which question the impact of bidding. Language on page 9 of the Decision, on the one hand, acknowledges that until such time as nonfirm customers express a price preference through a bidding program or other mechanism, we will not know whether rates set below full avoided cost would "substantially undercut participation in the program." In the next paragraph on page 9, on the other hand, a precipitous drop in payments is predicted "if and when a bidding program is adopted." CLECA is concerned that these projected consequences are inconsistent with our stated policy commitment to program stability. (Decision, discussion at p.32; Finding of Fact No. 50 at p. 38.) The language on page 9 is discursive in nature, discussing possible outcomes, and does not require modification.

2. External Inconsistency

CLECA alleges that the language in the Decision at page 8 to "seek to adopt a bidding program for PG&E..." not only prejudices the merits of interruptible bidding, as discussed above, but also is inconsistent with language elsewhere. CLECA points to the Southern California Edison (Edison) test year 1993 GRC in which we stated that the DSM rulemaking is the appropriate forum to consider the merits of interruptible bidding, because policy choices will affect all utilities. (D.91-12-076, pp. 134-135.)

CLECA is concerned that in the instant Decision we have strayed from our previous acknowledgement of the risks involved in the adoption of a bidding program. CLECA cites the recent reiteration of the need to assess independently the merits of interruptible bidding. (SCE GRC Phase 2, D.92-06-020, p. 110.) We continue to ascribe to this view.

CLECA also suggests in its Application that we should clarify our intentions on the issue of interruptible bidding by spelling out some threshold questions. CLECA offers language on what those threshold questions ought to be. There is no need to adopt this suggestion. Since the entire subject has been referred to the DSM proceeding, the threshold issues can be elaborated in that case. Any listing of questions in the decision on rehearing would be limiting and unnecessarily restrictive. Therefore, we decline CLECA's invitation to spell out threshold questions. Our modifications to the language in the Decision indicated above are adequate to address CLECA's concerns.

THEREFORE, for the reasons stated above, IT IS ORDERED that:

1. D.92-05-031 is modified so the last three sentences in the first paragraph on page 8 read as follows:

"Finally, we are reviewing a plan to eventually replace the current incentive program with one in which those customers

interested in receiving nonfirm incentives will bid for the right to receive them. A bidding approach may lead to incentive payments less than full avoided costs and thereby may provide the most benefit for the greatest body of ratepayers. We intend to explore the potential of interruptible bidding to produce these benefits by implementing a limited duration bidding program for PG&E in our demand-side management (DSM) Rulemaking/Investigation (R.91-08-003/I.91-08-002) before rates go into effect in May, 1993."

2. CACD shall conduct an evaluation of this bidding pilot and report the results to the Commission in accordance with a schedule set by the assigned ALJ.
3. The Application for Rehearing of D.92-05-031 is denied.

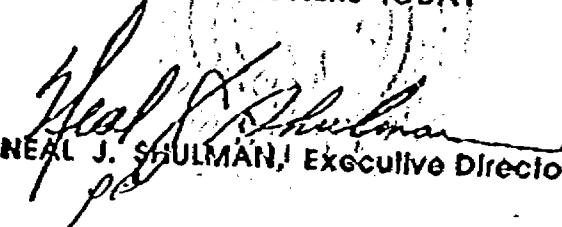
This order is effective today.

Dated August 11, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

Commissioner John B. Ohanian,
being necessarily absent, did
not participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEAL J. SHULMAN, Executive Director