ALJ/lk/iy

# Decision 82 06 021 JUN 2 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own ) motion into the establishing of ) priorities among the types or categories of customers of every electrical) corporation and every gas corporation ) in the State of California and among ) the uses of electricity or gas by such ) customers.

Case 9884 (Filed March 11, 1975)

# (See Decision 93046 for appearances.)

#### Additional Appearances

Robert C. McLennan, Attorney at Law, for Pacific Gas and Electric Company, respondent. David G. Vander Wall, Attorney at Law, for Pacific Refinery Company; Brian G. Ferris, Attorney at Law, and Donald E. Pryor, for Conrock Company; Norman Elliott, Attorney at Law, for Air Products and Research, Inc.; Robert Munro, for Blue Diamond Materials Division of Sully-Miller Contracting Company; Ed Yates, for California League of Food Processors; Calvin S. Smith, for Chevron USA; James E. Rath, for Union Oil Company; and Karl E. Vogel, for Energy & Process Systems, Inc.; interested parties.

#### FINAL OPINION

In this long-running proceeding, we have established priorities for electric usage and methods of curtailing electric service in accordance with such priorities. We directed the three major electric utilities subject to our jurisdiction to file action plans which incorporate the approved priority system and curtailment

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methods.<sup> $\perp$ </sup>/ The purpose of this phase of Case (C.) 9884 is to evaluate the proposed action plans.

Public hearing in this phase of C.9884 was held before Administrative Law Judge Mallory in San Francisco on June 23 through 25, 1981 and February 17, 1982. The matter was submitted upon receipt of statements of position. At the June 1981 hearings the utilities presented evidence with respect to conformation of their action plans with the priority system and curtailment plans adopted in Decision (D.) 91548. Evidence was also presented by affected customers of the utilities. At the February 1982 hearing the staff of our Utilities Division presented its evaluation of and recommended changes in the proposed action plans.

# Summary of Decision

We conclude that the proposed action plans should be accepted in spite of shortcomings described in the following opinion. We also conclude that the action plans should become effective one year from the date of this order to provide ample time for the utilities to formulate and place in effect the means to implement the plans.

We order that the action plans be reviewed and revised annually to keep them up-to-date. We direct the utilities to make specific changes concurrently with their first refiling and, in the interim, to study the feasibility of making the other changes described.

We conclude that a prolonged energy shortage is unlikely in the near term, in view of the overabundance of fuel oil reserves of the utilities and the ready availability of natural gas and hydroelectric power. Moreover, to meet summertime capacity shortages, we have in place the emergency plan adopted to meet possible capacity shortages during the 1979 and 1980 summer seasons. Our analyses of

1/ Pacific Gas and Electric Company's (PG&E) proposed action plan is Exhibit 258. Southern California Edison Company's (Edison) action plan is Exhibit 254. San Diego Gas & Electric Company's (SDG&E) action plan is Exhibit 261.

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statewide electric capacity reliability and availability causes us to believe that the State will experience no major capacity shortage in the immediate future; thus, the effective date of the action plans can safely be deferred for one year.

We conclude that the curtailment plan adopted in D.91548 should be revised (1) by permitting the utilities to make 40% rather than 50% of their system loads available for rotating outages; (2) by eliminating the requirement for the filing of an Excess Use Penalty Tariff (EUPT or penalty tariff); and (3) by deleting the "mandatory" curtailment actions associated with a Stage II shortage, inasmuch as there is no mechanism provided for enforcement of the so-called mandatory actions. We deny Edison's request for deletion of its Optional Binding Mandatory Curtailment (OBMC) plan from its emergency plan.

#### Background

In 1973 there was a sharp reduction in the availability of fossil fuel for electric generation in California resulting from curtailments in imported fuel supplies. At the same time prices for fuel oil rose sharply. Following this was a drought year resulting in a reduction in the availability of electricity from hydroelectric generation facilities. To meet the potential energy shortages, the Commission in D.82139 dated November 13, 1973 (unreported), D.82305 (1974) 76 CPUC 223, and D.82881 (1974) 76 CPUC 633 (C.9581) ordered respondent electric utilities to put into operation voluntary plans for conservation and curtailment of electric energy.

The fuel crisis of 1973-74 was among the events which led to legislation requiring this Commission to establish priorities for electric service.<sup>2</sup> These priorities are to be used by regulated utilities for allocation of electricity in the event of supply shortages

/ Public Utilities (PU) Code §§ 2771-2775 (Division 1, Part 2, Chapter 4.5).

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(energy shortages) or in the event of major failures of electric generation or transmission facilities or extraordinary usage because of extreme weather or similar conditions (capacity shortages). Energy shortages generally extend over a relatively long period of time and can be planned for, while capacity shortages are of relatively short duration and may be unexpected.

This proceeding (C.9884) was instituted on March 11, 1975 to receive evidence on the establishment of electric priorities under the legislative mandate. Many decisions have been issued in this proceeding. Key decisions in C.9884 and related proceedings are discussed below.

#### D.86081 (1976) 80 CPUC 157

This decision established a system of electric priorities for statewide curtailment of electric service, required the filing of updated emergency plans for implementing sequential interruptions of service (rotating outages), and set further hearings for implementation of the curtailment plan adopted in that decision.

### D.87241 (1977) 81 CPUC 551

Because of the then current drought and resulting hydroelectric generation shortage, this decision directed all customers of regulated utilities to voluntarily reduce their electric usages and directed the utilities to provide information concerning the effect of voluntary conservation.

### D.90427 in OII 43 (1979) 1 CPUC 2d 761

This decision established an emergency electric reserve sharing plan to meet possible capacity shortages during the summer of 1979. Stage I of the plan called for voluntary curtailments during peak usage periods. Stage II continued the voluntary curtailments for residential customers and provided for mandating curtailments of certain industrial customers. Stage III provided for mandatory curtailments and rotating outages. This plan later was extended for the summer of 1980.

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# D.91548 - April 15, 1980 (unreported)

This decision: (a) revised the electric priority system adopted in D.86081 by adopting the staff-proposed priority system for mandatory curtailments and the staff-proposed system for rotating outages; (b) directed respondent electric utilities to file action plans in accordance with the action plan recommended by the staff; (c) under such action plans, for Stage III (rotating outages) respondent utilities shall plan to interrupt customers sequentially in 5% increments up to 50% of system loads for one-hour duration while protecting essential uses to the extent possible; (d) respondent utilities were ordered to notify commercial and industrial customers who are reasonably able to comply with the OBMC plan adopted; (e) respondent utilities were directed to file proposed penalty tariffs, which tariffs would be held in abeyance until made effective by further order; and (f) further hearings were directed to be held to evaluate the action plans filed in compliance with D.91548.

#### D.92315 - October 8, 1980 (unreported)

This decision: (a) denied rehearing of D.91548; (b) addressed the claim of PG&E that it cannot implement the plan for rotating outages in that it could not keep rotating outages to a one-hour duration, but must have a minimum outage of two hours; and (c) provided that the filed action plans should conform to the summertime emergency plan adopted in D.91751 for Stage I (voluntary curtailment) and Stage II (mandatory curtailment). The decision points out that the priority system attempts to deal with potential shortages on a long-term basis, which may allow for advance warning, whereas the summertime emergency plan addresses only specific summer peak conditions.

D.93046 - May 19, 1981 (unreported)

This decision provided that the emergency statewide peakload reduction plan adopted for the summers of 1979 and 1980 is established as a permanent summertime load reduction plan.

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# Order Instituting Investigation (OII) 89

The California Energy Commission (CEC) and this Commission instituted a joint investigation in CEC Docket 81-ESR-1 and OII 89 to assess the adequacy and reliability of the utilities' statewide electric system for the period 1982 through 1985. The proceedings were initiated to address concerns raised about uncertain scheduling of generation additions, the load carrying capability of new generation capacity during initial years of operation, high forced outage rates at some existing plants, and the adequacy of the transmission and distribution system. Today we are issuing a decision in OII 89 which adopts a Committee Report prepared by Victor Calvo of this Commission and Russell Schweickart of the CEC. The Committee Report concludes that adequate capacity is anticipated to meet projected peak demand in the 1982 to 1985 period without undertaking extraordinary action, such as implementing the curtailment plans.

#### Summary of Action Plans

The capacity shortage plan provides for curtailments in four stages:

Stage I - Voluntary Curtailment Stage II - Mandatory Curtailment Stage III - Rotating Outages

Stage IV - Automatic Under Frequency Load Shedding

Stage I is triggered when spinning reserve is expected to decline below 5% of the anticipated daily peak demand and reduction in customer load is necessary to maintain a 5% spinning reserve.

Stage II is initiated whenever (1) customers' actions in a Stage I alert do not achieve the necessary load reduction, or (2) spinning reserve falls below 3%, or (3) the capacity shortage has deteriorated to such an extent that mandatory curtailment is necessary to prevent rotating outages (Stage III).

Stage III - Rotating outages are a last resort to be invoked when spinning reserve falls below 1-1/2%.

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Stage IV - Automatic under frequency load shedding is automatically implemented when a sudden large load or capacity shortage occurs, in order to maintain system integrity. Notification to customers is not possible.

A similar action plan is proposed for an energy shortage except that the triggers for each stage are different. For example, Edison's Stage I is initiated whenever boiler fuel in oil inventory is expected to drop below 4-1/2 million barrels within a future 30-60 day period or in the event of a drought which substantially reduces hydroelectric generation.

Stage II is triggered by the same decline in fuel oil inventory or drought conditions as Stage I, but requires approval of this Commission before it may be invoked.

Stage III - The likelihood of such an occurrence during an energy shortage is remote, but may be invoked if prospects for fuel replenishment or relief from drought conditions appear impossible in the near term.

Under the capacity and energy shortage plans, the Commissionestablished priority system will be used. High priority customers are those with (1) essential end uses (those directly necessary for health, safety, and security); (2) business-use priority (end uses directly necessary for protection of the means of production or the product); or (3) end uses directly necessary for production, processing, storage, or transportation of food and other goods and services. Essential customers ordinarily are exempt from rotating outages.

The action plans provide separate notification procedures for Stages I, II, and III situations.

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The action plans provide for OBMC and Voluntary Load Reduction plans for large customers.

Under OBMC customers meeting the following requirements qualify for an exemption from planned rotating outage interruptions. The customer must meet both of the following criteria:

- 1. Be capable of, and agree to, curtail a maximum of 50% of the peak electrical load on the entire circuit which serves the customer(s); and
- 2. Substantiate that an interruption in service from one to three hours would either pose clear and imminent danger to personal health or safety, or would create major economic damage.

If a customer does not have sufficient load to meet the 50% requirement, a joint curtailment plan can be filed with several other major customers served from the same circuit to guarantee a 50% load reduction on the entire circuit.

#### Penalty Surcharge Tariff

As a means of encouraging conservation and exacting a penalty for overusage of electricity during an energy shortage, we required in D.91548 that respondents file a penalty tariff. The surcharges range from 30% to 200%. They are applicable to consumption in excess of a base-target consumption amount based on the customer's recorded electric consumption during an unspecified base consumption period. That period would be a period of unspecified length immediately preceding the beginning of the energy shortage. The penalty tariff would not become effective for at least 30 days after the Commission's order requiring its implementation, as energy shortages can be forecast well in advance and the shortages would extend over a relatively long period.

#### Evidence of Interested Parties

Evidence was presented on behalf of the following: California League of Food Processors (Food Processors) (Exhibit 247), Pacific Refining Company (Pacific Refining) (Exhibit 248); Union Oil Company (Union Oil) (Exhibit 249); and California Manufacturers Association (CMA) (Exhibit 271).

### Food Processors

Electrical energy is essential to California food processors in the processing of approximately seven million tons of perishable raw products handled each year. No alternatives to the use of electrical energyare available to food processors; therefore, mandatory curtailment or disruption in electric supply could have irreparable consequences and loss of product. Food processors are nonessential customers.

Food Processors asserts that PG&E's OBMC is discriminatory because the joint plan only provides protection under the unique circumstance where there are sufficient nonessential customers on a single circuit to share the total reduction needed. Food Processors also questions the fairness of circuit grouping and mandatory curtailments by rotating outage blocks. Assertedly the action plans fail to adequately recognize the ability of customers to curtail.

Food Processors is of the opinion that the voluntary approach to managing an electrical supply crisis has a greater chance of success than the mandatory action plans. It recommends that an equitable voluntary plan be substituted for mandatory curtailments of nonessential customers.

#### Pacific Refining

Pacific Refining operates a petroleum refinery at Hercules. It is on an individual 66 kV circuit served from a PG&E substation. Pacific Refining is unable to curtail its electric usages up to 50%, when the refinery is in full operation, to qualify for OBMC.

#### Union Oil

Union Oil operates a refinery at Rodeo. It faces problems similar to those described by Pacific Refining, and asks that petroleum refineries be included as essential customers in the electric priority system.

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CMA has participated in C.9884 from its inception. CMA believes that the Commission and the parties have expended the best possible effort to develop a reasonable and equitable priority system,

but that no reasonable equitable priority enforcement system is available for a brief Stage III outage. No need exists for a priority system for short term Stage III outages. The priority system should be applicable to extended outages that occur normally. Primary reliance should be placed on voluntary curtailment in the event of extended outages, with the implementation of mandatory curtailments only as the last resort. Evidence of the Utilities and Our Staff

The utilities explained the operation of their individual action plans, the manner in which essential use customers were identified, and the reasons for noncompliance with the action plan concepts adopted in D.91548. The staff witness reviewed the action plans and made recommendations for changes in the individual plans and the criteria in D.91548.

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Closing statements were filed by PG&E and Edison. Both indicated that they could comply with the specific staff recommendations affecting their proposed action plans. PG&E and Edison strongly opposed the EUPT and suggested that a customer surcharge replace the EUPT to discourage excess use during a prolonged energy shortage. Edison also asked that OBMC plan not apply in connection with its action plans. The staff recommendations and the reasons supporting their adoption or denial are discussed below.

#### Determination of Essential Use Customers

Under the criteria adopted in D.91548, essential use customers are protected from rotating outages. Surveys were conducted by the utilities using the criteria adopted in D.91548 to identify the essential use customers on their systems. Different methods were used by each utility.

In conducting its survey, Edison had its local employees contact each nonresidential customer to determine whether the customer met the D.91548 criteria. A similar method was used by SDG&E. PG&E first determined the Standard Industrial Classification (SIC) codes for each class of essential use customer. It then used its central files to identify the customers falling within the SIC codes for essential use customers. As a result of the different survey methods, PG&E has a greater percentage of its customers in the essential use category than Edison, although each has about the same number of electric customers.

All persons on the same distribution circuit as an essential use customer are protected from rotating outages in a Stage III event. Because of the differences in distribution circuit design and the number of essential use customers, and because Edison excludes customers from the essential use category that have adequate emergency generation facilities to withstand a one-hour outage while PG&E does not, fewer PG&E customers are available for rotating outages than Edison customers. Only about 37% of PG&E customers would be available for rotating outages, while about 56% of Edison's customers would be available.

The staff witness concluded that the approach of both Edison and PG&E should be reviewed. Since Edison has a relatively large portion of its load available for rotating outages, it should make sure that all of its essential customers are properly protected from the effects of rotating outages to the extent possible. PG&E should reexamine its SIC Code based list and remove those customers which are not truly essential.

The staff recommended that the utilities should reexamine their lists of essential use customers; and that the lists of essential use customers and the action plans be reviewed at least once a year to keep them current. Any changes should be filed with the Commission. As previously indicated the utilities are willing to reexamine their lists of essential use customers and to comply with the other staff recommendations.

Standby Generating Equipment .

Edison continued in its action plan its practice of not exempting from rotating outages those customers that can withstand a one-hour outage or which have adequate emergency generation, even though such customers fall within the definition of essential use customer adopted in D.91548.

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PG&E did not follow that concept in determining the customers
exempted from rotating outages in its system.

The staff believes that customers that have sufficient standby generating equipment for their essential load should not be routinely protected from rotating outages because this double protection may be jeopardizing other equally essential customers at the higher load reduction levels. The staff recommends that the utilities be directed to evaluate the adequacy of the standby generating equipment of protected customers and to consider removing them from the lists of essential use customers. Any changes to the action plans that may result from this recommendation should be filed with the Commission. We agree with the approach taken by Edison as it frees more circuits for rotating outages; therefore, the staff recommendation will be adopted. System Load Reductions

D.91548 ordered that actions should contain rotating outage plans that provide for sequential interruption of customers up to 50% of system loads. The 50% criterion was not based on definitive analyses; rather it was our optimistic upper limit of expectation.

As indicated, the ability of the utilities to achieve this criterion varies. Edison has made about 56% of its peak load available for rotating outages; SDG&E about 45% of its peak load; and PG&E about 37% of its peak load. Each utility has grouped its available peak load into 5% outage blocks, as required by D.91548.

It is clear that PG&E and SDG&E cannot both protect essential use customers and meet the 50% criterion, as the number of circuits available for rotating outages is limited by the existence of essential customers on more than 50% of the distribution circuits. The load a utility can make available for rotating outages is also limited by the one-hour duration criterion. A load reduction cannot exceed half the load available for outages when an outage event exceeds one hour. If a utility can make 50% of its load available for outages, the onehour duration criterion requires that at least half of it, or 25%, be on at any one time.

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The parties and the staff recommend that 40% of a utility's peak load be made available for rotating outages, rather than the 50% criterion adopted in D.91548. The staff points out that a load reduction of 40% would allow the utilities to respond to a very serious event (i.e. a load reduction of 20%). As pointed out in Edison's testimony, a capacity shortage of that magnitude would result in a Stage IV situation (mandatory load-shedding) before it would be necessary to curtail. A long-term energy shortage of a magnitude in excess of 20% of peak demand seems highly unlikely in view of the current and expected long-term availability of fossil fuels, and the ability of electric utilities to supplement their own generation with purchased power.

As pointed out in the staff exhibit, only PG&E currently cannot meet the 40% criterion. The staff believes that if its other recommendations are adopted, PG&E may be able to achieve the 40% level while still protecting all essential use customers.

The 40% criterion is reasonable and will be adopted. One-Hour Outages

PG&E, in this phase, as in prior phases of C.9884, strongly challenged the one-hour outage criterion. PG&E presented evidence designed to show that because of the design and operating characteristics of its system, it could not readily comply with this criterion. PG&E believes that a two-hour outage period would better serve it and its customers. The evidence shows that PG&E would experience difficulty in complying with this criterion because of the need to train personnel to physically disconnect and reconnect loads at outlying unmanned substations. A training and operation plan to achieve rotating outages limited to one-hour periods would be expensive and difficult for PG&E to achieve. Ninety-seven percent of PG&E's distribution circuits are fed from unmanned substations (as opposed to 80% for Edison and 75% for SDG&E). PG&E's service territory is the largest in the State and travel time is greater.

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PG&E asks that at least for its system, the one-hour criterion for duration of rotating outages be changed to a two-hour period.

The staff opposed this request. It is the staff's view that the one-hour criterion is important to many electric customers, such as those who must maintain the temperature of perishable items. The staff calls attention to previous testimony in this proceeding which indicates that product damage will be minimized if outages do not exceed one-hour. The staff report states that SDG&E's action plan provides for one-hour outages, acknowledging that the actual length of each outage is dependent upon the severity of the crisis. Edison's action plan provides for one-hour outages in a capacity shortage and three-hour outages in an energy shortage. PG&E's action plan provides for two-hour outages at the 5% and 10% curtailment levels, three-hour outages at a 15% curtailment level, and four-hour outages at a 20% curtailment level.

The staff study states that a one-hour criterion at the 5% and 10% load reduction levels in a capacity shortage would accommodate the most likely rotating outage event, i.e., a load reduction resulting from the loss of a major generating facility. Although PG&E would have difficulty meeting this criterion, the staff urges that a criterion of one-hour duration for rotating outages at the 5% and 10% load reduction levels can be achieved by PG&E if it institutes the procedures of testing its switching personnel in simulated outages, and by certifying or training other personnel to do energy switching whenever possible.

We have carefully examined the position of PG&E and the alternatives suggested by our staff and conclude that we should adopt the staff recommendation that the one-hour criterion be maintained at the 5% and 10% load reduction levels and that we encourage the utilities to attempt to meet that criterion at higher load reduction levels and in energy shortages, as circumstances permit.

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#### EUPT

Edison's witness testified that the EUPT is counterproductive to customers who have implemented conservation measures and practices and, thus, may be discriminatory. The staff recommends the retention of the EUPT, and suggests changes in the procedures for implementing the tariff.

The staff witness countered the result described by Edison with a suggestion that the Base Target Consumption Amount (BTCA) be determined by the customer's previously recorded electric consumption for an undefined prior period. Edison and PG&E take the position that setting the BTCA in that manner may penalize those customers who have installed conservation measures in an earlier time period. They recommend that the Commission staff investigate the concept of designing an incremental surcharge tariff which would establish penalties for energy use beyond a minimum amount specified by the Commission. The Commission could then adjust the level of the surcharge depending on the severity of the energy shortage. The utilities believe that a surcharge penalty of this nature would actively encourage the installation of energy conservation measures rather than penalize past conservation measures undertaken by their electric customers.

The utilities also point out that the EUPT would be timeconsuming and expensive to prepare and administer. The utilities urge that, given the unlikelihood of a prolonged energy shortage in the foreseeable future, this issue be held in abeyance for a future proceeding when there is a greater likelihood of a specific need for a tariff provision designed to keep customer usage down during a prolonged energy shortage.

We agree with the utilities' position on this point. We see no current need to implement the EUPT, as the present ample supplies of fossil fuels available for electric generation preclude a prolonged energy shortage. The present conditions are materially different from the shortages envisioned when this proceeding was initiated.

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As pointed out in the testimony, there will be a sufficient period prior to a prolonged energy shortage in which to establish appropriate penalty provisions for excess use during the shortage, so that the Commission and the utilities will have time to develop appropriate measures. We find that the proposed EUPT has the potential to penalize customers that instituted conservation practices prior to an energy shortage and may be discriminatory, and that no need exists to have the mechanics of an EUPT in place at this time because of the unlikelihood of a prolonged energy shortage and because sufficient time will be available to establish excessive use penalties prior to the need for such provisions in the event of a prolonged energy shortage. The provision of D.9154S will be amended to delete the requirement that the utilities file an EUPT as part of their action plan. OBMC

The OBMC plan permits nonessential use customers to avoid rotating outages when such customers guarantee reductions in the same amount as the utility would achieve in each increment of its rotating outage plan.

The staff recommended that the OBMC plan be revised to require that OBMC participants achieve a 40% reduction in 5% increments in lieu of the present 50% reduction, in order to conform to 40% of utility peak load to be made available for curtailments under Stage III conditions. The utilities concur in this recommendation.

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Edison anticipates that with more of its customers participating in the OBMC plan, its ability to ensure such customers are exempted from rotating outages will be diminished. Edison states that as it takes advantage of annual increases in the capacity of its distribution system, customer load blocks are routinely switched from circuit to circuit and substation to substation. Assertedly, this manipulation makes it cumbersome for Edison's operating personnel to keep track of and maintain its OBMC customers on the appropriate circuit. As an example, as a customer is switched to an adjacent circuit, the peak kW of that circuit will change, and the customer may no longer qualify for participation in the OBMC plan. Therefore, certain OBMC customers may become subject to rotating outages. In the case of a group of qualifying OBMC customers, if any one customer is switched to another circuit, the remaining customers may no longer comprise the 40% of the total circuit kW

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required for participation in the OBMC plan. Edison recommends that the Commission recognize that customers participating in the OBMC plan may be subject to disqualification as a result of utility operating procedures.

PG&E points out the enigma that results for OBMC customers in the transition from Stage II to Stage III conditions. During Stage II, customers without essential uses are required to reduce load and remain in a standby or protected state. In many cases this may involve load reduction well in excess of 20%. If a customer with an OBMC plan complies with a Stage II request to reduce to a standby or protected state, and then a Stage III situation occurs, which requires a 5% reduction, the OBMC customer may actually increase its load by the difference between 5% (Stage III) reduction and 20% (Stage II) reduction. PG&E suggests, in the alternative, that (1) Stage II should not call for mandatory reductions, but should call for an "intensified load reduction effort" or (2) that OBMC plan customers not be required to reduce load in Stage II greater than the initial load reduction (5%) contemplated under the OBMC plan in Stage III.

The staff recommended a change in the economic damage criteria applicable to the action plans. First, under the plan adopted in D.91548, a large customer GOO kW or more) must show that it may suffer economic damage in a rotating outage before it can file an OBMC plan. Second, small customers (less than 300 kW) that are susceptible to economic damages may receive individual warning of rotating outages from the utility whenever possible.

The staff proposes to eliminate the economic damage and the health or danger criterion as it applies to OBMC plans. In support, the staff states that the economic damage criterion was established to limit participation in OBMC plans. The record shows that few customers are involved in these plans. PG&E has five OBMC customers. About 50 Edison customers and 24 SDG&E customers have shown interest in OBMC, but the utilities have not accepted any plans. The staff states that

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there is no indication that the economic damage criterion is responsible for the limited participation, because the real restrictions are the ability to effectively control the entire load on a circuit and the customer's ability to match the statewide load reduction. The staff believes that participation in OBMC may increase if the load reduction criterion is lowered.

We have reviewed the problems with the OBMC plan described by interested parties, the utilities, and our staff. While there are obvious enigmas and operational problems in the OBMC plan, as there are in the entire priority system and curtailment plan adopted in D.91548, the enigmas and problems are not so great as to require cancellation of the OBMC plan, or to make major modification in that plan. We adopt PG&E's suggestion that the term "mandatory" be eliminated from actions designated to be taken in a Stage II situation. This will eliminate the need for OBMC customers to curtail a greater percentage of load in Stage II than is required in Stage III. Other problems concerning the OBMC plan are not fatal to the plan, particularly in view of unlikelihood that we will ever reach a Stage III situation because of an energy or a capacity shortage. No changes are required on the OBMC plan adopted in D.91548. Warnings to Small Customers

The staff states that the economic damage criterion was adopted, in part, in order to limit the number of individual warnings the utilities would have to give to customers prior to a rotating outage. As the utility action plans would warn their large customers, that criterion acts as a limitation on the number of small customers that would receive warnings. The staff believes that warnings are important to all customers, large or small. However, because the utilities may have insufficient time or resources to provide individual warnings to all customers, some limitation is necessary. The staff recommends that warning should be given to customers, in descending order

of size, that believe they would suffer serious economic damage, and the economic damage criterion otherwise be eliminated with respect to warning customers.

No evidence was presented to show how the utilities would be able to comply with this recommendation. or whether time and resource constraints would limit the warnings to as many customers as would receive warning under the serious economic criterion. Therefore, it is not possible to determine whether this recommendation would produce the desired objective. It will not be adopted. Other Stage II Problems

PG&E recommends that Stage II provisions in utility action plans calling for mandatory customer actions be deleted, for the reason that there is no enforcement mechanism provided for failure to comply with the prescribed Stage II mandatory curtailments. PG&E suggests that in lieu of the term "mandatory" the words "intensified load reduction effort" be substituted to more properly characterize the action required in a Stage II situation. A similar recommendation is inherent in the testimony presented on behalf of CMA.

This change is reasonable and will be adopted. It should help to eliminate the problem where more curtailment is required of OBMC customers in a Stage II situation than in a Stage III situation. It also recognizes that curtailments under Stage II are, in fact, an extension of the voluntary curtailments requested of all utility customers under Stage I; and that no enforcement of Stage II "mandatory" curtailment requirements by the utilities is possible against the preponderance of their customers, who are the residential or small business customers. Based on the limited Stage I alerts called in connection with the summertime emergency curtailment plans, the general public has made excellent responses to utility pleas for voluntary load reductions during peak periods. We believe, therefore, voluntary curtailment is a very effective method of achieving load reductions.

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Under the action plan criteria adopted in D.91548, a Commission order is required prior to implementing Stage II. PG&E states that this requirement presents little concern during an energy shortage which is generally foreseeable for some period of time. The need for a prior Commission order to instigate Stage II actions can be critical during a capacity shortage, which could proceed from Stage I to Stage II in minutes. PG&E suggests that the utilities initiate Stage II procedures without a Commission order whenever it would be infeasible to await such an order.

As we have previously stated, we view Stage II as the situation requiring intensification of Stage I efforts to achieve sufficient voluntary curtailments to avoid Stage III rotating outages. A Stage II situation is triggered by a further reduction in reserve margins beyond the critical point requiring Stage I efforts. Because of the urgency in achieving all possible reductions that would avoid rotating outages, the utilities should be free to start Stage II load reduction efforts in a capacity shortage situation without the possible delays associated with obtaining a Commission order. The recommendation will be adopted. Implementing the Action Plans

The action plans filed under D.91548 are proposed action plans which become effective on approval of the Commission after review.

Our analyses set forth above indicate those areas where we believe further efforts are needed to achieve the results outlined in D.91548. However, it is not essential that we delay approval of the filed action plans pending such changes. As we have expressed throughout this and prior opinions, it is our view it is not possible to achieve a wholly non-discriminatory or fully reasonable electric priority system and curtailment plan. We recognize the many defects inherent in both the priority system and curtailment plan adopted in this proceeding which result from the manner in which electric distribution lines are constructed, and the need to exempt the large numbers of distribution lines that serve essential use customers from rotating outages.

We do not believe that the Stage III provisions of the plan will be required in the foreseeable future, as there appears to be ample capacity available to prevent a capacity shortage. Therefore, we believe the utilities should have at least a year to bring their action plans in line with the changed criteria adopted here. We will accept for filing the proposed action plans submitted in response to the directive in D.91548 and will direct the utilities to review their plans to bring them into compliance with the criteria adopted in D.91548, as amended here.

### Findings of Fact

1. As directed in D.91548, PG&E, Edison, and SDG&E have filed proposed action plans reflecting the criteria adopted in D.91548.

2. As discussed in the opinion, the proposed action plans do not fully meet the criteria established in D.91548.

"3. The changes in such criteria described in the preceding opinion are reasonable and should be adopted.

4. The utilities' proposed action plans should be reviewed and revised as indicated in the prior opinion to meet the D.91548 criteria.

5. As the likelihood of a prolonged energy shortage or an extensive capacity shortage requiring implementation of Stage II or Stage III programs has diminished since the institution of this proceeding, the utilities should be accorded ample time to review their action plans and to make the revisions contemplated in the opinion portion of this decision.

#### Conclusions of Law

1. The proposed action plans should be accepted for filing one year after the effective date of this order.

2. The filed action plans should be refiled within one year to bring them into compliance with the criteria adopted in D.91548, as revised.

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3. The filed action plans should be reviewed annually by the utilities, and any necessary changes should be filed with the Commission.

4. The purposes of the order instituting investigation in this proceeding having been met, this proceeding should be closed.

5. The permanent summertime load reduction plan adopted by D.93046 should remain fully effective for each designated future summer period.

#### FINAL ORDER

IT IS ORDERED that:

1. The proposed action plans filed by Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company by the directives contained in D.91546 are accepted for filing one year after the effective date of this order.

2. Within one year after the effective date of the action plans, respondents shall review their filed action plans, and make such revisions as are necessary to comply with the criteria adopted in D.91548, as amended.

3. Respondents shall annually review their filed action plans and file such revisions as are necessary.

4. Filings made in compliance with Ordering Paragraphs 2 and 3 shall be in triplicate, and shall be filed in the Commission's Docket Office in San Francisco, and a separate copy furnished to the Director of the Commission's Utilities Division. Copies shall be served on all appearances in this proceeding.

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5. The proceedings in C.9884 are terminated on the effective date of this order.

This order becomes effective 30 days from today. Dated \_\_\_\_\_\_\_, at San Francisco, California.

> JOHN E BRYSON President RICHARD D. GRAVELLE LEONARD M. CRIMES JR. VICTOR CALVO PRISCILLA C. CREW Commissioners

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS FODAY.

Joseph E. Eccovitz, Execu 77.

CK ly MENDONET Sei

As pointed out in the testimony, there will be a sufficient period prior to a prolonged energy shortage in which to establish appropriate penalty provisions for excess use during the shortage, so that the Commission and the utilities will have time to develop appropriate measures. We find that the proposed EUPT has the potential to penalize customers that instituted conservation practices prior to an energy shortage and may be discriminatory, and that no need exists to have the mechanics of an EUPT in place at this time because of the unlikelihood of a prolonged energy shortage and because sufficient time will be available to establish excessive use penaltics prior to the need for such provisions in the event of a prolonged energy shortage. The provision of D.91548 will be amended to delete the requirement that the utilities file an EUPT as part of their action plan. OBMC

The OBMC plan permits nonessential use customers to avoid rotating outages, when such customers guarantee reductions in the same percentâge of total as the utility would achieve in each staged increment of the utility's rotating outage plan.

The staff recommended that the OEMC plan be revised to require that OBMC participants achieve a 40% reduction in 5% increments in lieu of the present 50% reduction, in order to conform to 40% of utility peak load to be made available for curtailments under Stage III conditions. The utilities concur in this recommendation.

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