

continue to offer the meters at cost in approved tariffs to customers who wanted to take advantage of TOU rates.

In response, PG&E on December 28, 1995, submitted revised tariff sheets in Advice Letter 1557-E. Among other things, the revised tariffs closed the voluntary time-of-use rate schedules. In Advice Letter 1595-E, submitted August 9, 1996, PG&E proposed reopening commercial TOU schedules and revising agricultural TOU schedules to include meter installation charges for new customers. PG&E stated at the time that a similar filing for residential customers would be forthcoming following a decision in the rate design phase of the utility's 1996 general rate case.

Meanwhile, both PG&E and the Commission's staff received calls from residential and general service customers who had time-of-use meters on their premises and wanted to be placed on a TOU rate. PG&E on July 22, 1996, submitted Advice Letter 1592-E proposing to reopen PG&E's voluntary TOU rate schedules to residential and general service customers who request such rates and where a TOU meter is currently installed.

4. Commission Resolution E-3465

Resolution E-3465 was the Commission's response to Advice Letter 1592-E. It concluded that PG&E should not have closed its voluntary time-of-use schedules to customers with existing TOU meters installed at their premises. The resolution ordered PG&E to:

1. Permanently reopen the voluntary residential and general service TOU rate schedules to customers with existing TOU meters.
2. By October 31, 1996, notify all customers with a TOU meter who were not then taking time-of-use service of the option of taking service under the TOU rate schedules.
3. For those customers who request TOU service, provide refunds, if any, calculated from January 1, 1996, for the months those customers received non-TOU service with an installed TOU meter, for the difference between the rate they paid and the rate they would have paid if they had been served under the TOU rate schedule.

PG&E states that it is complying with Resolution E-3465. On September 16, 1996, PG&E submitted Advice Letter 1592-E-A containing tariffs that reopened the voluntary

residential and general service TOU rates for customers with existing TOU meters. PG&E stated that it notified approximately 43,000 residential and general service customers with existing meters that they now were eligible for TOU rates. For those customers requesting the service, PG&E states that it will refund the difference, from the later of January 1, 1996, or whenever the customer began non-TOU service at a facility with an installed TOU meter, between the rates they paid and the rate they would have paid if they had been served under the TOU rate schedules.

5. Request for Modification

PG&E takes issue with Resolution E-3465 only as to the method for calculating the refund.

The resolution "orders PG&E to refund to customers the difference between the rate they paid and the rate they would have paid if they had been served under the TOU rate schedules." (Resolution E-3465, ¶ 4.) Similarly, Findings 8 and 9 of the Resolution state:

"8. Some customers with installed TOU meters paid higher rates than would have been assessed if the TOU rate schedules had been open to voluntary new customers.

"9. PG&E should refund to customers the excess charges collected because the TOU rate schedules were closed."

PG&E contends that the stated method of refund departs from the Commission's intent. According to PG&E, the refund plan set forth in paragraph 7 of Resolution E-3465 requires PG&E to calculate or estimate the charges that would have accrued for each eligible customer if the customer had been on a TOU rate, and then refund the difference only for the months in which the TOU charges were lower than the customer's actual charges. According to PG&E, the result would give those customers an unintended windfall to the detriment of PG&E's other customers.

6. Discussion

As PG&E points out, the purpose of TOU rates is to encourage customers to shift discretionary electric usage to off-peak periods. For PG&E, this translates into a high summer on-peak rate, with rates lower than average during all other periods of the year. For example, for standard residential rates, the year round energy charge (exclusive of impact of baseline allowances) is 13.321 cents per kilowatt hour (kWh). In contrast, the residential TOU energy charges (exclusive of baseline allowances) are:

Winter on-peak:	11.636¢/kWh (Mon-Fri, noon-6, Nov.-Apr.)
Winter off-peak:	8.851¢/kWh (all other times, Nov.-Apr.)
Summer on-peak:	31.524¢/kWh (Mon-Fri, noon-6, May-Oct.)
Summer off-peak:	8.515¢/kWh (all other times, May-Oct.)

In comparing the TOU energy charges with the standard energy charge, two things are obvious: even with a 12.8¢/day meter charge, virtually all customers on TOU save money in the winter period; and it doesn't take much on-peak usage for customers to pay more during the summer compared to the standard charge. This pattern is intentional, encouraging customers to shift energy use away from the high-cost summer peak period. For this reason, PG&E's Rule 12 requires customers to stay on a TOU rate for a minimum of 12 months. Otherwise, customers would sign up for the TOU rate every winter and the standard rate during the summer, thus defeating the purpose of the rate.

We agree with PG&E that the refund plan set forth in Resolution E-3465 inadvertently provides that customers who sign up for the time-of-use rates will be rewarded for the winter months without any deduction for high on-peak usage in the summer months. The result is that customers would be paid a refund greater than the amount they actually would have saved if they had been on TOU rates through the entire period.

The refund plan should provide that the sum of the monthly calculations of savings, both positive and negative, equals the refund amount. If a customer has low summer on-peak usage, the refund will be greater than if the customer had high on-peak usage. On the other hand, if the sum of the refund amount is negative (indicating higher summer on-peak usage), then that customer should not receive a refund, since that would put the customer in a

better position than would have occurred had the customer been on the TOU rate for the entire period.

Refund payments eventually will show up as a revenue shortfall and, as such, will be made up by other customers. It would be unfair to other customers to have to pay for a refund to certain customers that, through inadvertence, was higher than that intended by our resolution.

7. Conclusion

Resolution E-3465 should be modified to provide that affected customers should only receive the difference between the rate they paid and the rate they would have paid if they had been served under the TOU rate schedules. The intent is to restore affected customers to the position they would have been in had the voluntary TOU rate schedules not been closed. The refund plan should look at the total amount affected customers paid in rates from January 1, 1996 or their date on service at premises with an installed TOU meter onward, and the total amount they would have paid if they had been on the applicable TOU rate, and refund the difference if the TOU rate was lower. Our order today modifies Resolution E-3495 to make that result clear.

Findings of Fact

1. In D.95-12-055, the Commission eliminated ratepayer funding for the cost and installation of time-of-use meters for customers who want to take advantage of TOU rates.
2. PG&E on December 28, 1995, submitted revised tariff sheets that, among other things, closed the voluntary TOU rate schedules.
3. On August 9, 1996, PG&E in an advice letter filing proposed reopening commercial and agricultural TOU schedules to include meter installation charges for new customers. The filing stated that reopening of the TOU rates for residential customers would be forthcoming at a later time.
4. PG&E and the Commission received calls from residential and general service customers who had TOU meters and wanted to be placed on a TOU rate. On July 22, 1996, PG&E filed tariffs proposing to reopen these voluntary TOU schedules to residential and general service customers where TOU meters were already installed.
5. In Resolution E-3465, the Commission concluded that PG&E should not have closed its voluntary TOU schedules to customers with existing TOU meters. The resolution required PG&E to reopen such schedules and to refund to residential and general service

customers the difference between the rate they paid for the applicable period and the rate they would have paid under the TOU schedules.

6. PG&E has complied with the Commission order in Resolution E-3465, but it petitions for a change in the method of refund in order not to make refunds in excess of the amounts intended by the Commission.

Conclusions of Law

1. The purpose of TOU rates is to encourage customers to shift discretionary electric usage to off-peak periods by providing lower rates during off-peak periods and high rates during summer on-peak periods.

2. The refund method set forth in Resolution E-3465 inadvertently provides a refund for winter months without an offsetting deduction for high on-peak use in the summer months.

3. PG&E's petition for modification of Resolution E-3465 should be granted to more accurately state a method of refund that restores affected customers to the position they would have occupied had the TOU rates not been closed.

4. This order should be effective immediately so that refunds can be processed as soon as practical.

O R D E R

IT IS ORDERED that:

1. The application of Pacific Gas and Electric Company (PG&E) for modification of Resolution E-3465 regarding Advice Letter 1592-E for calculation of refunds is granted.

2. Paragraph 7(e) of the Discussion section on pages 4 and 5 of Resolution E-3495 is modified to read as follows:

"e) If the amount calculated under the TOU rate schedule for the period commencing on the later of January 1, 1996 or the date when the customer began non-TOU service at a location with an installed TOU meter, and ending at such time as they receive service under a TOU rate schedule, is less than the amount the customer was charged for the same period, then PG&E will refund the difference between the amount charged and the charges as calculated using the TOU rate schedule. If the amount calculated under TOU rates is equal to or greater than the amount historically charged under non-TOU rates,

then no refund is owed. Refunds shall be credited to the customer's account."

3. Application 96-10-012 is closed.

This order is effective today.

Dated February 5, 1997, at San Francisco, California.

P. GREGORY CONLON
President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners