

Decision 98-06-026 June 4, 1998

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company to Identify and Separate Components of Electric Rates, Effective January 1, 1998 (U 39 E).

Application 96-12-009
(Filed December 6, 1996)

Application of San Diego Gas & Electric Company (U 902 M) for Authority to Unbundle Rates and Products.

Application 96-12-011
(Filed December 6, 1996)

In the Matter of the Application of Southern California Edison Company (U 388 E) Proposing the Functional Separation of Cost Components for Energy, Transmission and Ancillary Services, Distribution, Public Benefit Programs, and Nuclear Decommissioning, to Be Effective January 1, 1998 in Conformance with D.95-12-036 as Modified by D.96-01-009, the June 21, 1996 Ruling of Assigned Commissioner Duque, D.96-10-074, and Assembly Bill 1890.

Application 96-12-019
(Filed December 6, 1996)

O P I N I O N

Summary

This decision modifies Decision (D.) 97-12-109 and directs Pacific Gas and Electric Company (PG&E), Southern California Edison Company (Edison), and San Diego Gas & Electric Company (SDG&E) to modify the language in their customers' bills which describes the Trust Transfer Account (TTA) charge.

Background

On April 30, 1998, Assigned Commissioner Conlon issued a ruling in this proceeding soliciting comments on language adopted in D.97-12-109 which the

utilities were directed to include on customer bills. The language describes the TTA charge. The TTA is a charge assessed to finance rate reduction bonds authorized by Assembly Bill (AB) 1890 for the purpose of permitting the utilities to securitize and thus to refinance certain generation investments at low interest rates. The savings from the lower interest rate and the extension of the period of recovery of costs from four years (provided for recovery of stranded costs under AB 1890) to ten years (the term of the bonds issued to refinance the generation assets) helped finance the 10% rate reduction for residential and small commercial customers required by AB 1890.

The language describing the TTA on customer bills mandated by D.97-12-109 states "This charge recovers the financing cost associated with the required 10% rate reduction." The Assigned Commissioner's ruling (ACR) expressed concern that this language has caused customer confusion. The ACR stated an intent to explore changes to the language "to better educate consumers over how the various components of the bill, including the CTC [competition transition charge], TTA, and the 10% rate reduction components are interrelated." To that end, the ACR proposed specific changes in the bill language. The ACR also proposed to explore changes in how the various components of a customer's bill are calculated and presented on the bill itself. It attached an example of a modified calculation of a typical residential customer's bill showing a new billing format.

On May 15, 1998, Edison, PG&E, and SDG&E filed comments on the ACR. In general, all three utilities oppose any major changes to their bill formats. Each suggested an alternative to the language proposed in the ACR.

Modifications to Description of TTA

The ACR proposed to modify D.97-12-109 to make two changes to the way the TTA is described on customer bills:

(1) The face of each customer bill which describes unbundled billing elements shall include the following footnote: "The TTA charge does not offset the 10 percent rate reduction on your bill and is a portion of the CTC.' The TTA is a refinancing of a portion of CTC costs over the next 10 years."

(2) The section of each bill which describes billing elements more fully shall include the following description of the TTA: "The TTA shows your share of the cost of 'rate reduction' bonds used to refinance some of (the utility's) past investments in electric generation. These bonds are less expensive than the types of financing the utilities previously employed and allow (the utility) to reduce your bill by 10 percent. The TTA comprises a portion of the CTC."

PG&E objects to having two descriptions of the TTA on the bill because it may be confusing. PG&E also raises concerns with the proposed language, believing it to be confusing and in some ways negative. PG&E proposes the following alternative language:

"The TTA allows PG&E to reduce your electric bill 10% by refinancing some CTC costs using lower interest rates and better terms. Although the TTA is shown as a separate line item, it recovers costs that have always been included in your bill, and your total bill is still 10% lower. The TTA has been transferred to a subsidiary of PG&E and then to a public trust. PG&E is collecting the TTA on behalf of the subsidiary and public trust. The TTA does not belong to PG&E."

Edison also believes having two descriptions of the TTA is unnecessarily confusing and believes a portion of the proposed language is incorrect. Edison comments that its original proposal, which it included on customer bills prior to the issuance of D.97-12-109, did not create customer confusion. Edison proposes the Commission allow Edison to use that language again:

"By CPUC Order, a portion of historical customer obligations has been refinanced using a public trust to take advantage of lower

interest rates and better terms to reduce costs for Residential and Small Business accounts."

Edison proposes the following alternative to the above:

"A portion of historic costs have been financed through low-cost bonds to reduce your total bill by 10%. The TTA reflects the costs of these bonds, which are less expensive than the type of financing the utilities previously employed. The TTA does not offset your rate reduction, nor does it increase the total amount you otherwise would have paid."

Edison states it requires 60 days to implement such a bill change and would not require additional space on the bill.

SDG&E comments that it has received very few customer inquiries as a result of the existing language on the bill but has nevertheless conducted some meetings with residential and small business customers to offer opinions about the existing bills. It recommends the following language to describe the TTA:

"Refinancing some of SDG&E's financial obligations with low-interest bonds has allowed SDG&E to lower your bill by 10%. Your bill shows the bond repayment costs as a specific line item – the Trust Transfer Amount. Before we refinanced these obligations, their costs were still included on your bill but not separately listed. Because our previous financing costs were higher, the amount you used to pay for these obligations was higher. In part, this charge recovers the financing cost associated with the required 10% rate reduction. The sum of the Trust Transfer Amount and the 10% rate reduction roughly approximates the amount you used to pay for those same obligations."

SDG&E also states it requires 60 days to implement the bill language change.

Discussion

The TTA's complexity and purpose make difficult the development of a brief description that is both accurate and complete. We do, however, believe

certain terms used in the utilities' proposals may not be clear to most customers without more explanation. After reviewing the utilities' recommendations, we direct them to include the following description on their customer bills:

"A portion of historic costs has been financed through low-cost bonds to reduce your total bill by 10%. The TTA reflects the costs of these bonds, which are less expensive than the type of financing the utilities previously employed. The TTA does not offset your rate reduction, nor does it increase the total amount you otherwise would have paid."

The utilities shall include this language in the first billing cycle possible but no later than 90 days from the date of this decision.

Modifications to Bill Format

The ACR proposed changes to the format of customer bills which was appended to the ACR as Attachment 1. Edison, PG&E, and SDG&E all oppose this type of change to the formatting of their customer bills. All three observe that the proposal in the ACR would require major modifications to the bill format. Edison observes the changes would require systems work possibly through the second quarter of 1999 at an estimated cost of \$3 million. PG&E makes similar comments, adding that the changes proposed would not necessarily improve customer understanding. SDG&E states the precise format proposed by the ACR would be difficult to implement.

We concur that any major modifications to the bill format may ultimately not contribute enough to customer understanding to offset the cost of their implementation. We will not impose any new requirements regarding bill format at this time.

Finding of Fact

The existing language on utility bills required by D.97-12-109 to describe the TTA is inadequate and may have caused undue customer confusion.

Conclusion of Law

The Commission should modify D.97-12-109 and order PG&E, Edison, and SDG&E to modify the language on their customer bills which describes the TTA as set forth herein in order to provide more accurate and complete information regarding the TTA.

O R D E R

IT IS ORDERED that:

1. Ordering Paragraph 3 of Decision (D.) 97-12-109 is modified to read:

"Conclusion of Law 29 in D.97-08-056 is modified by adding the following language:

'These customers' bills shall separately disclose the Fixed Transition Amount Charges defined in Public Utilities Code 840(d), beginning at the same time that the 10 percent bill credit first appears on customers' bills and under no circumstances any later than other bill unbundling to occur by June 1, 1998. Fixed Transition Amount (FTA) Charges are also referred to as Trust Transfer Amount (TTA) Charges. Each customer bill will describe the charge by stating, "A portion of historic costs has been financed through low-cost bonds to reduce your total bill by 10%. The TTA reflects the costs of these bonds, which are less expensive than the type of financing the utilities previously employed. The TTA does not offset your rate reduction, nor does it increase the total amount you otherwise would have paid.'"

2. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall modify the description of the Trust Transfer Amount on their respective customer bills as follows:

"A portion of historic electric generation costs has been financed through low-cost bonds to reduce your total bill by 10%. The TTA reflects the costs of these bonds, which are less expensive than the type of financing the utilities previously employed. The TTA does

not offset your 10% rate reduction, nor does it increase the total amount you otherwise would have paid."

3. The bill modification shall be implemented as soon as practical but no later than 90 days from the date of this order.

This order is effective today.

Dated June 4, 1998, at San Francisco, California.

RICHARD A. BILAS

President

P. GREGORY CONLON

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

Commissioners