

Decision 98-09-019 September 3, 1998

**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 39E)

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

In the Matter of the Application of Southern  
California Edison Company (U 338 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.96-12-074, and Assembly Bill 1890.

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

**ORIGINAL**

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

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

**O P I N I O N**

**Summary**

This decision denies the petition of Pacific Gas and Electric Company (PG&E) Energy Services to modify Decision (D.) 97-08-056.

**PG&E Energy Services' Petition to Modify D.97-08-056**

On February 17, 1998, PG&E Energy Services filed a petition to modify D.97-08-056 in which the Commission unbundled certain cost categories pursuant to Assembly Bill 1890 for PG&E, Southern California Edison Company (Edison) and San Diego Gas & Electric Company (SDG&E). The decision also

established a methodology for calculating an averaged, monthly Competition Transition Charge (CTC) for each customer class based on a single average monthly Power Exchange Credit. The Commission has denied an application for rehearing and three petitions to modify which propose changes to this methodology.

PG&E Energy Services alleges that PG&E and Edison's tariffs which implement this methodology and which were approved in Resolution E-3510 are in violation of D.97-08-056. It claims that the resolution effectively modified D.97-08-056 in violation of Public Utilities Code 1708 which provides for prior notice and opportunity to be heard. Specifically, PG&E Energy Services argues that PG&E and Edison's advice letters, which the Commission approved, seem to propose to permit each of the utilities to calculate monthly PX credits for each time-of-use period, averaging over the peak, mid-peak and off-peak hours in a month instead of over all hours in a month. PG&E Energy Services believes this averaging is contrary to D.97-08-056's provision requiring a single monthly average calculation.

PG&E Energy Services argues that the method for calculating the CTC adopted in Resolution E-3510 thwarts the Commission's goal to promote competition by eliminating the difference between the PX Credit and the utilities' avoided cost of serving the customer through PX purchases. The Commission explicitly rejected the utilities' proposals for masking such price differences in D.97-08-056. PG&E Energy Services states it entered into contracts with customers in reliance on D.97-08-056 and that Resolution E-3510 is damaging to it and its customers.

### **Responses of Parties**

Office of Ratepayer Advocates and Environmental Defense Fund (jointly, ORA/EDF), Edison, and PG&E filed responses to PG&E Energy Services' petition. Edison, ORA/EDF and PG&E argue that the utilities properly interpreted D.97-08-056 in averaging various time-of-use periods to calculate the CTC. They assert that PG&E Energy Services has misunderstood D.97-08-056 which in fact stated an intent to recognize rather than eliminate time-of-use price distinctions. Edison believes PG&E Energy Services' petition is procedurally flawed because PG&E Energy Services is not a party to the proceeding and failed to protest the advice letters. Edison observes that other energy service providers were involved in development of the relevant tariffs and none protested the CTC calculation. ORA/EDF add that evidence of the Commission's intent to retain time-of-use pricing is embodied in several parties' joint comments on the proposed decision and alternate, which advocated calculating the CTC by time-of-use period and which were incorporated into the Commission's final order.

### **Discussion**

D.97-08-056 adopted a proposal offered by ORA, which it modified in certain aspects. Although PG&E Energy Services may argue that we did not explicitly order time-of-use averaging, we clearly stated our ongoing commitment to the "implementation of effective time-differentiated price signals." Indeed, it was on that basis that we rejected the utilities' proposals. Our review of the utilities' advice letters on this subject was extensive and involved interested parties. We did not overlook the proposals of Edison and PG&E or consider that their adoption would modify the Commission's order. To the contrary, we adopted them believing them to be fully consistent with D.97-08-056. That SDG&E did not adopt a similar method is attributable to the

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limitations of its billing system and is not, as PG&E Energy Services suggests, evidence that Edison and PG&E's methods are contrary to D.97-08-056.

#### **Findings of Fact**

1. D.97-08-056 intended the utilities to calculate the CTC by averaging PX prices during different time-of-use periods.
2. PG&E Energy Services' Petition to Modify D.97-08-056 misinterprets the order by assuming the Commission intended the utilities to calculate the CTC by calculating a single monthly average price.

#### **Conclusion of Law**

The Commission should deny the Petition to Modify D.97-08-056 filed by PG&E Energy Services on February 17, 1998.

### **O R D E R**

**IT IS ORDERED that:**

1. The Petition to Modify Decision 97-08-056 filed by PG&E Energy Services on February 17, 1998 is denied.
2. These consolidated proceedings are closed.

This order is effective today.

Dated September 3, 1998, at San Francisco, California.

**RICHARD A. BILAS**  
President  
**P. GREGORY CONLON**  
**JESSIE J. KNIGHT, JR.**  
**HENRY M. DUQUE**  
**JOSIAH L. NEEPER**  
Commissioners