ALJ/RAB/tcg

Mailed 5/14/99

Decision 99-05-032 May 13, 1999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Independent Energy Producers Association, California Manufacturers Association, Toward Utility Rate Normalization,

Complainants,

vs.

Pacific Gas and Electric Company,

Defendant.

ORIGINAL

Case 87-12-022
(Filed December 15, 1987)

Jan Smutny-Jones, Attorney at Law, for Independent Energy Producers Association, California Manufacturers Association and Michael Peter Florio, Attorney at Law, for Toward Utility Rate Normalization [now The Utility Reform Network] (TURN), complainants.
Harry W. Long, Jr. and Roger J. Peters, Attorneys at Law, for Pacific Gas and Electric Company, defendant.

OPINION

This complaint seeks to reimburse ratepayers for the full cost of postage associated with the June, July, and August 1987 Pacific Gas and Electric Company (PG&E) billings, plus an assessment of at least 25% of the postage cost to reflect the cost of disseminating with the bills a newsletter published by PG&E called PG&E Progress. The postage cost is $2,297,943 for the three months.

Complainants contended that PG&E violated Pub. Util. Code § 453(d) and other statutes, by using billing envelopes for political advocacy.

Section 453(d) of the Pub. Util. Code reads as follows:

> "No public utility shall include with any bill for services or commodities furnished any customer or subscriber any advertising or literature designed or intended (1) to promote the passage or defeat of a measure appearing on the ballot at any election whether local, statewide, or national, (2) to promote or defeat any candidate for nomination or election to any public office, (3) to promote or defeat the appointment of any person to any administrative or executive position in federal, state, or local government, or (4) to promote or defeat any change in federal, state, or local legislation or regulations."

This case raises First Amendment issues regarding a utility's right to disseminate political information and the ratepayers' First Amendment rights to avoid paying for the utility's exercise of its rights.

The parties stipulated to the following facts:

1. The Parties agree that there is no incremental postage cost associated with inserting PG&E Progress in the billing envelopes. Postage costs for mailing PG&E customers bills, which are borne by ratepayers, would be the same, whether or not Progress is included in the billing envelope.

2. The Parties agree that ratepayers are not charged any of the labor or overhead cost associated with the insertion of Progress into PG&E's billing envelopes, pursuant to CPUC Decision (D.) 83-12-047.

3. The Parties agree, for purposes of this litigation only, that ratepayers receive direct financial benefits from articles appearing in Progress, including the three editions of Progress at issue in this proceeding. Ratepayers are able to save money by taking advantage of the rate, energy conservation, and safety information provided in Progress.

4. The Parties agree that D.86-12-095, pertaining to PG&E's 1987 General Rate Case (GRC), found that articles in Progress provide the same type of information which must otherwise be provided by PG&E's customer service representatives when they respond to customers inquiries by phone or in person. As a result, Progress contributes to reduced customer accounts expense which, in turn, results in lower rates, all else held constant. The Parties further agree that the above-mentioned conclusions reached in D.86-12-095 shall be controlling for purposes of this proceeding.

5. The Parties agree that the postage cost associated with the mailing of customers bills which should have contained copies of PG&E Progress during the months of June, July, and August, 1987, are as set forth in Attachment 1 of PG&E's July 27, 1990 response to Independent Energy Producers Association's (IEP) First Data Request in this proceeding.

6. The Parties agree that all issues of PG&E Progress for the 1987 calendar year shall be incorporated into the record of this proceeding.

7. The Parties agree that PG&E's Responses to IEP Data Request Nos. 6, 7 and 8 will be incorporated as part of the record in this proceeding.

The articles in the June, July, and August 1987 issues of the PG&E Progress which are alleged to be in violation of law are set forth in Appendix A. Pertinent portions of those articles will be discussed.

The June 1987 PG&E Progress issue contained a headline stating, "Federal Law May Mean Higher Electric Bills." This article stated that PG&E customers had been forced to purchase power from private power producers which was not needed and at a great cost:

> "To protect customers from this in future agreements with private power producers, PG&E is asking the Federal Energy Regulatory Commission (FERC) to change current federal regulations...." (PG&E Progress, p. 1, June 1987.)

PG&E then listed four specific changes in federal law it was seeking from the FERC.

Further into the article it stated:

> "PG&E is also asking FERC to more actively help states such as California find solutions to the problem that in the future will affect customers the most--paying too much for power from power developers who have not yet built their projects, but with whom PG&E has had to sign expensive power purchase agreements." (*Id.*)

A second article appeared in the June 1987 PG&E Progress, which was headlined, "Why PG&E Has to Buy Overpriced Electricity." The article generally described PG&E's analysis of the 1978 Public Utility Regulatory Policies Act (PURPA) and this Commission's implementation of PURPA, and concluded:

> "The result is that PG&E is locked into long-term contracts at prices more than twice as high as the actual value of the electricity produced. Electric customers pay for this power through their utility bills.
>
> "To prevent overpayments when new contracts are signed, PG&E is requesting that the Federal Energy Regulatory Commission change its regulations (see page 1 story)." (PG&E Progress, p. 7, June 1987.)

The July 1987 PG&E Progress contained a letter which stated: "I read about PURPA in the June PG&E Progress. I'd like to know more about it." (PG&E Progress, p. 3, July 1987.) PG&E's response to this letter, in part, was:

> "PG&E estimates that these power contracts will cost electric customers as much as $857 million a year in overpayments by 1990. Something must be done to protect customers from these high costs.
>
> "To protect its customers, PG&E wants new privately owned power facilities to be developed only as they are really needed in the future. And the company wants the price of that new power to be more in line with the price the company pays for power from other sources." (PG&E Progress, p. 3, July 1987.)

The August 1987 PG&E Progress issue contained a letter which read:

> "You said in an earlier issue of PG&E Progress that PG&E has to buy 'overpriced' electricity from unregulated power producers. What does that mean and why is that power considered overpriced?" (PG&E Progress, p. 7, August 1987.)

In response PG&E stated its position on why it believed QF power was being overpriced by this Commission. PG&E concluded its response by stating:

> "But PG&E hopes that regulators or lawmakers will change this costly situation so that customers will not have to pay for overpriced power." (PG&E Progress, p. 7, August 1987.)

Complainants' Case

Complainants assert that the PG&E Progress is an informational newsletter published by PG&E and included in the billing envelope mailed to customers. In June, July, and August 1987, PG&E printed articles in its PG&E Progress which were "designed or intended" to change federal as well as state legislation and regulations, in violation of Pub. Util. Code § 453(d), which states in relevant part:

> "(d) No public utility shall include with any bill for services or commodities furnished any customer or subscriber any advertising or literature designed or intended ... (4) to promote or defeat any change in federal, state, or local legislation or regulations."

Complainants frame the issue raised in their complaint as a narrow one: Should the ratepayers be compelled to subsidize the exercise of PG&E management's First Amendment rights? By adopting Pub. Util. Code § 453(d), the legislature has answered this question in the negative.

Complainants argue that it is abundantly clear that the articles were political in nature. For example, an article in the June 1987 PG&E Progress informed ratepayers that "PG&E is asking the Federal Energy Regulatory

Commission (FERC) to change current federal regulations...." (PG&E Progress, p. 1, June 1987.)

In its August 1987 issue PG&E wrote that it "...hopes that regulators or lawmakers will change this costly situation [the PURPA and CPUC mandated purchase of Qualifying Facility (QF) power] so that customers will not have to pay for 'overpriced' power." (PG&E Progress, p. 7, August 1987.)

Complainants conclude that the PG&E Progress issues of June, July, and August contained language intended to "promote or defeat any change in federal, state, or local legislation or regulations," language clearly proscribed by Pub. Util. Code § 453(d). The PG&E Progress issues in dispute violated Section 453(d).

PG&E's Position

PG&E raises four defenses:

1. Although § 453(d) is clearly unconstitutional, Article III, § 3.5 of the California Constitution prohibits the Commission from declaring § 453(d) unconstitutional.[1]

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[1] California Constitution, Art. 3

"§ 3.5. Administrative agencies; prohibition against declaring statute unenforceable or unconstitutional; exceptions

"Sec. 3.5. An administrative agency, including an administrative agency created by the Constitution or an initiative statute, has no power:
(a) To declare a statute unenforceable, or refuse to enforce a statute, on the basis of it being unconstitutional unless an appellate court has made a determination that such statute is unconstitutional;
(b) To declare a statute unconstitutional;
(c) To declare a statute unenforceable, or to refuse to enforce a statute on the basis that federal law or federal regulations prohibit the enforcement of such statute unless an appellate court has made a determination that the enforcement of such statute is prohibited by federal law or federal regulations."

2. PG&E's actions do not fall within the scope of activities prohibited by Section 453(d).
3. PG&E's actions do not violate PURPA Title 16 USCA 2623(b)(5).[2]
4. The relief requested by complainants is inconsistent with Commission precedent and policy on allocation of billing envelope costs.
   A. The cost allocation issues raised by complainants have already been raised and resolved in PG&E's 1987 GRC.
   B. The Commission has terminated the billing envelope Order Instituting Investigation, which was the generic proceeding that would have addressed complainants' cost allocation issues.

Discussion

1. The Constitutionality of § 453(d)

PG&E argues that in Consolidated Edison Company v. Public Service Commission of New York, (1980) 447 U.S. 530, 65 L. Ed.2d 319, the United States Supreme Court rejected language similar to § 453(d) which the New York Commission used to exclude utility messages from the billing envelope. The Court concluded that the New York Commission order prohibiting the inclusion in monthly billing envelopes of utility inserts discussing controversial issues of public policy directly infringed the utilities' freedom of speech protected by the First and Fourteenth Amendments of the U.S. Constitution and was, therefore, invalid. (*Id.* at 544.)

In rejecting the attempt by the New York Commission to dictate the content of the utility billing envelope, the Court observed that: "The customer of Consolidated Edison may escape exposure to objectional material simply by

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[2] PURPA of 1978, Title 16 USCA 2623(b)(5):

"No electric utility may recover from any person other than the shareholders (or other owners) of such utility any direct or indirect expenditure by such utility for promotional or political advertising as defined in section 2625(h) of this title."

transferring the bill insert from envelope to wastebasket." (*Id.* at 542.) In addition the Court noted that the prohibition of bill inserts could not be justified as a means of avoiding ratepayer subsidization of the cost of bill inserts, since there was no basis on the record before the Court to assume that the New York Commission could not exclude the cost of the inserts from the utility's rate base. (*Id.* 540-543.)

Complainants say that PG&E misapplies the reasoning of Consolidated Edison to the facts of this case. This case, in their opinion, is not about the "captive audience" of Consolidated Edison, but about "captive sponsors" of PG&E's political speech.

Complainants argue that if this Commission does not enforce the statute, complainants will be forced to sponsor the speech of PG&E. Compelled subsidization of another's speech is fundamentally contrary to our national values. (Abood v. Detroit Board of Education, (1977) 431 U.S. 209, 52 L.Ed.2d 261.) Complainants maintain that mindful of this constitutional problem, the Legislature enacted Pub. Util. Code § 453(d) to protect the ratepayers from subsidizing the political speech of utilities. The effect of compelled subsidization of the PG&E Progress is that the ratepayers become "captive sponsors" of PG&E's viewpoint. Complainants believe this issue was raised, but not determined, in Consolidated Edison Co.

However, PG&E and complainants are in agreement that Article III, § 3.5 of the California Constitution prohibits administrative agencies, such as this Commission, from declaring a statute unenforceable or unconstitutional. Therefore, this Commission cannot consider the issue that § 453(d) is unconstitutional, consistent with the California Constitution.

2. The 453(d) Prohibition

Section 453(d) states, in part:

> "(d) No public utility shall include with any bill for services or commodities furnished any customer or subscriber any advertising or literature designed or intended ... (4) to promote or defeat any change in federal, state, or local legislation or regulations."

Complainants cite the following language from PG&E's June 1987 Progress as specific evidence of PG&E's unlawful conduct:

> "To protect customers from this in future agreements with private power producers, PG&E is asking the Federal Energy Regulatory Commission (FERC) to change current federal regulations...."
>
> * * *
>
> "PG&E is also asking FERC to more actively help states such as California find solutions to the problem that in the future will affect customers most – paying too much for power from power developers who have not yet built their projects, but with whom PG&E has had to sign expensive power purchase agreements."
>
> * * *
>
> "The result is that PG&E is locked into long-term contracts at prices more than twice as high as the actual value of the electricity produced. Electric customers pay for this power through their utility bills.
>
> "To prevent overpayments when new contracts are signed, PG&E is requesting that the Federal Energy Regulatory Commission change its regulations (see page 1 story)."

In its opening brief PG&E admits that in the Progress, "Customers were advised that PG&E planned to ask the Federal Energy Regulatory Commission (FERC) to change its PURPA regulations to address the QF overpayment problem." (O.B., p. 2.) However, PG&E asserts that despite complainants' suggestions to the contrary, none of the Progress statements violates the provisions of § 453(d). In PG&E's opinion all of those statements are clearly informative in nature; they describe what PG&E is doing, not what the customers should do. Nothing in § 453(d) prohibits PG&E from informing its customers about its position on important utility issues. Nothing in § 453(d) requires PG&E to present its opponents' viewpoints on these issues in its billing inserts. And nothing in § 453(d) prohibits PG&E from lobbying the Commission and the Legislature or informing the general news media about its business interests, consistent with its First Amendment rights.

Discussion

We disagree with PG&E's position. In our opinion the articles obviously were "designed or intended...to promote...a change in federal, state, or local legislation or regulations." (453(d)(4).) PG&E did more than inform its customers about its position. It solicited comments and it sought support of its position to change federal and state law regarding QF issues. Of course the statements are informative. Any statement intended to promote change is informative.

The essential issue is "intent." Did PG&E intend consequences more than merely informing the world of its position? We believe it did. The elaboration of detail, the prominent location -- main article, front page -- the requests for comments and the responses, all show an intent to promote change. The bill inserts do more than inform. They are susceptible of being understood by intelligent people as a call for support. And intelligent people did read the

articles in that manner and did offer support. The articles were clearly intended to promote support for a change of regulations.

The view we take of the scope of the statute is that it prohibits the use of bill inserts to rally support for a PG&E legislative position. But our view may be reading more into the statute than appears on its face. A narrow reading would not require an intent to garner support from customers; it is sufficient for PG&E to inform customers through a bill insert that PG&E intends to promote, that is, bring about, a change in legislation. As we hold that the bill inserts were intended to generate support among PG&E's customers for PG&E's legislative position, we need not determine whether merely publishing a legislative position in bill inserts without intending to seek customer support violates the statute.

3. The PURPA Violation

The relevant sections of PURPA read as follows:

> "Advertising – No electric utility may recover from any person other than the shareholders (or other owners) of such utility any direct or indirect expenditure by such utility for promotional or political advertising as defined in Section 115(h)." [16 USCA § 2623(b)(5)]

Section 115(h) (selections)

(A) The term "advertising" means the commercial use, by an electric utility, of any media, including newspaper, printed matter, radio, and television in order to transmit a message to a substantial number of members of the public or to such utility's electric consumers.

(B) The term "political advertising" means any advertising for the purposes of influencing public opinion with respect to legislative, administrative, or electoral matters, or with respect to any controversial issue of public importance. (16 USCA §§ 2625(h)(1)(A) and (B).)

PG&E argues that none of the direct or indirect costs associated with the printing and insertion of Progress into the billing envelope is recovered from ratepayers. There is no incremental postage expense associated with the mailing

of customer bills containing Progress and there is no valid basis for imputing any of the base postage cost to PG&E's shareholders since ratepayers have no ownership interest in either the billing envelope or the "extra space" within the billing envelope. Under these circumstances, PG&E says there is no violation of § 2623(b)(5). Because of the view we take of the violation of Pub. Util. Code § 453(d), we do not reach this issue.

4. The Relief Requested

PG&E argues that complaint should be dismissed because the relief requested by complainants is wholly inconsistent with Commission precedent and policy on allocation of billing envelope costs. PG&E asserts that in PG&E's 1987 GRC, the Commission considered and rejected the specific issue presented by complainants—whether postage costs for PG&E's billing envelope should be shared by its shareholders. In that case, PG&E requested more than $10 million in mailing expenses associated with customer bills. The Commission staff recommended a 40% disallowance because of "the postage and envelope cost associated with customer bills due to the fact that PG&E's newsletter Progress is included within the bill envelope...." (D.86-12-095, 23 CPUC2d 149, 201.) Staff argued that because Progress is mailed in the same envelope as the customer's bill, PG&E's stockholders should share responsibility for the costs of the envelope and postage.

PG&E points out that in the 1987 GRC, PG&E argued -- and the Commission staff agreed -- that the type of information contained in Progress "is the same type of information which must otherwise be provided by PG&E's customer service representatives when they respond to customer inquiries by telephone or by person." (D.86-12-095, 23 CPUC2d at 202.) The evidence in the 1987 GRC hearing demonstrated that "if the type of information which is contained in Progress were not provided, Customer Account expenses associated

with customer inquiries would increase." (*Id.*) In light of this evidence, the Commission rejected the staff's recommended disallowance and concluded: "Taking all the above factors into consideration, there is no basis for allocating a certain percentage of postage costs to the stockholder." (*Id.*) PG&E contends that D.86-12-095 is controlling.

PG&E's argument is disingenuous. A specific violation of § 453(d) was not an issue in the 1987 GRC. There the issue was the value of the envelope space. Here the issue is the postage costs associated with mailing those copies of the PG&E Progress which violated Pub. Util. Code § 453(d).

Our complete discussion in D.86-12-095 of the postage controversy was:

> "The point at issue here is who should bear the cost of postage, the ratepayer or the stockholder. The ratepayer should only pay for value received, similarly with the stockholder. Staff agrees that eliminating the Progress from the billing envelope will not reduce postage. Thus the ratepayers are only paying for value received.
>
> "On the other hand, Staff's argument really hinges on the value of the Progress to the stockholders. That value has not been developed in this phase of hearings. Certainly, whatever value there is cannot be equated, as the Staff does, to the weight of the newsletter.
>
> "Additionally, whatever value Progress has to the stockholders has to be weighed against the fact that there is no controversy that Progress contributes to reduced Customer Accounts expense.
>
> "Taking all the above factors into consideration, there is no basis for allocating a certain percentage of postage costs to the stockholder. We will not accept the Staff's recommendation." (23 CPUC2d at 202.)

What was determined in D.86-12-095 was that the PG&E Progress contributed to reduced customer service expenses. Nowhere in that decision is it suggested that PG&E's political advocacy is a legitimate customer service expense which should be legitimately borne by the ratepayers.

We agree with complainants who argue that the articles appearing in the three challenged issues of the PG&E Progress transformed the Progress from a service providing customer service information into a forum for PG&E political speech. It is undisputed that the cost of such speech is borne by the PG&E shareholders. This cost should include postage costs.

PG&E seeks a free ride for political advocacy. This is impermissible. But the penalty suggested by complainants to pay for the ride is disproportionate to the offense. Complainants want all plus 25%; PG&E wants zero. There is no doubt that the three newsletter issues include much information necessary for PG&E to disseminate to its customers, as described in D.86-12-025. This benefit should not be ignored; nor should the fact that bills were included in the envelope. Under the circumstances, a $920,000 dollar refund to customers is a reasonable deterrent.

We reach $920,000 by reference to PG&E's GRC decision D.86-12-025. In that decision our staff requested a 40% reduction in postage costs to match the value of including the Progress in the billing envelope. We rejected the staff's recommendation because we found that the Progress provided information useful to the ratepayers. In this complaint case it is clear the three Progress newsletters at issue provide literature in violation of Pub. Util. Code § 453(d). We believe 40% of the postage cost of $2.3 million for the three mailings is an appropriate refund. The $920,000 should be refunded to customers as it is the customers who were charged for the postage. In the usual case we would add interest to the amount starting as of the date of the violations, i.e., mid-1987, which today would be in excess of $900,000; but here we are confronted with a situation where the length of time between violation and resolution has, to a large part, been caused by the Commission's failure to process this complaint in a timely fashion. (Cf. Ortega v. AT&T, D.98-10-023 in C.92-08-031, (6 years).)

Under these circumstances we believe it is equitable to assess approximately one year's interest; i.e., from April 1, 1998. No additional penalty or fine is needed.

Comments on Draft Decision

The draft decision of ALJ Robert Barnett in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311(g) and Rule 77.1 of the Rules of Practice and Procedure.

Complainants commented that the Proposed Decision (PD) was reasonable and needed no changes. PG&E commented that the PD erred because (i) the evidence does not support the findings, (ii) the refund violates the prohibition against retroactive ratemaking and (iii) the Commission has no authority to penalize a utility, only the superior court may.

PG&E's comments are without merit. The argument that the evidence does not support the findings is merely a reargument of its position at the hearing. The refund is not retroactive ratemaking. Retroactive ratemaking is prohibited when involved with promulgating general rates (Edision v. PUC (1978) 20 Cal 3d 813, 816); it has nothing to do with sanctions for violating statutes. Nor do we lack jurisdiction to impose sanctions. We recently did so in D.98-11-026 (penalty) and D.98-10-023 (refund).

Findings of Fact

1. The stipulation of facts (Exh. 1) is adopted.

2. The June, July, and August 1987 issues of the PG&E Progress (Appendix A) contained articles seeking to promote a change in current federal regulations in regard to purchasing power from private power producers.

3. The cost of mailing the three issues was approximately $2.3 million.

4. PG&E, a public utility, violated Pub. Util. Code § 453(d)(4) in that PG&E did include with bills for services to its customers literature designed or intended to promote or defeat any change in federal legislation or regulations.

Conclusions of Law

1. PG&E violated Pub. Util. Code § 453(d)(4).

2. PG&E should be required to refund to its customers 40% of the cost of postage ($920,000) for the three issues—June, July, and August 1987, plus interest commencing April 1, 1998 in the manner set forth in the Order.

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) shall refund $920,000 to its customers, plus interest at the rate for prime, three-month commercial paper, as reported in the Federal Reserve Statistical Release G.13, commencing April 1, 1998, until such amounts are refunded to ratepayers.

2. Within 120 days from the effective date of this order, PG&E shall file an advice letter to be approved by this Commission's Energy Division setting forth a proposed refund method. The method shall include a cash refund or bill credit.

3. This case is closed.

This order is effective today.

Dated May 13, 1999, at San Francisco, California.

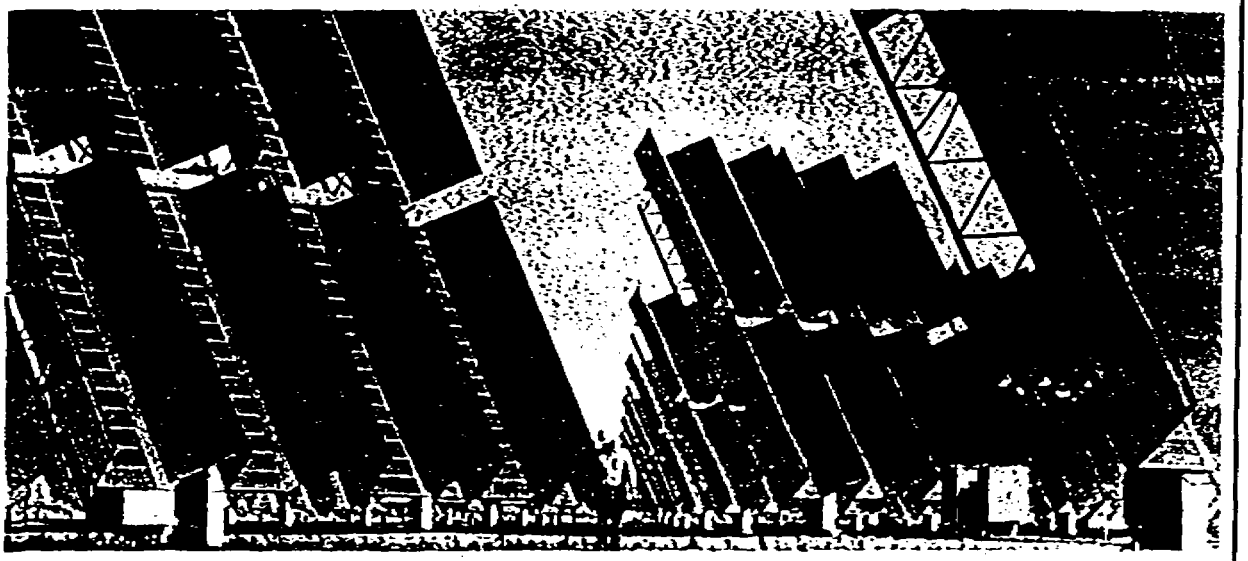
RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

JUNE 1987

PG&E Progress

A Romantic French Bistro in Oakland—page 6
A Fish Tale from Humboldt Bay—page 4-5

Federal Law May Mean Higher Electric Bills



Most of the new power inspired by the federal law known as PURPA is not coming from renewable sources (like ARCO's solar facility at Carrisa Plains, shown here) but from cogeneration facilities that burn oil and natural gas—fuels the law was expected to conserve.

How would you feel if someone made you buy bread for your family at $1.99 a loaf, when you could easily go somewhere else and buy that same loaf for $1.39? And, on top of the steep price, you had to buy the bread even if you didn't need it.

That's like the situation PG&E and its customers are facing.

In 1990 PG&E customers could have to pay as much as $857 million more than necessary for electricity, because of power purchase agreements PG&E was required by law to sign with private power producers.

(Private power producers are individuals or companies who generate electricity from cogeneration facilities or from facilities using biomass, solid waste, geothermal energy, or renewable resources such as wind, solar and small hydroelectric.)

To protect customers from this in future agreements with private power producers, PG&E is asking the Federal Energy Regulatory Commission (FERC) to change current federal regulations so that:

- The price paid for electricity generated by private producers will reflect its true value and be set by the marketplace.
- Utilities will be required to buy only the electricity they definitely need in the near future.
- Private power producers will be required to produce power when it is most needed by the utility and to reduce power production when there is less need for it.
- Private power producers will be required to meet the same operating and efficiency standards that the utilities do.

PG&E is also asking FERC to more actively help states such as California find solutions to the problem that in the future will affect customers

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Power

Continued from page 1

the most—paying too much for power from power developers who have not yet built their projects but with whom PG&E has had to sign expensive power purchase agreements.

These changes would allow PG&E to buy power from the most economical and efficient sources of electricity available, and make sure that enough power is available when electric use is high.

"Unregulated private power producers now have contracts that say PG&E must buy more than 8 million kilowatts. That's equal to more than half of PG&E's own capacity," says Howard Golub, PG&E vice president and general counsel.

"If only half of these projects are developed, PG&E's customers could face annual overpayments of as much as $857 million by 1990."

That figure is the difference between what PG&E will have to pay for power from the private producers and what it would cost PG&E to produce the same amount of power in its own plants or buy it from cheaper sources.

—Carol Sughrue

Volume 64 June 1987 Number 6
PG&E Progress
Editor: Kathleen R. Hyams
This publication is intended to provide helpful information to our customers. It is not printed at customer expense. The cost is borne by company stockholders out of earnings. PG&E's rates are determined by the California Public Utilities Commission, based on the cost of fuel, power plants, pipelines and other costs necessary for providing utility service. The cost of this publication is not included in this computation, thus rates are just what they would be if this message had not been printed.
Pacific Gas and Electric Company, Room 1416, 215 Market Street, San Francisco, CA 94106.

Why PG&E Has to Buy Overpriced Electricity

Here's why PG&E has to buy overpriced electricity from unregulated private power producers.

In 1978, during the oil and natural gas crises, Congress passed the Public Utility Regulatory Policies Act (PURPA). This federal law, as interpreted by the California Public Utilities Commission (CPUC), required utilities to purchase power produced by cogeneration or renewable energy resources.

The law was supposed to encourage people to develop efficient ways of producing electricity from cogeneration and alternative energy sources.

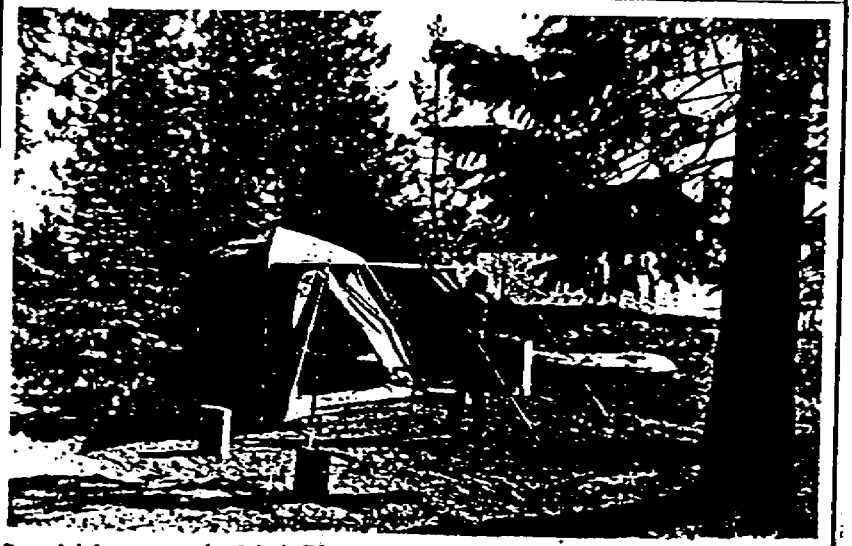
But much of the PURPA-inspired power planned for PG&E's service area will come from cogeneration facilities that burn oil and natural gas—fuels the law was expected to conserve.

Many of the private power producers signed power purchase contracts with price guarantees based on the assumption that world oil prices would climb steadily throughout the rest of the century.

The result is that PG&E is locked into long-term contracts at prices more than twice as high as the actual value of the electricity produced. Electric customers pay for this power through their utility bills.

To prevent overpayments when new contracts are signed, PG&E is requesting that the Federal Energy Regulatory Commission change its regulations (see page 1 story).

Visit PG&E Recreation Areas



Try visiting one of PG&E's 71 recreation facilities throughout northern and central California. Just call your local office or PG&E's Recreation Information Line at (415) 972-5552 and ask for a copy of the brochure, Your Guide to PG&E Recreation Areas.

Superconductivity

Continued from page 1

Storing electricity is not now possible on a large scale. Even the biggest batteries can't do it. But superconductors may make it possible to store really large amounts of electricity (probably underground, in caverns) in big, powerful magnetic fields.

Such storage fields could be charged overnight, when power plants have excess capacity, then tapped during the day to meet customer demands. This, in turn, could postpone the need to build—and pay for—more power plants.

But such changes won't come right away.

The new superconductors are ceramics. Forming them into wires, coils and other shapes for electric use is still expensive and impractical.

In addition, the new superconductors developed so far can transmit only limited amounts of electricity. Too much current—as in an overhead transmission line—robs the material of its superconductor abilities. Recent research announcements indicate this obstacle may be overcome.

"It's likely to be at least 10 years before we see superconductivity used in PG&E's system," says Greg Rueger, vice president-Electric Resources Planning and Development at PG&E. "And even then, it will take some time to see the benefits.

"In our thousands of miles of transmission and distribution lines, our total loss of energy due to resistance is about 8 percent. The cost to replace existing lines with superconducting lines wouldn't be worth the savings," explains Rueger.

"What we will do is phase in superconducting lines, improved generators and superconducting magnetic storage as the technology becomes available and economical, and as we need to replace lines or add new capacity.

"So superconductors will eventually help us provide electricity more efficiently and economically."

—Cynthia Schramm

Letters From Customers

I read about PURPA in the June *PG&E Progress*. I'd like to know more about it.

—Brisbane

PURPA is the federal Public Utility Regulatory Policies Act passed by Congress during the oil shortages of 1978. It's one of five acts comprising the National Energy Act of 1978.

PG&E supports PURPA's goals—the reduction of oil and natural gas use and the use of renewable resources to generate electricity.

But the company is very concerned that PURPA may hurt most customers if it's not carried out in the right way.

One section of PURPA requires utilities, such as PG&E, to buy electricity generated by independent power producers that use either renewable sources such as geothermal, hydro, biomass, solar and wind energy, or cogeneration—electricity and useful heat made from the same fuel.

(Before PURPA became law in 1978, PG&E already had more than 1,000 megawatts of geothermal power under development and had the nation's largest hydro system operated by an investor-owned public utility.)

PURPA, plus large state and federal tax credits available to developers, gave a boost to some renewable energy projects. And these are an important part of PG&E's energy supply.

But the energy situation is continually changing. Today, most utilities like PG&E have adequate supplies to meet customer needs for the foreseeable future.

Despite this, however, contracts for future, as yet unbuilt, projects signed because of PURPA may force PG&E to buy unneeded power at inflated prices.

The biggest source of this power is not small wind or solar firms, but big businesses that generate electricity using cogeneration plants that burn oil and natural gas—the same nonrenewable fuels PURPA was supposed to save.

PG&E estimates that these power contracts will cost electric customers as much as $857 million a year in overpayments by 1990. Something must be done to protect customers from these high costs.

To protect its customers, PG&E wants new privately owned power facilities to be developed only as they are really needed in the future. And the company wants the price of that new power to be more in line with the price the company pays for power from other sources.

Send your questions and concerns to:

▶ Kathy Hyams, Editor
PG&E Progress
Room 1416, 215 Market St.
San Francisco, CA 94106

Letters From Customers

You said in an earlier issue of PG&E Progress that PG&E has to buy "overpriced" electricity from unregulated power producers. What does that mean and why is that power considered overpriced?

—Seaside

By "overpriced" we mean that PG&E has to pay more for power from unregulated producers than we would have to pay if we generated it ourselves or bought it from other sources.

Federal law requires utilities like PG&E to buy power from unregulated producers at what is called "avoided cost." Simply put, that's the cost the utility would pay to produce the next kilowatt of power itself or buy it from another source.

Many earlier contracts with unregulated power producers were based on a belief that oil prices would keep rising steadily for the rest of the century.

The prices in many contracts were based on a 1983 forecast which assumed that oil would cost $40 a barrel in 1987—double what it actually costs today.

Utilities must even pay an extra price for "capacity," or the value of having a certain amount of power available if needed.

With its present well-balanced supply mix, including unregulated power producers that are currently operating, PG&E doesn't need much of the power now under contract. Yet PG&E will have to pay for the capacity anyway.

The result is that PG&E is locked into many long-term contracts which contain prices more than twice as high as the power's present value. Electric customers pay for this power through their utility bills.

But PG&E hopes that regulators or lawmakers will change this costly situation so that customers will not have to pay for "overpriced" power.

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Shepherd's Pie

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large bowl, combine meat with chopped onion, eggs and seasonings. If necessary, moisten with 2-4 tablespoons of gravy. Toss until thoroughly mixed. Spread evenly over mashed potatoes in casserole. Spread remaining mashed potatoes over meat mixture, completely covering inner filling. Brush melted butter over potato crust. Place casserole uncovered in a cold oven. Turn heat to 350 degrees. Bake until puffed and golden on top—about 1 to 1¼ hours. Serves 4-6.

Russ Riera owns Riera's Restaurant in Berkeley and is the author of "200 Good Restaurants, A Guide to Eating in San Francisco & The Bay Area." In addition, he has his own San Francisco radio show, "Russ Riera's On The Air Restaurant Guide," on KGO Radio and is the KGO TV restaurant reviewer for "AM San Francisco."

PG&E's policy is to review restaurants in various price ranges in a variety of northern and central California locations, and present recipes featuring a diversity of ethnic and national origins.

Heritage

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Albert Graves Wishon at the turn of the century. He dreamed of a valley made to bloom by electric irrigation.

farming gave way to irrigation, and agricultural production in the valley boomed.

In 1905, a new power company, PG&E, adopted Wishon's line-extension policy, and in the ensuing decades the two utilities aggressively promoted rural electrification—long before the federal Rural Electrification Administration was formed in 1936.

Today, Wishon's dream of a valley in bloom is a reality. More than 4 million acres of farm and grazing land in the San Joaquin Valley are irrigated, nearly all by electric-powered equipment.

Farms in this important area produce more than $7 billion a year in crops and livestock.

(Eighth in a series about PG&E's history and how the past contributed to the company that today provides reliable gas and electric service to nearly 10 million Californians.)

(END OF APPENDIX A)