

Correction of the header section starting at page 2 is Res. E-3522 which is attached to this Resolution E-3510.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-3510
DECEMBER 16, 1997**

RESOLUTION

RESOLUTION E-3510. PACIFIC GAS AND ELECTRIC COMPANY (PG&E), SOUTHERN CALIFORNIA EDISON COMPANY (EDISON), AND SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E) REQUEST COMMISSION APPROVAL OF REVISIONS TO THEIR TARIFFS TO REFLECT THE UNBUNDLING/COST SEPARATION DECISION (D.) 97-08-056. APPROVED AS MODIFIED.

**BY PG&E ADVICE LETTER 1692-E, AS SUPPLEMENTED BY E-A, E-B, AND E-C
EDISON ADVICE LETTER 1245-E, AS SUPPLEMENTED BY E-A
SDG&E ADVICE LETTER 1042-E, AS SUPPLEMENTED BY E-A, AND E-B**

Summary

1. Southern California Edison (Edison), Pacific Gas and Electric (PG&E) and San Diego Gas & Electric (SDG&E) have requested approval of changes to their tariffs in compliance with the Cost Separation /Unbundling Decision (D.) 97-08-056 by Advice Letters 1245-E, 1692-E and 1042-E, respectively.
2. The Office of Ratepayer Advocates (ORA) and Enron filed protests to Edison's Advice Letter 1245-E. Edison filed responses to both protests. ORA, Enron, Western Mobilehome Parkowners Association (WMA), and NASA Ames Research Center (NASA) filed protests to PG&E's Advice Letter 1692-E. PG&E filed responses to those protests. ORA and Enron filed protests to Advice Letter 1042-E. SDG&E filed responses to both protests.
3. The Energy Division conducted a workshop on September 16 and 17, 1997.
4. PG&E filed supplemental Advice Letter 1692-E-A.
5. Pursuant to the discussion at the workshop, and the Energy Division's letter of September 24, 1997 to the utilities, Edison filed supplemental Advice Letter 1245-E-A, PG&E filed supplemental Advice Letter 1692-E-B, and SDG&E filed supplemental Advice Letter 1042-E-A on October 2, 1997.
6. ORA filed a protest to Edison's supplemental Advice Letter 1245-E-A. Edison filed a response to that protest. Three protests were filed to PG&E's supplemental Advice Letter 1692-E-B. PG&E filed responses to these protests. Two protests were filed to SDG&E's supplemental Advice Letter 1042-E-A. SDG&E filed responses to both protests.

7. ORA filed a protest to Edison's supplemental Advice Letter 1245-E-A. ORA and Enron filed protests to PG&E's supplemental Advice Letter 1692-E-B and SDG&E's supplemental Advice Letter 1042-E-A. The three utilities filed responses to all the protests. Mr. James Weil filed a late protest to PG&E's supplemental Advice Letter 1692-E-B. PG&E responded to Mr. Weil's protest. WMA also filed a late protest to PG&E's Advice Letter 1692-E-B. PG&E responded to WMA's protest.
8. SDG&E filed supplemental Advice Letter 1042-E-B on November 12, 1997.
9. PG&E filed supplemental Advice Letter 1692-E-C on November 20, 1997.

Background

1. On August 1, 1997, the Commission adopted D.97-08-056, which resolved issues relating to the allocation of costs between the various functions of PG&E, SDG&E, and Edison, with the primary purpose of unbundling the three utilities' revenue requirement into major functions in order to promote competition in the electric generation market. It also allocated revenues between customer classes and established certain rate design principles.
2. A secondary objective of the Commission order was to determine the information utilities must provide on their customer bills for the introduction of direct access on January 1, 1998.
3. Ordering Paragraph 12 of D.97-08-056 directed the utilities to file tariffs within 15 days of the effective date of the order which incorporate the provisions of the order. The Ordering Paragraph added that the tariffs shall not include any changes not anticipated or required by the order.
4. On August 15, 1997, PG&E filed Advice Letter 1692-E in compliance with D.97-08-056. SDG&E and Edison filed Advice Letter 1042-E and 1245-E on August 18, 1997 respectively.
5. Prior to these filings, and pursuant to the Administrative Law Judge (ALJ)'s Ruling of June 20, 1997, the utilities had filed draft tariffs on July 23, 1997, which conformed to the ALJ's proposed decision. Comments to these proposed tariffs were received from parties.
6. PG&E filed supplemental Advice Letter 1692-E-A on September 10, 1997, which proposed a Schedule PX and included revisions to its Schedule A-RTP.
7. Although PG&E had asked the parties to withhold their protests to its Advice Letter until after workshops were scheduled by the Commission, parties filed protests to all three advice

letters. Edison and SDG&E filed responses to the protests. PG&E, in a letter dated September 11, 1997, deferred its response until after workshops.

8. On September 16 and 17, 1997, the Energy Division conducted a workshop to review the above advice letters with the parties.
9. At the workshop, the Energy Division noted that PG&E had no authorization to ask the parties to withhold their protests to its Advice Letter. The Energy Division notified PG&E that it was in non-compliance with the Commission's General Order (GO) 96-A and directed PG&E to respond to the protests that were filed to its Advice Letter 1692-E. PG&E filed a late response on September 18, 1997.
10. Based on the discussions at the workshop and the initial review of the advice letters, the Energy Division developed a list of issues and sent a letter to the utilities on September 24, 1997 directing the three utilities to revise their advice letters in supplemental filings to include descriptive language for calculation of CTC, PX charge, provision for direct access service, consistent terminology and modifications to tariffs to incorporate the credit, and payment associated with the rate reduction bond. The Energy Division's letter also directed the utilities to delete from their tariffs, any proposed modifications which cannot be reconciled with a requirement in D.97-08-056. Specifically, utilities were asked to remove any proposed changes to their TCBA and their revenue requirement unless those changes are necessary for implementation of D.97-08-056. In addition, the Energy Division specified that no pending request in other advice letters should be reflected in the unbundling advice letters.
11. Edison filed supplemental Advice Letter 1492-E-A, PG&E filed supplemental Advice Letter 1692-E-B, and SDG&E filed supplemental Advice Letter 1042-E-A on October 2, 1997.
12. On October 1, the California Energy Commission, SDG&E, and several other parties ("Joint Filers") filed a Petition to Modify D. 97-08-056 ("joint proposal"). The "Joint Filers" proposed to permit the utilities to calculate the CTC using a one month lag during 1998 in cases where the utility's software does not permit it to do otherwise.
13. On November 5, 1997, the Commission adopted the "joint proposal" in D.97-11-026. Ordering Paragraph 4 of D.97-11-026 states that if a utility is unable to implement the methodology adopted in D.97-08-056, due to computer software constraints, it will be permitted to propose a one-month lag in its PX price calculation for use only during 1998.
14. SDG&E filed supplemental Advice Letter 1042-E-B on November 12, 1997.
15. On November 19, 1997, the Commission adopted D.97-11-073, which resolved three petitions to modify D.97-08-056 filed by PG&E, Edison, Enron and New Energy Ventures.

The Commission adopted several modifications to D.97-08-056, all of which clarified the intent of the Commission's order.

16. PG&E filed supplemental Advice Letter 1692-E-C on November 20, 1997 in response to protests received to supplemental Advice Letter 1692-E-B and also to include minor editorial changes.
17. On December 9, 1997, ORA sent a letter to the Energy Division summarizing the methodologies that PG&E and SDG&E have proposed regarding the collection of distribution revenues for demand charges versus energy charges.
18. On December 11, 1997, PG&E and SDG&E and ORA sent a letter to the Energy Division summarizing their agreement on the methodologies regarding the collection of distribution revenues for demand charges versus energy charges for PG&E and SDG&E.

Notice

Notice of Advice Letters 1245-E, 1692-E and 1042-E and their supplements were made by publications in the Commission Daily Calendar and by mailing copies of the filings to adjacent utilities and interested parties.

Protests

1. On September 8, 1997, ORA filed protests to Edison's Advice Letter 1245-E, PG&E's Advice Letter 1692-E, and SDG&E's Advice Letter 1042-E. ORA's protest raised a general concern regarding the overlap of issues in the ratesetting tariffs and CTC, Streamlining, Direct Access and the Rate Reduction Bond proceedings and recommended establishment of a single forum to review all overlapping tariff filings. In addition, ORA raised the following issues:
 - Need for coordination and consistency among the three utilities' filings.
 - Transparent pricing by offering the functionalized rate components on each rate schedule rather than the Preliminary Statement.
 - Clear definition of what is included in the calculation of the Power Exchange costs for calculation of the CTC.
 - Calculation of hourly distribution line losses.
 - Clarifying language regarding the rate reduction bond credit and debit.
 - Use of specific terminology.
 - Double counting of charges to direct access customers and establishment of a "Direct Access Credit."
 - Use of statistical load profile for a rate group.
 - Availability of tariffs to direct access customers.

2. ORA filed a protest to PG&E's supplemental Advice Letter 1692-E-A on September 30, 1997 and Advice Letter 1692-E-B on October 21, 1997. On October 22, 1997, ORA filed protests to SDG&E's supplemental Advice Letter 1042-E-A and Edison's supplemental Advice Letter 1245-E-A.

3. On September 8, 1997, Enron filed protests to PG&E's Advice Letter 1692-E, SDG&E's Advice Letter 1042-E, and Edison's Advice Letter 1245-E raising concerns related to:

- Incomplete tariffs
- Use of specific terminology.
- Double counting of charges to direct access customers and establishment of a "Direct Access Credit.
- Use of statistical load profile for a rate group.
- Availability of tariffs to direct access customers.
- Cogeneration deferral rates.

4. Enron filed a protest to SDG&E's supplemental Advice Letter 1042-E-A on October 22, 1997 and PG&E's supplemental Advice Letter 1692-E-B on October 21, 1997.

5. On September 8, 1997, NASA filed a protest regarding PG&E's Schedule A-RTP and eligibility of customers on that schedule for direct access and the establishment of the variable energy charge.

6. WMA filed a protest on September 4, 1997 regarding the eligibility of submetered tenants for direct access. WMA also filed a late protest on November 24, 1997 regarding the application of 10% rate reduction for master-metered service.

7. Mr. James Weil filed a late protest on November 6, 1997 regarding the allocation between transmission and distribution functions of PG&E's authorized 1998 base revenue increase.

Discussion

1. Catastrophic Event Memorandum Account (CEMA)

D.97-08-056 (Section VII. E.) adopts the proposals to eliminate CEMA for generation related costs for all utilities, effective January 1, 1998. Ordering Paragraph 9 of D. 97-08-056 states that utilities shall not enter into their respective CEMA accounts any costs related to generation.

In Advice Letter 1692-E, PG&E added the following language to Preliminary Statement, Part G.: "In compliance with Decision 97-08-056, the CEMA shall exclude generation-related event costs incurred after December 31, 1997."

SDG&E added the following language to its Preliminary Statement III, C in Advice Letter 1042-E: "Pursuant to Ordering Paragraph 9, and as discussed on page 20, of CPUC D.97-08-056, dated August 1, 1997, no generation-related costs shall be entered into this account effective January 1, 1998."

In Advice Letter 1245-E, Edison adds language to Preliminary Statement Part N (4) stating that "Costs recorded in CEMA shall exclude generation-related costs."

No protest was filed on this issue.

D.97-11-073 modified D.97-08-056 and allowed the utilities to enter into CEMA generation-related costs which were incurred after December 31, 1997 if those costs are related to events that occurred prior to January 1, 1998.

The Energy Division believes that PG&E, Edison and SDG&E's proposed changes to their tariffs regarding CEMA are in compliance with D. 97-08-056 and should be adopted with the following addition to comply with D. 97-11-073:

"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into CEMA."

2. Hazardous Substance Clean-up and Litigation Costs Accounts (HSCLS)

D.97-08-056 (Section VII.F.) prohibits entries into HSCLS which relate to generation, effective January 1, 1998. Ordering Paragraph 10 requires that utilities shall not enter into their respective HSCLS accounts any costs related to generation.

In Advice Letter 1692-E, PG&E added the following language to its Preliminary Statement, Part S.: "In compliance with Decision 97-08-056, the HSM accounts shall exclude generation-related hazardous substance clean-up and litigation costs incurred after December 31, 1997".

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PG&E AL 1692-E, E-A, E-B, E-C/LRA
SDG&E AL 1042-B, E-A, E-B/SCL
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SDG&E added the following language to its Preliminary Statement VII, C:
"Pursuant to Ordering Paragraph 10, and as discussed on page 20, of CPUC D.97-08-056, dated August 1, 1997, no generation-related clean-up costs shall be entered into this account effective January 1, 1998."

Edison added the following language to Preliminary Statement Part V (2) (c), Covered Hazardous Substance Cleanup Costs; (f), covered Insurance Litigation Costs; and (h) Covered Third-Party Litigation Costs, stating that "Covered ... costs shall exclude generation-related costs."

No party protested this issue.

Consistent with CEMA, HSCLS was also addressed in D.97-11-073 and modified to allow utilities to enter generation costs which were incurred after December 31, 1997 if those costs are related to events that occurred prior to January 1, 1998.

The Energy Division believes that PG&E and Edison's proposed tariff language regarding HSCLS are in compliance with D. 97-08-056 and should be adopted with the following addition to comply with D. 97-11-073:

"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into HSCLS."

SDG&E's proposed language refers only to clean up costs and does not include litigation costs. SDG&E's proposed changes to HSCLS should be modified as follows:

"Pursuant to Ordering Paragraph 10, and as discussed on page 20, of CPUC D.97-08-056, dated August 1, 1997, no generation-related clean-up and litigation costs shall be entered into this account effective January 1, 1998. Pursuant to D.97-11-073, generation costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into HSCLS."

3. Terminology

In Advice Letter 1692-E, PG&E used the term "full service" in its tariffs to refer to customers who do not engage in direct access. Enron protested the use of this term because they believe the use of this term applied to bundled utility service implies that direct access customers are receiving less than full, and less than satisfactory service. Enron recommends that a neutral and more accurate term, such as "bundled service", or "utility service" be required. The Energy Division agreed that the use of "full service" may cause some confusion for customers and requested in its September 24 letter to the utilities to use the term "bundled service" instead. PG&E revised the terminology in supplemental Advice Letter 1692-E-B. In its protest to this supplemental advice letter, ORA stated that PG&E failed to uniformly revise the terms. In

response to the protest, PG&E stated that by an inadvertent oversight, it omitted two such revisions. PG&E changed the terminology in its supplemental Advice Letter 1692-E-C.

SDG&E used the term "Default UDC Service Customers" in Advice Letter 1042-E and continued to use the same term in supplemental Advice Letter 1042-E-A and supplemental Advice Letter 1042-E-B.

Edison used the term "Bundled Service Customer" in Advice Letter 1245-E. Edison did not revise the term in its supplemental filings.

D.97-08-056 used both "bundled service" and "full service" terms in referring to customers who opt to stay with the utility service. The Energy Division believes that all three utilities should use the same terminology in their tariffs in order to be consistent and to prevent confusion. The Energy Division recommends the use of "bundled service", because it more accurately describes the type of service that is being offered by the utility.

ORA and Enron's protests to PG&E's supplemental Advice Letter 1692-E-B are moot. Enron's protest to SDG&E's Advice Letter 1042-E regarding the terminology issue is granted. SDG&E should revise its tariffs accordingly.

4. Calculation Of Competitive Transition Charge

Ordering Paragraph 12.c of D.97-08-056 adopted a methodology to derive an averaged CTC residually by ex post averaging of energy and other non-CTC functional rate components that vary over time. D.97-08-056 (Section VIII. B.1.) described that averaging is done first on a weekly basis, and then a rolling average of usually four weeks is calculated to cover the different monthly billing cycles for different customers. The series of resulting approximate one-month averages of PX energy costs is used to calculate residually the corresponding averaged CTC on a billing-cycle basis. The decision further described the averaging and indicated that utilities shall use hourly PX energy costs in each week and class load profiles for each rate class to calculate an average PX energy cost for utility service customers in that rate group. The decision noted that because billing cycles span multiple weeks, the average PX price for all calendar weeks from the time of customer's previous billing through the week prior to the current billing shall be averaged to obtain a monthly average PX energy cost. The resulting averaged PX energy cost shall be applied to all sales to all utility-service customers served on existing rate schedules in each rate group during the billing month, with the average CTC charge calculated residually for each schedule and each billing month.

At the time PG&E filed Advice Letter 1692-E, its proposal to address the billing implications for the method of CTC calculation was not final. ORA and Enron protested Advice Letter 1692-E on the basis that it was incomplete. PG&E acknowledged its lack of detail and filed Schedule PX in supplemental Advice Letter 1692-E-A. In this supplemental advice letter, PG&E describes its method for calculating an averaged energy cost and, through residual calculation, an averaged

CTC rate for all customers. PG&E develops an averaged PX cost for each schedule (or TOU period) through the use of a statistical load profile which represents the average load profile for all customers on a given rate schedule. These average PX costs will be revised weekly.

In Advice Letter 1692-E-A, PG&E proposed to revise the average PX costs by simply using the previous 30-day period. This methodology, however, would not take into consideration the period of time in D.97-08-056, Section VII.B.1, which provides that each customer's billing period be based on "...all calendar weeks from the time of a customer's previous billing through the week prior to the current billing..." Enron protests the methodology that was proposed in supplemental Advice Letter 1692-E-A because it believes that all utilities should be required to employ the uniform PX price calculation method adopted by D.97-08-056.

The Energy Division conducted a workshop on September 16 and 17 to discuss the three utilities' unbundling advice letters with the parties.

Following the workshop, on September 24, 1997, the Energy Division sent a letter to the utilities and directed them to use Edison's model regarding the PX averaging method, *with modifications*, as discussed in the workshop and stated in D. 97-08-056, Section B.1. The Energy Division also directed the utilities to include descriptive language for calculation of the average PX price, defining calendar week, in Schedule PX.

Pursuant to the Energy Division's letter and to conform with D.97-08-056, PG&E revised its proposal in supplemental Advice Letter 1692-E-B. On the same day each week, using PX data for the period ending the prior day, PG&E will calculate schedule-average PX costs. PG&E will apply these average costs to calculate charges and credits on bills with billing periods that end in the next seven-day period. For each weekly revision, three separate sets of PX costs will be developed: one for the previous three weeks, one for the previous four weeks, and one for the previous five weeks. The appropriate set of PX costs will then be applied to each customer in such a way to ensure the averaged period encompasses the start of the Customer's billing period (based on standard billing periods of 27 to 33 days.)

PG&E, by supplemental Advice Letter 1692-E-B, notified the Commission and interested parties that although the PX costing methodology in its filing is in compliance with D.97-08-056, PG&E will not be able to implement this methodology by January 1, 1998. PG&E states that it is able to implement the weekly update of the PX cost but given significant pressure to have other systems operational by January 1, 1998, PG&E is not able to apply different prices to customers given each customer's billing period length as dictated by D.97-08-056. Accordingly, PG&E filed a Petition to Modify D.97-08-056 on October 29, 1997, proposing a single, fixed 30-day PX cost average period be used for all customers regardless of the length of their billing period, as was proposed in supplemental Advice Letter 1692-E-A.

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PG&E AL 1692-E, E-A, E-B, E-C/LRA
SDG&E AL 1042-E, E-A, E-B/SCL
Edison AL 1245-E, E-A/SCR

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In its protest to supplemental Advice Letter 1692-E-B, ORA stated that a clarification was needed to PG&E's description to identify the specific day of the week that begins the weekly period to which the calculations will apply. PG&E agreed to make this clarification and filed supplemental Advice Letter 1692-E-C stating that it will calculate the schedule-average PX costs on each Wednesday, using PX data for the period ending the prior day. ORA requests that the Commission reject supplemental Advice Letter 1692-E-B because PG&E acknowledges a failure to implement the PX costing methodology stated in the filing.

Enron states that the Commission should not grant an exception to PG&E without ordering a date certain by which the utilities should employ the uniform calculation adopted by D.97-08-056.

In Advice Letter 1042-E, SDG&E proposed to determine CTC residually based on a "one-month lag" methodology to calculate the monthly average PX costs. SDG&E's proposed monthly average PX prices will be pre-determined and based on the PX costs incurred during the previous calendar month.

Pursuant to the Energy Division's letter of September 24, 1997 to the utilities, SDG&E filed supplemental Advice Letter 1042-E-A. In this supplemental Advice Letter, SDG&E stated that in determining CTC charges by rate schedule, due to system limitations, it must use a calendar month calculation. Thus SDG&E continued to propose monthly average PX prices that will be pre-determined and based on the PX costs incurred during the prior calendar month.

Enron didn't address this issue in its protest to Advice Letter 1042-E but raised it later in its protest to supplemental Advice Letter 1042-E-A. In its protest to supplemental Advice Letter 1042-E-A, Enron provided a lengthy argument to SDG&E's proposed "one-month lag" methodology and noted that it was not only out of compliance with D. 97-08-056, but also as noted by ORA, it was different from other utilities' proposals.

On October 1, the Energy Commission, SDG&E, and several other parties ("Joint Filers") filed a Petition to Modify D. 97-08-056 ("joint proposal"). The "Joint Filers" proposed to "permit the utilities to calculate the CTC using a one month lag during 1998 in cases where the utility's software does not permit to do otherwise."

SDG&E responded to ORA's protest arguing that SDG&E's proposed PX averaging methodology reflects SDG&E's interpretation of D.97-08-056, which SDG&E believes describes a methodology of weekly-average PX prices that are rolled into one month average for the purpose of CTC calculation. Later, SDG&E responded to Enron's protest to Supplemental Advice Letter 1042-E-A pointing out the Commission's pending decision on the Joint Proposal filed by the Joint Filers. SDG&E stated that it would be inappropriate for SDG&E to support Schedule PX tariff language that will not conform with its capability for implementation on January 1, 1998.

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PG&E AL 1692-E, E-A, E-B, E-C/LRA
SDG&E AL 1042-E, E-A, E-B/SCL
Edison AL 1245-E, E-A/SCR

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X

On November 5, 1997, the Commission adopted the "joint proposal" in D.97-11-026. Ordering Paragraph 4 of D.97-11-026 states that if a utility is unable to implement the methodology adopted in D.97-08-056, due to computer software constraints, it will be permitted to propose a one-month lag in its PX price calculation, for use only during 1998.

In Advice Letter 1245-E, Edison filed Preliminary Statement Part GG, Power Exchange Energy. Part GG, Section 5, reflects an averaged CTC derived residually from the generation rate by ex-post averaging of energy based on the modified ORA methodology described in Section VIII.B.1 of D.97-08-056.

In its protest of Advice Letter 1245-E, ORA stated, "the wording in section GG of Edison's Preliminary Statement appears the clearest, and should be used as a uniform definition for all three utilities." However, ORA also noted that "even Edison's proposed text appears to stop short of full compliance, because it refers to averaging over four-week periods instead of the procedure adopted by D.97-08-056, which ensures that all customers will pay the PX costs for each day of the year."

In its response to ORA's protest of Advice Letter 1245-E, Edison stated that ORA had incorrectly interpreted D.97-08-056: "the procedure adopted in D.97-08-056, p. 40, states 'Averaging is done first on a weekly basis, and then a rolling average of usually four weeks is calculated to cover the different monthly billing cycles for different customers.' Thus, Edison's proposed tariff language is in compliance with the decision."

In supplemental Advice Letter 1245-E-A, Edison revised its Preliminary Statement, Part GG, Power Exchange Energy, to reflect the modifications requested by the Energy Division. However, Edison did not provide its definition of "calendar week."

No protests were filed to Edison's revised language regarding the calculation of CTC.

D.97-08-056 adopted a specific method by which the utilities would calculate an average CTC based on rolling weekly averages of PX prices and the load profile of the average customer in each rate class. The Energy Division believes PG&E's proposed methodology described in Schedule PX of supplemental Advice Letter 1692-E-B, as modified in supplemental Advice Letter 1692-E-C, is in compliance with D.97-08-056 and should be approved. Notwithstanding PG&E's Petitions to Modify D.97-08-056, PG&E should be put on notice that if it fails to implement this methodology by January 1, 1998, as it has noted in its Advice Letter 1692-E-B, it will be out of compliance with the decision and will be subject to appropriate penalties. PG&E has been aware of this requirement since August 1997 and has had ample time for planning.

The Energy Division also believes that SDG&E's proposed Schedule PX monthly average PX price methodology to determine the CTC residually, as proposed in Supplemental Advice Letters

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1042-E-A and E-B, is consistent with D.97-11-026 and, therefore, should be adopted. Enron's and ORA's protests on the CTC calculation are denied.

The Energy Division recommends approval of the modified language submitted by Edison in supplemental Advice Letter 1245-E-A with the modification that a definition of the calendar week be included. In addition, Edison should be required to establish a new Schedule PX to include this information rather than having it in its Preliminary Statement.

Enron's protest is granted in parts. ORA's protests to PG&E and SDG&E's filings are denied.

5. Rate Functionalization

In Advice Letter 1692-E, PG&E provided functionalized rates on every rate schedule by transmission, distribution, public purpose programs, generation, and nuclear decommissioning.

SDG&E and Edison show this level of detail only in their Preliminary Statements in Advice Letter 1042-E and Advice Letter 1245-E respectively.

In its protest to Edison's Advice Letter 1245-E, and SDG&E's 1042-E, ORA notes that PG&E's approach will be more straight-forward for customers who wish to learn what they are paying for each component of their electric service after the implementation of electric restructuring. ORA therefore recommends that PG&E's approach should be required for all utilities.

SDG&E finds ORA's requirement for unbundled unit charges to appear on each rate schedule unnecessary and administratively burdensome. SDG&E notes that this requirement may lead to additional confusion. SDG&E strongly prefers to use the Preliminary Statement for its summary of unbundled rate components. SDG&E believes that its proposed methodology is consistent with current practices of identifying rate components such as the CARE surcharge and ERAM. SDG&E further notes that because it plans to update its summary of unbundled unit charges monthly, it would be much more logical if the updates were limited to the Preliminary Statement sheets, rather than each rate schedule.

SDG&E revised its tariffs to include functionalized rate components on each rate schedule in supplemental Advice Letter 1042-E-A. In supplemental Advice Letter 1042-E-B, SDG&E removed the functionalized rates from its preliminary statement. ORA's protest is moot.

In its response to ORA's protest of Advice Letter 1245-E, Edison states that its ratesetting tariffs are submitted in the format which is consistent with Commission approved past and current practices. Under Edison's approach, Edison's customers have obtained rate applicability and special conditions information by referring to their applicable rate schedule and have referred to the Preliminary Statement Part I to view their rate components. Edison does not believe that ORA provides a compelling reason to have Edison change its format at this time.

In its response to ORA's protest, Edison states that it does not oppose a coordinated effort to identify the areas in the Ratesetting tariffs that can be expressed in substantially the same way for each of the three utilities, provided Edison's unique operational and financial requirements are not set aside solely in the interest of consistency. The area of rate functionalization appears to be one in which Edison's willingness to move toward a consistent approach offers clear benefits to customers. Furthermore, as the electric industry enters a period of greater competition, it will benefit customers to have rate information readily available upon which to base their consumption decisions. Edison should modify every rate schedule to state the functionalized rate components. ORA's protest to Edison's Advice Letter 1245-E on this issue is granted.

ORA suggests that transparency of prices would be improved if each rate schedule stated an overall average rate for the schedule. PG&E opposes such a proposal because the rate might be misleading and confusing for customers. PG&E notes that for example, presentation of an average rate in a rate schedule could easily be confused with the actual charges that are provided elsewhere in the tariff. Edison states that providing the average price would be very misleading and confusing to customers since most customers do not pay the same average rate due to their different usage patterns, so the average rate would not reflect what the customer is actually being billed. SDG&E did not respond to ORA's recommendation on this issue.

The Energy Division notes ORA's recommendation and believes that while providing the overall average rates for each rate schedule would be beneficial for the purpose of rate design, it would not be meaningful to individual customers. Ordering paragraph 12.g. of D.97-08-056 ordered utilities to provide customers bills which will include all the functional rates and charges as adopted in the decision. D.97-08-056 does not require the utilities to provide an overall average rate on individual rate schedules. The Energy Division believes that the requirement in the Ordering paragraph 12.g. would provide sufficient detailed rate information to customers. Adding an overall average rate would not improve price transparency and is unnecessary. ORA's protest on this issue should be denied.

6. Generation Rate, Definition of CTC

PG&E and Edison combine the PX and CTC rate components into a single generation component in Advice Letter 1692-E and Advice Letter 1245-E respectively. SDG&E originally showed separate charges for PX and CTC in Advice Letter 1042-E, but later combined the two charges into one generation charge in supplemental Advice Letter 1042-E-A and E-B. SDG&E also proposed a Schedule CTC in Advice Letter 1042-E, which included a description of the calculation of CTC rates. PG&E and Edison did not propose a CTC schedule. Nor did they propose to include any language in their tariffs regarding the residual calculation of CTC.

In its September 24, 1997 letter to the utilities, the Energy Division directed the utilities to eliminate any proposed Schedule CTC. The Energy Division recommended instead, to include the language for calculation of CTC in the Preliminary Statements.

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In response to the Energy Division's letter, SDG&E eliminated Schedule CTC in supplemental Advice Letter 1042-E-A, but it did not include the language regarding the calculation of CTC in its Preliminary Statement as requested by the Energy Division. PG&E did not follow the Energy Division's request regarding the definition of CTC in their Preliminary Statements either.

SDG&E's rationale for consolidation of the PX and CTC rates into one generation rate is that it plans to update the PX charge on a monthly basis. To comply with the Energy Division's letter, SDG&E revised its Advice Letter 1042-E to include rate components in each rate schedule rather than the preliminary statement. SDG&E contends that if the PX rate is shown as a separate charge, each rate schedule would have to be updated monthly, but if, as SDG&E has proposed, the PX rate is included in the generation rate, which is calculated residually from other fixed components, it will not need to update all of the rate schedules. Only the Schedule PX will have to be updated on a monthly basis.

The Energy Division believes the utilities' proposal to consolidate the PX and CTC into a generation rate is reasonable and should be adopted. Based on this recommendation, the Energy Division now believes that the information regarding the residual calculation of CTC should be included in rate schedules instead of the preliminary statements, as originally recommended in the Energy Division's letter dated September 24, 1997. Therefore, the Energy Division recommends addition of the following language to all rate schedules:

Generation charge is calculated based on the total rate less the sum of : Distribution, Transmission, Public Purpose Program, Nuclear Decommissioning, and FTA(where applicable) charges. CTC is calculated residually by subtracting the PX charge as calculated in Schedule PX from the generation charge.

7. Schedule PX and Components of Power Exchange Energy Charge

PG&E did not file detailed information in Advice Letter 1692-E regarding the development of the PX Energy Charge. ORA pointed this out in its protest to this advice letter. PG&E agreed with ORA and filed a more complete development of the PX cost for use in retail ratemaking in supplemental Advice Letter 1692-E-A. In the supplemental filing, PG&E presented Schedule PX which would apply where the calculation of the PX energy cost is required for either energy cost credits or charges.

In Advice Letter 1042-E, SDG&E proposed a Schedule PX which included the monthly Average PX Prices and the hourly PX Prices with several adjustments, including a non-bypassable Independent System Operator Adjustment (ISOA) and a Franchise Fees and Uncollectibles (FF&U) adder. In supplemental Advice Letter 1042-E-A, SDG&E eliminated the FF&U adder as originally proposed, but later in supplemental Advice Letter 1042-E-B, SDG&E added back the provision in its proposed Schedule PX.

Enron protested the inclusion of the ISOA charges as another rate component in SDG&E's Advice Letter 1042-B. Enron disputed the existence of such costs because SDG&E did not include any examples. Enron argued that all ISO and PX charges incurred by utilities should be included in the hourly PX prices, so that they may be credited to Direct Access customers.

ORA also protested the ISOA charges in Advice Letter 1042-E. Similar to Enron's argument, ORA contested that SDG&E did not identify the specific charges under ISOA in the filing, and asked SDG&E to justify its proposal at the upcoming Energy Division's September 16, 1997 workshop.

In its response to Enron's and ORA's protests to Advice Letter 1042-E, SDG&E stated that its proposed ISOA charges were necessary in order to comply with Section VIII, B.7 of D.97-08-056, which states that any ISO costs that are assigned exclusively to the utility for services provided on behalf of all customers should be recovered from all customers, regardless of generation provider. SDG&E further argued that it has provided a clear description of these costs in its Advice Letter 1042-E filing.

In Advice Letter 1245-E, Edison established Preliminary Statement, Part GG, which sets forth the methodologies to be used in calculating the PX cost, averaged PX charge, and the distribution line losses adjustment factors.

In its protest to PG&E's supplemental Advice Letter 1692-E-A, ORA recommended consistent language among all three utilities and suggested that the wording which appeared in Part GG of Edison's Preliminary Statement be used as the uniform definition.

Based on the discussion at the workshop, the Energy Division agreed with ORA and directed the utilities to delete the PX charge definition from the Preliminary Statement and, instead, add a Schedule PX specifying the following charges as specified in Section VIII, B. 7 of D.97-08-056 as part of the PX charge: 1) weighted average, day-ahead, hour-ahead PX price, 2) settlement imbalances, and 3) uplift charges, including ancillary services, congestion fees, ISO/PX administration fees, and miscellaneous ISO/PX charges for bundled customers, 4) distribution line losses adjustments.

PG&E filed supplemental Advice Letter 1692-E-B. In this filing, PG&E explains that the PX charge used for billing will consist of the forward market cost plus real-time settlement costs, adjusted by Distribution Loss Factors. Total forward market costs for services obtained through the PX shall include, but are not limited to, 1) energy, including inter-zonal congestion fees, 2) ancillary service charges, 3) ISO and PX administration costs, and 4) other miscellaneous ISO/PX charges incurred to serve Bundled Service Customers. In its protest to this supplemental advice letter, ORA states that PG&E has improved the wording of its description in Schedule PX

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so that it includes the substance of Edison's original description as ORA had recommended in its earlier protest. The Energy Division agrees with ORA that PG&E's descriptions of the components to be included in each of the costs are consistent with Edison's and should be adopted. In addition, the forward market costs plus real-time settlement costs, adjusted by Distribution Loss Factors (DLFs) should include an adder for uncollectibles for the reasons discussed in the Double Counting Charges/Direct Access Credit section of this Resolution.

SDG&E also revised its Schedule PX in supplemental Advice letter 1042-E-A by eliminating : 1) FF&U adder, 2) the adjustment for reliability must-run costs, and 3) the non-bypassable ISOA charges.

No party protested SDG&E's proposed PX energy charges as filed in supplemental Advice Letter 1042-E-A. ORA protested the schedule format issue and recommended adoption of PG&E's formulation of Schedule PX as proposed in Advice Letter 1692-E-B for all three utilities.

In its response to ORA's protest to supplemental Advice Letter 1042-E-A, SDG&E agreed with ORA's recommendation and revised its proposed Schedule PX in supplemental Advice Letter 1042-E-B using PG&E's format with a description of monthly PX prices which is SDG&E specific, and including an FF&U adder. In addition, SDG&E relocated the summary of monthly average PX prices from the Preliminary Statement to Schedule PX. ORA's and Enron's protests on Advice Letter 1042-E and supplemental Advice Letter 1042-E-A regarding the ISOA charges and the Schedule PX format are denied. The Energy Division recommends adopting SDG&E's proposed descriptions for the monthly and hourly PX prices and methodology, with the exception that only the adder for uncollectibles should be included. Franchise Fees adder should not be included.

Edison's PX charge already included the itemized components as requested by the Energy Division, so no revisions were necessary as a result of the Energy Division's letter of September 24. Edison, however, did not agree with the Energy Division's request to replace Part GG of its Preliminary Statement with a new Schedule PX and did not revise its tariffs.

In explaining its unwillingness to add Schedule PX and delete Part GG from its Preliminary Statement, Edison states that its Preliminary Statement, Part GG is not a rate option which would supplement a customer's standard rate schedule, but is instead an explanation of how every customer's PX charge will be calculated. According to Edison, to set forth the PX charge calculation in a Schedule PX implies that it is a separate rate, which it is not. Furthermore, Edison argues that to establish a calculation explanation as a Schedule PX would be inconsistent with the remainder of Edison's tariffs. Edison believes that it would be burdensome for Edison's employees and customers to be educated on the new format.

In its protest of supplemental Advice Letter 1245-E-A, ORA states that although earlier it had stated a preference for placing the description of the PX charge in the Preliminary Statement, using Schedule PX as directed by the Energy Division now appears to be the most expeditious way to conclude this aspect of electric restructuring. As a result, ORA recommends PG&E's formulation of Schedule PX should be required of all three utilities, instead of placing the description in the Preliminary Statement, with utility-specific text being used only where necessary. ORA believes that Edison's references to its Preliminary Statement can be replaced with references to Schedule PX with little difficulty, and explaining this aspect of the structure of Edison's tariffs will not be the only requirement for informing its employees about how electric restructuring will be implemented. Finally, ORA recommends elimination of Schedule Hourly Power Exchange (HPX), as it would be redundant once Edison's tariffs contain the equivalent of PG&E's Schedule PX.

In response, Edison states that placing the PX charge calculation in a rate schedule instead of the Preliminary Statement is contrary to the treatment of all other Edison calculation explanations, and reiterates that Edison's Preliminary Statement, Part GG is the appropriate place for an explanation of how every customer's PX charge will be calculated. Edison also states that since the provisions of Part GG and Schedule HPX are used for different purposes, it is not appropriate to combine all such provisions on a Schedule PX.

The Energy Division believes that all relevant portions of Schedule HPX are captured either in the new Schedule PX, or listed on each rate schedule, as discussed under the Virtual Direct Access section of this resolution. The Energy Division recommends that Edison add Schedule PX and delete Part GG from its Preliminary Statement, following the format used by PG&E.

ORA's protests to PG&E's and SDG&E's advice letters are denied. ORA's protest to Edison's advice letter is granted.

8. Double Counting of Charges/Direct Access Credit

In its protest to PG&E's Advice Letter 1692-E, Edison's Advice Letter 1245-E, and SDG&E's Advice Letter 1042-E, Enron states its concern about a substantial number of cost items imbedded in transmission, distribution, and generation rate components in the tariffs which may be being charged to direct access customers twice through various mechanisms. Enron believes that a number of functions and costs included in those rates will no longer be performed or incurred by the utility under direct access. Enron recommends that the unbundled rate components charged to Direct Access customers should be credited for such costs in order to avoid double counting. Otherwise, Enron is concerned that it would be more expensive for customers to choose Direct Access than to stay with bundled service. To correct the double collection problem, Enron proposes that the unbundled rate components charged to direct access customers be credited through a single Direct Access credit for costs related to scheduling and purchasing of wholesale power, customer service costs, generation-related uncollectibles, lost and unaccounted for energy, ISO and PX uplifts, distribution losses, transmission losses,

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ancillary service charges, and any other ISO related charges incurred by the utility for its bundled service customers, as well as credit for any other items included in current rates which are duplicated by direct access providers. Enron proposes to include the credit in each rate schedule or tariffed charge which direct access customers may take service under.

Of the costs mentioned by Enron, PG&E has included ancillary service charges, ISO and PX administration costs, and other miscellaneous ISO/PX charges incurred to serve Bundled Service Customers adjusted for distribution line losses, in the PX charge described in Schedule PX of Advice Letter 1692-E-B.

SDG&E has also included most of the generation related costs, including the ISO and PX uplift charges, ancillary service charge, and distribution line losses in the calculation of the PX energy charges.

Edison's proposed PX energy charge included the ISO and PX uplift charges, as well as the settlement adjustments.

PG&E in its response to Enron's protest states that Enron did not raise the issue regarding the direct access credit for costs associated with scheduling and purchasing wholesale power, customer service, or any portion of transmission and distribution in the cost separation proceeding, and, therefore, it cannot use the advice letter process to raise the issue now.

SDG&E responded to Enron's requirement to formulate PX charges into a credit for direct access on each rate schedule. Although SDG&E stated its preference to keep that information on the Preliminary Statement rather than in the rate schedules, SDG&E later added this information to its rate schedules in supplemental Advice Letter 1042-E-B.

Edison's response to Enron's protest of Advice Letter 1245-E is that the rates as filed simply reflect the revenue requirements adopted by D.97-08-056. Regarding Enron's suggestion that Direct Access customers should be credited for costs that will be avoided by the separate provision of metering and billing by Direct Access providers, Edison responds that D.97-08-056 only authorizes Edison to credit Direct Access customers with a Power Exchange Energy Charge. Any further credits, according to Edison, would place Edison in noncompliance with the decision. Edison notes that D.97-05-039 establishes a process for evaluating the net cost savings resulting when billing, metering and related services are provided by a non-utility entity.

Edison's response to Enron's double collection problem regarding the Direct Access credit and to Enron's recommendation that the utilities should include a Direct Access Credit on every rate schedule for Direct Access customers is that there is no need to include a Direct Access credit on every rate schedule for Direct Access customers. Edison states that its Schedule DA- Direct Access, which is filed in the Direct Access proceeding, is a supplemental schedule applicable to

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each rate schedule that provides Direct Access customers with a credit equal to the PX energy charge as adopted in this proceeding.

Edison does not agree with Enron that it has to remove the generation-related uncollectibles from its revenue requirement because, according to Edison, D.97-08-056 has already removed them. Edison further disagrees with Enron's recommendation to adjust PX energy charge for transmission losses. Edison states that the PX price is set at the transmission level, which already includes losses. Thus, to further adjust it upward would result in double counting.

Section VIII.B.7 of D.97-08-056 set forth the components for the PX energy charge, which forms the basis for the credit provided to direct access customers. These costs are identified in the PX energy charge section of this resolution. As addressed in that section, the Energy Division believes that the utilities' proposed PX energy charges, which will be used to provide the credit to direct access customers, are in compliance with the D.97-08-056 and should be adopted with the following modification. D.97-08-056 assigned one third of the utilities' total FF&U to generation. However, D.97-08-056 did not explicitly identify the methodology for this allocation. Enron argues that to avoid the double counting of this item, direct access customers should get a credit for it. This issue was the subject of Enron's Petition to Modify D.97-08-056, which was addressed in D.97-11-073 and was denied for lack of support. D.97-11-073 stated that in cases such as this, the Commission relies on the Energy Division to refine the already developed criteria in the process of reviewing tariffs. Enron's petition regarding the uncollectibles as one of those instances where the Energy Division's clarification is required. The Energy Division believes that although uncollectibles was not explicitly identified as a PX component, it should be treated as a PX component to ensure that the cost of uncollectibles is accurately allocated to generation. Other costs requested by Enron to be included in the PX energy charge as a single Direct Access Credit were not adopted in D.97-08-056 and to this end, the Commission cannot allow them to be included as the PX charge in this compliance filing. Thus Enron's protest is granted in part.

The Energy Division recommends adding language in the utilities' rate schedules under billing for direct access customers similar to what PG&E has already included in its tariffs which clearly describes the credit provided to direct access customers. Edison should revise its tariffs to satisfy this requirement.

9. Maximum Direct Access

In the billing section of all applicable rate schedules submitted in Advice Letter 1692-E, PG&E states that if a direct access customer's credit for the avoided PX energy cost is larger than the customer's otherwise applicable full service bill, then the minimum bill for the direct access customer is zero. In its protest to this advice letter, Enron argues that if a bundled customer is contributing negative CTC because of high PX prices, a direct access customer should receive a corresponding credit.

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In Advice Letter 1042-E-B, SDG&E proposed similar tariff language to PG&E's in the billing section which states that Direct Access Customers minimum bill will be zero when PX energy charge (or Direct Access Credit) is greater than the total bill as calculated for Bundled Service Customers.

Edison has no proposal on this issue.

Enron's protest regarding this issue should be denied. PG&E's minimum bill proposal for direct access customers was made in the Cost Separation Proceeding and was implicitly adopted by D.97-08-056. This advice letter filing is merely implementing PG&E's proposal as adopted in the decision. SDG&E's language is similar to PG&E's and therefore should be adopted. Edison should add similar language in its tariffs.

10. Load Profiles

D.97-08-056 states:

"In the weekly averaging, utilities shall use hourly PX energy costs in each week and class load profiles for each rate class (the profiles including both utility service and direct access customers) to calculate an average PX energy cost for utility service customers in that rate group."

In Advice Letter 1042-E and supplemental Advice Letter 1042-E-A, SDG&E included a brief description for Statistical Load Profiles in its proposed Schedule PX. However, load profiles for each rate group were not submitted as part of SDG&E's filings.

PG&E did not have any specific information regarding the load profiles in their tariffs filed in Advice Letter 1692-E or supplemental Advice Letter 1692-E-B and Edison did not include any specific load profile information in Advice Letter 1245-E.

In its protest to PG&E's supplemental Advice Letter 1692-E-B and SDG&E's supplemental Advice Letter 1042-E-A, Enron raises a general concern that the load profiles used in the calculation of both the PX price and CTC charges are not part of the tariffs. Enron notes that load profiles are critical information in the calculation of the CTC and the average PX charge, which customers rely on when making a decision to choose direct access. Enron recommends that the load profiles be incorporated into the tariffs so that parties will have opportunities to review load profiles for accuracy and quality.

In response to this protest, PG&E explained that it has made load profiles available on the Commission's World Wide Web site (<http://162.15.5.2/wk-group/dail/>), and that due to the



volume of information associated with these load profiles, it is not reasonable to include them in tariffs. SDG&E and Edison have also provided their load profile information on the same web site.

The Energy Division notes Enron's argument that customer load profiles are important elements in the CTC and average PX calculations for choosing direct access. However, D.97-08-056 does not require the utilities to include load profiles in their compliance advice letter filings. The Energy Division believes that having that information as posted on the Commission's Web site is sufficient. Enron's protest on the load profiles issue is denied.

11. Distribution Line Losses

In the Cost Separation Proceeding, Edison proposed to use average loss factors to calculate costs associated with distribution line losses, and to recover these costs from all customers as a non-PBR distribution rate component. In D.97-08-056, the Commission directed PG&E and SDG&E to file, in their compliance advice letters, similar proposals for implementing hourly distribution line loss calculations. At the time of filing Advice Letter 1692-E, PG&E had not finalized its preferred distribution loss factor methodology. In its protest to this advice letter, ORA noted that PG&E's specific proposal was missing.

PG&E described its method for adjustments to distribution loss factors in supplemental Advice Letters 1692-E-A and 1692-E-B. In its protest to supplemental Advice Letter 1692-E-B, ORA stated that PG&E's specific proposal for calculation of hourly distribution line loss factors still was not apparent from the filings. On October 15, 1997, PG&E submitted its distribution loss factors, and their calculation in OIR 94-04-031/OH 94-04-032. In supplemental Advice Letter 1692-E-C, PG&E added these distribution loss factors to Schedule PX.

In Advice Letter 1042-E, SDG&E proposed a brief description for calculation of distribution line losses in Schedule PX.

ORA argued that SDG&E's proposed language appears to be inconsistent with the recommendation of the Retail Settlements and Information Flow (RSIF) supplemental workshop report. ORA recommended that all utilities should revise their advice letters.

SDG&E did not respond to ORA's protest to Advice Letter 1042-E on this issue.

ORA protested the same issues in SDG&E's supplemental Advice Letter 1042-E-A, which contained the same language as Advice Letter 1042-E. ORA argued that SDG&E did not provide a specific proposal for calculation of hourly distribution line loss factors. ORA believed that such calculation must be clarified in the advice letter and should be consistent with the RSIF supplemental workshop recommendation.

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In its response to ORA's protest, SDG&E acknowledged the requirement to file its proposal for hourly distribution line loss factors and Unaccounted for Energy (UFE) and mentioned that it was planning to file this information with the Commission on October 31, 1997.

In supplemental Advice Letter 1042-E-B, SDG&E revised its proposed tariffs, replacing the original language with a description of the DLFs methodology consistent with its supplemental filing in the RSIF workshop filed with the Commission on October 31, 1997.

Edison presented its calculation of hourly distribution line losses in Section GG of its Preliminary Statement in Advice Letter 1245-E. According to ORA's protest, Edison's proposed text appears consistent with the recommendations of the supplemental workshop report on this subject in the Direct Access proceeding's RSIF workshop process. ORA recommends Edison's Preliminary Statement as the preferred location for the description of distribution line losses.

Section VIII.B.11 of D.97-08-056 required the utilities to file proposals for implementing hourly distribution line loss calculations in their advice letter filings. A supplemental RSIF workshop report was filed on August 19, 1997 in the Direct Access proceeding, R. 94-04-031/L.94-04-032. According to the report, the utilities would review the feasible calculation methods prior to October 15th. PG&E filed its distribution loss factors on October 15th. SDG&E filed its report on October 31st and Edison filed its report on October 18th. A Commission decision on the RSIF workshop report is pending. The Energy Division recommends the proposed distribution line loss factors as proposed by the utilities in their schedule PX and update as necessary after a Commission decision is rendered on this matter. The Energy Division believes that PG&E and SDG&E have complied with the requirement of the decision. ORA's protests regarding this issue are denied. Consistent with its previous recommendation of eliminating Edison's section of preliminary statement describing Power Exchange Energy, the Energy Division recommends that Edison should include its description of distribution line loss factors in its new Schedule PX.

12. Virtual Direct Access Service Option

In D.97-08-056, the Commission directed the utilities to propose new virtual direct access services and tariff offerings that would promote the efficient use of energy in their compliance tariff filings.

In Advice Letter 1692-E, PG&E included billing descriptions for Bundled Service, Direct Access, and Hourly PX Pricing Option (Virtual Direct Access) customers in each of its applicable rate schedules. A customer's bill is first calculated according to the total rates and conditions and then adjusted depending on the type of customer's service. For Direct Access customers, the bill will be calculated as for a bundled service customer, but the customer will receive a credit for the PX component. For Hourly PX Pricing Customers, the bill will be calculated as for a bundled service customer, then credited for the PX component, then the hourly

PX component is added. The hourly PX component is determined by multiplying the hourly energy used in the billing period by the hourly cost of energy from the PX.

In Advice Letter 1042-E-A, SDG&E included an Hourly PX Rate Option in its Schedule PX for Virtual Direct Access service.

Edison filed a new schedule, Hourly Power Exchange (HPX) in Advice Letter 1245-E, which established service for virtual direct access customers.

The Energy Division's September 24 letter directed the utilities to add language for virtual direct access on each rate schedule similar to PG&E.

Edison disagreed with the Energy Division's request and thus did not add language for the Virtual Direct Access provision on each rate schedule in its supplemental Advice Letter 1245-E-A. Edison stated that its Schedule HPX, Hourly Power Exchange, is applicable to all bundled service customers as an option to the standard rate schedules for these customers. Edison prefers to provide information about options available to several standard rate schedules in a single location, rather than repeating the same information on each rate schedule. Edison also believes that adding language for the Virtual Direct Access provision to each rate schedule could create customer confusion and add unnecessary volume to Edison's tariff book. Thus, Edison argues that this requirement creates an unnecessary operational burden on Edison and ignores Edison's unique operational and financial requirements. Since Schedule HPX expresses substantially the same provision as the two other utilities, Edison believes that it is not necessary to include this provision on each rate schedule.

In its protest of supplemental Advice Letter 1245-E-A, ORA stated that the Commission should require Edison to include the language describing the Bundled Service, Virtual Direct Access, and Direct Access rate options that has been proposed by PG&E, in each rate schedule, as directed by the Energy Division. According to ORA, the language proposed by PG&E does not raise the concerns claimed by Edison about creating customer confusion, adding significant volume to Edison's tariff book, or creating an administrative burden for Edison. Instead, placing PG&E's proposed language in each rate schedule will play an important role in educating customers about the opportunities created by electric restructuring -- when a customer requests a copy of his/her rate schedule, he/she will be able to easily identify important choices that are available, rather than needing to ask questions that would not have otherwise have occurred, such as asking for Schedule PX or asking for an identification of optional rate schedules.

In its response to ORA's protest of supplemental Advice Letter 1245-E-A, Edison reiterates the objections it originally raised to the Energy Division's request. Edison notes that its Schedule HPX, Hourly Power Exchange, is applicable to all bundled service customers as an option to standard rate schedules for such customers, and that Edison uses this tariff construction method when an optional rate provision supplements several standard rate schedules. Edison believes

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this design provides the necessary information in a single location rather than repeating the same information on each rate schedule. Edison also expresses concern that ORA has taken the Energy Division's request one step further by recommending the addition of descriptions of Bundled Service and Direct Access on each rate schedule.

The Energy Division disagrees with Edison's view. ORA's interpretation of the Energy Division's letter is accurate. The Energy Division's September 24 letter directed the utilities to add language for virtual direct access provision *on each rate schedule* similar to PG&E in Advice Letter 1692-E. PG&E's Advice Letter 1692-E contained descriptions for bundled service, direct access, and virtual direct access. Although D.97-08-056 required the utilities to propose only new virtual direct access services and tariff offerings, the Energy Division believes that it did not limit the scope of the information. Additional information that would help customers understand the virtual direct access option, for example by comparison to other services available to them, is appropriate and can be included in the tariffs. PG&E's proposed billing descriptions for Bundled Service and Direct Access provide additional helpful information to customers and enable them to fully understand the hourly PX Pricing option and should be adopted.

Furthermore, providing information regarding the hourly PX pricing option in each rate schedule instead of in the Schedule PX or other parts of the tariffs make that option more visible to customers. The Energy Division believes that the individual rate schedules are the most appropriate place for making the information regarding various options, including the virtual direct access option, available and recommends that Edison include the information as specified above on each rate schedule. ORA's protest on this issue is granted.

SDG&E did not revise its proposed hourly PX Rate option to comply with the Energy Division's September 24, letter. In supplemental Advice Letter 1042-E-A SDG&E's tariffs for Virtual Direct Access service remain in its proposed Schedule PX rather than in each applicable rate schedule. In addition, the tariff language in supplemental Advice Letter 1042-E-B contains information relating to rules being filed under the Direct Access proceeding (e.g. Rule 12 and 24).

Instead, as ORA pointed out in its protest to supplemental Advice Letter 1042-E-A, SDG&E responded to Energy Division's request by including sections entitled "Customer Choice" and "Billing Power Exchange (PX) Charges" in each rate schedule. ORA prefers to use language similar to PG&E's for all utilities for Direct Access and Virtual Direct Access.

SDG&E later in supplemental Advice Letter 1042-E-B, eliminated the above two sections and replaced them with language similar to PG&E's, with SDG&E-specific text, in all rate schedules.

As previously recommended in its September 24 letter, the Energy Division recommends that the language regarding the virtual direct access should be included in each rate schedule rather than the preliminary statement.

SDG&E should eliminate the section Hourly PX Rate Option in its Schedule PX which contains information pending the Direct Access filing. In each rate schedule under Section Billing, Edison should include similar language as PG&E.

13. Submetered Tenant Participation In Direct Access

In Advice Letter 1692-E, PG&E added a provision for submetered tenant participation in direct access to Rate Schedules ES, ESR, ET, ESL, ESRL, and ETL. Western Mobilehome Parkowners Association (WMA) protested PG&E's proposed language and its inclusion in the Cost Separation Proceeding compliance tariffs instead of the Direct Access implementation tariffs. In response to the protest, PG&E agreed that this issue is being addressed in the Direct Access proceeding and that providing the language in these tariffs at this time is premature. In supplemental Advice Letter 1692-E-B, PG&E removed from applicable rate schedules language applying to the application of direct access for submetered customers. Thus, WMA's protest should be denied.

WMA also filed a protest to PG&E's supplemental Advice Letter 1692-E-B, Edison supplemental Advice Letter 1245-E-A, and SDG&E's Advice Letter 1042-E objecting to the proposed implementation of the 10% rate reduction on master-metered/submetered mobilehome parkowners. WMA notes that the utilities apply the 10% bill credit to master-metered accounts after the submetering differential provided for in Section 739.5 (a) was deducted from the bill. WMA notes that in effect not only the electric rates for master meter will be subject to the 10% rate reduction, so will the master-metered differential. Simultaneous with its protest, WMA filed a Petition to Modify D.97-08-056 regarding this issue.

WMA's protest was well beyond the normal 20-day period. The Commission will have an opportunity to address WMA's request in its pending petition to modify. WMA's protest is denied.

14. Marketers/Brokers To Negotiate Payment Of CTC

Ordering Paragraph 12.b of D.97-08-056 states that the utilities' tariffs shall "[p]ermit marketers and brokers to negotiate with their energy customers the method by which their customers will pay the Competitive Transition Charge (CTC) to them."

In Advice Letter 1692-E, PG&E included language on all affected rate schedules to allow marketers and brokers to negotiate with their customers the method by which their customers

will pay CTCs. The Energy Division believes PG&E's language satisfies the requirement of Ordering Paragraph 12.b.

SDG&E, in supplemental Advice Letter 1042-E-B, includes a statement on each rate schedule stating that nothing in this service prohibits a marketer or broker from negotiating with customers the method by which their customer will pay the CTC charges. The Energy Division believes SDG&E's language satisfies the requirement of Ordering Paragraph 12.b.

Edison, in Advice Letter 1245-E, added language to its Preliminary Statement, Part W, Competition Transition Charge Responsibility, stating that "Where customers elect to purchase energy and ancillary services through Direct Transactions with Energy Service Providers (ESPs), the ESPs shall be permitted to negotiate the method of CTC payment with their Direct Access Customers." The Energy Division believes Edison's language satisfies the requirement of Ordering Paragraph 12.b, and this information should also be included on all rate schedules.

15. Rate Reduction Bonds

Ordering Paragraph 12 a. of D.97-08-056 says the utilities' tariffs shall "[p]rovide the 10% discount mandated by AB 1890 to residential and small commercial customers on all types of rate schedules and recover the cost of paying off the rate reduction bonds from the same classes of customers." Ordering Paragraph 12 i. requires the utilities to "[r]eflect the 10% rate reduction to small commercial and residential customers by way of a reduction to the CTC."

In Advice Letter 1692-E, PG&E included a Special Condition entitled "Rate Reduction Bond Credit" in all applicable rate schedules explaining that eligible customers will receive a 10% credit on their bills based on the total bill. PG&E also included language regarding the payment of the bonds, which stated that customers eligible for the credit will repay the bonds used to finance the credit.

In its protest to this advice letter, ORA states that PG&E's proposed text appears inadequate in describing how the credit is calculated and how the debt will function. ORA believes that an adequate description would be excessively long for inclusion in all rate schedules. ORA prefers a single rate schedule, as proposed by Edison, that addresses both credit and debt service and recommends that it be required for all utilities.

The Energy Division's letter of September 24, directed the utilities to remove any language regarding charges for the bond payment and eligibility criteria from these compliance filings and submit them in the Rate Reduction Bond proceeding (A.97-05-022). The Energy Division's September 24 letter directed the utilities to use language similar to PG&E's, with some minor changes, regarding the rate reduction bond credit and payment in all applicable rate schedules.

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SDG&E AL 1042-E, E-A, E-B/SCL
Edison AL 1245-E, E-A/SCR

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In supplemental Advice Letter 1692-E-B, PG&E retained the language on all applicable rate schedules stating that the residential and small commercial customers with loads less than 20 kW will receive a 10 % credit on their bills based on the bills as calculated for Bundled Service Customers. PG&E removed the language regarding the cost of paying off the debt in supplemental Advice Letter 1692-E-B.

In Advice Letter 1042-E, SDG&E added a Rate Reduction Adjustment section to all rate schedules for the 10% rate reduction and payment. SDG&E also proposed a Schedule FTA, Fixed Transition Amount, in Advice Letter 1042-E.

ORA protested Advice Letter 1042-E and argued that inclusion of the proposed Rate Reduction Adjustment in all rate schedules, implies that only residential and small commercial customers are subject to the FTA rates while all commercial and industrial customers are eligible for the 10% credit.

SDG&E was silent on this issue in its response to ORA's protest and retained the same language in supplemental Advice Letter 1042-E-A and supplemental Advice Letter 1042-E-B. However, in response to the Energy Division's letter, SDG&E eliminated its proposed Schedule FTA.

ORA protested the same issue in supplemental Advice Letter 1042-E-A. ORA argued that the language for the Rate Reduction Credit and Bond Payment should not be included in the non-applicable commercial/industrial rate schedules (e.g. Schedule AD).

ORA recommended addition of "in all billings for customers defined as Residential or Small Commercial in Rule 1" at the end of the first sentence in Section Rate Reduction Adjustment in the next supplemental filings.

SDG&E responded to ORA's protest to supplemental Advice Letter 1042-E-A that its proposed language will be superseded by an upcoming SDG&E filing in the Rate Reduction Bond proceeding. SDG&E stated that it will incorporate ORA's recommended changes in that upcoming filing. SDG&E's Advice Letter 1042-E-B did not incorporate any changes from its filing.

The Energy Division recommends PG&E add "by way of reduction to CTC" to the Rate Reduction Bond Credit section of its applicable residential and small commercial rate schedules to comply with Ordering Paragraph 12 i. PG&E also needs to add the language regarding the bond payback to its applicable rate schedules in order to comply with Ordering Paragraph 12 a.

The Energy Division agrees with ORA regarding PG&E's language for rate reduction credit and bond payment. D. 97-09-055, D.97-09-056 and D.97-09-057 identified the schedules to which the rate reduction applies for PG&E, Edison, and SDG&E respectively. SDG&E's tariff should be revised to include language regarding the rate reduction credit and payment only on the

schedules specified in D. 97-09-057. Under the Rate Reduction Adjustment of those schedules, SDG&E should replace the proposed tariff language for rate reduction credit and bond payment with the following:

(for all residential schedules)

"Customers defined as residential in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

(for all other applicable small commercial schedules)

"Customers defined as small commercial in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

Edison, in Advice Letter 1245-E, established Schedule RRB - Rate Reduction Bonds, Bill Credit and FTAC, which provide that customers will receive a 10% bill credit applied to their total bill. In response to the Energy Division's September 24 letter, Edison withdrew Schedule RRB from Advice Letter 1245-E, stating its intention to file a separate advice letter. In addition, Edison added language to its residential and small commercial schedules stating that these customers will receive a 10% bill credit on their bill based on the total bill as calculated for Bundled Service Customers, and that the bill credit is to be applied to CTC as discussed in Ordering Paragraph 12.i. of D.97-08-056. The Energy Division believes Edison's language satisfies the requirement of Ordering Paragraph 12.i.

16. Discounts

In the following section, we describe the methodology to calculate and allocate CARE, Employee, and Economic Development discounts.

A. California Alternate Rate for Energy (CARE):

Under the current tariffs, utilities offer residential and certain non-residential CARE program service rate schedules, which provide a discount for eligible customers.

Calculation of the CARE discount:

In Advice Letter 1692-E, PG&E proposes to calculate the CARE discount based on the customer's total bill before any credit for direct access. SDG&E in Advice Letter 1042-E and

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Edison in Advice Letter 1245-E have proposed similar methods in their CARE schedules to calculate the CARE discount.

The Energy Division believes that it is appropriate to apply the CARE discount to the total bill before any credit is given for direct access. This ensures that CARE customers who choose direct access receive similar ratemaking treatment for their discounts as customers who stay with the utility service. However, it should be noted that because the total CARE discount a direct access customer would get is based on the average monthly PX price for bundled customers, which may be different from the customer's energy charge, the CARE discount may amount to higher or lower than 15% of the customer's *actual* bill.

Allocation of the CARE discount:

PG&E has proposed in Advice Letter 1692-E to spread the discount across each of the functionalized components except the Nuclear Decommissioning component for the residential CARE schedules. For the non-residential schedules, PG&E does not specify any allocation across the functionalized components. SDG&E in Advice Letter 1042-E has proposed to reflect the CARE discount in the distribution rate for the residential CARE schedule. SDG&E has not proposed any changes to its existing tariffs regarding the allocation for the non-residential schedules. Edison applies the discount to the Public Purpose Program (PPP) component of the eligible residential customers' unbundled rates.

The Energy Division believes that the discount for all residential and non-residential applicable rate schedules should be reflected in the distribution rate component.

The utilities applicable CARE schedules should include the following:

The 15% California Alternate Rate for Energy (CARE) discount is applied to the bill based on the total bill as calculated for bundled service customers by way of a reduction to the distribution rate component.

B. Employee Discount

Currently, utilities offer a 25% discount to their employees.

Calculation of the employee discount:

Through Schedule EE, PG&E offers a 25% discount to its regular or pensioned employees. In Advice Letter 1692-E-B, PG&E adds a new statement to this schedule clarifying that the discount will be applied to the entire bill for customers taking Hourly PX Pricing Option or Bundled Service.

SDG&E offers its employees a 25% discount under Schedule DE, Domestic Service To Utility Employees. SDG&E did not request any changes to its Schedule DE in its advice letters. The discount is currently applied to an employee's bill as determined under a regularly filed schedule for domestic service which would otherwise be applicable. Under the current schedule, it is



unclear when an employee takes direct access service, whether the discount will be applied to the employee's total bill or the non-energy portion of it.

Similar to SDG&E, Edison offers its employees a 25% discount under Schedule DE, Domestic Service To Utility Employees. Edison did not request any changes to its Schedule DE in its advice letters. The discount is currently applied to an employee's bill as determined under a regularly filed schedule for domestic service which would otherwise be applicable. Under the current schedule, it is unclear when an employee takes direct access service, whether the discount will be applied to the employee's total bill or the non-energy portion of it.

No protest was filed on this issue.

Although the Energy Division believes it may be appropriate to apply the discount only to the non-energy portion of a direct access customer's bill instead of the total bill because the employee discount should only be given on the service that the utility continues to provide, this method was not proposed in the Cost Separation Proceeding and was not adopted by D.97-08-056. Furthermore, this method is not consistent with the methodology for calculating the CARE discount. Thus, the change may not be allowed in the compliance advice letter filings. Utilities should provide the employee discount based on the employee's total bill and allocate it as specified in the section below.

Allocation of the employee discount:

For PG&E customers on Schedule EE, PG&E has not proposed how to allocate the discount across functionalized components.

It is unclear from SDG&E's Schedule DE, how the credit for direct access customers will be applied.

No protest was filed on this issue.

Consistent with allocation of CARE discount, the Energy Division recommends the discount be allocated to the distribution rate component. Utilities should revise their applicable rate schedules to include similar language as the following:

The 25% discount will be given based on the total bill as determined for Bundled Service Customers under a regularly filed schedule for domestic service which would otherwise be applicable, by way of a reduction to the distribution rate component.

C. Economic Development Rates

The utilities offer discounts to qualified customers located in or expanding in designated Enterprise zones and Employment Incentive Areas.

Calculation of the discount:

Currently, through Schedule ED, PG&E provides a three-year declining discount based on the energy, demand, and customer charge portions of Schedules A-10, E-19 or E-20 that would otherwise apply. In Advice Letter 1692-E, PG&E added a new statement that says the discount will be determined before any credit is provided for direct access service. This is consistent with the way the CARE discount is calculated and should be adopted.

SDG&E's service for economic development is under Schedule NJ, New Job Incentive Rate. SDG&E did not request any tariff changes to its current schedule relating to the discount for Schedule NJ.

In Advice Letter 1245-E, Edison did not add any language to its Schedule AEDR and Schedule EEDR specifying whether the discount will be determined before any credit is provided for direct access service.

Consistent with the methodology for calculating the employee and CARE discounts, the Energy Division recommends adopting PG&E's proposed methodology and modifying SDG&E and Edison's tariffs as specified below.

Allocation of the discount:

Similar to the employee discount, PG&E has not proposed any allocation methodology.

In Advice Letter 1245-E, Edison added language to its Schedule AEDR and Schedule EEDR, stating that the total charges subject to discount shall be converted into the following rate components: Distribution, Transmission, Transmission Revenue Balancing Account Adjustment (TRBAA), Averaged Power Exchange (PX) Energy Charge, Competition Transition Charge (CTC), Public Purpose Programs Charge (PPPC), and Nuclear Decommissioning Charge (NDC).

Consistent with the allocation methodology for CARE and employee discount, the Energy Division recommends allocating the discount to the distribution rate component.

Utilities should revise their applicable rate schedules to include similar language as the following:

The discount will be given based on the total bill as determined for Bundled Service Customers under a regularly filed schedule for domestic service which would otherwise be applicable, by way of a reduction to the distribution rate component.

17. Real Time Pricing Rates

In Advice Letter 1692-E, PG&E proposed changes to the text of existing Schedule A-RTP - Experimental Real-Time Pricing Service. NASA protested the changes to the schedule on the basis that PG&E did not include a provision which would allow customers on this schedule to engage in direct access, and they did not specify how customers' energy charges would be calculated. NASA stated the variable energy rate on the schedule should be based on the PX cost. Enron also protested this proposed schedule because it did not have a direct access option.

ORA protested the language in Schedule A-RTP that customers can participate solely at the option of PG&E and that participation is limited to 50 customers. ORA believes that this language would place unnecessary restrictions on the development of competitive markets and should be deleted.

PG&E modified Schedule A-RTP in supplemental Advice Letter 1692-E-A. Specifically, it removed the 50 customer participation limit provision replacing it with language that closed the schedule to new customers, added language to provide that customers taking service on this schedule are not eligible for direct access, and inserted language to indicate that the variable rate changes according to PG&E's hourly cost of procuring energy from the Power Exchange.

The revised Schedule A-RTP in supplemental Advice Letter 1692-E-A satisfied NASA's concern that the appropriate price basis for Schedule A-RTP is the PX cost and, thus the protest on this issue is moot and should be denied. However, it expressly provided that customers served under the schedule should not be eligible for direct access.

ORA protested supplemental Advice Letter 1692-E-A on the basis that the closure of Schedule A-RTP to new customers, and the provision preventing A-RTP customers from being eligible for direct access are contrary to the Commission's established electric restructuring policies, and such limitations were neither proposed by PG&E in its unbundling application nor adopted by the Commission in D.97-08-056. ORA recommended the existing limitations on participation be removed and PG&E's proposed new limitations be denied, or at a minimum PG&E's proposed new limitations should be denied.

In supplemental Advice Letter 1692-E-B, PG&E modified Schedule A-RTP to restore the original language regarding PG&E discretion over customers who can participate and the 50-customer participation limit. PG&E also added a provision on Schedule A-RTP to allow customers on the schedule to take direct access service. Since changing current participation limits was not an issue in the cost separation proceeding, ORA's recommendation to delete such language cannot be accommodated in this compliance filing. PG&E's proposed applicability language provided in supplemental Advice Letter 1692-E-B, which does not change the currently effective tariff, should be adopted. Thus, ORA's protest with respect to this issue should be

denied. The revised Schedule A-RTP in supplemental Advice Letter 1692-E-B also allows customers served on the schedule to engage in direct access which satisfies NASA's, Enron's and ORA's concerns regarding direct access. Thus their protests on these issues are moot and should be denied.

SDG&E does not request any tariff changes other than changes related to rate unbundling in its Schedule RTP-1 and RTP-2.

18. Departing Load Customers

In Advice Letter 1692-E, PG&E proposes a new rate schedule called E-DEPART, that is applicable to those customers who no longer take any service from PG&E. In Advice Letter 1245-E, Edison filed Schedule DL-NBC, Departing Load Nonbypassable Charges. This schedule sets forth the nonbypassable charges (i.e., CTC, NDC, PPC and Fixed Transition Amounts Charge (FTAC)) that will apply to customers that leave Edison's system. SDG&E did not file any tariff changes for departing load customers. SDG&E's changes are filed in the Transition Cost and Rate Reduction Bond proceedings.

Ordering Paragraph 12.h of D.97-08-056 requires that utilities' tariffs shall specify that a customer who leaves the utility system to be served by an entity which must impose a public purpose surcharge pursuant to PU Code Section 385 shall not thereafter be required to pay the utility's public purpose program surcharge.

PG&E included language to satisfy this requirement in its proposed new schedule E-DEPART in Advice Letter 1692-E. The language was proposed under the Special Conditions section of Schedule E-DEPART. PG&E later relocated the language to the Billing section of the Schedule E-DEPART in supplemental Advice Letter 1692-E-C. SDG&E and Edison have not proposed any new language in their tariffs to meet this requirement.

In its protest to PG&E's Advice Letter 1692-E and Edison's Advice Letter 1245-E, ORA stated that PG&E's proposed Schedule E-DEPART and Edison's proposed Schedule DL-NBC should not be adopted solely through this compliance advice letter process, because they involve issues that are still being considered elsewhere, such as the Commission's TC proceeding.

PG&E opposes ORA's position because it submitted the mechanisms for calculation of bills for customers in these categories in its cost separation application. PG&E notes that although it has filed its proposed tariff language which defines customer eligibility and their respective loads in the CTC proceeding, it has not provided the approach for billing these customers in any other proceeding except the cost separation proceeding. In its response to ORA's protest of Advice Letter 1245-E, Edison shared ORA's concern regarding overlapping tariffs in multiple proceedings and agreed that the approval of Schedule DL-NBC involves issues that are still being considered in other proceedings.

The Energy Division agrees with ORA that these schedules should be considered in the Commission's CTC proceeding. However, the proposed section on Billing, as proposed by PG&E is the subject of the unbundling decision and should be adopted with the modification as filed in PG&E's supplemental Advice Letter 1692-C: "Should the Power Exchange component be greater than the generation component of the bill, no contribution to CTC will have been made and the CTC will be equal to zero." The Energy Division recommends removing PG&E's proposed language regarding CTC contribution if the PX component is greater than the energy, because it is inconsistent with the treatment of PG&E's unbundled customers' contribution to CTC under similar conditions.

Utilities should include PG&E's Billing language as modified here in their TC advice letter filings.

19. Competition Transition Charge Exemption

In Advice Letter 1692-E, PG&E proposes to revise and rename existing Schedule E-EXEMPT (Southern San Joaquin Valley Power Authority Competition Transition Charge Exemption) so that it would apply to all customers who are exempt from paying the CTC. In Advice Letter 1245-E, Edison filed revisions to Schedule CTCE-IWD - Competition Transition Charge Exemptions - Irrigation/Water Districts, which revised the language describing the calculation of the CTC portion of the Energy Charge component of the CTC exemption credit received by eligible customers. SDG&E did not file any tariff changes for CTC exemptions. SDG&E's changes were filed in the TC proceeding.

Similar to the concern raised in its protests to PG&E's and Edison's advice letters regarding the tariff changes for departing load customers, ORA suggests that these schedules would be more appropriately considered in the Commission's CTC proceeding.

PG&E opposes this because it submitted the mechanisms for calculation of bills for these customers in its cost separation application. Although PG&E has filed its proposed tariff language which defines which customers are eligible and the respective loads to be used for those customers in the CTC proceeding, it has not provided that approach for billing these customers in any other proceeding except the cost separation proceeding.

Edison did not address ORA's concerns in responding to ORA's protest of its Advice Letter 1245-E.

The Energy Division agrees with ORA that these schedules should be considered in the Commission's TC proceeding. The proposed Billing section is, however, a subject of the cost separation proceeding and thus should be adopted in this resolution. PG&E's proposed Billing section should be adopted with the modification discussed in the new schedule for Departing

Load Customers section of this resolution. Utilities should include PG&E's proposed billing language as modified in their TC advice letters.

20. Transmission Revenue Requirement/ Rates

In Advice Letter 1692-E, PG&E revised the transmission revenue requirement specified in D.97-08-056, Appendix D, Table II to reflect the most recent amount included in its filing in Docket No. ER97-2358-000 with the Federal Energy Regulatory Commission (FERC). PG&E's transmission rates were then derived from this revised revenue requirement. SDG&E's and Edison's transmission revenue requirement and allocation reflect the March 31, 97 FERC filings.

Ordering Paragraph 1 of D.97-08-056 approved and adopted the revenue allocation and rate design proposals as set forth in the Joint Motion filed March 16, 1997 and Appendix A. The Energy Division believes that the transmission revenue requirements that were adopted in D.97-08-056 were only illustrative, and utilities should be allowed to revise them to reflect their most recent filings at FERC. Once FERC adopts final transmission revenue requirements, utilities should update their tariffs and adjust customer's bills accordingly.

21. SDG&E's Revenue Requirement Related Issues

In its protest to SDG&E's Advice Letter 1042-E, ORA notes that SDG&E has used a Nuclear Decommissioning revenue requirement of \$28.196 million instead of \$29.196, and has also double counted CARE revenue by including it both as part of its total public goods revenues of \$56.456 million and as part of a separate amount of \$8.465 million. In addition, ORA argues that SDG&E's rates were based on 1996 revenues (except for transmission) and sales. ORA believed if SDG&E revises its revenues for 1997 or 1998, it should also be required to update its sales forecast correspondingly.

SDG&E responded to ORA's protest and acknowledged that the \$28.196 million for Nuclear Decommissioning as shown in its workpapers for Advice Letter 1042-E was an error. It was a typo in the summary page of its workpapers. However, SDG&E confirmed that \$29.196 million was used in its rate design spreadsheet correctly.

SDG&E also confirmed that the CARE revenue was not double counted in its rate design spreadsheet. SDG&E notes that it may look like SDG&E has double counted because the CARE amount was identified on a separate line in the workpapers. SDG&E argues that because the CARE revenue is allocated using a different methodology as adopted by D.97-08-056 from the rest of the Public Goods revenue, it needs to be subtracted from the total Public Goods revenue first, then added back to the total Public Goods revenue. Therefore, SDG&E believes there is no need to revise its filing.

ORA's protest was filed prior to SDG&E's rate design model was provided. The Energy Division reviewed SDG&E's spreadsheet and confirmed SDG&E's responses. Therefore, ORA's protest on the above two issues are denied.

In response to ORA's protest regarding the update of sales forecast, SDG&E referred to Appendix C, Table II of D.97-08-056 which incorporates the 1996 sales forecast recommended by ORA in Exhibit 58 of the unbundling proceeding. SDG&E argues that no record in the unbundling proceeding indicates the requirement for the update of 1998 sales forecast for SDG&E's revenue allocation. In addition, D.97-08-056 does not require the change of the revenue allocation of other unbundled components corresponding to the changes in transmission allocation.

As discussed in SDG&E's 1998 PBR Resolution (E-3509), the Commission recognizes no updated sales forecast has been adopted for SDG&E since the 1995 ECAC proceeding which covered the forecast period from May 1996 through April 1997. The 1997 sales forecast is pending in SDG&E's 1996 ECAC decision. In D.97-10-057, the Commission eliminated the ECAC mechanism effective January 1, 1998.

We note ORA's recommendation. SDG&E's argument does not appear to address ORA's protest correctly. However, we agree with SDG&E that D.97-08-056 indirectly adopts the use of SDG&E's 1996 ECAC sales forecast. While we recognize that SDG&E's distribution rates will essentially be overstated if an outdated sales forecast is used to set rates as discussed in Resolution E-3509, we believe D.97-08-056 does not include the requirement of sales forecast update for SDG&E. Therefore, ORA's recommendation on sales forecast update is denied. However, we believe the intent of D.97-08-056 is to use the latest adopted sales forecast in setting the distribution rates. In the event the Commission adopts updated sales forecast in SDG&E's pending ECAC decision, SDG&E should be required to incorporate it in its next distribution rates and other rate setting filing.

22. Insufficient Time to Review Tariffs

In its protests to Advice Letter 1042-E, Enron stated that it has not had sufficient opportunity to review in detail all of the calculations made by SDG&E for demand charges and confirm many other calculations revealed in these tariffs. Enron stated it reserves the right to bring to the Commission's attention on any potential errors, omissions, or other problems found in SDG&E's tariffs.

ORA in its protest to Advice Letter 1042-E also stated that it didn't have sufficient time to complete the review of utilities' rate calculations due to complexity of their tariff filings.

The Energy Division notes that although parties may not have had enough time to review the original advice letter filings by the utilities, they have had several opportunities to review and raise additional issues in the utilities' supplemental filings. One example is the distribution rate

design issue protested by ORA, which was resolved later by a letter dated December 9, 1997 to the Energy Division and is discussed in detail in the **Distribution Rate Design** section of this resolution. The Energy Division believes that all related issues have been addressed in this resolution. Therefore, ORA and Enron's protests are denied.

23. Distribution Rate Design

In Advice Letter 1692-E and supplemental Advice Letter 1692-E-B, PG&E implemented the unbundled distribution rate design proposal that it had submitted in the Cost Separation proceeding. In its protest to Advice Letter 1692-E-B, ORA challenges PG&E's proposal stating that D.97-08-056 explicitly adopted Edison's proposals for functionalized rate design. ORA argues that PG&E's proposed demand charges for Schedules E-19 and E-20 are not calculated according to Edison's methodology. ORA states that although PG&E has scaled up the marginal cost revenue responsibility by EPMC to collect the allocated revenue requirement, it has not placed the revenue allocated to Schedules E-19 and E-20 in excess of marginal distribution costs in energy charges as required by the decision. Given the Commission's overall direction of consistency among utilities in the implementation of electric restructuring, ORA argues that the explicit adoption of Edison's proposals on rate design issues must be considered as a rejection of PG&E's and SDG&E's differing proposals. ORA requests that the Commission direct PG&E to recalculate its proposed rates to comply with D.97-08-056.

In response to ORA's protest, PG&E states that D.97-08-056 provides the criteria used to dictate when an energy charge may be imposed based on "nongeneration marginal cost-based customer and demand charges." Because PG&E has not established "non-generation" rates or a nongeneration PBR, it argues the criteria does not apply to it. Also, PG&E believes Edison's nongeneration PBR establishes basic differences in methodology that must be taken into consideration. In addition, PG&E believes that ORA's assertion that the design of distribution rates is dictated by the reference to nongeneration rates is flawed and should be rejected. Finally, PG&E argues that Edison's testimony regarding its methodology establishes a basis for transmission rate design but not distribution rate design.

In Advice Letter 1042-E, SDG&E proposed rate design for distribution rates as filed in the unbundling proceeding.

ORA protested supplemental Advice Letter 1042-E-A on the rate design for large power (e.g. but not limited to, Schedule AL-TOU and A6-TOU). With the same arguments in its protest to PG&E's AL1692-E, ORA also argued that SDG&E's proposed demand charges for these schedules were not calculated using the methodology consistent with Edison's which was adopted in D.97-08-056. That is, SDG&E has not place the distribution revenue requirement allocated to these schedules in excess of marginal distribution costs to energy charges as required by D.97-08-056. ORA believed SDG&E should be required to recalculate its proposed rates to comply with the decision.

In its response to ORA's protest, SDG&E disagreed with ORA's interpretation of D.97-08-056 on the rate design issue. SDG&E believed the omission of discussion on SDG&E's rate design proposal in the decision does not, by default, mandate a utility-wide rate design standard. SDG&E believed the rate structures, unit charge levels, and marginal cost estimates among utilities differ significantly, and, therefore, it would be unsuitable to mandate consistency on rate design. SDG&E further argued that CLECA/CMA's recommendation for Edison's non-generation PBR base rates as discussed in D.97-08-056 is applicable to Edison only. Also, SDG&E's non-generation PBR methodology differ significantly from Edison's.

While we recognize SDG&E's arguments that rate structures are utility-specific, we don't believe the Commission's fundamental principles on the long-adopted marginal cost revenue allocation and rate design is utility-specific and we should adopt three different methodologies on setting large power energy and demand charges. We also recognize that under SDG&E's proposal, some of the transmission revenues are placed in the energy charges, not only for the large power schedules (Schedule AL-TOU and A6-TOU as ORA identified), but also the primary and substation service in medium commercial and industrial rate schedules. SDG&E has not provided the justifications for such inconsistency between distribution and transmission rate design proposals.

We believe the rate design methodology adopted in D.97-08-056 was designed to align schedule revenues with the allocated revenue requirement and should apply to all three utilities even though only Edison's proposal was discussed in the decision.

The Energy Division believes that ORA's interpretation of the decision should be adopted, but some exceptions or adjustments to Edison's methodology may be necessary.

We believe SDG&E should recalculate its distribution rates for all commercial and industrial customers including Schedule AL-TOU, A6-TOU, NJ, AO-TOU, RTP-1, 2, etc. using the methodology as described in D.97-08-056, Section VIII.B.10.b with exceptions where necessary.

In a letter to the Energy Division dated December 8, 1997, ORA notes that pursuant to its protest of October 21 and October 22, 1997 to PG&E's supplemental Advice Letter 1692-E-B and SDG&E's supplemental Advice Letter 1042-E-A, it has been discussing alternatives regarding the collection of distribution revenues through demand charges versus energy charges for certain affected rate schedules with PG&E and SDG&E. ORA summarizes PG&E's and SDG&E's proposed methodologies of December 4 and 5 respectively, and notes that the approach proposed by PG&E and SDG&E would satisfy the requirement of D.97-08-056 and resolve the rate design issues raised in its protest. ORA asks that these specific calculations should not establish precedents for future proceedings. On December 11, 1997, PG&E, SDG&E, and ORA sent a letter (Attachment A) to the Energy Division stating their agreement and summarizing the methodologies for PG&E and SDG&E regarding the distribution rate design. The Energy

Division agrees with the methodologies laid out in the December 11 letter. This issue is moot and ORA's protest should be denied.

24. Transition Cost Balancing Account

In Advice Letter 1692-E, PG&E proposed changes to the existing Electric Revenue Adjustment Mechanism (ERAM) and Energy Cost Adjustment Clause (ECAC) balancing accounts, and to its proposed Transition Cost Balancing Account (TCBA) that is being developed in the CTC proceeding. In its protest to this advice letter, ORA stated that the changes appear to be more closely related to a clean-up of proposals previously filed in the CTC proceeding rather than to requirements created by D.97-08-056, and should be considered in that proceeding instead of through this advice letter. Enron also raised issues in its protest regarding PG&E's proposed TCBA which are the subject of the CTC proceeding. The Energy Division agreed that PG&E's proposed TCBA, as well as the related changes it proposed to the existing ERAM and ECAC balancing accounts were outside the scope of compliance with D.97-08-056 and requested PG&E to remove such changes. In supplemental Advice Letter 1692-E-B, PG&E removed its proposed changes. This issue is moot. Enron and ORA's protests are denied.

25. Changes to 1998 Revenue Requirements

The Energy Division recommends the Commission consider all changes to PG&E's, SDG&E's, and Edison's revenue requirements or rates that have been authorized by the Commission (e.g. PG&E's Cost of Capital or Edison's and SDG&E's 1998 PBR changes) in the compliance filings ordered herein.

26. Cogeneration Deferral Rates

PG&E in Advice Letter 1692-E, SDG&E in Advice Letter 1042-E, and Edison in Advice Letter 1245-E filed their existing Cogeneration Deferral provisions without any changes. Enron states in its protest to these advice letters that AB 1890 contains specific provisions to encourage cogeneration, and to exempt certain self- and cogeneration from the imposition of CTC charges, thus it is inconsistent with state policy to continue to allow the utilities to preempt cogeneration development through such rates. Enron argues that it is inappropriate for the utilities to offer discounts for a competitive service and their provisions should be removed, and any existing authorization for the utilities to offer such a discount should be eliminated as well. Furthermore, Enron recommends that if such discounts are to be offered, SDG&E and Edison must be ordered to offer them to Direct Access customers as PG&E had been ordered to do in the PG&E Rate Design Window proceeding proposed Decision (A.96-12-004)

PG&E responded that Enron's protest on this issue should not be considered in this advice letter process because Enron failed to raise the issue on the record in the Cost Separation proceeding. SDG&E did not respond to this issue. Edison's response to Enron's protest was that, in compliance with D.97-08-056, it has modified its Flexible Pricing Option (FPO) tariffs and

contracts, including Schedule SSGDR to make them available to Direct Access as well as Bundled Service Customers.

The Energy Division believes that Edison's revisions to its Flexible Pricing Options is in compliance with section VIII.B.9. of D.97-08-056 which adopted Edison's proposal to adapt Edison's Flexible Pricing Options (FPOs) Schedule to accommodate the PX market structure and direct access so that several of Edison FPO Schedules can remain open to new customers, including direct access customers, upon commencement of the PX. The Energy Division agrees with PG&E that Enron's proposal should not be considered in this compliance advice letter process because Enron did not raise the issue in the Cost Separation proceeding and D.97-08-056 did not address it. Enron's protest on this issue is denied.

27. Non-Firm Rates

In Advice Letter 1692-E, PG&E included changes in the Non-Firm Rate sections of applicable tariffs to reflect the ISO's role in system operations. In its protest to this advice letter, ORA stated that PG&E's future tariff filings should include the results of ongoing discussions of the Ratesetting Working Group regarding non-firm rates. Enron, in its protest, stated that the interruptible options in the non-firm rate sections need more significant revision to reflect their utilization within the new market structure. Enron requests assurance that direct access customers will not be curtailed more or less than full service customers.

Upon guidance from the Energy Division, in Advice Letter 1692-E-B, PG&E removed its proposed modifications because they were not anticipated or required by D.97-08-056. Thus this issue is moot and Enron's protest is denied.

SDG&E does not request any tariff changes other than those related to rate unbundling in its interruptible schedules (Schedule I-2, and I-3).

28. Energy Efficiency Adjustment

In Advice Letter 1692-E, PG&E added a new provision in the Applicability section of Schedule E-19. The provision, called the Energy Efficiency Adjustment, would limit involuntary transfers of customers off of the rate schedule. This provision was added to make the language in Schedule E-19 consistent with the existing terms in Schedule E-20.

In its protest, ORA noted that the added provision to Schedules E-19 and E-20 was inappropriate and it cannot be justified by D.97-08-056. PG&E agreed in substance with ORA's comment and deleted the provision from Schedule E-19 in supplemental Advice Letter 1692-E-B. PG&E did not remove the provision from Schedule E-20, because it was an existing term. The Energy Division agrees with PG&E that the provision in Schedule E-20 was already an existing term of

that schedule, which was not addressed by D.97-08-056, and therefore should not be deleted. ORA's protest is denied.

29. Customer Contract and Billing Restrictions

In Advice Letter 1692-E, PG&E included the phrase "unless prohibited by contract" in characterizing billing adjustments that would be made for Direct Access and Hourly PX Pricing Option (Virtual Direct Access) customers in Schedules E-19 and E-20. PG&E also included a requirement that certain customers "sign and agree to conditions in Standard Form xx-xxx." In its protest to this advice letter, Enron argued that such terms are completely unacceptable. Enron stated that the unidentified form was not even included in the filing and that the issue regarding the requirement to sign a contract was an issue resolved by D.97-05-040 in the Direct Access Proceeding.

In response, PG&E states that the phrase "unless prohibited by contract" was specifically added for the limited purpose of the Long Term Service Agreement Options. To clarify, PG&E proposed language in supplemental Advice Letter 1692-E-B that limits the exclusion to contracts for Long Term Service Agreement Options. PG&E believes the language is necessary because the discounts offered in Long Term Service Agreement Options may only be applied to the unbundled generation amount, or as currently defined, the amount of the sum of CTC and the PX energy cost.

The Energy Division recommends that PG&E remove its proposed new phrase "unless prohibited by contract" from Schedule E-19 and E-20 because billing adjustments for Direct Access and Hourly PX Pricing Option customers could be prohibited by contract was not an issue in the Cost Separation proceeding was not adopted. Enron's protest regarding this issues is granted.

With regard to the standard form contract for direct access customers, PG&E agreed to defer the matter to the direct access proceeding and thus deleted the language in supplemental Advice Letter 1692-E-B. Thus, Enron's protest on this issue is moot and should be denied.

30. Standby Service

In its protest to Advice Letter 1692-E, Enron argues that Schedule S must be revised to refer to only standby distribution and transmission service because the tariff cannot imply that a customer could be charged for standby generation service if they choose direct access. PG&E disagrees and, in response to the protest, clarifies that a customer that takes its otherwise applicable service under Schedule S will have its residual direct access bill calculated by subtracting the PX cost just as a direct access bill is calculated for any other customer.

Enron also argues that PG&E's requirement that residential direct access customers who receive some, but not all of their electric service from PG&E, must pay a standby charge in accordance with Schedule S constitutes double-counting. PG&E disagrees. It states that standby service deals with situations where a customer is supplied regularly in part (but not in whole) by electric energy from a non-utility source. PG&E refers to this type of standby service as "mixed use" because the standby reservation charge would apply to back-up standby service in the event the non-utility generation was not available, while actual or supplemental use would be billed under the residential tariff schedule.

The Energy Division believes that Schedule S may not be revised to refer to only standby distribution and transmission service as Enron proposes because this issue was not discussed in D.97-08-056. Similarly, the existing requirement in the tariff regarding "mixed use" residential direct access customers may not be revised. Such changes cannot be made in compliance filings to the decision. Enron's protest of this issue is denied.

In its protest to Advice Letter 1692-E, Enron also states that Schedule S and several of the agricultural schedules required customers to sign a form which is not provided in the advice letter filing. Enron argues that the issue regarding the requirement to sign a contract was an issue resolved by D.97-05-040 in the Direct Access Proceeding. In response to the protest, PG&E agreed to defer the matter to the direct access proceeding and thus deleted the language in supplemental Advice Letter 1692-E-B.

Enron's protest regarding this issue is moot and should be denied.

31. PG&E's 1998 Base Revenue Increase

Public Utilities Code Section 368(e) requires the Commission to authorize a 1998 base revenue increase for PG&E. In supplemental Advice Letter 1692-E-B, PG&E separates its estimated \$172,405,000 base revenue increase into \$6,000,000 (3.48%) for transmission and \$166,405,000 (96.52%) for distribution. In a late-filed protest to this supplemental advice letter, Mr. James Weil protested this allocation. He stated that this allocation assigns a very high fraction of the overall increase to distribution, and this high fraction is not consistent with other allocations of base revenue increases. By comparison: a) the allocation of the ERAM Base Revenue Increase effective January 1, 1996 is 13.33% for transmission and 86.67% for distribution; b) the allocation of the 1997 base revenue increase is 15.27% for transmission and 84.73% for distribution; and c) the allocation of ERAM Base Revenue effective January 1, 1997 is 13.47% for transmission and 86.53% for distribution. Mr. Weil recommends that the Commission reject PG&E's allocation of the 1998 base revenue increase and order PG&E to allocate it in proportion to the allocation of the ERAM Base Revenue effective January 1, 1997.

PG&E responds that Ordering Paragraph 4 of D.97-08-056 adopts the revenue requirements for PG&E as set forth in Appendix D. Table I of Appendix D shows that PG&E's proposed 1998

distribution revenue requirement of \$2,031 million was approved except for a \$49 million downward adjustment associated with "fixed administrative and general costs." The figure of \$2,031 million was presented by PG&E on line 41 of its Summary of Revenue Requirements, Table 2-3 Revised (Application (A.) 96-12-009, Exh.2, p.2-3). The estimated 1998 base revenue increase included on Line 32 of that table is \$172 million with \$6 million of that total assigned to transmission and the \$166 million to distribution. Rounded to the nearest million dollars, these are the same amounts filed in supplemental Advice Letter 1692-E-B.

The Energy Division agrees with PG&E that an estimated 1998 revenue increase was included in the total revenue requirements adopted for PG&E in D.97-08-056. However, the Commission has not yet adopted a final 1998 Base Revenue amount. PG&E has filed Advice Letter 1703-E updating the amount to be included in its 1998 Base Revenue Increase. The final amount as well as the allocation of these revenues should be resolved in the resolution addressing PG&E's Advice Letter 1703-E. Accordingly, Mr. Weil's protest should be considered in that advice letter filing and should be denied without prejudice in this Resolution.

32. Customer Bills

Ordering Paragraph 12 g. of D.97-08-056 requires the utilities to file tariffs that provide customer bills which include rates, charges and other information consistent with the decision no later than June 1, 1998. Section X.C. of the decision, required the utilities to include the Reed Schmidt Footnote¹ on their bills. The Energy Division in its September 24 letter directed the utilities to include the Reed Schmidt Footnote in Schedule PX.

PG&E has not included any language in the tariffs filed in Advice Letter 1692-E or any of the supplements to that Advice Letter, which would give notification that it will be reflecting unbundled rates on customers' bills by June 1, 1998 nor has it included any information regarding the PX prices and the explanation of the PX price as adopted in D.97-08-056.

SDG&E in supplemental Advice Letter 1042-E-A stated that it "intends to comply with this requirement by adding the referenced language on each customer's bill" in the space that is currently available in the currently-adopted bill format. However, SDG&E didn't believe it was necessary to revise the currently-adopted bill format to comply with this requirement. Therefore, SDG&E did not file a new proposed bill format. The Energy Division notes that SDG&E included the Reed Schmidt Footnote in its proposed Schedule PX in Supplemental Advice Letter 1042-E-B.

In Appendix B of Advice Letter 1245-E, Edison provided customer bill formats for the period between January 1, 1998 and June 1, 1998 when bills will not be unbundled as well as for the

¹ "This charge is based on the weighted average costs for purchases through the Power Exchange. This service is subject to competition. You may purchase electricity from another supplier."

post June 1, 1998 period, when Edison plans to unbundle customer bills. Edison in supplemental Advice Letter 1245-E-A noted that it has reevaluated its system's billing format constraints and has taken necessary measures to incorporate the required "Reed Schmidt" footnote in its unbundled bill format. Edison argues that due to the aforementioned constraints, the required footnote cannot be included in the "message field" located in the lower portion of the unbundled bill. It will, however, be included at the bottom of the "summary field" located in the middle portion of the unbundled bill.

The Energy Division agrees that the Reed Schmidt Footnote should be included in customer's bill. The Energy Division finds Edison's placement of information regarding the PX and the Reed Schmidt footnote reasonable. The Energy Division recommends the use of the exact wording of Reed Schmidt footnote which was adopted in the D.97-08-056. PG&E and SDG&E should include the information for PX and the Reed Schmidt footnote on customers' bills prior to June 1, 1998.

The Energy Division recommends deferring the review of Edison's proposed unbundled bills to later. Review of unbundled bill formats should be conducted in separate advice letter filings prior to June 1, 1998. Utilities should file advice letters for their unbundled bills no later than March 2, 1998 to be approved by Commission resolution.

33. Obsolete Tariff provisions

In its protest of Advice Letter 1245-E, ORA observed that in Edison's Schedule GS-2, Special Condition 12 contains updates to its text, including a provision that it was terminated in January 1996. ORA recommends that, in instances like this, deleting the provision appears preferable to updating the language. ORA also noted that the time available for its review of Advice Letter 1245-E has precluded a comprehensive search for other obsolete provisions.

In its response to ORA's protest of Advice Letter 1245-E, Edison agreed with ORA, and deleted Special Condition 12 in its filing of Advice Letter 1245-E-A. Since Edison addressed the issue in ORA's original protest, ORA's protest is denied.

ORA's concern, however, raises a broader, related issue with regard to certain revised language filed by Edison in Advice Letter 1245-E. In numerous instances in its preliminary statement, Edison replaces references to its ECAC and ERAM proceedings with more generic references to "a general ratesetting proceeding" [see, e.g. Advice Letter 1245-E, Preliminary Statement Part N. Memorandum Accounts, Section 11, Demand Side Management ("DSM") Tax Change Memorandum Account] and similar references. The deletion of references to Edison's ECAC and ERAM proceedings were not authorized by D.97-08-056 and should not be adopted here. Edison, as well as PG&E and SDG&E, were specifically directed by the Energy Division's September 24 letter to delete any proposed modifications to their tariffs that cannot be reconciled with a requirement in the decision. The purpose of this advice letter process is merely

compliance with the unbundling decision. Utilities should not take this opportunity to "clean up" their tariffs which might create confusion. With the exception of modifications ordered here, Edison should restore its tariffs to the existing condition.

Findings

1. PG&E filed Advice Letter 1692-E as supplemented by Advice Letter 1692-E-A, 1692-E-B, and 1692-E-C to comply with D.97-08-056.
2. SDG&E filed Advice Letter 1042-E as supplemented by Advice Letter 1042-E-A and 1042-E-B to comply with D.97-08-056.
3. Edison filed Advice Letter 1245-E as supplemented by Advice Letter 1245-E-A to comply with D.97-08-056.
4. WMA, and NASA filed protests to PG&E's Advice Letter 1692-E.
5. ORA filed a protest to PG&E's supplemental Advice Letter 1692-E-A.
6. ORA, Enron, Mr. James Weil, and WMA filed protests to PG&E's supplemental Advice Letter 1692-E-B.
7. ORA and Enron filed protests to SDG&E's Advice Letter 1042-E and supplemental Advice Letter 1042-E-A.
8. WMA filed a protest to SDG&E's supplemental Advice Letter 1042-E-A.
9. ORA filed a protest to Edison's Advice Letter 1245-E. Enron filed protests to Edison's Advice Letter 1245-E and supplemental Advice Letter 1245-E-A. WMA filed a protest to Edison's Advice Letter 1245-E-A.
10. PG&E, Edison and SDG&E's proposed changes to their tariffs regarding CEMA are in compliance with D. 97-08-056 and should be adopted with the following addition to comply with D. 97-11-073:

"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into CEMA."

11. PG&E and Edison's proposed changes to their tariffs regarding HCSLS are in compliance with D. 97-08-056 and should be adopted with the following addition to comply with D. 97-11-073:

"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into HCSLS."

12. SDG&E's proposed language regarding HCSLS refers only to clean up costs and does not include litigation costs. SDG&E should modify its preliminary statement to include litigation costs as well.
13. The term "bundled service" should be used by all three utilities because it more accurately describes the type of service that is being offered by the utility. PG&E and Edison's proposed terminology should be adopted. SDG&E should modify its tariffs accordingly.
14. PG&E's proposed methodology to calculate CTC as described in Schedule PX is consistent with the methodology adopted in D.97-08-056 and should be adopted.
15. PG&E has had ample time to plan for implementation of the methodology described in its Schedule PX by January 1, 1998. PG&E should be put on notice that if it fails to implement this methodology, it will be out of compliance with D.97-08-056 and shall be subject to appropriate penalties.
16. SDG&E's proposed methodology to calculate CTC is consistent with the methodology adopted in D.97-11-023 and should be adopted.
17. Edison's proposed language regarding the calculation of PX should be adopted with the modification that a definition of a calendar week should be included. Edison should establish a new Schedule PX to include this information rather than in its Preliminary Statement.
18. PG&E and SDG&E's provision of functionalized rates on every rate schedule by transmission, distribution, public purpose programs, generation and nuclear decommissioning should be adopted.
19. Edison should modify every rate schedule to state the functionalized rate components.
20. Providing the average rates for each rate schedule would be beneficial for the purpose of rate design, but would not be meaningful to individual customers.



21. The requirement in Ordering Paragraph 12.g. of D.97-08-056 would provide sufficient detailed rate information to customers. Adding an overall average rate would not improve price transparency and is unnecessary.
22. PG&E, SDG&E, and Edison's proposal to consolidate the PX and CTC into a single generation rate is reasonable and should be adopted.
23. A description of the generation rate and residual calculation of CTC should be included on all rate schedules. Information regarding the residual calculation of CTC should be included in individual rate schedules instead of its preliminary statement.
24. Once bills are unbundled, the generation rate should be shown as the PX and CTC.
25. Although uncollectibles was not explicitly identified as a PX energy charge component, it should be included as a PX energy charge component to ensure appropriate allocation to generation.
26. SDG&E has appropriately included an adder for Franchise Fees and uncollectibles in the PX component. Only the uncollectible adder should be included in the PX. PG&E and Edison should add an uncollectible component to their PX energy charge.
27. Other costs requested by Enron to be included in the PX energy charge as a single direct access credit were not authorized by D.97-08-056 and should not be adopted.
28. PG&E's and SDG&E's language regarding the minimum bill for direct access customers were implicitly adopted by D.97-08-056 and should be adopted. Edison should add similar language to its tariffs.
29. PG&E's, SDG&E's, and Edison's load profile information posted on the Commission's web site is sufficient and need not be included in their tariffs.
30. PG&E and SDG&E have appropriately included information regarding distribution line loss factors as proposed in their filings related to the Retail Settlements and Information Flow workshop in their Schedule PX. Edison should relocate this information from its preliminary statement to its new Schedule PX.
31. PG&E, SDG&E, and Edison should update their distribution line loss information after a Commission decision is rendered on this issue.
32. PG&E's proposed billing descriptions for bundled service and direct access service provides additional helpful information to customers to fully understand the Hourly PX Pricing (virtual direct access) option and should be adopted.

33. Edison should include language similar to PG&E's regarding the bundled service, direct access, and virtual direct access options on each applicable rate schedule.
34. SDG&E should delete the language regarding the Hourly PX Pricing Option from its Schedule PX and include language similar to PG&E's regarding the bundled service, direct access, and virtual direct access options on each rate schedule.
35. WMA's late protests to the utilities' proposals regarding the 10% rate reduction bill credit for master-metered service was submitted well after the normal 20-day protest period.
36. PG&E and SDG&E have appropriately incorporated the language regarding marketers and brokers ability to negotiate the method for CTC payment with their customers on each rate schedule. Edison should move its proposed language from its Preliminary Statement to each rate schedule.
37. PG&E should add "by way of reduction to CTC" to the Rate Reduction Bond Credit section of its applicable residential and small commercial rate schedules to comply with Ordering Paragraph 12 i. PG&E should also add the language regarding the bond payback to its applicable rate schedules in order to comply with Ordering Paragraph 12 a.
38. SDG&E should replace the proposed tariff language for rate reduction credit and bond payment under the Rate Reduction Adjustment, with the following:
(for all residential schedules)
"Customers defined as residential in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

(for all other applicable small commercial schedules)
"Customers defined as small commercial in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."
39. CARE discount should be calculated based on the customer's total bill as calculated for a bundled service customer before any credit is given for direct access and as proposed by the three utilities.

40. CARE discount should be allocated to the distribution rate component. PG&E and Edison should modify their tariffs accordingly.
41. Consistent with the calculation of CARE discount, the employee discount should be calculated on the total bill as calculated for a bundled service customer before any credit is given for direct access.
42. Consistent with the allocation of CARE discount, the employee discount should be allocated to the distribution rate component.
43. Consistent with the calculation of CARE discount, the economic development discount should be calculated on the total bill as calculated for a bundled service customer before any credit is given for direct access.
44. Consistent with the allocation of CARE discount, the economic development discount should be allocated to the distribution rate component.
45. The new schedules proposed by PG&E and Edison regarding the departing load customers should be reviewed in the Transition Cost proceeding, with the exception of the proposed billing section, which is the subject of the unbundling proceeding and should be adopted as modified in this resolution.
46. The new schedules proposed by PG&E and Edison regarding the CTC exemptions should be reviewed in the Transition Cost proceeding, with the exception of the proposed billing section, which is the subject of the unbundling proceeding and should be adopted as modified in this resolution.
47. PG&E, SDG&E, and Edison's proposed transmission revenue requirements and allocation are consistent with their March 31, 1997 filings at FERC and should be adopted until FERC's final decision. These amounts should be revised as necessary after FERC's final decision.
48. SDG&E has accurately accounted for CARE revenue in its spreadsheets.
49. The sales forecast used by SDG&E in its filings, is consistent with its most recent adopted sales forecast in its ECAC. SDG&E's sales forecast for the period of May 1997 through April 1998 is pending in its ECAC Application (A.) 96-10-022. SDG&E should revise its distribution rates if the Commission adopts new sales forecast in A. 96-10-022.
50. The December 11, 1997 letter signed by ORA, PG&E, and SDG&E regarding the distribution rate design is consistent with D.97-08-056.

51. Changes to PG&E's, SDG&E's and Edison's revenue requirements or rates that are authorized by the Commission should be incorporated into the compliance filings ordered herein.
52. Cogeneration deferral rates were not addressed by D.97-08-056.
53. PG&E should not change its Schedule E-20 regarding the energy efficiency adjustment.
54. The issue of whether billing adjustments for direct access and hourly PX pricing option customers could be prohibited by contracts was not addressed by D.97-08-056. PG&E's proposed changes to its Schedule E-19 and E-20 should be denied.
55. Changes to PG&E's Standby service as proposed by Enron were not addressed by D.97-08-056 and should not be considered in this compliance filing.
56. The final 1998 Base Revenue Amount as well as the allocation of that amount should be considered in the resolution of PG&E's Advice Letter 1703-E.
57. Edison's placement of information regarding the PX price and the Reed Schmidt footnote is reasonable, but Edison should use the exact Reed Schmidt footnote language as adopted in D.97-08-056. PG&E and SDG&E should include the information regarding the PX and the Reed Schmidt footnote in their customer bills.
58. Edison's unbundled bill format should not be reviewed in this filing. No later than March 2, 1998, utilities should file separate advice letters regarding the unbundled bills to be approved by Commission resolution.
59. To the extent that the protest of ORA and Enron are adopted by this Resolution, they should be granted. To the extent they are not adopted, they should be denied.
60. The protest of WMA should be denied.
61. Mr. James Weil's protest should be denied without prejudice in this Resolution and should be considered in the resolution to PG&E's Advice Letter 1703-E.

Therefore it is ordered that:

1. PG&E's Advice Letter 1692-E as supplemented by Advice Letter 1692-E-A, E-B, and E-C is approved subject to the changes ordered below.

2. SDG&E's Advice Letter 1042-E as supplemented by Advice Letter 1042-E-A and E-B is approved subject to the changes ordered below.
3. Edison's Advice Letter 1245-E as supplemented by Advice Letter 1245-E-A is approved subject to the changes ordered below.
4. PG&E, SDG&E, and Edison shall file supplemental advice letters within 7 days of the effective date of this resolution to conform to the requirements of this resolution.
5. PG&E, SDG&E, and Edison shall modify their CEMA preliminary statements as follows:
"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into CEMA."
6. PG&E and Edison shall modify their HSCLS, preliminary statements as follows:
"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 shall be entered into HSCLS."
7. SDG&E shall use the term "bundled service" in its tariffs.
8. PG&E is put on notice that if it fails to implement its proposed CTC methodology, it will be out of compliance with D.97-08-056 and will be subject to sanctions.
9. Edison shall eliminate its preliminary statement, Part GG, Power Exchange Energy, and instead, establish a new Schedule PX.
10. Edison shall include the definition of the calendar week in its Schedule PX.
11. Edison should modify every rate schedule to state the functionalized rate components by transmission, distribution, public purpose programs, generation, and nuclear decommissioning.
12. PG&E, SDG&E and Edison shall include the following language on all their rate schedules:

Generation charge is calculated based on the total rate less the sum of : Distribution, Transmission, Public Purpose Program, Nuclear Decommissioning, and FTA (where applicable) charges. CTC is calculated residually by subtracting the PX charge as calculated in Schedule PX from the generation charge.
13. PG&E, SDG&E and Edison shall file separate advice letters for unbundled bills by March 2, 1998. The Advice Letters shall become effective after Commission approval.



14. Uncollectibles shall be added as a PX energy charge component to Edison and PG&E's Schedule PX.
15. Edison shall add language regarding the minimum bill for direct access customers to its applicable rate schedules.
16. Edison shall relocate the information regarding distribution line loss factors as proposed in its filings related to the Retail Settlements and Information Flow workshop from its preliminary statement to its Schedule PX.
17. PG&E, SDG&E, and Edison shall update their distribution line loss information after a Commission decision is rendered on this issue.
18. Edison shall include billing descriptions for bundled service, direct access, and Hourly PX pricing option service similar to PG&E's description on each rate schedule.
19. SDG&E shall delete the language regarding the Hourly PX Pricing option from its Schedule PX and include language similar to PG&E's regarding the bundled service, direct access, and virtual direct access options on each rate schedule.
20. Edison shall relocate its proposed language regarding marketers' and brokers' ability to negotiate the method for CTC payment with their customers from its Preliminary Statement to each rate schedule.
21. PG&E and Edison shall apply the CARE discount to the distribution rate component.
22. PG&E shall add "by way of reduction to CTC" to the Rate Reduction Bond Credit section of its applicable residential and small commercial rate schedules to comply with Ordering Paragraph 12 i. PG&E shall also add the language regarding the bond payback to its applicable rate schedules in order to comply with Ordering Paragraph 12 a.
23. SDG&E shall replace the proposed tariff language for rate reduction credit and bond payment under the Rate Reduction Adjustment, with the following:

(for all residential schedules)

"Customers defined as residential in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

(for all other applicable small commercial schedules)

"Customers defined as small commercial in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

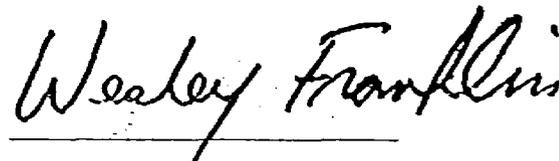
24. Consistent with the calculation of CARE discount, PG&E, SDG&E, and Edison shall calculate the employee discount on the total bill as calculated for a bundled service customer before any credit is provided for direct access.
25. Consistent with the allocation of CARE discount, PG&E, SDG&E, and Edison shall apply the employee discount to the distribution rate component.
26. Consistent with the calculation of CARE discount, PG&E, SDG&E, and Edison shall calculate the economic development discount on the total bill as calculated for a bundled service customer before any credit is provided for direct access.
27. Consistent with the allocation of CARE discount, PG&E, SDG&E, and Edison shall apply the economic development discount to the distribution rate component.
28. With the exception of the proposed billing section, the new schedules proposed by PG&E, and Edison regarding the departing load customers and CTC, exemptions should be reviewed in the Transition Cost proceeding.
29. The Billing Section in the new schedules proposed by PG&E and Edison regarding the departing load customers and CTC exemptions are the subject of the unbundling proceeding and should be adopted as modified in this resolution.
30. PG&E, SDG&E, and Edison's shall revise their transmission revenue requirements and allocation as necessary after FERC's final decision.
31. SDG&E shall revise its distribution rates if the Commission adopts new sales forecast in A. 96-10-022.
32. PG&E and SDG&E shall follow the rate design guidelines laid out in the December 11, 1997 letter signed by ORA, PG&E, and SDG&E (attached as Appendix A to this resolution) regarding the distribution rate design.
33. Changes to PG&E's, SDG&E's and Edison's revenue requirements or rates that are authorized by the Commission, shall be incorporated into the compliance filings ordered herein.

34. The issue of whether billing adjustments for direct access and hourly PX pricing option customers could be prohibited by contracts was not addressed by D.97-08-056. PG&E's proposed changes to its Schedule E-19 and E-20 are denied.
35. Edison shall use the exact Reed Schmidt footnote language as adopted in D.97-08-056 on its customer bills. PG&E and SDG&E shall include the information regarding the PX and the Reed Schmidt footnote in their customer's bills.
36. PG&E, SDG&E, and Edison shall file separate advice letter filings regarding unbundled bills no later than March 2, 1998 to be approved by Commission resolution.
37. To the extent the protests of ORA and Enron are adopted herein, they are granted, otherwise they are denied.
38. The protest of WMA is denied.
39. Mr. James Weil's protest is denied without prejudice in this Resolution and shall be considered in the resolution to PG&E's Advice Letter 1703-E.
40. This resolution is effective today.

Resolution E-3509/MEB
PG&E AL 1692-E, E-A, E-B, E-C/LRA
SDG&E AL 1042-E, E-A, E-B/SCL
Edison AL 1245-E, E-A/SCR

December 16, 1997

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 1997. The following Commissioners approved it:



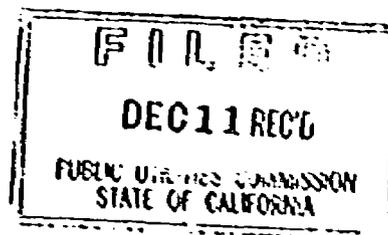
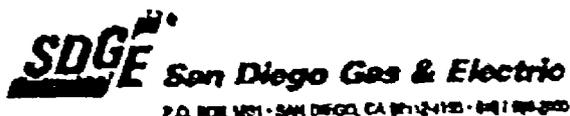
WESLEY FRANKLIN
Executive Director

P. Gregory Conlon, President
Jessie J. Knight, Jr.
Henry M. Duque
Josiah L. Neeper
Richard A. Bilas
Commissioners

DEC-11-1997 14:01

SDG&E SPECIAL PROJECTS

619 654 1794 P.02



"ATTACHMENT A"

December 11, 1997

Kevin Coughlan
DMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Ave., Room 4002
San Francisco, CA 94102

FILE NO.

Subject: Resolution of Issue in Protests to Pacific Gas and Electric Company's Advice Letter 1692-E-B and San Diego Gas and Electric Company's Advice Letter 1042-E-A

Dear Mr. Coughlan:

Pursuant to its October 21 and 22, 1997, protests of Pacific Gas and Electric Company's (PG&E) advice letter 1692-E-B and San Diego Gas and Electric Company's (SDG&E) advice letter 1042-E-A, the Office of Ratepayer Advocates (ORA) has discussed alternatives for calculating rates for the tariffs addressed in ORA's protest, i.e., PG&E's Schedules E-19 and E-20 and SDG&E's Schedules AL-TOU, A6-TOU, and related tariffs. ORA's protests identified (among other matters) a concern that Decision (D.) 97-08-056 requires (in ORA's opinion) a portion of these utilities' distribution revenue requirements to be collected through energy charges. This letter summarizes the methods suggested by PG&E and SDG&E on December 4 and 5, 1997, respectively, for use in the event that the Energy Division requires revisions in the utilities' proposed rates in response to ORA's protest. ORA agrees that the methods proposed by the utilities on December 4 and 5 would satisfy the requirements of D.97-08-056. ORA and the utilities all agree that these specific calculations do not establish any precedents for future proceedings.

For PG&E, the amount of revenue to be collected as distribution demand charges would be determined by adding the distribution marginal cost (excluding marginal customer costs) to the difference between transmission demand charge revenue and transmission marginal cost. (Maximum demand charges would be accepted as proposed in PG&E's advice letter, with time-of-use demand charges reduced as needed.) Distribution energy charges are then calculated as an equal percentage of current energy charges, providing an allocation of residual distribution costs to the off-peak as well as on-peak energy charge, and providing consistency with the proportional approach used for demand charges.



Mr. Kevin Coughlan

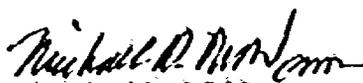
Page 2

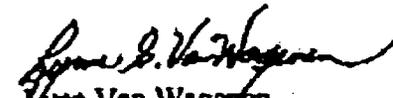
December 11, 1997

For SDG&E, maximum demand charges would remain at the marginal cost-based levels that were previously filed, and on-peak demand charges would be adjusted to recover the remaining demand marginal cost revenue. For Schedule AL-TOU, the revenue to be collected would be allocated to the voltage levels using on-peak demand determinants for the primary and secondary voltage levels. The revenue to be collected would be allocated to the seasons using factors that represent the monthly peak load relative to the substation, maximum capacity, based on a NERA methodology used in SDG&E's general rate cases in the mid-1980s. The remaining revenue requirement would be recovered via TOU energy charges. Like PG&E, an equal percentage factor would be applied to current energy charges. Rate schedules that are affected are: AL-TOU, A6-TOU, AO-TOU, NJ, AY-TOU, RTP-1, RTP-2, AL-TOU-C, I-3, AL-TOU-2, A6-TOU-C, AO-TOU-C, LR, and PA-T-1.

This approach would resolve the rate design issue raised in ORA's protests concerning the collection of distribution revenues for demand charges versus energy charges for the rate schedules identified above.

Sincerely,

	
Michael D. McNamara Market Development Branch Office of Ratepayer Advocates	Dan Pease Rates Department Pacific Gas and Electric Co.


Lynn Van Wagenen Regulatory Affairs Department San Diego Gas and Electric Co.

Cc: Paul Clanon, Director, Energy Division

Correction of the header section starting at page 2 is Res. E-3522 which is attached to this Resolution E-3510.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-3510
DECEMBER 16, 1997**

RESOLUTION

RESOLUTION E-3510. PACIFIC GAS AND ELECTRIC COMPANY (PG&E), SOUTHERN CALIFORNIA EDISON COMPANY (EDISON), AND SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E) REQUEST COMMISSION APPROVAL OF REVISIONS TO THEIR TARIFFS TO REFLECT THE UNBUNDLING/COST SEPARATION DECISION (D.) 97-08-056. APPROVED AS MODIFIED.

**BY PG&E ADVICE LETTER 1692-E, AS SUPPLEMENTED BY E-A, E-B, AND E-C
EDISON ADVICE LETTER 1245-E, AS SUPPLEMENTED BY E-A
SDG&E ADVICE LETTER 1042-E, AS SUPPLEMENTED BY E-A, AND E-B**

Summary

1. Southern California Edison (Edison), Pacific Gas and Electric (PG&E) and San Diego Gas & Electric (SDG&E) have requested approval of changes to their tariffs in compliance with the Cost Separation /Unbundling Decision (D.) 97-08-056 by Advice Letters 1245-E, 1692-E and 1042-E, respectively.
2. The Office of Ratepayer Advocates (ORA) and Enron filed protests to Edison's Advice Letter 1245-E. Edison filed responses to both protests. ORA, Enron, Western Mobilehome Parkowners Association (WMA), and NASA Ames Research Center (NASA) filed protests to PG&E's Advice Letter 1692-E. PG&E filed responses to those protests. ORA and Enron filed protests to Advice Letter 1042-E. SDG&E filed responses to both protests.
3. The Energy Division conducted a workshop on September 16 and 17, 1997.
4. PG&E filed supplemental Advice Letter 1692-E-A.
5. Pursuant to the discussion at the workshop, and the Energy Division's letter of September 24, 1997 to the utilities, Edison filed supplemental Advice Letter 1245-E-A, PG&E filed supplemental Advice Letter 1692-E-B, and SDG&E filed supplemental Advice Letter 1042-E-A on October 2, 1997.
6. ORA filed a protest to Edison's supplemental Advice Letter 1245-E-A. Edison filed a response to that protest. Three protests were filed to PG&E's supplemental Advice Letter 1692-E-B. PG&E filed responses to these protests. Two protests were filed to SDG&E's supplemental Advice Letter 1042-E-A. SDG&E filed responses to both protests.

December 16, 1997

7. ORA filed a protest to Edison's supplemental Advice Letter 1245-E-A. ORA and Enron filed protests to PG&E's supplemental Advice Letter 1692-E-B and SDG&E's supplemental Advice Letter 1042-E-A. The three utilities filed responses to all the protests. Mr. James Weil filed a late protest to PG&E's supplemental Advice Letter 1692-E-B. PG&E responded to Mr. Weil's protest. WMA also filed a late protest to PG&E's Advice Letter 1692-E-B. PG&E responded to WMA's protest.
8. SDG&E filed supplemental Advice Letter 1042-E-B on November 12, 1997.
9. PG&E filed supplemental Advice Letter 1692-E-C on November 20, 1997.

Background

1. On August 1, 1997, the Commission adopted D.97-08-056, which resolved issues relating to the allocation of costs between the various functions of PG&E, SDG&E, and Edison, with the primary purpose of unbundling the three utilities' revenue requirement into major functions in order to promote competition in the electric generation market. It also allocated revenues between customer classes and established certain rate design principles.
2. A secondary objective of the Commission order was to determine the information utilities must provide on their customer bills for the introduction of direct access on January 1, 1998.
3. Ordering Paragraph 12 of D.97-08-056 directed the utilities to file tariffs within 15 days of the effective date of the order which incorporate the provisions of the order. The Ordering Paragraph added that the tariffs shall not include any changes not anticipated or required by the order.
4. On August 15, 1997, PG&E filed Advice Letter 1692-E in compliance with D.97-08-056. SDG&E and Edison filed Advice Letter 1042-E and 1245-E on August 18, 1997 respectively.
5. Prior to these filings, and pursuant to the Administrative Law Judge (ALJ)'s Ruling of June 20, 1997, the utilities had filed draft tariffs on July 23, 1997, which conformed to the ALJ's proposed decision. Comments to these proposed tariffs were received from parties.
6. PG&E filed supplemental Advice Letter 1692-E-A on September 10, 1997, which proposed a Schedule PX and included revisions to its Schedule A-RTP.
7. Although PG&E had asked the parties to withhold their protests to its Advice Letter until after workshops were scheduled by the Commission, parties filed protests to all three advice

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- letters. Edison and SDG&E filed responses to the protests. PG&E, in a letter dated September 11, 1997, deferred its response until after workshops.
8. On September 16 and 17, 1997, the Energy Division conducted a workshop to review the above advice letters with the parties.
 9. At the workshop, the Energy Division noted that PG&E had no authorization to ask the parties to withhold their protests to its Advice Letter. The Energy Division notified PG&E that it was in non-compliance with the Commission's General Order (GO) 96-A and directed PG&E to respond to the protests that were filed to its Advice Letter 1692-E. PG&E filed a late response on September 18, 1997.
 10. Based on the discussions at the workshop and the initial review of the advice letters, the Energy Division developed a list of issues and sent a letter to the utilities on September 24, 1997 directing the three utilities to revise their advice letters in supplemental filings to include descriptive language for calculation of CTC, PX charge, provision for direct access service, consistent terminology and modifications to tariffs to incorporate the credit, and payment associated with the rate reduction bond. The Energy Division's letter also directed the utilities to delete from their tariffs, any proposed modifications which cannot be reconciled with a requirement in D.97-08-056. Specifically, utilities were asked to remove any proposed changes to their TCBA and their revenue requirement unless those changes are necessary for implementation of D.97-08-056. In addition, the Energy Division specified that no pending request in other advice letters should be reflected in the unbundling advice letters.
 11. Edison filed supplemental Advice Letter 1492-E-A, PG&E filed supplemental Advice Letter 1692-E-B, and SDG&E filed supplemental Advice Letter 1042-E-A on October 2, 1997.
 12. On October 1, the California Energy Commission, SDG&E, and several other parties ("Joint Filers") filed a Petition to Modify D. 97-08-056 ("joint proposal"). The "Joint Filers" proposed to permit the utilities to calculate the CTC using a one month lag during 1998 in cases where the utility's software does not permit it to do otherwise.
 13. On November 5, 1997, the Commission adopted the "joint proposal" in D.97-11-026. Ordering Paragraph 4 of D.97-11-026 states that if a utility is unable to implement the methodology adopted in D.97-08-056, due to computer software constraints, it will be permitted to propose a one-month lag in its PX price calculation for use only during 1998.
 14. SDG&E filed supplemental Advice Letter 1042-E-B on November 12, 1997.
 15. On November 19, 1997, the Commission adopted D.97-11-073, which resolved three petitions to modify D.97-08-056 filed by PG&E, Edison, Enron and New Energy Ventures.

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The Commission adopted several modifications to D.97-08-056, all of which clarified the intent of the Commission's order.

16. PG&E filed supplemental Advice Letter 1692-E-C on November 20, 1997 in response to protests received to supplemental Advice Letter 1692-E-B and also to include minor editorial changes.
17. On December 9, 1997, ORA sent a letter to the Energy Division summarizing the methodologies that PG&E and SDG&E have proposed regarding the collection of distribution revenues for demand charges versus energy charges.
18. On December 11, 1997, PG&E and SDG&E and ORA sent a letter to the Energy Division summarizing their agreement on the methodologies regarding the collection of distribution revenues for demand charges versus energy charges for PG&E and SDG&E.

Notice

Notice of Advice Letters 1245-E, 1692-E and 1042-E and their supplements were made by publications in the Commission Daily Calendar and by mailing copies of the filings to adjacent utilities and interested parties.

Protests

1. On September 8, 1997, ORA filed protests to Edison's Advice Letter 1245-E, PG&E's Advice Letter 1692-E, and SDG&E's Advice Letter 1042-E. ORA's protest raised a general concern regarding the overlap of issues in the ratesetting tariffs and CTC, Streamlining, Direct Access and the Rate Reduction Bond proceedings and recommended establishment of a single forum to review all overlapping tariff filings. In addition, ORA raised the following issues:

- Need for coordination and consistency among the three utilities' filings.
- Transparent pricing by offering the functionalized rate components on each rate schedule rather than the Preliminary Statement.
- Clear definition of what is included in the calculation of the Power Exchange costs for calculation of the CTC.
- Calculation of hourly distribution line losses.
- Clarifying language regarding the rate reduction bond credit and debit.
- Use of specific terminology.
- Double counting of charges to direct access customers and establishment of a "Direct Access Credit."
- Use of statistical load profile for a rate group.
- Availability of tariffs to direct access customers.

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2. ORA filed a protest to PG&E's supplemental Advice Letter 1692-E-A on September 30, 1997 and Advice Letter 1692-E-B on October 21, 1997. On October 22, 1997, ORA filed protests to SDG&E's supplemental Advice Letter 1042-E-A and Edison's supplemental Advice Letter 1245-E-A.
3. On September 8, 1997, Enron filed protests to PG&E's Advice Letter 1692-E, SDG&E's Advice Letter 1042-E, and Edison's Advice Letter 1245-E raising concerns related to:
 - Incomplete tariffs
 - Use of specific terminology.
 - Double counting of charges to direct access customers and establishment of a "Direct Access Credit.
 - Use of statistical load profile for a rate group.
 - Availability of tariffs to direct access customers.
 - Cogeneration deferral rates.
4. Enron filed a protest to SDG&E's supplemental Advice Letter 1042-E-A on October 22, 1997 and PG&E's supplemental Advice Letter 1692-E-B on October 21, 1997.
5. On September 8, 1997, NASA filed a protest regarding PG&E's Schedule A-RTP and eligibility of customers on that schedule for direct access and the establishment of the variable energy charge.
6. WMA filed a protest on September 4, 1997 regarding the eligibility of submetered tenants for direct access. WMA also filed a late protest on November 24, 1997 regarding the application of 10% rate reduction for master-metered service.
7. Mr. James Weil filed a late protest on November 6, 1997 regarding the allocation between transmission and distribution functions of PG&E's authorized 1998 base revenue increase.

Discussion

1. Catastrophic Event Memorandum Account (CEMA)

D.97-08-056 (Section VII. E.) adopts the proposals to eliminate CEMA for generation related costs for all utilities, effective January 1, 1998. Ordering Paragraph 9 of D. 97-08-056 states that utilities shall not enter into their respective CEMA accounts any costs related to generation.

In Advice Letter 1692-E, PG&E added the following language to Preliminary Statement, Part G.: "In compliance with Decision 97-08-056, the CEMA shall exclude generation-related event costs incurred after December 31, 1997."

SDG&E added the following language to its Preliminary Statement III, C in Advice Letter 1042-E: "Pursuant to Ordering Paragraph 9, and as discussed on page 20, of CPUC D.97-08-056, dated August 1, 1997, no generation-related costs shall be entered into this account effective January 1, 1998."

In Advice Letter 1245-E, Edison adds language to Preliminary Statement Part N (4) stating that "Costs recorded in CEMA shall exclude generation-related costs."

No protest was filed on this issue.

D.97-11-073 modified D.97-08-056 and allowed the utilities to enter into CEMA generation-related costs which were incurred after December 31, 1997 if those costs are related to events that occurred prior to January 1, 1998.

The Energy Division believes that PG&E, Edison and SDG&E's proposed changes to their tariffs regarding CEMA are in compliance with D. 97-08-056 and should be adopted with the following addition to comply with D. 97-11-073:

"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into CEMA."

2. Hazardous Substance Clean-up and Litigation Costs Accounts (HSCLS)

D.97-08-056 (Section VII.F.) prohibits entries into HSCLS which relate to generation, effective January 1, 1998. Ordering Paragraph 10 requires that utilities shall not enter into their respective HSCLS accounts any costs related to generation.

In Advice Letter 1692-E, PG&E added the following language to its Preliminary Statement, Part S.: "In compliance with Decision 97-08-056, the HSM accounts shall exclude generation-related hazardous substance clean-up and litigation costs incurred after December 31, 1997".

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SDG&E added the following language to its Preliminary Statement VII, C:
"Pursuant to Ordering Paragraph 10, and as discussed on page 20, of CPUC D.97-08-056, dated August 1, 1997, no generation-related clean-up costs shall be entered into this account effective January 1, 1998."

Edison added the following language to Preliminary Statement Part V (2) (e), Covered Hazardous Substance Cleanup Costs; (f), covered Insurance Litigation Costs; and (h) Covered Third-Party Litigation Costs, stating that "Covered ... costs shall exclude generation-related costs."

No party protested this issue.

Consistent with CEMA, HSCLS was also addressed in D.97-11-073 and modified to allow utilities to enter generation costs which were incurred after December 31, 1997 if those costs are related to events that occurred prior to January 1, 1998.

The Energy Division believes that PG&E and Edison's proposed tariff language regarding HSCLS are in compliance with D. 97-08-056 and should be adopted with the following addition to comply with D. 97-11-073:

"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into HSCLS."

SDG&E's proposed language refers only to clean up costs and does not include litigation costs. SDG&E's proposed changes to HSCLS should be modified as follows:

"Pursuant to Ordering Paragraph 10, and as discussed on page 20, of CPUC D.97-08-056, dated August 1, 1997, no generation-related clean-up and litigation costs shall be entered into this account effective January 1, 1998. Pursuant to D.97-11-073, generation costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into HSCLS."

3. Terminology

In Advice Letter 1692-E, PG&E used the term "full service" in its tariffs to refer to customers who do not engage in direct access. Enron protested the use of this term because they believe the use of this term applied to bundled utility service implies that direct access customers are receiving less than full, and less than satisfactory service. Enron recommends that a neutral and more accurate term, such as "bundled service", or "utility service" be required. The Energy Division agreed that the use of "full service" may cause some confusion for customers and requested in its September 24 letter to the utilities to use the term "bundled service" instead. PG&E revised the terminology in supplemental Advice Letter 1692-E-B. In its protest to this supplemental advice letter, ORA stated that PG&E failed to uniformly revise the terms. In

response to the protest, PG&E stated that by an inadvertent oversight, it omitted two such revisions. PG&E changed the terminology in its supplemental Advice Letter 1692-E-C.

SDG&E used the term "Default UDC Service Customers" in Advice Letter 1042-E and continued to use the same term in supplemental Advice Letter 1042-E-A and supplemental Advice Letter 1042-E-B.

Edison used the term "Bundled Service Customer" in Advice Letter 1245-E. Edison did not revise the term in its supplemental filings.

D.97-08-056 used both "bundled service" and "full service" terms in referring to customers who opt to stay with the utility service. The Energy Division believes that all three utilities should use the same terminology in their tariffs in order to be consistent and to prevent confusion. The Energy Division recommends the use of "bundled service", because it more accurately describes the type of service that is being offered by the utility.

ORA and Enron's protests to PG&E's supplemental Advice Letter 1692-E-B are moot. Enron's protest to SDG&E's Advice Letter 1042-E regarding the terminology issue is granted. SDG&E should revise its tariffs accordingly.

4. Calculation Of Competitive Transition Charge

Ordering Paragraph 12.c of D.97-08-056 adopted a methodology to derive an averaged CTC residually by ex post averaging of energy and other non-CTC functional rate components that vary over time. D.97-08-056 (Section VIII. B.1.) described that averaging is done first on a weekly basis, and then a rolling average of usually four weeks is calculated to cover the different monthly billing cycles for different customers. The series of resulting approximate one-month averages of PX energy costs is used to calculate residually the corresponding averaged CTC on a billing-cycle basis. The decision further described the averaging and indicated that utilities shall use hourly PX energy costs in each week and class load profiles for each rate class to calculate an average PX energy cost for utility service customers in that rate group. The decision noted that because billing cycles span multiple weeks, the average PX price for all calendar weeks from the time of customer's previous billing through the week prior to the current billing shall be averaged to obtain a monthly average PX energy cost. The resulting averaged PX energy cost shall be applied to all sales to all utility-service customers served on existing rate schedules in each rate group during the billing month, with the average CTC charge calculated residually for each schedule and each billing month.

At the time PG&E filed Advice Letter 1692-E, its proposal to address the billing implications for the method of CTC calculation was not final. ORA and Enron protested Advice Letter 1692-E on the basis that it was incomplete. PG&E acknowledged its lack of detail and filed Schedule PX in supplemental Advice Letter 1692-E-A. In this supplemental advice letter, PG&E describes its method for calculating an averaged energy cost and, through residual calculation, an averaged

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CTC rate for all customers. PG&E develops an averaged PX cost for each schedule (or TOU period) through the use of a statistical load profile which represents the average load profile for all customers on a given rate schedule. These average PX costs will be revised weekly.

In Advice Letter 1692-E-A, PG&E proposed to revise the average PX costs by simply using the previous 30-day period. This methodology, however, would not take into consideration the period of time in D.97-08-056, Section VII.B.1, which provides that each customer's billing period be based on "...all calendar weeks from the time of a customer's previous billing through the week prior to the current billing..." Enron protests the methodology that was proposed in supplemental Advice Letter 1692-E-A because it believes that all utilities should be required to employ the uniform PX price calculation method adopted by D.97-08-056.

The Energy Division conducted a workshop on September 16 and 17 to discuss the three utilities' unbundling advice letters with the parties.

Following the workshop, on September 24, 1997, the Energy Division sent a letter to the utilities and directed them to use Edison's model regarding the PX averaging method, *with modifications*, as discussed in the workshop and stated in D. 97-08-056, Section B.1. The Energy Division also directed the utilities to include descriptive language for calculation of the average PX price, defining calendar week, in Schedule PX.

Pursuant to the Energy Division's letter and to conform with D.97-08-056, PG&E revised its proposal in supplemental Advice Letter 1692-E-B. On the same day each week, using PX data for the period ending the prior day, PG&E will calculate schedule-average PX costs. PG&E will apply these average costs to calculate charges and credits on bills with billing periods that end in the next seven-day period. For each weekly revision, three separate sets of PX costs will be developed: one for the previous three weeks, one for the previous four weeks, and one for the previous five weeks. The appropriate set of PX costs will then be applied to each customer in such a way to ensure the averaged period encompasses the start of the Customer's billing period (based on standard billing periods of 27 to 33 days.)

PG&E, by supplemental Advice Letter 1692-E-B, notified the Commission and interested parties that although the PX costing methodology in its filing is in compliance with D.97-08-056, PG&E will not be able to implement this methodology by January 1, 1998. PG&E states that it is able to implement the weekly update of the PX cost but given significant pressure to have other systems operational by January 1, 1998, PG&E is not able to apply different prices to customers given each customer's billing period length as dictated by D.97-08-056. Accordingly, PG&E filed a Petition to Modify D.97-08-056 on October 29, 1997, proposing a single, fixed 30-day PX cost average period be used for all customers regardless of the length of their billing period, as was proposed in supplemental Advice Letter 1692-E-A.

Resolution E-3509/MEB
PG&E AL 1692-E, E-A, E-B, E-C/LRA
SDG&E AL 1042-E, E-A, E-B/SCL
Edison AL 1245-E, E-A/SCR

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In its protest to supplemental Advice Letter 1692-E-B, ORA stated that a clarification was needed to PG&E's description to identify the specific day of the week that begins the weekly period to which the calculations will apply. PG&E agreed to make this clarification and filed supplemental Advice Letter 1692-E-C stating that it will calculate the schedule-average PX costs on each Wednesday, using PX data for the period ending the prior day. ORA requests that the Commission reject supplemental Advice Letter 1692-E-B because PG&E acknowledges a failure to implement the PX costing methodology stated in the filing.

Enron states that the Commission should not grant an exception to PG&E without ordering a date certain by which the utilities should employ the uniform calculation adopted by D.97-08-056.

In Advice Letter 1042-E, SDG&E proposed to determine CTC residually based on a "one-month lag" methodology to calculate the monthly average PX costs. SDG&E's proposed monthly average PX prices will be pre-determined and based on the PX costs incurred during the previous calendar month.

Pursuant to the Energy Division's letter of September 24, 1997 to the utilities, SDG&E filed supplemental Advice Letter 1042-E-A. In this supplemental Advice Letter, SDG&E stated that in determining CTC charges by rate schedule, due to system limitations, it must use a calendar month calculation. Thus SDG&E continued to propose monthly average PX prices that will be pre-determined and based on the PX costs incurred during the prior calendar month.

Enron didn't address this issue in its protest to Advice Letter 1042-E but raised it later in its protest to supplemental Advice Letter 1042-E-A. In its protest to supplemental Advice Letter 1042-E-A, Enron provided a lengthy argument to SDG&E's proposed "one-month lag" methodology and noted that it was not only out of compliance with D. 97-08-056, but also as noted by ORA, it was different from other utilities' proposals.

On October 1, the Energy Commission, SDG&E, and several other parties ("Joint Filers") filed a Petition to Modify D. 97-08-056 ("joint proposal"). The "Joint Filers" proposed to "permit the utilities to calculate the CTC using a one month lag during 1998 in cases where the utility's software does not permit to do otherwise."

SDG&E responded to ORA's protest arguing that SDG&E's proposed PX averaging methodology reflects SDG&E's interpretation of D.97-08-056, which SDG&E believes describes a methodology of weekly-average PX prices that are rolled into one month average for the purpose of CTC calculation. Later, SDG&E responded to Enron's protest to Supplemental Advice Letter 1042-E-A pointing out the Commission's pending decision on the Joint Proposal filed by the Joint Filers. SDG&E stated that it would be inappropriate for SDG&E to support Schedule PX tariff language that will not conform with its capability for implementation on January 1, 1998.

On November 5, 1997, the Commission adopted the "joint proposal" in D.97-11-026. Ordering Paragraph 4 of D.97-11-026 states that if a utility is unable to implement the methodology adopted in D.97-08-056, due to computer software constraints, it will be permitted to propose a one-month lag in its PX price calculation, for use only during 1998.

In Advice Letter 1245-E, Edison filed Preliminary Statement Part GG, Power Exchange Energy. Part GG, Section 5, reflects an averaged CTC derived residually from the generation rate by ex-post averaging of energy based on the modified ORA methodology described in Section VIII.B.1 of D.97-08-056.

In its protest of Advice Letter 1245-E, ORA stated, "the wording in section GG of Edison's Preliminary Statement appears the clearest, and should be used as a uniform definition for all three utilities." However, ORA also noted that "even Edison's proposed text appears to stop short of full compliance, because it refers to averaging over four-week periods instead of the procedure adopted by D.97-08-056, which ensures that all customers will pay the PX costs for each day of the year."

In its response to ORA's protest of Advice Letter 1245-E, Edison stated that ORA had incorrectly interpreted D.97-08-056: "the procedure adopted in D.97-08-056, p. 40, states 'Averaging is done first on a weekly basis, and then a rolling average of usually four weeks is calculated to cover the different monthly billing cycles for different customers.' Thus, Edison's proposed tariff language is in compliance with the decision."

In supplemental Advice Letter 1245-E-A, Edison revised its Preliminary Statement, Part GG, Power Exchange Energy, to reflect the modifications requested by the Energy Division. However, Edison did not provide its definition of "calendar week."

No protests were filed to Edison's revised language regarding the calculation of CTC.

D.97-08-056 adopted a specific method by which the utilities would calculate an average CTC based on rolling weekly averages of PX prices and the load profile of the average customer in each rate class. The Energy Division believes PG&E's proposed methodology described in Schedule PX of supplemental Advice Letter 1692-E-B, as modified in supplemental Advice Letter 1692-E-C, is in compliance with D.97-08-056 and should be approved. Notwithstanding PG&E's Petitions to Modify D.97-08-056, PG&E should be put on notice that if it fails to implement this methodology by January 1, 1998, as it has noted in its Advice Letter 1692-E-B, it will be out of compliance with the decision and will be subject to appropriate penalties. PG&E has been aware of this requirement since August 1997 and has had ample time for planning.

The Energy Division also believes that SDG&E's proposed Schedule PX monthly average PX price methodology to determine the CTC residually, as proposed in Supplemental Advice Letters

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1042-E-A and E-B, is consistent with D.97-11-026 and, therefore, should be adopted. Enron's and ORA's protests on the CTC calculation are denied.

The Energy Division recommends approval of the modified language submitted by Edison in supplemental Advice Letter 1245-E-A with the modification that a definition of the calendar week be included. In addition, Edison should be required to establish a new Schedule PX to include this information rather than having it in its Preliminary Statement.

Enron's protest is granted in parts. ORA's protests to PG&E and SDG&E's filings are denied.

5. Rate Functionalization

In Advice Letter 1692-E, PG&E provided functionalized rates on every rate schedule by transmission, distribution, public purpose programs, generation, and nuclear decommissioning.

SDG&E and Edison show this level of detail only in their Preliminary Statements in Advice Letter 1042-E and Advice Letter 1245-E respectively.

In its protest to Edison's Advice Letter 1245-E, and SDG&E's 1042-E, ORA notes that PG&E's approach will be more straight-forward for customers who wish to learn what they are paying for each component of their electric service after the implementation of electric restructuring. ORA therefore recommends that PG&E's approach should be required for all utilities.

SDG&E finds ORA's requirement for unbundled unit charges to appear on each rate schedule unnecessary and administratively burdensome. SDG&E notes that this requirement may lead to additional confusion. SDG&E strongly prefers to use the Preliminary Statement for its summary of unbundled rate components. SDG&E believes that its proposed methodology is consistent with current practices of identifying rate components such as the CARE surcharge and ERAM. SDG&E further notes that because it plans to update its summary of unbundled unit charges monthly, it would be much more logical if the updates were limited to the Preliminary Statement sheets, rather than each rate schedule.

SDG&E revised its tariffs to include functionalized rate components on each rate schedule in supplemental Advice Letter 1042-E-A. In supplemental Advice Letter 1042-E-B, SDG&E removed the functionalized rates from its preliminary statement. ORA's protest is moot.

In its response to ORA's protest of Advice Letter 1245-E, Edison states that its ratesetting tariffs are submitted in the format which is consistent with Commission approved past and current practices. Under Edison's approach, Edison's customers have obtained rate applicability and special conditions information by referring to their applicable rate schedule and have referred to the Preliminary Statement Part I to view their rate components. Edison does not believe that ORA provides a compelling reason to have Edison change its format at this time.

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In its response to ORA's protest, Edison states that it does not oppose a coordinated effort to identify the areas in the Ratesetting tariffs that can be expressed in substantially the same way for each of the three utilities, provided Edison's unique operational and financial requirements are not set aside solely in the interest of consistency. The area of rate functionalization appears to be one in which Edison's willingness to move toward a consistent approach offers clear benefits to customers. Furthermore, as the electric industry enters a period of greater competition, it will benefit customers to have rate information readily available upon which to base their consumption decisions. Edison should modify every rate schedule to state the functionalized rate components. ORA's protest to Edison's Advice Letter 1245-E on this issue is granted.

ORA suggests that transparency of prices would be improved if each rate schedule stated an overall average rate for the schedule. PG&E opposes such a proposal because the rate might be misleading and confusing for customers. PG&E notes that for example, presentation of an average rate in a rate schedule could easily be confused with the actual charges that are provided elsewhere in the tariff. Edison states that providing the average price would be very misleading and confusing to customers since most customers do not pay the same average rate due to their different usage patterns, so the average rate would not reflect what the customer is actually being billed. SDG&E did not respond to ORA's recommendation on this issue.

The Energy Division notes ORA's recommendation and believes that while providing the overall average rates for each rate schedule would be beneficial for the purpose of rate design, it would not be meaningful to individual customers. Ordering paragraph 12.g. of D.97-08-056 ordered utilities to provide customers bills which will include all the functional rates and charges as adopted in the decision. D.97-08-056 does not require the utilities to provide an overall average rate on individual rate schedules. The Energy Division believes that the requirement in the Ordering paragraph 12.g. would provide sufficient detailed rate information to customers. Adding an overall average rate would not improve price transparency and is unnecessary. ORA's protest on this issue should be denied.

6. Generation Rate, Definition of CTC

PG&E and Edison combine the PX and CTC rate components into a single generation component in Advice Letter 1692-E and Advice Letter 1245-E respectively. SDG&E originally showed separate charges for PX and CTC in Advice Letter 1042-E, but later combined the two charges into one generation charge in supplemental Advice Letter 1042-E-A and E-B. SDG&E also proposed a Schedule CTC in Advice Letter 1042-E, which included a description of the calculation of CTC rates. PG&E and Edison did not propose a CTC schedule. Nor did they propose to include any language in their tariffs regarding the residual calculation of CTC.

In its September 24, 1997 letter to the utilities, the Energy Division directed the utilities to eliminate any proposed Schedule CTC. The Energy Division recommended instead, to include the language for calculation of CTC in the Preliminary Statements.

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In response to the Energy Division's letter, SDG&E eliminated Schedule CTC in supplemental Advice Letter 1042-E-A, but it did not include the language regarding the calculation of CTC in its Preliminary Statement as requested by the Energy Division. PG&E did not follow the Energy Division's request regarding the definition of CTC in their Preliminary Statements either.

SDG&E's rationale for consolidation of the PX and CTC rates into one generation rate is that it plans to update the PX charge on a monthly basis. To comply with the Energy Division's letter, SDG&E revised its Advice Letter 1042-E to include rate components in each rate schedule rather than the preliminary statement. SDG&E contends that if the PX rate is shown as a separate charge, each rate schedule would have to be updated monthly, but if, as SDG&E has proposed, the PX rate is included in the generation rate, which is calculated residually from other fixed components, it will not need to update all of the rate schedules. Only the Schedule PX will have to be updated on a monthly basis.

The Energy Division believes the utilities' proposal to consolidate the PX and CTC into a generation rate is reasonable and should be adopted. Based on this recommendation, the Energy Division now believes that the information regarding the residual calculation of CTC should be included in rate schedules instead of the preliminary statements, as originally recommended in the Energy Division's letter dated September 24, 1997. Therefore, the Energy Division recommends addition of the following language to all rate schedules:

Generation charge is calculated based on the total rate less the sum of : Distribution, Transmission, Public Purpose Program, Nuclear Decommissioning, and FTA (where applicable) charges. CTC is calculated residually by subtracting the PX charge as calculated in Schedule PX from the generation charge.

7. Schedule PX and Components of Power Exchange Energy Charge

PG&E did not file detailed information in Advice Letter 1692-E regarding the development of the PX Energy Charge. ORA pointed this out in its protest to this advice letter. PG&E agreed with ORA and filed a more complete development of the PX cost for use in retail ratemaking in supplemental Advice Letter 1692-E-A. In the supplemental filing, PG&E presented Schedule PX which would apply where the calculation of the PX energy cost is required for either energy cost credits or charges.

In Advice Letter 1042-E, SDG&E proposed a Schedule PX which included the monthly Average PX Prices and the hourly PX Prices with several adjustments, including a non-bypassable Independent System Operator Adjustment (ISOA) and a Franchise Fees and Uncollectibles (FF&U) adder. In supplemental Advice Letter 1042-E-A, SDG&E eliminated the FF&U adder as originally proposed, but later in supplemental Advice Letter 1042-E-B, SDG&E added back the provision in its proposed Schedule PX.

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Enron protested the inclusion of the ISOA charges as another rate component in SDG&E's Advice Letter 1042-E. Enron disputed the existence of such costs because SDG&E did not include any examples. Enron argued that all ISO and PX charges incurred by utilities should be included in the hourly PX prices, so that they may be credited to Direct Access customers.

ORA also protested the ISOA charges in Advice Letter 1042-E. Similar to Enron's argument, ORA contested that SDG&E did not identify the specific charges under ISOA in the filing, and asked SDG&E to justify its proposal at the upcoming Energy Division's September 16, 1997 workshop.

In its response to Enron's and ORA's protests to Advice Letter 1042-E, SDG&E stated that its proposed ISOA charges were necessary in order to comply with Section VIII, B.7 of D.97-08-056, which states that any ISO costs that are assigned exclusively to the utility for services provided on behalf of all customers should be recovered from all customers, regardless of generation provider. SDG&E further argued that it has provided a clear description of these costs in its Advice Letter 1042-E filing.

In Advice Letter 1245-E, Edison established Preliminary Statement, Part GG, which sets forth the methodologies to be used in calculating the PX cost, averaged PX charge, and the distribution line losses adjustment factors.

In its protest to PG&E's supplemental Advice Letter 1692-E-A, ORA recommended consistent language among all three utilities and suggested that the wording which appeared in Part GG of Edison's Preliminary Statement be used as the uniform definition.

Based on the discussion at the workshop, the Energy Division agreed with ORA and directed the utilities to delete the PX charge definition from the Preliminary Statement and, instead, add a Schedule PX specifying the following charges as specified in Section VIII, B. 7 of D.97-08-056 as part of the PX charge: 1) weighted average, day-ahead, hour-ahead PX price, 2) settlement imbalances, and 3) uplift charges, including ancillary services, congestion fees, ISO/PX administration fees, and miscellaneous ISO/PX charges for bundled customers, 4) distribution line losses adjustments.

PG&E filed supplemental Advice Letter 1692-E-B. In this filing, PG&E explains that the PX charge used for billing will consist of the forward market cost plus real-time settlement costs, adjusted by Distribution Loss Factors. Total forward market costs for services obtained through the PX shall include, but are not limited to, 1) energy, including inter-zonal congestion fees, 2) ancillary service charges, 3) ISO and PX administration costs, and 4) other miscellaneous ISO/PX charges incurred to serve Bundled Service Customers. In its protest to this supplemental advice letter, ORA states that PG&E has improved the wording of its description in Schedule PX

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so that it includes the substance of Edison's original description as ORA had recommended in its earlier protest. The Energy Division agrees with ORA that PG&E's descriptions of the components to be included in each of the costs are consistent with Edison's and should be adopted. In addition, the forward market costs plus real-time settlement costs, adjusted by Distribution Loss Factors (DLFs) should include an adder for uncollectibles for the reasons discussed in the Double Counting Charges/Direct Access Credit section of this Resolution.

SDG&E also revised its Schedule PX in supplemental Advice letter 1042-E-A by eliminating : 1) FF&U adder, 2) the adjustment for reliability must-run costs, and 3) the non-bypassable ISOA charges.

No party protested SDG&E's proposed PX energy charges as filed in supplemental Advice Letter 1042-E-A. ORA protested the schedule format issue and recommended adoption of PG&E's formulation of Schedule PX as proposed in Advice Letter 1692-E-B for all three utilities.

In its response to ORA's protest to supplemental Advice Letter 1042-E-A, SDG&E agreed with ORA's recommendation and revised its proposed Schedule PX in supplemental Advice Letter 1042-E-B using PG&E's format with a description of monthly PX prices which is SDG&E specific, and including an FF&U adder. In addition, SDG&E relocated the summary of monthly average PX prices from the Preliminary Statement to Schedule PX. ORA's and Enron's protests on Advice Letter 1042-E and supplemental Advice Letter 1042-E-A regarding the ISOA charges and the Schedule PX format are denied. The Energy Division recommends adopting SDG&E's proposed descriptions for the monthly and hourly PX prices and methodology, with the exception that only the adder for uncollectibles should be included. Franchise Fees adder should not be included.

Edison's PX charge already included the itemized components as requested by the Energy Division, so no revisions were necessary as a result of the Energy Division's letter of September 24. Edison, however, did not agree with the Energy Division's request to replace Part GG of its Preliminary Statement with a new Schedule PX and did not revise its tariffs.

In explaining its unwillingness to add Schedule PX and delete Part GG from its Preliminary Statement, Edison states that its Preliminary Statement, Part GG is not a rate option which would supplement a customer's standard rate schedule, but is instead an explanation of how every customer's PX charge will be calculated. According to Edison, to set forth the PX charge calculation in a Schedule PX implies that it is a separate rate, which it is not. Furthermore, Edison argues that to establish a calculation explanation as a Schedule PX would be inconsistent with the remainder of Edison's tariffs. Edison believes that it would be burdensome for Edison's employees and customers to be educated on the new format.

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In its protest of supplemental Advice Letter 1245-E-A, ORA states that although earlier it had stated a preference for placing the description of the PX charge in the Preliminary Statement, using Schedule PX as directed by the Energy Division now appears to be the most expeditious way to conclude this aspect of electric restructuring. As a result, ORA recommends PG&E's formulation of Schedule PX should be required of all three utilities, instead of placing the description in the Preliminary Statement, with utility-specific text being used only where necessary. ORA believes that Edison's references to its Preliminary Statement can be replaced with references to Schedule PX with little difficulty, and explaining this aspect of the structure of Edison's tariffs will not be the only requirement for informing its employees about how electric restructuring will be implemented. Finally, ORA recommends elimination of Schedule Hourly Power Exchange (HPX), as it would be redundant once Edison's tariffs contain the equivalent of PG&E's Schedule PX.

In response, Edison states that placing the PX charge calculation in a rate schedule instead of the Preliminary Statement is contrary to the treatment of all other Edison calculation explanations, and reiterates that Edison's Preliminary Statement, Part GG is the appropriate place for an explanation of how every customer's PX charge will be calculated. Edison also states that since the provisions of Part GG and Schedule HPX are used for different purposes, it is not appropriate to combine all such provisions on a Schedule PX.

The Energy Division believes that all relevant portions of Schedule HPX are captured either in the new Schedule PX, or listed on each rate schedule, as discussed under the Virtual Direct Access section of this resolution. The Energy Division recommends that Edison add Schedule PX and delete Part GG from its Preliminary Statement, following the format used by PG&E.

ORA's protests to PG&E's and SDG&E's advice letters are denied. ORA's protest to Edison's advice letter is granted.

8. Double Counting of Charges/Direct Access Credit

In its protest to PG&E's Advice Letter 1692-E, Edison's Advice Letter 1245-E, and SDG&E's Advice Letter 1042-E, Enron states its concern about a substantial number of cost items imbedded in transmission, distribution, and generation rate components in the tariffs which may be being charged to direct access customers twice through various mechanisms. Enron believes that a number of functions and costs included in those rates will no longer be performed or incurred by the utility under direct access. Enron recommends that the unbundled rate components charged to Direct Access customers should be credited for such costs in order to avoid double counting. Otherwise, Enron is concerned that it would be more expensive for customers to choose Direct Access than to stay with bundled service. To correct the double collection problem, Enron proposes that the unbundled rate components charged to direct access customers be credited through a single Direct Access credit for costs related to scheduling and purchasing of wholesale power, customer service costs, generation-related uncollectibles, lost and unaccounted for energy, ISO and PX uplifts, distribution losses, transmission losses,

ancillary service charges, and any other ISO related charges incurred by the utility for its bundled service customers, as well as credit for any other items included in current rates which are duplicated by direct access providers. Enron proposes to include the credit in each rate schedule or tariffed charge which direct access customers may take service under.

Of the costs mentioned by Enron, PG&E has included ancillary service charges, ISO and PX administration costs, and other miscellaneous ISO/PX charges incurred to serve Bundled Service Customers adjusted for distribution line losses, in the PX charge described in Schedule PX of Advice Letter 1692-E-B.

SDG&E has also included most of the generation related costs, including the ISO and PX uplift charges, ancillary service charge, and distribution line losses in the calculation of the PX energy charges.

Edison's proposed PX energy charge included the ISO and PX uplift charges, as well as the settlement adjustments.

PG&E in its response to Enron's protest states that Enron did not raise the issue regarding the direct access credit for costs associated with scheduling and purchasing wholesale power, customer service, or any portion of transmission and distribution in the cost separation proceeding, and, therefore, it cannot use the advice letter process to raise the issue now.

SDG&E responded to Enron's requirement to formulate PX charges into a credit for direct access on each rate schedule. Although SDG&E stated its preference to keep that information on the Preliminary Statement rather than in the rate schedules, SDG&E later added this information to its rate schedules in supplemental Advice Letter 1042-E-B.

Edison's response to Enron's protest of Advice Letter 1245-E is that the rates as filed simply reflect the revenue requirements adopted by D.97-08-056. Regarding Enron's suggestion that Direct Access customers should be credited for costs that will be avoided by the separate provision of metering and billing by Direct Access providers, Edison responds that D.97-08-056 only authorizes Edison to credit Direct Access customers with a Power Exchange Energy Charge. Any further credits, according to Edison, would place Edison in noncompliance with the decision. Edison notes that D.97-05-039 establishes a process for evaluating the net cost savings resulting when billing, metering and related services are provided by a non-utility entity.

Edison's response to Enron's double collection problem regarding the Direct Access credit and to Enron's recommendation that the utilities should include a Direct Access Credit on every rate schedule for Direct Access customers is that there is no need to include a Direct Access credit on every rate schedule for Direct Access customers. Edison states that its Schedule DA- Direct Access, which is filed in the Direct Access proceeding, is a supplemental schedule applicable to

each rate schedule that provides Direct Access customers with a credit equal to the PX energy charge as adopted in this proceeding.

Edison does not agree with Enron that it has to remove the generation-related uncollectibles from its revenue requirement because, according to Edison, D.97-08-056 has already removed them. Edison further disagrees with Enron's recommendation to adjust PX energy charge for transmission losses. Edison states that the PX price is set at the transmission level, which already includes losses. Thus, to further adjust it upward would result in double counting.

Section VIII.B.7 of D.97-08-056 set forth the components for the PX energy charge, which forms the basis for the credit provided to direct access customers. These costs are identified in the PX energy charge section of this resolution. As addressed in that section, the Energy Division believes that the utilities' proposed PX energy charges, which will be used to provide the credit to direct access customers, are in compliance with the D.97-08-056 and should be adopted with the following modification. D.97-08-056 assigned one third of the utilities' total FF&U to generation. However, D.97-08-056 did not explicitly identify the methodology for this allocation. Enron argues that to avoid the double counting of this item, direct access customers should get a credit for it. This issue was the subject of Enron's Petition to Modify D.97-08-056, which was addressed in D.97-11-073 and was denied for lack of support. D.97-11-073 stated that in cases such as this, the Commission relies on the Energy Division to refine the already developed criteria in the process of reviewing tariffs. Enron's petition regarding the uncollectibles as one of those instances where the Energy Division's clarification is required. The Energy Division believes that although uncollectibles was not explicitly identified as a PX component, it should be treated as a PX component to ensure that the cost of uncollectibles is accurately allocated to generation. Other costs requested by Enron to be included in the PX energy charge as a single Direct Access Credit were not adopted in D.97-08-056 and to this end, the Commission cannot allow them to be included as the PX charge in this compliance filing. Thus Enron's protest is granted in part.

The Energy Division recommends adding language in the utilities' rate schedules under billing for direct access customers similar to what PG&E has already included in its tariffs which clearly describes the credit provided to direct access customers. Edison should revise its tariffs to satisfy this requirement.

9. Maximum Direct Access

In the billing section of all applicable rate schedules submitted in Advice Letter 1692-E, PG&E states that if a direct access customer's credit for the avoided PX energy cost is larger than the customer's otherwise applicable full service bill, then the minimum bill for the direct access customer is zero. In its protest to this advice letter, Enron argues that if a bundled customer is contributing negative CTC because of high PX prices, a direct access customer should receive a corresponding credit.

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In Advice Letter 1042-E-B, SDG&E proposed similar tariff language to PG&E's in the billing section which states that Direct Access Customers minimum bill will be zero when PX energy charge (or Direct Access Credit) is greater than the total bill as calculated for Bundled Service Customers.

Edison has no proposal on this issue.

Enron's protest regarding this issue should be denied. PG&E's minimum bill proposal for direct access customers was made in the Cost Separation Proceeding and was implicitly adopted by D.97-08-056. This advice letter filing is merely implementing PG&E's proposal as adopted in the decision. SDG&E's language is similar to PG&E's and therefore should be adopted. Edison should add similar language in its tariffs.

10. Load Profiles

D.97-08-056 states:

"In the weekly averaging, utilities shall use hourly PX energy costs in each week and class load profiles for each rate class (the profiles including both utility service and direct access customers) to calculate an average PX energy cost for utility service customers in that rate group."

In Advice Letter 1042-E and supplemental Advice Letter 1042-E-A, SDG&E included a brief description for Statistical Load Profiles in its proposed Schedule PX. However, load profiles for each rate group were not submitted as part of SDG&E's filings.

PG&E did not have any specific information regarding the load profiles in their tariffs filed in Advice Letter 1692-E or supplemental Advice Letter 1692-E-B and Edison did not include any specific load profile information in Advice Letter 1245-E.

In its protest to PG&E's supplemental Advice Letter 1692-E-B and SDG&E's supplemental Advice Letter 1042-E-A, Enron raises a general concern that the load profiles used in the calculation of both the PX price and CTC charges are not part of the tariffs. Enron notes that load profiles are critical information in the calculation of the CTC and the average PX charge, which customers rely on when making a decision to choose direct access. Enron recommends that the load profiles be incorporated into the tariffs so that parties will have opportunities to review load profiles for accuracy and quality.

In response to this protest, PG&E explained that it has made load profiles available on the Commission's World Wide Web site (<http://162.15.5.2.2/wk-group/dail/>), and that due to the

volume of information associated with these load profiles, it is not reasonable to include them in tariffs. SDG&E and Edison have also provided their load profile information on the same web site.

The Energy Division notes Enron's argument that customer load profiles are important elements in the CTC and average PX calculations for choosing direct access. However, D.97-08-056 does not require the utilities to include load profiles in their compliance advice letter filings. The Energy Division believes that having that information as posted on the Commission's Web site is sufficient. Enron's protest on the load profiles issue is denied.

11. Distribution Line Losses

In the Cost Separation Proceeding, Edison proposed to use average loss factors to calculate costs associated with distribution line losses, and to recover these costs from all customers as a non-PBR distribution rate component. In D.97-08-056, the Commission directed PG&E and SDG&E to file, in their compliance advice letters, similar proposals for implementing hourly distribution line loss calculations. At the time of filing Advice Letter 1692-E, PG&E had not finalized its preferred distribution loss factor methodology. In its protest to this advice letter, ORA noted that PG&E's specific proposal was missing.

PG&E described its method for adjustments to distribution loss factors in supplemental Advice Letters 1692-E-A and 1692-E-B. In its protest to supplemental Advice Letter 1692-E-B, ORA stated that PG&E's specific proposal for calculation of hourly distribution line loss factors still was not apparent from the filings. On October 15, 1997, PG&E submitted its distribution loss factors, and their calculation in OIR 94-04-031/OII 94-04-032. In supplemental Advice Letter 1692-E-C, PG&E added these distribution loss factors to Schedule PX.

In Advice Letter 1042-E, SDG&E proposed a brief description for calculation of distribution line losses in Schedule PX.

ORA argued that SDG&E's proposed language appears to be inconsistent with the recommendation of the Retail Settlements and Information Flow (RSIF) supplemental workshop report. ORA recommended that all utilities should revise their advice letters.

SDG&E did not respond to ORA's protest to Advice Letter 1042-E on this issue.

ORA protested the same issues in SDG&E's supplemental Advice Letter 1042-E-A, which contained the same language as Advice Letter 1042-E. ORA argued that SDG&E did not provide a specific proposal for calculation of hourly distribution line loss factors. ORA believed that such calculation must be clarified in the advice letter and should be consistent with the RSIF supplemental workshop recommendation.

In its response to ORA's protest, SDG&E acknowledged the requirement to file its proposal for hourly distribution line loss factors and Unaccounted for Energy (UFE) and mentioned that it was planning to file this information with the Commission on October 31, 1997.

In supplemental Advice Letter 1042-E-B, SDG&E revised its proposed tariffs, replacing the original language with a description of the DLFs methodology consistent with its supplemental filing in the RSIF workshop filed with the Commission on October 31, 1997.

Edison presented its calculation of hourly distribution line losses in Section GG of its Preliminary Statement in Advice Letter 1245-E. According to ORA's protest, Edison's proposed text appears consistent with the recommendations of the supplemental workshop report on this subject in the Direct Access proceeding's RSIF workshop process. ORA recommends Edison's Preliminary Statement as the preferred location for the description of distribution line losses.

Section VIII.B.11 of D.97-08-056 required the utilities to file proposals for implementing hourly distribution line loss calculations in their advice letter filings. A supplemental RSIF workshop report was filed on August 19, 1997 in the Direct Access proceeding, R. 94-04-031/L.94-04-032. According to the report, the utilities would review the feasible calculation methods prior to October 15th. PG&E filed its distribution loss factors on October 15th. SDG&E filed its report on October 31st and Edison filed its report on October 18th. A Commission decision on the RSIF workshop report is pending. The Energy Division recommends the proposed distribution line loss factors as proposed by the utilities in their schedule PX and update as necessary after a Commission decision is rendered on this matter. The Energy Division believes that PG&E and SDG&E have complied with the requirement of the decision. ORA's protests regarding this issue are denied. Consistent with its previous recommendation of eliminating Edison's section of preliminary statement describing Power Exchange Energy, the Energy Division recommends that Edison should include its description of distribution line loss factors in its new Schedule PX.

12. Virtual Direct Access Service Option

In D.97-08-056, the Commission directed the utilities to propose new virtual direct access services and tariff offerings that would promote the efficient use of energy in their compliance tariff filings.

In Advice Letter 1692-E, PG&E included billing descriptions for Bundled Service, Direct Access, and Hourly PX Pricing Option (Virtual Direct Access) customers in each of its applicable rate schedules. A customer's bill is first calculated according to the total rates and conditions and then adjusted depending on the type of customer's service. For Direct Access customers, the bill will be calculated as for a bundled service customer, but the customer will receive a credit for the PX component. For Hourly PX Pricing Customers, the bill will be calculated as for a bundled service customer, then credited for the PX component, then the hourly

PX component is added. The hourly PX component is determined by multiplying the hourly energy used in the billing period by the hourly cost of energy from the PX.

In Advice Letter 1042-E-A, SDG&E included an Hourly PX Rate Option in its Schedule PX for Virtual Direct Access service.

Edison filed a new schedule, Hourly Power Exchange (HPX) in Advice Letter 1245-E, which established service for virtual direct access customers.

The Energy Division's September 24 letter directed the utilities to add language for virtual direct access on each rate schedule similar to PG&E.

Edison disagreed with the Energy Division's request and thus did not add language for the Virtual Direct Access provision on each rate schedule in its supplemental Advice Letter 1245-E-A. Edison stated that its Schedule HPX, Hourly Power Exchange, is applicable to all bundled service customers as an option to the standard rate schedules for these customers. Edison prefers to provide information about options available to several standard rate schedules in a single location, rather than repeating the same information on each rate schedule. Edison also believes that adding language for the Virtual Direct Access provision to each rate schedule could create customer confusion and add unnecessary volume to Edison's tariff book. Thus, Edison argues that this requirement creates an unnecessary operational burden on Edison and ignores Edison's unique operational and financial requirements. Since Schedule HPX expresses substantially the same provision as the two other utilities, Edison believes that it is not necessary to include this provision on each rate schedule.

In its protest of supplemental Advice Letter 1245-E-A, ORA stated that the Commission should require Edison to include the language describing the Bundled Service, Virtual Direct Access, and Direct Access rate options that has been proposed by PG&E, in each rate schedule, as directed by the Energy Division. According to ORA, the language proposed by PG&E does not raise the concerns claimed by Edison about creating customer confusion, adding significant volume to Edison's tariff book, or creating an administrative burden for Edison. Instead, placing PG&E's proposed language in each rate schedule will play an important role in educating customers about the opportunities created by electric restructuring -- when a customer requests a copy of his/her rate schedule, he/she will be able to easily identify important choices that are available, rather than needing to ask questions that would not otherwise have occurred, such as asking for Schedule PX or asking for an identification of optional rate schedules.

In its response to ORA's protest of supplemental Advice Letter 1245-E-A, Edison reiterates the objections it originally raised to the Energy Division's request. Edison notes that its Schedule HPX, Hourly Power Exchange, is applicable to all bundled service customers as an option to standard rate schedules for such customers, and that Edison uses this tariff construction method when an optional rate provision supplements several standard rate schedules. Edison believes

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this design provides the necessary information in a single location rather than repeating the same information on each rate schedule. Edison also expresses concern that ORA has taken the Energy Division's request one step further by recommending the addition of descriptions of Bundled Service and Direct Access on each rate schedule.

The Energy Division disagrees with Edison's view. ORA's interpretation of the Energy Division's letter is accurate. The Energy Division's September 24 letter directed the utilities to add language for virtual direct access provision *on each rate schedule* similar to PG&E in Advice Letter 1692-E. PG&E's Advice Letter 1692-E contained descriptions for bundled service, direct access, and virtual direct access. Although D.97-08-056 required the utilities to propose only new virtual direct access services and tariff offerings, the Energy Division believes that it did not limit the scope of the information. Additional information that would help customers understand the virtual direct access option, for example by comparison to other services available to them, is appropriate and can be included in the tariffs. PG&E's proposed billing descriptions for Bundled Service and Direct Access provide additional helpful information to customers and enable them to fully understand the hourly PX Pricing option and should be adopted.

Furthermore, providing information regarding the hourly PX pricing option in each rate schedule instead of in the Schedule PX or other parts of the tariffs make that option more visible to customers. The Energy Division believes that the individual rate schedules are the most appropriate place for making the information regarding various options, including the virtual direct access option, available and recommends that Edison include the information as specified above on each rate schedule. ORA's protest on this issue is granted.

SDG&E did not revise its proposed hourly PX Rate option to comply with the Energy Division's September 24, letter. In supplemental Advice Letter 1042-E-A SDG&E's tariffs for Virtual Direct Access service remain in its proposed Schedule PX rather than in each applicable rate schedule. In addition, the tariff language in supplemental Advice Letter 1042-E-B contains information relating to rules being filed under the Direct Access proceeding (e.g. Rule 12 and 24).

Instead, as ORA pointed out in its protest to supplemental Advice Letter 1042-E-A, SDG&E responded to Energy Division's request by including sections entitled "Customer Choice" and "Billing Power Exchange (PX) Charges" in each rate schedule. ORA prefers to use language similar to PG&E's for all utilities for Direct Access and Virtual Direct Access.

SDG&E later in supplemental Advice Letter 1042-E-B, eliminated the above two sections and replaced them with language similar to PG&E's, with SDG&E-specific text, in all rate schedules.

As previously recommended in its September 24 letter, the Energy Division recommends that the language regarding the virtual direct access should be included in each rate schedule rather than the preliminary statement.

SDG&E should eliminate the section Hourly PX Rate Option in its Schedule PX which contains information pending the Direct Access filing. In each rate schedule under Section Billing, Edison should include similar language as PG&E.

13. Submetered Tenant Participation In Direct Access

In Advice Letter 1692-E, PG&E added a provision for submetered tenant participation in direct access to Rate Schedules ES, ESR, ET, ESL, ESRL, and ETL. Western Mobilehome Parkowners Association (WMA) protested PG&E's proposed language and its inclusion in the Cost Separation Proceeding compliance tariffs instead of the Direct Access implementation tariffs. In response to the protest, PG&E agreed that this issue is being addressed in the Direct Access proceeding and that providing the language in these tariffs at this time is premature. In supplemental Advice Letter 1692-E-B, PG&E removed from applicable rate schedules language applying to the application of direct access for submetered customers. Thus, WMA's protest should be denied.

WMA also filed a protest to PG&E's supplemental Advice Letter 1692-E-B, Edison supplemental Advice Letter 1245-E-A, and SDG&E's Advice Letter 1042-E objecting to the proposed implementation of the 10% rate reduction on master-metered/submetered mobilehome parkowners. WMA notes that the utilities apply the 10% bill credit to master-metered accounts after the submetering differential provided for in Section 739.5 (a) was deducted from the bill. WMA notes that in effect not only the electric rates for master meter will be subject to the 10% rate reduction, so will the master-metered differential. Simultaneous with its protest, WMA filed a Petition to Modify D.97-08-056 regarding this issue.

WMA's protest was well beyond the normal 20-day period. The Commission will have an opportunity to address WMA's request in its pending petition to modify. WMA's protest is denied.

14. Marketers/Brokers To Negotiate Payment Of CTC

Ordering Paragraph 12.b of D.97-08-056 states that the utilities' tariffs shall "[p]ermit marketers and brokers to negotiate with their energy customers the method by which their customers will pay the Competitive Transition Charge (CTC) to them."

In Advice Letter 1692-E, PG&E included language on all affected rate schedules to allow marketers and brokers to negotiate with their customers the method by which their customers

Resolution E-3509/MEB
PG&E AL 1692-E, E-A, E-B, E-C/LRA
SDG&E AL 1042-E, E-A, E-B/SCL
Edison AL 1245-E, E-A/SCR

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will pay CTCs. The Energy Division believes PG&E's language satisfies the requirement of Ordering Paragraph 12.b.

SDG&E, in supplemental Advice Letter 1042-E-B, includes a statement on each rate schedule stating that nothing in this service prohibits a marketer or broker from negotiating with customers the method by which their customer will pay the CTC charges. The Energy Division believes SDG&E's language satisfies the requirement of Ordering Paragraph 12.b.

Edison, in Advice Letter 1245-E, added language to its Preliminary Statement, Part W, Competition Transition Charge Responsibility, stating that "Where customers elect to purchase energy and ancillary services through Direct Transactions with Energy Service Providers (ESPs), the ESPs shall be permitted to negotiate the method of CTC payment with their Direct Access Customers." The Energy Division believes Edison's language satisfies the requirement of Ordering Paragraph 12.b, and this information should also be included on all rate schedules.

15. Rate Reduction Bonds

Ordering Paragraph 12 a. of D.97-08-056 says the utilities' tariffs shall "[p]rovide the 10% discount mandated by AB 1890 to residential and small commercial customers on all types of rate schedules and recover the cost of paying off the rate reduction bonds from the same classes of customers." Ordering Paragraph 12 i. requires the utilities to "[r]eflect the 10% rate reduction to small commercial and residential customers by way of a reduction to the CTC."

In Advice Letter 1692-E, PG&E included a Special Condition entitled "Rate Reduction Bond Credit" in all applicable rate schedules explaining that eligible customers will receive a 10% credit on their bills based on the total bill. PG&E also included language regarding the payment of the bonds, which stated that customers eligible for the credit will repay the bonds used to finance the credit.

In its protest to this advice letter, ORA states that PG&E's proposed text appears inadequate in describing how the credit is calculated and how the debt will function. ORA believes that an adequate description would be excessively long for inclusion in all rate schedules. ORA prefers a single rate schedule, as proposed by Edison, that addresses both credit and debt service and recommends that it be required for all utilities.

The Energy Division' letter of September 24, directed the utilities to remove any language regarding charges for the bond payment and eligibility criteria from these compliance filings and submit them in the Rate Reduction Bond proceeding (A.97-05-022). The Energy Division's September 24 letter directed the utilities to use language similar to PG&E's, with some minor changes, regarding the rate reduction bond credit and payment in all applicable rate schedules.

Resolution E-3509/MEB
PG&E AL 1692-E, E-A, E-B, E-C/LRA
SDG&E AL 1042-E, E-A, E-B/SCL
Edison AL 1245-E, E-A/SCR

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In supplemental Advice Letter 1692-E-B, PG&E retained the language on all applicable rate schedules stating that the residential and small commercial customers with loads less than 20 kW will receive a 10 % credit on their bills based on the bills as calculated for Bundled Service Customers. PG&E removed the language regarding the cost of paying off the debt in supplemental Advice Letter 1692-E-B.

In Advice Letter 1042-E, SDG&E added a Rate Reduction Adjustment section to all rate schedules for the 10% rate reduction and payment. SDG&E also proposed a Schedule FTA, Fixed Transition Amount, in Advice Letter 1042-E.

ORA protested Advice Letter 1042-E and argued that inclusion of the proposed Rate Reduction Adjustment in all rate schedules, implies that only residential and small commercial customers are subject to the FTA rates while all commercial and industrial customers are eligible for the 10% credit.

SDG&E was silent on this issue in its response to ORA's protest and retained the same language in supplemental Advice Letter 1042-E-A and supplemental Advice Letter 1042-E-B. However, in response to the Energy Division's letter, SDG&E eliminated its proposed Schedule FTA.

ORA protested the same issue in supplemental Advice Letter 1042-E-A. ORA argued that the language for the Rate Reduction Credit and Bond Payment should not be included in the non-applicable commercial/industrial rate schedules (e.g. Schedule AD).

ORA recommended addition of "in all billings for customers defined as Residential or Small Commercial in Rule 1" at the end of the first sentence in Section Rate Reduction Adjustment in the next supplemental filings.

SDG&E responded to ORA's protest to supplemental Advice Letter 1042-E-A that its proposed language will be superseded by an upcoming SDG&E filing in the Rate Reduction Bond proceeding. SDG&E stated that it will incorporate ORA's recommended changes in that upcoming filing. SDG&E's Advice Letter 1042-E-B did not incorporate any changes from its filing.

The Energy Division recommends PG&E add "by way of reduction to CTC" to the Rate Reduction Bond Credit section of its applicable residential and small commercial rate schedules to comply with Ordering Paragraph 12 i. PG&E also needs to add the language regarding the bond payback to its applicable rate schedules in order to comply with Ordering Paragraph 12 a.

The Energy Division agrees with ORA regarding PG&E's language for rate reduction credit and bond payment. D. 97-09-055, D.97-09-056 and D.97-09-057 identified the schedules to which the rate reduction applies for PG&E, Edison, and SDG&E respectively. SDG&E's tariff should be revised to include language regarding the rate reduction credit and payment only on the

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schedules specified in D. 97-09-057. Under the Rate Reduction Adjustment of those schedules, SDG&E should replace the proposed tariff language for rate reduction credit and bond payment with the following:

(for all residential schedules)

"Customers defined as residential in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

(for all other applicable small commercial schedules)

"Customers defined as small commercial in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

Edison, in Advice Letter 1245-E, established Schedule RRB - Rate Reduction Bonds, Bill Credit and FTAC, which provide that customers will receive a 10% bill credit applied to their total bill. In response to the Energy Division's September 24 letter, Edison withdrew Schedule RRB from Advice Letter 1245-E, stating its intention to file a separate advice letter. In addition, Edison added language to its residential and small commercial schedules stating that these customers will receive a 10% bill credit on their bill based on the total bill as calculated for Bundled Service Customers, and that the bill credit is to be applied to CTC as discussed in Ordering Paragraph 12.i. of D.97-08-056. The Energy Division believes Edison's language satisfies the requirement of Ordering Paragraph 12.i.

16. Discounts

In the following section, we describe the methodology to calculate and allocate CARE, Employee, and Economic Development discounts.

A. California Alternate Rate for Energy (CARE):

Under the current tariffs, utilities offer residential and certain non-residential CARE program service rate schedules, which provide a discount for eligible customers.

Calculation of the CARE discount:

In Advice Letter 1692-E, PG&E proposes to calculate the CARE discount based on the customer's total bill before any credit for direct access. SDG&E in Advice Letter 1042-E and

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Edison in Advice Letter 1245-E have proposed similar methods in their CARE schedules to calculate the CARE discount.

The Energy Division believes that it is appropriate to apply the CARE discount to the total bill before any credit is given for direct access. This ensures that CARE customers who choose direct access receive similar ratemaking treatment for their discounts as customers who stay with the utility service. However, it should be noted that because the total CARE discount a direct access customer would get is based on the average monthly PX price for bundled customers, which may be different from the customer's energy charge, the CARE discount may amount to higher or lower than 15% of the customer's *actual* bill.

Allocation of the CARE discount:

PG&E has proposed in Advice Letter 1692-E to spread the discount across each of the functionalized components except the Nuclear Decommissioning component for the residential CARE schedules. For the non-residential schedules, PG&E does not specify any allocation across the functionalized components. SDG&E in Advice Letter 1042-E has proposed to reflect the CARE discount in the distribution rate for the residential CARE schedule. SDG&E has not proposed any changes to its existing tariffs regarding the allocation for the non-residential schedules. Edison applies the discount to the Public Purpose Program (PPP) component of the eligible residential customers' unbundled rates.

The Energy Division believes that the discount for all residential and non-residential applicable rate schedules should be reflected in the distribution rate component.

The utilities applicable CARE schedules should include the following:

The 15% California Alternate Rate for Energy (CARE) discount is applied to the bill based on the total bill as calculated for bundled service customers by way of a reduction to the distribution rate component.

B. Employee Discount

Currently, utilities offer a 25% discount to their employees.

Calculation of the employee discount:

Through Schedule EE, PG&E offers a 25% discount to its regular or pensioned employees. In Advice Letter 1692-E-B, PG&E adds a new statement to this schedule clarifying that the discount will be applied to the entire bill for customers taking Hourly PX Pricing Option or Bundled Service.

SDG&E offers its employees a 25% discount under Schedule DE, Domestic Service To Utility Employees. SDG&E did not request any changes to its Schedule DE in its advice letters. The discount is currently applied to an employee's bill as determined under a regularly filed schedule for domestic service which would otherwise be applicable. Under the current schedule, it is

unclear when an employee takes direct access service, whether the discount will be applied to the employee's total bill or the non-energy portion of it.

Similar to SDG&E, Edison offers its employees a 25% discount under Schedule DE, Domestic Service To Utility Employees. Edison did not request any changes to its Schedule DE in its advice letters. The discount is currently applied to an employee's bill as determined under a regularly filed schedule for domestic service which would otherwise be applicable. Under the current schedule, it is unclear when an employee takes direct access service, whether the discount will be applied to the employee's total bill or the non-energy portion of it.

No protest was filed on this issue.

Although the Energy Division believes it may be appropriate to apply the discount only to the non-energy portion of a direct access customer's bill instead of the total bill because the employee discount should only be given on the service that the utility continues to provide, this method was not proposed in the Cost Separation Proceeding and was not adopted by D.97-08-056. Furthermore, this method is not consistent with the methodology for calculating the CARE discount. Thus, the change may not be allowed in the compliance advice letter filings. Utilities should provide the employee discount based on the employee's total bill and allocate it as specified in the section below.

Allocation of the employee discount:

For PG&E customers on Schedule EE, PG&E has not proposed how to allocate the discount across functionalized components.

It is unclear from SDG&E's Schedule DE, how the credit for direct access customers will be applied.

No protest was filed on this issue.

Consistent with allocation of CARE discount, the Energy Division recommends the discount be allocated to the distribution rate component. Utilities should revise their applicable rate schedules to include similar language as the following:

The 25% discount will be given based on the total bill as determined for Bundled Service Customers under a regularly filed schedule for domestic service which would otherwise be applicable, by way of a reduction to the distribution rate component.

C. Economic Development Rates

The utilities offer discounts to qualified customers located in or expanding in designated Enterprise zones and Employment Incentive Areas.

Calculation of the discount:

Currently, through Schedule ED, PG&E provides a three-year declining discount based on the energy, demand, and customer charge portions of Schedules A-10, E-19 or E-20 that would otherwise apply. In Advice Letter 1692-E, PG&E added a new statement that says the discount will be determined before any credit is provided for direct access service. This is consistent with the way the CARE discount is calculated and should be adopted.

SDG&E's service for economic development is under Schedule NJ, New Job Incentive Rate. SDG&E did not request any tariff changes to its current schedule relating to the discount for Schedule NJ.

In Advice Letter 1245-E, Edison did not add any language to its Schedule AEDR and Schedule EEDR specifying whether the discount will be determined before any credit is provided for direct access service.

Consistent with the methodology for calculating the employee and CARE discounts, the Energy Division recommends adopting PG&E's proposed methodology and modifying SDG&E and Edison's tariffs as specified below.

Allocation of the discount:

Similar to the employee discount, PG&E has not proposed any allocation methodology.

In Advice Letter 1245-E, Edison added language to its Schedule AEDR and Schedule EEDR, stating that the total charges subject to discount shall be converted into the following rate components: Distribution, Transmission, Transmission Revenue Balancing Account Adjustment (TRBAA), Averaged Power Exchange (PX) Energy Charge, Competition Transition Charge (CTC), Public Purpose Programs Charge (PPPC), and Nuclear Decommissioning Charge (NDC).

Consistent with the allocation methodology for CARE and employee discount, the Energy Division recommends allocating the discount to the distribution rate component.

Utilities should revise their applicable rate schedules to include similar language as the following:

The discount will be given based on the total bill as determined for Bundled Service Customers under a regularly filed schedule for domestic service which would otherwise be applicable, by way of a reduction to the distribution rate component.

17. Real Time Pricing Rates

In Advice Letter 1692-E, PG&E proposed changes to the text of existing Schedule A-RTP - Experimental Real-Time Pricing Service. NASA protested the changes to the schedule on the basis that PG&E did not include a provision which would allow customers on this schedule to engage in direct access, and they did not specify how customers' energy charges would be calculated. NASA stated the variable energy rate on the schedule should be based on the PX cost. Enron also protested this proposed schedule because it did not have a direct access option.

ORA protested the language in Schedule A-RTP that customers can participate solely at the option of PG&E and that participation is limited to 50 customers. ORA believes that this language would place unnecessary restrictions on the development of competitive markets and should be deleted.

PG&E modified Schedule A-RTP in supplemental Advice Letter 1692-E-A. Specifically, it removed the 50 customer participation limit provision replacing it with language that closed the schedule to new customers, added language to provide that customers taking service on this schedule are not eligible for direct access, and inserted language to indicate that the variable rate changes according to PG&E's hourly cost of procuring energy from the Power Exchange.

The revised Schedule A-RTP in supplemental Advice Letter 1692-E-A satisfied NASA's concern that the appropriate price basis for Schedule A-RTP is the PX cost and, thus the protest on this issue is moot and should be denied. However, it expressly provided that customers served under the schedule should not be eligible for direct access.

ORA protested supplemental Advice Letter 1692-E-A on the basis that the closure of Schedule A-RTP to new customers, and the provision preventing A-RTP customers from being eligible for direct access are contrary to the Commission's established electric restructuring policies, and such limitations were neither proposed by PG&E in its unbundling application nor adopted by the Commission in D.97-08-056. ORA recommended the existing limitations on participation be removed and PG&E's proposed new limitations be denied, or at a minimum PG&E's proposed new limitations should be denied.

In supplemental Advice Letter 1692-E-B, PG&E modified Schedule A-RTP to restore the original language regarding PG&E discretion over customers who can participate and the 50-customer participation limit. PG&E also added a provision on Schedule A-RTP to allow customers on the schedule to take direct access service. Since changing current participation limits was not an issue in the cost separation proceeding, ORA's recommendation to delete such language cannot be accommodated in this compliance filing. PG&E's proposed applicability language provided in supplemental Advice Letter 1692-E-B, which does not change the currently effective tariff, should be adopted. Thus, ORA's protest with respect to this issue should be



denied. The revised Schedule A-RTP in supplemental Advice Letter 1692-E-B also allows customers served on the schedule to engage in direct access which satisfies NASA's, Enron's and ORA's concerns regarding direct access. Thus their protests on these issues are moot and should be denied.

SDG&E does not request any tariff changes other than changes related to rate unbundling in its Schedule RTP-1 and RTP-2.

18. Departing Load Customers

In Advice Letter 1692-E, PG&E proposes a new rate schedule called E-DEPART, that is applicable to those customers who no longer take any service from PG&E. In Advice Letter 1245-E, Edison filed Schedule DL-NBC, Departing Load Nonbypassable Charges. This schedule sets forth the nonbypassable charges (i.e., CTC, NDC, PPPC and Fixed Transition Amounts Charge (FTAC)) that will apply to customers that leave Edison's system. SDG&E did not file any tariff changes for departing load customers. SDG&E's changes are filed in the Transition Cost and Rate Reduction Bond proceedings.

Ordering Paragraph 12.h of D.97-08-056 requires that utilities' tariffs shall specify that a customer who leaves the utility system to be served by an entity which must impose a public purpose surcharge pursuant to PU Code Section 385 shall not thereafter be required to pay the utility's public purpose program surcharge.

PG&E included language to satisfy this requirement in its proposed new schedule E-DEPART in Advice Letter 1692-E. The language was proposed under the Special Conditions section of Schedule E-DEPART. PG&E later relocated the language to the Billing section of the Schedule E-DEPART in supplemental Advice Letter 1692-E-C. SDG&E and Edison have not proposed any new language in their tariffs to meet this requirement.

In its protest to PG&E's Advice Letter 1692-E and Edison's Advice Letter 1245-E, ORA stated that PG&E's proposed Schedule E-DEPART and Edison's proposed Schedule DL-NBC should not be adopted solely through this compliance advice letter process, because they involve issues that are still being considered elsewhere, such as the Commission's TC proceeding.

PG&E opposes ORA's position because it submitted the mechanisms for calculation of bills for customers in these categories in its cost separation application. PG&E notes that although it has filed its proposed tariff language which defines customer eligibility and their respective loads in the CTC proceeding, it has not provided the approach for billing these customers in any other proceeding except the cost separation proceeding. In its response to ORA's protest of Advice Letter 1245-E, Edison shared ORA's concern regarding overlapping tariffs in multiple proceedings and agreed that the approval of Schedule DL-NBC involves issues that are still being considered in other proceedings.

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The Energy Division agrees with ORA that these schedules should be considered in the Commission's CTC proceeding. However, the proposed section on Billing, as proposed by PG&E is the subject of the unbundling decision and should be adopted with the modification as filed in PG&E's supplemental Advice Letter 1692-C: "Should the Power Exchange component be greater than the generation component of the bill, no contribution to CTC will have been made and the CTC will be equal to zero." The Energy Division recommends removing PG&E's proposed language regarding CTC contribution if the PX component is greater than the energy, because it is inconsistent with the treatment of PG&E's unbundled customers' contribution to CTC under similar conditions.

Utilities should include PG&E's Billing language as modified here in their TC advice letter filings.

19. Competition Transition Charge Exemption

In Advice Letter 1692-E, PG&E proposes to revise and rename existing Schedule E-EXEMPT (Southern San Joaquin Valley Power Authority Competition Transition Charge Exemption) so that it would apply to all customers who are exempt from paying the CTC. In Advice Letter 1245-E, Edison filed revisions to Schedule CTCE-IWD - Competition Transition Charge Exemptions - Irrigation/Water Districts, which revised the language describing the calculation of the CTC portion of the Energy Charge component of the CTC exemption credit received by eligible customers. SDG&E did not file any tariff changes for CTC exemptions. SDG&E's changes were filed in the TC proceeding.

Similar to the concern raised in its protests to PG&E's and Edison's advice letters regarding the tariff changes for departing load customers, ORA suggests that these schedules would be more appropriately considered in the Commission's CTC proceeding.

PG&E opposes this because it submitted the mechanisms for calculation of bills for these customers in its cost separation application. Although PG&E has filed its proposed tariff language which defines which customers are eligible and the respective loads to be used for those customers in the CTC proceeding, it has not provided that approach for billing these customers in any other proceeding except the cost separation proceeding.

Edison did not address ORA's concerns in responding to ORA's protest of its Advice Letter 1245-E.

The Energy Division agrees with ORA that these schedules should be considered in the Commission's TC proceeding. The proposed Billing section is, however, a subject of the cost separation proceeding and thus should be adopted in this resolution. PG&E's proposed Billing section should be adopted with the modification discussed in the new schedule for Departing

Load Customers section of this resolution. Utilities should include PG&E's proposed billing language as modified in their TC advice letters.

20. Transmission Revenue Requirement/ Rates

In Advice Letter 1692-E, PG&E revised the transmission revenue requirement specified in D.97-08-056, Appendix D, Table II to reflect the most recent amount included in its filing in Docket No. ER97-2358-000 with the Federal Energy Regulatory Commission (FERC). PG&E's transmission rates were then derived from this revised revenue requirement. SDG&E's and Edison's transmission revenue requirement and allocation reflect the March 31, 97 FERC filings.

Ordering Paragraph 1 of D.97-08-056 approved and adopted the revenue allocation and rate design proposals as set forth in the Joint Motion filed March 16, 1997 and Appendix A. The Energy Division believes that the transmission revenue requirements that were adopted in D.97-08-056 were only illustrative, and utilities should be allowed to revise them to reflect their most recent filings at FERC. Once FERC adopts final transmission revenue requirements, utilities should update their tariffs and adjust customer's bills accordingly.

21. SDG&E's Revenue Requirement Related Issues

In its protest to SDG&E's Advice Letter 1042-E, ORA notes that SDG&E has used a Nuclear Decommissioning revenue requirement of \$28.196 million instead of \$29.196, and has also double counted CARE revenue by including it both as part of its total public goods revenues of \$56.456 million and as part of a separate amount of \$8.465 million. In addition, ORA argues that SDG&E's rates were based on 1996 revenues (except for transmission) and sales. ORA believed if SDG&E revises its revenues for 1997 or 1998, it should also be required to update its sales forecast correspondingly.

SDG&E responded to ORA's protest and acknowledged that the \$28.196 million for Nuclear Decommissioning as shown in its workpapers for Advice Letter 1042-E was an error. It was a typo in the summary page of its workpapers. However, SDG&E confirmed that \$29.196 million was used in its rate design spreadsheet correctly.

SDG&E also confirmed that the CARE revenue was not double counted in its rate design spreadsheet. SDG&E notes that it may look like SDG&E has double counted because the CARE amount was identified on a separate line in the workpapers. SDG&E argues that because the CARE revenue is allocated using a different methodology as adopted by D.97-08-056 from the rest of the Public Goods revenue, it needs to be subtracted from the total Public Goods revenue first, then added back to the total Public Goods revenue. Therefore, SDG&E believes there is no need to revise its filing.

ORA's protest was filed prior to SDG&E's rate design model was provided. The Energy Division reviewed SDG&E's spreadsheet and confirmed SDG&E's responses. Therefore, ORA's protest on the above two issues are denied.

In response to ORA's protest regarding the update of sales forecast, SDG&E referred to Appendix C, Table II of D.97-08-056 which incorporates the 1996 sales forecast recommended by ORA in Exhibit 58 of the unbundling proceeding. SDG&E argues that no record in the unbundling proceeding indicates the requirement for the update of 1998 sales forecast for SDG&E's revenue allocation. In addition, D.97-08-056 does not require the change of the revenue allocation of other unbundled components corresponding to the changes in transmission allocation.

As discussed in SDG&E's 1998 PBR Resolution (E-3509), the Commission recognizes no updated sales forecast has been adopted for SDG&E since the 1995 ECAC proceeding which covered the forecast period from May 1996 through April 1997. The 1997 sales forecast is pending in SDG&E's 1996 ECAC decision. In D.97-10-057, the Commission eliminated the ECAC mechanism effective January 1, 1998.

We note ORA's recommendation. SDG&E's argument does not appear to address ORA's protest correctly. However, we agree with SDG&E that D.97-08-056 indirectly adopts the use of SDG&E's 1996 ECAC sales forecast. While we recognize that SDG&E's distribution rates will essentially be overstated if an outdated sales forecast is used to set rates as discussed in Resolution E-3509, we believe D.97-08-056 does not include the requirement of sales forecast update for SDG&E. Therefore, ORA's recommendation on sales forecast update is denied. However, we believe the intent of D.97-08-056 is to use the latest adopted sales forecast in setting the distribution rates. In the event the Commission adopts updated sales forecast in SDG&E's pending ECAC decision, SDG&E should be required to incorporate it in its next distribution rates and other rate setting filing.

22. Insufficient Time to Review Tariffs

In its protests to Advice Letter 1042-E, Enron stated that it has not had sufficient opportunity to review in detail all of the calculations made by SDG&E for demand charges and confirm many other calculations revealed in these tariffs. Enron stated it reserves the right to bring to the Commission's attention on any potential errors, omissions, or other problems found in SDG&E's tariffs.

ORA in its protest to Advice Letter 1042-E also stated that it didn't have sufficient time to complete the review of utilities' rate calculations due to complexity of their tariff filings.

The Energy Division notes that although parties may not have had enough time to review the original advice letter filings by the utilities, they have had several opportunities to review and raise additional issues in the utilities' supplemental filings. One example is the distribution rate

design issue protested by ORA, which was resolved later by a letter dated December 9, 1997 to the Energy Division and is discussed in detail in the Distribution Rate Design section of this resolution. The Energy Division believes that all related issues have been addressed in this resolution. Therefore, ORA and Enron's protests are denied.

23. Distribution Rate Design

In Advice Letter 1692-E and supplemental Advice Letter 1692-E-B, PG&E implemented the unbundled distribution rate design proposal that it had submitted in the Cost Separation proceeding. In its protest to Advice Letter 1692-E-B, ORA challenges PG&E's proposal stating that D.97-08-056 explicitly adopted Edison's proposals for functionalized rate design. ORA argues that PG&E's proposed demand charges for Schedules E-19 and E-20 are not calculated according to Edison's methodology. ORA states that although PG&E has scaled up the marginal cost revenue responsibility by EPMC to collect the allocated revenue requirement, it has not placed the revenue allocated to Schedules E-19 and E-20 in excess of marginal distribution costs in energy charges as required by the decision. Given the Commission's overall direction of consistency among utilities in the implementation of electric restructuring, ORA argues that the explicit adoption of Edison's proposals on rate design issues must be considered as a rejection of PG&E's and SDG&E's differing proposals. ORA requests that the Commission direct PG&E to recalculate its proposed rates to comply with D.97-08-056.

In response to ORA's protest, PG&E states that D.97-08-056 provides the criteria used to dictate when an energy charge may be imposed based on "nongeneration marginal cost-based customer and demand charges." Because PG&E has not established "non-generation" rates or a nongeneration PBR, it argues the criteria does not apply to it. Also, PG&E believes Edison's nongeneration PBR establishes basic differences in methodology that must be taken into consideration. In addition, PG&E believes that ORA's assertion that the design of distribution rates is dictated by the reference to nongeneration rates is flawed and should be rejected. Finally, PG&E argues that Edison's testimony regarding its methodology establishes a basis for transmission rate design but not distribution rate design.

In Advice Letter 1042-E, SDG&E proposed rate design for distribution rates as filed in the unbundling proceeding.

ORA protested supplemental Advice Letter 1042-E-A on the rate design for large power (e.g. but not limited to, Schedule AL-TOU and A6-TOU). With the same arguments in its protest to PG&E's AL1692-E, ORA also argued that SDG&E's proposed demand charges for these schedules were not calculated using the methodology consistent with Edison's which was adopted in D.97-08-056. That is, SDG&E has not place the distribution revenue requirement allocated to these schedules in excess of marginal distribution costs to energy charges as required by D.97-08-056. ORA believed SDG&E should be required to recalculate its proposed rates to comply with the decision.

In its response to ORA's protest, SDG&E disagreed with ORA's interpretation of D.97-08-056 on the rate design issue. SDG&E believed the omission of discussion on SDG&E's rate design proposal in the decision does not, by default, mandate a utility-wide rate design standard. SDG&E believed the rate structures, unit charge levels, and marginal cost estimates among utilities differ significantly, and, therefore, it would be unsuitable to mandate consistency on rate design. SDG&E further argued that CLECA/CMA's recommendation for Edison's non-generation PBR base rates as discussed in D.97-08-056 is applicable to Edison only. Also, SDG&E's non-generation PBR methodology differ significantly from Edison's.

While we recognize SDG&E's arguments that rate structures are utility-specific, we don't believe the Commission's fundamental principles on the long-adopted marginal cost revenue allocation and rate design is utility-specific and we should adopt three different methodologies on setting large power energy and demand charges. We also recognize that under SDG&E's proposal, some of the transmission revenues are placed in the energy charges, not only for the large power schedules (Schedule AL-TOU and A6-TOU as ORA identified), but also the primary and substation service in medium commercial and industrial rate schedules. SDG&E has not provided the justifications for such inconsistency between distribution and transmission rate design proposals.

We believe the rate design methodology adopted in D.97-08-056 was designed to align schedule revenues with the allocated revenue requirement and should apply to all three utilities even though only Edison's proposal was discussed in the decision.

The Energy Division believes that ORA's interpretation of the decision should be adopted, but some exceptions or adjustments to Edison's methodology may be necessary.

We believe SDG&E should recalculate its distribution rates for all commercial and industrial customers including Schedule AL-TOU, A6-TOU, NJ, AO-TOU, RTP-1, 2, etc. using the methodology as described in D.97-08-056, Section VIII.B.10.b with exceptions where necessary.

In a letter to the Energy Division dated December 8, 1997, ORA notes that pursuant to its protest of October 21 and October 22, 1997 to PG&E's supplemental Advice Letter 1692-E-B and SDG&E's supplemental Advice Letter 1042-E-A, it has been discussing alternatives regarding the collection of distribution revenues through demand charges versus energy charges for certain affected rate schedules with PG&E and SDG&E. ORA summarizes PG&E's and SDG&E's proposed methodologies of December 4 and 5 respectively, and notes that the approach proposed by PG&E and SDG&E would satisfy the requirement of D.97-08-056 and resolve the rate design issues raised in its protest. ORA asks that these specific calculations should not establish precedents for future proceedings. On December 11, 1997, PG&E, SDG&E, and ORA sent a letter (Attachment A) to the Energy Division stating their agreement and summarizing the methodologies for PG&E and SDG&E regarding the distribution rate design. The Energy

Division agrees with the methodologies laid out in the December 11 letter. This issue is moot and ORA's protest should be denied.

24. Transition Cost Balancing Account

In Advice Letter 1692-E, PG&E proposed changes to the existing Electric Revenue Adjustment Mechanism (ERAM) and Energy Cost Adjustment Clause (ECAC) balancing accounts, and to its proposed Transition Cost Balancing Account (TCBA) that is being developed in the CTC proceeding. In its protest to this advice letter, ORA stated that the changes appear to be more closely related to a clean-up of proposals previously filed in the CTC proceeding rather than to requirements created by D.97-08-056, and should be considered in that proceeding instead of through this advice letter. Enron also raised issues in its protest regarding PG&E's proposed TCBA which are the subject of the CTC proceeding. The Energy Division agreed that PG&E's proposed TCBA, as well as the related changes it proposed to the existing ERAM and ECAC balancing accounts were outside the scope of compliance with D.97-08-056 and requested PG&E to remove such changes. In supplemental Advice Letter 1692-E-B, PG&E removed its proposed changes. This issue is moot. Enron and ORA's protests are denied.

25. Changes to 1998 Revenue Requirements

The Energy Division recommends the Commission consider all changes to PG&E's, SDG&E's, and Edison's revenue requirements or rates that have been authorized by the Commission (e.g. PG&E's Cost of Capital or Edison's and SDG&E's 1998 PBR changes) in the compliance filings ordered herein.

26. Cogeneration Deferral Rates

PG&E in Advice Letter 1692-E, SDG&E in Advice Letter 1042-E, and Edison in Advice Letter 1245-E filed their existing Cogeneration Deferral provisions without any changes. Enron states in its protest to these advice letters that AB 1890 contains specific provisions to encourage cogeneration, and to exempt certain self- and cogeneration from the imposition of CTC charges, thus it is inconsistent with state policy to continue to allow the utilities to preempt cogeneration development through such rates. Enron argues that it is inappropriate for the utilities to offer discounts for a competitive service and their provisions should be removed, and any existing authorization for the utilities to offer such a discount should be eliminated as well. Furthermore, Enron recommends that if such discounts are to be offered, SDG&E and Edison must be ordered to offer them to Direct Access customers as PG&E had been ordered to do in the PG&E Rate Design Window proceeding proposed Decision (A.96-12-004)

PG&E responded that Enron's protest on this issue should not be considered in this advice letter process because Enron failed to raise the issue on the record in the Cost Separation proceeding. SDG&E did not respond to this issue. Edison's response to Enron's protest was that, in compliance with D.97-08-056, it has modified its Flexible Pricing Option (FPO) tariffs and

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contracts, including Schedule SSGDR to make them available to Direct Access as well as Bundled Service Customers.

The Energy Division believes that Edison's revisions to its Flexible Pricing Options is in compliance with section VIII.B.9. of D.97-08-056 which adopted Edison's proposal to adapt Edison's Flexible Pricing Options (FPOs) Schedule to accommodate the PX market structure and direct access so that several of Edison FPO Schedules can remain open to new customers, including direct access customers, upon commencement of the PX. The Energy Division agrees with PG&E that Enron's proposal should not be considered in this compliance advice letter process because Enron did not raise the issue in the Cost Separation proceeding and D.97-08-056 did not address it. Enron's protest on this issue is denied.

27. Non-Firm Rates

In Advice Letter 1692-E, PG&E included changes in the Non-Firm Rate sections of applicable tariffs to reflect the ISO's role in system operations. In its protest to this advice letter, ORA stated that PG&E's future tariff filings should include the results of ongoing discussions of the Ratesetting Working Group regarding non-firm rates. Enron, in its protest, stated that the interruptible options in the non-firm rate sections need more significant revision to reflect their utilization within the new market structure. Enron requests assurance that direct access customers will not be curtailed more or less than full service customers.

Upon guidance from the Energy Division, in Advice Letter 1692-E-B, PG&E removed its proposed modifications because they were not anticipated or required by D.97-08-056. Thus this issue is moot and Enron's protest is denied.

SDG&E does not request any tariff changes other than those related to rate unbundling in its interruptible schedules (Schedule I-2, and I-3).

28. Energy Efficiency Adjustment

In Advice Letter 1692-E, PG&E added a new provision in the Applicability section of Schedule E-19. The provision, called the Energy Efficiency Adjustment, would limit involuntary transfers of customers off of the rate schedule. This provision was added to make the language in Schedule E-19 consistent with the existing terms in Schedule E-20.

In its protest, ORA noted that the added provision to Schedules E-19 and E-20 was inappropriate and it cannot be justified by D.97-08-056. PG&E agreed in substance with ORA's comment and deleted the provision from Schedule E-19 in supplemental Advice Letter 1692-E-B. PG&E did not remove the provision from Schedule E-20, because it was an existing term. The Energy Division agrees with PG&E that the provision in Schedule E-20 was already an existing term of

that schedule, which was not addressed by D.97-08-056, and therefore should not be deleted. ORA's protest is denied.

29. Customer Contract and Billing Restrictions

In Advice Letter 1692-E, PG&E included the phrase "unless prohibited by contract" in characterizing billing adjustments that would be made for Direct Access and Hourly PX Pricing Option (Virtual Direct Access) customers in Schedules E-19 and E-20. PG&E also included a requirement that certain customers "sign and agree to conditions in Standard Form xx-xxx." In its protest to this advice letter, Enron argued that such terms are completely unacceptable. Enron stated that the unidentified form was not even included in the filing and that the issue regarding the requirement to sign a contract was an issue resolved by D.97-05-040 in the Direct Access Proceeding.

In response, PG&E states that the phrase "unless prohibited by contract" was specifically added for the limited purpose of the Long Term Service Agreement Options. To clarify, PG&E proposed language in supplemental Advice Letter 1692-E-B that limits the exclusion to contracts for Long Term Service Agreement Options. PG&E believes the language is necessary because the discounts offered in Long Term Service Agreement Options may only be applied to the unbundled generation amount, or as currently defined, the amount of the sum of CTC and the PX energy cost.

The Energy Division recommends that PG&E remove its proposed new phrase "unless prohibited by contract" from Schedule E-19 and E-20 because billing adjustments for Direct Access and Hourly PX Pricing Option customers could be prohibited by contract was not an issue in the Cost Separation proceeding was not adopted. Enron's protest regarding this issues is granted.

With regard to the standard form contract for direct access customers, PG&E agreed to defer the matter to the direct access proceeding and thus deleted the language in supplemental Advice Letter 1692-E-B. Thus, Enron's protest on this issue is moot and should be denied.

30. Standby Service

In its protest to Advice Letter 1692-E, Enron argues that Schedule S must be revised to refer to only standby distribution and transmission service because the tariff cannot imply that a customer could be charged for standby generation service if they choose direct access. PG&E disagrees and, in response to the protest, clarifies that a customer that takes its otherwise applicable service under Schedule S will have its residual direct access bill calculated by subtracting the PX cost just as a direct access bill is calculated for any other customer.

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Enron also argues that PG&E's requirement that residential direct access customers who receive some, but not all of their electric service from PG&E, must pay a standby charge in accordance with Schedule S constitutes double-counting. PG&E disagrees. It states that standby service deals with situations where a customer is supplied regularly in part (but not in whole) by electric energy from a non-utility source. PG&E refers to this type of standby service as "mixed use" because the standby reservation charge would apply to back-up standby service in the event the non-utility generation was not available, while actual or supplemental use would be billed under the residential tariff schedule.

The Energy Division believes that Schedule S may not be revised to refer to only standby distribution and transmission service as Enron proposes because this issue was not discussed in D.97-08-056. Similarly, the existing requirement in the tariff regarding "mixed use" residential direct access customers may not be revised. Such changes cannot be made in compliance filings to the decision. Enron's protest of this issue is denied.

In its protest to Advice Letter 1692-E, Enron also states that Schedule S and several of the agricultural schedules required customers to sign a form which is not provided in the advice letter filing. Enron argues that the issue regarding the requirement to sign a contract was an issue resolved by D.97-05-040 in the Direct Access Proceeding. In response to the protest, PG&E agreed to defer the matter to the direct access proceeding and thus deleted the language in supplemental Advice Letter 1692-E-B.

Enron's protest regarding this issue is moot and should be denied.

31. PG&E's 1998 Base Revenue Increase

Public Utilities Code Section 368(e) requires the Commission to authorize a 1998 base revenue increase for PG&E. In supplemental Advice Letter 1692-E-B, PG&E separates its estimated \$172,405,000 base revenue increase into \$6,000,000 (3.48%) for transmission and \$166,405,000 (96.52%) for distribution. In a late-filed protest to this supplemental advice letter, Mr. James Weil protested this allocation. He stated that this allocation assigns a very high fraction of the overall increase to distribution, and this high fraction is not consistent with other allocations of base revenue increases. By comparison: a) the allocation of the ERAM Base Revenue Increase effective January 1, 1996 is 13.33% for transmission and 86.67% for distribution; b) the allocation of the 1997 base revenue increase is 15.27% for transmission and 84.73% for distribution; and c) the allocation of ERAM Base Revenue effective January 1, 1997 is 13.47% for transmission and 86.53% for distribution. Mr. Weil recommends that the Commission reject PG&E's allocation of the 1998 base revenue increase and order PG&E to allocate it in proportion to the allocation of the ERAM Base Revenue effective January 1, 1997.

PG&E responds that Ordering Paragraph 4 of D.97-08-056 adopts the revenue requirements for PG&E as set forth in Appendix D. Table I of Appendix D shows that PG&E's proposed 1998

distribution revenue requirement of \$2,031 million was approved except for a \$49 million downward adjustment associated with "fixed administrative and general costs." The figure of \$2,031 million was presented by PG&E on line 41 of its Summary of Revenue Requirements, Table 2-3 Revised (Application (A.) 96-12-009, Exh. 2, p.2-3). The estimated 1998 base revenue increase included on Line 32 of that table is \$172 million with \$6 million of that total assigned to transmission and the \$166 million to distribution. Rounded to the nearest million dollars, these are the same amounts filed in supplemental Advice Letter 1692-E-B.

The Energy Division agrees with PG&E that an estimated 1998 revenue increase was included in the total revenue requirements adopted for PG&E in D.97-08-056. However, the Commission has not yet adopted a final 1998 Base Revenue amount. PG&E has filed Advice Letter 1703-E updating the amount to be included in its 1998 Base Revenue Increase. The final amount as well as the allocation of these revenues should be resolved in the resolution addressing PG&E's Advice Letter 1703-E. Accordingly, Mr. Weil's protest should be considered in that advice letter filing and should be denied without prejudice in this Resolution.

32. Customer Bills

Ordering Paragraph 12 g. of D.97-08-056 requires the utilities to file tariffs that provide customer bills which include rates, charges and other information consistent with the decision no later than June 1, 1998. Section X.C. of the decision, required the utilities to include the Reed Schmidt Footnote¹ on their bills. The Energy Division in its September 24 letter directed the utilities to include the Reed Schmidt Footnote in Schedule PX.

PG&E has not included any language in the tariffs filed in Advice Letter 1692-E or any of the supplements to that Advice Letter, which would give notification that it will be reflecting unbundled rates on customers' bills by June 1, 1998 nor has it included any information regarding the PX prices and the explanation of the PX price as adopted in D.97-08-056.

SDG&E in supplemental Advice Letter 1042-E-A stated that it "intends to comply with this requirement by adding the referenced language on each customer's bill" in the space that is currently available in the currently-adopted bill format. However, SDG&E didn't believe it was necessary to revise the currently-adopted bill format to comply with this requirement. Therefore, SDG&E did not file a new proposed bill format. The Energy Division notes that SDG&E included the Reed Schmidt Footnote in its proposed Schedule PX in Supplemental Advice Letter 1042-E-B.

In Appendix B of Advice Letter 1245-E, Edison provided customer bill formats for the period between January 1, 1998 and June 1, 1998 when bills will not be unbundled as well as for the

¹ "This charge is based on the weighted average costs for purchases through the Power Exchange. This service is subject to competition. You may purchase electricity from another supplier."

post June 1, 1998 period, when Edison plans to unbundle customer bills. Edison in supplemental Advice Letter 1245-E-A noted that it has reevaluated its system's billing format constraints and has taken necessary measures to incorporate the required "Reed Schmidt" footnote in its unbundled bill format. Edison argues that due to the aforementioned constraints, the required footnote cannot be included in the "message field" located in the lower portion of the unbundled bill. It will, however, be included at the bottom of the "summary field" located in the middle portion of the unbundled bill.

The Energy Division agrees that the Reed Schmidt Footnote should be included in customer's bill. The Energy Division finds Edison's placement of information regarding the PX and the Reed Schmidt footnote reasonable. The Energy Division recommends the use of the exact wording of Reed Schmidt footnote which was adopted in the D.97-08-056. PG&E and SDG&E should include the information for PX and the Reed Schmidt footnote on customers' bills prior to June 1, 1998.

The Energy Division recommends deferring the review of Edison's proposed unbundled bills to later. Review of unbundled bill formats should be conducted in separate advice letter filings prior to June 1, 1998. Utilities should file advice letters for their unbundled bills no later than March 2, 1998 to be approved by Commission resolution.

33. Obsolete Tariff provisions

In its protest of Advice Letter 1245-E, ORA observed that in Edison's Schedule GS-2, Special Condition 12 contains updates to its text, including a provision that it was terminated in January 1996. ORA recommends that, in instances like this, deleting the provision appears preferable to updating the language. ORA also noted that the time available for its review of Advice Letter 1245-E has precluded a comprehensive search for other obsolete provisions.

In its response to ORA's protest of Advice Letter 1245-E, Edison agreed with ORA, and deleted Special Condition 12 in its filing of Advice Letter 1245-E-A. Since Edison addressed the issue in ORA's original protest, ORA's protest is denied.

ORA's concern, however, raises a broader, related issue with regard to certain revised language filed by Edison in Advice Letter 1245-E. In numerous instances in its preliminary statement, Edison replaces references to its ECAC and ERAM proceedings with more generic references to "a general ratesetting proceeding" [see, e.g. Advice Letter 1245-E, Preliminary Statement Part N. Memorandum Accounts, Section 11, Demand Side Management ("DSM") Tax Change Memorandum Account] and similar references. The deletion of references to Edison's ECAC and ERAM proceedings were not authorized by D.97-08-056 and should not be adopted here. Edison, as well as PG&E and SDG&E, were specifically directed by the Energy Division's September 24 letter to delete any proposed modifications to their tariffs that cannot be reconciled with a requirement in the decision. The purpose of this advice letter process is merely

compliance with the unbundling decision. Utilities should not take this opportunity to "clean up" their tariffs which might create confusion. With the exception of modifications ordered here, Edison should restore its tariffs to the existing condition.

Findings

1. PG&E filed Advice Letter 1692-E as supplemented by Advice Letter 1692-E-A, 1692-E-B, and 1692-E-C to comply with D.97-08-056.
2. SDG&E filed Advice Letter 1042-E as supplemented by Advice Letter 1042-E-A and 1042-E-B to comply with D.97-08-056.
3. Edison filed Advice Letter 1245-E as supplemented by Advice Letter 1245-E-A to comply with D.97-08-056.
4. WMA, and NASA filed protests to PG&E's Advice Letter 1692-E.
5. ORA filed a protest to PG&E's supplemental Advice Letter 1692-E-A.
6. ORA, Enron, Mr. James Weil, and WMA filed protests to PG&E's supplemental Advice Letter 1692-E-B.
7. ORA and Enron filed protests to SDG&E's Advice Letter 1042-E and supplemental Advice Letter 1042-E-A.
8. WMA filed a protest to SDG&E's supplemental Advice Letter 1042-E-A.
9. ORA filed a protest to Edison's Advice Letter 1245-E. Enron filed protests to Edison's Advice Letter 1245-E and supplemental Advice Letter 1245-E-A. WMA filed a protest to Edison's Advice Letter 1245-E-A.
10. PG&E, Edison and SDG&E's proposed changes to their tariffs regarding CEMA are in compliance with D. 97-08-056 and should be adopted with the following addition to comply with D. 97-11-073:

"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into CEMA."

11. PG&E and Edison's proposed changes to their tariffs regarding HCSLS are in compliance with D. 97-08-056 and should be adopted with the following addition to comply with D. 97-11-073:

"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into HSCLS."
12. SDG&E's proposed language regarding HCSLS refers only to clean up costs and does not include litigation costs. SDG&E should modify its preliminary statement to include litigation costs as well.
13. The term "bundled service" should be used by all three utilities because it more accurately describes the type of service that is being offered by the utility. PG&E and Edison's proposed terminology should be adopted. SDG&E should modify its tariffs accordingly.
14. PG&E's proposed methodology to calculate CTC as described in Schedule PX is consistent with the methodology adopted in D.97-08-056 and should be adopted.
15. PG&E has had ample time to plan for implementation of the methodology described in its Schedule PX by January 1, 1998. PG&E should be put on notice that if it fails to implement this methodology, it will be out of compliance with D.97-08-056 and shall be subject to appropriate penalties.
16. SDG&E's proposed methodology to calculate CTC is consistent with the methodology adopted in D.97-11-023 and should be adopted.
17. Edison's proposed language regarding the calculation of PX should be adopted with the modification that a definition of a calendar week should be included. Edison should establish a new Schedule PX to include this information rather than in its Preliminary Statement.
18. PG&E and SDG&E's provision of functionalized rates on every rate schedule by transmission, distribution, public purpose programs, generation and nuclear decommissioning should be adopted.
19. Edison should modify every rate schedule to state the functionalized rate components.
20. Providing the average rates for each rate schedule would be beneficial for the purpose of rate design, but would not be meaningful to individual customers.

21. The requirement in Ordering Paragraph 12.g. of D.97-08-056 would provide sufficient detailed rate information to customers. Adding an overall average rate would not improve price transparency and is unnecessary.
22. PG&E, SDG&E, and Edison's proposal to consolidate the PX and CTC into a single generation rate is reasonable and should be adopted.
23. A description of the generation rate and residual calculation of CTC should be included on all rate schedules. Information regarding the residual calculation of CTC should be included in individual rate schedules instead of its preliminary statement.
24. Once bills are unbundled, the generation rate should be shown as the PX and CTC.
25. Although uncollectibles was not explicitly identified as a PX energy charge component, it should be included as a PX energy charge component to ensure appropriate allocation to generation.
26. SDG&E has appropriately included an adder for Franchise Fees and uncollectibles in the PX component. Only the uncollectible adder should be included in the PX. PG&E and Edison should add an uncollectible component to their PX energy charge.
27. Other costs requested by Enron to be included in the PX energy charge as a single direct access credit were not authorized by D.97-08-056 and should not be adopted.
28. PG&E's and SDG&E's language regarding the minimum bill for direct access customers were implicitly adopted by D.97-08-056 and should be adopted. Edison should add similar language to its tariffs.
29. PG&E's, SDG&E's, and Edison's load profile information posted on the Commission's web site is sufficient and need not be included in their tariffs.
30. PG&E and SDG&E have appropriately included information regarding distribution line loss factors as proposed in their filings related to the Retail Settlements and Information Flow workshop in their Schedule PX. Edison should relocate this information from its preliminary statement to its new Schedule PX.
31. PG&E, SDG&E, and Edison should update their distribution line loss information after a Commission decision is rendered on this issue.
32. PG&E's proposed billing descriptions for bundled service and direct access service provides additional helpful information to customers to fully understand the Hourly PX Pricing (virtual direct access) option and should be adopted.

33. Edison should include language similar to PG&E's regarding the bundled service, direct access, and virtual direct access options on each applicable rate schedule.
34. SDG&E should delete the language regarding the Hourly PX Pricing Option from its Schedule PX and include language similar to PG&E's regarding the bundled service, direct access, and virtual direct access options on each rate schedule.
35. WMA's late protests to the utilities' proposals regarding the 10% rate reduction bill credit for master-metered service was submitted well after the normal 20-day protest period.
36. PG&E and SDG&E have appropriately incorporated the language regarding marketers and brokers ability to negotiate the method for CTC payment with their customers on each rate schedule. Edison should move its proposed language from its Preliminary Statement to each rate schedule.
37. PG&E should add "by way of reduction to CTC" to the Rate Reduction Bond Credit section of its applicable residential and small commercial rate schedules to comply with Ordering Paragraph 12 i. PG&E should also add the language regarding the bond payback to its applicable rate schedules in order to comply with Ordering Paragraph 12 a.
38. SDG&E should replace the proposed tariff language for rate reduction credit and bond payment under the Rate Reduction Adjustment, with the following:
(for all residential schedules)
"Customers defined as residential in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

(for all other applicable small commercial schedules)
"Customers defined as small commercial in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."
39. CARE discount should be calculated based on the customer's total bill as calculated for a bundled service customer before any credit is given for direct access and as proposed by the three utilities.

40. CARE discount should be allocated to the distribution rate component. PG&E and Edison should modify their tariffs accordingly.
41. Consistent with the calculation of CARE discount, the employee discount should be calculated on the total bill as calculated for a bundled service customer before any credit is given for direct access.
42. Consistent with the allocation of CARE discount, the employee discount should be allocated to the distribution rate component.
43. Consistent with the calculation of CARE discount, the economic development discount should be calculated on the total bill as calculated for a bundled service customer before any credit is given for direct access.
44. Consistent with the allocation of CARE discount, the economic development discount should be allocated to the distribution rate component.
45. The new schedules proposed by PG&E and Edison regarding the departing load customers should be reviewed in the Transition Cost proceeding, with the exception of the proposed billing section, which is the subject of the unbundling proceeding and should be adopted as modified in this resolution.
46. The new schedules proposed by PG&E and Edison regarding the CTC exemptions should be reviewed in the Transition Cost proceeding, with the exception of the proposed billing section, which is the subject of the unbundling proceeding and should be adopted as modified in this resolution.
47. PG&E, SDG&E, and Edison's proposed transmission revenue requirements and allocation are consistent with their March 31, 1997 filings at FERC and should be adopted until FERC's final decision. These amounts should be revised as necessary after FERC's final decision.
48. SDG&E has accurately accounted for CARE revenue in its spreadsheets.
49. The sales forecast used by SDG&E in its filings, is consistent with its most recent adopted sales forecast in its ECAC. SDG&E's sales forecast for the period of May 1997 through April 1998 is pending in its ECAC Application (A.) 96-10-022. SDG&E should revise its distribution rates if the Commission adopts new sales forecast in A. 96-10-022.
50. The December 11, 1997 letter signed by ORA, PG&E, and SDG&E regarding the distribution rate design is consistent with D.97-08-056.

51. Changes to PG&E's, SDG&E's and Edison's revenue requirements or rates that are authorized by the Commission should be incorporated into the compliance filings ordered herein.
52. Cogeneration deferral rates were not addressed by D.97-08-056.
53. PG&E should not change its Schedule E-20 regarding the energy efficiency adjustment.
54. The issue of whether billing adjustments for direct access and hourly PX pricing option customers could be prohibited by contracts was not addressed by D.97-08-056. PG&E's proposed changes to its Schedule E-19 and E-20 should be denied.
55. Changes to PG&E's Standby service as proposed by Enron were not addressed by D.97-08-056 and should not be considered in this compliance filing.
56. The final 1998 Base Revenue Amount as well as the allocation of that amount should be considered in the resolution of PG&E's Advice Letter 1703-E.
57. Edison's placement of information regarding the PX price and the Reed Schmidt footnote is reasonable, but Edison should use the exact Reed Schmidt footnote language as adopted in D.97-08-056. PG&E and SDG&E should include the information regarding the PX and the Reed Schmidt footnote in their customer bills.
58. Edison's unbundled bill format should not be reviewed in this filing. No later than March 2, 1998, utilities should file separate advice letters regarding the unbundled bills to be approved by Commission resolution.
59. To the extent that the protest of ORA and Enron are adopted by this Resolution, they should be granted. To the extent they are not adopted, they should be denied.
60. The protest of WMA should be denied.
61. Mr. James Weil's protest should be denied without prejudice in this Resolution and should be considered in the resolution to PG&E's Advice Letter 1703-E.

Therefore it is ordered that:

1. PG&E's Advice Letter 1692-E as supplemented by Advice Letter 1692-E-A, E-B, and E-C is approved subject to the changes ordered below.

December 16, 1997

2. SDG&E's Advice Letter 1042-E as supplemented by Advice Letter 1042-E-A and E-B is approved subject to the changes ordered below.
3. Edison's Advice Letter 1245-E as supplemented by Advice Letter 1245-E-A is approved subject to the changes ordered below.
4. PG&E, SDG&E, and Edison shall file supplemental advice letters within 7 days of the effective date of this resolution to conform to the requirements of this resolution.
5. PG&E, SDG&E, and Edison shall modify their CEMA preliminary statements as follows:
"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 may be entered into CEMA."
6. PG&E and Edison shall modify their HSCLS, preliminary statements as follows:
"Pursuant to D.97-11-073, generation-related costs which were incurred after December 31, 1997 and are related to events that occurred prior to January 1, 1998 shall be entered into HSCLS."
7. SDG&E shall use the term "bundled service" in its tariffs.
8. PG&E is put on notice that if it fails to implement its proposed CTC methodology, it will be out of compliance with D.97-08-056 and will be subject to sanctions.
9. Edison shall eliminate its preliminary statement, Part GG, Power Exchange Energy, and instead, establish a new Schedule PX.
10. Edison shall include the definition of the calendar week in its Schedule PX.
11. Edison should modify every rate schedule to state the functionalized rate components by transmission, distribution, public purpose programs, generation, and nuclear decommissioning.
12. PG&E, SDG&E and Edison shall include the following language on all their rate schedules:

Generation charge is calculated based on the total rate less the sum of: Distribution, Transmission, Public Purpose Program, Nuclear Decommissioning, and FTA (where applicable) charges. CTC is calculated residually by subtracting the PX charge as calculated in Schedule PX from the generation charge.
13. PG&E, SDG&E and Edison shall file separate advice letters for unbundled bills by March 2, 1998. The Advice Letters shall become effective after Commission approval.

14. Uncollectibles shall be added as a PX energy charge component to Edison and PG&E's Schedule PX.
15. Edison shall add language regarding the minimum bill for direct access customers to its applicable rate schedules.
16. Edison shall relocate the information regarding distribution line loss factors as proposed in its filings related to the Retail Settlements and Information Flow workshop from its preliminary statement to its Schedule PX.
17. PG&E, SDG&E, and Edison shall update their distribution line loss information after a Commission decision is rendered on this issue.
18. Edison shall include billing descriptions for bundled service, direct access, and Hourly PX pricing option service similar to PG&E's description on each rate schedule.
19. SDG&E shall delete the language regarding the Hourly PX Pricing option from its Schedule PX and include language similar to PG&E's regarding the bundled service, direct access, and virtual direct access options on each rate schedule.
20. Edison shall relocate its proposed language regarding marketers' and brokers' ability to negotiate the method for CTC payment with their customers from its Preliminary Statement to each rate schedule.
21. PG&E and Edison shall apply the CARE discount to the distribution rate component.
22. PG&E shall add "by way of reduction to CTC" to the Rate Reduction Bond Credit section of its applicable residential and small commercial rate schedules to comply with Ordering Paragraph 12 i. PG&E shall also add the language regarding the bond payback to its applicable rate schedules in order to comply with Ordering Paragraph 12 a.
23. SDG&E shall replace the proposed tariff language for rate reduction credit and bond payment under the Rate Reduction Adjustment, with the following:

(for all residential schedules)

"Customers defined as residential in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

34. The issue of whether billing adjustments for direct access and hourly PX pricing option customers could be prohibited by contracts was not addressed by D.97-08-056. PG&E's proposed changes to its Schedule E-19 and E-20 are denied.
35. Edison shall use the exact Reed Schmidt footnote language as adopted in D.97-08-056 on its customer bills. PG&E and SDG&E shall include the information regarding the PX and the Reed Schmidt footnote in their customer's bills.
36. PG&E, SDG&E, and Edison shall file separate advice letter filings regarding unbundled bills no later than March 2, 1998 to be approved by Commission resolution.
37. To the extent the protests of ORA and Enron are adopted herein, they are granted, otherwise they are denied.
38. The protest of WMA is denied.
39. Mr. James Weil's protest is denied without prejudice in this Resolution and shall be considered in the resolution to PG&E's Advice Letter 1703-E.
40. This resolution is effective today.

(for all other applicable small commercial schedules)

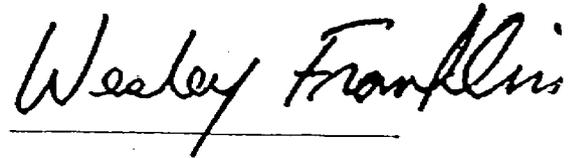
"Customers defined as small commercial in Rule 1 served under this schedule will receive a 10% credit to their bills based the total bill as calculated for Bundled UDC Service Customers by way of a reduction to the CTC. Additionally, customers eligible for the credit will repay the bonds used to finance the credit. The Rate Reduction Bond payment, a non-bypassable charge, will be equal to the FTA charge multiplied by the customer's usage."

24. Consistent with the calculation of CARE discount, PG&E, SDG&E, and Edison shall calculate the employee discount on the total bill as calculated for a bundled service customer before any credit is provided for direct access.
25. Consistent with the allocation of CARE discount, PG&E, SDG&E, and Edison shall apply the employee discount to the distribution rate component.
26. Consistent with the calculation of CARE discount, PG&E, SDG&E, and Edison shall calculate the economic development discount on the total bill as calculated for a bundled service customer before any credit is provided for direct access.
27. Consistent with the allocation of CARE discount, PG&E, SDG&E, and Edison shall apply the economic development discount to the distribution rate component.
28. With the exception of the proposed billing section, the new schedules proposed by PG&E, and Edison regarding the departing load customers and CTC, exemptions should be reviewed in the Transition Cost proceeding.
29. The Billing Section in the new schedules proposed by PG&E and Edison regarding the departing load customers and CTC exemptions are the subject of the unbundling proceeding and should be adopted as modified in this resolution.
30. PG&E, SDG&E, and Edison's shall revise their transmission revenue requirements and allocation as necessary after FERC's final decision.
31. SDG&E shall revise its distribution rates if the Commission adopts new sales forecast in A. 96-10-022.
32. PG&E and SDG&E shall follow the rate design guidelines laid out in the December 11, 1997 letter signed by ORA, PG&E, and SDG&E (attached as Appendix A to this resolution) regarding the distribution rate design.
33. Changes to PG&E's, SDG&E's and Edison's revenue requirements or rates that are authorized by the Commission, shall be incorporated into the compliance filings ordered herein.

Resolution E-3509/MEB
PG&E AL 1692-E, E-A, E-B, E-C/LRA
SDG&E AL 1042-E, E-A, E-B/SCL
Edison AL 1245-E, E-A/SCR

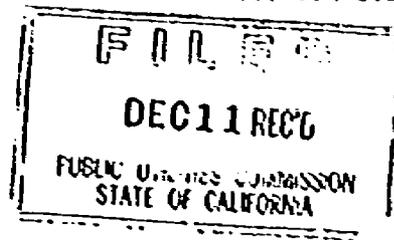
December 16, 1997

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 1997. The following Commissioners approved it:



WESLEY FRANKLIN
Executive Director

P. Gregory Conlon, President
Jessie J. Knight, Jr.
Henry M. Duque
Josiah L. Nepper
Richard A. Bilas
Commissioners



"ATTACHMENT A"

December 11, 1997

Kevin Coughlan
IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Ave., Room 4002
San Francisco, CA 94102

FILE NO.

Subject: Resolution of Issue in Protests to Pacific Gas and Electric Company's Advice Letter 1692-E-B and San Diego Gas and Electric Company's Advice Letter 1042-E-A

Dear Mr. Coughlan:

Pursuant to its October 21 and 22, 1997, protests of Pacific Gas and Electric Company's (PG&E) advice letter 1692-E-B and San Diego Gas and Electric Company's (SDG&E) advice letter 1042-E-A, the Office of Ratepayer Advocates (ORA) has discussed alternatives for calculating rates for the tariffs addressed in ORA's protest, i.e., PG&E's Schedules E-19 and E-20 and SDG&E's Schedules AL-TOU, A6-TOU, and related tariffs. ORA's protests identified (among other matters) a concern that Decision (D.) 97-08-056 requires (in ORA's opinion) a portion of these utilities' distribution revenue requirements to be collected through energy charges. This letter summarizes the methods suggested by PG&E and SDG&E on December 4 and 5, 1997, respectively, for use in the event that the Energy Division requires revisions in the utilities' proposed rates in response to ORA's protest. ORA agrees that the methods proposed by the utilities on December 4 and 5 would satisfy the requirements of D.97-08-056. ORA and the utilities all agree that these specific calculations do not establish any precedents for future proceedings.

For PG&E, the amount of revenue to be collected as distribution demand charges would be determined by adding the distribution marginal cost (excluding marginal customer costs) to the difference between transmission demand charge revenue and transmission marginal cost. (Maximum demand charges would be accepted as proposed in PG&E's advice letter, with time-of-use demand charges reduced as needed.) Distribution energy charges are then calculated as an equal percentage of current energy charges, providing an allocation of residual distribution costs to the off-peak as well as on-peak energy charge, and providing consistency with the proportional approach used for demand charges.



Mr. Kevin Coughlan

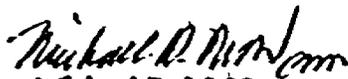
Page 2

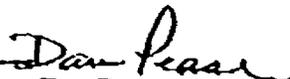
December 11, 1997

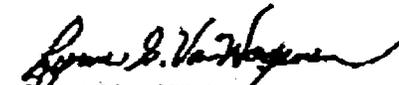
For SDG&E, maximum demand charges would remain at the marginal cost-based levels that were previously filed, and on-peak demand charges would be adjusted to recover the remaining demand marginal cost revenue. For Schedule AL-TOU, the revenue to be collected would be allocated to the voltage levels using on-peak demand determinants for the primary and secondary voltage levels. The revenue to be collected would be allocated to the seasons using factors that represent the monthly peak load relative to the substation, maximum capacity, based on a NERA methodology used in SDG&E's general rate cases in the mid-1980s. The remaining revenue requirement would be recovered via TOU energy charges. Like PG&E, an equal percentage factor would be applied to current energy charges. Rate schedules that are affected are: AL-TOU, A6-TOU, AO-TOU, NJ, AY-TOU, RTP-1, RTP-2, AL-TOU-C, I-3, AL-TOU-2, A6-TOU-C, AO-TOU-C, LR, and PA-T-1.

This approach would resolve the rate design issue raised in ORA's protests concerning the collection of distribution revenues for demand charges versus energy charges for the rate schedules identified above.

Sincerely,


Michael D. McNamara
Market Development Branch
Office of Ratepayer Advocates


Dan Pease
Rates Department
Pacific Gas and Electric Co.


Lynn Van Wagenen
Regulatory Affairs Department
San Diego Gas and Electric Co.

Cc: Paul Clanon, Director, Energy Division