

SECTION 8

ENERGY DIVISION

The Energy Division gives technical support to the five Commissioners and their offices, and the Administrative Law Judges (ALJs) in the ALJ Division. The Energy Division is not a formal party to Commission proceedings. The Energy Division assists Commission activities in the electricity, natural gas, steam, and petroleum pipeline industries.

FIVE TO TEN YEAR OUTLOOK

No five-to-ten-year predictions can be made with certainty in the natural gas and electricity markets. Rapid change – from technological to regulatory to climate – makes tracking trends, rather than outcomes, the most useful tool in planning the Commission’s future. California’s electric restructuring, and the earlier natural gas market reforms, have introduced unprecedented competition into the energy marketplace, and that means consumers are becoming vulnerable not only to unethical practices, but also to information overload.

There is continuing concern that competition may not fulfill its potential to bring both reliable service and meaningful choice to the energy consumer.

Tracking possible or likely trends leads us to some interesting scenarios:

- “The Martians have landed.” A breath-taking technological advance could provide an abundant and cheap energy source, calling into question the need for much of the current regulatory agenda.

In the likely event that this scenario does not happen anytime soon, the Commission must be considering others:

- Regulators step back and become primarily information providers. The trends that suggest this are already evident. Turning data into useful information will certainly be a goal for the next century.
- Regionalization (perhaps federalization) of authority occurs. California already belongs to an electric transmission grid serving 14 western states, and careful coordination and cooperation is needed to ensure service reliability. California is part of the North American natural gas system, and supply and price signals link California with other gas load centers throughout the continent.
- The Commission becomes an enforcer of a consumers’ bill of rights. Given the “caveat emptor” aspect of a free market place and the potential

for increasing information overload, the need for this seems more probable than possible.

- Anti-competitive activity emerges. New unregulated players with de-facto monopoly power could emerge from the current fluidity of the markets.
- Increased municipalization of the distribution component arises. The current market leaves the wires that transport electricity to its end-users mostly a monopoly, and local governments may increasingly want to assume that market.

Although these scenarios point in differing directions, most are not mutually exclusive, and the Commission will need to steer carefully and watchfully.

1999 – 2000 ENERGY DIVISION OBJECTIVES

Objective A: Streamline and Simplify Tariffs Consistent With the Commission's Consumer Protection Goals

With the restructuring of the electric industry and the potential for further restructuring of the natural gas industry, the Commission needs to ensure that utility tariffs are readily available to ratepayers and potential utility competitors, and are understandable, protect consumer interests, and allow fair competition. The Energy Division intends to begin a long-term project of simplifying and streamlining utility tariffs toward this goal. The Division needs to be cognizant of new rules and requirements which have been established with SB960 and SB779, and which will be instituted when the Commission adopts G.O.96-B.

Strategy 1 **Revise tariffs to be simple, clear, understandable, and current**

Strategy 2 **Identify tariff provisions that impede customer choice** and recommend appropriate changes to reflect restructured markets

Strategy 3 **Identify tariff provisions that are detrimental to consumer interests** and recommend changes to reflect the Commission's consumer rights goals.

Some potential recommendations for streamlining and making tariffs understandable could be achieved without too much difficulty. For example, while the Preliminary Statements of utility tariffs are helpful in describing services and rates, an abbreviated, simpler introductory description of utility services, rules, rates and ratemaking would likely be of use to many. A table of contents, which can easily reference tariff or preliminary statement sections, would also help. An annually updated encyclopedia of regulatory terms, rates, etc (such as was

produced by PG&E in 1991 as their *Resource: An Encyclopedia of Energy Utility Terms*), applicable to each utility, would be very useful for consumers and market participants.

However, much of the project would not be an easy undertaking, and will likely require several years. Energy Division expects to begin in the fiscal year 1999-2000 with a review by staff of energy utility tariffs to determine the potential scope of such a project, establishing key contacts at the utilities and among stakeholders, and developing a process to address the above three strategies in coordination with the utilities and other stakeholders, in meetings and possibly workshops. This could lead to a recommendation to the Commission to establish an OIR. (2nd Quarter 2000)

Objective B: Ensure Distribution System Reliability

The state's power distribution system delivers electricity from competitive generation sources, via the transmission grid, to customers throughout California. Public Utilities Code §§ 364, 451, 761 and 762 require the investor-owned electric utilities to provide safe and reliable distribution service subject to the Commission's oversight and enforcement.

Public concern over distribution system reliability has heightened with electric restructuring since competitive pressures on utilities may lead to longer maintenance cycles for facilities and tree-trimming programs. Furthermore, electric system outages most commonly occur at the distribution level.

In response, the Commission is pursuing a strategy of continuous improvement in reliability through setting standards (as directed by AB 1890); conducting inspections; and, through Performance Based Ratemaking mechanisms, offering rewards and imposing penalties. The Energy Division's Distribution System Reliability Section provides technical staff to support the Commission's efforts by focusing on distribution system reliability issues and participating, when requested, in transmission-level and regional planning.

The Distribution System Reliability Section monitors the utility distribution companies (UDCs) to ensure compliance with standards and to measure performance. The section also administers tariff rules governing utility service including undergrounding of conductors and may coordinate with the Consumer Services Division on tree-trimming programs essential to long-term system reliability.

Strategy 1 Utility Outage Report Analysis - An analysis of utility outage reports is underway to determine why certain localities have less reliable service than others and to assess whether increased inspection or maintenance would help improve reliability. For this analysis, staff needs to identify and obtain any supplemental utility

data that may be required. (Authorized by D.96-09-045)
(1st Quarter 2000)

Strategy 2 Distributed Generation - The Distributed Generation/Distribution Competition Order Instituting Rulemaking (OIR) 98-12-015, issued December 17, 1998, requires analysis of the potential impacts on distribution system reliability. Staff will analyze issues and develop recommendations, as appropriate, for reliability standards and interconnection rules in this and other associated future proceedings.
(August 1999)

Strategy 3 Undergrounding - The Commission plans to initiate a statewide undergrounding program evaluation to assess whether the existing program, which was last reviewed in 1982, should be expanded, ended, or otherwise modified or improved, based on input from all stakeholders. A comprehensive Order Instituting Rulemaking (OIR) pertaining to undergrounding is expected to be issued this year. We anticipate addressing matters such as Tariff Rule 20, AB 1149 (Aroner) pending the current legislative session, and potentially the Department of Health Services' work on power line EMF effects.
(4th Quarter 1999)

Strategy 4 Year 2000 (Y2K) Readiness - Y2K monitoring includes reviewing the major investor-owned energy utilities' reports and progress with Y2K compliance, and responding to inquiries from customers, the press and the legislature. (Per Resolution M-4792, November 19, 1998)
(2nd half 1999)

Strategy 5 General Order 165 Compliance - GO 165 sets minimum standards for utility inspections of their distribution facilities, scheduling and repairs, and reporting. Staff will audit records and otherwise verify compliance. (Authorized by D.96-11-021 and D.97-03-070)
(Ongoing)

Strategy 6 Emergency Standards and Procedures - Emergency response interim standards and procedures have been adopted, and an interim pager notification system established. Energy Division circulated proposed notification criteria to utilities and will propose final criteria for Commission adoption. Energy Division intends to (1) unify existing notification procedures where duplicated within the Commission (i.e., Energy Division and Consumer Services Division); and (2) examine utility prioritization plans for rotating outages to determine why certain districts are targeted, and if possible, examine how such systems operated in actual emergencies. Other issues include establishing penalties for outages exceeding guidelines, and further coordination with the Utility Safety Branch's accident and

emergency events notification system. A goal is to develop a system, jointly with the CEC and other affected organizations, for the Commission to receive timely information including accurate, consistent reports on utility system operations and problems. (Authorized by D.98-03-036) (4th Quarter 1999)

Strategy 7 Performance Based Ratemaking - Staff will monitor utility reliability measures in each of the utility performance based ratemaking (PBR) proceedings to help ensure that utilities are properly rewarded or penalized using the appropriate reliability indices. The Reliability Section will make recommendations for adjusting reward and penalty criteria if necessary, and will coordinate with other Energy Division staff to monitor existing PBRs. (Ongoing)

Strategy 8 Reliability Information on Website - The Energy Division will continue posting information such as utilities' performance data (outage indices) and General Order reports on the Commission's website. Staff will consider expanding the Commission's reliability information and/or encourage utilities to post more reliability information on their own utility websites. (Ongoing)

Strategy 9 Cost-Effective Grid Improvements and Interstate Compact - While the Energy Division's focus is on distribution reliability, staff will continue to respond to requests for information or assistance on the design and operation of the Western and California Grid, which affect the potential for and likelihood of major outages. When requested, staff also assist the Governor's office, Electricity Oversight Board and California Energy Commission's ongoing efforts to secure an interstate compact focusing on reliability and maintenance standards. Because EOB staff is expected to take over this function we expect reduced effort but timing is unknown. (Required by AB 1890) (Ongoing)

Objective C: Advise the Commission in Ratemaking Proceedings

In the 1999-2000 planning period, the Energy Division's Decision-Making Support Branch will provide technical support and advice to Commissioners, Advisors, and to Administrative Law Judges in a large number of complex ratesetting proceedings associated with electric restructuring. The Commission has a full agenda this year as the investor-owned electric and gas utilities make the transition from regulated cost-of service monopolies to competitive at-risk providers of local distribution service.

Strategy 1

Provide Technical Advice to Commissioners and ALJs in Ratemaking Proceedings:

- **PG&E GRC Phase 1 (Application 97-12-020 - Results of Operations)** The proposed decision (PD) is expected in July 1999. Energy Division will oversee the Results of Operations modeling and prepare the rate tables for the PD and any alternate decision.
- **Post-Transition Ratemaking Applications (A. 99-01-016, et. al., PG&E, SCE, and SDG&E)** The Commission must address the mechanics of ending the rate freeze for the electric utilities. Contested issues include:
 - the treatment of balances in the transition cost balancing account, and transition revenue account which tracks “headroom” revenues,
 - market valuation of generation assets, and
 - post transition ratemaking.

In Phase I, the Commission will consider the mechanics of ending the rate freeze. Phase 2 will address post-transition period rate regulation. Commission decisions in Phases I and II are expected in August 1999 and January 2000, respectively. Decision 99-05-051 approved SDG&E’s application to end its rate freeze effective July 1, 1999.

- **1999 Revenue Adjustment Proceeding (RAP)** Pursuant to D.99-06-058 in the first annual RAP proceedings, A.98-07-003, et. al., SDG&E, PG&E and SCE will file their 1999 RAP applications in August. The purpose of the RAP proceeding is to consolidate the electric utilities’ revenue requirement adjustments approved in other proceedings, verify the headroom revenues that may be used to offset transition costs, streamline balancing accounts, and consider general rate design and cost allocation issues. D.99-06-058 orders the utilities to include in their 1999 RAP applications, a PX credit calculation that reflects the long-run marginal costs of customer account managers and service representatives, self provision of ancillary services and financing costs for purchasing power from the PX.
- **Annual Transition Cost Proceeding (A.98-09-003, et. al.)** Applicable to PG&E, SCE and SDG&E, the purpose of this proceeding is to:

- review entries to ISO must-run, non-must-run memo accounts and ensure that excess revenues are properly credited to the Transition Cost Balancing Account (TCBA);
- adjust the TCBA for generation capital additions and QF contract buyouts;
- review the reasonableness of costs and revenues from the ISO and PX, purchased power, QF contract administration, employee-related transition costs, etc.;
- adjust the TCBA to reflect audit recommendations

A decision is expected in December 1999.

- **1998-99 Annual Transition Cost Proceeding** New applications covering the 1998-99 period will be filed in September 1999.
- **Revenue Cycle Services (A.99-03-013, et. al.)**
This proceeding addresses issues associated with pricing methodology for PG&E, SCE and SDG&E to unbundle metering and billing (i.e., revenue cycle) services at long-run marginal cost; geographic deaveraging of unbundled metering and billing credits; unbundled billing of revenue cycle services. A decision is expected in June 2000.
- **PG&E Application to Revise Electric Marginal Costs, Revenue Allocation and Rate Design at the End of the Rate Freeze (A.99-03-014)** The Commission ordered PG&E to file this application in lieu of a separate phase of its test year 1999 GRC in A.97-12-020. Among the issues to be addressed in this proceeding are: post-rate freeze marginal cost, revenue allocation, rate design and customized rate proposals; distribution bypass charges; and, discounted business development rates. A decision is expected in the Spring of 2000.
- **SDG&E and SCE Applications to Revise Electric Marginal Costs, Revenue Allocation and Rate Design at the End of the Rate Freeze** D.99-06-058 also requires SDG&E to file an application to propose revenue allocation and rate design changes in the 3rd quarter of 1999. SCE is expected to file in December 1999.

- **Consolidated SoCalGas/SDG&E Biennial Cost Allocation Proceeding (BCAP) and Rosarito International Border Service Tariff (A.98-10-031, A.98-10-012, A.98-07-005)**
In the BCAP, the allocation of SoCalGas and SDG&E costs to different customer groups will be determined, and rate design issues are addressed. The applicants have also requested approval of a rate schedule for gas transportation service across their systems to the U.S.-Mexico border. Rosarito Briefs have been filed, and a final decision is expected in Summer 1999. BCAP hearings finished in July 1999, and a Commission decision will be issued by the end of the year or in early 2000. Energy Division staff will advise and make recommendations to the ALJ and Commission and run alternative proposals on a rate model.
- **PG&E BCAP** PG&E will file its BCAP application on October 29, 1999. A final decision in that proceeding is expected in late 2000.
- **PG&E Electric Distribution PBR (A.98-11-023)** In November 1998, PG&E proposed the design of a PBR mechanism for its electric distribution and gas departments. Intervenor testimony has been delayed until release of a proposed decision in PG&E's GRC. Hearings will be set after an additional Prehearing conference. Energy Division staff will review and analyze all testimony, attend hearings, and advise and make recommendations to the ALJ and Commission.
- **SCE PBR Midterm Review (A.99-03-020)** SCE filed reports and studies ordered by the Commission in D.96-09-092. The Energy Division staff conducted workshops on these reports and studies to allow interested parties to discuss and formulate recommendations June 15 - June 17. Staff issued a workshop report on July 16, 1999. A Commission decision is expected by the end of 1999.
- **Other Ratemaking Proceedings**
 - Catastrophic Emergency Memorandum Account (CEMA)
 - Capital Additions

Strategy 2 Review, Analyze, and Prepare Resolutions on Ratemaking Advice Letters Utility advice letter filings frequently raise issues as complex and controversial as those considered in formal applications.

(Ongoing)

Strategy 3 Monitor Existing PBRs

- **Natural Gas Procurement PBRs - Annual Filings**

Energy Division staff will review and analyze the annual utility applications or filings, as well as ORA's reports, and make recommendations to the Commission.

- SoCalGas Gas Cost Incentive Mechanism (GCIM) (A.99-06-027)
- SDG&E Gas PBR
- PG&E Core Procurement Incentive Mechanism (CPIM)

(Ongoing)

- **Base Rate PBRs - Annual Reports**

SDG&E, Southern California Gas Company, and Southern California Edison have filed their annual performance reports with advice letters for their base rate PBRs for the 1998 calendar year. Performance reports for the 1999 calendar year will be filed in the Spring of 2000. Energy Division staff will review and analyze the reports, and any protests to the advice letters, and will prepare resolutions on the findings. (4th Quarter 1999)

Objective D: Establish Market Rules

The transformation of California's electric industry has provided opportunities for new market entrants to offer customers a wide array of service options. The ongoing Gas Strategy proceeding continues to explore the realignment of the natural gas industry as the boundaries defining electric and gas services converge. The Market Rules Section monitors market development and allocates its efforts to guard against undue barriers to entry which impede the forces of competition. Resources are deployed to ensure current policies and programs are in place to provide for an orderly transition to competitive energy markets.

Strategy 1 Support Rulemaking and Investigation on Distributed Generation (DG)

- Develop rules to facilitate DG implementation including uniform standards for interconnections; revise tariffs related to standby and connection charges. (August 1999)
- Investigate issues related to the role of the utility distribution company with respect to ownership and operation of distributed generation. (Spring 2000)

Strategy 2 Implement and Enforce Compliance with Affiliate Rules

- Process advice letters: affiliate rules compliance; new products and services; creation of new affiliates. (Ongoing)
- Investigate and resolve informal complaints. (Ongoing)
- Review affiliate rules compliance audits. (Ongoing)
- Prepare OIR reviewing affiliate rules no later than December 31, 2000 per D. 97-12-008.

Strategy 3 Initiate Investigations and Analyze Market Issues

- Investigate and implement the transition in QF pricing from SRAC (short-run avoided cost) to market-based PX (Power Exchange) pricing. (Ongoing)
- Examine the role of the utility distribution company in the post-rate freeze environment. (Spring 2000)
- Explore issues related to distribution competition: default provider; distribution wheeling; and private utility systems. (Spring 2000)

Strategy 4 Provide Technical Advice in Rulemaking and Regulatory Policy Proceedings

- **Gas Strategy Implementation (A.98-01-011)**
In the natural gas strategy proceeding, the Commission is exploring reforms to promote greater competition while protecting consumers. The Commission is expected to issue an interim decision, which will be followed by cost-benefit analyses of the Commission's proposed options. Energy Division staff will continue to participate in the development and implementation of the Commission's natural gas strategy, in coordination with the legislature. (Ongoing)
- **Western Gas Resources (WGR) Application (A.99-04-010)**
WGR has applied to become a regulated public utility to compete against PG&E gas service at the local transmission and distribution level. Staff will assist the Commission in addressing basic policy questions including the potential impacts on PG&E's ratepayers. (1st Quarter 2000)

Strategy 5 Establish Procedures to Monitor Market Development

- Monitor new product and service offerings by utilities, including the formation of new affiliates. (Ongoing)
- Develop database to track ESP activity, direct access saturation, and billing and metering activity. (Ongoing)

Objective E: Implement an effective Energy Service Provider and Direct Access Program

To promote competition in the electricity and natural gas markets, the Commission is progressively unbundling utility services and allowing new energy service providers to offer a competitive alternative at unregulated market prices. While giving consumers greater choice in purchasing electricity and natural gas supply, as well as in metering and billing services, the Commission must protect small consumers against deceptive, unfair, or abusive business practices, or insolvency of the entity offering retail electric service. The Energy Division's Consumer Protection and Education Section implements the Commission's rules and procedures for registering the new energy service providers, oversees the implementation of the direct access rules, and collaborates with the Consumer Services Division on complaint and enforcement issues. Guidance comes from various PU Code sections and Commission decisions, orders, and rules. The strategies below derive from those directives.

Strategy 1 Electric Service Provider (ESP) Registration Program

- Maintain uniform standards for proof of financial viability and technical and operational capacity. (Ongoing)
- Maintain registration documents including completed applications and supplemental filings. (Ongoing)
- Analyze ESPs' written notices to potential customers of the price, terms, and conditions of service. The CPUC may assist in developing terms and conditions of service and suggest the inclusion of consumer protection language. (Ongoing)

Strategy 2 Meter Service Provider (MSP) Certification

- Implement MSP certification rules (Ongoing)

- Advise the Commission on MSP issues (Ongoing)
- Maintain registration documents including completed applications and supplemental filings. (Ongoing)

Strategy 3 Direct Access Service Rules The direct access service tariff (Rule 22) is the foundation for business transactions between ESPs and UDCs. The Commission adopted the basic parameters of Rule 22 in D.97-10-087. Recognizing that detailed procedures needed to be worked out between the UDCs and the ESPs, the Commission established direct access working groups to address implementation procedures. In addition to providing ongoing liaison and facilitation of the working groups, the Energy Division held numerous workshops during 1998-99 and issued workshop reports on contested issues.

As a result of these efforts, the Commission continues to refine the direct access protocols. With load profiling, data exchange, and other issues to be addressed in 1999-2000, the Energy Division will devote staff resources to the following tasks:

- Monitor and analyze implementation of direct access rules including metering services, electronic data interchange, and billing services. (Ongoing)
- Provide technical support and advice to Commissioners and ALJs on the need to further refine the direct access rules and to resolve contested issues. (Ongoing)
- Analyze load profiling issues, conduct workshop, and issue workshop report. (2nd Quarter 2000)
- Analyze the UDCs' monthly Direct Access Service Reports filed with the Energy Division. (Ongoing)
- Facilitate dispute resolution between ESPs and UDCs. (Ongoing)

Strategy 4 Address Consumer Confidence and Market Development Issues

Only a small percentage of small commercial and residential customers are currently participating in direct access. While participation is expected to increase after the rate freeze period ends, the market is in an early stage of development with protocols and procedures still being worked out. To help ensure that small

consumers ultimately enjoy the benefits of competition, Energy Division staff will:

- Evaluate the commercial viability of ESPs serving small consumers and the potential need for regulatory changes. (1st Quarter 2000)
- Participate in the Commission's Consumer Protection Coordinating Committee (CPCC). This forum spots trends and addresses issues before they become widespread problems. (Ongoing)
- Foster an awareness of consumer sensitive issues within the Division so that an analyst processing an advice letter, for example, will recognize and alert the CPCC of proposed tariff changes with significant consumer impact. (Ongoing)
- Develop alternative dispute resolution procedures in collaboration with ALJ and other Divisions to resolve individual, informal complaints of customers against ESPs. (3rd Quarter 1999)

Objective F: Perform Compliance Audits and Advise the Commission on Financial and Accounting Issues

The Energy Division's Accounting, Auditing, and Finance Section monitors utility compliance with Commission orders through periodic and special audits and investigations. The Section provides expertise on accounting and financial issues, performs field audits, and manages audits conducted by external auditors and consultants.

Strategy 1 Perform Audits Ordered by the Commission

- **Annual Transition Cost Proceeding (ATCP)** Electric utilities filed their first applications September 1, 1998. Energy Division completed compliance audits of the Transition Cost Balancing Account (TCBA) entries of three major electric utilities. Hearings pending on the audit reports in the 1998 ATCP by July 1999.

1999 ATCP applications are to be filed by September 1, 1999. Memorandum Accounts that feed into the TCBA are to be reviewed for compliance pursuant to Ordering Paragraph 1 of D.97-11-074. Provide decision support for the 1999 ATCP.

Transfers to Transition Cost Balancing Accounts Audit of the three major electric utilities. Audit Report issued December 31, 1998.

Hearings pending on the report in the 1998 ATCP are expected to begin by July 1999.

Diablo Canyon audit to establish sunk costs including nuclear fuel inventories is complete with an audit report issued in 1998. Audit Workshops are scheduled for July 1999.

Other audits associated with the end of the rate freeze which may be ordered by the Commission in the upcoming period include an audit of the utilities' Rate Reduction Bond Memorandum Account (RRBMA) and SDG&E's Power Exchange Billing Lag Memorandum Account (PXBLMA).

- **Affiliate Compliance Audit** D.97-12-088 ordered the utilities to have an independent auditor conduct an annual audit at shareholder expense to verify compliance with the affiliate rules. Audit reports, filed May 1, 1999, are under review and a report will be issued by December 31, 1999.
- **Advisory Board Annual Audit** D.97-09-117 ordered the Energy Division to conduct annual financial and administrative audits of California Board for Energy Efficiency and Low-Income Governing Board operations for 1997, 1998, and 1999. (1998 audit report now due September 1, 1999 because of an extension granted. 1999 audit report due July 1, 2000)

Strategy 2 Provide Technical Advice to Commissioners and ALJs in Section 851 Asset Sale Proceedings Section 851 of the PU Code requires the Commission to authorize any transfer or encumbrance of utility property. Utilities continue to file applications, seeking permission to dispose of generation assets and other property as encouraged by the Commission because of restructuring of the electric industry.
(Ongoing)

Objective G: Advise the Commission on Public Purpose Programs

Public purpose programs for the electric and natural gas utilities include:

- Low-Income Programs
- Energy Efficiency Programs
- Research Development and Demonstration (RD&D) and Renewable Energy Programs

These programs are funded by electric and natural gas utilities' ratepayers through a non-bypassable public goods charge (PGC) on electricity, and in the natural gas rates established by the Commission in cost allocation proceedings. Per AB 1890, the Commission oversees low income and energy efficiency

programs, while the California Energy Commission (CEC) oversees public interest RD&D and renewable energy programs.

In D.97-02-014, the Commission established a policy framework for the administration of public purpose programs in a restructured energy market. This decision created two energy advisory boards to advise the Commission on the low-income and energy efficiency programs. As set out in this decision, the Commission directed the Low-Income Governing Board (LIGB) and the California Board for Energy Efficiency (CBEE) to establish and oversee an independent administrative structure for these programs and to consolidate the individual utility-administered programs into a coherent statewide program.

Due to challenges by state employee labor unions over the Boards' reliance on contracted staff and use of consultants, coupled with 1998 legislation, the Commission determined in D.99-03-056 that it made sense to keep the programs under utility administration for an interim period through the year 2001. This decision also determined that the CBEE and LIGB should continue to assist the Commission with the development and review of program designs, budgets, implementation plans and policies.

As of July 1, 1999, the Legislature authorized nine new civil service positions for the Energy Division to advise the Commission on public purpose programs and to provide technical and administrative staff to the CBEE and LIGB. Four of the requested positions are limited term, since energy efficiency program funding under AB 1890 expires March 31, 2002 absent further legislation. As directed by a July 1, 1999 Assigned Commissioner Ruling, the Energy Division is now responsible for providing administrative and technical support to enable the CBEE and LIGB to perform their advisory functions. With the new staff positions, most of the public purpose program work will now be performed by the Energy Division rather than by outside consultants. For highly specialized or one time studies required by the advisory boards, the Energy Division will oversee and manage the contracts consistent with state contracting rules and procedures.

Strategy 1 Advise the Commission on Energy Efficiency Programs

Energy efficiency programs, with over \$300 million in ratepayer funds in program year 1999, are administered by the utilities subject to the Commission's policy directives, approval of program plans, and program oversight.

The CBEE provides highly technical advisory services to the Commission on program planning and implementation. The Energy Division staff will be coordinating its advisory services to the Commission with those of the CBEE, as well as performing the traditional staff functions for these programs. Specific responsibilities include preparing resolutions on contested advice letter filings and providing assistance to Commissioners, Advisors and Administrative Law Judges.

The Commission's procedural schedule for the upcoming period includes:

- **Annual Earnings Assessment Proceeding, A.99-05-002**, et. al. (PG&E, SCE, SoCalGas, SDG&E) Applications filed May 3, 1999
Bifurcated into two proceedings:
 - Rulemaking Issues
PD expected September 1999
 - Ratemaking Issues
Hearings in November 1999
PD expected February 1999
- **Programs Plans for PY2000 and PY2001, R.98-07-037**
PD issued July 1, 1999
Utility Compliance Filings due September 1999
- **Roles and Bylaws of the Boards**
Workshop Report Submitted July 1999
PD expected September 1999

Strategy 2 Advise the Commission on Low Income Programs

The Commission establishes policies and oversees the utilities' administration of two low-income energy programs:

- The California Alternate Rates for Energy (CARE) Program provides eligible low-income households with a 15% discount on their electric and gas bills. Approximately 900,000 California households currently participate in the CARE program, about 50% of the estimated eligible households. In 1998, the CARE subsidy required \$125 million in surcharges to all non-low-income customers of the electric and gas utilities.
- The Low-Income Energy Efficiency (LIEE) Program provides funding to weatherize and install other energy savings devices to reduce the amount of energy required by eligible low-income families. The LIEE Program required ratepayer funding of approximately \$60 million in 1998.

In the 1999-2000 planning period, the LIGB and the Energy Division will be advising the Commission on mechanisms to standardize program design and delivery processes across utilities. As described for CBEE and energy efficiency programs, the Energy Division's collaboration and staff responsibilities are the same for LIGB and low-income programs. The above

procedural schedule also applies to low income programs and LIGB matters.

Specific low-income program tasks for the upcoming period include:

- Evaluate bidding criteria for LIEE contractors performing work for the utilities (Utilities filed July 1, 1999, Comments due July 29, 1999.).
- Design and manage a needs assessment study.
- Identify ways to improve outreach and eliminate barriers for program participation by eligible households.
- Finalize program plans and budgets for year 2000.
- Evaluate 1999 and 1998 program expenditures and operations.
- Develop recommendations for and oversee authorized pilot programs

Strategy 3 Advise the Commission on RD&D Since implementation of AB 1890 in March 1998, the Energy Division's primary responsibility is to oversee the recovery and transfer of RD&D-related PGC revenues to the California Energy Commission, and to maintain a clear separation of transmission and distribution and other RD&D. In the 1999-2000 planning period, the Division may also advise the Commission on issues relating to the future of these programs for the post-2001 period. While transitional issues will taper off in 1999, the disposition of RD&D funds collected prior to March 1998 is pending Commission resolution.
(Ongoing)

Strategy 4 Advise the Commission on Future Funding and Administrative Structures for Energy Efficiency Programs In D.99-03-056, the Commission expressed fundamental concern with continuing utility administration of energy efficiency programs beyond 2001, and established a procedural schedule for developing an alternative organizational structure for legislative consideration. The Commission also intended to address ratepayer funding levels for energy efficiency programs after 2001.

Recent legislative action directs the CEC to take the lead in addressing these issues. Consequently, the Commission suspended the Phase II schedule. The CEC will report recommendations to the

Legislature by January 1, 2000. If the Commission is asked to comment on the CEC's proposals, provide testimony in legislative hearings, and/or participate in legislative working groups or other forums, the Energy Division will assist the Commission in these efforts.

Strategy 5 Advise the Commission on Future Administrative Structures for Low-Income Programs The Commission has not rejected the option of continuing utility administration of low-income assistance programs after 2001, because the potential conflicts are not as evident or pronounced as they were with continuing utility administration of energy efficiency programs. Nonetheless, the Commission stated its intent in D.99-03-056 to explore a variety of organizational options, including continuing with utility administration, using utilities as fiscal agents for independent administrators, creating a nonprofit organization, or transferring administration to an existing state agency.

Strategy 6 Develop and Implement Procedures for Coordinating the Advisory Responsibilities of the Energy Division and the Advisory Boards, Tracking Board and Program Budgets and Expenditures, and Overseeing and Staffing the Advisory Boards The Energy Division's short term focus is to coordinate closely with the CBEE and the LIGB in the transition from consultant staff to civil service staff as of July 1, 1999. As the newly authorized positions are filled, the Boards' reliance on contractors will diminish. The Division will oversee CBEE's current contracts during this interim period and will manage any new contracts consistent with state contracting rules. (Ongoing)

Objective H: Provide Technical Support For The Commission's Interventions In Federal Proceedings

The Energy Division's Federal Section provides technical advice and analysis of energy issues to support the Commission's interventions in Federal proceedings and related regional and state forums. Working closely with the Legal Division staff counsel, the Federal Section staff testify as expert witnesses and participate in settlement negotiations in proceedings before the Federal Energy Regulatory Commission (FERC). Representation for California consumers' interests before the FERC and regional bodies will be developed in collaboration and consultation with the Governor, the Legislature, and the California Electricity Oversight Board as set forth in the Memorandum of Understanding (MOU).

Strategy 1 Implement the MOU The MOU between the Commission and the Electricity Oversight Board establishes procedures for interagency

coordination and participation in federal energy proceedings affecting California. (Ongoing)

Strategy 2 Participate in electric proceedings at the FERC, as appropriate and consistent with the MOU. (Ongoing)

Strategy 3 Participate in the FERC's natural gas rulemaking The FERC is currently reviewing natural gas pricing policies for interstate pipeline capacity. (Ongoing)

Strategy 4 Participate in other formal proceedings in state or federal courts and other forums where ratemaking and policy issues impact the ratepayers in California. (Ongoing)

Objective I: Prepare Environmental Reviews Pursuant To CEQA

The Environmental Section conducts and manages environmental reviews under the California Environmental Quality Act (CEQA) where the CPUC is a lead or responsible agency, administers mitigation monitoring plans, and participates in other agencies' reviews of utility-related projects. The activities and projects for 1999-2000:

Strategy 1 Prepare CEQA Documentation as Lead Agency

- PG&E and Southern California Edison (Edison) hydroelectric generation asset divestiture
- Edison, Sierra Pacific Power Company, and PacificCorp fossil (oil, gas, and coal-fired) generation asset divestiture
- SoCalGas divestiture of the Montebello and Playa Del Rey natural gas storage fields
- Lodi Gas Field Project
- WGR-Cal Gas Pipeline Project
- Fiber optic transmission projects: Williams Communications, Level 3, Pacific Fiber, and Sprint
- Competitive Local Telecommunications Carriers
- General Order 131-D, Power Line and Substation Construction Permits:
 - PG&E - Tri-Valley Transmission Project

PG&E - Newark to Los Esteros 230 kV Line (CPCN)
PG&E - Nortech Substation (San Jose)
Edison - Lucerne Valley Power Line (Bear Valley)
Edison - CalNev Substation
SDG&E - Friar's Substation
SDG&E - Pico Substation
SDG&E - Valley Center Substation
SDG&E - Unnamed Substation

- Others as filed by utilities
Due to growing power demand in the South Bay Area, the Energy Division expects more applications in the next year for both transmission reconductoring projects to increase transmission transfer capacity into the Bay Area, and for additional substation facilities to step down the power for distribution-level service. These projects are generally listed in PG&E's Quarterly GO131-D Report.
- Advise Executive Director on Protests to Exemptions Claimed by Utilities.
- Electric and gas utility property sales filed under Sec. 851
Sec. 851 applications have increased as a result of industry restructuring as the IOUs continue to "clean house" and pare down ratebase to recover value from unneeded assets and become more competitive in the new market. Workload impact is highly variable. While some applications require little if any review; others may require significant environmental review as Lead or Responsible Agency.

Strategy 2 Prepare CEQA Documentation as Responsible Agency

- PG&E/El Dorado Irrigation District transfer of FERC project No. 184
- Cal American Water, Carmel River Dam Proposal

Strategy 3 Oversee Mitigation Monitoring as CEQA Lead Agency

- Long-haul Telecommunications Fiber Optic Projects
- Competitive Local Telecommunications Carriers
- Sierra, Alturas-to-Reno Transmission Line
- SFPP Carson-Norwalk Pipeline

- Wine Train
- PG&E/PGT Natural Gas Pipeline Expansion Project: Monitoring PG&E compliance with 1/97 Bethany Station re-landscaping order and other mitigation monitoring issues
- Alpine Natural Gas Distribution
- Wild Goose Natural Gas Storage System

Strategy 4 **In conjunction with the Telecommunications and ALJ divisions, re-examine CEQA rules for competitive local phone carriers,** and initiate rulemaking to revise rules as necessary (4th Quarter 1999)

Strategy 5 **EMF Research and Interagency Facilitation** The Energy Division is overseeing a comprehensive multi-year study conducted by the California Department of Health Services (DHS) into the health impacts of electric and magnetic fields (EMFs). The DHS draft report is due in the year 2000.

Objective J: Provide Timely Review Of Tariff Filings And Develop An Effective Information Management System

The Energy Division is refocusing its efforts to ensure timely review and processing of advice letters. As part of an overall goal to improve document processing and control, the Division is developing an effective information management system to improve internal processes and to expand public information available on the Commission's website.

Strategy 1 **Eliminate Advice Letter Backlog** The Energy Division's goal is to process all advice letters within 90 days of filing. To eliminate the current backlog, the Energy Division must fill staff vacancies and devote extra resources to advice letter processing. Specific strategies include:

- Within the past six months, the Energy Division assigned an additional supervisor to work on advice letter review and processing. With this adjustment, the Division now has two supervisors handling incoming advice letters on electric, natural gas, and PBR issues to provide greater oversight and follow-up for timely response.
- Continue to coordinate with utilities to eliminate unneeded or stale advice letters.

- The Division recently initiated a review of routine, monthly core gas procurement rate advice letters, which constitute about a third of the gas advice letters. Based on this analysis, which is nearly complete, staff will be able to process these advice letters more quickly and efficiently, while having appropriate assurance of the proper content.
- Maintain and improve advice letter tracking and reporting system to show results.

(Ongoing)

Strategy 2 Revise and Implement General Order 96A The Commission is expected to issue a proposed new General Order for advice letter processing by the end of 1999. The Energy Division has played a key role in developing the revision proposals, and will assist the Commission in deciding on and implementing a new General Order.

Strategy 3 Enhance Document Processing The Division has and will be taking several steps to enhance document processing and availability, including:

- Continuing to post energy-related resolutions on the Energy Division website.
- Establish a central filing location for all incoming advice letters and information-type filings to allow greater document control.
- Place advice letter document archives on CD-ROM (rather than microfiche). This should allow easier searches for documents and information.

(Ongoing)

RESOURCE ALLOCATION

The objectives laid out in this Business Plan depend for their achievement on an aggressive and successful staffing-up process now being conducted Commission-wide, and are presented assuming that the Energy Division will fill its vacancies before the end of the fiscal year. Below, by Objective, is the current Energy Division staffing picture.¹

Objective	Authorized	Filled	Vacancies
A - Streamline and Simplify Tariffs	1	1	0
B - Ensure Distribution System Reliability	8	8	0
C - Advise the Commission in Ratemaking Proceedings	15	15	0
D - Establish Market Rules	8	6	2
E - Implement An Effective ESP and Direct Access Program	7	5	2
F - Perform Compliance Audits and Advise the Commission on Financial and Accounting Issues	7	4	3
G - Advise the Commission on Public Purpose Programs	7	3	4
H - Provide Technical Support for the Commission's Interventions in Federal Proceedings	5	5	0
I - Prepare Environmental Reviews Pursuant to CEQA	5	5	0
J - Provide Timely Review of Tariff Filings and Develop and Effective Information System	6	6	0
Support Staff	13	10	3
Division Administration	4	4	0

¹ Staff with administrative home in a section may be assigned to other sections to achieve Business Plan objectives.

Totals	86	72	14
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