

Memorandum

Date: June 24, 1999
To: The Commission
From: Commissioner Henry M. Duque, Electricity Coordinating Commissioner
Paul Clanon, Director, Energy Division
Subject: Electricity Top Ten Update

In a previous memo dated March 5, 1999, we identified the top ten electric proceedings and highlighted a few major issues for each proceeding. We also identified a few proceedings that were categorized as "Coming Attractions" and were expected to move to the top as their level of activity rose. In this memo we have updated the information for the top ten and the coming attraction lists and added a new section called "Recent Accomplishments", which provides information on those proceedings that are removed from the top ten list because of a Commission decision.

For more information on these proceedings and the rest of the Commission's 1999 electricity agenda, please see the Business Plan.

ELECTRICITY TOP TEN

1. PG&E Test Year 1999 General Rate Case, Phase 1¹

A. 97-12-020

- ALJ Wetzell, Commissioner Bilas
- Determination of PG&E's request for a \$445 million increase in electric revenues vs. ORA's recommendation of an \$80 million decrease
- The extent to which an increase in electric revenues will improve reliability or customer service

2. PX Forwards, Price Responsive Load Program

a) Price Responsiveness Program Advice Letters (ALs), PG&E AL 1865-E, SCE AL 1371-E, SDG&E AL 1146-E

- Request authority to call, at utility's discretion, for voluntary curtailments so that customers can respond to price signals which are muted during the rate freeze and mitigate potential price spikes. Customers would be paid an incentive payment to curtail
- Critical issues are whether the programs are anticompetitive and are equitable for all customer classes

b) PX Forwards Advice Letter PG&E AL 1866-E, SCE AL 1377-E, SDG&E AL 1167-E

- Request authority to recover through their PX tariffs the cost of power purchased through the PX's new Block-Forward Market (BFM)

¹ The interim rate relief decision, D.98-12-078, authorized PG&E to track its entire electric revenue request in a balancing account. The interim revenue requirement debits to this account are subject to refund or downward adjustment after the Commission issues a final decision in Phase 1.

- Utilities seek to participate in the forward market to reduce their risk of incurring extremely high power costs in the spot market during price spikes
- c) **SCE Application for Authority to Establish a Pilot Program for Reselling Bilateral Forward Purchases in the PX and ISO, A.99-03-062**
- ALJ Hale, Commissioner Bilas
 - Compliance with D.95-12-063 regarding the PX "buy/sell" requirement and FERC decision authorizing the ISO and the PX
 - Purposes of pilot identified by SCE: mitigate price spikes, enable SCE to compete for lower cost supplies, encourage development of forward markets, gather info on forward purchases.
 - Impact of pilot program on California's energy market
 - Potential benefits to ratepayers (e.g., shortening rate freeze), and to shareholders (e.g., customer retention)
 - Ratemaking issues such as balancing account treatment and reasonableness reviews
 - Program evaluation and assessment

3. **PG&E Outage OII**

I.98-12-013

- ALJ O'Donnell, Commissioner Bilas
- Whether system characteristics may have contributed to the outage, its extent, and its duration
- The process and priority of reinstating power to affected customers
- The responsiveness of PG&E's call center to customer inquiries
- The extent to which PG&E complied with maintenance and inspection standards and the emergency response requirements
- Mitigation measures against future outages
- Processing of damage claims
- 311 Proposed Order was issued on 6/4. Key points:
 - No hearings needed
 - PG&E responsible for outage
 - Different government agencies dealing with trans/dist/gen in fragmented manner is not in public interest
 - Any PG&E rebuttal goes to ISO
 - Energy Division to monitor PG&E and ISO efforts

4. **Distribution OIR**

R.98-12-015

- ALJ Wong, Commissioner Duque
- Status of competition in electricity distribution services in California (e.g., current status of distributed generation (DG) technologies and market penetration of DG and other transmission and distribution (T&D) substitutes in California
- Need for reforms in structure and regulatory framework for electricity distribution service
- The role of the UDC in the future vision of the electric industry
- Operational, jurisdictional, environmental, ratemaking, economic and social impacts of increased competition in distribution and DG
- Full Panel Hearing held on June 1, 1999

5. Direct Access

R.94-04-031/I.94-04-032

- ALJ Wong, Commissioner Neepser
- Rule 22 Working Group working toward a uniform statewide tariff to standardize the business relationships between ESPs and UDCs across all service territories
- Data Quality and Integrity Working Group Report was issued on April 6, 1999, which recommends practical and cost-effective monitoring mechanisms, audit processes and other elements needed to ensure Data Quality and Integrity. Proposed Decision expected in third quarter
- Comments on provision of metering services and the state of competition in the provision of metering services were filed in April 1999

6. Post Transition Period Ratemaking

PG&E A.99-01-016, Edison A.99-01-034, SDG&E A.99-01-019

- ALJs Malcolm and Minkin, Commissioner Duque
- How to recognize the end of the transition period
- When the transition period ends for different rate groups
- Methods to ensure rates reflect removal of transition costs
- Methods for setting and designing rates and cost accounting after the rate freeze ends

7. Annual Transition Cost Proceeding (ATCP)

PG&E A.98-09-003, Edison A.98-09-008, SDG&E A.98-09-009

- ALJ Minkin, Commissioner Duque
- Review entries recorded in the TCBA and clarify existing regulatory principles that drive TCBA entries
- Resolve audit findings in both the Headroom and TCBA audit reports

8. Revenue Cycle Services

PG&E A.99-03-013, Edison A.99-03-024, SDG&E, A.99-03-019

- ALJ Hale, Commissioner Neepser
- Geographic deaveraging of unbundled metering and billing credits and other distribution services in the post-rate freeze period
- Unbundling of revenue cycle (i.e., metering and billing) services and price them at long-run marginal cost
- Components of LRMC's, and factors influencing form of pricing including market penetration, timeframe, technological change and competitiveness
- Geographic deaveraging of revenue cycle services
- Unbundled billing of revenue cycle services

9. Revenue Sharing Mechanism for Other Operating Revenues

Edison A. 97-06-021

- ALJ Econome, Commissioner Bilas
- Determine if a settlement proposed by SCE and ORA on an incentive mechanism for other operating revenues is reasonable, whether it should be modified, or rejected

10. Transition Cost Recovery of Non-Nuclear Capital Additions

1997/1998 Capital Additions - PG&E A.98-07-058, SDG&E A.98-08-012, SCE A.99-04-024

1996 Capital Additions - SCE A.97-10-024

- ALJs Malcolm (1997/1998) and Bytof (1996), Commissioner Bilas
- Joint recommendation of SDG&E and ORA in A.98-08-012 would allow transition cost recovery for \$22 million of SDG&E's 1997/1998 capital additions
- Settlement Agreement of PG&E, ORA and TURN in A.98-07-058 would allow transition cost recovery for \$113 million of PG&E's 1997/1998 capital additions
- SCE requests in A.99-04-024, transition cost recovery for \$84 million in 1997/1998 capital additions
- D.99-03-055 in SCE's A.97-10-024 allows transition cost recovery for \$85 million in 1996 capital additions and reopens proceeding to consider transition cost recovery for an additional \$12.5 million

COMING ATTRACTIONS

1. Market Valuation

PG&E A.98-05-022, Edison A.98-05-014

- ALJ Patrick, Commissioner Duque
- Principles necessary to market value utilities' retained generation assets for purposes of calculating uneconomic costs
- Alternatives to appraisal as a means for establishing fair market value for retained generation assets
- Need for a date certain by which utilities must identify the assets they plan to retain, sell, transfer or dispose of, in order to meet the statutory requirement that market valuation be completed by 12/31/01
- How to market value materials and supplies, fuel inventories, and land (to be addressed through briefs without hearings). Proposed Decision on June 24th Agenda

2. CBEE/LIGB

R.98-07-037

- ALJ Gottstein, Commissioner Neeper
- Promote the development of cost-effective energy efficiency programs which are supported by the competitive market with decreasing need for public funding

- Establish statewide consistency in utility administration of low-income energy assistance programs
- Develop needs assessment and pilot programs for low-income energy assistance

3. Edison PBR Mid-Term Review

A.99-03-020

- ALJ Biren, Commissioner Bilas
- Evaluate reports and studies associated with various components of the SCE PBR, and formulate recommendations
- Determine additional issues which may be arising with regard to the operation of the PBR
- Workshops held June 15 through June 18

4. Short-Run Avoided Cost (SRAC) PU Code Section 390

- AB 1890 established that the price QFs receive as energy payments would be modified from the current short-run avoided cost basis, to the PX clearing price, once certain conditions are met. As the main requirement, the law requires that the PUC must first issue an “order determining that the PX is functioning properly for the purposes of determining the short-run avoided cost energy payments to be made to nonutility power generators.”
- The Assigned Commissioner will issue an ACR soliciting comments on the scope of the proceeding

5. PG&E Distribution PBR

A.98-11-023

- ALJ Barnett, Commissioner Duque
- Type and design of the PBR Indexing Mechanism, including applicability to various customer groups, revenue sharing mechanism, cost of capital adjustment, and term
- Choice of quality of service performance indicators and design of reward/penalty structure
- Measures necessary to implement, monitor and evaluate the PBR programs
- ORA to file testimony on July 19th. Other parties file testimony on August 9th

6. PG&E General Rate Case, Phase II

A.99-03-014

- ALJ Malcolm, Commissioner Bilas
- Post rate freeze marginal cost, revenue allocation, rate design, and customized rate options proposals
- Wires bypass charge for customers who depart the distribution system
- Schedule permitting service to large industrial customers at specific marginal cost
- Discounted business development rates to attract new business or retain existing business
- Area-specific marginal distribution costs used to develop marginal cost proposals
- Consolidation of rates schedules
- Elimination of bill and rate limiter provisions
- Continuation of employee discount
- Treatment of line extension costs

- Streetlight rates
- Move from volumetric pricing to fixed pricing for large customers
- Restriction of the applicability of power factor billing adjustments
- Continuation of Time of Use or voluntary Hourly Pricing Option generation rates
- Structure of standby charge
- Consistency with methodologies in revenue cycle services proceeding
- Power Exchange template consolidation

7. 1999 Revenue Adjustment Proceeding

- D.99-06-058 in the 1998 RAP Applications requires SDG&E, PG&E, and SCE to file their 1999 applications by August 9, 1999
- 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, customer service representatives, self-provision of ancillary services, and financing costs for purchasing power from the PX

8. 1999 SDG&E Rate Design and Cost Allocation Proceedings

- D.99-06-058 in the 1998 RAP proceeding ordered SDG&E to file an application proposing changes to its rate design and cost allocation by July 26, 1999

RECENT ACCOMPLISHMENTS

End of Rate Freeze, SDG&E A.99-02-029, D.99-05-051

- Authorized for termination of the rate freeze through an interim decision

Revenue Adjustment Proceedings, D.99-06-058

PG&E A.98-07-003, Edison A.98-07-026, SDG&E A. 98-07-006

- Addressed the allocation of section 376 restructuring implementation costs among customer classes, allocation of transition costs, costs included in the calculation of the PX credit

Restructuring Implementation Costs (PU Code Section 376), D.99-05-031

PG&E A.98-05-004, SDG&E A.98-05-006

Edison A.98-05-015, Proposed Decision was withdrawn, settlement under consideration

- Determined program eligibility and reasonableness review of program costs for ISO, PX, Direct Access and their associated costs

Cost of Capital, D.99-06-057

PG&E A.98-05-021, SDG&E A.98-05-019, Edison A.98-05-024

- Determined the appropriate return on equity for an unbundled electric distribution utility

