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ROOM 3102

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION AND COMPLIANCE DIVISION
ENERGY BRANCH

RESOLUTION E-3044
August 26, 1987

RESOLUTION

PACIFIC GAS AND ELECTRIC COMPANY (PG&E). ORDER AUTHORIZING AMENDMENT TO SCHEDULE E-20 BY INSTITUTING AN EXCESS DEMAND CHARGE TO MODIFY THE PENALTIES ASSESSED AGAINST NON-FIRM CUSTOMERS WHO FAIL TO COMPLY WITH PG&E'S REQUESTS TO INTERRUPT OR CURTAIL THEIR ELECTRIC LOAD. (Advice Letter No. 1154-E, Filed May 21, 1987 and Supplement Filed August 3, 1987.)

SUMMARY

1. By Advice Letter No. 1154-E, filed May 21, 1987 and Advice Letter No 1154-E-A (Supplement), filed August 3, 1987, PG&E requests authorization to amend the penalties assessed against interruptible and curtailable (non-firm) customers on rate Schedule E-20, Service to Customers With Demands Of 500 Kilowatts Or More, who fail to comply with PG&E's requests to interrupt or curtail (reduce) electric load. Under the current penalty, customers may fail to comply with approximately eleven (11) such requests before the penalties assessed will equal the annual discount a customer receives from taking service under non-firm rates. PG&E's proposed penalty would allow non-firm customers three failures to comply with requests to reduce electric load before the penalties would equal their annual discount.

2. PG&E is authorized, as requested by Supplemental Advice Letter No. 1154-E-A, to institute the excess demand charges assessed against non-firm customers who fail to comply with PG&E's requests to reduce electric load .

BACKGROUND

3. Tariff Schedule E-20 is applicable to large commercial and industrial customers whose maximum demand is 500 kilowatts or more for three consecutive months. Schedule E-20 contains two sets of service rates, Firm-Service rates and Non-Firm-Service rates. Firm-Service is for customers who require a continuous and sufficient supply of electricity as described in Rule 14,

Shortage of Supply and Interruption of Delivery. Non-Firm-Service is for customers who agree to take service under and qualify for one of the interruptible or curtailable options of E-20.

4. Customers on Non-Firm rates receive lower than Firm rates, and in return, agree to reduce all (interrupt) or part (curtail) of their electric load when requested by PG&E during periods of capacity shortages. The amount of the rate reduction from firm service depends on which of the three non-firm rate options (service reliability options) the customer chooses. The three service reliability options take into consideration the length of notice a customer receives of an impending interruption or curtailment, the maximum number of interruptions per year, and the interruption time.

5. Since the adoption of Schedule E-20 in D.86-12-091, for each failure to comply with requests for load reduction, a penalty of only 1.1 times the difference between a customer's monthly bill determined at firm-service rates and their bill determined at their regularly applicable non-firm-service rate (determined by their service reliability option) would be assessed. As a result, customers may refuse to comply with approximately 11 requests to reduce their electric load before the penalties assessed will equal the annual discount resulting from non-firm rates. Previously, under Schedules A-22, A-21, and A-18, customers who failed to comply with PG&E's requests to reduce their electric load received much more severe penalties (from $2.90 to $14.00 per kilowatt of excess demand under A-21 and A-22, to five times the Schedule A-22 demand charge multiplied by the maximum metered demand during any period of interruption by a customer within the billing period under A-18), and under Special Condition 10 of Schedule A-22, customers were removed from non-firm rates after three refusals.

6. By Advice Letter No. 1154-E, PG&E proposed that a penalty of one-half the annual participation discount be assessed each time a non-firm customer failed to comply with a request for curtailment or interruption. Thus, after failure to comply with two curtailments or interruptions, a customer would have essentially paid for service at firm rates.

7. However, due the substantial number (6) of protests, PG&E, after discussions with the parties who protested, filed Supplemental Advice Letter No. 1154-E-A, modifying the original proposed penalty. By Advice Letter No. 1154-E-A, PG&E proposed instituting an "Excess Demand Charge" which non-firm customers would pay in addition to other charges for any excess demand incurred during interruption or curtailment periods. Excess demand is defined as the customer's average load during the curtailment/interruption period, if the customer is taking service on an interruption option; or the excess of the customer's average load above its firm service, if the customer

is taking service on a curtailable option. This excess demand charge would be graduated and allow customers three refusals to reduce their electric load before the charges assessed would equal their annual discount.

PROTESTS

8. Protests to Advice Letter No. 1154-E were received from the Cogeneration Service Bureau, the Packaging Company of California, the Santa Fe Energy Company, the California Manufacturers Association, Union Carbide Corporation, and the Department of Energy/San Francisco Operations.

9. All of the protests were similar in content and the major issues were as follows:

a) Decision 86-12-091 ordered said penalties to be 1.1 times the incentive received in that month for the interrupted or curtailed load.

b) PG&E has set forth no foundation for introducing such a substantial penalty for failure to interrupt or curtail. There is no evidence to show that customers have or intend to consistently ignore PG&E's requests to interrupt or curtail load. Non-firm customers maintain that they have taken service under non-firm rates in good faith and fully plan to comply with their commitment.

c) An advice letter filing is not the proper procedure to address this matter because the proposed change is not considered "minor" by non-firm customers. The penalties assessed against non-firm customers for failure to comply with PG&E's request would be significant. Therefore, the parties believe they must be given the opportunity to participate in the procedure.

10. PG&E responded to the protests by saying that it believes the Commission's intent for interruptible and curtailable rate options is to provide reliable load relief to be used in emergency situations. The current E-20 tariff, with its low penalties and absence of a mechanism to remove non-performing customers, is inadequate to ensure such reliability.

11. PG&E's intent is to set a minimum standard of reliability to discourage customers who cannot meet this minimum standard of reliability from taking service under non-firm rates. Even customers who take non-firm rates with good intentions of curtailing load, but for unforeseen reasons cannot reduce load when requested, provide no value to PG&E.

12 PG&E also believes that the Commission has already set a precedent in California for effective non-compliance penalties for non-firm service rates. The Commission approved Southern

California Edison's I-5 tariff with a schedule of increasing penalties (from $3.10 up to $80.00 per kilowatt of excess demand) for repeated failures to comply with requests.

13. Due to the number of protests received regarding this matter, PG&E met with the Commission staff and the protestors to discuss effective penalties. As a result, PG&E filed Supplemental Advice Letter No. 1154-E-A, proposing the excess demand charge. PG&E has reviewed the the concept of excess demand charges with the parties who protested Advice Letter No. 1154-E and believes that the majority of those available for comment were satisfied.

DISCUSSION

14. Effective rates are necessary to ensure that customers intend to comply with the provisions of the rate. However, PG&E recognizes that even with a good faith effort, complete and timely compliance with an interruption or curtailment request is not always possible. Thus, PG&E proposes that a set of graduated excess demand charges be applied each time a customer incurs excess demand during a period when PG&E requests a demand reduction. For the first curtailment/interruption request, within twelve months, in which the customer incurs excess demand (non-performance), the charge would be one-sixth of the annual incentive per kilowatt. For the second non-performance, the incremental charge would increase to one-third of the annual incentive (total charges assesed would equal one-half annual incentive). And for the third and any subsequent non-performances, the incremental charge would increase to one-half of the annual incentive. Thus, after failure to comply with three requests to reduce demand, a customer would have paid for services at the firm rate.

15. Since the annual rate discounts for non-firm customers vary by service voltage and the service reliability option selected, so would the excess demand charge. The excess demand charges would be included under Section 6, Non-Firm-Service Rates, and Section 14, Extended Non-Firm-Service-Agreement Rates, of Schedule E-20. Section 12d of Schedule E-20 would also necessarily be amended to reflect the new procedures for assessing the excess demand charges.

16. PG&E has submitted this tariff change in accordance with Section VI of General Order 96-A which provides for advice filing of increased charges which are "minor in nature." PG&E believes that this change is minor since it will have no effect on customers who intend to comply with any interruptible or curtailment request. However, PG&E is aware that these excess demand charges may cause some customers to reconsider their participation in non-firm options. For these customers, PG&E will cancel, without prejudice, the customer's non-firm service

agreement if cancelation is requested in writing within sixty days of the effective date of the filing.

17. The Evaluation and Compliance Division staff has reviewed this advice letter filing and agrees that these excess demand charges will increase customer incentive to reduce load when requested. PG&E has only requested customers to interrupt or curtail load once (in 1985) in the last two years, however, participants have been awarded the benefit of non-firm rates even when there have been no requests to curtail load. PG&E should be able to expect a high degree of reliability from these customers when load relief is needed during emergency situations.

18. The Public Staff Division has also reviewed this advice letter and concurs with its approval.

19. Except as noted, this filing will not increase any rate or charge, cause the withdrawal of service, nor conflict with other schedules or rules.

20. In accordance with Section III, Paragraph, of General Order 96-A, PG&E has mailed copies of this advice letter and supplement to the utilities and interested parties, and to all customers of record taking non-firm service under Schedule E-20.

FINDINGS

21. We find that the rates, charges and conditions of service authorized in this Resolution are just and reasonable; therefore,

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized, as requested in Supplemental Advice Letter No. 1154-E-A, to amend Sections 6 and 14 of Schedule E-20 to include excess demand charges to be levied against non-firm customers who fail to completely interrupt or curtail electric load upon request by the utility.

2. Pacific Gas and Electric Company is authorized, as requested in Supplemental Advice Letter 1154-E-A, to amend Section 12d of Schedule E-20 to revise the procedures for curtailments and interruptions.

3. Supplemental Advice Letter No. 1154-E-A and accompanying tariff sheet shall be marked to show that it was approved for filing by the Commission by Resolution E-3039 to be effective on and after August 26, 1987.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 26, 1987. The following Commissioners approved it:

Victor Weisser

Executive Director

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners