

**RETURN TO ENERGY BRANCH
ROOM 3102**

E-11 *

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION AND COMPLIANCE DIVISION
ENERGY BRANCH

RESOLUTION E-3049
September 23, 1987

R E S O L U T I O N

PACIFIC GAS AND ELECTRIC COMPANY (PG&E). ORDER AUTHORIZING PG&E TO ENTER INTO AN AGREEMENT WITH THE SANTA CLARA COUNTY TRANSIT DISTRICT (DISTRICT) FOR THE RETAIL SALE OF ELECTRIC TRACTION POWER TO THE DISTRICT'S LIGHT RAIL VEHICLE SYSTEM. (Advice Letter No. 1155-E, Filed May 18, 1987.)

SUMMARY

1. By Advice Letter No. 1155-E, filed May 18, 1987, PG&E requests Commission authorization to enter into an electric service agreement with the Santa Clara County Transit District (District). The service agreement will be limited to the traction power required by the District for its light rail vehicle system.
2. Annual electric sales to the District are expected to be approximately 27,000,000 kilowatt-hours which will produce about \$1.87 million annually.

BACKGROUND

3. The District is currently constructing a public transit system consisting of 21 miles of track for light rail vehicles. Service is expected to begin in late 1987. Once in full operation, the transit system will provide public transportation throughout the Santa Clara Valley.
4. PG&E has filed Advice Letter No. 1155-E seeking Commission authorization to provide traction power for the District's railway system under the Railway Customer Class as provided for under the Uniform System of Accounts.

PROTESTS

5. The Bay Area Rapid Transit District (BART) protested Advice Letter No. 1155-E. BART objected to the provisions for rates and charges in the agreement between PG&E and the District. BART believed that the rates and charges would

substantially impair its ability to maintain fair and equitable rates for its own power purchases from PG&E, and require BART to substantially increase its efforts and costs to monitor and participate in PG&E's rate proceedings before the Commission.

6. At present, BART is the only customer included in PG&E's railway rate class. Therefore, the revenue requirement allocation and rates for the class have historically been based upon the pattern, level, and cost of BART's electricity use. PG&E now proposes to add the District's traction power to the railway class even though that customer's pattern and level of electricity use are apparently markedly different from, and more costly on a per unit basis than BART's. BART believes that if the District is added to the railway class, BART will have the added burden of performing various cost-of-service and revenue requirement analyses, in order to distinguish between the District's costs and rates in every future PG&E rate case.

7. In addition, there was no indication as to the methodology PG&E and the Commission would find acceptable for performing cost-of-service and revenue requirement analyses.

8. Accordingly, BART requested that either the District be excluded from the railway class, or that the agreement be amended so as to eliminate any adverse effects upon BART and expanded to provide details of the methodologies that would be followed in order to make overall adjustments to railway class rates and to equitably apportion these adjustments between BART and the District.

9. PG&E responded to BART's protest by stating that the District must be assigned to the railway class by the Federal Energy Regulatory Commission Uniform System of Accounts which was adopted by this Commission. The Uniform System of Accounts describes the railway class as including "the net billing for electricity supplied to railroads and interurban and street railways." From this definition, it is clear that it is fully appropriate to include the District's light rail system in the railway class.

10. Second, PG&E responded that BART's proposed amendment to PG&E's contract with the District to include revenue allocation methodologies for the whole railway class contradicts current Commission practice and methods of revenue allocation. Other customers in much broader classes have no locked in revenue allocation methodologies. Determination of such methodologies has traditionally been the role of the Commission which has determined methodologies as needed. The establishment of set methodologies for the railway class would serve to bind the Commission in the future should the appropriateness of allocation methodologies change. During ratemaking proceedings, each customer, including BART, is given the opportunity to present its position before the Commission.

DISCUSSION

11. PG&E has addressed BART's allegations, and we are in agreement with PG&E. BART presented no factual information, and BART will have the opportunity to address allocation methodologies should the methodologies become an issue in PG&E's general rate cases.

12. The agreement specifies the terms of PG&E's service to the traction power portion of the District's electric load. The agreement provides the following three provisions:

- (a) The initial contract is twenty years, with following successive five year terms at each party's option.
- (b) The agreement is applicable to the District's traction power use. All other District power needs will be served under standard tariffs.
- (c) The District's traction power rate will become part of the railway class. ~~In addition, the District will be allowed the option of taking service under the negotiated rates or under the otherwise applicable standard tariffed rate (Schedule E-20). However, the District agrees to take service under its opted rate for a 12-month period. At this time, Schedule E-20's rates are lower than the negotiated rates, and so the District has opted for service under E-20.~~

~~13. If the negotiated rate is lower than the standard tariffed rate, the standard rate will be the ceiling rate. However, if the standard tariffed rate is lower than the negotiated rate, the negotiated rate will be the ceiling rate. Therefore, if Schedule E-20's rates rise higher than the negotiated rate within 12 months, the District will be notified in writing and be billed at the negotiated rate (ceiling rate).~~

13. As a railway class customer, the District's agreement contains a deviation from the standard provisions of Rule 9 in that, consistent with the manner in which the railway class has traditionally been billed, billing demand will be totalized for the traction power system.

~~14. As a railway class customer, the District's agreement contains two deviations from the standard provisions of Schedule E-20 and Rule 9, respectively:~~

- ~~(a) The District has a ceiling rate. The ceiling rate mechanism is explained in paragraph 13.~~
- ~~(b) Consistent with the manner in which the railway class has traditionally been billed, billing demand will be totalized for the traction power system.~~

14. The District will be allowed the option of taking service for its traction power under Schedule E-20's rates or its negotiated rates, whichever rates are lower. Each rate option has an associated ceiling rate. At times when E-20's rates are lower than the negotiated rates, the negotiated rates will be considered the ceiling. Conversely, at times when the negotiated rates are lower than E-20's rates, Schedule E-20 will be considered the ceiling. Therefore, if the opted rate should become higher than the ceiling rate, the District will be transferred to and billed under the then ceiling rate.

15. Presently, the contract provides for an average ceiling (negotiated) rate of \$0.07263 per kWh which is greater than PG&E's average E-20 rate of \$0.06930 per kWh. In addition, the initial negotiated rate is approximately 8 percent higher than the current rate for the only other railway class customer, BART.

16. The Evaluation and Compliance (E&C) Division recommends that specific language be included in the ordering paragraphs of this Resolution which will give the Commission authority to amend the negotiated rates using Commission ratemaking policies during appropriate rate making proceedings. This will ensure that the negotiated rate will not unreasonably diverge from Schedule E-20 or its successor, and that PG&E's other ratepayers will not be subjected to long term negative rate impacts. This is consistent with Paragraph 19 of the agreement which states, "...This Agreement shall at all times be subject to such changes and modifications as the Commission, from time to time, direct in the exercise of its jurisdiction".

17. Under the 20-year contract, PG&E will incur an annual cost of approximately \$1.2 million to serve the District, and expects to receive an annual revenue \$1.87 million.

18. The E&C Division has reviewed this advice letter filing and recommends its approval. Under the Uniform system of Accounts, it is appropriate to include the District's traction power requirements in the railway class. The E&C Division also believes that it is reasonable for PG&E to make the deviations from Schedule E-20 and Electric Rule 9 mentioned in the previous paragraph for the following reasons:

- (a) The District is part of a government agency and as such PG&E has the option under Section X-A of General Order 96-A to furnish service at free or reduced rates or under conditions otherwise departing from its filed tariff schedules.
- (b) Pacific Gas and Electric Company and San Diego Gas and Electric have previously deviated from Electric Rule 9 by allowing traction power to the Bay Area

Rapid Transit District and the San Diego Trolley, respectively, to be billed conjunctively. Therefore, precedence has been established.

19. We note that on August 20, 1987, PG&E filed Advice Letter No. 1168-E which provides for essentially the same contract for BART. Commission approval of BART's contract with PG&E will further moot BART's protest.

20. Public notification of this filing has been made by mailing copies of the advice letter to other utilities, governmental agencies, and to all interested parties who requested it.

FINDINGS

21. PG&E and the Santa Clara County Transit District have finalized a rate agreement applicable to the traction power required by the District for its light rail vehicle system.

22. Assignment to the railway class is appropriate for the District's traction power as prescribed by the Federal Regulatory Commission Uniform System of Accounts.

23. The contract will produce revenues that exceeds costs by \$675,000 annually.

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

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized, as requested by Advice Letter No. 1155-E, under the provisions of Public Utilities Code Sections 491 and 532, to enter into the electric service agreement with the Santa Clara County Transit District for the retail sale of electric traction power.
2. The service agreement shall be limited to Traction Power required by the Santa Clara County Transit District.
3. The rates of this contract shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction.

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- 4. Advice Letter No. 1155-E and associated contract shall be marked to show that they were authorized by Resolution E-3049.
- 5. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 23, 1987. The following Commissioners approved it:

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



Executive Director