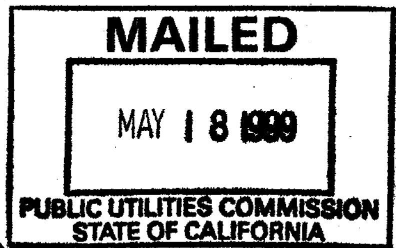

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3576
MAY 13, 1999

RESOLUTION

RESOLUTION E- 3576. PACIFIC GAS AND ELECTRIC COMPANY (PG&E), SOUTHERN CALIFORNIA EDISON COMPANY (SCE), SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E), SOUTHERN CALIFORNIA GAS COMPANY (SO CAL GAS), SOUTHWEST GAS CORPORATION (SW GAS), AND PACIFIC POWER & LIGHT (PP&L) REQUEST COMMISSION APPROVAL OF REVISIONS TO THEIR TARIFFS TO REFLECT LINE EXTENSION RULES OF ELECTRIC AND GAS UTILITIES AS ORDERED IN DECISIONS D 97-12-098, D 97-12-099, AND D 98-03-039. APPROVED AS MODIFIED.

BY PG&E ADVICE LETTER 2081-G/1765-E; SCE ADVICE LETTER 1309-E; SDG&E ADVICE LETTER 1092-E/1095-G; SO CAL GAS ADVICE LETTER 2708-G; SW GAS ADVICE LETTER 572-G; PP&L ADVICE LETTER 289-E

SUMMARY

1. Southern California Edison (SCE), Pacific Gas and Electric (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Gas Co. (So Cal Gas), Southwest Gas Company (SW Gas), and Pacific Power & Light (PP&L) have requested approval to changes to their tariffs in compliance with the Line Extension Rules of Electric and Gas Utilities decisions D.97-12-098, D. 97-12-099 and D. 98-03-039 as set forth in Advice Letters 1309-E; 2081-G/1765-E; 1092-E/1095-G; 2708-G; 572-G; and 289-E, respectively.

2. The Utility Reform Network (TURN) and the Utility Consumers Action Network(UCAN) protested PG&E, SCE, SDG&E and So Cal Gas advice letters. Utility Design Inc. (UDI) protested PG&E, SCE, SDG&E, So Cal Gas, and SW Gas advice letters.

3. In addition to the above protests, the Board of Registration For Professional Engineers and Land Surveyors (State of California Department of Consumer Affairs) expressed concern regarding the use of the term "Contractor" within the proposed Tariffs for Applicant Design.

4. No protests were filed to PP&L's Advice Letter 289-E.

BACKGROUND

1. On March 31, 1992, the Commission began a proceeding to Consider the Line Extension Rules of Electric and Gas Utilities with an eye to "uncover opportunities to consolidate, simplify and standardize the extension rules, reduce the administrative costs of the rules, and more appropriately assign extension costs." (Order Instituting Rulemaking (R.) 92-03-050, mimeo p. 1.).

2. In Phase 1 of this proceeding, the Commission issued a milestone decision (D.94-12-026), which approved changes to the utilities' main and distribution rules. One vital change was to revenue-justify the allowances provided by utilities to applicants in Rule 15 and the other was to publish unit costs and flat residential allowances which provide builders predictability. These changes were incorporated into uniform gas and uniform electric tariffs of the utilities. That 1994 decision also left other key issues open to resolution in later phases of this rulemaking, including "(1) further refinement of the revenue-based allowance calculation method, and (2) applicant design and installation...." (Mimeo. at 29.)

3. On December 6, 1995, in a second phase decision, the Commission addressed one of these remaining issues, applicant design and installation, by establishing an applicant design test pilot program. (D.95-12-013). In this decision, the Commission approved a 24-month pilot program to test the feasibility of applicants designing distribution facilities for gas and electric service to their projects. On June 6, 1996, in D.96-06-031, the Commission identified eight issues which the parties were to address in the final phase of this rulemaking. Issue No. 8 dealt with the treatment of the costs of transformers, meters, regulators and services that are provided by the utility at no additional cost to the applicant.

4. On December 16, 1997, the Commission issued decision D.97-12-098. Of the eight issues identified, D. 97-12-098 addressed only Issue No. 8 and left other issues to be addressed in separate Commission decisions. This decision, as modified by decision D.98-03-039, included the following elements: "The proposals of Utility Reform Network (TURN) and Utility Consumers Action Network (UCAN) as discussed in this decision, are adopted to : (1) revenue-justify service rules by including the cost of transformers, services and meter equipment (TSM) as costs to the developer, but subject to allowances; (2) use only distribution-based revenues for calculating allowances, rather than the revenues reflecting the full range of utility services in

"net revenue" used to set allowances; and (3) authorize relevant Commission decisions from other proceedings to flow through into the formula for calculating line and service extension allowances with any resulting changes in the allowances to be filed with the Commission by an Advice Letter."

5. In addition, D. 97-12-098 ordered the utilities to file revised tariff rules to reflect the adopted TURN/UCAN recommendations where appropriate and that the tariff filings shall be filed 30 days prior to July 1, 1998; set rules regarding the application of these rules to new and old projects; and adopt the Public Utilities Code sec.783 analysis offered by TURN/UCAN as set forth in this decision. These rules were made effective starting July 1, 1998.

6. On December 16, 1997, the Commission issued decision D.97-12-099 which declared the applicant design pilot program for residential gas and electric distribution services a success and concluded that the program should be implemented as a regular utility tariff option. The commission order stated: "(1) Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southwest Gas Corporation, Southern California Edison Company, and PacifiCorp. shall file an applicant design utility tariff option for new residential gas and electric line and distribution systems with an applicant credit provision, as discussed in this decision. These tariff filings shall become effective on July 1, 1998. (2) The applicant design pilot program shall remain in effect until the filed tariff options for each utility become effective. (3) Applicant design shall be a utility option for temporary facilities. ..."

7. Pursuant to Ordering Paragraph 2 of D. 97-12-098 and Ordering Paragraph 1 of D. 97-12-099; PG&E filed advice letter 2081-G/1765-E on May 11, 1998 ; SCE filed advice letter 1309-E on May 4, 1998 ; SDG&E filed advice letter 1092-E/1095-G on April 30, 1998 ; So Cal Gas filed advice letter 2708-G on May 1, 1998 ; SW Gas filed advice letter 572-G on April 30, 1998 ; and PacifiCorp. filed advice letter 289-E-A on May 6, 1998.

8. On June 30, 1998 SDG&E on behalf of SDG&E, So Cal Gas, SCE, and SW Gas sent a letter to the Commission requesting an extension of time to comply with D.97-12-098 and D.97-12-099. The letter stated: "We respectfully request that the implementation of the tariff changes, needed to reflect the revised extension rules, be delayed until the Commission has had sufficient time to resolve the protests of the utilities' Advice Letters, which the utilities hope would be no later than October 1, 1998."

9. On June 30, 1998, the Energy Division of the CPUC sent a Notice To All Parties of Record, R.92-03-050 and A.91-06-016 that: " Pursuant to Ordering Paragraph (OP) No. 2 of D.97-12-098 and OP No. 1 of D.97-12-099, the tariff filings are effective on July 1, 1998. The issues raised by the protestants will be addressed in a Commission Resolution."

10. On July 7, 1998 the Executive Director of the CPUC granted the requested extension of time to SDG&E and other utilities to October 1, 1998, and asked the utilities to this proceeding to reach a settlement on the concerns raised by the protestants and report to the Commission by October 8, 1998 the outcome of discussions with the protestants.

11. In its letter to the Commission dated September 29, 1998, SDG&E on behalf of the energy utilities (Edison, PG&E, So Cal Gas, and SDG&E) stated: "Effective July 1, each of the utilities has in fact implemented the revised extension rules consistent with the revised versions filed by their respective advice letters, and consistent with the June 30, 1998 letter from Kevin Coughlan of the Energy Division to the utilities." SDG&E further expressed the collective belief of the energy utilities and the California Building Industry Association (CBIA) that when the Commission resolves the outstanding advice letter protests, any revisions that may be required to the extension rules be made prospectively only in order to avoid significant administrative and financial disruption for individual customers/applicants, the building industry, and the utilities.

12. In his letter dated August 21, 1998 to SDG&E and the other utilities, the Executive Director stated that the Commission had the legal authority to require the utilities to make the revised tariffs effective as of July 1, 1998 in order for them to comply with the Commission's prior decisions D.97-12-098 and D.97-12-099. The letter also suggested that the utilities include as part of their negotiations with the protestants the issue of the implementation date for any required changes to the tariffs, and urged the utilities with the protested advice letters to settle their differences expeditiously.

13. On behalf of the Joint Utilities Respondents (PG&E, SCE,SDG&E, So Cal Gas, and SW Gas) (JURs) PG&E sent a letter to the Commission on September 21, 1998 showing the preference of various parties whether potential tariff changes addressed in the Commission's upcoming resolution implementing D.97-12-098 and D.97-12-099 should be retroactive or prospective. The preferences stated were as follows:
    JURs - Prospective
    CBIA - Prospective
    TURN - Prospective
    UDI - Retroactive

NOTICE

Notice of the above advice letters was made by publication in the Commission Daily Calendar, by mailing copies to all interested parties on the mailing list to this rulemaking proceeding, and per the requirements of Section III(G) of General Order 96-A.

PROTESTS

1. TURN/UCAN filed protests to SCE's Advice Letter 1309-E, PG&E's Advice Letter 2081-G-1/1765-E, SDG&E's Advice Letter 1092-E/1095-G, and So Cal Gas's Advice Letter 2708-G. SCE, PG&E, SDG&E and So Cal Gas filed responses to those protests.

2. UDI filed protests to SCE's Advice Letter 1309-E, PG&E's Advice Letter 2081-G/1765-E, SDG&E's Advice Letter 1092-E/ 1095-G, So Cal Gas' Advice Letter 2708-G, and a late-filed protest to SW Gas' Advice Letter 572-G. SCE, PG&E, SDG&E, So Cal Gas, and SW Gas filed responses to those protests.

3. The Board of Registration for Professional Engineers and Land Surveyors (State of California Department of Consumer Affairs)[Board] filed a protest on July 27, 1998.

DISCUSSION

A. SDG&E

1. TURN/UCAN ISSUES

- On May 21, 1998, TURN/UCAN filed a protest to SDG&E advice letter for several reasons. First it protested the approval of a residential allowance of $1,381.00 for electric and $1,154.00 for gas service. (Electric Rule 15 C(3); Gas Rule 15 C (3)). TURN/UCAN asked the utility to provide all calculations and underlying data that resulted in their residential allowances. On June 1, 1998, SDG&E provided TURN/UCAN the supporting work-papers and calculations.
- TURN/UCAN and SDG&E were able to reach agreement that the proposed electric line and service extension allowance should have been based on the appropriate distribution rate adopted in D. 97-12-109. We find it appropriate to use the most current allocation of Unbundled Revenue Requirement Component for Distribution residential revenue requirement of $233,227,000 as adopted in D. 97-12-109 rather than $237,793,000 of the 1996 ECAC Decision D.96-06-033. This correction results in a reduction of the electric residential allowance from $1,381.00 to $1,170.00. Since SDG&E now agrees with TURN/UCAN, the issue now is moot. We will order SDG&E to correct its electric residential allowance from $1,381 to $1,170.
- Prior to July 1, 1998, SDG&E calculated its gas residential allowance based on end use/unit basis. However, in its advice letter filing, it changed its methodology to a single fixed gas allowance per unit. This change in its methodology resulted in an allowance of $1,154.00 per unit. TURN/UCAN objected to this change. SDG&E and TURN/UCAN are in agreement that the establishment of a single fixed gas allowance was inappropriate at this time and SDG&E re-calculated the gas allowance for four different end uses based on updated Unit Electric Consumption (UEC) figures. As a result of this calculation the gas allowance is $1,142.00. We agree with the parties involved that at this time there is nothing in D.97-12-098 that directs the utilities to implement changes in their previously agreed upon methods of calculation of gas allowances for its residential line and service extensions. We will adopt the recalculated gas allowance of $1,142.00 and ask SDG&E to make this change in its tariffs.
- In both the proposed Rule 15 for gas and electric tariffs, SDG&E uses the following language for the flow-through mechanism mandated by D.97-12-098: "Additionally, Utility shall review and submit tariff revisions to implement relevant Commission decisions from other proceedings that affect this Rule. (Rule.15, I.2.) (Electric) and

Rule 15, H.2.) (Gas)." This description gives the appearance to TURN/UCAN, that the matter of what is or is not a relevant Commission decision is left to SDG&E's discretion. The parties have come to a compromised language which states: "Additionally, Utility shall review and submit **proposed** tariff revisions to implement relevant Commission decisions from other proceedings that affect this Rule." We have no objection to this change and we will require all utilities to implement this change of language regarding the "flow-through" mechanism in their tariffs as appropriate.

- SDG&E proposes to apply allowances to costs covered by Rule 16 first, then the remainder to Rule 15. It was not clear to TURN/UCAN why SDG&E opted for this approach, rather than a pro-rata application of the allowance to Rule 15 and Rule 16 costs together. TURN/UCAN asked that the Commission should require further explanation. In its response to TURN/UCAN, SDG&E stated that it has kept the allowance and refund sequence the same as reflected in the current rules, and the allowances are applied first to the service extension where the revenues are generated before being applied to the line extension to which the service extension is connected. SDG&E also stated that "TURN's proposal of using a pro-rata application of the allowance to Rule 15 and Rule 16 costs is not a proposal discussed or approved in D.97-12-098." We agree with SDG&E that TURN's proposal of using pro-rata application of allowances to Rule 15 and Rule 16 is outside the scope of D.97-12-098. Also, the decision stated that: " In this decision, we address only Issue No. 8. The remaining issues will be addressed in separate Commission decisions" (Slip opinion, P2). TURN/UCAN's protest of this issue is denied.

2. UDI ISSUES

- In its letter dated May 19, 1998, UDI protested SDG&E's advice letter filing. UDI protested four areas; allowances, advances and refunds, contract compliance, and applicant design. First, UDI protested Rule 15, Section C.3. and Rule 16, Section E. of both Gas and Electric Rules 15 and 16. UDI did not believe the utility considered a revised cost-of-service factor when it calculated the residential allowance set forth in Rule 15, and that in D.98-03-039 the Commission established that allowances must be recalculated when the customer rate of distribution service changes in the residential allowance formula. UDI further stated that pursuant to D.98-03-039, the utility should be required to disclose the complete calculation for residential allowances for main extensions and services set forth in Rule 15.
- In its May 28, 1998 letter, SDG&E responded that the residential allowances had been revised to reflect only distribution revenues, and there were no resulting changes to the cost-of-service factors, as filed in the respective gas and electric Rule

2, Description of Service. According to SDG&E, the cost of service factors did not change as a result of either D.97-12-098 or D.98-03-039 since they were already unbundled into transmission and distribution numbers.

- We appreciate UDI's concerns regarding the disclosure of allowance calculations by the utilities. The Energy Division requested SDG&E to provide detailed work-papers of its allowance calculations. Based on our examination of SDG&E data responses and SDG&E responses to other parties to this proceeding, we find that the allowance calculations were based on the unbundled distribution revenue basis rather than the revenues reflecting the full range of utility services in "net revenues" used to set allowances, and met the intent of D.97-12-098 and that the cost of ownership factor was based on currently adopted Rule 2, Description of Service. UDI's protest of this issue is denied.
- UDI's second protest was about Advances and Refunds (Rule 15, D.6.a. & E.1.). UDI does not agree that allowances should first be applied to Rule 16 Service Extensions, and then to the Rule 15 Distribution Line Extension. UDI stated that it creates an unnecessary delay in refunds paid in Applicant Installed Projects, unnecessary utility cost accounting work, and requires the ratepayers to finance Utility Installed Systems. Furthermore, according to UDI, as written, the rules create a situation where an applicant would receive no allowance at all because Rule 16, Section E.4 provides that "...No refunds apply to the installation of Service Facilities under this rule." UDI further stated: " D.97-12-098 ordered the cost of transformers, services, meters, regulators, and associated equipment to be included as part of the refundable amount subject to allowances. Section D.6.a does not indicate this, nor does Section E.1. Also according to UDI, a cash payment for the total estimated cost (including meter set assemblies, services, and betterments) must be collected as a refundable advance if the utility performs the installation work. Refunds should be paid, first toward the distribution system cost, and then to the cost of services until the total amount of the allowances for permanent service has been reached."
- In its response to UDI, SDG&E stated that UDI is confusing refunds with allowances. Allowances are given in advance, or as a credit against the advance by an applicant. Allowances are granted for Rule 16 service installations, but any required payment for excess service costs continue to be non-refundable and are unchanged from the existing Rule 16. SDG&E said that D.97-12-098 makes no change relative to the refundability of Rule 15 advances or the non-refundability of payments made in accordance with Rule 16. The Energy Division notes that neither D.97-12-098 nor D.97-12-099 require utilities to deviate from previously adopted or agreed upon methods of refundability of payments or advances and, therefore, all utilities must continue to conform to the requirements of the tariffs in effect prior to

July 1, 1998 regarding this protested item of refundability of payments or advances. UDI's protest is denied without prejudice.

- UDI's third protest was regarding Contract Compliance (Rule 15, Section D.8.a.). This section states there will be an additional contribution or advance if the applicant fails to use the residential service contracted for within six months from the date the utility is ready to serve. UDI asserts that "additional contribution or advance" is not defined and without defined limits this Section becomes a penalty for the utility to use at its sole discretion.
- SDG&E responded that this portion of the new rule has been a standard provision of extension contracts for many years and was reaffirmed again in 1994 with D.94-12-026 and in 1996 with D.96-12-030 and it exists to protect the ratepayers. We appreciate UDI's concerns. However, we conclude that in those cases where an applicant feels that the application of this rule appears unfair and unjust there is a remedy available in the existing tariffs that allows the parties to refer the matter to the Commission for a special ruling or for special condition(s), which may be agreed upon by the parties. UDI's protest is denied.
- UDI's fourth protest was regarding Rule 15, Section F. UDI stated that this section is misleading and incomplete in the following areas:

  First, the term Applicant's "qualified contractor or subcontractor" is misleading and should be replaced with "licensed professional engineer." According to UDI, both the Applicant Design Pilot Program Decision (D.95-12-013), and the Board of Registration for Professional Engineers and Land Surveyors require applicant designers to be California licensed professional engineers. In addition to UDI's protest, the Board also protested the use of term "Contractor" or "Subcontractor" within the proposed Tariffs for Applicant Design and recommended that the term "qualified contractor or subcontractor" be replaced with the term "licensed professional engineer" and specifically state the professional licensing requirements for application designers in proposed utility tariffs. The Board said that the Commission in its decision implementing the pilot Applicant Design program required all designers to be professionally licensed and their official seal to appear on all original drawings. Since this requirement is standard practice for all engineering plans, the Commission did not change this requirement when it issued the permanent Applicant Design opinion. In the Board's opinion, the use of words "contractor" or "subcontractor" is an appropriate term to use when talking about the installation of gas and electric facilities and not appropriate to use when discussing the design of such facilities, it could create ambiguity and may paint a misleading picture.

  SDG&E responded that utilities can administer reasonable prequalification of applicant designers per Ordering Paragraph 7 of D.97-12-099. Furthermore, the

phrase "qualified contractor or subcontractor" is sufficiently broad to include the prequalification provisions contained in D.97-12-099 and the applicable federal, state, and local codes and ordinances. The Energy Division agrees with SDG&E that D.97-12-099 allowed the utilities to administer reasonable prequalification of designers comparable to requirements imposed on utility designers and contract designers and there have been no complaints during the pilot program that the utilities have been unreasonable in their requirements. However, in D.95-12-013 the Commission noted that: " The design of utility facilities has a direct impact on the safe operations of such facilities, and it is beyond dispute that any applicant design program must ensure, first and foremost, that the safety of the utility system is not compromised in the slightest." In order to clarify and address the protests and concerns of the parties and the Commission, the Energy Division recommends that all utilities to this proceeding replace the existing language in their tariffs with the following language: "When an Applicant selects competitive bidding, the Distribution Line Extension may be designed by Applicant's qualified contractor or sub-contractor in accordance with utility's design and construction standards. All Applicant-Design-work on gas and electric facilities must be performed by or under the direction of a licensed professional engineer and all design work submitted to the utility must be certified by an appropriately licensed professional engineer, consistent with the applicable federal, state, and local codes and ordinances." UDI's protest of this issue is granted to the extent we modify the tariff language as described above. **Second**, the Applicant Design Section does not mention commercial projects. D. 97-12-099 requires that each utility open their applicant design programs to commercial design work within (3) years after the date of this decision. SDG&E responded that commercial projects are not mentioned in this section, nor are there limitations to only residential projects, since there are no restrictions to the type of projects for SDG&E Applicant Design work. The Energy Division finds that the Ordering Paragraph 3 of D.97-12-099 requires that within three years the utilities shall make the applicant tariff option available for all projects where there is an applicant requesting commercial or industrial service less than 60 KV for electric and up to 60 PSIG for gas. We find the tariffs as filed by SDG&E to be consistent with the ordering paragraph and expect all utilities to file appropriate applicant tariff option for commercial or industrial services within three years from the date of D.97-12-099, therefore, UDI's protest is denied.
Third, the words "...Competitive Bidding" should be replaced with the words "Applicant Design." Otherwise, it could be construed that Applicant Design is available only for Applicant Installed projects per Section G.1, Competitive Bidding. D. 97-12-099 allows applicants to choose who designs the facilities for

both Utility Installed and Applicant Installed projects, alike. UDI would like this alleged ambiguity removed from both the line extension and service rules (Rules 15 and 16).

SDG&E responded that both the design and installation portions of projects can and will be competitively bid, and the wording "Competitive Bidding" is under both the Applicant Design section as well as Applicant Installation option.

The Energy Division finds no compelling evidence or reason to modify the existing tariff language and further finds that this protest is outside the scope of the order of D.97-12-099. Therefore, UDI's protest is denied.

Fourth, the Applicant Design Section should state the required mechanism the utility must use to handle its design bid as well as the gains or losses on that bid. UDI would like the procedure to be clarified in the Applicant Design Section of both the extension and service rules.

SDG&E responded that it is not appropriate to include this or other accounting procedures needed for compliance with CPUC or FERC requirements in the Rules for the Sale of Electricity or rules for the Sale of Gas, and that these are the rules for the applicants and customers doing business with the utility.

We agree that the detailed rate-making or accounting treatment of bids and transactions between utilities and Applicants should not be addressed in the protests of the utility advice letters but should be addressed in other Commission proceedings and the utilities held responsible through appropriate regulatory process. Currently this matter of accounting treatment is being addressed before the Commission through PG&E and SCE's Joint Motion For Clarification of Decision D.97-12-099. Therefore, UDI's protest is denied without prejudice.

Fifth, in Applicant Design Section (F.1.i.) UDI would like to see a clear distinction made between the duties of "estimators" and "planners" to avoid charging ratepayers for inappropriate work. Section F.1.i. states: "Utility shall perform all of its own project accounting and cost estimating, and, according to UDI, the term "cost estimating" is not defined. UDI is concerned that since utility company "estimators or planners" both prepare designs and estimate the cost of the facilities to be installed, the utility can charge all of its design cost overruns to "cost estimating" which will be paid by the ratepayers, not the utility's shareholders, thus violating the intent of D.97-12-099.

SDG&E responded that specific utility job responsibilities are never stated in the rules. The rules are based on applicant, customer, and utility responsibilities, and it is up to the individual entity to properly manage their responsibilities, including the use of proper accounting practices.

We appreciate UDI's concern about the well being of ratepayers, but we are not convinced that we should engage in defining detail job functions of the utilities. Also, the advice letter process is not the appropriate vehicle for making changes

to current rate making treatment for the difference between the bid amount and the actual cost when the utility undertakes the work. However, if we find there are any improprieties in utility accounting mechanisms, we will hold the utilities accountable for their practices through the appropriate regulatory review process just like all other areas of regulation, and thus we deny UDI's protest on this issue.

B. PG&E

1. TURN/UCAN ISSUES

- On June 2, 1998, TURN/UCAN filed a protest to PG&E's advice letter for several reasons. First it protested the approval of a residential allowance of $1,286.00 for electric and $882.00 for gas service due to insufficient support for its calculations. (Electric Rule 15 C(3); Gas Rule 15 C (3)). TURN/UCAN asked the utility to provide all calculations and underlying data that resulted in their residential allowances.
- On June 10, 1998, PG&E provided TURN/UCAN the supporting work-papers and calculations. PG&E used the Conditional Demand Analysis model (CDA) to estimate the weather normalized energy consumption of major residential end-uses, referred to as Unit Electric Consumption (UEC) estimates. The analysis yielded 6,053 kWh/year for total house use. The updated annual gas UEC values yielded were ;

  Water Heating 208 therms
  Space Heating 348 therms
  Oven/Range 41 therms
  Gas Dryer 35 therms

- Using updated UEC values and the current cost-of-ownership percentages from gas Rule 2- Description of Service, and the proposed Gas Accord "Distribution Rate," the gas allowances were calculated by PG&E. In its letter dated October 22, 1998 to the Energy Division, TURN/UCAN stated that TURN and PG&E were able to reach agreement after reviewing the data and calculations underlying PG&E's proposed residential electric line and service extension allowance, and TURN/UCAN has no dispute with the company's proposed allowance. Based on its review of the documents provided by PG&E and TURN/UCAN, the Energy Division finds this agreement among parties to be reasonable and the TURN/UCAN protest is moot.
- Second, PG&E's single, fixed gas allowance would result in allowances that are not revenue justified. TURN/UCAN suggested that residential allowances should be calculated based on a single year's distribution revenues from residential customers,

divided by the cost-of-service factor. TURN/UCAN asserted that nothing in PG&E's filing allows the Commission to check this calculation, or to determine the reasonableness of the amounts being treated as PG&E's distribution revenues.

- PG&E responded that its proposal to use a fixed gas allowance places more of a focus on the revenue justification principle of D.97-12-098 than on the individual appliances. PG&E used the estimated total usage for the four end-uses to determine its flat amount. The end use values were derived from the UEC Residential Energy Survey which was submitted to the California Energy Commission on Oct. 24, 1997. In its letter of August 25, 1998, PG&E stated that PG&E and TURN/UCAN had agreed to PG&E's use of the fixed gas allowance. It also stated that PG&E will make an advice filing in approximately six months to adjust its gas allowance to reflect the latest gas consumption amount per household from the Department of Energy (DOE) Household Energy Consumption and Expenditures Report and it will replace its existing methodology used to estimate UEC values for electric and gas.
- In its letter dated October 22, 1998, TURN/UCAN stated: " On the residential gas allowance, PG&E joined SDG&E in proposing a single fixed allowance rather than the per-end use allowance that exists today. However, TURN and PG&E were not able to resolve our differences in a manner that resulted in a return to per-end use allowances. PG&E believes that the single fixed allowance approach would achieve significant administrative savings and eliminate the need to ensure compliance with the promised number of end uses in a residential dwelling. However, PG&E has recalculated its proposed allowance to better reflect the actual consumption it expects to see from a typical new residential customer. This change reduced the proposed allowance from $872 to $704." TURN further stated that it will not oppose PG&E's proposed gas allowance of $704 and it continues to reserve the right to challenge PG&E's single fixed allowance in the near future if in practice it turns out to provide the equivalent of a four-use allowance to large number of single-or double-use residents.
- Energy Division notes that PG&E will file an advice letter with the Commission to adjust its gas allowance to reflect the latest gas consumption amount per household from the DOE Household Energy Consumption and Expenditure Report. The Energy Division recommends that PG&E should also file with this advice letter the latest electric consumption per household from DOE Household Energy Consumption and Expenditure Report and be consistent with its methodology for both gas and electric. Furthermore, the Energy Division notes that neither D.97-12-098 nor D.97-12-099 require utilities to deviate from previously adopted or agreed upon methods of calculation of allowances using either single fixed gas allowance or multiple end-uses and, therefore, all utilities must continue to conform to the methods and requirements of the tariffs in effect prior to July 1, 1998. PG&E's request to use a single fixed gas allowance in lieu of four end-uses to

determine its allowance for gas is denied, and it should file appropriate correcting tariffs.

- Third, TURN/UCAN protested PG&E's proposal to apply allowances to costs covered by Rule 16 first, then the remainder (if any) to Rule 15 costs, rather than a pro-rata application of the allowance to Rule 15 and Rule 16 costs together. TURN has submitted similar protests to the advice letters filed by SDG&E, SoCal Gas, and Edison. TURN/UCAN expressed concern that PG&E's approach seems to achieve an outcome more favorable to applicants, at the expense of ratepayers.
- PG&E provided a detailed response with various scenarios in its June 10, 1998 letter, showing that regardless of how the allowances are applied, the allowance remains the same and the ratepayers share no additional responsibility and are indifferent. After discussing this issue with PG&E and other utilities and reviewing their responses, TURN/UCAN in its letter to the Energy Division dated October 22, 1998, withdrew its protest on this issue. The Energy Division recommends that the proposal of using pro-rata application of allowances to Rule 15 and Rule 16 is outside the scope of the Order in decision D.97-12-098, and PG&E should continue to use the rule in effect prior to July 1, 1998 .

2. UDI ISSUES

- In its letters dated May 19, 1998 and June 25, 1998, UDI protested PG&E's advice letter filing. UDI protested four areas: allowances, advances and refunds, contract compliance and applicant design. PG&E responded to UDI protests in its May 28, 1998 and July 7, 1998 letters. UDI essentially makes the same arguments for allowances as discussed above with regard to SDG&E's advice letters.
- In its May 28, 1998 and July 7, 1998 letters, PG&E responded that the cost-of-ownership percentages Rule 2- Description of Service are revised every three years, following each General Rate Case. PG&E's current Rule 2 reflects PG&E's cost-of-ownership as an unbundled amount that reflects a separate transmission and a separate distribution cost-of-ownership percentage. The current cost-of-ownership percentages became effective on August 5, 1996.
- Based on our examination of PG&E's response, the Energy Division concludes that the unbundled distribution cost-of-ownership monthly rate of 1.51% that became effective on August 5, 1996 meets the intent of D.97-12-098, and it does not include the transmission component. UDI's protest of this issue is denied for essentially the same reasons as stated above for SDG&E.
- UDI's second protest was about Advances and Refunds (Rule 15, C.1.,D.6.a. & E.1.). UDI makes the same arguments as discussed above with regard to SDG&E advice letters.

- PG&E responded that UDI's concern about delay is misplaced because it has not changed its "refund timing." Its concern about no allowance for Rule 16 is also incorrect, because Rule 15 provides an allowance for either a Rule 15 or Rule 16 extension, or any combination of them. PG&E also stated that in Rule 15 C.1., it has removed the statement, "excluding transformer, meter, and services" and let stand PG&E's total estimated installed cost to reflect the total cost. Rule 15 E.1. states how the refund and allowance will flow. PG&E also replied to UDI's concern that "refunds should be paid, first toward the distribution system cost." PG&E stated that service extension customers provide a utility's revenue, and the basis for allowance. Thus, if the utility extends a main with no customer, there is no revenue and no allowance. So typically when an applicant takes service there is a Rule 16 service extension to the customer, and there may or may not be a Rule 15 main or distribution line extension. Therefore, allowances should be applied first to the Rule 16 service extension and then to the Rule 15 main extension to which it is connected. Although the reasons given by PG&E appear reasonable, UDI protest is denied without prejudice for essentially the same reasons as stated above for SDG&E.
- UDI's third protest was regarding Contract Compliance (Rule 15, Section D.8.a.). UDI makes the same arguments as discussed above with regards to SDG&E's advice letters.
- PG&E responded that the only change that PG&E made to that paragraph was to change "based on the allowances for the loads actually installed" to "based on the allowances for the revenue actually generated." This change was a result of the new allowances being distribution revenue-based. We do not object to this change by PG&E. UDI protest is denied without prejudice for essentially the same reasons as stated above for SDG&E.
- UDI's fourth protest was regarding Rule 15, Section F. UDI stated that this section is misleading and incomplete in the following areas:

  <u>First</u>, the term Applicant's "qualified contractor or subcontractor" is misleading and should be replaced with "licensed professional engineer." UDI makes the same arguments as discussed above with regards to SDG&E advice letters. PG&E responded that UDI has provided no justification to alter the proposed rules which require the designs "conform to all applicable federal, state and local codes and ordinances for utility installations (such as, but not limited to the California Business and Professional Code)." PG&E further stated that nothing in the current decision authorizes UDI's requested deviation.

  The Energy Division agrees with PG&E that there is nothing in the current decision that would authorize UDI's requested deviation. However, UDI protest of this issue is granted for essentially the same reasons and, to the extent we

modify the tariff language as described above in the case of SDG&E advice letters.

Second, the words "...Competitive Bidding" should be replaced with the words "Applicant Design." UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

PG&E replied that this is a competitive option which allows the utility, applicant, or a third party to bid for the work. Furthermore, Rule 15 Section F. "Applicant Design" and Section G. "Applicant Installed" do not tie back to one another. However, in both cases the utility company can separately bid the work on a competitive basis.

The Energy Division denies UDI's protest for the reasons stated above with regards to SDG&E advice letters.

Third, the Applicant Design Section should state the required mechanism the utility must use to handle its design bid as well as the gains or losses on that bid. UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

PG&E responded that PG&E and SCE filed a Joint Motion For Clarification of Decision No. 97-12-099 for clarification of the Commission's intent regarding treatment of the utility's bid amount when the utility is awarded the competitive bid. Specifically, PG&E and SCE must know whether any credits or debits realized under the bidding process should be subject to current rate-making practices or subject to a separate rate-making mechanism where the shareholders are at risk for such credits and debits. Nonetheless, Rule 15 is not the proper place to codify an utility's accounting mechanisms.

We deny UDI's protest without prejudice for the same reasons as stated above with regards to SDG&E advice letters.

Fourth, in Applicant Design Section (F.1.i.) UDI would like to see a clear distinction made between the duties of "estimators" and "planners" to avoid charging ratepayers for inappropriate work. UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

PG&E replied that Decision 95-12-013 under the Applicant Design Workshop Report stipulates that the utility cost-estimating information is confidential and will be performed solely by the utility. The decision did not modify the procedure from the pilot for handling cost estimating.

The Energy Division denies UDI's protest for the reasons stated above with regards to SDG&E advice letters.

C. SCE

1. TURN/UCAN ISSUES

- On May 26, 1998, TURN/UCAN filed a protest to SCE advice letter for several reasons. First it protested the approval of a residential allowance of $1,406.00 for distribution line and service extensions. (Rule 15 C (3)). TURN/UCAN stated that Edison had provided insufficient support for its calculations of residential allowances and its allowance is approximately 33% higher than the residential electric allowance of $872.00 proposed by PG&E in its recent advice letter filing 2081-G/1765-E. On June 3, 1998, SCE provided TURN/UCAN the supporting work-papers and calculations. SCE also responded to TURN/UCAN's data request No.1 of June 3, 1998.
- SCE stated that TURN/UCAN's conclusion that SCE residential allowance was 33% higher than PG&E was based on erroneous assumptions. PG&E's residential allowance was $1,286.00 and not $872.00 as alleged by TURN/UCAN. TURN/UCAN had compared SCE's electric allowance with PG&E's gas allowance, and there is not a wide variance between the two utility's allowances, and there was no need for the Commission to take any actions suggested by TURN/UCAN. SCE's residential allowance of $1,406 is based on the 1997 average annual residential Net Revenue of $221 and the annual Cost of Service Factor of 15.72%. TURN/UCAN withdrew its protest after examining SCE response and Energy Division concurs with this resolution.
- TURN/UCAN's second protest was that in the proposed Rule 15 for its electric tariffs, SCE uses the following language for the flow-through mechanism mandated by D.97-12-098: "Additionally, SCE shall review and submit tariff revisions to implement relevant Commission decisions from other proceedings that affect this Rule. (Rule.15, I.2.) (Electric)". This description gives the appearance to TURN/UCAN, that the matter of what is or is not a relevant Commission decision is left to SCE's discretion. The parties have come to a compromised language which states: "Additionally, Utility shall review and submit **proposed** tariff revisions to implement relevant Commission decisions from other proceedings that affect this Rule." We have no objection to this change and we would require all utilities to implement this change of language regarding the "flow-through" mechanism in their tariffs as appropriate.
- Third, TURN/UCAN protested SCE's proposal to apply allowances to costs covered by Rule 16 first, then the remainder (if any) to Rule 15 costs, rather than a pro-rata application of the allowance to Rule 15 and Rule 16 costs together. TURN/UCAN

has submitted similar protests to the advice letters filed by SDG&E, SoCal Gas, and PG&E. TURN/UCAN expressed concern that SCE approach seems to achieve an outcome more favorable to applicants, at the expense of ratepayers.

- SCE provided a detailed response in its June 3, 1998 letter, showing to TURN/UCAN that the Commission's intent is to have "revenue based" extension rules and to provide allowances only to the extent that the revenues expected to be received from the load to be served matches the utility's investment. SCE further stated: " Since Rules 15 and 16 are revenue-based, neither allowances nor refunds can be granted without a Rule 16 service extension from which electricity is actually used and revenues are actually generated. Thus, allowances (which included free transformers, meter, and service conductor) have generally been applied first to the service extension where the revenues are generated before being applied to the line extension to which the service extension is connected. This methodology was not revised by D.97-12-098." After discussing this issue with SCE and reviewing its responses, TURN/UCAN in its letter to the Energy Division dated October 22, 1998, withdrew its protest on this issue. The Energy Division recommends that the proposal of using pro-rata application of allowances to Rule 15 and Rule 16 is outside the scope of the Order in decision D.97-12-098, and SCE should continue to use the rule in effect prior to July 1, 1998.
- TURN/UCAN's fourth protest was regarding the contract termination language. Attached to Edison's advice letter is Form 16-330 (Section 3.11,p.5) which states that the contract may be terminated if at any time during its term of the contract Edison is not the sole supplier of electrical requirements for the load added through the line extension. This provision is contrary to the Commission's policy of making direct access available to all utility customers. TURN/UCAN states that the recipient of a line or service extension allowance should be entitled to have their electrical requirements served by non-Edison providers if the customer so chooses.
- SCE agreed with TURN/UCAN and revised its form 16-330 Sec. 3.11 to read : " If at any time during the term of the Contract, SCE is not the sole **deliverer** of electrical requirements for the Project..." SCE agreed that this revision should clarify that a line/service extension applicant is entitled, under Direct Access, to have their electrical generation requirements served by non-SCE providers if they so choose. We agree to this language revision of Sec. 3.11 and TURN/UCAN in its letter dated October 22, 1998 to the Energy Division believes that all outstanding issues that it raised have been adequately resolved.

2. UDI ISSUES

- In its letter dated May 19, 1998, UDI protested SCE's advice letter filing. UDI protested four areas; allowances, advances and refunds, contract compliance, and

applicant design. First, UDI protested Rule 15, Section C.3. and Rule 16, Section E. of Electric Rules 15 and 16. UDI essentially makes the same arguments for allowances as discussed above with regard to SDG&E's advice letters.

- SCE in its letter to UDI dated June 1, 1998 responded that its Advice Letter complies with the periodic review requirement of Rule 15 which requires SCE to periodically review the factors it uses to determine residential allowances, and if such a review results in a change of more than five percent, SCE must submit a tariff revision proposal to the Commission. SCE reviewed its cost of service factor as it relates to distribution-based costs and determined that the factor does not vary by more than five percent and therefore, no revision is required to its tariff. SCE provided its residential allowance calculation workpapers to the Energy Division. SCE allowance is based on the 1997 average annual residential Net Revenue of $221 and an annual Cost of Service Factor of 15.72%. Our review finds SCE Cost of Service Factor and residential allowance calculations comply with the intent of D.97-12-098. UDI's protest of this issue is denied for essentially the same reasons as stated above for SDG&E.
- UDI's second protest was about Advances and Refunds. UDI makes the same arguments as discussed above with regard to SDG&E advice letters.
- SCE responded that since Rule 15 and 16 are revenue-based, neither allowances nor refunds can be granted without a Rule 16 service extension from which electricity is actually used and revenues are actually generated. Thus, allowances have generally been applied first to the service extension where the revenues are generated before being applied to the line extension to which the service extension is connected. According to SCE this methodology was not revised by D.97-12-098. In addition, UDI appears to confuse allowances and refunds as it uses the terms interchangeably throughout its protest. Allowances are credits granted to offset an applicant's advance prior to commencement of work on a project, and Refunds are the return of all or a portion of an applicant's advance after the project is completed and energized. UDI's protest is denied without prejudice for essentially the same reasons as stated above for SDG&E.
- UDI's third protest was regarding Contract Compliance (Rule 15, Section D.8.a.). UDI makes the same arguments as discussed above with regards to SDG&E's advice letters.
- SCE responded that these terms have been defined in its Section J of Rule 15. The only other revision SCE made to Section D.8.a of Rule 15 was to change the phrase "based on the allowances for the loads actually installed" to "based on the allowances for the revenue actually generated." This change was made as a result of D.97-12-098 to reflect distribution-based allowances. We agree with SCE that it has defined the terms in Section D.8.a of Rule 15. UDI protest is denied without prejudice for essentially the same reasons as stated above for SDG&E.

- UDI's fourth protest was regarding Rule 15, Section F. UDI stated that this section is misleading and incomplete in the following areas:

  First, the term Applicant's "qualified contractor or subcontractor" is misleading and should be replaced with "licensed professional engineer". UDI makes the same arguments as discussed above with regards to SDG&E advice letters.
  SCE responded that applicant designers should be professionally registered and their official seal should appear on all drawings as set forth in D.95-12-013 and the California Business and Professions Code. Thus, the phrase "qualified contractor or sub-contractor" is sufficiently broad to include all potential designers who qualify under applicable California statues and Commission decisions. Additionally, the new applicant design tariff provisions were modeled on the applicant installation provisions of the tariffs for consistency and clarity. The applicant installation language has served utilities, applicants, and third parties well since 1985 and should likewise be suitable for the new applicant design provisions.
  The Energy Division notes that there is nothing in the current decision that would authorize UDI's requested deviation. However, UDI's protest of this issue is granted for essentially the same reasons and, to the extent we modify the tariff language as described above in the case of SDG&E advice letters.
  Second, the words "...Competitive Bidding." Should be replaced with the words "Applicant Design". UDI makes the same arguments as discussed above with regards to SDG&E advice letters.
  SCE replied that contrary to UDI's claims, the applicant design option has never been construed to be available only for applicant installed projects. As stated in the Applicant Design workshop Report which was adopted by D.95-12-013, "The applicant may elect to provide designs for either utility installation for applicant installation projects."
  The Energy Division recommends the Commission deny UDI's protest for the reasons stated above with regards to SDG&E advice letters.
  Third, the Applicant Design Section should state the required mechanism the utility must use to handle its design bid as well as the gains or losses on that bid. UDI makes the same arguments as discussed above with regards to SDG&E advice letters.
  SCE responded that the issue of utility accounting treatment for the applicant design bid has yet to be resolved. SCE and PG&E filed a Joint Motion for Clarification of D.97-12-099 on this issue with the Commission on April 27, 1998. SCE states that it is inappropriate to include such utility accounting treatment in service and line extension tariffs.
  We recommend the Commission deny UDI's protest without prejudice for the same reasons as stated above with regards to SDG&E advice letters.

Fourth, in Applicant Design Section, UDI would like to see a clear distinction made between the duties of "estimators" and "planners" to avoid charging ratepayers for inappropriate work. UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

SCE replied that the specific program provision at issue here was agreed to in the Applicant Design Workshop Report and affirmed in D.95-12-013. The Commission stated in D.95-12-013 that the utility cost-estimating information is confidential and will be performed solely by the utility. The Commission thus found the phrase "cost estimating" sufficient to describe the specific function of pricing a project. Furthermore, the use of the term "cost estimating" does not allow a utility to book inappropriate costs to ratepayers, shareholders, or otherwise.

The Energy Division denies UDI's protest for the reasons stated above with regards to SDG&E advice letters.

D. SW GAS

1. UDI ISSUES

- UDI protested SW Gas advice letter with a late-filed protest dated June 8, 1998. UDI's concern relates to the issue of allowances, advances and refunds, contract compliance, and applicant design. UDI stated that its protest was late-filed because it did not receive service of Southwest's filing until May 29, 1998. UDI takes issue with the same items as with other utility company filings and made reference to the its protests of May 18-19, 1998 to the filings of So Cal Gas, SCE, PG&E, and SDG&E.
- SW Gas responded to UDI's protest in its letter dated June 17, 1998 and stated that UDI's protest did not set forth the specific grounds upon which it protested the SW Gas filing as required by General Order 96-A and Rule 30 of the Commission's Rules of Practice and Procedure, but instead, UDI merely included by reference the protests UDI had lodged against the compliance filings of the other respondent utilities to this proceeding. SW Gas identified following four areas of concern that were common to UDI's protests of other utilities: (1) the calculation of allowances; (2) contract compliance; (3) the order of allowances and refund of advances; and (4) the Applicant Design Program.
- UDI essentially makes the same arguments for allowances as discussed above with regard to SDG&E's advice letters. SW Gas addressed the first concern about recalculations of allowances to reflect distribution-based revenues by stating that its allowances were already distribution-based and it was not required by D.97-12-098 and D.97-12-099 to make such changes to its line extension rules to comply with

these decisions. SW Gas did not propose revisions in this filing to its existing, authorized allowances as set forth in its previously approved line extension tariffs. We agree with SW Gas that UDI did not file its protest in accordance with the requirements of General Order 96-A and Rule 30 of the Commission's Rules of Practice and Procedure. However, we will not deny UDI's protest of this filing because its protest is generic to all the utilities and it merits consideration by all the parties. Furthermore, UDI's protest of the issue of allowances is denied for essentially the same reasons as stated above for SDG&E.

- UDI's second protest was regarding Contract Compliance (Rule 15, Section D.9.a.). UDI makes the same arguments as discussed above with regard to SDG&E advice letters.
- SW Gas responded that the only revision SW Gas made to Section D.9.a of Rule 15 was to change the phrase "based on the allowances for the loads actually installed" to "based on the allowances for the revenue actually generated." This change was made as a result of D.97-12-098 to reflect distribution-based allowances. The operation of this section of the line extension rules has been virtually unchanged over many years, whether the allowances were appliance/footage-based or revenue-based. We do not object to this change by SW Gas. UDI protest is denied without prejudice for essentially the same reasons as stated above for SDG&E.
- UDI's third protest was about Advances and Refunds (Rule 15 and Rule 16). UDI makes the same arguments as discussed above with regard to SDG&E advice letters.
- SW Gas responded that Allowances and Refunds are two distinct issues. Allowances are given as a credit to applicants for service, based on the revenues expected to be generated from the main and line extensions, at the time the extension contract is made. Advances are amounts collected from applicant(s) for service if the cost of a main extension to serve the applicant(s) exceeds the allowances granted, based on the expected revenues from the initial service associated with the extension. These advances are subject to refund as subsequent main or service extensions are made off of the original extension. Thus, the applicant(s) who advanced the additional cost of the extension may be entitled to a refund of their advances during the refund period. SW Gas did not propose any changes to the treatment of allowances or refund of advances in this filing from its previously authorized tariffs, nor were they the subjects of D.97-12-098. Although the reasons given by SW Gas appear reasonable, UDI's protest is denied without prejudice for essentially the same reasons as stated above for SDG&E.
- UDI's fourth protest was regarding Rule 15. UDI stated that section of this Rule is misleading and incomplete in the following areas:

  <u>First</u>, the term Applicant's "qualified contractor or subcontractor" is misleading and should be replaced with "licensed professional engineer". UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

SW Gas responded that applicant designers must be professionally registered and their official seal should appear on drawings as set forth in D.95-12-013 and the California Business and Professions Code. Thus, the phrase "qualified contractor or sub-contractor" is sufficiently broad to include all potential designers who qualify under the Code and is consistent with the prequalification provisions of D.97-12-099.

The Energy Division notes that there is nothing in the current decision that would authorize UDI's requested deviation. However, UDI's protest of this issue is granted for essentially the same reasons and, to the extent we modify the tariff language as described above in the case of SDG&E advice letters.

Second, the words "...Competitive Bidding." Should be replaced with the words "Applicant Design." UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

SW Gas replied that under its tariff language, both design and installation portions of projects are eligible for competitive bid. The choice of parallel language in Applicant Design, Section F and Applicant Installation, Section G, reflects the availability of competitive bidding for both options, consistent with D.85-08-043 and D.97-12-099.

The Energy Division recommends the Commission deny UDI's protest for the reasons stated above with regards to SDG&E advice letters.

Third, the Applicant Design Section should state the required mechanism the utility must use to handle its design bid as well as the gains or losses on that bid. UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

SW Gas does not believe it is appropriate or necessary to detail the accounts or accounting procedures needed for compliance with CPUC or FERC accounting requirements. The Applicant Design Program is no different than any other revenue or expense item incurred by the Utility. Whether the Applicant Design Program entries are recorded in compliance with D.97-12-099 is an appropriate subject for review through the regulatory process, such as a general rate case.

We deny UDI protest without prejudice for the same reasons as stated above with regards to SDG&E advice letters.

Fourth, in Applicant Design Section, UDI would like to see a clear distinction made between the duties of "estimators" and "planners" to avoid charging ratepayers for inappropriate work. UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

SW Gas stated that the specific program provision at issue here was agreed to in the Applicant Design Report and affirmed in D.95-12-013 in that "cost estimating information is confidential and cost estimating will be performed solely be the utility." The function of utility cost estimating has always been

clearly understood as a confidential function and has never been confused with the duties of a "planner" or "estimator."

The Energy Division recommends the Commission deny UDI's protest for the reasons stated above with regards to SDG&E advice letters.

Fifth, UDI stated that the Applicant Design section does not mention commercial projects and the utilities should include language requiring projects to be eligible for applicant design within three years of Commission's order (D.97-12-099).

SW Gas replied that commercial projects were included in SW Gas Applicant Design Pilot Program and this policy continues with implementation of applicant design as a permanent tariff component. It is not necessary to specify commercial projects, since the line extension rules apply to both residential and commercial projects.

The Energy Division recommends the Commission deny UDI's protest for the reasons stated above with regards to SDG&E advice letters.

E. SO CAL GAS

1. TURN/UCAN ISSUES

- On May 22, 1998, TURN/UCAN filed a protest to SCE advice letter for several reasons. So Cal Gas responded to this protest in a letter on May 27, 1998. In its letter dated June 26, 1998, So Cal Gas also responded to various telephone conversations that So Cal Gas had with TURN/UCAN. On July 8, 1998, TURN/UCAN sent a supplemental protest to So Cal Gas. In its letter of November 16, 1998 to the Commission, So Cal Gas stated: "Regrettably, we must report that TURN/UCAN and So Cal Gas have not been able to resolve the matters at issue, and it does not appear that further efforts to resolve those differences would be productive."
- TURN/UCAN had three objections to this Advice filing. First, So Cal Gas seeks to implement sixty-two separate residential allowances for both gas main extensions (under Rule 20(C)(3)) and gas service extensions (under Rule 21 (E)(2)). Whereas, currently under the existing tariffs, there are ten separate allowances, one for each of five end-uses under both rules. The company sets forth a new "look-up table" that sets forth the allowance for various combinations of those end-uses. There are an additional fifty-two allowances that represent various combinations of end-uses where applicants include two-, three-, four- and five-end uses in the dwelling unit. For these combinations, the total is always greater than the sum of the individual allowances and would seem to exceed the amount that is revenue-justified. Also, combining the separate main and service extension allowances that So Cal Gas

proposes here results in allowances 97% greater than those sought by PG&E, and 48% higher than SDG&E. TURN/UCAN further stated that in the past, So Cal Gas did not have an adopted cost-of-service factor, and consequently its methodology was different than other utilities in calculating the allowances. However, the Commission recently adopted a cost-of-service factor for So Cal Gas, as set out in Rule 2 of the company's tariffs. Therefore, there is no longer justification for the use of a different calculation methodology than that used by the other utilities.

- So Cal Gas stated that its allowance calculations are based on the following rationale: First, Single end-use has specific fixed costs allocated against the single end-use gas revenue, and second, Combination end-use gas has specific fixed costs allocated against the total combination end-use gas revenue for which the utility can justify the allowance investment. As the methodology adopted in D.94-12-026 remains unchanged, stating the combination end-uses and their associated revenue-based dollar allowances establishes an equitable cost-sharing between applicants and ratepayers.
- Some of the reasons for issuing R.92-03-050 were to uncover opportunities to consolidate, to simplify and standardize the extension rules, to reduce the administrative costs of the rules, and to more appropriately assign extension costs. The Commission further expressed its intent in D.95-12-013 that: "Generally, we believe that an applicant design program should be uniform for all the utilities." Even though the sixty two end-use combinations in its tariffs might establish an equitable cost-sharing between applicants and ratepayers, we believe that such detailed refinements can lead to further complexity and go beyond the scope of the D.97-12-098 and D.97-12-099. We recommend that So Cal Gas calculate its allowances for each of the five end-uses under both gas main extensions (under Rule 20, C,3) and gas service extensions (under Rule 21, E,2) and reflect these changes in its tariffs as ordered in this resolution.
- TURN/UCAN's second protest was that So Cal Gas proposes to change the end-use allowances of mains and services from 67% main and 33% services to 44% main and 56% services. The only justification for this dramatic change is the company's statement that it is based on "SoCalGas' true cost associated with service installation from main to meter rather than property line to meter as filed in the current tariffs." In its July 8, 1998 supplemental protest TURN/UCAN further stated that the "True Cost" data submitted by So Cal Gas does not support its proposal to reallocate allowances between main and service extension. It only used 1996 and 1997 recorded data to allocate allowances between main and service extensions. There is a reason to doubt that an average of the 1996 and 1997 spending levels is an appropriate forecast of future spending. TURN/UCAN further stated the Advice Letter Process is not the appropriate forum for the resolution of the reallocation of allowances. The change in its ratio of end-use allowance

assigned to Rule 20 (gas main) and Rule 21 (gas service) extension goes beyond the scope of anything discussed in D.97-12-098.

- So Cal Gas responded that D.97-12-098 ordered the revenue justifying of Rule 21 by including the cost of meters, regulators, and associated equipment as costs to the developer, yet subject to allowances. This order, by itself, dictates a change in the ratio of allowances for main and services due to the inclusion of the meter and regulator costs. Furthermore, So Cal Gas deemed it would be an extraneous and unnecessary increase in regulatory costs to file several changes in these ratios when they could include in complying with Decision D.97-12-098. Prior to July 1, 1995, ¾ of allowances were allocated to main and ¼ allocated to services. This was not based upon the actual cost allocation of the main and services. The current proposed reallocation of main and service allowances based on the recorded 1996 and 1997 more accurately reflects the pipeline construction in its territory. The allowance due to the change in meter, regulators, and services alone accounts for a 4.2% shift in allowances.
- Based on its analysis, the Energy Division concludes that even though there are merits in So Cal Gas recalculation of its allowance split for main and service extension allowances based on the actual construction activity in its territory, such recalculation goes beyond the scope of D.97-12-098. We recommend that So Cal Gas make only those changes to its recalculation and shift of its allowances that pertain to meters, regulator, and services in accordance with D.97-12-098 and file appropriate changes in its tariffs.
- TURN/UCAN's third protest was that in the proposed Rule 20 for its gas tariffs, So Cal Gas uses the following language for the flow-through mechanism mandated by D.97-12-098: "Additionally, utility shall review and submit tariff revisions to implement relevant Commission decisions from other proceedings that affect this Rule. (Rule.20, H.2.)." This description gives the appearance to TURN, that the matter of what is or is not a relevant Commission decision is left to So Cal Gas discretion. The parties have come to a compromised language which states: "Additionally, Utility shall review and submit **proposed** tariff revisions to implement relevant Commission decisions from other proceedings that affect this Rule." We have no objection to this change and we would require all utilities to implement this change of language regarding the "flow-through" mechanism in their tariffs as appropriate.

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2. UDI ISSUES

- In its letter dated May 18, 1998, UDI protested So Cal Gas advice letter filing. UDI protested five areas; allowances, refundable amounts, contract compliance, applicant design, and additional insured. First, UDI protested Gas Rule 20, Section C.3. and Gas Rule 21, Section E.2. UDI stated that pursuant to the Commission's order, allowances should not be stated in both the main and service rules. Allowances for main extensions and services should be combined; set forth in only one rule; and paid to the applicant when the permanent service is connected. Further, the residential allowance "look-up" table does not add up correctly.
- So Cal Gas responded that no where in the Commission's order does it require So Cal Gas to combine its allowances into one rule as UDI claims. Also, its allowance calculations are based on the following Rationale: First, Single end-use has specific fixed costs allocated against the single end-use gas revenue, and second, Combination end-use gas has specific fixed costs allocated against the total combination end-use gas revenue for which the utility can justify the allowance investment. As the methodology adopted in D.94-12-026 remains unchanged, stating the combination end-uses and their associated revenue-based dollar allowances, establishes an equitable cost-sharing between applicants and ratepayers.
- Some of the reasons for issuing R.92-03-050 were to uncover opportunities to consolidate, to simplify and standardize the extension rules, to reduce the administrative costs of the rules, and to more appropriately assign extension costs. The Commission further expressed its intent in D.95-12-013 that: "Generally, we believe that an applicant design program should be uniform for all the utilities." Even though the sixty two end-use combinations in its tariffs might establish an equitable cost-sharing between applicants and ratepayers, we believe that such detailed refinements can lead to further complexity and go beyond the scope of the D.97-12-098 and D.97-12-099. We recommend that So Cal Gas calculate its allowances for each of the five end-uses under both gas main extensions (under Rule 20, C,3) and gas service extensions (under Rule 21, E,2) and reflect these changes in its tariffs. In addition, in its item 5 of Conclusion of Law, in D. 97-12-098, the decision stated: " In order to implement the inclusion of MRE (meters, regulators and associated equipment) in the costs subject to the line and service extension allowances, Rules20 and 21 should be modified consistent with this change. The discussion of allowances in Rule 20 should include rather than exclude the MRE equipment as a utility cost subject to the allowance. In addition, language should be added to Rule 21 to make clear that the allowance for MRE-related costs is discussed in Rule 20." We will require So Cal Gas to conform to the requirements of this section as stated above and modify its Rules 20 and 21 as appropriate.

- UDI's second protest was about refundable amount language in Rule 20, D.7:a. The paragraph states: " Applicant's refundable amount is the portion of the Utility's total estimated installed cost, including taxes, to complete the extension (excluding Meter Set Assemblies, Services, and Betterments), including the estimated value of the Trenching, that exceeds the amount of extension allowance determined in Section C; or,..." This language appears ambiguous to UDI.
- In response to UDI, So Cal Gas stated that allowances and advances on construction projects are two separate issues. Advances are cash payments made to the Utility prior to any work done by the Utility which is not covered by allowances. The Energy Division notes that neither D.97-12-098 nor D.97-12-099 require utilities to deviate from previously adopted or agreed upon methods of refundability of payments or advances and, therefore; all utilities must continue to conform to the requirements of the tariffs in effect prior to July 1, 1998 regarding this protested item of refundability of payments or advances. UDI's protest is denied.
- UDI's third protest was regarding Contract Compliance (Rule 20, Section D.9.a.). UDI makes the same arguments as discussed above with regards to SDG&E's advice letters.
- So Cal Gas stated that UDI has incorrectly interpreted Rule 20, Section D.9.a. The section clearly states "...Applicant fails to take service, or fails to use the service contracted for, Applicant shall pay the Utility an additional Contribution or Advance, ***based on the allowances*** for the revenues generated from loads actually installed." UDI protest is denied without prejudice for essentially the same reasons as stated above for SDG&E.
- UDI's fourth protest was regarding Rule 20, Section F. UDI stated that section of this Rule is misleading and incomplete in the following areas:

  First, the term Applicant's "qualified contractor or subcontractor" is misleading and should be replaced with "licensed professional engineer". UDI makes the same arguments as discussed above with regards to SDG&E advice letters.
  So Cal Gas responded that the phrase "qualified contractor or subcontractor" is sufficiently broad to include potential designers who qualify under the California Business and Professional Code ("Code). As set forth in D.95-12-013 and the Code, applicant designers must be professionally registered and the designer's official seal should appear on the drawing. Additionally, the new applicant design tariff provisions were modeled based on the existing applicant installation provisions of the current CPUC approved tariffs for consistency and clarity. The applicant installation language has served utilities, applicants, and third parties well since 1985 and should likewise be suitable for the new applicant design provisions.
  The Energy Division notes that there is nothing in the current decision that would authorize UDI's requested deviation. However, UDI's protest of this

issue is granted for essentially the same reasons and, to the extent we modify the tariff language as described above in the case of SDG&E advice letters.

Second, UDI stated that the Applicant Design section does not mention commercial projects. UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

So Cal Gas replied that commercial projects were included in So Cal Gas' Applicant Design Pilot Program and this policy continues with implementation of applicant design as a permanent tariff component. It is not necessary to specify commercial projects, since the line extension rules apply to both residential and commercial projects. The Energy Division recommends the Commission deny UDI's protest for the reasons stated above with regards to SDG&E advice letters.

Third, the phrase "...when the Utility determines a design is required." should be stricken from the applicant design section. D. 97-12-099 does not limit, in any way, an applicant's right to choose who designs its facilities. Even as to a single residential service, the applicant may choose to have it designed by the customer's own engineer. Consequently, the utility has no right to restrict an applicant's decision to design its own facilities by asserting a "design" is not required. This restriction must be removed from both the extension and service rules.

So Cal Gas responded that not all installations require a design, i.e., isolated services or small extensions in private property where all documentation would be captured on an as-built drawing which is not a part of the applicant design option. Even though we agree with So Cal Gas that there may be isolated services or small extensions where design could be captured on as-built drawings, we believe that it is the general public interest not to emphasize this point and therefore, we grant UDI's protest and order So Cal Gas to remove from its tariffs the language "...when the utility determines a design is required."

Fourth, the Applicant Design Section should state the required mechanism the utility must use to handle its design bid as well as the gains or losses on that bid. UDI makes the same arguments as discussed above with regards to SDG&E advice letters.

So Cal Gas responded that as pointed out in So Cal Gas reply comments to Edison and PG&E's recent motion for clarification, in the Applicant Design Decision D.97-12-099, there is no requirement al all in the Commission's Decision for utilities to change from their current methodology of booking excess costs to ratepayers.

We deny UDI's protest without prejudice for the same reasons as stated above with regards to SDG&E advice letters.

Fifth, in Applicant Design Section (F.9.), UDI would like to see a clear distinction made between the duties of "estimators" and "planners" to avoid charging ratepayers for inappropriate work. UDI makes the same arguments as discussed above with regards to SDG&E advice letters.
So Cal Gas stated that the specific program provision at issue here was agreed to in the Applicant Design Report and affirmed in D.95-12-013 in that "cost estimating information is confidential and cost estimating will be performed solely be the utility." The function of utility cost estimating has always been clearly understood as a confidential function and has never been confused with the duties of a "planner" or "estimator". The Energy Division recommends the Commission deny UDI's protest for the reasons stated above with regards to SDG&E advice letters.

- UDI's fifth protest was regarding one of the terms and conditions within So Cal Gas sample form entitled "Applicant Design Terms and Conditions." A named insured of a professional liability policy is prohibited by the professional errors and omissions insurance carriers doing business within California from naming other individuals or entities as additional insured to that policy.
- So Cal Gas replied that it has learned that being added as an additional insured on an errors and omissions insurance policy does not afford So Cal Gas protection, and therefore will delete this requirement from its Terms and Conditions (paragraph 5). However, where the Applicant is not the Design Representative, So Cal Gas believes it appropriate for the Applicant to request verification that the Design Representative has errors and omissions coverage and to provide this evidence to So Cal Gas. Also, So Cal Gas believes it appropriate to require the Applicant to provide evidence that it has general liability coverage (covering liability arising out of the design work), and to be added as an additional insured on this policy. The Energy Division recommends that the "insurance clause" issue be deleted since it is outside the scope of D.97-12-098.

F. PP & L

- There were no protests filed to PP&L rules by any party to this proceeding. In the Commission decision D. 94-12-029 PP&L, Sierra Pacific and Washington Water and Power Company requested that they be allowed to submit line extension rules that mirror the respective utility's line extension rules in the adjacent state. These utilities agreed that any such filing, however, must be accompanied by sufficient data to allow the Commission to address the statutory requirements of PU Code 783. The Commission stated: "We agree that these utilities, with small service territories in the State of California, may realize efficiencies through deviations from the

uniform rules for the large California utilities. Therefore, there is no reason to deny the request of these utilities."

G. OTHER ISSUES

- It is the preference of all respondents to this proceeding namely PG&E, SCE, SDG&E, So Cal Gas, SW Gas, PP&L, CBIA, and TURN/UCAN except UDI, that these rules become effective prospectively. We agree that in order to reduce the complexity from a regulatory perspective, we will make these rules effective prospectively.

COMMENTS

1. The draft Resolution of the Energy Division in this matter was mailed to the parties in accordance with P.U. Code Section 311(g). Comments were filed on March 31, 1999 by PG&E, TURN/UCAN, SDG&E, SW Gas, SO CAL GAS, CBIA(California Building Industry Association) and UDI. In addition there were late filed comments by California Industrial Group and California Manufacturers Association on April 22, 1999 and Dynegy, Inc. on April 2, 1999. They filed an affidavit explaining their tardy filings. Following are the comments by various parties.

2. So Cal Gas, Dynegy Inc., CBIA, California Industrial Group and California Manufacturers Association (CIG/CMA) all had like comments, therefore, Energy Division will address their concerns jointly. So Cal Gas et al stated that with one exception it accepts all of the revisions to its line extension tariffs recommended by the Energy Division in its draft Resolution, consistent with the specific language of the draft Resolution, Ordering Paragraph 25. So Cal Gas et al stated that the Energy Division should not replace the cost-of-service factor with the cost-of-ownership charge since the cost-of-service factor (D.94-12-026) was produced from a settlement approved by the Commission in 1994 and has been used by So Cal Gas to determine line extension allowances ever since. We find that there is no compelling reason to change So Cal Gas methodology at this time since it is in compliance with D. 97-12-098.

3. TURN/UCAN in general supports the outcome described in the draft Resolution. TURN/UCAN's primary comment was regarding the continuing use of the "life-cycle cost method" by So Cal Gas rather than the "annualized method" employed by PG&E, Edison, and SDG&E in calculating its line extension allowances. It would like the Commission to direct So Cal Gas to use the same method of calculating its extension allowances as other utilities in order to standardize extension rules.

TURN/UCAN further stated that the draft Resolution contains no legal error. As discussed above, we will not require So Cal Gas to change its method of line extension allowance from "Life-Cycle Cost Method" to "Annualized Method".

4. SW Gas on behalf of all the JURs (PG&E, SDG&E, SCE, So Cal Gas, and SW Gas) commented that Ordering Paragraph 27 should be deleted from its final resolution. SW Gas stated that the JURs currently require indemnification and warranty by anyone performing work for the utilities. Additionally, all of the JURs plan check/inspect all design and construction work. Also since this issue has not been identified as an issue in this proceeding, the "insurance clause" issue should be deemed to be outside the scope of issues in this proceeding. UDI also suggested that the Ordering Paragraph 27 regarding "insurance clause" should be modified. We agree with the parties concerned that the "insurance clause" issue is outside the scope of D.97-12-098 and will be deleted.

5. PG&E requested 90 days instead of 60 days following the date of this resolution to submit and put into effect the new tariffs. We agree that given the complexity of implementation of this resolution it is appropriate to grant 90 days instead of 60 days, and we will reflect that in the final resolution.

6. California Industrial Group and California Manufacturers Association and Dynegy Inc. filed their comments late. Since their comments reflect those of So Cal Gas and CBIA, it is moot whether their comments are accepted or not.

FINDINGS

1. PG&E filed Advice Letter 2081-G/1765-E to comply with D.97-12-098 and D.97-12-099 on May 11, 1998.

2. SCE filed Advice Letter 1309-E to comply with D.97-12-098 and D.97-12-099 on May 4, 1998.

3. SDG&E filed Advice Letter 1092-E/1095-G to comply with D.97-12-098 and D.97-12-099 on April 30, 1998.

4. So Cal Gas filed Advice Letter 2708-G to comply with D.97-12-098 and D.97-12-099 on May 1, 1998.

5. SW Gas filed Advice Letter 572-G to comply with D.97-12-098 and D.97-12-099 on April 30, 1998.

6. PP&L filed Advice Letter 289-E-A to comply with D.97-12-098 and D.97-12-099 May 6, 1998.

7. TURN/UCAN filed protests to SCE, PG&E, SDG&E, and So Cal Gas advice letters on May 26, 1998, June 2, 1998, May 21, 1998, and May 22, 1998 respectively .

8. UDI filed protests to SCE, PG&E, SDG&E on May 19, 1998, and also filed protests to So Cal Gas Advice Letter 2708-G on May 18, 1998 and SW Gas Advice Letter 572-G on June 8, 1998.

9. Of the eight issues identified in D.95-12-013 only issue No. 8 is addressed in D.97-12-098. This issue deals with the treatment of the costs of transformers, meters, regulators and services. The other issues are to be addressed in separate Commission decisions.

10. TURN/UCAN and SDG&E reached an agreement that the proposed electric line and service extension allowance should be based on a distribution rate adopted in D. 97-12-109 rather than 1996 ECAC Decision D.96-06-033. We find it appropriate to use the most current allocation of Unbundled Revenue Requirement Component for Distribution Residential Revenue Requirement in D. 97-12-109

11. SDG&E changed its gas residential allowance methodology from end-unit basis to a single fixed gas allowance per unit. TURN/UCAN and SDG&E are in agreement that this change is inappropriate at this time, and SDG&E re-calculated the gas allowance for four different end uses based on updated UEC figures. As a result of this calculation, the gas allowance is $1,142.00. We find that at this time there is nothing in D.97-12-098 that directs the utilities to implement changes in their previously agreed upon methods of calculation of gas allowances for its residential line and service extensions. We agree with SDG&E and TURN/UCAN that the methodology used by SDG&E to calculate its residential gas allowance went outside the scope of the D. 97-12-098.

12. In both the proposed Rule 15 for gas and electric tariffs, SDG&E uses the language: "Additionally, Utility shall review and submit tariff revisions to implement relevant Commission decisions from other proceedings that affect this Rule. (Rule.15,I.2.) (electric) and Rule 15 , H.2.) (Gas)." TURN/UCAN and SDG&E have agreed to a compromise language which states: "Additionally, Utility shall review and submit

proposed tariff revisions to implement relevant Commission decisions from other proceedings that affect this Rule." We have no objection to this change in the language of flow-through mechanism. This finding also applies to rules and tariffs of **all** participant utilities to this proceeding to which TURN/UCAN had an identical protest.

13. SDG&E proposes to apply allowances to Rule 16 first, and the remainder to Rule 15. TURN/UCAN proposed a pro-rata application of the allowance to Rule15 and Rule 16 costs together.

14. SDG&E has kept the allowance and refund sequence the same as reflected in the current rules, and the allowances are applied first to the service extension where the revenues are generated before being applied to the line extension to which the service extension is connected.

15. SDG&E's residential allowances had been revised to reflect only distribution revenues, and there were no resulting changes to the cost-of-service factors, as filed in its respective gas and electric Rule 2, Description of Service. SDG&E allowance calculations were based on the unbundled distribution revenue basis rather than the revenues reflecting the full range of utility services in the "net revenues" used to set allowances, and met the intent of D.97-12-098, and the cost of ownership factor was based on currently adopted Rule 2, Description of Service.

16. All utilities to this proceeding must continue to conform to the requirements of the rules and tariffs in effect prior to July 1, 1998 regarding the UDI protested item of Refunds and Advances. The Energy Division notes that neither D.97-12-098 nor D.97-12-099 require utilities to deviate from previously adopted or agreed upon methods of application of allowances. We agree with SDG&E that these decisions make no change relative to the refundability of Rule 15 advances or the non-refundability of payments made in accordance with Rule 16. We find it to be outside the scope of these decisions.

17. We find the tariffs as filed by SDG&E regarding option for commercial or industrial services to be consistent with the ordering paragraph 3 of D.97-12-099 and expect all utilities to file appropriate applicant tariff option for commercial or industrial services within three years from the date of D.97-12-099.

18. The Energy Division finds that the detailed rate-making or accounting treatment of bids and transactions between the utilities and Applicants should not be treated in the protests of the utility advice letters but should be addressed in other Commission

proceedings and the utilities held responsible through appropriate regulatory process. The mechanism the utility must use to handle its design bids are being addressed before the Commission in a Joint Motion For Clarification of Decision D.97-12-099.

19. The Contract Compliance Provision (Rule 15, Section D.8.a.) in SDG&E rules has been a standard provision to protect ratepayers. We conclude that in those cases where an applicant feels that the application of this rule appears unfair and unjust, there is a remedy available in the existing rules and tariffs that allows the parties to refer the matter to the Commission for a special ruling or for special condition(s), which may be agreed upon by the parties. This finding also applies to rules and tariffs of **all** participant utilities to this proceeding.

20. The Energy Division agrees with SDG&E that D.97-12-099 allowed the utilities to administer reasonable pre-qualification of designers comparable to requirements imposed on utility designers and contract designers and there have been no complaints during the pilot program that the utilities have been unreasonable in their requirements. However, in D.95-12-013 the Commission noted that: " The design of utility facilities has a direct impact on the safe operations of such facilities, and it is beyond dispute that any applicant design program must ensure, first and foremost, that the safety of the utility system is not compromised in the slightest."

21. The Energy Division recommends that all utilities to this proceeding replace the existing language in their tariffs with the following language: "When an Applicant selects competitive bidding, the Distribution Line Extension may be designed by Applicant's qualified contractor or sub-contractor in accordance with utility's design and construction standards. All Applicant-Design-work on gas and electric facilities must be performed by or under the direction of a Licensed Professional Engineer and all design work submitted to the utility must be certified by an appropriately Licensed Professional Engineer, consistent with the applicable federal, state, and local codes and ordinances."

22. UDI protested that in SDG&E's Rule 15, Sec. F., the wording "...Competitive Bidding" should be replaced with "Applicant Design." The Energy Division finds no compelling evidence or reason to modify the existing tariff language and further finds that protest filed is outside the scope of the order of D.97-12-099. This finding also applies to rules and tariffs of **all** participant utilities to this proceeding.

23. UDI protested that in Applicant Design Section (F.1.i.) distinction should be made between the duties of "estimators" and "planners." We agree with SDG&E that

specific utility job responsibilities are not stated in the rules. We are not convinced that we should engage in defining detail job functions of "estimators" and "planners." If we find improprieties in the utility in the utility mechanisms, we will hold the utilities accountable for their practices through the appropriate regulatory review process just like all other areas of regulation. This finding is applicable to PG&E, SCE, SDG&E, So Cal Gas, and SW Gas.

24. TURN/UCAN filed a protest to PG&E advice letter for several reasons. It protested the approval of a residential allowance of $1,286.00 for electric and $882.00 for gas service due to insufficient support for its calculations. (Electric Rule 15 C(3); Gas Rule 15 C (3)). After reviewing the data and calculations underlying PG&E's proposed residential electric line and service extension allowance, TURN/UCAN has no dispute with the company's proposed allowance. TURN/UCAN's protest is moot.

25. PG&E used a single fixed gas allowance in lieu of four end-uses as used previously, to determine its allowance for gas service. The Energy Division notes that neither D.97-12-098 nor D.97-12-099 require utilities to deviate from previously adopted or agreed upon methods of calculation of allowances using either a single fixed gas allowance or multiple end-uses.

26. TURN/UCAN protested PG&E proposal to apply allowances to costs covered by Rule 16 first, then the remainder (if any) to Rule 15 costs, rather than a pro-rata application of the allowance to Rule 15 and Rule 16 costs together. PG&E provided a detailed response. After discussing this issue with PG&E and other utilities and reviewing their responses, TURN/UCAN withdrew its protest on this issue.

27. PG&E's current Rule 2 reflects PG&E's cost-of-service ownership as an unbundled amount that reflects a separate transmission and a separate distribution cost-of-ownership percentage. The unbundled distribution cost-of-ownership monthly rate of 1.51% that became effective on August 5, 1996 meets the intent of D.97-12-098.

28. PG&E made changes to Rule 15, Section D.8.a from "based on the allowance for the loads actually installed" to "based on the allowances for the revenue actually generated." We agree with this change since it reflects the new allowance being distribution revenue-based.

29. TURN/UCAN had compared SCE's electric allowance of $1,406.00 with PG&E's gas allowance of $872.00. SCE's residential allowance of $1,406.00 is based on the 1997 average annual residential Net Revenue of $221 and the annual Cost of Service

Factor of 15.72%. TURN/UCAN withdrew its protest of this item after SCE provided the supporting work-papers and calculations.

30. TURN/UCAN protested SCE language in its Form 16-330 (Section 3.11,p.5) which states that the contract may be terminated if at any time during its term of the contract Edison is not the sole supplier of electrical requirements for the load added through the line extension. SCE agreed with TURN/UCAN and revised the language to read: "If at any time during the term of the contract, SCE in not the sole **deliverer** of electrical requirements for the Project…" Energy Division recommends approval of this change of language.

31. We agree with SW Gas that UDI did not file its protest in accordance with the requirements of General Order 96-A and Rule 30 of the Commission's Rules of Practice and Procedure. However, we will not deny UDI protest of this filing because its protest is generic to essentially all the participating utilities to this proceeding, and it merits consideration by all the parties.

32. So Cal Gas seeks to implement sixty-two separate residential allowances for both gas main extensions (Rule 20.C.3) and gas service extensions (Rule 21.E.2). Whereas, currently under the existing tariffs, there are ten separate allowances, one for each of the five end-uses under both rules.

33. TURN/UCAN proposal to substitute "ownership charge" for the "cost-of-service factor" or to change So Cal Gas methodology to calculate net revenues in its extension allowance formula is beyond the scope of D.97-12-098. However, we note that So Cal Gas methodology to calculate its line extension allowances is different from other regulated utilities such as PG&E, SCE, and SDG&E.

34. Even though the sixty two end-use combinations in So Cal Gas tariffs may establish an equitable cost-sharing between applicants and ratepayers, we believe that such detailed refinements can lead to further complexity and go beyond the scope of D.97-12-098 and D.97-12-099. Therefore, So Cal Gas request is denied and it shall file correcting tariffs.

35. The Energy Division concludes that even though there are merits in So Cal Gas recalculation of its allowance split for main and service extension allowances based on the actual construction activity in its territory, such recalculation goes beyond the scope of D.97-12-098.

36. We agree with So Cal Gas that there may be isolated services or small extensions where design could be captured on as built drawings, however, we believe that it is in the general public interest not to emphasize this point.

37. We agree with UDI that So Cal Gas does not have the right to restrict an applicant's decision to design its own facilities by asserting that a "design" is not required. So Cal Gas Rule 20, Section F contains such language.

38. In its Applicant Design Terms and Conditions, So Cal Gas states in its Sec.5.0: "Applicant agrees to require its Designer to name Southern California Gas Company as an additional insured on the Applicant Designer's Professional Errors and Omissions insurance, and to provide a copy of the endorsement to Southern California Gas Company prior to the commencement of the Designer's work or upon request of Southern California Gas Company."

39. There were no protests filed to PP&L rules by any party to this proceeding. In the Commission decision D. 94-12-029 PP&L, Sierra Pacific and Washington Water and Power Company requested that they be allowed to submit line extension rules that mirror the respective utility's line extension rules in the adjacent state. These utilities agreed that any such filing, however, must be accompanied by sufficient data to allow the Commission to address the statutory requirements of PU Code 783. The Commission stated: "We agree that these utilities, with small service territories in the State of California, may realize efficiencies through deviations from the uniform rules for the large California utilities. Therefore, there is no reason to deny the request of these utilities."

40. It is the preference of all respondents to this proceeding namely PG&E, SCE, SDG&E, So Cal Gas, SW Gas, PP&L, CBIA, and TURN/UCAN except UDI, that these rules become effective prospectively. We agree that in order to reduce the complexity from a regulatory perspective, we will make these rules effective prospectively.

Therefore it is ordered that:

1. PG&E Advice Letter 2081-G/1765-E is approved subject to the changes ordered below.

2. SCE Advice Letter 1309-E is approved subject to the changes ordered below.

3. SDG&E Advice Letter 1092-E/1095-G is approved subject to the changes ordered below.

4. So Cal Gas filed Advice Letter 2708-G is approved subject to the changes ordered below.

5. SW Gas Advice Letter 572-G is approved subject to the changes ordered below.

6. PP&L Advice Letter 289-E-A is approved subject to the changes ordered below.

7. SDG&E shall correct its electric residential allowance from $1,381 to $1,170.

8. SDG&E shall change its methodology to end/unit basis, and reflect in its tariffs the re-calculated gas allowance of $1,142.00.

9. SDG&E shall include the following language in its Rule 15, I.2 (electric) and Rule 15, H.2 (gas): "Additionally, Utility shall review and submit **proposed** tariff revisions to implement relevant Commission decisions from other proceedings that affect this Rule." **All** participant utilities to this proceeding shall implement this change of language (in appropriate sections) regarding the "flow-through" mechanism in their rules and tariffs.

10. TURN/UCAN's proposal of using pro-rata application of allowances to Rule 15 and Rule 16 is outside the scope of the D.97-12-098 and is denied without prejudice. TURN/UCAN protest is also denied for all other participant utilities to this proceeding in which TURN/UCAN had a like protest.

11. UDI's protest of its item (Allowances) with regards to Rule 15, Section C.3 and Rule 16, Section E. of both Gas and Electric Rules 15 and 16 is denied. UDI's protest of item "Allowances" is also denied for all other participant utilities to this proceeding in which UDI had a like protest.

12. UDI's protest of its item (Advances and Refunds) is denied without prejudice. UDI's protest of the item "Advances and Refunds" is also denied for all other participant utilities to this proceeding in which UDI had a like protest.

13. **All** utilities to this proceeding shall include in their rules and tariffs a Contract Compliance Clause similar to SDG&E (Rule 15, Section D.8.a.) to protect the ratepayers against non-fulfillment of the contracts. UDI's protest of its issue is denied without prejudice. UDI's protest of the item "Contract Compliance" is also

denied for all other participant utilities to this proceeding in which UDI had a like protest.

14. SDG&E shall replace the existing language in its Rule 15, F.1 for both electric and gas sections "Competitive Bidding", with the following language: "When an Applicant selects competitive bidding, the Distribution Line Extension may be designed by Applicant's qualified contractor or sub-contractor in accordance with the utility's design and construction standards. All Applicant Design work of gas and electric facilities must be performed by or under the direction of a licensed professional engineer and all design work submitted to utility must be certified by an appropriately licensed professional engineer, consistent with the applicable federal, state, and local codes and ordinances." UDI's protest of this issue is granted to the extent we modify the tariff language as described above. UDI's protest of the item "Competitive Bidding" is also granted for all other participant utilities to this proceeding in which UDI had a like protest.

15. UDI's protest of its item, applicant tariff option for commercial or industrial services is denied. This item is also denied for all other participant utilities to this proceeding in which UDI had a like protest.

16. UDI's protest to SDG&E's tariff Rule 15, Sec. F., regarding the replacement of wording "Competitive Bidding" with the wording "Applicant Design" is denied. This order also applies to corresponding tariff Rules of **all** other participant utilities to this proceeding in which UDI had a like protest.

17. UDI's protest regarding the mechanisms the utility must use to handle its design bid as well as the gains or losses on that bid is denied without prejudice. This order also applies to rules and tariffs of **all** participant utilities to this proceeding to which UDI had a like protest.

18. UDI's protest regarding detail job functions of "estimators" and "planners" in Applicant Design Section F.1.i of SDG&E is denied. This order also applies to rules and tariffs of **all** participant utilities to this proceeding to which UDI had a like protest.

19. TURN/UCAN's protest of PG&E's electric residential allowance of $1,286.00 (Electric Rule 15 C(3)); and gas residential allowance of $882.00 (Gas Rule 15 C(3)) is moot.

20. PG&E shall calculate its allowances for gas using four end-uses in lieu of a single fixed gas allowance and file appropriate correcting tariffs. TURN/UCAN's protest is granted.

21. TURN/UCAN's proposal of using pro-rata application of allowances to Rule 15 and Rule 16 of PG&E is outside the scope of the Order in D.97-12-098 and is denied without prejudice. This order applies to rules and tariffs of **all** other participant utilities to this proceeding as appropriate in which TURN/UCAN had a like protest.

22. UDI's protest regarding the item (Allowances) is denied for essentially the same reasons as stated in the case of SDG&E. This order applies to rules and tariffs of **all** other participant utilities to this proceeding as appropriate in which UDI had a like protest.

23. TURN/UCAN's protest to SCE's revision of its form 16-330 (Sec. 3.11, P.5) is granted to the extent of this modification of language: "If at any time during the term of the Contract, SCE is not the sole deliverer of electrical requirements for the Project..."

24. So Cal Gas shall use ten separate allowances, one for each of the five end-uses under its rules for both gas main extensions (Rule 20.C.3) and gas service extensions (Rule 21.E.2) and shall reflect these changes in its tariffs. TURN/UCAN and UDI protests are granted.

25. TURN/UCAN proposal to substitute "ownership charge" for the "cost-of-service factor" to calculate its line extension allowances is denied without prejudice.

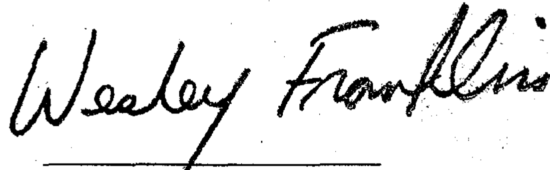
26. TURN/UCAN proposal for So Cal Gas to use an "Annualized Method" rather than "Life-Cycle Cost Method" in its calculation of line extension allowances is denied without prejudice.

27. So Cal Gas shall make **only** those changes to its recalculation and shift of its allowances that pertain to meters, regulator and services in accordance with D.97-12-098 and file appropriate changes in its tariffs.

28. So Cal Gas shall remove from its Rule 20, Section F., the language "...when the utility determines a design is required." UDI's protest is granted.

29. This resolution is effective today. All utilities shall file supplemental advice letters with revised extension rules within 90 days from the effective date of this resolution with the changes noted above. The tariffs shall be effective on filing.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 13, 1999. The following Commissioners approved it.



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners