

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

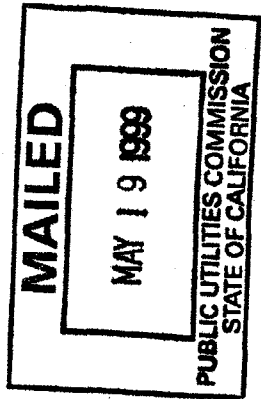
ENERGY DIVISION *

**RESOLUTION E-3595
MAY 13, 1999**

RESOLUTION

RESOLUTION E-3595. PACIFIC GAS & ELECTRIC (PG&E) REQUESTS APPROVAL OF REVISIONS TO SCHEDULE S—*STANDBY SERVICE* AND STANDARD FORM 79-285--*AGREEMENT FOR ELECTRICAL STANDBY SERVICE* TO REMOVE THE REQUIREMENT THAT PG&E PROVIDE STANDBY SERVICE TO CUSTOMERS THAT TAKE REGULAR SERVICE FROM ANOTHER PUBLIC UTILITY. APPROVED AS MODIFIED.

BY ADVICE LETTER 1845-E, FILED ON JANUARY 28, 1999.



SUMMARY

1. On January 28, 1999, Pacific Gas & Electric (PG&E) filed Advice Letter 1845-E requesting approval of changes to Schedule S and Standard Form 79-285 to remove Applicability Provision 2 requiring PG&E to provide standby service to customers that regularly take service from another public utility.
2. A timely protest to Advice Letter 1845-E was filed by Modesto Irrigation District (MID) on February 17, 1999.
3. MID protests PG&E's proposed elimination of Applicability Provision 2.
4. Commission Decision (D.) 97-12-044 states that new customers should be offered service at the same rate levels and terms and condition as existed on June 10, 1996.
5. This resolution approves PG&E's modifications to Schedule S as detailed in Advice Letter 1845-E.
6. Since it is a violation of the rate freeze to restrict service during the transition period, the tariff modifications proposed by PG&E in Advice Letter 1845-E shall become effective on the day after the first day of the end of the rate freeze.

BACKGROUND

1. PG&E filed Advice Letter 1845-E on January 28, 1999, requesting approval of revisions to Schedule S-- *Standby Service* and Standard Form 79-285--*Agreement For Electrical Standby Service*, to remove Applicability Provision 2 requiring PG&E to provide standby service to customers that regularly take service from another public utility. PG&E includes a "grandfathering" clause to allow the customer taking service under that provision to continue to do so under Schedule S.
2. Applicability Provision 2 of the standby rate has been available for more than eighty years. In that time, only one customer, a drawbridge, has taken standby service under Applicability Provision 2.
3. Schedule S is exclusively used by customers that receive regular service by way of local generation sources. The only exception is the single customer taking service under Applicability Provision 2, the drawbridge.
4. Commission Decision (D.) 97-12-044 addresses the interpretation of P.U. Code Section 368 and 378. The Commission determined that closing schedules, in existence on June 10, 1996, to new customers during the transition period is a violation of the rate freeze.

NOTICE

1. In accordance with Section III, Paragraph G, of General Order No. 96-A, PG&E mailed copies of this advice letter to other utilities and interested parties. Public notice of this filing has been made by publication in the Commission's daily calendar.

PROTESTS

1. MID filed a timely protest on February 17, 1999, opposing the elimination of Applicability Provision 2 requiring PG&E to provide standby service to customers taking service from a public utility.
2. MID argues that elimination of Applicability Provision 2 could thwart market competition.
3. PG&E filed a response to MID's protest on March 2, 1999.
4. In response to protests, PG&E disputes MID's contention regarding market competition and standby rate levels.

DISCUSSION

1. MID argues that in a competitive market, standby service may become a desirable and necessary commodity for customers that take service from alternative providers. MID maintains that PG&E's modification to the standby schedule may restrict distribution competition. For this reason, MID believes the termination of the standby provision is premature and should be considered pending the outcome of the Commission's investigation into distribution competition Order Instituting Rulemaking (R.98-12-015).
2. MID states "And, as long as PG&E's tariffs allow it to recover its full costs of providing that service, PG&E should be neutral unless its true motivation is to quash competition" (MID's protest, p. 1)
3. PG&E dismisses as speculative MID's contention regarding the higher value of standby service in a competitive market. PG&E argues that since May 1996, 70 or more customers have departed PG&E to take service from a public utility and none have requested standby service under Applicability Provision 2 (PG&E's response to protests, p.2).
4. PG&E refutes MID's claim that PG&E should be neutral to providing this service as long as its tariffs allow full recovery of the costs of providing standby service. PG&E states it is not, under current Schedule S rate levels, adequately compensated for the costs of service since the rates were designed for situations involving standby service to customers taking regular service from local generation sources.
5. PG&E argues that neither it nor the Commission ever contemplated the implications of the requirement in a market where public utilities and PG&E compete for customers. PG&E states that providing standby service for competitors was unforeseen when the tariffs were designed prior to market restructuring.
6. PG&E states that MID's protest would carry greater weight if Modesto offered services similar to those that it wants PG&E to extend.
7. Only a single customer in eighty years, the drawbridge, has taken service under Applicability Provision 2. Based on the unique facts surrounding this tariff provision, PG&E may remove Applicability Provision 2 requiring it to provide standby service to customers that regularly take service from another public utility.
8. In D. 97-12-044 the Commission addresses the interpretation of P.U. Code Section 368 and 378. The Commission determined that schedules in effect on June 10, 1996 should remain available to new customers throughout the rate freeze. The Decision states:

We conclude that all customers should be able to choose service from schedules that contain the rate levels and that offer substantially the same quality and value of service that were available to similarly situated customers on June 10, 1996. As noted above, use of the word "optional" in Section 378 also suggests that schedules in effect on June 10, 1996 should remain available to all customers during the rate freeze (Mimeo, p.19).

9. We conclude that allowing PG&E's proposed elimination of Applicability Provision 2 during the transition period would constitute a violation of the rate freeze. Therefore, PG&E's request for modification of Schedule S shall become effective once the rate freeze has ended, subject to subsequent Commission Decisions.
10. All customers that take service under Applicability Provision 2 prior to the date that the rate freeze ends, shall be eligible to continue service pursuant to the "grandfathering" clause proposed by PG&E.
11. MID's protest should be denied, and PG&E's Advice Letter 1845-E should be approved as filed effective on the day after the first day of the end of the rate freeze.

COMMENTS

1. The Energy Division mailed the draft resolution in this matter to parties in accordance with PU Code Section 311(g). No party filed comments.

FINDINGS

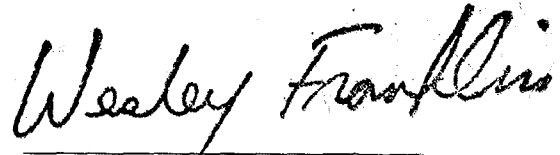
1. PG&E filed Advice Letter 1845-E on January 28, 1999 requesting approval of revisions to Schedule S-- *Standby Service* and Standard Form 79-285--*Agreement For Electrical Standby Service*, to remove Applicability Provision 2 requiring PG&E to provide standby service to customers that regularly take service from another public utility.
2. A timely protest was filed by MID.
3. MID protests the elimination of Applicability Provision 2 arguing that eliminating the provision could restrict market competition.
4. PG&E filed a response to protests on March 2, 1999 refuting MID's claims regarding market competition and standby rate design.
5. The elimination of Applicability Provision 2 constitutes a restriction of service, which during the transition period, is a violation of the rate freeze.

6. All customers that take service under Applicability Provision 2 prior to the date that the rate freeze officially ends, shall be eligible to continue to take service under that provision pursuant to the grand fathering clause.
7. MID's protest is denied.
8. PG&E's Advice Letter 1845-E should be approved unless the Commission subsequently alters the Findings of this Resolution. The effective date of Advice Letter 1845-E is the day after the first day of the end of the rate freeze.

THEREFORE, IT IS ORDERED THAT:

1. PG&E's Advice Letter 1845-E is approved as modified with tariff changes effective on the day after the first day of the end of the rate freeze unless the Commission modifies this Resolution by subsequent order.
2. MID's protest is denied.
3. Should PG&E choose to implement the tariff modifications approved by this Resolution, it shall file a supplemental Advice Letter incorporating the tariff changes described herein within 10 days of the effective date of this Resolution.
4. This Resolution is effective today.

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



WESLEY M. FRANKLIN
Executive Director

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