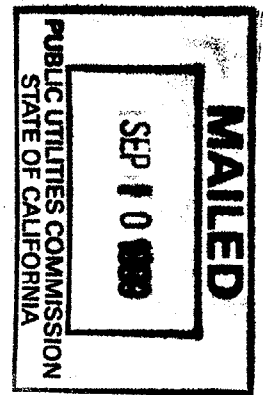


PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-3632
SEPTEMBER 2, 1999**



RESOLUTION

Resolution E-3632. San Diego Gas & Electric Company (SDG&E) proposes to modify the "Applicability" section of Schedule AY-TOU (time-of-use). The requested change would permit SDG&E to discontinue offering this rate option to any new customers. Any existing AY-TOU customers would be allowed to continue having service under this schedule. Advice Letter 1177-E is approved with an effective date of today.

By SDG&E Advice Letter 1177-E, filed on June 29, 1999.

SUMMARY

This Resolution approves San Diego Gas & Electric Company's (SDG&E) Advice Letter 1177-E with an effective date of today. SDG&E proposes to close rate option Schedule AY-TOU to new customers. Existing AY-TOU customers would be allowed to continue service under this schedule.

BACKGROUND

On December 1, 1987, SDG&E filed Application (A.) 87-12-003 that included the initial rate option Schedule AY-TOU. Schedule AY-TOU was designed to provide less fluctuation in rates than Schedule AL-TOU. This tariff was approved by the Commission in Decision (D.) 90-09-061 with modifications. Schedule AY-TOU was modified to be available to non-residential customers whose maximum annual demand was less than 500 kilowatts.

On July 29, 1996, SDG&E filed Advice Letter 991-E. The advice letter requested closure of 21 tariff schedules to new customers and to eliminate eight tariff schedules that currently had no customers with an effective date of October 1, 1996. Rate option Schedule AY-TOU was among the 21 tariff schedules to be closed to new customers.

On September 24, 1996, Assembly Bill (AB) 1890 (Stats. 1996, Ch. 854) became effective, adding Public Utilities (P.U.) Code Sections 368 and 378. The new code sections froze electrical rates at June 10, 1996 levels.

The Commission approved Resolution E-3483 on March 18, 1997, granting SDG&E's request in Advice Letter 991-E with revised effective dates. The eight rate schedules with no customers were eliminated effective March 18, 1997. The effective date, for rate schedules to be closed to new customers, was delayed until January 1, 1998.

On April 24, 1997, SDG&E filed Advice Letter 1032-E to revise its tariff sheets as ordered in Resolution E-3483.

In D.97-12-044 the Commission addressed the interpretation of P.U. Code Sections 368 and 378. The Commission stated these sections prohibit electric utilities, subject to the rate freeze, from closing existing rate schedules to new customers, except under special circumstances.

On January 21, 1998, Resolution E-3518 denied Advice Letter 1032-E and rescinded Resolution E-3483 as both were in conflict with the Commission's interpretation of P.U. Code Sections 368 and 378. Subject to the rate freeze, all rate schedules must be available to new customers. SDG&E was allowed to cancel the eight rate options schedules that did not have any customers. However, SDG&E was ordered to make the other rate options schedules available to new customers and to contact any customers that were denied access to these rate option schedules. Schedule AY-TOU was among the rate option schedules that were to be made available to new customers.

On April 27, 1999, SDG&E filed Advice Letter 1162-E/1145-G. The Commission made this advice letter effective June 6, 1999. This advice letter included a Level Pay Plan (LPP) program for commercial and industrial customers with annual maximum demands of less than 500 kilowatts. This newly created program is similar to Schedule AY-TOU in design to provide relatively stable monthly bills throughout the year.

In D.99-05-051 the Commission approved, with certain conditions, a settlement filed by SDG&E and other parties establishing accounting and ratemaking requirements for ending SDG&E's rate freeze. Pursuant to that decision, SDG&E subsequently notified the Commission in Advice Letter 1178-E that it had recovered its generation-related transition costs specified in P.U. Code Section 367(a). On July 1, 1999 SDG&E's rate freeze ended.

SDG&E had requested an effective date of July 1, 1999 for Advice Letter 1177-E. Since that date had passed, SDG&E withdrew its request to implement that effective date on August 2, 1999 and asked that the effective date be made at the Commission's earliest convenience.

NOTICE

Public notice of the Advice Letter was made by publication in the Commission Calendar and by SDG&E mailing copies of the filing to interested parties in accordance with Section III-G of General Order (G.O.) 96-A.

PROTESTS

The Office of Ratepayer Advocates (ORA) filed a protest of the SDG&E Advice Letter 1177-E on July 19, 1999.

ORA expressed concern with SDG&E's repeatedly proposed closures of optional time-of-use (TOU) rate options in recent years. ORA stated that SDG&E's Rate Design Window (RDW) filing in November 1999 would be the next appropriate forum to close TOU rate options.

ORA stated that if SDG&E agreed to submit in a written response to ORA's protest not to close any further TOU rate options until its RDW filing, ORA would support the closure of Schedule AY-TOU to new customers.

On July 26, 1999, SDG&E submitted in writing agreeing not to close any other electric rate tariff other than Schedule AY-TOU until its Rate Design Window filing scheduled for November 1999.

On July 26, 1999, ORA's protest was withdrawn. ORA now supports the closure of Schedule AY-TOU to new customers.

DISCUSSION

The issues before us are whether to permit SDG&E to discontinue offering rate option Schedule AY-TOU to new customers and to determine what effect would this have on eligible customers.

SDG&E indicated rate option Schedule AY-TOU was developed in direct response to customers requests for a rate option that did not have the dramatic seasonal rate fluctuation contained in Schedule AL-TOU. The customers were asking for a rate option that would provide them with relatively stable monthly bills throughout the year.

Schedule AY-TOU rate design was directly linked to AL-TOU. AY-TOU rates were derived by calculating weighted averages of all AL-TOU seasonal demand and energy charges. The direct linkage between these two schedules resulted in AY-TOU being maintained as a revenue neutral rate option, on a total rate class basis.

SDG&E's recently approved Federal Energy Regulatory Commission (FERC) transmission rates have inadvertently caused a break in the rate design linkage between these two schedules. The new transmission rates combined with the end of SDG&E's rate freeze resulted in the demand charges for AY-TOU to be lower than AL-TOU.

Prior to July 1, 1999, this situation could have been resolved as a result of the Competition Transition Charge¹ (CTC) residual calculation. Any error in the transmission rate design would flow to the CTC. Also, prior to July 1, 1999, the total rates were frozen at the June 10, 1996 levels.

SDG&E has filed revised transmission rates with the FERC. However, FERC has not acted on this request at this time. Until FERC makes a decision, the CPUC cannot adopt a change to the SDG&E's transmission rates.

SDG&E realized that the end of the rate freeze could result in greater seasonal fluctuation in AY-TOU customers' bills. SDG&E's customers will be subjected to the volatile prices of California's Power Exchange (PX) on a monthly basis. Based on last year's experience, PX prices tend to be high in the summer months and lower in the winter months when demand for electricity is low. These PX prices will now be passed on directly to the customer in their monthly bills. SDG&E believe it is reasonable to expect a higher level of fluctuation in monthly bills between peak demand summer months and low demand winter months.

Under the LLP methodology, a customer's fixed monthly payment is established based on the average actual customer's monthly bills during the most recent 12 months period. This fixed monthly payment does not change from month to month, with the exception of a quarterly adjustment to the LLP amount. This adjustment is made to keep in relative balance the actual billing amounts and the LPP amounts.

The LLP program will provide eligible new customers a rate option selection that has stable monthly payments. Customers who select the LLP rate option would have less fluctuation in their monthly bills than AY-TOU customers.

Currently, there are 1,920 customers who have selected the Schedule AY-TOU option. This represents 1.5% of the total number of customers who are eligible to select the rate option Schedule AY-TOU.

As requested by ORA, SDG&E agreed not to close any other TOU rate options until its Rate Design Window filing in November 1999. Consequently, ORA will now support the closure of Schedule AY-TOU to SDG&E's new customers.

¹ The Competition Transition Charge (CTC) authorizes the collection of transition costs in a competitively-neutral manner that does not increase rates for any customer class solely due to the existence of transition costs. (Section 367, AB 1890)

SDG&E's request to close Schedule AY-TOU is reasonable because the LLP program is now available and provides more rate stability than Schedule AY-TOU.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to P.U. Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. By Advice Letter 1177-E, filed on June 29, 1999, San Diego Gas & Electric Company (SDG&E) requested closure of rate option Schedule AY-TOU to new customers.
2. SDG&E's rate freeze ended on July 1, 1999.
3. The conflict with P.U. Code Sections 368 and 378 which prohibits electric utilities, subject to the rate freeze, from closing existing rate schedules to new customers is no longer in effect for SDG&E.
4. On April 27, 1999, SDG&E filed Advice Letter 1162-E/1145-G, which introduced the Level Pay Plan (LLP) program. These tariffs became effective on June 6, 1999. The LPP program provides fixed monthly payments based on the customer's last 12 months billing history.
5. SDG&E has agreed not to close any other TOU rate options until its Rate Design Window filing in November 1999. Consequently, ORA will now support the closure of Schedule AY-TOU to SDG&E's new customers.
6. SDG&E's request to close rate option Schedule AY-TOU to new customers is reasonable.

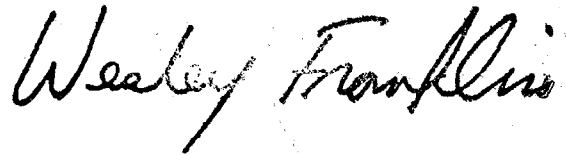
THEREFORE, IT IS ORDERED THAT:

1. San Diego Gas & Electric Company Advice Letter 1177-E is approved with an effective date of today.

September 2, 1999

2. SDG&E shall file a supplemental advice letter within 10 days. The supplemental advice letter and tariffs shall show an effective date of September 2, 1999.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 2, 1999; the following Commissioners voting favorably thereon:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
JOEL Z. HYATT
CARL W. WOOD
Commissioners