

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-4057
February 15, 2007**

R E S O L U T I O N

Resolution E-4057. Pacific Gas and Electric Company requests approval to re-bill departing load customers for the ongoing Competition Transition Charge adopted by Decision 05-02-040.

By Advice Letter 2805-E Filed on March 28, 2006.

SUMMARY

Pacific Gas and Electric Company's (PG&E) request to re-bill departing load (DL) customers from March through December, 2005, to properly reflect the ongoing Competition Transition Charge (CTC) adopted by Decision (D.) 05-02-040 at \$.00515 per kWh is approved with modifications.

- The Commission confirms that PG&E is authorized to bill DL customers for which it currently has the authority to bill through an approved tariff (e.g. Customer Generation Departing Load) (CGDL)¹, an asset sale agreement (e.g. the Turlock Irrigation District), and through Commission Resolution E-3999, issued November 30, 2006, which addresses the outcome of Advice Letter (AL) 2433-E (transferred municipal departing load (MDL)).
- PG&E should re-bill the referenced DL customers beginning February 24, 2005, through December 31, 2005, at \$.00515 per kWh.
- Authority to bill new MDL customers who have not yet been billed for ongoing CTC is pending in AL 2483-E.

¹ As approved in AL 2375-E-C, effective July 19, 2004.

BACKGROUND

Decision (D.)95-12-063 authorized PG&E to collect retail transition costs associated with electric industry restructuring.

The Commission issued D.95-12-063 on December 20, 1995, authorizing PG&E to collect retail transition costs associated with electric industry restructuring. The Commission recognized that in the transition to a competitive generation electricity market, certain utility generation-related assets and obligations would prove to become uneconomic, or stranded. The Commission therefore ruled that PG&E could collect those transition costs associated with industry restructuring.

Assembly Bill (AB) 1890 provided further definition to electric industry restructuring in California, establishing a mechanism by which transition costs should be collected.

On September 23, 1996, AB 1890 was signed into law, providing legislative guidance for electric industry restructuring in California. Among other things, AB 1890 authorized PG&E to collect retail transition cost and other nonbypassable charges (NBCs) associated with restructuring, and a nonbypassable CTC was established. Authority for this was codified in Public Utilities Code §§ 367, 368, 375, and 376. Public Utilities Code § 367 delineates CTC recovery components which continue beyond December 31, 2001, and are considered “ongoing”, and which are defined later in this resolution.

The ongoing CTC and other NBCs are recovered from all customers, including DL customers.

The ongoing CTC and other NBCs are generally applicable to all existing and future PG&E bundled customers, direct access (DA) customers, and DL customers. Unless exempted by statute or Commission decision, DL customers are responsible for ongoing CTC and other NBC payment amounts as are bundled service and DA customers. Ongoing CTC costs are one of the components of the Cost Responsibility Surcharge (CRS)², a charge assessed to DA and DL customers.

² For PG&E, the CRS also consists of the Department of Water Resources (DWR) Bond Charge, the DWR Power Charge (or its successor, the Power Charge Indifference

Footnote continued on next page

DL customers are generally defined as customers originally located within the PG&E service territory, which now receive electricity from a source other than PG&E.

PG&E's Commission-approved Preliminary State BB, "Competition Transition Charge Responsibility for all Customers and CTC Procedure for Departing Load" also defines DL: "Departing Load is that portion of a PG&E electric customer's load for which the customer, on or after December 20, 1995.....(1) discontinues or reduces its purchases of electricity supply and delivery services from PG&E; (2) purchases or consumes electricity supplied and delivered by sources other than PG&E to replace such PG&E purchases; and (3) remains physically located at the same location or within PG&E's service area as it existed on December 20, 1995. Reductions in load are classified as Departing Load only to the extent that such load is subsequently served with electricity from a source other than PG&E."³

The ongoing CTC revenue requirement is determined annually in the Energy Resources Recovery Account (ERRA) proceeding.

The ERRA is an annual proceeding in which PG&E forecasts its ERRA and ongoing CTC revenue requirement for the following year.⁴ To recover ERRA costs, PG&E forecasts costs for fuel used in utility retained generation (URG), electricity purchased from Qualifying Facilities (QFs), and California Independent System Operator (CAISO) charges. The ERRA forecast does not include costs for existing California Department of Water Resources (DWR) contracts allocated to PG&E and base costs for PG&E's URG assets.

The ongoing CTC forecast and recovery mechanism is defined by costs authorized by Public Utilities Code § 367(a)(1)-(a)(6). Costs include (1) power acquired from third parties for the forecast year that were in effect on December

Amount), and the Regulatory Asset (RA) Charge (or its successor, the Energy Cost Recovery Amount).

³ PG&E, Preliminary Statement BB, 3.c.

⁴ D.03-07-030, O.P. 18 ordered PG&E to include its forecast revenue for ongoing CTC in the annual ERRA forecast proceeding.

20, 1995, at a price that exceeds the current market price of electricity, (2) QF contract restructuring costs, and (3) amortization of the year-end balance in the Modified Transition Cost Balancing Account (MTCBA), which tracks ongoing CTC costs and revenues. This resulting ongoing CTC revenue requirement is then passed through to bundled, DA, and DL customers.

As reinforced in D.05-12-045 and D.05-01-031, and as previously determined and reflected in D.05-10-047, D.05-10-046, and D.05-01-035, the ongoing CTC revenue requirement and resulting charge is calculated for all customers using the same methodology.

After determining the ongoing CTC revenue requirement, PG&E's systemwide cost per-kWh is calculated by dividing the total ongoing CTC revenue requirement by forecasted megawatt hour (MWh) sales; the ongoing CTC per-kWh cost for DL customers is calculated in the same manner, by dividing DL share of total revenue requirement by DL share of total MWh sales. The same ongoing CTC amount is imposed on all DL customers.⁵ However, the actual ongoing CTC paid by individual customer classes for bundled and direct access customers differs due to application of the 100-hour peak load methodology adopted for these customers in D.00-06-034.

PG&E proposes to comply with D.05-02-040 which adopted a 2005 ongoing CTC revenue requirement, by re-billing for the period from March 1, 2005 through December 31, 2005.

PG&E submitted AL 2805-E on March 28, 2006. The AL requests approval to re-bill DL electric customers who had previously been billed at the 2004 rate of \$.00703 per kWh for ongoing CTC during the calendar year 2005. PG&E proposes to re-bill at the 2005 rate adopted in D.05-02-040, \$.00515 per kWh, for

⁵ The Commission notes that PG&E did not allocate the 2004 – 2006 ongoing CTC by customer class for municipal departing load customers. Commencing with its 2008 ERRRA/ongoing CTC revenue requirements, PG&E shall allocate ongoing CTC on a class-specific basis for municipal departing load customers. (D.06-12-018, O.P. 4)

the period March 1 through December 31, 2005. D.05-02-040, was issued February 24, 2005, and was effective that same day.

PG&E explains in AL 2805-E that D.05-02-040 did not set a deadline to begin billing at the 2005 ongoing CTC. PG&E sought to consolidate the ERRA and ongoing CTC changes with other pending rate changes on January 1, 2006.

NOTICE

Notice of AL 2805-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A, and served on parties to Application (A.) 04-06-003 and A.05-06-007.

PROTESTS

PG&E's AL 2805-E was protested on April 17, 2006.

PG&E's AL 2805-E was timely protested by Merced Irrigation District and Modesto Irrigation District (the Districts), and the Turlock Irrigation District (Turlock).

The Districts submitted that PG&E's AL requested relief in violation of a Commission order, and that it was not authorized by cited Commission orders. In support of the claim, the Districts cited Rule 4.2(2) in Appendix to D.05-01-032. *"Specifically, the cited Commission orders do not provide PG&E with authority to bill CTC to Municipal Departing Load (MDL) and Commission orders that are not cited defer such authority to a separate Commission order which has not yet issued."*

The Districts also stated *"PG&E has filed an ambiguous AL, referencing "Departing Load and "DL" without making clear whether "Departing Load" and "DL" refer to Customer Generation Departing Load (CGDL), MDL, both or some other sort of departing load. This ambiguity potentially leads to the AL seeking authority to bill MDL when PG&E currently does not have authority to do so."*

The Districts continue by stating *"The only departing load PG&E is currently authorized to bill for CTC is CGDL, pursuant to AL 2375-E-C, which PG&E references in the third paragraph of this AL. PG&E has no current tariff authority to bill CTC to MDL, whether so-called "Transferred" MDL or so-called "New" MDL. Rather, in*

D.03-07-028, the Commission specifically “defer[red] to a separate order the specific means by which the billing and collection process” for MDL CRS would be implemented.”

In referencing the “separate order” subject to D.03-07-028, the Districts stated that proposals for billing and collection of various CRS are currently pending in AL 2483-E (new MDL) and 2433-E (transferred MDL). The Districts emphasized that they do not “oppose a proposal to apply a lower CTC rate [charge] to CGDL”, or “oppose a proposal to apply a lower CTC rate [charge] to MDL customers if such billing has occurred pursuant to a voluntary transaction involving a POU⁶ and PG&E that led to CTC being billed to POU customers in the first place.”

Finally, the Districts acknowledged that PG&E’s proposal to implement the 2005 CTC DL on a re-billed basis made sense because D.05-02-040 was not adopted until February 2005. However, the District also asserted that “it may also be necessary to adjust the 2004 DL CTC rate [charge] to zero from January through June 2004, since D.04-06-012 was not adopted until June 2004 and under D.05-01-040, the 2003 DL CTC rate [charge] is zero.”

In its April 26, 2006 reply to protests, PG&E addressed the Districts’ statements:

In addressing the Districts’ first issue regarding PG&E’s authority to bill MDL for CTC, PG&E stated that its “request is to re-bill only those departing load customers for which it did have the authority to bill either through an approved tariff, as is the case for Customer Generation Departing Load (CGDL) or an asset sale agreement, as is the case for Turlock, and for which PG&E has already billed the tariff rate of \$.00703/kWh.”

Regarding the Districts’ statement asserting ambiguity in defining DL, PG&E stated “Advice Letter 2805-E is intended to apply to all departing load customers that PG&E has billed for CTC for all or part of the time period of March 1, 2005 through December 31, 2005 (i.e. CGDL customers and MDL customers served by Turlock). If a departing load customer has not been billed during the time period discussed above, this advice letter would not be applicable, since PG&E’s request focuses solely on rebilling customers already billed.”

⁶ Publicly Owned Utility.

In reply to the Districts' assertion that PG&E's authority to bill DL customers was subject to determination of the billing and collection process for MDL in a separate order per D.03-07-028, and with proposals for billing and collection of various CRS to MDL pending in ALs 2483-E and 2433-E, PG&E stated "*this has no relevance to PG&E's request in Advice Letter 2805-E, which pertains to rebilling customers to reflect 2005 rates adopted in D.05-02-040. For the record, however, PG&E notes rates adopted in D.04-06-012 were interim and although it was not issued until June 2004, it explicitly adopted rates retroactively to January 1, 2004 (OP 2). Final rates for 2004 were adopted in D.05-01-031. (OP 4, OP 5).*"

PG&E's further stated in a footnote that "*The Districts also assert that D.05-01-040 set the CTC rate [charge] for 2003 to zero. This, too, is irrelevant to the request being made in Advice 2805-E, which pertains solely to rebilling 2005 CTC for already-billed customers. But here, too, the Districts are wrong. D.05-01-040 did not make a determination that the 2003 CTC rate [charge] was zero. Rather, PG&E suggested, and the Commission agreed, that PG&E would forgo adopting a specific ongoing CTC rate[charge] for 2003 as the majority of customers had contributed to the CTC either through payment of the indifference rate [charge] or through bundled rates. As a result, the Commission never adopted a specific 2003 CTC rate [charge].*"

Turlock submitted two issues not addressed by the Districts. First, Turlock stated "*The Advice Letter contains material errors and omissions in its failure to reference the PG&E tariff provisions that are being modified and (in) which advice letters are being superseded. The Advice Letter also fails to reference the affected rate schedules.*" It also stated that "*Turlock questions the proposed effective date of the Advice Letter*" in asserting that the lower re-billed rate of \$.00515 per kWh should be effective for all of 2005, rather than March through December only.

In its April 26 reply, PG&E addressed Turlock's statements:

PG&E addressed the first issue regarding material errors and omissions by stating "*tariff sheets with rates effective in 2005 have been superseded by tariffs with rates effective January 1, 2006. As such, the 2005 tariffs are obsolete and therefore will be unaffected by the proposal in this advice letter. PG&E's proposal to re-bill the CTC for 2005 does not require modifications to the currently effective tariffs, which address rates effective in 2006. Nor is there an outstanding advice letter pending approval which this request would supersede.*"

PG&E addressed the second issue regarding the proposed effective date of the AL by stating "*Turlock's assertion that the rebilling period should reflect all of 2005 is*

wrong. D.05-02-040 was effective February 24, 2005 (OP 7). Therefore, PG&E's proposal to rebill with an effective date as of March 1, 2005, is reasonable, as it coincides with the first day of the next billing month. The months of January and February of 2005 do not fall under the applicable timeframe for D.05-02-040."

DISCUSSION

The Commission issued Interim Opinion D.04-06-012 on June 9, 2004, authorizing PG&E's CTC for 2004.

D.04-06-012 authorized an interim ongoing CTC for DL customers of \$.00703.⁷ The ERRA and ongoing CTC revenue requirements and ongoing CTC were set for 2004,⁸ making the interim ongoing CTC effective retroactive to January 1, 2004.

AL 2375-E-C became effective on July 13, 2004, implementing the CGDL CRS and ongoing CTC component.

PG&E filed AL 2375-E-C to implement various aspects of D.05-01-035, D.05-01-031, D.04-11-015, and Resolution E-3903. The Commission staff made AL 2375-E-C effective, authorizing PG&E to bill CGDL customers for ongoing CTC at \$.00703 per kWh. This charge was applicable to customers that have CGDL as defined in PG&E's tariffs, including customers who displace all or a portion of their load with customer generation, including new load served by customer generation as set forth in PG&E's Schedule E-DCG tariff under special conditions.⁹

⁷ D.04-06-012, O.P.4.b.

⁸ D.04-06-012, O.P.2, 3

⁹ PG&E Special Condition 6., from Schedule E-DCG states: "In accordance with Public Utilities Code Section 369, a new electric consumer, which locates in PG&E's service area as it existed on December 20, 1995 (and any incremental load of an existing PG&E customer) shall be responsible for paying Nonbypassable Charges as applicable, except where such consumer's new or incremental load is being met through a direct transaction that does not make any use of transmission or distribution (T&D) facilities owned by PG&E."

The Commission issued D.05-01-031 on January 13, 2005, confirming PG&E's 2004 ongoing CTC for DL customers.

D.05-01-031 concluded that adjustments to the ongoing CTC calculation as recommended by parties were not warranted, and confirmed the 2004 CTC for DL customers at \$.00703 per kWh.¹⁰

D.05-02-040 in Application (A.) 04-06-003 authorized the new per-kWh ongoing CTC effective February 24, 2005.

In D.05-02-040, the Commission authorized the 2005 ERRA and ongoing CTC revenue requirements along with an ongoing CTC based on the allocation methodology adopted in the decision.¹¹ This charge would be effective February 24, 2005 and would supersede the previously approved ongoing CTC of \$.00703.

PG&E shall re-bill DL customers for the 2005 ongoing CTC from February 24, 2005, through December 31, 2005.

In AL 2805-E, PG&E submitted a request to re-bill previously billed DL customer at the rate of \$.00515 per kWh from March 1 through December 31, 2005, to supersede the previously authorized charge of \$.00703 per kWh. D.05-02-040, Conclusion of Law 8 states "this decision should be effective immediately so that PG&E can implement its 2005 ERRA forecast expeditiously." However, the decision did not set a deadline for implementation of ongoing CTC, and in fact PG&E did not implement this cost component during 2005.

PG&E waited to consolidate the ongoing CTC with other rate changes on January 1, 2006, pending a decision in Phase 2 of PG&E's 2003 General Rate Case (GRC), which adopted an all-parties, May 13, 2005 settlement agreement. D.05-11-005 was issued on November 18, 2005, adopting the settlement and authorizing rates effective "on or after" January 1, 2006.¹²

¹⁰ D.05-01-031, O.P.5

¹¹ D.05-02-040, O.P.3

¹² D.05-11-005, O.P.2

D.05-02-040 gave PG&E flexibility on when to begin billing the 2005 ongoing CTC. That decision required PG&E to submit an AL proposing new charges to implement the revenue requirements adopted in the decision, but did not specify the date on which the 2005 ongoing CTC should be implemented.

PG&E's proposal to re-bill ongoing CTC for 2005 is reasonable, but its proposed period for re-billing from March 1, 2005, to December 31, 2005, requires modification. D.05-02-040 authorizing the 2005 ongoing CTC revenue requirement was effective February 24, 2005. The Commission did not authorize PG&E to bill the 2005 ongoing CTC beginning March 1, 2005. Thus, the period for re-billing shall be effective on February 24, 2005, and run through December 31, 2005.

Resolution E-3999 authorized PG&E to bill transferred MDL customers.

Resolution E-3999, issued November 30, 2006, authorized PG&E to bill transferred MDL customers effective April 1, 2002,¹³ which includes the ongoing CTC authorized by D.05-02-040, from February 24, 2005 through December 31, 2005, at \$.00515 per kWh.

Pursuant to D.05-12-045, PG&E billed DL customers at the rate of \$.00431 per kWh during the calendar year 2006.

D.05-12-045 authorized a new ongoing CTC effective January 1, 2006. PG&E billed DL customers for ongoing CTC at the rate of \$.00431 per kWh during calendar year 2006, as required by that decision.

Pursuant to D.06-12-018, PG&E is authorized to bill DL customers for ongoing CTC, at the rate of \$.00013 per kWh during 2007.

In compliance with D.06-12-018 and Resolution E-4032, PG&E issued AL 2895-E-A on December 28, 2006, in its annual electric true-up (AET). Based on updated AET amounts in its ongoing CTC revenue requirement, PG&E is authorized to bill DL ongoing CTC at \$.00013 per kWh for 2007.

¹³ Resolution E-3999, O.P.4

The Districts' protest does not raise issues relevant to this resolution.

This resolution addresses PG&E's ability to re-bill those DL customers that PG&E had authority through prior Commission orders to bill for the ongoing CTC during 2005. The Districts' protest regarding PG&E's authority to bill MDL is not the subject of this resolution. That aspect of the Districts' protest is subject to other Commission proceedings and is not appropriately addressed herein.

As for the Districts' request to re-bill the 2004 ongoing CTC at zero for January until June 2004 when D.04-06-012 was issued, we note that (1) interim 2004 ongoing CTC were adopted June 9, 2004, retroactive to January 1, 2004 in D.04-06-012, (2) Final ongoing CTC for 2004 were adopted in D.05-01-031, and (3) the Commission never adopted a specific 2003 ongoing CTC. Ongoing CTCs have decreased gradually from \$.00703 per kWh for 2004 until February 23, 2005, \$.00515 per kWh from February 24 through the end of 2005, \$.00431 for 2006, and \$.00013 for 2007.

Today's resolution does not authorize PG&E to collect any ongoing CTC affecting DL customer that are not already approved by other Commission orders. This resolution does not prejudge any issue affecting the Districts' customers pending in any Commission proceedings or in other advice letters.

Turlock's protest is denied.

Turlock's protest on AL 2805-E raised two issues that were not addressed by the Districts.

Turlock's first asserts that PG&E's advice letter contained "*material errors and omissions in its failure to reference tariff provisions that are being modified and which advice letters are being superseded*" and that it failed to "*reference the affected rate schedules*". We agree with PG&E in its reply to this assertion. PG&E's 2005 tariffs are unaffected by its proposal, and no references to tariffs are necessary. PG&E is simply proposing to re-bill certain customers to implement charges that the Commission authorized to collect for the 2005 ongoing CTC revenue requirement.

Turlock also "*questions the proposed effective date of the advice letter*". As discussed above D.05-02-040 authorized a 2005 ongoing CTC revenue requirement and

ongoing CTC, and was effective on February 24, 2005. The effective date of the re-billing shall be February 24, 2005, not January 1, 2005 as Turlock asserts. D.05-02-040 did not make the 2005 ongoing CTC retroactive to January 1, 2005.

Accordingly, Turlock's protest on PG&E's AL 2805-E is denied. This resolution does not prejudice any issue affecting Turlock's customers pending in any Commission proceedings or in other advice letters.

COMMENTS

Per statutory requirement, a draft resolution was mailed to parties for comment at least 30 days prior to consideration by the Commission.

Public Utilities Code § 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft resolution was mailed to parties for comments at least 30 days before being considered by the Commission.

PG&E, The Districts, and Turlock filed comments on February 1, 2007. Only PG&E filed reply comments on February 6, 2007.

Turlock argues that the effective date for re-billing the 2005 ongoing CTC should be January 1, 2005.

D.05-02-040, effective February 24, 2005, established the 2005 ongoing CTC. Turlock argues that the effective date should have been set to January 1 for all of 2005, as the 2004 CTC was set. PG&E replied that Turlock did not raise any new issues or persuasive evidence demonstrating error in the draft resolution's interpretation of D.05-02-040. We agree with PG&E's reply. The effective date for the 2005 ongoing CTC remains February 24, 2005.

Turlock argues that the draft resolution should be revised to exclude reference to speculation regarding a 2003 ongoing CTC.

Turlock argues that the draft resolution should be revised to exclude reference to PG&E's assertion that if a 2003 charge had been adopted, "the rate [charge] would not have been zero." PG&E's reply comments indicate that it does not object to this text being removed from the draft resolution, "as it has no bearing

on the 2005 CTC which was the subject of Advice Letter 2805-E." The Commission agrees. Accordingly, this text has been stricken.

The Districts argue that PG&E is not yet authorized to bill transferred MDL customers.

The Districts attempt to mark the distinction between the authority given by Resolution E-3999 to bill transferred MDL customers, and the fact that the compliance AL 2433-E-D (in accordance with Resolution E-3999) has been suspended, and thus is not yet approved. Also, the Districts state that they have filed an application for rehearing of Resolution E-3999 in A.07-01-008. The Commission notes that when deemed effective, tariffs may be implemented.

The Commission's Rules of Practice and Procedure 16.1(b) under "Application for Rehearing" state "Filing of an application for rehearing shall not excuse compliance with an order or a decision. An application filed ten or more days before the effective date of an order suspends the order until the application is granted or denied. Absent further Commission order, this suspension will lapse after 60 days. The Commission may extend the suspension period."

Resolution E-3999 was ordered effective November 30, 2006. Application for Rehearing A.07-01-008 was filed on January 8, 2007. The effective date for Resolution E-3999 and ordering paragraphs thereof remains November 30, 2006.

The Districts further argue that the ongoing CTC is improperly calculated as ordered, citing several petitions for writ of review.

The Districts make several references to petitions for writ of review of the method by which the ongoing CTC is calculated as ordered, and in accordance with Public Utilities Code § 367(a)(1)-(a)(6). The decisions currently being challenged by the Districts in the California Court of Appeal, Fifth Appellate District, have not been suspended or stayed by that Court. Therefore, these decisions remain in effect and PG&E properly calculated the ongoing CTC using the methodology as ordered.

The Background section of the draft resolution has been modified to clarify the calculation methodology of ongoing CTC for DL customers.

In its comments, PG&E noted that in calculating the ongoing CTC for DL customers, the same charge is applied for all DL customers. The ongoing CTC for bundled and DA customers differs from the DL charge and differs slightly between customer classes, due to the application of the 100-hour peak load methodology for bundled and DA customers as adopted in D.00-06-034. This clarification is made, but also notes that PG&E shall allocate ongoing CTC on a class-specific basis for MDL customers starting with its 2008 ERRR/ongoing CTC revenue requirements application. The same clarification is noted in Findings 11 and 12.

Additionally, a footnote in the Background section has been updated to include the Power Charge Indifference Amount as the successor to the DWR Power Charge, and the Energy Cost Recovery Amount as the successor to the RA Charge, both as cost components of the CRS, of which ongoing CTC costs are also a component.

The Background and Finding sections have been clarified to note that all customers are generally responsible for paying for the ongoing CTC.

In response to PG&E's comments, the Background and Finding 5 clarifications note that all DL, bundled, and DA customers are responsible for paying for the ongoing CTC, unless exempted by statute or Commission decision.

FINDINGS

1. D.95-12-063 ruled that in the transition to a competitive generation electricity market, certain utility generation-related assets and obligations would prove to be uneconomic or stranded costs, and therefore authorized PG&E to collect retail transition costs associated with electric industry restructuring.
2. AB 1890 was signed into law on September 23, 1996, and provides legislative guidance for electric industry restructuring, authorizing PG&E to collect transition costs and other NBCs associated with restructuring through a CTC.
3. Authority for this process is codified in Public Utilities Code §§ 367, 368, 375, and 376, with § 367 defining the specific components of the CTC, and ongoing CTC costs extending beyond December 31, 2001.

4. The ongoing CTC and other NBCs are applicable to existing and future bundled, DA, and DL customers.
5. Unless exempted by statute or Commission decision, all bundled service, DA and DL customers are responsible for ongoing CTC and other NBC payment amounts.
6. Ongoing CTC costs are one of the components of the CRS. The other CRS components applicable to PG&E are the DWR Bond Charge, the DWR Power charge (or its successor, the Power Charge Indifference Amount), and the Regulatory Asset Charge (or its successor, the Energy Cost Recovery Amount).
7. DL is specifically defined in the Commission-authorized, PG&E Preliminary Statement BB.
8. The ongoing CTC is determined annually in the ERRA proceeding.
9. The ongoing CTC revenue requirement is calculated by forecasting the sum of:
 - a. Power acquired that is in excess of the current market price of electricity;
 - b. QF contract restructuring costs;
 - c. Amortization of the MTCBA, which tracks ongoing CTC costs and revenues.
10. The methodology for calculating ongoing CTC revenue requirement is specified in Public Utilities Code § 367(a)(1)-(a)(6).
11. The ongoing CTC is calculated by dividing the ongoing CTC revenue requirement by forecasted MWh sales; the ongoing CTC for DL customers is calculated in the same manner, by dividing DL share of total revenue requirement by DL share of total MWh sales. The same 2005 ongoing CTC is imposed on all DL customers. However, the actual 2005 ongoing CTC paid by individual customer classes for bundled and direct access customers differs due to application of the 100-hour peak load methodology adopted for these customers in D.00-06-034.
12. Per D.06-12-018, PG&E shall allocate ongoing CTC for MDL customers on a class-specific basis commencing with its 2008 ERRA/ongoing CTC revenue requirements.
13. D.05-02-040 directed PG&E to submit an advice letter proposing new rates, using the revenue requirement and rate design adopted in the decision, and authorized PG&E to bill DL customers at the new ongoing CTC calculated by adopted methodology effective February 24, 2005.
14. D.05-02-040 did not set a deadline for implementation of the ongoing CTC made effective February 24, 2005.

15. PG&E submitted AL 2805-E on March 28, 2006, requesting an ongoing CTC of \$.00515, and re-billing of previously billed DL customers from March 1 through December 31, 2005.
16. Resolution E-3999, issued November 30, 2006, authorized PG&E to bill transferred MDL customers effective April 1, 2002, which includes the ongoing CTC authorized by D.05-02-040, from February 24, 2005 through December 31, 2005, at \$.00515 per kWh.
17. The settlement in PG&E's 2003 GRC, which was approved in D.05-11-005, provide for rate changes to be consolidated on January 1, 2006; the ERRA and ongoing CTC were among the changes included as part of the settlement.
18. Timely protests on PG&E's AL 2805-E were filed on behalf of the Modesto and Merced Irrigation Districts (the Districts) and Turlock Irrigation District (Turlock) on April 17, 2006.
19. PG&E replied to protests on AL 2805-E on April 24, 2006.
20. The issues raised by the Districts' protest are not relevant to matters being resolved by this Resolution; Turlock's protest is denied.
21. PG&E billed DL customers at the rate of \$.00431 for all of 2006.
22. PG&E is authorized to bill DL customers at the rate of \$.00013 per kWh for all of 2007.

THEREFORE IT IS ORDERED THAT:

1. PG&E's request to re-bill DL customers as requested in Advice Letter AL 2805-E is approved with modifications. PG&E shall re-bill applicable DL customers an ongoing CTC of \$.00515 per kWh for the period from February 24, 2005, through December 31, 2005.
2. PG&E shall comply with the above order by filing a supplemental advice letter with any necessary tariff changes to reflect the provisions of the resolution with 10 days of today's date. The supplemental advice letter shall replace AL 2805-E in its entirety and shall be effective on the date filed subject to the Energy Division determining that it is in compliance with this Resolution.

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 February 15, 2007; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

Commissioners