DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

ITEM#9 I.D.# 6751
RESOLUTION E-4097
July 12, 2007

R E S O L U T I O N

Resolution E-4097. San Diego Gas and Electric Company requests authorization to revise its electric Schedule DR-TOU, Experimental Domestic Time-of-Use Service, to provide for the 20% California Alternate Rates for Energy (CARE) discount for qualifying customers, and to remove the TOU metering charge exemption for CARE customers.

By Advice Letter 1891-E filed on April 19, 2007.

SUMMARY

San Diego Gas and Electric Company's (SDG&E) request to revise Schedule DR-TOU, "Experimental Domestic Time-of-Use Service", to provide CARE customers with a twenty percent (20%) "line item" discount from their monthly bill while eliminating the CARE-specific metering charge exemption is approved with modifications:

- CARE-qualifying time-of-use (TOU) customers will now receive a 20% "line item" discount itemized on their monthly bill, equal to the sum of (1) a 20% "volumetric" per-kilowatt hour (kWh) discount plus (2) a 20% discount on the fixed monthly electric metering charge applicable to Schedule DR-TOU customers.
- SDG&E CARE-enrolled customers who receive both gas and electric (dual commodity) service will continue to receive a 20% volumetric discount for natural gas (therm) use.
- The separately itemized natural gas and electric discounts and resulting net amounts due will show under the respective "total gas charges" and "total electric charges" fields on customers' bills.
- The Applicability section of Schedule DR-TOU shall be amended to provide text as shown in the ordering paragraphs of this resolution clarifying that CARE customers shall receive this discount, with reference to further details provided in Special Condition 10 of the Special Conditions section, titled "CARE Customers".

- Special Condition 10 of Schedule DR-TOU shall provide text as shown in the ordering paragraphs to further itemize the specific discount components.

BACKGROUND

TOU rates and other programs have been effective in reducing peak electric demand.

Historically, electric TOU rates which charge a higher rate for usage during peak hours have appropriately reflected the cost of peak-period generation. During the past several years, the State of California and the State's electric investor owned utilities (IOUs, i.e., SDG&E, PG&E, and SCE) have promoted programs that provide incentives to residential and non-residential customers to further reduce peak period demand on the utilities' systems and the associated need for building peak-period generation facilities, while stabilizing peak generation costs. For example, the California Legislature passed Assembly Bill (AB) 970 in September 2000, to create more energy supply and demand programs such as distributed generation initiatives and load reduction measures. In March 2001, the Commission issued D.01-03-073, creating the Self-Generation Incentive Program (SGIP), offering financial incentives to customers who install distributed generation facilities to meet all or a portion of their demand.

The Commission issued an Interim Order adopting policies and funding for the California Solar Initiative in Decision (D.)05-12-044.

In D.05-12-044, Rulemaking (R.)04-03-017, the Commission increased funding by $300 million for the already existing SGIP to ensure program funding through 2006,[1] with the intention of adopting a long-term program which provided customer incentives for the installation of solar photovoltaic (PV) technologies in California ten years into the future. The order named the program the "California Solar Initiative" (CSI), in response to the Governor's proclamation favoring solar development, and the State Legislature's interest in an expanded solar incentives program for California.

[1] D.05-12-044, O.P. 1

D.06-01-024 provided further definition to the CSI by committing $2.8 billion in solar development incentives over 10 years, 2007 through 2016.

To reinforce this expanded commitment to developing solar resources, the Commission issued D.06-01-024. The order provided $2.8 billion in incentives for IOU customers for the years 2007 through 2016, of which $2.5 billion would be collected through revenue requirements and allocated amongst PG&E, SCE, SDG&E, and Southern California Gas Company (SoCal Gas) (to promote solar water heating technologies) for commission-managed programs. The decision also developed policies, rules, program elements, and incentive levels for IOU customers who invest in solar generation. The remaining $300 million in programs would be managed by the California Energy Commission (CEC), administering a program that provides incentives for smaller solar PV through the Emerging Renewable Program (ERP), which is funded by the public goods charge created by AB 1890 (1996).[2] In D.06-01-024 the Commission referred to the program as the "CSI". The CSI program was developed with the intent of providing IOU customers with additional investment incentives in solar PV, solar thermal, solar water heating, and solar heating and air conditioning technologies,[3] while facilitating additional capacity for California's electric grid.

Senate Bill (SB) 1 was signed into law on August 21, 2006, directing the Commission and the CEC to implement the CSI effective January 1, 2007.

SB 1 directed the Commission and the CEC to implement the CSI effective January 1, 2007, with specific provisions addressing program details, budget limits, and budget allocation amongst IOUs. SB 1 required the Commission to adopt a performance-based incentive program by January 1, 2008. SB 1 also removed single-commodity natural gas companies (SoCal Gas) from the CSI. At the same time that SB 1 was being signed into law, the Commission issued a proposed decision, in R.06-03-004, addressing its CSI commitment.

[2] D.06-01-024, p. 9

[3] D.06-01-024, p. 14

Following D.06-01-024, the Commission issued D.06-08-028 shortly after SB 1 was signed, with further incentive, administrative structure, and program design features.

The Commission issued D.06-08-028 August 24, 2006. Immediately before the Commission adopted this decision, SB 1 was signed into law on August 21. That law became effective January 1, 2007. Certain provisions of SB 1 differed somewhat from the provisions ordered in D.06-08-028.

D.06-08-028 recognized that further input from parties and another order was necessary to ensure that the CSI conformed with SB 1 prior to January 1, 2007.

In D.06-08-028, the Commission noted that changes to that decision would be needed to bring it into conformance with SB 1. D.06-08-028 stated that there were a number of provisions in SB 1 that differed from the decision, for example, the total amount of dollars budgeted for the program and the elimination of funding from natural gas ratepayers. The decision also stated that it was consistent with many aspects of SB 1/CSI legislation, for example the adoption of performance-based incentives. D.06-08-028 acknowledged the need for modification of certain program and budgetary issues to be in compliance with SB 1, and stated the intent to move forward with the order as drafted to ensure that CSI program administration, performance-based incentives, and program requirements are operational on January 1, 2007. To address further compliance with SB 1, the decision ordered the assigned Administrative Law Judge to issue a ruling requesting comments from parties on aspects of SB 1 that will impact the long-term implementation of the CSI,[4] with the goal of issuing a further order modifying the decision as necessary before SB 1 is effective on January 1, 2007.

To comply with SB 1, D.06-12-033 modified D.06-01-024 and D.06-08-028, and made several modifications including requiring that CSI applicants take service under an applicable TOU tariff.

The Commission issued D.06-12-033 on December 14, 2006. That decision addressed the requirements of SB 1, which includes numerous performance-based incentive mandates, among them the requirement that all customers who

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[4] D.06-08-028, O.P. 25

receive financial incentives from installing solar technology must be billed by their IOU on a time-variant[5] or TOU rate.[6] The decision states *"In D.06-08-028, the Commission did not require CSI program participants to take service through time-of-use (TOU) tariffs to receive incentives. In contrast, SB 1 adds Section 2851(a)(4) which states that: notwithstanding subdivision (g) of Section 2827, the Commission shall require time variant pricing for all ratepayers with a solar energy system."*[7]

D.06-12-033 further addressed SB 1 requirements by specifying that other solar technologies (in addition to PV) displacing electric use may benefit from the CSI, and modifying the total budget and allocation amongst IOUs.

D.06-12-033 also addressed SB 1 requirements by eliminating CSI funding received from gas companies (e.g. SoCal Gas in this instance) and its funding from the CSI,[8] while still providing incentives to solar thermal and solar water heating devices that displace electric use.[9] The decision also specified that solar technologies other than PV that displace electric use may receive incentives through CSI. This budget modification reduced CPUC-managed CSI programs for 2007 through 2016 from $2.5 billion to $2.165 billion.[10]

As a result of the requirements of SB 1 and D.06-12-033, SDG&E submitted Advice Letter (AL) 1891-E on April 19, 2007, requesting authority to revise electric rate schedule DR-TOU to provide for "a 20% line item discount" for qualifying CARE customers who are billed through a TOU meter.

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[5] D.06-12-033, Finding of Fact 9.

[6] Time-Variant or Time-of-Use rates vary by season (winter/summer) and defined hours on specific days of the week, and, depending on when kWh use is recorded, may be referred to as "on-peak", "partial-peak", and "off-peak" rates. The rates charged for usage during these time periods reflect the level of demand on the system and the resulting cost of serving electricity during these periods.

[7] D.06-12-033, pp. 17-18.

[8] D.06-12-033, p. 20.

[9] D.06-12-033, p. 24

[10] D.06-12-033, O.P. 1, as modified in Appendix A.

Historically, SDG&E's Schedule DR-TOU electric rate tariff has been an optional TOU rate for customers. SB 1 and the resulting Commission order required that any residential or small commercial electric customer of a California IOU who participates in the CSI be served on a TOU rate.

Given the requirements of SB 1 and D.06-12-033, SDG&E submitted AL 1891-E on April 19, 2007. In its advice letter SDG&E proposes to provide the 20% CARE discount to qualifying customers who take service on Schedule DR-TOU, and to remove the current exemption from the $3.81 per month TOU meter charge for CARE customers. The 20% discount is currently only applicable to SDG&E's residential CARE customers taking service on a non-TOU rate schedule. SDG&E states in AL 1891-E that it expects an increase in the number of residential customers taking service under Schedule DR-TOU, based on the TOU tariff requirement for CSI applicants identified in D.06-12-033.

After SDG&E filed AL 1891-E, the Commission issued D.07-06-014 on June 7, 2007, modifying D.06-12-033. D.07-06-014 stays the requirement that CSI participants take service on a TOU tariff.

NOTICE

Notice of AL 1891-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

No parties issued protests regarding SDG&E AL 1891-E.

DISCUSSION

D.07-06-014 modified D.06-12-033 so that customers who benefit from the CSI have the option of receiving service on a TOU schedule, rather than being required to do so effective January 1, 2007.

The Commission issued D.07-06-014 on June 7, 2007 in R.06-03-004, modifying D.06-12-033 and staying the requirement that customers who receive financial incentives from the CSI take service on a TOU rate schedule. Customers who have already applied for CSI rebates beginning January 1, 2007, but before the effective date of D.07-06-014 have been given the option of remaining on TOU tariffs or returning to their prior electric tariff or an otherwise applicable flat rate tariff for which they qualify.[11] According to the decision, the TOU requirement will not take effect until the Commission develops TOU tariffs that meet the criteria of SB 1. While the requirement that CARE customers benefiting from the CSI take service on a TOU rate schedule will not become effective until TOU tariffs that meet SB 1 criteria are developed, it is appropriate and timely to consider SDG&E's proposal in AL 1891-E. SDG&E's expectation that the number of customers taking service on a TOU rate schedule will most likely increase is valid.

CARE customers taking service on a TOU rate schedule should receive the CARE discount.

SDG&E requests that CARE customers taking service on Schedule DR-TOU customers receive a 20% discount from their monthly bill. The Commission agrees that receiving CARE benefits should not depend on whether a customer takes service on a TOU or other rate schedule. If a TOU rate is developed to meet the requirements of SB 1 for customers who receive CSI benefits, then SDG&E's CARE customers will be able to participate in this program.

SDG&E's 20% line item CARE discount should be calculated as the sum of the discounts for the per-kWh electric usage charges and the fixed monthly meter charge for the electricity portion of the bill, plus the discount for natural gas (per therm) charges.

Energy Division has requested information from SDG&E on how it intends to determine the discount for a CARE customer taking service on Schedule DR-TOU. In calculating a CARE customer's monthly discount, SDG&E will calculate (1) 20% of the customer's cost for electricity usage based on the TOU rates, (2) add 20% of the monthly electric TOU meter charge, and (3) for combined electric and gas customers, add 20% of the customer's monthly natural gas charges based on the cost per therm of gas usage (the majority of customers who take dual commodity service). The sum of these three items equals the total 20% discount.

[11] D.07-06-014, p. 8.

This method is consistent with how SDG&E determines the CARE discount for customers on other rate schedules.

The 20% CARE discount is based on total gas and electric charges only, exclusive of "Other Account Charges" components.

A typical residential SDG&E bill (dual commodity) is designed from top to bottom to itemize charges in three categories: (1) gas charges, (2) electric charges, and (3) other account charges. Other account charges are the sum of various (a) gas and electric franchise fee differentials, (b) franchise fees on electric energy supplied by others, (c) a state surcharge, (d) a state regulatory fee, and (e) a natural gas Public Purpose Program (PPP) charge. The 20% CARE discount does not apply to any of the other account charges; the discount applies only to and is based on total gas and electric charges, with the total discount specifically reflecting those sums. This is consistent with the calculation methodology that includes only distribution and energy charges as reflected by the method adopted in Resolution E-3699.

SDG&E's CARE TOU electric discount is based on the sum of utility distribution charges (exclusive of CARE costs) and electric commodity charges.

SDG&E electric tariffs are designed so that non-CARE residential bundled customers' total electric rate per kWh is delineated by the sum of rates included in three different tariffs: (1) The customer's applicable schedule itemizing Utility Distribution Company (UDC) charges, which are comprised of (a) transmission, (b) distribution, (c) PPPs (part of which is a component for CARE funding, from which CARE customers are exempt) , (d) nuclear decommissioning charges, (e) the fixed transition amount for funding the 10% rate reduction for residential and small commercial customers enacted by AB 1890, (f) the on-going competition transition charge through which SDG&E recovers above market purchased power costs pursuant to Public Utilities Code Section 367(a)(1), (g) reliability services charges authorized by the Federal Energy Regulatory Commission for ensuring the reliability of the transmission system, and (h) the rate design settlement charges which track the rate subsidies applied to residential tier 1 and 2 rates. The sum of UDC charges are further delineated by season-specific and time-variant tier use, and the monthly fixed metering charge is also itemized on the tariff showing UDC charges; these charges are shown on Schedule DR-TOU, for the residential TOU schedule; (2) electric commodity rates for recovering SDG&E's fuel and purchased power costs as shown on Schedule EECC (Electric

Energy Commodity Cost); and (3) the Department of Water Resources Bond Charge (Schedule DWR-BC), a billing component from which CARE-qualifying customers are exempt.

For CARE TOU customers, the electric discount will be calculated by adding (1) the applicable electric charges (exclusive of any CARE-related costs embedded within the UDC PPP component) plus (2) natural gas charges, then (3) calculating the discount based on 20% of the sum of (1) plus (2). The Energy Division has determined and the Commission agrees that SDG&E's calculation method is consistent with Commission-approved tariffs and methods for determining a CARE customer's bill.

The 20% CARE discount and net amount due should be illustrated as "line-items" on SDG&E customers' monthly bills.

To clearly communicate the amount of the monthly CARE discount and resulting net balance on Schedule DR-TOU bills, SDG&E shall provide a clearly designated "CARE discount" line-item amount in the billing detail (second page) of customers' bills.

This design will (1) provide clarity as opposed to the potential for unnecessary confusion created by itemizing the customer's volumetric discount by each UDC and EECC season-specific tier use and time-variant component, and (2) eliminate the necessity of designing additional CARE-TOU-specific UDC and EECC tariffs.

Implementing the CARE discount while eliminating the meter charge exemption for existing CARE customers on Schedule DR-TOU should benefit these customers.

SDG&E currently has approximately sixty CARE customers taking service on Schedule DR-TOU. These customers currently only receive an exemption from the $3.81/month TOU meter charge, and do not receive the 20% bill discount as described above. With the tariff changes we approve today, these customers will pay a reduced monthly meter charge, i.e., 80% of the meter charge, but will benefit from a 20% volumetric kWh use discount. We expect that the discount on the usage portion of the bill should more than offset their having to pay a discounted meter charge, and current CARE customers on Schedule DR-TOU will benefit from the tariff changes we authorize today.

SDG&E AL 1891-E is approved as modified. CARE-qualified TOU customers should receive a 20% volumetric discount along with the fixed meter charge discount.

AL 1891-E is consistent with the intent of SB 1 legislation and Commission decisions regarding TOU rates. In order to influence a residential contribution to stabilizing peak-period demand, all CARE-qualified TOU customers, whether receiving benefits from the CSI or not, should receive the discount for both kWh use and the fixed meter charge. It is also equitable to provide the CARE discount to CARE customers taking service on both TOU and non-TOU rate schedules.

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 section 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 for comments at least 30 days prior to be considered by the Commission. SDG&E filed comments on July 2, 2007.

SDG&E argues that detailing the discount components and total on the first page of customers' bills would cause major programming revisions and conflicts with its current billing practice.

SDG&E provides billing details on the second page of customers' bills. For CARE-qualifying customers, the components of the discount and the total discount are included with the billing details on the second page. Requiring SDG&E to change this practice by moving this information to the first page would cause major and unnecessary programming revisions.

SDG&E states that implementing the change in customers' discounts should begin with customers' billing cycles after the resolution's effective date.

According to SDG&E, the time requirements for implementing customer discounts, schedule changes, and other billing factor adjustments as of the effective date of the resolution would cause changes in the middle of the billing cycle for the great majority of customers. SDG&E states that implementing these changes beginning with customers' full billing cycle following the effective date of the resolution would reflect a normal billing and implementation process.

The draft resolution has been updated to reflect changes made based on SDG&E's comments.

The draft resolution has been revised to reflect SDG&E's comments. We authorize SDG&E to continue providing the discount information on the second page of customers' bills. We also allow SDG&E to implement the provisions of this resolution at the start of customers' respective billing cycles beginning within 45 days of the effective date of this resolution. This will allow time for SDG&E to make the necessary changes to its billing system.

FINDINGS

1. CARE customers on SDG&E's residential TOU schedule currently receive an exemption from the monthly meter charge on Schedule DR-TOU, but receive no volumetric CARE discount based on kWh use.
2. SDG&E filed AL 1891-E on April 19, 2007 proposing to allow CARE customers taking service on residential rate Schedule DR-TOU to receive the 20% volumetric and fixed metering charge discount, and to eliminate the fixed monthly metering charge exemption. No party protested SDG&E's advice letter.
3. CARE customers taking service on a residential TOU rate schedule should receive a 20% discount on both their volumetric energy use and the fixed monthly meter charge.
4. CARE dual commodity customers taking electric service on Schedule DR TOU should continue to receive a 20% discount on their natural gas use.
5. The total CARE discount and net amount due should be clearly marked as separate "line items" on customers' bills, with specific detail provided under the "total gas charges" and "total electric charges" fields of customers' bills.
6. The Applicability section and Special Condition 10 of Schedule DR-TOU should be amended to include CARE-specific details, as specified in the Ordering Paragraphs of this resolution.
7. TOU rates and other programs have been effective in reducing peak electric demand.

8. The CSI was established as a successor to earlier program initiatives which provide IOU customer incentives to reduce peak demand.
9. SB 1 was signed into law to implement the CSI.
10. D.06-12-033 implemented SB 1 provisions, among them the requirement that all IOU customers benefiting from CSI incentives should receive electric service on a TOU rate.
11. SDG&E's proposal filed in AL 1891-E recognizes that more customers may take service on TOU rate schedules, given the D.06-12-033 requirement that customers participating in the CSI program take service on a TOU rate schedule.
12. D.07-06-014 modified D.06-12-033, making TOU service optional for customers who benefit from the CSI.
13. D.07-06-014 determined that residential customers who benefit from the CSI will not be required to take electric service on TOU rates until the Commission develops tariffs that meet the criteria of SB 1.
14. Whether TOU rates remain mandatory or become optional subject to Commission approval, qualifying customers investing in solar technology should receive the CARE discount.
15. For dual commodity DR-TOU customers, the 20% CARE discount should equal the sum of (1) volumetric electric use charge, the (2) the monthly fixed metering charge, and (3) the volumetric natural gas use charge, and does not apply to "other" account charges.
16. The volumetric electric rate upon which SDG&E's proposed CARE discount for CARE customers on Schedule DR-TOU is based is comprised of the sum of UDC and EECC charges; CARE customers are exempt from DWR Bond Charges and CARE-specific PPP charges embedded within the UDC rate. This is consistent with Commission-approved tariffs and methods for determining a CARE customer's discount and net amount due.
17. Implementing the CARE discount while eliminating the meter charge exemption for CARE customers on Schedule DR-TOU should benefit these customers.
18. SDG&E's proposal in AL 1891-E should be approved with the modifications specified herein.

THEREFORE IT IS ORDERED THAT:

1. SDG&E AL 1891-E is approved with the modifications specified herein.
2. SDG&E shall implement programming measures to provide for applicable discounts for CARE customers taking service on Schedule DR-TOU. CARE

customers currently taking service on SDG&E's Schedule DR-TOU shall begin receiving this discount within 45 days of the effective date of this order.

3. The 20% line item total discount shall be clearly marked and designated on the customer's monthly bill.
4. The Applicability section of Schedule DR-TOU shall be amended to insert this sentence immediately following the first sentence in the section: "Qualifying California Alternative Rates for Energy (CARE) customers are eligible for service on this schedule, as further described under Special Condition 10 of this schedule."
5. Special Condition 10 of the Special Conditions section of Schedule DR-TOU shall be amended to read: "Customers taking service under this schedule may be eligible for a 20% CARE discount on their bill, which for bundled customers primarily includes (1) a volumetric (per-kWh) discount combining the sum of (a) the Utility Distribution Company (UDC) rate exclusive of CARE-specific PPP charges embedded within the UDC rate, as shown on this schedule, and (b) the Electric Energy Commodity Cost rate as shown on Schedule EECC, plus (2) the fixed monthly meter charge as shown on this schedule, if they qualify to receive service under the terms and conditions of Schedule E-CARE. In addition, qualified CARE customers are exempt from paying the CARE surcharge of $0.00151 per kWh." Future changes to the CARE surcharge rate shall be updated on the applicable Schedule DR-TOU tariff page for Special Condition 10.
6. Within 10 days of today's date, SDG&E shall file a supplement to AL 1891-E to make the tariff changes required in this resolution. The supplemental advice letter shall include a sample bill for a CARE customer on Schedule DR-TOU showing the applicable discounts for service rendered pursuant to the provisions of this resolution. The supplemental advice letter shall also provide an updated tariff implementing the changes to the Applicability and Special Conditions sections of Schedule DR-TOU required by this resolution. The supplemental advice letter shall replace AL 1891-E in its entirety and shall be effective 30 days after filing, subject to review for compliance by the Energy Division. SDG&E may implement the tariff changes authorized by this resolution at the beginning of the affected customers' respective billing cycles.

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 July 12, 2007; the following Commissioners voting favorably thereon:

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Paul Clanon
Executive Director