Decision 01-09-062 September 20, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON (U-388-E) for Authority to Institute a Rate Stabilization Plan with a Rate Increase and End of Rate Freeze Tariffs.	Application 00-11-038 (Filed November 16, 2000) (Amended on December 20, 2000)
Emergency Application of Pacific Gas And Electric Company to Adopt a Rate Stabilization Plan. (U 39 E)	Application 00-11-056 (Filed November 22, 2000)
Petition of THE UTILITY REFORM NETWORK for Modification of Resolution E-3527.	Application 00-10-028 (Filed October 17, 2000)

INTERIM OPINION

1. Summary

In Decision (D.) 01-08-021, we modified D.01-05-064 to: (1) clarify that the receipt of interval meters for customers with electric loads over 200 kilowatts (kW) of demand is mandatory under Assembly Bill 29X; and (2) allow customers receiving these meters who are not on a Time of Use (TOU) rate schedule to choose to either participate in a Commission-approved demand reduction program or switch to a TOU schedule. In addition, we set a procedural schedule to consider alternative TOU proposals by Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (Edison) based on their assertion that mandatory assignment to existing TOU schedules would result in a significant rate increase for these customers.

In this decision, we adopt PG&E's and Edison's TOU proposals, with modifications, for customers receiving an interval meter under AB1X 29 who are not on a TOU schedule. These TOU proposals are revenue neutral to customers as a whole and to the utilities and we expect the price impact will be modest for individual customers. Therefore, we reconsider the need to provide these customers with an alternative to TOU metering and, at the urging of PG&E, Edison, and the California Energy Commission (CEC), we modify D.01-05-064 and D.01-08-021 to require that customers receiving AB1X 29 meters who are not already on a TOU schedule be placed on the TOU schedules we adopt today.

2. PG&E's and Edison's Proposals

In D.01-08-021, we adopted PG&E's recommendation to consider an alternative revenue-neutral TOU proposal[1] and directed both PG&E and Edison to file complete revenue-neutral TOU proposals by August 8, 2001. Interested parties had two weeks to comment on these proposals. Both utilities timely filed the requested proposals; no parties filed comments.

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[1] In its July 26, 2001 comments on the draft decision of Administrative Law Judge Walwyn addressing real-time pricing issues and modifying D.01-05-064, PG&E states that if the 3,500 affected medium-sized business customers on rate Schedule A-10 were switched to rate Schedule E-19 they would experience an average annual increase of $15,000 - $20,000 because these customers tend to have lower average load factors than customers who have voluntarily chosen the E-19 Schedule. In its July 26 comments, Edison states that over 6,000 customers will be impacted by the requirement because most customers with peak demands between 20 and 500 kW take service on its Schedule GS-2. Edison states its existing TOU schedule applicable for medium commercial customers, Schedule TOU-GS-2, was originally designed for a particular subset of customers and would not be appropriate for most GS-2 customers; Edison does not provide an estimate of the price impact GS-2 customers switched to Schedule TOU-GS-2 would experience.

In its August 8 filing, PG&E includes its proposal in tariff format and concurrently submits this tariff as Advice Letter 2150-E. PG&E represents that its proposal is a "complete" revenue-neutral TOU rate structure for Schedule A-10, based on the same rate design methodology that was adopted for Schedules A-6 and E-19 in D.01-05-064.

Edison's proposal for an alternative TOU schedule for GS-2 customers is similar to PG&E's in that it is revenue neutral. Customers would continue to pay the currently effective customer and demand charges of Schedule GS-2 but receive TOU energy charges designed to recover the same revenue as the currently effective increasing block energy rates.[2] Edison requests that this tariff option be open to any customer served on Schedule GS-2 who wishes to pay for an interval meter.

3. Discussion

Both PG&E's and Edison's proposals are revenue neutral for the utilities, in that they are designed to collect the same revenue requirement from this group of customers. We recognize that while the proposals are also revenue neutral to the customers as a class, individual customers may experience a price increase or decrease, depending on the relationship of their usage to the class average load profile. However, we expect the price impact will be modest and something that customers can address through changes in their usage patterns. We make this assumption based on PG&E's statement in its July 26 comments that customers assigned to its proposed schedule would receive "modest but

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[2] Both PG&E and Edison base their proposals on forecasted TOU billing determinants for the entire class of customers (Schedule A-10 for PG&E and Schedule GS-2 for Edison).

noticeable economic incentives to begin actively monitoring the newly-available TOU usage information."

We find these proposals meet our objectives for a default schedule for customers receiving interval meters under AB1X29. As we stated in D.01-08-021, our intent in requiring mandatory TOU participation for customers receiving upgraded meters is to ensure that the state's $35 million investment in the sophisticated metering systems delivers the benefit of reducing California's energy demand, especially at times of supply shortages.[3] This is consistent with the conservation objective we relied on as a foundation for our overall rate design in D.01-05-064.

In its September 10, 2001 comments on the draft decision, PG&E renews its request that we not link customer decisions on load reduction program enrollment with the requirements we adopt for AB1X 29 meter installations and instead modify the draft decision to require mandatory TOU rate assignment. PG&E requests this because (1) the vast majority of affected customers have no prior available TOU usage information and therefore would not have the necessary information to make an informed choice; (2) the currently available demand reduction program enrollment opportunities for these customers is quite

[3] We find customers can meet this objective by participation in demand reduction programs offered by the Commission, or by being on a TOU rate schedule. We discuss here the TOU rate schedule as the default schedule based on our requirement that customers who receive ABX1 29 meters elect either a demand reduction program as listed in the revised Attachment A to D.01-04-006 or a TOU schedule within 15 days of installation of the new metering system and that customers failing to choose either shall be placed on a TOU schedule. (See Ordering Paragraph 1(a), D.01-08-021.)

limited; and (3) further modifications to the state's existing demand reduction programs is under consideration in this and other proceedings.

In July 26, 2001 comments, both Edison and the CEC also urged the Commission to reconsider the demand reduction program option. Edison states that if customers are required in the absence of accurate TOU rate analysis, to make a decision between the two options open to them, many will likely opt for a demand reduction program. For the most part, these programs are voluntary and do not have a penalty for noncompliance. As a result, Edison states this "option" may merely serve as a loophole for customers, make no real impact on demand, and create considerable administrative costs. The CEC states that some customers, particularly those in the 200-500 kilowatt (kW) range who are receiving real-time meters under AB1X 29, have an extremely limited ability to participate in current demand reduction programs.

Having given further consideration to the PG&E, Edison and CEC comments, we find that providing the demand reduction program enrollment option does not meet our conservation objective. Therefore, we modify D.01-08-021 to require that customers who receive a meter under ABX1 29 and are not already on an existing time-of-use rate schedule, be placed on the default TOU schedules we adopt here. These customers will need the flexibility to be able to possibly change to other TOU schedules after obtaining and evaluating their load data and, therefore, PG&E should include language in its default TOU tariff that permits customers to chose to change from the default TOU schedule to another TOU schedule without a minimum time requirement.[4]

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[4] This may require PG&E and/or Edison to submit other tariff modifications. On a first reading, Edison's Rule 12 (D)(2) may not be applicable to AB1X 29 customers as it sets a

Footnote continued on next page

We find reasonable Edison's billing recommendation for customers receiving AB1X 29 meters who are not on existing TOU schedules, and accordingly, the TOU schedules we adopt here become effective for service rendered after the next regular meter reading following the date of AB1X 29 meter installation. Edison should include this effective date in its tariff filing and PG&E should amend its proposed tariff to include this language.

We find that Edison's proposal to allow members of its Schedule GS-2 that are not eligible for interval meters under ABX1 29 to chose the new TOU schedule if they pay for an interval meter properly addresses PG&E's concern of preserving revenue neutrality for the class. We adopt this proposal for Edison and direct PG&E to amend its tariff filing to provide the same choice for all customers on its Schedule A-10.

With the changes discussed above, we adopt PG&E's and Edison's proposed revenue neutral TOU schedules. No later than 15 days after the date of issuance of this decision, PG&E and Edison are directed to notify eligible customers in writing of the terms and conditions of the new TOU schedules and to obtain the approval of the Commission's Public Advisor prior to mailing the notices.

We do not address in this decision the real-time pricing proposals filed by parties on August 17, 2001. We will consider these proposals later in this proceeding or another Commission docket. Pursuant to California Pub. Util. Code § 353.1(b), we will need to adopt a real-time pricing tariff before

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twelve month requirement only for customers who elect to make a schedule change, not those required to change schedules.

December 31, 2001 for the narrow group of customers with distributed generation resources.

4. Comments on Draft Decision

Pursuant to Pub. Util. Code § 1701(a), and Rule 77.7(f)(9), we determine that public necessity requires issuance of this decision without the full 30 day public review and comment period because the public interest in quickly providing customers a revenue neutral TOU schedule outweighs the public interest in allowing the full comment period. The draft decision was mailed September 6, 2001 and comments on the draft decision were timely filed by PG&E and Edison on September 10, 2001. Based on these comments, the draft decision is revised to remove the demand reduction program enrollment option and to change the effective date of the proposed TOU schedules.

Findings of Fact

1. Customers receiving RTP meters under ABX1 29 who are not on a TOU schedule should be placed on a TOU schedule to ensure that the state's metering investment delivers the benefit of reducing California's energy demand, especially at times of supply shortages. Offering customers the option to enroll in a demand reduction program instead of being placed on a TOU schedule does not meet our conservation objective.

2. The default TOU proposals submitted on August 8, 2001 by PG&E and Edison contain rates that will expose customers receiving interval meters under AB1X 29 to appropriate price signals that will encourage conservation.

3. The default TOU proposals are revenue neutral to PG&E and Edison and to the customer classes as a whole. Individual customers may experience a price increase or decrease, depending on the relationship of their usage to the class average load profile. However, we expect the price impact will be modest and something that customers can address through feasible changes in their usage patterns.

4. PG&E's proposed language requiring all Schedule A-10 customers receiving the AB1X 29 meters to be initially assigned to its default TOU schedule is inconsistent with D.01-08-021 and should be removed.

5. PG&E's and Edison's proposals should be modified to include:

   a. Provision for customers on PG&E's Schedule A-10 and Edison's Schedule GS-2 who are not eligible for an interval meter under AB1X 29 to choose the default TOU schedules if the customer purchases an interval meter.

   b. Provision for customers on the default TOU schedule to change schedules without a waiting period.

   c. Provision that upon installation of a AB1X 29 meter, the new TOU rate for that customer shall become effective for service rendered after the next regular meter reading following the date of AB1X 29 meter installation.

Conclusions of Law

1. The language adopted in D.01-08-021 for Sections V.A. and VII.B. of D.01-05-064 should be modified as follows:

   a. Section V.A., Moving with the following language:

   > Pursuant to ABX1 29, the CEC is authorized $35 million for the installation of TOU or Real Time Pricing (RTP) metering systems on all customers with electric loads over 200kW of peak demand. In order for California to realize the benefits of ABX1 29 metering expenditures, all customers who receive the meters who are on a non-TOU rate schedule should be placed on a TOU schedule.

   b. Section VII.B., the following paragraph:

   > To ensure effective monitoring of timely installation of the meters we should require PG&E, Edison, and SDG&E to provide a bi-weekly report listing the number of metering systems installed until all ABX1 29 metering systems are installed. The utilities should prioritize the installation of these meters to first include customers who are enrolled in a demand reduction program and

then proceed to customers with the highest kW peak demand level.

2. We find the default TOU proposals of PG&E and Edison, with the above modifications, meet our objectives for a default schedule for customers receiving interval meters under AB1X 29. As we stated in D. 01-08-021, our intent in requiring mandatory TOU participation for customers receiving upgraded meters is to ensure that the state's $35 million investment in the sophisticated metering systems delivers the benefit of reducing California's energy demand, especially at times of supply shortages.

3. PG&E's and Edison's proposals, with the above modifications, are reasonable and, should be adopted.

4. In order to expeditiously implement AB1X 29, this order should be effective immediately.

INTERIM ORDER

IT IS ORDERED that:

1. The language adopted in Decision (D) 01-08-021 for Sections V.A. and VII.B. of D.01-05-064 is modified as follows:

   a. Section V.A., Moving with the following language:

      Pursuant to ABX1 29, the CEC is authorized $35 million for the installation of TOU or Real Time Pricing (RTP) metering systems on all customers with electric loads over 200kW of peak demand. In order for California to realize the benefits of ABX1 29 metering expenditures, all customers who receive the meters who are on a non-TOU rate schedule shall be placed on a TOU schedule.

   b. Section VII.B., the following paragraph:

      To ensure effective monitoring of timely installation of the meters we shall require PG&E, Edison, and SDG&E to provide a bi-weekly report listing the number of metering systems installed until all ABX1 29 metering systems are installed. The utilities should prioritize the installation of these meters to first include customers who are enrolled in a demand reduction program and then proceed to customers with the highest kW peak demand level.

2. The default Time Of Use (TOU) proposals of Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (Edison), as modified herein, are effective today.

3. Edison shall file by compliance filing within seven days a tariff reflecting the default TOU proposal adopted here for Edison. PG&E shall file by compliance filing within seven days an amended tariff reflecting the default TOU proposal adopted here for PG&E. These tariffs shall be effective as of the date of this decision, subject to Energy Division finding the tariffs compliant with this order.

4. Within 15 days of the date of issuance of this decision, PG&E and Edison shall notify eligible customers in writing of the revised TOU program and obtain the approval of the Commission's Public Advisor prior to mailing the notices.

This order is effective today.

Dated September 20, 2001, at San Francisco, California.

LORETTA M. LYNCH
President
HENRY M. DUQUE
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners