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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4301**
DECEMBER 17, 2009

<u>R E S O L U T I O N</u>

Resolution E-4301. San Joaquin Local Agency Formation Commission (LAFCo) request for a California Public Utilities Commission (CPUC) opinion on the effect of South San Joaquin Irrigation District's (SSJID's) proposal to provide retail electric service within Pacific Gas and Electric Company's (PG&E's) service territory.

PROPOSED OUTCOME: This Resolution determines that SSJID's proposed service could raise rates for PG&E's remaining ratepayers but the magnitude of the estimated increase is small relative to PG&E's current system average rates, and thus does not substantially impair PG&E's ability to provide adequate service at reasonable rates.

ESTIMATED COST: It is estimated that SSJID's proposal could result in a 30-year net present value revenue loss to PG&E of $241 million, and resultant higher rates of $0.00032 per kilowatt-hour or 0.21% of the system average rate.

By San Joaquin LAFCo letter dated September 18, 2009.

SUMMARY

SSJID's proposal to provide retail electrical service to existing PG&E customers could raise rates for PG&E's remaining customers; the magnitude of the estimated increase, however, is small relative to PG&E's current system average rates, and thus does not substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service territory.

- Some customers in SSJID's proposed service area would be exempt from payment of certain non-bypassable charges (NBCs) which would require remaining PG&E customers to cover these costs.

- SSJID's severance proposal potentially could idle existing PG&E distribution and transmission (T&D) facilities requiring PG&E customers to cover the costs, however, the amount of the impact depends on SSJID's precise plans which are unknown at this time.
- The estimated costs and/or offsetting benefits of SSJID's Plan that would affect remaining PG&E customers vary greatly depending on the assumptions used in the analysis. PG&E estimates that its remaining ratepayers would be affected by lost revenue that PG&E would have collected from customers in the proposed SSJID service area, and that although it would avoid some costs should the SSJID's proposal move forward, PG&E expects the lost revenue to exceed the avoided costs so that the contribution to margin would decrease. SSJID believes that there are several significant errors in PG&E's analysis and that when corrected the estimated potential impact would vary from a modest net cost to more significant net savings.
- Relying on the highest quantifiable cost estimate, based on the facts before us, the total overall rate impact of SSJID's proposed service on PG&E's remaining ratepayers (including those in areas of San Joaquin County that PG&E will continue to serve) is an increase of $0.00032 per kilowatt-hour (kWh), which is approximately 0.21 percent of PG&E's current system average rate.

BACKGROUND

SSJID proposes to expand the scope of the services it offers to provide retail electrical service to approximately 38,000 existing PG&E customers in 2011. SSJID previously sought approval for a similar plan in June 2005.

SSJID currently provides irrigation water service and wholesale domestic water service to customers within southern San Joaquin County, and also provides wholesale electric generation and electricity marketing services through its ownership interest in three hydroelectric generating facilities. SSJID proposes to acquire existing electric distribution facilities owned and operated by PG&E, and construct certain new facilities to physically and operationally separate facilities, in order to begin providing retail electric service to approximately 38,000 customers in 2011. Because SSJID does not currently provide retail electric service, SSJID is seeking approval from the San Joaquin LAFCo. SSJID previously sought LAFCo approval in June 2005 but, according to SSJID, the application was denied in June 2006 on the grounds that SSJID had provided insufficient information.

In the current application to the San Joaquin LAFCo, SSJID has updated and revised the information that was submitted in 2005. Key differences between its prior plan and this new plan include:

- SSJID has significantly increased its cash reserves, thereby, minimizing financial uncertainties related to its proposed Plan of Service;
- SSJID has reduced the scope and cost of new construction required;
- SSJID has increased the number of permanent jobs that its Plan of Service will provide in local communities;
- SSJID has expanded its commitment to public purpose programs;
- SSJID has more thoroughly analyzed the financial feasibility and economic benefits of its proposed Plan of Service; and,
- SSJID has included additional information and analysis in support of its application.

The CPUC is responsible for investigating SSJID's proposal and issuing an advisory report to the LAFCo on whether it will have a substantial impact upon PG&E's remaining customers.

Government Code § 56131 requires that when a district, such as SSJID, applies to the LAFCo for approval to provide gas or electric service, the CPUC shall investigate and report to the LAFCo its opinion whether the proposed service will substantially impair the ability of the public utility to provide adequate service at reasonable rates within the remainder of its service area. The report shall be made within 90 days after the CPUC's receipt from the LAFCo of a certified copy of the district's proposal. On September 25, 2009, the CPUC's Energy Division received a letter, dated September 18, 2009, from the San Joaquin LAFCo requesting the opinion of the CPUC regarding SSJID's proposal. This proposal is similar to the one considered by the CPUC in Resolution E-3974 in April 2006.

The CPUC relies on certain criteria to evaluate and make its determination concerning substantial impairment to PG&E's remaining ratepayers.

Resolution E-3952 addressed an annexation proposal by the Sacramento Municipal Utility District (SMUD) as requested by the Sacramento LAFCO. In that resolution, the CPUC determined that the following criteria were reasonable for evaluating a district's service proposal:

a) whether the customers of the proposed district will be able to bypass payment of transition costs, which would require the remaining PG&E customers to cover these costs,
b) whether any aspect of the district's proposal will potentially idle PG&E facilities requiring remaining PG&E customers to cover the costs of these idled facilities,
c) whether there are any other quantifiable costs and/or offsetting benefits that would affect remaining PG&E customers, and
d) whether the resulting cost impact, if any, would have a significant rate impact on remaining PG&E customers.

Due to the passage of time, NBCs imposed on customers leaving bundled service now mostly reflect costs other than "transition costs" as defined in Public Utilities (PU) Code § 840(f). Accordingly, for purposes of our discussion here, we will update criteria (a) to refer generally to avoidance of NBCs rather than just "transition costs".

SSJID addressed the CPUC criteria in its proposal and concluded that its acquisition of PG&E's distribution facilities and its provision of electric service will not adversely impact PG&E's remaining electric customers, and will result in reduced costs for PG&E that will likely be in excess of PG&E's lost revenues from those customers.

SSJID states that PG&E's ratepayers will not suffer any significant adverse impacts as a result of its plan because 1) SSJID's financial projections provide for the payment of NBCs, 2) no PG&E facilities will be idled as a result of SSJID's purchase of PG&E's existing electric distribution facilities and/or the construction of new facilities, and 3) any lost revenues for PG&E will be offset by cost savings.[1] These include:

- the transfer of load to SSJID will reduce PG&E's need to procure new resources to serve load in the near and long term;

[1] See 9/3/09 SSJID Application to San Joaquin LAFCo, pp. 6-7, 6-8, and 6-9.

- because the load to be transferred to SSJID includes a substantial contribution to "summer peaking" relative to PG&E's system average, PG&E's additional future generation capacity needs in the summer will be reduced;
- the transfer of load to SSJID removes load that is currently paying less than full cost of service standards as measured by PG&E;
- the transfer of load to SSJID reduces the need for PG&E investment in additional transmission capacity to ensure reliable delivery of power during the peak load (summer) season; and,
- PG&E's distribution facilities will be taken out of PG&E's rate base and will no longer pay a rate-of-return, depreciation, and income taxes on these assets.

To perform its review, the CPUC's Energy Division asked for and received additional information from PG&E concerning SSJID's proposal to provide retail electrical service.

On October 5, 2009, the CPUC's Energy Division requested that PG&E 1) address each of the criteria considered in Resolution E-3952, 2) respond to SSJID's assessment of impacts to PG&E's remaining ratepayers, 3) provide quantitative impact estimates for each response with explanations of the calculations of such estimates, 4) provide supporting workpapers with its estimate of the rate impacts, and 5) explain whether/how the estimates provided in response to this letter differ in any substantial way from the estimates PG&E provided in 2006. PG&E responded to this inquiry on October 26, 2009.

NOTICE

The San Joaquin LAFCO's letter was noticed in the Daily Calendar.

San Joaquin LAFCO's letter, dated September 18, 2009, was received by the Energy Division on September 25, 2009 and noticed by publication in the Commission's Daily Calendar on October 2, 2009.

PROTESTS

PG&E urges the CPUC to issue a determination that SSJID's proposal would substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service area. If the CPUC does not reach this

conclusion, PG&E recommends that this Resolution include a clarifying finding.

In its October 26, 2009 response to the Energy Division's request for information, PG&E asserts SSJID's proposal would substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service area because it would 1) harm PG&E's remaining ratepayers by a 30-year Net Present Value (NPV) amount of $303.9 million, increasing their rates by an estimated $0.00040 per kWh, 2) result in the construction of additional facilities not otherwise needed, and 3) continue to remove customers from the CPUC's jurisdiction - continuing a trend that it believes promises to progressively hamper the ability of the state to achieve its energy policy objectives.

If, consistent with Resolution E-3974, the CPUC finds that the harm to remaining customers does not rise to the level of "significance" per Government Code Section 56131, PG&E urges the CPUC to at a minimum issue the following additional finding in order to avoid having its position misrepresented:

> "Our finding of no 'significant' impact on PG&E's ability to provide adequate service at reasonable rates is <u>not</u> a finding of <u>no</u> impact. In fact, we find SSJID's proposal would have a negative impact on PG&E's ability to provide adequate service at reasonable rates in the remainder of its service territory, including in San Joaquin County. The negative impact is only not 'significant' because it is small relative to the size of PG&E's entire system. SSJID's proposal will raise rates for remaining PG&E customers, including remaining customers in San Joaquin County, just not by a 'significant' amount."

SSJID responds that PG&E's analysis appears to be flawed. SSJID maintains that its current proposal will have no significant adverse effect on PG&E's remaining ratepayers.

On November 2, 2009, SSJID submitted comments regarding PG&E's October 26, 2009 response to the Energy Division's request for information[2]. Based on its

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[2] SSJID states that these comments were filed prior to the receipt of PG&E's response to its October 28, 2009 data request. SSJID supplemented these comments on November 13, 2009 after it received and evaluated PG&E's response to its discovery request. Time did not permit incorporating SSJID's supplemental comments on PG&E's data request

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initial review, SSJID states that PG&E's response appears to be incomplete, inconsistent, inaccurate, and misleading in a number of respects. SSJID believes that PG&E's response also fails to adequately consider a number of benefits that PG&E's ratepayers will receive as a result of SSJID's proposed plan. As a result, SSJID asserts PG&E's analysis overstates the revenues it claims it will lose, understates the costs that it will avoid, and significantly overstates the potential impact of SSJID's proposal on the rates of PG&E's remaining customers.

Although SSJID's current proposal is different in a number of respects from its 2005 application, SSJID maintains that the impact is essentially unchanged (i.e. that SSJID's current plan of service will not substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service territory). SSJID asserts that there is no basis or justification for the CPUC finding otherwise.

The Division of Ratepayer Advocates (DRA) is not opposed to SSJID's proposal because it believes that it will have a negligible rate impact on remaining PG&E ratepayers, is viable, and does not create any irresolvable jurisdictional issues.

On November 2, 2009, DRA submitted comments regarding PG&E's October 26, 2009 response to the Energy Division's request for information. DRA considered the range of rate impacts from PG&E's estimate of an increase of $0.00040 per kWh (over affected customers only) to SSJID's estimate of a rate reduction of $0.00017 per kWh. DRA asserts that PG&E's estimate may be high because it assumes a 100% loss of transmission sales on departing load despite claiming that SSJID is vague regarding transmission.

DRA also considered the stability of SSJID's proposal and considered it to be viable because 1) SSJID has been in the wholesale electric business for 65 years, 2) its resource mix (primarily hydro) is less volatile in price than PG&E's, 3) SSJID is a long standing irrigation district that has fully developed billing and customer service departments, 4) from its irrigation business, it has substantial and rapidly

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response in the draft resolution that was mailed to parties for comment pursuant to PU Code Section 311(g)(1). These supplemental comments, however, were incorporated into the final resolution where appropriate.

growing assets, 5) its wholesale electric service has already led SSJID to create and oversee Demand Response, Energy Efficiency, and Renewables programs, and 6) there is precedent for irrigation districts in California providing retail electricity service.

Finally, DRA considered territory erosion should there be a cascade of municipalizations, and the effect of jurisdictional issues if not clarified. DRA concludes that any concerns are counterbalanced by the observation that the opportunities for other irrigation districts to municipalize are not numerous and their potential impacts would not be substantial, and that it is confident that jurisdictional issues can be worked out.

DISCUSSION

Previous criteria, as clarified above, are used to evaluate the effects of SSJID's proposal on PG&E's ability to provide adequate service at reasonable rates within the remainder of its service territory.

Our evaluation of SSJID's proposal to provide retail electric service relies on the criteria used in Resolution E-3952, as updated above. Specifically, we consider a) whether SSJID's customers will be able to avoid payment of NBCs, which would require the remaining PG&E customers to cover these costs, b) whether any aspect SSJID's proposal will potentially idle PG&E facilities requiring remaining PG&E customers to cover the costs of these idled facilities, c) whether there are any other quantifiable costs and/or offsetting benefits that would affect remaining PG&E customers, and d)whether the resulting cost impact, if any, would have a significant rate impact on remaining PG&E customers.

Some customers in SSJID's proposed service area would be exempt from payment of certain NBCs which would require remaining PG&E customers to cover these costs.

PG&E customers located in SSJID's proposed service area currently pay a variety of NBCs as part of their standard electric rates. The ongoing competition transition charge (CTC), public purpose program (PPP) charge, nuclear decommissioning charge (NDC), and fixed transition amount/transition trust amount (FTA/TTA) were implemented to recover costs arising from electric industry restructuring. The Department of Water Resources bond charge (DWRBC) and the Power Charge Indifference Adjustment (PCIA)[3] were established to ensure recovery of costs associated with power procurement during and after the energy crisis. Costs associated with the energy bonds issued to finance PG&E's bankruptcy-related costs are captured in the energy cost recovery amount (ECRA) charge. Above-market costs associated with generation commitments undertaken by PG&E subsequent to January 1, 2003 are collected through the "new world generation" charge.

The applicability of these charges to Municipal Departing Load (MDL) (e.g. PG&E retail electric customers who depart to be served by SSJID) is governed by legislation and CPUC decisions[4]. In general, exemptions and exceptions were granted if certain loads did not contribute to the need to incur costs for which NBCs were established. The net result with respect to SSJID's proposal is that all MDL customers served by SSJID would continue to be responsible for the ongoing CTC, NDC, FTA/TTA charge, and DWRBC but would be exempt from the PPP charge; some MDL customers served by SSJID would be exempt from the DWRPC and the ECRA charge; and PG&E must file an application with the CPUC to determine whether MDL customers served by SSJID owe the "new world generation" charge[5].

As stated in Resolution E-3974, PG&E and SSJID agree that some load to be served by SSJID may be exempt from certain charges but they disagree as to whether PG&E's remaining customers would have to cover any costs associated with the exemptions. SSJID states that there would be no cost shifting to PG&E's remaining customers because legislative and administrative exemptions were granted on the basis that certain loads did not contribute to the costs for which

[3] On July 1, 2006, the PCIA superseded and replaced the Department of Water Resources power charge (DWRPC) for unbundled customers.

[4] See Assembly Bill (AB) 1890 and CPUC Decision (D.) 97-08-056, D.03-07-028, D. 03-08-076, D.04-11-014, D.04-12-059, D.05-07-038, D.05-08-035, and D.08-09-012.

[5] For purposes of this analysis, PG&E assumed SSJID MDL customers would owe the "new world generation" charge.

the charges were established. PG&E states that since customers who depart for SSJID service would have paid all of these charges in their entirety had they continued PG&E service, there is a loss of revenue associated with exemptions that adversely affects PG&E's remaining customers. PG&E estimates a $46.0 million NPV adverse impact would result from these lost revenues[6].

In Resolution E-3952 regarding our evaluation of SMUD's annexation proposal, we concluded that PG&E's remaining ratepayers must cover the costs resulting from NBC payment exemptions. This conclusion was discussed and confirmed in Resolution E-3974 regarding SSJID's 2005 proposal. As we stated there, we understand SSJID's position that some exemptions were justified in recognition of the fact that PG&E did not incur costs associated with certain departing loads, however, we reached the above conclusion on the basis that the overall cost obligation is fixed and that the remaining customers are left with the responsibility to pay those amounts resulting from any exceptions. Although this impacts PG&E's remaining customers and should be considered in our analysis here, it does not constitute cost-shifting as prohibited by PU Code § 366.2(d).

There is a possibility that SSJID's severance proposal may idle some existing PG&E T&D facilities requiring PG&E customers to cover the costs. PG&E did not quantify the impact, however, because it claims such an estimate depends on SSJID's precise plans which are unknown at this time. Any costs from idled PG&E T&D facilities would be additive to the total estimated rate impact considered in this resolution.

SSJID states that it plans to purchase PG&E's existing electric distribution facilities to avoid duplicating and stranding PG&E facilities. As part of its acquisition plans, SSJID claims that some construction of facilities will be required to physically and operationally "separate" the facilities it intends to acquire from PG&E's remaining electric distribution system and to ensure that

[6] PG&E asserts that this estimate would be larger if recovery of the new world generation costs ultimately is not permitted by the CPUC. SSJID asserts that this estimate should be smaller to account for changes in PG&E's PPP expenditures.

PG&E's remaining customers do not experience any degradation in service[7]. SSJID states that it also plans other facility construction in order to improve reliability. SSJID asserts that the construction and installation of its proposed facilities will not result in the idling of any PG&E distribution facilities.

PG&E, on the other hand, asserts that associated distribution and/or transmission facilities throughout SSJID's proposed service area would become idle or altered in the process of completing necessary severance work. The specifics including any cost impacts, PG&E claims, depends upon SSJID's precise plans which are not known at this time. PG&E claims, as an example, that SSJID's plans require modifications of PG&E's Manteca substation at SSJID's expense.

As stated in Resolution E-3974, our relevant criterion is whether any aspect of the district's proposal will *potentially* idle PG&E facilities requiring remaining PG&E customers to cover the costs of these idled facilities. Because the specifics of the proposal have not yet been determined, there is the *potential* that some PG&E facilities may be idled. Unfortunately, due to this uncertainty, PG&E did not quantify any impact and thus we cannot rely upon any cost estimates in our evaluation. We do note, however, that any costs that result from idled PG&E T&D facilities would be additive to the total estimated rate impact considered in this resolution.

The estimated costs and/or offsetting benefits of SSJID's Plan that would affect remaining PG&E customers varies greatly depending on the assumptions used in the analysis.

In addition to the lost NBCs revenues discussed above, PG&E states that its remaining ratepayers would be adversely affected by lost T&D revenues of $299.8 million (NPV over the 30-year analysis period[8]) that PG&E would have

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[7] SSJID anticipates constructing a least one new substation, installing new transformers in certain substations, and installing new distribution lines and feeders in certain areas.

[8] PG&E used a 30-year analysis period for ease of comparison to SSJID's. But, PG&E believes, if implemented, SSJID's takeover would be permanent. Accordingly, PG&E asserts that any negative impact on PG&E's ratepayers would continue beyond the 30-

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collected from the customers in the proposed SSJID service area. PG&E states that it would avoid some T&D costs should the SSJID's proposal move forward, however, it expects the lost revenue to exceed the avoided costs[9], so that contribution to margin would decrease and its remaining ratepayer's rates would increase as a result. These lost revenues would be offset partly by the compensation ultimately provided by SSJID for the T&D assets. Using a net book value of $41.9 million, PG&E estimates the total losses in T&D contribution to margin to be $257.9 million (NPV over the 30-year analysis period).

SSJID asserts that PG&E's estimate of lost distribution-related revenues is based on assumptions that are unrealistic, unjustified and fundamentally inconsistent with information contained in PG&E's FERC Form 1 filings. SSJID also claims that PG&E fails to consider the potential benefits from savings that PG&E and its remaining ratepayers will receive from reduced electric procurement and RPS-related compliance costs as a result of SSJID's Plan. In addition, SSJID believes that PG&E's use of the net book value in the impact analysis is incorrect because PG&E and SSJID have stated that SSJID will pay at least the fair market value of the facilities which it asserts will be well in excess of the net book value. SSJID states that the current appraisal of the fair market value is $65.1 million and that it has made a good faith offer to pay PG&E $78 million for the facilities. SSJID asserts that PG&E has publicly claimed fair market values of $335 million and $450 million. Incorporating all of these changes, SSJID estimates that resulting impact on PG&E's remaining ratepayers varies from a modest potential cost of approximately $24 million (NPV over the 30-year analysis period) to a more significant potential benefit of approximately $233 million NPV.

Since the actual value of the assets has not been determined, it is possible that there could be a higher amount paid to PG&E for its facilities than the net book

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year study period and therefore result in amounts greater than those stated in the parties' submissions and recited in this resolution.

[9] PG&E states that SSJID's takeover will produce lost economies of scale: PG&E now provides both gas and electric service in this area, and would continue to provide gas service even if its electric facilities are condemned. Thus, PG&E asserts that the avoided costs will be less than PG&E's average cost to serve this area, since many functions (such as service centers) will need to remain.

value, and that the allocation of any gain on sale to ratepayers would lower the cost estimate impacts. Also, it is possible that PG&E's estimates include assumptions that may or may not be valid. The estimated effect of SSJID's Plan on the rates of PG&E's remaining ratepayers varies depending on the assumptions used in the analysis. Given the uncertainty of the various outcomes, it is conservative to use the estimate that would yield the greatest possible adverse impact on PG&E's remaining ratepayers when making a determination of whether there is substantial impairment.

SSJID also believes that there are other errors and omissions in PG&E's analysis regarding the level of transmission service which leads to an overstatement of the T&D revenues that PG&E will lose. In Resolution E-3974, there was debate about the amount of transmission service SSJID was going to take from PG&E, and therefore whether there would be transmission-related costs shifted to PG&E's remaining customers. PG&E assumed that it would lose all transmission related revenues associated with customers SSJID intended to serve, SSJID, on the other hand, stated that it planned to take the majority of its transmission service from PG&E. Given this uncertainty, we reduced PG&E's lost T&D contribution to margin estimate. Here, the lost contribution to margin estimates presented by PG&E again assume that none of the transmission service would be supplied by PG&E. PG&E asserts that this assumption remains reasonable because SSJID's new Application is even less definitive stating that "Transmission service will come from the California Independent System Operator ("CAISO") and/or SMUD/WAPA control areas."[10] Also, PG&E asserts that SSJID's new Application says elsewhere that it has or will have various agreements with Modesto Irrigation District to facilitate its provision of electric service. And, SSJID has not applied for interconnection with PG&E, or for an interconnection study. PG&E states that for these reasons, and because of its belief that in general public agencies avoid the CAISO when they can, it asserts that it is fair and conservative for PG&E to assume here that SSJID will take *all* transmission service from SMUD/WAPA (if that is physically feasible for SSJID to do).

DRA asserts that PG&E's estimate may be high because of the assumption of a 100% loss of transmission sales.

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[10] See 9/3/09 SSJID Application to San Joaquin LAFCo, p. 1-7.

In response to PG&E's analysis on this issue, SSJID states that although SSJID's Plan was not as clear as it could have been, SSJID intends to take approximately 85% of the transmission service required to serve its customer requirements from PG&E through the CAISO, and anticipates that it will take the balance from SMUD or MID through WAPA. SSJID asserts that this change in assumption lowers PG&E's lost T&D contribution to margin estimate by $62.9 million. Given SSJID's clarification, it is reasonable to adjust PG&E's estimate to reflect that SSJID will be taking 85% of its transmission service from PG&E. Accordingly, an adjusted lost T&D contribution to margin estimate of $195 million NPV[11] should be used. When we rely on the highest estimate, we should, of course, rely on the highest quantifiable estimate based on the facts before us.

The highest estimated total overall rate impact of SSJID's proposed service on PG&E's remaining ratepayers is $0.00032 per kWh, which is small relative to PG&E's current system average rates, and thus does not substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service territory.

To estimate the total effect on remaining PG&E customers, PG&E added together the $46.0 million NPV estimate of lost NBC revenues and the $257.9 million lost T&D contribution to margin, for a total adverse impact of $303.9 million NPV over the 30-year study period. PG&E then converted the 30-year NPV impacts to an annualized basis (so that the shifted costs are in units of dollars per year). On an annualized basis, PG&E estimates that its remaining ratepayers would be harmed by $25.9 million per year. This figure was then divided by PG&E's forecast of the affected sales[12] to obtain an estimated rate increase to remaining customers of $0.00040 per kWh.

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[11] The $195 million estimate is PG&E's estimate of $257.9 million reduced by SSJID's estimate of $62.9 million.

[12] To estimate the amount of affected sales, PG&E subtracted its forecast of sales in the proposed service area, and it subtracted its forecast of sales at residential Tiers 1 and 2 rates (for usage up to 130% of baseline) and at CARE rates (for customers participating in the low income rate discount program) from its total system sales forecast because increases for these categories are capped or limited by statute.

DRA asserts that PG&E's focus on the affected kWhs only is extreme and unrealistic for residential customers, and that a System Average Rate (SAR) impact should be used instead. DRA states that a SAR impact which considers all kWhs is very traditional and a widely used way of evaluating rate impacts. Although PG&E did not explicitly discuss this alternative, it presented a SAR impact estimate of $0.0003 per kWh in its supporting workpapers. DRA believes that this number represents a true average and should be used.

SSJID agrees with DRA that it is inappropriate to exclude sales in computing PG&E's system average rate and with this correction PG&E's estimate would be $0.00030 per kWh instead of $0.00040. However, SSJID believes that there are numerous other errors in PG&E's analysis that when corrected would show that the impact of SSJID's Plan would range from a potential rate increase of $0.00002 per kWh (on a system average basis), to a more significant potential rate reduction of $0.00020 per kWh (on a system average basis), to PG&E's remaining ratepayers, depending upon the assumptions used in the analysis.

As we stated in Resolution E-3974, when evaluating possible scenarios, it is reasonable to use the highest quantifiable number when determining whether there is the possibility that the proposed service will substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service territory. The highest quantifiable estimate of the rate impacts of SSJID's proposal, based on the facts before us, is $0.00032 kWh, which is 0.21 percent of PG&E's current system average rates[13]. This is PG&E's total estimated impact ($0.00040) adjusted to account for SSJID's clarification regarding its intention to take the majority of transmission service from PG&E. This is approximately the same rate impact as that relied upon in Resolution E-3974. Since the area, customer base, and overall rate impacts of SSJID's current proposal is essentially the same as that claimed in response to the 2005 proposal, there is no basis for us to reach a different conclusion. Thus, we affirm that a rate impact of this

[13] PG&E's current system average rate for bundled service customers is 15.228 cents per kWh for rates effective October 1, 2009 as shown in PG&E's Advice Letter 3534-E.

magnitude is small compared to PG&E's current system average rates, and thus does not substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service territory.

In anticipation of this outcome, PG&E requests that we include a finding in this Resolution acknowledging that the rates of PG&E's ratepayers would nevertheless increase (even if not at the level of a "substantial impairment") and have a negative impact. PG&E believes that this is important because SSJID and the media publicly characterized Resolution E-3974 as saying that SSJID's action will have no adverse impacts at all on PG&E's remaining customers. Notwithstanding the fact that we cannot control how entities characterize or represent our decisions, we do not believe our conclusion needs clarification. Relying on an adjusted PG&E estimate, we do state that SSJID's proposed service could "raise rates" of PG&E's remaining ratepayers, however, it is not appropriate to conclude that this is a "negative" impact because the magnitude of the estimated "increase" (i.e. impact) is small compared to PG&E's current system average rates, and thus does not substantially (i.e. "negatively") impair PG&E's ability to provide adequate service at reasonable rates.

Broader energy policy implications are beyond the scope of the analysis required in this Resolution.

PG&E claims that SSJID's project will result in the loss of CPUC jurisdiction that will undermine State energy policy objectives. In response to this assertion in Resolution E-3974, SSJID stated that PG&E's claim is incorrect and that it is irrelevant to the issues the CPUC must address under Government Code § 56131. SSJID stated that it has been subject to public policy initiatives adopted by the Legislature and will continue to be subject to such initiatives, including state energy policies. SSJID further noted that it owns qualifying renewable resources which as a percentage of its load exceeds current CPUC renewable portfolio standard requirements[14].

[14] PG&E asserts that this statement is misleading because while SSJID owns (in full or in part) hydroelectric plants, most of the plants' capacity is in units that exceed 30 megawatts (MW) and therefore does not qualify under current renewable portfolio standards. Furthermore, PG&E believes that SSJID's Plan does not commit to serve its retail load with the qualifying renewable portion of those resources.

In Resolution E-3952, dated November 18, 2005, we determined that the consideration of broader energy policy issues related to the formation or expansion of public power within a public utilities' service territory is beyond the scope of the CPUC's inquiry under Government Code § 56131 but could be the subject of a separate CPUC proceeding. In Resolution E-3959, dated December 15, 2005, we further elaborated that municipal utilities, municipal districts, and irrigation districts were not then subject to the same requirements as utilities regulated by the CPUC regarding implementation of the state's energy policies, such as the greenhouse gas adder, the Renewables Portfolio Standard, the California Solar Initiative, and other activities related to climate change. We specifically noted that Government Code § 56131 is narrowly drawn and does not provide for us to conduct an analysis of whether public power expansion proposals are consistent with the state's energy policies. Nor does the statute provide for us to conduct an analysis of whether and to what extent the economic feasibility of providing utility service pursuant to an expansion proposal is driven by the ability of a non-regulated utility to escape the cost of implementing Energy Action Plan II policies. With the goal of adopting a general policy statement, we stated that we might consider such issues in PG&E's test year 2007 General Rate Case (GRC), A.05-12-002. On February 3, 2006, an Assigned Commissioner's Ruling and Scoping Memo for that proceeding was issued which found that these issues are better suited to be considered for all utilities generically rather than in PG&E's 2007 GRC. In Resolution E-3974, we stated that the initiation of a generic proceeding, such as an Order Instituting Rulemaking, was pending. To date, no generic proceeding relating to these issues has been initiated. However, the CPUC has considered some of these issues in Rulemaking (R.) 06-04-009, in which it provided advice to the California Air Resources Board about the implementation of AB 32, including the imposition of a 33% renewables requirement on all retail providers of electricity (including POUs). (See, e.g., D.08-10-037, section 4.1.2.2.)

In Resolution E-3974, we also stated that we endorsed and were seeking a statutory change to expand Government Code § 56131 to require the CPUC to consider the cumulative impacts of public power expansion proposals. We further stated that we were seeking changes to consider the effect multiple proposals may have on the efficiency of the public utilities' programs to implement state energy policy goals and priorities on energy efficiency, renewable portfolio standards, the use of solar energy, and resource adequacy, among others. Notwithstanding these efforts, no modifications have materialized.

COMMENTS

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

PU Code § 311(g)(1) generally provides that draft resolutions must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the CPUC. Accordingly, a draft resolution was mailed to parties for comment.

On November 24, 2009, DRA submitted comments. SSJID and PG&E submitted comments on December 7th. On December 11th, SSJID submitted reply comments in response to the comments filed by PG&E. SSJID requested CPUC consideration of these reply comments on December 14th. In order to ensure compliance with the statutory deadline, no reply comments were allowed and SSJID's request to consider reply comments is denied (See Rule 14.5 of the CPUC's Rules of Practice and Procedure.)

The draft resolution has been revised to clarify DRA's and SSJID's position regarding the potential rate impact of SSJID's Plan, and remove the implication that DRA recommended that the rate impacts be incorporated into the rates for Tiers 1 and 2 and CARE customers.

DRA asserts that the draft resolution misrepresents its position on implementing the rate impacts due to SSJID's plan, and it misstates PG&E's estimated rate impacts. Specifically, DRA states that PG&E estimated in its report a $0.0004 per kWh impact, but this impact is limited to those kWhs that can actually vary (not Tier 1 and 2 and non-CARE). DRA asserts that PG&E's focus on the affected kWhs only is extreme and unrealistic for residential customers, and that a SAR impact should be used instead. DRA argues that a SAR impact which considers all kWhs, is very traditional and a widely used way of evaluating rate impacts. Although PG&E did not explicitly discuss this alternative, it presented a SAR impact estimate of $0.0003 per kWh in its supporting workpapers. DRA believes that this number represents a true average and should be used. SSJID agrees with DRA that it is inappropriate to exclude sales in computing PG&E's system average rate and that with this correction PG&E's estimate would be $0.00030 per kWh instead of $0.00040.

In pointing out these alleged deficiencies of how PG&E characterized the rate impacts, DRA clarified that it was in no way recommending that Tiers 1 and 2, and CARE usage bear some of the rate impact. DRA acknowledges that doing so would violate existing law and practice. DRA requests that the draft resolution be revised to correctly state its position.

The draft resolution has been revised to clarify DRA's and SSJID's position regarding use of a SAR impact, offer more details on how PG&E calculated its estimated rate impacts, and remove the implication that DRA recommended that the rate impacts be incorporated into the rates of Tiers 1 and 2 and CARE customers. No other modifications were made to draft resolution regarding this issue because PG&E's approach, of looking at the affected kWhs only, portrays the estimated impacts in their most severe form. As previously stated in this resolution and in Resolution E-3974, when evaluating possible scenarios, it is reasonable to use the highest quantifiable number when determining whether there is the possibility that the proposed service will substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service territory.

The draft resolution has been revised to reflect SSJID's clarification that it plans to take approximately 85% of the transmission service required to meet the needs of its customers from PG&E through the CAISO.

SSJID asserts that the draft resolution incorrectly assumes that SSJID will take no transmission service from PG&E. The draft resolution relied on PG&E's claim that the Commission should assume that SSJID will take zero transmission service from PG&E because it was unclear in SSJID's Application how SSJID intends to acquire the transmission services it will need, and that SSJID did not respond to PG&E's analysis on this issue. In its Supplemental Comments and its comments on the draft resolution, SSJID clarifies that it intends to obtain the majority (85%) of the transmission services it will require to meet the needs of its customers from PG&E through the CAISO. The draft resolution has been modified to incorporate this clarification, and the T&D 30-year NPV contribution to margin estimate and the rate impact amount have been revised accordingly.

The draft resolution has been revised to acknowledge that since the actual value of PG&E's facilities has not been determined, there are other possible outcomes that would reduce the cost impacts to PG&E's remaining ratepayers.

SSJID believes that the single most significant flaw in the draft resolution is that it assumes an incorrect asset value for the existing facilities SSJID intends to acquire from PG&E. The draft resolution accepts PG&E's use of the net book value of $41.9 million as the asset valuation figure, as well as PG&E's analysis of how that acquisition price will affect the cost of service for PG&E's remaining ratepayers. SSJID states that the current appraisal of the fair market value of the facilities is $65.1 million. In addition, SSJID states that it has already made a good faith offer to pay PG&E $78 million for the facilities. SSJID also asserts that PG&E claims that the fair market value of the facilities is substantially greater. In a recent letter to San Joaquin LAFCo, PG&E stated that it estimates that the fair market value of the facilities is $450 million. SSJID asserts that PG&E has also claimed that a court would "most likely award" PG&E $335 million for the facilities.

As SSJID correctly notes in its comments, the amount that SSJID will actually pay for PG&E's facilities will not be known until this amount is determined through negotiation of a purchase price by the parties or determined by the courts. PG&E used the net book value figure in its analysis even though, according to SSJID, PG&E apparently believes it is entitled to a much higher current fair market value. The draft resolution used the lowest number available because, when calculating impacts on PG&E's remaining ratepayers, it is conservative to use the number that would yield the greatest possible adverse impact. The draft resolution, however, should have acknowledged that the actual number is not known and as a result, there are other possible outcomes that could reduce cost impact analysis figure accordingly. The draft resolution has been revised to state that other possible estimates of the fair market value range from the $65.1 million current appraisal to the $450 million fair market value claim, and that these higher values could reduce the cost impact analysis.

Although we take no position on the appropriate accounting or disposition of any gain on sale, the draft resolution has been revised to acknowledge that any allocation to ratepayers would reduce the cost impacts to PG&E's remaining ratepayers.

SSJID asserts that if actual acquisition price for PG&E's facilities is greater than the book value, there would be a gain on sale that should benefit PG&E's remaining customers. SSJID claims that the draft resolution fails to properly account for any such gain on sale. SSJID asserts that the draft resolution must be revised to acknowledge that PG&E will receive a significant gain on sale and to consider the potential effect of the allocation of a portion of the gain on sale to ratepayers. In support of its position, SSJID cites the Commission's *Redding II* precedent. SSJID asserts under *Redding II*, any amount paid by SSJID in excess of net book value will first be allocated to PG&E's remaining ratepayers to offset any adverse impacts that would otherwise result from SSJID's Plan and to compensate them for any capital that they have contributed for the facilities being acquired. SSJID claims the amount available for these purposes will be approximately $36 million if the amount paid for the facilities is equal to SSJID's good faith offer to PG&E and approximately $293 million if the amount paid is equal to the amount PG&E has claimed is likely to be awarded by a court.

PG&E has not discussed the proper disposition of any gain on sale, and it is not appropriate to decide in this resolution the issue of whether and how *Redding II* could apply to any gain on sale. Nonetheless, the draft resolution has been revised to acknowledge that allocation of any gain on sale to ratepayers would reduce the cost impacts to PG&E's remaining ratepayers.

The draft resolution has been modified to reflect SSJID's concern regarding PG&E's assumptions underlying its lost distribution-related contribution to margin estimates.

SSJID asserts that the draft resolution accepts PG&E's estimate of its lost "contribution to margin" associated with lost distribution-related revenues, but argues that this estimate is based on assumptions that are unrealistic, unjustified and fundamentally inconsistent with information contained in PG&E's FERC Form 1 filings. SSJID states that it evaluated PG&E's FERC Form 1 filings to identify specific cost categories that may reasonably be expected to continue for some period of time, notwithstanding a reduction in the number of PG&E customers and customer loads, and which are in this sense "fixed" rather than variable. Based upon this analysis, SSJID has determined that PG&E has grossly overstated the extent to which its distribution-related costs are fixed and the amount of such distribution-related costs that may be shifted to PG&E's remaining ratepayers as a result of SSJID's Plan. As a result, SSJID believes that

PG&E has significantly overstated the extent to which SSJID's Plan may result in lost distribution-related revenues that are not offset by reductions in variable distribution-related costs.

The draft resolution has been revised to reflect SSJID's position but continues to use PG&E's estimate as a worst case scenario. In the absence of known facts, estimates must be used. By definition, estimates are uncertain and result in various outcomes depending on the assumptions. As stated elsewhere in this resolution, given this uncertainty, it is conservative to use the number that would yield the greatest possible adverse impact on PG&E's remaining ratepayers when making a determination of whether there is substantial impairment.

The draft resolution has been modified to incorporate SSJID's assertion that PG&E's PPP costs are not as fixed as PG&E's assumes, but rather should be adjusted to reflect lower expenditures.

SSJID asserts that the draft resolution incorrectly assumes that PG&E's PPP expenditures are fixed over the next 30 years, irrespective of the reduction in customer demand and sales that SSJID believes will occur as a result of SSJID's Plan. The draft resolution relies on PG&E's NPV adverse impact of $46.0 million from the loss of NBC revenues (which includes PPP charges) but states in Footnote 6 that this estimate would be would be larger if recovery of the new world generation costs ultimately is not permitted by the CPUC. This footnote has been modified to add SSJID's assertion that this estimate should be smaller to account for changes in PG&E's PPP expenditures.

The draft resolution has been revised to include a statement of SSJID's claims regarding additional net benefits to PG&E's ratepayers from projected procurement and RPS-related savings that it asserts would further reduce any potential adverse impact of SSJID's Plan.

SSJID asserts that the draft resolution fails to consider the potential benefits that PG&E and its remaining ratepayers will receive in reduced electric procurement and RPS-related compliance costs as a result of SSJID's Plan.

SSJID explains its belief that since PG&E's marginal cost to procure new resources is expected to be greater over the next 30 years than the average generation cost recovered in rates from PG&E's bundled customers, PG&E should be able to achieve procurement cost savings as a result of SSJID's Plan that exceed PG&E's lost generation-related revenue. Among the more significant of the procurement related benefits that SSJID asserts that draft resolution fails to consider is the reduction in costs that PG&E will be able to achieve as a result of SSJID relieving PG&E of approximately 140 MW of summer peaking load. SSJID states that this will reduce PG&E's overall costs of procuring energy and capacity at high peak period market prices to meet peak summer loads since the load that SSJID intends to serve has a much more significant summer peak than PG&E's system peak. Also, SSJID asserts that the draft resolution fails to properly account for the reduction in RPS compliance costs that PG&E should be able to achieve as a result of SSJID's Plan. By reducing PG&E's customer load, SSJID asserts that its Plan will reduce PG&E's RPS compliance requirements and since new RPS eligible renewable resources are generally more costly than existing resources, this will reduce RPS-related costs to PG&E's remaining ratepayers.

The draft resolution has been revised to include SSJID's claims but continues to use PG&E's estimate as a worst case scenario.

The draft resolution has been revised to acknowledge SSJID's position that the effect of SSJID's Plan may vary from a modest, less than substantial, potential cost/rate increase, to a more significant potential cost/rate reduction to PG&E's remaining ratepayers.

SSJID asserts that when these errors are corrected, it believes it is clear that the effect of SSJID's Plan on the rates of PG&E's remaining ratepayers may vary, depending upon what assumptions are used in the analysis, from a modest potential cost of approximately $2 million per year ($24 million, 30-year NPV) and potential increase in rates of up to $0.00002 per kWh (on a system average basis), to a more significant potential benefit of approximately $20 million per year ($233 million, 30-year NPV) and a potential reduction in rates of $0.00020 per kWh (on a system average basis) to PG&E's remaining ratepayers. As a result, while SSJID agrees with and supports the ultimate finding in the draft resolution that SSJID's Plan will not have a significant effect on PG&E's ability to provide adequate service at reasonable rates to its remaining customers, it does not agree with the findings of fact in the draft resolution. SSJID believes that the findings should be corrected to more fully and accurately state that the effect of SSJID's Plan may vary from a modest, less than substantial, potential increase in rates of $0.00002 per kWh (on a system average basis), to a more significant potential reduction in rates of $0.00020 per kWh (on a system average basis), to PG&E's remaining ratepayers, depending upon what assumptions are used in the analysis. The draft resolution has been revised to acknowledge SSJID's position.

The draft resolution has been revised to reflect PG&E's position that SSJID will not serve its load with its renewable resources that qualify under current renewable portfolio standards.

PG&E asserts that SSJID's statement in the draft resolution regarding its ownership of qualifying facilities to serve load as required by renewable portfolio standards is misleading and should be clarified. PG&E states that while SSJID owns (in full or in part) hydroelectric power plants, most of the plants' capacity is in units that exceed 30 MW and therefore do not qualify under current renewable portfolio standards. Furthermore, PG&E believes that SSJID's plan does not commit to serve its retail load with the qualifying renewable portion of those resources. The resources at present are sold to a third party power marketer. SSJID receives revenue from the sales, and does not also benefit from using this RPS-qualifying power to serve load. PG&E states that nothing in SSJID's LAFCo application or other public documents commits or even proposes to alter this arrangement. PG&E asserts that the draft resolution is misleading and should be clarified because it conflates *ownership* of qualifying renewable resources with the actual *use* of qualifying renewable resources to serve load as required by renewable portfolio standards.

Although the draft resolution was merely reporting SSJID's statement on this issue, a footnote has been added to clarify that PG&E does not agree with it.

Although implied, the draft resolution has been revised to explicitly confirm that PG&E's remaining ratepayers includes those in San Joaquin County that PG&E will continue to serve.

PG&E asserts that the draft resolution makes no distinction between PG&E's remaining ratepayers in San Joaquin County and elsewhere. PG&E believes this is appropriate because the analysis from PG&E, SSJID and DRA were all based on system-wide data. However, it states that San Joaquin LAFCo, which requested the CPUC's opinion, is a San Joaquin County agency particularly concerned with the effects of its decisions on citizens of that county. PG&E represents that San Joaquin LAFCo is charged with considering the public interest of the entire county, not just the portion of the county that SSJID proposes to serve. Therefore, PG&E believes that San Joaquin LAFCo needs to know whether the CPUC's findings apply to PG&E's remaining ratepayers in San Joaquin County, and that the resolution should explicitly state that they do.

Although the draft resolution implied this, it has been revised to explicitly confirm this point.

The draft resolution has been revised to clarify that any costs from idled PG&E T&D facilities would be additive to the total estimated rate impact considered in this resolution.

PG&E states that SSJID's plan is too vague to support the CPUC's finding of "no substantial impact". Specifically, the draft resolution points out that the CPUC has no basis to estimate the cost of potentially idle PG&E facilities. As a matter of law, PG&E asserts it is SSJID's burden, not PG&E's burden, to describe SSJID's plan in sufficient detail for cost estimation. Since PG&E believes that SSJID has not met that burden, it asserts that the CPUC should find the plan could have a substantial impact. We note that our criterion for evaluating the impact mentions idle T&D facilities. Furthermore, as we stated in the draft resolution, we relied on the highest quantifiable estimate of ratepayer impact. PG&E did not provide any quantifiable impacts from idled T&D facilities.

PG&E states that any cost on PG&E's remaining ratepayers from idled PG&E T&D facilities would be additive to the potential higher rates that draft resolution does find, and it should explicitly say so. The draft resolution has been revised to clarify that any costs from idled PG&E T&D facilities would be additive to the total estimated rate impact considered in this resolution.

The discussion in the draft resolution has been modified to include PG&E's comment regarding the appropriateness of a 30-year analysis but no other revisions are warranted.

PG&E states that for ease of comparison to SSJID's 30-year analysis, PG&E used the same time frame. But, realistically, PG&E believes, if implemented SSJID's takeover would be permanent. PG&E asserts that accordingly any negative impact on PG&E's ratepayers would continue beyond the 30-year study period and therefore result in amounts greater than those stated in the parties' submissions and recited in the draft resolution. For this reason also, PG&E states that the CPUC's finding that SSJID's takeover will not substantially impair

PG&E's ability to provide adequate service at reasonable rates to its remaining customers is not justified.

The discussion in the draft resolution was modified to include PG&E's comment but absent the provision of any additional analysis, no other revisions to the draft resolution are warranted.

FINDINGS AND CONCLUSIONS

1. SSJID submitted an application to the San Joaquin LAFCo proposing to provide retail electric service to approximately 38,000 existing PG&E customers.

2. Under Government Code § 56131, the CPUC must investigate and submit a report to the LAFCo stating whether, in its opinion, SSJID's proposal will substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service area. This report must be submitted within 90 days after the CPUC's receipt from the LAFCo of a certified copy of the district's proposal.

3. On September 25, 2009, the CPUC's Energy Division received a letter, dated September 18, 2009, from the San Joaquin LAFCo requesting the opinion of the CPUC regarding SSJID's proposal.

4. In considering SSJID's proposal, the CPUC relies on the following criteria for evaluating the statutory provision: a) whether the customers of the proposed district will be able to avoid payment of NBCs, which would require the remaining PG&E customers to cover these costs, b) whether any aspect of the district's proposal will potentially idle PG&E facilities requiring remaining PG&E customers to cover the costs of these idled facilities, c) whether there are any other quantifiable costs and/or offsetting benefits that would affect remaining PG&E customers, and d) whether the resulting cost impact, if any, would have a significant rate impact on remaining PG&E customers.

5. SSJID asserts that its acquisition of PG&E's distribution facilities and its provision of electric service will not adversely impact PG&E's remaining

electric customers, and will result in reduced costs for PG&E that will likely be in excess of PG&E's lost revenues from those customers.

6. PG&E asserts that SSJID's proposal will adversely harm PG&E's remaining ratepayers by increasing their rates, and will substantially impair its ability to provide adequate service at reasonable rates within the remainder of its service territory.

7. Some customers in SSJID's proposed service area may be exempt from payment NBCs which would require remaining PG&E customers to cover these costs.

8. SSJID's severance proposal may potentially idle some existing PG&E facilities requiring remaining PG&E customers to cover the costs, however, the dollar impact depends on SSJID's precise plans which are not known at this time.

9. The estimated costs and/or offsetting benefits of SSJID's Plan that would affect remaining PG&E customers vary greatly depending on the assumptions used in the analysis.

10. It is reasonable to use the highest quantifiable estimate, based on the facts before the CPUC, when determining whether there is the possibility that the proposed service will substantially impair PG&E's ability to provide adequate service at reasonable rates within the remainder of its service territory.

11. Based on the facts before the CPUC, it is estimated that SSJID's proposal would result in a 30-year NPV loss of $241 million, and resultant higher rates of $0.00032 per kWh, which is approximately 0.21 percent of PG&E's current system average rates.

12. Although SSJID's proposed service could raise rates for PG&E's remaining ratepayers (including those in areas of San Joaquin County that PG&E will continue to serve), the magnitude of the estimated increase is small relative to PG&E's current system average rates, and thus does not substantially impair PG&E's ability to provide adequate service at reasonable rates.

13. Broader energy policy implications are beyond the scope of the analysis generic CPUC proceeding and a statutory change could be made to expand the scope of future CPUC reviews under Government Code § 56131.

THEREFORE IT IS ORDERED THAT:

1. A certified copy of this Resolution shall be mailed to the Executive Officer of the San Joaquin Local Agency Formation Commission.

2. 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 December 17, 2009; the following Commissioners voting favorably thereon:

/s/Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners