

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION E-4019**  
**September 7, 2006**

**R E S O L U T I O N**

Resolution E-4019. Pacific Gas and Electric Company Refund Plan proposal related to the July 2006 heat storm. Approved with modifications.

By Advice Letter 2885-E Filed on August 16, 2006.

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**SUMMARY**

**This Resolution approves with modifications Pacific Gas and Electric Company's (PG&E's) Refund Plan proposal to provide an electric bill customer credit and a fund to assist some customers who are unable to pay their bills. The credits and associated funds are offset by the increased demand levels and revenues PG&E received due to the July 2006 heat storm.**

- PG&E estimates that the total amount of the credits will be approximately \$125-150 million.
- All residential customers will receive a 15% credit on their electric charges for the billing period covering the heat storm under the refund plan.
- All non-residential customers will receive a credit equal to 10% of the electric charges for the billing period covering the heat storm as proposed by PG&E.
- The amount PG&E proposes for a fund to benefit its residential customers who might otherwise be unable to pay their bills shall be increased from \$5 million to \$10 million and shall remain available to customers throughout 2007.

- Master-metered customers will distribute refunds to sub-metered customers based on usage according to Public Utilities Code Section 739.5(b), consistent with D.04-11-033.
- Customer overcharges caused by billing error associated with the bills that include credits may be adjusted for up to three years, consistent with tariff Rule 17.1.
- PG&E shall provide a final report on the Heat Storm Refund Plan with the Energy Division after October 2009.
- Bill credits will begin no later than October 15, 2006.

## **BACKGROUND**

**PG&E has proposed a bill credit program to provide financial assistance to customers with high bills resulting from the July 2006 heat storm.**

From July 16 to July 27, 2006 PG&E's service territory experienced temperatures far in excess of normal over an unprecedented number of consecutive days. As a result, PG&E experienced increased electrical demand for power, increased sales levels, and higher than forecast revenue.

PG&E's customers are now experiencing very high electric bills as a result of their higher energy use during July. By advice letter (AL) 2885-E filed on August 16, 2006, PG&E requests Commission approval to provide bundled and direct access customers with a bill credit as early as October 1, 2006, to partially offset the severe bill increases. PG&E requests expedited treatment of its advice letter so that it can begin bill credits as soon as possible.

Also, in recognition of the hardship that many customers may have experienced, PG&E requests Commission approval to use \$5 million to provide a fund for the benefit of its residential customers who might otherwise be unable to pay their bills. These funds would be administered by the Salvation Army, in a manner consistent with the existing Relief for Energy Assistance through Community Help (REACH) program, and possibly by other community agencies that have a proven track record in providing social services to customers who are income qualified.

PG&E's plan specifies that a one-time bill credit will be provided to customers beginning on October 1, 2006, and continuing through each customer billing serial in October. PG&E proposes to add a one-time line item to customer bills that describes the credit as: "Heat Storm Bill Credit" and will also provide a bill message stating the reason for the refund.

**PG&E estimates that the total amount of credits will be \$125-150 million.**

PG&E estimates that the total amount of the bill credits will be approximately \$125-150 million. This estimate is consistent with PG&E's preliminary estimate of the net increase to the balancing account balance that PG&E will record as a result of customers' higher July usage. As such, PG&E's proposal is to provide a credit now to customers as a bill credit, rather than reflect the balances later in rates under PG&E's Annual Electric True-Up (AET) AL.

**PG&E's proposed bill credit for each eligible PG&E electric customer would be calculated as follows:**

- Identify each customer's bill that covers the heat storm period. The heat storm days are defined as July 16 through July 27.
- An eligible customer is defined as a bundled service or direct access customer who received an electric bill that covers the heat storm period, July 16 through July 27, and is still taking service with PG&E at the time of the issuance of the bill credit.
- PG&E will apply the heat storm refund adjustment to the current "Net Charges" as displayed on the Electric Account Detail section of the customer's bill. If a customer's billing cycle is such that two bills both include portions of a heat storm period, then the higher of the two bills will be considered as the basis for determining the heat storm bill credit.
- If a customer's bill covers a period greater than 33 days, PG&E will prorate the current "Net Charges" to an equivalent 33 day bill.
- The Heat Storm Bill Credit will be determined by multiplying the current "Net Charges" from the customer's eligible electric heat storm bill by 15 percent for all residential customers and 10 percent for all customers taking service on non-residential rate schedules.

- If applicable, the associated utility users' tax will be refunded at the current effective rate.

**PG&E proposes to notify master-metered customers of the refund plan.**

In the Heat Storm Refund Plan, PG&E states that it will inform master-metered customers of potential bill credits and remind them of their obligation to pass along any refunds to their tenants in accordance with Section 739.5(b) of the Public Utilities Code.

**PG&E proposes to adjust refunds upon customer inquiry.**

If within nine months of the initial implementation date of the Heat Storm Refund Plan a current or former customer contends that the amount refunded is incorrect, PG&E states that it will investigate the matter and make an appropriate adjustment.

**PG&E proposes to file reports on the Heat Storm Refund Plan with the Energy Division.**

A final report of the total amount refunded to eligible customers pursuant to the Heat Storm Refund Plan will be furnished to the Director of the Energy Division by September 28, 2007. A preliminary report of the amount refunded through October 31, 2006 will be provided to the Director of the Energy Division by December 1, 2006. These reports will include adjustments made pursuant to the Customer Inquiry section of the Heat Storm Refund Plan above.

**NOTICE**

Notice of AL 2885-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the advice letter was mailed and distributed in accordance with Section III-G of General Order 96-A. PG&E also served a copy of its advice letter on the service lists in its phase 1 and phase 2 2007 general rate case applications (A.05-12-002, and A.06-03-005), its phase 2 2003 general rate case A.04-06-024, its Demand Response A.05-06-006, and the service list for Resolution E-3956 addressing its 2006 AET AL.

## **PROTESTS**

The Utility Reform Network (TURN) filed a response and the Western Manufactured Housing Community Association (WMA) filed a protest to PG&E's advice letter on August 18, 2006. On August 24, 2006, the Division of Ratepayer Advocates (DRA) filed a response supporting PG&E's advice letter.

Pacific Gas and Electric Company replied WMA's protest on August 28, 2006.

The following is a more detailed summary of the issues raised in the protests.

### **TURN supports PG&E's proposal and stated a preference to provide credits to the highest bills.**

TURN responded in support of PG&E's advice letter, and in particular, recommending that the Commission authorize PG&E to use \$5 million to provide a fund for the benefit of its residential customers who might otherwise be unable to pay their bills. TURN states that the existing REACH program "provides eligible customers with up to \$300 to avoid service termination, although REACH funds are never sufficient to meet the emergency needs of all eligible customers in crisis each year." And, TURN adds that "the \$5 million emergency assistance fund may be what makes all the difference for a number of PG&E's most financially vulnerable customers facing unusual hardship from heat storm-related electric bills."

TURN also states that it would have preferred that PG&E's one-time credit plan appear on the highest bill to maximize the positive impact of the credit, but senses that Commission approval might not have been possible on a timely basis.

### **WMA requests clarification on how bill credits are to be distributed to sub-metered tenants of master-metered customers.**

WMA does not object to the heat storm credit proposal by PG&E. However, it does request an explanation of how a refund for a sub metered tenant of a master-metered customer be calculated. WMA requests that the type of rebate be clarified as to whether it is a per-meter calculation, without regard to usage, or a rebate distributed only to current tenants based on their usage during the last billing period. WMA requests that the Commission revise AL 2885-E to provide that any heat storm credit that is distributed to a master-metered customer of

PG&E be, in turn distributed to sub-metered residents based on the usage during the month immediately preceding the date the credit is issued.

In response to WMA's protest, PG&E provided a copy of the letter it will send to every master-metered customer and sample calculations to provide guidance and direction for these customers. PG&E would remind master-metered customers to distribute bill credits to sub metered tenants in accordance with PU Code Section 739.5(b). PG&E explains that these customers would determine the credit that goes to each tenant by dividing the usage of the sub metered tenant during the last billing period by the master-meter usage during that same period to get the percent of usage for that tenant. The master-metered customer will then multiply this percentage by the amount of the Heat Storm Bill Credit to determine each tenant's portion of the refund.

## **DISCUSSION**

Energy Division has reviewed the heat storm refund plan submitted by PG&E in AL 2885-E. PG&E's plan to offer financial relief to customers in response to the July heat wave is timely and welcomed given the July bill burden customers face. We adopt PG&E's plan as filed in AL 2885-E with modifications.

**PG&E's proposed funding level to assist residential customers unable to pay bills shall be augmented.**

PG&E's recommendation to use \$5 million of the over collection resulting from the July heat storm to provide a fund for the benefit of its residential customers who might otherwise be unable to pay their bills is laudable. We recognize that such a fund will increase the assistance available for customers who risk service termination for non-payment of their July 2006 bills.

We approve this fund and will require PG&E to augment the fund by another \$5 million to assure a wider coverage to those at risk for service termination. The total amount for this fund shall be \$10 million. Unspent amounts left over in the fund at the end of each year shall remain in the fund for use by customers risking service termination in subsequent years until PG&E files its next general rate case application.

**Master-metered customers should distribute refunds to sub-metered tenants based on usage.**

WMA requests that the Commission clarify PG&E's AL 2885-E regarding the refund distribution methodology to be used by master metered customers. WMA cites D. 04-11-033, Conclusion of Law 30, which directs that "whenever a utility issues a refund to MHP [Mobile Home Park] owners through a reduction in the utility bill that should be distributed to tenants, the utilities should be required to: (1) identify the refund amount on the bill, and (2) explain how tenant refunds are to be calculated."

In D.04-11-033 we determined that refunds provided to a Mobile Home Park owner by the utility shall be distributed to tenants pursuant to Public Utilities Code Section 739.5(b) except that when the refunds by the utility are on a per-meter basis (Ordering Paragraph 8, D.04-12-033).

Section 739.5(b) states:

"Every master-meter customer of a gas or electrical corporation ....who, on or after January 1, 1978, receives any rebate from the corporation shall distribute to, or credit to the account of, each current user served by the master-meter customer that portion of the rebate which the amount of gas or electricity, or both, consumed by the user during the last billing period bears to the total amount furnished by the corporation to the master-meter customer during the period."

PG&E's Refund Plan covering the July heat storm outlines how they will address bills covering the period of July 16 through July 27. PG&E also explains that it will remind master meter customers of their obligation to pass along the refunds to their tenants, in accordance with PU Code Section 739.5(b), and will include a sample calculation of the credit to a sub metered tenet. P U Code Section 739.5(b) relies on a calculation of usage. PG&E's plan states that the refund is based on bills applicable to the July heat storm period. PG&E's plan is clearly based on electricity usage since credits are determined based on the amount billed during the heat storm billing period. Master meter customers therefore shall calculate the rebate to their tenants in accordance with PU Code Section 739.5(b) consistent with D.04-12-033.

**Adjustments to a customer's bill shall be determined in accordance with tariff Rule 17.1.**

PG&E proposes a nine-month time limit for customers to question their refund. PG&E's proposal to limit the amount of time in which a customer can contend a bill credit is incorrect and inconsistent with its tariff.

Rule 17.1, Adjustment of Bills for Billing Error , Rule 17.1.B.1.a states:

“1. Billing Error Resulting in Overcharges To The Customer  
a. Residential and NonResidential Service

If either a residential or nonresidential service is found to have been overcharged due to billing error, PG&E will calculate the amount of the overcharge, for refund to the Customer, for a period of three years. However, if it is known that the period of billing error was less than three years, the overcharge will be calculated for only those months during which the billing error occurred.”

If for some reason PG&E rendered a bill with an incorrect credit, a billing error would have taken place. A customer should be allowed to dispute the bill amount, which could include the determination of the credit, for up to 3 years after the bill showing the credit was issued. PG&E shall revise its refund plan to allow for an adjustment up to 3 years consistent with Rule 17. 1.

**Bill credits should be initiated no later than October 15, 2006.**

Implementation of the bill credits and funding for residential customers requiring assistance to pay bills as approved in this resolution shall begin no later than October 15, 2006.

## **COMMENTS**

Public Utilities Code section 311(g) (1) requires that draft resolutions be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (3) provides that this 30-day period may be reduced or waived pursuant to Commission adopted rule.

The 30-day comment period for this resolution has been reduced in accordance with the provisions of Rule 77.7(f) (9). Rule 77.7(f) (9) provides that the Commission may waive or reduce the comment period for a decision when the Commission determines that public necessity requires reduction or waiver of the

30-day period for public review and comment. For purposes of Rule 77.7(f) (9), “public necessity” refers to circumstances in which the public interest in the Commission’s adopting a decision before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment, and includes circumstances where failure to adopt a decision before expiration of the 30-day review and comment period would cause significant harm to public health or welfare. The public necessity in this case is that the Commission needs to address PG&E’s AL 2885-E at the earliest possible meeting so that it may provide some financial relief to PG&E’s customers who endured severe hardship as a result of the heat storm of July 2006.

In this case, the public necessity requiring a reduction in the comment period outweighs the public interest in having the full 30-day period for review and comment. Thus, pursuant to Rule 77.7(f) (9), we provide for a shortened comment period.

PG&E, DRA and TURN submitted comments on the draft resolution on August 31, 2006. All recommended that the Commission adopt PG&E’s original plan to provide a 15% refund to all residential customers and a 10% refund to all non-residential customers. PG&E pointed out that the draft resolution would create an inequity between customer groups if non-CARE and non-FERA customers whose usage did not reach Tier 3 did not receive a credit while those customers whose usage did reach Tier 3 and above would receive a credit. PG&E states that such a plan would create much customer discontent and would be difficult to explain. PG&E adds that customers who may have conserved or even been without power would be penalized as they would not qualify for the rebate. PG&E also stated that a more complicated refund plan would delay provision of a credit to customers by approximately one more billing cycle due to the programming logic that was required.

DRA comments that due to their lower usage and the lower rates for Tiers 1 and 2 compared to Tiers 3-5, lower usage customers contributed less to the over collection than higher usage customers. DRA remarks that PG&E’s plan provides a proportional refund, i.e. less of a refund for the lower usage customers when compared to higher usage customers. DRA also mentions that

other, unintended consequences would occur if low usage residential customers were excluded from receiving a refund, such as customers who have some Tier 3 usage would receive a lower bill due to the credit while customers with high Tier 2 usage would receive no credit. Another problem is that the wrong conservation signal would be sent to residential customers if the Commission approved a refund plan for high usage customers only.

TURN comments that it “supports PG&E’s original proposal without modification as the most equitable means of providing relief for the heat storm, a natural occurrence which affected all of PG&E customers.” TURN and PG&E also state that Energy Division misinterpreted TURN’s statement that it “would have preferred that such a credit appear on the highest bill to maximize the positive impact of the credit...”. TURN intended this statement to “acknowledge the fact that the credit would most benefit customers if they could actually receive the credit on the same bill that reflected their increased usage...”.

PG&E, DRA and TURN recommend that the fund set aside for customers who cannot pay their bills be continued into 2007, rather than be returned to the distribution revenue adjustment mechanism (DRAM) as originally proposed by PG&E. All parties would prefer to have these funds targeted within the residential class rather than return to the DRAM. PG&E states that it can provide funding up to \$10 million and still provide a refund to non-CARE, non-FERA customers whose usage remained at or below Tier 2.

We appreciate the sensitive comments and recommendations provided by PG&E, DRA and TURN and have changed the draft resolution to reflect their concerns. We agree that the fund for customer assistance is an important element of the Heat Storm Refund Plan and agree that these funds should roll over for use in 2007 and later years if funds are still available. The parties can monitor the success of this program during 2007 and propose a recommendation when PG&E files its next General Rate Case. PG&E should report at that time what is spent and propose a disposition of the unspent funds. The Commission can then decide the proper disposition of those funds.

Finally, PG&E states that in recognition of the Commission’s requirement that it provide 3 years for credit adjustments upon customer inquiry, it will not be able to make a final report on the disposition of the Heat Storm Refund Plan by September 28, 2007. PG&E states that it will only be able to report on credits and

adjustment issued through August 31, 2007. We concur. Therefore, we shall require PG&E to make a final report on the Heat Storm Refund Plan by the first quarter of 2010.

## **FINDINGS**

1. From July 16 to July 27, 2006 PG&E's service territory experienced temperatures far in excess of normal.
2. From July 16 to July 27, PG&E experienced increased electrical demand for power, increased sales levels, and higher than forecast revenue.
3. PG&E customers are experiencing very high electricity bills as a result of their higher use during July.
4. On August 16, 2006 PG&E filed AL 2885-E proposing a Heat Storm Refund Plan that provides for a one-time bill credit to customers beginning October 1, 2006.
5. PG&E estimates that the total amount of the bill credits will be approximately \$125-150 million.
6. PG&E's proposal will provide a credit to customers now rather than later through a rate reduction under its Annual Electric True-Up.
7. All PG&E residential customers should receive a bill credit equal to 15% of the electric charges on their bill covering the July 2006 heat storm.
8. PG&E's non-residential customers should receive a bill credit equal to 10% of the electric charges on their bill covering the 2006 July heat storm.
9. PG&E's proposal to set up a fund of \$5 million to provide to the Salvation Army and other eligible organizations to assist residential customers pay their bills should be increased to \$10 million. Unused funds should be available in future years until PG&E files its next general rate case application.
10. In its next general rate case, PG&E should propose a disposition of any unused funds set aside to assist customers risking service termination in paying their bills.

11. Master metered customers should be notified of the refund plan and will be reminded of their obligation to rebate the refund based on their tenants' usage in accordance with P.U. Code 739.5(b). Master-metered customers should be provided examples of the refund calculation.
12. Bills showing credits may be adjusted upon customer inquiry for a period of up to three years, in accordance with PG&E's tariff Rule 17.1.B.1.
13. PG&E should file reports on the Heat Storm Refund Plan with the Energy Division and should file a final report by the first quarter of 2010.
14. Implementation of the bill credits and funding for residential customers requiring assistance to pay bills as approved in this resolution should begin no later than October 15, 2006.

**THEREFORE IT IS ORDERED THAT:**

1. Pacific Gas and Electric Company's plan to provide customers with bill credits and establish a fund to assist residential customers pay bills as requested in Advice Letter 2885-E is approved with the following modifications:
  - a. PG&E's plan to adjust refunds upon customer inquiry shall allow a customer to contend that the amount of the refund is incorrect for a period of 3 years after the date the bill showing the credit is issued. PG&E shall file a final report on bill credits with the Energy Division on or before March 31, 2010.
  - b. PG&E shall increase the fund to assist residential customers pay bills to \$10 million. Unused funds shall roll over for use in 2007 and subsequent years until PG&E files its next general rate case following the 2007 GRC. PG&E shall propose a disposition of any unused funds in that future general rate case application.
2. Within 7 days of today's date PG&E shall supplement AL 2885-E and provide a heat storm bill credit refund electric refund plan consistent with the

requirements of this order. Advice Letter 2885-E supplemented as required herein shall become effective on today's date, subject to Energy Division determining that it is in compliance with this order.

3. Implementation of the bill credits and funding for residential customers requiring assistance to pay bills as approved in this resolution shall begin no later than October 15, 2006.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 7, 2006; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
PRESIDENT  
GEOFFREY F. BROWN  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
Commissioners