



# California Public Utilities Commission

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## News Release

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### **PUC COMPLETES STEPS NEEDED FOR UTILITIES TO RESUME SERVING THEIR CUSTOMERS**

The California Public Utilities Commission (PUC) today finalized all action needed by the Commission for Pacific Gas and Electric Company (PG&E), Southern California Edison and San Diego Gas and Electric Company (SDG&E) to resume buying power for their customers on January 1, 2003, removing the responsibility from the California Department of Water Resources (DWR).

#### **Procurement**

The Commission approved the utilities' procurement plans for 2003 and provided the utilities with guidance, as required by Assembly Bill (AB) 57, regarding the reasonableness standards the Commission will use in evaluating the utilities procurement decisions.

The decision also modifies and clarifies the cost recovery mechanisms and standards of behavior the Commission adopted in a previous decision (D.02-10-062) and provides further guidance on the long-term planning process the Commission will undertake in the next phase of this proceeding.

The Commission also approved an item allowing Edison and PG&E to buy power from third-party generators under Commission-set prices. This is a temporary decision until the Commission's final procurement policies and utility plans are adopted and implemented.

In addition, the Commission approved PG&E contracts for renewable power in an amount equal to about 1 percent of PG&E's annual sales, in addition to the renewables already in the mix.

#### **Operating Order**

The Commission adopted the Operating Order under which PG&E, SDG&E, and Edison will perform the operational, dispatch, and administrative functions for DWR's Long-Term

Power Purchase Contracts. The Operating Order sets forth the terms and conditions under which the utilities will administer the DWR Contracts and requires the utilities to dispatch all the generating assets within their portfolios on a least-cost basis for the benefit of their ratepayers. This decision is consistent with AB 1X, which authorized DWR to purchase electricity and sell it to the retail customers of the utilities (with the utilities acting, in effect, as DWR's billing agent) and Section 80260 of the Water Code, under which DWR's authority to make such purchases expires on January 1, 2003.

### **Servicing Orders**

The Commission also approved amendments to the servicing arrangements between the three utilities and DWR. The servicing arrangements set forth the terms and conditions under which each utility provides the transmission and distribution of DWR-purchased electricity; addresses billing, collection and related services on behalf of DWR; and addresses DWR's compensation to the utilities for providing these services. These arrangements require further modification in order to account for the transition of DWR's long-term contracts to the utilities, as ordered by the Commission's September contract allocation decision (D.02-09-053).

The Servicing Orders are needed because DWR and the utilities have been unable to negotiate a mutually agreeable servicing arrangement.

The primary issues in these latest revisions to the servicing arrangements include:

- Definitions and requirements relating to the DWR contracts allocated to the utilities in the September contract allocation decision;
- Definitions and requirements relating to the surplus energy sales and remittances that the utilities will be responsible for; and
- Definitions and requirements relating to the operating order.

Today's Commission actions are the final steps needed to restore the utilities to their historic procurement role.

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