

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
To Revise Its Electric Marginal Costs, Revenue
Allocation, and Rate Design.

Application 06-03-005
(Filed March 2, 2006)

(U 39 M)

ASSIGNED COMMISSIONER'S RULING AND SCOPING MEMO

1. Summary

Pursuant to Article 2.5 of the Commission's Rules of Practice and Procedure (Rules), and following the prehearing conference (PHC) held on May 3, 2006, this ruling determines the scope, schedule, category, need for hearings, principal hearing officer, and other procedural matters related to this application, which is referred to as Phase 2 of Pacific Gas and Electric Company's (PG&E's) Test Year 2007 General Rate Case (GRC).

2. Procedural Context

In its Test Year 2007 GRC Application (A.) 05-12-022, PG&E proposed that the proceeding be separated into two distinct phases: Phase 1, which would cover the revenue requirement related testimony submitted with that application, and Phase 2, which would cover yet-to-be-submitted testimony on electric marginal costs, revenue allocation, and rate design. In compliance with the February 2, 2006 Assigned Commissioner's Ruling and Scoping Memo in A.05-12-022, PG&E has filed this separate application to address Phase 2 issues.

3. Scope

The scope of this Phase 2 proceeding includes PG&E's proposals related to electric marginal costs, revenue allocation, and rate design. It also encompasses other parties' responsive testimony and recommendations developed in accordance with the procedural schedule adopted by this ruling.

As stated in its application, PG&E proposes:

- "Marginal cost, revenue allocation and rate design initiatives that continue progress toward cost based, efficient pricing, while taking into consideration equity among customers and customer acceptance."
- Revisions or updates to revenue allocation and rates for distribution, generation and public purpose programs, including price mitigation that reflects a 75 percent movement from current rates to full cost rates. Since PG&E is not proposing an increase to rates for the CARE program in this proceeding, the rate increase to the residential class will be allocated to rates for non-CARE usage in excess of 130 percent of baseline, consistent with the requirements of Assembly Bill 1X.
- In an effort to make its tariffs easier to understand, measures such as simplifying streetlight rates; eliminating the last remaining references to frozen June 10, 1996 rates (used to make commercial CARE and minimum average rate limiter calculations); and simplifying the calculation to determine the franchise fee surcharge paid by direct access customers.
- Revisions to the applicability statement in each of its agricultural rate schedules in an attempt to "bring much-needed clarity to an issue that has long been the subject of complaints and Commission decisions." PG&E requests that the Commission address its agricultural definition proposal on a separate, expedited track.

Because direct access customers also pay rates for distribution and public purpose programs, these customers will also be affected by PG&E's proposals. In addition, departing load customers will be affected by the change to public purpose program rates to the extent they are required to pay these rates.

In its PHC Statement, the Western Manufactured Housing Community Association identified two issues, the level of the master meter discount and application of the diversity benefit adjustment, both of which are appropriate for consideration in this proceeding.

At the PHC, there was discussion related to critical peak pricing. While demand responsive rates are generally within the scope of this proceeding, the manner in which critical peak pricing will be addressed will be determined upon consideration of pending Commission actions, including a decision in Application 05-01-016, and will be specified in a separate scoping ruling.

4. Schedule

Prior to the PHC, PG&E developed a proposed procedural schedule based on a meet and confer session with many of the other parties.¹ That proposal, with minor modifications, will be used for this proceeding. At the PHC, PG&E indicated there was some flexibility in the evidentiary hearing and briefing dates for the proposed agricultural definition issue schedule. Also the representative

¹ PG&E indicates that the proposed schedule reflects input and agreement from Division of Ratepayer Advocates, California Manufacturers & Technology Association, California Large Energy Consumers Association, California City-County Street Light Association, California Farm Bureau Federation, Cogeneration Association of California/Energy Producers and Users Coalition, East Bay Municipal Utility District, Energy Users Forum, Federal Executive Agencies, JC Penny Company, Inc., Modesto Irrigation District, Utility Cost Management Wal-Mart Stores, Inc., and Western Mobilehome Association.

for the California Rice Millers stated a preference for more time to prepare its related testimony. Therefore, the separate schedule for the agricultural definition issue will be extended by an additional two weeks as indicated in the adopted schedule in Appendix A.

Appendix A also provides the procedural schedule to address the remaining marginal cost, revenue allocation, and rate design testimony and issues. Additional time for briefing, as discussed at the PHC, has been incorporated in that schedule.

Consistent with the procedures adopted for A.05-12-002, PG&E shall arrange the mandatory settlement conference. The arrangements shall include the ability for parties to participate by telephone.

All parties that submit written testimony and/or intend to cross examine witnesses at the evidentiary hearings that are scheduled to begin on December 4, 2006 shall jointly prepare a Case Management Statement and Settlement Conference Report. PG&E shall file and serve this document on behalf of the parties. The contents of this document shall include:

- A report on the results of the Mandatory Settlement Conference.
- The status of any ongoing settlement discussions.
- The order of witnesses and cross examination at the evidentiary hearings.
- Any other matters that the parties deem relevant.

The parties are encouraged to settle as many issues as possible. At a minimum, the parties should try to reach a joint stipulation on material facts.

The scheduled evidentiary hearings will take place in San Francisco. Requests for the Assigned Commissioner's presence at specific hearings should

be made in accordance with Rule 8(c) at least 10 days prior to the beginning of the evidentiary hearings.

The Assigned Commissioner or Administrative Law Judge (ALJ) may modify the schedule as necessary. The goal is to resolve this matter as soon as possible after it is submitted. However, in no event will resolution exceed 18 months from the date of this scoping memo, pursuant to the requirements of Public Utilities Code Section 1701.5.

5. Category of Proceeding and Need for Hearings

This ruling confirms the Commission's preliminary finding in Resolution ALJ 176-3169, dated March 15, 2006, that this proceeding is a ratesetting proceeding and that hearings are necessary. This ruling, only as to category, may be appealed under Rule 6.4.

6. *Ex Parte* Communications

Parties shall observe and comply with the applicable Commission's *ex parte* communications rules set forth in Rules 7 and 7.1.

7. Assignment of Principal Hearing Officer

Pursuant to Rule 5(l), ALJ Fukutome is the principal hearing officer for this proceeding.

8. Final Oral Argument

Pursuant to Rule 8(d), any requests for a final oral argument before the Commission must be filed and served at the same time as opening briefs.

9. Discovery

Consistent with the procedures adopted for Phase 1 of PG&E's Test Year 2007 GRC, Parties shall use web-based discovery protocols, to the extent practical, to obtain information from PG&E. These protocols are set forth in Appendix B.

The parties should follow the procedures set forth in Resolution ALJ-164 regarding any discovery disputes, with the following modification. Parties shall respond to any discovery motion within three working days (instead of 10 calendar days) unless otherwise ruled by the ALJ. Parties are reminded to meet and confer before bringing any discovery dispute to the Commission.²

10. Filing and Service of Documents

All formally filed documents must be filed in hard copy at the Commission's Docket Office. Except as noted below, any document that is filed at the Docket Office must also be served electronically. The formal service of documents shall comply with the protocols in Rule 2.3.1. This Rule requires that the service of documents be performed electronically, in a searchable format. If no email address is available, service should be made by United States mail. Parties should provide concurrent email service to all persons on the service list, including those listed in the Information Only portion of the service list.³

When serving documents as attachments to an email, the serving party must include the following information in the subject line of the email in the following order: the docket number, a brief name of the proceeding, a brief identification of the document being served, and the name of the serving party (Rule 2.3.1(c)). In addition to other requirements, the serving party must provide the following to the assigned ALJ: (1) a paper copy of all documents served by

² The web link to ALJ-164 is http://www.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/2538.DOC

³ When serving documents, parties should always use the most current service list, which is available at the Commission's website.
(http://www.cpuc.ca.gov/published/service_lists/A0603005_71186.htm)

email; and (2) an electronic copy of all documents in Microsoft Word and/or Excel format, to the extent practical.

11. Hearing Ground Rules

Parties shall comply with the hearing ground rules in Appendix C of this Ruling. These ground rules are intended to promote fair and orderly hearings, and efficient use of hearing time.

12. Web Posting of Documents

PG&E has agreed to maintain a website where all non-confidential documents related to this proceeding can be accessed. Every party with internet access shall send to PG&E an electronic copy of all documents filed or served by the party in accordance with the instructions in Appendix D of this Ruling.

IT IS RULED that:

1. The scope of this proceeding is set forth in Section 3 of this ruling.
2. The schedule is set forth in Appendix A of this ruling.
3. Evidentiary hearings on the agricultural definition issue will begin at 9:00 a.m. on August 21, 2006. A second prehearing conference (PHC) on remaining issues is scheduled for Monday, November 29, 2006 at 1:30 p.m., and the associated evidentiary hearings will begin at 9:00 a.m. on December 4, 2006. The PHC and evidentiary hearings will be held in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California 94102.
4. For the purpose of Article 2.5 of the Commission's Rules of Practice and Procedure (Rules), this ruling confirms that this proceeding is a ratesetting proceeding and that hearings are necessary.
5. Parties shall observe and comply with the applicable *ex parte* communications rules set forth in Rules 7 and 7.1.

6. Administrative Law Judge (ALJ) Fukutome is the principal hearing officer for this proceeding.

7. Any party requesting a final oral argument before the Commission shall file and serve such request on the same date that opening briefs are due.

8. The electronic filing and serving of documents shall conform to the Electronic Service Protocols set forth in Rules 2.3 and 2.3.1.

9. A party serving a document shall provide the following to the assigned ALJ: (i) a paper copy of the document; and (ii) an electronic copy of the document in Microsoft Word and/or Excel format, to the extent practical.

10. To the extent practical, parties shall use the web-based discovery protocols for obtaining information from Pacific Gas and Electric Company that are set forth in Appendix B.

11. Parties shall comply with the hearing ground rules in Appendix C.

12. PG&E shall establish and maintain a website where, to the extent practical, all non-confidential documents that are filed and/or served in this proceeding can be accessed. Parties shall email copies of documents they file and/or serve to the website in accordance with the instructions in Appendix D of this Ruling.

Dated May 25, 2006, at San Francisco, California.

/s/ RACHELLE CHONG

RACHELLE CHONG
Assigned Commissioner

APPENDIX A
PHASE 2 PROCEDURAL SCHEDULE

Event	Date
PG&E updates exhibits	06/26/06
<i>Intervenors serve testimony on agricultural definition issue</i>	07/26/06
<i>Rebuttal testimony on agricultural definition issue</i>	08/09/06
<i>Evidentiary hearings on agricultural definition issue</i>	08/21/06
	–
	08/23/06
<i>Opening briefs on agricultural definition issue due</i>	09/06/06
<i>Reply briefs on agricultural definition issue due</i>	09/13/06
Division of Ratepayer Advocates serves testimony	09/13/06
Meet and confer on settlement issues	09/20/06
Intervenors serve testimony	10/25/06
Mandatory settlement conference	11/01/06
<i>Proposed decision on agricultural definition issue</i>	11/13/06
All parties serve rebuttal testimony	11/21/06
Joint Case Management Statement and Settlement Conference report filed and served	11/28/06
Second Prehearing Conference	11/29/06
Evidentiary hearings (Hearing will not be held on 12/08/06)	12/04/06
	–
	12/18/06
<i>Final decision on agricultural definition issue expected by</i>	12/14/06
Opening briefs due	01/12/07
Reply briefs due	01/26/07
Proposed decision	03/23/07
Final decision expected by	04/26/07

Note: The separate schedule for the agricultural definition issue is shown in italics.

(END OF APPENDIX A)

APPENDIX B
WEB-BASED DISCOVERY PROTOCOLS
FOR OBTAINING INFORMATION FROM PG&E

Parties shall use the following web-based discovery protocols, to the extent practical, to obtain information from PG&E.

1. Parties should transmit their data requests to PG&E by email, preferably with the content document (discovery request) attached to the email. The email should be sent to Ann Kim (ahk4@pge.com) and Rene Thomas (rat9@pge.com). This will greatly facilitate the processes of routing the questions to the appropriate witness and the posting of the data request on PG&E's website.

2. PG&E's service of a data response shall be deemed complete once PG&E has (i) posted its response on its website, and (ii) sent an email to the requestor with the response appended as an attachment(s). In the case of confidential material, service shall be deemed complete when PG&E transmits an email directly to the requesting party with the response appended as an attachment(s). If a response includes material that is not available electronically, then the response shall be served by first class mail.

3. PG&E shall post its discovery responses on its website as set forth in Appendix D of this Ruling. The exceptions are PG&E responses that are not available electronically or that include confidential material. In general, a party should use PG&E's website to access PG&E's responses to data requests submitted to PG&E by other parties. However, PG&E shall provide a paper copy of discovery responses to any party that so requests, but parties should use this prerogative sparingly.

(END OF APPENDIX B)

4. For parties that do not have ready access to the internet, PG&E shall accept data requests by mail and provide paper responses. Other parties may also use this procedure, but should do so sparingly.

APPENDIX C

HEARING GROUND RULES

Exhibit Format

See Rule 70 of the Rules of Practice and Procedure. Parties often fail to include a blank space two inches high by four inches wide to accommodate the ALJ's exhibit stamp. If necessary, add a cover sheet to the front of the exhibit. The common practice of pre-printing the docket number, a blank line for the exhibit number, and witness names(s) is acceptable, but it is not a substitute for the required two by four inch blank space to accommodate the exhibit stamp.

Exhibits should be bound on the left side or upper left-hand corner. Rubber bands and paper clips are unacceptable.

Excerpts from lengthy documents should include the title page and, if necessary for context, the table of contents of the document.

Although Rule 2 permits a type size as small as 10 points in filed documents, parties should use a type size of at least 12 points when practical.

Exhibit Copies

See Rule 71. The original and one copy of each exhibit shall be furnished to the presiding officer and a copy shall be furnished to the reporter and to each party. The copy furnished to the presiding officer may be the mailed copy. Except for exhibits that are served prior to the hearing, parties are responsible for having sufficient copies available in the hearing room for the court reporter and each party in attendance.

Cross-Examination Exhibits

Allowing witnesses time to review new or unfamiliar documents can waste hearing time. The general rule is that a party who intends to introduce an exhibit in the course of cross-examination should provide a copy to the witness

and the witness' counsel before the witness takes the stand on the day the exhibit is to be introduced. Documents in excess of two pages should be provided the day before. Generally, parties need not provide advance copies of documents to be used for impeachment or to obtain the witness' spontaneous reaction (although this practice is not encouraged).

Corrections

The practice of making extensive oral corrections to exhibits on the witness stand, requiring lengthy dictation exercises, causes delays. It should be avoided, to the extent possible, through preparation of written errata. Corrections should be made in a timely manner by providing new exhibit pages on which corrections appear. Two forms of corrections should be provided. One form should show the text deleted with strikethrough and the text added with underline. The second form should show the text as corrected, with no strikethrough or underline. Also, each revised page should be marked with the word "revised" and the revision date.

Hearing Hours

Hearings will generally run from 9:00 a.m. to 12:00 p.m. with at least one morning break and from 1:30 p.m. to 3:30 p.m. with one afternoon break.

Cross Examination Time

Parties are placed on notice that it may be necessary to limit and allocate cross-examination time as well as time for redirect and recross-examination.

Rebuttal Testimony

Prepared rebuttal testimony should identify the testimony being rebutted. It is inappropriate, and a potential grounds for striking, for any party to withhold direct presentations for introduction in rebuttal testimony.

Court Reporters

Common courtesy should always be extended to the reporters. Counsel should wait for witnesses to finish their answers, and witnesses should likewise wait for the whole question to be asked before answering. Counsel shall refrain from simultaneous arguments on motions and objections. Conversations at the counsel table or in the audience can be distracting to the reporter and other participants. Such distractions should be avoided.

(END OF APPENDIX C)

APPENDIX D

PROTOCOLS FOR WEB POSTING OF DOCUMENTS

PG&E has agreed to establish and maintain a dedicated website for its Test Year 2007 General Rate Case, Phase II. Parties and the public can access documents posted to the website at <http://www.pge.com>. (Select "Rates and Regulations," then "CPUC and FERC Regulatory Cases," then "Search for Public Case Documents." Under "Properties Search," select "GRC 2007 Ph II.")

Every party with internet access shall send by email all public version documents that the party files and/or serves to GRC2007PhIIdocuments@pge.com as an attachment. For documents containing confidential material subject to Pub. Util. Code § 583 or a non-disclosure agreement, a redacted copy shall be sent to the above email address. Documents received by PG&E during normal business hours (M-F, 8:30 a.m. to 5:00 p.m.) shall be posted within three hours after receipt. Documents received by PG&E outside of normal business hours shall be posted by 11:30 a.m. on the next business day. If a document is not timely posted, PG&E's shall promptly post the document after discovery of the error.

To minimize differences in pagination upon printing, parties should save their documents using Microsoft Office (Word, Excel, and Powerpoint) or Adobe Portable Document Format (pdf). Files converted by Adobe Acrobat from other document formats are preferred to files that contain scanned images due to file size and searchability features.

(END OF APPENDIX D)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Assigned Commissioner's Ruling and Scoping Memo on all parties of record in this proceeding or their attorneys of record.

Dated May 25, 2006, at San Francisco, California.

/s/ ELIZABETH LEWIS

Elizabeth Lewis

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.