PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

E-5 ID#2110

ENERGY DIVISION **RESOLUTION E-3813**

MAY 22, 2003

R E S O L U T I O N

Resolution E-3813. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E) filed tariffs to implement the Direct Access Cost Responsibility Surcharge (DA CRS) Effective January 1, 2003 In Compliance with Ordering Paragraphs (OP) 10 and 11 of Decision (D.) 02-12-045.

By PG&E Advice Letter AL 2328-E Filed on December 24, 2002, Supplemental ALs 2328-E-A/-E-B Filed on January 13, 2003 and January 23, 2003; SCE AL 1674-E Filed on December 24, 2002; and SDG&E AL 1461-E Filed on December 26, 2002.

SUMMARY

This Resolution implements the Direct Access Cost Responsibility Surcharge (DA CRS) at the interim capped level of 2.7 cents per kilowatt-hour (kWh), as directed in Decision (D.) 02-12-045, consistent with the methods adopted in D.02-11-022. DA customers that have remained continuously on direct access service (and did not take bundled service on or after February 1, 2001) are exempt from the DA CRS. Since the implementation of these tariffs is on an interim and provisional basis, protests did not stay their effective date of January 1, 2003.

We adopt certain measures to assure that PG&E's customers are eventually billed correctly, given its current billing system limitations. We granted PG&E the extension it requested until April 1, 2003, to implement customer billing and accounting systems exempting continuous DA customers from the DA CRS in accordance with Ordering Paragraph (OP) 11 of D.02-12-045 and to calculate and display the DA CRS on bills correctly.

We will allow PG&E to replace Schedule PX with its new proposed Schedule EC. Various aspects of PG&E's proposed temporary calculations are being considered in other forums, and our approval of their use for the time being does not prejudge those outcomes.

To address the concerns of the California Department of Water Resources (DWR) about the variety of remittance methods proposed in the utilities' Advice Letters, we direct PG&E and SDG&E to supplement their ALs to reduce bundled customer power charge remittances to reflect DA CRS revenues. PG&E, SCE, and SDG&E shall remit DA CRS revenues to DWR so that DWR is made whole from combined bundled and DA remittances, and so that bundled customers of all three utilities are indifferent to the stranded DWR contract costs caused by DA migration.

We address capping issues and direct the utilities to implement the CTC component of the DA CRS such that it is the same for continuous and non-continuous DA customers, constrained by the 2.7-cent cap.

Finally, we address certain exemption and applicability issues and exempt California Alternative Rate for Energy (CARE) and Medical Baseline usage from the DA CRS, consistent with our established policy.

BACKGROUND

The Commission in D.02-11-022, issued November 8, 2002, adopted the principles necessary to compute and impose the DA CRS on all non-continuous DA customers. The DA CRS comprises four rate components: 1) the DWR Bond Charge; 2) a DA DWR Power Charge for the period September 21, 2001 through December 31, 2002; 3) a 2003 DWR Power Charge; and 4) an Ongoing above-market Utility Retained Generation (URG) charge. The rate components related to DWR costs need to be computed in coordination with the 2003 DWR Power Charge Revenue Requirement proceeding and the Bond Charge proceeding so that the sum of the remittances from bundled and DA customers equals DWR's adopted revenue requirement.

In the DWR Revenue Requirement proceeding, the Commission issued D.02-12-045 and thereby allocated DWR's 2003 forecast power purchase costs among the customers of SCE, PG&E, and SDG&E. The adopted 2003 DWR Power Charges are applicable to DWR-procured energy supplied to bundled service customers

commencing on January 1, 2003. These power charges do not reflect any adjustment for the impact of DA CRS revenue, since the record contained no accurate information about the volume of direct access sales subject to the surcharge.

The Commission also directed PG&E, SCE, and SDG&E in D.02-12-045 to file advice letters with revised tariffs to implement the DA CRS at the interim capped level of 2.7 cents per kWh approved in D.02-11-022. The Commission required the utilities to file these ALs in advance of the workshop process contemplated in D.02-11-022 wherein the DA CRS components were to be computed. Although the magnitude of each of the DA CRS components is unknown, their sum in the first year (i.e. 2003) is expected to be greater than the 2.7-cent per kilowatt-hour (kWh) interim DA CRS cap. Therefore, implementing the DA CRS on January 1, 2003 at 2.7 cents per kWh would expedite DA CRS revenue recovery with no excess recovery that might serve as a detriment to DA.

PG&E filed Advice Letter 2328-E on December 24, 2002 to implement the DA CRS at the interim capped level of 2.7 cents per kWh effective January 1, 2003. But PG&E also deleted Schedule PX and replaced it with the new electric rate Schedule EC – Energy Charge that lists the rates that will be used to determine both the energy charge shown on a bundled customer's bill, as well as the credit for DA customers. Also, due to billing system limitations at the time of filing, PG&E implemented certain temporary bill component approximations using existing line items. PG&E was unable by January 1, 2003, to show a line item on customers' bills identified as DA CRS. Thus, instead of a cost-based credit, each customer's direct access credit is calculated based on seasonal schedule average prices computed such that residual CTC will average approximately 1.7 cents per kWh. In addition, PG&E will continue to collect the one-cent per kWh energy procurement surcharge (EPS) from direct access customers for a total DA CRS of approximately 2.7 cents per kWh.

In a letter dated December 26, 2002 to the Commission's Executive Director, PG&E requested that it not be required to make any modifications to its bill format on January 1, 2003, in order to maintain stability in the transition to its new billing and customer information system. As such, most DA customers will continue to see a one-cent per kWh EPS and an approximately 1.7-cent per kWh Competition Transition Charge (CTC) as discussed above. PG&E is unable to track the specific DA CRS components or to provide a different charge to

continuous DA customers until the transition to its new billing system is complete.

PG&E proposes to eliminate Electric Rate Schedule PX - Power Exchange Energy Cost. PG&E's filing includes revisions to electric Preliminary Statement Part N – Transition Revenue Account (TRA) and electric Preliminary Statement Part AM – Emergency Procurement Surcharge Balancing Account (EPSBA) necessary to record separately the revenues collected from the DA CRS.

Specifically, PG&E revised EPSBA to record the one-cent Emergency Procurement Surcharge revenues only from bundled service customers starting January 1, 2003. The one-cent Emergency Procurement Surcharge revenue from Direct Access customers will be included in the DA CRS revenue recorded in the Transition Revenue Account (TRA). PG&E revised the TRA to record separately the revenues collected from the interim 2.7-cent DA CRS starting January 1, 2003.

PG&E filed supplemental AL 2328-E-A on January 13, 2003 to provide the method to prorate Schedule EC charges, taken in large part from the method used in Schedule PX – Power Exchange. PG&E in AL 2328-E-A also addressed the conditions imposed by the Commission's Executive Director in the letter dated December 30, 2002, which conditionally approved PG&E's request for an extension of time to fully implement the DA CRS. The conditions placed on the extension required PG&E to: (1) notify continuous DA customers by direct mail that its current billing system does not yet provide for separate identification of continuous DA customers, and as a result, PG&E's DA CRS billing components relating to DWR charges appearing on the bill of such customers (and clearly identified) are in error and should not be paid; (2) reflect appropriate language in its advice letter and filed tariff specifying that continuous DA customers are exempt and not liable for the DA CRS billing component, even though the billing and accounting system does not accurately distinguish continuous DA from other DA customers; (3) Include language in the tariff stating that if any continuous DA customer still remits funds in payment of the DA CRS despite PG&E's efforts to inform them to the contrary, PG&E shall remain responsible for identifying those customers and promptly crediting such customers for any improper payments of DA CRS (including an appropriate interest provision for the time value of money) once the billing system is implemented by April 1, 2003; and (4) promptly correct any erroneously imposed interest, penalties, or other actions against a continuous DA customer because the customer does not pay the DA CRS components of their bill. (PG&E rebates shall include additional

interest payable to the customer in the event that the customer erroneously paid such late charges). PG&E worked with the Energy Division and the Public Advisor's Office to draft a suitable letter to its continuous DA customers, and PG&E's Supplemental AL 2328-E-A satisfactorily addressed these requirements.

PG&E again supplemented its filing with AL 2328-E-B on January 23, 2003 to submit text changes to PG&E's existing electric rate schedules and rules to reference new electric rate Schedule EC – Energy Charge and to refer to the DA CRS. This supplement also submits proposed rate changes to Schedule EC to reflect the rejection of Advice 2325-E and thus retain the Public Purpose Program (PPP) rates in effect in 2002. This filing also deletes electric rate Schedule A-RTP and suspends the Hourly PX Pricing Option, since these options are no longer available, given that the hourly prices used as their basis are no longer available.

SCE filed AL 1674-E on December 24, 2002 to 1) revise rate schedules to reflect SCE's customers' share of the California Department of Water Resources (DWR) 2003 Power Charge revenue requirement; 2) implement the DA CRS of 2.7 cents per kWh and associated tracking account; and 3) revise certain Preliminary Statements to reflect the use of Catch-Up Surcharge revenues to offset increased 2003 procurement costs, effective January 1, 2003, as authorized in D.02-12-045. SCE established Preliminary Statement, Part JJ, Direct Access Cost Responsibility Surcharge Tracking Account (DACRSTA), effective January 1, 2003, to comply with the requirement to track the difference between recorded DA CRS revenues and DA CRS obligations.

SCE was the only utility that, in its AL 1674-E, used estimated DA CRS revenues for 2003 to offset a portion of the authorized 2003 DWR Power Charge revenue requirement to bundled customers, thus reducing the remittance rate for bundled service customers from the $0.10413/kWh (adopted in D.02-12-052) to $0.09419/kWh. SCE concludes that this will ensure that DWR will receive its total 2003 DWR Power Charge revenue requirement allocated to SCE's customers.

On December 26, 2002, SDG&E filed AL 1461-E to revise its electric tariffs to implement the DA CRS effective January 1, 2003, as directed by D.02-12-045. In its AL 1461-E, SDG&E states, "DA customers that have been continuously subscribed to DA both before and since February 1, 2001 are exempt from the Power Charge. DA customers that have been continuously subscribed to DA

both before and since February 7, 2001 are exempt from the Bond Charge." (at p. 1).

SDG&E proposes that the CTC rate shown on DA customers' otherwise applicable rate schedule will be adjusted on the bills of those customers subject to the DA CRS to reflect that the CTC is included in the DA CRS rate. This adjustment will appear as a "DA CRS Cap Adjustment" line item on the applicable customers' bills. The CTC rate will not be adjusted on the bills of those DA customers exempt from both the Power Charge and Bond Charge components of the DA CRS.

SDG&E proposes revisions to its Preliminary Statement to establish a DA CRS Memorandum Account to track any shortfall in DWR Power Charges and CTCs resulting from the interim 2.7-cent/kWh DA CRS rate cap.

The revised tariffs filed by all three utilities became effective on January 1, 2003, subject to Energy Division's determination that they comply with applicable statutes and Commission decisions. Since the implementation of the tariffs is on an interim and provisional basis, protests did not stay their effective date of January 1, 2003.

NOTICE

Notice of PG&E's AL 2328-E, SCE's AL 1674-E, and SDG&E's 1461-E was made by publication in the Commission's Daily Calendar. PG&E, SCE, and SDG&E state that, in accordance with Section III-G of General Order 96-A, copies of their respective ALs and Supplemental ALs have been served on interested parties including those on service lists in A.00-11-038 (PG&E and SCE) and I.00-11-002 (SDG&E).

PROTESTS

Three parties, 1) the Alliance for Retail Energy Markets, the University of California and California State University, and the Western Power Trading Forum (AReM et al.), 2) The Utility Reform Network (TURN), and 3) Modesto Irrigation District (Modesto) timely protested PG&E's AL 2328-E on January 13, 2003. PG&E responded to the protests on January 21. Modesto also protested PG&E's supplemental ALs 2328-E-A and 2328-E-B on January 30, to which PG&E did not respond.

AReM et al., joined by the Irvine Company (Joint Parties), timely protested SCE's AL 1674-E on January 13, and SCE responded on January 15. On January 17, the Joint Parties replied to SCE's response. On January 20, SCE replied to the Joint Parties' reply. G.O. 96-A contains no provisions for replies to responses to protests.

Two parties, 1) the Alliance for Retail Energy Markets and the Western Power Trading Forum (AReM & WPTF), and 2) the Federal Executive Agencies (FEA) timely protested SDG&E's AL 1461-E. SDG&E responded to FEA's protest on January 17 and to the AReM & WPTF protest on January 23.

The California Department of Water Resources (DWR), by memorandum to Commission President Peevey dated January 17, protested the AL filings of all three utilities. DWR's memo also addressed other matters. SCE responded to the issues raised by DWR on AL 1674-E on January 27, 2003. PG&E and SDG&E submitted their responses to issues raised by DWR on their respective ALs on February 18, 2003, the date for responses to DWR's memo adopted in Administrative Law Judge Wong's January 23 Ruling (ALJ Ruling). Both approaches by the utilities are reasonable. The applicable portion of DWR's memo will be treated as a protest, and the applicable portions of PG&E's and SDG&E's responses will, like SCE's response, be treated as timely responses to DWR's protest.

Protests to PG&E's AL 2328-E

AReM et al. protested PG&E's AL on the grounds that it does not comply with D.02-11-022 and D.02-12-045. Among the noncompliance issues AReM et al. cites are (1) PG&E's proposal collects "approximately" 2.7 cents per kWh, rather than the Commission authorized capped amount of precisely 2.7 cents per kWh; (2) Schedule EC, which determines the DA credit on a residual basis, will replace Schedule PX; (3) PG&E has failed to include the impact of "any changes" to the DA Credit under the DA CRS cap; and (4) PG&E has not proposed a tracking account for DA obligations and recovery to segregate the revenues collected from bundled and DA customers.

TURN argues in its protest that PG&E's proposal to replace its current Schedule PX with a new Schedule EC is completely inappropriate since the future of that

tariff is subject to an ongoing Commission proceeding. TURN states that PG&E's proposal goes far beyond anything authorized in D.02-12-045.

In its response to these protests, PG&E contends that it has complied with the Commission's orders to implement the DA CRS as directed by D.02-12-045. Thus, the Commission should dismiss these challenges to its AL.

In its protest, Modesto objects to PG&E's proposal to establish Schedule EC. Modesto argues that while the purpose of the new schedule is ostensibly for determining energy charges for bundled service customers and the credit for DA customers, it imposes CTC on departing load customers, which is inconsistent with the market-based CTC authorized by AB1890.

In its response, PG&E argues that Modesto's concern about imposition of CTC on departing load customers in a manner inconsistent with AB 1890 is misplaced. PG&E states that its AL does nothing more than implement the DA CRS at the interim capped level approved in D.02-11-022. PG&E does not currently possess tariff authority to collect CTC from its DL customers and has not done so since Schedule E-Depart expired on March 31, 2002.

Modesto also protested PG&E's ALs 2328-E-A and 2328-E-B, because neither of those supplemental advice letters addressed Modesto's fundamental concern with the implementation of Schedule EC.

Protests to SCE's AL 1674-E

The Joint Parties protested SCE's AL 1674-E on the grounds that the manner in which it implemented the interim cap makes DA uneconomic for many customers, including the Irvine Company. In its response to the Joint Parties' protest, SCE explains that changes in the DA credit resulting from changes in other charges such as transmission and distribution charges, would not be included within the cap. In their reply to SCE's response, the Joint Parties made some clarifications to their protest. SCE corrected a factual error in its reply to the Joint Parties' reply.

Protests to SDG&E's 1461-E

In their protest, AReM and WPTF argue that SDG&E's AL 1461-E results in inconsistent treatment of CTC for continuous and non-continuous DA customers.

AREM and WPTF also state that the interest rate SDG&E proposes to use in the DA Cost Responsibility Surcharge Memorandum Account (DACRSMA), i.e., 1/12 of the most recent month's interest rate on commercial paper, is different from that contained in D.02-11-022. In its response to that protest, SDG&E argues that continuous and non-continuous DA customers would receive exactly the same obligations for CTC. With regard to the interest rate, SDG&E points out that OP 24 of D.02-11-022 defers consideration of the appropriate interest rate associated with the undercollection to further proceedings, so the issue need not be resolved immediately.

FEA protested SDG&E's AL 1461-E on the grounds that it does not explicitly provide any type of exemption for the Navy's 80 MW load. FEA believes that is required by D.02-11-022. SDG&E responds that its AL complies with D.02-11-022. The issues related to FEA's protest and SDG&E's response are the subject of SDG&E's November 18, 2002 Petition to Modify Seeking Clarification of D.02-11-022 and thus will be addressed by a separate Commission Order.

<u>DWR Protest of Utility Filings</u>

In its January 17 memo to President Peevey, DWR protested all three utilities' ALs, alleging that the overall impact of the utilities' proposed collection and remittance of the DA CRS is a reduction in the amounts DWR expects to receive for power charges included in the 2003 DWR revenue requirement. Therefore, DWR recommends that the Commission require the utilities to conform their respective ALs to OP 10 of D.02-12-045. DWR requests that until such time as the Commission determines that any portion of the DA CRS is the property of the utility, the interim DA CRS should be remitted to DWR. DWR states that current practices set forth in the utilities' servicing arrangements with DWR require the utilities to remit to DWR all moneys received for DWR bond and power charges as they are received from customers or in the case of PG&E, as they are estimated to be received from customers.

DWR cites the differing approaches to bundled and DA customer revenue remittance contained in the utilities' ALs. DWR requests that the Commission require the utilities to revise their ALs to collect and remit the DWR power charge from bundled and DA customers in a consistent manner.

According to DWR, SCE in its AL 1674-E reduced the adopted total DWR power charge to bundled customers by the amount it expects to receive from DA

customers. DWR concludes that SCE is billing these DA customers for the DA CRS but not remitting these amounts to DWR, resulting in DWR's receiving about 10% less revenue than was approved in the DWR revenue requirement decisions. DWR also contends that SCE is holding DA CRS remittances, contrary to Section 80012 of the Water Code. DWR's concern is that SCE is not remitting revenues to DWR associated with the $0.017 ¢/kWh DA CRS that is the responsibility of SCE's "non-continuous" DA customers.

In its response to DWR, SCE argues that the Commission adopted this method in D.02-11-022 to use DA CRS revenues to reduce required remittances from bundled customers (see discussion at page 120). SCE believes this revenue treatment is necessary in order to make the bundled customers of all three utilities indifferent to the stranded DWR contract costs caused by DA migration. In response to DWR's claim that SCE is collecting but not remitting the $0.017/kWh of DA CRS revenues associated with SCE's "non-continuous" DA customers, SCE maintains that it fully intends to remit these revenues to the DWR.

According to DWR, PG&E, by contrast, collects the full power charge from bundled customers, as well as the DA CRS from DA customers. But PG&E only remits to DWR the full power charge collected from bundled customers. DWR concludes that power charge remittances are as expected in the DWR revenue requirement, but PG&E is holding DA CRS remittances, contrary to Section 80012 of the Water Code. PG&E, in its response, argues that under the currently adopted remittance approach for the DWR power charge revenue requirement, no additional remittances from the DA CRS are required, because the adopted remittance rate and method already provide DWR with the amount necessary to meet its full power charge revenue requirement.

SDG&E in its AL 1461-E collects and remits both the full bundled power charge and the DA CRS revenues. DWR observes that the combined remittance of DA and bundled customer power charges remitted by SDG&E is in excess of those established in the DWR revenue requirement. SDG&E, in its response, urges the Commission, among other things, to modify SDG&E's adopted DWR power charge to eliminate the amount that SDG&E is over-compensating DWR. In response to DWR's request to require SDG&E to conform remittances to D.02-12-045, SDG&E maintains that the Commission must find that SDG&E is already in compliance.

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

DISCUSSION

Considering the number of parties that intervened in R.02-11-022, the number of issues to address as we implement the DA CRS at 2.7 cents per kWh is understandable. Arousing the most contentiousness was PG&E's billing system limitations and the workarounds PG&E proposes, as well as the replacement of Schedule PX with Schedule EC. We also address DWR remittance issues; effects to include under the 2.7-cent/kWh cap, as well as a host of implementation details such as how the 2.7-cent/kWh cap applies to continuous DA; and exemption criteria.

PG&E Bill Issues

Due to billing system limitations at the time of filing, PG&E implemented certain temporary bill component approximations using existing line items. As explained in the Background Section, PG&E was not able by January 1, 2003, to compute the DA CRS exactly or to label properly a line item on customers' bills. Thus, PG&E uses two existing bill components, the energy procurement surcharge (EPS) and the frozen rate CTC line items to approximate a 2.7-cent DA CRS. Instead of a cost-based credit, DA customers receive a DA credit calculated based on schedule average prices computed such that residual CTC will average approximately 1.7 cents per kWh. In addition, PG&E will continue to collect the one-cent per kWh EPS from direct access customers for a total DA CRS of approximately 2.7 cents per kWh. As required by Rule 48(b), PG&E, on January 3, informed all parties to the proceeding of the Executive Director's authorization for a conditional extension of time to comply with OP 11 of D.02-12-045.

AReM et al. recommend that PG&E follow the Commission's direction and charge a 2.7-cent/kWh DA CRS to non-continuous DA customers, with a bill line item that correctly identifies the charge. Otherwise, AReM et al. state that PG&E should be required to track, preferably on an individual customer by customer basis, the difference between the 2.7-cent/kWh interim cap and the revenues collected under its approximation method, so that any over collections can be returned, with interest. Provision should also be made for tracking revenues

associated with improper collection of DA CRS charges from continuous DA customers.

PG&E believes that its implementation of the 2.7-cent DA CRS is completely consistent with the Commission's directions and requires no subsequent adjustment of direct access customer bills. PG&E does acknowledge the need for adjustment of continuous direct access customers' bills once PG&E implements their exemption so that they ultimately receive the benefit of the Commission-adopted exemption for them from the DA CRS.

We support the position expressed by AReM et al. At a minimum, customers are entitled to receive accurate bills for services rendered, i.e. properly identified bill components and accurately computed charges. The temporary measures PG&E implemented to work around the present limitations of its billing system definitely misidentify the DA CRS and potentially overcharge customers as well. PG&E verified that the Average CTC charge of 1.7 cents per kWh is computed based on all customers, not on just DA customers, and is a seasonal average. So it is presumably less likely to result in overcharging during the months the transitional method is expected to remain in place.

Nevertheless, we will require PG&E, once the bill corrections are made, to re-compute CRS charges on DA bills beginning January 1, 2003 to identify customers that were charged more than the authorized 2.7-cent interim cap. Any overcharges collected under PG&E's approximation method should be returned, with interest.

A similar issue is the need to clearly display the DA CRS on customer bills. SCE proposes to revise its Schedule DA to subtract the DA CRS from the Procured Energy Credit on DA customers' bills (at p. 3). This method is consistent with the approach outlined in D.02-11-022. However, each of the utilities should display the "Direct Access Cost Responsibility Surcharge" labeled as such, as a separate line item on customer bills so that DA customers can see the magnitude of the DA CRS and the DA credit. Also, the utilities shall add tariff language to each rate schedule affected by the DA CRS indicating that a 2.7-cent/kWh DA CRS applies to all DA customers except those qualified as continuous DA customers.

DWR Remittance Issues

DWR recommends that the Commission require the utilities to conform their respective ALs to OP 10 of D.02-12-045.

That OP does not directly address DWR remittances, but the decision does contain pertinent guidance. In adopting the principles to guide computation of the DA CRS, we called for the DA CRS implementation process to be integrated and coordinated with the implementation of the DWR revenue requirement proceeding. DWR charges for each utility service territory beginning January 2003 were to be designed to recover that utility's "allocated DWR revenue requirement after the DA CRS that is expected to be received from migrated DA load is subtracted from the total DWR revenue requirement. … This revenue treatment is necessary in order to make the bundled customers of all three IOUs indifferent to the stranded DWR contract costs caused by DA migration." (D.02-11-022 at p. 127).

We reinforced this concept in adopting the DWR revenue requirement for 2003 with the following explanation: "Fourth, the revenue requirement that is collected from bundled ratepayers should be reduced by actual Direct Access Cost Responsibility Surcharge remittances, as ordered in D.02-11-022. However, since we do not have accurate information on the record about the volume of direct access sales that will be subject to the surcharge, we do not include any estimate of the impact of this adjustment in the charges we calculate today." (D.02-12-045 at p. 34).

DWR's protest highlights the lack of uniformity in the remittance approaches adopted by the utilities in their ALs. DWR urges the Commission to consider whether the utilities should remit revenues from the DA CRS to DWR. If the Commission determines that DWR has received remittances in excess of those amounts authorized in the DWR revenue requirement, DWR expresses its willingness to remit any such over-collected amounts to the utilities, with interest as the Commission directs. DWR also recommends that the Commission consider whether it is appropriate to reduce the DWR power charge rate to bundled customers to account for the remittance received from the DA CRS. If appropriate, bundled customer power charge rate changes should be developed in coordination with DWR. DWR further recommends a process to amend the utilities' Servicing Orders to ensure that DWR reviews any changes to remittances owing to DWR.

As cited above, we have provided the necessary guidance for the utilities to remit DWR revenues received from bundled and DA customers. We have adopted and modified the DWR revenue requirement and resulting power charge. The utilities should remit revenues from the DA CRS to DWR. We will consider whether DWR has received remittances in excess of those amounts authorized in the DWR revenue requirement process, in future DWR revenue requirement proceedings. We have already directed the utilities to reduce the DWR bundled customer remittances to account for the remittance received from the DA CRS. Table C in D.02-12-045 sets forth the method that the utilities should use for this computation, as performed by SCE in its AL. Consideration of the IOU Servicing Orders will be handled in the appropriate forum, as directed in the January 23 Ruling issued by ALJ Wong.

DWR, in its January 17 memorandum, states that PG&E proposes to collect the DA CRS at $0.027/kWh, but not remit these revenues to DWR. We note that PG&E in its AL is silent about DWR remittances from bundled and DA customers. DWR views PG&E's power charge remittances to be as expected in the DWR revenue requirement process, but PG&E is holding Direct Access CRS remittances contrary to Section 80012 of the Water Code.

PG&E in its response to DWR, observes that DWR appears to be arguing that in light of the Commission's adoption of DA CRS, the Commission should require the utilities to remit additional amounts to DWR, above and beyond the amounts necessary to cover DWR's power charge revenue requirement (at p. 2). PG&E further states that establishment of the DA CRS alone does nothing to change the currently adopted remittance methodology reflected in the servicing order. Moreover, as PG&E states, in order to submit any portion of the DA CRS to DWR, a comparable reduction to the current remittances would have to be made. PG&E takes no position on whether SCE's approach involving the reduction in the power charge remittance rate is appropriate. But PG&E does argue that changes in the power charge remittance method should be considered in the context of the next DWR power charge revenue requirement proceeding scheduled to begin in June 2003. Since guidance for these computations has been provided in Table C, as explained above, no further process is required, and PG&E should use the adopted method to reduce its remittances from bundled customers to reflect DA CRS revenues.

DWR states that SDG&E has established the Power Charge ordered by the Commission for bundled customers as instructed in the DWR revenue requirement decisions and, in addition, SDG&E is remitting the 2.7 cents DA CRS charge to DWR. SDG&E in its AL states, " Revenues received from the DA CRS shall be remitted to the DWR…" at p. 1. The combined remittance of DA and bundled customer power charges is in excess of those established in the DWR revenue requirement.

SDG&E, in its response, points out that DWR's own memorandum admits, "SDG&E's combined remittance of Direct Access and bundled customer power charges is in excess of those established in the DWR revenue requirement." (DWR 1/17/03 memo, at p. 3). SDG&E states that it is already remitting to DWR the entire DA CRS. SDG&E is also remitting the full bundled power charge to DWR, making no adjustment for CRS revenue. Because the CRS is supposed to reduce the burden on bundled customers, but no adjustment is being made to the bundled rate, SDG&E is in fact double remitting for that component of DWR's revenue requirement. Accordingly, SDG&E recommends that the Commission order an immediate adjustment of the DWR bundled power charge to reflect the estimated amount of CRS revenue.

We provided guidance for these computations in Table C and related discussion in D.02-12-045. Therefore we direct SDG&E to use the adopted method to reduce its remittances from bundled customers to reflect DA CRS revenues.

SCE in its AL used the method shown in Table C, proposing to collect and remit from bundled customers at a reduced rate from $0.10413/kWh to $0.09419/kWh. Then SCE proposes to collect the authorized $0.017 per kWh ($0.027 less the authorized HPC) from DA customers. SCE's AL states, "In D.02-11-022 (Section XVI.A.1) the Commission adopted a proposal by SDG&E to reduce the adopted 2003 DWR Power Charge revenue requirement for each California Investor-Owned Utility (IOU) by a forecast of DA CRS revenues. The reduction of the 2003 DWR power charge revenue requirement by the estimated DA CRS revenues is necessary to make SCE's bundled service customers indifferent to the DA migration after July 1, 2001." (at p. 2).

DWR argues that SCE is not remitting DA collections to DWR. In DWR's view, SCE has unilaterally reduced the CPUC approved power charge applicable to bundled customers by an amount SCE anticipates collecting from DA customers. SCE is also billing these DA customers for the DA CRS charge, as ordered by the

Commission, but not remitting these amounts to DWR. The result of SCE's actions in DWR's view is that DWR is receiving about 10% less revenue than was approved in the DWR revenue requirement decisions, and SCE is also holding DA CRS remittances contrary to Section 80012 of the Water Code.

SCE, in its AL 1674-E states that its method will not alter the total amount of revenues that SCE will remit to the DWR beginning January 1, 2003; but will allocate the total DWR power charge revenue requirement between SCE's bundled service and DA customers. SCE, in its response to DWR, again states that the reduced 2003 DWR power charge for bundled customers from $0.10413/kWh to $0.09419/kWh will offset a portion of the authorized 2003 DWR power charge revenue requirement for bundled service customers by estimated DA CRS revenues for 2003. This will ensure that DWR will receive its total 2003 DWR power charge revenue requirement allocated to SCE's customers. SCE concludes that this approach, as adopted by the Commission in D.02-11-022, will not alter the total amount of revenues that SCE will remit to the DWR beginning January 1, 2003; but will allocate the total DWR power charge revenue requirement between SCE's bundled service and DA customers.

SCE in its AL proposes to implement the remittance methods adopted in D.02-11-022 and D.02-12-045. The applicable computations are shown in Table C of D.02-12-045. SCE shall remit the DA CRS revenues to DWR. Combined remittances from bundled and DA customers will, as SCE states, make DWR whole for its adopted 2003 revenue requirement.

DA CRS Cap Issues

To guard against DA contracts' becoming uneconomic, we stated in D.02-07-032, "there should be a cap on the total surcharge levels imposed on DA customers (including the impact of any changes to the PX {DA} credits)." (Discussion at p. 24). In adopting the interim 2.7-cent/kWh cap, we affirmed our intent by stating that "The cap will include the impact of any changes to the PX (DA) credits. When PG&E and SCE move to bottoms up DA billing, there will no longer be a DA credit and there will be no need to include this credit. Until then, the impact of changes to the credit will be included. We decline to include changes in transmission and distribution (T&D) rates for DA customers, within the cap, as proposed by the Irvine Company. These costs are outside the scope of the procurement and generation costs which are the subject of this proceeding." (Discussion at p. 121).

AReM et al. argue that despite the Commission's clear order in D.02-11-022, PG&E has failed to include the impact of "any changes" to the DA credit under the DA CRS cap, despite its fundamental change to its DA credit. AReM et al. recommend that PG&E be required to track the difference between cost and revenues received under Schedule EC, by rate class, for DA customers, for the generation portion of the bill to ensure that customers receive a cost-based credit for avoiding PG&E's energy service. PG&E's proposed Schedule EC determines the DA credit not based on cost but residually based on the frozen rate.

In D.02-11-022, we approved PG&E's proposed treatment of the DA CRS in determining direct access credit amounts. PG&E in its January 21 response cites language from D.02-11-022 in support of its approach. "PG&E proposes that the DA CRS for ongoing CTC and DWR costs paid by DA customers be subtracted from the total of all otherwise applicable generation-related charges determined for DA customers, prior to determining the capped DA credit amounts described in PG&E's proposed Schedule PE. The capping mechanism that PG&E proposed in the DA credit proceeding is designed to ensure that future DA credits do not produce future undercollections of charges to be assessed by DA customers." (at p. 129). Since PG&E's method does not change the residually calculated DA credit (except to effectively eliminate CTC), PG&E's interim method is approved. Accordingly, the portion of AReM et al.'s protest recommending that PG&E track costs and revenues associated with Schedule EC is denied.

The Joint Parties assert that in Advice 1677-E filed December 31, 2002 and effective January 1, 2003, SCE raised the Public Utilities Commission Utilities Reimbursement Account Fees (PURAF) from 0.00012 cent/kWh to 0.00023 cent/kWh and decreased the generation credit by an equal amount. SCE states that while bundled service customers will not be impacted by these changes, DA customers' bills will increase because the DA credit will decrease. (Advice 1677-E, page 2). In other words, DA customers will pay the 0.00011 cent/kWh increase and will experience a decrease in the DA credit, for a net impact of 0.00022 cent/kWh. SCE subsequently corrected the PURAF to 0.00031 cent/kWh in AL 1677-E-A. In Advice 1674-E, SCE does not include this or any other changes to the DA credit within the 2.7-cent/kWh cap.

The Joint Parties conclude that the changes to the DA credit implemented by SCE through Advice 1677-E and other ALs combined with the 2.7-cent DA CRS make direct access uneconomic for many DA customers, including the Irvine

Company. This does not take into account any future reductions to the DA credit. The Joint Parties believe that the DA credit will decrease every time SCE raises any other component of its tariffs, so the DA credit will certainly continue to dwindle. The Joint Parties argue that the Commission has explicitly stated that the purpose of the 2.7-cent/kWh cap on DA charges, including changes in the DA credit, is to maintain the economic viability of direct access. Therefore, the Joint Parties request that the CPUC disapprove SCE's AL 1674-E as currently filed and direct SCE to file a revised AL that comports with D.02-07-032 and D.02-11-022 with regard to the inclusion of changes to the DA Credit in the DA CRS cap.

SCE in its January 15 response to the Joint Parties' protest, explains that the 2.7-cent/kWh cap contemplated in D.02-07-032 would apply to the enumerated surcharges and any change in the PX credit that may result from a change in the methodology for calculating that credit in Commission's final decision in A.98-07-003. That decision did not state that any changes in the DA credit resulting from changes in other charges such as transmission and distribution charges, and in this case PUCRF, should be included within the cap. Furthermore, the Commission in D.02-11-022 rejected The Irvine Company's request that increases in other rate components that result in a lower DA credit be included in the cap, stating: "we decline to include changes in Transmission and Distribution (T&D) rates for DA customers, within the cap, as proposed by The Irvine Company. These costs are outside the scope of the procurement and generation costs which are the subject of this proceeding." (D.02-11-022, p. 115). We must therefore conclude that SCE appropriately implemented the PUCRF outside the cap. The Joint Parties' protest on this matter is denied.

A different but related issue is how to apply the 2.7-cent/kWh cap to continuous DA customers. SDG&E, in its AL, proposes that the CTC rate shown on DA customers' otherwise applicable rate schedule will be adjusted on the bills of those customers subject to the DA CRS to reflect that the CTC is included in the DA CRS rate. This adjustment will appear as a "DA CRS Cap Adjustment" line item on the applicable customers' bills. The CTC rate will not be adjusted on the bills of those DA customers exempt from both the power charge and bond charge components of the DA CRS.

AReM and WPTF object to the inconsistent treatment of CTC for continuous and non-continuous DA customers. The CTC charge for non-continuous DA customers is calculated on a residual basis, under the rate cap, while continuous

DA customers' CTC is calculated according to D.02-11-022. AReM & WPTF suggest that the CTC component of the bill should be consistent between continuous and non-continuous DA.

In response, SDG&E argues that continuous and non-continuous DA customers would receive exactly the same obligations for CTC. SDG&E points out that under the DA CRS cap adopted in D.02-11-022, the CTC payment by non-continuous DA customers, who are subject to the full CRS, is deferred because of CTC's low priority ranking under the CRS cap. Non-continuous DA will pay the deferred CTC balance when DA's DWR power charge obligation is paid off. So the timing of CTC obligations for the two types of DA customers is necessarily different; the amount of the CTC obligation between them is identical.

While specific guidance is limited in D.02-11-022, no separate revenue requirement is adopted for continuous DA, so no mechanism exists to signal full recovery. Continuous DA load is likely to dwindle over time. Therefore, each of the utilities should charge continuous DA customers exactly the same ongoing CTC as is imposed under the cap on other DA customers until the full revenue requirement is recovered from DA customers. AReM & WPTF's protest on this matter is granted.

DA CRS Exemption Criteria

To determine whether specific customer groups and usage blocks are exempt from the DA CRS, we will adhere to our recent policy. We will make every effort to adopt consistent treatment of analogous bundled and DA customers. As stated in D.02-12-082, "We adopt a policy that excludes a major block of bundled residential consumption from the bond charge. In particular, based on a consideration of applicable law, past Commission precedent and legislative intent, we exclude all medical baseline and California Alternate Rates for Energy (CARE) eligible customer usage from the bond charges." (p. 3). Our policy is to protect the interests of CARE and medical baseline customers so that they are exempt from rate increases arising from the wholesale market price disruptions.

SCE's tariff sheets filed with its AL show CARE and medical baseline eligible DA customers as exempt from the HPC and the DWR bond charge. Neither PG&E nor SDG&E addressed any exemptions for these customer groups. Therefore, we direct all three utilities to supplement their AL filings to provide for the exemption of CARE and medical baseline eligible usage from the DA CRS.

Another exemption criterion issue is the cut-off date for determining continuous DA customers. SDG&E, in its AL 1461-E, uses separate dates, February 7, 2001 as the criterion for bond and February 1, 2001 as the criterion for power charge exemptions. SCE and PG&E use the February 1, 2001 date referenced in D.02-12-045.

D.02-11-022 adopted February 1, 2001 as the date for applicability of the power charge (OP 14) and the date DWR began its power purchase program for applicability of the bond charge (OP 4). Thus the bond charge exemption date would be January 17, 2001 for PG&E and SCE and February 7 for SDG&E. Forming the basis for the exemption criteria adopted by the Commission in D.02-11-022 was the Legislature's amendment of Public Utilities Code Section 366 to add subsection (d). That subsection clarified the Legislature's intent concerning the cost responsibility of each retail end-use customer who was a customer on or after February 1, 2001 (D.02-11-022, Finding of Fact 12, with relevance stated in conclusion of Law (COL) 16). The February 1 criterion is again used in COL 15 and again referring to both previously incurred and ongoing DWR cost components. While an apparent minor discrepancy exists, the Commission in D.02-12-045 sets the criterion based on February 1, 2001 (OP 11). Therefore, SDG&E shall modify its tariffs accordingly to reflect that February 1, 2001 is the cut-off date for determining continuous DA customers for both bond and power charge exemptions.

Balancing Account Issues

AReM et al. object that PG&E proposes to flow the DA CRS revenues through its TRA and TCBA balancing accounts. The contention is that PG&E's proposed method assures PG&E recovery of costs before the Commission has given PG&E the authority to recover these costs. As such, PG&E's proposal should be rejected since the ruling makes it clear that these are to be "interim" filings. However, in the methods adopted in D.02-12-045, we approved flow through of the DA CRS portion of the DWR revenue requirement to DWR.

AReM et al. further object that PG&E has not proposed a tracking account for DA obligations and recovery to segregate the revenues collected from bundled and DA customers, as directed in D.02-11-022. COL 43 of that decision states "Provision should be made for the utilities to maintain tracking accounts to permit segregation of the revenues collected and remitted to DWR as between

bundled customers and DA customers." PG&E responded that it is tracking the DA CRS revenue as a separate line item in the TRA and will establish a separate tracking account once the Commission has adopted the amounts to be tracked as DA CRS obligations.

PG&E, in its AL, states that it revised the TRA to record separately the revenues collected from the interim 2.7 cent DA CRS starting January 1, 2003. Therefore, PG&E's proposed method for tracking DA CRS revenues complies with our direction and should be adopted, pending revision in R. 02-01-011.

Finally we note that PG&E has been collecting the one-cent Emergency Procurement Surcharge (EPS) from its DA customers, while SCE removed DA applicability in June of 2001 when it implemented the three-cent surcharge adopted in D.01-05-064. As part of implementing temporary measures to collect the DA CRS with its billing system limitations, PG&E revised the Emergency Procurement Surcharge Balancing Account (EPSBA) to record the one-cent EPS revenues only from bundled service customers starting on January 1, 2003. In doing so, PG&E effectively deleted the EPS for DA customers and replaced it with the DA CRS. Therefore, for consistency, PG&E should credit the DA CRS recovery recorded in the TRA with the revenues from the EPS collected from DA customers between June 1, 2001 and the end of 2002.

PG&E's Schedule EC

In AL 2328-E, PG&E eliminated Schedule PX and replaced it with Schedule EC, which lists the rates that will be used to determine both the energy charge shown on a bundled customer's bill, as well as the credit for a DA customer. As a result, effective January 1, 2003, PG&E deleted Rate Schedule A-RTP and suspended the Hourly PX Pricing Option, since these options are no longer available given that the hourly prices used as their basis are no longer available. In AL 2328-E, PG&E states that there were no Schedule A-RTP customers and only 2 Hourly Pricing Option customers. No party protested the termination of these options.

AReM et al. complain that PG&E provides no explanation about the derivation of the Schedule EC rates, nor does PG&E describe how these charges relate to PG&E's cost of providing the service.

TURN submits that the most appropriate remedy would be simply to cap the size of the DA credit, such that the credit can never be more than the energy

charge for bundled customers, less 1.7 cents per kWh. That 1.7 cents, plus the one-cent per kWh EPS would assure collection of the 2.7 cent/kWh DA CRS in the interim, until a decision on the future of PG&E's post PX DA credit is rendered in A.98-07-003. Eliminating and replacing Schedule PX in this advice filing, when the future of that tariff is the subject of ongoing litigation in another Commission proceeding, is completely inappropriate in TURN's view.

PG&E asserts that TURN's recommended approach is very similar to PG&E's implementation of the 2.7-cent DA CRS. The fundamental difference is that PG&E limits the direct access credit to establish the DA CRS, which is approximately 2.7 cents per kWh. TURN proposes to use the direct access credit to ensure that each direct access customer pays a minimum DA CRS of 2.7 cents per kWh, so that the resulting amount collected for DA CRS could be expected to exceed 2.7 cents per kWh. PG&E believes that its approach, to use the direct access credit to approximate 2.7 cents per kWh, rather than to exceed that rate level, is the better approach. We agree.

PG&E believes that D. 02-11-022 makes a fundamental change to the underlying reasoning supporting DA customers' bills. That is, DA customers' bills are no longer intended to be set in reference to the non-generation amount paid by bundled customers. Instead, DA customers now pay a defined amount to cover specified costs allocated to them. Those costs include the distribution, transmission, nuclear decommissioning, trust transfer amount (TTA, where applicable), and public purpose program components of rates. In addition, they include the components addressed in the DA CRS decision: the DA DWR power charge component; the ongoing CTC component; and the DWR bond charge. PG&E states that its AL is not intended to anticipate the decision in A. 98-07-003, which will decide the matter of bottoms up billing, but only to implement the new structure adopted in D.02-11-022.

We will not require PG&E to retain Schedule PX, since the PX rate ended January 2001 when the PX collapsed. Events like the need to implement the DA CRS, PG&E's billing system limitations, and the timing of orders in other forums, have, as PG&E observes at least to some extent, overtaken the resolution of bottoms-up billing. PG&E's calculation method is preferable to TURN's, since the 2.7-cent DA CRS represents a capped value. The DA CRS must not exceed the cap.

We deny TURN's and AReM et al.'s protest on this matter. Additionally, we deny Modesto's protest regarding PG&E's replacing Schedule PX with Schedule EC.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. This draft resolution was mailed to parties for public review and comment. Comments were filed on _____ by

FINDINGS

1. The Commission in Decision (D.) 02-12-045, Ordering Paragraph (OP) 10, directed the utilities to file advice letters with revised tariffs to implement the Direct Access Cost Responsibility Surcharge (DA CRS) at the interim capped level of 2.7 cents per kWh approved in D.02-11-022. The revised tariffs will become effective on January 1, 2003, subject to Energy Division's determination that they comply with applicable statutes and Commission decisions.
2. DA customers that have remained continuously on direct access service and did not take bundled service on or after February 1, 2001 are exempt from the DA CRS.
3. On December 24, 2002, PG&E filed AL 2328-E, and SCE filed AL 1674-E. On December 26, 2002, SDG&E filed AL 1461-E.
4. PG&E filed supplemental ALs 2328-E-A on January 13, 2003 and 2328-E-B on January 23, 2003.
5. By letter dated December 26, 2002, PG&E requested an extension of time to comply with OP 11 of D.02-12-045, because its billing and accounting system could not, by January 1, 2003, exclude the DA CRS component from the bills of individual DA customers qualifying as continuous.
6. By letter dated December 30, 2002, the Commission's Executive Director granted, subject to certain conditions, PG&E's request for an extension of time until April 1, 2003, to implement customer billing and accounting systems exempting continuous DA customers from the DA CRS in accordance with OP 11.
7. The Alliance for Retail Energy Markets, the University of California and California State University, and the Western Power Trading Forum (AReM et

al.), The Utility Reform Network (TURN), and Modesto Irrigation District (Modesto) timely protested PG&E's AL 2328-E on January 13, 2003.

8. PG&E responded to the protests of AReM et al. and TURN and separately to Modesto on January 21, 2003.
9. Modesto also protested PG&E's supplemental ALs 2328-E-A and 2328-E-B on January 30, 2003, to which PG&E did not respond.
10. AReM et al., joined by The Irvine Company (Joint Parties), timely protested SCE's AL 1674-E on January 13, 2003, and SCE responded on January 15. On January 17, the Joint Parties replied to SCE's response even though G.O. 96-A does not contain provisions for replies to utilities' responses to protests. On January 20, 2003, SCE replied to the Joint Parties' reply.
11. AReM & WPTF, and separately, FEA timely protested SDG&E's AL 1461-E.
12. SDG&E responded to the protests of FEA on January 17 and of AReM & WPTF on January 23.
13. By memorandum dated January 17, to Commission President Peevey, DWR protested the AL filings of all three utilities. The applicable portion of DWR's memorandum will be treated as a protest, and the applicable portions of PG&E's and SDG&E's responses will, like SCE's response, be treated as timely responses to DWR's protest.
14. DWR, in its January 17 memo, alleges that the overall impact of the utilities' proposed collection and remittance of the DA CRS is a reduction in the amounts DWR expects to receive for power charges included in the 2003 DWR revenue requirement. Therefore, DWR recommends that the Commission require the utilities to conform their respective ALs to OP 10 of D.02-12-045.
15. AReM et al. in its protest of PG&E's AL 2328-E, argues that PG&E's implementation of the DA CRS will result in DA customers being misinformed and some customers being overcharged. Thus PG&E should be required to track, preferably on an individual customer by customer basis, the difference between the 2.7-cent interim cap and the revenues collected under its approximation method, in order that any over collections can be returned, with interest.
16. PG&E asserts there is no need to reconcile the difference between the 2.7-cent interim cap and the revenues collected under PG&E's approximation method.
17. In adopting the DWR revenue requirement for 2003, we directed that the revenue requirement that is collected from bundled ratepayers be reduced by actual DA CRS remittances, as shown on Table C of D.02-12-045 and directed in D.02-11-022. However, since we did not have accurate information on the

record in that proceeding about the volume of direct access sales that will be subject to the surcharge, we did not include any estimate of the impact of this adjustment in the charges we adopted.

18. AReM et al.'s protest to PG&E's AL 2328-E and the Joint Parties' protest to SCE's AL 1677-E concerning inclusion of changes to the DA credit within the 2.7-cent/kWh DA CRS cap are denied.
19. The January 10, 2003 protest of FEA to SDG&E's AL 1461-E, on the grounds that it does not explicitly provide any type of exemption for the Navy's 80 MW load is denied without prejudice. This matter will be addressed in the context of SDG&E's November 18, 2002 Petition to Modify Seeking Clarification of D.02-11-022.
20. AReM et al., TURN, and Modesto object to PG&E's replacement of Schedule PX with Schedule EC.
21. Effective January 1, 2003, PG&E deleted Rate Schedule A-RTP and suspended the Hourly PX Pricing Option, since these options are no longer available given that the hourly prices used as their basis are no longer available. No party protested the elimination of these options.
22. PG&E's temporary calculation method to adapt its existing billing system to collect the DA CRS is preferable to TURN's, since the 2.7-cent/kWh DA CRS represents a capped value. The DA CRS must not exceed the cap.
23. The protests of AReM et al., TURN, and Modesto regarding PG&E's replacing Schedule PX with Schedule EC are denied.
24. By D.02-12-082, we exempted California Alternate Rates for Energy and Medical Baseline eligible usage from the bond charge.
25. While a small discrepancy exists as to the exact date to use for an exemption criterion for determining continuous DA in SDG&E's territory, D.02-12-045 sets the criterion based on February 1, 2001.
26. PG&E has been collecting the one-cent Emergency Procurement Surcharge (EPS) from its DA customers, while SCE removed DA applicability in June of 2001 when it implemented the three-cent surcharge adopted in D.01-05-064. PG&E deleted the EPS for DA customers when it implemented the DA CRS on January 1, 2003.
27. We will allow PG&E's proposed Schedule EC as filed in AL 2328-E on an interim basis. This tariff change will not preempt our decision in A. 98-07-003.

THEREFORE IT IS ORDERED THAT:

1. AReM et al.'s protest is granted in part to the extent that PG&E shall, once the bill corrections are made, re-compute CRS charges on DA customer bills, beginning January 1, 2003, to identify customers that were charged more than the authorized 2.7-cent/kWh interim cap. Any and all overcharges collected under PG&E's approximation method should be returned, with interest calculated at the 3-month commercial paper rate, as specified herein.
2. The utilities are authorized to reduce the DA credit by the DA CRS. However, a separate line item for the DA CRS should appear on customers' bills so that the customer can see the amount of the credit and the DA CRS.
3. To address DWR's concerns about the variety of remittance methods proposed in the utilities' ALs, we direct PG&E and SDG&E to supplement their ALs to reduce bundled customer power charge remittances according to the method adopted in Table C of D.02-12-045 to reflect DA CRS revenues. DA CRS revenues shall be remitted to DWR. In this way, DWR shall be made whole from combined bundled and DA remittances, as directed in D.02-11-022 and D.02-12-045, and as modified.
4. The utilities shall implement the CTC component of the DA CRS such that it is the same for continuous and non-continuous DA customers, constrained by the 2.7-cent/kWh cap.
5. Based on our policy to protect CARE and Medical Baseline eligible customers from rate increases arising from the wholesale market price disruptions, and consistent with D.02-12-082 concerning bond charges, we direct the utilities to supplement their AL filings to provide for the exemption of CARE and medical baseline eligible usage from the DA CRS.
6. SDG&E shall supplement AL 1461-E and modify its tariffs to reflect the criterion for continuous DA established in D.02-12-045 based on February 1, 2001.
7. The utilities shall supplement their DA CRS advice letters to add tariff language to each rate schedule referencing that the DA CRS applies to all DA customers, except those qualified as continuous DA customers.
8. PG&E's proposed accounting of the DA CRS revenues is approved.
9. To provide for consistent treatment of DA customers in SCE and PG&E service territories, PG&E shall credit the DA CRS recovery recorded in the TRA with the revenues from the EPS collected from DA customers between June 1, 2001, and the end of 2002.
10. All protests are resolved as described herein.

11. Within 10 days of today's date, PG&E, SCE and SDG&E shall supplement their advice letters implementing the DA CRS to make the modifications required herein. These supplemental advice letters shall be effective on January 1, 2003, subject to Energy Division's determining that they comply with this Order.

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 May 22, 2003; the following Commissioners voting favorably thereon:

_____
WILLIAM AHERN
Executive Director