

April 17, 2003

**Advice 2375-E  
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

**Subject: Submission of Schedule E-DCG – *Departing Customer Generation* and Associated Agreement Forms in Compliance with Decision 03-04-030**

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariffs. The affected tariff sheets are listed on the enclosed Attachment I.<sup>1</sup>

**Purpose**

The purpose of this filing is to submit electric Rate Schedule E-DCG – *Departing Customer Generation* (E-DCG) to implement the Commission’s April 3, 2003 Decision (D.) 03-04-030, as modified D. 03-04-041, in the Direct Access Suspension Proceeding, Rulemaking (R.) 02-01-011. Decision 03-04-030 describes the obligations of departing load customers who install distributed generation (DG) units (“Customer Generation Departing Load customers”), and thereby displace usage formerly delivered by PG&E, for the Department of Water Resources (DWR) Bond Charge, the DWR Power Charge, and PG&E’s competition transition charge (CTC). Electric Rate Schedule E-DCG supercedes those portions of PG&E’s Electric Preliminary Schedule, Section BB – *Competition Transition Charge Responsibility for All Customers and CTC Procedure for Departing Loads* (Section BB), as well as electric Rate Schedules E-DEPART and E-EXEMPT, insofar as they address the obligations of Customer Generation Departing Load.<sup>2</sup> It does not supercede the portions of those tariffs

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<sup>1</sup> PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

<sup>2</sup> Section BB was implemented in the wake of Assembly Bill 1890, enacted in 1996, which

relating to so-called “Municipal Departing Load” customers, whose responsibility for the DWR Bond Charge, the DWR Power Charge, and the CTC will be the subject of a future Commission decision in this proceeding.<sup>3</sup>

### **Background**

On March 29, 2002 a ruling by Administrative Law Judge Thomas Pulsifer added issues regarding the obligation of departing load customers for costs associated with DWR’s historic costs and ongoing above-market contract costs, as well as the utilities’ ongoing CTC costs, to the Direct Access Suspension Proceeding.<sup>4</sup> A subsequent ruling bifurcated the issues related to departing load customers’ obligations into two phases: (a) issues related to Customer Generation Departing Load where, generally, the customer remains directly connected to the electric utilities’ grid and displaces a portion of its usage through a non-utility source; and (b) issues related to customers that disconnect from a utility and re-connect to a municipal utility or other public agency providing electric distribution service, where the customer’s entire usage departs. Decision 03-04-030 resolves issues related to the obligations of Customer Generation Departing Load customers, and this Advice implements that decision.<sup>5</sup>

Since the enactment of Assembly Bill (AB) 1890, Customer Generation Departing Load customers have been responsible for certain nonbypassable charges, including (with some limited exemptions for certain generation technologies) CTC, public purpose program, nuclear decommissioning, and transfer trust amount charges. PG&E implemented these charges for all types of departing load (and the limited exemptions thereof) through a combination of three tariffs: (1) (electric Preliminary Statement) Section BB, which defines “departing load” and describes how it is measured; (2) electric Rate Schedule E-DEPART, which describes applicable charges; and (3) electric Rate Schedule E-EXEMPT, which describes the limited exemptions from the charges.

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obligated departing load customers – including those installing on-site or over-the-fence generation, or who depart through other means (e.g., connecting to public agencies like irrigation districts, municipal utilities, etc.) -- for CTCs, public purpose program charges, nuclear decommissioning charges and, in certain instances, transfer trust amount charges. PG&E is also submitting replacement tariff pages for Electric Preliminary Statement Section BB, electric Rate Schedule E-DEPART, and electric Rate Schedule E-EXEMPT to clarify that those tariffs will henceforth apply only to those departing load customers whose departure is not due to the installation of Customer Generation.

<sup>3</sup> Municipal Departing Load customers are those who disconnect from the utility and re-connect to a municipal utility or other public agency that provides electric distribution service.

<sup>4</sup> The ALJ Ruling also included Southern California Edison’s historic procurement costs in the proceeding.

<sup>5</sup> Issues related to the obligations of Municipal Departing Load customers have been heard and briefed in this proceeding, and a Commission decision is pending.

Prior to March 31, 2002, these tariffs, in combination with the customer's otherwise applicable rate schedule, defined customers' departing load obligations and enabled PG&E to collect these charges. However, electric Rate Schedules E-DEPART and E-EXEMPT both inadvertently contained expiration dates of March 31, 2002, as that was the date that certain exemptions from the CTC reached their statutory end. However, well before this date PG&E recognized a need to extend both rate schedules, for the purpose of applying the charges to those not expressly exempt, and providing an exemption to those who were.

PG&E thus made two filings. On October 19, 2000, PG&E filed Advice 2043-E - *Extend the Closing and Expiration Dates of Schedules E-DEPART and E-EXEMPT* to amend electric Rate Schedules E-DEPART and E-EXEMPT such that the tariffs would continue in effect "until such time as the Commission has approved a superceding tariff for billing departing customers for nonbypassable charges." On November 22, 2000, PG&E filed Advice 2057-E - *Revise Electric Rates in Compliance with End of Electric Rate Freeze AB 1890* (AL 2057-E), which also sought to extend electric Rate Schedules E-Depart and E-Exempt with relatively similar language, i.e., that the tariffs would "continue in effect until such time as the Commission has approved a superceding tariff for billing departing customers for nonbypassable charges" or until the Commission has determined that departing customers' obligations have ended.

The Commission has not acted upon either of these advice letters, other than the Energy Division issuing a December 4, 2000, letter notifying PG&E that AL 2057-E was not a compliance filing (as had been suggested by PG&E) and that "the Commission will determine the merits of AL 2057-E by further order." Thus, since March 31, 2002 PG&E has not had the tariff authority to bill departing load customers for CTC, public purpose program, or nuclear decommissioning charges.<sup>6</sup>

### **Tariff Revisions**

In this filing PG&E proposes to simplify its tariffs relating to Customer Generation Departing Load, by combining elements of Electric Preliminary Statement Section BB - *Competition Transition Charge Responsibility for All Customers and CTC Procedure for Departing Loads* and the currently expired Schedules E-DEPART and E-EXEMPT into one rate schedule – electric Rate Schedule E-DCG. In this way, customer-generators will be able to refer to a single tariff containing information on all nonbypassable charge obligations.<sup>7</sup> PG&E also

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<sup>6</sup> PG&E retained the authority to bill for transfer trust amounts, since electric Rate Schedule E-RRB (Rate Reduction Bonds Bill Credit and Fixed Transition Amount) did not terminate on March 31, 2002.

<sup>7</sup> PG&E intends to file a similarly combined tariff to cover the situation of customers departing to take service from third party distribution providers like public agencies, once the Commission issues its decision in that phase of the proceeding.

submits updated forms for Customer Generation Departing Load customers, including two declarations to be submitted by customers to apply for certain exemptions from departing load charges pursuant to Public Utilities Code Sections 372 (cogeneration) and 353.2 (ultra-clean):

- Declaration in Support of Claim of Competition Transition Charge Exemptions Under Public Utilities Code Section 372 (Form 79-1000)
- Declaration in Support of Claim of Department of Water Resources (DWR) Ongoing Power Charge Exemption Under Public Utilities Code Section 353.2 (Form 79-1001)

PG&E is also including in its electric Rate Schedule E-DCG, the Customer Generation Departing Load Non-Bypassable Charge Statement.

In addition, electric Rate Schedule E-DCG clarifies how departing load charges are to be calculated in a Customer Generation Departing Load situation, where only a portion of the customer's load departs PG&E service and PG&E continues to supply the other portion. In such "partial load departure" situations, the methodology described in Electric Preliminary Statement BB, with its use of a "snapshot" of a customer's historical usage, will likely overstate departing usage, and thus overestimate the customer's nonbypassable charge obligation. To accurately measure usage displaced by the customer's DG unit, PG&E proposes to require customers to supply metered generator output data to PG&E that will be used to prepare departing load bills. Using metered generator output data is the most accurate way to bill departing load charges.

However, PG&E is sensitive to concerns that, in situations where the customer's DG unit is small, the cost of metering may be disproportionate to the benefits of obtaining more accurate data from which to bill. Moreover, by statute, net metering customers cannot be required to install generator output meters.<sup>8</sup> PG&E would propose, in situations where the customer's DG unit is either net metered or small (20 kilowatts (kW) or less), to give the customer the option of having PG&E estimate generator output (and thus displaced usage) in lieu of supplying PG&E with metered data.<sup>9</sup>

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<sup>8</sup> Although they cannot be required to install meters, the language in Public Utilities Code Section 2827(k), added by Assembly Bill 58 enacted in 2002, specifies that net metering customers not be exempted from public purpose program charges on their displaced usage.

<sup>9</sup> PG&E proposes that such usage would be estimated based on Commission-approved, technology-specific generator output profiles as applied to individual system capacities. This approach would provide a means of assessing nonbypassable charges for which the net metered or small customer is not otherwise exempt. PG&E recommends that the Commission's Energy Division develop these output profiles.

## Points of Clarification

PG&E also requests Commission clarification on the following issues:

- Ordering Paragraph 6 states “Biogas digester customer generation eligible under AB 2228 are not required to pay any CRS charges.” PG&E requests Commission guidance on whether such customers should also be exempt from other departing load charges (public purpose program, nuclear decommissioning, and transfer trust amount charges) on load displaced by their generation units. The attached tariff language in Schedule E-DCG assumes that the intent of the Commission is to exempt customers in this category from all departing load charges.
- It is not clear whether DG units between 1.0 and 1.5 megawatt (MW), that are eligible for PG&E’s Self-Generation Incentive Program, are to receive exemptions as defined in D.03-04-030 for just a portion of their departed load usage or for none of it? For example, would a 1.2 MW DG unit receive an exemption for five-sixths (i.e., 1.0 divided by 1.2) of its departed load usage or for none of it? The ordering paragraphs in the decision are silent on this question. Footnote 70 in the text of the decision states that “...we clarify that for purposes of this decision we will only provide exceptions to the CRS for up to 1 MW of capacity,” suggesting that up to 1 MW would qualify for the exemption but any amount in excess would not qualify. However, the next sentence in the footnote states “...to gain a total exception to the CRS, a system must be under 1 MW and be qualified for inclusion in the self-generation program,” which suggests that exemptions cannot be pro-rated and that the system has to be less than 1 MW to qualify for the exemption at all. In the attached tariff, PG&E has interpreted the Commission’s intent as to allow the pro-rating of exemptions.
- The ordering paragraphs are similarly silent on whether new or incremental load, served by customer generation that meets the “physical test” specified by D.98-12-067, is exempt from all departing load charges or just CTC. The text of the decision, in Section V.E.1, notes that it was the Joint Settling Parties’ intent that this same physical test be used to determine whether such load is exempt from DWR bond and power charges. While accurately describing the position of the Joint Settling Parties, the decision never explicitly adopts that position. PG&E has written tariff language assuming the Commission’s intent is to exempt from all departing load charges any new or incremental

load served by an on-site or over-the-fence generator that can pass the “physical test.”

- In Section V.B.3, in referring to the category of Other Customer Generation, the decision states that “This category does not include back-up generation or any diesel-fired customer generation” and goes on to add “All generation addressed in this category, and in this decision, must meet best available control technology standards...”. PG&E believes that customer generation operated only as “back-up” during grid outages should not be considered departing load, since it does not displace usage that otherwise would have come from PG&E. In contrast, operation of generation units (even those designed primarily for “back-up” purposes) during non-outage situations does displace usage that would have been delivered by PG&E, and so should be subject to departing load charges. There is one “gray area,” however, upon which PG&E requests clarification: the use of a generation unit by a customer in conjunction with the operation of a Commission- or ISO-sponsored load management program (i.e., to facilitate a reduction in deliveries from the grid). PG&E has drafted tariff language assuming that operation of the generation unit in response to curtailment requests be treated similarly as operation of the unit during a grid outage, since in neither case does the operation displace usage delivered by PG&E.<sup>10</sup>
- Finally, although they are exempt from the bond charge, the power charge, and the CTC, it is not clear whether customers that install biogas digester generation units, or units that qualify as “Clean Customer Generation Systems Under 1 MW,” count towards the aggregate caps, which govern the power charge exemption for customers not in those two categories. Ordering Paragraph 10 states that “Exceptions adopted in today’s decision as provided in Ordering Paragraphs 8 and 9, shall expire when the cumulative total of customer generation departing load *eligible under those Ordering Paragraphs* exceeds...” (emphasis added), which suggests that neither biogas nor “Clean, Under 1 MW” systems should count. On the other hand, the text of the decision in Section V.B.4 states, “We will apply this cap to all CG departing load” without distinction. PG&E’s tariff language assumes the latter is the Commission’s intention.

Finally, PG&E has included in this advice letter a proposed rate for CTC

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<sup>10</sup> In the absence of operating its generation unit, a load management program participant would have had to curtail load, so the amount of power delivered by the grid would have decreased in any event.

applicable to only Customer Generation Departing Load Customers for 2003. The rate is based on revenue requirements proposed by PG&E in R.02-01-011, and the rules set forth in D.03-04-030, Footnote 72.

### **Protest**

Anyone wishing to protest this filing should do so by sending a letter via postal mail and facsimile by **May 7, 2003**, which is 20 days after the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, Room 4002  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov)

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

Brian K. Cherry  
Director, Regulatory Relations  
Pacific Gas and Electric Company  
P.O. Box 770000 Mail Code B10C  
San Francisco, California 94177  
Facsimile: (415) 973-7226  
E-mail: [RxDd@pge.com](mailto:RxDd@pge.com)

The protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. There is no restriction on who may file a protest.

### **Effective Date**

In compliance with D.03-04-030, this advice filing becomes effective on **April 17, 2003**, which is the date of filing.

**Notice**

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, and the service list parties for R. 99-10-025. Address changes should be directed to Sandra Ciach (415) 973-7572. Advice letter filings can also be accessed electronically at:

[http://www.pge.com/customer\\_services/business/tariffs/](http://www.pge.com/customer_services/business/tariffs/)

Vice President - Regulatory Relations

Attachments

cc: Service List R. 99-10-025



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION

APPLICABILITY: This schedule is applicable to customers that have Customer Generation Departing Load as defined below, including customers who displace all or a portion of their load with Customer Generation and including new load served by Customer Generation as set forth in Special Condition 6 below. This schedule supercedes the portions of Schedules E-DEPART, E-EXEMPT, and Electric Preliminary Statement Part BB-*Competition Transition Charge Responsibility for All Customers & CTC Procedure for Departing Load*, that address nonbypassable charge obligations that would otherwise pertain to Customer Generation Departing Load. (N)

TERRITORY: The entire territory served.

RATES: Customers under this schedule are responsible for the following charges unless expressly exempted from such charges under Special Condition 2 below:

1. DWR BOND CHARGE: The Department of Water Resources (DWR) Bond Charge recovers DWR's bond financing costs, and is set by dividing the annual revenue requirement for DWR's bond-related costs by an estimate of the annual consumption not excluded from this charge. The DWR Bond Charge is the property of DWR for all purposes under California law. The DWR Bond Charge applies to Customer Generation Departing Load unless sales under the customer's Otherwise Applicable Rate Schedule were CARE or medical baseline or unless exempt under Special Condition 2 below. The DWR Bond Charge is separately shown in the customer's Otherwise Applicable Rate Schedule. PG&E shall not implement the DWR Bond Charge until Decision (D.) 03-04-030 becomes final and unappealable.
2. DWR POWER CHARGE: The DWR Power Charge recovers the uneconomic portion of DWR's prospective power purchase costs. The DWR Power Charge applies to Customer Generation Departing Load unless exempt under Special Condition 2 below. The DWR Power Charge shall be set equal to the corresponding cents per kilowatt-hour (kWh) surcharge component in effect on the date of departure pursuant to the Direct Access (DA) phase of Rulemaking 02-01-011 and related or successor proceedings. This DWR Power Charge is separately shown in the customer's Otherwise Applicable Rate Schedule.
3. COMPETITION TRANSITION CHARGE (CTC): The CTC recovers the cost of qualifying facilities and power purchase agreements that are in excess of a market benchmark determined by the California Public Utilities Commission (Commission), plus employee transition costs. The CTC applies to Customer Generation Departing Load unless exempt under Special Condition 2 below. The CTC is calculated as directed by D. 03-04-030. The CTC for 2003 is \$0.01127 per kWh. (N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION

RATES:  
(Cont'd)

- 4. PUBLIC PURPOSE PROGRAM (PPP) CHARGE: The PPP charge collects the costs of state mandated low income, energy efficiency and renewable generation programs. The PPP charge applies to all Customer Generation Departing Load unless exempt under Special Condition 2 below. The PPP charge is separately shown in the customer's Otherwise Applicable Rate Schedule. (N)
- 5. TRUST TRANSFER AMOUNT (TTA) CHARGE: The TTA funds the cost of bonds used to pay for a 10 percent rate reduction for residential and small commercial customers. The TTA has been transferred to a subsidiary of PG&E and then to a public trust. PG&E is collecting the TTA on behalf of the subsidiary and public trust. The TTA does not belong to PG&E. The TTA charge applies to all Customer Generation Departing Load that would have otherwise been responsible for the TTA as specified in Schedule RRB, unless exempt under Special Condition 2 below. The TTA charge is separately shown in the customer's Otherwise Applicable Rate Schedule.
- 6. NUCLEAR DECOMMISSIONING (ND) CHARGE: The ND charge collects the funds required to restore the site when PG&E's nuclear power plants are removed from service. The ND charge applies to all Customer Generation Departing Load unless exempt under Special Condition 2 below. The ND charge is separately shown in the customer's otherwise Applicable Rate Schedule. (N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:

1. DEFINITIONS: The following terms when used in this tariff have the meanings set forth below:

(N)

- a. Customer Generation: Customer Generation means cogeneration, renewable technologies, or any other type of generation that: (1) is dedicated wholly or in part to serve all or a portion of a specific customer's load; and (2) relies on non-PG&E or dedicated PG&E distribution wires rather than PG&E's utility grid to serve the customer, the customer's affiliates and/or tenants, and/or not more than two other persons or corporations, provided that those two persons or corporations are located on site or adjacent to the real property on which the generator is located.
- b. Customer Generation Departing Load: Customer Generation Departing Load is that portion of a PG&E electric customer's load for which the customer, on or after December 20, 1995: (1) discontinues or reduces its purchases of bundled or direct access electricity service from PG&E; (2) purchases or consumes electricity supplied and delivered by Customer Generation to replace the PG&E or direct access purchases; and (3) remains physically located at the same location within PG&E's service area as it existed on December 20, 1995. Reductions in load are classified as Customer Generation Departing Load only to the extent that such load is subsequently served with electricity from a source other than PG&E. New customer load not specifically excluded below shall be deemed Customer Generation Departing Load for purposes of this schedule.

Customer Generation Departing Load specifically excludes:

- (1) Changes in usage occurring in the normal course of business resulting from changes in business cycles, termination of operations, departure from the utility service territory, weather, reduced production, modifications to production equipment or operations, changes in production or manufacturing processes, fuel switching, enhancement or increased efficiency of equipment or performance of existing Customer Generation equipment, replacement of existing Customer Generation equipment with new power generation equipment of similar size, installation of demand-side management equipment or facilities, energy conservation efforts, or other similar factors.
- (2) New customer load or incremental load of an existing customer where the load is being met through a direct transaction with Customer Generation and the transaction does not otherwise require the use of transmission or distribution facilities owned by PG&E.
- (3) Load temporarily taking service from a back-up generation unit during emergency conditions called by PG&E, the California Independent System Operator, or any successor system operator. This exclusion also applies to dispatchable backup generation used in connection with the dispatch of a load management program sponsored by the Commission, California Energy Commission or California Independent System Operator, or any successor system operator.

(N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd.)

1. DEFINITIONS: (Cont'd.)

b. Customer Generation Departing Load: (Cont'd.)

(4) Load that physically disconnects from the utility grid.

(5) Changes in the distribution of load among accounts as a customer site with multiple accounts, load resulting from the reconfiguration of distribution facilities on the customer site, provided that the changes do not result in a discontinuance or reduction of service from PG&E at that location.

c. Otherwise Applicable Rate Schedule: The otherwise applicable rate schedule shall be the last schedule under which the customer took service before load was displaced by Customer Generation. Where the departing load was not previously served by a utility, the otherwise applicable schedule will be the rate schedule by the customer would have taken service under, had the load been served by PG&E.

(N)

(N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd.)

2. EXEMPTIONS: Customer Generation Departing Load is exempt of some or all of the rates described above to the extent set forth below. Notwithstanding Special Conditions 2a through 2h, all usage taken from the grid is subject to the DWR Bond Charge, the DWR Power Charge, and CTC. (N)
- a. Load That Departed As Of February 1, 2001. Customer Generation Departing Load that began to receive service from Customer Generation on or before February 1, 2001, except during any period and to the extent that the Customer Generation Departing Load thereafter receives bundled or direct access service, is exempt from the DWR Bond Charge and DWR Power Charge.
  - b. Grandfathered Load. Customer Generation Departing Load, not otherwise exempted under Special Condition 2a above, or Special Condition 2c, 2d, 2e, or 2h below, that commenced commercial operation on or before January 1, 2003, or for which (a) an application for authority to construct was submitted to the lead agency under the California Environmental Quality Act, not later than August 29, 2001, and (b) commercial operation commenced not later than January 1, 2004, is exempt from the DWR Power Charge.
  - c. Biogas Digesters. Customer Generation Departing Load served by an eligible biogas digester customer-generator, as defined in Public Utilities Code Section 2827.9, is exempt from the DWR Bond Charge, DWR Power Charge, ND, PPP, TTA, and CTC.
  - d. Clean Customer Generation Systems Under 1 MW. Customer Generation Departing Load under 1 megawatt (MW) in size that is eligible for (i) net metering, or (ii) financial incentives from the Commission's self-generation program, or (iii) financial incentives from the California Energy Commission, is exempt from the DWR Bond Charge, DWR Power Charge, and CTC. This exemption does not apply to any portion of Customer Generation Departing Load where the Customer Generation Departing Load equals or exceeds 1 MW. Net metered customers who have all local and state permits required to commence construction of their generating facilities on or before December 31, 2002, and have completed construction on or before September 30, 2003, shall also be exempt from the PPP, TTA, and ND charges. All other net metered customers shall be exempt from the TTA and ND charges, but per Public Utilities Code Section 2827 (k), shall not be exempt from the PPP charge. All other non-net metered customers in this category shall be responsible for the PPP, TTA, and ND charges. (N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd.)

2. CUSTOMER GENERATION DEPARTING LOAD: (Cont'd.)

(N)

e. Ultra-Clean and Low-Emission Customer Generation Systems over 1 MW. Customer Generation Departing Load that is over 1 MW in size but that otherwise meets all criteria in Public Utilities Code Section 353.2 as "ultra-clean and low-emissions" is exempt from the DWR Power Charge, except as set forth in Special Condition 2g below.

f. Other Customer Generation Systems. Customer Generation Departing Load that employs best available control technology standards set by local air quality management districts and/or the California Air Resources Board, as applicable, and is not (a) back-up generation, (b) diesel-fired generation, or (c) discussed in Special Conditions 2a through 2e above, is exempt from the DWR Power Charge to the extent that such load falls within the Customer Generation Cap described in Special Condition 2g below.

g. Customer Generation Cap. The exemption from the DWR Power Charge described in Special Conditions 2e and 2f above shall expire when the cumulative total of Customer Generation Departing Load eligible under Special Conditions 2c, 2d, 2e, and 2f exceeds 3,000 MW, as determined on a first-come, first-served basis by the California Energy Commission. In addition, the exemption from the DWR Power Charge described in Special Condition 2f above shall be limited to 1,500 MW (of the total 3,000 MW) with no more than 600 MW by the end of 2004, an additional 500 MW by July 1, 2008, and a final 400 MW thereafter.

The University of California and California State University (UC/CSU) are granted a set-aside within the overall Customer Generation Cap as follows: 10 MW by the end of 2004, an additional 80 MW by the end of 2008, and an additional 75 MW thereafter.

h. CTC Exemptions for Cogeneration. The following Customer Generation Departing Load is exempt from CTCs:

- (1) Load served by an on-site or over-the-fence non-mobile self-cogeneration or cogeneration facility, per Public Utilities Code Section 372(a)(4).
- (2) Load served by existing, new, or portable emergency generation equipment that is used during periods when service from PG&E is unavailable, per Public Utilities Code Section 372(a)(3), provided such equipment is not operated in parallel with PG&E's power grid other than on a momentary basis.

(N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd.)

3. PROCEDURES FOR CUSTOMER GENERATION DEPARTING LOAD:  
Customers are obligated to notify PG&E of their intent to become Customer  
Generation Departing Load in accordance with the following procedure.

(N)

a. Customer Notice to PG&E: Customers shall notify PG&E, in writing or by  
reasonable means through a designated PG&E representative authorized to  
receive such notification, of their intention to take steps that will qualify their  
load or some portion thereof as Customer Generation Departing Load at  
least 30 days in advance of discontinuation or reduction of electric service  
from PG&E. The customer shall specify in its notice the following:

- (1) The date of the departure or reduction of load (Date of Departure);
- (2) A description of the load that will depart or be reduced;
- (3) The PG&E account number assigned to this load;
- (4) The type of Customer Generation technology; and
- (5) An identification of any exemptions that the customer believes are  
applicable to the load. A customer claiming an exemption under  
Special Conditions 2e or 2h shall submit an affidavit to PG&E attesting  
to the facts supporting the claimed exemption. These affidavits —  
*Affidavit in Support of Claim of Competition Transition Charge  
Exemptions Under Public Utilities Code Section 372 (Form 79-1000)*  
and *Affidavit in Support of Claim of DWR Power Charge Exemption  
Under Public Utilities Code Section 353.2 (Form 79-1001)* — shall be  
on file with the Commission.

Failure to provide notice will constitute a violation of this tariff and breach of  
the customer's obligations to PG&E, entitling PG&E (subject to the provisions  
of Special Conditions 3e "Dispute Resolution" and 3f "Opportunity to Cure" to  
collect the applicable charges from the customer on a lump sum basis.

(N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd)

3. PROCEDURES FOR CUSTOMER GENERATION DEPARTING LOAD: (Cont'd)

(N)

b. Customer Notice to PG&E for Change of Party: Customer shall give PG&E not less than two days notice of their intent to terminate liability for the nonbypassable charges at the premises specified. The customer must state the date on which the termination of liability becomes effective, and reason for termination of liability, subject to approval by PG&E. Reasons for termination of liability may include vacating the property, change of ownership and change of party. The customer may be held responsible for all nonbypassable charges until two days after receipt of such notice by PG&E, or until the date of termination specified in the notice, whichever date is later. New customers taking residency/ownership of the premises are obligated under Assembly Bill (AB) 1890 to notify PG&E of their intention to assume residency/ownership and therefore, the ensuring nonbypassable charge obligations at least 30 days prior to taking residency/ownership.

c. PG&E Providing Departing Load Statement: By no later than 20 days after receipt from a customer of notice, PG&E shall mail or otherwise provide the customer with a Customer Generation Departing Load Nonbypassable Charge Statement containing any applicable confirmation of the customer's exemption claim. If the Customer Generation Departing Load Nonbypassable Charge Statement does not confirm the customer's claimed exemption, it will set forth the reason for rejecting the claimed exemption.

If PG&E fails to provide a customer with a Customer Generation Departing Load Nonbypassable Charge Statement within 20 days of PG&E's receipt of the notice from the customer containing all of the information required, then the customer's obligation to pay the Customer Generation Departing Load Nonbypassable Charge Statement shall not commence until the later of the Date of Departure or 30 days from the customer's receipt of PG&E's Customer Generation Departing Load Nonbypassable Charge Statement.

d. Customer Obligation To Make Customer Generation Departing Load Payments: PG&E will issue monthly bills in accordance with the provisions of this Schedule. Customer Generation Departing Load shall pay to PG&E the monthly charge within 20 days of receipt of the bill.

(N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd)

3. PROCEDURES FOR CUSTOMER GENERATION DEPARTING LOAD: (Cont'd)

(N)

e. Dispute Resolution: If a customer believe that its Customer Generation Nonbypassable Charge Statement does not comply with the terms and conditions provided for in this Schedule, the customer must notify PG&E of the basis for this disagreement in writing, within 20 days after receipt of the Customer Generation Nonbypassable Charge Statement provided by PG&E. If PG&E does not accept the customer's position, it will respond in writing within 5 days after receipt of such notice. If the customer is not satisfied with PG&E's response, within 14 days of receiving PG&E's response the customer shall notify PG&E in writing through a designated PG&E representative authorized to receive such notification that the customer wishes to pursue informal dispute resolution. If the customer makes a timely request for informal dispute resolution, PG&E and the customer shall promptly seek assistance in reaching informal dispute resolution from the Commission's Energy Division, or shall seek mediation of the dispute from the Commission's Administrative Law Judge Division. If the dispute is not resolved within 60 days of the customer's request to pursue informal dispute resolution, the customer may file a complaint with the Commission within the next 20 days. (PG&E and the customer may also agree to extend this 20 days period, in order to allow for further negotiations or other resolution techniques.) In such events, the customer shall continue to be responsible for making the monthly nonbypassable charge payments on a timely basis, with such payments subject to future refund or other adjustment as appropriate if the Commission establishes that different information should have been used as the basis for the customer's Customer Generation Departing Load Nonbypassable Charge Statement.

Failure to file a complaint with the Commission within the specified period shall constitute agreement with and acceptance of such Customer Generation Departing Load Nonbypassable Charge.

f. Opportunity to Cure: If a customer fails to provide the notice specified above or fails to make payments required under this Schedule, then PG&E shall send the customer a notice specifying its failure to comply with this tariff and providing the customer with not less than 20 days from the date of the notice within which to take action curing its breach of its obligations to PG&E. If the breach was a failure to provide notice, to cure the breach the customer must provide the notice required above, and pay any amounts that would have been assessed had the customer provided PG&E with a timely notice.

(N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd)

3. PROCEDURES FOR CUSTOMER GENERATION DEPARTING LOAD: (Cont'd)

(N)

g. Demand for Deposit: If a customer's outstanding balance for Departing Load charges is at least two months in arrears, and if the customer has failed to cure this breach after receiving at least one notice of Opportunity to Cure as specified above, then PG&E may issue a Demand for Deposit Applying to Future Departing Load Nonbypassable Charge Responsibility. Such deposit shall be equal to twice the total amount of the last two outstanding unpaid monthly nonbypassable charge amounts. In order to cure the outstanding breach pursuant to the provisions of this paragraph, the customer must pay to PG&E the entire amount of its outstanding unpaid account balance, together with either making payment for or supplying a letter of credit in the amount of the aforementioned deposit. These payments and deposit arrangements must all be made within 30 days of receipt of the customer's receipt of Demand for Deposit Applying to Future Departing Load Nonbypassable Charge Responsibility. Failure to pay the unpaid balance and establish the deposit within the 30 day period shall render the customer responsible instead for the default lump sum payment responsibility specified in Special Condition 3a above.

The provisions of this Special Condition 3g will not apply in instances where the breach was a failure to provide notice as required above. Moreover the customer deposit procedure can only be exercised once; future breaches for nonpayment would be treated under the rules described in Special Conditions 3i below for Demand for Lump Sum Payment.

h. Return of Deposit: If a customer deposit has been paid, or a letter of credit has been supplied in substitution for that deposit, PG&E will review the customer's account status after the deposit or letter of credit has been held for twelve (12) months. At that time, and if the customer has made all payments on a timely basis subsequent to the cure of the original breach, PG&E will either refund the deposit or release the letter of credit, or at the customer's election apply any paid deposit as a credit against future payment requirements. Any amounts returned or credited in this manner shall include interest computed in accordance with Electric Rule 7.

(N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd)

3. PROCEDURES FOR CUSTOMER GENERATION DEPARTING LOAD: (Cont'd)

(N)

- i. Demand for Lump Sum Payment: PG&E may issue a Demand for Lump Sum Payment of Default Departing Load Nonbypassable Charge Responsibility to a customer under any one of the following four conditions: (1) failure to provide notice and subsequent failure to cure as specified; (2) failure to establish a deposit; (3) failure, after having established a deposit, to make monthly payments, to such an extent that the account has once again become at least two months in arrears; (4) after having received the return of a prior deposit, failure to make subsequent future monthly payments to such an extent that the account has once again become at least two months in arrears.

Default Lump Sum Nonbypassable Charge Payment Responsibility shall be, for each rate component, an amount equal to 102 percent of the bill associated with that rate component multiplied by the whole number of months remaining between the Date of Departure and PG&E's then-estimated date of the expiration of the customer's obligation to pay that rate component.

- j. Enforceability: Failure to make Departing Load Nonbypassable Charge Payments or provide notice as specified herein constitute a breach of the customer's continuing legal obligations to PG&E and a breach and violation of this tariff. PG&E may enforce the payment obligations specified herein by filing suit to enforce this tariff in any court of competent jurisdiction. If PG&E has elected to issue a Demand for Lump Sum Payment of Default Departing Load Nonbypassable Charge Responsibility and the customer has not paid within 30 days of issuance, then PG&E may enforce this obligation by filing suit to enforce this tariff in any court of competent jurisdiction.

(N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd)

- 4. SERVICE VOLTAGE OR SCHEDULE CHANGES: The Customer Generation Departing Load Nonbypassable Charge Statement will be based on the customer's final applicable rate schedule and service voltage. Where customer's applicable rate schedule changes after the Date of Departure, the customer shall be responsible for requesting a change in the applicable rate schedule. Upon acceptance by PG&E of customer's requested rate schedule change, PG&E shall base customer's future monthly nonbypassable charges on the customer's new rate schedule election.
- 5. MEASUREMENT OF CUSTOMER GENERATION DEPARTING LOAD. All Customer Generation Departing Load will be measured by means of suitable standard electric meters installed and owned by PG&E, except where, in the opinion of PG&E, the installation of a meter is impractical. Where installation of a meter is impractical, the amount of Customer Generation Departing Load shall be estimated by PG&E in a manner to be approved by the Commission's Energy Division.
- 6. NEW LOAD SERVED BY CUSTOMER GENERATION: In accordance with Public Utilities Code Section 369, a new electric consumer, which locates in PG&E's service area as it existed on December 21, 1995 (and any incremental load of an existing PG&E customer) shall be responsible for paying non-bypassable charges as applicable, except where such consumer's new or incremental load is being met through a direct transaction that does not make any use of transmission or distribution (T&D) facilities owned by PG&E.
  - a. General: Any party claiming that nonbypassable charges do not apply under this provision shall demonstrate through a physical test that such direct transaction can start and fully operate on an ongoing basis, without any of the parties involved in the direct transaction (i.e., the new or incremental customer load is able to be "islanded" to demonstrate that the direct transaction does not require the use of PG&E's T&D systems). Once this standard is met, connection to the system is allowed without invalidating the exemption. Where PG&E determines that the physical test requirement has not been satisfied, it will so notify the owner/operator of the new or incremental load in writing. Any disagreement with respect to that utility determination will be subject to the Dispute Resolution provisions applying to disagreements with Customer Generation Departing Load Nonbypassable Charge Statements.
  - b. Standby Relationships:
    - 1) For customers interconnected with PG&E's T&D facilities for standby service, PG&E shall deem that new or incremental load can be served through a direct transaction while isolated from the power grid when a physical test of the generator providing electric power to the load demonstrates the following:
      - a) The generator is a synchronous generator with black start capabilities, i.e., the synchronous generator starts without being connected to PG&E's T&D facilities; and,
      - b) The ongoing physical flow of power for the direct transaction can be provided with no connection to PG&E's T&D facilities.

(N)

(N)

(Continued)



SCHEDULE E—DCG DEPARTING CUSTOMER GENERATION  
(Continued)

SPECIAL  
CONDITIONS:  
(Cont'd)

- 6. NEW LOAD SERVED BY CUSTOMER GENERATION: (Cont'd) (N)
  - b. Standby Relationship: (Cont'd)
    - 2) A physical test for customers interconnected with PG&E's T&D facilities for standby service will be performed within three (3) weeks of an exemption being claimed by an owner/operator. The owner/operator shall permit PG&E to inspect the installation and operation of the generator. Failure of the physical test or failure to permit the initial test on the date scheduled by PG&E, or on a mutually agreeable alternative date, will result in the loss of the exemption from the date that the exemption was claimed and received, billing for the exempted Customer Generation Departing Load for the period in which the exemption was received, and continued billing for the Customer Generation Departing Load until a physical test is successfully completed. If a physical test is failed, the customer claiming that nonbypassable costs do not apply may request another opportunity to demonstrate that it can pass the physical test, which PG&E shall schedule within three (3) weeks of the request or at a mutually agreeable date. A customer that fails a physical test twice within a two (2) month period is not entitled to request another physical test for twelve (12) months from the date of the latter of the failed test. To provide for ongoing compliance with Decision 98-12-067, PG&E may conduct subsequent physical tests no more frequently than once every eighteen (18) months. The results of a subsequent physical test shall not affect a customer's exemption status determined pursuant to the results of any prior physical test conducted not less than eighteen (18) months before the subsequent test.
    - 3) The physical test shall be conducted as follows:
      - a) The generator will be turned off and shown that it is capable of being restarted and brought back to the power level consistent with the associated load while completely isolated from PG&E's T&D facilities;
      - b) Several representative resistive and inductive loads of the direct transaction will be cycled off and on to demonstrate the isolated generator is stable through normal cycling of resistive and inductive loads; and
      - c) The isolated generator will operate at least one (1) hour while under full and partial loads.
- 7. This schedule will expire on the date on which all Commission-authorized nonbypassable charges for Customer Generation Departing Load customers have expired. (N)



PACIFIC GAS AND ELECTRIC COMPANY  
DECLARATION IN SUPPORT OF CLAIM  
OF COMPETITION TRANSITION CHARGE EXEMPTIONS  
UNDER PUBLIC UTILITIES CODE SECTION 372  
FORM NO. 79-1000 (4/03)  
(ATTACHED)

(N)  
|  
(N)







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