June 23, 2003

Advice 2393-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: **Tariff Revisions to Implement the Adopted Rules for DA Direct Access Switching Exemption**

Pacific Gas and Electric Company (PG&E) hereby submits its proposed tariff revisions to implement the Commission's adopted guidelines for direct access ("DA") switching exemption and to propose accounting and tracking measures to identify and apply mandatory charges to the bills of DA customers returning to bundled service. The affected tariff sheets are listed on the enclosed Attachment I.[1]

Purpose

This filing implements rules related to DA switching and the tariff changes and accounting and tracking mechanisms necessary to identify and apply requisite charges to the bills of DA customers returning to bundled service in accordance with Decision (D.) 03-05-034 ("The DA Switching Exemption Decision") which directs PG&E, Southern California Edison Company ("SCE"), and San Diego Gas and Electric Company ("SDG&E") to file implementation advice letters within 45 days of its effective date of May 8, 2003.

Changes to the current regulatory framework will be reflected as supplements to this advice letter.

Background

On January 14, 2002, the CPUC instituted the instant Ratemaking (R.) 02-01-011 to consider various pending implementation issues concerning DA suspension. Decision 02-11-022 in this proceeding adopted the DA cost responsibility

[1] 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.

surcharge but deferred consideration of the switching exemption. Decision 03-05-034, the DA Switching Exemption Decision, adopted guidelines regarding the rights and obligations of DA customers to return to bundled service and subsequently switch back to DA service.

In this compliance advice filing, PG&E submits:

1. **<u>New Schedule TBCC</u>** – *Transitional Bundled Commodity Cost*, which sets forth the recommended methodology for determining the Transitional Bundled Commodity Cost price to be applied to DA customers who elect temporary bundled service, as well as DA customers who provide six months' notice to return to bundled portfolio service, but who return to bundled service during the six month notice period.

2. **<u>New Schedule DA CRS</u>** – *Direct Access Cost Responsibility Surcharge,* which includes the obligations of both DA customers and bundled customers to pay applicable portions of the DA CRS under various circumstances related to switching;

3. **<u>New Rule 22.1</u>** –*Direct Access Service—Switching Exemption Rules,* to add new DA switching exemption provisions;

4. **<u>Revised Preliminary Statement Part CP</u>**—*Energy Resource Recovery Accounting (ERRA)*--Cost recovery principles for incremental DA switching exemption-related costs and revenues, and

5. **<u>Billing implementation issues</u>**.

<u>TARIFF REVISIONS</u>

<u>Schedule TBCC--*Transitional Bundled Commodity Cost*--Price Determination</u>

PG&E hereby submits Schedule TBCC--*Transitional Bundled Commodity Cost*, which sets forth the measures necessary to identify and apply the short-term power costs to the bills of DA customers temporarily returning to bundled service, as required by DA Switching Exemption D. 03-05-034.

Decision 03-05-034 requires the "safe harbor" DA customers, and those customers taking bundled service prior to completion of the six (6) month advance notice requirement (hereby referred to as "qualifying customers") to pay a commodity price indexed to the Cal-ISO Hourly EX Post Price, including administrative, ancillary services, grid management, unaccounted for energy, and other costs. In combination, these charges will form the "Transitional Bundled

Commodity Cost" price that will be charged to qualifying customers to ensure bundled customers' indifference.

PG&E will calculate hourly Transitional Bundled Commodity Cost prices equal to the hourly North of Path 15 Cal-ISO Ex Post Price, multiplied by an allowance for unaccounted for energy, plus an allowance for ancillary services and the ISO grid management charge. These hourly prices will be adjusted by an allowance for franchise fees and uncollectibles and by distribution loss factors. PG&E will then calculate average short-term commodity prices for each schedule (or TOU period) through the use of statistical load profiles. The short-term power charge for a qualifying customer will equal the product of the customer's actual usage and the schedule average short-term commodity price (by TOU period as appropriate).

While PG&E has filed Schedule TBCC consistent with the requirements of D. 03-05-034, PG&E notes that on June 5, 2003, the Commission issued the "Order Granting Limited Rehearing of Decision (D.) 03-05-034 on the Use of the CAL-ISO Hourly Price, and Denying Rehearing of the Decision on All other Aspects." Decision 03-06-035 grants rehearing on the basis of the price described in PG&E's proposed Schedule TBCC. Accordingly, PG&E will supplement this advice letter as required by the final decision on rehearing of D. 03-05-034.

Schedule DA CRS—Direct Access Cost Responsibility Surcharge

PG&E proposes new Schedule DA CRS – *Direct Access Cost Responsibility Surcharge*, which provides for all current exemptions to the DA CRS, as well as all specific situations where components of the DA CRS must be paid under the switching rules. In addition to specifying the current applicability of the DA CRS, PG&E proposes that customers pay the DA CRS in conjunction with paying for power under the short-term power price specified by Schedule TBCC. These two situations occur under "safe harbor" bundled service and during the six-month notice period prior to receiving bundled service under portfolio rates.

PG&E also proposes a tariff-based solution providing for repayment of an appropriate share of the accrued undercollection of the DA CRS. Specifically, customers who received DA service after September 20, 2001, and who were not otherwise exempt from paying the DA CRS, will be required to pay for the DA CRS undercollections for the period during which they took DA service.

PG&E's review of the Switching Decision indicates that DA customers who contributed to the DA CRS undercollection should be required to begin paying the DA CRS undercollection when the then-current DA CRS revenue requirement is less than the DA CRS revenue. This could occur months, if not years, after implementation of the switching rules. However, to inform customers of the obligations they will face in the future, Schedule DA CRS provides a description of the approach to determining these charges.

Generally, PG&E expects that in the year that the DA CRS revenue is set to exceed the then-current DA CRS revenue requirement, the DA CRS will include a “shortfall rate” for DA CRS undercollection. Customers who received only DA service after September 20, 2001, are obligated to pay this shortfall rate in full. Customers who did not receive DA service for the entire period after September 20, 2001, shall pay a percentage of the shortfall rate. The percentage that applies to each customer will be determined by the periods they took DA service since September 20, 2001, and the periods of bundled service during which the DA CRS was paid. The percentage will be multiplied by the applicable shortfall rate and by the customer’s current sales to determine the amount of repayment each month.

Rule 22.1 – Direct Access Service -- Switching Exemption Rules

Decision 03-05-034 adopted the following guidelines regarding the rights and obligations for DA customers to return to bundled service and subsequently switch back to DA service. New Electric Rule 22.1 is proposed to incorporate the changes necessary to implement these rights and obligations:

1. DA customers who have remained on or returned to bundled service after September 20, 2001, and have a valid DA contract as of September 20, 2001, will be required to either: 1) make an election to switch to DA service within 45 days of receiving notice from the utility, or 2) remain a bundled service customer of the utility for a three (3) year commitment period during which they will not be eligible to elect DA service. Customers selecting DA service will be required to assume responsibility for payment of DA CRS on the same basis as applicable to other existing DA customers pursuant to D. 02-11-022.

2. Under the new rules, existing DA customers will be able to return temporarily to short-term or Transitional Bundled Service (TBS) while switching to a new Energy Service Provider (ESP) or for similar or related reasons. Such customers will:

    - be required to pay the utility for procurement at the short-term transitional bundled price, including ancillary service, grid management, unaccounted for energy, and similar charges paid to the ISO that are associated with the spot power procurement, whether that rate is above or below the utility’s bundled rate.

    - continue to pay the DA CRS applicable to direct access customers, if not exempt.

    - continue to be liable for DA CRS undercollections.

- pay utility-related administrative costs, such as meter reading.

3. Customers wishing to return to bundled service, and to receive the bundled portfolio rate, for reasons other than the temporary period described above, must provide at least six (6) months' advance notice to the utility regarding their request to receive the bundled rate. Such customers will:

   - be required to remain on bundled portfolio service for a three-year commitment period.
   - be required to pay the Transitional Bundled Commodity Cost price, if the customer takes bundled service prior to the end of the six-month advance notice period.
   - continue to pay the DA CRS, if the customer takes bundled service prior to the end of the six-month advance notice period and if customer is not exempt.
   - pay the bundled portfolio rate after the six-month advance notice period.
   - continue to be liable for DA CRS undercollections.
   - be required to give six months' advance notice of their intent to return to DA service at the end of the three-year minimum term.
   - remain responsible for stranded costs otherwise shifted to bundled customers due to the DA customer's departure from bundled service (determination of such responsibility will be made in future proceedings).

Concerns Identified at Workshop

On June 6, 2003, the Energy Division hosted a workshop in San Francisco to discuss the utilities' proposed draft direct access switching rules. The discussion identified several concerns about the proposed rules, which have been addressed as follows in the attached revised proposed rules:

Concern: *60 days is too short a time frame to install a new direct access meter after the end of the Transitional Bundled Service period*.

Change: No action yet taken – the rule still requires that if the new ESP insists upon installing a new meter before the customer can switch back to direct access, the change must occur within 60 days after acceptance of the DASR.

However, in most cases, if there are delays in switching the meter, the customer can be put back on direct access with its existing meter, and the ESP can change the meter after the customer is back on direct access. Thus, this rule, which tries to preserve the Commission's intent that the safe harbor be a relatively short period, will not in practice prevent customers returning to direct access.

Concern: *Customers utilizing the "safe harbor" should not be required to change out their meters for a utility meter.*

Change: The revised rule allows a utility-compatible meter to remain in place. Further, if the utility is able to perform special field meter reads of the existing meter (even if the meter is not compatible with utility's meter reading and billing systems) the customer can opt for the utility to perform such special field meter reads, while the customer remains in "safe harbor," charged at tariffed rates for such reads. If the meter is both incompatible with utility systems, and cannot be read by a special field meter read, the utility will change the meter unless the customer and the utility can make a mutually agreeable alternative arrangement to ensure that the customer can be properly billed while in "safe harbor."

Concern: *The utilities should give the customer notice of the customer's upcoming six month advance notice deadline for returning to direct access after the three year bundled portfolio commitment period.*

Change: The rule provides that the utility will provide a 60-day courtesy notice to the customer that the deadline is approaching for it to file notice of its return to direct access.

Concern: *ESPs need more than 10 days to correct a "bad" DASR.*

Change: As discussed at the workshop, the utilities propose to allow a 20-day window after the initial DASR is rejected for the DASR to be corrected.

Concern: *The Commission's decision does not provide for automatic renewal of the three-year minimum bundled service commitment.*

Change: The rule now provides that customers who do not elect to go back to direct access at the end of the three year minimum commitment (or who fail to have a timely return DASR submitted) will be subject to then-current rules regarding continued bundled service.

Concern: *The customer should not lose its DA CRS exemption when it returns to bundled portfolio service.*

Change: None. The utilities believe the Commission's decisions on DACRS exemptions, including D. 03-05-024, are clear that customers returning to bundled portfolio service lose their continuous DA status.

Revisions to Other Tariffs

At the time PG&E implements these switching rules, changes to other rate schedules will be dependent on changes made in other forums. In general, PG&E expects that the billing section in each rate schedule will need to be revised to describe what each customer must pay including references to both Schedule DA CRS and Schedule TBCC.

The specific language that PG&E expects to be included in the "Billing" section of each rate schedule at the time the switching rules are implemented are as follows:

Billing

A customer's bill is calculated based on the option applicable to the customer as described below:

Bundled Service customers receive supply and delivery services solely from PG&E. The customer's bill is based on the total rates and conditions set forth in this schedule, which includes the EPS provided in Schedule E-EPS (where applicable).

Direct Access customers purchase energy form an energy service provider and continue receiving delivery service from PG&E. Direct Access bills are equal to the sum of charges for transmission, reliability services, distribution, nuclear decommissioning, public purpose programs, the FTA (where applicable) and the Direct Access Cost Responsibility Surcharge (DA CRS). The DA CRS and exemptions to the DA CRS are set forth in Schedule DA CRS.

Transitional Bundled Service customers take transitional bundled service as prescribed in Rule 22.1, or take bundled service prior to the end of the six (6) month advance notice period required to elect bundled portfolio service as prescribed in Rule 22.1. These customers shall pay charges for transmission, reliability services, distribution, nuclear decommissioning, public purpose programs, the FTA (where applicable), the DA CRS pursuant to Schedule DA CRS and short-term commodity prices as set forth in Schedule TBCC.

Hourly Pricing Option: This option is suspended.

Cost Recovery Principles for Incremental DA Switching Exemption-Related Costs and Revenues

Ordering Paragraph No. 8 of D.03-05-034, among other things, requires the utilities to explain more specifically what accounting and tracking measures they propose to use to identify, and apply requisite charges to the bills of DA customers temporarily returning to bundled service. PG&E is not proposing to set up a separate portfolio for "safe harbor" DA customers, so there is no separate accounting or tracking of costs to procure power for these customers. PG&E cannot track and identify costs on a "per customer" basis. Instead, as with other such energy procurement costs incurred by PG&E on behalf of all its bundled service customers, the incremental energy-related costs incurred for the benefit of "safe harbor" DA customers will be recorded in the Energy Resource Recovery Account (ERRA). The revenues from these DA customers will also be recorded to the ERRA as reflected in revised Preliminary Statement Part CP included in this filing.

Ordering Paragraph No. 7 of D.03-05-035 provides that charges for DA customers returning to bundled service under the TBS provision include applicable administrative costs. PG&E has not forecasted incremental administrative costs at this time. Thus, PG&E will not in the near future separately identify, track, and bill administrative costs associated with TBS customers. If PG&E discovers in the future that due to the demand for TBS its administrative costs have increased significantly, it will make the appropriately filing with the Commission for recovery of its incremental administrative costs from TBS customers.

Billing and Implementation Schedule

The switching exemption rules introduce new charges such as Schedule TBCC and billing for DA CRS under various circumstances. Significant analysis, programming, and testing on multiple areas of the utilities' customer information systems (e.g., billing, DASR, etc.) are essential to implement these new tariffs and to ensure that all the utilities' customers are minimally, if at all, impacted by these changes. Due to the complexities of the switching rules and the broad impact to the utilities' customer information systems, PG&E proposes that the DA Switching rules be implemented by all three utilities at the same time, and in any event no earlier than **November 3, 2003**. While there are no guarantees, this date provides a more realistic target than the current implementation date under D. 03-05-034, and should allow the utilities to also complete and implement other CPUC regulatory mandated billing system changes scheduled for implementation in that timeframe, as well as implement critically needed maintenance work in progress.

Allowing the utilities enough time to perform all of the above tasks is a fundamental requirement in maintaining the integrity of their customer information systems while implementing the DA switching rules. The Commission should order that the date of **November 3, 2003**, be targeted for the utilities to implement the DA switching rules, with the understanding that should any consequential problems arise before November 3, 2003, relating to any aspect of the critical systems involved, that the Commission allow the utilities enough time to perform the system remediation steps necessary to minimize any impact to customers.

It should be noted that as of the filing date of this advice letter, under the provisions of D. 03-05-034 (Ordering Paragraph (OP) 8 and discussion on page 13), these rules are required to be implemented by August 21, 2003, which is 45 days after the currently mandated mail-out of the notification required under OP 2. At the workshop, the utilities proposed a schedule resulting in the proposed **November 3, 2003**, implementation date. This proposal contemplates a mail-out of the 45-day notification letter on September 19, 2003 (i.e., 45 days before November 3, 2003). There was no opposition to this proposal. Energy Division facilitators undertook to obtain procedural guidance from the Administrative Law Judge as to how this schedule was to be formalized. The utilities are still awaiting Commission guidance.

<u>Protests</u>

Anyone wishing to protest this filing may do so by sending a letter by **July 14, 2003**, which is 21 days from 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, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Brian K. Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

For the reasons stated above, PG&E requests that the Commission approve this filing effective **November 3, 2003**.

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 for Rulemaking 02-01-011. Address changes should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

http://www.pge.com/customer_services/business/tariffs/

Vice President - Regulatory Relations

Attachments

cc: Service List - R. 02-01-011

PRELIMINARY STATEMENT

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)

1. PURPOSE: The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), bilateral contracts, forward hedges, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run revenues (RMR), PG&E's allocation of surplus sales revenues and the ERRA revenue requirement. Revenues received from Schedule TBCC will also be recorded to the ERRA. (N)

   California Public Utilities Code § 454.5(d)(3) mandates a trigger mechanism to ensure that an undercollection or overcollection in the ERRA does not exceed 5 percent of a utility's recorded generation revenues for the prior year excluding revenues collected for the Department of Water Resources.

   Pursuant to Decision 02-12-074, Conclusion of Law 23 and Ordering Paragraph (O.P. 15), PG&E is authorized to file an expedited trigger application at any time that its forecast indicates the undercollection in the ERRA will be in excess of the 5 percent threshold or 5 percent of the prior calendar year generation revenues including surcharge revenues used as authorized in Decision 02-11-026 for utility retained generation and power procurement costs incurred during that year, less revenues collected for DWR during that year. An ERRA Trigger Application for overcollections will not filed until the ERRA has been in operation for a full twelve months.

   The ERRA annual revenue requirement for 2003 is $2,035 million.

2. APPLICABILITY: The ERRA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. REVISION DATES: The revision dates applicable to the ERRA shall be the (i) February 1 and August 1 filing dates establish in Decision 02-12-074, and (ii) as determined in Section 1 above in the case of an ERRA Trigger Application.

4. RATES: The ERRA currently does not have a rate component.

5. ACCOUNTING PROCEDURES: The CPUC-jurisdictional portion of all entries shall be made at the end of each month as follows:

   a) A credit entry equal to the authorized monthly ERRA revenue requirement;

   b) A credit entry equal to RMR and ancillary services revenues from PG&E-owned generation facilities;

   c) A credit entry equal to surplus sales revenues allocated to PG&E per the Operating Agreement between PG&E and the DWR, if applicable;

   d) A credit entry equal to revenues received from Schedule TBCC. (N)

   e) A debit entry equal to the amount paid for ISO-related charges; (T)

SCHEDULE DA CRS—DIRECT ACCESS COST RESPONSIBILITY SURCHARGE

APPLICABILITY: This schedule and the applicable components of the Direct Access (DA) Cost Responsibility Surcharge (CRS) discussed below apply to all customers who are currently taking DA service and any customers who are currently taking bundled service under Schedule TBCC but had valid contracts for DA service as of September 20, 2001. (N)

The DA CRS undercollection charge set forth in Special Condition 7 is applicable to all customers who elected DA service since September 20, 2001, or paid the DA CRS in conjunction with bundled service under Schedule TBCC.

TERRITORY: Schedule DA CRS applies everywhere PG&E provides electric service as shown in Preliminary Statement, Part A.

RATES: The DA CRS consists of the Department of Water Resources (DWR) Bond Charge and the DWR Power Charges. Unless otherwise set forth in the Special Conditions, all customers currently taking DA service pay the DA CRS.

The DA CRS is equal to $0.02700 per kWh and is allocated as follows:

DWR Power Charge: ....$0.02700 per kWh

SPECIAL CONDITIONS:

1. California Alternative Rates for Energy (CARE) and medical baseline customers that take DA service are exempt from paying the DWR Bond Charge and DWR Power Charge portion of the DA CRS.

2. Subject to condition 6 below, customers that have taken DA service continually since February 1, 2001, are exempt from the DWR Bond Charge and the DWR Power Charge portions of the DA CRS.

3. Customers taking Transitional Bundled Service (TBS) as prescribed in Rule 22.1 must pay the DA CRS. Customers shall retain all applicable DA CRS exemptions while taking TBS.

4. Customers taking bundled service prior to the end of the mandatory six- month notice period required to elect bundled service as prescribed in Rule 22.1 must pay the DA CRS. Customers shall retain all applicable DA CRS exemptions while taking bundled service during the six-month notice period.

5. Customers under TBS who fail to meet the time limitation and direct access service requirements prescribed by Rule 22.1 will be switched back to bundled service. Such default initiates the mandatory six-month notice period required to elect bundled service. During this six-month period, customers must pay the DA CRS. Customers shall retain all applicable DA CRS exemptions while taking bundled service during the six-month notice period. (N)

(Continued)

SCHEDULE DA CRS—DIRECT ACCESS COST RESPONSIBILITY SURCHARGE
(Continued)

SPECIAL CONDITIONS: (Cont'd.)

6. Customer accounts that were returned to bundled service since September 20, 2001, but prior to the implementation of D.03-05-034, shall retain all applicable DA CRS exemptions, provided that the duration of bundled service was limited to 60 days or less from the day DA service of the account was disconnected until the utility was in receipt of a new DASR for the account to switch back to DA. (N)

7. The CPUC has limited (i.e., capped) the DA CRS to the level prescribed above. Absent this cap, the DA CRS would have been higher. Revenues that are uncollected from DA customers due to the CPUC imposed cap will be collected from these same customers regardless whether these customers are taking DA or bundled service in the future. The utility will begin assessing the DA CRS undercollection charge when the then-current DA CRS revenue requirement is less than the revenue collected by the DA CRS.

   a. The actual charge for the DA CRS undercollection, as well as any necessary detail, shall be added to this rate schedule before the charge is implemented and will be subject to final CPUC approval.

   b. The DA CRS undercollection charge shall be a proportion of rate assessed for the undercollection for customers that had been DA for the entire period from September 20, 2001, until DA CRS revenue exceeds the then-current DA CRS revenue requirement (the "DA CRS undercollection period").

   c. The proportion paid by each customer shall be a function of the period the customer had taken DA service, or had taken bundled service and paid the DA CRS, during the DA CRS undercollection period.

   d. All customers who took DA service during the DA CRS undercollection period shall pay the DA CRS undercollection charge except to the extent that DA customers did not contribute to the undercollection such customers are exempt from the undercollection charge. Customers cannot avoid this charge by election of bundled or DA service.

   e. Payment of the DA CRS undercollection charge shall continue until the DA CRS undercollection is recovered (the "DA CRS recovery period"). The DA CRS recovery period shall end for all customers at the same time. (N)

(Continued)

SCHEDULE TBCC—TRANSITIONAL BUNDLED COMMODITY COST

APPLICABILITY: This schedule applies to Direct Access customers who: (1) elect Transitional Bundled Service (TBS) as prescribed in Rule 22 (Direct Access Service) or (2) who take Bundled Service prior to the end of the mandatory six-month notice period required to elect Bundled Service as prescribed in Rule 22. (N)

TERRITORY: Schedule TBCC applies everywhere PG&E provides electric service as shown in Preliminary Statement, Part A.

RATES: This schedule will apply where the Transitional Bundled Commodity Cost (TBCC) is required for calculation of applicable power charges.

Direct Access customers who elect: (1) TBS as prescribed in Rule 22 or (2) take Bundled Service prior to the end of the mandatory six-month notice period required to elect Bundled Service as prescribed in Rule 22 will be charged the TBCC in addition to transmission, reliability services, distribution, public purpose programs, nuclear decommissioning, and fixed transition amount (where applicable) on the customer's otherwise applicable tariff, and the Direct Access Cost Responsibility Surcharge applicable under Schedule DA CRS for the duration of the period. The TBCC used for billing will consist of the market prices set forth below, adjusted by an allowance for franchise fees and uncollectibles and Distribution Loss Factors (DLFs).

1. Development of the Hourly Market Prices

   The hourly market price shall consist of the Hourly Cal-Independent System Operator (ISO) Ex Post price for North of Path 15 (NP15), multiplied by an allowance for Unaccounted for Energy (UFE), plus an allowance for Ancillary Services and the ISO Grid Management Charges (GMC).

   The UFE allowance is 2 percent of the NP15 Ex Post price.

   The allowance for Ancillary Services, calculated hourly, will equal the ISO's system Day Ahead and Hour Ahead Ancillary Services procurement costs divided by the total ISO control area system load. The data used to calculate the Ancillary Services rate is subject to change by the ISO without notice. Therefore, the Ancillary Service rate will be calculated using the best available data at the time of downloading.

   The ISO GMC is $1.865 per MWh, equal to the sum of the Control Area and Ancillary Services and Real Time Energy Operations GMCs.

2. Adjustments for DLFs and Franchise Fees and Uncollectibles:

   The hourly cost at the transmission/distribution interface, as determined in Part 1, is multiplied by the DLF and a franchise fees and uncollectible factor to determine the appropriate price to be paid by end-use customers served at each voltage level. DLFs will be calculated by PG&E based on the forecast hourly PG&E Service Area Load (Direct Access, plus Bundled Service) per Decision 97-08-056. The hourly DLFs will be broken out by service voltage level and made available each day to market. PG&E will calculate the hourly DLFs based on samples of hourly service area load by applying the approach approved in Decision 92-12-057. The franchise fees and uncollectible factor is equal to 1.009057. (N)

(Continued)

SCHEDULE TBCC—TRANSITIONAL BUNDLED COMMODITY COST
(Continued)

CALCULATION OF TBCC CHARGES:

1. Calculation of TBCC Charges: (N)

For purposes of determining TBCC charges, an average for each schedule (or TOU period) is developed through the use of a statistical load profile which represents the average load profile for all customers (both Direct Access and Bundled Service) on a given rate schedule. For Agricultural, Traffic Control, Streetlighting, and Outdoor Lighting rate schedules, the statistical load profiles are "static" and are determined hourly for the entire year based on average historical data for three recorded years. These latter static statistical load profiles are updated each calendar year based on available data for the previous three years. For all remaining rate schedules, the statistical load profile is determined "dynamically," using the most current load research information available. This current data will become available and will be posted approximately seven days from the date of occurrence.

The sum of the products of the: (1) hourly prices, including adjustments, and (2) the hourly loads, divided by the use associated with the statistical load profile (expressed as a fraction of the profile period use allocated to each hour) will yield an average price for a specific customer group and TOU period. These average prices will be updated weekly.

Under static statistical load profiles, the load selected from the statistical load profile will correspond exactly to the date and hour for a given price. When dynamic statistical load profiles are used, the load selected from the statistical load profile will correspond exactly to the date and hour for a given price, except for the most recent seven days. The dynamic statistical load profile for these most recent seven days will be a duplicate of the dynamic statistical load profile for the seven days immediately prior to these most recent seven days. This duplicate statistical load profile of the most recent week will be replaced for the next weekly update by the dynamic load corresponding to the date and hour of the price, which will have become available. In other circumstances where dynamic load profile information is not available, an estimated static profile corresponding to the same date and hour will be substituted.

The customer's actual usage (by TOU period if service is otherwise taken on a TOU rate schedule) multiplied by the average TBCC price is equal to the TBCC charge. (N)

(Continued)

SCHEDULE TBCC—TRANSITIONAL BUNDLED COMMODITY COST
(Continued)

CALCULATION OF TBCC CHARGES: (Cont'd.)

2. Revisions to Average TBCC Prices (N)

Average TBCC prices will be revised weekly. The average TBCC price shall be specific to the billing period of the customer and shall span all weeks from the time of the customer's previous billing through the week prior to the current billing. Billing periods that span 4 or less weeks shall use the 4-week average. Billing periods that span 12 or more weeks shall use the 12-week average.

Exception: In some instances at the beginning of the summer billing season, the 30-day record period will include fewer than three summer season billing days. In such cases, price data from up to the last three winter billing season weekdays (those lying closest to the start of the summer billing season) will be used in order to calculate proxy average TBCC prices for those TOU periods that are applicable only to summer season usage. Also, beginning approximately one month after the start of the winter billing season, the 30-day record period may not include enough summer season billing days to calculate average TBCC prices for summer-only TOU periods. In such instances, the last average TBCC prices that have been calculated for the summer-only TOU periods will be retained as proxies, for use as needed with usage information from subsequent record periods. (N)

(Continued)

SCHEDULE TBCC—TRANSITIONAL BUNDLED COMMODITY COST
(Continued)

DISTRIBUTION LOSS FACTORS: (N)

UDC Load MW	Primary LF	Secondary LF	UDC Load MW	Primary LF	Secondary LF
4300	N/A	N/A	**8700**	1.0190	1.0683
4400	N/A	N/A	**8800**	1.0192	1.0686
4500	N/A	N/A	**8900**	1.0193	1.0689
4600	1.0135	1.0659	**9000**	1.0195	1.0692
4700	1.0136	1.0655	**9100**	1.0197	1.0695
4800	1.0136	1.0651	**9200**	1.0198	1.0698
4900	1.0137	1.0649	**9300**	1.0200	1.0701
5000	1.0138	1.0646	**9400**	1.0202	1.0704
5100	1.0139	1.0644	**9500**	1.0203	1.0707
5200	1.0141	1.0642	**9600**	1.0205	1.0711
5300	1.0142	1.0640	**9700**	1.0206	1.0714
5400	1.0143	1.0639	**9800**	1.0208	1.0717
5500	1.0144	1.0638	**9900**	1.0210	1.0721
5600	1.0145	1.0637	**10000**	1.0211	1.0724
5700	1.0146	1.0636	**10100**	1.0213	1.0728
5800	1.0148	1.0636	**10200**	1.0215	1.0731
5900	1.0149	1.0635	**10300**	1.0216	1.0735
6000	1.0150	1.0635	**10400**	1.0218	1.0738
6100	1.0152	1.0635	**10500**	1.0220	1.0742
6200	1.0153	1.0636	**10600**	1.0221	1.0746
6300	1.0154	1.0636	**10700**	1.0223	1.0749
6400	1.0156	1.0637	**10800**	1.0225	1.0753
6500	1.0157	1.0638	**10900**	1.0226	1.0757
6600	1.0158	1.0639	**11000**	1.0228	1.0761
6700	1.0160	1.0640	**11100**	1.0230	1.0764
6800	1.0161	1.0641	**11200**	1.0231	1.0768
6900	1.0163	1.0642	**11300**	1.0233	1.0772
7000	1.0164	1.0644	**11400**	1.0235	1.0776
7100	1.0166	1.0645	**11500**	1.0236	1.0780
7200	1.0167	1.0647	**11600**	1.0238	1.0784
7300	1.0168	1.0649	**11700**	1.0240	1.0788
7400	1.0170	1.0651	**11800**	1.0241	1.0792
7500	1.0172	1.0653	**11900**	1.0243	1.0796
7600	1.0173	1.0655	**12000**	1.0245	1.0800
7700	1.0175	1.0657	**12100**	1.0246	1.0803
7800	1.0176	1.0659	**12200**	1.0248	1.0807
7900	1.0178	1.0662	**12300**	1.0250	1.0811
8000	1.0179	1.0664	**12400**	1.0251	1.0816
8100	1.0181	1.0666	**12500**	1.0253	1.0820
8200	1.0182	1.0669	**12600**	1.0255	1.0823
8300	1.0184	1.0672	**12700**	1.0256	1.0827
8400	1.0186	1.0674	**12800**	1.0258	1.0831
8500	1.0187	1.0677	**12900**	1.0259	1.0835
8600	1.0189	1.0680	**13000**	1.0262	1.0841
			13100	1.0263	1.0844
			13200	1.0265	1.0848

(N)

(Continued)

SCHEDULE TBCC—TRANSITIONAL BUNDLED COMMODITY COST
(Continued)

DISTRIBUTION LOSS FACTORS: (Cont'd.)

UDC Load MW	Primary LF	Secondary LF	UDC Load MW	Primary LF	Secondary LF	
13300	1.0267	1.0853	**15100**	1.0298	1.0932	(N)
13400	1.0268	1.0857	**15200**	1.0300	1.0936	
13500	1.0270	1.0861	**15300**	1.0301	1.0941	
13600	1.0271	1.0865	**15400**	1.0303	1.0945	
13700	1.0274	1.0870	**15500**	1.0305	1.0949	
13800	1.0275	1.0875	**15600**	1.0306	1.0954	
13900	1.0277	1.0878	**15700**	1.0308	1.0958	
14000	1.0278	1.0882	**15800**	1.0310	1.0962	
14100	1.0280	1.0887	**15900**	1.0312	1.0967	
14200	1.0281	1.0890	**16000**	1.0313	1.0971	
14300	1.0283	1.0895	**16100**	1.0315	1.0975	
14400	1.0286	1.0901	**16200**	1.0317	1.0980	
14500	1.0287	1.0906	**16300**	1.0318	1.0984	
14600	1.0289	1.0910	**16400**	1.0320	1.0988	
14700	1.0291	1.0914	**16500**	1.0322	1.0992	
14800	1.0293	1.0919	**16600**	1.0323	1.0997	
14900	1.0294	1.0923	**16700**	1.0325	1.1001	
15000	1.0296	1.0928	**16800**	1.0327	1.1005	
			16900	1.0329	1.1010	
			17000	1.0330	1.1014	(N)

(Continued)

RULE 22.1—DIRECT ACCESS SERVICE SWITCHING EXEMPTION RULES

The following terms and conditions apply to both PG&E customers and electric Energy Service Providers (ESP) who participate in Direct Access (DA) as defined in Rule 22. (N)

The following rules implement the Switching Exemption Decision (D.) 03-05-034, which adopted guidelines regarding the rights and obligations of DA customers who return to Bundled Service and subsequently switch back to DA service. D.03-05-034 established provisions for eligible DA customers regarding: (1) Transitional Bundled Service, (2) Bundled Portfolio Service, and (3) Initial Transition Period.

A. Transitional Bundled Service

1. Transitional Bundled Service (TBS) allows DA customers to return to Bundled Service on a transitional basis while switching from one ESP to another, or for similar or related reasons where TBS is needed.

2. The TBS provision is limited to a sixty (60) day period. The sixty (60) day period begins on the day the DA service is disconnected, which is the day PG&E starts supplying power to the service account (Day 1). By no later than the end of the sixty (60) day period (Day 60 of PG&E supplying power), PG&E must be in receipt of a Direct Access Service Request (DASR) from the customer's new ESP to switch the account to DA service. In addition to meeting the DASR provisions set forth in Rule 22, Section E, DASRs to switch the account back to DA service must comply with the following special conditions:

   a. Accepted DASRs that do not require a meter change will be processed based on normal DASR processing timeframes as defined in Rule 22, Section E. PG&E will include the TBS requirements with the DASR status notification that is sent to the customer as provided for in Rule 22 Section E.7. The customer is responsible for providing its new ESP with this information.

   b. Rejected DASRs must be corrected and resubmitted by the ESP and be acceptable to PG&E no later than twenty (20) days following the conclusion of the TBS period (Day 80 of PG&E supplying power). DASRs not corrected by the ESP within this time period will be cancelled by PG&E. (N)

(Continued)

RULE 22.1—DIRECT ACCESS SERVICE SWITCHING EXEMPTION RULES
(Continued)

A. Transitional Bundled Service (Cont'd.) (N)

2. (Cont'd.)

c. For accepted DASRs that require a meter change, the meter change must be completed within sixty (60) days after the receipt of the DASR, or the corrected DASR. If a meter change is not completed within this time frame, PG&E will cancel the DASR.

3. Accounts failing to meet the time limitations and DASR requirements as set forth in Section A.2, above will be in default of the TBS provisions and returned to Bundled Portfolio Service for a three (3) year minimum period, subject to the conditions set forth in Section B of this tariff. Such a default initiates the six (6) month notice of return to Bundled Portfolio Service, which is not subject to cancellation. During this six (6) month period, the account will be subject to the pricing conditions established in Section A.4, below. PG&E will notify the customer within ten (10) business days of the default, providing an explanation of the default situation, actions being taken and the customer's new Bundled Portfolio Service requirements.

4. Customers electing the TBS option will: (1) be subject to Transitional Bundled Commodity pricing, as defined in rate Schedule TBCC, (2) be subject to the provisions and applicable charges of the Direct Access Cost Responsibility Surcharge (DA CRS) as defined in rate Schedule DA-CRS, and (3) be ineligible to receive Revenue Cycle Services Credits as defined in rate Schedule E-CREDIT.

5. DA customers electing the TBS option may continue to use the same meter provided it is compatible with the PG&E's meter reading system. Incompatible meters will be replaced by PG&E with a meter that meets the customer's applicable tariff requirements, unless PG&E has the capability to do a special read for a fee or the customer and PG&E can agree on an alternative arrangement. Special metering requirements while receiving TBS will be subject to costs as set forth in rate Schedule E-EUS.

6. DA accounts complying with the TBS provisions will retain their continuous DA status associated with rate Schedule DA-CRS, if applicable. Transitional returns to Bundled Service since September 20, 2001, and prior to the implementation of D.03-05-034 retain their continuous DA status associated with DA CRS provided that the duration on Bundled Service was limited to sixty (60) days from the day the DA service of the account was disconnected until PG&E was in receipt of a new DASR for the account to switch back to DA service. (N)

(Continued)

RULE 22.1—DIRECT ACCESS SERVICE SWITCHING EXEMPTION RULES
(Continued)

A. Transitional Bundled Service (Cont'd.) (N)

7. Customers receiving TBS shall not be permitted to switch to DA service for any additional load beyond that level that was eligible for DA service as of the September 20, 2001, suspension date.

B. Bundled Portfolio Service

1. This service option is applicable to DA customers who return to Bundled Service for a minimum of three (3) years. This three (3) year minimum Bundled Service commitment will be referred to herein as PG&E's Bundled Portfolio Service (BPS). The following conditions will apply:

   a. Customers electing this service make a three (3) year commitment and will not be allowed to return to DA service until their three (3) year minimum period has been completed. The three (3) year minimum period will begin on the date the customer is switched to BPS after the conclusion of the six (6) month advance notice period as set forth in Section B.1.b of this tariff. No premature departures from the three (3) year commitment will be allowed.

   b. Customers must provide a six (6) month advance notice to PG&E prior to becoming eligible for BPS so PG&E can adjust its procurement activity to accommodate the additional load. Such notification will be made by the customer submitting the Customer Advance Notification form in writing or electronically. PG&E will provide the customer with written confirmation and the necessary switching process information within ten (10) business days of receipt of the customer's notification. Once received by PG&E, advance notifications cannot be canceled. PG&E will process requests to receive BPS in the following manner:

      1) Account transfers to BPS will be switched on the customer's next scheduled meter read date after the completion of the six (6) month advance notice period. For service accounts with meters that are incompatible with PG&E's meter reading system, PG&E will replace the incompatible meter with a meter that is acceptable to PG&E. Such metering service will be done in accordance with rate Schedule E-ESP.

      2) PG&E will initiate a DASR to transfer the account to BPS and will provide notification to the customer and ESP in accordance with Rule 22, Section E.7. (N)

(Continued)

RULE 22.1—DIRECT ACCESS SERVICE SWITCHING EXEMPTION RULES
(Continued)

B. Bundled Portfolio Service (Cont'd.) (N)

1. (Cont'd.)

c. During the six (6) month advance notice period, but before they become eligible for BPS, customers may either continue on DA Service or return to Bundled Service and receive TBS pricing as set forth in Section A.4 of this tariff. PG&E will process any DASR returning the customer to Bundled Service during the six (6) month advance notice period in accordance with Rule 22, Section E, and will provide Bundled Service to the customer at the TBS rate for the remainder, if any, of the six (6) month advance notice period. PG&E will initiate the necessary transfer of the account to BPS at the conclusion of the six (6) month advance notice period with notification to the customer. The metering requirements of Section B.1.b(1) above, will apply during the six (6) month advance notice period. Customers returning to Bundled Service during the six (6) month advance notice period (i.e., before the commencement of BPS), cannot return to DA service.

d. DA customers responsible for DA CRS continue to be responsible for DA CRS undercollections and subject to the terms of rate Schedule DA-CRS. (N)

(Continued)

RULE 22.1—DIRECT ACCESS SERVICE SWITCHING EXEMPTION RULES
(Continued)

B. Bundled Portfolio Service (Cont'd.) (N)

2. At the end of the customer's initial three (3) year BPS commitment, customers will have the option of switching back to DA service or remaining on BPS based on the then current applicable rules in effect. PG&E will provide the customer with a courtesy reminder eight (8) months before the expiration of the customer's three (3) year commitment. This timeframe will allow for the six (6) month notification period and will provide a sixty (60) day transitional period for the customer to notify PG&E of its intent to return to DA service. If for any reason the customer is not sent, or does not receive, a courtesy reminder from PG&E, customer is not relieved of its responsibility for providing PG&E the notice required in Section B.2.a. below.

   a. Customers electing to return to DA service at the conclusion of the three (3) year BPS commitment period shall provide advance notice to PG&E at least six (6) months prior to the conclusion of the three (3) year commitment. PG&E will provide to the customer a written confirmation and necessary switching process information within ten (10) business days of the customer's notification, including the final date to be in receipt of a DASR to return to DA Service. The customer is responsible for providing its ESP with this information. (N)

(Continued)

RULE 22.1—DIRECT ACCESS SERVICE SWITCHING EXEMPTION RULES
(Continued)

B. Bundled Service (Cont'd.) (N)

2. (Cont'd.)

a. (Cont'd.)

1) The customer's ESP shall submit a DASR to ensure that the necessary switch to DA service under the DA switching rules occurs on the service account's next scheduled meter read date after the completion of the six (6) month advance notice period. Meter changes must be completed in accordance with Section A.2.c. of this tariff.

2) If PG&E is not in receipt of a DASR, or if the meter change is not completed as set forth in Section B.2.a(1), above, by the end of the customer's three (3) year commitment, the customer's request to return to DA service will be cancelled and the customer will be subject to the terms of Section B.2.b, below.

3) Customers returning to DA service at the end of their three (3) year BPS commitment period shall not be permitted to switch to DA service for any additional load beyond that level that was eligible for DA service as of the September 20, 2001, suspension date.

b. Customers electing to remain on BPS are not required to take any action and will automatically be subject to a new commitment period, if any, based upon the then current applicable rules in effect. Unless a customer has submitted a six (6) month advance notice to return to DA service by the end of the three (3) year BPS commitment period, the customer will automatically be subject to a new commitment period, if any, based upon the then current applicable rules in effect.

C. Initial Transition Period

1. Section C is applicable to those DA customers that have already returned from DA to Bundled Service subsequent to September 20, 2001, up through the implementation date of D.03-05-034 or DA eligible customers still pending on PG&E's listings described in D.02-03-055 who have not yet taken DA service. (N)

(Continued)

RULE 22.1—DIRECT ACCESS SERVICE SWITCHING EXEMPTION RULES
(Continued)

C. Initial Transition Period (Cont'd.) (N)

2. A forty-five (45) day Initial Transitional Period (ITP) will be provided to applicable customers identified in Section C.1, above to make an election either to remain on Bundled Service or elect DA service. Only DA-eligible load with written and executed contracts as of September 20, 2001, will be permitted to switch to DA service.

3. Customers electing to return to DA service during this forty-five (45) day ITP will be subject to the provisions and applicable charges of rate Schedule DA CRS.

4. Customers electing to remain on Bundled Service are not required to take any action and will be automatically placed on a three (3) year BPS commitment period before having the option of returning to DA service as set forth in Section B.2.

5. PG&E will notify the customer of the forty-five (45) day ITP and its requirements by letter. The forty-five (45) day ITP will begin from the date of such notification.

6. For customers electing DA service, PG&E must be in receipt of a DASR from the customer's ESP no later than the end of the forty-five (45) day ITP. In addition to meeting the DASR provisions set forth in Rule 22, Section E, ITP DASRs to switch the account back to DA service must comply with the following special conditions:

   a. Accepted DASRs that do not require a meter change will be processed based on normal DASR processing timeframes as defined in Rule 22, Section E.

   b. Rejected DASRs must be corrected and resubmitted by the ESP and accepted by PG&E no later than twenty (20) days following the conclusion of the forty-five (45) day ITP (Day 65 of PG&E supplying power). DASRs not corrected by the ESP within this time period will be cancelled by PG&E. (N)

(Continued)

RULE 22.1—DIRECT ACCESS SERVICE SWITCHING EXEMPTION RULES
(Continued)

C. Initial Transition Period (Cont'd.) (N)

6. (Cont'd.)

   c. For accepted DASRs that require a meter change, the meter change must be completed within sixty (60) days after the receipt of the DASR. DASRs not completed within this time period will be cancelled by PG&E.

7. Accounts failing to meet the forty-five (45) day ITP requirements will be placed on a three (3) year BPS commitment as set forth in Section B of this tariff.

8. Customers returning to DA service shall not be permitted to switch any additional load to DA service beyond that level that was eligible for DA service as of September 20, 2001, suspension date. (N)

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