

ALJ/bg

Decision 84 CS 035

AUG 1 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Second Application of PACIFIC GAS
AND ELECTRIC COMPANY for Approval
of Certain Standard Offers Pursuant
to Decision No. 82-01-103 in Order
Instituting Rulemaking No. 2.

Application 82-04-44
(Filed April 21, 1982;
amended April 28, 1982,
July 19, 1982, July 11, 1983,
and August 2, 1983)

Application 82-04-46
(Filed April 21, 1982;
amended May 12, 1982,
July 11, 1983, and
August 10, 1983)

And Related Matters.

Application 82-04-47
(Filed April 21, 1982;
amended July 11, 1983
and August 2, 1983)

OPINION MODIFYING DECISION 83-09-054

By Ordering Paragraph 1 of Decision (D.) 83-09-054, this Commission ordered that "Standard Offer No. 4, Payment Options Nos. 1 through 3, as proposed by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (Edison) shall be used by those utilities until further order of this Commission, but, in any event, for a minimum of six months and for a maximum of two years after the effective date of this order." With respect to Payment Options Nos. 2 and 3, the utilities were to exercise these options for a maximum period of one year after the effective date of the order. Because D.83-09-054 became effective on September 7, 1983, these payment options are due to expire on September 7, 1984.

Standard Offer No. 4 was the result of a negotiating conference held during the summer of 1983. The goal of the negotiating conference was to develop an interim Standard Offer No. 4

which the parties "could comfortably tolerate and work under while refinement and 'perfection' could be pursued in subsequent evidentiary hearings." (D.83-09-054, at p. 8.)

By Administrative Law Judge's (ALJ) Rulings issued during 1984, the procedure to be followed in these "subsequent evidentiary hearings" was established. The proceeding has been divided into two phases - Phase I which will focus on the appropriate costing methodology for Standard Offer No. 4 and Phase II which will examine the prices based on the adopted methodology, appropriate price approaches, and all other terms of Standard Offer No. 4. Hearings for Phase I began on July 23, 1984.

On May 7, 1984, the Commission staff filed a "Recommendation of the Commission Staff to Establish Procedures for Phase I of the Long-Run Offer Hearings." Among other things, the staff observed that because Phase I was limited to an examination of costing methodologies, it would be appropriate to defer issues related to payment options until Phase II as directed by the ALJ. Under these circumstances, it is the staff's opinion that energy Payment Options Nos. 1, 2, and 3 and the energy price forecasts adopted in D.83-09-054 be extended until the conclusion of Phase II. The staff asserts that this approach will preserve the status quo, enabling qualifying facilities (QFs) to have the benefit of energy price certainty and eliminating any need to analyze and adopt incremental energy rates prior to Phase II.

During the prehearing conference of May 9, 1984, the staff reiterated these recommendations. While there were no objections to the recommendations, at least one party requested that the incremental energy rate to be paid the QF by PG&E under Option No. 3 be based on the incremental energy rate approved in PG&E's most recent general rate case.

On June 15, 1984, Independent Energy Producers (IEP) filed a motion for a revised procedural schedule for the Standard Offer No. 4 proceeding. Specifically, IEP requests that (1) interim Standard Offer No. 4, Payment Options 1, 2, and 3 be continued through the end of 1986 or until the issuance of a final decision in this proceeding; (2) hearings on the "costing methodology" be commenced as scheduled by the ALJ; (3) hearings on a revised incremental energy rate be commenced no later than October 1984; and (4) hearings "on the broader assumptions and terms of a final Standard Offer No. 4" be commenced after the Commission issues its decisions on costing methodology and an interim incremental energy rate pricing option. According to IEP, the incremental energy rate used for purposes of interim Standard Offer No. 4 is not a viable option for gas-cogenerated QFs.

IEP's motion is supported by the Independent Power Corporation (IPC). IPC further asks that PG&E's, SDG&E's and SCE's interim Standard Offer No. 4 incremental energy rates be modified to reflect information developed in their most recent general rate cases.

We have reviewed these comments and concur with the staff, IEP, and IPC regarding the extension of negotiated Standard Offer No. 4. At the time we issued D.83-09-054 we contemplated that the issues related to the payment options would have been explored in evidentiary hearings prior to the expiration date set for Payment Options Nos. 2 and 3. In fact, we optimistically forecast the conclusion of these hearings as early as six months from the issuance of D.83-09-054. Unfortunately, only hearings on Phase I of this proceeding will be concluded prior to September of this year, with Phase II commencing after that time.

Under these circumstances, and given the general acceptance of interim Standard Offer No. 4, we will extend the effective date of the terms of that offer, including Payment Options Nos. 1, 2, and 3, and the energy price forecasts adopted in D.83-09-054. This extension, which applies to all terms of the offer, will be effective until further order of this Commission.

We will not, however, amend Payment Option No. 3 in any way. That payment option was part of the negotiated package which the Commission approved in D.83-09-054. A change in one term would require the reexamination of all other terms of the standard offer. We prefer to maintain the status quo and adopt modifications to Standard Offer No. 4 following the evidentiary hearings now scheduled in this proceeding. We also note that a QF who finds the terms of interim Standard Offer No. 4 unacceptable may in fact negotiate a separate contract. Despite some QFs dissatisfaction with that remedy, we have made clear in previous decisions that all utilities are to negotiate with QFs in good faith.

With respect to the requests for October hearings on the utilities' incremental energy rates, we are unable to commit our limited resources to such hearing dates at this time. At the most, we can reiterate that hearings on Phase I began on July 23, 1984. Upon completion of that phase, the Commission will make a determination either in its decision in Phase I or by ALJ Ruling whether to segregate the issue of incremental energy rate valuation and hear the matter prior to Phase II hearings.

Findings of Fact

1. A reasonable modification of D.83-09-054 has been requested by the Commission staff, IEP, and IPC to extend the effective date of interim Standard Offer No. 4.

2. The other requested modifications of the Standard Offer No. 4 procedural schedule cannot be adopted at this time.

Conclusions of Law

1. The terms of interim Standard Offer No. 4 approved in D.83-09-054 should be extended until further order of this Commission.

2. The motion of IEP should be denied, except to the extent granted in keeping with Conclusion of Law 1.

3. To ensure the extension of Standard Offer No. 4 before it would otherwise expire, this order should be made effective today.

O R D E R

IT IS ORDERED that:

1. All terms and conditions of interim Standard Offer No. 4 adopted in D.83-09-054 shall be extended until further order of this Commission.

2. The motion of Independent Energy Producers, except to the extent granted by Ordering Paragraph 1, is denied.

This order is effective today.

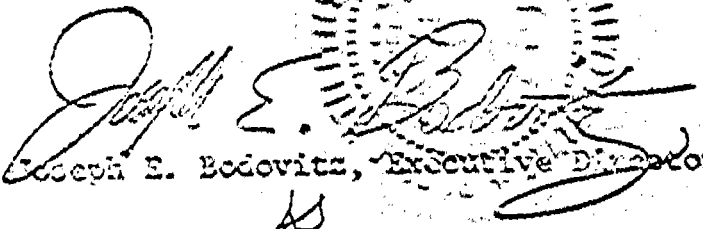
Dated AUG 1 1984, at San Francisco, California.

Commissioner Priscilla C. Crow,
being necessarily absent, did
not participate

Commissioner William T. Bagley
being necessarily absent, did
not participate.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
DONALD VIAL
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS' VOICE.


Joseph E. Bodovitz, Executive Director
AS

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