

Decision 91-04-040 April 24, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own)
motion into the transmission system)
operations of certain California)
electric corporations regarding)
transmission constraints on)
cogeneration and small power)
production development.)

ORIGINAL

I.84-04-077
(Filed April 18, 1984)

(U-39E)

OPINION ON PETITION FOR MODIFICATION OF D.85-09-058

Summary

In this docket, the Commission has investigated problems stemming from the apparent capacity limitations in the northern section of Pacific Gas and Electric Company's (PG&E) electric transmission system. These limitations affect the number of small power producers (QFs) in the northern area that can have their power delivered to the PG&E grid. The final order in this docket was Decision (D.) 85-09-058. In this order, we approve a proposed modification to that decision. The impact of the modification is to relieve affected QFs of the obligation to pay a fee of .5 mills for each kilowatt-hour (kWh) delivered to the utility. PG&E will refund all sums collected on or after June 1, 1990.

Background

In D.84-08-037, issued in this docket, the Commission adopted an interim solution to problems stemming from electric transmission constraints in PG&E's northern transmission system. The apparent transmission constraints were alleged to be limiting PG&E's ability to receive deliveries from QFs. The interim solution involved allowing QFs to claim access to the limited available transmission capacity on a first-come/first-served basis. QFs unable to stake a claim to transmission capacity were placed on

a waiting list and allowed to move up the lists as QFs with higher priorities dropped out. The Commission further ordered that PG&E also complete certain improvements to its transmission system designed to eliminate the apparent constraints.

Since the Commission had yet to decide what, if anything, QFs in the constrained area would pay for access to the improved transmission system, the Interim Solution adopted the following stipulated provision:

Affected QFs will be assessed 1.7 mills/kWh for power received by PG&E, payable only on kWh generated at operating levels up to a 60% capacity factor (monthly basis). Of this amount, .5 mills/kWh is nonrefundable. All or some of the remaining 1.2 mills/kWh will be refunded if the Commission determines in its final decision for I.84-04-077 that QFs' cost responsibility for transmission upgrades is less than 1.7 mills/kWh. The affected QFs cost responsibility will not exceed 1.7 mills/kWh for the entire life of their projects.

In D.85-09-058, the Commission more closely addressed the question of the appropriate allocation of transmission costs. The Commission determined that, since QFs have virtually no responsibility for transmission facilities with system-wide benefits, 1.2 mills/kWh should be refunded from any payments received under the terms of the interim solution. The Commission reached the following conclusion concerning the remaining .5-mills/kWh:

Since QFs participating in the interim solution will receive access to transmission before the associated upgrades are completed, we find it is reasonable to continue a .5 mill/kWh assessment until the transmission upgrades associated with the interim solution are completed. The payment is a minimal offset to the potential diseconomies identified by PG&E. However, since PG&E has stated that the diseconomies will end once the upgrades are completed, there is no reason to continue the assessment beyond the completion date.

Therefore, as each upgrade is completed, the QFs whose delivery was constrained by that line no longer should be liable for a .5 mill/kWh charge.

In a joint petition filed August 23, 1990, PG&E and the Independent Energy Producers Association (IEP) have asked this Commission to modify D.85-09-058 by eliminating any further assessment of the .5 mill/kWh fee and by allowing PG&E to refund all fees collected on or after June 1, 1990. Division of Ratepayer Advocates (DRA) supports the joint petition. No other parties have commented on the joint petition.

Discussion

The Commission directed PG&E to assess the .5 mill/kWh fee in order to compensate for possible diseconomies that could occur when PG&E is required to take delivery of QF power over transmission lines that are already crowded. D.85-09-085 said that the diseconomies would cease when the transmission upgrades were completed. IEP argues that the .5 mill assessment should be discontinued on a case-by-case basis as upgrades associated with particular transmission lines are completed. PG&E argues that the fee was assessed on the reasonable probability that uneconomic operation would be required prior to completion of the upgrades, and that the fee should be maintained for all affected QFs until the last transmission upgrade is completed. Some might see the language of D.85-09-058 as ambiguous, since the portion quoted above specifically says that fees will only be assessed for QFs in locations where upgrades have yet to be completed, while the supporting findings and conclusions are more general. The joint petition is offered by its proponents as a compromise solution to their differing interpretations of the language in that decision.

No one disputes the fact that PG&E is unlikely to experience diseconomies related to QF deliveries prior to the time The last upgrade is expected to be completed (April 30, 1991). Because of low seasonal rainfall and below normal snowpack in the

Sierras, PG&E did not expect to operate its northern hydroelectric generation facilities at full capacity during the last four months of 1990. Since then, hydro conditions do not appear to have improved. As a result, there is significantly less hydro-generated electricity competing for space on PG&E's northern area transmission lines. It is reasonable to expect that the transmission of QF power over those lines will not produce diseconomies.

The joint petition suggests that the fees should be eliminated effective June 1, 1990 and that all funds collected by PG&E on or after that date should be refunded. Since the June 1, 1990 date is satisfactory to all participating parties, we will support the underlying informal dispute resolution by adopting that date.

Findings of Fact

1. D.85-09-058 contains potentially ambiguous language concerning the appropriate time for terminating a charge of .5-mills/kWh currently assessed against the electric generation of QFs in PG&E's northern transmission area.

2. PG&E, IEP, and DRA have agreed on a proposed modification to D.85-09-058 which would terminate the .5 mills/kWh charge effective June 1, 1990.

3. No protests to the proposed modification have been received.

4. In order to eliminate the collection of the .5 mills/kWh fee as soon as possible and to speed the refund of funds collected on or after June 1, 1990, this order should be effective immediately.

Conclusion of Law

The Petition of Pacific Gas and Electric Company and the Independent Energy Producers Association for Modification of Decision 85-09-058 dated August 23, 1990 should be approved as proposed.

ORDER

IT IS ORDERED that:

1. Ordering Paragraph 2 in Decision 85-09-058 is modified to read as follows:

QFs participating in the interim solution shall be refunded 1.2 mills/kWh and shall continue to pay .5 mill/kWh until June 1, 1990.

2. Pacific Gas and Electric Company shall refund all .5-mill/kWh payments received on or after June 1, 1990 from QFs participating in the interim solution.

This order is effective today.

Dated April 24, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEAL J. SHULMAN, Executive Director
NB