

L/mnt

Decision 91-08-033 August 7, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the California )  
Cogeneration Council For Rehearing )  
of Resolution G-2946 )  
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**ORIGINAL**

A. 91-05-051  
(Filed May 24, 1991)

ORDER DENYING REHEARING OF RESOLUTION G-2946

The California Cogeneration Council (CCC) has filed an application for rehearing of Resolution G-2946 (the Resolution) in which the Commission set the cogeneration gas allowance (CGA) for customers of Southern California Gas Company (SoCalGas). CCC challenges the Resolution on the grounds that it improperly excluded certain electric transmission line losses in calculating the CGA. Southern California Edison (Edison) has filed a response opposing CCC's application for rehearing.<sup>1</sup> We have carefully considered all of the issues and arguments raised in the application for rehearing, and Edison's response to them, and are of the opinion that sufficient grounds for granting rehearing have not been shown.

Public Utilities Code §454.4 requires that gas utilities offer cogenerators the same gas rates offered to utility electric generation (UEG) customers. However, this "parity" rate is offered to cogenerators only for that amount of gas the electric corporation would require to generate the amount of electricity produced by the cogenerator. This amount is known as the cogeneration gas allowance (CGA).

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1. Edison's "response" also seeks affirmative relief, i.e., changes in the Resolution that Edison desires. A response to an application for rehearing is not a pleading in which affirmative relief can properly be requested.

Section 454.4 requires use of the electric corporation's "incremental heat rate" (IHR) and "reasonable transmission losses" in calculating the CGA. The incremental heat rate measures the efficiency of electric generation plants burning gas or oil.

When SoCalGas submitted CGA tariff sheets in November 1990, it calculated the CGA using the production cost model runs from the electric utilities' Energy Cost Adjustment Clause (ECAC) proceedings. SoCalGas then made a further adjustment based on the utility's average electric transmission line losses. PG&E protested that this adjustment was inappropriate, because the production cost model runs already account for transmission losses.

The Resolution agreed with PG&E that the application of a separate line loss factor is inappropriate, because line losses are already accounted for in the production cost model runs SoCalGas used to calculate the CGA. To avoid this double-counting, the Resolution required SoCalGas to exclude the separate line loss factor from its calculations. Accordingly, the Resolution required SoCalGas to correct the tariff sheets it had previously filed to "[e]xclude the use of a line loss factor". (Resolution, Ordering Paragraph No. 2.)

CCC now challenges this aspect of the Resolution. However, CCC concedes that "[a]verage line losses are included in the ECAC production models used by [the electric utilities]". (App./reh. at 3, emphasis added.) The separate line loss factor that SoCalGas had used, and was required to remove, was also an "average . . . line loss" factor. (Resolution at 2, par. 4, emphasis added.) Thus, the CCC cannot, and does not really, challenge the Resolution's conclusion that SoCalGas's use of an additional "average line loss factor" involved double-counting and was therefore improper.

Instead, CCC alleges that the Resolution erred by excluding incremental line losses. CCC explains its position as follows: "[there should be an additional adjustment] for line

losses to account for the fact that cogenerators can generally supply electricity into the electric utility grids with less losses than power purchased by the electric utility from other sources." (App./reh. at 3.) However, even if CCC is correct that power purchases from cogenerators involve smaller line losses than power purchases from other sources, this is irrelevant to calculation of the CGA.

Public Utilities Code §454.4 requires gas utilities to offer a cogeneration customer the same gas rates offered utility electric generation (UEG) customers, but only for the amount of gas an electric corporation would require to generate the same amount of electricity that the cogenerator produces. Thus, in calculating the CGA, the focus is on the amount of gas the electric corporation requires to generate a given amount of electricity (based on the corporation's average annual incremental heat rate and reasonable transmission losses). Moreover, the incremental heat rate measures the efficiency of the electric corporation's own plants that burn gas (or oil). Thus, in calculating the cogeneration gas allowance according to the statutory directives, one must look at the efficiency of the utility's own gas-fired generation plants (including line losses). Line losses involved in the electric corporation's purchase of electric power from other sources simply do not enter the calculation.

CCC's application for rehearing strongly argues that SoCal Edison and SDG&E (but not PG&E), in calculating the amount of money they pay cogenerators for electricity, include an additional adjustment for the incremental line loss savings they realize through their purchase of power from cogenerators. This is likewise irrelevant to the calculation of the CGA. The CCC is confusing two separate issues. One, is the amount of gas which cogenerators are statutorily entitled to receive at the cheaper utility electric generation (UEG) rate. The calculation of that cogeneration gas allowance is the issue here. The other is the amount of the "avoided cost" payments which electric utilities

make when cogenerators sell electricity to the utilities. That is a different issue, not present here. Therefore, the fact that SoCal Edison or SDG&E may include a separate line loss adjustment in calculating its avoided cost payments is not relevant to calculation of the cogeneration gas allowance.<sup>2</sup>

CCC's application for rehearing also points out that Edison and SDG&E had earlier supported the use of "incremental" or "marginal" line loss adjustments in calculating the CGA. However, a reading of their comments reveals that both of those utilities supported the use of "incremental" or "marginal" line losses rather than "average" line losses. CCC, on the other hand, is asking the Commission to use both average and incremental line losses in calculating the CGA. Edison's and SDG&E's previous comments provide no support for that position.

Public Utilities Code §454.4 simply requires "reasonable transmission losses" to be included in calculating the CGA. The statute does not specify whether average line losses, or incremental line losses, or both, must be used. CCC has shown no legal error in the Resolution's use of the average line losses already included in the ECAC production cost models to meet this requirement that "reasonable transmission losses" be included in the calculations. Accordingly, we will deny CCC's application for rehearing.

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2. Avoided cost payments to cogenerators are based on the incremental energy rate (IER). Power purchased from distant sources is included in calculating the IER. Therefore, it is appropriate to adjust the avoided cost payments to cogenerators if their closer location to the load as compared with other sources of purchased power results in smaller line losses.

SoCalGas's cogeneration gas allowance (CGA), on the other hand, is based on the incremental heat rate (IHR). Power purchased from other sources is not included in calculating the IHR. Therefore, it is not appropriate to credit cogenerators for any smaller line losses, as compared with power purchased from other sources, when calculating SoCalGas's CGA.

The CCC is free to request further refinements to calculation of the line loss factor in future proceedings dealing with the CGA, if it can adequately support such a request. As explained above, however, its present request was not adequately supported.

Conclusions of Law

1. The calculations underlying SoCalGas's November 1990 cogeneration gas allowance tariff sheets accounted for average line losses twice (once in the ECAC production cost models and once in a separate line loss factor). Resolution G-2946 therefore properly ordered SoCalGas to recalculate its cogeneration gas allowance to exclude the separate line loss factor in order to avoid double-counting.

2. Resolution G-2946 uses the average line losses already included in the ECAC production cost models in calculating the cogeneration gas allowance. This meets the requirement of Public Utilities Code section 454.4 to include "reasonable transmission losses" in calculating the cogeneration gas allowance.

Therefore good cause appearing,

IT IS ORDERED that rehearing of Resolution G-2946 is denied.

This order is effective today.

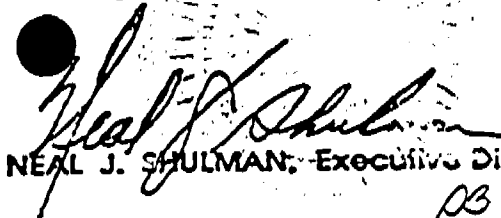
Dated August 7, 1991, at San Francisco, California.

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

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

Commissioner Daniel Wm. Fessler, Being  
necessary absent, did not participate.

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NEAL J. SHULMAN, Executive Director  
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