

ORIGINAL

Decision 82 11 087 NOV 17 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Rulemaking on the Commission's)
 Own Motion to Establish Standards)
 Governing the Prices, Terms, and)
 Conditions of Electric Utility)
 Purchases of Electric Power from)
 Cogeneration for Small Power)
 Production Facilities.)

OIR 2
 (Petition for Modification
 filed May 12, 1982)

ORDER GRANTING PETITION FOR MODIFICATION

By petition for modification dated October 27, 1982 the California Manufacturers Association (CMA) requests a modification of Decision (D.) 82-01-103. Specifically, CMA proposes to add certain additional language in order to reflect that the Commission staff believes that oil is typically stored by the utility for a time before burning, while natural gas is burned immediately when purchased by the electric utility and that for oil, therefore, a historical three-month price is appropriate for calculating avoided cost. The reference to staff is apparently a reference to a similar petition for modification filed earlier by the Commission staff.

There has been no opposition to CMA's petition at the time of this decision, however, the time allowed to file protests has not expired. Nevertheless, we grant the petition based on its similarity to the earlier filed staff petition that was not protested. Thus, we find good cause under Rule 87 of the Commission's Rules of Practice and Procedure to deviate from the provisions of Rule 8.3 allowing 30 days to file a protest.

Findings of Fact

1. By petition filed October 27, 1982 CMA requests modification of D.82-01-103.
2. There is no opposition to CMA's petition.

Conclusions of Law

1. The 30-day protest period should be waived.
2. Notice of the following order did not appear on the Commission's public agenda as required by the Government Code. This matter is an unforeseen emergency in that immediate action to avoid severe or irreparable harm is necessary and in the public interest.

IT IS ORDERED that: The following passage is added after the last paragraph of page 31 of D.82-01-103:

Application of the principle that energy prices should reflect the current marginal energy costs of the utility requires a slightly different approach to calculation of avoided energy costs for periods when natural gas, rather than oil, is the utility's marginal fuel. An electric utility typically stores oil between the time the oil is purchased and the time it is burned. Thus, calculating historical price of oil is appropriate. By contrast, electric utilities burn gas at the time of purchase from the supplying gas utility, without any intervening period of storage. Therefore, avoided energy costs should be based on the current, rather than the historical, cost of natural gas to the electric utility.

When natural gas is the electric utility's marginal fuel, the incremental heat rates used in the calculation of avoided energy costs should be forecasted IHRs, as is the case when oil is the marginal fuel. The use of gas as the marginal fuel will likely alter the level of the IHRs.

This order is effective today.

Dated NOV 17 1982 at San Francisco, California.

Commissioner JOHN E. BRYSON

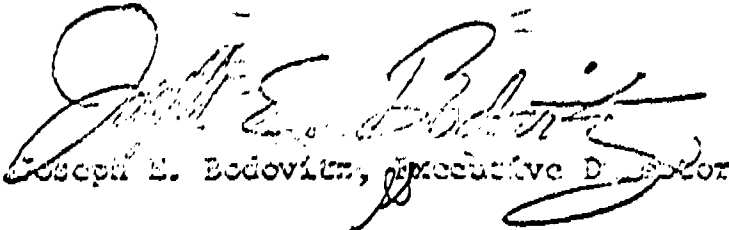
Present but not participating.

I abstain due to financial interest beyond my control in potential cogenerators and small power producers.

/s/ PRISCILLA C. GREW
Commissioner

RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
Commissioners

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


Joseph E. Bodovitz, Executive Director