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Decision No. 91125 DEC 18 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
PACIFIC GAS AND ELECTRIC COMPANY for)
a certificate of public convenience)
and necessity to construct, install,)
operate, maintain, and use Unit 17)
at The Geysers Power Plant together)
with transmission lines and related)
facilities.)

(Electric)

Application No. 57474
(Filed July 27, 1977)

O P I N I O N

Applicant's Request

In this proceeding, Pacific Gas and Electric Company (PG&E) seeks an order of the Commission issuing to it a certificate (CPCN) under Section 1001 of the Public Utilities Code of the State of California and the Commission's General Order No. 131-A declaring that the safety, health, comfort, and convenience of the public and the present and future public convenience and necessity require or will require the construction, installation, operation, and maintenance of Unit 17 at The Geysers Power Plant, together with transmission lines and related facilities.

At the time the application was filed with the Commission, General Order No. 131-A was in effect. Subsequently, on August 28, 1979, General Order No. 131-B was adopted to supersede G.O. 131-A. Also, at the time of filing, Geysers Unit 17, although not identified by number, was excluded from the provisions of the Warren-Alquist Act, Stats. 1974, Ch. 276, that created the California Energy Commission (CEC), so PG&E had not intended to file for certification with the CEC. Subsequently, PG&E filed with the CEC an Application for

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Certification (AFC) for Geysers Unit 17 as a result of a Sacramento County Superior Court decision (following the filing of Application No. 57474 with the Commission) that determined the CEC to be the primary certification and lead agency responsible for Geysers 17. The application was accepted on March 22, 1979, retroactively to March 2, 1979, by the CEC Executive Director.

PG&E requested by letter of February 23, 1978, that the Commission suspend processing of Application No. 57474 until a more definite date for final CEC action could be determined. After receiving the CEC's approval of its Notice of Intention (NOI) for Geysers Unit 17, PG&E, by letter of March 8, 1979, requested the Commission to reactivate the application. On September 20, 1979, the CEC approved its proposed decision, thereby granting the AFC for Geysers Unit 17, so PG&E must now obtain from the Commission a CPCN to allow construction of the proposed project.

Due to the above, this application for CPCN is unique and consequently this order is not necessarily typical of either a CPCN under G.O. 131-A or under G.O. 131-B.

PG&E's Proposal

In this proceeding, PG&E seeks a certificate for Unit 17 at the Geysers Power Plant, which is to consist of one turbine with a nameplate rating of 119,000 kW designed for steam flow of 2,000,000 pounds per hour at 100 pounds per square inch gauge and 338 degrees Fahrenheit; one 137,800 kVA, 13,800 volt, hydrogen-cooled generator; one surface contact condenser with steam jet ejectors and condensate pumps; an induced draft cooling tower; a Stretford H₂S abatement system; and other related facilities. The net normal capability of Unit 17 will be 110,000 kilowatts. Transformation will consist of one 130 mVA, 13.8-230 kV, 3-phase oil and air cooled transformer.

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Major equipment for the unit will be purchased after competitive bidding. Field installation of equipment and other work will be done by prime contractors selected on the basis of competitive bids.

The location of Unit 17 is to be about 1,000 feet southwest of the Lake-Sonoma county line, in Sonoma County. The site is located on the divide of the Mayacamas Mountains and will cover about 7 acres.

Transmission Lines

The switchyard will step up the voltage from the 13.8-kV generator level to 230-kV necessary for economical power transmission.

The transmission facilities will consist of a 230-kV single circuit tower line using square base, lattice steel towers with 1,113 KCM, 61-strand nonspecular aluminum conductors. The route proceeds westerly from Unit 17 about 1.1 mile to join the existing 230-kV transmission line near existing Geysers Unit 11.

Matters Determined by the CEC

Public Utilities Code Section 1001 requires the Commission as part of its certification process to consider the following factors: (a) Community values, (b) Recreational and park areas, (c) Historical and aesthetic values, and (d) Influence on environment. In 1974, Section 1001 was amended to provide that:

"With respect to any thermal powerplant or electrical transmission line for which a certificate is required pursuant to the provisions of Division 15 (commencing with Section 25000) of the Public Resources Code, no certificate shall be granted pursuant to this section without such other certificate having been obtained first,

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and the decision granting such other certificate shall be conclusive as to all matters determined thereby and shall take the place of the requirement for consideration by the commission of factors (a), (b), (c), and (d) specified in this section."

On September 20, 1979, the CEC certified the final Environmental Impact Report (EIR) prepared for Unit 17 pursuant to the California Environmental Quality Act (Public Resources Code Section 21000, et seq.) After certifying the final EIR, the CEC voted to approve its Proposed Decision, thereby granting PG&E's Application for Certification (AFC) of Unit 17. In the Proposed Decision at pages 23-24, the CEC stated that:

- "1. The additional system capacity to be added by Geysers Unit 17 is consistent with the last forecast of service area electric power demands adopted pursuant to Public Resources Code section 25309."
- "2. The Geysers Unit 17 geothermal facility is safe and reliable."
- "3. The Final Environmental Impact Report is certified to have been prepared in compliance with the California Environmental Quality Act and all applicable state and Commission guidelines. The Final Environmental Impact Report has been considered in adopting this Decision."

Thus, the CEC, in granting the AFC, has conclusively resolved the issues of need, safety, reliability, and environmental impact which this Commission in the past has examined before granting a CPCN pursuant to Public Utilities Code Section 1001. Those issues as well as factors (a), (b), (c) and (d), cited above, will not be reconsidered by the Commission since the CEC has addressed those matters in granting a certificate pursuant to Division 15, Public Resources Code Section 25000, et seq.

Steam Supply

Geothermal steam for Unit 17 will come from a proven geothermal steam field developed by Union Oil Company (Union) on certain of its properties in Lake and Sonoma Counties in which Union has rights to develop geothermal steam. PG&E entered into an agreement dated May 11, 1970, to purchase geothermal steam from Union on terms substantially similar to PG&E's agreements with its other steam suppliers in the Geysers area, and previously held by the Commission;^{1/} to have no anticompetitive effect in the relevant market; to not foreclose competition in any measurable share of the relevant market; that more than sufficient energy sources, including geothermal steam, remain available to allow other applicants to generate electricity if they choose to do so; that the 1970 steam sale contracts do not unreasonably foreclose competitors from the Geysers steam field (recently confirmed by NOI filings before the CEC by the California Department of Water Resources for its proposed Bottle Rock and South Geysers projects and by the Northern California Power Agency for its proposed Geothermal Projects Nos. 1 and 2, all in the Geysers steam field); and that PG&E's contractual rights over this portion of the Geysers steam field do not constitute monopoly power in the relevant market.

Our review of the Union contract relevant to Unit 17 leads us to the same conclusions.

^{1/} Decision No. 85276 dated December 30, 1975, in Application No. 53465, contains detailed discussion, findings of fact, and conclusions of law regarding the 1970 steam sales contracts.

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PG&E desires to proceed with the installation of Unit 17 to provide an additional economic source of power for its system to promote the conservation of fossil fuels through utilization of geothermal steam, and to comply with the terms of the geothermal steam sale agreements.

Financial Considerations

The financial ability of PG&E to construct and operate the proposed Unit No. 17 as well as other planned resource additions was recently analyzed by Commission staff in its report to the CEC on PG&E's NOI for its proposed Fossil 1 & 2 Coal Plant. Staff concluded that while PG&E faces unprecedented levels of capital requirements in the near future, it is able to finance all planned resource additions, including Geysers 17, and the impact of this unit on the overall financial requirements is minimal.

PG&E proposed to finance the construction of the unit by using, to the extent available, its working capital, moneys in reserve, funds not required for immediate use, and the proceeds of the issue and sale of such stocks, bonds, notes, or other evidences of indebtedness as the Commission shall, hereafter, by proper application, authorize for that purpose. Rates to be charged for service to be rendered by means of the construction proposed herein are the PG&E system electric rates now in effect or as may be authorized by the Commission in the future.

Cost to Ratepayer

Current cost estimates by PG&E furnished staff subsequent to the filing of the application indicate a total capital cost of \$67,805,000 in 1979 dollars, compared to the original estimate of \$41,592,000 in 1976. Based on an assumed

80% capacity factor, the current estimate would result in a busbar cost of 24.8 mills per kWh in 1979 dollars. Over two thirds of the cost is due to the fuel component (steam), therefore, the total cost would not be substantially affected by a lower or higher capacity factor. This level of geothermal busbar cost is reasonable when compared to busbar costs of other new baseload generation; the staff estimated busbar costs for PG&E's proposed Fossil 1 and 2 coal generating units at about 41 mills per kWh in 1977 dollars.

A public hearing is not necessary.

Findings of Fact

1. PG&E seeks for Unit 17 at The Geysers Power Plant, together with transmission lines and related facilities, a Certificate of Public Convenience and Necessity from the Commission under Section 1001 of the Public Utilities Code and General Order No. 131-A.
2. Unit 17 is proposed to have a net normal capability of 110 megawatts.
3. Transmission associated with Unit 17 would be 1.1 miles of 230-kV overhead conductor on lattice towers joining the existing 230-kV transmission line near existing Geysers Unit 11.
4. The California Energy Commission (CEC) on September 20, 1979, approved PG&E's Application for Certification for Unit 17.
5. PG&E has a contract to purchase geothermal steam developed by Union Oil Company.
6. The CEC certified the final Environmental Impact Report dated August 1979, on September 20, 1979.
7. The CEC, in granting PG&E's AFC for Unit 17, has addressed and conclusively resolved the issues of need, reliability, safety, and environmental impact.

8. The steam supply agreement between PG&E and Union is substantially similar to PG&E's agreements with its other steam suppliers in the Geysers area which have previously been held by the Commission to be reasonable and not anticompetitive, monopolistic, or to foreclose opportunities for other parties to develop geothermal steam resources at the Geysers steam field and, therefore, the Unit 17 agreement is deemed appropriate.

9. PG&E has the ability to finance Geysers 17 and the impact of it on the overall financial requirements is minimal.

10. Electric power proposed to be generated by Geysers 17 would be at lower cost than other new baseload generation.

11. Applicant is responsible for obtaining all other legally required permits and approvals necessary for construction and operation of Unit 17.

Conclusion of Law

Applicant's proposed Unit 17 at The Geysers Power Plant together with transmission lines and related facilities should be granted a certificate of public convenience and necessity under Section 1001 of the Public Utilities Code.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity under Section 1001 of the Public Utilities Code is granted to Pacific Gas and Electric Company to construct and operate Unit 17 at The Geysers Power Plant together with transmission lines and related facilities as finally proposed by Pacific Gas and Electric Company in this proceeding on the condition that the unit is constructed as described in PG&E's application to this Commission, and its Application for Certification to the California Energy Commission, except where changes are required by competent authority.

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2. Pacific Gas and Electric Company shall file with this Commission a detailed statement of the capital cost of The Geysers Power Plant Unit 17, together with transmission lines and related facilities, within one year following the date Unit 17 is placed in commercial operation.

3. The authorization granted shall expire if not exercised within three years from the effective date hereof.

The effective date of this order shall be thirty days after the date hereof.

Dated DEC 18 1979, at San Francisco, California.

John E. Byrne
President
William L. Steiner
Charles D. Hoole
Charles J. DeLoach
Samuel H. King
Commissioners