ALJ/KLM/tcg

Mailed 11/20/98

Decision 98-11-058 November 19, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application for Approval of Exemption From Competition Transition Costs Pursuant to Public Utilities Code Section 372(c)(1) of Pacific Gas and Electric Company and (1) Central Valley YMCA, (2) City of Willits, (3) Fetzer Vineyards, (4) Piedmont Gardens, and (5) Graphics Communications Union Retirement Center.

(U 39 E)

ORIGINAL

Application 98-10-003
(Filed October 2, 1998)

OPINION

Summary

Pursuant to § 372(c),[1] Pacific Gas and Electric Company (PG&E), Central Valley YMCA, City of Willits, Fetzer Vineyards, Piedmont Gardens, and Graphics Communications Union Retirement Center filed a joint application on October 2, 1998 seeking approval of the exemption from competition transition charges (CTC), as provided under § 372(c) (1) for on-site load served by cogeneration. We approve the request for exemption from CTC.

Background

Section 372 addresses exemptions from CTC for certain cogeneration and self-cogeneration projects, and authorizes the Commission to grant further exemptions upon utility application. Section 372(c) gives the utility the

[1] All statutory references are to the Public Utilities Code.

opportunity to seek further CTC exemptions for certain load and requires that we authorize the joint application within 60 days if certain conditions are met.

Section 372(c) states, in relevant part:

> the commission shall authorize, within 60 days of the receipt of a joint application from the serving utility and one or more interested parties, applicability conditions as follows:
>
> (1) the costs identified in sections 367, 368, 375, and 376 shall not, prior to June 30, 2000, apply to load served onsite by a nonmobile self-cogeneration or cogeneration facility that became operational on or after December 20, 1995.

Sections 367, 368, 375, and 376 address various aspects of transition costs. The costs addressed in §§ 367, 368, and 375 are transition costs; e.g., the net above-market costs associated with uneconomic generation-related assets and obligations and employee-related transition costs. Section 376 concerns how recovery of other costs affects the scheme for recovery of transition costs. It is important to distinguish between transition costs and the CTC. The CTC is a charge delineated on each customer's bill as a separate nonbypassable charge, which will generate revenue to allow the utilities to recoup their transition costs. The statutory provision that the allocation of transition cost responsibility shall not result in rate increases above the June 10, 1996 levels (§ 368(a)) means that the CTC portion of a given bill is computed on a residual basis; i.e., the difference between the total rate and all other authorized charges, including the Power Exchange price. Thus, the CTC is a component of the frozen rate and if this exemption is granted, joint applicants would be exempt from the CTC.

Joint application

Joint applicants assert that their application meets all of the criteria specified in § 372(c)(1). The joint application seeks an exemption only for service to on-site loads, and the exemption will not apply to loads served off-site from

the cogeneration facility. The projects are expected to operate as cogenerators, with operations consistent with § 218.5.[2] Each cogeneration plant covered by this application is nonmobile and became operational after December 20, 1995. Joint applicants have verified that their operations will be consistent with § 218 as it existed on December 20, 1995, as required by § 372(d).

Joint applicants request ratemaking consistent with the provisions of § 367(e) and the associated ratemaking mechanisms prescribed in Decision (D.) 97-06-060 and D.98-09-014. Section 367(e) establishes a firewall such that the costs of CTC exemptions granted to members of the combined class of residential and small commercial customers are recovered only from those customers, and the costs of CTC exemptions granted to members of the combined class other than residential and small commercial customers are recovered only from those customers. These customers are called "Large Customers" in PG&E's electric preliminary statement. All the load addressed in this application falls within the "Large Customer" class.

Discussion

As set forth in Application (A.) 98-10-003 and the accompanying exhibits, joint applicants meet the criteria established by § 372(c)(1); therefore, this application should be approved. Prior to June 30, 2000, Central Valley YMCA, City of Willits, Fetzer Vineyards, Piedmont Gardens, and Graphics Communications Union Retirement Center are exempt from CTC to the extent that load is served onsite by a nonmobile self-cogeneration or cogeneration

[2] Section 218.5 sets forth standards a generation facility must meet in order to be considered a cogeneration facility.

facility that became operational on or after December 20, 1995.[3] Ratemaking should be consistent with the provisions of § 367(e) and the associated ratemaking mechanisms prescribed in D.97-06-060, such that the provisions of the firewall are met. PG&E must track and maintain records of this exemption.

In Resolution ALJ 176-3001, dated October 8, 1998, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that hearings were not necessary. No protests have been received. A hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3001.

Findings of Fact

1. The projects are expected to operate as cogenerators, with operations consistent with § 218.5.

2. The CTC exemption authorized in § 372(c)(1) applies only to service for on-site loads and the exemptions will not apply to loads served off-site from the cogeneration facility.

3. Prior to June 30, 2000, Central Valley YMCA, City of Willits, Fetzer Vineyard, Piedmont Gardens, and Graphics Communications Union Retirement Center are exempt from CTC to the extent that load is served onsite by a nonmobile self-cogeneration or cogeneration facility that became operational on or after December 20, 1995.

4. Ratemaking should be consistent with the provisions of § 367(e) and the associated ratemaking mechanisms prescribed in D.97-06-060, such that the

[3] Section 372(a)(4) provides that the uneconomic costs specified in §§ 367, 368, 375, and 376 shall not apply after June 30, 2000, to any load served onsite or under an over the fence arrangement by any nonmobile self-cogeneration or cogeneration facility.

provisions of the firewall are met. PG&E must track and maintain records of this exemption.

Conclusions of Law

1. Section 372(c) authorizes the Commission to grant a joint application seeking further CTC exemptions to certain load and requires that we authorize the joint application within 60 days if certain conditions are met.

2. As set forth in A.98-10-003 and the accompanying exhibits, joint applicants meet the criteria established by § 372(c)(1); therefore, this application should be approved.

3. Joint applicants have verified that their operations will be consistent with § 218 as it existed on December 20, 1995, as required by § 372(d).

4. The exemptions are granted as of the date of this decision.

5. No protests have been received; therefore, public hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3001.

6. This order should be effective today, so that the CTC exemptions can be implemented in an expeditious manner.

7. This proceeding should be closed.

ORDER

IT IS ORDERED that:

1. The joint application of Pacific Gas and Electric Company (PG&E), Central Valley YMCA, City of Willits, Fetzer Vineyard, Piedmont Gardens, and Graphics Communications Union Retirement Center for an exemption from competition transition charges (CTC) pursuant to Public Utilities (PU) Code § 372(c)(1) is granted.

2. PG&E shall track and maintain records of the exemptions granted today in a manner consistent with PU Code § 367(e) and the ratemaking established in Decision 97-06-060, such that the provisions of the firewall are met.

3. The exemptions are effective as of the issuance of this decision.

4. Application 98-10-003 is closed.

This order is effective today.

Dated November 19, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners