

Decision 99-09-063 September 16, 1999

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, The Eureka Hotel Company, and DT Management, Inc. dba the Beverly Heritage Hotel.

Application 99-08-009
(Filed August 5, 1999)

(U 39 E)

O P I N I O N

Summary

Pacific Gas and Electric Company (PG&E), the Eureka Hotel Company, and DT Management, Inc., dba the Beverly Heritage Hotel¹ (collectively, joint applicants) filed a joint application on August 5, 1999 seeking approval of the exemption from competition transition charges (CTC)² pursuant to Pub. Util.

¹ The original application named The Beverly Heritage Hotel as the joint applicant. The parties subsequently requested that the application be amended to reflect the correct name of the joint applicant. It is so amended.

² The application technically seeks approval of exemption from certain transition costs authorized by statute, as described below. The CTC is a separate nonbypassable charge delineated on each customer's bill which generates revenue to allow the utilities to recoup their transition costs. The statutory requirement that the allocation of transition cost responsibility not result in rate increases above the June 10, 1996 levels (Pub. Util. Code § 368(a)) means that the CTC portion of a given bill must be 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 an exemption is granted, the applicants are, in effect, exempt from the CTC.

Code § 372(c)(1)³ for on-site load served by cogeneration. We approve the request for exemption from CTC.

Background

Section 372(a) exempts certain cogeneration and self-cogeneration projects from CTC. Section 372(c) allows the utility 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."

The costs addressed in §§ 367, 368, and 375 delineate the excluded 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.

The 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; the exemption will not apply to loads served off-site from the

³ All further statutory references are to the Public Utilities Code.

cogeneration facility. The projects are expected to operate as cogenerators, with operations consistent with § 218.5.⁴ Each cogeneration plant covered by this application is nonmobile. The cogeneration plants utilized by joint applicants the Eureka Hotel Company and DT Management, Inc. became or will become operational after December 20, 1995.

As required by § 372(d), joint applicants have verified that their operations will be consistent with § 218 as it existed on December 20, 1995.⁵

Joint applicants request that ratemaking be consistent with the provisions of § 367(e) and the associated ratemaking mechanisms prescribed in Decision (D.) 97-06-060, D.97-12-039, and section AG of PG&E's preliminary statement to its electric tariffs, which is captioned "Competition Transition Charge Exemptions Memorandum Account." Section 367(e) provides that a firewall be established so 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 that the costs of CTC exemptions granted to members of the combined class other than residential and small commercial customers be recovered only from those customers. These customers are called

⁴ Section 218.5 sets forth standards a generation facility must meet in order to be considered a cogeneration facility.

⁵ Coast Intelligen owns and operates the onsite cogeneration facilities for both joint applicants, the Eureka Hotel Company and DT Management, Inc., dba the Beverly Heritage Hotel. Because all of the input will be sold onsite to the respective hotels, the services will be consistent with Section 218. As the owner of the loads, the Eureka Hotel Company and DT Management, Inc. are the parties that would have to pay the CTC in the absence of an exemption. They are interested parties under § 372(c) and appropriate joint applicants herein.

"Large Customers" in PG&E's electric preliminary statement. All of the load addressed in this application falls within the "Large Customer" class.

Finally, joint applicants request that approval for this exemption be effective as of the issuance of the Commission's decision.

Discussion

As set forth in Application (A.) 99-08-009 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, the Eureka Hotel Company and DT Management, Inc. (dba the Beverly Heritage Hotel) 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, 1995.⁶

Ratemaking should be consistent with the provisions of § 367(e) and the associated ratemaking mechanisms prescribed in D.97-06-060 and D.97-12-039, such that the provisions of the firewall are met. PG&E must track and maintain records of this exemption.

Effective Date of Exemptions

The exemptions are granted as of the date of this decision. Joint applicants estimated that The Eureka Hotel Company's facility would be operational as of April 6, 1999. Joint applicants state that the DT Management, Inc., dba the Beverly Heritage Hotel's facility was operational as of May 1, 1999. We cannot approve exemptions that predate the issuance of our decision today.

⁶ 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.

Other Procedural Matters

In Resolution ALJ 176-3022, dated September 2, 1999, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received, although Southern California Edison Company (Edison) has responded to the application in order to apprise the Commission of its interest in this proceeding. Edison does not object to the relief sought in the joint application. Given this status, public hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3022.

Section 311(g)(2) Waiver of Public Review and Comment

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

The joint application is granted.

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. As of the date of this Decision and prior to June 30, 2000, the Eureka Hotel Company and the DT Management, Inc., dba Beverly Heritage Hotel 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 and D.97-12-039, such that the 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.99-08-009 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 176-3022.

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.

O R D E R

IT IS ORDERED that:

1. The joint application of Pacific Gas and Electric Company (PG&E), the Eureka Hotel Company and DT Management, Inc., dba the Beverly Heritage

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Hotel for an exemption from competition transition costs pursuant to Pub. Util. Code § 372(c)(1) is granted.

2. PG&E shall track and maintain records of the exemptions granted today in a manner consistent with that established by Pub. Util. Code § 367(e) and the ratemaking established in Decision 97-06-060 and Decision 97-12-039, such that the provisions of the firewall are met.

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

4. Application 99-08-009 is closed.

This order is effective today.

Dated September 16, 1999, at San Francisco, California.

RICHARD A. BILAS

President

HENRY M. DUQUE

JOSIAH L. NEEPER

JOEL Z. HYATT

CARL W. WOOD

Commissioners