

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3167
December 6, 1989

RESOLUTION E-3167. PACIFIC GAS & ELECTRIC COMPANY.
AUTHORIZED TO FILE A SUPPLEMENTAL AGREEMENT WITH
SIGNAL SHASTA ENERGY COMPANY, INC. FOR INCREMENTAL
OFF-PEAK ENERGY SALES.

BY ADVICE LETTER 1266-E, FILED OCTOBER 4, 1989.

SUMMARY :

1. By Advice Letter 1266-E, filed October 4, 1989, Pacific Gas & Electric Company (PG&E) requested authorization to file a supplemental agreement to Rate Schedule E-20, "Service To Customers With Demands Of 500 KW Or More", with Signal Shasta Energy Company, Inc. (Signal), dated September 25, 1989. This agreement provides for off-peak electrical sales to Signal.
2. This resolution approves PG&E's request.

BACKGROUND

1. On October 22, 1984, PG&E signed a Long-Term Energy and Capacity Power Purchase Agreement (PPA) with Valley Power Associates (Valley) for a 54.9 MW (generator nameplate rating) biomass facility located at Cottonwood, CA. in Shasta County.
2. Subsequently, on August 16, 1985, Valley sold the PPA to Signal and the terms and conditions of the PPA were assigned to Signal, to which PG&E consented by the signing of the "Consent To Assignment and Agreement by and among PG&E, Valley, and Signal." Such assignment was carried out under the provisions of Section A-13 of Appendix A of the PPA.
3. Signal currently generates electric power through a 54.9 MW biomass-fueled generation facility. PG&E purchases 49.9 MW of this power through an Interim Standard Offer 4 Power Purchase Agreement.
4. The deliveries to PG&E are limited to a maximum of 49.9 MW by the California Energy Commission (CEC) permit and the project's Interim Solution Agreement (ISA).¹ The balance is for on-site station use.

1 The ISA is discussed in CPUC Decision 84-08-037.

5. Signal has requested that PG&E provide power for station-use during off-peak hours. ²During these hours, PG&E's retail prices are competitive with Signal's incremental costs of power generation.

NOTICE

1. Public notification of this filing has been made by publication in the Commission's calendar and by mailing copies of the advice letter to other utilities, governmental agencies and to all interested parties who requested such notification.

2. To conserve mailing costs, PG&E did not mail copies of the agreement to all parties, but a copy of the agreement is available upon written request.

PROTESTS

1. No protests have been received.

DISCUSSION

1. Signal receives its fuel (wood waste) from Pacwood, a biomass fuel broker. Approximately 60% of Signal's supply is provided through long-term agreements (approximately 5 years). An additional 30% is provided by medium term contracts (approximately 3 years). The remaining 10% is purchased on the spot market. This amount approximates the fuel associated with 1000 hours of possible curtailment which PG&E may exercise through the PPA. Thus Signal buys on the spot market to produce power when not subject to the full 10% curtailment.

2. PG&E's ratepayers will benefit by increased contribution to margin resulting from the increased revenues from this agreement to provide peak energy to Signal during off-peak hours.

3. A secondary benefit to the sale of off-peak energy to Signal occurs through the reduction of carbon monoxide, carbon dioxide and particulate emissions associated with the burning of wood waste.

4. Signal's adjusted marginal costs have been estimated as a savings of \$0.0373/kwh, which is comparable to PG&E's off-peak retail rates of \$0.0379/kwh in the summer and \$0.0396/kwh in the winter (Rate Schedule E-20T).

2 Off-Peak hours are defined in Schedule E-20 as being the hours between 9:30 P.M. to 8:30 A.M. Monday through Fridays, except holidays and all day Saturday, Sunday and Holidays.

5. PG&E is protected from repurchasing its power at higher rates due to the limit on Signal's deliveries to PG&E as defined in the CEC permit and the ISA.
6. However, in order to consummate this supplemental agreement, PG&E has agreed to a certain amount of operating flexibility with Signal. Signal will be allowed to reduce output for routine maintenance, such as boiler grate cleaning, for up to 350 hours while operating under the terms of this supplemental agreement.
7. Without the supplemental agreement, Signal would not have had the capacity to deliver energy to PG&E during periods of routine maintenance.
8. In order to accept off-peak power from PG&E, Signal will install, at its own expense, appropriate metering to allow accurate measurement of the power purchased from PG&E during off-peak hour. Such metering will be subject to PG&E inspection and approval prior to use.
9. The estimated cost of such metering is \$48,000 and Signal is currently awaiting Commission approval of this supplemental agreement before commencing construction of such metering facilities.
10. Based on this estimated cost and upon Signal's estimated sales and purchases, the payback period for the cost of the metering facilities is between 2 and 2.5 years, depending upon the number of curtailment hours.
11. Signal shall not deliver and PG&E shall have no obligation to accept or pay for any deliveries in excess of 49.9MW in any given off-peak half-hour.
12. The terms of the agreement shall be for one year commencing with either the date of approval by the CPUC or the date that the additional metering has been installed and approved by PG&E, whichever date is later. The agreement shall continue thereafter for successive terms of one year, except that either party has the right to terminate the agreement at the end of each term with prior 30 day written notification.
13. The Commission Advisory and Compliance Division (CACD) has reviewed this filing, including Signal's contribution to margin, and believes that the supplemental agreement will provide Off-Peak service to Signal under terms that are mutually acceptable to both parties and will provide benefits to PG&E ratepayers by increased retail sales during off-peak hours and by a reduction in air pollution omissions.
14. PG&E alleges, and CACD concurs, that this filing will not increase any rate or charge, cause the withdrawal of service, nor conflict with other rate schedules or rules.

FINDINGS

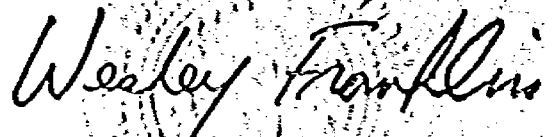
1. PG&E should be allowed to provide off-peak electrical power to Signal and to amend the existing PPA to include such service under the provisions of proposed agreement, as submitted by Advice Letter 1266-E.
2. PG&E is protected from repurchasing its power at a higher rate by the limit on Signal's deliveries as defined in the CEC permit and the ISA.
3. All metering facilities required to accurately measure such off-peak power shall be installed by Signal at no cost to PG&E and shall be subject to inspection and approval by PG&E prior to implementation.
- 4., In all other aspects not herein covered, the terms and conditions of the PPA shall remain in full force and effect.
5. The Commission Advisory and Compliance Division recommends that the proposed supplemental agreement, as submitted by Advice Letter 1266-E should be approved.

THEREFORE IT IS ORDERED that:

1. Pacific Gas & Electric Company is authorized under the provisions of Section X.A. of General Order No. 96-A and under Section 455 of the Public Utilities Code to file the supplemental agreement as submitted by Advice Letter 1266-E and to amend its existing Long Term Energy and Capacity Power Purchase Agreement with Signal Shasta Energy Company, Inc. to allow for the sale of Off-Peak electrical power under the terms and conditions of the supplemental agreement.
2. Such approval of an amended Long Term Energy and Capacity Power Purchase Agreement shall be contingent upon PG&E inspection and approval of any metering facilities installed by the customer.
3. Within thirty days after the effective date of this resolution Pacific Gas & Electric Company shall make an advice letter filing amending the List of Contracts and Deviations to include the above supplemental agreement.
4. Advice Letter 1266-E and accompanying supplemental agreement shall be marked to show that they were accepted for filing by Resolution E-3167.
5. This resolution is effective today.

I hereby certify that this resolution was adopted by the California Public Utilities Commission at its regular meeting on December 6, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners


Acting Executive Director