

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3181
June 20, 1990

R E S O L U T I O N

RESOLUTION E-3181. PACIFIC GAS AND ELECTRIC COMPANY REQUEST TO REVISE ITS CURRENT GEOTHERMAL ADDER FOR ENERGY PRICES PAID TO QUALIFYING FACILITIES, IN COMPLIANCE WITH DECISION 86-12-091.

ADVICE LETTER 1282-E AND SUPPLEMENTAL 1282-E-A, FILED FEBRUARY 1, 1990 AND APRIL 10, 1990, RESPECTIVELY.

S U M M A R Y

1. By Advice Letter 1282-E, filed February 1, 1990, and Supplemental Advice Letter 1282-E-A, filed April 10, 1990, Pacific Gas & Electric Company (PG&E) requests authorization to revise its geothermal adder which is a component to be added to the energy price for those Qualifying Facilities (QFs) who are paid variable energy prices. This filing is made annually in compliance with Decision (D.)86-12-091, Ordering Paragraph 20.
2. Supplemental Advice Letter 1282-E-A supersedes and replaces all calculations submitted with Advice Letter 1282-E, which has been withdrawn.
3. This Resolution approves PG&E's request to increase the geothermal adder from \$0.0004167/kwh to \$0.0004519/kwh, and makes it applicable to all payments made to QFs effective May 1, 1990.

B A C K G R O U N D

1. D.86-12-091, Ordering Paragraph 20 states that PG&E shall update annually the geothermal adder based on avoided geothermal costs due to QF production. This filing is the third annual update. The current geothermal adder as filed by Supplemental Advice Letter 1237-E-C, (June 26, 1989) was approved by Commission Resolution E-3139 on July 19, 1989.
2. The energy prices paid to QF projects are determined by the utility's avoided costs. This procedure measures the savings in PG&E's electric system operating costs because of the availability of QF energy. The savings are then paid back in kind to the QFs. PG&E saves on geothermal costs because QF energy helps to offset higher-cost geothermal energy from steam producers.

3. The contractual geothermal steam prices are determined by a formula established by PG&E in Advice Letter 1138-E, dated January 30, 1987, and made effective February 1, 1987, in compliance with D.86-12-091, Ordering Paragraph 18. This formula was derived from the provisions of D.86-08-083 21 and D.86-12-091 and is based on the amount of conventional thermal and nuclear generation costs PG&E incurs. The geothermal steam prices are recalculated annually, using PG&E's results of operations for the past year as the basis for the new steam price for the coming year. The steam price is thus calculated with a one-year lag. Because the availability of QF energy reduces the cost of PG&E's thermal generation, QF energy indirectly reduces the geothermal steam price. The reduction in geothermal steam price is a cost savings which translates into the geothermal adder.

4. In Advice Letter 1282-E, the utility requested an effective date on or before April 1, 1990, in order to allow sufficient time to file the modified adder in its "Draft Energy Prices For Qualifying Facilities, slated to become effective from May 1, 1990 to July 31, 1990." Revisions and corrections of the calculations submitted by Supplemental Advice Letter 1282-E-A, however, have delayed its review and approval until now.

NOTICE

1. Public notification of this filing has been made by placing it on the Commission calendar for February 7, 1990 and by mailing copies of the filing to other utilities, governmental agencies, and to all interested parties who requested such notification. In addition, all of the affected QF's and their representatives were individually notified by mail of this geothermal adder revision.

2. Workpapers supporting the final revisions presented by Advice Letter 1282-E-A have been mailed to none of the above parties but were available from PG&E upon request.

PROTESTS

1. The initial filing of Advice Letter 1282-E was submitted using several preliminary numbers based on information available at the time of the filing. The preliminary information consisted of the best heat rate, incremental heat rate, amount and rates of steam generation and nuclear output. PG&E expected to finalize this information at a later date, when the recorded data became available, thus necessitating filing of Supplemental Advice Letter 1282-E-A.

2. On February 26, 1990, the Law Firm of Morrison & Foerster, representing the California Cogeneration Council (CCC), informed the Commission that a proper analysis of Advice Letter 1282-E was not possible using the preliminary workpapers submitted with the filing, and that a protest by CCC was possible once the final calculations were submitted. On April 2, 1990, CCC

filed a formal protest based on the fact that the final figures needed to analyze this year's (1990) geothermal adder were still not available and thus the protest was filed subject to receipt and review of final calculations, as they became available.

3. On April 11, 1990, PG&E responded to CCC's protest by stating that it considered the protest to be procedural in nature and that the information requested by CCC had been forwarded on April 10, 1990. After review of the workpapers and final calculations submitted with Advice Letter 1282-E-A, CCC withdrew its protest on May 1, 1990.

4. No other protests were filed in this matter.

DISCUSSION

1. Recorded as-available QF production was 6,117.9 million kilowatt hours (MMkWh) for the twelve months ending November 30, 1989. Using the formula derived from D.86-08-083 and D.86-12-091, the geothermal rate calculated without the relevant QFs for the same period would increase geothermal costs by \$3,443,822. Dividing this by the Energy Cost Adjustment Clause (ECAC) forecast of variable energy supply generated by QFs produces a geothermal adder of \$0.0004519/kWh or an increase of approximately 8.4 percent over the present payments.

2. Decision 86-12-091 specified that, following Commission approval, the geothermal adder may be revised only at the beginning of each quarter, namely on the first day of the months of February, May, August, or November, and designated February 1 as the effective date of the first geothermal adder component in order for it to coincide with the start of the next available quarterly price.

3. During the filing of the 1989 geothermal adder (Advice Letter 1237-E-C), CCC protested PG&E's failure to use February 1 as the effective date of the geothermal adder revision. In the ensuing discussion between PG&E and CCC, it was determined that February 1 was not practical as an effective date because recorded data would not be available in time to make an accurate filing for a February 1 date. In addition, subsequent discussions between the Commission Advisory and Compliance Division (CACD) and the Administrative Law Judge responsible for D.86-12-091 determined that the intent of the decision was not to specify February 1 as an effective date for any year other than the first year, as designated in that decision. Accordingly, the Commission ordered in Resolution E-3139, that the 1989 geothermal adder would become effective May 1, 1989, amended Resolution E-3080 to set May 1, 1988 as the effective date for the 1988 geothermal adder revision, and ordered that all future geothermal adder revisions were to be filed no later than February 1 of each year and should be made effective by May 1 of that year.

4. QF payments reflect payments to suppliers and not rates to customers. The Commission determined in Finding 4 of Resolution E-3139 that authorizing payments for the time period between May 1, 1989 and the effective date of that resolution did not constitute retroactive ratemaking. The same principle holds for this filing.

5. The CACD has reviewed this filing and believes that the proposed revision to the geothermal adder is reasonable because it was calculated in accordance with the formulae specified in Decisions 86-08-083 and 86-12-091, and the final method of calculation is consistent with that approved by Commission Resolution E-3139. CACD also believes the effective date of May 1 of each year, as authorized by Resolution E-3139, is reasonable and should allow sufficient time for Commission review provided that firm recorded data is submitted in a timely manner. The supplemental filing made for this year was not received by the Commission in time to allow for adequate review prior to May 1, 1990.

6. All under-payments to the QFs that occur between May 1, 1990 and the effective date of this order will be calculated by PG&E and adjustments to payments will be made. Resolution E-3139 allowed 90 days for such adjustments in 1989. A similar period will be allowed in this resolution.

7. The utility states, and CACD concurs, that this filing will not increase any rate or charge, conflict with other schedules or rules, nor cause a withdrawal of service.

FINDINGS

1. PG&E's request to revise its geothermal adder from \$0.0004167/kWh to \$0.0004519/kWh is calculated with the formulae contained in D.86-12-091 (pages 100-101 and Finding of Fact 114).

2. PG&E's request to make the revised geothermal adder effective for all payments made to QFs on and after May 1, 1990, is consistent with the provisions of Commission Resolution E-3139.

3. The revised geothermal adder reflects payments to suppliers and not rates to customers. Therefore, implementing these revised components prior to the effective date of this resolution does not constitute retroactive ratemaking. However, PG&E should submit the final calculations for future years' revisions in time to meet the May 1 target date.

4. Advice Letter 1282-E and all accompanying tariff sheets and calculations are superseded and replaced by Advice Letter 1282-E-A which automatically withdrew the original filing.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas & Electric Company is authorized under the provisions of Decisions 85-08-042 and 86-12-091 to increase the geothermal adder paid to Qualifying Facilities from \$0.0004167 per kWh to \$0.0004519 per kWh.

2. Such revision to the geothermal adder shall apply to all payments made to QFs on and after May 1, 1990, in accordance with the provisions of Resolution E-3139.

3. Any under-payments to the QFs that may have occurred between May 1, 1990 and the effective date of this order shall be calculated by PG&E and adjustments made to the payments within ninety (90) days of the effective date of this order.

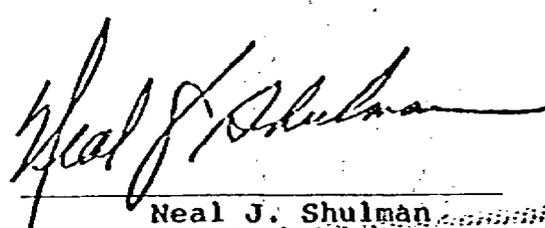
4. Advice Letter 1282-E-A and all accompanying tariff sheets shall be marked to show that they were approved for filing by Commission Resolution E-3181.

5. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 20, 1990. The following Commissioners approved it:

FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

President G. Mitchell Wilk,
being necessarily absent, did
not participate.



Neal J. Shulman
Executive Director