

RETURN TO ENERGY BRANCH  
ROOM 3102

E-6

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3121  
January 27, 1989

R E S O L U T I O N

RESOLUTION NO. E-3121. PACIFIC GAS & ELECTRIC COMPANY (PG&E). ORDER AUTHORIZING AGREEMENTS BETWEEN PG&E AND GEOPRODUCTS CORPORATION (GEO) AS THE DEVELOPER OF THE HONEY LAKE QUALIFYING FACILITY (QF) PROJECT UNDER CONDITIONS WHICH DEVIATE FROM FILED TARIFF SCHEDULES.

ADVICE LETTER NO. 1230-E, FILED NOVEMBER 8, 1988.

SUMMARY

1. PG&E has negotiated cost-of-ownership charge (COC) agreements with Geoproduts Corporation (GEO) for system improvements.
2. PG&E is authorized by this Resolution to enter into these agreements.

BACKGROUND

1. GEO holds an Interim Standard Offer No. 4 power purchase agreement with PG&E for the Honey Lake Qualifying Facility (QF), a biomass/geothermal project to be constructed near Susanville, California.
2. PG&E's transmission system cannot accommodate the QF's deliveries.
3. To upgrade the system, PG&E must reconductor 22 miles of line between Caribou Powerhouse and Westwood substation and modify several substations.
4. The capital cost of the improvements is \$3,209,000.

## DISCUSSION

1. PG&E's Electric Rule 2 sets forth a formula for Cost of Ownership Charges (COC). These charges for depreciation, taxes, maintenance and operation enable the utility to operate a facility for a customer or a QF without burdening other ratepayers.
2. For the Honey Lake QF there was a question concerning the appropriate portion of these costs to be borne by GEO, with the remainder to be borne by the ratepayers. PG&E negotiated a settlement agreement in this matter.
3. The developer has agreed to pay for necessary capital improvements, including taxes.
4. PG&E has agreed to reduce GEO's monthly COC to \$2,000, which is \$8,910 less than the Rule 2 formula amount.
5. The agreement recovers 80% of the total costs from the developer. This settlement has conserved the time and resources of the utility, the developer and the Commission by avoiding costly and time-consuming proceedings. Depending upon the interpretation of the relevant decisions, these costs could be allocated entirely to the ratepayers or to GEO.
6. PG&E has agreed to this lower COC solely as a negotiated settlement in this particular instance and in no way is this negotiated rate a precedent for future COC reductions for this developer or any other developer.
7. The Commission Advisory and Compliance Division (CACD) has reviewed this filing and believes that this deviation from the utility's tariff should be authorized. However, the negotiated agreement reached by PG&E and GEO should be subject to a reasonableness review by the Commission.
8. Public notification of this filing has been made by mailing copies of the filing to other utilities, governmental agencies and to all interested parties who requested such notification. No protests have been received by the CACD in regards to this matter.

## FINDINGS

1. PG&E's line extension agreements with GEO, as discussed above are acceptable to both parties. They avoid a dispute that would drain the resources and time of both parties and the Commission.
2. The effective date of this resolution is more than 40 days since the date of filing of Advice Letter 1230-E. The

effective date of this resolution should be the effective date of our acceptance of these negotiated settlement agreements.

3. The Commission finds that this negotiated COC is a deviation to be granted solely for the purpose of a line extension upgrade for this one case only, and in no way may be construed as a precedent for future negotiations with this developer or any other developer.

4. The reasonableness of this negotiated agreement is to be determined by the Commission in the next appropriate PG&E ECAC proceeding.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas & Electric Company is authorized under the provisions of Section X.A. of General Order 96-A and Section 532 of the Public Utilities Code to deviate from its tariffs and enter into the agreements with Geoproduts Corporation as filed by Advice Letter No. 1230-E.

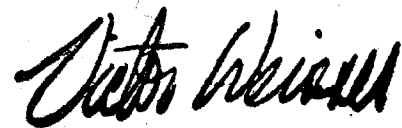
2. The reasonableness of this negotiated agreement shall be addressed by the Commission at the next appropriate PG&E ECAC proceeding.

3. Pacific Gas & Electric Company shall revise its List of Contracts and Deviations to include the agreements detailed above and shall file such revised tariff sheets with the Commission within sixty (60) days of the effective date of this resolution.

4. The effective date of the agreements shall be the effective date of this resolution, which is today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 27, 1989. The following Commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. CHANIAN  
Commissioners



Executive Director