

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3267
MAY 8, 1992

R E S O L U T I O N

RESOLUTION E-3267. PACIFIC GAS AND ELECTRIC COMPANY'S
REQUEST TO REVISE ITS GEOTHERMAL ADDER FOR ENERGY PRICES
PAID TO QUALIFYING FACILITIES, IN COMPLIANCE WITH
DECISION 86-12-051.

BY ADVICE LETTER 1387-E-A, FILED ON MARCH 13, 1992.

SUMMARY

1. Pacific Gas and Electric Company (PG&E) requests authority to revise its Geothermal Adder, or component added to the energy price paid to those Qualifying Facilities (QF's) who are paid variable energy prices. This filing is made annually in compliance with Decision (D.) 86-12-091 in Application 86-04-012, dated December 22, 1986.
2. This Resolution authorizes the request.

BACKGROUND

1. Ordering Paragraph 20, of D.86-12-091, states that PG&E shall update annually the Geothermal Adder based on avoided geothermal costs payable to QF producers. This Advice Letter (1387-E-A) is the fifth annual update. The current Geothermal Adder as filed by Advice Letter 1336-E on February 3, 1991, was approved by Commission Resolution E-3225 effective April 10, 1991.
2. The energy prices paid to QF producers are determined by the purchasing utility's avoided costs. Utility energy costs are established by determining the savings in its system operation because of the use of QF energy. PG&E does not have to use geothermal energy which would be more expensive than QF supplied energy.
3. The contractual geothermal steam prices are determined by a formula established by PG&E in compliance with D.86-12-091, Ordering Paragraph 18 [Advice Letter 1138-E, of January 30, 1987 effective February 1, 1987]. This formula was derived from the

provisions of D.86-08-083 and D.86-12-091 and reflects 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 time lag. Because the use of QF energy reduces the cost of PG&E's thermal generation, QF energy indirectly reduces the geothermal steam price.

NOTICE

1. Public notice of this filing has been made by publication in the Commissions calendar on February 5, 1992, and by mailing copies of the filing to adjacent utilities and government entities.

PROTESTS

1. No protests to this Advice Letter have been received by the Commission Advisory and Compliance Division (CACD).

DISCUSSION

1. For the twelve months ending November 30, 1991, the recorded available QF production was 9,113,926,003 kWh. Using the formula derived from D.86-12-083 and D.86-12-091, the geothermal rate calculated without using the relevant QFs energy in the same period would increase the geothermal costs by \$0.000048/kWh from \$0.0005732/kWh to \$0.0005780/kWh.

2. D.86-12-091 specifies that, following Commission approval, the Geothermal Adder may be revised only at the beginning of each quarter, 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. The Commission ordered in Resolution E-3139, that the 1989 Geothermal Adder would become effect by May 1, 1989, amended Resolution E-3080 to set May, 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.

3. QF payments reflect payments to suppliers and not rates to customers. The Commission determined in Finding No. 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.

4. All under-payments to the QFs that occur between May 1, 1992 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.
5. CACD has reviewed the calculation and recommends approval of the revised Geothermal Adder.

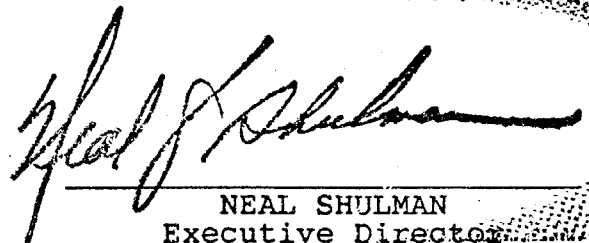
FINDINGS

1. PG&E's request to revise its Geothermal Adder from \$0.0005732/kWh to \$0.0005780/kWh is calculated with the formulae contained in D.86-12-091.
2. PG&E's request to make the revised Geothermal Adder effective for all payments made to QF's on and after May 1, 1992, 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.
4. The revised Geothermal Adder has been reviewed by CACD and is in conformance with D.85-08-042 and D.86-08-083.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized under the provisions of Decisions 85-08-042 and 86-12-091 to revise the Geothermal Adder paid to varying price Qualifying Facilities from \$0.0005732/kWh to \$0.0005780/kWh.
2. Pacific Gas and Electric Company's revision to the Geothermal Adder shall apply to all payments made to Qualifying Facilities on and after May 1, 1992, in accordance with the provisions of Resolution E-3139.
3. Any under-payments to the QFs that may have occurred between May 1, 1992 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 1387-E-A, and the accompanying tariff sheets shall be marked to show that they were approved for filing by Commission Resolution E-3267.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the California Public Utilities Commission at its regular meeting on May 8, 1992. The following Commissioners approved it:



NEAL SHULMAN
Executive Director

DANIEL WM. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners