CA-39

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3388
September 1, 1994

R E S O L U T I O N

RESOLUTION E-3388. REQUEST BY SAN DIEGO GAS & ELECTRIC COMPANY FOR APPROVAL OF SPECIAL CONTRACT WITH THE CITY OF ESCONDIDO FOR POWER PURCHASES

BY ADVICE LETTER 912-E, FILED ON MAY 19, 1994.

SUMMARY

1. San Diego Gas & Electric Company (SDG&E) has negotiated a contract with the City of Escondido (Escondido) to supersede the current power purchase agreement. The new contract would provide incentives to Escondido to generate power during SDG&E's peak energy requirements periods. Escondido will be notified of the peak periods by telemetry, the way SDG&E notifies customers on variable rate schedules of peak period consumption charges.

2. This Resolution authorizes the special contract and the revision to the utility's List of Contracts and Deviations.

BACKGROUND

1. SDG&E has been purchasing energy from Escondido since at least 1916, beginning with Special Contract 12. The Commission authorized Special Contract 59 between SDG&E and Escondido to supersede Special Contract 12 by Resolution 852, dated June 7, 1954.

2. Currently, SDG&E purchases capacity and energy from Escondido at the city's Bear Valley Hydroelectric Plant (Bear Valley) as a qualifying facility (QF) under a power purchase agreement dated May 18, 1990. SDG&E's design and operating guidelines for small power production facilities are set forth in the utility's Tariff Rule 21 (Customer-Owned Generation -- Qualified Facilities). Both the the current and proposed contracts incorporate the guidelines by reference.

3. Escondido has the capability to provide power during the times of the year that SDG&E's system demands are greatest. In order to provide appropriate incentives and to compensate Escondido for such deliveries, SDG&E and Escondido have

negotiated Special Contract 273 (Contract). Under the Contract, Escondido will be compensated for energy sales on a variable time-of-use basis, derived from the Commission's approved short run costs. By Advice Letter 918-G, filed on May 19, 1994, SDG&E requested authorization of the Contract and a revised List of Contracts and Deviations incorporating notice of the Contract.

4. The Commission has authorized SDG&E to offer several experimental commercial and industrial tariffs that incorporate variable time-of-use (TOU) pricing concepts. Under these tariffs, customers receive notification by telemetry of changes in effective rates. The rate changes are derived from a differentiation of the utility's On-Peak period into three tiers. Each Tier is determined by SDG&E's system sendout, with Tier I the highest sendout.

NOTICE

The Advice Letter was noticed in accordance with section III of the Commission's General Order 96-A by publication in the Commission Calendar and distribution to SDG&E's advice filing service list.

PROTESTS

No protests have been received by the Commission Advisory and Compliance Division (CACD) for this Advice Letter filing. One inquiry letter, dated May 31, 1994 was received from John Payne, a ratepayer in San Diego.

DISCUSSION

1. SDG&E's current power purchase contract specifies a single capacity payment based on as-available capacity. The new Contract provides that SDG&E shall pay for peaking capacity based on deliveries during on-peak periods. The payments are differentiated into three tiers of on-peak deliveries, where Tier I is the maximum demand period, Tier II is the mid-range on-peak period, and Tier III is the remainder of the on-peak period. These Tiers are quantitatively defined in SDG&E's Tariff Schedule A-V3.

2. Ratepayer Payne inquired as to why the new Contract was better for ratepayers than the current contract. Presently, SDG&E pays Escondido for as-available capacity at a rate of approximately $0.07 per kWh during the entire on-peak period. Escondido can provide power to SDG&E's system at any time. Under the proposed contract, SDG&E would pay approximately $1.83 per kWh during Tier I on-peak periods, $0.17 per kWh during Tier II on-peak periods, and $0.02 per kWh during Tier III on-peak periods. The utility indicates that it expects 29 hours of Tier I conditions, 91 hours of Tier II conditions, and 297 hours of Tier III conditions during the year. SDG&E believes that the payment schedule will provide a substantial incentive to Escondido to provide power when customer load is at extreme peaks.

3. The payment schedule in the Contract is tied to SDG&E's avoided costs and it reflects SDG&E's most recent pricing schedules, as approved by the Commission. SDG&E's Rate Schedule A-V3, which is a General Service - Variable Time-Of-Use Rate, provides a comparison to the proposed payment schedule. An A-V3 customer pays approximately $4.19 per kWh for Tier I On-Peak energy, $0.59 for Tier II, and only $0.09 for Tier III.

4. CACD has reviewed the Advice Letter filing and recommends approval of the Contract. SDG&E has tied the payment schedule to the periods when its power needs are greatest. Also, the amounts SDG&E will pay reflect the differentiation of the utility's on-peak period into three tiers, corresponding to the most recent rate schedules approved by the Commission.

FINDINGS

1. SDG&E and Escondido have negotiated Special Contract 273 (Contract) to supersede the current power purchase agreement. The Contract would provide variable compensation to Escondido with the highest rates for deliveries when SDG&E's system demands are greatest.

2. By Advice Letter 912-E, filed on May 19, 1994, SDG&E requested authorization of the Contract and of a revised List of Contracts and Deviations incorporating notice of the Contract.

3. CACD recommends approval of the Contract,

THEREFORE, IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) is authorized to purchase power from the City of Escondido in accordance with the Special Contract filed by Advice Letter 912-E, and to revise its list of Contracts and Deviations.

2. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 1, 1994. The following Commissioners approved it:

DANIEL Wm. FESSLER
President
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
Commissioners

Commissioner Patricia M. Eckert, being necessarily absent, did not participate.

Neal J. Shulman

NEAL J. SHULMAN
Executive Director