PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ITEM # 10
AGENDA ID # 16497

ENERGY DIVISION **RESOLUTION E-4902 (Rev. 1)**

June 21, 2018

R E S O L U T I O N

Resolution E-4902. Pacific Gas and Electric request for approval of Non-Bypassable Charge Agreement between Pacific Gas and Electric and Phillips 66 Company.

PROPOSED OUTCOME:

- This Resolution approves a Non-Bypassable Charge Agreement between Pacific Gas and Electric Company (PG&E) and Phillips 66 Company.

SAFETY CONSIDERATIONS:

- This resolution approves an Agreement which, based on information before the Commission, are consistent with prudent practices.

ESTIMATED COST:

- There is no cost impact.

By Advice Letter 5079-E Filed on June 2, 2017.

SUMMARY

This Resolution approves a non-bypassable charge (NBC) agreement between Pacific Gas and Electric Company (PG&E) and Phillips 66 Company for electric service at the oil refinery located at 1290 San Pablo Avenue, Rodeo, California (NBC Agreement). The Agreement requires Phillips 66 to pay certain NBCs to PG&E based on net electricity delivered to Phillips 66 from a combined heat and power waste heat recovery generation unit owned and operated by Air Liquide.

BACKGROUND

On June 2, 2017, PG&E filed advice letter 5079-E, requesting Commission approval for a non-bypassable charge (NBC) agreement between PG&E and Phillips 66 Company for electric service at the Rodeo oil refinery located at 1290 San Pablo Avenue, Rodeo, California.

Phillips 66 takes bundled service from PG&E under Electric Rate Schedule E-DCG. In 2009, an expansion included installation of a hydrogen plant owned and operated by Air Liquide next to the refinery. The Air Liquide Hydrogen Plant includes a bottom-cycling CHP waste heat recovery generator that can produce 10-11 MW, of which 6-7 MW can be used to serve Air Liquide facilities and 3-4 MW sold 'over the fence' to Phillips 66.

Commission decisions issued in Rulemaking (R.) 02-01-011 stipulate that PG&E bill and collect NBCs from certain customers within PG&E's service area that meet part of all of their own electric load using distributed generation. Phillips 66 believes the CHP waste heat recovery unit falls within the "normal course of business" exception and thus are exempt from paying NBC fees. PG&E believes the "normal course of business" exception does not apply to any generation except the "station power" that serves the generator itself.

PG&E and Phillips 66 have agreed it is in the best interest to resolve the disputed issues regarding NBC billing and collection. They have entered into an agreement that Phillips 66 shall pay to PG&E NBCs on the net electricity delivered to it "over the fence" from Air Liquide, as the waste heat facility cannot run unless the hydrogen plant (which provides fuel for the waste heat facility) is operating. Both parties agree the terms are reasonable and ask the Commission to approve it.

NOTICE

Notice of AL 5079-E was made by publication in the Commission's Daily Calendar. Pacific Gas and Electric states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 5079-E was not protested.

DISCUSSION

On June 2, 2017, PG&E filed Advice Letter 5079-E requesting approval of a Non-Bypassable Charge Agreement between Pacific Gas and Electric Company (PG&E) and Phillips 66 Company.

Phillips 66 agrees to pay PG&E the three NBCs (Nuclear Decommissioning (ND), Public Purpose Program (PPP), and DWR Bond) for all electricity in excess of Air Liquide's electric load that is delivered "over the fence" from Air Liquide. On a monthly basis, Phillips 66 shall provide PG&E hourly readings from meters connecting Phillips 66 and Air Liquide. PG&E shall net the two meters. Whenever the net of the two meters is positive, indicating net flow from Air Liquide to Phillips 66, PG&E shall multiply the kWhs exported by the sum of the current values for the three NBCs in the applicable rate schedule. PG&E shall submit an invoice for the total and Phillips 66 shall remit the invoiced amount within 30 days.

We find the negotiated terms of the Agreement to be reasonable and therefore we approve the Agreement in its entirety.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. In Rulemaking (R.) 02-01-011, the Commission stipulated that PG&E bill and collect NBCs from certain customers within PG&E's service area that meet part of all of their own electric load using distributed generation.
2. Phillips 66 owns and operates the Rodeo Refinery where it takes bundled service from PG&E under Electric Rate Schedule E-DCG.

3. In 2009, the refinery added a hydrocracking complex, which includes a bottom-cycling CHP waste heat recovery generator that can produce 10-11MW. The new hydrogen plant is owned and operated by Air Liquide, which uses 6-7 MW to serve their own facilities and sells 3-4 MW "over the fence" to Phillips 66.
4. PG&E and Phillips 66 have disagreed regarding responsibility for NBCs for the load served by the Air Liquide CHP generator. Phillips 66 believes the unit is exempt under "normal course of business" definitions, while PG&E disagrees.
5. After negotiations, PG&E and Phillips 66 have come to an agreement that Phillips 66 shall pay PG&E NBCs on the net electricity delivered to it "over the fence."
6. The NBC Agreement is reasonable and should be approved.
7. As this Agreement was reached after prolonged negotiation between both parties, this resolution sets no precedent for any future agreements, nor does it indicate any modifications or changes to established Commission rules.

THEREFORE IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric to approve a non-bypassable Charge Agreement between Pacific Gas and Electric and Phillips 66 Company as requested in Advice Letter 5079-E is approved without modification.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 21, 2018 the following Commissioners voting favorably thereon:

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ALICE STEBBINS
Executive Director