

## APPENDIX VI

### Reliability Services Rate Schedule

- 1. Applicability.** This Reliability Services Rate Schedule is applicable to all customers with Loads taking transmission service under either the ISO Tariff and the TO Tariff or certain Existing Contracts, as described in Section 4 below, and that are located in the historic control area of the Participating TO.
- 2. Description.** The purpose of this Reliability Services Rate Schedule is to set forth rates to be charged by the Participating TO for the recovery of Reliability Services costs billed to the Participating TO by the ISO or directly incurred by the Participating TO as a result of implementing ISO Operating Procedure M-438, designed to enhance reliable grid operations and local area reliability.
- 3. Effective Date.** This Reliability Services Rate Schedule shall be effective for service rendered on and after August 1, 2001.
- 4. Existing Contracts.** Existing Contracts are defined in the ISO Tariff as contracts which grant transmission service rights in existence on the ISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time. Existing Contract Customers of the Participating TO with Loads within the Participating TO's historic control area are as follows:

CUSTOMER	RATE SCHEDULE FERC NUMBER	HISTORIC CONTROL AREA LOAD
Arizona Electric Power Cooperative/Southwest Transmission Cooperative	131	City of Anza Electric Load
City of Azusa	372, 373, 374, 375, 376	City of Azusa Electric Load
City of Banning	378, 379, 380, 381	City of Banning Electric Load
City of Colton	361, 362, 363, 365	City of Colton Electric Load
City of Riverside	390, 391, 392, 393	City of Riverside Electric Load

Billing and payment rules applicable to Existing Contract Customers shall be pursuant to the applicable Existing Contract. If an Existing Contract Customer listed above becomes a Participating TO, then that Existing Contract Customer will be exempt from charges under this rate schedule pursuant to Section 30.6.1.2 of the ISO Tariff.

**5. Provision of Reliability Services by the Participating TO.** California Public Utilities Commission Decision 04-07-028, issued July 8, 2004, states that utilities under its jurisdiction are responsible for scheduling and procuring sufficient and appropriate resources to meet their customers' needs, and to permit the ISO to maintain reliable grid operations. The ISO issued Operating Procedure M-438 to provide information which will enable utilities to assist the ISO in maintaining reliable grid operations and local area reliability. This Section sets forth the actions that the Participating TO will take to implement Operating Procedure M-438, and describes the method to determine the Reliability Services costs incurred by the Participating TO in implementing Operating Procedure M-438. ISO Operating Procedure M-438 defines Local Capacity Commitment Areas for which the ISO requires certain Generation to be on-line in order to maintain reliable grid operations and local area

reliability. For each Local Capacity Commitment Area, ISO Operating Procedure M-438 sets forth a Capacity Commitment Table, which states the megawatt quantity of on-line generation from designated units required to maintain reliable grid operations. The ISO controls the form and structure of Operating Procedure M-438 and is solely responsible for its contents including, but not limited to, establishing the “Requirements beyond RMR” and “Non-RMR Generation Plants to be Used” sections of the SCE Local Area “Capacity Commitment Tables” in Operating Procedure M-438B.

The Scheduling Coordinator for Southern California Edison Company’s loads and generation (“PTO SC”) may have ownership or contractual rights to include generation from Generation Units that can meet ISO Operating Procedure M-438 requirements in its schedule of generation submitted to the ISO (“Scheduled M-438 Generation Units”). Additionally, the PTO SC may have contractual rights to require the operation of Generation Units located within the designated Local Capacity Commitment Area and which can meet ISO Operating Procedure M-438 requirements, but which are included in another Scheduling Coordinator’s schedule of generation submitted to the ISO (“Contract M-438 Generation Units”). SCE does not have contractual rights to take possession of the output of the Contract M-438 Generation Units.

Prior to the submission of its day ahead schedule of generation and load to the ISO each day, the PTO SC will develop a least-cost day-ahead plan for scheduling of generation and loads (“DA Plan”), solely based on information known to the PTO SC and on costs to be incurred by the PTO SC.

Subsequent to the development of the PTO SC's DA Plan, the PTO SC shall consult the Capacity Commitment Table in ISO Operating Procedure M-438 and the ISO's load forecast posted on OASIS applicable to the SCE Service Area to determine if the ISO's local-area capacity requirements would be met by the PTO SC's DA Plan, or whether the ISO requires additional Generation Units to be committed to meet the requirements of Operating Procedure M-438. If ISO Operating Procedure M-438 requires the commitment of additional Generation Units, the PTO SC shall commit additional Scheduled M-438 Generation Units and/or Contract M-438 Generation Units sufficient to achieve the stated Requirement at minimum cost. The above commitment of additional M-438 Generation Units shall be determined independently from the PTO SC's DA Plan and shall in no way alter the PTO SC's commitment and dispatch of non-M-438 generation resources to meet its bundled customer needs.

SCE's least cost commitment of Scheduled M-438 Generation Units and/or Contract M-438 Generation Units shall be subject to the contractual and physical operating constraints of the additional Generation Units needed to attain the Capacity Commitment Table capacity requirements. To implement the least cost commitment, the PTO SC shall (1) develop and submit to the ISO a day-ahead schedule incorporating the commitment and scheduling of all such Scheduled M-438 Generation Units, at least at the minimum load operating level of each unit; and/or (2) take appropriate action in accordance with its contractual rights to ensure the commitment and scheduling of all such Contract M-438 Generation Units, at least at the minimum load operating level of each unit.

The PTO SC shall determine the costs incurred for providing Reliability Services associated with use of Scheduled M-438 Generation Units to meet the requirements of the ISO's Capacity Commitment Table for each submitted day-ahead schedule that differs from the PTO SC's DA Plan by the following procedure:

- 1) Determine which additional unit or units have been scheduled with the ISO as a result of direction provided in the Capacity Commitment Table of Operating Procedure M-438.
- 2) For each additional unit that has been committed, compare the operating and start-up costs for the unit at its committed minimum load level with the market value of energy and capacity for the hours that the unit is committed. The excess of the cost of operation of the unit over the market value of energy and capacity shall be the cost incurred by the PTO SC in providing Reliability Services to the ISO for that unit.

The operating and start-up costs for Scheduled M-438 Generation Units will be based on unit-specific start-up and operating heat-rate information and the delivered price of gas on the Southern California Gas Company system on the date upon which the Generation Unit was started, as determined by reference to Platt's Gas Daily. The market value of energy shall be based on on-peak and off-peak South of Path 15 ("SP15") energy prices that are converted to hourly prices using fixed hourly weights, as set forth in Platt's Megawatt Daily. The market value of capacity shall be based on the ISO market clearing price of any Ancillary Services that the unit was scheduled to provide to the ISO, times the number of MW of Ancillary Services sold to the ISO. The following formula shall be used to calculate the costs of providing

Reliability Services pursuant to Operating Procedure M-438 associated with  
Scheduled M-438 Generation Units:

$$\text{RS Cost} = (G * \text{HR} * \text{MWh}) + (\text{SF} * G) + \text{FC} - (\text{PE} * \text{MWh}) - (\text{PC} * C)$$

Where:

PE = The hourly market value of energy, determined by applying fixed hourly weighting factors to the day-ahead on-peak and off-peak power index price as published by Platt's Megawatt Daily for the applicable operating date.

G = The gas index price (including transportation charges, regulatory fees, and transportation and municipal surcharges) for the applicable flow date as published in Platt's Gas Daily.

HR = Fixed average heat rate at minimum or maximum unit load (as applicable).  
MWh = Total number of MWh during the on-peak or off-peak period at minimum or maximum load (as applicable).

SF = The Generation Unit start-up fuel quantity measured in MMBtu.

FC = The Generation Unit fixed start-up costs in dollars per start.

PC = The market price of capacity, as given by the market price per MW of any Ancillary Services that are provided by the unit.

C = The quantity of capacity sold by the unit, as given by the MW amount of Ancillary Services sold into the ISO market.

The costs of providing Reliability Services pursuant to Operating Procedure M-438 associated with Contract M-438 Generation Units consist of both payments made for dispatches ("M-438 Contract Energy Payments") and payments made to secure the right to require the commitment of the units ("M-438 Contract Capacity Payments"). The determination of the M-438 Contract Energy Payments will consist of a comparison of the operating and start-up costs to the market value of energy produced by the Contract M-438 Generation Unit. M-438 Contract Energy Payments associated with Contract M-438 Generation Units shall equal the lower of the costs determined in accordance with the following formula (with MWh determined at both the minimum and maximum output levels of the Generation Unit

during on-peak periods and MWh determined at the minimum output level of the Generation Unit during off-peak periods):

$$\text{M-438 Contract Energy Payments} = (G * \text{HR} * \text{MWh}) + (\text{SF} * G) + \text{FC} - (\text{PE} * \text{MWh})$$

Where:

PE = The day-ahead on-peak and off-peak power index price as published by Platt's Megawatt Daily for the applicable operating date.

G = The gas index price (including transportation charges, regulatory fees, and transportation and municipal surcharges) for the applicable flow date as published in Platt's Gas Daily.

HR = Fixed average heat rate at minimum or maximum unit load (as applicable).

MWh = Total number of MWh measured at both minimum and maximum load during the on-peak period and minimum load during the off-peak period (as applicable).

SF = The Generation Unit start-up fuel quantity measured in MMBtu.

FC = The Generation Unit fixed start-up costs.

For Contract M-438 Generation Units, the M-438 Contract Capacity Payments, which consist of any payment made by the PTO SC to secure the right to require commitment of such Contract M-438 Generation Units is a cost of providing Reliability Services pursuant to ISO Operating Procedure M-438. If for any reason a Contract M-438 Generation Unit is unavailable for commitment during any portion of the term of its contract, regardless of whether the unit is required to be committed under ISO Operating Procedure M-438, the PTO SC shall exercise its contractual rights to reduce pro rata the monthly M-438 Contract Capacity Payments to reflect this unavailability. The pro rata reduction of the monthly M-438 Contract Capacity Payments shall be equal to the number of hours that the unit was unavailable divided by the number of hours in the month, times the payment due for that month.

The pro rata reduction will be reflected in the invoice submitted by the Contract M-438 Generation Unit to the PTO SC.

As soon as reasonably practicable, and in any event no later than the last day of the month following the incurrence of such costs, SCE will post on its website the estimated total monthly M-438 Reliability Services costs incurred by SCE.

**6. Reliability Services Revenue Requirement.** The Reliability Services Revenue Requirement shall equal the forecast of the Reliability Services costs to be incurred by the Participating TO during the applicable calendar year, plus the recorded balance in the RSBA in the year preceding the forecast of Reliability Services costs. The Reliability Services Revenue Requirement, adjusted for franchise fees and, if applicable, uncollectable accounts expense, shall be used to determine the Reliability Services Rates. Such revenue requirement and rates shall be revised annually through a filing by the Participating TO with the FERC under Section 205 of the Federal Power Act to be effective for service rendered on and after January 1.

**7. Reliability Services Balancing Account ("RSBA").** The RSBA is a rate-making mechanism which ensures that the Participating TO neither under-collects nor over-recovers the Reliability Services costs. Each month, the Participating TO will make two entries to the RSBA: one entry will equal the actual amount of Reliability Services cost billings from the ISO to the Participating TO, and costs incurred by the Participating TO pursuant to Section 5 of this Appendix VI, for service rendered after the effective date of this rate schedule, and the other entry will equal the Reliability Services rate revenues billed to applicable customers during the month, adjusted for franchise fees and, if applicable, uncollectable accounts expense. Interest on the amounts

accumulated in the RSBA shall be calculated based on the average RSBA principal balance each month, compounded quarterly, using the interest rate pursuant to Section 35.19(a) of the FERC's regulations under the Federal Power Act (18 CFR Section 35.19(a)).

**8. Reliability Services Rates.** The rates for the recovery by the Participating TO of the Reliability Services Revenue Requirement are as follows:

1. Wheeling Customers with load located in Participating TO's historical control area:
  - a. California Department of Water Resources State Water Project: \$0.00001 per kWh
  - b. Golden State Water Company: \$0.00002 per kWh
  - c. Other Wheeling Customers: \$0.00002 per kWh
2. City of Colton: \$0.01172 per kW of contract capacity per month.
3. Arizona Electric Power Cooperative, Inc./Southwest Transmission Cooperative, Inc.: \$0.00858 per kW of contract capacity per month.

5. End-Use Customers:

Retail Customer Group	Rate Schedule	Rate (¢/kWh)	
Domestic <sup>1/</sup>	D	0.003	
	TOU-D-1	0.003	
	TOU-D-2	0.003	
	D-CARE	0.003	
	TOU-D-T	0.003	
	D-FERA	0.003	
	TOU-EV-1	0.003	
	TOU-D-TEV	0.003	
	Lighting, Small & Medium Power <sup>2/</sup>	GS-1	0.003
		GS-2-A	0.003
GS-2-B		0.003	
GS-2 (Non TOU Option)		0.003	
GS-2-R		0.003	
TC-1		0.002	
TOU-GS-1		0.003	
TOU-GS-3-A		0.003	
TOU-GS-3-B		0.003	
TOU-GS-3-CPP		0.003	
TOU-GS-3-R		0.003	
TOU-GS-3-SOP		0.003	
TOU-EV-3		0.003	
TOU-EV-4		0.003	
WTR		0.002	
WI-FI-1		0.002	
Large Power <sup>3/</sup>		TOU-8-SEC-A	0.002
		TOU-8-SEC-B	0.002
	TOU-8-SEC-R	0.002	
	TOU-8-PRI-A	0.002	
	TOU-8-PRI-B	0.002	
	TOU-8-PRI-R	0.002	
	TOU-8-SUB-A	0.002	
	TOU-8-SUB-B	0.002	
	TOU-8-SUB-R	0.002	
	TOU-8-CPP-SEC	0.002	
	TOU-8-CPP-PRI	0.002	
	TOU-8-CPP-SUB	0.002	
	TOU-8-RBU-SEC	0.002	
	TOU-8-RBU-PRI	0.002	
	TOU-8-RBU-SUB	0.002	

Retail Customer Group	Rate Schedule	Rate (¢/kWh)
Large Power <sup>3/</sup> (continued)	RTP-2-SEC	0.002
	RTP-2-PRI	0.002
	RTP-2-SUB	0.002
Agricultural & Pumping <sup>4/</sup>	PA-1	0.002
	PA-2	0.002
	TOU-PA-A	0.002
	TOU-PA-B	0.002
	TOU-PA-5	0.002
	TOU-PA-SOP	0.002
	TOU-PA-CPP	0.002
	TOU-PA-ICE	0.002
	PA-RTP	0.002

Retail Customer Group	Rate Schedule	Rate (¢/kWh)
Street Lighting	LS-1-A (All Night Service)	0.001
	LS-1-B (Midnight Service)	0.001
	LS-2-A (Multiple Service/All Night)	0.001
	LS-2-B (Multiple Service/Midnight)	0.001
	LS-2-C (Series Service/All Night)	0.001
	LS-2-D (Series Service/Midnight)	0.001
	LS-3	0.001
	AL-2 Option A	0.001
	AL-2 Option B On-Peak	0.001
	AL-2 Option B Off-Peak	0.001
	OL-1 (All Night Service)	0.001
	OL-1 (Midnight Service)	0.001
	DWL	0.001

Footnotes:

<sup>1/</sup> Includes Rate Schedules D-APS, D-APS-E, DE, DM, DMS-1, DMS-2, DMS-3, DS, and MB-E.

<sup>2/</sup> Includes Rate Schedule EDR-A, EDR-E, and EDR-R, GS-APS, and GS-APS-E.

<sup>3/</sup> Includes Rate Schedule TOU-BIP.

<sup>4/</sup> Includes Rate Schedule AP-I.