

Public

February 5, 2001

ADVICE 1518-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Report of Southern California Edison Company Regarding
Voluntary Standardized QF Contract Amendment Program

PURPOSE

In compliance with Decision 00-08-022, this advice filing submits the report of Southern California Edison Company (SCE) on a program (Program) concerning certain voluntary standardized amendments (Amendments) to power purchase contracts (PPCs) between SCE and eligible Qualifying Facilities or QFs.

BACKGROUND

On July 10, 2000, SCE filed with the California Public Utilities Commission (Commission) an emergency motion (Motion) seeking Commission pre-approval of a voluntary standard-form amendment to SCE's PPCs with QFs that could meet eligibility criteria set forth in the Motion. The proposed amendment was designed to provide eligible QFs with a financial incentive to generate electrical power at levels above those that such QFs had provided under their PPCs in the past two years. In bringing the Motion, SCE sought to quickly augment California's energy supply during high demand periods.

On August 3, 2000, the Commission issued D.00-08-022 (Decision), which, among other things, adopted and pre-approved the Amendment,¹ which was a modification of SCE's proposed amendment. The Decision also adopted with modifications SCE's proposed eligibility requirements. Thus, under the Decision, an eligible QF and SCE could elect to enter into an Amendment, whereby SCE agreed to pay the QF 70

¹ The Decision approved Amendments for San Diego Gas & Electric Company as well as SCE. This Report addresses the Amendment and the Decision only as they pertain to SCE.

percent of the zonal Power Exchange (PX) day-ahead market-clearing price for energy delivered during specified high demand hours that exceed a pre-established "baseline" specifically set for the QF. The baseline was set equal to the QF's highest production level during the 50 summer on-peak hours of SCE's 1998 and 1999 summer months when the zonal day-ahead PX price was the highest, or at the QF's contract capacity level, whichever was highest. Setting a QF-specific baseline using this criteria served to ensure that the financial incentive would only be paid for deliveries in excess of that which the specific QF generated during summer peak hours in 1998 and 1999. To be eligible for an Amendment, a QF had to (i) have a single point of interconnection with SCE and/or automatic switches that could be operated to prohibit the QF from increasing deliveries to SCE by serving the QF's facility's load from power supplied through such electrical system; (ii) have agreed to permit SCE to monitor energy deliveries on an hourly or daily basis; and (iii) hold a firm capacity PPC or a nameplate rating of at least 2 MW. The Amendments' term and thus the Program began on August 1, 2000 and ended on October 31, 2000.

In its response (Response) to SCE's Motion, the Office of Ratepayer Advocates (ORA) suggested that SCE submit an advice filing on January 15, 2001 reporting on the results of the Program by the Amendments would be made available. The Decision adopted ORA's suggested reporting requirements and deadline for the advice filing.

On January 12, 2001, Wesley Franklin, Executive Director of the Commission, granted SCE's request for a two week extension, until January 29, 2001, to make the advice filing reporting on the Program's results. On January 29, 2001, Mr. Franklin granted SCE's request for an additional extension, until February 13, 2001. In compliance with the ORA's reporting requirements as incorporated in the Decision, and with the extensions to file granted by Mr. Franklin, SCE submits the Report below and Attachments A-1, B-1 and C hereto.²

REPORT

The reporting requirements contained in ORA's Response consist of fifteen "Questions" set forth below.

1. Aggregate MWHs provided;
2. Aggregate dollars paid;
3. Aggregate amount credited to the transition cost balancing account;
4. For each event, MWHs provided;

² Attachments B and C contain confidential information that is a trade secret of the QFs that took part in the Program. Accordingly, SCE submits Attachments B and C in confidence, under Public Utilities Code § 583 and General Order 66-C.

5. For each event, average MWH provided per hour;
6. For each event, aggregate dollars paid;
7. For each event, amount credited to the transition cost balancing account;
8. For each QF, MWHs provided;
9. For each QF, average MWH provided per hour and standard deviation for hourly megawatts;
10. For each QF, aggregate dollars paid; and
11. For each QF, amount credited to the transition cost balancing account;
12. Number of contracts cancelled by QFs;
13. Number of contracts cancelled by SCE;
14. SCE's internal assessment of lessons learned, successes, and the basis for SCE's conclusions; and
15. Copies of each executed emergency amendment.

Attachment A-1 respond to Question Nos. 1-7, above. The aggregate information sought in Question Nos. 1-3 appear at the bottom of Attachment A-1. Question Nos. 4-7 seeks information about the program by "event," which ORA's Response, as adopted by the Decision, described as each day that has "eligible hours" as defined in the Amendment. Attachment A-1 provides summary responses by "event" for Question Nos. 4-7 for the entire Program term of August 1, 2000 through October 31, 2000.

Attachment B-1 responds to Question Nos. 8-11, which request information about the Program by QF.

With respect to Question Nos. 12 and 13, neither SCE nor any QF cancelled an Amendment before the end of the Program term. Attachment C hereto (38 total pages) contains a copy of each executed Amendment, as requested in Question No. 15.

Question No. 14 sought SCE's internal assessment of the Program. Overall, SCE believes that the Program met the goal for which it was designed: it augmented California's energy supply during high demand periods. As noted in Attachments A and B, six of the seven QFs that signed an Amendment provided a total 1,840.140 MWh above their individual baselines during the Program period and saved SCE's customers a total of \$120,032.22. Only one Program participant failed to provide meaningful generation above its baseline and would not be included in any future program.

Notwithstanding the Program's positive effect last summer, SCE cannot make any recommendations about extending it in 2001. In light of the increasingly volatile and unpredictable California energy market, SCE is simply unable to predict how the Program might or should operate in the future.

No cost information is required for the advice filing.

This advice filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any schedule or rule.

EFFECTIVE DATE

This Filing is made pursuant to D.00-08-022 and will become effective on the 40th calendar day after the date filed, which is March 27, 2001.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be mailed to:

IMC Program Manager
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Donald A. Fellows
Manager of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: fellowda@sce.com

Bruce Foster
Vice President of Regulatory Operations
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: fosterbc@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is mailing copies of this advice filing to the interested parties shown on the attached service list and R.94-04-031/I.94-04-032. Address change requests to the attached GO 96-A Service List should be directed to Emelyn Lawler at (626) 302-3985 (Emelyn.Lawler@sce.com).

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing open for public inspection at SCE's corporate headquarters.

For questions, please contact Liz Matthias @ (626) 302-1908 (matthiem@sce.com).

Southern California Edison Company

Donald A. Fellows, Jr.

DAF:lm/eml
Enclosures

Attachment A-1

**Above Baseline Reported by Event
08/01/00-10/31/00**

| (A) Event Dates | (B) MWh Provided/Event | (C) Average MWh Per Hour/Event | (D) Aggregate Dollars Paid/Event (\$) | (E) Aggregate Dollars Credited to TCBA/Event (\$) |
|--------------------------|------------------------------|---|--|--|
| 08/04/2000 | 1.582 | 0.176 | \$410.80 | \$176.06 |
| 08/07/2000 | 0.449 | 0.112 | \$75.77 | \$32.47 |
| 08/08/2000 | 50.894 | 2.679 | \$8,561.87 | \$3,669.37 |
| 08/09/2000 | 32.703 | 1.635 | \$4,704.67 | \$2,016.29 |
| 08/10/2000 | 22.605 | 2.261 | \$2,913.24 | \$1,248.53 |
| 08/11/2000 | 70.047 | 2.802 | \$10,846.96 | \$4,648.70 |
| 08/14/2000 | 36.230 | 2.013 | \$8,298.38 | \$3,556.45 |
| 08/15/2000 | 35.230 | 1.532 | \$5,831.43 | \$2,499.18 |
| 08/16/2000 | 64.289 | 2.922 | \$10,816.05 | \$4,635.45 |
| 08/17/2000 | 28.915 | 1.701 | \$4,563.28 | \$1,955.69 |
| 08/18/2000 | 79.263 | 3.963 | \$12,690.52 | \$5,438.79 |
| 08/21/2000 | 136.664 | 4.713 | \$22,026.22 | \$9,439.81 |
| 08/22/2000 | 82.271 | 2.742 | \$13,698.41 | \$5,870.75 |
| 08/23/2000 | 101.612 | 3.387 | \$17,765.63 | \$7,613.84 |
| 08/24/2000 | 87.347 | 2.912 | \$13,976.97 | \$5,990.13 |
| 08/25/2000 | 55.890 | 2.150 | \$9,681.90 | \$4,149.39 |
| 08/28/2000 | 102.266 | 3.008 | \$17,056.22 | \$7,311.09 |
| 08/29/2000 | 158.222 | 5.274 | \$26,485.69 | \$11,351.01 |
| 08/30/2000 | 104.493 | 5.805 | \$12,933.27 | \$5,542.83 |
| Total | 1,250.973 | | \$203,338.78 | \$87,145.83 |
| 09/06/2000 | 29.539 | 5.908 | \$3,121.43 | \$1,337.76 |
| 09/07/2000 | 116.908 | 5.083 | \$13,892.85 | \$5,954.08 |
| 09/11/2000 | 56.048 | 2.156 | \$6,230.65 | \$2,670.28 |
| 09/12/2000 | 31.893 | 5.316 | \$3,475.58 | \$1,489.53 |
| 09/13/2000 | 21.700 | 2.170 | \$3,104.74 | \$1,330.60 |
| 09/14/2000 | 59.728 | 3.318 | \$9,808.37 | \$4,203.59 |
| 09/15/2000 | 67.831 | 2.609 | \$10,428.42 | \$4,469.32 |
| 09/18/2000 | 10.784 | 0.539 | \$1,758.03 | \$753.44 |
| 09/19/2000 | 12.241 | 0.720 | \$2,016.89 | \$864.38 |
| 09/20/2000 | 26.375 | 1.388 | \$4,615.50 | \$1,978.07 |
| 09/21/2000 | 49.114 | 2.232 | \$5,711.54 | \$2,447.80 |
| Total | 482.160 | | \$64,164.00 | \$27,498.86 |
| 10/02/2000 | 63.283 | 2.344 | \$7,896.43 | \$3,384.18 |
| 10/03/2000 | 43.721 | 3.643 | \$4,677.55 | \$2,004.66 |
| Total | 107.004 | | \$12,573.98 | \$5,388.85 |
| Aggregate MWh | 1,840.138 | | | |
| Aggregate Dollars | | | \$280,075.28 | \$120,032.22 |

Attachments B, and C
Confidential Information
(Redacted)