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Decision 90-12-125 December 27, 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of The
Southern California Edison Company
(U 338-E) for: (1) Authority to
Increase Its Energy Cost Adjustment
Billing Factors, Increase Its Annual
Energy Rate, and Increase Its Electric
Revenue Adjustment Billing Factor
Effective June 1, 1988; (2) Authority
to Implement Modifications to its
Energy Cost Adjustment Clause as More
Specifically Set Forth in this
Application; (3) Authority to Revise
the Incremental Energy Rate, the
Energy Reliability Index, and Avoided
Cost Pricing; (4) Review of the
Reasonableness of Edison's Operations
During the Period from December 1, 1986
through November 30, 1987; and
Review of the Reasonableness of Edison
Payments to Qualifying Facilities
Under Nonstandard Contracts During
the Period from December 1, 1984,
through November 30, 1987.

Application 88-02-016
(Filed February 11, 1988)

ORDER GRANTING REHEARING OF D. 90-09-088

Southern California Edison Company (Edison) filed an Application for Rehearing of D.90-09-088 on October 15, 1990. On October 29, 1990, the Kern River Cogeneration Company (Kern River) filed an Application for Rehearing of the decision, in which, among other things, we disallowed \$48,370,708 in payments by Edison to Kern River under their purchase power agreement.

Having considered all the arguments raised on rehearing, we conclude that a limited rehearing is warranted for the purpose of reviewing the appropriate disallowance. Recognizing that any calculation of disallowance, including the \$48 million disallowance in this case, rests on what facts or

assumptions were reasonable at the time, we are interested in reviewing whether there might be any additional benefits flowing to the ratepayers in these contracts which could be more accurately quantified. In making this review we want to make clear that we will adhere to the prudence standard which we have consistently applied in reasonableness reviews, i.e., what would a reasonable and prudent person have done in light of the facts known, or which should have been known, at the time the decision was made. We will not engage in hindsight review.

Also, any alternative method of calculating the disallowance must be consistent with our policies and goals which are generally applicable to QFs and QF contracts. Lastly we want to emphasize that we will not review whether a disallowance is appropriate or not. We believe a disallowance is warranted. Only the appropriate level of the disallowance is to be reviewed.

THEREFORE, IT IS ORDERED that:

1. Limited rehearing is hereby granted to reconsider the appropriate amount of disallowance in light of the full record of costs and potential benefits to ratepayers included in the purchase power agreement.
2. Rehearing shall be held at a time and place to be noticed by the Assigned Administrative Law Judge.
3. The Executive Director shall serve a copy of this decision on all parties in A.88-02-016.

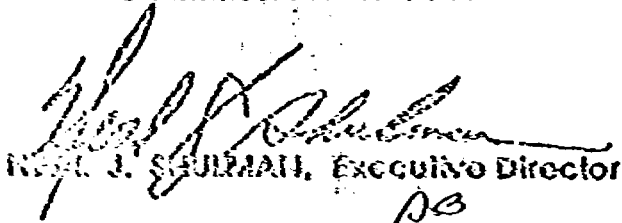
This order is effective today.

Dated December 27, 1990, at San Francisco, California.

I will file a written concurring opinion.
/s/ G. MITCHELL WILK
President

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEIL J. SHULMAN, Executive Director
DS

A.88-02-016
D.90-12-125

G. MITCHELL WILK, President, concurring.

While I have joined my colleagues in ordering a limited rehearing, I have done so without having been convinced that anything in our earlier decision should be changed. I believe the record was well-developed and that little, if anything of substance will be added by a rehearing except to explore the adequacy of the record regarding appropriate disallowance given the fact that some ratepayer benefit resulted from the contract. I will look forward to laying this matter to rest as soon as possible after consideration of any additional evidence that may be produced.

I am also concerned about the timing of our upcoming decision about the proposed merger between Southern California Edison and San Diego Gas and Electric. I do not want a rehearing on KRCC to delay a Commission decision on the merger. The time we have taken to build an extraordinarily complete record on the merger case has not been wasted, but it is time that has had a substantial cost for all involved regardless of the outcome. I will do all that I can to see that we do not add to that delay by ordering this rehearing.

The rehearing order was carefully drafted to affirm that Edison's imprudence in its dealings with KRCC is not an issue that will be reheard. We cannot accept such dealings between a regulated utility and its affiliate, and I will be examining the merger proposal record in this light.



G. MITCHELL WILK
President

December 27, 1990
San Francisco, California