

JUL 3 1991

Decision 91-07-015 July 2, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 the SOUTHERN CALIFORNIA EDISON COM-)
 PANY (U 338-E) for: (1) authority)
 to Revise its Energy Cost Adjustment)
 Billing Factors, its Annual Energy)
 Rate, its Electric Revenue)
 Adjustment Billing Factor and its)
 Low Income Ratepayer Assistance)
 Surcharge effective January 1,)
 1991; (2) authority to revise the)
 Incremental Energy Rate, the Energy)
 Reliability Index and Avoided)
 Capacity Cost Pricing; and)
 (3) review of the reasonableness)
 of Edison's operations during the)
 period from April 1, 1989, through)
 March 31, 1990.)

ORIGINAL

Application 90-06-001
(Filed June 1, 1990)

ORDER ON PETITION FOR MODIFICATION OF
DECISION 90-12-067

On January 22, 1991, the Geothermal Resources Association and Independent Energy Producers Association (GRA/IEP) filed a petition for modification of Decision (D.) 90-12-067, our recent order in the 1991 Energy Cost Adjustment Clause (ECAC) proceeding for Southern California Edison Company (Edison).

GRA/IEP alleges that the decision errs in setting the price paid to Qualifying Facilities (QFs) for as-available capacity equal to zero, based on the decision's adopted value of zero for the Energy Reliability Index (ERI). GRA/IEP further argues that the ERI for the forecast period should be set equal to the floor value of 0.4 previously established for Pacific Gas and Electric Company (PG&E) in D.89-06-048.

Both Edison and the Division of Ratepayer Advocates (DRA) oppose GRA/IEP's petition, claiming that the issues raised by GRA/IEP were thoroughly litigated, and furthermore that

GRA/IEP's petition violates the directive contained in Rule 43 that petitions for modification "shall only be filed to make minor changes in a Commission decision or order." We agree, and will deny petitions on this basis.

This critique notwithstanding, GRA/IEP's petition has made us aware of significant differences in ERI methodology which trace back to Edison's last general rate case decision, D.87-12-066. That decision endorsed a simplified approach to calculating the ERI (D.87-12-066, 26 CPUC 2d 392, 509-512). The adopted methodology, as explained by Edison in its Exhibit 78, is based on a linear "one/zero" approximation of the exponential relationship between the ERI and the reserve margin. This simplified approach was offered in the interest of computational feasibility, in order to avoid "complex and burdensome...contract administration" (Application (A.) 86-12-047, Exhibit 78).

The general rate case method has been used in every subsequent Edison ECAC proceeding, and has resulted in zero ERI values in each of the last two ECAC proceedings (D.90-12-067, pp. 17-27).

After careful consideration of GRA/IEP's argument, we are persuaded that the "one/zero" method may be in conflict with our long-standing finding, enunciated early in the OIR 2 proceeding, that additional capacity always has some value. As we stated in D.82-01-103, "Insofar as an improved reserve margin always improves reliability at least to some degree, the capacity payment always has some positive value" (8 CPUC 2d 20, 64, 114). The "one/zero" approximation may also conflict with several subsequent decisions (e.g., D.82-12-120, 10 CPUC 2d 553, 609; D.85-12-108, 20 CPUC 2d 115, 175; D.86-05-024, 21 CPUC 2d 124, 133-134).

D.88-03-026 properly relegated the complex subject of Standard Offer methodology to the Biennial Resource Plan Update (BRPU). The issues raised by GRA/IEP belong in that proceeding. Therefore we will not modify D.90-12-067, but invite GRA/IEP and

the other parties to review the "one/zero" method in the upcoming Phase Three of the BRPU. We will calendar and hear this issue expeditiously. We intend to apply any resulting change in policy to our decision in Edison's current ECAC proceeding, A.91-05-050.

Therefore, IT IS ORDERED that:

1. Geothermal Resources Association and Independent Energy Producers Association's petition for modification of Decision 90-12-067 is denied without prejudice.

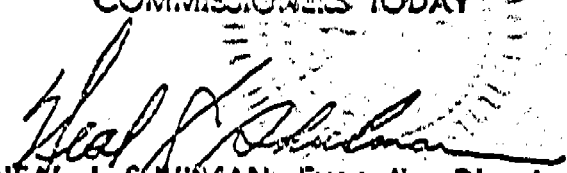
2. Geothermal Resources Association and Independent Energy Producers Association and other parties to this proceeding shall be given the opportunity to address the above-noted issues in the upcoming Phase Three of the Biennial Resource Plan Update proceeding, at a time and place to be set by the assigned Commissioner or presiding Administrative Law Judge.

This order is effective today.

Dated July 2, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SHULMAN, Executive Director