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Decision 92-04-082 April 22, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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| In the Matter of the Application of the SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for: (1) Authority to Revise Its Energy Cost Adjustment Billing Factors, Its Major Additions Adjustment Billing Factor, Its Electric Revenue Adjustment Billing Factor, Its Low Income Surcharge, and Its Base Rate Levels Effective January 1, 1992; (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, 1990 Through March 31, 1991. | Application 91-05-050 (Filed May 24, 1991) |

## ORDER DENYING REHEARING OF DECISION 92-01-018

The Cogenerators of Southern California (CSC) and the California Cogeneration Council (CCC) have each filed applications for rehearing of Decision 92-01-018 concerning the Energy Cost Adjustment Clause (ECAC) for the Southern California Edison Company (Edison). In this decision, we adopted a Joint Recommendation proposed by Edison and the Commission's Division of Ratepayer Advocates (DRA) regarding the revenue requirement and Incremental Energy Rate (IER), modified by the service level credit recommended by CSC of 8,908 Btu/kWh and an adopted cost of gas of $2.83/MMBtu.

Both CSC and CCC focus on the Joint Recommendation in their applications for rehearing. CSC contends that Decision 92-01-018: (1) fails to reflect the pricing structure set forth in *Application of Pacific Gas and Electric Company* (1991) ---- Cal.P.U.C.2d ---- (Decision 91-05-029); (2) is inadequately supported by the record with regard to qualifying facility (QF)

production; (3) departs from *Re Pacific Gas and Electric Company* (1988) 29 Cal.P.U.C.2d 566 (Decision 88-11-052) on the issue of economy energy prices; (4) departs from Decision 88-11-052 on the "NCOMMT" option in the ELFIN production cost simulation model; (5) errs in concluding the contract between Edison and the Bonneville Power Administration (BPA) should be modeled as a sale through the forecast period; (6) adopts an inconsistent method of calculating the annual IER; (7) errs in directing modelers to hardwire units at their automatic generation control (AGC)[1] minimums; (8) errs in directing modelers to designate "must-run" units in ELFIN on the basis of historical Edison practice; and (9) misstates the position of the parties on the issue of categorization of the under 40 MW QFs. CCC takes issue with the challenged decision's forecasting of QF resources and, like CSC, alleges an erroneous departure from Decision 88-11-052 on the NCOMMT option in the ELFIN model. Both parties raised the same concerns during the proceeding and Decision 92-01-018 discusses each of these issues in lengthy detail.

CCC and CSC both rely on our decision in a PG&E ACAP case, Decision 91-05-029, wherein we adopted a stipulation between a number of the parties in that action regarding, *inter alia*, pricing for Edison's Cool Water facility. Both parties argue that the challenged decision fails because it does not use the historical average method for predicting production from generating facilities that was used in Decision 91-05-029. However, Decision 91-05-029 specifically cautions: "the stipulating parties agreed that it would be improper to give their stipulation any precedential weight in any future PUC proceeding." (D.91-05-029 at 6.) Further, for the reasons set forth in the challenged decision, the Commission determined that

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1. AGC is a computer based system that allows a thermal unit to automatically react to changes in load on the Edison system.

the trend, based on surveys showing an increased output in QF generation that reflects the maturation process in QF electrical production, is a more reliable indicator than an historical average method used in Decision 91-05-029, which would predict a forecast lower than recent recorded experience. (See D.92-01-018 at 15-18.)

CSC also claims the decision departs from the seed run method set forth in Decision 88-11-052. However, as we noted in Decision 92-01-018, we have never previously been presented with the seed run methodology that CSC proposes in this case. (*Id.*, at 22.) Further, after weighing the various parties' positions on the price of economy energy we determined that Decision 88-11-052 is not controlling given the difference between PG&E's market for economy energy and Edison's markets. (*Id.*) We also addressed CSC's position that all economy energy should be removed from the ELFIN resource mix, noting that CSC's proposal unjustifiably increases the ELFIN marginal cost output and increases the IER. (*Id.*, at 27.) Finally we noted that each of CSC's proposed ELFIN runs is based on an exclusion of economy energy from the resource mix. CSC has not presented any evidence showing that our decision to adopt the process recommended in the Joint Recommendation was unreasonable. (See *id.*, at 26.)

Both CSC and CCC contend, as they did during the proceeding, that the adoption of the COMMIT option in ELFIN renders the decision erroneous. However, we addressed these concerns in the decision noting that "the use of the COMMIT variable best replicates actual system operations in the probabilistic ELFIN model." (*Id.*, at 32.) NCOMMT does not adequately consider the possibility for forced outages. Neither party has made a persuasive argument that our decision on this issue is unreasonable or not based on substantial evidence.

In its application, CSC has raised the identical issues concerning the Edison-BPA contract, the IER calculation, the use of AGC in the ELFIN model, and out-of-territory under 40 MW QFs that it raised during the proceeding and which we addressed and

dismissed in the decision. We have nothing more to add on these issues. CSC's argument concerning the designation of must-run units was also discussed fully in the challenged decision. The Edison/DRA approach includes as must-run units those that are typically on line in Edison's system as must-run units and this most accurately reflects model system operations.

No further discussion is required of the applicants' allegations of error. Accordingly, upon reviewing each and every allegation of error raised by complainants, we conclude that sufficient grounds for rehearing of Decision 92-01-018 have not been shown.

Therefore, IT IS ORDERED:

1) That the application for rehearing of Decision 92-01-018 filed by the Cogenerators of Southern California is denied.

2) That the application for rehearing of Decision 92-01-018 filed by the California Cogeneration Council is denied.

This order is effective today.

Dated April 22, 1992, at San Francisco, California.

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

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

NEAL J. SHULMAN, Executive Director