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Decision 92-07-021 July 1, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHERN CALIFORNIA EDISON)
COMPANY (U 338-E) for Review of)
the Reasonableness of Edison's)
Operations with Respect to the)
Qualifying Facility Projects in)
which an Edison Affiliate has an)
Ownership Interest for the Period)
April 1, 1991 through)
December 31, 1991.)

ORIGINAL
Application 92-01-067
(Filed January 31, 1992)

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California Edison Company, applicant.
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Foerster, by Jerry Bloom, Joe Karp, and
Lynn Haug, Attorneys at Law, for Watson
Cogeneration; Paul J. Kaufman, Attorney
at Law, for Kern River Cogeneration; and
Donald W. Schoenbeck, for Regulatory &
Cogeneration Services; interested
parties.
Hallie Yacknin, Attorney at Law, for the
Division of Ratepayer Advocates.

O P I N I O N

Southern California Edison Company (Edison) requests the
Commission to:

1. Conduct a timely review of the
reasonableness of Edison's purchased power
expenses associated with the thirteen
Qualifying Facility (QF) projects in which
an Edison affiliate has an ownership

interest (Affiliate QF Projects)¹ for the nine-month period April 1, 1991 through December 31, 1991 (Nine-Month Period);

2. Find that, because since March 31, 1991, Edison has not entered into any new affiliate QF projects and has not executed any amendments to its Affiliate QF Contracts, no contract formation issues exist with respect to the Affiliate QF Contracts for the Nine-Month Period; and
3. Find that Edison's administration of the non-generic terms of the Affiliate QF Contracts for the Nine-Month Period has been reasonable for rate recovery purposes.

The affiliate QF contracts which are the subject of this application were negotiated and entered into between January 1984 and April 1985. The Commission is currently reviewing the reasonableness of Edison's purchased power expenses associated with these contracts in four docketed Edison Energy Cost Adjustment Clause (ECAC) proceedings.² The Division of Ratepayer Advocates (DRA) has raised a number of issues associated with these contracts

1 The 13 projects are:

- o Beowave Geothermal Power Company;
- o Del Ranch, Limited;
- o Elmore, Limited;
- o Geo East Mesa Limited Partnership 1;
- o Geo East Mesa Limited Partnership 2;
- o Geo East Mesa Limited Partnership 3;
- o Harbor Cogeneration Company;
- o Kern River Cogeneration Company;
- o Leathers Limited Partnership;
- o Midway-Sunset Cogeneration Company;
- o Sycamore Cogeneration Company;
- o Vulcan/BN Geothermal Power Company; and
- o Watson Cogeneration Company.

2 Application (A.) 88-02-016, A.89-05-064, A.90-06-001, and A.91-05-050.

and has recommended disallowances with respect thereto. Edison and DRA filed a settlement agreement on May 6, 1992 in the four ECAC dockets which resolves contract formation and administration issues related to Edison's affiliate QF contracts through December 31, 1991.

Edison's reasonableness testimony covering purchased power expenses during the Nine-Month Period would ordinarily not be filed until May 29, 1992. DRA already has reviewed extensive information regarding the reasonableness of Edison's conduct with respect to the affiliate QF contracts during the Nine-Month Period. However, that review has not been part of an ongoing Commission proceeding and, therefore, no record has yet been established before the Commission. The purpose of this application is to establish a record before the Commission with respect to the Nine-Month Period to support that portion of the settlement agreement. Because Edison has not entered into any new contracts with affiliated QFs, and has not executed any amendments to its existing affiliate QF contracts during the Nine-Month Period, Edison believes that no contract formation issues will arise in this review.

Moreover, with respect to the review of Edison's contract administration during the Nine-Month Period requested in this application, Edison is asking that the Commission address only non-generic administration issues: those issues associated with the administration of negotiated terms in the affiliate QF contracts. They are distinguished from generic administration issues, which are associated with the administration of contract terms identical or similar to terms in standard offer contracts. The parties resolved in the settlement agreement only non-generic administration issues. Thus, any generic administration issues arising with respect to any of the power purchase contracts to which Edison is a party (both affiliate and nonaffiliate) will be

addressed in Edison's 1992 ECAC reasonableness review showing to be filed on or before May 29, 1992.

Edison asserts that its testimony filed in support of this application demonstrates that Edison has not entered into any contracts with affiliated QFs and has not executed any amendments to the existing affiliate QF contracts during the Nine-Month Period. Therefore, the Commission should find that no contract formation issues exist with respect to these contracts for the Nine-Month Period.

Edison further asserts that its testimony filed in support of this application demonstrates that Edison's administration of the non-generic terms of the affiliate QF contracts during the Nine-Month Period was reasonable. With respect to the events described in the testimony, Edison believes it administered the non-generic terms of these contracts consistently with applicable Commission policies and directives and with the contract administration procedures which Edison has established for all QF power purchase contracts. Edison contends that its actions were taken with due regard for the interests of Edison's ratepayers and the legal rights, duties, and obligations arising pursuant to those contracts. Therefore, Edison urges the Commission to find that Edison's administration of the non-generic terms of the affiliate QF contracts during the Nine-Month Period was reasonable for ratemaking purposes.

A prehearing conference in this matter was held April 23, 1992 before ALJ Barnett. At that time all interested parties and DRA were given until May 28 to submit testimony or argument in opposition to the application. Only DRA has made a submission, which consists of testimony which recommends that Edison's administration of the non-generic terms in its affiliate contracts during the Nine-Month Period be found reasonable. DRA adds a caveat if the Commission rejects the settlement between Edison and DRA, DRA will ask to reopen this proceeding for the limited purpose

of determining the costs in the Nine-Month Period incurred as a result of the unreasonable provisions contained in the affiliate QF contracts. DRA's request is reasonable and will be adopted. DRA moves that its testimony be accepted as its submittal in this proceeding. That motion is granted. As there are no objections to the relief requested, a public hearing is not necessary.

Findings of Fact

1. DRA has conducted a review of the reasonableness of Edison's purchased power expenses associated with the affiliate QF projects which are the subject of this application, for the period April 1, 1991 through December 31, 1991.

2. No contract formation issues exist with respect to the affiliate QF contracts for the Nine-Month Period.

3. Edison's administration of the non-generic terms of the affiliate QF contracts for the Nine-Month Period has been reasonable for rate recovery purposes.

Conclusions of Law

1. The application should be granted.

2. This proceeding may be reopened by DRA should the Commission reject the settlement between Edison and DRA filed May 6, 1992 in A.88-02-016, et al.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (Edison) is found to have administered the non-generic terms of its affiliated Qualifying Facility contracts for the period April 1, 1991 through December 31, 1991 in a reasonable manner.

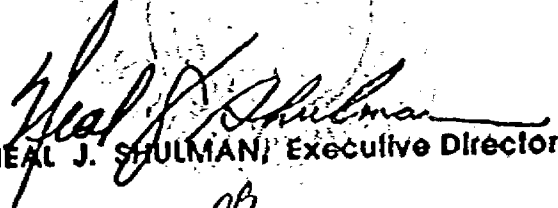
2. This proceeding may be reopened by the Division of Ratepayer Advocates (DRA) should the Commission reject the settlement between Edison and DRA filed May 6, 1992 in Application 88-02-016, et al.

This order is effective today.

Dated July 1, 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