

ORIGINAL

Decision 82 03 053 MAR 16 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)  
SOUTHERN CALIFORNIA EDISON COMPANY )  
for Authority to Modify its Energy )  
Cost Adjustment Clause as Modified )  
by Interim Decision No. 91277. )

Application 59499  
(Filed August 20, 1981)

ORDER MODIFYING DECISION 93363

Introduction

By Decision (D.) 93363, dated July 22, 1981, this Commission adopted an incentive procedure applicable to Southern California Edison Company's (Edison) coal-fired plants. By Petition for Modification filed August 20, 1981, Edison requests the following modifications of D.93363:

1. To apply the coal plant incentive procedure to the 98% of energy costs recovered through the Energy Cost Adjustment Clause (ECAC) balancing account procedure.
2. Defer implementation of the Gross Heat Rate Standard until such time as both units at a coal plant station have undergone their betterment outage.
3. Recognize that the Gross Heat Rate Standard for the Mohave Coal Plant should be adjusted based upon the results of the consultant's study and to allow Edison to submit the results of that study in its next annual ECAC reasonableness review; and

4. Allow parties to inform the Commission of their intent to raise the occurrence of events before issuance of D.93363 as qualitative modifiers within 90 days after the effective date of the tariff provisions filed under D.93363.

No party objects to Edison's request.

The incentive procedure was discussed at length in D.93363. Edison's request is more in the nature of refinements to the adopted procedure than modifications.

The first point relates to the effect of D.92496 in OII 56. That decision provides that only 98% of Edison's reasonable fuel costs should be collected through ECAC. The remaining 2% is estimated annually and not subject to revision. If a coal plant suffers an unscheduled outage, Edison would incur a penalty through the incentive procedure. Meanwhile, its fuel costs would probably exceed the estimate, and Edison would be penalized to the extent of 2% of the excess costs. Edison's proposed modification would apply the incentive procedure only to the 98% of the energy costs recovered through ECAC. Since exclusion from ECAC of the remaining 2% is already intended to act as an incentive, Edison's proposed modification is reasonable.

In regard to the second point, Edison contends that heat rate cannot be measured separately for each unit at a plant, because of common fuel facilities. If the heat rate standard is applied before both units have undergone their betterment outages, the unit which had not been modified, although not itself subject to a penalty, would distort the heat rate for the second unit and might unfairly cause a penalty for that unit. Edison's proposed modification is reasonable.

The third point relates to the consultant's recommendation that a performance test be run on Mohave Unit 1 to determine the basis for the heat rate to be used in the incentive calculation. Edison represents that the consultant has completed a study consistent with standard industry practices, but that the results were inconclusive so an additional long-term heat rate performance study is required. Edison asks that it be allowed to submit the results of that study in its next annual reasonableness review following its completion. Edison's proposal is adopted.

The last point relates to the requirement for notice to be given regarding the occurrence of an event as a qualitative modifier. D.93363 requires that any party that intends to assert the occurrence of such an event inform the Commission of its intention within 90 days of the occurrence of the event.

Edison points out that this provision excludes events that occurred more than 90 days prior to issuance of the decision. This point is well-taken and Edison's modification is adopted.

#### Findings of Fact

1. By D.93363, dated July 22, 1981, this Commission adopted an incentive procedure applicable to Edison's coal-fired plants.
2. By D.92496 only 98% of Edison's reasonable fuel costs is collected through ECAC; the remaining 2% is recovered through the Annual Energy Rate.
3. Application of the incentive procedure to Edison's entire fuel costs could penalize Edison twice.
4. Application of the incentive procedure to the 2% of fuel costs included in the Annual Energy Rate is unreasonable.
5. Heat rate cannot be measured separately for each unit at a plant, because of common fuel facilities.

6. If the heat rate standard is applied before both units have undergone their betterment outages, the unit which had not been modified, although not itself subject to a penalty, would distort the heat rate for the second unit.

7. The consultant recommended that a standard short duration heat rate performance test be run on Mohave Unit 1 to determine the heat rate to be used in the incentive calculation.

8. The consultant has completed such a study, with inconclusive results.

9. Further study is appropriate.

10. D.93363 excludes events that occurred more than 90 days prior to the decision from consideration as qualitative modifiers.

Conclusions of Law

1. D.93363 should be modified as provided in the following order.

2. In order to provide for timely modification, the effective date of this order should be the date of signing.

IT IS ORDERED that D.93363 shall be modified as follows:

1. Application of the incentive procedure is limited to the 98% of energy costs recovered through the ECAC.

2. Implementation of the Gross Heat Rate Standard is deferred until both units at a coal plant station have undergone their betterment outage.

3. The Gross Heat Rate Standard for the Mohave coal plant should be adjusted based on the results of a long-term heat rate performance study, to be monitored by the consultant and submitted by Edison in its next annual ECAC reasonableness review following completion of the study.

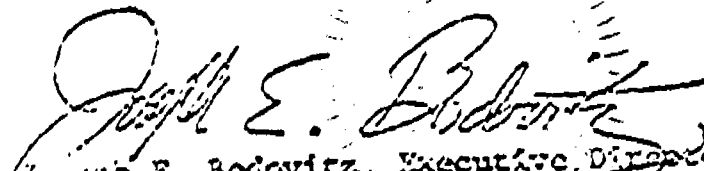
4. Parties shall inform the Commission of their intent to raise the occurrence of events before issuance of D.93363 as qualitative modifiers within 90 days after the effective date of the tariff provisions filed as directed by D.93363.

This order is effective today.

Dated MAR 16 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. CRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. CREW  
Commissioners

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

  
Joseph E. Bodovitz, Executive Director