

Decision S3 04 062

APR 20 1983

**ORIGINAL**

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application  
of SOUTHERN CALIFORNIA EDISON  
COMPANY for authority to increase  
rates charged by it for electric  
service.

Application 61138  
(Filed December 18, 1981)

ORDER MODIFYING DECISION 82-12-055

On March 17, 1983, the Independent Energy Producers Association (IEP), an association of cogenerators and small power producers and businesses serving them, filed a petition requesting that the Commission modify Decision (D.) 82-12-055 in Application (A.) 61138 with respect to the incremental heat rates (IHRs) adopted for Southern California Edison Company (Edison). IEP requests that, for the purpose of setting avoided cost, the Commission adopt the IHRs without nuclear generation as recommended by the staff's avoided cost witness. IEP further requests that Edison's March 1, 1983 filing of prices to be paid to qualifying facilities (QFs) be modified to reflect such IHRs and that Edison be directed to refile prices, retroactive to March 1, 1983, which reflect the higher heat rates.

IEP states that it is particularly concerned because of the significant impact of IHRs on the prices Edison pays to QFs. According to IEP, at Edison's current gas price of about \$4.70 per million British thermal units (Btu), the presence or absence of a 400 Btu adjustment affects prices paid to QFs by 1.9 mills per kilowatt-hour (kWh), an amount which IEP contends could mean the difference between profit and loss for some QFs.

In D.82-12-055 we noted that both Edison and the staff had presented IHRs for purposes of computing marginal costs and payments to QFs. The decision adopted the staff's IHRs, but it failed to differentiate between those proposed by the staff's marginal cost witness for rate design purposes and those proposed by the staff's avoided cost witness for purposes of setting payments to QFs. The decision adopted the IHRs of the rate design witness for both purposes. Thus, IEP argues that the adopted IHRs in D.82-12-055 do not accurately reflect avoided costs for small power producers such as QFs. In support of its position, IEP points out that the rate design witness made repeated disclaimers to the effect that the short-term marginal costs being recommended for rate purposes should not be used to establish prices to be paid to QFs by Edison. IEP further points out that the adopted IHRs are slightly lower than those proposed in this proceeding by Edison, if San Onofre Nuclear Generation Station (SONGS) Units 2 and 3 are included in calculating the IHRs, and that they are markedly lower than those proposed by the staff avoided cost witness, if SONGS Units 2 and 3 are excluded.

We have reviewed the record in A.61138 in the light of IEP's petition. We find IEP's request to be reasonable and we conclude that its petition should be granted.

In granting IEP's petition, we have given consideration to the fact that no comments in opposition to the request were received from Edison, the staff, or any interested party. A public hearing on the petition is not necessary.

IT IS ORDERED that:

1. Table XII-5A in D.82-12-055 is modified to conform to the incremental heat rates shown in Appendix A to this order.

2. Southern California Edison Company is authorized and directed to file a modification, retroactive to March 1, 1983, of its price filing for cogenerators and other qualifying facilities to reflect the heat rates shown in Appendix A.

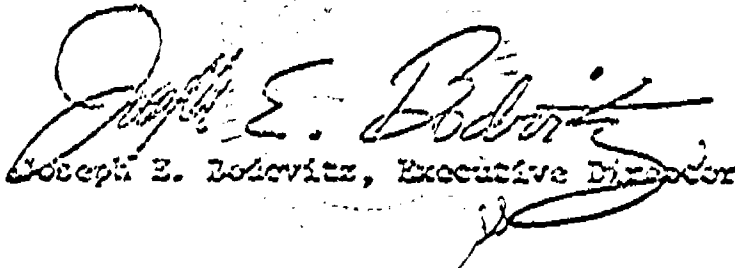
This order becomes effective 30 days from today.

Dated APR 20 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President  
VICTOR CALVO  
DONALD VIAL  
Commissioners

Commissioner Traciella C. Grew, being necessarily absent, did not participate in the disposition of this proceeding.

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

  
Joseph E. Lohovitz, Executive Director

## APPENDIX A

Adopted Incremental Heat Rates  
Test Year 1983

<u>Costing Period</u>	<u>Btu/kWh</u>
Summer	9,770
On-Peak	10,490
Mid-Peak	9,920
Off-Peak	9,380
Winter	9,500
On-Peak	9,680
Mid-Peak	9,650
Off-Peak	9,350
Annual	9,640

(END OF APPENDIX A)