

Copy for:

RESOLUTION NO. E-1907

Orig. and Copy

to Executive Director

UTILITIES DIVISION

BRANCH/SECTION: Electric

DATE: November 4, 1980

R E S O L U T I O N

RETURN TO ELECTRIC BRANCE
TARIFF UNIT_____
Director_____
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Accounting Officer

SUBJECT: SCE's request for Commission authorization of modifications to the cogeneration service contracts with Kerr McGee Chemical Corporation (Kerr McGee) and also with Riverside Cement Company plant at Oro Grande.

WHEREAS: SOUTHERN CALIFORNIA EDISON COMPANY (Edison) by Advice Letter No. 536-E filed September 29, 1980 requests authorization to modify existing contracts for parallel cogeneration service with the Kerr McGee Chemical Corporation plant in Westend, California and also with the Riverside Cement Company plant in Oro Grande. The existing contracts call for energy payment at a rate equal to 85% of Edison's average system energy cost per KWHR.

The contract modifications provide for energy payments at full avoided costs retroactive to April 15, 1980, as detailed in the following excerpts from the Kerr McGee contract:

"On March 4, 1980, the Commission, by Resolution No. E-1872, ordered Edison to file an interim schedule of prices, contract terms and provisions for purchase of electrical power based on the concept of full avoided energy and capacity costs (emphasis added). Because existing cogeneration customers should not be disadvantaged as a result of this new CPUC policy, and in the interest of further promoting cogeneration in its service area, Edison and KMCC hereby agree to amend subsections 12.1 and 12.2 of the Subject Agreement to reflect the new energy purchase policy. The subsections, as amended will read as follows:

- 12.1 The energy payment for the excess energy periodically transmitted by Customer to Edison shall be 100% of Edison's avoided cost.
- 12.2 Edison's avoided cost shall be determined quarterly by Edison based on the last quarter recorded fuel purchase cost multiplied by the incremental heat rate of the Edison system by time of production as described in Edison's "Interim Proposed Policy for Cogeneration and Small Power Production" of April, 1980. This subsection shall be amended at such time as the California Public Utilities Commission orders the avoided cost be calculated in a manner different from that provided for by Edison.

Upon approval of the CPUC, this letter agreement and the amendments cited above, will become effective as of the date of Edison's mailing of April 15, 1980 and continue in force thereafter."

A comparable nearly identical statement and revisions of Paragraphs 13.1 and 13.2 in the Riverside Cement Company contract are contained in Edison's Advice Letter No. 536.

It is noted that Edison, by Advice Letter No. 490-E, filed May 30, 1979 and Advice Letter No. 488-E, filed May 16, 1979, initially requested authorization for the contract with Kerr McGee and Riverside, respectively, in accordance with Special Condition No. 2 of Edison's Tariff SCG-1 and 2. Under these tariff provisions Edison's cogeneration contracts only become effective upon Commission authorization. Edison interprets Special Condition No. 2 of these schedules as also requiring Commission approval of modifications of those contracts.

The disadvantage of the above process in getting cogenerators on line expeditiously or in implementing price changes is noted by the Commission. Expedited action is hereby taken in order that these two cogenerators may receive the higher rate that other cogenerators have been eligible to be paid since Edison filed avoided cost based prices for cogeneration on April 14, 1980.

By Resolution No. E-1872 we, in ordering Edison to file its price offering, stated our "desire to have available to all potential small power producers and cogenerators a pricing schedule based on full avoided energy and capacity costs." In its April 14, 1980 filing Edison made such a price offering as the basis for a formal contract. It is noted that Edison's price offering does not include a requirement for Commission approval prior to such a contract becoming effective. It is also noted that the original contracts approved by the Commission and the present contracts contain Sections 15.2 (Kerr McGee contract) and 17.2 (Riverside contract) which state that each agreement shall at all times be subject to such charges or modifications by the Commission as the Commission may, from time to time, direct in the exercise of its jurisdiction. In our Resolution No. E-1866 dated February 13, 1980, approving a parallel generation contract between Edison and Loma Linda University, we advised Edison that "any additional future benefits that may result from Decision No. 91109 can be provided to Loma Linda as well by Commission Order."

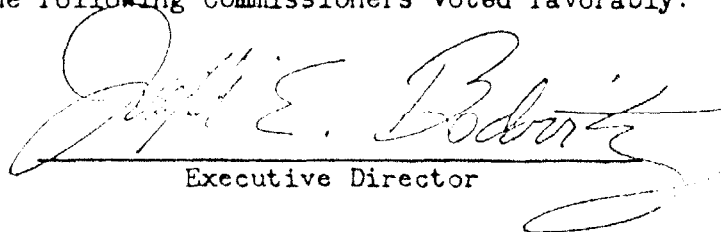
We can only conclude that our Resolution No. E-1872 combined with Edison's April 14, 1980 avoided cost based price offering make the new prices available to Kerr McGee and also to Riverside Cement without the necessity of prior further approval by the Commission of revised contract terms. To assure no further delays in modifying these two contracts, we will hereby authorize their effectiveness and request Edison to confer with our staff as to the necessity for Commission prior approval of contracts and contract revisions under these and other parallel generation tariffs of Edison's that have been authorized by the Commission.

This filing will not increase any rate or charge, cause withdrawal of service, nor conflict with other schedules or rules except as noted above, therefore:

IT IS ORDERED that Southern California Edison Company's above described contract changes with Kerr McGee Chemical Corporation and also with the Riverside Cement Company are hereby authorized under Section 491 of the Public Utilities Code and shall be effective on November 4, 1980. The effective date of this Resolution is the date hereof.

I certify that this Resolution was introduced, approved and adopted at a regular conference of the Public Utilities Commission of the State of California on November 4, 1980. The following Commissioners voted favorably:

VERNON L. STURGEON
CLAIRE T. DEDRICK
LEONARD M. GRIMES, JR.
Commissioners


Executive Director