

**Table 1
Qualifying Facility (QF) Programs
Adopted and Existing**

No.	Provision	PROSPECTIVE QF PROGRAM (Adopted) (For Any Future Contract for Expiring and Expired QFs; and for New QFs As Described)		EXISTING QF PROGRAM (Will Phase Out With QF Contract Expiration)	
		One- to Five-Year <u>As-Available</u> Energy Contract	One- to Ten-Year <u>Unit-Firm</u> Capacity Contract	ADOPTED	CURRENT
1	Energy Price	<p align="center">Market Index Formula (MIF) For PG&E, SCE, and SDG&E: Same as SCE's current SRAC formula as adopted in D.01-03-067, with the exception that the heat rate, or Incremental Energy Rate (IER), component will instead be calculated from a twelve-month rolling average* of historical NP-15 or SP-15 Day Ahead market price data with a "collar" around the possible IER values to provide a cap and a floor to mitigate excessive volatility.</p>		Market Index Formula (MIF) Same as in the Prospective QF Program, or as contractually based, e.g., fixed price agreement or SRAC energy variant.	SRAC Transition Formula for PG&E and SDG&E; and the Modified Transition Formula for SCE.
2	Capacity Price	As-available capacity payments will not fall below the first-year capacity price for the duration of the contract.	The capacity payment will be fixed for the duration of the contract.	Existing contractually-based capacity payments remain unchanged. ----- Eligibility: If as-available capacity counts for purposes of Resource Adequacy (RA), QFs will receive a capacity payment.	Posted Price for As-Available Capacity ----- Contractually-Based Capacity Prices
2a	Calculation of Capacity Price	Based on the fixed cost of a Combustion Turbine (CT) as proposed by TURN, less the estimated value of Ancillary Services (A/S) as generally proposed by SDG&E.	Based on the MPR capacity cost in E-4049 of \$980/kW which results in an annual cost of \$104/kW-year.		
3	Daily Scheduling	Standard CAISO Timetables and Protocols for Day-Ahead Schedules for QFs greater than 1 MW **		No Change	None
4	Forecasting	Weekly, Monthly and Annual Forecasts **		No Change	None
5	Deliveries	SC-SC Trade (where SC = Scheduling Coordinator) for QFs greater than 1 MW **		No Change	None. Utility is now the Scheduling Coordinator.
6	Emergency Response	Standard ISO Emergency Response Provisions **		No Change	None

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		One- to Five-Year <u>As-Available</u> Energy Contract	One- to Ten-Year <u>Unit-Firm</u> Capacity Contract	ADOPTED	CURRENT
7	CPUC Performance Requirements	Day-Ahead Scheduling **	Penalties to Capacity Payment for Failure to Deliver 95% during on-peak months and 90% during off-peak months (not counting scheduled outages) ** This is a Qualifying Capacity (QC) provision.	No Change	None
8	Credit	None **	None **	No Change	None
9	Termination Rights	QF has the ability to terminate if selected in native utility solicitation. **		No Change	QF has the unilateral right to terminate on 30-day notice. ----- IOU termination rights are tied to QF non-performance, and QFs can also be derated.
10	New QFs	New QFs may seek a contract under the Prospective QF Program. If an IOU claims a new QF contract will result in over-subscription, the IOU shall meet and confer with its Procurement Review Group (PRG) within 20 days of receiving such a request from a new QF. The Commission's Energy Division will prepare a brief summary of the PRG meeting regarding the IOU's ability to enter into the new QF contract. If the PRG feedback is unfavorable toward the new QF, the new QF may opt to file a formal complaint with the Commission.		-	-
11	CAISO Resource Adequacy (RA) Tariff	QFs with a dependable capacity of greater than 1 MW shall comply with the CAISO RA tariff.		-	-
Footnotes		<p>* The heat rate component of the Market Index Formula is that proposed by SCE, except for the O&M deduction, Exhibit 1, p.61.</p> <p>** Several provisions of the Prospective QF Program are as proposed by PG&E in Exhibit 28, see Table 4-3, page 4-12.</p>			

Table 2
Party Positions on SRAC Energy Pricing
SRAC Energy = Gas Price x IER + O&M Adder

	Party	Methodology	Type of Methodology	Service Area	Heat Rate (IER) Btu/kWh	O&M Adder \$/MWh	Gas Price Border or Trading Point \$/MMBtu	Gas Price Exemplary Burnertip \$/MMBtu	Gas Price Point	Resulting SRAC \$/MWh	Effective Heat Rate Btu/kWh
	A	B	B1	C	D	E	F	G	H	J = FxD+E	K = J ÷ (F or G)
1	PG&E	Reduce Gas Price "Factor" by 36%	Indirect Use of Market Heat Rates	PG&E	7,823	2.0	6.33	7.00	Border	51.5	8,139
2	Edison	12-Month Rolling Average of Market Heat Rates	Heat Rate Calculated from Current Market Prices	SCE	7,586	2.0	6.53	7.00	Burner-Tip	55.1	7,872
3	SDG&E	24-Month Average of Market Heat Rates		SDG&E	7,789	2.6	6.53	7.00	Burner-Tip	57.1	8,160
4	TURN	Capped Market Heat Rate		All IOUs	8,294	0.0	6.73	7.00	Trading Point (PG&E City Gate)	55.8	8,294
5	Average									54.9	8,116
6	CCC	Forward Market with Elasticity Adjustment	Heat Rate Based on Market Prices, but then Adjusted Upward	PG&E	9,620	3.0	6.33	7.00	Burner-Tip	70.3	10,049
7	CCC	Forward Market with Elasticity Adjustment		SCE / SDG&E	9,822	3.0	6.53	7.00	Burner-Tip	71.8	10,251
8	CAC / EPUC	Keep existing PG&E Formula from D.96-12-028	Heat Rate Administratively Set by CPUC	PG&E	9,794	6.3	6.53	7.00	Burner-Tip	70.2	10,032
9	CAC / EPUC	Eliminate algebraic factor for SCE		SCE	10,522	6.1	6.53	7.00	Burner-Tip	74.8	10,691
10	IEP	Keep existing PG&E Formula from D.96-12-028		PG&E	9,794	6.3	6.53	7.00	Burner-Tip	70.2	10,032
11	IEP	Use SCE Formula from D. 01-03-067		SCE	9,140	2.0	6.53	7.00	Burner-Tip	66.0	9,426
12	Average									70.6	10,080

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	A	B	B1	C	D	E	F	G	H	J = FxD+E	K = J ÷ (F or G)

13	PG&E	Existing PG&E Formula from D.96-12-028	Heat Rate Administratively Set by CPUC	PG&E	9,794	6.3	6.53	7.00	Burner-Tip	70.2	10,032
14	Edison	Existing SCE Formula from D.01-03-067		SCE	9,140	2.0	6.53	7.00		66.0	9,426
15	SDG&E	Existing SDG&E Formula from D.96-12-028, and Existing Gas Price from D.01-03-067		SDG&E	9,603	8.8	6.53	7.00		71.5	10,212
16	Average									69.2	9,890

Source: This table is based on Table ES-1 which was first referenced in Exhibit 103 and that was actual submitted as errata in Exhibit 104. This version of the table was prepared by the CPUC Energy Division and contains a number of modifications and corrections.

Notes:

Line 1: PG&E. The heat rate value for PG&E, that was originally shown in Exhibit 104 was 6301 Btu/kWh, along with an O&M adder of \$11.6/MWh. The latter values were submitted by CCC in an attempt to describe PG&E's proposal using the Transition Formula components, but the low heat rate and high O&M adder do not individually comport with PG&E's. Instead, this table shows an O&M value of \$2 per MWh which reflects Exhibit 28, page 3A-12, and the heat rate of 7823 Btu/kWh is the value that results in a value of 8139 Btu/kWh in Column K, given the \$2 per MWh O&M adder.

Line 2: SCE heat rate of 7586 Btu/kWh is from Exhibit 1, Figure 10, Sample Derivation of IER, page 63 for the August 2004 through July 2005 time period.

Line 3: SDG&E. "The calculated market-implied IER value for 2006 without consideration of the variable O&M is 8,227 [Btu/kWh], and with consideration of variable O&M is 7,789 [Btu/kWh]" (Exhibit 85, page 10).

Line 4: TURN heat rate is Exhibit 149, page 2, an average of the Summer and Winter Daily Heat Rates in Figure 1.

**Table 3
Sample Derivation of IER**

	A	B	C	D	E =	HR _m =	HR _{Floor} =	HR _{Cap} =	HR _c =	HR _{12mthMAvg} =	
	SP-15 Monthly Avg of DJ, ICE & MWDaily	VO&M	Topock CA Bidweek Border Gas Price	SoCalGas Intrastate Transportation	Burnertip Gas Price	C + D	(A-B)/E*1000	3-yr Avg HR _m - 2000	3-yr Avg HR _m + 2000	HR _{Floor} <= HR _c <= HR _{Cap}	(Σ(HR _{c1} ..HR _{c12}))/12mth
						Implicit Heat Rate (Net of VO&M)	Heat Rate Floor	Heat Rate Cap	Collared Heat Rate	Collared Heat Rate (12mthMAvg)	
						Btu/KWh	Btu/KWh	Btu/KWh	Btu/KWh	Btu/KWh	
Aug-02	\$26.82	\$2.00	\$2.91	\$0.21	\$3.12	7,959	5,864	9,864	7,959		
Sep-02	\$30.23	\$2.00	\$3.09	\$0.23	\$3.32	8,500	5,864	9,864	8,500		
Oct-02	\$32.10	\$2.00	\$3.31	\$0.23	\$3.54	8,497	5,864	9,864	8,497		
Nov-02	\$35.79	\$2.00	\$4.11	\$0.23	\$4.34	7,778	5,864	9,864	7,778		
Dec-02	\$39.91	\$2.00	\$4.04	\$0.26	\$4.29	8,832	5,864	9,864	8,832		
Jan-03	\$38.78	\$2.00	\$4.69	\$0.34	\$5.03	7,312	5,864	9,864	7,312		
Feb-03	\$53.20	\$2.00	\$4.92	\$0.35	\$5.27	9,715	5,864	9,864	9,715		
Mar-03	\$52.86	\$2.00	\$6.98	\$0.39	\$7.37	6,904	5,864	9,864	6,904		
Apr-03	\$41.80	\$2.00	\$4.92	\$0.35	\$5.27	7,556	5,864	9,864	7,556		
May-03	\$39.87	\$2.00	\$4.95	\$0.33	\$5.28	7,176	5,864	9,864	7,176		
Jun-03	\$42.69	\$2.00	\$5.73	\$0.36	\$6.09	6,680	5,864	9,864	6,680		
Jul-03	\$51.58	\$2.00	\$5.42	\$0.35	\$5.77	8,588	5,864	9,864	8,588		
Aug-03	\$47.09	\$2.00	\$4.56	\$0.34	\$4.90	9,208	5,864	9,864	9,208	7,958	
Sep-03	\$44.05	\$2.00	\$4.84	\$0.35	\$5.19	8,103	5,864	9,864	8,103	8,062	
Oct-03	\$42.20	\$2.00	\$4.37	\$0.34	\$4.70	8,547	5,864	9,864	8,547	8,029	
Nov-03	\$37.87	\$2.00	\$4.29	\$0.34	\$4.62	7,757	5,864	9,864	7,757	8,033	
Dec-03	\$44.12	\$2.00	\$4.56	\$0.34	\$4.90	8,588	5,864	9,864	8,588	8,032	
Jan-04	\$45.64	\$2.00	\$5.42	\$0.39	\$5.81	7,506	5,864	9,864	7,506	8,011	
Feb-04	\$43.99	\$2.00	\$5.29	\$0.38	\$5.67	7,405	5,864	9,864	7,405	8,027	
Mar-04	\$41.84	\$2.00	\$4.75	\$0.38	\$5.13	7,773	5,864	9,864	7,773	7,835	
Apr-04	\$45.19	\$2.00	\$4.88	\$0.39	\$5.27	8,195	5,864	9,864	8,195	7,907	
May-04	\$51.31	\$2.00	\$5.50	\$0.40	\$5.91	8,350	5,864	9,864	8,350	7,961	
Jun-04	\$46.91	\$2.00	\$6.31	\$0.41	\$6.72	6,680	5,864	9,864	6,680	8,058	
Jul-04	\$54.71	\$2.00	\$5.82	\$0.41	\$6.23	8,460	5,864	9,864	8,460	8,058	
Aug-04	\$50.41	\$2.00	\$5.81	\$0.40	\$6.21	7,792	5,864	9,864	7,792	8,048	
Sep-04	\$42.05	\$2.00	\$4.89	\$0.39	\$5.28	7,584	5,864	9,864	7,584	7,930	
Oct-04	\$48.46	\$2.00	\$4.80	\$0.39	\$5.19	8,947	5,864	9,864	8,947	7,886	
Nov-04	\$53.78	\$2.00	\$7.23	\$0.43	\$7.66	6,758	5,864	9,864	6,758	7,920	
Dec-04	\$57.52	\$2.00	\$6.43	\$0.41	\$6.84	8,112	5,864	9,864	8,112	7,837	
Jan-05	\$49.97	\$2.00	\$6.00	\$0.46	\$6.46	7,425	5,864	9,864	7,425	7,797	
Feb-05	\$48.51	\$2.00	\$5.73	\$0.45	\$6.19	7,517	5,864	9,864	7,517	7,790	
Mar-05	\$51.00	\$2.00	\$5.64	\$0.45	\$6.09	8,049	5,864	9,864	8,049	7,799	
Apr-05	\$53.54	\$2.00	\$6.75	\$0.47	\$7.22	7,140	5,864	9,864	7,140	7,822	
May-05	\$43.86	\$2.00	\$6.60	\$0.47	\$7.07	5,920	5,864	9,864	5,920	7,735	
Jun-05	\$45.22	\$2.00	\$5.65	\$0.46	\$6.11	7,073	5,864	9,864	7,073	7,532	
Jul-05	\$62.06	\$2.00	\$6.42	\$0.47	\$6.89	8,711	5,864	9,864	8,711	7,565	
8/02' - 7/05'											
Avg	\$45.4707	\$2.00	\$5.21	\$0.37	\$5.58	7,864					

Table 4
Adopted SRAC Energy Pricing
Market Index Formula
SRAC Energy = Gas Price x Heat Rate + O&M Adder

	Party	Methodology	Type of Methodology	Service Area	Heat Rate (IER) Btu/kWh	O&M Adder \$/MWh	Gas Price Border or Trading Point \$/MMBtu	Gas Price Exemplary Burnertip \$/MMBtu	Gas Price Point	Resulting SRAC \$/MWh	Effective Heat Rate Btu/kWh
	A	B	B1	C	D	E	F	G	H	J = FxD+E	K = J ÷ (F or G)
1	Market Index Formula	12-Month Rolling Average of Market Heat Rates	Will Be Calculated from Current Market Prices	PG&E at NP15	7,903	2.47	6.53	7.00	Burner-Tip	57.8	8,256
2				SCE and SDG&E at SP15	7,903	2.47	6.53	7.00	Burner-Tip	57.8	8,256

Table Notes:

Heat rates in the table above will be calculated monthly, as described in Exhibit 1, with the exception that the MIF does not deduct an O&M value from the power price in the heat rate calculation. Note that current heat rates may be slightly different at NP15 and SP15, respectively, due to fluctuating market conditions.

To illustrate the MIF, heat rate data from the record is shown. The heat rate of 7903 Btu/kWh is from Exhibit 1, Figure 10, Sample Derivation of IER, page 63 for the August 2004 through July 2005 time period; however, the variable O&M adder is set to zero in Column B in Figure 10 in the heat rate calculation (not subtracting it from the power price). Thus, the adopted heat rate is an unadjusted market heat rate.

**Table 4a
All-In Power Prices
Adopted SRAC Energy and Capacity Pricing
at an Illustrative Gas Price**

	QF Contract Option	Illustrative Gas Price Burnertip \$/MMBtu	Heat Rate (IER) Btu/kWh	O&M Adder \$/MWh	Capacity Price \$/kW-year	All-In Power Price \$/MWh	All-In Effective Heat Rate Btu/kWh
	A	B	C	D	E	$F = B \times C + D + (E/8760) \times 1000$	$G = F \div B$
Adopted	As-Available Power	7.50	7,903	2.47	\$65.78	\$69	9,234
Adopted	Unit-Contingent, Firm Power	7.50	7,903	2.47	\$104.00	\$74	9,815
PG&E Current	As-Available Power	7.50	9,794	6.3	\$69.93	\$88	11,692
SCE Current	As-Available Power	7.50	9,140	2.0	\$4.93	\$71	9,482
SDG&E Current	As-Available Power	7.50	9,603	8.8	\$70.34	\$89	11,841

Table Notes:

All-In Price = [Gas Price x Heat Rate + O&M Adder] + [Capacity Payment]

where Capacity Payment = \$104/kW-year ÷ 8.760 = \$11.8 per MWh

Table 5 QF Capacity Payments As-Available vs. Fixed Nameplate Capacity (MW)					
Type	PG&E	SCE	SDG&E	Total QF Nameplate Capacity	Illustrative Estimate of Total QF Dependable Capacity
As-Available (MW)	824	1615	21	2,460	1,260
Fixed (MW)	3,429	2,547	219	6,195	5,040
Total (MW)	4,253	4,162	240	8,655	6,300
As-Available %	19%	39%	9%	28%	20%
Fixed %	81%	61%	91%	72%	80%
Total %	100%	100%	100%	100%	100%

Table 6 Power Contract Components	
Components	Types
Time-of-Delivery	7x24 Baseload; 6x16 peak; 6x8 super-peak; 5x8 critical peak.
Price Structure	Fixed; Indexed; Tolling.
Firmness	Unit-Contingent; Firm
Availability	All hours and months, or as specified.
Dispatchability	Dispatchable, non-dispatchable, or intermittent.
Efficiency	Heat rate, sometimes including periodic heat rate tests for unit contingent contracts.
Delivery Point	NP15, SP15, or as agreed.
Recourse for Non-Delivery	Payment for replacement energy at a specified price, or as agreed.

Table 7 QF LRAC Pricing Proposals And All-In Payments					
Pricing Provisions	CAC/EPUC	CCC	IEP	PG&E/IEP Settlement	Adopted
Capacity Price \$/kW-year	\$142	\$110	\$129	\$50	\$104
Based On	CT	CCGT	CCGT	CCGT	CCGT
Heat Rate (Btu/kWh)	7,500	8,895	7,400	8,700	7,903
VOM (\$/MWh)	\$2.00	\$2.70	\$2.50	\$2.00	\$2.47
Illustrative Gas Price (\$/MMBtu)	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
All-In Power Price (cents/kWh)	7.4	8.2	7.3	7.3	7.4