

Decision 08-09-024 September 18, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning.

Rulemaking 04-04-003
(Filed April 1, 2004)
(QF Issues)

And Related Matter.

Rulemaking 04-04-025
(Filed April 22, 2004)
(QF Issues)

**DECISION GRANTING IN PART AND DENYING IN PART JOINT
PETITION FOR MODIFICATION OF DECISION 07-09-040**

1. Summary

This decision grants, in part, and denies, in part, the joint petition for modification of Decision 07-09-040 filed by the Cogeneration Association of California and the Energy Producers and Users Coalition (CAC/EPUC), and the Independent Energy Producers (IEP) (collectively, QF Parties). We make those changes which are sufficiently justified and which would result in a short-run avoided cost energy price which best reflects utility avoided cost.

2. Background

In Decision (D.) 07-09-040, we adopted specific policies and pricing mechanisms applicable to the purchase of energy and capacity from qualifying facilities (QFs) by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas & Electric Company (collectively, the investor-owned utilities or IOUs). Among other things, D.07-09-040 adopted the Market Index Formula (MIF), which specifies the methodology for calculating the short-run avoided cost (SRAC) energy price that the IOUs pay QFs. As part

of that decision, Energy Division was ordered to hold a workshop to address technical issues necessary to ensure smooth implementation of the adopted QF program.¹

During the technical workshop held November 14-15, 2007, parties reached agreement on various issues. Among other things, parties agreed on how certain components of the SRAC formula should be determined. Energy Division, however, subsequently determined that there were discrepancies between the agreements reached during the workshop and the requirements of D.07-09-040. On February 6, 2008, Energy Division sent an email to the parties listing the discrepancies and advised parties to file a petition to modify D.07-09-040.²

On March 3, 2008, the QF Parties filed their joint petition for modification (Petition) seeking the following modifications to D.07-09-040:

1. Revise the market-based heat rate component of the MIF to be calculated using a 12-month simple, rather than rolling, average of forward market prices;
2. Revise the Time of Use (TOU)/Time of Day (TOD) factor of the MIF to use the energy only portion of the Market Price Referent (MPR);
3. Update the intrastate transportation rate component on a monthly, rather than annual, basis;
4. Allow forward market prices to be based on multiple independent sources, not just *Platts Megawatt Daily* and/or the Intercontinental Exchange;
5. Modify the definition of small QFs to include the phrase “less than or equal to 175,200 [megawatt hours];”

¹ D.07-09-040, at p. 151 (Ordering Paragraph (OP) 2).

² Energy Division’s email is attached as Appendix A of the Petition.

6. Modify footnote 6 to calculate the monthly weighted average power price based on “actual” on-peak and off-peak hours in the applicable month, rather than the adopted 57%/43% allocation; and
7. Eliminate the requirement that the IOU’s joint MIF Advice Letter filing include the data set and formula for calculating the MIF once Market Redesign and Technology Upgrade (MRTU) is operational.

The California Cogeneration Council, The Utility Reform Network (TURN), and the IOUs each filed responses to the Petition. The various responses reveal broad support for some of the proposed modifications, but significant disagreement on others.

3. Discussion

QF Parties’ Petition relies heavily on an email summarizing agreements made by the parties during the November 14 and 15 workshops and describing how D.07-09-040 should be modified. However, a petition for modification must justify the requested modifications, as required by Rule 16.4(b) of the Commission’s Rules of Practice and Procedure.³ References to agreements made during a workshop or an email from Commission staff are not, by themselves, sufficient justification. It is not the Commission’s responsibility to guess why a party believes a proposed modification to one of its decisions is justified. Rather, the petitioning party bears the burden of justifying its requested modification.

In this instance, QF Parties have failed to provide the requisite justification for many of the proposed modifications. For example, the Petition contains no explanation of whether the proposed modifications to the components of the SRAC formula result in an SRAC energy price that complies with the Federal

³ Rule 16.4(b) requires, in relevant part, that a petition for modification “concisely state the justification for the requested relief.”

Public Utilities Regulatory Policies Act (PURPA).⁴ Furthermore, it is unclear in many instances why the proposed modifications are needed. Therefore, we only grant the portions of the Petition where there is sufficient justification.

3.1. Calculation of Market Heat Rate

The Market Heat Rate (MHR) component of the MIF is calculated using a 12-month average of the weighted average for forward market prices for North of Path (NP) or South of Path (SP) 15.⁵ This determination was based on testimony submitted by SCE prior to the issuance of D.07-09-040.

In its testimony, SCE had proposed calculating the heat rate based on a 24-month rolling average and collars on permissible market data to mute volatility and to account for seasonality in the data.⁶ While we agreed with the use of an average over a rolling time period, we limited the time period to 12 months and did not adopt a collar.⁷ Consequently, the MHR component of the MIF is calculated based on the average forward market prices on a rolling 12-month basis, as illustrated in Table 3 of D.07-09-040. That is to say, the MHR for any given month is the mean of the implicit heat rates derived from forward market prices for the next 12 months, and this heat rate will be recalculated on a monthly basis.⁸ We determined that this MHR component, combined with an

⁴ 16 U.S.C., § 824a-3.

⁵ D.07-09-040, at p. 65.

⁶ Exh. 1, p. 62 (Lavik/SCE, Woodruff/SCE).

⁷ D.07-09-040, at pp. 64-65.

⁸ For example, the MHR for August 2002 is mean of market prices for September 2002 to August 2003; the MHR for September 2002 is the mean of forward market prices for October 2002 to September 2003.

Administrative Heat Rate component, would result in an energy price that would best represent utility avoided cost.⁹

The Petition asks that the Commission modify the Decision to use a simple average of 12-month forward market prices to calculate the MHR, rather than the adopted rolling average. QF parties note that all parties agreed to this change during the Energy Division workshop.

We find QF Parties' request somewhat puzzling. The methodology we have adopted in D.07-09-040 does, in fact, calculate the simple average of forward market prices. Thus, it appears that the requested modification is not based on disagreement over how the average is calculated, but rather a misunderstanding of our use of the term "12-month rolling average." Consequently, we shall modify D.07-09-040 to clarify our use of this term.¹⁰

3.2. TOU/TOD Factors

In D.07-09-040, we determined that while the TOU/TOD factors needed to be updated, parties had made an insufficient showing of how the updating should be performed. Consequently, we determined that updating these factors needs to be considered in a separate proceeding. In the interim, however, we adopted TOU factors that are consistent with the adopted TOU factors for the

⁹ See D.07-09-040, at pp. 58-59, 61-62 & 64-65.

¹⁰ To the extent that QF Parties were requesting a different methodology for calculating the MHR, we deny that request on grounds that it is not sufficiently justified. The Petition fails to explain why a different methodology for calculating average market heat rate prices is necessary or whether a different methodology would result in an SRAC price that better reflects utility avoided cost. Moreover, the Petition is vague, as it fails to explain how the proposed simple average would be calculated and how frequently it would be updated.

MPR.¹¹ As we explained, the TOU factors for the MPR fulfilled fundamentally the same role as the TOU factors in SRAC pricing. Consequently, we determined that use of these TOU factors in the MIF would result in an SRAC energy price that reasonably represented utility avoided cost.

QF Parties request to modify the TOU/TOD factors to use the energy-only portion of adopted TOU factors presented by SCE at the November 15, 2007 workshop and to map the MPR TOU periods to correspond to QF contract periods. The IOUs oppose these modifications.¹²

As with their prior request, QF Parties have failed to explain why these modifications are necessary or warranted, and this request is contested by the IOUs. Moreover, on August 4, 2008, the Commission issued D.08-07-048, which disposed of applications for rehearing of D.07-09-040 filed by the IOUs, CAC/EPUC and CCC. D.08-07-048 modified D.07-09-040 and removed the adopted TOU/TOD factors based on the MPR. In its place, D.08-07-048 used the TOU/TOD factors adopted in D.96-12-028 and directed that these factors be updated as part of the IOUs' next long-term procurement plans. In light of these considerations, we deny QF Parties' requested modification. However, QF Parties may present their proposal when the updating of the TOU/TOD factors are considered.

¹¹ D.07-09-040, at p. 72.

¹² The IOUs' response references arguments made in their application for rehearing of D.07-09-040 concerning our decision to use the MPR TOU/TOD factors in the MIF on an interim basis. We do not address these substantive arguments here, as they are not properly before us in this Petition, nor do we prejudge any aspect of the rehearing application here.

3.3 Intrastate Transportation Rate

The intrastate transportation rate of the MIF is to be updated on an annual basis.¹³ QF Parties request that the rate be updated on a monthly basis. The IOUs support this request, noting that the intrastate transportation rate changes on a monthly basis.

We grant QF Parties' request to allow for monthly, rather than annual, updates to the intrastate transportation rate. Since the intrastate transportation rate changes on a monthly basis, allowing a monthly update of this component of the MIF would likely result in an SRAC energy price that better reflects a utility's avoided cost for that month. Accordingly, we grant QF Parties' request on this issue.

3.4. Forward Market Price Data

QF Parties also request modifications concerning the forward market price data used in the MIF. First, they request that forward market prices be based on a weighted average price of a minimum of three (3) publications, rather than just *Platts Megawatt Daily* and/or the Intercontinental Exchange (ICE). QF Parties request that the modification either specifically identify the publications to be used, or to simply state that the publications contain "robust forward price indices." In their response to the Petition, the IOUs request that in addition to expanding the number of publications to be used, D.07-09-040 should also be modified to allow the IOUs the ability to use different data sources, rather than require them all to use the same data sources.

¹³ D.07-09-040, at p. 70.

Generally, increasing the number of sources for determining forward prices would likely result in forward prices that are more representative of the overall market. This in turn would likely result in an SRAC energy price that would better represent a utility's avoided cost. Therefore, expanding the number of publications could be beneficial. However, we believe three publications would be sufficient in terms of robustness. Further, we are reluctant to allow the IOUs to determine on their own the independent sources of data, because we need to ensure that these data sources are both reliable and sufficiently robust. Additionally, we believe that at least one of the publications to be used should be either *Platts-ICE Forward Curve-Electricity (North America)*¹⁴ or the ICE. Finally, the IOUs should not be allowed to use different publications without first demonstrating that such use is necessary to better reflect its avoided cost.

Based on these considerations, we shall grant QF Parties' request in part. We shall modify the decision to have forward market prices based on an average of three publications. The publications shall be selected from a list of publications approved by the Energy Division.¹⁵ Each IOU may select its own set of publications, provided: (1) the IOU demonstrates that use of the selected publications is necessary in order to best reflect its avoided costs; and (2) at least one of the selected publications must be either *Platts-ICE Forward Curve-Electricity (North America)* or the ICE. Finally, we recognize that Energy Division will need

¹⁴ On November 27, 2007, *Platts Megawatt Daily* no longer provided sufficient forward market price data. This data is now provided in *Platts-ICE Forward Curve-Electricity (North America)*.

¹⁵ Any publication included on Energy Division's list must be found reliable and appropriate for use in the MIF. Energy Division shall have the discretion to update the list as necessary.

some time to determine which publications to include in its list. Therefore, the IOUs shall use *Platts-ICE Forward Curve-Electricity (North America)* for forward market prices until Energy Division establishes its approved list of publications.

Second, QF Parties request that the monthly weighted average forward power price be determined based on the actual on-peak and off-peak hours during the applicable month, rather than the 57%/43% weighting adopted in D.07-09-040. The IOUs support this request, noting that use of actual hours would result in a more accurate calculation of the MIF. We agree. Use of actual monthly average on-peak and off-peak hours would not only provide for better accounting of month-to-month changes in consumption patterns, but would also allow for changes in such patterns over a longer timescale. Accordingly, we grant the proposed modification.

3.5. Definition of “Small QF”

D.07-09-040 defines a “small QF” as “QFs under 20 megawatts (MW) or that offer equivalent annual energy deliveries of 131,400 megawatt hours (MWh) and that consume at least 25% of the power internally and sell 100% of the surplus to the utilities.”¹⁶ QF Parties request to modify the definition to state that a small QF is one that offers “equivalent annual energy deliveries of less than or equal to 175,200 MWh.” They contend that the MWh amount should be increased because the result of multiplying 20 MW by 8,760 hours is 175,200 MWh. TURN opposes the proposed change to the MWh. It notes that the 175,200 MWh represents the QF’s maximum annual energy production and that the request fails to take into consideration the requirement that the QF must

¹⁶ D.07-09-040, at p. 3.

“consume at least 25% of the power internally.” Therefore, TURN asserts that a 20 MW QF can deliver to utilities, at most, 75% of its maximum annual energy production, or 131,400 MWh (20 MW x 8760 hours x .75).

We grant, in part, and deny, in part, the requested modification. Specifically, we approve of the insertion of the words “less than or equal to” before “131,400 MWh.” The definition of small QFs was meant to impose a limit only on the maximum annual energy deliveries that such a facility could make to the utilities. It was plainly not meant to preclude a facility from being classified as a small QF on the grounds that it makes even smaller annual deliveries. Therefore, we approve the insertion of “less than or equal to” language so as to better clarify the decision.

However, we decline to revise the limit from 131,400 MWh upwards to 175,200 MWh. The Petition conflates annual energy production with annual energy deliveries. While a continuously operating 20 MW facility will produce 175,200 MWh in one year, the definition of “small QFs” also requires such a facility to consume at least 25% of its power internally. Thus, as TURN correctly points out, the 131,400 MWh figure represents the maximum annual “energy deliveries” that a small QF can make to the utilities. Accordingly, we decline to revise the maximum energy deliveries amount.

3.6. Post-MRTU Implementation Issues

D.07-09-040 determined that the Administrative Heat Rate (AHR) component of the MIF shall be removed once the California Independent System Operator’s MRTU is operational and sufficiently robust.¹⁷ Consequently, the

¹⁷ D.07-09-040, at p. 66.

IOUs were ordered to include, as part of their joint advice letter filing to implement the MIF, the data set and formula for calculating the MIF once the AHR component is removed. QF Parties seek to modify D.07-09-040 to defer this requirement and other post-MRTU implementation issues to an Energy Division workshop which will be scheduled after MRTU becomes operational. The IOUs agree that the order concerning the joint advice letter filing should be modified and that post-MRTU implementation issues should be considered at a separate workshop, but oppose delaying consideration of these issues until after MRTU becomes operational.

At the time D.07-09-040 was issued, we anticipated that MRTU would be operational within 12 months, and that the AHR component would be removed shortly thereafter. Given this, it was reasonable to require that post-MRTU implementation issues, including the calculation of the MIF once the AHR component is removed, be considered along with all other implementation issues. However, it is unclear whether MRTU will now be operational within the time period anticipated in D.07-09-040. Further, as noted by both QF Parties and the IOUs, the Energy Division has also deferred consideration of these implementation issues to a later, still unscheduled, workshop.

Although QF Parties do not fully explain why post-MRTU issues should be addressed after MRTU is operational, we believe that such an approach would be reasonable. This would allow us to consider the impact of the MRTU day ahead market using actual, rather than hypothetical, data and eliminate the potential need to further revise the MIF in the event there are discrepancies. Further, we do not believe this delay would impede implementation of a revised MIF, since the change to the revised MIF would not occur until the day-ahead market is determined to be sufficiently robust. In their response to the Petition,

the IOUs assert that there are “important MRTU-related issues” which must be addressed before MRTU is operational. However, the IOUs fail to identify any of these allegedly important issues.

Based on these considerations, we grant QF Parties’ request. We eliminate the requirement that the IOUs include the method for calculating the MIF after the AHR is replaced by MRTU day ahead pricing as part of the joint IOU Advice Letter ordered in OP 3 of D.07-09-040. Energy Division shall schedule and hold a workshop within 60 days after MRTU is operational to consider post-MRTU implementation issues. The IOUs shall subsequently file a joint Advice Letter specifying the data sets and formula that will be used to calculate the MIF once the AHR is removed, no later than 30 days after that workshop. Pursuant to D.07-09-040, as modified by D.08-07-048, the Assigned Commissioner’s proposed ruling to remove the AHR component of the MIF shall not be issued until at least six months after the implementation of MRTU, and parties will have an additional 30 days to comment on the proposed ruling before it would become effective.¹⁸ Therefore, post-MRTU implementation procedures for the MIF should be in place before the AHR component is removed.

3.7. Correction of Clerical Error

Energy Division’s email had also recommended that D.07-09-040 be revised to delete the requirement for a simplified version of the Edison Electric Institute (EEI) contract for small QFs. Although QF Parties did include this issue in their Petition, they did not propose a modification. The IOUs assert that this requirement is the result of an oversight and request that D.07-09-040 be

¹⁸ D.08-07-048, at p. 19 (OP 1.h.).

modified to remove the requirement. Upon review of D.07-09-040, we agree with the IOUs that this was a clerical error. By referring to a “simplified version of the EEI contract” for small QFs, D.07-09-040 appears to require the IOUs to develop different standard offer contracts for small and large QFs. However, our intent was that once standard offer contracts were adopted for large QFs, these standard offer contracts would be simplified and applied to small QFs.

Therefore, we shall modify D.07-09-040 to correct this error.

4. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. Comments were filed on August 25, 2008 by PG&E, SCE, SDG&E and CAC/EPUC. Reply comments were filed on September 2, 2008 by PG&E, SCE, SDG&E and CCC. We have taken these comments into account, as appropriate, in finalizing this order.

5. Assignment of Proceeding

President Michael R. Peevey is the assigned Commissioner and Amy C. Yip-Kikugawa is the assigned ALJ in this proceeding.

Findings of Fact

1. Rule 16.4(b) of the Commission’s Rules of Practice and Procedure requires a petition for modification “concisely state the justification for the requested relief.”

2. The Energy Division conducted a workshop on November 14-15, 2007, to implement D.07-09-040. At the workshop, the parties came to various agreements, some of which appeared inconsistent with D.07-09-040, and thus would require modification of the decision.

3. The “12-month rolling average” as stated in D.07-09-040 is calculated by taking the mean of forward data over a 12-month time period, which is recalculated on a monthly basis.

4. The results of the workshop on the TOU/TOD factors are contested by the various parties.

5. The intrastate transportation rate changes on a monthly basis.

6. Increasing the number of data sets used to determine forward market data would likely result in SRAC energy price that more closely reflects utility avoided cost.

7. Parties have not provided any persuasive evidence that any publications other than *Platts Megawatt Daily* and the ICE contain forward market price data that is reliable for use in determining SRAC energy prices.

8. Use of actual on-peak and off-peak hours instead of a fixed percentage allocation provides better accounting of month-to-month consumption patterns.

9. QFs should not be disqualified from being classified as a small QF if their annual energy deliveries are below 131,400 MWh.

10. The phrases “annual energy deliveries” and “annual energy production” are not equivalent.

11. MRTU has not yet become fully operational.

12. Post-MRTU implementation issues may be considered and addressed after MRTU becomes operational.

13. The reference to a simplified version of the EEI contract for Small QFs is a clerical error.

Conclusions of Law

1. References to an agreement made by parties in the course of a workshop or to an email from Energy Division do not meet the requirements of Rule 16.4(b).

2. It would be unreasonable to modify the components of the MIF unless the modifications are consistent with PURPA.

3. It is reasonable to modify the MIF if the modification will result in an SRAC energy price that better reflects utility avoided cost.

4. It is reasonable to allow Energy Division to hold a separate workshop to consider post-MRTU implementation issues after MRTU is operational.

5. The petition for modification should be granted, in part, and denied, in part, as further described herein.

O R D E R

IT IS ORDERED that:

1. The Joint Petition for Modification of Decision (D.) 07-09-040, filed March 3, 2008, by the Cogeneration Association of California, the Energy Producers and Users Coalition and the Independent Energy Producers Association is granted in part, as ordered below.

2. D.07-09-040 is modified as follows:

a. On p. 64, the sentence "Table 3 illustrates a sample derivation of the market heat rate using a 12-month rolling average of forward SP15 prices." shall be changed to "Table 3 illustrates a sample derivation of the market heat rate using a 12-month average of forward SP15 prices." The following footnote is inserted immediately thereafter:

"The 12-month average, i.e., the mean over a rolling time period, is calculated based on the mean of the implicit heat rate derived from forward market prices for the next 12 months in the trading month prior to the SRAC posting. This average would be recalculated on a monthly basis."

b. On p. 70, the second full sentence "We will allow San Diego Gas & Electric Company and the other utilities to annually update the intrastate transportation rate to the most recent value

in their gas tariffs, as necessary.” shall be changed to “We will allow SDG&E and the other utilities monthly to update the intrastate transportation rate to the most recent value in their gas tariffs, as necessary.”

- c. Footnote 6 is deleted and replaced with the following: “The monthly weighted average forward power price is determined by weighting the monthly average on-peak and off-peak power prices based on the actual on-peak and off-peak hours in the applicable month.”
- d. The sentence beginning on the bottom of page 6, “The forward market prices will be based on a weighted average price¹⁹ of the forward market prices for North of Path 15 (NP15) or South of Path 15 (SP15), as reported in *Platts Megawatt Daily* and/or the Intercontinental Exchange (ICE).”²⁰ is deleted and replaced with the following:

The forward market prices will be based on a weighted average price²¹ of the forward market prices for North of Path 15 (NP15) or South of Path 15 (SP15) as reported in a minimum of three (3) publications. The publications shall be selected from a list of publications approved by the Energy Division. Any publication included on Energy Division’s list must be found reliable and appropriate for use in the MIF. Energy Division shall have the discretion to update the list as necessary. We recognize that Energy Division will need some time to determine which publications to include in its list. Therefore, the IOUs shall use *Platts-ICE*

¹⁹ The monthly weighted average forward power price is determined by weighting the monthly average on-peak and off-peak power prices based on the actual on-peak and off-peak hours in the applicable month.

²⁰ www.theice.com.

²¹ The monthly weighted average forward power price is determined by weighting the monthly average on-peak and off-peak power prices based on the actual on-peak and off-peak hours in the applicable month.

Forward Curve-Electricity (North America) for forward market prices until Energy Division establishes its approved list of publications.

Once Energy Division has established its list of publications, each IOU may select from the list the three publications it will use for forward market price data, provided: (1) the IOU demonstrates that use of the selected publications is necessary in order to best reflect its avoided costs; and (2) at least one of the selected publications must be either *Platts-ICE Forward Curve-Electricity (North America)* or ICE. The IOUs shall select its publications through the filing of a Tier 2 Advice Letter.

- e. The last sentence on page 3 “Small QFs are defined as QFs under 20 MW or that offer equivalent annual energy deliveries of 131,400 MWh and that consume at least 25% of the power internally and sell 100% of the surplus to the utilities.” shall be changed to “Small QFs are defined as QFs under 20 MW or that offer equivalent annual energy deliveries of less than or equal to 131,400 MWh and that consume at least 25% of the power internally and sell 100% of the surplus to the utilities.”
- f. In the first full paragraph on page 118, the sentence “This limit is defined as QF that are 20 MW or less, or that offer equivalent annual energy deliveries of 131,400 MWh, and that consume at least 25% of the power internally and sell 100% of the surplus to the utilities.” shall be changed to “This limit is defined as QFs that are 20 MW or less, or that offer equivalent annual energy deliveries of less than or equal to 131,400 MWh, and that consume at least 25% of the power internally and sell 100% of the surplus to the utilities.”
- g. On p. 65, the sentence “This advice letter should also include a description of how the IER will be calculate once MRTU is operational and the administrative heat rate component of the calculation is eliminated, as described below.” is deleted and replaced with the following:

“We further direct Energy Division to host a workshop to address post-MRTU issues within 60 days after MRTU is operational. This workshop will include issues related to calculating the MIF once the administrative heat rate component

is eliminated, as described below. PG&E, SCE and SDG&E shall file a joint advice letter specifying the exact data sets used to calculate the revised MIF within 30 days of the workshop.”

- h. In the middle of page 3, the sentence “The EEI contract²² will be the basis for our Prospective QF Program contract options, however, a simplified version of the EEI contract shall be utilized for Small QFs.” shall be changed to “The EEI contract²³ will be the basis for our Prospective QF Program contract options, however, a simplified version of the standard offer contracts adopted for Large QFs shall be utilized for Small QFs.”

3. Ordering Paragraph 3 is modified as follows:

PG&E, SCE, and SDG&E shall file a joint Tier 3 advice letter implementing the Market Index Formula, and specifying the data sets and formula used to calculate the Market Index Formula 30 days after the workshop mentioned in OP2. PG&E, SCE, and SDG&E shall each file a Tier 3 advice letter with standard offer contracts for large QFs within 60 days of the workshop. Within 30 days after a resolution adopting these standard offer contracts is issued, PG&E, SCE and SDG&E shall each file a Tier 3 advice letter proposing how these adopted standard offer contracts would be simplified for small QFs.

4. The following new ordering paragraph shall be inserted after Ordering Paragraph 3:

Energy Division shall schedule and hold a workshop to consider issues concerning the implementation of the Market Index Formula (MIF) once the California Independent System Operator’s (CAISO) Market Redesign and Technology (MRTU) is operational, including

²² Electric Edison Institute (EEI) contract, http://www.eei.org/industry_issues/legal_and_business_practices/master_contract/OptionalProvisions.htm.

²³ Electric Edison Institute (EEI) contract, http://www.eei.org/industry_issues/legal_and_business_practices/master_contract/OptionalProvisions.htm.

the data sets and formula to be used once the Administrative Heat Rate component of the MIF is removed. This workshop shall be held within 60 days after MRTU is operational. PG&E, SCE and SDG&E shall file a joint Tier 3 advice letter specifying the data sets and formula that will be used to calculate the MIF once the AHR is removed, no later than 30 days after that workshop.

5. With the exception of the modifications made above, all other modifications requested in the Petition for Modification are denied.
6. Rulemaking (R.) 04-04-003 and R.04-04-025 remain open.

This order is effective today.

Dated September 18, 2008, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners