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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4175**
June 26, 2008

R E S O L U T I O N

RESOLUTION E--4175. GRANTING the request of Southern California Edison Company to Amend the Power Purchase Agreement with O.L.S.-Camarillo Qualifying Facility, Establish an Absolving Service Agreement with California State University Channel Islands, and Deviate from Tariff Rule 9 and Rule 16

By Advice Letter 2189-E, filed on November 30, 2007

SUMMARY

This Resolution approves Southern California Edison Company's (SCE) requests regarding the O.L.S.-Camarillo Qualifying Facility (OLS) and California State University Channel Islands (CSUCI):

Southern California Edison Company's (SCE) requests to amend its Power Purchase Agreement (PPA) with O.L.S.-Camarillo (OLS) to pay OLS for power at or below 1.5 MW received by California State University Channel Islands (CSUCI). SCE also requests approval of an Absolving Service Agreement between SCE and CSUCI that governs the provision of service via an exceptional metering infrastructure proposal, deviations for SCE tariff Rule 9 and Rule 16 to accommodate special metering for CSUCI, and modification of SCE's List of Contracts and Deviations to include the aforementioned deviations.

This Resolution approves SCE's requests.

BACKGROUND

On November 30, 2007, SCE requested approval of: (1) an amended qualifying facility power purchase agreement between O/L/S/ Energy-Camarillo and SCE; (2) approval of an Absolving Service Agreement between CSUCI and SCE; (3) approval of Rule 9 and

Rule 16 deviations to accommodate CSUCI's special metering/billing arrangement; and (4) modification of SCE's List of Contracts and Deviations to reflect the rule deviations identified in (3) above.

OLS is a 33.4 MW co-generation facility located on the CSUCI campus. Although located on CSUCI premises, OLS owns the 66 kV electrical facilities that connect to SCE and through which power is provided to CSUCI.

CSUCI is a four-year public university which opened in 2002. The 670-acre campus rests at the foot of the Santa Monica Mountains, halfway between Santa Barbara and Los Angeles. Based on official CSU projections, the CSUCI campus enrollment is expected to more than double by 2013.

SCE entered into a PPA with OLS for the purchase of electrical power from OLS which the Commission found to be reasonable in Decision (D.) 93-04-006, issued on April 7, 1993. OLS is currently the customer of record and takes standby service under SCE tariffs at 66 kV. OLS is also under a separate contract with CSUCI to provide up to 1.5 MW for CSUCI campus load.

CSUCI, while interconnected to OLS facilities, is also connected to and is the customer of record at a second point of service provided at SCE's Camar Sub, 4 kV substation. This service is being used as back-up to the 66 kV service being provided through the OLS facilities.

During discussions with CSUCI over the expansion needs of the university, CSUCI informed SCE that CSUCI had an existing contract arrangement with OLS whereby up to 1.5 MW of OLS generation is used to serve CSUCI's load. In the past, this arrangement has been sufficient to meet CSUCI's load requirements. However, CSUCI load has recently recognized the potential to exceeded the 1.5 MW supplied by OLS during peak consumption periods.

CSUCI projects that over the course of the next several years its load, due in part to increased enrollment, will steadily increase beyond the 1.5 MW supplied by OLS. CSUCI has requested SCE to supply power for its future load growth and has asked SCE to bill it directly for this power.

Moreover, SCE has discovered that while the OLS' generating capacity was serving CSUCI's load requirements (i.e., up to the contractual 1.5 MW), OLS has been charging CSUCI for the power provided by SCE through the OLS' facilities when OLS was not generating. The submetering installed by OLS to record power delivered from its facilities to CSUCI could not distinguish between power delivered by OLS and by SCE. This resulted in power delivered and sold by SCE to OLS during outages of OLS' generation being resold to CSUCI in violation of SCE's tariffs. Rule 18 prohibits, with few exceptions, the reselling of electricity provided by SCE.

An agreement could not be reached between OLS and CSUCI for OLS to provide power to CSUCI beyond 1.5 MW due in part to OLS' existing QF power purchase agreement with SCE. CSUCI has provided SCE an unconfirmed estimate of $2.8 million to segregate its campus load so that the load served directly by OLS would not exceed the 1.5 MW, and it has requested that SCE provide an alternative to the above arrangement.

SCE proposes a metering solution which requires an additional meter to be installed between OLS's 66 kV point of delivery and the CSUCI campus load. Attachment A of the Absolving Service Agreement1 shows a single-line diagram for the proposed metering arrangement for service to CSUCI, and a more detailed single-line drawing of the same metering arrangement is provided in Appendix G of the PPA. Power measured on the newly added meter (M4) would be subtracted from the power recorded on meter M1 when power is exported to SCE, while taking into account the 1.5 MW OLS contractual obligation to provide power to CSUCI.

This proposed solution results in additional metering and billing service costs to accommodate the special arrangement. Such costs are estimated to be $68,119 which CSUCI has agreed to pay.

The above-referenced special metering/billing arrangement is intended to be temporary and will terminate on or before December 31, 2011. As a long-term solution, CSUCI has represented to SCE that bond monies are available and will be used to construct a 66 kV substation for CSUCI to meet its load requirements.

Following negotiations with CSUCI and OLS to bring the parties into compliance with its tariffs, SCE developed agreements requiring Commission approval.

The first agreement, entered into by CSUCI and SCE, is titled Absolving Service Agreement (CSU Channel Islands). It is a modified version of the Commission-approved Absolving Service Agreement (Form CSD 436) which is typically used when

1. A signed copy of the Absolving Service Agreement was included by SCE in AL 2189-E.

SCE provides a customer electric service through electrical facilities owned by a third party (in this case OLS). The material provisions and attachments provide that:

- CSUCI will be provided service through the OLS-owned facilities.
- OLS may provide electric service to CSUCI for up to 1.5 MW.
- Electric Service provided to CSUCI at or above 1.5 MW will be deemed as provided by SCE, notwithstanding such service being supplied through OLS' facilities.

This arrangement is temporary and is intended to terminate on or before December 31, 2011.

CSUCI will pay SCE for the billing and metering costs to accommodate CSUCI's special metering/billing arrangement.

The second agreement consists of a third amendment to the aforementioned QF PPA between OLS and SCE and is entitled "Amendment No. 3 to The Amended and Restated Power Purchase Agreement between Southern California Edison and O.L.S. Energy-Camarillo." The revisions impacting payment for purchased power from OLS are summarized as follows:

- SCE is to pay OLS for the net power received by SCE as measured by meter M1 during intervals when power delivered to CSUCI as measured by meter M4 is less than or equal to 1.5 MW.
- SCE is to pay OLS for the net power received by SCE as measured by meter M1 plus power measured by meter M4 minus 1.5 MW during intervals when power delivered to CSUCI as shown by M4 exceeds 1.5 MW.
- OLS is to pay SCE $100 for each report that details the recorded interval data for meters M1 and M4.

Commission approval for deviations to Rule 9 and Rule 16 will be required to allow multiple meters to be used to render CSUCI its bill based on the above agreements. A deviation to Section B of Rule 9 which specifies that "the readings of two or more meters will not be combined" is required because the above conditions do not qualify for any of the exceptions listed in Rule 9. Also, a deviation to Section B.2 of Rule 16 which limits customers to one meter is required since the above conditions do not otherwise qualify for one of the listed exceptions.

Upon Commission approval of the agreements and deviations, CSUCI will replace OLS as the customer of record and back-up service currently provided through Camar Sub will be provided under Schedule TOU-8-BU.

SCE seeks Commission approval for the agreements and deviations to its tariffs pursuant to General Order 96-B Section 8.2.3 which authorizes a utility such as SCE to provide service "to a governmental agency … under terms and conditions otherwise deviating from its tariffs then in effect."

SCE believes it is reasonable to seek Commission approval of the aforementioned agreements and deviations for the following reasons:

1. The deviations are temporary.
2. Utility costs to accommodate the special metering/billing arrangement are reimbursed by CSUCI.
3. The hardships that would otherwise be encountered by CSUCI and its students without the Commission's approval of the aforementioned agreements and deviations are reduced.
4. OLS continues to meet its contractual obligations to SCE under the PPA.

Therefore, SCE requests Commission approval of:

1. The amended QF PPA between OLS and SCE;
2. The Absolving Service Agreement between CSUCI and SCE;
3. Rule 9 and Rule 16 deviations to accommodate CSUCI's special metering/billing arrangement; and
4. Modification of SCE's List of Contracts and Deviations to reflect the proposed rule deviations.

NOTICE

Notice of this request was made by publication in the Commission's Daily Calendar on December 7, 2007. Southern California Edison states that a copy of the request was mailed and distributed in accordance with General Order 96-B.

In accordance with Section 4 of General Order No. (GO) 96-B, SCE served copies of the advice filing to the interested parties listed in the advice filing.

Further, in accordance with Public Utilities Code Section 491, notice to the public was given by filing and keeping the advice filing at SCE's corporate headquarters.

PROTESTS

No protests were received.

DISCUSSION

SCE's AL 2189-E recognizes that the current situation with OLS, SCE, and CSUCI potentially violates Tariff Rule 18. SCE's effort to address the situation in a least cost manner attempts to mitigate potential harm to all parties by providing a reasonable timeframe for correcting the situation while resulting, ultimately, in a scenario where there is no tariff or rule violation. While the proposal does not immediately address all concerns, it does provide a time by which all concerns should be resolved to all parties' satisfaction.

Deviation from tariff Rule 9 and 16 are reasonable

The SCE application seeks deviation from tariff Rules 9 and 16 based on the multiple meter interim metering mechanism proposed in AL 2189-E. Tariff Rule 9 and 16 generally prohibits utilizing multiple meters to charge for electrical service. The cost and temporary nature of the interim solution proposed in AL 2189-E as well as the status of CSUCI as a state governmental entity support a deviate in this case.

The metering solution at a cost of $68,119 is more than $2 million less expensive than alternative solutions. As a transition mechanism with transition costs not borne by SCE, the proposal in AL 2198-E is in the best interest of all parties.

The finite period, from the installation of the new metering equipment to a date no later than December 31, 2011 represents a transition period to the point where there will be full compliance with existing tariffs, rules and statute. The temporary aspect to the relief requested in AL 2189-E is emphasized by two distinct time elements. The first provides a stop measure for the current situation via the installation of an exceptional metering mechanism. The provision of service via this metering mechanism also marks the beginning of exceptional service period requested by SCE. The second element occurs no later than December 31, 2011 when infrastructure and/or contracting mechanisms will be in place to end the exceptional metering scenario.

Absolving Service Agreement and extra-tariff service
As addressed above, the Absolving Service Agreement governs the provision of service for CSUCI by SCE via the metering mechanism proposed in AL 2189-E. The Absolving Service Agreement is based on a standard document (CSD 436) governing electric service provided over infrastructure owned by a third party. The assertion by SCE and CSUCI that provision of service to CSUCI outside of a tariff is permissible under General Order 96-B Section 8.2.3 is reasonable. CSUCI is a government agency for the purposes of determining the applicability of General Rule 8.2.3 to the service proposed in AL 2189-E. This determination is reasonable in light of the sunset proposed in AL 2189-E.

Modification of list of contracts and deviations

The revision of SCE's list of contracts and deviations based on the changes in the OLS PPA and the Absolving Service Agreement is a reasonable ministerial action upon the approval of AL 2189-E.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public utilities code Section 311(g)(2) the otherwise applicable 30-day period for public review and comment is waived.

FINDINGS

1. O.L.S.-Camarillo is a Qualifying Facility with a contract to provide power to Southern California Edison.
2. O.L.S.-Camarillo provides power up to 1.5 MW to California State University Chanel Islands under a long term contract.
3. When California State University Channel Islands uses more than 1.5 MW or when O.L.S.-Camarillo is out of service a violation of Rule 18 occurs.
4. Rule 18 prohibits, with exceptions, the reselling of electricity provided by Southern California Edison.
5. Southern California Edison Advice Letter 2189-E seeks temporary deviation from tariff rules 9 and 16 to eliminate a potential Rule 18 violation.
6. Southern California Edison asserts that California State University Chanel Islands will pay the $68,119 cost of the meter necessary to ensure Southern California Edison can measure consumption of power by California State University Chanel

Islands over O.L.S-Camarillo facilities in excess of 1.5 MW and when O.L.S.-Camarillo is not operating.

7. California State University Chanel Islands asserts that an alternative metering solution will cost $2.8 million.
8. California State University Chanel Islands asserts an alternative to the proposed temporary solution sought in Southern California Edison AL-2189-E will be in place by December 31, 2011.
9. Service to a government agency under terms deviating from a tariff is permitted under General Order 96-B Section 8.2.3.
10. California State University Chanel Islands is a part of the government of the state of California.
11. The Absolving Service Agreement is a temporary agreement between Southern California Edison and California State University Chanel Islands regarding the provision of electric service over the metering infrastructure proposed in Advice Letter 2189-E.
12. The Absolving Service Agreement is reasonable based on the discussion section of this resolution.
13. The deviation from tariff rules 9 and 16 until no later than December 31, 2011 is reasonable based on the discussion section of this resolution.
14. The modification to Southern California Edison's list of contracts and deviations is reasonable and consistent with the requested relief in Advice Letter 2189-E.

THEREFORE IT IS ORDERED THAT:

1. The request of Southern California Edison in Advice Letter 2189-E to amend the Power Purchase Agreement with O.L.S.-Camarillo, accept the Absolving Service Agreement between Southern California Edison and O.L.S.-Camarillo, permit, on a temporary basis not to extend beyond December 31, 2011, deviations of the Southern California Edison tariff Rule 9 and Rule 16, and modify Southern California Edison's List of Contracts and Deviations is approved.

2. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 26, 2008; the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

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