

113 FERC ¶ 61,058
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

Southern California Edison Company

Docket Nos. ER05-763-001,
ER04-1209-002,
EL05-29-001, and
ER05-410-002
(Consolidated)

ORDER GRANTING REHEARING

(Issued October 20, 2005)

1. On June 23, 2005, Southern California Edison Company (SoCal Edison) requested rehearing of the Commission's May 25, 2005 Order Accepting and Suspending Revised Tariff, Establishing Hearing and Settlement Judge Procedures and Consolidating Proceedings.¹ For the reasons set forth below, the Commission grants the request for rehearing of its May 25 Order.

Background

2. On July 8, 2004, the California Public Utilities Commission (CPUC) issued Decision 04-07-028, which required CPUC-jurisdictional facilities to schedule and procure "sufficient and appropriate resources (both system-wide and locally within [their] service area) ... to permit the California Independent System Operator (CAISO) to maintain reliable grid operations."² Following this guidance, the CAISO developed its M-438 Operating Procedure, which "provides direction to load serving entities (LSEs) to commit generation units within Local Capacity Commitment Areas (LCCAs) if the LSE has uncommitted generation units within an LCCA."³ SoCal Edison is required to procure physical commitment and dispatch rights to at least 600 MWs of generation capacity to meet its obligation under the M-438 Procedure in the following area: South of Path 26, South of Lugo, and North of Miguel.

¹ *Southern California Edison Co.*, 111 FERC ¶ 61,247 (2005) (May 25 Order).

² SoCal Edison's April 1, 2005 filing at 2.

³ *Id.* at 3.

3. On September 9, 2004, in Docket No. ER04-1209-000, SoCal Edison filed to revise its Transmission Owner (TO) Tariff to reflect the incremental costs incurred by SoCal Edison in following the M-438 Procedure as a new category of Reliability Services cost. On November 8, 2004, these tariff revisions became effective by operation of law. Subsequently, on December 10, 2004, the Commission issued an order in Docket Nos. ER04-1209-001 and EL05-29-000 that instituted an investigation pursuant to section 206 of the Federal Power Act (FPA)⁴ on the allocation of M-438 Operating Procedure costs.⁵

4. On December 20, 2004, the Chief Administrative Law Judge (ALJ) issued an order in Docket Nos. ER04-1209-001 and EL05-29-000 (the section 206 investigation on the allocation of M-438 Operating Procedure costs) that suspended the procedural schedule for 90 days in order to allow SoCal Edison to make its 2005 Reliability Services True-Up filing and to file a motion to consolidate Docket Nos. ER04-1209-001 and EL05-29-000 with the True-Up filing. On December 30, 2005, in Docket No. ER05-410-000, SoCal Edison submitted its 2005 Reliability Services True-Up filing, and filed a motion to consolidate the above-mentioned proceedings. On February 28, 2005, in Docket No. ER05-410-000, the Commission accepted SoCal Edison's 2005 Reliability Services True-Up filing effective January 1, 2005, subject to refund, consolidated it with Docket Nos. ER04-1209-001 and EL05-29-000, and set the consolidated cases for hearing and settlement judge procedures.⁶

5. On April 1, 2005, SoCal Edison filed in Docket No. ER05-763-000 revisions to the M-438 Procedure under its TO Tariff⁷ to reflect that SoCal Edison may achieve its capacity commitment requirements under this procedure by including specific generation units as a part of SoCal Edison's day-ahead scheduling process or by requiring a Scheduling Coordinator other than SoCal Edison to procure M-438 generation as part of its day-ahead scheduling process. In addition, SoCal Edison submitted two contracts for 600 MW of M-438 generation, as privileged exhibits, and sought to revise its TO Tariff to specify that the costs incurred under such M-438 contracts (*i.e.*, a capacity payment for the contractual right to obtain the M-438 resource, and a payment reflecting the incremental cost of using a directed resource instead of the least-cost resource) are Reliability Services costs. On May 25, 2005, the Commission accepted these proposed revisions for filing, and suspended them for a nominal period, to be effective June 1,

⁴ 16 U.S.C. § 824e (2000).

⁵ *Southern California Edison Co.*, 109 FERC ¶ 61,263 (2004) (December 10 Order).

⁶ *Southern California Edison Co.*, 110 FERC ¶ 61,190 (2005) (February 28 Order).

⁷ Appendix VI to FERC Electric Tariff, Second Revised Vol. No. 6.

2005, subject to refund. The Commission also established hearing and settlement judge procedures and consolidated this proceeding (Docket No. ER05-763-000) with the proceeding in Docket Nos. ER04-1209-000, EL05-29-000, and ER05-410-000.

Rehearing Request

6. SoCal Edison seeks rehearing of the Commission's statement in the May 25 Order that SoCal Edison's right to recover Reliability Services costs for the M-438 Services was at issue at that time in the settlement judge procedures in the consolidated proceeding in Docket Nos. ER04-1209-000, EL05-29-000, and ER05-410-000. Further, SoCal Edison seeks rehearing of references to certain docket numbers in the May 25 Order.

Discussion

7. SoCal Edison argues that the Commission erred in stating in paragraph 17 of the Commission's May 25 Order that "the parties to this proceeding are engaged in settlement judge procedures in Docket Nos. ER04-1209, EL05-29-000, and ER05-41-000 [sic] concerning whether, among other things, the local reliability service required under the M-438 procedure constitutes a new Reliability Services cost and how such costs should be allocated." SoCal Edison asserts that while it is true that the allocation of M-438 Services costs was at issue in the settlement judge procedures in the consolidated proceeding, whether the M-438 Services qualified as a legitimate Reliability Services cost was already settled by the Commission in the December 10 Order.

8. The Commission agrees with SoCal Edison that the Commission misstated what was at issue in the consolidated proceeding in Docket Nos. ER04-1209-000, EL05-29-000, and ER05-410-000. As SoCal Edison explains, the Commission correctly stated that the issue concerning SoCal Edison's proposed Reliability Rate levels (Docket No. ER05-410-000 (2005 Reliability Services True-Up filing)), including the allocation of such costs to SoCal Edison's wholesale customers (Docket Nos. ER04-1209-000 and EL05-29-000), was at issue in Docket Nos. ER04-1209-000, EL05-29-000, and ER05-410-000. However, as SoCal also explains, the Commission incorrectly stated that the issue of whether the M-438 Services qualified as a legitimate Reliability Services cost was also included in that proceeding. We agree with SoCal Edison that the Commission previously concluded in its December 10 Order that "the formula rate [for the computation of SoCal Edison's Reliability Costs] is just and reasonable."⁸ Thus, the

⁸ December 10 Order at P 15.

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appropriateness of this formula and whether it constitutes a new Reliability Services cost was not at issue in the consolidated proceeding in Docket Nos. ER04-1209-000, EL05-29-000, and ER05-410-000.⁹

9. SoCal Edison also seeks rehearing to correct references to certain docket numbers in the Commission's May 25 Order. Specifically, SoCal Edison states that the references in paragraphs 3 and 4 of the Commission's May 25 Order to Docket No. EL04-1209 should be to Docket No. ER04-1209, and the references in paragraph 17 of the May 25 Order to Docket No. ER05-41-000 should be to Docket No. ER05-410-000. The Commission agrees and clarifies that in paragraphs 3, 4, and 17 of the May 25 Order, some of the docket numbers were inadvertently referred to incorrectly. Accordingly, the Commission clarifies that the references in paragraphs 3 and 4 of the Commission's May 25 Order to Docket No. EL04-1209 should be to Docket No. ER04-1209, and the references in paragraph 17 of the May 25 Order to Docket No. ER05-41-000 should be to Docket No. ER05-410-000.

The Commission orders:

SoCal Edison's request for rehearing of the Commission's May 25 Order is hereby granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

⁹ The Commission notes that on April 1, 2005, in Docket No. ER05-763-000 (the underlying docket in this proceeding), SoCal Edison submitted two contracts for 600 MW of M-438 generation, as privileged exhibits, and sought to revise its TO Tariff to specify that the costs incurred under such M-438 contracts (*i.e.*, a capacity payment for the contractual right to obtain the M-438 resource, and a payment reflecting the incremental cost of using a directed resource instead of the least-cost resource) are Reliability Services costs. Therefore, the privileged treatment of these contracts, as well as the appropriateness of these costs as Reliability Services costs, are at issue in Docket No. ER05-763-000, which the Commission consolidated with Docket Nos. ER04-1209-000, EL05-29-000, and ER05-410-000 in its May 25 Order.