UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southern California Edison Company  )  Docket No.  ER11-2694-000

JOINT PROGRESS REPORT, MOTION FOR EXTENSION OF TEMPORARY WAIVER OF CERTAIN CALIFORNIA INDEPENDENT SYSTEM OPERATOR TARIFF PROVISIONS AND REQUEST FOR EXPEDITED CONSIDERATION OF SOUTHERN CALIFORNIA EDISON COMPANY AND PACIFIC GAS AND ELECTRIC COMPANY


I. BACKGROUND

In the Order, the Commission granted PG&E’s and SCE’s requests for a temporary waiver from CAISO tariff sections 40.9.5 and 40.9.6 for all Qualifying Facility (QF) resource adequacy (RA) resources for which they serve as Scheduling Coordinator (SC).\(^2\) The temporary waiver runs until June 30, 2011.\(^3\) The temporary waiver relates to certain forced outage reporting requirements and non-availability charges and availability incentive payments in the CAISO tariff that would otherwise be applicable to SCs of certain QF RA resources.

\(^1\) Order on Requests For Temporary Waiver, 134 FERC ¶ 61,265.
\(^2\) Order, P 15.
\(^3\) Order, P 15.
In the Order, the Commission directed PG&E and SCE to file a joint progress report no later than June 30, 2011 that provides details on the CAISO’s stakeholder process on this issue, and the remedy currently proposed by PG&E and SCE.

PG&E and SCE provide the required joint progress report in this pleading. PG&E and SCE also move for an extension of the temporary waiver until September 30, 2011. This additional time is needed to evaluate the results of the CAISO’s stakeholder proceeding, which is currently scheduled to conclude June 30, 2011. At the end of the proposed extension period, PG&E and SCE anticipate that the stakeholder process will be concluded and they will be able to file an additional joint status report with the Commission to report more fully on what the Commission expected this first status report to contain—details on the CAISO’s stakeholder process and the resulting proposed remedy. SCE and PG&E are informed that the CAISO does not oppose PG&E’s and SCE’s request for an extension. This joint status report and motion would not preclude any other filing(s) to be made with the Commission proposing or implementing a permanent solution to the currently waived CAISO tariff requirements. PG&E and SCE also request expedited treatment in order to avoid the sunset of the current waiver on June 30, 2011.

II. JOINT PROGRESS REPORT

PG&E, SCE and San Diego Gas and Electric Company (SDG&E) (together, the investor-owned utilities or IOUs) have worked with the CAISO regarding the recently-initiated CAISO stakeholder process in this matter. The CAISO supports holding a stakeholder process for this topic. The CAISO posted the Joint Proposal of the IOUs (joint proposal)\(^4\) on its website for comment on June 10, 2011, and held a stakeholder telephone conference on June 17, 2011. Stakeholder comments are due on June 24; the CAISO is scheduled to post its recommendations on its website on June 30. Given that the CAISO stakeholder process has not yet concluded,

\(^4\) The joint proposal can be referenced on the CAISO’s website, http://www.caiso.com/2b99/2b99e94e508c0.pdf.
PG&E and SCE anticipate that additional filings with the Commission from PG&E, SCE, or other stakeholders may be needed in order to reach a final solution on this issue.

At this point, it is not possible to state with certainty what the proposed permanent remedy will be. It is possible, however, to describe the remedy in the IOUs’ joint proposal the CAISO posted for comment on June 10. PG&E, SCE and SDG&E proposed to the CAISO, as part of the joint proposal, to grandfather the QF RA contracts without compliant and mandatory forced outage reporting requirements. The IOUs’ contracts with these resources do not provide the IOUs (who act as the scheduling coordinator for most of these resources5/) the right to obtain the forced outage information from the resources in a manner that is consistent with the CAISO’s tariff provisions. In addition, the joint proposal recommends the same exemption from the CAISO tariff non-availability charges and availability incentive payments that the CAISO tariff grants QF RA contracts executed before August 22, 2010 to those QF RA contracts whose terms have been extended by order of the California Public Utilities Commission (CPUC).6/

The joint proposal also discusses the difficulties of renegotiation of these QF contracts. The IOUs made extensive efforts in the QF Settlement7/ process to negotiate with the QF RA resources for new QF contracts. If the QF Settlement becomes effective, it will result in new contracts for certain QF RA resources, all of which will include contractual provisions that will

5/ Per the CAISO’s tariff, the scheduling coordinators of the QF RA resource contracts are responsible for compliance with sections 40.9.5 and 40.9.6, which include the forced outage reporting requirements.

6/ CPUC Decision (D.) 07-09-040.

7/ The CPUC approved a QF Settlement that would provide new contract options to combined heat and power (CHP) QFs and to other QFs sized 20 MW or under in D. 10-12-035 (QF Settlement). When the QF Settlement becomes effective new contracts will become available for QF purchases and absent extenuating circumstances, QFs must start deliveries under the new contracts within 120 days. The new contracts contain provisions that allow the IOUs, as scheduling coordinators, to comply with the requirements of CAISO tariff sections 40.9.5 and 40.9.6. On June 16, 2011, FERC approved an application by the IOUs to terminate the Public Utility Regulatory Policies Act (PURPA) purchase requirement for QFs exceeding 20 MW. (134 FERC ¶ 61,234.) FERC’s decision will become final and non-appealable July 18, 2011, unless a party seeks rehearing of the decision. If no party requests rehearing, the QF Settlement will become effective and the QF contracts whose terms have been extended per D. 07-09-040 would terminate no later than mid-November, 2011.
allow the IOUs, as SCs, to obtain the forced outage data necessary to satisfy the CAISO tariff forced outage reporting requirements. All other new QF RA contracts will have contractual provisions providing for the reporting of outage data compliant with the CAISO tariff forced outage reporting requirements. However, certain other QF contracts will still have terms that were negotiated prior to the CAISO’s requirements until those contracts terminate. To give an idea of how many contracts are affected by this topic of QF forced outage reporting requirement and non-availability charges and availability incentive payments, PG&E, SDG&E and SCE have, in their aggregate portfolio, approximately 250 contracts over one MW\(^8\) with QF RA resources whose QF contracts will not expire until 2012 and beyond.

This remedy is generally consistent with the Commission’s approach of respecting existing contractual arrangements as it implements market improvements and refinements. With respect to the CPUC-ordered contract extensions, these contracts may expire in 2011.\(^9\)

PG&E and SCE do not currently request the Commission to approve this approach on a permanent basis. The final outcome of the stakeholder process may indicate a result that differs from the solution set forth in the joint proposal. The description of the proposed remedy in the joint proposal is presented here to best address at this time the Commission’s requirement that the joint progress report provide “details . . . on the remedy proposed as a result of the stakeholder process.”\(^10\)

III. MOTION FOR EXTENSION OF TEMPORARY WAIVER

PG&E, SCE and SDG&E have worked to ensure that, at least from their collective perspective, the joint proposal that initiated the CAISO’s stakeholder process proposes a

\(^8\) The CAISO’s tariff sections 40.9.5 and 40.9.6 apply to RA resources of one MW and greater.

\(^9\) The contract extensions refer to those QF resources operating under PURPA contracts executed prior to August 22, 2010, but extended as required by CPUC D. 07-09-040 after August 22, 2010, the CAISO’s grandfathering date for exemption from section 40.9.5 of its tariff. In CPUC D. 07-09-040, the CPUC required PG&E, SCE and SDG&E to extend these expiring contracts’ non-price terms to enable QFs to continue to sell to the IOUs until new QF contracts became available.

\(^10\) Order, P 16.
permanent solution to the CAISO tariff sections 40.9.5 and 40.9.6 requirements for QF RA resources that is feasible for the IOUs, and may be acceptable to CAISO staff.

The stakeholder process will not conclude until approximately June 30, 2011-- the same day the Commission’s temporary waiver expires. Therefore, PG&E and SCE respectfully request that the temporary waiver be extended to allow time to complete the stakeholder process and take any further actions necessary to resolve this issue. PG&E and SCE are informed that the CAISO has no objection to their request for an extension of the Commission’s temporary exemption at this time. If granted the requested extended exemption, PG&E and SCE commit to filing an additional joint status report at the Commission on or before the proposed extended exemption expires, i.e., by September 30, 2011, to address details and report on the outcome of the stakeholder proceeding and any necessary remedies.

Accordingly, PG&E and SCE respectfully request that the temporary waiver of CAISO tariff sections 40.9.5 and 40.9.6 for QF RA resources, currently granted through June 30, 2011, be extended until September 30, 2011.

IV. REQUEST FOR EXPEDITED CONSIDERATION

As noted herein, the current waiver has a sunset date of June 30, 2011. However, since the stakeholder process is still ongoing and the QF Settlement is not yet effective, further time is required to resolve the matter addressed herein on a more permanent basis. Accordingly, PG&E and SCE request that the Commission modify the 15-day period for responses to this Motion prescribed by Rule of Practice and Procedure 213(d), 18 C.F.R. § 385.213(d), making such responses due within seven days, or by June 27, 2011. Based on participation in the stakeholder proceeding, PG&E and SCE do not anticipate any opposition to this Motion.

For the reasons set forth herein, PG&E and SCE respectfully request that the Commission grant this motion no later than June 30, 2011.
V. CONCLUSION

PG&E and SCE respectfully submit this joint status report, as required by the Commission in the Order. SCE is authorized to sign on behalf of PG&E. In addition, PG&E and SCE respectfully request that the temporary waiver of CAISO tariff sections 40.9.5 and 40.9.6 for QF RA resources, currently granted through June 30, 2011, be extended until September 30, 2011 and that the Commission reduce the time to respond to this motion to seven days, and that the Commission grant this extension prior to the sunset of the existing waiver on June 30, 2011.

Respectfully submitted,

JONI A. TEMPLETON

By: /s/ Joni A. Templeton

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Dated: June 20, 2011
CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document upon each person designated on the official service list in this proceeding, ER11-2694-000 in accordance with the requirements of Rule 2010 of the Commission’s Rules of Practice and Procedure and the additional parties listed below:

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Dated at Rosemead, California, this 20th day of June, 2011.

/s/  Sandra Rangel
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