Summary of Standard Offer Contracts

Standard Offer Contract	General Information	Energy Payment	Capacity Payment
Standard Offer 1 (SO1)	For as-available QFs, which cannot make a firm commitment to be available at peak times.	Short-run avoided costs (SRAC)	As-delivered capacity prices.
Standard Offer 2 (SO2)	Available for QFs who can make a firm commitment and maintain an 80% capacity factor during summer peak. Maximum contract term is 30 years. Temporarily suspended in Decision 86-05-024.	SRAC	Forecasted, fixed, and levelized capacity prices
Standard Offer 3 (SO3)	A simplified version of the SO1 available for QFs smaller than 100kW. Minimum contract term is one year.	SRAC	As-delivered capacity prices.
Interim Standard Offer 4 (ISO4)	Guarantees fixed payment rates for initial period of up to 10 years, to provide QFs with some certainty of return in their investments. Most contracts have by now reverted to SRAC. Contract term ranges from 15 to 30 years. Temporarily suspended in Decision 85-04-075. Permanently suspended in Decision 85-07-021, in anticipation of a final long-run contract.	There are 3 energy payment options: EPO1 - Fixed, forecasted avoided energy costs for up to 10 years, after which they revert to SRAC. EPO2 - Fixed, forecasted, and levelized avoided energy costs for up to 10 years, after which they revert to SRAC. EPO3 – Based on fixed, forecasted utility Incremental Energy Rates (IERs) and current utility oil and gas costs, then reverting to SRAC.	There are 3 capacity payment options: CPO1 – Short-run capacity prices similar to those in SO1. CPO2 – Fixed, forecasted as-available capacity prices, which are not levelized, for up to 10 years, after which they revert to the higher of the as-delivered capacity price and the 10th year fixed capacity price. CPO3 – Fixed, forecasted, and levelized firm capacity prices for the term on the contract.
Final Standard Offer 4 (FSO4) Never implemented.	QFs bid against the costs of the “identifiable deferrable resources” (IDRs), rather than against existing resources. On Feb.23, 1995 the FERC invalidated the FSO4 (also known as the Biennial Resource Plan Update – BRPU), ruling that the CPUC did not consider all potential sources of power in setting avoided cost prices.	Period 1 – SRAC. Period 2 - Fixed, and ramped for inflation	Period 1 – Fixed, ramped for inflation. Period 2 – Fixed, ramped for inflation.
Non-Standard Contracts	The utilities have also negotiated QF contracts whose terms do not conform to any of the standard offers.	.	