

Decision 84 03 017

MAR 7 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA EDISON COMPANY for
authority to establish a Major
Additions Adjustment Clause, to
implement a Major Additions Adjustment
Billing Factor and Annual Major
Additions Rate to recover the costs of
owning, operating, and maintaining San
Onofre Nuclear Generating Station Unit
No. 2, and to adjust downward net
Energy Cost Adjustment Clause Rates to
equal the increase in Major Additions
Adjustment Clause Rate.

And Related Matters.

Application 82-02-40
(Filed February 18, 1982;
amended December 1, 1982
and October 4, 1983)

Applications 83-10-36
82-03-63
83-10-12
83-11-19

ORDER ON MOTIONS TO ACCRUE
SONGS 3 COSTS AND EXPENSES IN
THE MAAC BALANCING ACCOUNT

On January 19, 1984 Southern California Edison Company
(Edison) filed a motion requesting the following relief:

- a. Authority to modify the previously
adopted Major Additions Adjustment
Clause (MAAC) to include San Onofre
Nuclear Generating Station Unit 3
(SONGS 3) as a specified major
addition.
- b. Authority to include SONGS 3 investment-
related costs in the MAAC balancing
account based on the plant investment
requested to be placed in rate base
beginning on the commercial operating
date (COD) of SONGS 3, subject to
adjustment.

- c. Authority to modify the MAAC tariff to authorize the recording of SONGS 3 noninvestment-related expenses of approximately \$4,143,000 per month from the COD until rates are made effective pursuant to the Phase 1B decision, subject to adjustment if necessary to reflect the SONGS 3 noninvestment-related expenses adopted for inclusion in rates in the Phase 1B decision.
- d. An order to file by Advice Letter a modified MAAC Tariff to implement the changes requested.
- e. Authority to reduce the Annual Energy Rate (AER) at the same time SONGS 3 costs and expenses are authorized to accumulate in the MAAC balancing account.

On January 25, 1984 San Diego Gas & Electric Company (SDG&E) filed a similar motion requesting authorization to accrue in the MAAC balancing account the revenue requirement requested in A.83-11-19. The revenue requirement would include both investment related costs and noninvestment-related expenses for SONGS 3. The requested revenue requirement for 1984 is based upon total weighted average capital investment of between \$427.1 million and \$470.7 million, depending on the exact COD. The revenue requirement for noninvestment-related expenses for SONGS 3 is stated to be \$1,287,250 per month for SDG&E. SDG&E requests authorization to make balancing account accruals effective with the staff certified COD until a ratemaking decision is rendered in A.83-11-19.

Applicants' Position

Both Edison and SDG&E seek authority to accrue in the MAAC balancing account the revenue requirements requested in their respective applications A.83-10-36 and A.83-11-19 for SONGS 3 in order not to penalize the shareholders from recovering costs related to a facility which becomes operational and is used and useful to the ratepayers. Applicants filed this motion since SONGS 3 is expected to achieve the Commission's COD criterion by April 1, 1984 and since it now appears that a Phase 1B decision will not be rendered until June 1984 at the earliest.

Applicants state that under the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts applicants are required to cease accruing Allowance for Funds Used During Construction (AFUDC) to the construction work order when SONGS 3 achieves commercial operation. Therefore, in the absence of an interim ratemaking mechanism to provide for the recovery of these costs, there will be a time period when applicants will be receiving neither AFUDC on the SONGS 3 investment, nor appropriate ratemaking treatment. Applicants state that accrual of SONGS 3 costs and expenses in the MAAC balancing account from the COD to the date rates are made effective pursuant to the Phase 1B decision would prevent this gap in ratemaking treatment and would also protect ratepayers because the balancing account accruals would be subject to adjustment, if necessary to reflect the Commission's decision in Phase 1B or Phase 2.

Edison also requests that at the same time SONGS 3 costs and expenses are reflected in the MAAC balancing account, the AER be reduced to reflect in rates the energy-related cost differentials associated with the commercial operation of SONGS 3. This request is made to reflect in the AER the impact of the commercial operation of SONGS 3 coincident with the implementation of the MAAC Balancing Account treatment of SONGS 3 costs and expenses.

Discussion

After careful review of applicants' motions we believe applicants' request to include SONGS 3 as a specified major plant addition under MAAC is reasonable. We also agree that it is reasonable to allow applicants to accrue investment-related costs for SONGS 3 in the MAAC balancing account from the COD of SONGS 3 until the date rates are made effective pursuant to the Phase 1B decision. This is consistent with our treatment of SONGS 2 investment-related costs.

We do not agree with applicants' request to accrue noninvestment-related expenses in the MAAC balancing account for the same reasons we denied balancing account treatment of noninvestment related expenses for SONGS 2 in D.83-09-007. We believe it is possible to make a reasonable fixed estimate of noninvestment-related expenses for SONGS 2 and 3 for 1984. We also believe it is reasonable to issue an interim order establishing rates for noninvestment-related expenses for operating SONGS 3 and to update the noninvestment-related expense allowance for SONGS 2 when there is sufficient evidence in the record in the hearings in Phase 1B to enable us to issue such an interim order. Parties are also requested to introduce evidence on the estimated fuel savings resulting from the commercial operation of SONGS 3 at these hearings.

Findings of Fact

1. It is reasonable for applicants to include SONGS 3 as a specified major plant addition under MAAC.
2. It is reasonable to authorize applicants to record SONGS 3 investment-related costs in the MAAC balancing account in accordance with the previously adopted MAAC Tariff, as modified to include SONGS 3, based on the plant cost requested to be placed in rate base beginning on the COD of SONGS 3.
3. It is not reasonable to allow applicants to record noninvestment-related expenses for operating SONGS 3 in the MAAC balancing account.

Conclusions of Law

1. Edison and SDG&E should be authorized to include SONGS 3 as a specified major plant addition under MAAC.
2. Edison and SDG&E should be authorized to accrue SONGS 3 investment-related costs in the MAAC balancing account beginning on the COD of SONGS 3.
3. The motion to include noninvestment-related expenses for SONGS 3 in the MAAC balancing account should be denied.

IT IS ORDERED that:

1. Southern California Edison Company (Edison) and San Diego Gas & Electric Company (SDG&E) are authorized to accrue in the MAAC balancing account the investment-related costs for SONGS 3 for the plant investment requested to be placed in rate base beginning on the COD of SONGS 3, subject to adjustment if necessary to reflect the adopted SONGS 3 plant cost to be placed in rate base pursuant to the Phase 2 decision.
2. Edison and SDG&E shall file a modified MAAC Tariff to include SONGS 3 as a specified major addition under the MAAC .

3. The motion to accrue noninvestment-related expenses in the MAAC balancing account is denied.

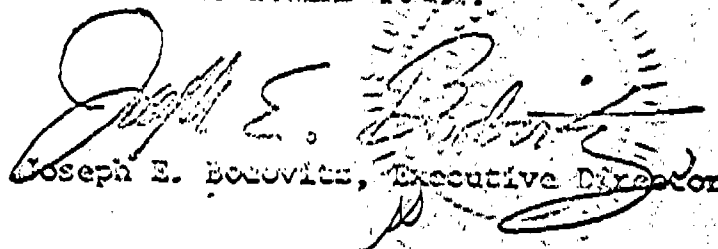
Because of the urgency presented by the upcoming hearings and the expected COD for SONGS 3, this order is effective today.

Dated MAR 7 1984, at San Francisco, California.

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

Commissioner Leonard M. Grimes, Jr.
being necessarily absent, did not
participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TO EX.


Joseph E. Borovitz, Executive Director