

Decision 84 03 059

3/21/84

**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  
Additions Adjustment Billing Factor  
and an 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 Rates.

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

And Related Matters.

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

(For appearances see D.83-09-007.)

Additional Appearances

Bradley S. White, Attorney at Law, for  
Southern California Edison Company,  
applicant.

Steven A. Geringer, Attorney at Law,  
for California Farm Bureau Federation;  
and Dr. Edward Neunen and Harold S.  
Boxer, for themselves, interested  
parties.

INTERIM OPINION AND ORDER ON STIPULATION

On March 6, 1984, Southern California Edison Company (Edison), San Diego Gas and Electric Company (SDG&E), and the Commission staff filed a stipulation recommending that we adopt Staff's estimates of noninvestment-related expenses for San Onofre Nuclear Generating Station Unit Nos. 2 and 3 (SONGS 2 & 3) for 1984. Staff and applicants have agreed to the adoption of Staff's estimates of such expenses in lieu of litigating noninvestment-related issues in Phase 1B of these proceedings. Staff's noninvestment-related expense estimates for SONGS 2 and 3 are set forth on Table 1, together with the amounts attributable to Edison's and SDG&E's ownership share. Table 1 also shows the noninvestment-related expense rates for each utility that result from the noninvestment-related expenses for SONGS 2 and 3. We agree that staff's estimates are reasonable and we will adopt them.

Staff has estimated noninvestment-related expenses for SONGS 2 and 3 in essentially the same manner as it did for Phase 1 of these proceedings, using an average of 1982 recorded O&M expenses as reported on Federal Energy Regulatory Commission Form 1, from certain Combustion Engineering plants and escalating that average to 1984. In addition, staff applied an updated West Coast labor adjustment factor. Staff used escalation factors of 21.3% for 1983 and 20.8% for 1984. Staff's escalation factors are based on an analysis of growth of recorded O&M expenses for nuclear plants as reported on (FERC) Form 1 and an estimate of general economic inflation.

TABLE 1

STAFF ESTIMATES OF  
SONGS UNITS 2 AND 3  
NONINVESTMENT-RELATED COSTS  
1984

Line No.	Description	Edison's	SDG&E's
		75.05% Share (A)	20% Share (B)
		(Dollars in Thousands)	
1.	<u>SONGS 2</u>		
2.	Operation & Maintenance	\$ 38,704	\$ 10,128
3.	Pensions & Benefits	1,934	497
4.	Payroll Tax	876	233
5.	Insurance	4,335	1,155
6.	Overheads	-	-
7.	Subtotal	\$ 45,849	\$ 12,013
8.	Franchise & Uncollectibles	473	271
9.	Total	\$ 46,322	\$ 12,284
10.	CPUC Jurisdictional	43,266	12,284
11.	Sales (Millions of kWh)	55,942	10,170
12.	Noninvestment-related Expense Rate (¢/kWh)	0.077	0.120
13.	<u>SONGS 3</u>		
14.	Operation & Maintenance	\$ 38,704	\$ 10,128
15.	Pensions & Benefits	1,934	497
16.	Payroll Tax	876	233
17.	Insurance	4,335	1,155
18.	Overheads	-	-
19.	Subtotal	\$ 45,849	\$ 12,013
20.	Franchise & Uncollectibles	473	271
21.	Total	\$ 46,322	\$ 12,284
22.	CPUC Jurisdictional	43,266	12,284
23.	Sales (Millions of kWh)	55,942	10,170
24.	Noninvestment-Related Expense Rate (¢/kWh)	0.077	0.120

In adopting staff's estimates of noninvestment-related expenses for SONGS 2 and 3 today we do not intend to change the provisions we adopted in Decision (D.) 84-02-090. Specifically, should the 1983 recorded O&M expense data from other nuclear plants and other plant-specific information demonstrate substantial differences from the O&M expenses adopted for SONGS 2 and 3 for 1984, Edison and SDG&E may move to modify the 1984 attrition allowance so that the 1984 allowance will provide for reasonable O&M expenses. The issue of general home office overhead expense billed by Edison to SDG&E, will be further heard in the Phase 1B hearings resuming on March 20, 1984, as provided in D.84-02-090, together with additional evidence on estimated fuel savings for SDG&E on the commercial operation of SONGS 3.

In order to enable applicants to escalate SONGS 2 Noninvestment-related expenses to 1984 expense levels, we will authorize applicants to file new MAAC tariffs for Noninvestment-related Expense Rates as shown in Table 1 for SONGS 2 and to make corresponding reductions in their ECAC rates so that there is no net rate change as a result of this escalation.

When SONGS 3 becomes commercially operable, applicants are ordered to make reductions in their ECAC and AER rates corresponding to the estimated fuel savings from the commercial operation of SONGS 3, in accordance with Appendix A; the ECAC reductions are to be net of the ECAC reductions authorized to offset the increased Noninvestment-related Expense Rates for SONGS 2. At that time, the applicants are also authorized to file new MAAC tariffs for Noninvestment-related Expense Rates for SONGS 3 as shown in Table 1. Furthermore, in the interest of rate stability for applicants' customers, we will order applicants to file for SONGS 3 MAAC Ownership Rates equal to the amount by which SONGS 3 fuel savings exceed the increases in Noninvestment-related Expense Rates for SONGS 2 and SONGS 3 authorized in this decision. The MAAC Ownership Rates

will offset, in part, the investment-related costs we have authorized applicants to accrue in the balancing account in D.84-03-017 upon the commercial operation of SONGS 3.

In the hearings in A.83-11-31, Edison's ECAC application with a January 1, 1984 revision date, Edison stipulated to the use of the staff's table for adjusting the AER if SONGS 3 is reflected in rates prior to June 1, 1984. Although Edison did not necessarily

agree with all of the assumptions made by the staff and all of the methodology staff followed in developing the fuel savings attributable to SONGS 3, Edison agreed to the use of the staff figures since the proposed revisions were so close to Edison's proposed revisions. Edison requested that the Commission take official notice of the record in A.83-11-31 relating to the staff exhibit (Exhibit 2) and stipulated to the use of the staff exhibit in this proceeding. We will require Edison to make the AER and ECAC rate changes set forth in Appendix A.

SDG&E's original estimate of fuel savings for SONGS 3 contained in its application of \$27,757,000 for the period March 1, 1984 through October 31, 1984 is substantially lower than the staff's estimate of \$42,584,000 for the same period. Both SDG&E's and staff's exhibits are in the process of further revision. SDG&E requested that its estimate of \$27,757,000 be used for the purpose of this decision with the company stipulating to the Commission reserving the right to make further retroactive adjustments to the AER should subsequent hearings and/or stipulations between SDG&E and the staff indicate that a higher fuel savings and thus a higher reduction in AER would be justified. The staff supported SDG&E's request.

We agree that SDG&E's proposal to use its lower estimated fuel savings figure for the purpose of this decision is reasonable, provided retroactive adjustments are made if the final adopted fuel savings figure is higher than the \$27,757,000 figure. Therefore, we will adopt the \$27,757,000 fuel savings estimate for the purposes of this decision. Since the general home office overhead billing charge by Edison to SDG&E together with the fuel savings issues will be the first issues to be considered in the hearings recommencing March 20, 1984, a further order, if necessary, adjusting SDG&E's Noninvestment-related Expense Rate and ECAC and AER rates can be readily made.

For the purpose of this decision in order to maintain rate stability, we will require the MAAC rate increases to be offset by decreases in ECAC and AER rates on a uniform ¢/kWh basis so that the net effect of this order will result in no net rate change to customers. We recognize that this treatment deviates from the rate design policy adopted in SDG&E's recent rate case decision, D.83-12-065. We adopt this limited deviation for SDG&E in this instance to simplify an otherwise complicated proceeding.

Findings of Fact

1. The Commission staff has estimated the 1984 level of operation and maintenance expenses, including related transmission expenses, for SONGS 2 and 3 to be \$51,338,000 for each unit. These values are total system expenses for all participants.

2. The Commission staff has estimated Edison's share of the 1984 level of noninvestment-related expenses for SONGS 2 and 3 to be \$43,266,000 for each unit. This estimate consists of \$38,704,000 of O&M expense (including transmission), \$1,934,000 of pensions and benefits expense, \$876,000 of payroll tax expense, \$4,335,000 of insurance premium expense, and \$473,000 of franchise fees and uncollectible accounts expense. The total of these amounts is \$46,322,000 and the CPUC jurisdictional share is \$43,266,000.

3. The Commission staff has estimated SDG&E's share of the 1984 level of noninvestment-related expenses for SONGS 2 and 3 to be \$12,284,000 for each unit. This estimate consists of \$10,128,000 of O&M expense (including transmission), \$497,000 of pensions and benefits expense, \$233,000 of payroll tax expense, \$1,155,000 of insurance premium expense, and \$271,000 of franchise fees and uncollectible accounts expense. The total of these amounts is \$12,284,000.

4. The Noninvestment-related Expense Rates for SONGS 2 and 3 that result from adopting staff's noninvestment-related expense estimates are 0.077¢/kWh for each unit for Edison, and 0.120¢/kWh for each unit for SDG&E not including home office overhead billed to SDG&E.

5. On March 6, 1984, Edison, SDG&E, and staff filed a stipulation recommending adoption of staff's noninvestment-related expense estimates for SONGS 2 and 3 for 1984, subject to the provisions set forth in D.84-02-090.

6. It is reasonable to adopt staff's estimates of noninvestment-related expenses for Phase 1B of the MAAC proceedings, subject to the provisions set forth in D.84-02-090.

7. The net changes in rate levels resulting from adopting staff's estimates of noninvestment-related expenses for Phase 1B of these proceedings are fair, just, and reasonable.

8. The present tariffs and rate levels, to the extent they are inconsistent with the rate levels resulting from adopting staff's estimates of noninvestment-related expenses for Phase 1B of these proceedings are unfair, unjust, and unreasonable.

9. Edison stipulated to the use of the staff exhibit in A.83-11-31 which sets forth the estimated fuel savings attributable to the commercial operation of SONGS 3 and the adjustment necessary to the AER.

10. Edison in this proceeding requested that the Commission take official notice of the record in A.83-11-31 relating to the staff exhibit (Exhibit 2) in that proceeding and stipulates to the use of Exhibit 2 in this proceeding for the purposes of adjusting energy rates for fuel savings resulting from the commercial operation of SONGS 3.

11. SDG&E and staff have stipulated to the use of SDG&E's preliminary estimate of fuel savings attributable to the commercial operation of SONGS 3 for the period March 1, 1984 through October 31, 1984 of \$27,757,000 for the purposes of this decision.

12. SDG&E further stipulates that should subsequent hearings in this proceeding prove a higher fuel savings figure is justified the ECAC and AER rates adopted in this decision be subject to retroactive adjustment.



13. Considering the stipulations, it is reasonable to use a fuel savings estimate of \$27,757,000 for SDG&E for the purposes of this decision.

14. The adopted noninvestment-related expense rate for SDG&E do not include any provisions for general home office expense charges billed by Edison to SDG&E since SDG&E has not completed its showing on this issue.

15. It is reasonable for applicants to file revised ECAC and AER tariffs to be effective on the commercial operation of SONGS 3 in accordance with Appendix A and B.

16. In order to promote rate stability, it is reasonable to require applicants to offset the estimated fuel savings against increases in the MAAC noninvestment-related expense rates for SONGS 2 and 3 with any unused fuel savings being used to establish MAAC Ownership Rates for SONGS 3 to offset, in part, the investment-related cost accruals. The net effect of these rate changes should be no net change in the bills of individual customers.

#### Conclusions of Law

1. Edison should be authorized to file tariffs reflecting a revised Annual Major Addition Rate which includes a Noninvestment-related Expense Rate of 0.077¢/kWh for SONGS 2. These tariff changes should be effective for service rendered on and after the day such tariffs are filed.

2. SDG&E should be authorized to file revised tariffs reflecting a revised Annual Major Addition Rate which includes a Noninvestment-related Expense Rate of 0.120¢/kWh for SONGS 2 not including home office overhead billed to SDG&E. These tariff changes should be effective for service rendered on and after the date such tariffs are filed.

3. Edison and SDG&E should be authorized to file revised tariffs which reflect the revised Annual Major Addition Rate which includes the revised Noninvestment-related Expense Rates to become effective for service rendered on or after the date Unit 3 meets the

commercial operating data criterion adopted in D.82-01-111. Edison's Noninvestment-related Expense Rate for SONGS 3 should be 0.077¢/kWh; and SDG&E's noninvestment-related expense rate for SONGS 3 should be 0.120¢/kWh not including home office overhead billed to SDG&E.

4. Edison should be authorized to file revised tariffs to reduce ECAC and AER rates in accordance with Appendix A to be effective on the commercial operation of SONGS 3.

5. SDG&E should be authorized to file revised tariffs to reduce ECAC and AER rates in accordance with Appendix B to be effective on the commercial operation of SONGS 3. ✓

6. Edison and SDG&E should be authorized to file revised MAAC Ownership Rate tariffs for SONGS 3 with increases equivalent to the adopted fuel savings resulting from the commercial operation of SONGS 3, less amounts used to offset the additional noninvestment-related expenses authorized for SONGS 2 and the noninvestment-related expenses authorized for SONGS 3 in this order.

7. The effective date of this order should be the date on which it is signed to enable Edison and SDG&E to receive appropriate rate treatment when SONGS 3 goes into commercial operation and to adjust the SONGS 2 Noninvestment-related Expense Rate to 1984 expense levels. ✓

IT IS ORDERED that:

1. Southern California Edison Company (Edison) is authorized and directed to file with this Commission on or after the effective date of this order, tariffs reflecting a revised Annual Major Addition Rate which includes the Noninvestment-related Expense Rate of 0.077¢/kWh for SONGS 2. Such tariffs shall be effective for service rendered on and after the date filed.

2. San Diego Gas & Electric Company (SDG&E) is authorized and directed to file with this Commission on or after the effective date of this order, tariffs reflecting a revised authorized annual MAAC revenue of \$12,284,000 for its ERAM, and a revised Annual Major Addition Rate which includes an average Noninvestment-related Expense

Rate of 0.120¢/kWh for SONGS 2. Such tariffs shall be effective for service rendered on and after the date filed.

3. Edison is authorized and directed to file with this Commission on or after the effective date of this order, tariffs reducing its ECAC tariff equivalent to the increase in the Noninvestment-related Expense Rate authorized for SONGS 2 in this order. ✓

4. SDG&E is authorized and directed to file with this Commission on or after the effective date of this order, tariffs reducing its ECAC tariff equivalent to the increase in the Noninvestment-related Expense Rate authorized for SONGS 2 in this order. ✓

5. Edison is authorized and directed to file with this Commission tariffs reflecting a revised Annual Major Addition Rate which includes the Noninvestment-related Expense Rate of 0.077¢/kWh for SONGS 3. Such tariffs shall be effective for service rendered on and after the date SONGS 3 meets the commercial operating date criterion adopted in D.82-09-111.

6. SDG&E is authorized and directed to file with this Commission tariffs reflecting a revised authorized annual MAAC revenue of \$12,284,000 for its ERAM, and a revised Annual Major Addition rate which includes an average Noninvestment-related Expense Rate of 0.120¢/kWh for SONGS 3. Such tariffs shall be effective for services rendered on and after the date SONGS 3 meets the commercial operating date criterion adopted in D.82-09-111.

7. Edison is authorized and directed to file with this Commission tariffs reducing ECAC and AER rates to reflect the fuel savings attributable to the commercial operation of SONGS 3. Such tariffs shall be effective on the date filed but no earlier than the date SONGS 3 meets the commercial operating date criterion adopted in D.82-09-111. The adjustment to ECAC will be net of the fuel savings used to offset the increase in the Noninvestment-related Expense Rate for SONGS 2 authorized in this decision.

8. SDG&E is authorized and directed to file with this Commission tariffs reducing ECAC and AER rates to reflect the fuel savings attributable to the commercial operation of SONGS 3. Such tariffs shall be effective on the date filed but no earlier than the date SONGS 3 meets the commercial operating date criterion adopted in D.82-09-111. The adjustment to ECAC rates will be net of the fuel savings used to offset the increase in the Noninvestment-related Expense Rate for SONGS 2 authorized in this decision. The AER rates established in this order will be collected subject to refund should the adopted fuel savings estimate for the period 3/1/84 to 10/31/84 exceed the \$27,757,000 estimate used for the purposes of this order.

9. Edison and SDG&E are authorized and directed to file with this Commission revised MAAC Ownership Rate tariffs with increases equivalent to the adopted fuel savings resulting from the commercial operation of SONGS 3, less amounts used to offset the additional revenues authorized for noninvestment-related expenses for SONGS 2 and the revenues authorized for noninvestment-related expenses for SONGS 3 in this order. SDG&E is further authorized and directed to file with this Commission tariffs reflecting the authorized MAAC Ownership Rate revenues for its ERAM. Such tariffs shall be effective on the date filed, but no earlier than the date SONGS 3 meets the commercial operating date criterion adopted in D.82-09-111.

10. Edison shall file with its tariffs for SONGS 3 an affidavit stating that SONGS 3 has met commercial operating date criteria. In order to permit applicants to begin collecting these rates when SONGS 3 goes into commercial operation and to give staff an opportunity to verify that the commercial operating date criteria have been met, we will order that the revenues collected under the Noninvestment-related Expense Rates for SONGS 3 be collected subject to the refund pending such verification.

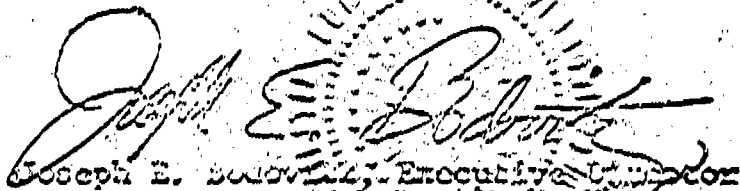
This order is effective today.

Dated March 21, 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

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

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

  
Joseph E. Donovan, Executive Director

## APPENDIX A

SONGS III AER Adjustment at Date  
of Commercial Operation \$(000)  
FOB Calculation

Comm. Oper. Date	Energy Cost Saved	10%	Sales* (Gwh)	AER Adj.** \$/kWh	ECAC Adj.** \$/kWh***
Jan 1984	\$ 82,866	8,287	21,709	0.00036	0.00322
Feb	64,421	6,442	17,158	0.00035	0.00316
Mar	48,575	4,858	12,859	0.00035	0.00318
April	32,399	3,240	8,476	0.00036	0.00322
May	16,936	1,694	4,308	0.00037	0.00331

June 1, 1984 Next AER Review Date

Example: Assume SONGS III is in commercial operation anytime during March 1984. Then the AER adjustment would be a reduction of 4.858 million dollars, or .00035/\$kWh until the June 1, 1984 AER revision date. The decrease would be spread uniformly to all kWh sales.

\* Anticipated remaining sales to June 1, 1984  
1 Gwh =  $10^6$  kWh

\*\* Adjusted for California jurisdictional.

\*\*\* ECAC adjustment for SONGS 3 will be after deducting the fuel savings used to offset the Noninvestment-related Expense Rate increase authorized for SONGS 2 in this order.

(END OF APPENDIX A)

## APPENDIX B

SAN DIEGO GAS & ELECTRIC COMPANY

- A. Development of Uniform ECAC Rate Change In Order to Reflect Applicable Amount of SONGS 3 1984 Fuel Savings for a January 1, 1984 or a December 31, 1984 Effective Date.

<u>Line No.</u>	<u>Item</u>	<u>Units</u>	<u>Amount</u>
1	SONGS 3 Fuel Savings from March 1, 1984 October 31, 1984	MS	27,757
2	Amount of Fuel Savings Allocated to ECAC Rate Change (Line 1 x Expense Allocation Ratio of 0.988736 x 92% x 92% x -1.0)	MS	(25,249)
3	Estimated Sales Applicable to ECAC Rates*	M <sup>2</sup> kWh	6,761.98
4	Uniform Change to ECAC Rates ((Line 2 ÷ Line 3) x 1.0128)	¢/kWh	(0.378)**

- B. Development of Uniform AER Rate Change In Order to Reflect Applicable Amount of SONGS 3 1984 Fuel Savings For a January 1, 1984 or December 31, 1984 Effective Date.

<u>Line No.</u>	<u>Item</u>	<u>Units</u>	<u>Amount</u>
1	SONGS 3 Fuel Savings From March 1, 1984 through October 31, 1984	MS	27,757
2	Amount of Fuel Savings Allocated to AER Change (Line 1 x Expense Allocation Ratio of 0.988736 x 8% x -1.0)	MS	(2,196)
3	Estimated Sales Applicable to AER*	M <sup>2</sup> kWh	6,761.98
4	Proposed Uniform Change to AER ((Line 2 ÷ Line 3) x 1.0128)	¢/kWh	(0.033)

\* Estimated sales are for the period March 1, 1984 through October 31, 1984 and include effect of Employee Discount. Sales are from the annual sales estimate that was adopted by D.83-12-065, dated December 20, 1983, in A.82-12-57.

\*\* ECAC adjustment for SONGS 3 will be after deducting the fuel savings used to offset the noninvestment-related Expense Rate increase authorized for SONGS 2 in this order.

(END OF APPENDIX B)

In adopting staff's estimates of noninvestment-related expenses for SONGS 2 and 3 today we do not intend to change the provisions we adopted in Decision (D.) 84-09-090. Specifically, should the 1983 recorded O&M expense data from other nuclear plants and other plant-specific information demonstrate substantial differences from the O&M expenses adopted for SONGS 2 and 3 for 1984, Edison and SDG&E may move to modify the 1984 attrition allowance so that the 1984 allowance will provide for reasonable O&M expenses. The issue of general home office overhead expense billed by Edison to SDG&E, will be further heard in the Phase 1B hearings resuming on March 20, 1984, as provided in D.84-02-090, together with additional evidence on estimated fuel savings for SDG&E on the commercial operation of SONGS 3.

In order to enable applicants to recover noninvestment-related expenses to be incurred on the commercial operation of SONGS 3 and to escalate SONGS 2 noninvestment-related expenses to 1984 expense levels we will authorize applicants to file new MAAC tariffs for Noninvestment-related Expense Rates as shown in Table 1. Furthermore in the interest of rate stability for applicants' customers, we will order applicants to make reductions in its ECAC and AER rates corresponding to the estimated fuel savings from the commercial operation of SONGS 3 to be used to offset the increase in SONGS 2 and 3 noninvestment-related expense rates and to reduce the AER rates. To the extent the fuel savings exceed the noninvestment-related expenses adopted in this decision, applicants will credit such excess to the MAAC balancing account to reduce the investment-related costs we have authorized applicants to accrue in the balancing account in D.84-03-017 upon the commercial operation of SONGS 3.

In the hearings in A.83-11-31, Edison's ECAC application with a January 1, 1984 revision date, Edison stipulated to the use of the staff's table for adjusting the AER if SONGS 3 is reflected in rates prior to June 1, 1984. Although Edison did not necessarily



For the purpose of this decision in order to maintain rate stability, we will require the MAAC rate increases to be offset by decreases in ECAC and AER rates on a uniform ¢/kWh basis so that the net effect of this order will result in no net rate change to customers. We recognize that this treatment deviates from the rate design policy adopted in SDG&E's recent rate case decision, D.83-12-065. We adopt this limited deviation for SDG&E to simplify an otherwise complicated proceeding.

*Mr. Liss instance*

Findings of Fact

1. The Commission staff has estimated the 1984 level of operation and maintenance expenses, including related transmission expenses, for SONGS 2 and 3 to be \$51,538,000 for each unit. These values are total system expenses for all participants.

2. The Commission staff has estimated Edison's share of the 1984 level of noninvestment-related expenses for SONGS 2 and 3 to be \$43,266,000 for each unit. This estimate consists of \$38,704,000 of O&M expense (including transmission), \$1,934,000 of pensions and benefits expense, \$876,000 of payroll tax expense, \$4,335,000 of insurance premium expense, and \$473,000 of franchise fees and uncollectible accounts expense. The total of these amounts is \$46,322,000 and the CPUC jurisdictional share is \$43,266,000.

3. The Commission staff has estimated SDG&E's share of the 1984 level of noninvestment-related expenses for SONGS 2 and 3 to be \$12,284,000 for each unit. This estimate consists of \$10,128,000 of O&M expense (including transmission), \$497,000 of pensions and benefits expense, \$233,000 of payroll tax expense, \$1,155,000 of insurance premium expense, and \$271,000 of franchise fees and uncollectible accounts expense. The total of these amounts is \$12,284,000.

4. The Noninvestment-related Expense Rates for SONGS 2 and 3 that result from adopting staff's noninvestment-related expense estimates are 0.077¢/kWh for each unit for Edison, and 0.120¢/kWh for each unit for SDG&E not including home office overhead billed to SDG&E.

5. On March 6, 1984, Edison, SDG&E, and staff filed a stipulation recommending adoption of staff's noninvestment-related expense estimates for SONGS 2 and 3 for 1984, subject to the provisions set forth in D.84-02-090.

6. It is reasonable to adopt staff's estimates of noninvestment-related expenses for Phase 1B of the MAAC proceedings, subject to the provisions set forth in D.84-02-090.

7. The net changes in rate levels resulting from adopting staff's estimates of noninvestment-related expenses for Phase 1B of these proceedings are fair, just, and reasonable.

8. The present tariffs and rate levels, to the extent they are inconsistent with the rate levels resulting from adopting staff's estimates of noninvestment-related expenses for Phase 1B of these proceedings are unfair, unjust, and unreasonable.

9. Edison stipulated to the use of the staff exhibit in A.83-11-31 which sets forth the estimated fuel savings attributable to the commercial operation of SONGS 3 and the adjustment necessary to the AER.

10. Edison in this proceeding requested that the Commission take official notice of the record in A.83-11-31 relating to the staff exhibit (Exhibit 2) in that proceeding and stipulates to the use of Exhibit 2 in this proceeding for the purposes of adjusting energy rates for fuel savings resulting from the commercial operation of SONGS 3.

11. SDG&E and staff have stipulated to the use of SDG&E's preliminary estimate of fuel savings attributable to the commercial operation of SONGS 3 for the period March 1, 1984 through October 31, 1984 of \$27,757,000 for the purposes of this decision.

12. SDG&E further stipulates that should subsequent hearings in this proceeding prove a higher fuel savings figure is justified the ECAC and AER rates adopted in this decision be subject to retroactive adjustment.

13. Considering the stipulations, it is reasonable to use a fuel savings estimate of \$27,757,000 for SDG&E for the purposes of this decision.

14. The adopted noninvestment-related expense rate for SDG&E do not include any provisions for general home office expense charges billed by Edison to SDG&E since SDG&E has not completed its showing on this issue.

15. It is reasonable for applicants to file revised ECAC and AER tariffs to be effective on the commercial operation of SONGS 3 in accordance with Appendix A and B.

16. In order to promote rate stability, it is reasonable to require applicants to offset the estimated fuel savings net of AER reductions against increases in the MAAC noninvestment-related expense rates for SONGS 2 and 3 with any unused fuel savings being credited to the MAAC balancing account to reduce investment related cost accruals. The net effect of these rate changes should be no net change in the bills of individual customers.

#### Conclusions of Law

1. Edison should be authorized to file tariffs reflecting a revised Annual Major Addition Rate which includes a Noninvestment-related Expense Rate of 0.077¢/kWh for SONGS 2. These tariff changes should be effective for service rendered on and after the day such tariffs are filed.

2. SDG&E should be authorized to file revised tariffs reflecting a revised Annual Major Addition Rate which includes a Noninvestment-related Expense Rate of 0.120¢/kWh for SONGS 2 not including home office overhead billed to SDG&E. These tariff changes should be effective for service rendered on and after the date such tariffs are filed.

3. Edison and SDG&E should be authorized to file revised tariffs which reflect the revised Annual Major Addition Rate which includes the revised Noninvestment-related Expense Rates to become effective for service rendered on or after the date Unit 3 meets the

commercial operating data criterion adopted in D.82-01-111. Edison's Noninvestment-related Expense Rate for SONGS 3 should be 0.077¢/kWh; and SDG&E's noninvestment-related expense rate for SONGS 3 should be 0.120¢/kWh not including home office overhead billed to SDG&E.

4. Edison should be authorized to file revised tariffs to reduce ECAC and AER rates in accordance with Appendix A to be effective on the commercial operation of SONGS 3.

5. SDG&E should be authorized to file revised tariffs to reduce ECC and AER rates in accordance with Appendix B to be effective on the commercial operation of SONGS 3.

6. The effective date of this order should be the date on which it is signed to enable Edison and SDG&E to receive appropriate rate treatment when SONGS 3 goes into commercial operation and to adjust the SONGS 2 Noninvestment-related Expense Rate to 1984 expense levels.

IT IS ORDERED that:

1. Southern California Edison Company (Edison) is authorized and directed to file with this Commission on or after the effective date of this order, tariffs reflecting a revised Annual Major Addition Rate which includes the Noninvestment-related Expense Rate of 0.077¢/kWh for SONGS 2. Such tariffs shall be effective for service rendered on and after the date filed.

2. San Diego Gas & Electric Company (SDG&E) is authorized and directed to file with this Commission on or after the effective date of this order, tariffs reflecting a revised authorized annual MAAC revenue of \$12,284,000 for its ERAM, and a revised Annual Major Addition Rate which includes an average Noninvestment-related Expense Rate of 0.120¢/kWh for SONGS 2. Such tariffs shall be effective for service rendered on and after the date filed.

3. Edison is authorized and directed to file with this Commission on or after the effective date of this order, tariffs

reducing its ECAC tariff equivalent to the increase in the Noninvestment-related Expense Rate authorized for SONGS 2 in this order.

4. SDG&E is authorized and directed to file with this Commission on or after the effective date of this order, tariffs reducing its ECAC tariff equivalent to the increase in the Noninvestment-related Expense Rate authorized for SONGS 2 in this order. K2

5. Edison is authorized and directed to file with this Commission tariffs reflecting a revised Annual Major Addition Rate which includes the Noninvestment-related Expense Rate of 0.077¢/kWh for SONGS 3. Such tariffs shall be effective for service rendered on and after the date SONGS 3 meets the commercial operating date criterion adopted in D.82-09-111.

6. SDG&E is authorized and directed to file with this Commission tariffs reflecting a revised authorized annual MAAC revenue of \$12,284,000 for its ERAM, and a revised Annual Major Addition rate which includes an average Noninvestment-related Expense Rate of 0.120¢/kWh for SONGS 3. Such tariffs shall be effective for services rendered on and after the date SONGS 3 meets the commercial operating date criterion adopted in D.82-09-111.

7. Edison is authorized and directed to file with this Commission tariffs reducing ECAC and AER rates to reflect the fuel savings attributable to the commercial operation of SONGS 3. Such tariffs shall be effective on the date filed but no earlier than the date SONGS 3 meets the commercial operating date criterion adopted in D.82-09-111. The adjustment to ECAC will be net of the fuel savings used to offset the increase in the Noninvestment-related Expense Rate for SONGS 2 authorized in this decision.

8. SDG&E is authorized and directed to file with this Commission tariffs reducing ECAC and AER rates to reflect the fuel savings attributable to the commercial operation of SONGS 3. Such

tariffs shall be effective on the date filed but no earlier than the date SONGS 3 meets the commercial operating date criterion adopted in D.82-09-111. The adjustment to ECAC rates will be net of the fuel savings used to offset the increase in the Noninvestment-related Expense Rate for SONGS 2 authorized in this decision. The AER rates established in this order will be collected subject to refund should the adopted fuel savings estimate for the period 3/1/84 to 10/31/84 exceed the \$27,757,000 estimate used for the purposes of this order.

9. Edison shall file with its tariffs for SONGS 3 an affidavit stating that SONGS 3 has met commercial operating date criteria. In order to permit applicants to begin collecting these rates when SONGS 3 goes into commercial operation and to give staff an opportunity to verify that the commercial operating date criteria have been met, we will order that the revenues collected under the Noninvestment-related Expense Rates for SONGS 3 be collected subject to the refund pending such verification.

This order is effective today.

Dated MAR 21 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

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