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Decision 88-04-064 April 27, 1988

APR 29 1988

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 Southern California Edison Company )  
 for authority to increase rates )  
 charged by it for electric service. )  
 (Electric) (U 338 E) )

Application 86-12-047  
 (Filed December 26, 1986)

Order Instituting Investigation into )  
 the rates, charges, and practices of )  
 the Southern California Edison )  
 Company. )

I.87-01-017  
 (Filed January 14, 1987)

(See Decision 87-12-066 for appearances.)

OPINIONSummary

This decision: (1) modifies Southern California Edison Company's (Edison) research, development, and demonstration (RD&D) funding level adopted in Decision (D.) 87-12-066 to reflect 1988 dollars, (2) authorizes Edison, in conjunction with its funding applications for the hazardous waste management program, to request alternate technology funding for the disposal of hazardous waste and (3) grants Edison's request for Nuclear Regulatory Commission user fee funding. In all other respects Edison's petition to modify D.87-12-066 is denied.

Background

On January 29, 1988 Edison filed a petition to modify D.87-12-066 for nuclear power production expense, nuclear fuel inventory financing, and RD&D. These modifications are discussed below. Additionally, Edison's petition requests modifications to the marginal costs and rate design adopted in D.87-12-066. The rate design and marginal cost issues will be addressed in a subsequent decision.

Nuclear Power Production Expense

On December 22, 1987, President Reagan signed into law the Omnibus Budget Reconciliation Act of 1987. This legislation provides (among other things) an increase in Nuclear Regulatory Commission (NRC) user fees which results in a \$1,237,000 increase in Edison's NRC fees for test year 1988. Since this increase was not reflected in the adopted test year 1988 expenses, Edison requests that D.87-12-066 be modified to include the increase in NRC fees.

Since both D.87-12-066 and the legislation increasing NRC fees were signed on December 22, 1987, it was not practicable to include this funding in D.87-12-066. This item was presented during the rate case and only the amount of the increase was in question. In fact, a late filed exhibit was reserved in anticipation of the change.

This is obviously a unique situation. We have an expense which would have almost certainly been allowed if only the amount were known as few as two or three days earlier. In light of this special situation, we consider this funding request reasonable and consistent with our approach of incorporating known governmental changes where practicable in general rate case decisions. Edison's request to modify D.87-12-066 to reflect an increase in NRC fees is granted.

Nuclear Fuel Inventory Financing

In its application in this proceeding, Edison requested that nuclear fuel be granted rate base treatment in conjunction with the phase-out of its nuclear fuel lease. D.87-12-066 rejected Edison's arguments, authorizing energy cost adjustment clause (ECAC) balancing account treatment for nuclear fuel carrying costs based on short-term debt. In adopting the use of short-term debt we noted that D.87-05-059, in Edison's application in connection with its nuclear fuel lease restructuring, authorized Edison to guarantee short- and intermediate-term debt instruments for the

express purpose of financing nuclear fuel. As a result of the comments in D.87-12-066 concerning intermediate-term debt, Edison requests that the decision be modified to allow explicit consideration of the use of intermediate-term debt for nuclear fuel financing in ECAC proceedings.

While D.87-12-066 acknowledges that there might be a need to factor in the cost of intermediate-term debt in deriving the carrying costs associated with nuclear fuel, the record was inadequate to adopt such a procedure. Detailed criteria are necessary to determine: (1) what constitutes an intermediate-term, (2) how to track which amounts are intermediate debt, and (3) what index is appropriate for tracking intermediate-term interest rates. Since no party recommended the use of intermediate-term debt for financing fuel inventory, the record lacks any specific criteria for evaluating or adopting this new procedure.

Edison and other parties are free to propose such a procedure on a prospective basis in Edison's ECAC proceedings. Edison's request to modify D.87-12-066 to require recognition of the use of intermediate-term debt in determining carrying costs associated with fuel inventory is denied.

**RD&D**

As part of a stipulation, which D.87-12-066 adopted, Edison and the Division of Ratepayer Advocates (DRA) (formerly Public Staff Division) agreed that \$1 million of Edison's budget for mitigation of contamination from underground storage tanks should be redirected to the use of alternate technologies for the disposal of hazardous waste at underground storage sites. Edison states that the redirected \$1 million was not included in the authorized expense level adopted in D.87-12-066 and requests that both its electric revenue adjustment mechanism balancing account and RD&D funding level be increased by that amount. Edison claims this oversight was the result of its stipulation with DRA to remove all funding for hazardous waste management.

Since these technologies are related to the disposal of hazardous waste, we will not roll these funds in with other RD&D projects. The expenses associated with the use of alternate disposal technologies for hazardous waste should be included in Edison's hazardous waste program and reported on in Edison's required program filings. Therefore, we will authorize Edison to request funding for the use of alternate technologies for the disposal of hazardous waste in conjunction with its funding applications for the hazardous waste management program. These applications are discussed in more detail in D.87-12-066.

As a final item Edison states that the test year level of RD&D expense was omitted from D.87-12-066 and should be specified to be \$43.3 million (1988 dollars), including \$1 million from the hazardous waste program. While D.87-12-066 clearly identifies RD&D program funding in 1986 dollars, we will adopt Edison's table reflecting RD&D program funding in 1988 dollars to facilitate the tracking of program changes.

Findings of Fact

1. Edison filed a petition to modify D.87-12-066 for nuclear power production expense, nuclear fuel inventory financing, and RD&D on January 29, 1988.

2. The Omnibus Budget Reconciliation Act of 1987, signed into law December 22, 1987, increases Edison's NRC fees for test year 1988 by \$1,237,000.

3. D.87-12-066, signed December 22, 1987, does not reflect an increase in NRC fees for test year 1988 as a result of the Omnibus Budget Reconciliation Act of 1987.

4. D.87-12-066 provides Edison with the opportunity to reflect increases in NRC fees in its attrition filings.

5. Edison requests that D.87-12-066 be modified to allow explicit consideration of the use of intermediate-term debt for nuclear fuel financing in ECAC proceedings.

6. The record in Application (A.) 86-12-047 lacks any specific criteria on a procedure for using intermediate-term debt in deriving the carrying costs associated with nuclear fuel.

7. As part of a stipulation, which D.87-12-066 adopted, Edison and DRA agreed that \$1 million of Edison's budget for mitigation of contamination from underground storage tanks should be redirected to the use of alternate technologies for the disposal of hazardous waste at underground storage sites.

8. Edison states that the redirected \$1 million was not included in the authorized expense level adopted in D.87-12-066 and requests that both its electric revenue adjustment mechanism balancing account and RD&D funding level be increased by that amount.

9. Edison requests that the test year level of RD&D expense be specified in 1988 dollars to facilitate the tracking of program changes.

#### Conclusions of Law

1. The change in NRC fees could not have been incorporated at the time D.87-12-066 was signed.

2. It is reasonable, where practicable, to incorporate known governmental changes in general rate case decisions. Allowing Edison to recover these expenses is reasonable in this special case.

3. The record in A.86-12-047 is inadequate for adopting a procedure to use intermediate-term debt for nuclear fuel financing in ECAC proceedings.

4. Edison and other parties can on a prospective basis propose a procedure for using intermediate-term debt to determine the carrying costs on nuclear fuel in ECAC proceedings.

5. The expenses associated with the use of alternate technologies for the disposal of hazardous waste at underground storage sites should be included in Edison's hazardous waste program and reported on in the required program filings.

6. Edison, in conjunction with its funding applications for the hazardous waste management program, should be authorized to request alternate technology funding for the disposal of hazardous waste at underground storage sites.

7. It is reasonable to reflect the level of RD&D program funding for test year 1988 in 1988 dollars as shown in Appendix A.

8. Except for Appendix A, Edison's petition to modify D.87-12-066 for nuclear power expense, nuclear fuel inventory, and RD&D should be denied.

ORDER

IT IS ORDERED that:

1. Decision (D.) 87-12-066 is modified to reflect Southern California Edison Company's (Edison) level of research, development, and demonstration program funding for test year 1988 in 1988 dollars as shown in Appendix A.

2. Edison, in conjunction with its funding applications for the hazardous waste management program, is authorized to request alternate technology funding for the disposal of hazardous waste at underground storage sites.

3. Edison is authorized to debit its ERAM account for its expenses for the remainder of the year for NRC user fees.

4. Edison's petition to modify D.87-12-066 with respect to nuclear fuel inventory and research, development, and demonstration with the exception of the adoption of Appendix A is denied.

This order is effective today.

Dated April 27, 1988, at San Francisco, California.

STANLEY W. HULETT  
President

DONALD VIAL

FREDERICK R. DUDA

G. MITCHELL WILK

JOHN B. O'HANIAN

Commissioners

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

*Victor Weissert*

Victor Weissert, Executive Director

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## APPENDIX A

TABLE I

Comparison Of Edison And PSD RD&D Expenditures  
(Dollars in Thousands)

Program Area	Edison	PSD	Edison Exceeds PSD	Authorized
				\$1988
(1986 Dollars)				
1. Load Control/ Customer Interface	\$ 5,075	\$ 5,075	\$ 0	\$ 5,455
2. Competing for the Customer	2,540	0	2,540	2,730
3. Storage and Energy Management Technologies	3,005	2,005	1,000	2,261
4. Customer Energy Management	3,700	3,700	0	3,977
5. Alternate Fuels	1,175	1,850	(675)	1,290*
6. Air Quality Enhancement	2,000	2,000	0	2,149
7. Facilities Conversion For Optimal Operation	1,750	1,750	0	1,830
8. Renewable Energy Conversion	1,180	1,180	0	1,267
9. Occupational & Community Safety	1,000	1,550	(550)	1,666*
10. Advanced Energy Conversion	500	525	( 25)	886*
11. Natural Resources Management	500	500	0	537
12. Long Range/High Pay-Back Technologies	475	475	0	511
Research Support/EPRI	<u>17,227</u>	<u>17,227</u>	<u>0</u>	<u>17,679</u>
TOTAL	\$40,127	\$37,837	\$2,290	\$42,288

\* A total of \$900,000 is restored to the Alternate Fuels, Occupational and Community Safety, and Advanced Energy Conversion Programs.

Decision SS 04 064 APR 27 1988

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the rates, charges, and practices of  
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(Filed January 14, 1987)

(See Decision 87-12-066 for appearances.)

### OPINION

#### Summary

This decision: (1) modifies Southern California Edison Company's (Edison) research, development, and demonstration (RD&D) funding level adopted in Decision (D.) 87-12-066 to reflect 1983 dollars, (2) authorizes Edison, in conjunction with its funding applications for the hazardous waste management program, to request alternate technology funding for the disposal of hazardous waste and (3) grants Edison's request for Nuclear Regulatory Commission user fee funding. In all other respects Edison's petition to modify D.87-12-066 is denied.

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7. It is reasonable to reflect the level of RD&D program funding for test year 1988 in 1988 dollars as shown in Appendix A.

8. Except for Appendix A, Edison's petition to modify D.87-12-066 for nuclear power expense, nuclear fuel inventory, and RD&D should be denied.

ORDER

IT IS ORDERED that:

1. Decision (D.) 87-12-066 is modified to reflect Southern California Edison Company's (Edison) level of research, development, and demonstration program funding for test year 1988 in 1988 dollars as shown in Appendix A.

2. Edison, in conjunction with its funding applications for the hazardous waste management program, is authorized to request alternate technology funding for the disposal of hazardous waste at underground storage sites.

3. Edison is authorized to debit its ERAM account for its expenses for the remainder of the year for NRC user fees.

4. Edison's petition to modify D.87-12-066 with respect to nuclear fuel inventory and research, development, and demonstration with the exception of the adoption of Appendix A is denied.

This order is effective today.

Dated APR 27 1988, at San Francisco, California.

STANLEY W. HULETT  
President  
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FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners