

Decision 89 01 039 JAN 27 1989**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 increase rates)
 charged by it for electric service.)

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

(Electric) (U 338 E)

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.)

OPINION

Summary

This decision addresses three Southern California Edison Company (Edison) petitions for modification of Commission decisions. Edison's petitions request: (1) clarification of language which allows Edison to recover an increase in Nuclear Regulatory Commission (NRC) fees, (2) authorization to file an advice letter instead of an application to receive memorandum account treatment for hazardous waste cleanup costs, and (3) approval to reflect in the Major Additions Adjustment Clause (MAAC) balancing account Sylmar-Pacific HVDC Intertie Expansion Project costs that exceed the adopted cost cap. Except for the request to reflect DC Expansion costs that exceed the cost cap Edison's petitions are granted.

Discussion

On June 1, 1988 Edison filed a petition to modify Conclusion of Law 8 in Decision (D.) 88-04-064. Edison argues that the language in Conclusion of Law 8 is inconsistent with the

discussion and ordering paragraph in D.88-04-064 which authorized Edison to recover an increase in NRC fees. Ordering Paragraph 3 in D.88-04-064 states:

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

We agree with Edison that Conclusion of Law 8 is inconsistent with the above ordering paragraph and will modify Conclusion of Law 8 to read as follows:

"Edison's petition to modify D.87-12-066 for nuclear fuel inventory and RD&D except for Appendix A should be denied. Edison should be authorized to recover an increase in NRC fees."

Edison's second petition, filed on September 2, 1988, requests that D.87-12-066 be modified to allow advice letter filings to seek approval of memorandum account treatment for hazardous waste expenditures. Since the issuance of D.87-12-066 which requires Edison to file an application to establish a memorandum account, decisions for Southern California Gas Company (SoCal) (D.88-07-059), Pacific Gas and Electric Company (PG&E) (D.88-09-020), and San Diego Gas & Electric Company (SDG&E) (D.88-09-063) have authorized the filing of advice letters for this purpose.

The Division of Ratepayer Advocates' (DRA) response to Edison's petition generally supports the request, but recommends that Edison be subject to the same terms and conditions applicable to the hazardous waste advice letter filings and reasonableness reviews of the other energy utilities. These include informational requirements, a 30-day review period, and a separate proceeding for reasonableness reviews. To provide consistent ratemaking treatment for hazardous waste expenditures, we will modify D.87-12-066 to conform with the filing and review procedures adopted in recent decisions for other energy utilities. D.87-12-066 will be modified

to authorize the filing of hazardous waste advice letters which meet the following requirements and procedures:

- A. For projects that have been ordered by a government agency, the advice letter shall include:
 - o A copy of the order(s) or directive(s) to undertake site work.
 - o A detailed work plan and schedule.
 - o A detailed budget.
- B. For site investigation or cleanup projects that have not been ordered, the advice letter shall include:
 - o A comprehensive site history and site description (to include chain-of-ownership, current and past land use, dates of operation, hydrogeology, and other physical characteristics of site).
 - o A statement explaining the potential liability for site remediation.
 - o A preliminary risk analysis (demonstration of environmental and/or health hazard at the site).
 - o A detailed work plan and schedule.
 - o A detailed budget.
 - o Records of all communications with third parties regarding site contamination.

DRA should review the advice letter and provide comments to the Director of the Commission Advisory and Compliance Division (CACD) within 30 days. Based on DRA's comments and further review, if CACD concludes that the advice letter is satisfactory, authorization to book expenses in a memorandum account would be granted through a Commission resolution. If CACD rejects the advice letter or portions of the advice letter, those disputed items may be set for hearing.

Additionally, D.87-12-066 is modified to allow Edison to file an annual application requesting rate recovery of its hazardous waste cleanup program expenses. Such applications should be filed no later than 60 days after the filing of Edison's annual hazardous waste management report.

The final Edison petition requests confirmation that Edison's investment which exceeds the cost cap adopted for the DC Expansion project in D.87-12-066 can be reflected in the MAAC balancing account, subject to a later revision of the cost cap and/or reasonableness review. Absent this clarification Edison believes that it could be precluded from recovering its reasonable investment which exceeds the cost cap.

DRA does not oppose Edison's request to track actual investment costs for the DC Expansion project in its MAAC balancing account, but objects to Edison's implication that the D.87-12-066 provides for an increase in the cost cap if justified by a subsequent cost-effective analysis.

The cost cap for the DC Expansion project was a highly contested issue in Edison's last general rate case. After hearings were concluded and briefs submitted DRA (formerly PSD) became aware of Edison agreements that could affect the DC Expansion cost cap and petitioned to set aside submission of the matter. Although we denied DRA's request, we did provide for a revision of the adopted cost cap based on the impact of these agreements on the cost-effectiveness analysis adopted in D.87-12-066. Excerpts from that decision are shown below:

"PSD states that Edison has failed to disclose the existence of various agreements, including a December 2, 1985 letter agreement with LADWP, that significantly alter the anticipated usage of several transmission projects including the DC Expansion project. Since Edison's anticipated usage of these projects is pivotal in establishing its need for and the cost-effectiveness of the projects, the withheld information has a significant bearing on whether the projects should be pursued.

" . . . Although we share PSD's concerns that information may exist which could have a bearing on the cost-effectiveness of the DC Expansion project, we do not find it necessary to remove this project from Edison's general rate case. However, Edison is put on notice that we intend to give further consideration to the cost-effectiveness evaluation adopted in this decision in conjunction with our analysis of Edison's other transmission projects and/or agreements with LADWP. The cost-effectiveness cap placed on the DC upgrade by this decision is for the upgrade presented to us by the utility. If the agreements called to our attention by the staff motion affect the nature and use of the upgrade, the cost effectiveness cap will have to be redetermined in the new context.

" . . . Edison should be aware that the amount of investment ultimately found to be reasonable may not exceed the amount of investment determined to be cost-effective in the context of the Devers-Palo Verde proceeding. Should our subsequent cost-effectiveness review yield different results, we will adjust the DC Expansion cap adopted in this decision. Finally, we consider our further review of the DC Expansion cap appropriate because Edison has freely assumed the risk of building this project without a CPCN and two years ago signed a letter agreement with LADWP which could impact the cost-effectiveness of the DC Expansion and other transmission projects without informing this Commission or our staff." (D.87-12-066 at 77-79.)

While Edison has interpreted our statements in D.87-12-066 to allow for upward and downward adjustments to the DC Expansion cost cap, it is difficult for us to understand this position. We clearly did not intend to reward Edison for withholding information that could have a significant impact on the DC Expansion project. The cost cap adopted in D.87-12-066 is exactly that: a cap on the investment that Edison will be allowed to recover in rates. To the extent that agreements with Los

Angeles Department of Water and Power (LADWP) and others impact the cost-effectiveness analysis adopted in D.87-12-066 we will only consider downward adjustments to the adopted cost cap of \$80 million. We will modify the next to the last sentence from the quote above to read as follows:

"Should our subsequent cost-effectiveness review yield lower results, we will lower the DC Expansion cap adopted in this decision. No consideration will be given to increasing the cost cap as a result of this review."

Findings of Fact

1. Edison requests: (a) clarification of language in D.88-04-064 which allows recovery of an increase in NRC fees, (b) modification of D.87-12-066 to allow an advice letter filing instead of an application to receive memorandum account treatment for hazardous waste cleanup costs, and (c) modification of D.87-12-066 to reflect that the MAAC balancing account for the Sylmar-Pacific HVDC Intertie Expansion Project costs can exceed the adopted cost cap.
2. Ordering Paragraph 3 in D.88-04-064 authorizes Edison to debit its electric revenue adjustment mechanism balancing account to reflect NRC fees.
3. D.87-12-066 requires Edison to file an application to establish a memorandum account for hazardous waste expenditures.
4. Recent decisions for PG&E, SoCal, and SDG&E have authorized the filing of advice letters in lieu of applications for establishing memorandum accounts for hazardous waste expenditures.
5. Annual hazardous waste reasonableness review applications were authorized for PG&E in D.88-09-020 and SoCal in D.88-07-059.
6. D.87-12-066 adopted a cost cap for Edison's DC Expansion project.
7. The adopted cost cap for Edison's DC Expansion project is subject to revision to the extent agreements with LADWP and others impact the cost-effectiveness analysis adopted in D.87-12-066.

8. Edison withheld information that could have lowered the adopted cost cap for the DC Expansion project.

Conclusions of Law

1. Conclusion of Law 8 in D.88-04-064 should be modified to be consistent with Ordering Paragraph 3 from the same decision.

2. D.87-12-066 should be modified to authorize Edison to file advice letters in lieu of applications to establish memorandum accounts for hazardous waste expenditures.

3. D.87-12-066 should be modified to authorize Edison to file annual hazardous waste reasonableness review applications.

4. Edison's petition to modify D.87-12-066 to reflect investments that exceed the \$80 million cost cap for the DC Expansion project in its MAAC balancing account should be denied.

5. The language in D.87-12-066 should be clarified with respect to a revision in the adopted cost cap for the DC Expansion project.

ORDER

IT IS ORDERED that:

1. Conclusion of Law 8 in D.88-04-064 is modified as follows:

"Edison's petition to modify D.87-12-066 for nuclear fuel inventory and RD&D except for Appendix A should be denied. Edison should be authorized to recover an increase in NRC fees."

2. D.87-12-066 is modified to conform with the advice filing and reasonableness review procedures for hazardous waste expenditures adopted for Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company as discussed in the text of this decision.

3. Southern California Edison Company's petition to modify D.87-12-066 to reflect investments that exceed the \$80 million cost

cap for the DC Expansion project in its MAAC balancing account is denied.

4. The third sentence in paragraph 3 on page 78 in D.87-12-066 is modified to read as follows:

"Should our subsequent cost-effectiveness review yield lower results, we will lower the DC Expansion cap adopted in this decision. No consideration will be given to increasing the cost cap as a result of this review."

This order is effective today.

Dated JAN 27 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DODA
STANLEY W. HULETT
JOHN B. O'BANIAN
Commissioners

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

[Signature]
Executive Director

8. Edison withheld information that could have lowered the adopted cost cap for the DC Expansion project.

Conclusions of Law

1. Conclusion of Law 8 in D.88-04-064 should be modified to be consistent with Ordering Paragraph 3 from the same decision.

2. D.87-12-066 should be modified to authorize Edison to file advice letters in lieu of applications to establish memorandum accounts for hazardous waste expenditures.

3. D.87-12-066 should be modified to authorize Edison to file annual hazardous waste reasonableness review applications.

4. Edison's petition to modify D.87-12-066 to reflect investments that exceed the \$80 million cost cap for the DC Expansion project in its MAAC balancing account should be denied.

5. The language in D.87-12-066 should be clarified with respect to a revision in the adopted cost cap for the DC Expansion project.

ORDER

IT IS ORDERED that:

1. Conclusion of Law in D.88-04-064 is modified as follows:

"Edison's petition to modify D.87-12-066 for nuclear fuel inventory and RD&D except for Appendix A should be denied. Edison should be authorized to recover an increase in NRC fees."

2. D.87-12-066 is modified to conform with the advice filing and reasonableness review procedures for hazardous waste expenditures adopted for Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company as discussed in the text of this decision.

3. Southern California Edison Company's petition to modify D.87-12-066 to reflect investments that exceed the \$80 million cost