

Decision 89 06 012 JUN 7 1989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Southern California Edison Company)
(U-338-E) for (i) authority to)
transfer recovery of Balsam Meadow)
Hydroelectric Project investment)
related cost to base rates pursuant)
to previously adopted procedures,)
and (ii) related substantive and)
procedural relief.)

ORIGINAL

Application 88-05-012
(Filed May 11, 1988)

Stephen E. Pickett and Gloria M. Wong,
Attorneys at Law, for Southern
California Edison Company, applicant.
Keith Holt, for Container Supply
Company, interested party.
Timothy E. Treacy, Attorney at Law,
Kenneth C. Chew, and Maurice D. Monson,
for Division of Ratepayer Advocates.

O P I N I O N

Application

By this application, Southern California Edison Company (applicant) requests base rate recovery for its Balsam Meadow hydroelectric project (project) used for peaking power. Approval of applicant's request will, according to the application, result in a revenue requirement increase of \$22.1 million, or 0.4%. Specifically, applicant seeks:

- a. A finding that its \$273.1 million project investment at February 29, 1988 was reasonably incurred;
- b. Authority to earn a rate of return on its project investment that is one percent higher than applicant's authorized rate of return;

- c. Authority to increase average base rate levels by 0.076 cents per kilowatt hour (kWh), decrease the Major Additions Adjustment Clause (MAAC) average ownership rate attributable to the project to 0.0 cents per kWh, increase the MAAC balancing rate attributable to the project by 0.014 cents per kWh, decrease the MAAC billing factor by 0.042 cents per kWh, and increase the authorized level of base rate revenue under the electric revenue adjustment mechanism by \$49.705 million; and
- d. Authority to file revised tariffs to implement its requested¹ rate changes, effective June 1, 1989.

Background

On January 8, 1981, applicant filed a request for a certificate of public convenience and necessity (CPC&N) to construct and operate a hydroelectric powerhouse of up to 200 megawatt capacity. Proposed project facilities included a dam and forebay, underground waterways, an underground powerhouse, a substation at surface level, a 4.5-mile transmission line, and supporting facilities.

Applicant was granted its requested CPC&N for the project by Decision (D.) 82-06-051. However, the decision ordered further hearings to address the project's optimum generating capacity. Subsequently, by D.83-10-031, applicant was granted a CPC&N for a 200 megawatt hydroelectric peaking facility with a \$321 million construction cost cap.

Applicant's civil construction contractor began work on the project November 1, 1983. Civil construction of the forebay dam began in the spring of 1984, and the transmission line in 1986. The powerhouse, including the unanticipated installation of steel

¹ The application requests that rate level changes be effective on either January 1, 1989 or June 1, 1989.

lining in the lower power tunnel, was completed on August 1, 1986. Mechanical, electrical, and instrumentation work commenced on that date.

The project's pre-commercial activities began in the fall of 1986 with the filling of the water-bearing elements. The initial turbine spin occurred in July 1987, and the synchronization to applicant's electrical system occurred on August 2, 1987. Commercial operating criteria were met on December 1, 1987, one month ahead of schedule.

Applicant requested base rate treatment of its project investment in its 1988 test year general rate case (GRC). However, by D.87-12-066 the Commission adopted a procedure to address the reasonableness of the project's investment without the time constraints imposed by the GRC process. Consistent with this process, applicant's MAAC rates were designed to reflect revenue requirement recovery of 75% of the project investment subject to refund, with the other 25% to be reflected as an undercollection in the MAAC balancing account, with recovery allowed after a determination of reasonableness by the Commission.

Pursuant to Ordering Paragraph 9 of D.87-12-066, applicant filed this application to establish the reasonableness of its project investment for ratemaking purposes, to transfer recovery of the associated revenue requirement to base rates, and to terminate the project MAAC procedure.

Hearings

A Prehearing Conference (PHC) was held on August 9, 1988 in Los Angeles. At the PHC, parties agreed on a hearing schedule which included the holding of public and evidentiary hearings on November 14, 1988 with a proposed decision to be issued on March 28, 1989.

Mr. Sanborn, representing the International Brotherhood of Electrical Workers (IBEW), appeared at the public hearing. Sanborn, citing the dangerous tunneling and mining-type operations

that went into building the project, commended applicant's personnel and contractors who worked on the project for considering the safety of workers. He also commended applicant for completing the project under budget and ahead of time.

Sanborn supports applicant's request to include the project investment in rate base. However, Sanborn did express IBEW's concern about whether the project can be run as an unmanned facility. He recommends that if the automation features of the project are not shown to be cost effective, the cost associated with the automation should be disallowed. No other interested party appeared at the public hearing.

Applicant sponsored two witnesses, William Emrich and Stephen McKenery, and seventy eight exhibits to substantiate that its project investment is reasonable. The Commission Division of Ratepayer Advocates (DRA) sponsored one witness, Maurice Monson, and two comprehensive exhibits.

Applicant's Reasonableness Review

The \$277 million projected total investment is \$3.9 million higher than applicant's \$273.1 million expended used to calculate its proposed revenue recovery for the project. This difference represents costs, subsequent to April 30, 1988, that will be incurred to fully complete the project. Project costs, such as the Stevenson Meadow environmental restoration, were delayed because of the severe drought that the project area experienced in 1987. Applicant used its \$277 million total project cost to compare with the \$321 million adopted cost cap in its reasonableness review.

The adopted cost cap is based on applicant's July 1982 detailed project cost estimate. Although this cost cap applies only to the total project cost, applicant compares and explains differences between the detailed project cost estimates and the actual cost. Applicant believes that its review clearly demonstrates that the project was carefully planned, managed, and

implemented to maintain cost, schedule, and quality control. Applicant represents that such procedures resulted in a safe project which was completed \$44 million under budget and one month ahead of schedule.

DRA's Reasonableness Review

DRA reviewed the project planning, construction, and operations to determine whether any recorded costs should be disallowed. DRA also reviewed applicant's CPC&N, quarterly reports, Board of Consultants' reports, and voluminous responses to DRA's request for project information. DRA concludes from its review that applicant's \$273.1 million recorded project cost, as of April 30, 1988 should be reduced by \$4.2 million, to \$268.9 million, and that the additional one percent return over applicant's authorized rate of return, permitted by PU Code Section 454(a), should not be authorized. The components of DRA's \$4.2 million recommended reduction are:

- a. A \$3.5 million reduction to reflect actual project costs, as of April 30, 1988;
- b. A \$246,255.54 Allowance for Funds Used During Construction (AFUDC) disallowance for the cumulative impact of payments withheld from contractors' monthly progress billings; and
- c. The transfer of a \$410,961 pump storage facility from applicant's plant-in-service account to applicant's electric plant held for future use account.

With reference to the remaining \$3.9 million costs applicant asserts are necessary to complete the project, DRA recommends an increase to \$8.5 million. DRA's recommended \$4.6 million increase is attributable to a \$4.9 million difference between the April 30, 1988 project cost recorded by applicant and the project cost verified by DRA's auditors, less a \$300,000 difference "between the estimated and actual costs recorded in February 1988." To avoid cost overruns and to ensure that

applicant keeps within the estimated completion cost, DRA recommends that the \$8.5 million completion cost be authorized subject to a reasonableness review in applicant's next GRC.

DRA's review of applicant's MAAC balancing account results in a \$60,000 disallowance to eliminate the timing difference between recorded income tax and the actual payment of such tax, and results in an adjusted MAAC balance of \$7,552,081, as of June 30, 1988. DRA concurs with applicant's proposal to amortize the MAAC balancing account over the remaining Test Year 1988 rate case cycle which will end December 31, 1990.

Motion to Adopt DRA's Recommendations

Applicant considered DRA's recommendations and upon further reflection withdrew its request for the additional one percent rate of return on its project investment. Applicant also reviewed and concurred with DRA's proposed AFUDC disallowance and pump storage facility reclassification.

Applicant filed Exhibit 3 to show the revenue requirement and ratemaking impact of adopting the above-mentioned DRA recommendations. The effect of the recommendations is to reduce the revenue requirement increase to \$15.8 million, or 0.3%.² Applicant also points out that the rate of return and/or ratemaking factors used in the exhibit will need to be revised if decisions in

² Other effects of adopting the DRA's recommendations are to reduce the increase in average base rate levels from 0.076 cents to 0.067 cents and to reduce the increase in the MAAC balancing rate attributable to the project from 0.014 cents to 0.012 cents.

R.86-10-001,³ I.86-11-019⁴, A.87-05-031⁵, and A.88-07-023⁶ are issued prior to a decision in this application.

Discussion

Applicant's detailed reasonableness review substantiates that the project was well managed and constructed. This is confirmed by DRA's witness, who testified that applicant's approach to planning the need for the project was reasonable, that the original cost estimate was not inflated and did not provide for excessive expenditures, and that applicant's cost effectiveness analysis is reasonable.

DRA's specific project cost adjustments to applicant's April 30, 1988 recorded project cost were adequately explained and justified. Applicant agreed that these adjustments were proper ratemaking adjustments. Accordingly, DRA's recommendations discussed in this opinion will be adopted.

The only other adjustment, proposed by Sanborn, pertained to the cost effectiveness of operating the project as a fully automatic, remotely controlled generating station.

Sanborn raises a valid issue. However, there is no evidence to confirm Sanborn's concern. DRA did not specifically address or identify project automation costs. However, as discussed in this opinion, DRA conducted a comprehensive analysis of the project and concluded that applicant did not make any

3 Rulemaking proceeding to revise the electric utility ratemaking mechanism in response to changing conditions in the electric industry.

4 An investigation into the methods to establish the proper level of expense for ratemaking purposes due to the changes resulting from the 1986 Tax Reform Act.

5 San Onofre Nuclear Generating Station Unit Nos. 2 and 3 post-COD.

6 1989 Attrition Allowance proceeding.

excessive project expenditures and that the overall project is cost effective. ✓

Applicant addressed the characteristics of the automation features in its reasonableness report and identified such cost as one of many components of its \$10 million materials cost, less than 5% of the total project cost. The evidence shows that the project, which includes the automation feature, is cost effective.

Although applicant estimated the need for additional cost to fully complete its project, applicant is only requesting recovery of recorded project cost. Because we are adopting DRA's adjustments to recorded data, applicant will be authorized to recover \$268.9 million of project cost as of April 30, 1988. The additional \$8.5 million needed to complete the project, as estimated by DRA, should be used as a cost-to-complete cap and should be addressed in applicant's next GRC. ✓

Applicant, consistent with its Devers Valley Serrano (DVS) reasonableness application (A.88-05-007), requests that the adopted rate changes take effect on June 1, 1989. However, in applicant's comments on the DVS proposed decision, applicant has requested that the DVS rate changes not be implemented until applicant's next rate revision, scheduled for July 1, 1989. A final decision on DVS concurs with this recommendation.

On March 17, 1989 applicant filed an Energy Cost Adjustment Clause (ECAC) trigger filing with rate changes expected to take place on July 1, 1989, A.89-03-023. If we authorize project rate changes to take effect on June 1, 1989, applicant's rates may need to be adjusted shortly after June 1, 1989 to reflect the trigger filing and rate changes from applicant's DVS reasonableness application. In the interest of minimizing rate changes and to not confuse applicant's ratepayers, rate changes authorized by this opinion should be effective July 1, 1989. ✓

This decision should become effective concurrent with the rate change to be authorized in applicant's ECAC A.89-03-023 effective on July 1, 1989. In the event a rate change is not authorized in A.89-03-023, applicant is authorized to include the rate relief set forth herein in applicant's next rate revision in accordance with the procedure authorized in Appendix A of D.87-12-066. ✓✓

The new authorized level of base rate revenues is \$3.586 billion, a 1.25% increase over the previously authorized level, as shown in Appendix A. Revenue allocations and rate design should be prepared in accordance with the guidelines adopted in applicant's most recent ECAC proceeding, A.88-02-016, and applicant's current ECAC trigger proceeding, A.89-03-023. The average base rate increase will be 0.066 cents per kWh.

The \$13,748,000 June 30, 1989 MAAC balance has been adjusted to incorporate the impact of recent decisions such as the 1989 attrition proceeding. This balance should be amortized from July 1, 1989 through December 31, 1990, as requested by applicant. Any MAAC balance remaining on December 31, 1990 should be transferred to applicant's Electric Revenue Adjustment Mechanism balancing account.

Section 311 Comments

The administrative law judge's (ALJ) proposed decision on this matter was filed with the Docket Office and mailed to all parties of record on May 8, 1989 pursuant to Rule 77 of the Commission's Rules of Practice and Procedure.

DRA and Edison filed comments on the ALJ's proposed decision. The comments, discussing minor changes and revisions to revenue requirement calculations, were adopted and included in the appropriate place of the decision. There were no material changes to the ALJ's proposed decision.

Findings of Fact

1. Applicant was granted a CPC&N for its project by D.82-06-051.
2. A \$321 million regulatory cost cap was authorized for the project by D.83-10-031.
3. Project construction work began on November 1, 1983.
4. Project commercial operating criteria were met on December 1, 1987.
5. D.87-12-066 adopted a procedure which authorized applicant to recover 75% of the project investment in MAAC rates and the other 25% to be recorded in the MAAC balancing account, with recovery allowed after a determination of reasonableness by the Commission.
6. Applicant filed this application to establish the reasonableness of its project investment for ratemaking purposes.
7. Sanborn, representing the IBEW, commended applicant's personnel and contractors for the safety of the workers and for completing the project under budget and ahead of schedule.
8. Sanborn supports applicant's request to include the project investment in rate base.
9. Sanborn recommends that if the automation features of the project are not shown to be cost effective, such costs should be disallowed.
10. Applicant requests a finding that its project investment is reasonable.
11. Applicant requested authority to earn a rate of return on its project investment that is one percent higher than applicant's authorized rate of return and then withdrew that request after reviewing DRA's report.
12. Applicant's total estimated project cost is \$277 million and its recorded project cost is \$273.1 million as of February 29, 1988.

13. The project was completed one month ahead of schedule and \$44 million under budget.

14. DRA recommends that the April 30, 1988 recorded project cost be reduced from \$273.1 million to \$268.9 million.

15. DRA opposes applicant's request for an additional one percent rate of return above its authorized rate of return.

16. DRA recommends that applicant's \$3.9 million cost to complete cap be increased to \$8.5 million and subject to a reasonableness review in applicant's next GRC.

17. DRA recommends that the MAAC balancing account be reduced \$60,000 as of June 30, 1988.

18. DRA concurs with applicant's request to amortize the MAAC balancing account over applicant's remaining test year 1988 GRC.

19. Applicant concurs with DRA's adjustments to the recorded project costs.

20. Applicant filed an ECAC trigger filing with rate changes expected to take place on July 1, 1989. ✓

21. Applicant's DVS reasonableness decision provides for DVS rate changes to take place on July 1, 1989. ✓

Conclusions of Law

1. Applicant's recorded project costs should be adjusted by DRA's recommended adjustments.

2. The recorded MAAC balancing account should be reduced by \$60,000 and should be adjusted to reflect recent decisions such as the 1989 attrition proceeding. The MAAC balancing account should be amortized over applicant's remaining test year 1988 GRC cycle.

3. Applicant should be authorized to increase its \$3.9 million cost to complete cap to \$8.5 million and should be subject to a reasonableness review in its next GRC.

4. Applicant should be authorized to file tariffs with an effective date of July 1, 1989 or applicant's next rate revision, whichever is later. |

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company's (applicant) April 30, 1988 recorded Balsam Meadow (project) investment of \$273.1 million shall be reduced to \$268.9 million for ratemaking purposes, as discussed in this opinion.
2. Applicant's \$268.9 million project investment as of April 30, 1988 is reasonable for ratemaking purposes.
3. Applicant's \$3.9 million cost to complete cap shall be increased to \$8.5 million. The reasonableness of the \$8.5 million cost to complete cap and resulting ratemaking recovery shall be addressed in applicant's next general rate case.
4. Applicant's \$13,748,000 Major Additions Adjustment Clause (MAAC) balance at June 30, 1989 shall be amortized over the remaining test year 1988 general rate case cycle scheduled to end December 31, 1990.
5. Applicant is authorized to file tariffs in accordance with General Order (GO) 96-A at least 7 days before the effective date of the tariffs, to reduce its MAAC ownership rate from 0.055 cents per kilowatt hour (kWh) to zero, increase its MAAC balancing rate from zero to 0.012 cents per kWh, increase its authorized level of Base Rate Revenue by \$44,345,883, and revise base rates. ✓
6. Applicant shall file an Advice Letter to terminate the MAAC balancing account effective December 31, 1990. Any MAAC balance remaining at December 31, 1990 shall be transferred to applicant's Electric Revenue Adjustment Mechanism balancing account for final disposition.

7. The tariffs shall be effective on the date of applicant's next rate change scheduled to take place on July 1, 1989, applicant's expected next rate revision. However, if applicant's next rate revision takes place subsequent to July 1, 1989, rates shall be revised and implemented on the effective date of its rate revision and Appendix A shall be updated accordingly, subject to approval by the Commission Advisory and Compliance Division. ✓

This order is effective today. ✓

Dated JUN 7 1989, at San Francisco, California.

G. MITCHELL WILK
President
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Commissioner Frederick R. Duda,
being necessarily absent, did
not participate.

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

Victor Weisser

Victor Weisser, Executive Director

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED RATE BASE AND REVENUE REQUIREMENT FOR 1988
(in thousands of dollars)

Item	Jan 88	Feb 88	Mar 88	Apr 88	May 88	Jun 88	Jul 88	Aug 88	Sep 88	Oct 88	Nov 88	Dec 88	Total
Plant-In-service	266,789	267,526	267,977	268,545	268,785	268,900	268,900	268,900	268,900	268,900	268,900	268,900	
Less: Depr. reserve	666	1,039	1,412	1,785	2,158	2,531	2,904	3,278	3,652	4,026	4,400	4,774	
Less: Taxes deferred (ACRS)	4,226	4,705	5,185	5,664	6,144	6,623	7,103	7,582	8,061	8,541	9,020	9,500	
Rate Base	261,897	261,782	261,380	261,096	260,483	259,746	258,893	258,040	257,187	256,333	255,480	254,626	
Net revenue requirement 1/	2,346	2,345	2,342	2,339	2,333	2,327	2,319	2,312	2,304	2,296	2,289	2,281	27,833
Depreciation	373	373	373	373	373	373	373	374	374	374	374	374	4,481
Ad Valorem taxes	129	129	129	129	128	128	128	127	127	126	126	125	1,531
Income taxes	813	816	817	819	820	821	822	823	823	824	825	825	9,848
Gross revenue requirement excluding Franchise Fees and Uncollectibles	3,661	3,663	3,661	3,660	3,654	3,649	3,642	3,636	3,628	3,620	3,614	3,605	43,693
Jurisdictionalized gross revenue requirement excluding Franchise Fees and Uncollectibles 2/	3,592	3,594	3,591	3,590	3,585	3,580	3,573	3,567	3,559	3,552	3,545	3,537	42,863

1/ Computed at the authorized return on rate base of 10.75% for 1988.

2/ California jurisdictional factor of 98.100% for 1988.

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED RATE BASE AND REVENUE REQUIREMENT FOR 1989
(in thousands of dollars)

Item	Jan 89	Feb 89	Mar 89	Apr 89	May 89	Jun 89	Jul 89	Aug 89	Sep 89	Oct 89	Nov 89	Dec 89	Total
Plant-in-service	268,900	268,900	268,900	268,900	268,900	268,900	268,900	268,900	268,900	268,900	268,900	268,900	
Less: Depr. reserve	5,148	5,522	5,896	6,271	6,646	7,021	7,396	7,771	8,146	8,521	8,896	9,271	
Less: Taxes deferred (ACRS)	9,952	10,377	10,801	11,226	11,651	12,076	12,500	12,925	13,350	13,775	14,199	14,624	
Rate Base	253,800	253,001	252,203	251,403	250,603	249,803	249,004	248,204	247,404	246,604	245,805	245,005	
Net revenue requirement 1/	2,307	2,300	2,293	2,286	2,278	2,271	2,264	2,257	2,249	2,242	2,235	2,228	27,210
Depreciation	374	374	374	375	375	375	375	375	375	375	375	375	4,497
Ad Valorem taxes	257	256	255	254	253	253	252	251	250	249	249	248	3,027
Income taxes	875	875	875	876	876	876	877	877	877	877	877	877	10,515
Gross revenue requirement excluding franchise fees and Uncollectibles	3,813	3,805	3,797	3,791	3,782	3,775	3,768	3,760	3,751	3,743	3,736	3,728	45,249
Jurisdictionalized gross revenue requirement excluding franchise fees and Uncollectibles 2/	3,760	3,752	3,744	3,738	3,729	3,722	3,715	3,707	3,699	3,691	3,683	3,675	44,615

1/ Computed at the authorized return on rate base of 10.91% for 1989.

2/ California Jurisdictional factor of 98.600% for 1989.

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED RATE BASE AND REVENUE REQUIREMENT FOR 1990
(In thousands of dollars)

Item	Jan 90	Feb 90	Mar 90	Apr 90	May 90	Jun 90	Previous 12-Month
Plant-in-service	268,900	268,900	268,900	268,900	268,900	268,900	
Less: Depr. reserve	9,646	10,021	10,396	10,771	11,146	11,521	
Less: Taxes deferred (ACRS)	15,019	15,388	15,752	16,119	16,485	16,852	
Rate Base	244,235	243,493	242,752	242,010	241,269	240,527	
Net revenue requirement 1/	2,221	2,214	2,207	2,200	2,194	2,187	26,698
Depreciation	375	375	375	375	375	375	4,500
Ad Valorem taxes	254	253	252	251	250	250	3,009
Income taxes	847	847	847	848	848	847	10,346
Gross revenue requirement excluding Franchise fees and Uncollectibles	3,697	3,689	3,681	3,674	3,667	3,659	44,551
Jurisdictionalized gross revenue requirement excluding franchise fees and Uncollectibles 2/	3,645	3,637	3,629	3,623	3,615	3,608	43,927 3/

1/ Computed at the authorized return on rate base of 10.91% for 1990.

2/ California jurisdictional factor of 98.600% for 1990.

3/ Jurisdictionalized gross revenue requirement including FF&U is \$44,345

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED MAAC ACCOUNT OPERATION FOR 1988
(in thousands of dollars)

Item	Jan 88	Feb 88	Mar 88	Apr 88	May 88	Jun 88	Jul 88	Aug 88	Sep 88	Oct 88	Nov 88	Dec 88
BEGINNING ACCOUNT BALANCE	0	1,728	2,551	3,399	4,218	5,083	5,670	6,092	6,303	6,499	6,992	7,593
Jurisdictionalized gross revenue requirement	3,592	3,594	3,591	3,590	3,585	3,580	3,573	3,567	3,559	3,552	3,545	3,537
Recorded gross revenue	1,885	2,774	2,809	2,811	2,763	3,041	3,203	3,412	3,433	3,106	3,003	2,981
Less: Franchise fees and uncollectibles 1/	18	26	27	27	26	29	31	33	33	30	29	28
Adjusted gross revenue	1,867	2,747	2,783	2,784	2,736	3,012	3,173	3,380	3,400	3,076	2,974	2,953
Undercollection	1,724	846	808	806	849	568	400	187	159	475	571	584
Ending balance excluding Interest adjustment	1,724	2,574	3,389	4,205	5,067	5,650	6,070	6,279	6,462	6,964	7,563	8,177
Add: Monthly Interest	3	7	10	13	16	19	22	24	27	28	30	35
Add: Miscellaneous adj.	0	0	0	0	0	0	0	0	0	0	0	0
ENDING ACCOUNT BALANCE	1,728	2,581	3,399	4,218	5,083	5,670	6,092	6,303	6,489	6,992	7,593	8,212

1/ Computed at a combined rate of 0.944% which translates to a factor of 1.00953.

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED MAAC ACCOUNT OPERATION FOR 1989
(in thousands of dollars)

Item	Jan 89	Feb 89	Mar 89	Apr 89	May 89	Jun 89	Jul 89	Aug 89	Sep 89	Oct 89	Nov 89	Dec 89
BEGINNING ACCOUNT BALANCE	8,212	8,954	9,939	10,945	11,992	12,995	13,748	11,564	10,896	10,195	9,550	8,946
Jurisdictionalized gross revenue requirement	3,760	3,752	3,744	3,738	3,729	3,722	0	0	0	0	0	0
Forecasted sales (Gwh) 1/ AUR/MAAC balancing rate (Cents/kwh)		5,174 0.055	5,178 0.055	5,052 0.055	5,127 0.055	5,582 0.055	6,017 0.012	6,112 0.012	6,387 0.012	5,888 0.012	5,508 0.012	5,478 0.012
Proj./Rec. gross revenue	3,093	2,845	2,820	2,779	2,820	3,070	2,274	736	766	707	661	657
Less: Franchise fees and uncollectibles 2/	29	27	27	26	27	29	22	7	7	7	6	6
Adjusted gross revenue	3,063	2,818	2,794	2,752	2,793	3,041	2,253	729	759	700	655	651
Undercollection	697	934	950	985	936	681	(2,253)	(729)	(759)	(700)	(655)	(651)
Ending balance excluding Interest adjustment	8,908	9,888	10,889	11,930	12,928	13,677	11,496	10,835	10,137	9,495	8,895	8,295
Add: Monthly Interest	46	50	56	61	67	72	68	61	58	54	51	48
Add: Miscellaneous adj.	0	0	0	0	0	0	0	0	0	0	0	0
ENDING ACCOUNT BALANCE	8,954	9,939	10,945	11,992	12,995	13,748	11,564	10,896	10,195	9,550	8,946	8,344

1/ Reflects updated sales forecast.

2/ Computed at a combined rate of 0.944X which translates to a factor of 1.00953.

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED MAAC ACCOUNT OPERATION FOR 1990
(in thousands of dollars)

Item	Jan 90	Feb 90	Mar 90	Apr 90	May 90	Jun 90	Jul 90	Aug 90	Sep 90	Oct 90	Nov 90	Dec 90
BEGINNING ACCOUNT BALANCE	8,344	7,747	7,171	6,597	6,030	5,451	4,814	4,121	3,411	2,667	1,979	1,333
Jurisdictionalized gross revenue requirement	0	0	0	0	0	0	0	0	0	0	0	0
Forecasted sales (Gwh) 1/ MAAC balancing rate (Cents/Kwh)	5,408 0.012	5,213 0.012	5,173 0.012	5,087 0.012	5,167 0.012	5,627 0.012	6,067 0.012	6,182 0.012	6,432 0.012	5,928 0.012	5,553 0.012	5,523 0.012
Proj./Rec. gross revenue	649	626	621	610	620	675	728	742	772	711	666	663
Less: Franchise fees and uncollectibles 2/	6	6	6	6	6	6	7	7	7	7	6	6
Adjusted gross revenue	643	620	615	605	614	669	721	735	764	705	660	656
Undercollection	(643)	(620)	(615)	(605)	(614)	(669)	(721)	(735)	(764)	(705)	(660)	(656)
Ending balance excluding Interest adjustment	7,701	7,128	6,557	5,993	5,416	4,782	4,093	3,386	2,646	1,962	1,319	676
Add: Monthly Interest	47	44	41	38	35	32	28	25	21	17	13	10
Add: Miscellaneous adj.	0	0	0	0	0	0	0	0	0	0	0	0
ENDING ACCOUNT BALANCE	7,747	7,171	6,597	6,030	5,451	4,814	4,121	3,411	2,667	1,979	1,333	686

1/ Reflects updated sales forecast.

2/ Computed at a combined rate of 0.944% which translates to a factor of 1.00953.

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED MAAC BALANCING RATE
EFFECTIVE DATE: JULY 1, 1989(000's of \$)
=====MAAC Balancing Account Undercollection
attributable to Balsam Meadow

(Forecast date: June 30, 1989)

\$13,748

Less: Revenues Attributable to June 1989
but collected in July 1989 (Excluding
franchise fees and uncollectibles)

1,967

Add: Forecast Interest Expense During
Amortization Period

690

SUBTOTAL

\$12,472Add: Franchise Fees (0.73%) and
Uncollectibles (0.214%)

119

MAAC UNDERCOLLECTION TO BE AMORTIZED

\$12,591

Forecasted sales during

amortization period 1/ 2/

102,770.0 Gwh

Adopted increase in MAAC balancing
rate for Balsam Meadow

0.012 cents/Kwh

Presently authorized MAAC balancing
rate for Balsam Meadow

0.000 cents/Kwh

ADOPTED MAAC BALANCING RATE FOR
BALSAM MEADOW0.012 cents/Kwh
=====1/ Excludes employee discount (Rate Schedule DE)
adjustment of 43.8 GWh.2/ Amortization period extends for 18 months from
July 1, 1989 to the end of Edison's general rate
case cycle on December 31, 1990.

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED AVERAGE OWNERSHIP RATE
EFFECTIVE DATE: JULY 1, 1989

Presently authorized Average Ownership Rate	0.055 cents/Kwh
Adopted decrease	0.055 cents/Kwh
ADOPTED AVERAGE OWNERSHIP RATE (AOR)	0.000 cents/Kwh

AUTHORIZED LEVEL OF BASE RATE REVENUE
EFFECTIVE DATE: JULY 1, 1989

Presently authorized Base Rate Revenue	\$3,519,174,400
Add: Adopted increase in Base Rate Revenue for Devers-Valley-Serrano Transmission Line Project (adopted in D.89-04-042)	22,876,785
Subtotal	3,542,051,185
Add: Adopted increase in Base Rate Revenue for Balsam Meadow (including franchise fees and uncollectibles)	44,345,833
AUTHORIZED LEVEL OF BASE RATE REVENUE	\$3,586,397,068
% increase in Base Rate Revenue	1.25%

ADOPTED AVERAGE INCREASE IN BASE RATES
EFFECTIVE DATE: JULY 1, 1989

Adopted net increase in Base Rate Revenue including franchise fees and uncollectibles	\$44,345,833
Annual sales (to be adopted in A.89-03-023)	67,084 Gwh
ADOPTED AVERAGE INCREASE IN BASE RATES	0.066 cents/Kwh

ADOPTED OVERALL INCREASE IN RATES
EFFECTIVE DATE: JULY 1, 1989

Adopted incr. in MAAC balancing rate	0.012 cents/Kwh
Adopted decrease in MAAC AOR rate	0.055 cents/Kwh
Adopted decrease in MAABF	0.043 cents/Kwh
Adopted average increase in base rates	0.066 cents/Kwh
ADOPTED OVERALL INCREASE IN RATES	0.023 cents/Kwh

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Southern California Edison Company)
(U-338-E) for (i) authority to)
transfer recovery of Balsam Meadow)
Hydroelectric Project investment)
related cost to base rates pursuant)
to previously adopted procedures,)
and (ii) related substantive and)
procedural relief.)

Application 88-05-012
(Filed May 11, 1988)

Stephen E. Pickett and Gloria M. Wong,
Attorneys at Law, for Southern
California Edison Company, applicant.
Keith Holt, for Container Supply
Company, interested party.
Timothy E. Treacy, Attorney at Law,
Kenneth C. Chew, and Maurice D. Monson,
for Division of Ratepayer Advocates.

O P I N I O N

Application

By this application, Southern California Edison Company (applicant) requests base rate recovery for its Balsam Meadow hydroelectric project (project) used for peaking power. Approval of applicant's request will, according to the application, result in a revenue requirement increase of \$22.1 million, or 0.4%. Specifically, applicant seeks:

- a. A finding that its \$273.1 million project investment at February 29, 1988 was reasonably incurred;
- b. Authority to earn a rate of return on its project investment that is one percent higher than applicant's authorized rate of return;

- c. Authority to increase average base rate levels by 0.076 cents per kilowatt hour (kWh), decrease the Major Additions Adjustment Clause (MAAC) average ownership rate attributable to the project to 0.0 cents per kWh, increase the MAAC balancing rate attributable to the project by 0.014 cents per kWh, decrease the MAAC billing factor by 0.042 cents per kWh, and increase the authorized level of base rate revenue under the electric revenue adjustment mechanism by \$49.705 million; and
- d. Authority to file revised tariffs to implement its requested rate changes, effective June 1, 1989.¹

Background

On January 8, 1981, applicant filed a request for a certificate of public convenience and necessity (CPC&N) to construct and operate a hydroelectric powerhouse of up to 200 megawatt capacity. Proposed project facilities included a dam and forebay, underground waterways, an underground powerhouse, a substation at surface level, a 4.5-mile transmission line, and supporting facilities.

Applicant was granted its requested CPC&N for the project by Decision (D.) 82-06-051. However, the decision ordered further hearings to address the project's optimum generating capacity. Subsequently, by D.83-10-031, applicant was granted a CPC&N for a 200 megawatt hydroelectric peaking facility with a \$321 million construction cost cap.

Applicant's civil construction contractor began work on the project November 1, 1983. Civil construction of the forebay dam began in the spring of 1984, and the transmission line in 1986. The powerhouse, including the unanticipated installation of steel

¹ The application requests that rate level changes be effective on either January 1, 1989 or June 1, 1989.

lining in the lower power tunnel, was completed on August 1, 1986. Mechanical, electrical, and instrumentation work commenced on that date.

The project's pre-commercial activities began in the fall of 1986 with the filling of the water-bearing elements. The initial turbine spin occurred in July 1987, and the synchronization to applicant's electrical system occurred on August 2, 1987. Commercial operating criteria were met on December 1, 1987, one month ahead of schedule.

Applicant requested base rate treatment of its project investment in its 1988 test year general rate case (GRC). However, by D.87-12-066 the Commission adopted a procedure to address the reasonableness of the project's investment without the time constraints imposed by the GRC process. Consistent with this process, applicant's MAAC rates were designed to reflect revenue requirement recovery of 75% of the project investment subject to refund, with the other 25% to be reflected as an undercollection in the MAAC balancing account, with recovery allowed after a determination of reasonableness by the Commission.

Pursuant to Ordering Paragraph 9 of D.87-12-066, applicant filed this application to establish the reasonableness of its project investment for ratemaking purposes, to transfer recovery of the associated revenue requirement to base rates, and to terminate the project MAAC procedure.

Hearings

A Prehearing Conference (PHC) was held on August 9, 1988 in Los Angeles. At the PHC, parties agreed on a hearing schedule which included the holding of public and evidentiary hearings on November 14, 1988 with a proposed decision to be issued on March 28, 1989.

Mr. Sanborn, representing the International Brotherhood of Electrical Workers (IBEW), appeared at the public hearing. Sanborn, citing the dangerous tunneling and mining-type operations

that went into building the project, commended applicant's personnel and contractors who worked on the project for considering the safety of workers. He also commended applicant for completing the project under budget and ahead of time.

Sanborn supports applicant's request to include the project investment in rate base. However, Sanborn did express IBEW's concern about whether the project can be run as an unmanned facility. He recommends that if the automation features of the project are not shown to be cost effective, the cost associated with the automation should be disallowed. No other interested party appeared at the public hearing.

Applicant sponsored two witnesses, William Emrich and Stephen McKenery, and seventy eight exhibits to substantiate that its project investment is reasonable. The Commission Division of Ratepayer Advocates (DRA) sponsored one witness, Maurice Monson, and two comprehensive exhibits.

Applicant's Reasonableness Review

The \$277 million projected total investment is \$3.9 million higher than applicant's \$273.1 million expended used to calculate its proposed revenue recovery for the project. This difference represents costs, subsequent to April 30, 1988, that will be incurred to fully complete the project. Project costs, such as the Stevenson Meadow environmental restoration, were delayed because of the severe drought that the project area experienced in 1987. Applicant used its \$277 million total project cost to compare with the \$321 million adopted cost cap in its reasonableness review.

The adopted cost cap is based on applicant's July 1982 detailed project cost estimate. Although this cost cap applies only to the total project cost, applicant compares and explains differences between the detailed project cost estimates and the actual cost. Applicant believes that its review clearly demonstrates that the project was carefully planned, managed, and

implemented to maintain cost, schedule, and quality control. Applicant represents that such procedures resulted in a safe project which was completed \$44 million under budget and one month ahead of schedule.

DRA's Reasonableness Review

DRA reviewed the project planning, construction, and operations to determine whether any recorded costs should be disallowed. DRA also reviewed applicant's CPC&N, quarterly reports, Board of Consultants' reports, and voluminous responses to DRA's request for project information. DRA concludes from its review that applicant's \$273.1 million recorded project cost, as of April 30, 1988 should be reduced by \$4.5 million, to \$268.6 million, and that the additional one percent return over applicant's authorized rate of return, permitted by PU Code Section 454(a), should not be authorized. The components of DRA's \$4.5 million recommended reduction are:

- a. A \$3.8 million reduction to reflect actual project costs, as of April 30, 1988;
- b. A \$246,255.54 Allowance for Funds Used During Construction (AFUDC) disallowance for the cumulative impact of payments withheld from contractors' monthly progress billings; and
- c. The transfer of a \$410,961 pump storage facility from applicant's plant-in-service account to applicant's electric plant held for future use account.

With reference to the remaining \$3.9 million costs applicant asserts are necessary to complete the project, DRA recommends an increase to \$8.5 million. DRA's recommended \$4.6 million increase is attributable to a \$4.9 million difference between the April 30, 1988 project cost recorded by applicant and the project cost verified by DRA's auditors, less a \$300,000 difference "between the estimated and actual costs recorded in February 1988." To avoid cost overruns and to ensure that

applicant keeps within the estimated completion cost. DRA recommends that the \$8.5 million completion cost be authorized subject to a reasonableness review in applicant's next GRC.

DRA's review of applicant's MAAC balancing account results in a \$60,000 disallowance to eliminate the timing difference between recorded income tax and the actual payment of such tax, and results in an adjusted MAAC balance of \$7,552,081, as of June 30, 1988. DRA concurs with applicant's proposal to amortize the MAAC balancing account over the remaining Test Year 1988 rate case cycle which will end December 31, 1990.

Motion to Adopt DRA's Recommendations

Applicant considered DRA's recommendations and upon further reflection withdrew its request for the additional one percent rate of return on its project investment. Applicant also reviewed and concurred with DRA's proposed AFUDC disallowance and pump storage facility reclassification.

Applicant filed Exhibit 3 to show the revenue requirement and ratemaking impact of adopting the above-mentioned DRA recommendations. However, applicant points out that the rate of return and/or ratemaking factors used in the exhibit will need to be revised if decisions in R.86-10-001², I.86-11-019³,

2 Rulemaking proceeding to revise the electric utility ratemaking mechanism in response to changing conditions in the electric industry.

3 An investigation into the methods to establish the proper level of expense for ratemaking purposes due to the changes resulting from the 1986 Tax Reform Act.

A.87-05-031⁴, and A.88-07-023⁵ are issued prior to a decision in this application.

Discussion

Applicant's detailed reasonableness review substantiates that the project was well managed and constructed. This is confirmed by DRA's witness, who testified that applicant's approach to planning the need for the project was reasonable, that the original cost estimate was not inflated and did not provide for excessive expenditures, and that applicant's cost effectiveness analysis is reasonable.

DRA's specific project cost adjustments to applicant's April 30, 1988 recorded project cost were adequately explained and justified. Applicant agreed that these adjustments were proper ratemaking adjustments. Accordingly, DRA's recommendations discussed in this opinion will be adopted.

The only other adjustment, proposed by Sanborn, pertained to the cost effectiveness of operating the project as a fully automatic, remotely controlled generating station.

Sanborn raises a valid issue. However, there is no evidence to confirm Sanborn's concern. DRA did not specifically address or identify project automation costs. However, as discussed in this opinion, DRA conducted a comprehensive analysis of the project and concluded that applicant did not make any excessive project expenditures and that the overall project is cost effective.

Applicant addressed the characteristics of the automation features in its reasonableness report and identified such cost as one of many components of its \$10 million materials cost, less than

⁴ San Onofre Nuclear Generating Station Unit Nos. 2 and 3 post-COD.

⁵ 1989 Attrition Allowance proceeding.

5% of the total project cost. The evidence shows that the project, which includes the automation feature, is cost effective.

Although applicant estimated the need for additional cost to fully complete its project, applicant is only requesting recovery of recorded project cost. Because we are adopting DRA's adjustments to recorded data, applicant will be authorized to recover \$268.6 million of project cost as of April 30, 1988. The additional \$8.5 million needed to complete the project, as estimated by DRA, should be used as a cost-to-complete cap and should be addressed in applicant's next GRC.

Applicant, consistent with its Devers Valley Serrano (DVS) reasonableness application (A.88-05-007), requests that the adopted rate changes take effect on June 1, 1989. However, in applicant's comments on the DVS proposed decision, applicant has requested that the DVS rate changes not be implemented until applicant's next rate revision, scheduled for July 1, 1989. A final decision on DVS concurs with this recommendation.

On March 17, 1989 applicant filed an energy cost adjustment clause trigger filing with rate changes expected to take place on July 1, 1989, A.89-03-023. If we authorize project rate changes to take effect on June 1, 1989, applicant's rates may need to be adjusted shortly after June 1, 1989 to reflect the trigger filing and possibly to reflect rate changes from applicant's DVS reasonableness application. In the interest of minimizing rate changes and to not confuse applicant's ratepayers, rate changes authorized by this opinion should be effective July 1, 1989.

The new authorized level of base rate revenues is \$3.587 million, a 1.27% increase over the previously authorized level, as shown in Appendix A. Consistent with applicant's request, base rates should be increased on an "equal cents per kWh" basis, subject to baseline and other constraints. The average base rate increase will be 0.067 cents per kWh.

The \$7,552,081 June 30, 1988 MAAC balance should be reduced to \$5,665,000, to reflect the impact of recent decisions such as the 1989 attrition proceeding. This balance should be amortized from July 1, 1989 through December 31, 1990, as requested by applicant. Any MAAC balance remaining on December 31, 1990 should be transferred to applicant's Energy Cost Adjustment Clause account.

Findings of Fact

1. Applicant was granted a CPC&N for its project by D.82-06-051.
2. A \$321 million regulatory cost cap was authorized for the project by D.83-10-031.
3. Project construction work began on November 1, 1983.
4. Project commercial operating criteria were met on December 1, 1987.
5. D.87-12-066 adopted a procedure which authorized applicant to recover 75% of the project investment in MAAC rates and the other 25% to be recorded in the MAAC balancing account, with recovery allowed after a determination of reasonableness by the Commission.
6. Applicant filed this application to establish the reasonableness of its project investment for ratemaking purposes.
7. Sanborn, representing the IBEW, commended applicant's personnel and contractors for the safety of the workers and for completing the project under budget and ahead of schedule.
8. Sanborn supports applicant's request to include the project investment in rate base.
9. Sanborn recommends that if the automation features of the project are not shown to be cost effective, such costs should be disallowed.
10. Applicant requests a finding that its project investment is reasonable.

This decision should become effective concurrent with the rate change to be authorized in applicant's ECAC A.89-03-023 effective on July 1, 1989. In the event a rate change is not authorized in A.89-03-023, applicant is authorized to file the rate relief set forth herein effective for service rendered on and after January 1, 1990 in accordance with the procedure authorized in Appendix A of D.87-12-066.

The new authorized level of base rate revenues is \$3.586 billion, a 1.25% increase over the previously authorized level, as shown in Appendix A. Revenue allocations and rate design should be prepared in accordance with the guidelines adopted in applicant's most recent ECAC proceeding, A.88-02-016, and applicant's current ECAC trigger proceeding, A.89-03-023. The average base rate increase will be 0.066 cents per kWh.

The \$13,742,000 June 30, 1989 MAAC balance has been adjusted to incorporate the impact of recent decisions such as the 1989 attrition proceeding. This balance should be amortized from July 1, 1989 through December 31, 1990, as requested by applicant. Any MAAC balance remaining on December 31, 1990 should be transferred to applicant's Electric Revenue Adjustment Mechanism balancing account.

Section 311 Comments

The administrative law judge's (ALJ) proposed decision on this matter was filed with the Docket Office and mailed to all parties of record on May 8, 1989 pursuant to Rule 77 of the Commission's Rules of Practice and Procedure.

DRA and Edison filed comments on the ALJ's proposed decision. The comments, discussing minor changes and revisions to revenue requirement calculations, were adopted and included in the appropriate place of the decision. There were no material changes to the ALJ's proposed decision.

11. Applicant requested authority to earn a rate of return on its project investment that is one percent higher than applicant's authorized rate of return and then withdrew that request after reviewing DRA's report.

12. Applicant's total estimated project cost is \$277 million and its recorded project cost is \$273.1 million as of February 29, 1988.

13. The project was completed one month ahead of schedule and \$44 million under budget.

14. DRA recommends that the April 30, 1988 recorded project cost be reduced from \$273.1 million to \$268.9 million.

15. DRA opposes applicant's request for an additional one percent rate of return above its authorized rate of return.

16. DRA recommends that applicant's \$3.9 million cost to complete cap be increased to \$8.5 million and subject to a reasonableness review in applicant's next GRC.

17. DRA recommends that the MAAC balancing account be reduced \$60,000 as of June 30, 1988.

18. DRA concurs with applicant's request to amortize the MAAC balancing account over applicant's remaining test year 1988 GRC.

19. Applicant concurs with DRA's adjustments to the recorded project costs.

20. Applicant filed an energy cost adjustment clause trigger filing with rate changes expected to take place on July 1, 1989.

21. Applicant's DVS reasonableness decision provides for DVS rate changes take place on July 1, 1989.

Conclusions of Law

1. Applicant's recorded project costs should be adjusted by DRA's recommended adjustments.

2. The recorded MAAC balancing account should be reduced by \$60,000 and should be adjusted to reflect recent decisions such as the 1989 attrition proceeding. The MAAC balancing account should be amortized over applicant's remaining test year 1988 GRC cycle.

3. Applicant should be authorized to increase its \$3.9 million cost to complete cap to \$8.5 million and should be subject to a reasonableness review in its next GRC.

4. Applicant should be authorized to file tariffs with an effective date of applicant's next rate revision, scheduled for July 1, 1989.

ORDER

IT IS ORDERED that:

1. Southern California Edison Company's (applicant) April 30, 1988 recorded Balsam Meadow (project) investment of \$273.1 million shall be reduced to \$268.6 million for ratemaking purposes, as discussed in this opinion.

2. Applicant's \$268.6 million project investment as of April 30, 1988 is reasonable for ratemaking purposes.

3. Applicant's \$3.9 million cost to complete cap shall be increased to \$8.5 million. The reasonableness of the \$8.5 million cost to complete cap and resulting ratemaking recovery shall be addressed in applicant's next general rate case.

4. Applicant's \$5,665,000 Major Additions Adjustment Clause (MAAC) balance at June 30, 1988 shall be amortized over the remaining test year 1988 general rate case cycle scheduled to end December 31, 1990.

5. Applicant is authorized to file tariffs in accordance with General Order (GO) 96-A within 10 days of the effective date of this order to reduce its MAAC ownership rate from 0.055 cents per kilowatt hour (kWh) to zero, effective July 1, 1989, applicant's expected next rate revision. However, if applicant's next rate revision takes place subsequent to July 1, 1989, the MAAC ownership rate shall be revised and implemented on the effective date of its rate revision.

6. Applicant is authorized to file tariffs in accordance with GO 96-A within 10 days of the effective date of this order to increase the MAAC balancing rate by 0.012 cents per kWh to amortize the MAAC undercollection during the period from July 1, 1989 through December 31, 1990.

7. Applicant shall file an Advice Letter to terminate the MAAC balancing account effective December 31, 1990. Any MAAC balance remaining at December 31, 1990 shall be transferred to applicant's Energy Cost Adjustment Clause account.

8. Applicant is authorized to file tariffs in accordance with GO 96-A to increase base rates on an "equal cents per kWh" basis subject to baseline and other constraints. The tariffs shall be effective on the date of applicant's next rate change scheduled to take place on July 1, 1989, applicant's expected next rate revision. The average increase in base rates, with a July 1, 1989 effective date, shall be 0.067 cents per kWh. However, if applicant's next rate revision takes place subsequent to July 1, 1989, this rate shall be revised and implemented on the effective date of its rate revision.

This order is effective today.

Dated _____, at San Francisco, California.

ORDER

IT IS ORDERED that:

1. Southern California Edison Company's (applicant) April 30, 1988 recorded Balsam Meadow (project) investment of \$273.1 million shall be reduced to \$268.9 million for ratemaking purposes, as discussed in this opinion. ✓
2. Applicant's \$268.9 million project investment as of April 30, 1988 is reasonable for ratemaking purposes. ✓
3. Applicant's \$3.9 million cost to complete cap shall be increased to \$8.5 million. The reasonableness of the \$8.5 million cost to complete cap and resulting ratemaking recovery shall be addressed in applicant's next general rate case.
4. Applicant's \$13,748,000 Major Additions Adjustment Clause (MAAC) balance at June 30, 1989 shall be amortized over the remaining test year 1988 general rate case cycle scheduled to end December 31, 1990. ✓
5. Applicant is authorized to file tariffs in accordance with General Order (GO) 96-A within 30 days prior to the effective date of the tariffs, to reduce its MAAC ownership rate from 0.055 cents per kilowatt hour (kWh) to zero, increase its MAAC balancing rate from zero to 0.012 cents per kWh, increase its authorized level of Base Rate Revenue by \$44,345,883, and revise base rates.
6. Applicant shall file an Advice Letter to terminate the MAAC balancing account effective December 31, 1990. Any MAAC balance remaining at December 31, 1990 shall be transferred to applicant's Electric Revenue Adjustment Mechanism balancing account for final disposition. |

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED RATE BASE AND REVENUE REQUIREMENT FOR 1988
(In thousands of dollars)

Item	Jan 88	Feb 88	Mar 88	Apr 88	May 88	Jun 88	Jul 88	Aug 88	Sep 88	Oct 88	Nov 88	Dec 88	Total
Plant-in-service	266,789	267,526	267,977	268,545	268,669	268,669	268,669	268,669	268,669	268,669	268,669	268,669	
Less: Depr. reserve	666	1,039	1,412	1,785	2,158	2,531	2,904	3,278	3,652	4,026	4,400	4,774	
Less: Taxes deferred (ACRS)	4,226	4,705	5,185	5,664	6,144	6,623	7,103	7,582	8,061	8,541	9,020	9,500	
Rate Base	261,897	261,782	261,380	261,096	260,367	259,515	258,662	257,809	256,956	256,102	255,249	254,395	
Net revenue requirement 1/	2,346	2,345	2,342	2,339	2,332	2,325	2,317	2,310	2,302	2,294	2,287	2,279	27,818
Depreciation	373	373	373	373	373	373	373	374	374	374	374	374	4,481
Ad Valorem taxes	129	129	129	129	128	128	128	127	127	126	126	125	1,531
Income taxes	813	816	817	819	820	821	822	823	823	824	825	825	9,848
Gross revenue requirement excluding franchise fees and Uncollectibles	3,661	3,663	3,661	3,660	3,653	3,647	3,640	3,634	3,626	3,618	3,612	3,603	43,678
Jurisdictionalized gross revenue requirement excluding franchise fees and Uncollectibles 2/	3,592	3,594	3,591	3,590	3,584	3,578	3,571	3,565	3,557	3,550	3,543	3,534	42,848

1/ Computed at the authorized return on rate base of 10.75% for 1988.

2/ California jurisdictional factor of 98.100% for 1988.

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED RATE BASE AND REVENUE REQUIREMENT FOR 1989
(In thousands of dollars)

Item	Jan 89	Feb 89	Mar 89	Apr 89	May 89	Jun 89	Jul 89	Aug 89	Sep 89	Oct 89	Nov 89	Dec 89	Total
Plant-in-service	268,669	268,669	268,669	268,669	268,669	268,669	268,669	268,669	268,669	268,669	268,669	268,669	
less: Depr. reserve	5,148	5,522	5,896	6,271	6,646	7,021	7,396	7,771	8,146	8,521	8,896	9,271	
less: Taxes deferred (ACRS)	9,952	10,377	10,801	11,226	11,651	12,076	12,500	12,925	13,350	13,775	14,199	14,624	
Rate Base	253,569	252,770	251,972	251,172	250,372	249,572	248,773	247,973	247,173	246,373	245,574	244,774	
Net revenue requirement 1/	2,305	2,298	2,291	2,284	2,276	2,269	2,262	2,254	2,247	2,240	2,233	2,225	27,185
Depreciation	374	374	374	375	375	375	375	375	375	375	375	375	4,497
Ad Valorem taxes	257	256	255	254	253	253	252	251	250	249	249	248	3,027
Income taxes	875	875	875	876	876	876	877	877	877	877	877	877	10,515
Gross revenue requirement excluding franchise fees and Uncollectibles	3,811	3,803	3,795	3,789	3,780	3,773	3,766	3,757	3,749	3,741	3,734	3,725	45,224
Jurisdictionalized gross revenue requirement excluding franchise fees and Uncollectibles 2/	3,758	3,750	3,742	3,735	3,727	3,720	3,713	3,705	3,697	3,689	3,681	3,673	44,591

1/ Computed at the authorized return on rate base of 10.91% for 1989.

2/ California jurisdictional factor of 98.600% for 1989.

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED MAAC ACCOUNT OPERATION FOR 1988
(In thousands of dollars)

Item	Jan 88	Feb 88	Mar 88	Apr 88	May 88	Jun 88	Jul 88	Aug 88	Sep 88	Oct 88	Nov 88	Dec 88
BEGINNING ACCOUNT BALANCE	0	1,727	2,581	3,399	4,217	5,080	5,665	6,085	6,294	6,477	6,978	7,577
Jurisdictionalized gross revenue requirement	3,592	3,594	3,591	3,590	3,584	3,578	3,571	3,565	3,557	3,550	3,543	3,534
Recorded gross revenue	1,885	2,774	2,809	2,811	2,763	3,041	3,203	3,412	3,433	3,106	3,003	2,981
Less: Franchise fees and uncollectibles 1/	18	26	27	27	26	29	30	32	32	29	28	28
Adjusted gross revenue	1,868	2,748	2,783	2,785	2,737	3,012	3,173	3,380	3,400	3,076	2,975	2,953
Undercollection	1,724	846	808	806	847	565	398	184	157	473	568	582
Ending balance excluding Interest adjustment	1,724	2,573	3,389	4,204	5,064	5,646	6,063	6,270	6,451	6,950	7,546	8,158
Add: Monthly Interest	3	7	10	13	16	19	22	24	27	28	30	35
Add: Miscellaneous adj.	0	0	0	0	0	0	0	0	0	0	0	0
ENDING ACCOUNT BALANCE	1,727	2,581	3,399	4,217	5,080	5,665	6,085	6,294	6,477	6,978	7,577	8,193

1/ Computed at a combined rate of 0.944%.

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED MAAC ACCOUNT OPERATION FOR 1989
(in thousands of dollars)

Item	Jan 89	Feb 89	Mar 89	Apr 89	May 89	Jun 89	Jul 89	Aug 89	Sep 89	Oct 89	Nov 89	Dec 89
BEGINNING ACCOUNT BALANCE	8,193	8,933	9,915	10,919	11,963	12,964	13,715	11,530	10,862	10,161	9,515	8,911
Jurisdictionalized gross revenue requirement	3,758	3,750	3,742	3,736	3,727	3,720	0	0	0	0	0	0
Forecasted sales (Gwh) 1/ AOR/MAAC balancing rate (Cents/Kwh)		5,173 0.055	5,128 0.055	5,052 0.055	5,127 0.055	5,582 0.055	6,017 0.012	6,132 0.012	6,387 0.012	5,888 0.012	5,508 0.012	5,478 0.012
Proj./Rec. gross revenue	3,093	2,845	2,820	2,779	2,820	3,070	2,274	736	766	707	661	657
Less: Franchise fees and uncollectibles 2/	29	27	27	26	27	29	21	7	7	7	6	6
Adjusted gross revenue	3,064	2,818	2,794	2,752	2,793	3,041	2,253	729	759	700	655	651
Undercollection	694	932	948	983	934	679	(2,253)	(729)	(759)	(700)	(655)	(651)
Ending balance excluding interest adjustment	8,887	9,865	10,863	11,902	12,897	13,643	11,462	10,801	10,103	9,461	8,860	8,260
Add: Monthly interest	46	50	56	61	67	72	68	61	58	54	51	48
Add: Miscellaneous adj.	0	0	0	0	0	0	0	0	0	0	0	0
ENDING ACCOUNT BALANCE	8,933	9,915	10,919	11,963	12,964	13,715	11,530	10,862	10,161	9,515	8,911	8,308

1/ Reflects updated sales forecast.

1/ Computed at a combined rate of 0.944%.

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED MAAC ACCOUNT OPERATION FOR 1990
(In thousands of dollars)

Item	Jan 90	Feb 90	Mar 90	Apr 90	May 90	Jun 90	Jul 90	Aug 90	Sep 90	Oct 90	Nov 90	Dec 90
BEGINNING ACCOUNT BALANCE	8,308	7,712	7,136	6,561	5,994	5,415	4,777	4,084	3,373	2,629	1,941	1,295
Jurisdictionalized gross revenue requirement	0	0	0	0	0	0	0	0	0	0	0	0
Forecasted sales (Gwh) 1/ MAAC balancing rate (Cents/Kwh)	5,408 0.012	5,213 0.012	5,173 0.012	5,087 0.012	5,167 0.012	5,627 0.012	6,067 0.012	6,182 0.012	6,432 0.012	5,928 0.012	5,553 0.012	5,523 0.012
Proj./Rec. gross revenue	649	626	621	610	620	675	728	742	772	711	666	663
Less: Franchise fees and uncollectibles 2/	6	6	6	6	6	6	7	7	7	7	6	6
Adjusted gross revenue	643	620	615	605	614	669	721	735	765	705	660	657
Undercollection	(643)	(620)	(615)	(605)	(614)	(669)	(721)	(735)	(765)	(705)	(660)	(657)
Ending balance excluding Interest adjustment	7,666	7,092	6,521	5,957	5,380	4,746	4,056	3,349	2,609	1,925	1,281	638
Add: Monthly Interest	46	43	40	38	35	31	28	24	20	17	13	10
Add: Miscellaneous adj.	0	0	0	0	0	0	0	0	0	0	0	0
ENDING ACCOUNT BALANCE	7,712	7,136	6,561	5,994	5,415	4,777	4,084	3,373	2,629	1,941	1,295	648

1/ Reflects updated sales forecast.

1/ Computed at a combined rate of 0.944%.

APPENDIX A

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED MAAC BALANCING RATE
EFFECTIVE DATE: JULY 1, 1989

(000's of \$)

MAAC Balancing Account Undercollection attributable to Balsam Meadow (Forecast date: June 30, 1989)	\$13,715
Less: Revenues Attributable to June 1989 but collected in July 1989 (Excluding franchise fees and uncollectibles)	1,967
Add: Forecast Interest Expense During Amortization Period	687
SUBTOTAL	----- \$12,435
Add: Franchise Fees (0.73%) and Uncollectibles (0.214%)	117
MAAC UNDERCOLLECTION TO BE AMORTIZED	----- \$12,552
Forecasted sales during amortization period 1/ 2/	102,770.0 Gwh
Adopted increase in MAAC balancing rate for Balsam Meadow	0.012 cents/Kwh

Presently authorized MAAC balancing rate for Balsam Meadow	0.000 cents/Kwh
ADOPTED MAAC BALANCING RATE FOR BALSAM MEADOW	0.012 cents/Kwh

1/ Excludes employee discount (Rate Schedule DE)
adjustment of 43.8 GWh.

2/ Amortization period extends for 18 months from
July 1, 1989 to the end of Edison's general rate
case cycle on December 31, 1990.

APPENDIX A.

SOUTHERN CALIFORNIA EDISON COMPANY
BALSAM MEADOW HYDROELECTRIC FACILITYADOPTED AVERAGE OWNERSHIP RATE
EFFECTIVE DATE: JULY 1, 1989

Presently authorized Average Ownership Rate	0.055 cents/Kwh
Adopted decrease	0.055 cents/Kwh
ADOPTED AVERAGE OWNERSHIP RATE (AOR)	0.000 cents/Kwh

AUTHORIZED LEVEL OF BASE RATE REVENUE
EFFECTIVE DATE: JULY 1, 1989

Presently authorized Base Rate Revenue	\$3,519,174,400
Add: Adopted increase in Base Rate Revenue for Devers-Valley-Serrano Transmission Line Project (adopted in D.89-04-042)	22,876,785
Subtotal	3,542,051,185
Add: Adopted increase in Base Rate Revenue for Balsam Meadow (including franchise fees and uncollectibles)	45,011,496
AUTHORIZED LEVEL OF BASE RATE REVENUE	\$3,587,062,681
% increase in Base Rate Revenue	1.27%

ADOPTED AVERAGE INCREASE IN BASE RATES
EFFECTIVE DATE: JULY 1, 1989

Adopted net increase in Base Rate Revenue including franchise fees and uncollectibles	\$45,011,496
Annual sales (to be adopted in A.89-03-023)	67,084 Gwh
ADOPTED AVERAGE INCREASE IN BASE RATES	0.067 cents/Kwh

ADOPTED OVERALL INCREASE IN RATES
EFFECTIVE DATE: JULY 1, 1989

Adopted incr. in MAAC balancing rate	0.012 cents/Kwh
Adopted decrease in MAAC AOR rate	0.055 cents/Kwh
Adopted decrease in MAABF	0.043 cents/Kwh
Adopted average increase in base rates	0.067 cents/Kwh
ADOPTED OVERALL INCREASE IN RATES	0.024 cents/Kwh

7. The tariffs shall be effective on the date of applicant's next rate change scheduled to take place on July 1, 1989, applicant's expected next rate revision. The average increase in base rates, with a July 1, 1989. However, if applicant's next rate revision takes place subsequent to July 1, 1989, rates shall be revised and implemented on the effective date of its rate revision and Appendix A shall be updated accordingly subject to approval by the Commission Advisory and Compliance Division.

This order is effective today.

Dated _____, at San Francisco, California.