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Decision 92-08-036 August 11, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's own motion to implement the Biennial Resource Plan Update following the California Energy Commission's Seventh Electricity Report.	I.89-07-004 (Filed July 6, 1989)
And Related Matters.	Application 91-02-092 Application 91-07-004
In the Matter of the Application of Southern California Edison Company for Authority to Increase its Authorized Level of Base Rate Revenue Under the Electric Revenue Adjustment Mechanism for Service Rendered Beginning January 1, 1992 and to Reflect this Increase in Rates.	Application 90-12-018 (Filed December 7, 1990)
And Related Matters.	I.89-12-025 (Filed December 18, 1989) I.91-02-079 (Filed February 21, 1991)

ORIGINAL

(See Attachment 1 for SONGS 1 Settlement Service List.)

OPINION ON SONGS 1 SETTLEMENT AGREEMENT

OPINION ON SONGS 1 SETTLEMENT AGREEMENT

1. Summary

We approve a settlement between Southern California Edison Company (Edison), San Diego Gas & Electric Company (SDG&E), and the Division of Ratepayer Advocates (DRA), of issues related to the San Onofre Nuclear Generating Station Unit 1 (SONGS 1), which is jointly owned by Edison (80%) and SDG&E (20%).[1]

The settlement has the following key terms:

- Edison and SDG&E will cease operation of SONGS 1 no later than the end of the current fuel cycle (Fuel Cycle 11/11B);[2]
- Edison and SDG&E will be able to recover in rates their remaining net investment in SONGS 1 (approximately $350 million for Edison and approximately $110 million for SDG&E) over a 48-month amortization period and earn a rate of return on that investment;
- The 48-month amortization period for Edison's and SDG&E's SONGS 1 investment will start upon our approval of the Settlement Agreement, and Edison and SDG&E will each receive their Commission-authorized rates of return on the unamortized balance until shutdown of SONGS 1;
- After shutdown of SONGS 1, Edison and SDG&E will earn a lower rate of return on the remaining unamortized SONGS 1 investment, which rate, after taxes, is fixed at their

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1 We will refer to Edison, SDG&E, and DRA collectively in today's decision as the "settling parties." See Attachment 2 for explanation of these and other acronyms and abbreviations.

2 The current Fuel Cycle 11 could be extended in Fuel Cycle 11B by repositioning and/or reinsertion of existing SONGS 1 fuel assemblies. Operation in Fuel Cycle 11B is contingent upon Nuclear Regulatory Commission (NRC) approval.

currently authorized embedded cost of debt (8.98% for Edison and 9.09% for SDG&E) over the remainder of the amortization period;

- Decision (D.) 91-12-076 in Edison's 1992 general rate case (GRC) ordered Edison to remove $32.96 million of SONGS 1 investment from rate base pending further Commission review. A corresponding adjustment removing $7.5 million from SDG&E's rate base was adopted in D.91-12-074.[3] Edison and DRA agree that $23 million of the $32.96 million will be restored to Edison's rate base. Similarly, SDG&E and DRA agree that $5.75 million will be returned to SDG&E's rate base. There will be no other adjustments in Edison's rate base for the disallowances ordered in D.91-12-076.

2. History of SONGS 1

The Commission has frequently addressed issues regarding SONGS 1. The following overview is extracted from the record in this phase of the Biennial Resource Plan Update (the Update) and from prior Commission decisions. Where appropriate, we note issues directly involved in the litigation leading to the settlement considered in today's decision.

SONGS 1 is located on the Southern California coast about four miles south of San Clemente.[4] It has a Westinghouse Pressurized Water Reactor (PWR) and a rated net electrical output of 436 megawatts (MW). This Commission issued a Certificate of

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3 D.91-12-074 concerned SDG&E's 1992 Modified Attrition Application (A.) 91-03-001. Although D.91-12-074 reflects adjustments to SDG&E's rate base regarding SONGS 1, all issues were litigated solely in Edison's 1992 GRC.

4 SONGS 1 is located near SONGS 2 and 3, but SONGS 1 is an earlier design and differs materially from the later units, which were not involved in this proceeding and are not addressed in today's decision.

Public Convenience and Necessity for SONGS 1 on May 5, 1964. (D.67180, 62 CPUC 649.)

The cost of the generating plant (in 1964 dollars) was estimated initially at $80,869,000. In addition, $11,947,000 and $2,900,000 were estimated for Edison and SDG&E, respectively, for costs of switchyard facilities at the plant site and related transmission line and facilities. Edison is the majority owner and the operator.

The plant received its provisional operating license from the Atomic Energy Commission (AEC) in 1967, and began commercial operation on January 1, 1968. SONGS 1 was in many respects a "demonstration plant." It was one of the earliest nuclear generating plants in commercial operation, and it was also the largest then operating as of its in-service date.

SONGS 1 ran reasonably well during its early fuel cycles. Through 1979, SONGS 1 had a lifetime capacity factor of 73%. However, from 1980 to the present, the plant has performed at about half that level. The capacity factor suffered because of several lengthy outages. They resulted in varying degrees from NRC-directed modifications (many of them prompted by seismic concerns and by the accident at Three Mile Island), problems related to the plant's steam generator tubes, and miscellaneous repairs.

2.1 NRC-directed Modifications

In 1976 and 1977, the NRC (successor to the AEC) required major modifications, including enclosure of the steel reactor containment building by a reinforced concrete shield, and installation of two large diesel generators for emergency use at SONGS 1 if all offsite power was lost. Edison also installed certain seismic modifications which it deemed necessary as a result

of its Seismic Reevaluation Program (SRP) undertaken in the early 1970s.[5] (D.87-08-023, 25 CPUC2d 119, 123.)

On February 27, 1982, SONGS 1 shut down for refueling. This outage continued until November 27, 1984, in order to perform seismic backfits, which were "necessary to update SONGS 1 to meet current NRC requirements related to seismic design, fire protection, and safety." (D.87-08-023, 25 CPUC2d at 120.)

Throughout the 1980s, SONGS 1 has experienced extended outages, both between fuel cycles and during fuel cycles, involving a variety of NRC-directed repairs and modifications. Generally, Edison also performed various additional maintenance and repair tasks (including tube sleeving, as described below) during these outages. As a result, outages cannot be easily categorized as resulting solely or primarily from NRC requirements or from other causes.

During the hearings, Edison and SDG&E argued that most of the outages were necessary to carry out NRC-directed modifications, that these were largely complete, and that few such modifications were likely in the future. DRA maintained that operational and design problems unrelated to NRC-directed modifications were responsible for the bulk of the outages, and that further significant NRC-directed modifications (particularly those related to seismicity and other safety factors) were likely.

2.2 Steam Tube Degradation

In 1976, Edison filed suit against Westinghouse Electric Corporation (Westinghouse) concerning tube leaks in the steam

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5 SONGS 1 was designed, built, and licensed to withstand a 0.5g earthquake. SONGS 2 and 3, however, were built later than SONGS 1, and had to conform to a higher seismic design basis (0.67g) imposed by the AEC. Edison embarked on the SRP in order to upgrade SONGS 1 to meet the more stringent design basis.

generators that Westinghouse supplied to Edison for use in SONGS 1. In this suit, Edison sought recovery of about $190,000 for its cost of repairing these leaks. In 1978, the suit was settled when Westinghouse agreed to supply Edison with a reactor cavity filtration system worth about $43,500, and Edison agreed to execute a general release. (See D.86-09-008, 22 CPUC2d 14, 22.)

The early 1980s marked the beginning of prolonged outages at SONGS 1.[6] For the five years ending with 1984, SONGS 1 ran at a capacity factor of 13%.[7] On April 8, 1980, the plant was shut down for refueling, but the outage eventually lasted about 14 months. Edison discovered that many tubes in the steam generators "had sustained degradation from intergranular attack on their outer surfaces from corrosive elements in the steam." (D.82-12-055, 10 CPUC2d 155, 198.) Edison chose to sleeve the tubes in order to restore SONGS 1 to service.

In 1981, we issued D.93640 (7 CPUC2d 1), where we discussed this corrosion problem. We held in part that the reasonableness of Edison's actions would be examined in Edison's next GRC. In that case, we also stated that the estimated cost of these repairs was $67 million, after which the plant, as a further remedial measure, would be operated at a reduced temperature, resulting in power output at 85% to 90% of rated capacity.

In Edison's GRC for test year 1983, we issued D.82-12-055 (10 CPUC2d 155), where we held that it was reasonable to permit

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6 Before 1980, SONGS 1 had experienced only two outages of over 100 days. These two long outages each lasted about six months. Starting in 1980, SONGS 1 experienced six outages exceeding 100 days. The two shortest of these were just under six months, two others were in the 8-9 month range, and the two longest lasted 14 and 33 months. See Attachment 3 to today's decision.

7 For more recent five-year periods, the plant's capacity factor has improved but continues to be mediocre (e.g., 44% for the five years ending with 1990).

Edison to recover its share of sleeving expenditures at SONGS 1 over a four-year amortization period. We ordered the last three of the four years' cost recovery to be collected subject to refund pending further analysis of the prudency of Edison's pursuit of its legal remedies against Westinghouse. The sleeving involved 6,500 steam generator tubes (57% of all the tubes and 93% of the tubes in which sleeving was possible) and cost $70.8 million.

In D.86-09-008 (22 CPUC2d 14), we concluded that Edison failed to demonstrate the reasonableness of its actions in executing the 1978 general release to settle its prior lawsuit with Westinghouse. We ordered Edison and SDG&E to refund to their retail customers all SONGS 1-related revenues previously made subject to refund. We further ordered the utilities to look to the lawsuit with Westinghouse, and not to ratepayers, for further compensation of sleeving costs. We noted that "[r]atepayers have already borne a total of $181 million in replacement fuel expenses and $13.1 million of Edison's sleeving costs that were collected and were not subject to refund." (22 CPUC2d at 23.)

In the Update, the long-term impact of the degradation problem and the sleeving repairs was a major issue. DRA argued that sleeving had not resolved the problem, and that continued degradation would cause further loss of capacity and would eventually require steam generator replacement. Edison and SDG&E argued that sleeving and other remedial measures had effectively dealt with the problem, and that in any event steam generator replacement could be done cost-effectively if carried out in conjunction with the NRC's granting an extension of the SONGS 1 operating license.

2.3 Other Outages

In 1981, a diesel generator fire caused an outage at SONGS 1 from July 17 through August 16. In D.84-09-120, 16 CPUC2d 249, the Commission found Edison's conduct unreasonable with respect to this fire, and disallowed replacement fuel costs of

about $13.1 million. In D.85-12-063, 19 CPUC2d 387, we disallowed $3.671 million of replacement fuel costs for Edison's partner, SDG&E.

Responding to a DRA data request, Edison provided a "SONGS 1 Outage History," which is complete through June 1991 and is reproduced as Attachment 3 to today's decision. The 11-page list includes many outages for reasons other than those specifically accounted for above. These miscellaneous outages range from a few hours to several weeks (e.g., feedwater flow problems forcing a two-month outage starting September 2, 1981; feedwater pump repairs in February and May 1985 and in September 1986).

2.4 OII 83-10-02

The Update is the second proceeding in which we have considered whether SONGS 1 should continue to operate. On October 5, 1983, we issued Order Instituting Investigation (OII) 83-10-02 over whether SONGS 1 should be removed from the rate bases of both Edison and SDG&E.

In that OII, we concluded that it would be cost-effective to continue SONGS 1 operations, given the incremental expenditures of $37.5 million then needed to return the plant to service. We also required Edison and SDG&E to seek our approval before beginning certain plant modifications required by the NRC under its Integrated Living Schedule (ILS) program. We later authorized Edison to spend up to $201 million for ILS modifications in Fuel Cycles 9, 10, and 11, and we imposed a target capacity factor on SONGS 1.

Edison, SDG&E, and DRA have had disagreements concerning the utilities' compliance with the cost cap and the adequacy of the target capacity factor in mitigating ratepayer risks arising from SONGS 1 operation. Their proposed settlement would also resolve these issues.

3. Procedural Background

3.1 Proceedings up to Settlement Proposal

The settlement culminates procedurally intricate litigation over SONGS 1. The intricacy arises partly because of joint ownership (we have had to consolidate proceedings that Edison and SDG&E filed separately) and partly because of the mixture of issues (the settlement resolves ratemaking and resource planning disputes that we had previously assigned to separate proceedings). We briefly summarize this background so that the reader may understand the procedural posture of the case as we take up consideration of the proposed settlement. Readers seeking more detail should consult the decisions and rulings cited below.

Edison originally sought in its 1992 GRC (A.90-12-018) the Commission's authorization for new capital expenditures to modify SONGS 1 in future fuel cycles. A.90-12-018 also involved the question of whether certain prior SONGS 1 capital expenditures were in compliance with a cost cap that the Commission had imposed on such expenditures. DRA moved to consolidate with the Update the consideration of further capital expenditures to modify SONGS 1. DRA argued, and the Commission agreed, that such consideration amounted to a resource planning question, i.e., whether continued investment in and operation of SONGS 1 would be cost-effective, and that this question was appropriately addressed in the Update, which is our resource planning forum. (See D.91-03-058, slip opinion.)

In the meantime, SDG&E had separately applied for authorization to bear its share of the cost of proposed SONGS 1 modifications. (A.91-02-092.) Administrative Law Judge (ALJ) Kotz, by ruling of April 2, 1991, ordered consolidation with the Update. Edison subsequently filed a separate application (A.91-07-004) pursuant to D.91-03-058, and that application is also addressed here.

The Commission has issued two interim decisions in the Update on SONGS 1 modifications. In D.91-09-073 (slip opinion), the Commission held that the proposed capital expenditures, if

found cost-effective, would nevertheless be treated as "nondeferrable" (i.e., not subject to competitive bidding from other sources of electric generation). The Commission also authorized Edison and SDG&E to begin to record certain expenditures for SONGS 1 but indicated that recoverability of costs so recorded would depend on the Commission's finding such expenditures cost-effective. (See D.91-12-046, slip opinion.)

In D.91-12-076 (slip opinion) in the Edison GRC, the Commission addressed the ratemaking issue regarding prior SONGS 1 capital expenditures. We determined that further review of compliance with the cost cap restrictions would be necessary, and that pending such review, Edison should remove $32.96 million of SONGS 1 investment from rate base. (Id.) We also ordered a corresponding reduction to SDG&E's rate base. (D.91-12-074, slip opinion.)

Evidentiary hearings in the Resource Plan Phase of the Update ended on October 30, 1991, and the parties filed concurrent briefs on November 27. However, ALJs Kotz and Economé, by ruling of December 19, set aside submission of the matter and requested further information from Edison and SDG&E regarding nuclear plants comparable to SONGS 1, including identification of all plants with Westinghouse PWRs and discussion of corrosion problems experienced at PWRs. The utilities jointly responded to the ALJs' request. DRA raised objections to the response, and the ALJs, while overruling the objections, ruled (January 6, 1992) that DRA could file comments on the response, which DRA did.

3.2 Consideration of Settlement Proposal

At this juncture, on January 16, 1992, DRA, Edison, and SDG&E jointly noticed and held a January 24 settlement conference pursuant to Rule 51.1 of the Commission's Rules of Practice and Procedure. This notice indicated that both categories of SONGS 1 issues (resource planning and ratemaking) would be taken up at the

settlement conference. The notice was served on parties to all the relevant proceedings, including the Update and the Edison GRC.

Chief ALJ Carew, by ruling of January 17, ordered a limited consolidation of the relevant proceedings to consider any settlement proposal emerging from the conference. Her ruling also directed the creation of a special SONGS 1 Settlement Service List, made up of parties attending the conference or making written request for inclusion on the list. ALJ Kotz published the resulting list in a January 31 ruling. (The list is reproduced in Attachment 1 to today's decision.)

On February 7, DRA, Edison, and SDG&E entered into the settlement agreement considered herein. At that time, they jointly moved the Commission (1) to adopt their settlement agreement pursuant to the Commission's settlement rules, specifically, Rule 51.3; and (2) to waive the timing requirements in Rule 51.2 on proposal of settlements. ALJs Kotz and Economé, by ruling of February 26, granted the requested waiver and specified the schedule for concurrent comments (to be served by March 9) and concurrent reply comments (to be served by March 24).

The only party filing comments was Campaign California; the settling parties jointly filed reply comments. On March 31, after the filing deadlines for both comments and reply comments had passed, another party, GUARD, tendered "Comments ... to Reply Comments" of the settling parties. Edison filed (April 10) a motion to strike GUARD's comments. On May 3, GUARD opposed Edison's motion and also requested acceptance of GUARD's late-tendered comments. There has been no prior ruling on Edison's motion and GUARD's request.

We deny GUARD's request. GUARD missed the deadline for serving comments (March 9) by more than three weeks. GUARD offers no excuse for missing this deadline but argues that it has limited staff and that its March 31 comments were tendered only seven days after the reply comments (March 24) of the settling parties. This

argument ignores the fact that our settlement rules make no allowance for responses to reply comments.

We recognize that a non-profit, volunteer-staffed organization, such as GUARD represents itself to be, may have difficulty meeting deadlines. However, we must also recognize that neither the courts nor administrative agencies can enforce procedural rules against some parties while ignoring them for other parties. In the absence of good cause for late filing, GUARD's comments must be stricken.[8]

4. Positions of the Parties

There is no disagreement regarding the most salient feature of the settlement, namely, that SONGS 1 should be shut down at the end of Fuel Cycle 11 (or Fuel Cycle 11B).[9] The only objection to the settlement concerns the ratemaking treatment provided for amortization of the utilities' remaining investment and for their rate of return during Fuel Cycle 11. There is also disagreement on the settlement's implications for SONGS 2 and 3.

4.1 Comments of Campaign California

Campaign California indicates that it has long advocated the shutdown of SONGS 1 for various economic and environmental reasons.[10] Campaign California argues, however, that by analogy with the Commission's treatment of another premature retirement of a nuclear plant, namely, Humboldt Bay 3 of the Pacific Gas and

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8 We note Campaign California's comments (see Section 4.1 below) voice environmental and consumer concerns that GUARD essentially echoes in its attempted response to the settling parties' reply comments. The record would gain nothing of substance by our receiving GUARD's belated comments.

9 An extension of Fuel Cycle 11 could occur, contingent upon NRC approval. (See Section 6.1 below.)

10 Campaign California describes itself as an environmental and consumer organization with over 20,000 members.

Electric Company (PG&E), the Commission should allow Edison and SDG&E to recover their remaining investment in SONGS 1 but should not allow them to earn a rate of return on that investment.[11]

Campaign California concedes that the "particular circumstances" of Humboldt Bay 3 and SONGS 1 are different; nevertheless, Campaign California sees the Commission's Humboldt Bay 3 decisions as establishing a policy on premature shutdown that is reasonable and should fairly apply to both plants. That policy, in Campaign California's formulation, is that "the ratepayer pays for the direct cost and the shareholder recovers his investment minus any return."[12]

Campaign California believes that the utilities' investments in SONGS 1 have long been questionable, and that a similar situation could develop with SONGS 2 and 3. Thus, Campaign California urges that approval of the settlement be conditioned on the utilities performing cost-effectiveness evaluations of continued operation of SONGS 2 and 3. Campaign California does not insist on a hearing at this time. Instead, such evaluations could be undertaken in the respective utilities' GRCs, with periodic review in Energy Cost Adjustment Clause (ECAC) proceedings. The

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11 Campaign California cites D.91107, 2 CPUC2d 596, 624-25 (1979), and D.85-08-046, 18 CPUC2d 592, as setting forth our treatment of Humboldt Bay 3. In D.91107, we ordered the plant removed from PG&E'S rate base, and in D.85-08-046, we determined what portion of PG&E's net plant investment should be recoverable in rates.

12 The four-year amortization of remaining investment in SONGS 1 has two components under the settlement. When the plant is still operating (i.e., for the duration of Fuel Cycle 11), the utilities' recovery of investment in rates would include a return on their investment equal to their respective authorized rates of return. After shutdown of SONGS 1, the utilities would earn a lower return, equal to their current authorized embedded cost of debt. It is not clear whether Campaign California opposes <u>any</u> return on investment or only the return allowed after the shutdown.

evaluations should recognize all environmental costs of running SONGS 2 and 3, and should weigh the availability and cost-effectiveness of alternative resources.

4.2 Reply Comments of Settling Parties

The settling parties claim Campaign California misconstrues the settlement and attempts to bring in an issue (the cost-effectiveness of continued operation of SONGS 2 and 3) that is beyond the scope of this matter.

Campaign California, the settling parties assert, assumes that running SONGS 1 would not be cost-effective. They believe that this assumption is the basis for Campaign California's argument for denying the utilities a return on their remaining investment. The settlement, however, makes no finding one way or the other on cost-effectiveness. The utilities continue to maintain that SONGS 1 could be operated cost-effectively. They compromised with DRA, however, and will be allowed under the settlement only a partial return during the SONGS 1 amortization period following shutdown. Consequently, the utilities will earn a lesser rate of return on existing investment that had been found to be cost-effective by the Commission, even though the litigation concerned whether or not to make new investment in SONGS 1.

The settling parties believe the Humboldt Bay 3 case is distinguishable from the present situation. Humboldt Bay 3 was shut down in 1976 for modifications to comply with NRC safety requirements. It was never restarted, but it was not removed from rate base until 1979; thus, PG&E earned a rate of return on the plant for three years even though the plant was shut down and never returned to service. SONGS 1, in contrast, is currently in operation and anticipated to continue until the end of the current fuel cycle.

The settling parties object to any imposition of a condition regarding SONGS 2 and 3. They note that the cost-effectiveness of SONGS 2 and 3 was not litigated in the Update, is

not part of the consolidated applications, and is not part of the settlement agreement.

Finally, the settling parties urge the Commission to render its decision on the settlement based on the record to date. They assert their differences with Campaign California are a matter of policy. There is, in their view, no contested issue of law or material fact requiring further hearings or briefs.

5. Timeliness of Settlement After Hearings

We must address as a threshold issue whether it is appropriate under our procedural rules to consider this settlement proposal. Our rules contemplate that settlements, in general, are to be entered into and proposed for this Commission's consideration before proceedings are heard and the record closed.[13] The settlement in question comes late: evidentiary hearings were complete, and opening and reply briefs filed, before the settlement agreement was reached.

We have decided to affirm the assigned ALJs' ruling of February 26, 1992, waiving compliance with Rule 51.2 (deadline for proposal of settlements). We explain our reasoning below because it is important both to enunciate the policy supporting such a deadline and to give guidance on when waiving the deadline might be deemed appropriate.

Settlements that result from vigorous arms-length negotiations among parties to a dispute may have several advantages compared to a decision on the merits following full litigation of

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13 However, parties may propose a settlement for adoption as late as 30 days after the last day of hearing under Rule 51.2 of our Rules of Practice and Procedure. Here, Edison, SDG&E, and DRA served notice on January 16, 1992, of a settlement conference to be held on January 24. The settling parties filed a motion on February 7 proposing Commission approval of the settlement. All of these events come more than 30 days after the last day of hearings (October 30, 1991).

all issues. The most important potential advantage is that the parties themselves may be better able than the trier of fact to craft the optimal resolution of the dispute. This advantage has particular relevance to public utility regulation, where law and policy commonly mandate no single result, but where the Commission, in the exercise of its expert judgment, is constrained only to find an outcome within a "zone of reasonableness" that may be quite broad. Where the parties are able to recommend partial or complete compromise, the Commission will generally give weight to their recommendation, always provided that it is lawful, in the public interest, and supported by the record taken as a whole. (Rule 51.1(e).)

The potential for a settlement to suggest the optimal resolution of a dispute does not appear to depend on timing of the settlement. Other potential advantages of settlements do depend on their timing. For example, settlements that abbreviate or eliminate hearings may save substantial resources for the parties and the Commission. Arguably, no such saving would accrue here, where evidentiary hearings and briefing have already occurred. Waiving the deadline for settlement proposals could also encourage stalling tactics and a war of attrition by "holdout" parties. We note, finally, that there are strong policy arguments for the Commission deciding on the merits those matters already argued and submitted to it on the merits.[14]

The assigned ALJs, in granting the requested waiver of compliance with Rule 51.2, noted that the settlement addresses a mix of ratemaking and resource planning issues arising in several different proceedings. We rendered two decisions in December 1991 (D.91-12-074 and D.91-12-076) where we concluded that further Commission review would be necessary in order to resolve the

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14 See D.92-04-027, slip opinion (Fessler, Comm'r, concurring).

ratemaking issues.[15] The ALJs correctly took account of the interrelation of these issues and proceedings when they determined that the proposed settlement was timely.

We also consider a further factor relevant to the SONGS 1 cost-effectiveness issue in the Update. Both the utilities and DRA chose to concentrate their analyses of critical technical issues at SONGS 1 on comparison of SONGS 1 to a "peer group" of nuclear power plants. The parties do not agree, however, on what the appropriate peer group is, nor do they agree on what factors make plants fairly comparable or not. If we rely on peer group analysis, then defining the group is critical. SONGS 1 would be projected to perform much better in the future if the utilities' peer group is indicative. DRA's peer group suggests that SONGS 1 would continue to perform poorly, and in fact is likely to require steam generator replacement, which would be a major additional capital expenditure that could not be justified within the years remaining in the current SONGS 1 operating license. The utilities and DRA both accused each other during the hearings of using result-oriented criteria in choosing their respective SONGS 1 peer groups. We find that the selection criteria for the peer groups are highly subjective.

Moreover, the record does not convince us that peer group analysis is the best, or even a good, predictive tool on this subject. Supposing for the sake of argument that most plants similar to SONGS 1 are performing better than SONGS 1, we should at least consider why SONGS 1 has performed relatively poorly and why those same factors would not continue to adversely affect the plant's future performance. The ALJs were in fact seeking such information when they set aside submission of the Update in order

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15 It should be noted that the adoption of these decisions occurred after filing of resource planning briefs in the Update.

to get more data on steam tube corrosion problems at PWRs. (See Section 3.1 above.)

In short, further proceedings on the ratemaking issues were certain, and further proceedings on SONGS 1 cost-effectiveness were probable, when the parties reached their settlement agreement. Such further proceedings could well involve considerable expense and technical difficulty, prolonging uncertainty for resource planners at a time when both of the utilities were likely to have to make choices regarding transmission allocation and new sources of generation. We conclude that the proposal of this settlement is timely and consistent with the policies underlying our settlement rules.

6. Objections to the Settlement

6.1 Campaign California

We agree with the settling parties that Campaign California's request for hearings on SONGS 2 and 3 is irrelevant to this settlement and not a proper condition to impose upon it.

As a general matter, the ongoing cost-effectiveness of an existing generation resource is properly considered at such time as a utility proposes substantial capital expenditures for that resource. Such was the case in this proceeding regarding SONGS 1. We may have occasion in the future to perform similar analysis for SONGS 2 and 3, should similar circumstances arise. We do not intend to continually consider premature retirement of all existing generation resources, or of a class of such resources that some parties might want to shut down.

We also agree with the settling parties that consideration of the effect of our Humboldt Bay 3 precedent does not require additional hearings or briefs. The question is, to what extent that precedent sets general policy for ratemaking treatment of premature retirements, even to the point of governing any settlement on such matters. We conclude that the Humboldt Bay 3 precedent is reasonably distinguishable.

First, that precedent on its face speaks only to post-shutdown ratemaking. SONGS 1 will continue to operate through Fuel Cycle 11. Under the settlement, the utilities would continue to receive their authorized rate of return during this period; however, the utilities would be precluded from recovering replacement energy expense through ECAC if SONGS 1 operates at an average gross capacity factor below 55% for Fuel Cycle 11B.[16] The settlement in this respect is a reasonable adjustment to the existing target capacity factor incentive mechanism, protecting ratepayers should SONGS 1 performance drop below its historic level. Both the rate of return and incentive mechanism are appropriate for plant in service.

After shutdown, the utilities under the settlement would be entitled to return of their remaining unamortized investment and to an annual return on that investment equal to their embedded cost of debt, which is considerably less than their authorized rate of return.[17] The settlement in this respect is clearly a compromise between DRA and the utilities. DRA's position in the litigation had been the position Campaign California takes in its comments (i.e., the utilities should shut down SONGS 1 and should get back only their remaining investment without any return), but the utilities had argued that SONGS 1 could be operated cost-effectively for the duration of its license and that they should be

16 The current Fuel Cycle 11 could be extended in Fuel Cycle 11B by repositioning and/or reinsertion of existing SONGS 1 fuel assemblies. Operation in Fuel Cycle 11B is contingent upon NRC approval. (See page 3 (note 4) of settling parties' "Joint Motion" for adoption of settlement.)

17 A utility's rate of return generally depends on its costs of debt and equity, weighted by the relative shares of debt and equity in its total capitalization. The cost of equity exceeds the cost of debt; thus, exclusion of the equity component from the post-shutdown return on SONGS 1 effectively lowers the rate of return.

entitled to their authorized rate of return. The settlement does not resolve this cost-effectiveness dispute.

We therefore have no occasion to determine whether the Humboldt Bay 3 precedent would apply had the cost-effectiveness dispute been resolved in DRA's favor. We are called upon instead to determine whether the settlement regarding rate of return represents a reasonable compromise short of deciding the cost-effectiveness dispute on its merits.

We conclude that this compromise is reasonable. There is substantial evidence on both sides of the cost-effectiveness issue, so both ratepayers and shareholders have an interest in avoiding the extreme adverse outcome. Furthermore, even after SONGS 1 is shut down, ratepayers benefit from not having to bear the whole amount of the remaining investment in a single year. Setting the return for the post-shutdown amortization at the utilities' embedded cost of debt seems logical and appropriate.[18]

We therefore reject both of Campaign California's objections to the settlement.

6.2 Air Quality Considerations

Our review of proposed settlements is not limited to considering points raised in comments and reply comments. We will only approve a settlement, even one that is uncontested, after we have concluded that it "is reasonable in light of the whole record, consistent with law, and in the public interest." (See Rule 51.1(e).) Campaign California has participated in this proceeding only with respect to the proposed settlement. For these reasons, we need to ask whether this settlement makes sense, not only from the perspective of SONGS 1 itself, but also in the

18 We also note that the settlement makes permanent almost $12 million of the rate base removals ordered in D.91-12-074 and D.91-12-076.

broader context of the resource planning record and policies developed in this phase of the Update.

Nuclear power has long been controversial in this country, and many people are sincerely opposed to nuclear power altogether. We respect their views, but we strongly dissociate ourselves as a Commission from any such general antipathy to nuclear power. Our regulatory mission is to ensure that California's electricity needs are met reliably, at a reasonable cost, and with environmental sensitivity. We are interested in any generation that meets these criteria, and to that end we recently endorsed a "fuel-neutral" resource procurement strategy. (See D.92-04-045, slip opinion, pages 24-25.)

In the same decision, we applied negative values to air emissions from power plants. We did this as part of resource planning, including our determinations of how much new generation is needed and which among the candidate resources can be added most cost-effectively. SONGS 1, like other nuclear plants, is very efficient from the standpoint of air emissions, i.e., in normal operation SONGS 1 has no air emissions. We must ask, therefore, as a matter of policy, whether it is appropriate to retire prematurely a resource whose air quality impacts are beneficial, when at the same time we are imputing additional value, and will perhaps be making environmental adder payments, to other resources offering the same benefits.

We have concluded that the proposed shutdown is reasonable, notwithstanding the air quality benefits of SONGS 1. We want to reduce air emissions but also to do so cost-effectively. SONGS 1, even after imputation of environmental benefits, is very expensive, to such an extent that its cost-effectiveness is speculative. Generally speaking, we do not ask ratepayers to underwrite speculative investments.

DRA has shown that the utilities have understated certain costs (e.g., NRC licensing fees) of continuing to operate SONGS 1.

A greater concern, however, is that the Edison and SDG&E analyses rely on assumptions that probably exaggerate the benefits SONGS 1 is likely to provide. For example, Edison assumes significant improvement in the capacity factor for SONGS 1, which translates to increased fuel savings and environmental benefits. However, Edison's arguments for projecting such improvement are unconvincing.[19]

Moreover, many of the scenarios analyzed by Edison and SDG&E assume (1) gas prices as projected by the California Energy Commission (CEC) in its 1990 Electricity Report, and (2) air emission costs uniformly assigned according to values from South Coast Air Quality Management District. In D.92-04-045, partly at the urging of Edison and SDG&E, we made important changes in those assumptions: We relied instead on more recent, much lower gas price projections by the CEC and on nonuniform emissions costs with lower costs assigned to emissions released in attainment areas. Lower environmental benefits, lower fuel savings, realistic capacity factor projections, and corrected cost data all undermine the utilities' assertions that continued operation of SONGS 1 would be cost-effective.

Hypothetically, SONGS 1 could be retained in service if the utilities, in consideration of its doubtful cost-effectiveness, were to assume substantially greater risk of less than full cost recovery for SONGS 1 than they would under traditional ratemaking. We have considered this possibility but reject it as impractical. We have already instituted a cost cap on capital expenditures and a

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19 Edison's median case for future capacity factor is 70%, its high case is 80%, and its low case is 60%. Considering that the lifetime capacity factor of SONGS 1 is 56.4%, and that there is no consecutive five-year period in the operating history of SONGS 1 during which it has operated at 80% or better, we conclude that the range of capacity factors Edison analyzes for SONGS is unreasonably optimistic.

capacity factor incentive mechanism for SONGS 1, with less than satisfactory results. For example, the cost cap has proven hard to administer and open to interpretation, as shown by experience in the recent Edison GRC.[20]

We also reject alternative ratemaking along the lines that we approved for PG&E's Diablo Canyon nuclear units. Diablo Canyon involved plant newly in service. Alternative ratemaking as applied to SONGS 1 could conceivably require us to amortize part of the investment under traditional ratemaking, while the incremental investment would be subject to some different mode of cost recovery. Such a mixture of regulatory ends and means would be novel and complex, might create perverse incentives, and would require much time to work out, adding one more uncertainty for utility resource planners.[21]

7. Conclusion

The proposed settlement should be approved. We do not relish premature retirement, especially of a generation facility that produces no air emissions. On the other hand, that facility would require major additional capital expenditure to continue operating, and those expenditures are marginally cost-effective at best.

SONGS 1, by any account, has been an unreliable resource for over a decade. Its removal from service frees up important transmission capacity, which is likely to stimulate competition in

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20 The cost cap dispute from the GRC is one of the matters resolved in the settlement.

21 DRA at one point in the Update had suggested that the Commission consider alternative ratemaking if the Commission decided not to order the shutdown of SONGS 1. It seems reasonable to deduce from the fact of the settlement agreement that the settling parties themselves have concluded that alternative ratemaking for SONGS 1 is not worth pursuing.

the solicitations for new electric generation that Edison and SDG&E will conduct later this year. Alternatives for keeping SONGS 1 in service appear unattractive and speculative. Resolving on the merits all of the various matters at issue in this litigation would require further hearings, without any assurance that, at least as to the technical matters, the additional evidence will give us greater confidence in our conclusions than does the evidence we already have. For all of these reasons, the SONGS 1 litigation is best ended as soon as possible. The settling parties have proposed ending that litigation at once, on terms that are reasonable, lawful, and in the public interest.

The conclusion we have reached above justifies our approval of the proposed settlement agreement. We find that Edison's and SDG&E's entry into the agreement is reasonable, and that they should be authorized to recover costs properly incurred in accordance with its terms.

8. Parties' Comments on Proposed Decision

Pursuant to Public Utilities Code § 311 and our rules of Practice and Procedure, the Proposed Decision of ALJs Kotz and Econome was published on July 1, 1992. DRA filed comments, and Edison and SDG&E filed joint opening and reply comments. These parties support the Proposed Decision's outcome and recommend a few minor nonsubstantive changes. We find that only one change is appropriate, and have modified Section 4 accordingly.

GUARD filed comments objecting generally to the payments to the utilities under the settlement, to the analysis of environmental impacts, and to the ALJ's ruling discussed in Section 3.2 and reflected in Conclusion of Law 3 and Ordering Paragraph 2. We reject GUARD's requested modifications and affirm the ALJ's ruling.

We are also modifying the ALJs' Proposed Decision on our own initiative to address the SONGS 1 Memorandum Accounts

authorized in D.91-12-046 (slip opinion).[22] We authorized these accounts, effective January 1, 1992, to allow the utility applicants to record SONGS 1 Fuel Cycle 12 capital investments for future recovery if Commission approval of such expenditures were to come after that date. As a result of our acceptance of the proposed settlement, Fuel Cycle 12 will not occur. The Memorandum Accounts should therefore be closed out upon adoption of today's decision.

Findings of Fact

1. SONGS 1 ran reasonably well during its early fuel cycles (through 1979), but since then it has performed unreliably.

2. Various problems have contributed to poor capacity factors at SONGS 1, including NRC-directed modifications, corrosion of the plant's steam generator tubes, and miscellaneous repairs. Outages cannot be easily categorized as resulting solely or primarily from a single cause.

3. The proposed settlement culminates factually and procedurally intricate litigation over part of the previous investment in SONGS 1 and the wisdom of possible future investment.

4. The proposed settlement comes more than 30 days after the last day of hearings in the Resource Plan Phase of the Update. However, further proceedings on the ratemaking issues resolved in the proposed settlement were certain, and further proceedings on SONGS 1 cost-effectiveness were probable, when the parties reached their settlement agreement.

5. The only party filing comments on the proposed settlement is Campaign California. Another party, GUARD, tendered comments replying to the settling parties' reply comments. GUARD's

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22 We are also adding references to Edison's SONGS 1 application (A.91-07-004) in Section 3.1 and Ordering Paragraph 5.

attempted filing comes after the deadline for comments and reply comments.

6. All parties taking a position on the issue agree that SONGS 1 should be shut down at the end of the current fuel cycle.

7. The circumstances of SONGS 1 differ materially from the only CPUC precedent for premature retirement of a nuclear power plant (PG&E's Humboldt Bay 3).

8. The cost-effectiveness of SONGS 2 and 3 was not litigated in the Update, is not part of the consolidated applications, and is not part of the settlement agreement.

9. A very important potential advantage of settlements is that the parties themselves may be better able than the trier of fact to craft the optimal resolution of a dispute. This advantage does not necessarily depend on the timing of the settlement, although other advantages (such as abbreviating hearings or avoiding them altogether) may depend on timing.

10. The parties concentrated their analyses of critical technical issues at SONGS 1 on comparison of SONGS 1 to a "peer group" of nuclear power plants. The choice of peer group appears to be highly subjective and easily influenced by the result orientation of the party choosing the group. It is also not clear that peer group analysis, even in theory, would provide a good indication of future performance at SONGS 1.

11. The ongoing cost-effectiveness of an existing generation resource is properly considered at such time as a utility proposes substantial capital expenditures for that resource.

12. The settlement does not resolve the cost-effectiveness issue regarding SONGS 1. The settlement, instead, is a reasonable resolution of various ratemaking and resource planning issues in light of the continuing controversy over SONGS 1 cost-effectiveness.

13. Generation from SONGS 1 normally produces no air emissions. This is desirable from a ratepayer standpoint, provided

that such generation, after appropriate valuation of air quality benefits, is cost-effective. The cost-effectiveness of SONGS 1, however, is speculative even after recognizing its air quality benefits.

14. Ratepayers generally should not be asked to underwrite speculative investments.

15. Trying to retain SONGS 1 in service through incentive mechanisms and/or alternative ratemaking seems impractical and may increase resource planning uncertainty.

16. The proposed settlement is reasonable in light of the past problems at SONGS 1, the uncertain cost-effectiveness of further investment in that plant, and the desirability of resolving these issues as soon as possible.

Conclusions of Law

1. The timing requirement of Rule 51.2 should be waived.

2. The proposal and consideration of the settlement agreement have been consistent with the Commission's settlement rules.

3. The request of GUARD for acceptance of its late-tendered comments on the settlement should be denied.

4. The comments of Campaign California on the settlement do not raise issues that require further hearings or briefs.

5. The Humboldt Bay 3 precedent is reasonably distinguishable from the circumstances of the SONGS 1 settlement.

6. Analysis of the cost-effectiveness of future operation of SONGS 2 and 3 should not be required as a condition of the settlement herein of SONGS 1 ratemaking and resource planning issues.

7. In light of the continued dispute over the future cost-effectiveness of operating SONGS 1, and the need to limit uncertainty for resource planning, the settlement agreement, which provides for shutdown of SONGS 1 after the current fuel cycle and a

return on the unamortized investment in SONGS 1, represents a reasonable compromise and should be approved.

8. The settlement agreement is reasonable in light of the whole record, consistent with law, and in the public interest.

9. Edison's and SDG&E's entry into the settlement agreement should be deemed reasonable. Edison and SDG&E should be authorized to recover costs as provided in the settlement agreement, to the extent such costs are properly incurred pursuant to the settlement agreement.

10. The Memorandum Accounts authorized in D.91-12-046 should be closed out.

11. This decision should take effect immediately.

O R D E R

IT IS ORDERED that:

1. The ruling of the assigned administrative law judges waiving application of Rule 51.2 to the proposed settlement is affirmed.

2. The request of GUARD for acceptance of its late-tendered comments on the proposed settlement is denied.

3. The Joint Motion of Southern California Edison Company (Edison), San Diego Gas & Electric Company (SDG&E), and Division of Ratepayer Advocates for approval of their "Settlement Agreement Regarding Amortization of San Onofre Nuclear Generating Station No. 1" (dated February 7, 1992) is granted.

4. Edison and SDG&E are authorized to recover costs as provided in the settlement agreement, to the extent such costs are properly incurred pursuant to the settlement agreement.

5. Applications 91-02-092 and 91-07-004 are denied, and those proceedings are closed.

6. The SONGS 1 Memorandum Accounts authorized in Decision 91-12-046 shall be closed out upon adoption of this order.

This order is effective today.

Dated August 11, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

Commissioner John B. Ohanian, being necessarily absent, did not participate.

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

NEAL J. SHULMAN, Executive Director

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ATTACHMENT 1

SONGS 1 Settlement Service List

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James Pretti - DRA - Room 4003
Gil Infante - DRA - Room 4011
John Yager - DRA - Room 4208

(END OF ATTACHMENT 1)

ATTACHMENT 2

Table of Acronyms and Abbreviations

A.	Application
AEC	Atomic Energy Commission (predecessor of Nuclear Generating Commission)
ALJ	Administrative Law Judge
CEC	California Energy Commission
CPUC	California Public Utilities Commission
D.	Decision
DRA	Division of Ratepayer Advocates (part of CPUC staff)
ECAC	Energy Cost Adjustment Clause (balancing account for electric utility fuel-related expenses)
Edison	Southern California Edison Company
g	measure of ground motion in earthquake
GRC	General Rate Case
ILS	Integrated Living Schedule (NRC program for SONGS 1 plant modifications)
MW	megawatts (measure of electrical generating capacity)
NRC	Nuclear Regulatory Commission
OII	Order Instituting Investigation
PG&E	Pacific Gas and Electric Company
PWR	Pressurized Water Reactor (type of design of many nuclear power plants, including SONGS 1)
SDG&E	San Diego Gas & Electric Company
Settling Parties	Edison, SDG&E, and DRA
SONGS 1	San Onofre Nuclear Generating Station Unit 1
SRP	Seismic Reevaluation Program (Edison study of seismic design basis at SONGS 1)
Update	Biennial Resource Plan Update
Westinghouse	Westinghouse Electric Corporation (manufacturer of SONGS 1 PWR)

(END OF ATTACHMENT 2)

SONGS 1 Outage History

(Source: Edison Response to DRA Data Request BRPU 2 (SONGS 1), appended to DRA Direct Testimony [Exhibit 365])

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
Sphere inspection between the primary and secondary shield.	01/24/68 - 01/27/68	Scheduled	71
Electrical cable repair.	02/07/68 - 02/19/68	Forced	287
Turbine testing.	02/20/68 - 02/20/68	Scheduled	1
Control rod drive repairs.	03/04/68 - 03/04/68	Forced	6
Control rod drive repairs.	03/09/68 - 03/10/68	Forced	43
Repairs due to a fire in the 480V switchgear room.	03/12/68 - 09/12/68	Forced	4,433
Letdown isolation valve repair.	09/19/68 - 09/26/68	Scheduled	152
Control rod drive repair.	09/26/68 - 09/30/68	Forced	87
Pressurizer safety valve repair.	12/28/68 - 01/07/69	Scheduled	244
Minor turbine repair.	01/09/69 - 01/11/69	Scheduled	43
Inadvertant reactor trip.	03/08/69 - 03/09/69	Forced	36
Pressurizer safety valves replacement.	03/22/69 - 04/04/69	Scheduled	315
Solenoid test valve repair.	04/29/69 - 04/29/69	Scheduled	6
Turbine/generator inspection and steam generator modifications.	06/21/69 - 08/09/69	Scheduled	1,193
Turbine testing and turbine stop valve repair.	08/10/69 - 08/13/69	Scheduled	80
Control rod drive repairs.	08/14/69 - 08/18/69	Forced	98

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
Tsunami gate repairs.	10/09/69 - 10/16/69	Forced	165
Pressurizer instrument root valve repairs.	10/28/69 - 10/31/69	Scheduled	60
Turbine tests and reheater drain system modifications.	02/11/70 - 02/16/70	Scheduled	103
Reheater tube repairs and modifications to the packing of the letdown isolation valve and the pressurizer spray valves.	05/22/70 - 05/29/70	Scheduled	156
High-pressure turbine drain line repair.	05/29/70 - 05/29/70	Forced	1
CYCLE II REFUELING OUTAGE, In-service inspection, maintenance, and relocation of the existing 220 kV and 138 kV switchyards.	10/02/70 - 11/20/70	Scheduled	1,156
Completion of relocation of the 220 kV switchyard	11/23/70 - 11/26/70	Scheduled	73
Reactor trip due to a spurious signal in the variable low-pressure trip circuit.	03/18/71 03/18/71	Forced	8
Turbine testing and NRC-required operator training	05/01/71 - 05/08/71	Scheduled	169
Turbine testing.	05/09/71 - 05/09/71	Scheduled	9
Turbine testing.	05/09/71 - 05/09/71	Scheduled	3
The unit tripped due to loss of Chino and Santiago 220 kV lines.	06/22/71 - 06/22/71	Forced	6
High-pressure turbine piping repair, condenser leak testing, and inspection of equipment inside containment.	06/25/71 - 06/27/71	Scheduled	28
Condenser tube repair.	06/27/71 - 06/27/71	Forced	17
Transformer connection as part of the construction of the SDG&E "Mission" line.	07/09/71 - 07/11/71	Scheduled	32

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
The unit tripped from a generator out-of-step condition.	07/12/71 - 07/12/71	Forced	12
Load rejection testing, main transformer testing, and installation of transmission lines for the new SDG&E "Mission" line connection.	07/24/71 - 07/26/71	Scheduled	35
Repair reheated and condenser tube leaks.	10/27/71 - 10/31/71	Scheduled	104
Turbine testing.	11/01/71 - 11/02/71	Scheduled	4
Turbine testing.	11/03/71 - 11/04/71	Scheduled	3
Turbine testing.	11/05/71 - 11/06/71	Scheduled	3
NRC-required reactor operator examinations.	11/20/71 - 11/20/71	Scheduled	10
CYCLE III REFUELING OUTAGE, In-service inspection, maintenance, and containment vessel integrated leak rate testing.	12/25/71 - 02/24/72	Scheduled	1,457
Turbine testing and balancing of the turbine shaft.	02/25/72 - 02/26/72	Scheduled	7
Turbine testing.	03/04/72 - 03/04/72	Scheduled	2
Turbine testing.	03/04/72 - 03/04/72	Scheduled	2
Reset turbine overspeed trip setting.	03/24/72 - 03/25/72	Scheduled	12
Turbine control valve repair.	04/29/72 - 04/29/72	Scheduled	20
The unit tripped from high steam generator level.	04/30/72 - 05/01/72	Forced	30
Turbine control valve, reheater, and condenser repairs.	05/18/72 - 05/25/72	Scheduled	162
Repair steam generator tube leak.	07/19/72 - 07/28/72	Scheduled	210

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
The unit tripped on loss of main generator field.	07/29/72 - 07/29/72	Forced	2
Main exciter repairs.	07/29/72 - 07/30/72	Scheduled	6
A unit load runback was initiated automatically when control rods slipped into the core during routine control rod exercise.	09/20/72 - 09/20/72	Forced	4
Repair feedwater pump.	09/20/72 09/23/72	Forced	66
Repair steam generator tube leak.	10/13/72 - 10/20/72	Scheduled	152
Repair steam generator tube leak.	01/06/73 - 01/10/73	Scheduled	108
Turbine governor repairs.	01/10/73 - 01/10/73	Forced	7
CYCLE IV REFUELING OUTAGE, and maintenance.	06/01/73 - 07/24/73	Scheduled	1,248
Repair turbine stop valves, governor impeller, and pressurizer safety valves.	07/24/73 07/28/73	Scheduled	101
Repair pressurizer spray valves and leaking turbine flange.	08/08/73 - 08/12/73	Scheduled	65
The unit tripped due to overfilling of the steam generators and remained shut down for safety injection system repairs and turbine maintenance.	10/21/73 - 01/22/74	Forced	2,244
Turbine testing.	01/23/74 - 01/23/74	Scheduled	1
Repair steam generator tube leak.	04/27/74 - 05/20/74	Scheduled	546
The reactor tripped when cooling water flooded the Nuclear Instrumentation System detectors.	07/07/74 - 07/09/74	Forced	55
Spurious trip caused by a voltage spike in a pressurizer high level channel.	08/20/74 - 08/20/74	Forced	5

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
Nuclear Instrumentation System repairs.	09/04/74 - 09/05/74	Scheduled	24
NRC-required reactor operator examinations.	10/18/74 - 10/21/74	Scheduled	55
Control rod drive repairs.	10/21/74 - 10/22/74	Forced	7
Spurious reactor trip caused by failure of No. 2 inverter.	02/19/75 - 02/19/75	Forced	5
CYCLE V REFUELING OUTAGE, and maintenance.	03/14/75 - 04/23/75	Scheduled	950
Turbine testing.	04/23/75 - 04/23/75	Scheduled	9
Circulating water pump suction flow blockage.	05/21/75 - 05/21/75	Forced	10
Pressurizer safety valve repairs.	06/11/75 - 06/16/75	Scheduled	125
The unit tripped from turbine overspeed when the Santiago-San Onofre and Chino-San Onofre 220 kV transmission lines relayed due to a brush fire beneath them.	01/21/76 - 01/21/76	Forced	7
Spurious unit trip caused by a voltage spike in one pressurizer level channel.	02/09/76 - 02/09/76	Forced	4
Turbine deck load bearing testing and routine maintenance.	02/17/76 - 02/17/76	Scheduled	14
Relocation of blowdown header, turbine overspeed adjustment, and NRC required reactor training start-ups.	04/09/76 - 04/17/76	Scheduled	175
The turbine tripped from an undetermined cause.	04/17/76 - 04/17/76	Forced	9
The turbine tripped from an undetermined cause.	04/37/76 - 04/18/76	Forced	7

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
The turbine tripped from an undetermined cause.	04/18/76 - 04/19/76	Forced	32
(The cause of the turbine trips (4/17/76, 4/17/76, 4/18/76) was determined to be an incorrect setting on the mechanical overspeed trip device.)			
Turbine testing and repairs to a feedwater system check valve.	04/19/76 - 04/20/76	Scheduled	6
The unit tripped from a spurious reactor low flow indication.	06/28/76 - 06/28/76	Forced	6
Repair RCS flow transmitter and install a neutron detector.	06/28/76 - 06/28/76	Forced	2
New sphere enclosure related work.	07/10/76 - 07/10/76	Scheduled	12
Repair turbine control valve.	07/14/76 - 07/14/76	Scheduled	3
NRC-required operator licensing examinations.	07/27/76 - 07/27/76	Scheduled	16
Repair steam generator tube leak.	07/30/76 - 08/03/76	Forced	101
NRC-required operator licensing examinations.	09/28/76 - 09/28/76	Scheduled	16
CYCLE VI REFUELING OUTAGE (turbine maintenance, NRC-required modifications, and maintenance).	09/30/76 - 04/11/77	Scheduled	4,633
Turbine testing.	04/12/77 - 04/12/77	Scheduled	2
Instrument cable repair.	04/14/77 - 04/15/77	Forced	26
Repair reactor cavity cooling fans.	04/21/77 - 04/22/77	Forced	28
Control rod system repair.	05/18/77 - 05/18/77	Forced	14
Control rod system repair.	06/09/77 - 06/10/77	Forced	10
The reactor tripped from an erroneous overpower indication during weekly testing.	06/10/77 06/10/77	Forced	4

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
RCP motor bearings inspection, turbine control oil system repairs, reheater repairs, and steam generator inspection.	09/09/77 - 10/06/77	Scheduled	646
The reactor tripped three times while returning to power due to a failed undervoltage relay in the reactor trip breakers.	10/06/77 - 10/06/77 10/06/77 - 10/07/77	Forced Forced	2 4
Turbine testing.	10/07/77 - 10/07/77	Scheduled	1
Repair safety injection recirculation valve and clean condenser tube sheets.	11/19/77 - 11/20/77	Scheduled	25
The reactor tripped on a loss of coolant flow signal caused by a fault on the SDG&E grid.	03/08/78 - 03/08/78	Forced	4
Repair steam generator tube leak.	04/05/78 - 04/25/78	Scheduled	472
NRC-required operator licensing examinations.	09/07/78 - 09/07/78	Scheduled	15
Turbine testing.	09/12/78 - 09/12/78	Forced	5
CYCLE VII REFUELING OUTAGE (including NRC-required modifications and maintenance).	09/15/78 - 11/05/78	Scheduled	1,211
Turbine testing.	11/05/78 - 11/05/78	Scheduled	0
The unit tripped due to a spurious steam-feedwater flow mismatch signal.	11/06/78 - 11/06/78	Forced	5
Reactor coolant system instrument repair.	11/10/78 - 11/10/78	Forced	10
NRC-required operator licensing examinations.	12/20/78 - 12/20/78	Scheduled	12
Repair condenser tube leak and feedwater flow straighteners.	04/05/79 - 04/09/79	Forced	82
The unit trapped during testing of the variable low-pressure trip channels.	05/14/79 - 05/14/79	Forced	4

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
Repair steam generator tube leak, turbine stop valve overhaul, condenser tube plugging, and steam generator feedwater nozzle examination and repair.	06/01/79 - 06/18/79	Scheduled	394
Replace power supply in the safety injection system load sequencer.	08/29/79 - 08/30/79	Scheduled	8
Repair refueling water pump piping and replace a pipe section of the safety injection line.	09/14/79 - 09/24/7	Forced	234
The unit was manually tripped due to the loss of 480 Volt Bus No. 1.	11/07/79 - 11/13/79	Forced	133
The unit tripped from steam flow/feedwater flow mismatch trip.	01/16/80 - 01/18/80	Forced	37
NRC-required TMI modifications.	01/26/80 - 02/10/80	Scheduled	372
Turbine governor repair.	02/12/80 - 02/13/80	Forced	8
Replace pressurizer relief tank rupture diaphragm.	03/06/80 - 03/07/80	Forced	11
CYCLE VIII REFUELING OUTAGE. (Outage was extended for steam generator sleeving, NRC-required modifications, and miscellaneous maintenance)	04/09/80 - 06/17/81	Scheduled	10,417
The unit tripped on steam flow mismatch.	06/18/81 - 06/18/81	Forced	7
Turbine testing.	06/19/81 - 06/19/81	Forced	19
Safety injection system sequencer repair.	06/21/81 - 06/21/81	Forced	16
Repair feedwater flow sensing line.	06/29/81 - 06/29/81	Forced	17
The unit tripped from a false Nuclear Instrumentation System indication.	07/02/81 07/05/81	Forced	60
The unit tripped from Loop "C" low flow indication.	07/11/81 - 07/12/81	Forced	36

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
Repair damage from diesel generator fire.	07/17/81 - 08/10/81	Forced	741
Repair feedwater flow sensing line.	08/28/81 - 08/29/81	Forced	11
The unit was tripped due to loss of feedwater flow indication and control. The unit remained down to modify the Safety Injection System.	09/02/81 - 11/03/81	Forced	1,490
The unit was taken off line to perform minor maintenance and to evaluate the performance of the SIS valves.	11/23/81 - 11/24/81	Scheduled	18
Repair of leak on HP Turbine cover and repair of level transmitter.	12/11/81 - 12/12/81	Scheduled	14
MID-CYCLE OUTAGE to complete NRC-required TMI and fire protection modifications. (The outage was extended for seismic modifications.)	02/27/82 - 11/27/84	Scheduled	24,107
Turbine testing.	11/28/84 - 11/28/84	Scheduled	2
SIS valve testing.	02/09/85 - 02/11/85	Scheduled	49
Repair feedwater pump thrust bearing.	02/11/85 - 02/27/85	Forced	392
Repair feedwater pump shaft.	05/01/85 - 05/11/85	Forced	243
Repair block valve CV-530.	06/05/85 - 06/05/85	Forced	18
SIS valve testing.	08/22/85 - 09/01/85	Scheduled	238
The unit tripped due to sudden pressure increase in a transformer during addition of nitrogen.	09/19/85 - 09/23/85	Forced	99
The unit was manually tripped when a transformer relayed, causing loss of power to Vital Bus No. 4.	11/21/85 - 11/29/85	Forced	199
CYCLE IX REFUELING OUTAGE (including NRC-required modifications and maintenance).	11/29/85 - 07/26/86	Scheduled	5,743

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
Steam generator water level transmitter repair.	08/02/86 - 08/02/86	Scheduled	20
Unit trip caused by spurious turbine governor valve closure.	08/05/86 - 08/07/86	Forced	51
Main Feedwater Pump lube oil shaft failure and repair.	09/05/86 - 10/01/86	Forced	638
Main Feedwater Pump motor bearing lube oil leak and repair.	10/02/86 - 10/03/86	Forced	45
Turbine Plant Cooling water piping repair.	10/10/86 - 10/15/86	Scheduled	118
East Main Feedwater Pump lube oil piping leak and repair.	10/16/86 - 10/17/86	Forced	31
West Main Feedwater Pump motor bearing lube oil leak and repair.	11/13/86 - 11/17/86	Forced	85
Component Cooling Water heat exchanger repair.	12/13/86 - 12/15/86	Scheduled	60
Inadvertent loss of load.	03/10/87 - 03/13/87	Forced	69
MID-CYCLE MAINTENANCE OUTAGE (including NRC-required modifications).	05/09/87 - 07/02/87	Scheduled	1,295
East Main Feedwater pump discharge valve repair.	09/05/87 - 09/08/87	Forced	72
2ND MID-CYCLE MAINTENANCE OUTAGE (including NRC-required modifications).	02/14/88 08/05/88	Scheduled	4,123
CYCLE X REFUELING OUTAGE (including NRC-required modifications, outage maintenance, and Thermal Shield inspection).	11/28/88 - 05/25/89	Scheduled	4,270
Complete NRC-required steam generator level indication modification.	05/26/89 - 06/28/89	Forced	773
Inspection/repair of RCP "A" motor bearing.	07/03/89 - 07/20/89	Forced	404
Manual trip due to closing of feedwater control valve.	07/24/89 - 07/26/89	Forced	40

CAUSE	DATES	FORCED OR SCHEDULED	HOURS
Instrument cable repair.	08/03/89 - 08/05/89	Forced	53
Control rod system repair.	09/18/89 - 09/20/89	Forced	51
NRC-required Environmental Qualification Modifications to Hot Leg Recirculation System.	11/01/89 - 11/21/89	Scheduled	487
Repair of nitrogen regulators in the Instrument Air System.	12/06/89 - 12/08/89	Forced	48
Reactor trip due to loss of flow signal from one loop of RCS.	04/30/90 - 05/03/90	Forced	71
Manual trip resulting from loss of feedwater flow.	05/15/90 - 05/20/90	Forced	124
CYCLE X1 REFUELING OUTAGE and Thermal Shield support replacement (including NRC-required modifications and outage maintenance).	06/30/90 - 03/23/91	Scheduled	6,392
Turbine overspeed and generator no load trip testing.	03/26/91 03/28/91	Scheduled	52
Steam generator tube repair.	04/21/91 - 05/21/91	Scheduled	720
Manual trip due to control rod drop alarm.	05/28/91 - 05/30/91	Forced	39
Repair Instrument Air System leakage and repair Feedwater Discharge valve.	06/24/91 06/29/91	Scheduled	114

(END OF ATTACHMENT 3)

ALJ/CMW/jac

Mailed

AUG 12 1992

Decision 92-08-037 August 11, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Sierra Pacific Power Company for authority to implement its Energy Cost Adjustment Clause (ECAC), its Electric Revenue Adjustment Mechanism (ERAM), and its Low-Income Rate Assistance (LIRA) Surcharge. (U 903 E)	Application 91-09-032 (Filed September 16, 1991)

ORIGINAL

INTERIM OPINION

1. Summary

This decision adopts a stipulation between Sierra Pacific Power Company (Sierra) and the Division of Ratepayer Advocates (DRA) to retain existing rates in the 12-month forecast period beginning April 1, 1992. While resolving the forecast phase of the application, the stipulation did not address the reasonableness phase and subsequent hearings were held. We do not decide the reasonableness of test period expenses in this decision because Sierra has not submitted the evidence necessary for a prudence review of its coal procurement practices. We find it in the public interest to require Sierra to rehabilitate its showing rather than to adopt a penalty adjustment or make a disallowance. Therefore, we reopen the record for the limited purpose of obtaining and reviewing the information.

2. Procedural Background

On September 16, 1991, Sierra filed Application (A.) 91-09-032 requesting authority to increase its rates by $669,000, approximately 2.05%, under its Energy Cost Adjustment Clause (ECAC), its Annual Energy Rate (AER), its Electric Revenue Adjustment Mechanism (ERAM), and its Low-Income Rate Assistance (LIRA) account. Sierra also requested a finding that its

operations during the year ended June 30, 1991 were reasonable. The application was noticed and prehearing conferences (PHCs) were held in San Francisco on October 17, 1991 and March 2, 1992. Evidentiary hearings were held on March 30 and April 1, 1992. The only parties of record are Sierra and DRA. The parties submitted a settlement agreement on the forecast phase on December 3, 1991 and concurrent briefs on the reasonableness phase on June 1, 1992.

3. Section 311 Comments

On July 3, 1992, the Administrative Law Judge's (ALJ) proposed decision was mailed to all parties for comments, pursuant to Rule 77.1 of the Commission's Rules of Practice and Procedure. Timely filed comments were received from Sierra and DRA. No reply comments were filed. We have reviewed the comments pursuant to Rule 77.3 and our order incorporates a clarification to reflect DRA's request that all documents referenced by Sierra in its reasonableness filing be specifically identified.

4. Petition to Set Aside Submission and Reopen Proceedings for the Limited Purpose of an Additional Exhibit Into the Record

On July 20, 1992 Sierra filed, pursuant to Rule 84 of the Commission's Rules of Practice and Procedure, a petition to set aside submission and reopen the proceeding for the limited purpose of introducing an additional exhibit into the record. The petition requests the Commission enter into evidence or, in the alternative, take official notice of a portion of a Federal Energy Regulatory Commission's regulation specifying the items of cost to be included in Account 151, Fuel Stock. Sierra asserts this additional evidence is necessary to rebut a contention by DRA in its closing brief that transportation costs are not a part of the ECAC proceeding.

On July 28, 1992 DRA filed a response opposing Sierra's petition on the grounds it fails to present justifiable grounds for setting aside submission. DRA asserts the issue raised by Sierra

is not in controversy and will have no material impact in this case.

We find insufficient grounds for granting Sierra's petition. The issue is not addressed in this Interim Opinion and should a future proposed opinion accept DRA's argument, Sierra would have the opportunity to provide comments and request additional evidence be considered prior to the issuance of a final decision.

5. Settlement Agreement for the Forecast Phase

The settlement agreement dated November 19, 1991 (Settlement Agreement) between Sierra and DRA requests that the Commission:

1. Not adjust Sierra's rates for the forecast period beginning April 1, 1992; and

2. Not require a further analysis or final resource-mix report from DRA.

The agreement of the parties is based upon the unique circumstances which exist this year: the relatively small requested rate change, and the Commission's suspension under Investigation (I.) 90-08-006 of the operation of the AER mechanism. The suspension of the AER results in a complete balancing account treatment of all expenses recovered through the rates involved in this proceeding; Sierra is not at risk for any portion of forecasted results and thus further analysis of the proposed forecast is not necessary to protect ratepayer interests. Rates remain stable and should not result in large balancing account changes.

DRA in the Settlement Agreement does not find it necessary to agree to forecasted results for the period April 1, 1992 through March 31, 1993. Sierra's statement at the October 17 PHC that the agreement can be viewed as a withdrawal of that portion of the application related to the rate change leads us to conclude that adoption of a forecast for the subject period is not

required. We prefer to have no forecast for the period than to adopt a forecast that is not thoroughly reviewed.

For areas where Sierra requires adopted levels for calculation purposes, i.e., inventory carrying charges, we retain the existing levels authorized in Decision (D.) 91-09-024 with all resulting costs subject to full reasonableness review.

We find the Settlement Agreement to be in the public interest and grant the joint motion for adoption of the settlement. Adopted rates reflecting the settlement and a subsequent attrition rate adjustment are contained at Appendix A.

6. Sierra's Affirmative Duty to Present Evidence on Reasonableness

Sierra requests the Commission make a finding of reasonableness for its expenses incurred from July 1990 through June 1991. DRA contends that Sierra failed to demonstrate the reasonableness of its coal procurement practices during the record period and hindered DRA's review of Sierra's practices. We agree with DRA on this point.

DRA in Sierra's 1988-89 ECAC proceeding, A.89-08-046, reported its investigation of Sierra's coal contracts led to the conclusion that Sierra should attempt to renegotiate its two existing coal contracts to achieve purchase arrangements more favorable to ratepayers. DRA recommended the Commission order Sierra to conduct a comprehensive study to determine if DRA's views had merit. (See DRA June 1 brief and Chapter 7 of Exh. 10 in A.89-08-046.) The Commission in D.90-09-042 adopted a stipulation between Sierra and DRA on this and other contested issues. The decision states:

> "Sierra will study strategy options for coal purchase and will develop documentation to facilitate a DRA prudence review in a subsequent proceeding." (37 CPUC 2d 376, 377, 381.)

Sierra would not provide DRA, in response to several requests, a procurement strategy study, the original economic analysis of Sierra's decision to accept the Black Butte deferral account mechanism, or a summary of its outside consultants' conclusions. (Exhs. 13 and 16, transcript pp. 78-80.) Sierra admits it can provide the information requested, and its arguments for why it has failed to are not persuasive. Sierra is wrong in its assertion that it can meet its burden of proof by providing staff with "access to tremendous amounts of data" (Sierra's June 1 brief, p. 4). The Commission spoke directly to this issue in San Diego Gas & Electric Company's (SDG&E) 1979 ECAC decision:

> "SDG&E's witness did not explain how its fuel supply forecast was prepared or otherwise demonstrate it was reasonable, under the circumstances, as a basis for entering this particular transaction because it anticipated inventory capacity problems. SDG&E implied that the staff should have reviewed its fuel forecast or other data management had available when the transaction was entered, and staff's witness acknowledged 'such information would have been helpful' (RT 122); but this point begs the fact that the utility has the affirmative duty to present evidence on reasonableness. The staff has no obligation to exhaustively investigate and develop the record for the utility on issues surrounding reasonableness." (D.91106 (1979) 2 CPUC2d 572, 578.)

DRA proposes penalizing Sierra by removing $90,000 from the ECAC balancing account and placing it in a memorandum account subject to prudence review in a later proceeding when Sierra has supplied the requested information. The hearing record establishes that Sierra failed to make an adequate showing on the reasonableness of coal procurement expenses in the test period. We find that Sierra is capable of submitting the necessary information, and we would be fully justified in disallowing the unsupported expenses in this case. However, we choose to reopen

the record and require the necessary submission rather than consider a penalty adjustment or a disallowance. This action meets our regulatory objective of ensuring Sierra is pursuing a coal procurement strategy that is in the best interest of its ratepayers.

We reopen the record for the limited purpose of taking evidence on the reasonableness of Sierra's coal purchases. Sierra has 30 days from the date of this order to submit the required information and DRA has 90 days from submission to review and file its report. Hearings will be held if required. The other contested reasonableness issues in this case will be decided on the existing record and incorporated in our reasonableness decision.

Findings of Fact

1. Sierra and DRA entered a November 19, 1991 Settlement Agreement to maintain Sierra's rates for the forecast period beginning April 1, 1992 and to not require a further analysis or final resource-mix report from DRA.

2. The agreement of the parties is based upon the unique circumstances which exist this year: the relatively small rate change requested; and the Commission's suspension of the operation of the AER mechanism.

3. Sierra can use the authorized inventory levels from D.91-09-024 for the limited purpose of calculating inventory carrying costs in the forecast period beginning April 1, 1992. All carrying costs are subject to later reasonableness review.

4. We find no consequence from our not adopting a forecast for sales, purchased power, fuel-mix, or inventory levels for the 12-month period beginning April 1, 1992 that will compromise our ability to later effect a full reasonableness review of operations for the period.

5. Sierra did not provide the information necessary to establish the reasonableness of its coal purchases from July 1990 through June 1991.

Conclusions of Law

1. The Settlement Agreement entered into between Sierra and DRA is reasonable in light of the whole record, consistent with law, and in the public interest and should be adopted by the Commission.

2. We should not adopt a forecast for sales, purchased power, fuel-mix, or inventory levels for the 12-month period beginning April 1, 1992. Sierra should use the authorized levels from D.91-09-024 for necessary calculation purposes.

3. Sierra has failed to demonstrate by clear and convincing evidence the reasonableness of its coal purchase expenses in the test period.

4. It is in the public interest for Sierra to provide the following:

a. A procurement strategy study that addresses the following three options: Purchasing fuel from the spot market; renegotiating the terms of its existing contracts; and implementing a more flexible coal procurement policy.

b. The original economic analysis of Sierra's decision to accept the Black Butte deferral account mechanism.

c. An Executive Summary of the findings, conclusions, and recommendations made by Sierra's outside Escalation Consultants/Long-Term Contract Consultants group, as requested in Exhibit 16.

All summaries provided by Sierra for the purpose of determining the prudency of its coal procurement practices should include specific citation, by document title and page, to each document that is summarized or referenced.

5. The record should be reopened for the limited purpose of examining the evidence requested above.

6. All other contested reasonableness issues should be decided on the existing record.

7. The Petition to Set Aside Submission and Reopen Proceedings for the Limited Purpose of an Additional Exhibit should be denied.

INTERIM ORDER

IT IS ORDERED that:

1. The November 19, 1991 Settlement Agreement (Settlement Agreement) entered into by Sierra Power Company (Sierra) and the Division of Ratepayer Advocates (DRA) is adopted.

2. Sierra is authorized to retain its existing rates, as set forth in the Settlement Agreement and in Appendix A.

3. Sierra is authorized to use the adopted sales, purchased power, fuel-mix, and inventory levels from Decision (D.) 91-09-024 for current period calculations, with all resulting costs subject to full reasonableness review.

4. Within 30 days of the date of this order, Sierra shall file:

   a. A procurement strategy study that addresses the following three options: Purchasing fuel from the spot market; renegotiating the terms of its existing contracts; and implementing a more flexible coal procurement policy.

   b. The original economic analysis of Sierra's decision to accept the Black Butte deferral account mechanism.

   c. An Executive Summary of the findings, conclusions, and recommendations made by Sierra's outside Escalation Consultants/Long-Term Contract Consultants group, as requested in Exhibit 16.

All summaries provided by Sierra for the purpose of determining the prudency of its coal procurement practices shall include specific citation, by document title and page, to each document that is summarized or referenced.

5. The record in this proceeding is reopened for the limited purpose of examining the evidence ordered above. DRA shall have 90 days from the date Sierra files its evidence to review and file a report.

6. The Petition to Set Aside Submission and Reopen Proceedings for the Limited Purpose of an Additional Exhibit is denied.

This order is effective today.

Dated August 11, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

Commissioner John B. Ohanian, being necessarily absent, did not participate.

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

NEAL J. SHULMAN, Executive Director

APPENDIX A

SIERRA PACIFIC POWER COMPANY
Electric Department - California Jurisdiction
ADOPTED RESIDENTIAL RATES
Forecast Period: April 1, 1992 to March 31, 1993

SCHEDULE/COMPONENT	PREVIOUS [1] RATE $/Unit/Mo	PRESENT [2] RATE $/Unit/Mo	ADOPTED RATE $/Unit/Mo	% Incr/Decr
D-1/DM-1				
Customer Charge	$3.00	$3.00	$3.00	0
Tier 1 Perm Baseline	0.06023	0.06093	0.06093	0
Tier 2 Non-Perm/Excess	0.08378	0.08448	0.08448	0
DS-1				
Customer Charge	$3.00	$3.00	$3.00	0
Tier 1 Perm Baseline	0.06023	0.06093	0.06093	0
Tier 2 Non-Perm/Excess	0.08378	0.08448	0.08448	0
Tier 2 energy rate	0.08378	0.08448	0.08448	0
Tier 1 composite rate	0.06751	0.06093	0.06093	0
Tier Differential	0.01627	0.02355	0.02355	0

[1] Sierra Pacific's previous ECAC decision
[2] Attrition Rate Adjustment Advice Letter No. 218-E

APPENDIX A

SIERRA PACIFIC POWER COMPANY
Electric Department - California Jurisdiction
ADOPTED COMMERCIAL RATES
Forecast Period: April 1, 1992 to March 31, 1993

SCHEDULE/COMPONENT	PREVIOUS[1] RATE $/Unit/Mo	PRESENT [2] RATE $/Unit/Mo	ADOPTED RATE $/Unit/Mo	% Incr/Decr
A-1: Small Commercial				
Customer Charge	$5.00	$5.00	$5.00	0
Energy Rate	0.06758	0.06817	0.06817	0
A-2: Medium Commerical				
Customer Charge	$50.00	$50.00	$50.00	0
Winter On-Peak Demand	6.71	6.71	6.71	0
Summer On-Peak Demand	9.00	9.00	9.00	0
Energy Rate	0.04161	0.04218	0.04218	0
A-3: Large Commercial				
Customer Charge	$200.00	$200.00	$200.00	0
Winter On-Peak Demand	3.44	3.44	3.44	0
Winter Mid-Peak Demand	2.85	2.85	2.85	0
Summer On-Peak Demand	7.65	7.65	7.65	0
Non TOU	$2.00	$2.00	$2.00	
ENERGY RATES				
Winter On-Peak	0.03943	0.04016	0.04016	0
Mid-Peak	0.03919	0.03992	0.03992	0
Off-Peak	0.03267	0.03340	0.03340	0
Summer On-Peak	0.03816	0.03889	0.03889	0
Off-Peak	0.03263	0.03336	0.03336	0
PA: Interruptible Irrigation				
Customer Charge	$5.00	$5.00	$5.00	0
ENERGY RATE	0.03799	0.03872	0.03872	0

[1] Sierra Pacific's previous ECAC decision
[2] Attrition Rate Adjustment Advice Letter No. 218-E

APPENDIX A

SIERRA PACIFIC POWER COMPANY
Electric Department - California Jurisdiction
ADOPTED STREET AND OUTDOOR LIGHTING RATES
Forecast Period: April 1, 1992 to March 31, 1993

LAMP TYPE	PREVIOUS [1] RATE $/Unit/Mo	PRESENT [2] RATE $/Unit/Mo	ADOPTED RATE $/Unit/Mo	% Incr/Decr
STREET LIGHTS				
High Pressure Sodium				
5800 Lumen	$7.08	$7.12	$7.12	0
9500 Lumen	$7.57	$7.62	$7.62	0
16000 Lumen	$8.43	$8.50	$8.50	0
22000 Lumen	$9.43	$9.53	$9.53	0
OUTDOOR LIGHTS				
High Pressure Sodium				
5800 Lumen	$5.38	$5.42	$5.42	0
9500 Lumen	$6.05	$6.10	$6.10	0
16000 Lumen	$7.14	$7.22	$7.22	0
22000 Lumen	$8.10	$8.21	$8.21	0

[1] Sierra Pacific's previous ECAC decision
[2] Attrition Rate Adjustment Advice Letter No. 218-E

(End of Appendix A)