

Decision 84-01-034 JAN 5 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Southern California Edison Company )  
for authority to establish a major )  
additions adjustment clause, to )  
implement a major additions adjust- )  
ment billing factor and an annual )  
major additions rate to recover the )  
costs of owning, operating, and )  
maintaining San Onofre Nuclear )  
Generating Station Unit No. 2. )

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

In the Matter of the Application of )  
San Diego Gas & Electric Company to )  
add a major additions adjustment )  
clause (MAAC) to its electric )  
tariffs, to adjust its electric rates )  
in accordance therewith upon )  
operation of San Onofre Nuclear )  
Generating Station Unit 2, and to )  
modify its energy cost adjustment )  
clause (ECAC) rates. )

Application 82-03-63  
(Filed March 18, 1982)

ORDER MODIFYING DECISION 83-09-007  
AND DENYING REHEARING

On September 7, 1983, the Commission issued Decision (D.) 83-09-007. Both Southern California Edison Company (Edison) and San Diego Gas and Electric Company (SDG&E) filed applications for rehearing of that decision. On November 22, 1983, the Commission issued D.83-11-091, which dealt with one of the issues raised in those applications--that of the amount of interim cash rate relief to be granted to these petitioners. The remaining issues were not ruled on in that decision.

With the exception of the issue of treatment of operation and maintenance expenses, which we do not resolve today, we have

now completed our review of these remaining issues. For the reasons set forth below, we have concluded that no sufficient grounds for granting rehearing have been shown.

Target Capacity Factor (TCF). Edison requests rehearing relative to three aspects of the TCF procedure set forth in D.83-09-007: it asks that the upper end of the deadband be changed from 80% to 75%; that a cap be set on the earnings effect which could result from operation of the TCF below the lower level of the deadband; and that the TCF not be operable if factors beyond Edison's immediate control require plant capacity to be low.

We reject Edison's requests. As Edison knows, D.83-09-007 specifically calls for further hearings on the issue of whether a cap on earnings reduction should be set. Granting rehearing on this issue would be a redundancy.

Concerning the other two requests, it appears first of all that Edison is laboring under a misconception regarding the purpose of the TCF. It is not a device for penalizing poor plant performance; it could hardly be that, since this plant has not yet been in commercial operation. Rather, as D.83-09-007 makes abundantly clear, it is an allocation device, designed to fairly allocate risks, costs, and benefits between shareholders and ratepayers. The above decision explains in detail the basis for the TCF structure adopted, including the limits of the deadband. In setting these limits, the Commission has taken into consideration that factors both within the control of the plant operator and extrinsic to that operator, e.g., NRC directives relative to another plant, can influence plant capacity factor. To exempt Edison from such extrinsic factors would necessitate recalculation of the deadband, to a level even higher than now set. We reiterate that extreme cases of extrinsic factors causing plant outages will, if necessary, be reviewable by this Commission on a case-by-basis. We are not persuaded that either petitioner

has presented us with any reasons to deviate from this position.

Conflict with Federal Energy Regulatory Commission (FERC) Accounting Requirements. We agree with petitioners that D.83-09-007 is in several respects inconsistent with FERC accounting requirements, and in principle we approve Edison's request that a deferred debit account be set up in which to record AFUDC and related costs which cannot be credited to a construction work order on plant which is in service for FERC accounting purposes. However, we recognize two problems with Edison's proposal.

First, our staff did not certify that Edison had met our commercial operating date criteria until August 18, 1983, ten days after Edison asserts SONGS 2 went into service for FERC purposes. Our previous orders concerning the COD criteria required staff certification, and Edison is bound by those requirements, regardless of when it chose to satisfy the FERC criteria.

Secondly, we are concerned that despite our expressed intent that Edison not lose any funds it is entitled to (see Finding 79 in D.83-09-007), there may be a retroactive ratemaking problem if we allow Edison to retroactively record costs for the period between staff certification of our COD criteria and either the date D.83-09-007 was issued (September 7) or the date the MAAC rates became effective (October 10). No one has formally addressed this issue; therefore, we will order Edison, SDG&E, our staff, and any other parties interested in doing so, to brief this issue pursuant to a schedule established by the ALJ. We do not feel any hearing time need be allocated.

Clarifications. Edison finally requests a clarification of the amount of the total estimated project costs placed in rate base by D.83-09-007. Our Revenue Requirements staff has reviewed Edison's request, and has recommended that with the exception of the new sentence proposed to be added to Finding 56, we should adopt Edison's requested modifications. We

therefore modify Findings 26 and 56 as indicated below.

IT IS THEREFORE ORDERED that D.83-09-007 is modified as follows:

1. Finding 26 is modified to read:

"Based on a 50-50 allocation of total estimated project cost of \$4.2 billion, the investment in SONGS 2 assumed in rate base for the purposes of this interim proceeding for Edison is \$1.569 billion, and for SDG&E is \$411 million."

2. New Finding 26a is added to read:

"Should the 50-50 allocation of plant costs between SONGS Units 2 and 3 adopted in this decision result in some plant being placed in service for accounting purposes which is not in service for jurisdictional ratemaking purposes of this Commission, it is reasonable for applicants to accrue in a deferred debit account property taxes, depreciation expenses, and an amount equivalent to AFUDC on the plant which is not in service for this Commission's jurisdictional ratemaking purposes from the date staff has verified our COD requirements have been met (August 18, 1983) until ratemaking treatment for SONGS Unit 3 is determined. Ratemaking treatment to be given this account will ultimately depend in part on a determination of whether and between what dates compensation for such expenses would constitute retroactive ratemaking."

3. Finding 56 is modified to read:

"The reasonable interim rate increase for Edison under its MAAC is \$304.4 million. \$38.2 million of this increase is to cover noninvestment-related expenses and is not subject to balancing account treatment. The remainder of this interim rate increase, \$266.2 million, relates to investment costs and is subject to balancing account treatment."

4. Finding 79 is modified to read:

"Should the COD requirements be met prior to the issuance of this decision, it is reasonable for applicants to accrue in a deferred debit account an amount equivalent to AFUDC on SONGS 2 investment, operating and maintenance expenses, property and payroll taxes, nuclear fuel expenses, a credit for any energy generated by SONGS 2 priced at avoided costs, and depreciation expense on Unit 2 from the date staff has verified our COD requirements have been met (August 18, 1983) to the date rates fixed pursuant to this decision are made effective. Ratemaking treatment to be given this account will ultimately depend on a determination of whether and between what dates compensation for such expenses would constitute retroactive ratemaking."

5. Ordering Paragraph 4 is modified to read:

"If the plant meets our COD criteria prior to the issuance of this decision, and if the FERC determines the in-service date for accounting purposes is a date prior to when the plant meets the COD criteria and prior to the issuance of this decision, Edison and SDG&E are authorized to accrue the items enumerated in Finding 79 in a deferred debit account from the date staff has verified our COD requirements have been met to the date MAAC rates are placed into effect. Ratemaking treatment to be given this account will ultimately depend on a determination of whether and between what dates compensation for such expenses would constitute retroactive ratemaking."

6. New Ordering Paragraph 4a is added to read:

"If the 50-50 allocation of plant costs between SONGS Units 2 and 3 adopted in this decision results in some plant being placed in service for accounting purposes which is not in service for CPUC jurisdictional ratemaking purposes, Edison and SDG&E are authorized to accrue in a deferred debit account the items enumerated in Finding 26a on the plant which is not in

service for CPUC jurisdictional ratemaking purposes from the date staff has certified our COD requirements have been met until ratemaking treatment for SONGS Unit 3 is determined. Ratemaking treatment to be given this account will ultimately depend in part on a determination of whether and between what dates compensation for such expenses would constitute retroactive ratemaking."

IT IS FURTHER ORDERED that Edison, SDG&E, the Commission staff and other interested parties shall file briefs as ordered by this decision and the ALJ on the issue of whether, and if so, between what dates, allowing applicants to record and be recompensed for expenses equivalent to AFUDC, etc., as enumerated in Findings 26a and 79, would constitute retroactive ratemaking.

IT IS FURTHER ORDERED that with the exception of the O&M issue, which we do not resolve today, rehearing of D.83-09-007 as modified above is hereby denied.

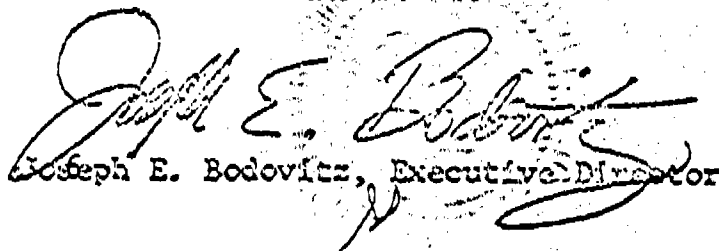
This order is effective today.

Dated JAN 5 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

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

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

  
Joseph E. Bodovitz, Executive Director

L:AKM:bjw

Decision 84 01 034 JAN 5 1984

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no sufficient grounds for granting rehearing have been shown.

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Operation and Maintenance Expenses (O&M). In its supplement to its Phase 1 Application, which will be the subject of hearings in Phase 1B of this case, Edison raises the issue of O&M costs, both in terms of updating these costs with more recent figures and presenting a revised O&M analysis. Along the latter lines, its petition for rehearing, which is supported by SDG&E, not only criticizes the staff's O&M analysis, but seeks to introduce two new exhibits which amount to a substantial revision of its own analysis.

We are not usually inclined to allow relitigation of issues we feel have been satisfactorily examined simply because one party realizes it could and should have presented a better case. However, in the present case, our own staff has indicated a desire to present a revised analysis as well. In the interests of developing this record to the fullest extent possible, we will therefore entertain further testimony on the O&M issue in the Phase 1B hearings, for the dual purposes of updating figures where possible, and obtaining a more reliable statistical analysis. We direct the ALJ to set up a reasonable schedule of testimony at the prehearing conference in line with the views expressed in this opinion.

Conflict with Federal Energy Regulatory Commission (FERC) Accounting Requirements. We agree with petitioners that D.83-09-007 is in several respects inconsistent with FERC accounting requirements, and in principle we approve Edison's request that a deferred debit account be set up in which to record AFUDC and related costs which cannot be credited to a construction work order on plant which is in service for FERC accounting purposes. However, we recognize two problems with Edison's proposal.

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*Miller*

*KN*  
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