

Decision S4 C1 038

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 Adjustment)
 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, and to adjust downward net)
 Energy Cost Adjustment Clause rates to)
 equal the increase in Major Additions)
 Adjustment Clause Rates.)

Application 82-02-40
 (Filed February 18, 1982;
 amended December 1, 1982
 and October 4, 1983)

In the Matter of the Application of)
 SOUTHERN CALIFORNIA EDISON COMPANY for)
 authority to include San Onofre Nuclear)
 Generating Station Unit No. 3 as a)
 Specified Major Addition under the)
 Major Additions Adjustment Clause and)
 to revise rate levels established)
 thereunder to Recover the Costs of)
 Owning, Operating, and Maintaining San)
 Onofre Nuclear Generating Station Unit)
 No. 3; to make certain changes to its)
 Base Rates and certain other rate)
 levels to conform to the rate design)
 criteria set forth in Decision No.)
 82-12-055 and/or the California Public)
 Utilities Code; requesting a change in)
 the Commercial Operating Date Criterion)
 with respect to Unit 3; and to)
 establish procedures for this and)
 related Applications.)

Application 83-10-56
 (Filed October 21, 1983)

In the Matter of the Application of)
SAN DIEGO GAS & ELECTRIC COMPANY)
for Authority to Increase its Electric)
Major Additions Adjustment. Billing)
Factor (MAABF) Rate and its Annual)
Major Additions Rate (AMAR))

Application 83-10-12
(Filed October 6, 1983)

In the Matter of the Application of)
SAN DIEGO GAS & ELECTRIC COMPANY for)
Authority to Include San Onofre Nuclear)
Generating Station Unit 3 as a)
Specific Major Addition under its)
Major Additions Adjustment Clause)
("MAAC"), to Increase its Electric)
Major Additions Adjustment Billing)
Factor ("MAABF") Rate and its Annual)
Major Additions Adjustment Billing)
Rate ("AMAR") upon Operation of San)
Onofre Nuclear Generating Station)
Unit 3, and to Modify its Energy Cost)
Adjustment Clause ("ECAC") Rates and)
its Annual Energy Rate ("AER").)

Application 83-11-19
(Filed November 8, 1983)

And Related Matter.)

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

ORDER ON MOTIONS

On November 29, 1983 Southern California Edison Company (Edison) filed three motions involving these applications. Motion 1 requests authority to accrue in the Major Additions Adjustment Clause (MAAC) balancing account the level of San Onofre Nuclear Generating Station Unit 2 (SONGS 2) costs and expenses requested in amended Application (A.) 82-02-40, filed October 4, 1983, from January 1, 1984 to the date rates are made effective pursuant to a decision in Phase 1B, subject to adjustment pursuant to the Phase 1B decision. Motion 2 requests a procedural order consolidating for hearing and decision the Phase 2 reasonableness review with respect to both Units 2 and 3 and also to bifurcate the SONGS 3 MAAC filing (A.83-10-36)

into two phases: Phase 1 would address ratemaking issues with respect to SONGS 3, and Phase 2 would address the reasonableness of Edison's investment in SONGS 3. Motion 3 requests a procedural order consolidating for hearing and decision alternative ratemaking issues with respect to both SONGS 2 and 3. The motion also requests the bifurcation of Phase 1B of the SONGS 2 MAAC filing (A.83-10-36) into two parts: Part 1 to address revenue requirements for each filing and Part 2 to address alternative ratemaking issues.

On December 16, 1983 San Diego Gas & Electric Company (SDG&E) filed two motions similar in content to those filed by Edison. SDG&E's second motion combines Edison's Motion 2 and 3 into one. The first motion requests a decision authorizing MAAC balancing account accumulation of SONGS 2 cost and expense increases from January 1, 1984, until a ratemaking decision is reached in A.83-10-12. The second motion requests procedural orders consolidating for hearing and decision the alternate ratemaking issues with respect to SONGS 2 and 3, and consolidating for hearing and decision the reasonableness review with respect to SONGS 2 and 3.

Applicants' Position

Both Edison and SDG&E request authorization to accrue in the MAAC balancing account the total level of SONGS 2 costs and expenses requested in their respective applications for 1984 as if rate relief was made effective on January 1, 1984 to be subsequently adjusted, if necessary, to reflect the revenue requirement and rate levels adopted in the Phase 1B decision. Edison argues it now appears that a Phase 1B decision will not be rendered until mid-February, 1984 at the earliest, and SDG&E cites from D.83-11-091 that a ratemaking decision cannot be expected until April, 1984, at the earliest. Therefore, applicants argue that in order to keep the companies whole and to avoid penalizing the shareholders, balancing account treatment should be authorized during this period.

For Edison this will require the accrual of approximately \$1,463,000 per month of noninvestment-related expenses from January 1, 1984 as well as the modification of the MAAC tariff to permit the accrual of SONGS 2 incremental noninvestment-related expenses in the MAAC balancing account. Accruals of investment-related costs to the MAAC balancing account would be based on a \$1.684 billion plant cost (compared to the present \$1.569 billion plant cost) and would be subject to adjustment.

For SDG&E this would require the accrual of approximately \$570,000 a month of noninvestment-related expenses to the MAAC balancing account and the accruals for SONGS 2 investment-related costs to the MAAC balancing account would be based on a \$455.5 million plant cost (compared to the present \$411 million plant cost).

Motion 2 of Edison requesting a procedural order consolidating for hearing and decision the Phase 2 reasonableness review with respect to both SONGS 2 and 3 is justified by both applicants since:

1. With the filing of the SONGS 2 MAAC Supplemental Filing and the SONGS 3 filing, the total investment in SONGS 2 and 3 is now before the Commission for ratemaking action and reasonableness review.
2. It is administratively efficient to consolidate the review of the reasonableness of the investment in SONGS 2 and 3 because:
 - a. SONGS 2 and 3 were constructed as a single project, at the same time and all costs for SONGS 2 and 3 are in one work order.

- b. Both units were constructed using the same management, design, and construction methods and philosophy.
 - c. Both units were, and are, subject to the same administrative regulations and criteria.
 - d. Both units were built by the same general contractor, many of the same subcontractors, and major components for both units were supplied by the same vendor.
 - e. The same management personnel at Edison were, and are, responsible for the management, design, construction of both units.
 - f. The support for the reasonableness of Edison's investment in both SONGS 2 and 3 is the same exhibit and will be sponsored by the same witnesses.
3. The Commission's independent consultant is currently reviewing the prudence of Edison's investment in both SONGS 2 and 3 as part of a single review effort.
4. Basic notions of equity and fair play suggest that Edison not be compelled to defend its record on the same material twice, as would be the case if separate reasonableness reviews are required for SONGS 2 and 3.

Edison's Motion 3 requests a procedural order consolidating for hearing and decision alternative ratemaking issues with respect to both SONGS 2 and 3 and to bifurcate Phase 1B of SONGS 2 and A.83-10-36 for SONGS 3 into a revenue requirement and related issues segment and a separate part 2 to consider alternative ratemaking issues. Applicants argue that since applications for both SONGS 2 and 3 have been filed and are now before the Commission it is administratively efficient to consolidate the alternative ratemaking issue for hearing and decision for both units. It would also permit both applicants and staff sufficient time to prepare for hearing and to brief the complex issues involved in alternative ratemaking. Applicants argue that bifurcating the SONGS 2 supplemental filing and the SONGS 3 filing into a revenue requirement and alternative ratemaking subparts will enable timely hearings to be held on the revenue requirement issues and to permit alternative ratemaking issues to be fully considered for both units. Applicants also state that since SONGS 3 is rapidly progressing toward meeting the Commission's COD criterion, dividing the proceedings for the two units into a revenue requirement subpart and an alternative ratemaking subpart would enable the Commission to issue a timely interim order on revenue requirement issues for SONGS 3.

SDG&E in its second motion also requests the same procedural orders together with the request to consolidate all SDG&E and Edison applications for hearing and decision on the alternative ratemaking treatment issues for SONGS 2 and 3 and similarly with regard to the reasonableness of costs review.

City of San Diego's Position

The City of San Diego opposes SDG&E's motion for accrual of SONGS 2 noninstrument-related expenses in the MAAC balancing account.

Staff Position

The staff opposes balancing account treatment of SONGS 2 1984 costs and expenses requested in the respective filings of Edison and SDG&E on the following grounds:

1. It is inconsistent with normal ratemaking procedures and poor public policy to grant interim relief even in the form of balancing account accruals before hearings are held and justification for interim relief is provided.
2. Edison and SDG&E were aware of the higher capital costs in 1983, but refused to amend their respective applications even when the staff attempted to compel them to file amended applications.
3. Costs have not gone up abruptly since the Phase 1 decision, therefore, there is no great hardship even if relief is not granted as of January 1, 1984.
4. Applicants have no present right to the requested increases as of January 1, 1984 or any other date. Any right to additional revenues will arise only after evidentiary hearings and a decision of the Commission granting an increase.

The staff concurs with the motion to consolidate the Phase 2 reasonableness review of SONGS 2 and 3 and also with applicants' request to consolidate consideration of ratemaking alternatives for both units. The staff does however object to applicants' proposal to bifurcate the proceedings into subparts for revenue requirements and alternative ratemaking. Staff opposes bifurcation since it believes it is better to consider both the revenue requirements and the alternative ratemaking treatment issues at the same time, since these issues are integrally related. Staff argues that bifurcation is bad policy and may result in a dragging out of the alternative ratemaking subpart, once revenue increases are granted.

Discussion

Since staff and applicants are in agreement for consolidating the reasonableness review for SONGS 2 and 3 and since the proposal is administratively efficient, we will grant the motion.

With respect to the motion to consolidate the alternative ratemaking treatment issue for SONGS 2 and 3, the staff concurs. However, the staff strongly opposes the portion of the motion which requests that the revenue requirement issues be bifurcated from the alternative ratemaking treatment issues. We concur with the staff and will deny the motion to bifurcate the two issues. One reason for limiting the increase in revenues in D.83-09-007 was to enable us to consider alternative ratemaking treatments in these Phase 1B proceedings. In D.83-11-091 we granted further rate relief since it did not appear that a Phase 1B decision would be issued as early as originally anticipated. We believe that a Phase 1B decision can be issued in the first half of 1984, provided all parties cooperate to keep the Phase 1B hearings moving on a schedule which would permit such a decision to be issued.

Finally, the staff opposes the motion to permit balancing account treatment of costs and expenses requested in Edison's amended application for SONGS 2 for 1984 and SDG&E's companion application A.83-10-12. We do not agree in total with staff position. We believe it is reasonable to allow applicants to accrue the investment-related costs in the balancing account as of January 1, 1984 since those costs have been incurred for a facility which is currently operating and which were not considered in D.83-09-007. Such accruals would be subject to reasonableness review as were the previously authorized plant related cost accruals. On the other hand, we do not believe it is reasonable to allow balancing account treatment of noninvestment-related expenses, since we did not

authorize balancing account treatment of such expenses in D.83-09-007. Furthermore, it has only been four months since D.83-09-007 was issued and noninvestment-related expenses should not have increased sufficiently to create a hardship to applicants while the new estimates are being tested through the hearing process.

Findings of Fact

1. Edison filed 3 motions requesting:

- (a) Authority to accrue in the MAAC balancing account the level of costs and expenses requested in Amended A.82-02-40 for 1984 from January 1, 1984 to the date rates are made effective pursuant to a Phase 1B decision, subject to adjustment.
- (b) A procedural order consolidating for hearing and decision the Phase 2 reasonableness review with respect to SONGS 2 and 3 and to bifurcate A.83-10-36 for SONGS 3 into a ratemaking and reasonableness review phases similar to SONGS 2.
- (c) A procedural order consolidating for hearing and decision the alternative ratemaking issues for SONGS 2 and 3 and to bifurcate Phase 1B for SONGS 2 and Phase 1 for SONGS 3 into two parts. Part 1 is to address revenue requirements for each filing and Part 2 to address alternative ratemaking issues.

2. SDG&E filed two motions requesting the same treatment requested by Edison in its three motions.

3. It is reasonable to allow applicants to accrue investment-related costs requested in amended A.82-02-40 and A.83-10-12 of Edison and SDG&E respectively, since they represent costs for a plant already constructed and in operation. This is consistent with D.83-09-007 which authorized similar treatment for investment-related costs for the initial estimate of SONGS 2 investment-related costs. These costs would be subject to adjustment, if necessary, pursuant to an ultimate decision in Phase 2 on the reasonableness of the investment in SONGS 2 and to any ratemaking treatment adopted in Phase 1B.

4. It is not reasonable to allow accrual of noninvestment-related expenses in the MAAC balancing account since such treatment was not authorized previously in D.83-09-007 for noninvestment-related expenses. Furthermore rates for noninvestment-related expenses were authorized only four months ago and therefore, it is reasonable to expect that costs have not accelerated sufficiently to create any great hardship until hearings have been completed and the new estimates have been justified.

5. It is reasonable to consolidate for hearing and decision the Phase 2 reasonableness review with respect to SONGS 2 and 3 and to bifurcate A.83-10-36 of Edison and A.83-11.19 of SDG&E for SONGS 3 into a ratemaking phase and reasonableness review phase.

6. It is reasonable to consolidate for hearing the alternative ratemaking issues for SONGS 2 and 3.

7. It is unreasonable to bifurcate the revenue requirement issues from the alternative ratemaking issues for SONGS 2 and 3.

Conclusions of Law

1. Edison and SDG&E should be authorized to accrue investment-related costs for SONGS 2 in the MAAC balancing account as requested in A.82-02-40, amended October 4, 1983 and A.83-10-12.

2. The motion to consolidate the Phase 2 reasonableness review for SONGS 2 and 3 and to bifurcate A.83-10-36 and A.83-11-19 for SONGS 3 in a ratemaking phase and a reasonableness review phase should be granted.

3. The motion to consolidate the alternative ratemaking issues for SONGS 2 and 3 should be granted.

4. The motion to bifurcate the revenue requirement issues and the alternative ratemaking issues should be denied.

5. The motion to include noninvestment related expenses in the MAAC balancing account should be denied.

IT IS ORDERED that:

1. Southern California Edison Company and San Diego Gas & Electric Company are authorized to accrue in the MAAC balancing account the investment-related costs for SONGS 2 for the requested rate bases of \$1.684 billion and \$455.5 million respectively. Such accruals to the MAAC balancing account are subject to adjustment pursuant to the Phase 2 reasonableness review and to any ratemaking treatment adopted in Phase 1B.

2. The Phase 2 reasonableness review for San Onofre Nuclear Generating Stations Units 2 and 3 are consolidated for hearing and decision; A.83-10-36 and A.83-11-19 for SONGS 3 are bifurcated into a ratemaking and reasonableness review phase.

3. The hearings on alternative ratemaking issues with respect to San Onofre Nuclear Generating Station Units 2 and 3 are consolidated.

4. The motion to bifurcate the revenue requirement issues and the alternative ratemaking issues is denied.

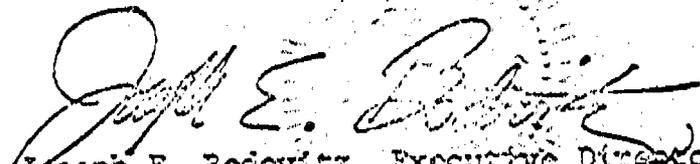
5. The motion to accrue noninvestment related expenses in the MAAC balancing account is denied.

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

Edison's Motion 3 requests a procedural order consolidating for hearing and decision alternative ratemaking issues with respect to both SONGS 2 and 3 and to bifurcate Phase 1B of SONGS 2 and A.83-10-36 for SONGS 3 into a revenue requirement and related issues segment and a separate part 2 to consider alternative ratemaking issues. Applicants argue that since applications for both SONGS 2 and 3 have been filed and are now before the Commission it is administratively efficient to consolidate the alternative ratemaking issue for hearing and decision for both units. It would also permit both applicants and staff sufficient time to prepare for hearing and to brief the complex issues involved in alternative ratemaking. Applicants argue that bifurcating the SONGS 2 supplemental filing and the SONGS 3 filing into a revenue requirement and alternative ratemaking subparts will enable timely hearings to be held on the revenue requirement issues and to permit alternative ratemaking issues to be fully considered for both units. Applicants also state that since SONGS 3 is rapidly progressing toward meeting the Commission's COD criterion, dividing the proceedings for the two units into a revenue requirement subpart and an alternative ratemaking subpart would enable the Commission to issue a timely interim order on revenue requirement issues for SONGS 3.

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Ja Gray