

Decision 97-11-014 November 5, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for Authority to Make the Following Changes to its Present Ratemaking for its Share of Palo Verde Nuclear Generating Station Unit No. 1, 2, and 3:
(i) Accelerate Recovery of the Company's Sunk Investment; (ii) Adopt Palo Verde Incremental Cost Incentive Pricing for its Incremental Costs; and (iii) Receive Related and Substantive and Procedural Relief.

Application 96-02-056
(Petition for Modification
filed August 21, 1997)

ORIGINAL

OPINION

Southern California Edison Company (Edison) requests us to modify Decision (D.) 96-12-083 to provide for continued cost recovery of corporate administrative and general (A&G) expenses allocable to Palo Verde Nuclear Generating Station (Palo Verde) which had been requested in Application (A.) 96-12-019, the Unbundling Proceeding. In that proceeding, Edison had proposed through its cost separation methodology to continue recovery of corporate A&G expenses allocable to Palo Verde, but not included in the Palo Verde incremental cost (PVIC) balancing account, through its utility performance-based ratemaking (PBR) revenue requirement. D.97-08-056 in A.96-12-019, summarized Edison's position as follows:

"Edison proposes that all A&G costs related to the San Onofre Nuclear Generating Station (SONGS) and Palo Verde Nuclear Generating Station which were not included in the Incremental Cost Incentive Procedure (ICIP) in the related settlement decision (see D.96-04-059) should be included in Edison's distribution revenue requirement. The SONGS [S]ettlement [A]greement is in effect through 2003, past the end of the rate freeze period. The Palo Verde [S]ettlement ends at the end of 2001. In each of these settlements, a portion of nuclear A&G costs was not included in ICIP or sunk costs." (Mimeo. at pp. 24-25.)

We rejected Edison's approach and instead directed Edison "to file a petition to modify" D.96-12-083 in this docket to include those Palo Verde corporate A&G expenses in the PVIC balancing account. This petition followed.

D.96-12-083 adopted a Settlement Agreement between Edison, The Utility Reform Network (TURN), and the Office of Ratepayer Advocates (ORA). Neither TURN nor ORA has objected to this petition, nor has any other party.

The forecast amount of corporate A&G expenses allocated by the Ratesetting Proceeding each year to Palo Verde is \$1.741 million. Edison requests us to allow it to continue recovery of actual recorded corporate A&G expenses associated with this forecast \$1.741 million share of corporate A&G expenses through the PVIC balancing account each year beginning January 1, 1998 and ending December 31, 2001.

The Palo Verde Settlement Agreement, adopted in D.96-12-083, allowed Edison to recover its incremental operating costs at Palo Verde through the PVIC balancing account on a pass-through basis. However, if "Edison's incremental capital, O&M (operation and maintenance) expense, and A&G expense exceed" certain amounts identified in the Reasonableness Trigger Mechanism "for any calendar year, Edison must demonstrate that the aggregate amount of these costs exceeding the forecast for that year are reasonable." (D.96-12-083, Attachment 1, mimeo., p. 13.) Edison does not propose in this petition to modify the amounts that trigger reasonableness reviews in the Reasonableness Trigger Mechanism for this limited change in the allocation of corporate A&G expense.

We will grant the petition. Edison's petition is in compliance with D.97-08-056.

Findings of Fact

1. On August 21, 1997, Edison filed a petition to modify D.96-12-083 to provide for continued cost recovery of corporate A&G expenses allocable to Palo Verde.
2. No one protested Edison's petition.

Conclusion of Law

Edison's petition to modify D.96-12-083 should be granted.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company's (Edison) petition for modification is granted as set forth in this decision.

2. Decision (D.) 96-12-083 is modified as follows:

a. Add the following language to the body of D.96-12-083:

"D. Inclusion of allocated corporate A&G costs in the PVIC balancing account to comply with D.97-08-056.

"On August 13, 1997, Edison submitted a petition for modification of Decision 96-12-083 in this docket to comply with D.97-08-056 in the Unbundling Proceeding. In the petition, Edison requested the Commission to authorize Edison to recover corporate administrative and general (A&G) expenses allocable to Palo Verde in D.97-08-056, in the Unbundling Proceeding, through the PVIC balancing account.

"Edison's application in the Unbundling Proceeding was filed in December 1996. In testimony accompanying Edison's application, Edison's cost separation methodology allocated some corporate A&G expenses to Palo Verde which are currently recovered through Edison's general rate cases. As a result, Edison proposed to continue recovery of these corporate A&G expenses, not included in the PVIC balancing account, through its utility PBR revenue requirement, the successor rate recovery mechanism to general rate cases in Edison's view. In D.97-08-056, the Commission rejected Edison's proposed allocation of these corporate A&G expenses to utility PBR and directed Edison to petition to modify this decision to allow recovery of these corporate A&G expenses allocable to Palo Verde.

"The forecast amount of corporate A&G expenses allocable to Palo Verde, not already included in the PVIC balancing account, in the Ratesetting Proceeding is \$1.741 million. The Commission finds that Edison should be authorized to continue recovery of the corporate A&G expenses allocable to Palo Verde in the Ratesetting Proceeding after January 1, 1998. Consequently, the Commission authorizes Edison to recover the actual recorded amount of corporate A&G expenses allocable to Palo Verde

associated with a forecast of \$1.741 million each year through the PVIC balancing account, effective January 1, 1998 and ending December 31, 2001."

b. Add the following Finding of Fact:

"11. The amount of remaining corporate administrative and general (A&G) cost allocable to Palo Verde in D.97-08-056 in the Unbundling Proceeding is \$1.741 million."

c. Add the following Conclusion of Law:

"2. In D.97-08-056 in the Unbundling Proceeding, the Commission directed Edison to seek modification of this decision to provide for continued recovery of corporate A&G expenses, not currently included in the PVIC balancing account, allocable to Palo Verde in the Unbundling Proceeding."

d. Add the following Ordering Paragraph:

"3. Edison shall recover the actual recorded corporate A&G expense allocable to Palo Verde through the PVIC balancing account so that it may recover the corporate A&G expenses allocable to Palo Verde in the Unbundling Proceeding, beginning January 1, 1998 and ending December 31, 2001."

3. To the extent there is a conflict regarding corporate administrative and general expense allocable to the Palo Verde Nuclear Generating Station through the Palo Verde

A.96-02-056 ALJ/RAB/tcg

Incremental Cost balancing account, between the Settlement Agreement approved in D.96-12-083 and this decision, this decision shall govern.

This order is effective today.

Dated November 5, 1997, at San Francisco, California.

P. GREGORY CONLON
President
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners