

ALJ/JJJ/sid

Decision 97-11-076 November 19, 1997

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for Authority to Increase Its Authorized Level of Base Rate Revenue under the Electric Revenue Adjustment Mechanism for Service Rendered Beginning January 1, 1995 and to Reflect this Increase in Rates.

Order Instituting Investigation into the Rates, Charges, and Practices of SOUTHERN CALIFORNIA EDISON COMPANY, Establishment of the Utility's Revenue Requirement, and Attrition Request.

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**ORIGINAL**

Application 93-12-025  
(Filed December 27, 1993)

1.94-02-002  
(Filed February 3, 1994)

**OPINION ON SOUTHERN CALIFORNIA EDISON COMPANY'S AND  
SAN DIEGO GAS & ELECTRIC COMPANY'S JOINT PETITION TO MODIFY  
DECISION 96-04-059 IN COMPLIANCE WITH DECISION 97-08-056**

**1. Summary**

On August 21, 1997, Southern California Edison Company (Edison) and San Diego Gas & Electric Company (SDG&E) filed a Joint Petition to Modify Decision (D.) 96-04-059 in compliance with D.97-08-056. In the Joint Petition, Edison and SDG&E seek to continue recovery of certain corporate administrative and general (A&G) costs allocable to San Onofre Nuclear Generating Station (SONGS) 2&3. This decision grants Edison's and SDG&E's Joint Petition for Modification.

**2. Discussion**

In D.96-01-011, Edison's Phase 1&3 Rate Case Decision, we addressed, among other things, Edison's, SDG&E's and the Division of Ratepayer Advocates' (DRA,

predecessor to the Office of Ratepayer Advocates) settlement of Phase 1&3 issues.<sup>1</sup> The settlement of the Phase 3 issues consisted of a proposed ratemaking treatment for SONGS 2&3. We found that on key elements of the Phase 3 portion of the settlement, the only parties in support were Edison and SDG&E. In D.96-01-011, we found merit with Edison's and SDG&E's conceptual framework regarding their proposed ratemaking treatment for SONGS 2&3, although we had concerns with particular aspects that we believed were inconsistent with the law and not in the public interest. We adopted guidelines which changed the Edison and SDG&E proposal, and allowed the two utilities, and subsequently other parties, to respond. In D.96-04-059, we adopted a ratemaking treatment proposal for SONGS 2&3 as more fully set out in that decision.

In D.96-04-059, we approved Edison's and SDG&E's "SONGS 2&3 Proposal" as modified by the text, findings of fact, and conclusions of law in that decision. (D.96-04-059, slip op. at p. 19, Ordering Paragraph 1.) The utilities' SONGS 2&3 Proposal did not include a portion of SONGS 2&3 A&G expenses in the Incremental Cost Incentive Pricing (ICIP) mechanism, but rather provided that they would continue to be recovered in Edison's future general rate case or superseding recovery mechanism and in SDG&E's base rate performance-based ratemaking (PBR) filings or superseding recovery mechanism during the ICIP period.

In testimony which lead to the issuance of the Unbundling Decision, D.97-08-056, Edison proposed a cost separation methodology that theoretically allocated these corporate SONGS 2&3 A&G expenses that were not included in the SONGS 2&3 ICIP mechanism. Edison states that because corporate A&G expenses were not included in the SONGS 2&3 ICIP mechanism but were recovered through base rates set in Edison's Phase 1&3 Rate Case Decision, Edison had no practical alternative but to propose to

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<sup>1</sup> In Phase 1, the Commission reviewed Edison's results of operations and authorized a base rate revenue requirement, which is identified in Edison's tariffs as the Authorized Level of Base Rate Revenue. Phase 3 involved certain issues surrounding SONGS 2&3.

recover them through the utility's PBR, the successor rate recovery mechanism for base rate items. However, in D.97-08-056, the Commission rejected Edison's proposal and instead directed Edison and SDG&E to file a petition to modify relevant Commission decisions in order to include these costs in the ICIP.

"We reject the approach proposed by Edison to include these costs in distribution for the same reason we have declined to include other types of generation costs in distribution rates. Instead, we direct Edison and SDG&E to file a petition to modify relevant Commission decisions in order to include these A&G costs in ICIP because we believe that these costs are appropriately part of ICIP. To the extent that they are above market ICIP costs, they may be appropriately included in transition costs. That is a matter for resolution in A.96-08-001 et al." (D.97-08-056, slip op. at 25.)

In this Joint Petition to Modify, Edison and SDG&E request that the Commission adopt their corporate A&G rates of 0.21 cents/kilowatt hour (¢/kWh) for Edison and 0.28 ¢/kWh for SDG&E to provide an opportunity for continued recovery of corporate A&G costs allocable to SONGS 2&3 based on SONGS 2&3 generation output through December 31, 2003. The Petition, supported by declarations, states that the forecast amounts of corporate A&G expenses allocated to SONGS 2&3 in the Unbundling Proceeding which led to D.97-08-056, which expenses are not currently included in the SONGS 2&3 ICIP mechanism, are \$22.710 million for Edison and \$8.1 million for SDG&E. In D.96-01-011, the Commission established a 78% capacity factor as the appropriate measure for calculating a ¢/kWh rate for SONGS 2&3 costs subject to recovery based on SONGS 2&3 performance. Using this 78% capacity factor, the utilities state that the appropriate corporate A&G rate would be 0.21 ¢/kWh for Edison and 0.28 ¢/kWh for SDG&E. Edison and SDG&E propose that the corporate A&G rates set forth above be applied to SONGS 2&3 generation output beginning January 1, 1998 and ending December 31, 2003. Edison and SDG&E explain that between January 1, 1998 and December 31, 2003, Edison and SDG&E will be at risk for the recovery of these costs on the same basis that they are at risk for the incremental costs that were included in the SONGS 2&3 ICIP mechanism.

No party opposes Edison's and SDG&E's request. Edison's and SDG&E's Petition for Modification is a limited request made in compliance with our directive in D.97-08-056. As such, the request is reasonable and we adopt it.

#### **Findings of Fact**

1. On August 21, 1997, Edison and SDG&E filed a Joint Petition to Modify D.96-04-059, in compliance with D.97-08-056. In the Joint Petition, Edison and SDG&E seek to continue recovery of certain corporate A&G costs allocable to SONGS 2&3.

2. Edison and SDG&E request that the Commission adopt their corporate A&G rates of 0.21 ¢/kWh for Edison and 0.28 ¢/kWh for SDG&E to provide an opportunity for continued recovery of corporate A&G costs allocable to SONGS 2&3 based on SONGS 2&3 generation output through December 31, 2003.

3. Between January 1, 1998 and December 31, 2003, Edison and SDG&E will be at risk for the recovery of these costs on the same basis that they are at risk for the incremental costs that were included in the SONGS 2&3 ICIP mechanism.

4. Edison's and SDG&E's Petition for Modification is a limited request made in compliance with our directive in D.97-08-056. No party opposes this request.

#### **Conclusions of Law**

1. Because Edison's and SDG&E's Petition for Modification is a limited request made in compliance with our directive in D.97-08-056, the request is reasonable and should be adopted.

2. In order to implement this modification promptly, this decision should be effective immediately.

### **O R D E R**

**IT IS ORDERED that:**

1. Southern California Edison Company's (Edison) and San Diego Gas & Electric Company's (SDG&E) August 21, 1997 Joint Petition to Modify Decision (D.) 96-04-059 in compliance with D.97-08-056 is granted, as more fully set forth in these ordering paragraphs.

2. Section 3.11 should be added to the discussion of D.96-04-059 as follows:

**"3.11 Corporate A&G Price Recovery to Comply With D.97-08-056**

Pursuant to the Commission's decision addressing Edison's and SDG&E's August 21, 1997 Joint Petition to Modify D.96-04-059 in compliance with D.97-08-056, Edison and SDG&E should recover 0.21 ¢/kWh and 0.28 ¢/kWh respectively for their shares of the output of SONGS 2&3 to provide an opportunity to recover certain corporate A&G costs allocable to SONGS 2&3 in D.97-08-056, beginning January 1, 1998 and ending December 31, 2003. This is a transfer of previously authorized revenue."

3. The following Conclusion of Law 15 should be added to D.96-04-059:

"15. Pursuant to the Commission's decision addressing Edison's and SDG&E's August 21, 1997 Joint Petition to Modify D.96-04-059 in compliance with D.97-08-056, Edison and SDG&E should recover 0.21 ¢/kWh and 0.28 ¢/kWh respectively for their shares of the output of SONGS 2&3 to provide an opportunity to recover certain corporate A&G costs allocable to SONGS 2&3 in D.97-08-056, beginning January 1, 1998 and ending December 31, 2003. This is a transfer of previously authorized revenue."

4. Ordering Paragraph 8 should be added to D.96-04-059 as follows:

"8. Pursuant to the Commission's decision addressing Edison's and SDG&E's August 21, 1997 Joint Petition to Modify D.96-04-059 in compliance with D.97-08-056, Edison and SDG&E shall recover 0.21 ¢/kWh and 0.28 ¢/kWh respectively for their shares of the output of SONGS 2&3 to provide an opportunity to recover certain corporate A&G costs allocable to SONGS 2&3 in D.97-08-056, beginning January 1, 1998 and ending December 31, 2003. This is a transfer of previously authorized revenue."

5. In order to conform Edison's and SDG&E's Joint Response referred to in Ordering Paragraph 1 of D.96-04-059 with this order, the following modifications shall be made:

- a. The following paragraph shall be added on page 28, after the columns of numbers and before the sentence beginning with "The prices":

"Also, a Corporate A&G price of 0.21 ¢/kWh will be collected for each kWh of Edison's share of SONGS 2&3 output to provide the opportunity for continued recovery of certain A&G costs in accordance with the Commission's decision on Edison's and SDG&E's August 21, 1997 Joint Petition to Modify D.96-04-059 in compliance with D.97-08-056. This is a transfer of previously authorized revenue."

- b. Footnote 21 on page 29 shall be revised from the third sentence to the end of the footnote as follows:

"The revenue for Corporate A&G Expenses allocable to SONGS 2&3, but not recovered in the 29.0 % of SONGS 2&3 O&M Costs will be recovered through a Corporate A&G price of 0.21 ¢/kWh during the 8-Year Period. In the event that any further or additional allocation of Edison's A&G Expense, other than those expenses identified above, is assigned by the Commission to be recovered in ICIP for SONGS 2&3, the Corporate A&G Price will be directly adjusted to include the cost of the additional A&G Expenses allocation."

- c. The following paragraph shall be added on page 35, after the columns of numbers and before the sentence beginning with "The prices":

"Also, a Corporate A&G price of 0.28 ¢/kWh will be collected for each kWh of SDG&E's share of SONGS 2&3 output to provide the opportunity for continued recovery of certain A&G costs in accordance with the Commission's decision on Edison's and SDG&E's August 21, 1997 Joint Petition to Modify D.96-04-059 in compliance with D.97-08-056. This is a transfer of previously authorized revenue."

d. Footnote 24 on page 36 shall be revised from the third sentence to the end of the footnote as follows:

"The revenue for Corporate A&G Expenses allocable to SONGS 2&3, but not recovered in the 29.0% of SONGS 2&3 O&M Costs (\$8.1 million) will be recovered through a Corporate A&G price of 0.28 kWh, during the 8-Year Period."

6. No later than 15 days after the effective date of this decision, Edison and SDG&E shall file with this Commission revised tariff sheets which implement this decision. The revised tariff sheets shall become effective as of January 1, 1998, unless the Energy Division determines that these tariffs are not in compliance with this decision. The revised tariffs shall apply to service rendered on or after their effective date.

This order is effective today.

Dated November 19, 1997, at San Francisco, California.

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