

FEB 19 1998

Decision 98-02-091 February 19, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for a Commission Order Finding That its Costs and Operations During the Reasonableness Review Period From April 1, 1994 to March 31, 1995 Were Prudent.

Application 95-05-049
(Filed May 26, 1995)

ORIGINAL

Janet K. Lohmann, Attorney at Law, for applicant.
Patrick S. Berdge, Attorney at Law, for the Office of
Ratepayer Advocates.

O P I N I O N

I. Introduction

The Office of Ratepayer Advocates (ORA) and Southern California Edison Company (Edison) (Settling Parties or Parties) move for approval of the Stipulation attached as Appendix A, which settles the reasonableness issues, except for issues related to qualifying facilities (QFs), of Edison's 1995 Energy Cost Adjustment Clause (ECAC) filing. (In this opinion "Stipulation" and "Settlement" are synonymous.) ORA and Edison believe that the Stipulation is "reasonable in light of the whole record, consistent with the law, and in the public interest." (Rule 51.1(e).) Accordingly, ORA and Edison request that the Commission adopt the Stipulation without modification.

The Stipulation provides the following: (1) a \$318,540 credit to the Electric Deferred Refund Account (EDRA) which represents a portion of the lost generation resulting from a steam generator tube rupture on March 14, 1993 at the Palo Verde Nuclear Generating Station Unit 2 (PV2); (2) that except for the above amount, all other expenses associated with the PV2 steam generator tube outage and all other PV and San Onofre Nuclear Generating Station (SONGS) nuclear operations during the Record Periods reviewed should be found reasonable; (3) since ORA withdrew its recommendation concerning the NUEXCO bankruptcy, it agrees that the Commission

should find Edison's nuclear fuel costs during the record periods reviewed reasonable, including those costs related to the NUEXCO bankruptcy; (4) that the Nuclear Unit Incentive Procedure (NUIP) capacity factor for the PV2 two-cycle fuel cycle period which ended during the record period was 66.6%; (5) that because of industry restructuring, the operation of the Power Exchange in 1998 and Edison's sale of its oil and gas-fueled generating substations, the issues raised by ORA regarding economy energy transactions record keeping, emissions trading audits and Thermal Performance Standards (TPS) will become moot in 1998; therefore, the Parties agree that Edison's operations regarding economy energy transactions, gas-fired plant operations and emission audits trading should be found reasonable; and (6) that the parties agree that Edison's hydroelectric operations, long-term power purchases, off-system sales fuel inventory and balancing and memorandum accounts which ORA reviewed in this ECAC were reasonable.

II. Background

This Stipulation is the result of negotiations between ORA and Edison, the only active parties during discovery, and the only parties that have historically been active in past Edison non-QF reasonableness proceedings. The negotiations were conducted after both Parties had filed several rounds of testimony. As a result, the Parties negotiated this Stipulation with full knowledge of the Parties' positions, the strengths and weaknesses of the other Party's position and risk of unfavorable outcome. The Settling Parties have achieved an agreement of all pending non-QF reasonableness issues.

Edison filed ECAC Application (A.) 95-05-049 on May 26, 1995. By this Application, Edison requested, among other things, Commission determinations that Edison's expenses and operations for the Record Period April 1, 1994 through March 31, 1995 were prudently incurred and reasonable. The Forecast Phase, which concerned Edison's forecast ECAC expenses, was resolved by Decision (D.) 96-02-071. The gas reasonableness issues for this Record Period were consolidated into A. 94-05-044, which was resolved by D. 97-12-040.

In May 1996, the Division of Ratepayer Advocates (DRA), the predecessor of ORA, served its Report on the Reasonableness of Edison's Non-QF and Non-gas Expenses and Operations for the Record Period and also reviewed outstanding issues held over from prior Record Periods.

In its Report, DRA determined there were no issues with respect to the following matters: hydroelectric operations, long-term purchases, off-system sales, fuel inventory and audit issues, and made the following recommendations:

1. \$6.6 million associated with lost generation resulting from a steam generator tube rupture on March 14, 1993 at PV2 should be disallowed;
2. Treatment of the seven-day outage that began on May 28, 1994 should remain open until Edison provides an adequate showing that the seven-day outage was reasonable;
3. The 1994/95 Record Periods should be held open with respect to the \$5.2 million nuclear fuel expense associated with the NUEXCO bankruptcy;
4. Edison should be required to do further analysis regarding the TPS;
5. Edison should be ordered to maintain detailed records of economy energy rejections unless Edison can prove such record keeping is not cost-effective; and
6. Capital gains taxes should not be netted from the gross sales proceeds in determining the net revenues from the sales of surplus emissions trading allowances.

In February 1997, Edison served its rebuttal testimony addressing the issues raised by DRA in its report. In addition, Edison met with ORA representatives several times to discuss the PV2 steam generator tube outage and the NUEXCO bankruptcy, and provided ORA with additional information regarding the May 28, 1994 PV2 outage.

As a result of the information provided by Edison to ORA concerning these nuclear issues, in surrebuttal testimony dated June 19, 1997 and in subsequent data request responses, ORA determined that: (1) costs associated with the May 28, 1994 outage were reasonable (see ORA response to data request No. R-1 dated December 16,

1996, attached as Attachment 2 to Edison's February 1997 rebuttal testimony); (2) its concerns regarding the nuclear fuel expense associated with the NUEXCO bankruptcy were resolved (see ORA response to data request No. R-2, dated May 22, 1997, attached hereto as Appendix B); and (3) it should modify its original recommendation regarding the March 14, 1993 PV2 steam generator tube rupture, which stated that earlier detection would have reduced the outage and cleanup time. ORA then recommended that Edison be required to estimate more accurately the number of saved outage days that could have occurred had there been earlier detection and presumably less clean-up time.

In July 1997, the Parties met to discuss ORA's surrebuttal testimony and reached agreement on all contested issues. The Parties intend that the Commission approve this Stipulation without modification or condition. The Parties believe this Stipulation is (1) reasonable in light of the testimony; (2) consistent with the law; (3) in the public interest because it reasonably resolves issues of law and fact; and (4) provides for a mutually acceptable outcome to a pending proceeding thereby avoiding the time, expense and uncertainty of litigation of all issues this Stipulation resolves.

Pursuant to Rule 51.1(b), Edison gave notice of a Settlement Conference to discuss the Settlement. The notice was served on all parties of record in A. 95-05-049. That conference was held on December 18, 1997. Only representatives of ORA and Edison attended.

III. Issues Resolved by the Settlement

A. Nuclear Issues

As a compromise between their respective litigation positions in A. 95-05-049, the Parties agree to the following:

1. Edison will credit its Electric Deferred Refund Account ("EDRA") in the amount of \$318,540 plus interest, which represents replacement fuel costs for 6 outage days.¹
2. That except for the above credit, all other expenses associated with the PV steam generator tube outage and all PV and SONGS nuclear operations during the Record Periods reviewed should be found reasonable by the Commission.

ORA agrees that Edison provided the additional information requested by ORA concerning the NUEXCO bankruptcy. Therefore, ORA withdraws its recommendation that its review of the nuclear fuel expenses associated with the NUEXCO bankruptcy be held open and agrees that Edison's purchases and loan agreements from NUEXCO were reasonable.

In response to ORA's testimony, Edison provided additional information regarding the PV2 outage that began on May 28, 1994. With this information, ORA agrees that the costs associated with this seven-day outage should be found reasonable by the Commission. Therefore, the Parties agree that the nuclear operations for PV2 during the Record Period should be found reasonable by the Commission.

ORA specifically found that nuclear operations for SONGS 2 and 3, and PV 1 and 3 during the Record Period were reasonable. Similarly, ORA found that the prices of uranium, conversion, enrichment, and fabrication during the Record Period (except for NUEXCO) were reasonable. With the withdrawal of ORA's recommendation related to NUEXCO, the Parties agree that the Commission should find Edison's nuclear fuel costs, including those costs related to the NUEXCO bankruptcy, reasonable.

PV2 completed a NUIP two-fuel cycle period during the Record Period. The Parties agree that the NUIP capacity factor calculation was 66.6%. Therefore, no rewards or penalties are warranted.

¹ Interest on the \$318,540 to be credited to the EDRA shall accrue at the rate earned on prime three-month commercial paper, as reported in the Federal Reserve Statistical Release, G.13, until such amounts are refunded to Edison's ratepayers.

B. Other Issues

The Parties agree that in light of the Commission's electric industry restructuring plan, the operation of the Power Exchange in 1998 and Edison's plans to divest all of its oil and gas-fueled generating stations, the issues raised by ORA regarding economy energy transactions record keeping, emissions trading credits and TPS will become moot in 1998. Therefore, the Parties agree that Edison's operations with respect to economy energy, gas-fired plant operations and emission audits trading during the Record Period should be found reasonable.

DRA staff determined there were no issues with respect to the following matters: hydroelectric operations, long-term power purchases, off-system sales, fuel inventory, and audits. The Parties agree that operations in these areas should be found reasonable by the Commission.

The only non-QF issue not addressed by this Stipulation was the reasonableness of gas operations and expenses. Those issues were consolidated with the A.94-05-044 gas reasonableness phase which was reviewed and resolved by the Commission in D.97-12-040.

The only issues that will still remain open in this application pertain to QF contract administration.

IV. The Stipulation Is in the Public Interest

A. The Commission has Expressed Strong Public Policy In Favor of Settlements and Stipulations

The Stipulation is submitted pursuant to Rules 51, *et seq.* of the Commission's Rules and meets the public interest standards expressed in those Rules and in the Commission's decisions on settlements and stipulations. Those cases express a strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.² This policy on settlements is intended to reduce the expense of

² *Re Pacific Gas and Electric Co.*, D.88-12-083, 30 CPUC2d 189, 221 - 223 (1988); *Re PG&E*, D.91-05-029, 40 CPUC2d 301, 326 (1991).

litigation to ratepayers, conserve scarce Commission resources and allow the Settling Parties to avoid the risk that a litigated resolution will produce unacceptable results.³

The Stipulation is in the public interest and ratepayers' interest since it resolves several outstanding nuclear issues from prior record periods and includes a dollar disallowance which will be returned to the ratepayers through the EDRA.

Furthermore, the Stipulation constitutes a far more efficient and optimal use of the Settling Parties' resources in comparison with traditional litigation. The Parties believe that the issues resolved by the Stipulation fairly serve the interests of both Edison and its customers. Thus, the Stipulation meets the standards of Rule 51.1(e) in that it is "reasonable in light of the whole record, consistent with law, and in the public interest."

B. The Stipulation Satisfies All Criteria for All-Party Settlements

Pursuant to D. 92-12-019, all-party settlements must meet the following requirements:

1. command the unanimous sponsorship of all active parties to the instant proceeding;
2. demonstrate that the sponsoring parties are fairly reflective of the affected interests; and
3. demonstrate that no term of the settlement contravenes statutory provisions or prior Commission decisions; and
4. convey to the Commission sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the Parties and their interests.

The Stipulation satisfies each of these requirements.

The Stipulation resolves many complex issues in a fair and equitable way. Any party on the service list in A.95-05-049 had the opportunity to participate in this proceeding, but only Edison and ORA actively conducted discovery and attended the Settlement Conference. Therefore, the Stipulation commands the unanimous

³ *Re San Diego Gas and Electric Co.*, D.92-12-019, 46 CPUC2d 538, 553 (1992).

sponsorship of all active parties that have historically been active in Edison's ECAC reasonableness proceedings:

The Settling Parties represent both ratepayer and utility concerns. The Stipulation is the result of mutual negotiations by parties of opposing interests that achieves a balance of these interests. The Stipulation does not violate any statute or Commission decision and is consistent with the provisions and rules relating generally to burdens of proof. Indeed, the settlement of outstanding reasonableness reviews for a fixed dollar amount based on a compromise of the Parties' respective positions is consistent with past settlements and stipulations approved by the Commission.

The Parties conducted extensive discovery, produced several rounds of prepared direct, rebuttal and surrebuttal testimony which comprises the record in this case. This record provides the Commission with sufficient information to permit it to discharge future regulatory obligations. The negotiations were held at arm's length, with competent counsel experienced in reasonableness matters, and without collusion. The risk, exposure, and complexity of the issues in this proceeding all weigh in favor of adoption of the Stipulation.

V. Conclusion

The Stipulation described above is the product of settlement discussions between the Parties. Both ORA and Edison entered into these discussions after conducting thorough discovery of each other's positions, and after a complete review of that discovery and the Parties' testimony. Based on the foregoing facts, it is the informed judgment of both Parties that the Stipulation is reasonable in light of the strength of each Party's litigation position, the risk, expense, and complexity of litigation, and the settlement amounts upon which the Parties agreed. ORA and Edison therefore conclude that the Stipulation attached as Appendix A is reasonable in light of the whole record, consistent with law, and in the public interest as required by Rule 51.1(e).

Findings of Fact

1. The Stipulation is the product of extensive discussions between the parties. Both ORA and Edison entered into these discussions (1) after conducting thorough discovery

of each other's positions; (2) after a complete review of that discovery and the filed testimony; and (3) after cross-examination of each other's witnesses during hearings.

2. The Stipulation is reasonable in light of the strength of each party's litigation position, the risk, expense, and complexity of litigation, and the settlement amounts upon which the Parties agreed.

3. The Stipulation attached as Appendix A is reasonable in light of the whole record, consistent with law, and in the public interest as required by Rule 51.1(e).

4. Except for the \$318,540 credit, all other expenses associated with the PV steam generator tube outage and all PV and SONGS nuclear operations during the Record Periods reviewed were reasonable.

5. Edison's purchases and loan agreements from NUEXCO were reasonable.

6. The nuclear operations for PV2 during the Record Period were reasonable.

7. Edison's nuclear fuel costs, including those costs related to the NUEXCO bankruptcy, were reasonable.

8. Edison's operations with respect to economy energy, gas-fired plant operations and emission audits trading during the Record Period were reasonable.

9. Hydroelectric operations, long-term power purchases, off-system sales, fuel inventory, and audits were reasonable.

10. Except for QF contract administration issues which remain open, and except for the \$318,540 credit, all of Edison's costs and operations from April 1, 1994, through March 31, 1995, were reasonable.

Conclusion of Law

The Stipulation attached as Appendix A should be approved.

O R D E R

IT IS ORDERED that:

1. The Stipulation attached as Appendix A is approved.
2. Southern California Edison Company (Edison) shall credit its Electric Deferred Refund Account (EDRA) in the amount of \$318,540, plus applicable interest. Edison

A.95-05-049 ALJ/RAB/sid

shall submit an Advice Letter within 30 calendar days after the effective date of this order which sets forth a plan to refund these amounts to ratepayers.

3. Interest charges on the \$318,540 to be credited to the EDRA shall accrue at the rate earned on prime, three-month commercial paper, as reported in the Federal Reserve Statistical release, G.13. Interest charges will accrue until such amounts are refunded to Edison's ratepayers.

This order is effective today.

Dated February 19, 1998, at San Francisco, California.

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

APPENDIX A
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**STIPULATION BETWEEN SOUTHERN CALIFORNIA EDISON
COMPANY ("EDISON") AND THE OFFICE OF RATEPAYER
ADVOCATES ("ORA") ON NON-QF REASONABLENESS ISSUES IN
APPLICATION NO. 95-05-049**

In accordance with Article 13.5 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, ORA and Edison, collectively referred to as the "Parties," by and through their undersigned counsel, enter into this Stipulation to resolve fully and forever the issues described in Section II below.

I.

RECITALS

A. In May, 1995, Edison filed with the Commission Application ("A") No. 95-05-049 in which it requested, among other things, Commission determinations that Edison's expenses and operations for the Record Period, April 1, 1994 through March 31, 1995, were reasonable.

B. In May, 1996, ORA's predecessor, the Division of Ratepayer Advocates ("DRA") served its report on the reasonableness of non-QF expenses and operations for the Record Period in this Application. Additionally, DRA's report reviewed outstanding issues from prior record periods.¹

C. Issues not covered in this proceeding which will be addressed in other proceedings include:

- Edison's gas procurement expenses and operations for the Record Period which were consolidated into A. 94-05-044 gas reasonableness phase, and which was resolved by D.97-12-040;

¹ See September 27, 1995 PHC-3, Tr. 27-28 and ALJ Barnett October 11, 1995 ruling.

- QF Reasonableness issues during the Record Period;^{2/} and
- Metropolitan Water District Small Hydro Contract Reasonableness which will be addressed in conjunction with QF issues in A. 93-05-044.

D. In its report, DRA determined there were no issues with respect to the following matters: hydroelectric operations, long-term power purchases, off-system sales, fuel inventory and balancing and memorandum account audit issues.

E. In its report, DRA made the following recommendations:

1. \$6.6 million associated with lost generation resulting from a steam generator tube rupture on March 14, 1993 at Palo Verde Nuclear Generating Station Unit 2 ("PV2") should be disallowed;
2. The seven-day outage that began on May 28, 1994 should remain open until Edison provides an adequate showing that the seven-day outage was reasonable;
3. The 1994/95 record periods should be held open with respect to the \$5.2 million nuclear fuel expense associated with the NUEXCO bankruptcy;
4. Edison should be required to do further analysis regarding the Thermal Performance Standard ("TPS");
5. Edison should be ordered to maintain detailed records of economy energy rejections unless Edison can prove such record keeping is not cost effective;
6. Capital gains taxes should not be netted from the gross sales proceeds in determining the net revenues from the sales of surplus emissions trading allowances.

F. In February 1997, Edison served its rebuttal testimony addressing the issues raised by DRA in its report. In addition, Edison met with ORA representatives to discuss the PV2 steam generator tube outage and the NUEXCO bankruptcy, and provided ORA with additional

^{2/} Prior Application Nos. 92-05-047, 93-05-044, 94-05-049 are also open with respect to QF issues.

information regarding the May 28, 1994 PV2 outage.

As a result of the information provided by Edison to ORA concerning these nuclear issues, ORA determined that: (1) the May 28, 1994 outage was reasonable (see ORA response to data request No. R-1 dated December 16, 1996, attached as Attachment 2 to Edison's February 1997 rebuttal testimony); (2) its concerns regarding the nuclear fuel expense associated with the NUEXCO bankruptcy were resolved (see ORA response to data request No. R2, dated May 22, 1997; and (3) its original recommendation regarding the March 14, 1993 PV2 steam generator tube rupture which stated that earlier detection would have reduced the outage and cleanup time should be amended. ORA then recommended that Edison be required to more accurately estimate the number of saved outage days that could have occurred had there been earlier detection and presumably less clean-up time.³

G. In July 1997, the Parties met to discuss ORA's surrebuttal testimony and reached agreement on all contested issues referenced in Section E above. The Parties intend that the Commission approve this Stipulation without modification or condition as described herein. The Parties believe this Stipulation is (1) reasonable in light of the testimony; (2) consistent with the law; (3) in the public interest because it reasonably resolves issues of law and fact; and (4) provides for a mutually acceptable outcome to a pending proceeding thereby avoiding the time, expense and uncertainty of litigation in all issues this Stipulation resolves.

II.

AGREEMENT

In consideration of the recitals set forth above, the Parties agree as follows:

A. Nuclear Issues

1. As a compromise between their respective litigation positions in A. 95-05-049, the Parties agree to the following:

- a) Edison agrees to credit its Electric Deferred Refund Account ("EDRA") in the amount of \$318,540 plus

³ ORA surrebuttal testimony, dated June 19, 1997.

interest.⁴

- b) The Parties further agree that except for the above credit, all other expenses associated with the PV steam generator tube outage and all PV and SONGS nuclear operations during the Record Periods reviewed, should be found reasonable by the Commission.
2. ORA agrees that Edison provided the additional information requested by ORA concerning the NUEXCO bankruptcy. Therefore, ORA withdraws its recommendation that its review of the nuclear fuel expenses associated with the NUEXCO bankruptcy be held open and agrees that Edison's loan agreements with NUEXCO were reasonable.
 3. ORA agrees that in response to ORA's testimony, Edison provided additional information regarding the PV2 outage that began on May 28, 1994. With this information, ORA agrees that the costs associated with this seven-day outage should be found reasonable by the Commission. Therefore, the Parties agree that the nuclear operations for PV2 during the Record Period should be found reasonable by the Commission.
 4. ORA specifically found that nuclear operations for SONGS 2 and 3, and PV1 and 3 during the Record Period were reasonable. Similarly, ORA found that the prices of uranium, conversion, enrichment and fabrication during the record period (except for NUEXCO) were reasonable. With the withdrawal of ORA's recommendation related to NUEXCO, the Parties agree that the Commission should find Edison's nuclear fuel costs, including those costs associated with the NUEXCO bankruptcy reasonable.
 5. PV2 completed a NUIP two-fuel cycle period during the Record Period. The Parties agree that the NUIP capacity factor calculation was 66.6%. Therefore, no rewards or penalties are warranted.

⁴ Said amount represents replacement fuel costs for 6 outage days. Interest on the \$318,640 to be credited to the EDRA shall accrue at the rate earned on prime three-month commercial paper, as reported in the Federal Reserve Statistical Release, G.13, until such amounts are refunded to Edison's ratepayers.

B. Other Issues

1. The Parties agree that in light of the Commission's industry restructuring plan, the operation of the power exchange in 1998 and Edison's plans to divest all of its oil and gas fuels generating stations, the issues raised by ORA regarding economy energy transactions record keeping, emissions trading credits and TPS will become moot in 1998. Therefore, the Parties agree that Edison's operations with respect to economy energy, gas-fired plant operations and emission audits trading during the Record Period should be found reasonable.
2. DRA staff determined there were no issues with respect to the following matters: hydroelectric operations, long-term power purchases, off-system sales, fuel inventory and audit issues. The Parties agree that operations in these areas should be found reasonable by the Commission.
3. The only non-QF issue not addressed by this Stipulation, gas reasonableness, was consolidated with the A. 94-05-044 gas reasonableness phase which was resolved by D.97-12-040.
4. If this Stipulation is adopted by the Commission, the only issues that will still remain open in this Application pertain to QF contract administration.

III.**RESERVATIONS**

1. The Parties agree that this Stipulation represents a compromise of their respective litigation positions. It is neither an admission of imprudence or liability for damages or a penalty of any kind on the part of Edison nor does it represent the ORA's endorsement of, or agreement with any or all of Edison's actions.
2. The Parties agree that Edison's obligation to credit \$318,540 to the EDRA will become effective only if the CPUC unconditionally approves this Stipulation without modifications, and makes specific findings of reasonableness as set forth in this Stipulation.

3. The Parties shall jointly request Commission approval of this Stipulation. The Parties additionally agree to actively support prompt approval of the Stipulation including approval on an ex parte basis. Active support shall include comments, written and oral testimony, if required, appearances and other means as needed to obtain the approvals sought. The Parties further agree to jointly participate in briefings to Commissioners and their advisors regarding the Stipulation and the issues compromised and resolved by it.
4. This Stipulation embodies the entire understanding and agreement of the Parties with respect to the matters described herein, and supersedes and cancels any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings between the Parties.
5. The Stipulation may be amended or changed only by a written agreement signed by the Parties.
6. The Parties have bargained earnestly and in good faith to achieve this Stipulation. The Parties intend the Stipulation to be interpreted and treated as a unified, interrelated agreement. The Parties therefore agree that if the Commission fails to approve the Stipulation as reasonable, and adopt it unconditionally and without modification, including the findings and determinations requested herein, either Party may in its sole discretion, elect to terminate the Stipulation. The Parties further agree that any material change to the Stipulation shall give each Party in its sole discretion, the option to terminate the Stipulation. In the event the Stipulation is terminated, the Parties will request that the unresolved issues in the non-QF reasonableness phase in A. 95-05-049 be heard at the earliest convenient time.
7. This Stipulation shall become effective between the Parties on the date the last Party executes the Stipulation as indicated below.

OFFICE OF RATEPAYER ADVOCATES

Patrick S. Berdge

Patrick S. Berdge
Staff Counsel

SOUTHERN CALIFORNIA EDISON
COMPANY

Janet K. Lohmann

Janet K. Lohmann
Senior Attorney

Dated: December 18, 1997

Dated: 12/18/97

ORA'S RESPONSE TO
SOUTHERN CALIFORNIA EDISON COMPANY
ENERGY COST ADJUSTMENT CLAUSE
APPLICATION NO. 95-05-049
DATA REQUEST NO. R2

- Q.1 In its *Reasonableness of Operations Report For The Period April 1, 1995 - March 31, 1995*, (SCE-2), Edison provided information regarding its nuclear fuel purchases and loan arrangements with NUEXCO, and indicated that NUEXCO had declared bankruptcy and defaulted on its obligation to deliver contracted uranium fuel to Edison.

In its May 1996 Report, *Reasonableness - Southern California Edison Company's Energy Cost Adjustment Clause*, ORA stated that this issue should remain open until the courts make a ruling on the NUEXCO bankruptcy case, and that Edison should be required to provide a full time-line of relevant events and experiences with NUEXCO prior to the NUEXCO bankruptcy.

In its February 1997 *Rebuttal To The Office Of Ratepayer Advocates' May 1996 Energy Cost Adjustment Clause Proceeding, Reasonableness Phase Report*, Edison provided the information requested by ORA. Subsequently, on April 1, 1997, Edison representatives met with ORA to discuss the issue, answer questions and provide additional information ORA might require to substantiate the reasonableness of Edison's actions and the incremental nuclear fuel costs incurred as a result of the NUEXCO bankruptcy. At the conclusion of the April 1, 1997 meeting, ORA indicated that it was now "satisfied" with Edison's nuclear fuel procurement activities as they relate to the NUEXCO bankruptcy issue.

Having received additional information concerning Edison's nuclear fuel procurement management, is it now ORA's position that the nuclear fuel costs resulting from the NUEXCO bankruptcy were reasonably incurred, given the specific circumstances of this event. If this is not ORA's position, please specify what still needs to be clarified or resolved in order to dispose of this issue.

- A.1 ORA is satisfied with Edison's initial procurement. ORA expects Edison to provide the bankruptcy determination to ORA and to file an advice letter filing requesting a ratepayer credit.

(END OF APPENDIX B)