

Decision 99-02-069 February 18, 1999

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

In the Matter of the Application of the Southern California Edison Company (U 339-E) For: (1) Authority to Revise its Energy Cost Adjustment Billing Factor, Its California Alternate Rates for Energy, and its Base Rate Levels Effective January 1, 1997; (2) Authority to Revise the Incremental Energy Rate, the Energy Reliability Index and Avoided Capacity Cost Pricing; and (3) Review of the Reasonableness of Edison's Operations During the Period From April 1, 1995 Through March 31, 1996.

**ORIGINAL**

Application 96-05-045  
(Filed May 30, 1996)

In the Matter of the Application of the Southern California Edison Company (U 339-E) For: (1) Review of the Reasonableness of Edison's Operations During the Period From April 1, 1996 Through March 31, 1997.

Application 97-05-050  
(Filed May 30, 1997)

**OPINION ON PETITION FOR MODIFICATION**

**Summary**

This decision corrects an error in Decision (D.) 98-10-054.

In D.98-10-054, Southern California Edison Company (Edison) was authorized to recover certain Nuclear Unit Incentive Procedure (NUIP) rewards. However, the decision erroneously stated that Edison may seek recovery of these rewards in its Revenue Allocation Proceeding (RAP).

By this decision, Edison is authorized to book the NUIP rewards adopted in D.98-10-054, plus interest, in its Transition Cost Balancing Account (TCBA).

The entry in the TCBA is to be verified in Edison's next Annual Transition Cost Proceeding (ATCP).

### **Procedural Summary**

The petition for modification was filed on December 21, 1998, and served on all parties to this proceeding. Notice of the filing appeared in the Commission's Daily Calendar dated December 30, 1998.

Since no protests were filed, this matter is addressed *ex parte*.

### **Background**

The purpose of the NUIP is to provide a performance standard applicable to Edison's share of San Onofre Nuclear Generating Station (SONGS) Units 2 and 3, and Palo Verde Nuclear Generating Station (PVNGS) Units 1, 2, and 3. Edison's Energy Cost Adjustment Clause (ECAC) Preliminary Statement, Part G.9.d, which was in effect at the time Application (A.) 96-05-045 and A.97-05-050 were filed, required Edison to report in its annual ECAC reasonableness report the Average Gross Capacity Factor for the company's share of ownership of a unit whenever the unit's incentive period ended.<sup>1</sup> Section 9.e.(5) of Preliminary Statement, Part G provided that if the calculation produced a negative amount, the company would be entitled to a shareholder reward which would be debited to the ECAC account. Edison properly sought recovery of its NUIP rewards in A.96-05-045 and A.97-05-050 for SONGS 2 and 3, Fuel Cycles 6 and 7, Palo Verde Unit 1 Fuel Cycles 4, 5, and 6 and Palo Verde Unit 2 Fuel Cycle 6. Pursuant to its tariffs and the decisions referenced in G.9.b., the NUIP calculations for each of these units were reviewed and found correct. However, because D.98-10-054 was

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<sup>1</sup> Pursuant to D.97-10-057 and Resolution E-3510, Edison's ECAC balancing account was eliminated effective January 1, 1998 and Preliminary Statement, Part G was withdrawn from Edison tariffs.

issued subsequent to the elimination of the ECAC balancing account, Edison's correctly calculated NUIP rewards could not be debited to the ECAC balancing account for rate recovery.

#### **Position of Edison**

Edison argues that, contrary to any such inference from D.98-10-054, its NUIP rewards should not be reviewed again in the RAP. Edison points out that the May 14, 1998 Coordinating Commissioner's Ruling (CCR) in R.94-04-031 and I.94-04-032 states:

"Reasonableness reviews should not be conducted as part of the RAP, but the results of various reasonableness reviews will be consolidated into the RAP."

Further, Edison argues that NUIP rewards are not in the same category as the non-generation revenue requirement changes that are pending authorization and consolidation in the RAP. Edison points out that if D.98-10-054 had been issued prior to December 31, 1997, the NUIP rewards would have been booked into the ECAC balancing account. After December 31, 1997, the ECAC balancing account was transferred into the interim TCBA,<sup>3</sup> which then was transferred into the TCBA.

Edison contends, therefore, that with the elimination of the ECAC balancing account, Edison's reasonable NUIP rewards should be recovered in a manner consistent with the final disposition of the ECAC account balance at year-end 1997. That is, the NUIP rewards should be recovered through an

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<sup>1</sup> CCR, p. 2.

<sup>3</sup> See D.97-10-057, p. 35, Ordering Paragraph 2.

adjustment to the TCBA because the ECAC balancing account was ultimately transferred to the TCBA.

Further, Edison argues that a NUIP reward is a generation-related revenue requirement. And since the RAP consolidates non-generation revenue requirements, NUIP rewards do not belong in the RAP.<sup>4</sup> And Edison points out that the Ratesetting Decision, D.97-08-056, in Appendix B - Table 3, allocated recovery of NUIP rewards to the generation rate component. In addition, as reflected in Edison's Commission-adopted TCBA Preliminary Statement, going forward Palo Verde NUIP rewards were determined to be generation-related and are recovered by making a debit to the TCBA.<sup>5</sup>

#### Discussion

Generally costs booked to the TCBA must be defined as transition costs according to Public Utilities (Pub. Util.) Code Section 367, i.e., generation-related assets and obligations that were being collected in rates on December 20, 1995, and that may become uneconomic as a result of a competitive generation market. NUIP rewards do not meet that definition. However, we agree with Edison that NUIP rewards are generation-related and, prior to December 31, 1997, would have been booked into the ECAC balancing account. And because the ECAC balancing account was ultimately transferred to the TCBA, NUIP rewards should be booked into the TCBA and not into the RAP. Also, there is no need for further reasonableness review of these NUIP rewards. D.98-10-054 should be corrected

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<sup>4</sup> Unlike NUIP Rewards, the Catastrophic Event Memorandum Account (CEMA) amounts which were found to be reasonable and adopted by the Commission in D.98-10-054 are appropriate to be consolidated in the RAP since such amounts are authorized non-generation related revenues.

<sup>5</sup> See Edison's Preliminary Statement, Part JJ.6.f. The Palo Verde Incremental Costs Subaccount goes into the TCBA.

accordingly. It is important to note that by allowing Edison to book its NUIP rewards to the TCBA we are not changing any policies adopted in previous decisions regarding transition costs. Consistent with our policy stated in D.97-11--074, to the extent that headroom is insufficient to address any of these costs, these amounts may not be carried over to later years for transition cost recovery.<sup>6</sup>

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

#### Findings of Fact

1. In D.98-10-054, Edison was authorized to receive the NUIP rewards associated with nuclear units as follows:

Unit	Fuel Cycle	GCF (%)	Reward
SONGS 2	6,7	84.0	\$6,895,368
SONGS 3	6,7	84.4	7,460,958
PVNGS 1	4,5	80.2	75,178
PVNGS 1	6	83.8	465,573
PVNGS 2	6	86.1	461,701

2. NUIP rewards are not transition costs as defined in Pub. Util. Code Section 367.

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<sup>6</sup> D.97-11-074, in A.96-08-001, et al., p. 164.

4. NUIP rewards are generation-related and prior, to December 31, 1997, were booked into the ECAC balancing account.

#### **Conclusions of Law**

1. Since the ECAC balancing account has been transferred to the TCBA, NUIP rewards should be booked into the TCBA.

2. Since the NUIP rewards listed above have been reviewed for reasonableness in D.98-10-054, no further reasonableness review is required.

3. D.98-10-054 should be corrected accordingly.

4. Edison's petition to modify D.98-10-054 as discussed above should be granted.

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

#### **IT IS ORDERED that:**

1. The petition of Southern California Edison Company (Edison) to modify Decision (D.) 98-10-054 is granted, as follows:

(a) Mimeo., p. 12, first full paragraph, last sentence, which reads:

*"However, these amounts should now be presented for recovery as part of Edison's Revenue Adjustment Proceeding (RAP), since the ECAC balancing account no longer exists. (See Coordinating Commissioner's Ruling of May 14, 1998 in R.94-04-031/ I.94-04-032; D.97-10-057, p. 25 (Ordering Paragraph 2)."*

shall be deleted and is replaced with:

*"Since NUIP rewards are generation-related, and Edison's ECAC balancing account has been transferred to the TCBA, the reward amounts should be booked into the TCBA."*

2. Finding of Fact 21, which reads:

"21. Edison shall present the NUIP amounts above, plus applicable interest, and seek their recovery in the Revenue Allocation Proceeding (RAP)."

shall be deleted and replaced with:

"21. Edison shall recover the NUIP amounts above, plus applicable interest, by booking these amounts into the Transition Cost Balancing Account (TCBA). The amounts booked should be reviewed in Edison's 1999 Annual Transition Cost Proceeding (ATCP). There shall be no further reasonableness review of these amounts."

3. Application (A.) 96-05-045 and A.97-05-050 are closed.

This order is effective today.

Dated February 18, 1999, at San Francisco, California.

RICHARD A. BILAS  
President  
HENRY M. DUQUE  
JOSIAH L. NEPPER  
Commissioners