

Decision 99-10-060 October 21, 1999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Authority to Recover Capital Additions to its Fossil Generating Facilities Made Between January 1, 1996 and December 31, 1996 and Related Substantive and Procedural Relief.

Application 97-10-024
(Filed October 3, 1997)

O P I N I O N

Summary

Based on a settlement reached between Southern California Edison Company (Edison) and The Utility Reform Network (TURN), this decision authorizes transition cost recovery of \$11.156 million of 1996 capital addition related costs to Edison's non-nuclear generating facilities and denies recovery of \$1.415 million in costs associated with Work Order No. 3393-0044, the Cool Water Blanket Spare Parts project. The authorized costs should be recorded in the Transition Cost Balancing Account (TCBA).

Background

Decision (D.) 99-03-055 reopened this case for limited submittals relating to approximately \$12.5 million in 1996 capital additions that were not cost-justified on the record.¹ The reopened hearing provided Edison with the opportunity to present cost-effectiveness justification for three categories of its 1996 capital

¹ On October 3, 1997, Edison filed an application seeking recovery of approximately \$100.3 million in 1996 capital additions to non-nuclear generating plant through transition cost recovery. D.99-03-055 granted Edison \$82.4 million of 1996 capital additions and reopened the hearing to allow Edison to submit additional evidence to show the cost effectiveness of the remaining \$12.5 million in 1996 capital additions.

additions: site specific general costs; spare parts costs; and projects costing less than \$500,000 but more than \$100,000. The specific projects and amounts Edison sought to recover in the reopened proceeding are set forth, in thousands, as follows:

1. Site Specific General

Fossil-Fired Generation	\$4,153
Hydroelectric Generation	\$2,685

2. Spare Parts Costs:

3393-0044 – Cool Water blanket – spare parts	\$1,415
1020-0044 – MDSS blanket – spare parts	\$ 443
1320-0044 – Mohave blanket – spare parts	\$ 269
1516-0076 – El Segundo blanket – lab / test and tech equipment	\$ 246
1320-0100 – Mohave blanket-motors under \$25,000	\$ 241

3. Projects Costing Less Than \$500,000

1413-0394 – Alamitos – replace Unit 4 main boiler feed pump	\$ 447
1330-0780 – Four Corners 94-16 auxiliary steam line modifications unit	\$ 433
1310-8036 – Etiwanda replace Unit 3 soot-blowing service rotary air	\$ 376
1313-4054 - Etiwanda – Replace 8 th stage seals and packing	\$ 289
1214-0347 – Redondo PWEE – replace Unit 7 south boiler feed pump imp	\$ 232
1214-0981 – Redondo Units 7&8 controls replacement	\$ 224

1214-0991 – Redondo replace impeller on Unit 7 north condensate PU	\$ 104
1410-0365 – Replace Units 3&4 annunciator system	\$ 102
2237-0317 – Portal – Replace equipment damaged in fire	\$ 249
2234-8021 – Big Creek 2A – Replace U-fin cooler	\$ 217
2522-8002 – Bishop Creek No. 2 –Replace excitation	\$ 215
2313-0470 – Kern River No. 1 - Upgrade supervisory control equipment	\$ 130
2328-8072 – Kern River No. 3 –Replace powerhouse roof	\$ 101

On June 2, 1999, the Commission held a prehearing conference (PHC) on the limited reopening of this case. On June 8, 1999, Administrative Law Judge (ALJ) Linda R. Bytof issued a Ruling (ALJ's Ruling) setting forth the scope of the hearing, the procedural schedule, guidelines for Edison's supplemental testimony and further hearing procedures. Pursuant to the schedule set forth in the ALJ's Ruling, Edison submitted supplemental testimony on the approximately \$12.5 million in 1996 capital additions that the Commission found were not cost justified on the record. In response to the ALJ's Ruling, Edison's testimony also broke down the large categories labeled "site specific general" into individual projects and cross-referenced the testimony with the work orders contained in the workpapers. Table 1 of the settlement agreement attached hereto as Attachment A (p. 4), sets forth with more particularity the specific "site

specific general" projects for which additional cost justification was permitted by D.99-03-055.²

On July 16, 1999, TURN submitted its testimony, seeking a disallowance of \$3.8 million of the \$12.5 million of 1996 capital additions at issue in this proceeding. TURN challenged \$1.415 million in costs associated with Work Order No. 3393-0044, the Cool Water Blanket Spare Parts project, and \$2.38 million in costs associated with the SCEnet network switching and indoor infrastructure projects.

The Office of Ratepayer Advocates (ORA), which had also been an active party in this case, did not submit testimony and later informed the ALJ and the parties that it was withdrawing from participation in the limited reopening of this case. On July 26, 1999, Edison submitted its rebuttal testimony to TURN's testimony.

On August 4, 1999, the parties informed the ALJ that they had reached a settlement and were planning to hold a Settlement Conference, in conformance with Rule 51.1(b) of the Commission's Rules of Practice and Procedure,³ on August 13, 1999. To facilitate an appropriate review of the settlement, ALJ Bytof requested that Edison submit additional supplemental sworn testimony as follows:

- Clarifying the amounts actually expended and closed to plant in 1996;

² Table 1 sets forth all the projects for which additional cost justification was permitted in D.99-03-055, with the exception of one project, Work Order No. 3393-0044, the Cool Water Blanket Spare Parts project, which is disallowed by the settlement.

³ Unless otherwise indicated, all subsequent citations to rules refer to the Rules of Practice and Procedure, which are codified at Chapter 1, Division 1 of Title 20 of the California Code of Regulations.

- Explaining why Edison's economic evaluations use capital costs that are different from the costs sought through the TCBA;
- Explaining why the work orders show costs that are different from the costs sought through the TCBA; and
- Explaining how the economic evaluations support the costs expended.

ALJ Bytof also requested that Edison submit workpapers documenting that:

- The amounts requested were expended and closed to plant in 1996; and
- The requested costs associated with the SCENet projects were not recovered in the 1995 GRC.

Edison and TURN served a Joint Notice of Settlement Conference on August 6, 1999, and held the settlement conference on August 13, 1999. Edison and TURN, in the motion for adoption of the settlement agreement, state that no one showed up at the settlement conference. The requested additional testimony and workpapers were submitted on August 20, 1999.

Edison and TURN stipulate that the testimony submitted by the parties prior to reaching the settlement, as reflected in Exhibit Nos. 48(E), 49(E), 50(E), and 51(T), and the testimony submitted by Edison on August 20, 1999 in response to ALJ Bytof's request, as reflected in Exhibit No. 52(E), be entered into the formal record without evidentiary hearings.

Discussion

The settlement, attached to this decision as Attachment A, describes the agreement of the parties in detail. Table 1, set forth on pp. 4-5 of the settlement, sets forth the \$11.156 million in 1996 capital addition projects deemed recoverable as transition costs. Included in the \$11.156 million is approximately \$2.38 million for recovery of costs associated with SCENet projects which TURN

originally challenged. It also provides that \$1.415 million in costs associated with Work Order No. 3393-0044, Cool Water Blanket Spare Parts are not authorized for recovery as transition costs.

We deem this to be an all-party settlement. While ORA filed an appearance as a party at the PHC held to schedule proceedings in this limited reopened proceeding, it did not file testimony and advised the ALJ and the parties that it was withdrawing from participation in the proceeding. ORA also advised the ALJ and parties that it did not intend to take a position on the settlement and subsequently did not appear at the settlement conference.

The all-party settlement conforms to the requirements of Article 13.5 of our Rules of Practice and Procedure, including Rule 51.1(e), in that the settlement is "reasonable in light of the whole record, consistent with law, and in the public interest." All active parties support the settlement. No party opposes it.⁴

The settlement also meets the criteria we outlined in *San Diego Gas & Electric Co.* (1992) 46 CPUC2d 538 (D.92-12-019) in that each party is adequately represented; the interests of ratepayers have been asserted by TURN; no terms of the settlement contravene any statutory provision or any decision of this Commission, and the settlement, together with the record in this proceeding, convey sufficient information to permit us to make an informed evaluation. The settlement should be adopted and the motion for approval of the settlement granted.

⁴ In D.99-03-055 we stated that to the extent that the SCENet project was found cost-effective in the 1995 GRC, Edison should not seek double recovery for these costs and must show that any incremental investment is cost effective. (*Mimeo.*, at p. 24.) Our statements (made in the body of our Decision and not in the findings and conclusions) were made in response to TURN's stated concerns, as set forth in its petition to set aside the submission and reopen the proceeding. Since, under the proposed settlement, TURN now has agreed that these specific costs may be recovered, we presume that TURN has resolved these concerns to its satisfaction.

Waiver of Comment Period

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

Findings of Fact

1. As set forth in Attachment A, the active parties have reached settlement on all issues in this proceeding.
2. The settlement is supported by Edison and TURN.
3. No party opposes the settlement.

Conclusions of Law

1. The settlement conforms to Article 13.5 in that it is reasonable in light of the whole record, consistent with law, and in the public interest and meets the all party settlement criteria outlined in D.92-12-019.
2. The settlement should be adopted and the motion for approval of the settlement should be granted.
3. Edison should be authorized to recover as transition costs \$11.156 million of 1996 capital additions to Edison's non-nuclear generating facilities, as set forth in Table 1 of the appended settlement agreement.
4. Edison should not be authorized to recover as transition costs \$1.415 million in capital addition related costs associated with Work Order No. 3393-0044, the Cool Water Blanket Spare Parts project.
5. This order should be effective today, to allow the expeditors recovery of these authorized costs.

O R D E R

IT IS ORDERED that:

1. The settlement appended hereto as Attachment A and agreed to by Southern California Edison Company (Edison) and The Utility Reform Network is approved.

2. The motion for approval of the stipulation is granted.

3. Edison is authorized to recover as transition costs \$11.156 million of 1996 capital additions to Edison's non-nuclear generating facilities, as set forth in Table 1 of the appended settlement agreement.

4. Application 97-10-024 is closed.

This order is effective today.

Dated October 21, 1999, at San Francisco, California.

RICHARD A. BILAS

President

HENRY M. DUQUE

JOSIAH L. NEEPER

JOEL Z. HYATT

CARL W. WOOD

Commissioners

ALJ/LRB/hkr

ATTACHMENT A
BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

Application of Southern California Edison)
Company (U 338-E) for Authority to)
Recover Capital Additions to its Fossil)
Generating Facilities Made Between)
January 1, 1996 and December 31, 1996)
and Related Substantive and Procedural)
Relief.)
_____)

A.97-10-024

SETTLEMENT AGREEMENT

Dated: August 13, 1999

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

Application of Southern California Edison)
Company (U 338-E) for Authority to)
Recover Capital Additions to its Fossil)
Generating Facilities Made Between)
January 1, 1996 and December 31, 1996)
and Related Substantive and Procedural)
Relief.)
_____)

A.97-10-024

SETTLEMENT AGREEMENT

1. PARTIES

The Parties to this Settlement Agreement (Agreement) are Southern California Edison Company (SCE) and The Utility Reform Network (TURN) (referred to hereinafter collectively as Parties or individually as Party).

2. RECITALS

2.1 SCE is an investor-owned public utility in the State of California and is subject to the jurisdiction of the California Public Utilities Commission (Commission or CPUC) with respect to providing electric service to its CPUC-jurisdictional retail customers.

2.2 On March 18, 1999, the Commission granted the application of SCE for recovery of certain of its 1996 capital additions projects and reopened the case "for limited further submittals regarding approximately \$12.5

- million in capital additions which" the Commission found "were not cost justified on the record as it stands to date."^{1/}
- 2.3 On June 8, 1999, Assigned Administrative Law Judge (ALJ) Bytof issued a ruling setting forth the scope of the hearing and the procedural schedule for the approximately \$12.5 million of 1996 capital additions that the Commission found "were not cost justified on the record."^{2/}
- 2.4 On June 23, 1999, SCE submitted its Supplemental Testimony, pursuant to the ALJ's Ruling.
- 2.5 TURN is an independent, non-profit consumer advocacy organization that represents the interests of residential and small commercial utility customers.
- 2.6 On July 16, 1999, TURN submitted its testimony on the \$12.5 million of 1996 Capital Additions at issue in the limited reopening of the 1996 Capital Additions Application. TURN's testimony called for disallowances totaling \$3.8 million. No other intervenor parties submitted testimony.
- 2.7 On July 26, 1999, SCE served its rebuttal testimony. SCE disputed each of TURN's proposed disallowances.
- 2.8 On August 4, 1999, SCE and TURN informed the ALJ, during a teleconference, that they had agreed to a settlement of issues relating to the \$12.5 million of 1996 capital additions.

^{1/} D.99-03-055, p. 1.

^{2/} Id.

3. DEFINITIONS

When used with initial capitalization in this agreement, whether in singular or plural, the terms in Appendix A shall have the meanings stated therein.

4. AGREEMENT

In consideration of the mutual obligations, promises, covenants and conditions contained herein, the Parties agree to support approval by the Commission of this Agreement in this proceeding as further described in Section 6.

4.1 Recovery Of SCE's 1996 Capital Additions Through The Competition Transition Charge

4.1.1 The Parties agree that SCE should be authorized to recover through the Competition Transition Charge (CTC) the costs of the projects in Table 1 below.

Table 1
1996 Capital Additions Projects Recoverable Through
The CTC
(\$x000)

<u>Work Order No.</u>	<u>Description</u>	<u>(\$000)</u>
<u>Fossil Site-Specific General (Mainly Telecommunications and Furniture & Equipment)</u>		
<u>Telecommunications</u>		
<u>Regulatory Mandated Project - FCC Mandated Microwave Replacement Project</u>		
5360-165	Replace 2Ghz Microwave Systems with Fiber Optic Equipment	175
5360-166	Replace 2Ghz Microwave systems with 6BHz Microwave Equipment	488
<u>Other Telecommunications Projects - SCEnet</u>		
5360-174	Network Switching	375
5360-180	Indoor Infrastructure	1,266
	SCEnet Work Orders Under \$100,000	303
<u>Other Fossil Site Specific General (Mainly Furniture and Equipment)</u>		
1330-0315	Four Corners Materials Logistics Information System	752
1330-0310	Four Corners Telephone Switching System Upgrade	145
	Project Less Than \$100,000	649
<u>Hydro Site Specific General (Mainly Telecommunications and Furniture & Equipment)</u>		
<u>Telecommunications</u>		
<u>Regulatory Mandated Project - FCC Mandated Microwave Replacement Project</u>		
5360-166	Replace 2Ghz Microwave Systems with 6 GHz Microwave Equipment	1,503
<u>Other Telecommunications Projects - SCEnet</u>		
5360-174	Network Switching	299
5360-180	Indoor Infrastructure	440
<u>Telecommunications Projects Less Than \$100,000</u>		
	Projects Less Than Under \$100,000	302
<u>Other Site Specific General (mainly Furniture and Equipment)</u>		
	Projects Less Than \$100,000	141
<u>Blanket Work Orders</u>		
1020-0044	MDSS blanket spare parts	443
1320-0044	Mohave blanket spare parts	269
1516-0076	El Segundo blanket lab/test tech. equipment	246
1320-0100	Mohave blanket motors under \$25,000	241

Fossil Maintenance Projects

1413-0394	Alamitos replace main boiler feed pump	447
1330-0780	Four Corners auxiliary steam line	433
1310-8036	Etiwanda replace sootblower	376
1313-4054	Etiwanda replace 8 th stage seals	289
1214-0347	Redondo replace feed pump impeller	232
1214-0981	Redondo 7&8 controls replacement	224
1214-0991	Redondo condensate pump impeller	104
1410-0365	Alamitos 3&4 annunciators	102

Hydro Maintenance Projects

2237-0317	Portal repair fire damage	249
2234-8021	Big Creek 2A replace U-fin cooler	217
2522-8002	Bishop 2 replace excitation	215
2313-0470	Kern 1 upgrade supervisory controls	130
2328-8072	Kern 3 replace powerhouse roof	101

TOTAL **\$11,156**

4.1.2 SCE should not be authorized to recover the costs of Work Order No. 3393-0044, Cool Water Blanket Spare Parts, which is \$1.415 million, through the CTC.

5. SIGNATURE DATE AND TERM OF AGREEMENT

This Agreement shall become binding on the signature date.

6. REGULATORY APPROVAL

The Parties shall use their best efforts to obtain Commission approval of the Agreement. The Parties shall jointly request that the Commission:

(1) approve the Agreement without change; and (2) find the Agreement to be reasonable and in the public interest.

7. COMPROMISE OF DISPUTED CLAIMS

This Agreement represents a compromise of disputed claims between the Parties. The Parties have reached this Agreement after taking into account the possibility that each Party may or may not prevail on any given issue.

The Parties assert that this Agreement is reasonable and in the public interest.

8. **NON PRECEDENT**

Consistent with Rule 51.8 of the Commission's Rules of Practice and Procedure, this Settlement Agreement is not precedential in any other proceeding before this Commission and, in particular, in A.99-04-024, SCE's 1997-98 Capital Additions Application.

9. **PREVIOUS COMMUNICATIONS**

The Agreement contains the entire Agreement and understanding between the Parties as to the subject matter of this Agreement, and supersedes all prior agreements, commitments, representations, and discussions between the Parties. In the event there is any conflict between the terms and scope of the Agreement and the terms and scope of the accompanying joint motion, the Agreement shall govern.

10. **NON WAIVER**

None of the provisions of this Agreement shall be considered waived by any Party unless such waiver is given in writing. The failure of a Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of their rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

11. **EFFECT OF SUBJECT HEADING**

Subject headings in this Agreement are inserted for convenience only, and shall not be construed as interpretations of the text.

12. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California, including Commission decisions, orders and rulings, as if executed and to be performed wholly within the State of California.

13. NUMBER OF ORIGINALS

This Agreement is executed in five counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the Party represented.

SOUTHERN CALIFORNIA EDISON COMPANY

By: Bruce C. Foster
Bruce C. Foster
Vice President

THE UTILITY REFORM NETWORK

By: Robert Finkelstein
Robert Finkelstein
Staff Attorney

Dated August 13, 1999

Appendix A

APPENDIX A

1. DEFINITIONS

- 1 Commission:** The California Public Utilities Commission.
- 2 Competition Transition Charge (CTC):** A surcharge which may not be
bypassed by customers.
- 3 CPUC:** The California Public Utilities Commission.
- 4 SCE:** Southern California Edison Company.
- 5 TURN:** The Utility Reform Network.

(END OF ATTACHMENT A)