

Original

E-15

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3066
December 22, 1987

RESOLUTION

SOUTHERN CALIFORNIA EDISON COMPANY (SCE). ORDER AUTHORIZING BASE RATE ADJUSTMENTS TO REFLECT THE RECOVERY OF NON-DEFERRED REVENUE REQUIREMENTS ASSOCIATED WITH PALO VERDE NUCLEAR GENERATION STATION (Palo Verde) AND TO EFFECT THE TERMINATION OF THE INTERIM MAJOR ADDITIONS ADJUSTMENT CLAUSE (IMAAC) PURSUANT TO PRIOR COMMISSION ACTION.

Advice Letter No. 771-E, filed November 6, 1987

SUMMARY

1. By Advice Letter 771-E, filed November 6, 1987, SCE requests authorization to revise its rate schedules and portions of its Preliminary Statement to reflect rate adjustments and the termination of a rate adjustment clause pursuant to prior Commission action.
2. This filing, as set forth on Cal. P.U.C. Sheets Nos. 9320-E through 9366-E, inclusive, revises SCE's effective base rates by a composite 0.008 cents per kWh rate decrease for a resultant 1988 annualized revenue decrease of \$4.8 million, or approximately 0.09% of the utility's annual gross revenue.
3. The rate adjustments include the transfer of the recovery of the non-deferred revenue requirement associated with Palo Verde Units Nos. 1 and 2 plant investment from the Interim Major Additions Adjustment Clause (IMAAC) to base rates and the termination of the IMAAC.
4. This filing is made pursuant to Decision 86-10-023, as modified by Decision 87-04-034, in OII 85-05-001 and Applications 85-05-144 and 86-02-034 concerning the recovery of costs of owning, operating and maintaining Palo Verde Units 1 and 2, respectively.

DISCUSSION

1. An increase to average base rate levels of 0.064 cents per kWh and an increase to the Authorized Level of Base Rate Revenue is made under the Electric Revenue Adjustment Mechanism (ERAM). The Base Rate Revenue increase of \$41,595,000 reflects the estimated 1988 annualized investment-related revenue requirements of \$162,739,000 for the level of adopted plant investment for Palo Verde Units 1 and 2 and less the second-year

deferral of \$120 million (plus associated franchise fee and uncollectibles) of investment-related revenue requirements for Palo Verde Units 1 and 2. This rate adjustment is made pursuant to the provisions of Decision 86-10-023.

2. The withdrawal of Part L, Interim Additions Adjustment Clause, from the Preliminary Statement, results in the termination of the Interim Major Additions Adjustment Billing Factor (IMAABF) of 0.072 cents per kWh. This reduces the 1988 annualized revenue requirement for base rates by \$46,440,000, assuming a sales forecast of \$64,529.2 GWh, adjusted for employee discounts. This sales forecast is adopted in D.87-12-066 in SCE's Test Year 1988 General Rate Case, Application No. 86-12-047.

3. The development of SCE's annualized 1988 investment-related revenue requirement for Palo Verde Units 1 and 2 is set forth on Attachment A to this Resolution. The calculation is based on the same revenue requirement factors, such as rate of return, net-to-gross multiplier and CPUC jurisdictional allocation factor shown in Decision 87-12-066.

4. In Advice Letter No. 771-E as originally filed, SCE requested base rate revenues of \$49,166,000 for Palo Verde Units 1 and 2. However, that amount was calculated using a return on equity of 13.75%. The revised revenues of \$41,595,000 are based on 12.75% return on equity, as shown in Attachments A and B.

5. The utility requests that this filing become effective for service rendered on and after January 1, 1988, which is more than 40 days after the date of filing and that the average base rate level increase be incorporated into base rate level changes adopted in the Test Year 1988 General Rate Case.

6. No protests have been received in this matter.

FINDINGS

1. We find that the above mentioned rate adjustments are just and reasonable and are required to reflect the termination of the IMAABF as ordered by prior Commission action.

2. We also find that the Base Rate Revenue adopted herein should be incorporated into the revenue requirement in the final rate design adopted in the Decision 87-12-066 in Application 86-12-047.

3. We further find that, in order to promote rate stability and avoid multiple rate revisions, this filing should be made effective concurrent with the effective date authorized by the Decision 87-12-066 in Application 86-12-047 and/or Commission Resolution E-3065, if approved. Therefore:

IT IS ORDERED that:

1. Southern California Edison Company is authorized under Sections 454 and 701 of the Public Utilities Code and under the provisions of Commission Decisions 86-10-023 and 87-04-034 to place the rate revisions described in Advice Letter 771-E, as modified by Attachments A and B, into effect on a date concurrent with the effective date of the rate revision authorized by the Decision 87-12-066 in Application 86-12-047.

2. At a date authorized by Decision 87-12-066 in Application 86-12-047, SCE shall file revised tariff sheets to reflect the rate adjustments approved herein in addition to any rate adjustments ordered by Decision 87-12-066 and/or Commission Resolution E-3065.

3. Such revised tariff sheets shall reflect any modifications in rate design or other rate components as authorized by Decision 87-12-066 and shall become effective (in accordance with the provisions of Section 491 of the Public Utilities Code) on a date specified by Decision 87-12-066.

4. Advice Letter 771-E and the accompanying sheets and/or subsequent revised tariff sheets shall be marked to show that they were approved for filing by Commission Resolution E-3066.

5. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its continued meeting of December 22, 1987. The following Commissioners approved it:

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director

THE NEXT 1

DOCUMENTS

ARE POOR

ORIGINALS

MICROFILMING SERVICES

WILL NOT ASSUME

RESPONSIBILITY FOR THE

IMAGE QUALITY

SOUTHERN CALIFORNIA EDISON COMPANY
PALO VERDE NUCLEAR GENERATING STATION UNITS 1 AND 2

1968 SUMMARY OF EARNINGS

TOTAL EDISON SHARE

(Thousands of Dollars)

| Line No. | Item | As Filed in Advice Ltr. (111-121) | | | |
|----------|---|-----------------------------------|--------------|-----------------|-------------------------|
| | | Total System | Total System | CPUC Juris. 1/1 | Difference Total System |
| | | (11) | (12) | (13) | (14) |
| 1 | TOTAL REVENUE REQUIREMENT | 174,251 | 167,630 | 162,739 | 6,621 |
| 2 | EXPENSES | | | | |
| | Income Taxes | 42,663 | 40,044 | 38,876 | 2,619 |
| 4 | Ad Valorem Taxes | 7,593 | 7,593 | 7,371 | 0 |
| 5 | Depreciation Expense | 26,182 | 26,182 | 25,118 | 0 |
| 6 | Franchise Fees | 1,272 | 1,224 | 1,188 | 48 |
| 7 | Uncollectibles | 373 | 359 | 349 | 14 |
| 8 | TOTAL EXPENSES (Line 3 through Line 7) | 78,083 | 75,402 | 73,202 | 2,681 |
| 9 | NET REVENUE (Line 1 - Line 8) | 96,168 | 92,228 | 89,537 | 3,940 |
| 10 | RATE BASE | 856,352 | 856,352 | 831,364 | 0 |
| 11 | RATE OF RETURN (%) | 11.23% | 10.77% | 10.77% | |
| 17 | Based on CPUC Juris. Allocation Factor of | 97.062% | | | |

SOUTHERN CALIFORNIA EDISON COMPANY
PALO VERDE NUCLEAR GENERATING STATION UNITS 1 AND 2

Calculation of Test Year 1988 Revenue Requirement
(Edison Share, Thousands of Dollars)

| | |
|------------------|--|
| \$ 162,739 | Total revenue requirement at 12.75% ROE |
| - 1,188 | Less franchise fees |
| <u>161,551</u> | |
| - 349 | Less uncollectibles |
| <u>161,202</u> | Amount recoverable by Edison |
| - 120,000 | Less phase-in deferred revenue |
| <u>41,202</u> | |
| + 393 | Franchise fees & uncollectibles, at 0.953% |
| <u>\$ 41,595</u> | Base Rate Revenues |

Thus franchise fees and uncollectibles associated with phase-in deferred revenues should be included when those deferrals are recovered.